

CHAIRWOMAN
Dianne Martin

COMMISSIONER
Kathryn M. Bailey

EXECUTIVE DIRECTOR
Debra A. Howland



TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-2431

Website:
www.puc.nh.gov

PUBLIC UTILITIES COMMISSION

21 S. Fruit St., Suite 10
Concord, N.H. 03301-2429

December 11, 2020

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

RE: DW 20-157 Pennichuck Water Works, Inc.
Petition for Approval of Bond and Fixed Asset Line of Credit Financing
Staff Recommendation for Approval of Fixed Asset Line of Credit and Protective
Treatment-**REDACTED VERSION**

Dear Ms. Howland:

The purpose of this letter is to provide Staff's recommendation regarding the Fixed Asset Line of Credit Renewal component of Pennichuck Water Works, Inc.'s petition for financing. Staff recommends the Commission approve PWW's request to (1) renew its Line of Credit with TD Bank, NA, and (2) increase the borrowing capacity of the Line of Credit from \$10 million to \$12 million. Staff also recommends the Commission grant the Company's motion for protective order and confidential treatment of the Term Sheets, Revolving Note, Loan Agreement, and Stock Pledge Agreement submitted by PWW in this docket.

Procedural Background

On September 24, 2020, Pennichuck Water Works, Inc. (PWW or the Company) filed a petition, pursuant to RSA 369:1-4, requesting authority to issue long-term debt (Petition). Specifically, the Company requested approval to (1) renew and increase the borrowing capacity, from \$10 million to \$12 million, of its Fixed Asset Line of Credit (Line of Credit) with TD Bank, NA (TD Bank or Bank) (Line of Credit Renewal), and (2) issue up to \$57.5 million, in the aggregate, of tax-exempt bonds, taxable bonds, and/or Bond Anticipation Notes (BANs) (collectively, Bond Financing). The Petition was accompanied by the direct testimony of PWW's Chief Executive Officer Larry D. Goodhue, supporting financial schedules, financing authorizations from the boards of directors of PWW and Pennichuck Corporation (Penn Corp), PWW's parent, and a request to the City of Nashua (City), Penn Corp's sole shareholder, for financing authorization. PWW also filed a motion for protective order and confidential treatment (Motion for Confidentiality) of TD Bank term sheets for both the Line of Credit Renewal and the Bond Financing, in accordance with N.H. Admin. Rule Puc 203.08.

On October 14, 2020, PWW filed a motion to bifurcate the Line of Credit Renewal and Bond Financing approvals (Motion to Bifurcate). PWW stated that the Line of Credit Renewal component of the Petition was of a more time-sensitive nature than the Bond Financing component. The Company explained that authorization for the Line of Credit Renewal is needed before December 31, 2020, which is the expiration date of the currently effective Line of Credit (Current Line of Credit), so that the Company has short-term financing in place for 2021. The Company, therefore, requested that the Commission consider the two financing components separately, giving priority to the Line of Credit Renewal.

On November 6, 2020, a pre-hearing conference was held, during which the Commission granted PWW's Motion to Bifurcate. On November 18, PWW filed a copy of the City's authorization for PWW to proceed with the financing. Over the course of the proceeding, two technical sessions were held and PWW responded to three sets of data requests. Copies of certain loan documents were provided as part of PWW's responses, which the Company requested be included in its Motion for Confidentiality.

On November 19, 2020, PWW filed a supplemental motion for protective order and confidential treatment. The next day, the Company filed an amended supplemental motion for protective order and confidential treatment.

Fixed Asset Line of Credit (Line of Credit) Renewal

PWW requests approval for (1) renewal of the Line of Credit with an expiration date of June 30, 2023, and (2) a \$2 million increase to the borrowing capacity of the Line of Credit, from \$10 million to \$12 million.

In his testimony, Mr. Goodhue stated the Line of Credit "...will continue to be used to provide for short-term financing of capital projects..." and that, annually, the Line of Credit "...will be fully paid off and converted to long term debt in support of the Company's Qualified Capital Project Adjustment Charge (QCPAC)¹... process."²

Mr. Goodhue said the Current Line of Credit³ "has been used exclusively to fund the cash flow needs associated with capital projects during each calendar year..." and that it has been "...repaid in its entirety annually with the issuance of tax-exempt bonds, taxable bonds, or BANs in conformity with the annual QCPAC process for used and useful projects each calendar year."⁴

The Petition states that the request for the increase from \$10 million to \$12 million is to allow for the increase in project costs because of inflation and to account for

¹ PWW's QCPAC was approved in Order No. 26,070, issued on November 7, 2017 in Docket No. DW 16-806.

² Petition at 14.

³ PWW's initial (and current) Line of Credit was approved in Order No. 26,101, issued on February 2, 2018 in Docket No. 17-183.

⁴ Petition at 23.

capitalized interest on the Line of Credit itself. Because the balance includes capitalized interest, Mr. Goodhue explained, the current, \$10 million Line of Credit can only provide approximately \$9.5 million of funding capacity for capital projects.

In response to a Staff inquiry, Mr. Goodhue elaborated upon PWV's basis for seeking the increase to the Line of Credit's borrowing capacity.⁵ Mr. Goodhue referenced the Boston-Cambridge-Newton, CPI, which, he said, shows that the annual inflation rate for all goods and services in the local region varied from 0.5% to 3.5%, approximately, during the three-year period ending September 2020.

Mr. Goodhue also showed how economic forces could affect the cost of PWV projects using the following questions, which one might ask during project planning.

- *How many qualified contractors are available to bid on respective projects?*
- *How busy is the construction industry and does the supply versus demand of those contractors cause pricing to elevate?*
- *How do things like COVID-19, trade embargoes, and overall economic pressures, affect the pricing and accessibility of needed materials and resources?*⁶

In his response, Mr. Goodhue pointed to technological and regulatory developments, as well as unforeseen environmental issues, as factors that increase the need for a greater Line of Credit amount. As an example, he highlighted those factors by discussing PWV's planned annual spending of \$.5 million, from 2023 to 2025, to replace granulated active carbon in filter beds at its Nashua water treatment plant and stated:

“...the degradation of the carbon and its ability to filter PFAS, as well as other elements from the water, in accordance with current and evolving NHDES and EPA standards, may cause the filter beds to have to be replaced more frequently or at a higher cost. Costs are also dependent upon changing regulations, break-through of the treatment media's ability to remove elements from the raw water, [and] the impact of drought conditions on the raw water... that may change the cost of the carbon upon change out.”⁷

According to Mr. Goodhue, QCPAC costs may fluctuate during the term of the Line of Credit, and “it is vitally important to note that... capital project needs in 2021 are nearly \$12 million in just that year alone.”⁸ Mr. Goodhue emphasized that all capital projects are funded only by debt, and for this reason “...it is absolutely imperative the Line of Credit have a capacity limit [t]hat can and will meet the annual project needs for

⁵ PWV response to Staff 1-10.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

any given year during the term of the Line of Credit...”⁹ Mr. Goodhue recapitulated the factors supporting PWW’s request to increase the Line of Credit borrowing capacity as follows:

- The ability to cover the funds needed for capitalized interest, which are inclusive in the borrowed funds under the [Line of Credit].
- The ability to have sufficient capacity to encompass elevated costs of projects, for the factors cited above, which can be out of the Company’s control in bidding and granting certain necessary capital improvements.
- The ability to have sufficient capacity during any calendar year within the multi-year term of the facility, should capital requirements to meet evolving NHDES and EPA water quality regulations, which may give rise to material capital expenditures in a given year (while still allowing for necessary infrastructure replacements needed each year).
- The ability to have capacity for other “one off” large capital projects within a given year, in spite of ongoing necessary “run-rate” capital expenditures. (The Company provided, as an example, the impending replacement of the Kessler Farm Tank, in 2021, at an estimated cost for that project by itself of approximately \$3.2 million).¹⁰

In his testimony, Mr. Goodhue discussed the Line of Credit’s terms and conditions, stating that the term of the Current Line of Credit is set to expire on December 31, 2020. In the Petition, PWW states that, if approved, the renewed Line of Credit would become effective prior to the end of 2020 and expire on June 30, 2023, giving it a term of two and a half years.

The Petition states that the renewed Line of Credit will have a first security interest in the accounts receivable and inventory of PWW, as well as a pledge of PWW’s stock, owned by Penn Corp. Mr. Goodhue added that the renewed Line of Credit will also have an assignment of rights under the Pennichuck companies’ Money Pool¹¹ Agreement and Cost Sharing Agreement,¹² and will be cross-defaulted with all debt obligations of PWW as well as Penn Corp’s \$4 million working capital line of credit with TD Bank. During a technical session, the Company stated and confirmed that only the rights of PWW with regard to the Money Pool Agreement and Cost Sharing Agreement are being assigned.

⁹ Ibid.

¹⁰ Ibid.

¹¹ The Money Pool is an investment/financing facility through which holding company Penn Corp and its subsidiaries, including PWW, and sister companies Pennichuck East Utility, Inc. and Pittsfield Aqueduct Corporation, Inc., can either borrow or invest funds on a short-term basis.

¹² The Cost Sharing Agreement defines how charges for facilities and services provided by PWW are determined and applied to Penn Corp and PWW’s sister companies, including Pennichuck East Utility, Inc. and Pittsfield Aqueduct Corporation, Inc..

Mr. Goodhue stated that financial covenants for the renewed Line of Credit will be the same as those for the Bond Issuance, with the additional covenant that PWW must maintain an S&P bond rating of at least 'BBB+' to access the Line of Credit. PWW attested, during a technical session held on November 6, that it currently has an 'A' S&P bond rating. Mr. Goodhue stated that the renewed Line of Credit would be subject to an annual review by TD Bank in accordance with the Bank's customary business practices.

According to Mr. Goodhue, interest on the renewed Line of Credit will be equal to the 30-day LIBOR¹³ rate plus 1.75%, which is the same as that of the Current Line of Credit. Because it has been widely reported that LIBOR will no longer be used after December 31, 2021, Staff inquired of PWW regarding the benchmark rate that would be used after its discontinuance. The Company responded that this has not yet been determined, but that the Bank "indicated that whatever benchmark will eventually be selected to replace the LIBOR rate, will be a rate with near equivalent financial impact and near equivalent stability."¹⁴

Mr. Goodhue discussed the cost of issuance of the Line of Credit, stating that at closing PWW will incur one-time commitment and upfront renewal fees from TD Bank of \$3,500 and \$10,000, respectively. In addition, he said PWW would be subject to the costs of both its own and the Bank's legal counsel. Mr. Goodhue stated that total issuance costs will range between \$15,000 and \$30,000 and would be amortized over the renewed Line of Credit's two-and-a-half-year term.

In his testimony, Mr. Goodhue described the various approvals required, as well as provided the status of those approvals, and gave a timeline of events that had to occur in order for the closing of the renewed Line of Credit to take place by the end of 2020. He said that, in addition to the approval of the Commission, renewal of the Line of Credit also requires the approval of the boards of directors of PWW and Penn Corp, as well as authorization by the City of Nashua. Mr. Goodhue reported that the boards of both PWW and Penn Corp have granted preliminary approval for the financing and provided authorization for management to pursue all steps necessary to complete the transaction.¹⁵ Further, Penn Corp's board will also approve the final structure and terms of the financing, as well as other material documents and agreements when those documents are finalized. Additionally, on November 18, 2020, PWW filed a copy of the City of Nashua's authorization for PWW to enter the renewal of the Line of Credit with TD Bank, borrow up to \$12 million on that Line, and issue up to a total of \$57.5 million in aggregate principal amount of bonds.

As to the Commission's approval, PWW respectfully requested the Commission issue an order approving the renewed Line of Credit with sufficient time to close on it prior to the end of 2020. Mr. Goodhue stated that as the Line of Credit is used to fund capital projects as Construction Work in Progress during the calendar year, timing is

¹³ Per <https://www.bankrate.com/rates/interest-rates/1-month-libor.aspx>, the 30-day LIBOR as of the date of this correspondence is 0.15%.

¹⁴ PWW response to Staff 1-1.

¹⁵ Copies of the approval actions can be found at Petition 52-54.

especially important, as the Current Line of Credit is set to expire on December 31, 2020. The Petition stated that, if approved, the renewed Line of Credit documents setting forth the exact terms and conditions will be prepared, and PWW will provide a copy of the finalized and executed loan documents to the Commission.

PWW summarized its petition by requesting that it be granted authority to renew and to increase, from \$10 million to \$12 million, the annual borrowing capacity of the Line of Credit, and the Commission provide approval in time to close on the renewed Line of Credit prior to the end of 2020.

Motion for Protective Order and Confidential Treatment

On September 24, 2020, PWW filed, along with the Petition, a motion for protective order and confidential treatment pursuant to N.H. Admin. Rule Puc 203.08(a). On November 19, 2020, PWW filed a supplemental motion for protective order and confidential treatment and, on November 20, 2020, the Company filed an amended supplemental motion for protective order and confidential treatment (collectively, Motion for Confidentiality). The Motion for Confidentiality pertains to copies of PWW and TD Bank financing documents as follows: (1) Term Sheets for the renewed Line of Credit and the Bond Issuance; (2) a Revolving Note, which contains the terms and conditions of the Current Line of Credit; (3) the Loan Agreement referenced in the Revolving Note; and (4) the Stock Pledge Agreement referenced in the Loan Agreement.

The Company states that it is seeking to exempt this information from public disclosure because it qualifies as "confidential, commercial, or financial information," consistent with RSA 91-A:5, IV. The Company's motion explains that the referenced financing documents contain terms and conditions that remain subject to negotiation and have not been finalized. Further, TD Bank has provided this documentation to PWW with the specific request that it remain confidential. PWW argues, therefore, that it is in the public interest to allow for the negotiations between itself and TD Bank to occur in a manner that is consistent with the Bank's explicitly stated procedure and practice because an inability to do such may negatively affect PWW's ability to negotiate with potential lenders in the future.

Staff Analysis

Line of Credit Renewal

Pursuant to RSA 369:1, public utilities engaged in business in this state may issue evidence of indebtedness payable more than 12 months after the date thereof only if the Commission finds the proposed issuance to be "consistent with the public good." Analysis of the public good involves looking beyond the actual terms of the proposed financing to the use of the funds and the effect on rates to ensure the public good is protected. *Appeal of Easton*, 125 N.H. 205, 211 (1984). "[C]ertain financing related circumstances are routine, calling for more limited Commission review of the purposes and impacts of the financing, while other requests may be at the opposite end of the

spectrum, calling for vastly greater exploration of the intended uses and impacts of the proposed financing.” *Lakes Region Water Company, Inc.*, Order No. 25,753 (January 13, 2015) at 4-5, citing *Public Service Company of NH*, Order No. 25,050, 94 NH PUC 691, 699 (2009).

Staff, however, maintains that the Line of Credit Renewal is a routine financing. *See Pennichuck Water Works, Inc.*, Order No. 26,247 at 4 (May 3, 2019) (a routine request is one that “will have no discernable impact on rates or deleterious effect on capitalization, [and] in which the funds are to enable ... investments appropriate in the ordinary course of utility operations).” First, Staff calculated that the renewed Line of Credit, if in the extremely improbable circumstance that it is fully withdrawn and not repaid for two and a half years, will have minimal impact on customer rates (an estimated \$1.77, or 1.92%, increase in the average customer’s monthly bill). That, in and of itself, is minimal enough to be considered an indiscernible impact on rates.

Second, Staff maintains that the renewed Line of Credit will likely never impact customer rates in a future rate case as the Company will annually replace amounts borrowed on the Line of Credit with long-term financing as part of the QCPAC process. Replacement of the Line of Credit debt with long-term financing is crucial for PWW’s ability to request yearly recovery through the QCPAC. Further, the Company’s all-debt capital structure requires an annual rate increase in rates through the QCPAC in order to provide adequate cash coverage to be solvent. Staff believes that the likelihood of PWW not replacing the Line of Credit balance yearly to long-term debt is extremely unlikely under its present rate structure. Thus, while not mandatory per the language of the Line of Credit agreement, the Company’s present rate structure necessitates conversion of amounts on its Line of Credit to long-term debt annually in order to maintain solvency in accordance with its approved rate structure.

As such, and consistent with PWW’s all-debt structure and the Commission’s prior finding that the Current Line of Credit financing was routine, Staff reviews this request as a routine financing. *See Pennichuck Water Works, Inc.*, Order 26,121 at 5 (April 20, 2018) (finding that the Current Line of Credit routine).

In regards to the increase in the borrowing capacity of the proposed Line of Credit from \$10 million to \$12 million, Staff finds that the increase is warranted based on the reasons described by PWW. Specifically, the additional \$2 million added to the Line of Credit will provide PWW additional flexibility to respond to inflationary costs, increases in bid costs, regulatory compliance requirements, and other contingencies.

After review, Staff finds that the proposed terms and conditions of the proposed Line of Credit Renewal are, in all material respects, substantially similar, or the same, as the previously authorized Line of Credit. *See Order No. 26,121* (\$10 million, two-year term, interest rate based on 30-day LIBOR plus 1.75%). Further, Staff agrees that the Line of Credit is an essential part of the Company’s currently authorized rate structure and QCPAC mechanism.

Staff contends that the Line of Credit allows PWW to fulfill its duty to provide safe and adequate water service in accordance with RSA 374:1 as the proceeds are used for necessary capital investments when other sources of funds, (e.g., SRF and DWGTF financing, internal cash) are not available. Staff also recognizes the utility of the Line of Credit as it provides an immediate source of funds for capital improvements without the lag of regulatory approval for each expenditure. Staff concludes that PWW has demonstrated that the proposed Line of Credit renewal is appropriate, and that the financing is consistent with the public good and should be authorized, pursuant to RSA 369:1 and RSA 369:4. Furthermore, Staff concludes that renewal of the Line of Credit is consistent with PWW's duty to provide safe and adequate water service, per RSA 374:1, and allows the Company to continue making investments in the ordinary course of utility service. Therefore, Staff recommends the Commission approve the renewal of the Line of Credit for a two-and-a-half year term and issue an order prior to the expiration date of the Current Line of Credit of December 31, 2020.

Motion for Protective Order and Confidential Treatment of Lending Terms

The Commission applies a three-step balancing test to determine whether documents should be kept from disclosure as “confidential, commercial, or financial information” under RSA 91A:5, IV. Pennichuck East Utility, Inc., Order No. 26,418 at 12 (October 29, 2020) (citing *Northern Utilities, Inc.*, Order No. 25,700 at 6 (August 1, 2014) and *Lambert v. Belknap County Convention*, 157 N.H. 375, 382-83 (2008)). Applying this test, the Commission first inquires whether the information involves a privacy interest and then asks if there is a public interest in disclosure. *Id.* at 7. Finally, the Commission must balance “those competing interests and decide whether disclosure is appropriate.” *Id.* (citing *Lambert*, 157 N.H. at 383).

Staff supports and recommends that the Commission grant PWW's Motion for Confidentiality. Staff agrees with the Company's concerns that disclosure of the terms and conditions contained in the Term Sheets, Revolving Note, Loan Agreement, and Stock Pledge Agreement may cause harm to PWW's ability to negotiate effectively with lenders relative to future debt financings, resulting in a competitive disadvantage. Given PWW's current dependence on debt financing to fund all of its capital improvement and working capital needs, such could have a detrimental impact not only on the Company, but on its customers as well. Staff, lastly, does not know of any public interest in disclosing the terms and conditions of the documents PWW requests a protective order and confidential treatment.

If you have any questions concerning this matter, please do not hesitate to contact me.

Sincerely,

/s/ *David Goyette*

David Goyette
Utility Analyst III, Gas-Water Division

Attachments: PWW Data Responses

cc: Service List

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 10/28/20
Request No. Staff 1-1

Date of Response: 11/9/20
Witness: Larry D. Goodhue

REQUEST: Regarding Petition, p. 4, para. 11.

The petition indicates that a LIBOR rate will be used as the benchmark to determine the interest rate on the proposed fixed asset line of credit (Renewed FALOC). What will be the benchmark used to determine the rate on the Renewed FALOC after LIBOR is discontinued on December 31, 2021?

RESPONSE:

The bank has not yet determined what benchmark will be used at that time, as the current international banking impacts of COVID-19 continue to evolve. In discussions with the bank, they have indicated that whatever benchmark will eventually be selected to replace the LIBOR rate, will be a rate with near equivalent financial impact and near equivalent stability.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 10/28/20
Request No. Staff 1-2

Date of Response: 11/9/20
Witness: Larry D. Goodhue

REQUEST: Please provide the live Excel version of any spreadsheet, with all formulas intact, of any schedules submitted in PWW's initial filing, as well as for subsequent filings and responses to data requests, in this docket.

RESPONSE:

Live Excel versions of filed schedules are attached as LDG 1-2 and LDG 3.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 10/28/20
Request No. Staff 1-3

Date of Response: 11/9/20
Witness: Larry D. Goodhue

REQUEST: Please indicate the projected impact of the Renewed FALOC on subsequent customer rates and, also, provide a supporting schedule which shows the calculation of the projected impact.

RESPONSE:

The FALOC itself does not have an impact on customer rates, other than the capitalized interest during the year as money is drawn down and included in the annual bonding event to pay-off the FALOC to zero each year by April 30, replacing it with 30-year bonds. The actual cost of this interest is variable, as it would depend upon the amounts drawn within the year, and the time in the year for which they are drawn (as the interest is calculated monthly based upon the average balance outstanding on the line for that month). Additionally, as the Company is awaiting the final rate order under DW 19-084, the actual impact on customer rates cannot be finally determined, as the impact of this forward-looking calculation will be applied to those new permanent rates, once ordered and approved by the Commission. As an overall macro calculation, if a renewed FALOC at \$12 million was fully drawn down to a level of \$11.5 million, ratably during the year (allowing for capacity under the FALOC cap for capitalized interest), at an interest rate of approximately 2%, the capitalized cost of interest each year would be:

$\$11,500,000 \times .02 \times 50\% = \$115,000$ of capitalized interest

This \$115,000 each year as included in the annual bond issuance, for 30 years at 5%, would result in a debt service includable in rates under the DSRR 1.0 component of rates of approximately \$7,500 per annum.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 10/28/20
Request No. Staff 1-4

Date of Response: 11/9/20
Witness: Larry D. Goodhue

REQUEST: Please provide a copy of the currently effective Money Pool Agreement between and among the Pennichuck companies.

RESPONSE:

A copy of the Money Pool Agreement between and among the Pennichuck companies is attached as LDG 4.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 10/28/20
Request No. Staff 1-5

Date of Response: 11/9/20
Witness: Larry D. Goodhue

REQUEST: Regarding Pennichuck Corporation's (Penn Corp) currently effective senior credit facility and/or any other loans, lines of credit, or other funding arrangements with terms of less than ten years, (1) please identify, (2) explain, and (3) cite evidence of Commission approval for any cross-default mechanism that would apply down from a debt at Penn Corp and/or its other subsidiaries into PWW through which a default on the debt external to PWW would trigger a default on the Renewed FALOC or the proposed \$57.5 million loan.

RESPONSE:

The existing Pennichuck Corporation Line of Credit has no cross-default mechanism that would apply down from a debt at Penn Corp and/or its other subsidiaries into PWW, through which a default on the debt external to PWW would trigger a default on the renewed FALOC, or the proposed \$57.5 million bond issuance plan of financing. TD Bank, the lender under the Pennichuck Corporation Line of Credit, had originally requested cross-defaults between PWW and Pennichuck Corporation when the current Line of Credit was proposed in 2017. This request was modified by TD Bank in a letter to PWW dated January 30, 2018, in which TD Bank stated, "The modification would specify that the cross-default would in essence be a unilateral mechanism, such that a default on the FALOC would cause a default up to the Pennichuck Corporation Revolver, but would not have a cross-default mechanism which would apply down from the other proposed debt facilities at Pennichuck Corporation and/or its other subsidiaries, into PWW, and therefore a default in any debt facility to be provided by TD Bank, outside PWW, would not trigger a default on the facility proposed to PWW."

This letter was provided to the Commission on February 2, 2018 as an update to PWW's Financing Petition DW 17-183. That Petition was approved by the Commission in Order No. 26,121 (April 20, 2018).

Pennichuck Corporation has no other loans, lines of credit, or other funding arrangements of less than ten years that is applicable to this request.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 10/28/20
Request No. Staff 1-6

Date of Response: 11/9/20
Witness: Larry D. Goodhue

REQUEST: Please provide a copy of the currently effective Cost Allocation and Services Agreement between and among the Pennichuck companies.

RESPONSE:

A copy of the currently effective Cost Allocation and Services Agreement is attached hereto as LDG 5.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 10/28/20
Request No. Staff 1-7

Date of Response: 11/9/20
Witness: Larry D. Goodhue

REQUEST: Could a default or a violation of covenants by Penn Corp on any of its loan or credit obligations result in a partial or full transfer of Penn Corp's ownership rights in PWW? If so, please describe all scenarios under which this could occur and fully explain.

RESPONSE:

A default or a violation of covenants by Penn Corp on any of its loan obligations could result in a partial or full transfer of Penn Corp's ownership rights in PWW. Pursuant to a Pledge Agreement entered into in connection with the Line-of-Credit, Penn Corp has pledged to TD Bank the stock in all of Penn Corp's subsidiaries, including PWW. If Penn Corp defaults on any of its obligations under the Line-of-Credit, TD Bank has the right to take title to the stock of PWW. See *Bates Page 46* of PWW Petition for Bond Financing and Fixed Asset Line of Credit, Docket No 20-157, Confidential Filing. However, any such title transfer of the stock owned by Penn Corp, would be subject to review and approval by the Commission, as was required in docket DW 11-026, when the City of Nashua acquired the outstanding stock of Penn Corp from its publicly traded shareholders. The underlying standard for approving the acquisition of a parent company of a public utility is set forth in RSA 369:8, II (b) (requiring no adverse effect on rates, terms, service, or operation of the utility). Transfers and acquisitions involving public utilities are governed by RSA 374:30 (requiring a finding that the transfer of a public utility's "franchise, works or system" serves the "public good"), and RSA 374:33 (requiring the acquisition of ownership of a public utility be lawful, proper, and in the public interest). See *Page 39* of Order No. 25,293, docket DW 11-026, Order No. 25,292, at 39.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 10/28/20
Request No. Staff 1-8

Date of Response: 11/9/20
Witness: Larry D. Goodhue

REQUEST: Please indicate if the final version of the term sheet for PWW's Current FALOC is the same as the term sheet included with PWW's initially filed petition in DW 17-183 (Bates 51-56). If not, please provide a copy of the final term sheet for the Current FALOC.

RESPONSE:

Attached is a copy of the final term sheet for the final and expiring FALOC as LDG 6. The terms are essentially the same between that term sheet and the current one, with the following exceptions:

- The overall value being increased from \$10 million to \$12 million
- The termination date of the facility being extended from the current maturity date (plus temporary extension granted to 12/31/2020, to facility the approval of the new FALOC)
- The implementation of the assignment of the rights under the Money Pool and Cost Allocation Agreements, which was required by the bank in order to continue to provide access to this necessary line of credit to facilitate capital projects and infrastructure improvements annually, to the long term benefit of customers. This assignment was vetted by our attorneys and in essence does not give the bank any rights greater than already in place, but the inclusion of them allowed for the bank's representatives to garner internal credit approval to offer the renewal and extension. It is important to note that this FALOC, and its overall terms, are already materially different from normal bank lending requirements in offering credit to a Company such as ours, including modified and greatly reduced financial covenants.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 10/28/20
Request No. Staff 1-9

Date of Response: 11/9/20
Witness: Larry D. Goodhue

REQUEST: Regarding the security requirement section of the Term Sheet (Bates 46) of the Renewed FALOC:

- a) Please highlight and explain all changes (if any) in the security requirement section of the term sheet of the Renewed FALOC with that of the Current FALOC.
- b) Please indicate whether each of the following is required as collateral for the Current FALOC by TD Bank, NA (TD Bank). If not required for the Current FALOC, please explain why TD Bank requires this as collateral for the Renewed FALOC.
 - a. A pledge of the stock of all subsidiaries of Penn Corp, including that of Pennichuck East Utilities (PEU) and Pittsfield Aqueduct Company (PAC).
 - b. Assignment of the Money Pool Agreement, under which principal and interest obligations could be payable to PWW, PEU, and/or PAC.
 - c. Assignment of the Cost Sharing Agreement, under which intracompany receivable obligations could be payable to PWW, PEU, and/or PAC.

RESPONSE:

- a) Please refer to response to 1-8 preceding, as to changes.
- b) The pledge of stock already existed in the current FALOC for PWW, the assignment of rights under the Money Pool Agreement and Cost Sharing Agreement are new under the renewal and extension of the FALOC. As all cash is already required to be swept to the parent Company's bank account on a daily basis (other than all of the restricted cash accounts for the CBFRR, DSRR, and OERR, including the respective RSF accounts that backstop those accounts), the addition of this requirement does not constitute a change to the currently existing terms with the bank. These requirements have been required by the bank, in lieu of granting guarantees between the entities, for which the Commission Staff was opposed to allowing when the facility was established in 2017. It is important to note that the functionality of the sister subsidiaries of PWW are totally dependent upon the usage and access to personnel and fleet assets of PWW for their operations, and the transfer of those costs are accomplished thru the Cost Sharing Agreement.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 10/28/20
Request No. Staff 1-10

Date of Response: 11/9/20
Witness: Larry D. Goodhue

REQUEST: Refer to the Petition, para. 8 (Bates 4), which states:

“The increase from \$10 million to \$12 million is requested to allow for increases in project costs due to such factors as inflation as well as to account for capitalized [interest]ed on the FALOC.”

- c) From the date of the approval of the Current FALOC in Order No. 26,121, April 20, 2018, through the date of the initial filing of the Renewed FALOC, September 24, 2020, what has been the annual rate of inflation, roughly, applicable to PWW’s QCPAC-related capital projects?

Please indicate if there are any other factors (besides inflation and capitalized interest coverage) that contribute to the proposed \$2 million increase in the amount of the Proposed FALOC from that of the Current FALOC. If so, please identify those factors.

RESPONSE:

In referencing the “Boston-Cambridge-Newton, CPI, from September 2017 through September 2020,” the inflation rate for our region has been varying between approximately 0.5% and 3.5%. This rate of inflation is for all items factored in for the regional economy. There is not specifically a rate of inflation that impacts capital projects. As it pertains to the Company and the cost of capital projects, all of which are funded by debt, rather many other factors influence the cost of projects and the debt needed to fund them, including but not limited to:

- a) How many qualified contractors are available to bid on respective projects;
- b) How busy is the construction industry and does the supply versus demand of those contractors cause pricing to elevate;
- c) How do things like COVID-19, trade embargoes, and overall economic pressures, affect the pricing and accessibility of needed materials and resources.

The need for the elevation in the overall limit of the FALOC from \$10 million to \$12 million is primarily due to:

- a) The ability to cover the funds needed for capitalized interest, which are inclusive in the borrowed funds under the FALOC;

- b) The ability to have sufficient capacity to encompass elevated costs of projects, for the factors cited above, which can be out of the Company’s control in bidding and granting certain necessary capital improvements;
- c) The ability to have sufficient capacity during any calendar year within the multi-year term of the facility, should capital requirements to meet evolving NHDES and EPA water quality regulations, which may give rise to material capital expenditures in a given year (while still allowing for necessary infrastructure replacements needed each year), and;
- d) The ability to have capacity for other “one off” large capital projects within a given year, in spite of ongoing necessary “run-rate” capital expenditures. An example of this is the impending replacement of the Kessler Farm Tank in 2021 at an estimated cost for that project by itself of approximately \$3.2 million.

This requested FALOC would cover a five (5) year term and during the course of the proposed term Qualified Capital Project costs may fluctuate; therefore, the additional \$2 million for the FALOC will provide PWW additional flexibility to respond to inflationary costs, increases in bid costs, regulatory compliance requirements and other contingencies, as described above. It is very important to note that all capital projects for the Company are:

- a) Subject to full review and inclusion in the Company’s annual QCPAC filings, as well as the quarterly updates provided during the pendency of any year;
- b) The Company expends funds on capital projects to repair or replace infrastructure and capital needs in its existing service and franchise areas, only, and does not spend funds on capital projects outside of those areas;
- c) Capital projects are done to fully comply with NHDES and EPA regulations and requirements, and/or to maintain a proper level of functionality of its capital assets, to the direct and indirect benefit of the Company’s customers, and;
- d) Any funds drawn on the FALOC must be within the “capped level” of that facility, and are subject to full repayment each year by April 30, in the year following the calendar for which all capital projects for the preceding calendar year must be used and useful, and must obtain full coverage under the QCPAC in order to convert the FALOC borrowings to bonded debt with semi-annual debt service obligations associated with those issuances.

As such, ultimately these capital projects are reviewed and approved by the Commission through the annual PWW QCPAC review process. And, as all capital projects are debt funded, and have no other source of funding for them, it is absolutely imperative the FALOC have a capacity limit what can and will meet the annual project needs for any given year during the term of the FALOC being in existence. That being said, it is vitally important to note the following:

- a) In the overall borrowing capacity for capital projects for the 5-year plan of financing, capital project needs in 2021 are nearly \$12 million for that year alone, primarily because of the fact that in addition to normal “run rate” capital projects for the ongoing replacement of aging infrastructure in the year, such as the planned replacement of the Kessler Farm Tank at a cost of approximately \$3.8 million;
- b) As a tangible and current example of either inflationary pressures or “supply vs demand” availability of eligible and fully qualified vendors or contractors to complete capital projects:

- i. The Kessler Farm Tank by itself was originally estimated to cost approximately \$3.2 million (based upon current and historical data and full engineering estimates), but with the bid opening this past week, the low bidder was approximately \$3.8 million;
- c) In our 5-year plan of financing, approximately \$1.5 million is planned for the years 2023-2025, at \$.5 million each year to replace the granulated active carbon in the filter beds at the Water Treatment Plant in Nashua, which serves customers in that City and several surrounding communities. These estimated media changes are scheduled for that timing and cost using estimated known metrics and variables at this time. However, the degradation of the carbon and its ability to filter PFAS, as well as other elements from the water, in accordance with current and evolving NHDES and EPA standards, may cause the filter beds to have to be replaced more frequently or at a higher cost. Costs are also dependent upon changing regulations, break-through of the treatment media's ability to remove elements from the raw water, the impact of drought conditions on the raw water, and economic forces that may change the cost of the carbon upon change out, and;
- d) Within the next 3 years of capital plans includes upgrades to three of the Company's dams, to remain in compliancy with regulatory requirements which have elevated the standards for which those impoundments operate. These projects amount to approximately \$2.8 million of required capital projects in 2021 and 2022, over and above normal "run rate" capital projects.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 1

Date Request Received: 10/28/20
Request No. Staff 1-11

Date of Response: 11/9/20
Witness: Larry D. Goodhue

REQUEST: Please provide a copy of those sections of the Loan and Trust Agreement cited in the testimony of Mr. Goodhue, directly at p. 12, ln. 10 (Bates 22) and indirectly at p. 13, lns. 11-12 (Bates 23), with the referenced covenants either highlighted, underlined, or in some other way clearly denoted.

RESPONSE:

An MS WORD version of the Loan and Trust Agreement from the 2014 Bond issuance is attached as Exhibit LDG 7 to this response. The text related to the covenants is included on page 25 of this document. The covenants included therein are consistent with the covenant requirements for the existing and new FALOC. The Company negotiated diligently with the bank to adopt covenants that were equivalent to the bond covenants for two basic reasons:

- a) The covenants for the bonds were established to allow for sufficient “headroom” on those covenants, such that the Company could fully and routinely comply with them in their operating results between permanent rate cases, and
- b) The bond covenants were much less onerous than what would normally be required by the bank, for which the Company asserted would not be acceptable or achievable, and would be overly onerous on the Company, its ratepayers, and in contradiction to the covenants for the bonds issued, which constitute the basis for the vast majority of debt funding by the Company for its fixed assets.

MONEY POOL AGREEMENT

This Money Pool Agreement (the "Agreement") is made and entered into effective as of January 1, 2006 by and among Pennichuck Corporation ("Parent"), Pennichuck Water Service Corporation ("PWSC"), Pennichuck East Utility, Inc. ("PEU"), Pittsfield Aqueduct Company, Inc. ("PAC"), Pennichuck Water Works, Inc. ("PWW") and The Southwood Corporation ("Southwood"), each of which is a New Hampshire corporation (each a "Party" and, collectively, the "Parties").

WITNESSETH:

WHEREAS, the Parties desire to establish a money pool (the "Money Pool") to coordinate and provide for certain of their short-term cash and working capital requirements; and

WHEREAS, each of the Parties may from time to time have a need to borrow funds on a short-term basis, and each of the Parties may from time to time have funds available to loan on a short-term basis.

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants and provisions contained herein, the Parties agree as follows:

Article 1 CONTRIBUTIONS AND BORROWINGS

1.1 Contributions to Money Pool.

Subject to applicable regulatory restrictions, if any, each Party will determine each day, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion, the amount of funds it has available for contribution to the Money Pool, and will contribute such funds to the Money Pool. The determination of whether a Party at any time has surplus funds to lend to the Money Pool or shall lend funds to the Money Pool will be made by such Party's chief financial officer or treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion.

Each Party may withdraw any of its funds at any time upon notice to the Parent as administrative agent of the Money Pool.

1.2 Rights to Borrow.

Subject to the provisions of Section 1.04(c) of this Agreement, short-term borrowing needs of the Parties will be met by funds in the Money Pool to the extent such funds are available. Each Party shall have the right to borrow funds on a short-term basis from the Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein and in any applicable regulations or orders of the New Hampshire Public Utilities Commission ("PUC"). Each Party may request loans from the Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement

of the Parties; provided, however, that the aggregate amount of all loans requested by any Party hereunder shall not exceed any borrowing limit set forth by applicable regulatory authorities, resolutions of such Party's Board of Directors, such Party's governing corporate documents, and agreements binding upon such Party.

1.3 Source of Funds.

1.3.1 Funds will be available through the Money Pool from the surplus funds in the treasuries of the Parties regardless of their source other than External Funds ("Internal Funds") and (2) proceeds from revolving loan or other short term bank borrowings by Parties ("External Funds"), in each case to the extent permitted by applicable laws and regulatory orders. Funds will be made available from each Party in such other order as the Parent, as administrator of the Money Pool, may determine will result in a lower cost of borrowing to companies borrowing from the Money Pool, consistent with the individual borrowing needs and financial standing of the Parties providing funds to the Money Pool.

1.3.2 Parties borrowing funds under this Agreement will be deemed to have borrowed pro rata from each Party lending funds under this Agreement in the proportion that the total amount loaned by such lending Party bears to the total amount then loaned through the Money Pool. On any day when more than one fund source (e.g., Internal Funds or External Funds), with different rates of interest, is used to fund loans through the Money Pool, each borrowing Party will borrow pro rata from each fund source in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Money Pool.

1.4 Authorization.

1.4.1 Each loan shall be authorized in writing by the lending Party's chief financial officer, treasurer, controller or comptroller or by a designee thereof.

1.4.2 The Parent, as administrator of the Money Pool, will provide, upon the request of any Party, periodic activity and cash accounting reports that include, among other things, reports of cash activity, the daily balance of loans outstanding and the calculation of interest charged.

1.4.3 All borrowings from the Money Pool shall be authorized by the borrowing Party's chief financial officer, treasurer, controller or comptroller or by a designee thereof. If the person providing such authorization is also authorized to provide the authorization referred to in Section 1.04(a), a single document providing such authorization shall be sufficient, unless otherwise required by law. No Party shall be required to effect a borrowing through the Money Pool if such Party determines that it can (and is authorized to) effect such borrowing at lower cost directly from banks or otherwise.

1.5 Interest.

The daily outstanding balance of all loans to any Party shall accrue Interest as follows:

1.5.1 If only Internal Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily balances shall be equal to the average of the interest rate applicable under the Parent's revolving loan or other short term credit facility during the month in which such balance was outstanding (the "Average Composite").

1.5.2 If only External Funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily outstanding balance shall be the lender's cost for such External Funds or, if more than one Party has made available External Funds during the period such loan is outstanding, the applicable interest rate shall be a composite rate, equal to the weighted average of the costs incurred by the respective Parties providing such External Funds.

1.5.3 In cases where the daily outstanding balances of all loans outstanding at include both Internal Funds and External Funds, the interest rate applicable to the daily outstanding balances for the month shall be equal to the weighted average of the (i) cost of all Internal Funds contributed by Parties, as determined pursuant to Section 1.05(a) of this Agreement, and (ii) the cost of all such External Funds, as determined pursuant to Section 1.05(b) of this Agreement.

1.5.4 The interest rate applicable to loans made by a Party to the Money Pool under Section 1.01 of this Agreement shall be the Average Composite as determined pursuant to Section 1.05(a) of this Agreement.

1.6 Certain Costs.

The cost of compensating balances and fees paid to banks to maintain credit lines and accounts by Parties lending External Funds to the Money Pool as well as the interest expense incurred by the Parent for any External Funds that it is holding for the benefit of, but has not yet advanced to, any Party shall initially be paid by the Party maintaining such credit line or account. Such costs shall be charged to the Parties in accordance with the Cost Allocation and Services Agreement dated January 1, 2006, as it may be amended from time to time, except that any interest expense incurred by the Parent for any External Funds that it is holding for the benefit of an individual Party shall be charged entirely to that Party.

1.7 Repayment.

Each Party receiving a loan from the Money Pool hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand or on a date agreed by the Parties to the transaction, but in any event not later than one year after the date of the applicable borrowing. All loans made through the Money Pool may be prepaid by the borrower without premium or penalty.

1.8 Form of Loans.

Loans from the Money Pool shall be made as open-account advances, pursuant to the terms of this Agreement. A separate promissory note will not be required for each individual transaction. Instead, a promissory note evidencing the terms of the transactions shall be signed by the Parties to the transaction. Any such note shall: (a) be dated as of the date of the initial borrowing; (b) mature on demand or on a date agreed by the Parties to the transaction, but in any event not later than one year after the date of the applicable borrowing if a maturity date is specified; and (c) be repayable in whole at any time or in part from time to time, without premium or penalty.

Article 2 OPERATION OF MONEY POOL

2.1 Operation.

Operation of the Money Pool, including record keeping and coordination of loans, shall be carried out by the Parent under the authority of the appropriate officers of the Parties. The Parent shall be responsible for the determination of all applicable interest rates and charges to be applied to advances outstanding at any time hereunder, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the Parties. The Parent will administer the Money Pool on an "at cost" basis.

2.2 Investment of Surplus Funds in the Money Pool.

Funds not required for Money Pool loans (with the exception of funds required to satisfy any liquidity requirements of the Money Pool) shall be invested in accordance with the Parent's Short-Term Investment Policy Statement, as it may be amended from time to time.

2.3 Allocation of Interest Income and Investment Earnings.

The interest income and other investment income earned by the Money Pool on loans and investment of surplus funds will be allocated among the Parties in accordance with the proportion each Party's contribution of funds in the Money Pool bears to the total amount of funds in the Money Pool. Interest and other investment earnings will be computed on a daily basis and settled once per month.

2.4 Event of Default.

If any Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any Party seeking to adjudicate it bankrupt or insolvent, then the Parent, on behalf of the Money Pool and any other Party (if the Party failing to pay its debts is the Parent), may, by notice to the Party failing to pay its debts, terminate the Money Pool's commitment to such Party and/or declare the principal amount then outstanding of, and the accrued interest on, the loans and all other amounts payable to the Money Pool by the Party hereunder to be forthwith due and payable, whereupon such amounts

shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by each Party.

Article 3
MISCELLANEOUS

3.1 Term.

This Agreement shall be effective upon execution by all of the Parties and shall continue indefinitely unless and until terminated by any Party, in which event this Agreement shall terminate only with regard to the Party or Parties giving notice of termination.

3.2 Amendments.

This Agreement may be amended by the Parties at any time by execution of an instrument in writing signed on behalf of all Parties.

3.3 Legal Responsibility.

Nothing herein contained shall render any Party liable for the obligations of any other Party hereunder and the rights, obligations and liabilities of the Parties are several in accordance with their respective obligations, and not joint.

3.4 Rules for Implementation.

The Parties may develop a set of guidelines for implementing the provisions of this Agreement, provided that the guidelines are consistent with all of the provisions of this Agreement.

3.5 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each Party hereto as of the date first above written.

PENNICHUCK CORPORATION

By: 
Name: *William D. Patterson*
Title: *VP*

PENNICHUCK WATER SERVICE CORPORATION

By: William D. Patterson
Name: William D. Patterson
Title: VP

PENNICHUCK EAST UTILITY, INC.

By: William D. Patterson
Name: William D. Patterson
Title: VP

PITTSFIELD AQUEDUCT COMPANY, INC.

By: William D. Patterson
Name: William D. Patterson
Title: VP

PENNICHUCK WATER WORKS, INC.

By: William D. Patterson
Name: William D. Patterson
Title: VP

THE SOUTHWOOD CORPORATION

By: William D. Patterson
Name: William D. Patterson
Title: VP



McLane, Graf,
Raulerson &
Middleton

SARAH B. KNOWLTON
Internet: sarah.knowlton@mclane.com
Direct Dial: (603)334-6928

June 22, 2007

By Hand Delivery

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 N. Fruit Street, Suite 10
Concord, NH 03301

**Re: Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., and
Pittsfield Aqueduct Company, Inc.**

Dear Ms. Howland:

On behalf of Pennichuck Water Works, Inc., Pennichuck East Utility, Inc. and Pittsfield Aqueduct Company, Inc., pursuant to RSA 366:3, I enclose for filing with the Commission seven copies of the Cost Sharing Agreement among Pennichuck Corporation, Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., Pittsfield Aqueduct Company, Inc., Pennichuck Water Service Corporation and The Southwood Corporation.

Thank you for your assistance with this matter

Very truly yours,

Sarah B. Knowlton
CWB

Sarah B. Knowlton

Enclosures

cc: Mark Naylor
Bonaly J. Hartley
Donald Ware

COST SHARING AGREEMENT

This AGREEMENT is entered into as of the 13th day of June, 2007 by and among Pennichuck Corporation ("PCP"), Pennichuck Water Works, Inc. ("PWW"), Pennichuck East Utility, Inc. ("PEU"), Pittsfield Aqueduct Company, Inc. ("PAC"), Pennichuck Water Service Corporation ("PWSC") and The Southwood Corporation ("TSC") (collectively, the "Parties").

WHEREAS, PCP is a holding company and owns all of the issued and outstanding stock of PWW, PEU, PAC, PWSC and TSC (the "Subsidiaries"); and

WHEREAS, PCP exists and operates for the exclusive benefit of the Subsidiaries and does not conduct any separate operations for its own benefit; and

WHEREAS, in order to further efficient and cost-effective operations, PEU, PAC, PWSC and TSC (the "Other Subsidiaries") will utilize personnel employed by PWW; and

WHEREAS, PWW owns certain equipment and other assets that it makes available to the Other Subsidiaries for use by them; and

WHEREAS, the Other Subsidiaries have limited office facilities or office equipment of their own and rely on PWW to supply these items on an as-needed basis; and

WHEREAS, the services, facilities, and equipment of PWW that are provided to the Other Subsidiaries are substantially the same as PWW would be required to provide for itself, individually, if the Other Subsidiaries did not exist; and

WHEREAS, as a result of economies of scale there is an economic benefit to be derived by the parties hereto in using and sharing with each other the same officers, staff, office facilities and equipment, which would be more costly to each of them if they were obtained on an individual basis;

NOW THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

I. SERVICES

PWW and PCP shall furnish to PWW and the Other Subsidiaries, and PWW and the Other Subsidiaries shall utilize, all of the following services upon the terms and conditions hereinafter set forth:

- A. Administrative. PWW and PCP shall provide the corporate administrative services required by the Other Subsidiaries, including the formulation of recommendations to their respective Boards of Directors, the implementation of the decisions of their respective Boards of Directors, the responsibility for executive decisions, as appropriate, the preparation of contracts, the maintenance of all corporate records and documents, the filing with governmental authorities of all documents required by law or otherwise necessary for the continuance of the corporate existence of the Other Subsidiaries, public relations, corporate communications and community affairs, and shareholder relations.
- B. Accounting and Financial. PWW shall provide such accounting and financial services to the Other Subsidiaries as they may require. Such services shall include maintaining the general books of account of, and preparing periodic financial statements and related reports for, advising and assisting in the preparation of budgets and planning and preparing and filing, or assisting in the preparation and filing of, Federal, State and local tax returns and other reports required by regulatory agencies. Additionally, PWW shall be

responsible for assisting the Other Subsidiaries in their acquisition of capital and operating funds, through borrowing and through the issuance of equity securities. PWW shall prepare and monitor annual budgets for, and shall be responsible for data processing services, be responsible for securities compliance functions under both state and federal law, providing or procuring internal and external auditing and accounting services, rate and regulatory support, risk management (including procuring insurance coverage), financial planning and all treasury and finance functions.

- C. Information Technology. PWW shall provide the Other Subsidiaries with such information technology resources as they may require, including all hardware and software and related support, telecommunications, and customer billing and information services.
- D. Customer Services. PWW shall provide the Other Subsidiaries such services and systems as they shall require for customer servicing, including meter reading and billing, payment remittance, credit, collections, customer relations, customer communications, customer offices and field operations.
- E. Operating Services. PWW shall provide the Other Subsidiaries with operating services, including materials management and purchasing, engineering, and facilities and system operation and maintenance.

II. OFFICE SPACE AND FACILITIES

PWW will utilize its premises at 25 Manchester Street, Merrimack, New Hampshire, which it leases from HECOP III, LLC pursuant to a separate Lease Agreement, in order to conduct the administrative functions and perform the accounting and financial services required by this Agreement, and will utilize its office equipment on an as-needed basis in connection therewith and as otherwise required by the Other Subsidiaries in connection with their operations.

III. COST SHARING ARRANGEMENT

A. The Parties hereto agree that the activities undertaken, and costs and expenses incurred by PCP are undertaken or incurred for the benefit of the Subsidiaries and shall be allocated to the Subsidiaries in accordance with Section I of Appendix A, such allocation formulas being subject to revision from time to time by mutual agreement of the parties. The parties agree that PCP may from time to time, in its sole and absolute discretion, choose not to allocate certain expenses to the Subsidiaries and to bear such expenses itself.

B. In consideration for the services to be rendered, and the office space and facilities to be utilized by PWW as provided in this Agreement, the Other Subsidiaries each agree to share in the costs of such services with PWW based on actual costs and expenses incurred by PWW which are appropriately allocable to their respective operations, in accordance with the allocation formulas set forth in Section II of Appendix A, such allocation formulas being subject to revision from time to time by mutual agreement of the Parties.

In applying the allocation formulas, the Parties will utilize data from the then-current fiscal year, except as otherwise provided on Appendix A. The sharing of costs for such services will be charged at least annually by PWW and PCP to the Other Subsidiaries, as appropriate.

C. Notwithstanding the allocation formulas set forth in Appendix A, PWW shall endeavor, in those instances where it is practical to do so, to directly charge the Other Subsidiaries for expenses that are clearly identifiable as being for a single entity and for which the costs can be clearly and readily separated from other more general costs incurred by PWW. In addition, notwithstanding the allocation formulas set forth in Appendix A, in those cases where PWW incurs an outside expense, such as professional or consulting fees, that is incurred for the benefit of less than all of the Subsidiaries, such expense shall be allocated equally among the Subsidiaries for whose benefit the expense was incurred.

IV. TERMINATION

Any Party hereto may terminate this Agreement as it applies to such Party upon ninety (45) days' written notice, or such lesser notice as may be agreed upon by all of the Parties hereto.

V. MISCELLANEOUS

This Agreement supersedes all prior agreements concerning the subject matter hereof between or among the parties hereto, or any of them, including a certain Agreement dated August 5, 2005 between PCP, PWW, PEU, PAC, PWSC and TSC. This Agreement shall inure to the benefit of and shall be binding upon the Parties hereto and their successors and assigns. This Agreement shall be governed by and construed under the laws of the State of New Hampshire.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed as of the date written above.

PENNICHUCK CORPORATION

BY: 
Bonalyn J. Hartley
Vice President of Administration

PENNICHUCK WATER WORKS, INC.

BY: 
Donald L. Ware
President

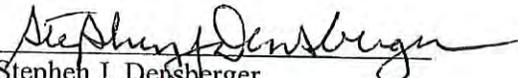
PENNICHUCK EAST UTILITY, INC.

BY: 
Donald L. Ware
President

PITTSFIELD AQUEDUCT COMPANY, INC.

BY: 
Donald L. Ware
President

PENNICHUCK WATER SERVICE CORPORATION

BY: 
Stephen J. Densberger
President

THE SOUTHWOOD CORPORATION

BY: 
Michael C.J. Fallon
President

APPENDIX A

APPENDIX A
COST SHARING METHODOLOGIES

I. Allocation of Pennichuck Corporation Expenses

- a. Expenses Subject to Allocation: The total of Professional Fees (Account 1794-100), with the exception of extraordinary expenses; Directors' & Officers' Insurance (Account 1793-400); and Stockholders' Expense (Account 1801-300) (stock transfer fees, annual report expenses, shareholder meeting expenses, SEC filing and related expenses, legal expenses, shareholder relation expenses, directors' fees, audit fees and other expenses related to an investor owned public utility).
- b. Method of Allocation: These expenses shall be allocated to each of the Subsidiaries based on an average of each Subsidiary's percentage of total revenues for all Subsidiaries and its percentage of total assets less intercompany balances for all Subsidiaries, which shall be calculated as follows:
- i. The percentage of revenues for each Subsidiary shall be computed using revenues as shown in the Subsidiaries' respective Income Statements.
 - ii. The percentage of total assets for each Subsidiary shall be computed using total assets less intercompany balances as shown in the Subsidiaries' respective Balance Sheets.
 - iii. A simple average of the two percentages in (a) and (b) shall be computed.
 - iv. For each Subsidiary, the average shall then be applied to the total allocable expenses identified above to determine the amount that is allocated to each Subsidiary.

II. Allocation of Pennichuck Water Works Administrative and General Expenses and Depreciation of Certain Common Assets.

- a. Expenses Subject to Allocation: PWW administrative and general expenses and any depreciation expense for PWW assets that are used either in common by PWW and one or more of the other Subsidiaries or by another Subsidiary exclusively and as detailed in Appendix B
- b. Method of Allocation: The allocation of each expense, including depreciation, is designated to the tiers set forth below consistent with the benefit derived from the expense :
- i. Tier 1 - All Subsidiaries
 - ii. Tier 2 – PWW, PEU, PAC, and PWSC
 - iii. Tier 3 – PWW, PEU, and PWSC.
 - iv. Tier 4 – PWW, PEU and PAC (the “Regulated Utilities”)
 - v. Tier 5 – PWSC

APPENDIX A
COST SHARING METHODOLOGIES

- vi. Tier 6 - PAC
- vii. Tier 7 - TSC

Expenses shall be totaled and allocated within each tier on the following basis:

Tier 1 – For purposes of this tier, the Regulated Utilities shall be treated on an aggregate basis as if they were a single Subsidiary. Tier 1 expenses shall be allocated to the Regulated Utilities, PWSC and TSC in accordance with their pro rata share based on a simple average of their respective percentage of total revenues for all Subsidiaries, percentage of employees for all Subsidiaries, percentage of square footage used by each in their joint headquarters building, percentage of book value of assets less intercompany balances relative to all assets for all Subsidiaries and percentage of customers relative to customers for all Subsidiaries. (For purposes of PWSC the number of customers shall be determined as set forth in the description for Tiers 2 through 4. TSC shall be deemed to have no customers.)

The amount allocated to the Regulated Utilities based on the percentage derived above shall then be allocated to each of the Regulated Utilities pro rata based on the average for each Regulated Utility of its percentage of book value of its assets less intercompany balances relative to the assets of all of the Regulated Utilities and the percentage of customers for it relative to customers for all of the Regulated Utilities.

Tiers 2 through 4: Tiers 2 through 4 expenses shall be allocated in accordance with each Subsidiary's pro rata share based on a simple average of their respective percentage of total assets less intercompany balances relative to all Subsidiaries in the relevant tier and percentage of customers relative to customers for all Subsidiaries in the relevant tier. For PWSC, the number of customers shall be calculated as a weighted average based on the number of customers for each major service contract divided by the number of services provided (operations, water supply, billing, and customer service), with each service given equal weighting.

Tiers 5 through 7: All expense for tiers 5 and 7 shall be allocated solely to the entity within the applicable tier.

III. Allocation of Pennichuck Water Works Production and Operations Overhead Costs to Work Orders

- a. Expenses Subject to Allocation: PWW Production and Operations overhead expenses, including associated depreciation expense as detailed in Appendix B. .

APPENDIX A
COST SHARING METHODOLOGIES

- b. Method of Allocation: The total dollar amount of all workorders will be determined. The expenses will be allocated based on each Subsidiary's percentage of work orders relative to the total dollar value of work orders for all Subsidiaries. For purposes of the allocation, the total dollar value of PWW work orders will include labor overhead (benefits) as detailed in Appendix B.

IV. Allocation of Return on shared assets

- a. Shared Assets: Shared Assets shall include all assets used in common by any two or more of the Subsidiaries. The value of the Shared Assets shall be based on the net book value of the assets .
- b. Method of Allocation: For Shared Assets, each of the Subsidiaries that share in the use of such assets shall be based on a pro rata share of Pennichuck Water Works' last overall allowed or derived rate of return. The allocation shall be based on the tiers used to allocate Pennichuck Water Works Administrative and General Expenses and Depreciation of certain common assets in II. Comment – it still can be computed

PENNICHUCK WATER G/A EXPENSES ALLOCATED

Pennichuck Water Works
Operating Expense Allocation (to other Subsidiary Companies)
For Month Ending

Full Year Amounts (to be allocated)	YTD EXPENSES	Dollars Applicable to:									
		Tier Allocation Required	Special Allocation	Tier 1 (All)	Tier 2 (Regulated + PWSC)	Tier 3 (PWW+PEU+ PWSC)	Tier 4 (Regulated)	Tier 5 PWSC Only	Tier 6 PAC Only	Tier 7 Only	TSC
Wages											
Officers Salaries & Wages	-	1		-	-	-	-	-	-	-	-
Superintendence (PAC) - K Sheing	-	5 100% to PAC as Direct		-	-	-	-	-	-	-	-
Superintendence (PAC) - K Sheing	-	5 100% to PAC as Direct		-	-	-	-	-	-	-	-
Superintendence (PAC) - K Sheing	-	5 100% to PAC as Direct		-	-	-	-	-	-	-	-
Salaries - Engineering	-	4		-	-	-	-	-	-	-	-
Office Salaries and Wages - IS	-	1		-	-	-	-	-	-	-	-
Office Salaries and Wages - Acctg	-	1		-	-	-	-	-	-	-	-
Office Salaries and Wages - Admin	-	1		-	-	-	-	-	-	-	-
Office Salaries and Wages - C/S	-	2		-	-	-	-	-	-	-	-
Office Salaries and Wages - BR	-	4 based on timesheets		-	-	-	-	-	-	-	-
Office Salaries and Wages - BR	-	84.20% of BR to PWSC 6 based on time sheets		-	-	-	-	-	-	-	-
Office Salaries and Wages - Other PWSC	-	100% to PWSC as 6 Direct		-	-	-	-	-	-	-	-
Officer and Office Salaries - TSC	-	7 100% to TSC		-	-	-	-	-	-	-	-
Less: Capitalized Overhead Exec & IS	-	1		-	-	-	-	-	-	-	-
Less: Capitalized Overhead Engineering	-	4		-	-	-	-	-	-	-	-
Benefits (Based on 12/31/06 Schedule)	-			-	-	-	-	-	-	-	-
Officers Salaries & Wages	-	1		-	-	-	-	-	-	-	-
Superintendence (PAC) - K Sheing	-	5 100% to PAC as Direct		-	-	-	-	-	-	-	-
Salaries - Engineering	-	4		-	-	-	-	-	-	-	-
Office Salaries and Wages - IS	-	1		-	-	-	-	-	-	-	-
Office Salaries and Wages - Acctg	-	1		-	-	-	-	-	-	-	-
Office Salaries and Wages - Admin	-	1		-	-	-	-	-	-	-	-
Office Salaries and Wages - C/S	-	2		-	-	-	-	-	-	-	-
Office Salaries and Wages - BR	-	%19 of BR to utilities 4 based on timesheets		-	-	-	-	-	-	-	-
Office Salaries and Wages - BR	-	81% of BR to PWSC 6 based on time sheets		-	-	-	-	-	-	-	-
Office Salaries and Wages - Other PWSC	-	100% to PWSC as 6 Direct		-	-	-	-	-	-	-	-
Officer and Office Salaries - TSC	-	7 100% to TSC		-	-	-	-	-	-	-	-
Less: Capitalized Overhead Exec & IS	-	1		-	-	-	-	-	-	-	-
Less: Capitalized Overhead Engineering	-	4		-	-	-	-	-	-	-	-

Full Year Budgeted Amounts (to be allocated) - Tier 1	Dollars Applicable to:								
	Tier Allocation Required	Special Allocation	Tier 1 (All)	Tier 2 (Regulated + PWSC)	Tier 3 (PWW+PEU+ PWSC)	Tier 4 (Regulated)	PWSC Only	PAC Only	TSC Only (budgeted specifically on TSC P/L)
Facilities - Manchester Street									
Leasehold Amort Exp	1								
HECOP III Fit-up Amort Exp	1								
Office Supplies & Expense	1								
Office Equipment Rental	1								
Rental Exp HECOP III	1								
Manchester St Phone	1								
HECOP III Fit-up Allowance	1								
Maintenance Manchester St	1								
Office Equipment maintenance	1								
Miscellaneous Charges									
Transportation Expense SD (#1)	1								
Senior Management Vehicles	1								
Senior Management Fuel Purchased	1								
Transportation Expense DM (#100)	1								
Transportation Expense DW (#102)	1								
Transportation Expense BR (#103)	2								
Vehicle Lease for DM	1								
Courier & Express Mail Expense	1								
Outside Svcs (Supervision/Spec Svcs)	1								
Meetings and Conventions	1								
License Fees	1								
Meals	1								
Recruiter Fees	1								
Engineering Dept Expense	4								
Engineering Vehicles	4								
Engineering - Fuel Purchased	4								
Maint of Communication Equip	2								
Computer Maintenance	1								
Depreciation - 2403 & Amort									
Comm Depreciation	2								
Computer Depreciation	1								
Office Furniture Depreciation	1								
Amort Recruiter Fees (Def Chgs)	1								
Total Allocable Expenses									

- Tier 1 - use the corporate expense allocation between TSC, PWSC and regulated utilities. The allocation among utilities will be based on total assets and customers.
- Tier 2 - allocate to PWW, PEU, PAC and PWSC based on total assets and customers
- Tier 3 - allocate to PWW, PEU and PWSC based on total assets and customers
- Tier 4 - allocate to the regulated utilities (PWW, PEU and PAC) based on total assets and customers.
- (1) Retention/Bonus, Overtime, Merit increases and summer temp help are included in Officers' and Office Salaries
- (2) Outside Services include temporary help from temporary services providers
- (3) Effectively, all Admin & Gen Expense (incl. Engineering) are allocated less Insurance, Regulatory Commission, Memberships, Misc General, Public Relations and Charitable Contributions and Union Benefits

PENNICHUCK WATER G/A EXPENSES ALLOCATED

Allocation Calculation - Tier 1 (All Companies)

	PWW	PEU	PAC		Total Regulated	Con Ops (PWS) 1	Real Estate (TSC) 1	Total	
Revenues ⁴	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employees (FTE's) - 2007 (including summer help)	-	-	-	-	-	-	-	-	-
Square Footage - w/ add'l lease space Manchester Street Facility	-	-	-	-	-	-	-	-	-
Total Assets ²	-	-	-	-	-	-	-	-	-
Customers ³	-	-	-	-	-	-	-	-	-
Average Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Allocation of Allocable Expenses	-	-	-	-	-	-	-	-	-
Effective Allocation %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
									<u>Check Total</u>
									\$ -

¹ - TSC employees not counted as their payroll and benefits are charged directly; PWS - 100% of 1 employee and 50% of 1 employee charged directly and not counted
² - Based on April 2007 Preliminary
³ - Based on April 2007 Actuals
⁴ - Based on April 2007 Preliminary

Allocation Calculation - Tier 2 (All Regulated Companies plus PWSC)

	PWW	PEU	PAC		Total Regulated	Con Ops (PWS) 1	Real Estate (TSC)	Total	
Total Assets ²	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Customers ³	-	-	-	-	-	-	-	-	-
Average Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Allocation of Allocable Expenses	-	-	-	-	-	-	-	-	-
Effective Allocation %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	-	-
									<u>Check Total</u>
									\$ -

¹ - PWS customers based on municipality customers and pro rated based on services rendered

Allocation Calculation - Tier 3 (PWW, PEU and PWSC)

	PWW	PEU	PAC		Con Ops (PWS)	Real Estate (TSC)	Total	
Total Assets ²	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Customers ³	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Allocation of Allocable Expenses	\$ -	\$ -	0	\$ -	\$ -	0	\$ -	\$ -
Effective Allocation %	#DIV/0!	#DIV/0!	N/A	#DIV/0!	#DIV/0!	N/A	#DIV/0!	#DIV/0!
								<u>Check Total</u>
								\$ -

<u>Allocation Calculation - Tier 4 (Regulated Companies)</u>						
	PWW	PEU	PAC	Con Ops (PWS)	Real Estate (TSC) ¹	Total
Total Assets ²	\$ - 0.00%	\$ - 0.00%	\$ - 0.00%			\$ - 0.00%
Customers ³	- 0.00%	- 0.00%	- 0.00%			- 0.00%
Average Percentage	0.00%	0.00%	0.00%			0.00%
Allocation of Allocable Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Effective Allocation %	0.00%	0.00%	0.00%	N/A	N/A	
						<u>Check Total</u> \$ -

<u>Specific Allocation Calculations - Tier 5-7</u>						
	PWW	PEU	PAC	Con Ops (PWS)	Real Estate (TSC) ¹	Total
Direct Allocable Costs	0 N/A	0 N/A	-	-	0 N/A	-
						<u>Check Total</u> \$ -

<u>Summary of Allocations</u>	PWW	PEU	PAC	Con Ops (PWS)	Real Estate		Totals
					(TSC)	unallocated TSC	
Tier 1	-	-	-	-	-	-	-
Tier 2	-	-	-	-	-	-	-
Tier 3	-	-	-	-	-	-	-
Tier 4	-	-	-	-	-	-	-
PWSC only and PAC only	-	-	-	-	-	-	-
Total Allocations	-	-	-	-	-	-	-
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
							<u>Check Total</u> -

PENNICHUCK WATER G/A EXPENSES ALLOCATED

Step Allocation of Benefits				
2007 Benefits	Total Dollars	Non-Union Wage		Allocation Method
		Portion	Union Wage Portion	
Officer's Life Insurance	-	-	-	- Specific
Sickness & Funeral Pay	-	-	-	- Specific
Pension - DB Plan	-	-	-	- Allocated based on pro-rata wages
Group Pension: 401K	-	-	-	- Allocated based on pro-rata wages
Post Retirement Health Expense	-	-	-	- Allocated based on pro-rata wages
Post Employment Health Expense	-	-	-	- Allocated based on pro-rata wages
Employee Service Awards	-	-	-	- Allocated based on pro-rata headcounts
Group Health Insurance	-	-	-	- Based on actual participation (HR)
Health Insurance: Opt Out	-	-	-	- Allocated based on pro-rata headcounts
Group Dental	-	-	-	- Based on actual participation (HR)
Group Life/Disability Insurance	-	-	-	- Allocated based on pro-rata headcounts
Employee Benefits/Section 125	-	-	-	- Allocated based on pro-rata headcounts
Misc Employee Benefits	-	-	-	- Allocated based on pro-rata headcounts
Employee Relations	-	-	-	- Allocated based on pro-rata headcounts
Tuition Reimbursements	-	-	-	- Allocated based on pro-rata headcounts
Training Educational Seminars	-	-	-	- Allocated based on pro-rata headcounts
Vac/Holiday & Boot Allowance-OPS	-	-	-	- Specific
Vac/Holiday & Boot Allowance-CS-UNION	-	-	-	- Specific
Vac/Holiday & Boot Allowance-WTP	-	-	-	- Specific
Vac/Holiday & Boot Allowance-NC	-	-	-	- Specific
SERP	-	-	-	- Specific
Payroll Taxes:	-	-	-	-
Employer FICA/Medicare	-	-	-	- Allocated based on pro-rata wages
FUTA	-	-	-	- Allocated based on pro-rata wages
SUI	-	-	-	- Allocated based on pro-rata wages
Total Benefits	-	-	-	
Benefits % (of wages)	0.0%	0.0%	0.0%	
Total Wages thru 4/26/07	-	-	-	- Wages per Payroll (ADP)
%	0.0%	0.0%	0.0%	
Total Headcount	-	0	0	
	0.0%	0.0%	0.0%	

PWSC Customers	Operations	Water Supply	Billing	Cust Svc	Customers	Customers
Hudson	-	-	-	-	-	-
Salisbury	-	-	-	-	-	-
Hyannis	-	-	-	-	-	-
Wilton	-	-	-	-	-	-
						-

Note: Number of customers per discussion with B.Rousseau



**McLane, Graf,
Raulerson &
Middleton**

Professional Association

11 SOUTH MAIN STREET, SUITE 500 • CONCORD, NH 03301
TELEPHONE (603) 226-0400 • FACSIMILE (603) 230-4448

SARAH B. KNOWLTON
Internet: sarah.knowlton@mcclane.com
Direct Dial: (603)334-6928

OFFICES IN:
MANCHESTER
CONCORD
PORTSMOUTH

June 22, 2007

By Hand Delivery

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 N. Fruit Street, Suite 10
Concord, NH 03301

**Re: Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., and
Pittsfield Aqueduct Company, Inc.**

Dear Ms. Howland:

Earlier today I filed with the Commission the Cost Sharing Agreement among Pennichuck Corporation, Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., Pittsfield Aqueduct Company, Inc., Pennichuck Water Service Corporation and The Southwood Corporation. The earlier filing inadvertently omitted a complete version of Exhibit B to the Agreement. I enclose for filing seven copies of Exhibit B to the Cost Sharing Agreement to supplement the earlier filing.

Thank you for your assistance with this matter. If you have any questions, please let me know. I apologize for any confusion this may cause.

Very truly yours,
Sarah B. Knowlton

Sarah B. Knowlton

Enclosures

cc: Mark Naylor
Bonalyn J. Hartley
Donald Ware

PENNICHUCK WATER G/A EXPENSES ALLOCATED

Pennichuck Water Works
Operating Expense Allocation (to other Subsidiary Companies)
For Month Ending

Full Year Amounts (to be allocated)	YTD EXPENSES	Dollars Applicable to:								
		Tier Allocation Required	Special Allocation	Tier 1 (All)	Tier 2 (Regulated + PWSC)	Tier 3 (PWW+PEU+ PWSC)	Tier 4 (Regulated)	Tier 5 PWSC Only	Tier 6 PAC Only	Tier 7 Only
<u>Wages</u>										
Officers Salaries & Wages	-	1		-	-	-	-	-	-	-
Superintendence (PAC) - K Sheing	-	5 100% to PAC as Direct		-	-	-	-	-	-	-
Superintendence (PAC) - K Sheing	-	5 100% to PAC as Direct		-	-	-	-	-	-	-
Superintendence (PAC) - K Sheing	-	5 100% to PAC as Direct		-	-	-	-	-	-	-
Salaries - Engineering	-	4		-	-	-	-	-	-	-
Office Salaries and Wages - IS	-	1		-	-	-	-	-	-	-
Office Salaries and Wages - Acctg	-	1		-	-	-	-	-	-	-
Office Salaries and Wages - Admin	-	1		-	-	-	-	-	-	-
Office Salaries and Wages - C/S	-	2		-	-	-	-	-	-	-
Office Salaries and Wages - BR	-	4 %15.8 of BR to utilities based on timesheets		-	-	-	-	-	-	-
Office Salaries and Wages - BR	-	6 84.20% of BR to PWSC based on time sheets 100% to PWSC as		-	-	-	-	-	-	-
Office Salaries and Wages - Other PWSC	-	6 Direct		-	-	-	-	-	-	-
Officer and Office Salaries - TSC	-	7 100% to TSC		-	-	-	-	-	-	-
Less: Capitalized Overhead Exec & IS	-	1		-	-	-	-	-	-	-
Less: Capitalized Overhead Engineering	-	4		-	-	-	-	-	-	-
<u>Benefits (Based on 12/31/06 Schedule)</u>										
Officers Salaries & Wages	-	1		-	-	-	-	-	-	-
Superintendence (PAC) - K Sheing	-	5 100% to PAC as Direct		-	-	-	-	-	-	-
Salaries - Engineering	-	4		-	-	-	-	-	-	-
Office Salaries and Wages - IS	-	1		-	-	-	-	-	-	-
Office Salaries and Wages - Acctg	-	1		-	-	-	-	-	-	-
Office Salaries and Wages - Admin	-	1		-	-	-	-	-	-	-
Office Salaries and Wages - C/S	-	2		-	-	-	-	-	-	-
Office Salaries and Wages - BR	-	4 %19 of BR to utilities based on timesheets		-	-	-	-	-	-	-
Office Salaries and Wages - BR	-	6 81% of BR to PWSC based on time sheets 100% to PWSC as		-	-	-	-	-	-	-
Office Salaries and Wages - Other PWSC	-	6 Direct		-	-	-	-	-	-	-
Officer and Office Salaries - TSC	-	7 100% to TSC		-	-	-	-	-	-	-
Less: Capitalized Overhead Exec & IS	-	1		-	-	-	-	-	-	-
Less: Capitalized Overhead Engineering	-	4		-	-	-	-	-	-	-

PENNICHUCK WATER G/A EXPENSES ALLOCATED

Full Year Budgeted Amounts (to be allocated) - Tier 1	Dollars Applicable to:								
	Tier Allocation		Tier 1 (All)	Tier 2	Tier 3	Tier 4	PWSC Only	PAC Only	TSC Only
	Required	Special Allocation		(Regulated + PWSC)	(PWW+PEU+ PWSC)	(Regulated)			(budgeted specifically on TSC P/L)
<u>Facilities - Manchester Street</u>									
Leasehold Amort Exp	-	1	-	-	-	-	-	-	-
HECOP III Fit-up Amort Exp	-	1	-	-	-	-	-	-	-
Office Supplies & Expense	-	1	-	-	-	-	-	-	-
Office Equipment Rental	-	1	-	-	-	-	-	-	-
Rental Exp HECOP III	-	1	-	-	-	-	-	-	-
Manchester St Phone	-	1	-	-	-	-	-	-	-
HECOP III Fit-up Allowance	-	1	-	-	-	-	-	-	-
Maintenance Manchester St	-	1	-	-	-	-	-	-	-
Office Equipment maintenance	-	1	-	-	-	-	-	-	-
<u>Miscellaneous Charges</u>									
Transportation Expense SD (#1)	-	1	-	-	-	-	-	-	-
Senior Management Vehicles	-	1	-	-	-	-	-	-	-
Senior Management Fuel Purchased	-	1	-	-	-	-	-	-	-
Transportation Expense DM (#100)	-	1	-	-	-	-	-	-	-
Transportation Expense DW (#102)	-	1	-	-	-	-	-	-	-
Transportation Expense BR (#103)	-	2	-	-	-	-	-	-	-
Vehicle Lease for DM	-	1	-	-	-	-	-	-	-
Courier & Express Mail Expense	-	1	-	-	-	-	-	-	-
Outside Svcs (Supervision/Spec Svcs)	-	1	-	-	-	-	-	-	-
Meetings and Conventions	-	1	-	-	-	-	-	-	-
License Fees	-	1	-	-	-	-	-	-	-
Meals	-	1	-	-	-	-	-	-	-
Recruiter Fees	-	1	-	-	-	-	-	-	-
Engineering Dept Expense	-	4	-	-	-	-	-	-	-
Engineering Vehicles	-	4	-	-	-	-	-	-	-
Engineering - Fuel Purchased	-	4	-	-	-	-	-	-	-
Maint of Communication Equip	-	2	-	-	-	-	-	-	-
Computer Maintenance	-	1	-	-	-	-	-	-	-
<u>Depreciation - 2403 & Amort</u>									
Comm Depreciation	-	2	-	-	-	-	-	-	-
Computer Depreciation	-	1	-	-	-	-	-	-	-
Office Furniture Depreciation	-	1	-	-	-	-	-	-	-
Amort Recruiter Fees (Def Chgs)	-	1	-	-	-	-	-	-	-
Total Allocable Expenses	-		-	-	-	-	-	-	-

Tier 1 - use the corporate expense allocation between TSC, PWSC and regulated utilities. The allocation among utilities will be based on total assets and customers.

Tier 2 - allocate to PWW, PEU, PAC and PWSC based on total assets and customers

Tier 3 - allocate to PWW, PEU and PWSC based on total assets and customers

Tier 4 - allocate to the regulated utilities (PWW, PEU and PAC) based on total assets and customers.

(1) Retention/Bonus, Overtime, Merit increases and summer temp help are included in Officers' and Office Salaries

(2) Outside Services include temporary help from temporary services providers

(3) Effectively, all Admin & Gen Expense (incl. Engineering) are allocated less Insurance, Regulatory Commission, Memberships, Misc General, Public Relations and Charitable Contributions and Union Benefits

PENNICHUCK WATER GIA EXPENSES ALLOCATED

<u>Allocation Calculation - Tier 4 (Regulated Companies)</u>						
	PWW	PEU	PAC	Con Ops (PWS)	Real Estate (TSC) ¹	Total
Total Assets ²	\$ - 0.00%	\$ - 0.00%	\$ - 0.00%			\$ - 0.00%
Customers ³	- 0.00%	- 0.00%	- 0.00%			- 0.00%
Average Percentage	0.00%	0.00%	0.00%			0.00%
Allocation of Allocable Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Effective Allocation %	0.00%	0.00%	0.00%	N/A	N/A	
						<u>Check Total</u> \$ -

<u>Specific Allocation Calculations - Tier 5-7</u>						
	PWW	PEU	PAC	Con Ops (PWS)	Real Estate (TSC) ¹	Total
Direct Allocable Costs	0 N/A	0 N/A	-	-	0 N/A	-
						<u>Check Total</u> \$ -

<u>Summary of Allocations</u>	PWW	PEU	PAC	Real Estate		Totals
				Con Ops (PWS)	(TSC)	
Tier 1	-	-	-	-	-	-
Tier 2	-	-	-	-	-	-
Tier 3	-	-	-	-	-	-
Tier 4	-	-	-	-	-	-
PWSC only and PAC only	-	-	-	-	-	-
Total Allocations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
					<u>unallocated TSC</u>	<u>Total</u>
						<u>Check Total</u> -

PENNICHUCK WATER G/A EXPENSES ALLOCATED

Step Allocation of Benefits				
2007 Benefits	Total Dollars	Non-Union Wage		Allocation Method
		Portion	Union Wage Portion	
Officer's Life Insurance	-	-	-	- Specific
Sickness & Funeral Pay	-	-	-	- Specific
Pension - DB Plan	-	-	-	- Allocated based on pro-rata wages
Group Pension: 401K	-	-	-	- Allocated based on pro-rata wages
Post Retirement Health Expense	-	-	-	- Allocated based on pro-rata wages
Post Employment Health Expense	-	-	-	- Allocated based on pro-rata wages
Employee Service Awards	-	-	-	- Allocated based on pro-rata headcounts
Group Health Insurance	-	-	-	- Based on actual participation (HR)
Health Insurance: Opt Out	-	-	-	- Allocated based on pro-rata headcounts
Group Dental	-	-	-	- Based on actual participation (HR)
Group Life/Disability Insurance	-	-	-	- Allocated based on pro-rata headcounts
Employee Benefits/Section 125	-	-	-	- Allocated based on pro-rata headcounts
Misc Employee Benefits	-	-	-	- Allocated based on pro-rata headcounts
Employee Relations	-	-	-	- Allocated based on pro-rata headcounts
Tuition Reimbursements	-	-	-	- Allocated based on pro-rata headcounts
Training Educational Seminars	-	-	-	- Allocated based on pro-rata headcounts
Vac/Holiday & Boot Allowance-OPS	-	-	-	- Specific
Vac/Holiday & Boot Allowance-GS-UNION	-	-	-	- Specific
Vac/Holiday & Boot Allowance-WTP	-	-	-	- Specific
Vac/Holiday & Boot Allowance-NC	-	-	-	- Specific
SERP	-	-	-	- Specific
Payroll Taxes:	-	-	-	-
Employer FICA/Medicare	-	-	-	- Allocated based on pro-rata wages
FUTA	-	-	-	- Allocated based on pro-rata wages
SUI	-	-	-	- Allocated based on pro-rata wages
Total Benefits	-	-	-	
Benefits % (of wages)	0.0%	0.0%	0.0%	
Total Wages thru 4/26/07	-	-	-	Wages per Payroll (ADP)
%	0.0%	0.0%	0.0%	
Total Headcount	-	0	0	
	0.0%	0.0%	0.0%	

PWSC Customers	Operations	Water Supply	Billing	Cust Svc	Customers	Customers
Hudson	-	-	-	-	-	-
Salisbury	-	-	-	-	-	-
Hyannis	-	-	-	-	-	-
Willon	-	-	-	-	-	-

Note: Number of customers per discussion with B.Rousseau

Work Order OH

Pennichuck Water Works
Work Order Allocation of Operations and Production Expenses
For Month Ending

<u>Account Number</u>	<u>Full Year Amounts (to be allocated)</u>	
	<u>Wages</u>	
200	Superintendence - WTP	-
100	Purification Labor	-
000	Superintendence - Operations	-
300	Office Salaries - Operations	-
	<u>Benefits</u>	
Calc	Superintendence - WTP	-
Calc	Purification Labor	-
Calc	Superintendence - Operations	-
Calc	Office Salaries - Operations	-
	<u>Facilities - Will Street</u>	
130	Mainl' Meter Department	-
200	Will Street Parking	-
300	Will Street Office Supplies	-
310	Will Street Gas	-
320	Will Street Electric	-
330	Will Street Phone	-
	<u>Miscellaneous Charges</u>	
003	Misc Gen Exp Ops	-
004	Misc T&D Materials & Supplies	-
000	Stores Expense	-
100	Small Tools Expense	-
102	OPS - Non-Union Vehicles	-
000	WTP - Non-Union Vehicles	-
250	Misc. Transport Expense (less Union Reg Fees)	-
	Non-Union Vehicle Fuel Costs	-
480	Vector Machine	-
950	Misc Gen Equipment Exp	-
101	Transportation Expense CC (101)	-
	<u>Depreciation - 2304</u>	
BNA	Will Street Facility	-
BNA	Tools, Shop & Garage	-
BNA	Other Tangible Equipment	-
BNA	Non-Union Transportation Depreciation	-
	Total Allocable Expenses	-

	2007 Workorder Costs											Total
	PWW Capital	070 WTP Maintenance	080 OPS Maintenance	Fleet	PWW Jobbing	PWS Maintenance	PWS Jobbing	PAC Capital	PAC Maintenance	PEU Capital	PEU Maintenance	
Labor	-	-	-	-	-	-	-	-	-	-	-	-
Contractor Clearing	-	-	-	-	-	-	-	-	-	-	-	-
Inventory: Pipes & Fittings	-	-	-	-	-	-	-	-	-	-	-	-
Inventory: Meters	-	-	-	-	-	-	-	-	-	-	-	-
Inventory: Misc T&D	-	-	-	-	-	-	-	-	-	-	-	-
Inventory: Chemicals	-	-	-	-	-	-	-	-	-	-	-	-
Inventory: Fleet	-	-	-	-	-	-	-	-	-	-	-	-
Misc T&D Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Truck	-	-	-	-	-	-	-	-	-	-	-	-
Backhoe	-	-	-	-	-	-	-	-	-	-	-	-
Compressor	-	-	-	-	-	-	-	-	-	-	-	-
Inspection Fees	-	-	-	-	-	-	-	-	-	-	-	-
Overhead	-	-	-	-	-	-	-	-	-	-	-	-
Labor Overhead (1)	-	-	-	-	-	-	-	-	-	-	-	-
Misc General Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Total Costs	-	-	-	-	-	-	-	-	-	-	-	-
Total Costs w/o Overhead	-	-	-	-	-	-	-	-	-	-	-	-
% of Total	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% of Total w/o Overhead	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Ovhd Allocable to Work Orders	-	-	-	-	-	-	-	-	-	-	-	-
Totals by Company:												
PWW	-	-	-	-	-	-	-	-	-	-	-	0.0%
PEU	-	-	-	-	-	-	-	-	-	-	-	0.0%
PAC	-	-	-	-	-	-	-	-	-	-	-	0.0%
PWS	-	-	-	-	-	-	-	-	-	-	-	0.0%
Total Overhead	-	-	-	-	-	-	-	-	-	-	-	0.0%
% Labor	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes:

(1) For Workorder types 070, 080 and Fleet, labor overhead or benefits are not reflected in the actual work orders since the total benefits are already residing on PWW books. For purposes of the calculation, the benefits are reflected to put the respective costs of each company on a comparable basis and to provide a equitable allocation of overhead expenses.

Pennichuck Water Works
Return on Common Assets Allocation (to other Subsidiary Companies)
For Month Ending

0.00%

Dollars Applicable to:

Account Number	Full Year Amounts (to be allocated)	Rate of Return	Net Book Value	Tier Allocation Required	Tier 1 (All)	Dollars Applicable to:							TSC
						Tier 2 (Regulated + PWSC)	Tier 3 (PWW+PEU+PWSC)	Tier 4 (Regulated)	Tier 5 PWSC Only	Tier 6 PAC Only	Tier 7 Only		
2340	Office: Furniture & Equipment	-	-	1	-	-	-	-	-	-	-	-	-
2341	Transportation Equipment	-	-	2	-	-	-	-	-	-	-	-	-
2343	Tools, Shop & Garage Equipment	-	-	3	-	-	-	-	-	-	-	-	-
2345	Power Operated Equipment	-	-	2	-	-	-	-	-	-	-	-	-
2346	Communication Equipment	-	-	4	-	-	-	-	-	-	-	-	-
2347	Computer Equipment	-	-	1	-	-	-	-	-	-	-	-	-
2348	Other Plant and Misc Equipment	-	-	4	-	-	-	-	-	-	-	-	-
2304-701	Will Street Office	-	-	3	-	-	-	-	-	-	-	-	-
2304-750	Will Street Expansion	-	-	3	-	-	-	-	-	-	-	-	-
2304-950	Leasehold Improvement - Manchester St	-	-	1	-	-	-	-	-	-	-	-	-
Total Allocable Expenses													

Note: Rate of Return based on YTD NBV/12#months

Tier 1 - use the corporate expense allocation between TSC, PWSC and regulated utilities. The allocation among utilities will be based on total assets and customers.

Tier 2 - allocate to PWW, PEU, PAC and PWSC based on total assets and customers

Tier 3 - allocate to PWW, PEU and PWSC based on total assets and customers

Tier 4 - allocate to the regulated utilities (PWW, PEU and PAC) based on total assets and customers.

Note: Laboratory Equipment not included. Currently, PWW charges a \$15 fee for all lab work which is considered to be a competitive price and \$5 higher than charged by the State of New Hampshire.

Allocation Calculation - Tier 1 (All Companies)												
	PWW			PEU		PAC		Total Regulated	Con Ops (PWS)1	Real Estate (TSC)1	Total	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Revenues ⁴	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Employees (FTE's) - 2006 (including summer help)	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Square Footage - w/ add'l lease space Manchester Street Facility	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total Assets ²	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Customers ³	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Average Percentage	0.00%		0.00%		0.00%		0.00%		0.00%		0.00%	
Allocation of Allocable Expenses	-		-		-		-		-		\$ -	
Effective Allocation %	0.00%		0.00%		0.00%		0.00%		0.00%		0.00%	
												<u>Check Total</u> \$ -

¹ - TSC employees not counted as their payroll and benefits are charged directly; PWS - 100% of 1 employee and 50% of 1 employee charged directly and not counted
² - Based on November 2006 Actuals w/ reclass of interco assets to advance acct
³ - Based on December 2006 Actuals
⁴ - Based on December 2006 Preliminary

Allocation Calculation - Tier 2 (All Regulated Companies plus PWSC)												
	PWW			PEU		PAC		Total Regulated	Con Ops (PWS) 1	Real Estate (TSC)	Total	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Total Assets ¹	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Customers ¹	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Average Percentage	0.00%		0.00%		0.00%		0.00%		0.00%		0.00%	
Allocation of Allocable Expenses	-		-		-		-		0		\$ -	
Effective Allocation %	0.00%		0.00%		0.00%		0.00%		0.00%	N/A	0	
												<u>Check Total</u> \$ -

¹ - PWS customers based on municipality customers and pro rated based on services rendered

<u>Allocation Calculation - Tier 3 (PWW, PEU and PWSC)</u>							
	<u>PWW</u>	<u>PEU</u>	<u>PAC</u>	<u>Con Ops (PWS)</u>	<u>Real Estate (TSC)</u>	<u>Total</u>	
Total Assets ²	\$ - 0.00%	\$ - 0.00%		\$ - 0.00%		\$ - 0.00%	
Customers ³	- 0.00%	- 0.00%		- 0.00%		- 0.00%	
Average Percentage	0.00%	0.00%		0.00%		0.00%	
Allocation of Allocable Expenses	\$ -	\$ -	0	\$ -	0	\$ -	<u>Check Total</u>
Effective Allocation %	0.00%	0.00%	N/A	0.00%	N/A		\$ -

<u>Allocation Calculation - Tier 4 (Regulated Companies)</u>							
	<u>PWW</u>	<u>PEU</u>	<u>PAC</u>	<u>Con Ops (PWS)</u>	<u>Real Estate (TSC)¹</u>	<u>Total</u>	
Total Assets ²	\$ - 0.00%	\$ - 0.00%	\$ - 0.00%			\$ - 0.00%	
Customers ³	- 0.00%	- 0.00%	- 0.00%			- 0.00%	
Average Percentage	0.00%	0.00%	0.00%			0.00%	
Allocation of Allocable Expenses	\$ -	\$ -	\$ -	0	0	\$ -	<u>Check Total</u>
Effective Allocation %	0.00%	0.00%	0.00%	N/A	N/A		\$ -

<u>Specific Allocation Calculations - Tier 5-7</u>							
	<u>PWW</u>	<u>PEU</u>	<u>PAC</u>	<u>Con Ops (PWS)</u>	<u>Real Estate (TSC)¹</u>	<u>Total</u>	<u>Check Total</u>
Direct Allocable Costs	0 N/A	0 N/A	-	-	0 N/A	-	\$ -

Summary of Allocations	PWW	PEU	PAC	Con Ops (PWS)	Real Estate		Totals	
					(TSC)			
Tier 1	-	-	-	-	-	-	-	
Tier 2	-	-	-	-	-	-	-	
Tier 3	-	-	-	-	-	-	-	
Tier 4	-	-	-	-	-	-	-	
PWSC only and PAC only	-	-	-	-	-	-	-	<u>unallocated</u>
Total Allocations	-	-	-	-	-	-	-	<u>TSC</u> Check Total
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-

Summary Transfers from PWW Operating to Other Companies		
Full Year Amounts		
	Annual Amts	Monthly Amts
PWW operating expense allocation - PWW	\$ -	\$ -
PWW operating expense allocation - PEU	\$ -	\$ -
PWW operating expense allocation - PAC	\$ -	\$ -
PWW operating expense allocation - PCP	\$ -	\$ -
PWW operating expense allocation - PWS	\$ -	\$ -
PWW operating expense allocation - TSC	\$ -	\$ -
Check Totals:	\$ -	\$ -

Pennichuck Corporation
Mgmt Fee Expense Allocation (to other Subsidiary Companies)
Month Ending

Professional Fees	0.00
DSO Insurance	0.00
Stockholders Expense	0.00
YTD Months Ending	0.00

Allocation Calculation - Level 1 (All Companies)

	PWW	PEU	PAC	Total Regulated	Con Ops (PWS)	Real Estate (TSC)	Total	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
April 2007 Premiums	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Total Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
April 2007 Premiums	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Average Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Allocation of Allocable Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Check Total \$ (0)

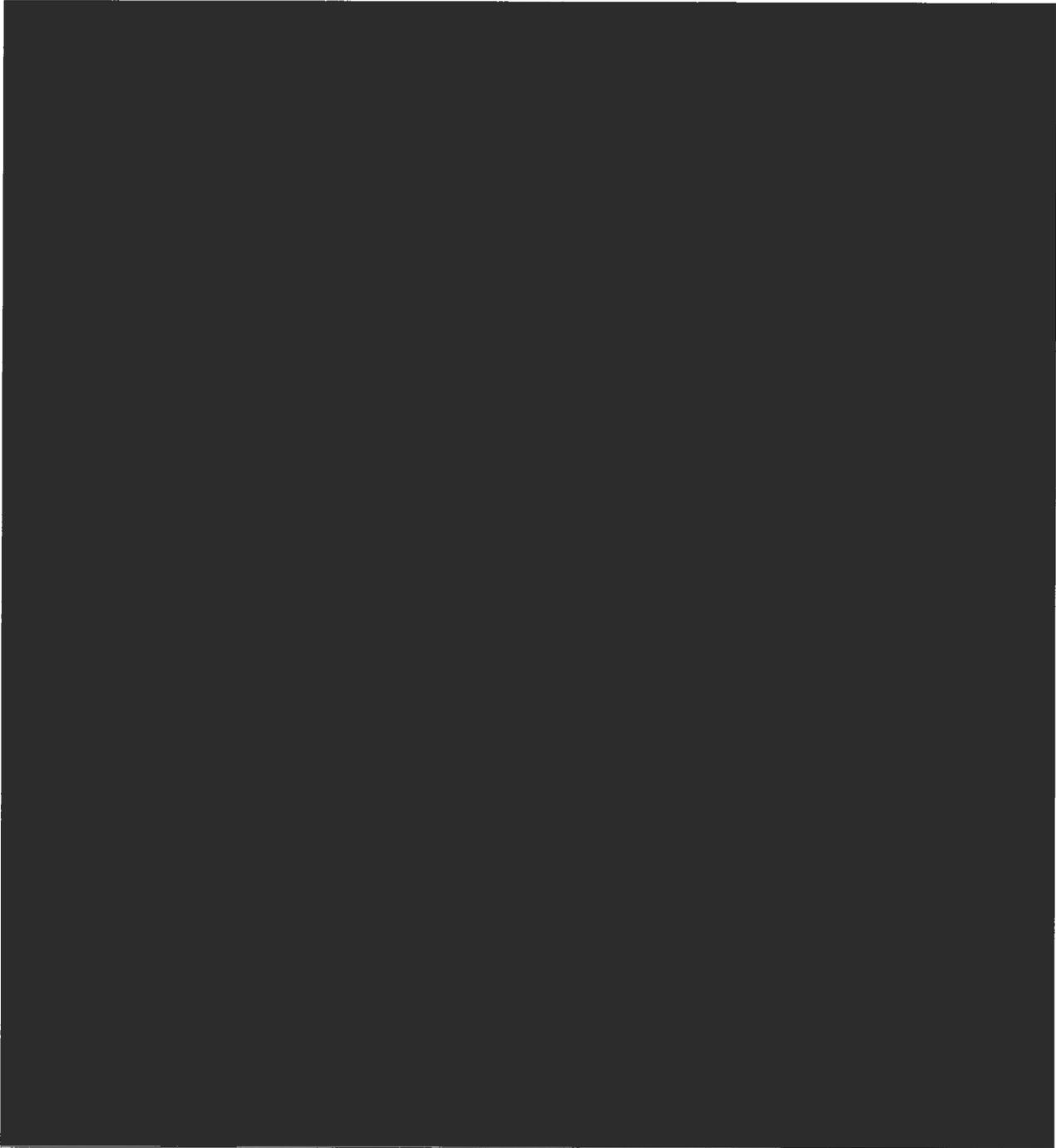
Summary Transfers from PCP Operating to Other Companies - Full Year Amounts

	YTD Costs	Current Balance	Monthly Adj
PCP Mgmt Fee Expense Allocation - PCP	\$ -	\$ -	-
PCP Mgmt Fee Expense Allocation - PWW	\$ -	\$ -	-
PCP Mgmt Fee Expense Allocation - PEU	\$ -	\$ -	-
PCP Mgmt Fee Expense Allocation - PAC	\$ -	\$ -	-
PCP Mgmt Fee Expense Allocation - PWS	\$ -	\$ -	-
PCP Mgmt Fee Expense Allocation - TSC	\$ -	\$ -	-
Check Totals	\$ -	\$ -	-

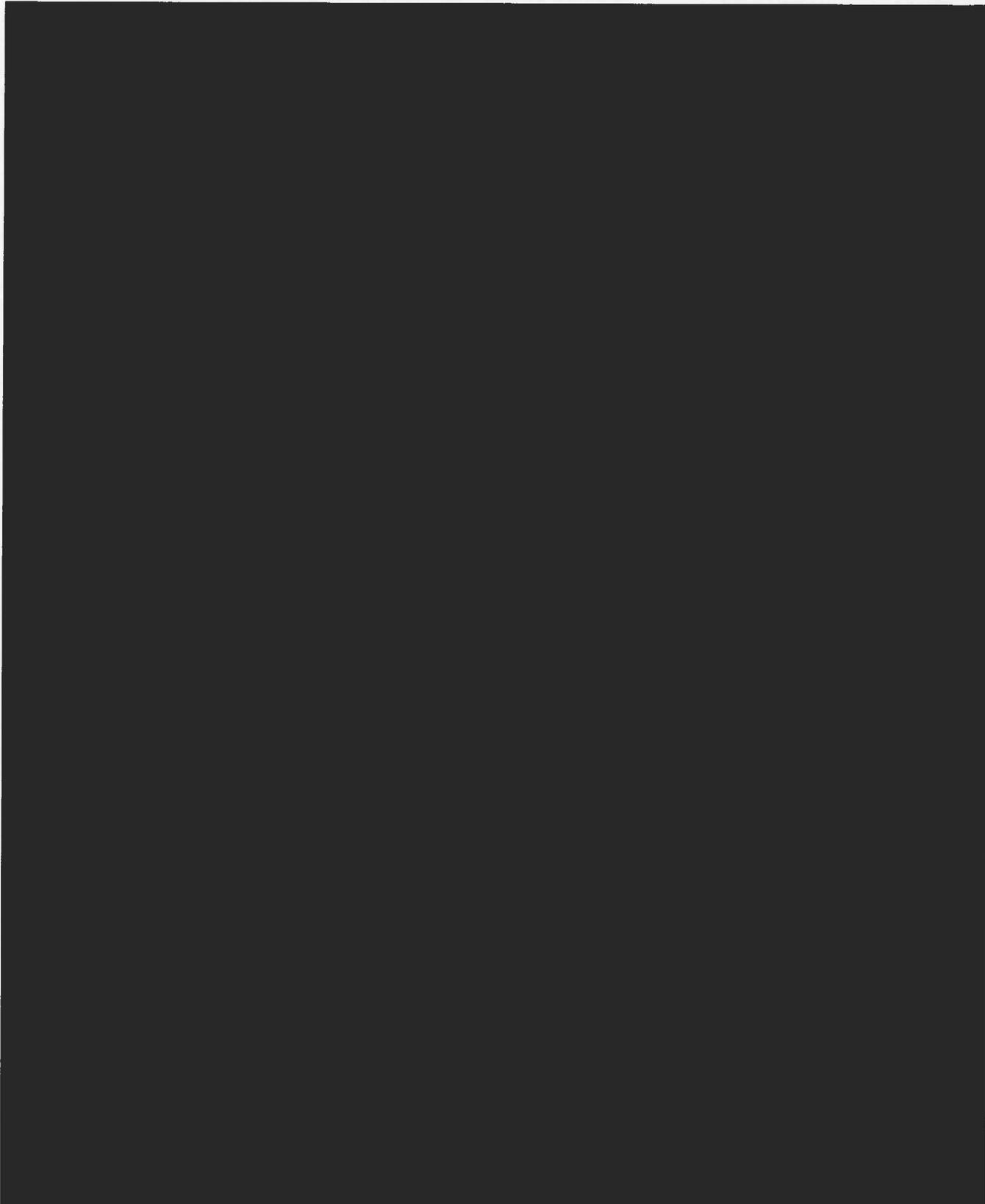
Summary of 2007 Allocated Costs Year to Date Costs through Pennichuck Corporation and Subsidiaries (Dollar amounts in \$ 000's)										
	<u>Penn Water</u>	<u>Penn East</u>	<u>Pittsfield</u>	<u>Total Regulated</u>	<u>Con Ops(PWSC)</u>	<u>Real Estate(TSC)</u>	<u>Total</u>			
Allocated Corporate Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Allocated Return on Common Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Allocated Pennichuck Water Costs - Work Orders	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Allocated Pennichuck Water Costs - Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Allocated 2007 Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Pennichuck Water Works, Inc.

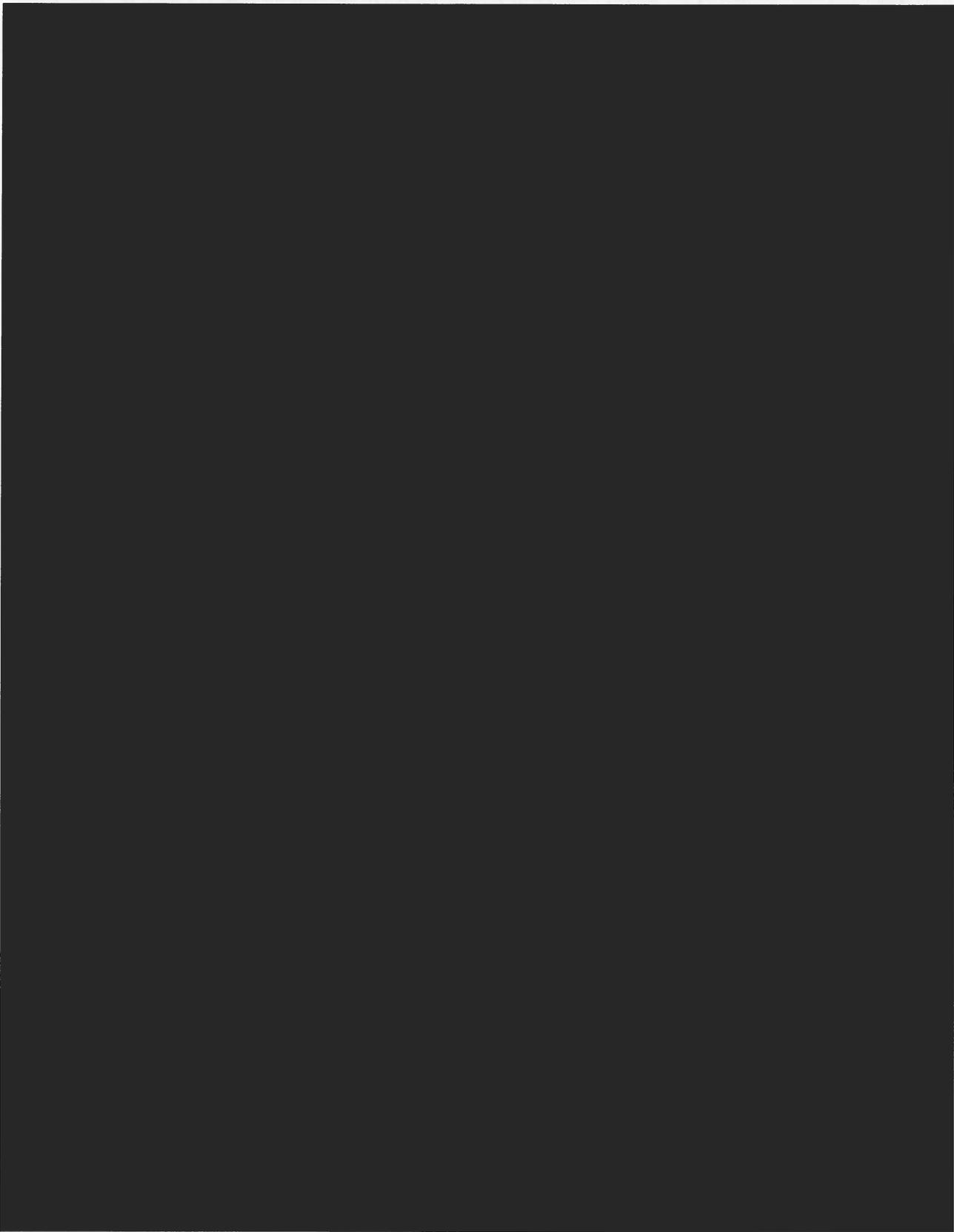
The proposed terms and conditions summarized herein are provided for discussion purposes only. They do not constitute an offer, agreement, or commitment to lend and are confidential. The terms and conditions upon which TD Bank, N.A. ("TD" or the "Bank") might extend credit to Pennichuck Water Works, Inc. (or the "Borrower") are subject to satisfactory review and completion of documentation, satisfactory completion of due diligence, approval by TD Bank Credit Authorities, and other such terms and conditions as may be determined by Bank and its counsel.



Redacted

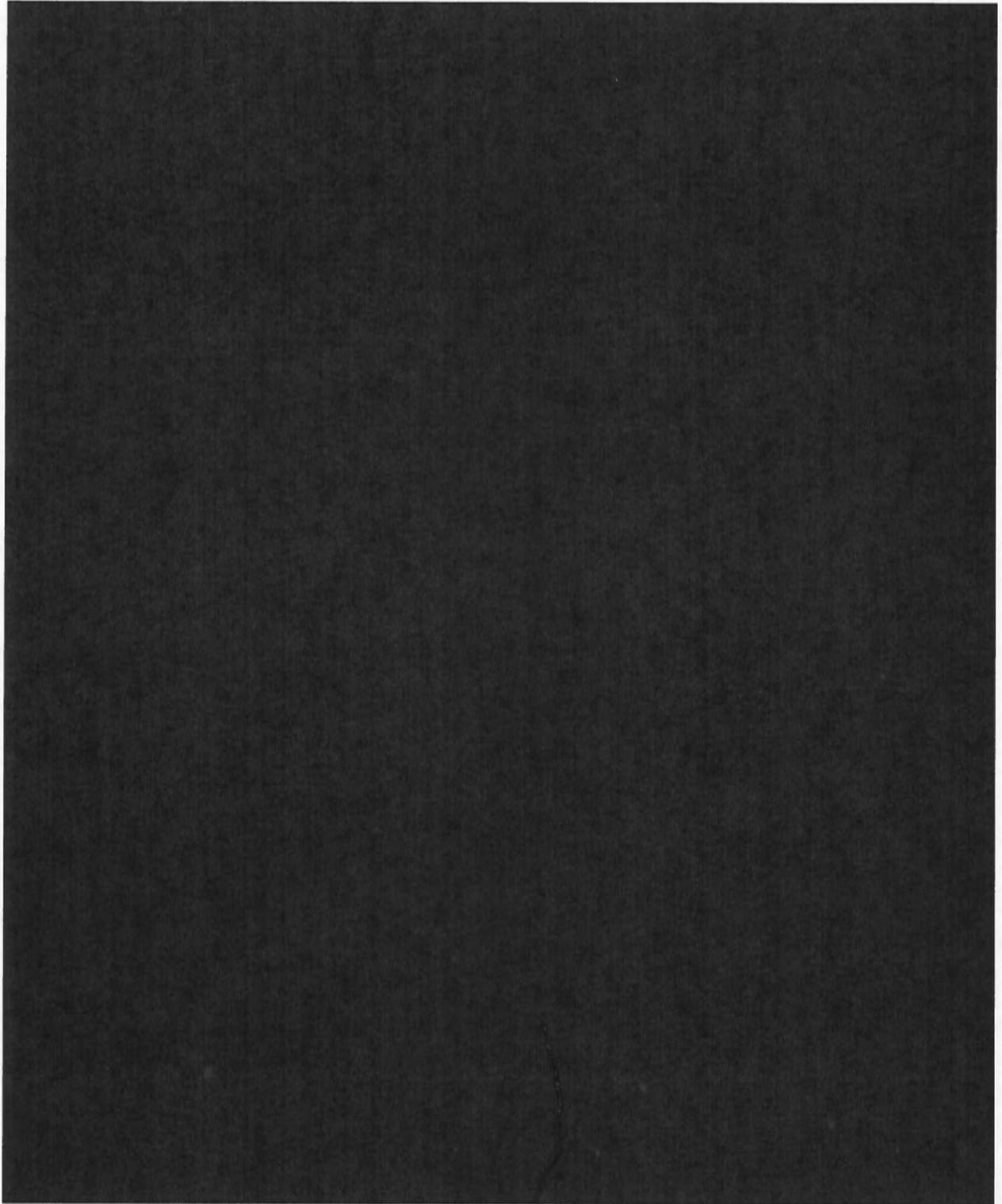


Redacted

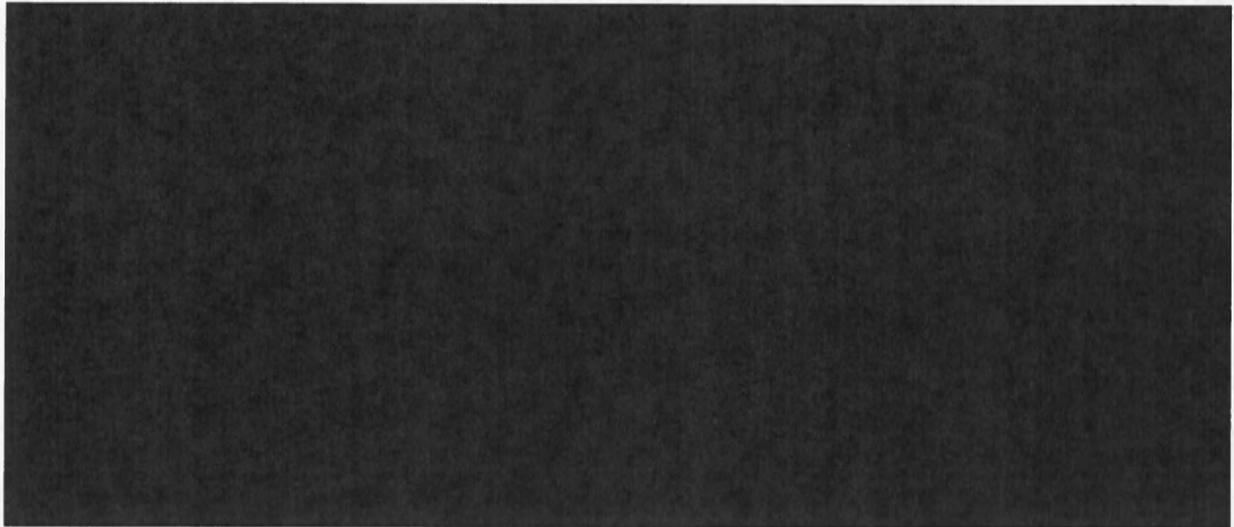


Redacted





Redacted



LOAN AND TRUST AGREEMENT

Among

BUSINESS FINANCE AUTHORITY OF THE STATE
OF NEW HAMPSHIRE

And

PENNICHUCK WATER WORKS, INC.

And

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

Dated as of December 1, 2014

\$41,885,000 Business Finance Authority
of the State of New Hampshire
Water Facility Revenue Bonds
(Pennichuck Water Works, Inc. Project) Series 2014A
dated as of their date of delivery

\$5,300,000 Business Finance Authority
of the State of New Hampshire
Water Facility Revenue Bonds
(Pennichuck Water Works, Inc. Project) Series 2014B (Federally Taxable)
dated as of their date of delivery

TABLE OF CONTENTS

	Page
ARTICLE I: INTRODUCTION AND DEFINITIONS.....	1
Section 101. Description of the Agreement and the Parties	1
Section 102. Definitions.....	1
Section 103. Number and Gender, Connectives and Disjunctives	6
ARTICLE II: THE ASSIGNMENT AND PLEDGE	6
Section 201. Assignment and Pledge of the Authority	6
Section 202. Recording; Further Assurance	6
Section 203. Defeasance	6
Section 204. Corporate Existence	7
Section 205. Indemnification by the Borrower.....	7
ARTICLE III: THE BORROWING	8
Section 301. The Bonds	8
Section 302. Bond Fund.....	15
Section 303. Application of Moneys	15
Section 304. Payments by the Borrower.....	16
Section 305. Unconditional Obligation.....	16
Section 306. Redemption of the Bonds.....	16
Section 307. Investment of Moneys in Funds.....	21
Section 308. Series A Status of Series A Bonds	21
Section 309. Rebate	21
Section 310. Continuing Disclosure	22
ARTICLE IV: THE PROJECT.....	23
Section 401. Project Fund	23
Section 402. Disbursements from Project Fund	23
Section 403. Certificate of Completion	23
Section 404. Carrying Out the Project	23
Section 405. Compliance with Law	24
Section 406. Disposition	24
Section 407. Current Expenses	24
Section 408. Repair	24
Section 409. Insurance	24
Section 410. Right of Access to the Project.....	24
Section 411. Condition of the Project.....	25
ARTICLE V: COVENANTS OF THE BORROWER.....	25
Section 501. Amendment.....	25
Section 502. Rate Covenant.....	25
Section 503. Merger or Consolidation	26
Section 504. Other Covenants.....	26
Section 505. Liens.....	27

TABLE OF CONTENTS
(continued)

	Page
Section 506. Borrowings.....	27
Section 507. First Mortgage Bonds	28
ARTICLE VI: DEFAULT AND REMEDIES.....	29
Section 601. Events of Default	29
Section 602. Waiver.....	30
Section 603. Remedies for Events of Default.....	30
Section 604. Application of Money Collected.....	30
Section 605. Performance of the Borrower’s Obligations.....	31
Section 606. Remedies Cumulative	31
ARTICLE VII: THE TRUSTEE	31
Section 701. Rights and Duties of the Trustee.....	31
Section 702. Fees and Expenses of the Trustee	33
Section 703. Resignation or Removal of the Trustee	33
Section 704. Successor Trustee.....	33
ARTICLE VIII: THE AUTHORITY	34
Section 801. Limited Obligation.....	34
Section 802. Rights and Duties of the Authority	34
Section 803. Expenses of the Authority.....	35
Section 804. Matters to be Considered by Authority.....	35
Section 805. Actions by Authority.....	36
ARTICLE IX: THE BONDOWNERS.....	36
Section 901. Action by Bondowners	36
Section 902. Proceedings by Bondowners.....	37
ARTICLE X: MISCELLANEOUS	37
Section 1001. Amendment.....	37
Section 1002. Successors and Assigns.....	37
Section 1003. Notices	37
Section 1004. Agreement Not for the Benefit of Other Parties	38
Section 1005. Severability	39
Section 1006. Counterparts.....	39
Section 1007. Captions	39
Section 1008. Governing Law	39

ARTICLE I: INTRODUCTION AND DEFINITIONS

Section 101. Description of the Agreement and the Parties. This Loan and Trust Agreement dated as of December 1, 2014 is among the Business Finance Authority of the State of New Hampshire (the “Authority”), a body corporate and politic created under New Hampshire RSA 162-A:3; Pennichuck Water Works, Inc. (the “Borrower”), a public utility corporation organized under the laws of the State of New Hampshire, and The Bank of New York Mellon Trust Company, N.A. (with any successor Trustee hereunder, the “Trustee”), a national banking association, as Trustee and Paying Agent. This Agreement is a financing document combined with a security document as one instrument in accordance with the Act and provides for the following transactions:

- (a) the Authority’s issue of the Bonds;
- (b) the Authority’s loan of the proceeds of the Bonds to the Borrower for the purpose of financing and refinancing the Project;
- (c) the Borrower’s repayment of the loan of Bond proceeds from the Authority through payment to the Trustee of all amounts necessary to pay the Bonds issued by the Authority; and
- (d) the Authority’s assignment to the Trustee, in trust for the benefit and security of the Bondowners, of the Authority’s rights under this Agreement and the revenues to be received from the Borrower, except as otherwise provided herein.

In consideration of the mutual agreements contained in this Agreement and other good and valuable consideration, the receipt of which is hereby acknowledged, the Borrower, the Authority and the Trustee agree as set forth herein for their own benefit and for the benefit of the Bondowners.

Section 102. Definitions. In addition to terms defined elsewhere herein, the following terms have the following meanings in this Agreement, unless the context otherwise requires:

- (a) “1997 Bonds” means the \$4,000,000 Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. – 1997 Issue), dated April 1, 1997, outstanding in the principal amount of \$2,600,000 and any bond or bonds duly issued in exchange or replacement therefor.
- (b) “2005 Series BC-3 Bonds” means the \$7,500,000 Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) 2005 Series BC-3, dated October 1, 2005, outstanding in the principal amount of \$7,475,000, and any bond or bonds duly issued in exchange or replacement therefor.
- (c) “2005 Series BC-4 Bonds” means the \$12,500,000 Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) 2005 Series BC-4, dated October 1, 2005, outstanding in the principal amount of \$12,100,000 and any bond or bonds duly issued in exchange or replacement therefor.

- (d) “Act” means New Hampshire RSA 162-I, as amended.
- (e) “Authority’s Service Charge” means payments to the Authority for its own use consisting of \$148,162.50 with respect to the Series A Bonds and \$13,087.50 with respect to the Series B Bonds, payable on the date of original issuance of the Bonds.
- (f) “Bond Counsel” means a firm of nationally recognized attorneys-at-law experienced in legal work relating to the financing of facilities for non-exempt persons through the issuance of tax-exempt revenue bonds.
- (g) “Bond Fund” means the fund of that name established under Section 302 hereof.
- (h) “Bonds” means, collectively, the Series A Bonds and the Series B Bonds.
- (i) “Bondowners” means the registered owners of the Bonds from time to time as shown in the bond register kept by the Trustee.
- (j) “Borrower Representative” means the Chief Financial Officer, Treasurer & Controller or an alternate or successor appointed by the Borrower with notice to the Trustee.
- (k) “Business Day” means a day on which the banks in the city in which the principal office of the Trustee is located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.
- (l) “Capital Properties” means all tangible property of the Borrower used or useful in the Borrower’s business as a water company, including construction work in progress, and which are properly chargeable to the capital account of the Borrower in conformity with any applicable rules and regulations of government authorities having jurisdiction, as shown on the books of the Borrower.
- (m) “Continuing Disclosure Agreement” means the Continuing Disclosure Agreement between the Borrower and the Trustee, as dissemination agent, dated as of December 1, 2014, as originally executed in connection with the issuance of the Bonds and as it may be amended from time to time in accordance with the terms thereof.
- (n) “Effective Date” means December 1, 2014.
- (o) “Escrow Letter Agreement” means the Escrow Letter Agreement dated as of December 1, 2014 among the Authority, the Borrower and The Bank of New York Mellon Trust Company, N.A., as Refunded Bond Trustee and related to the refunding of the Refunded Bonds.
- (p) “Event of Default” has the meaning stated in Section 601, and “default” means any Event of Default hereunder without regard to any lapse of time or notice.
- (q) “Federal Tax Statement” means the Tax Certificate and Agreement executed in connection with the issuance of the Series A Bonds.

(r) “Fiscal Year” means the calendar year.

(s) “Funded Debt” means debt maturing, or which the Borrower has a right to extend or renew so that it will mature, more than twelve months after it first became debt of the Borrower, including the Bonds as well as the present value (discounted future value) of all future rentals and lease payments under lease agreements with final terms of over three years’ duration to the extent that such discounted future value exceeds 25% of the sum of preferred stock capital, common stock capital and all surplus accounts. “Funded Debt” shall not include accounts payable, customers’ deposits and advances, accrued wages and similar obligations incurred in the ordinary course of business.

(t) “Government or Equivalent Obligations” means (i) obligations issued or guaranteed by the United States, including any agencies thereof; (ii) certificates evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (i), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee or the Authority, as the case may be, in a special account separate from the general assets of such custodian; and (iii) shares of any open-end or closed-end management type investment company or trust registered under 15 U.S.C. §80(a)-1 et seq., provided that the portfolio of such investment company or trust is limited to obligations described in clause (i) and repurchase agreements fully collateralized by such obligations, and provided further that such investment company or trust shall take custody of such collateral either directly or through a custodian satisfactory to the Trustee or the Authority.

(a) “IRC” means the Internal Revenue Code of 1986, as amended from time to time.

(b) “MARA” means the Municipal Asset Regulatory Asset, as shown on the books of the Borrower.

(c) “Net Amount of Capital Properties” means the amount of Capital Properties minus the amount of depreciation or retirement reserve applicable thereto as shown by the books of the Borrower. It shall be calculated as of the end of the last preceding quarter and shall reflect amounts as recorded or required to be recorded on the books of the Borrower in accordance with applicable rules and regulations of governmental authorities having jurisdiction, or in the absence thereof, generally accepted accounting principles.

(d) “Net Revenues” means the excess of (i) all operating and non-operating revenues of the Borrower over (ii) all operating expenses of the Borrower, including taxes (except any allowance for income, excess profits and other taxes measured by or dependent on net taxable income for the period for which the earnings are being computed) but not including interest expenses or any allowances for depreciation or amortization, all as determined in accordance with applicable rules and regulations of governmental authorities having jurisdiction, or, in the absence thereof, generally accepted accounting principles.

(e) “NHPUC” means the New Hampshire Public Utilities Commission.

(f) “Outstanding”, when used to modify Bonds, refers to Bonds issued under this Agreement, excluding: (i) Bonds that have been exchanged or replaced, or delivered to the

Trustee for credit against a principal payment; (ii) Bonds that have been paid in full; (iii) Bonds that have become due and for the payment of which moneys have been duly provided; and (iv) that for which there have been irrevocably set aside sufficient funds, or obligations issued or guaranteed by the United States bearing interest at such rates and with such maturities as will provide sufficient funds, to pay the principal of and interest on such Bonds; provided, however, that if any such Bonds are to be redeemed prior to maturity, the Borrower shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with this Agreement or irrevocable instructions so to mail shall have been given to the Trustee.

(g) “Permitted Investments” means (A) Government or Equivalent Obligations; (B) “tax exempt bonds” as defined in IRC §150(a)(6), rated at least “AA” or “Aa2” by Standard & Poor’s Ratings Group (“S&P”) and Moody’s Investors Services, Inc. (“Moody’s”), respectively, or the equivalent by any other nationally recognized rating agency, at the time of acquisition thereof, or shares of a so-called money market or mutual fund that do not constitute “investment property” within the meaning of IRC Section 148(b)(2), provided either that the fund has all of its assets invested in such “tax exempt bonds” of such rating quality or, if such obligations are not so rated, that the fund has comparable creditworthiness through insurance or otherwise and which fund is rated “Aam” or “AAm-G” if rated by S&P, at the time of acquisition thereof; (C) Obligations of any state or political subdivision thereof rated at least “AA-” and “Aa3” by S&P and Moody’s, respectively, at the time of acquisition thereof; (D) negotiable certificates of deposit maturing not more than two years after the date of purchase, and interest-bearing deposit accounts of a national association or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank, which (i) has assets of not less than \$1,000,000,000, provided that the senior debt obligations of the issuing Borrower are rated in the highest category by Moody’s or S&P at the time of acquisition thereof, or (ii) funds are guaranteed by the Federal Deposit Insurance Corporation, or (iii) funds are fully collateralized by Government or Equivalent Obligations; (E) bills of exchange or time drafts drawn on and accepted by a commercial bank (otherwise known as bankers acceptances), provided that such bankers acceptances may not exceed 180 days maturity, and provided further that the accepting bank has the highest short-term letter and numerical rating as provided by Moody’s or S&P at the time of acquisition thereof; (F) Repurchase Agreements; (G) money market funds which have a rating of “AAAm-G,” “AAAm” or “AAm” by S&P at the time of acquisition thereof, provided that the fund is registered under the Federal Investment Company Act of 1940 and whose shares are registered under the Federal Securities Act of 1933; (H) investment agreements with providers rated not lower than the second highest category (without regard to gradations within such category), at the time of acquisition thereof, by at least one nationally recognized rating agency, provided that if the investment agreement is guaranteed by a third party, then such rating requirement shall apply to the guarantor only, and provided further that if the provider is downgraded by one or more nationally recognized rating agency to below the second highest category, the agreement shall (i) be fully collateralized at 104% by Government or Equivalent Obligations or 105% by securities outlined in clause (J) of this definition of permitted investments, or (ii) terminate; (I) collateralized investment agreements with providers rated not lower than the third highest category (without regard to gradations within such category), at the time of acquisition thereof, by at least one nationally recognized rating agency, provided that if the investment agreement is guaranteed by a third party, then such rating requirement shall apply to the guarantor only, and provided further that in all cases such rating

requirements shall apply only at the time the investment agreement is executed; (J) forward purchase and sale agreements with providers rated not lower than the third highest category (without regard to gradations within such category), at the time of acquisition thereof, by at least one nationally recognized rating agency, provided that if the investment agreement is guaranteed by a third party, then such rating requirement shall apply to the guarantor only, and provided further that in all cases such rating requirements shall apply only at the time the investment agreement is executed; (K) commercial paper rated at least “A1” by S&P and/or “P-1” by Moody’s at the time of acquisition thereof and maturing within two hundred seventy (270) days after the acquisition thereof. Any investment may be purchased from or through the Trustee or any Bondowner or any affiliate of either of them.

(a) “Project” means (i) with respect to the Series A Bonds and the Series B Bonds, capital improvements to the Borrower’s water supply and water distribution installations, upgrades, replacements and rehabilitations and related support systems at project sites located in Amherst, Bedford, Derry, Epping, Hollis, Merrimack, Milford, Nashua, Newmarket, Plaistow and Salem, New Hampshire (including the project listed on Exhibit A hereto), and (ii) with respect to the Series B Bonds, portions of the projects financed and refinanced with the Refunded Bonds, including the Shakespeare Storage Tank, the Bowers Dam and Holt Pond and Dam. Project also means the water facilities that result or have resulted from the foregoing activities.

(b) “Project Costs” means the cost of issuing the Bonds and the costs of carrying out the Project which may be paid from Bond proceeds under the Act, including interest during construction of the Series A Project but excluding the creation of reserves. Project Costs, including costs of issuing the Bonds paid from the proceeds of the Series A Bonds and the Series B Bonds, if any, shall also be limited to costs that are permitted to be paid or reimbursed from Bond proceeds under the Federal Tax Statement.

(c) “Project Fund” means the fund of that name established under Section 401 hereof and shall include the accounts established with the Project Fund.

(d) “Rebate Year” means the one year period (or shorter period beginning on the date of issue) ending on December 31.

(e) “Refunded Bonds” means the 1997 Bonds, 2005 Series BC-3 Bonds, 2005 Series BC-4 Bonds and Series 2005C Bonds.

(f) “Series A Bonds” means the \$41,885,000 Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2014A, dated their date of delivery, and any bond or bonds duly issued in exchange or replacement therefor.

(g) “Series B Bonds” means the \$5,300,000 Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2014B (Federally Taxable), dated their date of delivery, and any bond or bonds duly issued in exchange or replacement therefor.

(h) “Series 2005C Bonds” means the \$1,205,000 Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc.

Project) Series 2005C, dated January 1, 2005, outstanding in the principal amount of \$1,175,000 and any bond or bonds duly issued in exchange or replacement therefor.

(i) “Short-Term Debt” means all debt other than Funded Debt maturing, whether by renewal or otherwise, not more than twelve months after it first became the debt of the Borrower, excluding accounts payable, customers’ deposits and advances, accrued wages and similar obligations incurred in the ordinary course of business.

(j) “State” means the State of New Hampshire.

(k) “UCC” means the New Hampshire Uniform Commercial Code, as amended.

Section 103. Number and Gender, Connectives and Disjunctives. Wherever appropriate (1) the singular and plural forms of words, (2) words of different gender and (3) the words “and” and “or” shall, within those respective classifications, be deemed interchangeable.

ARTICLE II: THE ASSIGNMENT AND PLEDGE

Section 201. Assignment and Pledge of the Authority. The Authority, for consideration paid as hereinabove acknowledged, assigns and pledges to the Trustee in trust as provided above (i) all of the Authority’s rights to receive and enforce repayment of its loan to the Borrower and to enforce payment of the Bonds and all proceeds of such rights and loan and (ii) all funds and investments held from time to time in the Bond Fund established under Section 302, but not including funds received by the Authority for its own use, whether as the Authority’s Service Charge, reimbursement or indemnification or the rights thereto. The Borrower joins in the pledge of such funds and investments to the extent of its interest therein.

Section 202. Recording; Further Assurance. The Borrower will cause this Agreement and all amendments hereto and instruments of further assurance, including all required financing statements and continuation statements, to be promptly recorded, registered and filed, and at all times to be kept recorded, registered and filed, and will file such financing statements and cause to be issued and filed such continuation statements, all to the extent and in such manner and in such places as may be required by law fully to preserve and protect the rights of the Trustee and the Bondowners hereunder. The Borrower, the Authority and the Trustee will from time to time execute, deliver and record and file such instruments as the Trustee or the Bondowners may reasonably require to confirm, perfect or maintain the security created hereby and the transfer, assignment and grant of the rights hereunder.

Section 203. Defeasance. When the Bonds have been paid or redeemed in full or after there are in the Bond Fund sufficient funds, or noncallable obligations issued or guaranteed by the United States in such principal amounts, bearing interest at such rates and with such maturities as will provide sufficient funds, to pay the principal of and interest on the Bonds; when all the rights hereunder of the Authority, the Trustee and the Bondowners have been adequately provided for, including the payment in full of the Authority’s Service Charge; and when the rebate, if any, due to the United States under IRC §148 has been paid in full, the Bondowners and the Authority shall cease to be entitled to any benefit or security under this

Agreement except the right to receive payment of any moneys deposited and held for payment and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien hereof including rights under Subsection 304(b); the security interests created by this Agreement shall terminate; and the Trustee, upon the request of the Borrower, will execute and deliver such instruments as may be necessary to discharge any lien and security interests created hereunder; provided, however, that if any such Bonds are to be redeemed prior to the maturity thereof, the Borrower shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with this Agreement or irrevocable instructions so to mail shall have been given to the Trustee. Upon such defeasance, the funds and investments required to pay or redeem the Bonds in full shall be irrevocably set aside for that purpose and moneys held for defeasance shall be invested only as provided above in this section. Any moneys or property held by the Trustee and not required for payment or redemption of the Bonds in full shall, after satisfaction of all the rights of the Authority and the Trustee, be distributed to the Borrower upon such indemnification, if any, as the Authority or the Trustee may reasonably require. If Bonds are not presented for final payment when due and moneys are available in the hands of the Trustee therefor, the Trustee will continue to hold the moneys held for that purpose subject to Subsection 302(c), and interest shall cease to accrue on the principal amount represented thereby.

In determining the sufficiency of the moneys and/or government obligations described as aforesaid deposited pursuant to this Section 203, the Trustee, at its request, shall be entitled to receive, at the expense of the Borrower, and may rely on a verification report of a firm of nationally recognized independent certified public accountants.

Section 204. Corporate Existence. The Borrower will maintain its corporate existence and good standing and qualification to do business in the State and will not, without the prior consent of the Authority and subject to any additional limitations contained in Section 503, merge or consolidate with any other person or transfer or dispose of all or any substantial portion of its assets.

Section 205. Indemnification by the Borrower. The Borrower, regardless of any agreement to maintain insurance, will indemnify the Authority, the Bondowners and the Trustee against (a) any and all claims by any person arising out of the participation of the Authority, the Trustee or the Bondowners in the transactions contemplated by this Agreement, including without limitation claims arising out of any condition of the Project or the construction, use, occupancy or management thereof; any accident, injury or damage to any person occurring in or about the Project site; any breach by the Borrower of its obligations under this Agreement; any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees relative to this Agreement or the Project; or the offering, issuance, sale or any resale of the Bonds to the extent per by law, and (b) all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon, provided that the person affected by any such claim cooperates with the Borrower. In case any action or proceeding is brought against the Authority, the Trustee or any Bondowner by reason of any such claim, the Borrower will defend the same at its expense upon notice from the affected person, provided that such person cooperates with the Borrower, at the expense of the Borrower in connection therewith. In such event, the Authority, Trustee or any Bondowner shall use its best efforts to cooperate with Borrower, in the prosecution, settlement or other disposition

of any such claim, action or proceedings. The provisions of this section shall not apply to any claim, action or proceeding against the Trustee or any Bondowner which is based solely on the negligence, willful misconduct, bad faith, fraud or deceit of the Trustee and/or Bondowner.

ARTICLE III: THE BORROWING

Section 301. The Bonds.

(a) Issue, Authentication and Form of Bonds. Upon execution and delivery of this Agreement, the Authority will issue, and upon direction of the Authority, the Trustee will authenticate and deliver, the Bonds of each series in substantially the following form:

\$_____

No. [A][B]R-1

The State of New Hampshire
BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
WATER FACILITY REVENUE BOND
(Pennichuck Water Works, Inc. Project) Series 2014[A][B (Federally Taxable)]

REGISTERED OWNER: CEDE & CO.

CUSIP:

PRINCIPAL AMOUNT: _____ DOLLARS

INTEREST RATE: _____ PERCENT (___%)

MATURITY DATE: January 1 20__

DATE OF REGISTRATION: December 15, 2014

DATE OF THIS BOND: December 15, 2014 (Date as of which bonds of this issue were initially issued)

INTEREST PAYMENT DATES: July 1 and January 1 (but not before July 1, 2015)

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Business Finance Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the Registered Owner or registered assigns, but only from the special funds hereinafter described, upon presentation and surrender hereof, in lawful money of the United States of America, the Principal Amount on the Maturity Date, with interest (computed on the basis of a 360-day year consisting of twelve 30-day months) from the most

recent Interest Payment Date to which interest has been paid, or duly provided for or, if no interest has been paid from the DATE of this bond, at the Interest Rate, payable semiannually on the Interest Payment Dates, until the date on which this bond becomes due, whether at maturity, upon redemption, by acceleration or otherwise. From and after that date, any unpaid principal will bear interest at the interest rate until paid or duly provided for. The principal or redemption price, if any, of this bond is payable at the corporate trust office of the Trustee (which shall mean The Bank of New York Mellon Trust Company, N.A., or its successors as Trustee under the Agreement referred to below). Interest is payable by check or draft mailed by the Trustee to the Registered Owner, determined as of the close of business on the applicable record date, at its address as shown on the registration books maintained by the Trustee. Notwithstanding the foregoing, any Registered Owner may, by prior written instructions filed with the Trustee (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that all payments prior to final maturity be made by wire transfer or other means acceptable to the Trustee.

The record date for payment of interest is the fifteenth (15th) day of the month preceding the date on which the interest is to be paid, provided that, with respect to overdue interest or interest payable on redemption of this bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date. The special record date shall be not more than twenty (20) days before the date set for payment. The Trustee will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. A certificate of the Trustee shall conclusively establish the mailing of such notice for all purposes.

This bond is one of an issue of bonds (the “Bonds”) representing a borrowing of \$[41,885,000][5,300,000 (Federally Taxable)] under New Hampshire RSA 162-I and pursuant to a Loan and Trust Agreement (the “Agreement”) dated as of December 1, 2014 among Pennichuck Water Works, Inc. (the “Borrower”), the Authority and the Trustee. Pursuant to the Agreement, the Authority is issuing its \$41,885,000 Water Facility Revenue Bonds, Series A (the “Series A Bonds”) and its \$5,300,000 Water Facility Revenue Bonds, Series B (Federally Taxable) (the “Series B Bonds”). Pursuant to the Agreement, the Borrower has agreed to repay such borrowing in the amounts and at the times necessary to enable the Authority to pay the principal and interest on this bond and the Authority has pledged such funds to the Trustee for the benefit of the bondowners. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Borrower, the Authority, the Trustee and the Registered Owner hereof, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of the Registered Owner to bring suit. The Agreement may be amended to the extent and in the manner provided therein.

Upon the occurrence of an Event of Default as defined in the Agreement, the then outstanding principal amount of this bond together with accrued interest thereon may be declared due and payable in the manner and with the effect provided in the Agreement.

[Series A: The Series A Bonds (except the Series A Bonds maturing on or before January 1, 2026, which are not subject to redemption prior to maturity unless redeemed pursuant to the special redemption provisions described below) are redeemable pursuant to the Agreement prior

to maturity beginning on July 1, 2025, at the option of the Borrower by the written direction of the Borrower to the Issuer and the Trustee, as a whole or in part at any time in such order of maturity or sinking fund installments as directed by the Borrower at their principal amount, plus accrued interest to the redemption date.

The Series A Bonds maturing on January 1, 2036 and January 1, 2045 are also subject to redemption from sinking fund installments at their principal amounts, without premium, plus accrued interest to the redemption date on January 1 of each of the years and in the principal amounts as follows:

2036 Series A Bond

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2031	\$1,950,000	2034	\$2,200,000
2032	2,025,000	2035	2,280,000
2033	2,115,000	2036*	2,375,000

* Final maturity

2045 Series A Bond

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2037	\$815,000	2042	\$1,000,000
2038	850,000	2043	1,045,000
2039	885,000	2044	1,085,000
2040	920,000	2045*	1,135,000
2041	960,000		

* Final maturity]

[Series B: The Series B Bonds maturing on January 1, 2045 are subject to redemption from sinking fund installments at their principal amounts, without premium, plus accrued interest to the redemption date on January 1 of each of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2016	\$85,000	2031	\$170,000
2017	90,000	2032	175,000
2018	95,000	2033	185,000
2019	100,000	2034	190,000
2020	100,000	2035	200,000
2021	105,000	2036	210,000
2022	110,000	2037	220,000
2023	115,000	2038	230,000
2024	120,000	2039	240,000
2025	130,000	2040	250,000

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2026	\$135,000	2041	\$265,000
2027	140,000	2042	275,000
2028	145,000	2043	290,000
2029	155,000	2044	300,000
2030	160,000	2045*	315,000

*Final maturity.]

[Series B: The Borrower may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Series B Bonds, pro rata and not in inverse order of maturity, as described in the Agreement. The Borrower will give or will cause to be given each holder of Series B Bonds written notice of each optional prepayment not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for such prepayment, as described in the Agreement. Redemption or prepayment of the Series B Bonds shall be at a price of par, plus the Make-Whole Amount, as defined in Appendix A attached hereto.]

This bond is subject to redemption, at the option of the Borrower, in the event that there is damage to or destruction or taking of the Project that produces proceeds of insurance or condemnation awards, as described in the Agreement. Any special redemption of: (i) Series A Bonds shall be at a price of par and (ii) the Series B Bonds shall be at par plus the applicable the Make-Whole Amount (as described in the Agreement).

In the event this bond is selected for redemption, notice will be mailed no more than [Series A: forty-five (45)][Series B: sixty (60)] nor less than thirty (30) days prior to the redemption date to the Registered Owner at its address shown on the registration books maintained by the Trustee. Failure to mail notice to the owner of any other bond or any defect in the notice to such an owner shall not affect the redemption of this bond. Any notice of redemption may be conditional.

The Borrower may purchase bonds of any maturity and credit them against the principal payment for such maturity or, as the case may be, any sinking fund installment for such maturity at the principal amount or applicable redemption price, as the case may be, by delivering them to the Trustee for cancellation at least sixty (60) days before the principal payment date or sinking fund installment date.

If less than all of the bonds of a series and maturity are to be redeemed, the portion of the bonds to be redeemed shall be selected by the Trustee by lot (or pro rata in the case of the Series B Bonds) or in any customary manner of selection as determined by the Trustee; provided, however, that so long as DTC or its nominee is the Bondowner, the particular bonds or portions of bonds of such series and maturity to be redeemed shall be selected by DTC in such manner as DTC may determine.

If this bond is of a denomination in excess of five thousand dollars (\$5,000), portions of the principal amount in the amount of five thousand dollars (\$5,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Trustee, there will be issued to the Registered Owner at its option, without charge, a new bond or bonds for the unredeemed principal amount.

Notice of redemption having been duly given, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Trustee, from and after the date fixed for redemption interest on this bond (or such portion) will no longer accrue.

This bond is transferable by the Registered Owner, in person or by its attorney duly authorized in writing, at the corporate trust office of the Trustee, upon surrender of this bond to the Trustee for cancellation. Upon the transfer, a new bond or bonds of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the corporate trust office of the Trustee for a new bond or bonds of the same aggregate principal amount without transfer to a new Registered Owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any. The Trustee will not be required to make an exchange or transfer of this bond during the forty-five (45) days preceding any date fixed for redemption if this bond (or any part thereof) is eligible to be selected or has been selected for redemption.

The Bonds are issuable only in fully registered form in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof.

The Authority and the Trustee may treat the Registered Owner as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond shall not be valid until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the Business Finance Authority of the State of New Hampshire has caused its seal to be affixed hereto and this bond to be signed by its authorized officers.

Dated: _____

BUSINESS FINANCE AUTHORITY OF THE
STATE OF NEW HAMPSHIRE

(Seal)

By: _____
Chairman

By: _____
Executive Director

Certificate of Trustee

This bond is one of the Bonds described in the Agreement.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., Trustee

By: _____
Authorized Officer

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee

and irrevocably appoints _____ attorney-in-fact to transfer it on

the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change.

Date:

Signature Guaranteed:

Participant in a Recognized
Signature Guarantee Medallion
Program

By: _____
Authorized Signature

[Series B

Appendix A

“Make-Whole Amount” means, with respect to any Series B Bond, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Series B Bond over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

“Called Principal” means, with respect to any Series B Bond, the principal of such Series B Bond that is to be prepaid pursuant to the above or has become or is declared to be immediately due and payable pursuant to acceleration, as the context requires.

“Discounted Value” means, with respect to the Called Principal of any Series B Bond, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Series B Bonds is payable) equal to the Reinvestment Yield with respect to such Called Principal.

“Reinvestment Yield” means, with respect to the Called Principal of any Series B Bond, 0.500% over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as “Page PX1” (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor

publication) for U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

In the case of each determination under clause (i) or clause (ii), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the applicable U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the applicable U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Series B Bond.

“Remaining Average Life” means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

“Remaining Scheduled Payments” means, with respect to the Called Principal of any Bond, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Series B Bond, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to optional prepayment or acceleration.

“Settlement Date” means, with respect to the Called Principal of any Series B Bond, the date on which such Called Principal is to be prepaid pursuant to optional prepayment or has become or is declared to be immediately due and payable pursuant to acceleration, as the context requires.]

[END OF BOND FORM]

(b) Details of the Bonds. Each series of Bonds shall be issued in fully registered form and shall be numbered from AR1 or BR1, as applicable, upwards in the order of their issuance, or in any other manner determined by the Trustee. The Bonds of each series shall be in the denomination of five thousand dollars (\$5,000) each or any integral multiple thereof. The Bonds of each series shall be dated their date of delivery. The interest on the Bonds until they come due shall be payable on July 1 and January 1 of each year, beginning on July 1, 2015. Interest on the Series B Bonds shall be included in income for federal tax purposes; provisions herein relating to exemption from taxation shall apply only to the Series A Bonds.

In case any officer of the Authority whose signature or a facsimile of whose signature shall appear on any Bonds shall cease to be such officer before the delivery thereof, such

signature or facsimile shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until after such delivery. Additional details of the Bonds shall be as stated in the Bond form in Subsection 301(a).

(c) Application of Bond Proceeds. The Authority shall loan the proceeds of the Bonds to the Borrower as follows:

(i) Proceeds of the Series A Bonds in the amount of \$23,350,000 shall be deposited in the redemption funds established for the Refunded Bonds pursuant to the Escrow Letter Agreement. The remainder Series A Bond proceeds shall be deposited in the Project Fund and will be used to pay Project Costs, including costs of issuance allocable to the Series A Bonds. Accrued interest, if any, with respect to the Series A Bonds shall be deposited in the Bond Fund.

(ii) Proceeds of the Series B Bonds shall be wired to the Borrower on the date of issuance thereof and will be applied to: (i) the costs of issuing the Series B Bonds and the Series A Bonds, if necessary; and (ii) reimburse the Borrower for Project Costs incurred prior to the date of issuance thereof or to Project Costs not otherwise eligible to be financed with the Series A Bonds.

(d) Reserved.

(e) Exchange and Replacement Bonds. The Bonds may be exchanged as provided in the Bond form in Subsection 301(a), and exchange Bonds shall be issued in fully-registered form substantially as set forth therein. Replacement Bonds shall be issued pursuant to applicable law as a result of the destruction, loss, wrongful taking or mutilation of the Bonds. The costs of a replacement shall be paid or reimbursed by the registered owner of the replacement Bond, who shall indemnify the Authority, the Trustee and the Borrower in such manner as they may require against all liability and expense in connection therewith.

(f) Registration of Bonds in the Book-Entry Only System. (i) The provisions of this Subsection 301(f) shall apply with respect to any Bond registered to CEDE & CO. or any other nominee of The Depository Trust Company (“DTC”) while the Book-Entry Only System (meaning the system of registration described in paragraph (ii) of this Subsection 301(f)) is in effect.

(ii) The Bonds shall be issued in the form of a separate single authenticated fully registered Bond in substantially the form set forth in Subsection 301(a) and in the amount of each separate stated maturity and series of Bonds. On the date of original delivery thereof, the Bonds shall be registered in the registry books of the Paying Agent in the name of CEDE & CO., as nominee of DTC as agent for the Authority in maintaining the Book-Entry Only System. With respect to Bonds registered in the registry books kept by the Paying Agent in the name of CEDE & CO., as nominee of DTC, the Authority, the Paying Agent, the Borrower and the Trustee shall have no responsibility or obligation to any Participant (which means securities brokers and dealers, banks, trust companies, clearing corporations and various other entities, some of whom or their representatives own DTC) or to any Beneficial Owner (which means,

when used with reference to the Book-Entry Only System, the person who is considered the beneficial owner of the Bonds pursuant to the arrangements for book entry determination of ownership applicable to DTC) with respect to the following: (A) the accuracy of the records of DTC, CEDE & CO. or any Participant with respect to any ownership interest in the Bonds, (B) the delivery to any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption, or (C) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to the principal of or interest on the Bonds. The Paying Agent shall pay all principal of and interest on the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective fully to satisfy and discharge the Authority's obligations with respect to the principal of and interest on such Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond evidencing the obligation of the Authority to make payments of principal of and interest pursuant to this Agreement. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & CO., the words "CEDE & CO." in this Agreement shall refer to such new nominee of DTC.

(iii) Upon receipt by the Authority and the Trustee of written notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities, the Paying Agent shall issue, transfer and exchange Bonds as requested by DTC in appropriate amounts, and whenever DTC requests the Authority, the Paying Agent and the Trustee to do so, the Trustee, the Paying Agent and the Authority will cooperate with DTC in taking appropriate action after reasonable notice (A) to arrange for a substitute bond depository willing and able upon reasonable and customary terms to maintain custody of the Bonds or (B) to make available Bonds registered in whatever name or names the Bondowners transferring or exchanging such Bonds shall designate.

(iv) In the event the Authority determines that it is in the best interests of the Beneficial Owners that they be able to obtain Bond certificates, the Authority may so notify DTC, the Paying Agent and the Trustee, whereupon DTC will notify the Participants of the availability through DTC of Bond certificates. In such event, the Paying Agent shall issue, transfer and exchange Bond certificates as requested by DTC in appropriate amounts and in authorized denominations. Whenever DTC requests the Authority and the Paying Agent to do so, the Paying Agent and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to make available Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging Bonds shall designate.

(v) Notwithstanding any other provision of this Agreement to the contrary, so long as any Bond is registered in the name of CEDE & CO., as nominee of DTC, all payments with respect to the principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter from the Authority to the DTC.

(vi) Notwithstanding any provision in Section 306 to the contrary, so long as all of the Bonds Outstanding are held in the Book-Entry Only System, if less than all of

such Bonds of any one maturity are to be redeemed upon any redemption of Bonds hereunder, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by DTC in such manner as DTC may determine; provided, however, that Series B Bonds shall be selected pro rata).

Section 302. Bond Fund.

(a) Establishment and Purpose. A Bond Fund is hereby established with the Trustee for the account of the Borrower, and moneys shall be deposited therein as provided in this Agreement. The moneys in the Bond Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided, shall be applied by the Trustee solely to the payment of the principal of and interest on the Bonds and to the charges and disbursements of the Trustee and the Authority in accordance with this Agreement. When moneys in the Bond Fund are to be applied to the payment of the Bonds, such moneys shall be transferred by the Trustee to itself for the account of the Authority and shall then be so applied.

(b) Excess in Bond Fund. If at any time the amount in the Bond Fund exceeds the amount necessary to pay or redeem the Bonds in full, and all amounts owing or to be owing to the Trustee, the Authority, and the Bondowners under this Agreement have been paid or provided for to the satisfaction of the Trustee, the Authority and the Bondowners, as the case may be, the excess shall be paid to the Borrower.

(c) Unclaimed Moneys. Except as may otherwise be required by applicable law, in case any moneys deposited with the Trustee for the payment of the principal of, or interest on, any Bond remain unclaimed for three years after such principal or interest has become due and payable, the Trustee may and upon receipt of a request of the Borrower will pay over to the Borrower the amount so deposited and thereupon the Trustee and the Authority shall be released from any further liability with respect to the payment of principal or interest and the owner of such Bond shall be entitled (subject to any applicable statute of limitations) to look only to the Borrower as an unsecured creditor for the payment thereof.

Section 303. Application of Moneys. If available moneys are not sufficient on any day to pay all principal and interest on the Bonds then due or overdue, they shall, after payment of all other amounts owing to the Trustee and the Authority under this Agreement, be applied first to the payment of interest, including interest on overdue principal, in the order in which the same became due and second to the payment of principal without regard to the order in which the same became due, in each case pro rata among Bondowners. Whenever moneys are to be applied by the Trustee pursuant to this section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion it shall fix the date (which shall be the first day of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. When only interest or a portion of the principal is to be paid on an overdue Bond, the Trustee may require presentation of the Bond for endorsement of the payment.

Section 304. Payments by the Borrower.

(a) Debt Service. The Borrower will pay to the Trustee for deposit in the Bond Fund at least two (2) Business Days before each date on which any payment of principal of and interest on, the Bonds shall become due, whether at maturity, upon redemption, upon acceleration or otherwise, an amount in funds available on such Bond payment date equal to the payment then coming due less the amount, if any, then in the Bond Fund and available to pay the same. At any time when any principal of the Bonds is overdue, the Borrower shall also have a continuing obligation to pay to the Trustee for deposit in the Bond Fund an amount equal to interest on the overdue principal, but the payments required under this section shall not otherwise bear interest. The Borrower may make payments to the Bond Fund earlier than required by this section, but such payments shall not affect the accrual of interest except to the extent that Bonds are prepaid. If at any time there are insufficient funds to pay or prepay principal of and interest on the Bonds when due, the Borrower shall supply the deficiency.

(b) Additional Payments. In addition to the payments required under Subsection 304(a), the Borrower will pay to the Trustee, the Authority and the Bondowners when due all amounts owing to them respectively under this Agreement, including without limitation in the case of the Authority, the Authority’s Service Charge and all other amounts which the Authority is entitled to receive hereunder as reimbursement or indemnity.

Section 305. Unconditional Obligation. The obligations of the Borrower hereunder, including the obligation of the Borrower to make all payments under Section 304, shall be unconditional and shall be binding and enforceable in all circumstances whatsoever as provided in the Act and shall not be subject to setoff, recoupment or counterclaim. The Borrower shall be obligated to make the payments under Section 304 whether or not the Project has come into existence or become functional and whether or not the Project has ceased to exist or to be functional to any extent and from any cause whatsoever. The Borrower shall be obligated to make such payments regardless of whether the Borrower is in possession or is entitled to be in possession of the Project or any part thereof.

Section 306. Redemption of the Bonds.

(a) Sinking Fund Installments and Mandatory Redemptions. The Series A Bonds maturing January 1, 2036 and January 1, 2045 (to be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee) shall be redeemed at their principal amounts without premium on January 1 of each of the years and in the amounts as follows:

<u>2036 Bond</u>			
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2031	\$1,950,000	2034	\$2,200,000
2032	2,025,000	2035	2,280,000
2033	2,115,000	2036*	2,375,000

* Final maturity

2045 Bond

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2037	\$815,000	2042	\$1,000,000
2038	850,000	2043	1,045,000
2039	885,000	2044	1,085,000
2040	920,000	2045*	1,135,000
2041	960,000		

* Final maturity

The Series B Bonds maturing January 1, 2045 (to be selected by the Trustee pro rata or in any customary manner of selection as determined by the Trustee) shall be redeemed at their principal amounts without premium on January 1 of each of the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2016	\$85,000	2031	\$170,000
2017	90,000	2032	175,000
2018	95,000	2033	185,000
2019	100,000	2034	190,000
2020	100,000	2035	200,000
2021	105,000	2036	210,000
2022	110,000	2037	220,000
2023	115,000	2038	230,000
2024	120,000	2039	240,000
2025	130,000	2040	250,000
2026	135,000	2041	265,000
2027	140,000	2042	275,000
2028	145,000	2043	290,000
2029	155,000	2044	300,000
2030	160,000	2045*	315,000

*Final maturity.

The Borrower may purchase Bonds of any series and maturity and credit them against the principal payment for such maturity or, as the case may be, any sinking fund installment for such maturity at the principal amount or applicable redemption price, as the case may be, by delivering them to the Trustee for cancellation at least sixty (60) days before the principal payment date or sinking fund installment date.

(b) [Special Redemption](#). The Bonds are subject to redemption, at the option of the Borrower, in the event that there is damage to or destruction or taking of the Project that produces proceeds of insurance or condemnation awards. In the case of a casualty or taking producing proceeds of insurance or eminent domain proceeds, the Bonds shall be subject to special redemption only to the extent such proceeds exceed the lesser of ten percent (10%) of the fully insurable value of the Project prior to the time of such casualty or taking as determined by the Trustee (who may rely on the advice of a consultant in making such determination) or twenty percent (20%) of the principal amount of Outstanding Bonds. Upon such determination and payment by the Borrower of such proceeds to the Trustee, the Trustee shall use the same to redeem Bonds. If moneys are transferred to the Bond Fund pursuant to this Subsection (b), such moneys (and earnings thereon) shall be used to redeem Bonds within one (1) year, except to the extent previously used to purchase Bonds. The Bonds are subject to redemption pursuant to this Subsection as a whole or in part at any time, in such order of maturity or sinking fund installments, if any as directed by the Borrower (provided that, if less than all of the Bonds outstanding of any maturity shall be called for redemption, the Bonds to be so redeemed shall be selected by the Trustee by lot (or pro rata in the case of the Series B Bonds, as described below) or in any customary manner of selection as determined by the Trustee), at their principal amounts plus accrued interest to the redemption date. If the amount available in the Bond Fund to redeem Bonds at any time is less than \$50,000, the Trustee may, and upon written direction of the Borrower shall, credit such amount against deposits otherwise required to be made therein with respect to principal instead of calling Bonds for redemption. Any special redemption of: (i) Series A Bonds shall be at a price of par; and (ii) Series B Bonds shall be at par plus the applicable Make-Whole Amount.

(c) [Optional Redemption of the Series A Bonds](#). The Series A Bonds (except such Series A Bonds maturing on or before January 1, 2026, which are not subject to redemption prior to maturity unless redeemed pursuant to the special redemption provisions of Subsection 306(b)), are redeemable prior to maturity on or after January 1, 2025, at the option of the Borrower by the written direction of the Borrower to the Authority and the Trustee. Such redemption shall be in accordance with the terms of the Bonds, as a whole or in part at any time, in such order of maturity or sinking fund installments, if any, as directed by the Borrower (provided that, if less than all of the Series A Bonds outstanding of any maturity shall be called for redemption, the Bonds to be so redeemed shall be selected, subject to Section 301(f), by the Trustee by lot or in any customary manner of selection as determined by the Trustee), at par plus accrued interest to the redemption date as described in the form of Bonds in Subsection 301(a).

(d) [Optional Prepayments of the Series B Bonds with Make-Whole Amount](#). The Borrower may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Series B Bonds, pro rata and not in inverse order of maturity, in an amount not less than 10.00% of the aggregate principal amount of the Series B Bonds then Outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Borrower will give, or will cause to be given, each holder of Series B Bonds written notice of each optional prepayment not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for such prepayment. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the Series B Bonds to be prepaid on such date, the principal amount of each Series B Bond held by such holder to be prepaid, and the

interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Borrower Representative as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two (2) Business Days prior to such prepayment, the Borrower shall deliver to each holder of Series B Bonds to be repaid a certificate of a Borrower Representative specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

“Make-Whole Amount” means, with respect to any Series B Bond, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Series B Bond over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

“Called Principal” means, with respect to any Series B Bond, the principal of such Series B Bond that is to be prepaid pursuant to the above or has become or is declared to be immediately due and payable pursuant to acceleration, as the context requires.

“Discounted Value” means, with respect to the Called Principal of any Series B Bond, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Series B Bonds is payable) equal to the Reinvestment Yield with respect to such Called Principal.

“Reinvestment Yield” means, with respect to the Called Principal of any Series B Bond, 0.500% over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as “Page PX1” (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

In the case of each determination under clause (i) or clause (ii), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the applicable U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the applicable U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Series B Bond.

“Remaining Average Life” means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

“Remaining Scheduled Payments” means, with respect to the Called Principal of any Series B Bond, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Series B Bond, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to optional prepayment or acceleration.

“Settlement Date” means, with respect to the Called Principal of any Series B Bond, the date on which such Called Principal is to be prepaid pursuant to optional prepayment or has become or is declared to be immediately due and payable pursuant to acceleration, as the context requires.

(e) [Payment of Redemption Price and Accrued Interest](#). Whenever Bonds are called for redemption, the accrued interest thereon shall become due on the redemption date and shall be paid from the Bond Fund to the extent available therein. To the extent not otherwise provided, the Borrower shall deposit with the Trustee on or prior to the redemption date a sufficient sum to pay the redemption price of and accrued interest and Make-Whole Amount, as applicable, on the Bonds.

(f) [Notice of Redemption](#). When Bonds are to be redeemed, the Trustee shall give notice in the name of the Authority, which notice shall identify the Bonds to be redeemed, state the date fixed for redemption state that the proposed redemption is conditioned on there being on deposit in the Redemption Fund on the redemption date sufficient money to pay the full redemption price of the Bonds redeemed and state that such Bonds will be redeemed at the corporate trust office of the Trustee. The notice shall further state that, subject to the conditionality of the notice, on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that moneys therefor having been deposited with the Trustee, from and after such date, interest thereon shall cease to accrue. The Trustee shall mail the redemption notice not more than forty-five (45) (sixty (60) in the case of the Series B Bonds) nor less than thirty (30) days prior to the date fixed for redemption, to the registered owners of any Bonds which are to be redeemed, at their addresses shown on the registration books maintained by the Trustee, and to the principal office of each of the managing underwriters of the Bonds. So long as the Bonds are held in the name of Cede & Co., the redemption notice may be given by electronic means. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect

the redemption of any other Bond. Failure to mail notice to the managing underwriters, or any defect in the notice to them, shall not affect the redemption of any Bond.

Section 307. Investment of Moneys in Funds.

(a) Investment. Pending their use under this Agreement, moneys in the Bond Fund and Project Fund shall be invested by the Trustee at the written direction of the Borrower in the Permitted Investments described in subsection (b), with maturities or subject to redemption or put at the option of the Trustee at or before the time when such moneys are required to be available if no Event of Default known to the Trustee then exists. If an Event of Default known to the Trustee exists, the Trustee's investment of such moneys shall be subject to such actual or imputed yield restrictions as Bond Counsel may determine are necessary to preserve the exemption of interest on the Bonds from federal income taxation. Any interest realized thereon and any profit realized upon the sale or other disposition thereof shall be credited to such Fund and any loss shall be charged thereto. Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including investment maintenance fees. In the absence of investment instructions from the Borrower, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested in Permitted Investments. The Trustee shall not be liable or responsible for losses on investments made in compliance with the provisions of this Agreement. Although the Authority and the Borrower each recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Authority and the Borrower hereby agree that confirmations of permitted investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month. Any investment may be purchased from or through the Trustee or any affiliate thereof.

Section 308. Tax-Exempt Status of Series A Bonds. The Borrower will perform its obligations and agreements contained in the Federal Tax Statement as if they were set forth herein. The Authority will cooperate with the Bondowners to the extent deemed necessary or permitted by law in the opinion of Bond Counsel to the Authority in order to preserve the tax-exempt status of the Bonds. Provisions relating to the tax-exempt status of the Bonds shall only relate to the Series A Bonds. Interest on the Series B Bonds is taxable for federal income tax purposes.

Section 309. Rebate.

(a) Payment of Rebate to the United States.

(i) No later than sixty (60) days after the close of the fifth Rebate Year following the date of issue of the Series A Bonds (or any earlier date that may be required) and the close of each fifth Rebate Year thereafter, the Borrower shall pay to the United States on behalf of the Authority the full amount then required to be paid under IRC Section 148(f) and the regulations thereunder (the "Rebate Provision"). Within sixty (60) days after the Series A Bonds have been paid in full, the Borrower shall pay to the

United States on behalf of the Authority the full amount then required to be paid under the Rebate Provision. Each such payment shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 or any successor location specified by the Internal Revenue Service, accompanied by a Form 8038-T (or other similar information reporting form) prepared by the Borrower.

(ii) No later than fifteen (15) days prior to each date on which a payment could become due under Paragraph 306(a)(i) (a “Rebate Payment Date”), the Borrower shall deliver to the Authority and the Trustee a certificate either summarizing the determination that no amount is required to be paid or specifying the amount then required to be paid pursuant to Paragraph 306(a)(i). If the certificate specifies an amount to be paid, (A) such certificate shall be accompanied by a completed Form 8038-T, which is to be signed by an officer of the Authority, and shall include a certification stating that the Form 8038-T is accurate and complete, and (B) no later than ten (10) days after the Rebate Payment Date the Borrower shall furnish to the Authority and the Trustee a certificate stating that such amount has been timely paid.

(b) Records. The Borrower, the Trustee and the Authority shall keep such records as will enable them to fulfill their responsibilities under this section and the Rebate Provision.

(c) Interpretation of this Section. The purpose of this Section 306 is to satisfy the requirements of the Rebate Provision. Accordingly, this section shall be construed so as to meet such requirements. The Borrower covenants that all action taken under this section shall be taken in a manner that complies with the Rebate Provision and that it shall neither take any action nor omit to take any action that would cause the Bonds to be arbitrage bonds by reason of the failure to comply with the Rebate Provision. To the extent any payment of rebatable arbitrage or penalty in lieu of rebate is not timely made to the United States, the Borrower shall pay to the United States on behalf of the Authority any interest, penalty, or other amount necessary to prevent any series of Bonds from becoming arbitrage bonds within the meaning of IRC Section 148. The Borrower covenants that to the extent necessary it shall obtain the advice and assistance of experts to aid it in complying with the Rebate Provision.

Section 310. Continuing Disclosure. The Borrower and the Trustee hereby covenant and agree that each will comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it. The Authority shall have no liability to the owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of this Agreement, failure of the Borrower or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the owners of at least 25% aggregate principal amount of Outstanding Bonds and the provision of indemnity satisfactory to the Trustee, shall), or any owner (including a Beneficial Owner) of Bonds may, seek specific performance of the Borrower’s obligations to comply with its obligations under the Continuing Disclosure Agreement or this Section 310 and not for money damages in any amount.

ARTICLE IV: THE PROJECT

Section 401. Project Fund. A Project Fund is hereby established with the Trustee for the account of the Borrower. The proceeds of the sale of the Series A Bonds (except accrued interest, if any, which shall be deposited in the Bond Fund) shall be promptly deposited in the Project Fund constituting the loan of the proceeds of the Series A Bonds by the Authority to the Borrower. The moneys in the Project Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in this Agreement, shall be applied by the Trustee solely to the payment or reimbursement of Project Costs, including costs of issuing the Series A Bonds, in accordance with Section 402.

Section 402. Disbursements from Project Fund. The Trustee will pay from the Project Fund established under Section 401 without requisition the costs of issuing the Series A Bonds including the fees and expenses of Bond Counsel and the Authority and any recording or similar fees, and the fees and expenses of the Trustee in connection with the issue of the Series A Bonds and interest on the Series A Bonds not otherwise provided for incurred prior to the completion of the Series A Project in accordance with this Agreement. Other disbursements from the Project Fund shall be made by the Trustee to pay directly or to reimburse the Borrower for Series A Project Costs or indebtedness incurred to pay Series A Project Costs, as directed by requisitions signed on behalf of the Borrower by the Borrower Representative setting forth the amount of the payment or reimbursement due, the nature of the goods or other property or services received in reasonable detail, and the name and address of the person to whom payment or reimbursement is due. Each requisition shall be in the form attached as Exhibit B hereto and shall be signed on behalf of the Borrower by the Borrower Representative certifying that (i) after giving effect to the payment of the requisition, the use of all funds disbursed from the Project Fund complies with the limitations contained in the Federal Tax Statement; (ii) such payment or reimbursement is for Series A Project Costs and the obligations have not been the basis for a prior requisition which has been paid; (iii) no Event of Default hereunder and no event or condition which, after notice or lapse of time or both, would become an Event of Default hereunder exists; and (iv) the payment or reimbursement requested by the requisition is due for work actually performed or materials or property actually supplied prior to the date of the requisition.

Section 403. Certificate of Completion. Completion of the Series A Project shall be evidenced by the filing with the Trustee of a certificate signed by the Borrower Representative stating that the Series A Project has been substantially completed and paid for. The date of filing of such certificate shall be treated as the close of a "Rebate Year" for purposes of Subsection 309(a). The balance, if any, in the Project Fund after any transfer to the Rebate Fund required by Subsection 309(a) shall be transferred to the Bond Fund to be applied in accordance with Subsection 306(a).

Section 404. Carrying Out the Project. The Borrower will diligently carry out the Project. Contracts for carrying out the Project and purchases in connection therewith shall be made by the Borrower in its own name. To the extent that the Project Fund is insufficient to complete the Project, the Borrower shall use its best efforts to complete the Project at its own expense.

Section 405. Compliance with Law. In the maintenance, improvement and operation of the Project, the Borrower will comply in all material respects with all applicable building, zoning, subdivision, environmental protection, sanitary and safety and other land use laws, rules and regulations and will not permit any nuisance thereon. It shall not be a breach of this section if the Borrower fails to comply with such laws, rules and regulations during any period in which the Borrower shall in good faith be diligently contesting the validity thereof.

Section 406. Disposition. Without the prior consent of the Trustee and the Authority, the Borrower will not sell, lease or otherwise dispose of, or place any other person in possession of, the real property included in the Project or any portion thereof or interest therein or make any material change in the purposes for which the Project is used.

Section 407. Current Expenses. The Borrower will pay all costs and expenses of operation, maintenance and upkeep of the Project including without limitation all taxes, excises and other governmental charges lawfully levied thereon or with respect to the Borrower's interest therein or use thereof. It shall not be a breach of this subsection if the Borrower fails to pay any such taxes or charges during any period in which the Borrower shall in good faith be diligently contesting the validity or amount thereof, unless the procedures applicable to such contest require payment thereof and proceedings for their refund or abatement.

Section 408. Repair. The Borrower will keep the Project in good order, repair and condition, damage from casualty expressly not excepted, and not permit or commit waste thereon. The Borrower may at its own expense alter, remodel or improve the Project, provided that such alteration or remodeling shall not damage the basic structure thereof or materially decrease its value or cause the Project to violate zoning or other land use restrictions.

Section 409. Insurance.

(a) Coverage. The Borrower will maintain insurance against liability for injuries to and death of persons in the minimum amount of \$1,000,000 per occurrence and for damages to property in the minimum amount of \$500,000 per occurrence. Any such policy may exclude the first \$25,000 of loss so that the Borrower is its own insurer to that extent. Substitutions for or omissions from the required coverage may be made with the consent of the Trustee.

(b) Policies. A duplicate copy or certificate of each policy of insurance shall be furnished to the Trustee and, at its request, to the Authority. All insurance carried under this section shall be in the appropriate New Hampshire standard form and shall be with responsible and reputable companies authorized to transact business in New Hampshire reasonably satisfactory to the Trustee. All policies of insurance shall contain a provision forbidding cancellation of such insurance by either the carrier or the insured until at least fifteen days after written notice of the proposed cancellation is given to the Trustee; and when any insurance is to expire other than by cancellation, the duplicate or certificate of the new policy shall be furnished to the Trustee at least twenty days before such expiration date.

Section 410. Right of Access to the Project. The Authority and the Trustee and their respective duly authorized agents shall have the right at all reasonable times upon reasonable

notice to enter upon the Project for the purpose of inspection or to carry out their powers hereunder.

Section 411. Condition of the Project. The Borrower acknowledges that it is fully familiar with the physical condition of the Project and is not relying on any representation of any kind by any other party hereto or any Bondowner as to the nature or the condition thereof. No other parties hereto nor any Bondowner shall be liable to the Borrower or to any other person for any latent or patent defect in the Project.

ARTICLE V: COVENANTS OF THE BORROWER

Section 501. Amendment. The provisions of this Article V may be amended by the Borrower and the Trustee (with the consent of the Bondowners if required by Section 1001) without the consent of the Authority. In connection with any such amendment, the Trustee may require and conclusively rely upon an opinion of Bond Counsel that any such amendment does not materially adversely affect the interests of the Bondowners.

Section 502. Rate Covenant. If during any Fiscal Year (the “Test Year”), Borrower’s Net Revenues for such Fiscal Year shall not equal at least one and one-tenth (1 1/10) times all amounts paid or required to be paid by Borrower during the Test Year with respect to Funded Debt, then Borrower shall undertake reasonable efforts to initiate a rate-making proceeding with the NHPUC that will result, if approved by the NHPUC, in Borrower’s having Net Revenues in the next succeeding Fiscal Year equal to at least one and one-tenth (1 1/10) times all amounts required to be paid by Borrower during such next succeeding Fiscal Year with respect to Funded Debt. Borrower shall not be required to initiate a new rate-making procedure with the NHPUC pursuant to this Section 502 as long as an issue of law or fact substantially the same to that which would be raised by any such new rate-making proceeding is then pending or has been decided pursuant to a non-appealable order of the NHPUC that prevents raising such issue in subsequent proceedings on appeal or such an issue of law or fact was previously determined adversely on appeal. In addition, Borrower shall not be required to initiate a new rate-making proceeding with the NHPUC pursuant to this Section 502 if Borrower receives an order from the NHPUC within one-hundred twenty (120) days after the end of the Test Year establishing rates, fees and other charges such that, had such rates, fees and other charges been in effect for the entirety of the Test Year, Borrower would have had Net Revenues in the Test Year equal to at least one and one-tenth (1 1/10) times all amounts paid or required to be paid by Borrower during the Test Year with respect to Funded Debt. Notwithstanding anything in this Section 502 to the contrary, all obligations of Borrower under this Section 502 are subject to compliance by Borrower with any legislation of the United States, the State or other governmental body, or any regulation or other action taken by the federal government, any State agency, including, without limitation, the NHPUC, or any political subdivision of the State pursuant to any such legislation, in the exercise of the police power thereof for the public welfare, which legislation, regulation or action limits or otherwise inhibits the amounts of rates, fees and other charges due to Borrower, and, in all events, the establishment of new rates, fees and other charges by Borrower is subject to the approval of the NHPUC.

Section 503. Merger or Consolidation. The Borrower agrees that it will not become a party to any merger or consolidation unless (i) (A) the prepayment of the principal of and interest of the Bonds shall occur concurrently with said merger or consolidation, or (B) the Bonds are no longer deemed Outstanding under this Agreement, or (ii) such merger or consolidation is with a water utility and (A) for twelve consecutive months out of the fifteen months next preceding the merger or consolidation, the combined Net Revenues of the companies which are parties to the merger or consolidation shall have been at least one and one-tenth (1 1/10) times the annual amount of interest which the resulting or continuing corporation will be obligated to pay after the merger or consolidation is effected on account of Funded Debt that was incurred on or after the Effective Date and (B) the merger or consolidation shall not result in the resulting or continuing corporation having an amount of Funded Debt which is in excess of the sum of the value of the MARA and 85% of the Net Amount of Capital Properties, or its having outstanding any Funded Debt that the Borrower would not have been permitted to incur immediately prior to the transaction, or (iii) such merger or consolidation is with a water utility and (A) the Trustee on behalf of the Bondowners would in connection therewith receive, as security for the Bonds, bonds of the resulting corporation under a mortgage creating a lien on substantially all of the Capital Properties of said resulting corporation, which bonds and mortgage shall contain provisions comparable to the provisions of the Bonds (allowing for appropriate adjustments in form and substance to reflect the different nature of the securities), (B) for twelve (12) consecutive months out of the fifteen (15) months next preceding the merger or consolidation, the combined Net Revenues of the companies which are parties to the merger or consolidation shall have been at least one and one-tenth (1 1/10) times the annual amount of interest which the resulting or continuing corporation will be obligated to pay after the merger or consolidation is effected on account of Funded Debt that was incurred on or after the Effective Date, and (C) the merger or consolidation shall not result in the resulting corporation having an amount of Funded Debt which is in excess of the sum of the value of the MARA and 85% of its Net Amount of Capital Properties.

Section 504. Other Covenants. The Borrower agrees that it will:

- (a) Not make any investments in securities of any corporation or make any advance, extend credit or issue any guaranty to any corporation, firm or individual, except among affiliates and except in the ordinary course of business.
- (b) Reserved.
- (c) Not change the general nature of its business; nor make any sale or disposition of Capital Properties which will materially adversely affect the operation of its water business.
- (d) Annually, as an operating expense, provide for depreciation of its properties and record the same on its books in an amount computed at a rate acceptable to the New Hampshire Public Utilities Commission, but in any event equal to not less than 1 1/4% of its depreciable properties as of the preceding December 31, provided however, that any such provisions made subsequent to December 31, 1985, in excess of the amount required under the provisions of this subsection in the year in which made, to the extent that it is determined such excess provision was unnecessary in accordance with generally accepted accounting principles,

may be applied toward satisfying any requirement of this subsection in respect of any calendar year succeeding the calendar year in which made.

(e) Not declare or pay any dividends or make any distributions on any shares of its common stock or purchase, acquire or otherwise retire for a consideration any shares of its common stock, if immediately thereafter its net worth would be less than \$4,500,000. "Net worth" means the excess of assets (including, without limitation, the MARA, Deposited Cash and Capital Properties) over all liabilities (including liabilities with respect to the Bonds) as determined by generally accepted accounting principles consistently applied.

Section 505. Liens. (a) The Borrower agrees that it will not pledge or place or suffer to exist any mortgage or other encumbrance or lien of any kind upon Capital Properties or any part thereof, except (i) encumbrances permitted by subsection (b) below, (ii) a mortgage securing its first mortgage bonds as provided in Section 507, and (iii) purchase money or construction mortgages or security interests, or mortgages or security interests existing on the Capital Properties at the time of acquisition thereof, or created for the purpose of financing such acquisition, and renewals or replacements of such mortgages or security interests, provided that (x) no such mortgage or security interest shall affect any Capital Properties other than those being so acquired or constructed, (y) the indebtedness being secured by such mortgage or security agreement shall not exceed 85% of the cost to the Borrower of such acquisition or construction and (z) the total indebtedness being secured by such mortgages and security agreements at any one time shall not exceed Five Million Dollars (\$5,000,000).

(b) Subsection (a) shall not apply to (i) liens for taxes payable without penalty or interest or being contested in good faith and for which the Borrower has provided an adequate reserve by proper charges to income or earned surplus; (ii) mechanics' liens and similar liens incurred in the ordinary course of business to secure debts of the Borrower not yet due; (iii) attachments against which the Borrower is adequately covered by insurance or which are discharged within sixty (60) days from the making thereof and liens of judgments or awards adequately covered by insurance or which have been in force for less than the applicable appeal period so long as execution is not levied thereunder or in respect of which an appeal or proceedings for review are pending and a stay of execution shall have been secured pending such appeal or review, provided, however, that such attachments, judgments or awards do not exceed in the aggregate the amount of \$1,000,000; and (iv) other encumbrances which in the aggregate do not materially detract from the value of said properties and assets or materially impair their use in the operation of the business.

Section 506. Borrowings.

(a) The Borrower agrees that it will not create, issue, incur, assume or guarantee: (i) any Short-Term Debt if thereby as of the date of such creation, issuance, incurring, assumption or guarantying the sum of Short-Term Debt and Funded Debt of the Borrower will exceed 85% of the sum of its Short-Term Debt, its Funded Debt, the value of its MARA and its capital stock and all surplus accounts (which term here and elsewhere herein includes the retained earnings account), unless any Short-Term Debt in excess of said 85% is subordinated to the Bonds as to claims for the payment of principal and interest thereunder (the limitations imposed by this subsection are not to apply to any renewal or extension of Short-Term Debt of the

Borrower which was not in excess of said 85% when originally issued and such limitations to terminate upon the securing of the Bonds with first mortgage bonds pursuant to Section 507); or (ii) any new Funded Debt (A) if thereby the total outstanding Funded Debt of the Borrower will exceed the sum of its MARA and 85% of its Net Amount of Capital Properties and (B) unless Net Revenues shall equal for at least twelve (12) consecutive months of the fifteen (15) months next preceding the creation of any debt, one and one-tenth (1 1/10) times the maximum amount for which the Borrower will thereafter be obligated to pay in any year on account of Funded Debt incurred on or after the Effective Date, including such new Funded Debt thereafter to be outstanding.

(b) The Bonds shall be ranked equally with other Funded Debt. Subject to Sections 505 and 507, no Funded Debt which is senior to the Bonds shall be issued as long as the Bonds are outstanding.

Section 507. First Mortgage Bonds. The Borrower, at its option, may at any time secure the Bonds with first mortgage bonds of the Borrower of a like principal amount, bearing interest at the same rate and maturing on the same date as the Bonds and registered in the name of and delivered to the Trustee, provided that the Borrower shall, prior to or at the time of such securing enter into an indenture of mortgage with a corporation organized and doing business under the laws of the United States or any State or territory thereof or the District of Columbia and authorized to exercise corporate trust powers, having a combined capital and surplus of at least \$25,000,000, as trustee for the holders of said bonds, which indenture shall convey to such trustee a first mortgage lien in substantially all of the Capital Properties of the Borrower as security for the payment of the bonds and the performance by the Borrower of its obligations under the indenture. The first mortgage bonds and indenture of mortgage shall contain terms and covenants substantially the same as the Bonds and this Agreement, respectively (allowing for differences in form and minor substance and with appropriate adjustments to reflect the different nature of the securities), shall be in such form and contain such provisions as are acceptable to the Trustee and as are customary for first mortgage bonds issued by corporations in the water utility industry and shall not restrict the Borrower in the operations of its business to any substantially greater extent than the Borrower is so restricted by the provisions of this Agreement and of the Bonds. Without limiting the generality of the foregoing, (i) the indenture of mortgage shall permit the issuance of additional first mortgage bonds thereunder, equally and ratably secured by the lien thereof, to the same extent as the Borrower is permitted to issue Funded Debt by the terms of this Agreement and the Bonds, and shall not limit the creation by the Borrower of indebtedness other than first mortgage bonds; and (ii) the indenture of mortgage shall not prohibit liens on Capital Properties of the Borrower junior to the lien of said indenture of mortgage. Notwithstanding anything herein to the contrary, the Borrower may not issue or permit to remain outstanding any first mortgage bonds unless all of the Bonds are fully secured by same.

(a) The Borrower shall give at least thirty (30) days written notice to the Trustee, by registered or certified mail, of the effective date of such securing of the Bonds with first mortgage bonds, specifying the effective date.

(b) Prior to or on the effective date of the issue of first mortgage bonds, and as a condition to the effectiveness of such issue, the indenture of mortgage shall be duly recorded,

and financing statements shall be duly filed in respect thereof, to the extent required by law to perfect the lien of the mortgage in the Capital Properties, and the Borrower shall deliver to the trustee for the first mortgage bonds and the Trustee an opinion of counsel (who may be counsel to the Borrower) satisfactory to the Trustee as to the validity and binding effect of the first mortgage bonds and indenture of mortgage and the title of the Borrower to its Capital Properties free and clear of all encumbrances except those permitted by the indenture of mortgage.

ARTICLE VI: DEFAULT AND REMEDIES

Section 601. Events of Default. “Event of Default” in this Agreement means any one of the following events:

(a) Debt Service. Any principal of or interest on any Bond shall not be paid or the Borrower shall fail to make any payment or prepayment required under Subsection 304(a) or Section 306, in each case within three days after the same becomes due and payable, whether at maturity, by acceleration, pursuant to any prepayment requirement or otherwise.

(b) Certain Obligations. The Borrower shall fail to make any other payment required hereunder to the Trustee or any Bondowner and such failure is not remedied within seven days after written notice thereof is given by the Trustee to the Borrower; or the Borrower shall fail to observe or perform any of its other obligations under this Agreement and such failure is not remedied within thirty days after notice thereof is given by the Trustee to the Borrower; *provided, however*, that no Event of Default shall be deemed to have occurred by reason of any failure by the Borrower to comply with the terms of Section 502 as long as Borrower is making all payments required to be made by Borrower to the Trustee under Section 304(a) or Section 306 as and when any such payments are required to be made.

(c) Representations. Any representation or warranty made by the Borrower herein or in any document or instrument furnished to the Bondowners in connection with the initial purchase of the Bonds or pursuant to this Agreement is false or misleading in any material respect on the date it was intended to be effective.

(d) Other Borrowings. The Borrower shall default in the payment of any material obligations aggregating at least \$1,000,000 for borrowed money or the deferred purchase of property, including without limitation leases which should be capitalized in accordance with generally accepted accounting principles and guarantees and other contingent obligations in respect of obligations for borrowed money of others, beyond any applicable grace period, or fail to observe or perform any provision contained in any instrument evidencing, relating to or securing any such obligation, which failure causes such obligation to become due prior to its stated maturity and such failure is not waived.

(e) Voluntary Bankruptcy. The Borrower shall commence a voluntary case under the federal bankruptcy laws, or shall admit in writing its insolvency or its inability to pay its debts as they become due, or shall make an assignment for the benefit of creditors, or shall apply for, consent to or acquiesce in the appointment of, or taking possession by, a trustee, receiver, custodian or similar official or agent for itself or any substantial part of its property or shall generally not pay its debts as they become due.

(f) Appointment of Receiver. A trustee, receiver, custodian or similar official or agent shall be appointed for the Borrower or any substantial part of its property.

(g) Involuntary Bankruptcy. The Borrower shall have an order or decree for relief in an involuntary case under the federal bankruptcy laws entered against it, or a petition seeking reorganization, readjustment, arrangement, composition, or other similar relief as to it under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it and shall be consented to by it or shall remain undismissed for sixty days.

(h) Judgments. One or more final judgments not subject to appeal or extension for payment of money exceeding in the aggregate \$500,000 in excess of the amount of insurance coverage available therefor shall be rendered against the Borrower and shall remain undischarged for a period of sixty days during which execution shall not be effectively stayed.

Section 602. Waiver. Any default and the consequences thereof, including any acceleration, may be waived by the Bondowners with notice to the Trustee and the Authority, provided that no such waiver shall affect the right of the Authority to enforce any of its rights hereunder which have not been assigned to the Trustee.

Section 603. Remedies for Events of Default. If an Event of Default exists, the Trustee may exercise any or all of the following remedies:

(a) Acceleration. The Trustee may, by written notice to the Borrower and the Authority declare immediately due and payable the then outstanding principal amount of the Bonds and the payments to be made by the Borrower therefor, and accrued interest or Make-Whole Amount, as applicable, on the foregoing, whereupon the same shall become immediately due and payable without any further action or notice.

(b) Rights as a Secured Party. The Trustee may exercise all of the rights and remedies of a secured party under the UCC with respect to any property as to which a security interest has been granted hereunder which is or may be treated as collateral under the UCC.

(c) Court Proceedings. The Trustee may enforce the provisions of this Agreement by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Borrower of the provisions hereof, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing the obligations of the Borrower hereunder.

Section 604. Application of Money Collected. Any money collected by the Trustee pursuant to this Article together with any other funds pledged as security hereunder, less all charges and expenses of the Trustee and the Authority in connection therewith, shall be applied (i) to payment into the Rebate Fund of an amount equal to the difference, if any, between the amount then on deposit and the amount that would be required to be paid to the United States under Subsection 309(a) if the Bonds were paid in full, (ii) then as provided in Section 303 and (iii) then to the Borrower without interest except as may otherwise be required by law.

Section 605. Performance of the Borrower's Obligations. If the Borrower shall fail to pay or perform any obligation under this Agreement, the Trustee or the Authority may pay or perform such obligation in its own name. The reasonable cost of any such action by the Trustee or the Authority shall be paid or reimbursed by the Borrower with interest at the rate specified in Section 702.

Section 606. Remedies Cumulative. The rights and remedies under this Agreement shall be cumulative and shall not exclude any other rights and remedies allowed by law, provided there is no duplication of recovery. The failure to insist upon a strict performance of any obligation of the Borrower or to exercise any remedy for any violation thereof shall not be taken as a waiver for the future of the right to insist upon strict performance by the Borrower or of the right to exercise any remedy for the same or any other violation.

ARTICLE VII: THE TRUSTEE

Section 701. Rights and Duties of the Trustee.

(a) Moneys to be Held in Trust. All moneys deposited with the Trustee under this Agreement shall be held by the Trustee in trust and applied subject to the provisions of this Agreement, but need not be segregated from other funds except as required by law.

(b) Accounts. The Trustee will keep proper accounts of its transactions hereunder (separate from its other accounts), which shall be open to inspection by the Authority, the Borrower, any Bondowner and their representatives duly authorized in writing.

(c) Performance of the Authority's Obligations. If the Authority shall fail to perform any obligation under this Agreement, the Trustee may take whatever legal proceedings may be required to compel full performance by the Authority thereof, and in addition, the Trustee may, to whatever extent it deems appropriate for the protection of the Bondowners, itself or the Borrower, perform any such obligation in the name of the Authority and on its behalf.

(d) Limitations on Actions. The Trustee shall not be required to monitor the financial condition of the Borrower or the physical condition of the Project and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder. Upon a failure of the Borrower to make a payment required of it under Subsection 304(a) within seven days after the same becomes due and payable, the Trustee shall give notice to the Bondowners. The Trustee shall not be required to take notice of any other breach or default except when given written notice thereof by the owners of at least twenty-five per cent in principal amount of the Outstanding Bonds. The Trustee shall give default notice under Subsection 601(b) when instructed to do so by the written direction of the owners of at least twenty-five per cent in principal amount of the Outstanding Bonds. The Trustee shall proceed under Sections 603 and 604 for the benefit of the Bondowners in accordance with the written direction of the owners of a majority in principal amount of the Outstanding Bonds. The Trustee shall not be required, however, to take any remedial action (other than the giving of notice) unless indemnity reasonably satisfactory to it is furnished for any expense or liability to be incurred therein. The Trustee shall be entitled to reimbursement pursuant to Section 702 to the extent that it acts without previously obtaining full indemnity.

Upon receipt of notice, direction, instruction and indemnity as provided above and after making such investigation, if any, as it deems appropriate to verify the occurrence of any event of which it is notified by the Bondowners, the Trustee will promptly pursue the remedy provided by this Agreement or any of such remedies (not contrary to any such direction) as it deems appropriate for the protection of the Bondowners, and in its actions under this sentence, the Trustee will act for the protection of the Bondowners with the same promptness and prudence as would be expected of a prudent person in the conduct of such person's affairs.

(e) Responsibility. The Trustee shall be entitled to the advice of counsel (who may be counsel for any party or for any Bondowner) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Trustee may rely conclusively on any notice, certificate or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action under this Agreement or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or consent or other action by the Trustee is called for by this Agreement, the Trustee may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Trustee shall in no event be liable for the application or misapplication of funds, or for other acts or defaults, by any person or entity except by its own directors, officers and employees. The Trustee shall not be accountable for the use or application by the Borrower of any of the Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Agreement or for the use and application of money received by any paying agent. No recourse shall be had by the Borrower, the Authority or any Bondowner for any claim based on this Agreement or the Bonds against any director, officer, employee or agent of the Trustee unless such claim is based upon the bad faith, fraud or deceit of such person. For purposes of this Agreement, matters shall not be considered to be known to the Trustee unless they are known to an officer in its corporate trust department. None of the provisions of this Agreement shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it. The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds. Under no circumstances shall the Trustee assume any responsibility or liability for the issuance of the Bonds as obligations the interest on which is excludable from gross income

for purposes of Federal income taxation or for the maintenance of such tax-exempt status subsequent to the date of issuance of the Bonds.

(f) Financial Obligations. Nothing contained in this Agreement shall in any way obligate the Trustee to pay any debt or meet any financial obligations to any person in relation to the Project except from moneys received under the provisions of this Agreement or from the exercise of the Trustee's rights hereunder.

(g) Ownership of Bonds. The Trustee or any affiliate of the Trustee may be or become the owner of Bonds with the same rights as if it were not Trustee.

(h) Surety Bond. The Trustee shall not be required to furnish any bond or surety.

Section 702. Fees and Expenses of the Trustee. Except to the extent the Trustee has been paid or reimbursed from the Project Fund, the Borrower will pay to the Trustee reasonable compensation for its services and prepay or reimburse the Trustee for its reasonable expenses and disbursements, including attorney's fees, hereunder. Any fees, expenses, reimbursements or other charges which the Trustee may be entitled to receive from the Borrower hereunder, if not paid when due, shall bear interest at the "Base Rate" of The Bank of New York Mellon Trust Company, N.A., and if not otherwise paid, shall be a first lien upon any moneys or other property then or thereafter held hereunder by the Trustee. The Trustee may apply any such moneys to any of the foregoing items, and immediately upon such application, the Borrower shall be obligated to restore the moneys so applied.

Section 703. Resignation or Removal of the Trustee. The Trustee may resign on not less than thirty days' written notice to the Authority, the Borrower and the Bondowners, but such resignation shall not take effect until a successor has been appointed. If no successor is appointed within sixty days after the date of notice of resignation, the Trustee may appoint its own successor with notice to the Authority, the Bondowners and the Borrower, provided such successor meets the qualifications under Section 704. The Trustee may be removed by written notice from the Bondowners to the Trustee, the Authority and the Borrower.

Section 704. Successor Trustee. Any corporation or association which succeeds to the corporate trust business of the Trustee as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Trustee under this Agreement, without any further act or conveyance.

In the event of the resignation or removal of the Trustee or a vacancy from any other cause, a successor may be appointed by written notice from the Bondowners to the Authority and the Borrower. Any successor Trustee appointed under this section shall be a bank or trust company eligible to serve as Trustee under the Act having a capital and surplus of not less than \$75,000,000. Any such successor Trustee shall notify the Authority, the Borrower and the Bondowners of its acceptance of the appointment and, upon giving such notice, shall become Trustee, vested with all the property, rights and powers of the Trustee hereunder, without any further act or conveyance. Such successor Trustee shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder, and any predecessor

Trustee shall from time to time execute, deliver, record and file such instruments as the incumbent Trustee may reasonably require to confirm or perfect any succession hereunder.

ARTICLE VIII: THE AUTHORITY

Section 801. Limited Obligation. Under no circumstances shall the Authority be obligated directly or indirectly to pay principal of and interest on the Bonds, or expenses of operation, maintenance and upkeep of the Project except from Bond proceeds or from funds received under this Agreement, exclusive of funds received hereunder by the Authority for its own use. This Agreement does not create any debt of the State with respect to the Project other than a special obligation of the Authority acting on behalf of the State pursuant to the Act. Nothing contained herein shall in any way obligate the State to raise any money by taxation or use other public funds for any purpose in relation to the Project. Neither the State nor the Authority shall pay or promise to pay any debt or meet any financial obligation to any person at any time in relation to the Project except (i) from moneys received or to be received under the provisions hereof or derived from the exercise of the Authority's rights hereunder, other than moneys received for its own purposes, or (ii) as may be required by law other than the provisions of the Act. Nothing contained in this Agreement shall be construed to require or authorize the Authority to operate the Project itself or to conduct any business enterprise in connection therewith.

Section 802. Rights and Duties of the Authority.

(a) Remedies of the Authority. Notwithstanding any contrary provision in this Agreement, the Authority shall have the right to take any action or make any decision with respect to proceedings for indemnity against the liability of the Authority and for collection or reimbursement from sources other than moneys or property held under this Agreement or subject to the lien hereof. The Authority may enforce its rights under this Agreement which have not been assigned to the Trustee by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Borrower of its obligations to the Authority under this Agreement, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing such obligations.

(b) Limitations on Actions. The Authority shall not be required to monitor the financial condition of the Borrower or the physical condition of the Project and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder. The Authority shall not be required to take notice of any breach or default except when given notice thereof by the Trustee or the Bondowners, as the case may be. The Authority shall not be responsible for the payment of any rebate to the United States under IRC §148(f), except that it shall pay any required rebate with respect to moneys and investments held for its own account. Notwithstanding the foregoing sentence, the Authority shall not be liable to any party hereto, any Bondowner, or any other person for damages incurred by them as a consequence of the Authority's failure to pay any such rebate to the United States. The Authority shall not be required to take any action unless indemnity reasonably satisfactory to it is furnished for expenses or liability to be incurred therein (other than the giving of notice). The

Authority, upon written request of the Bondowners or the Trustee, and upon receipt of reasonable indemnity for expenses or liability, shall cooperate to the extent reasonably necessary to enable the Trustee to exercise any power granted to the Trustee by this Agreement. The Authority shall be entitled to reimbursement pursuant to Section 903 to the extent that it acts without previously obtaining full indemnity.

(c) Responsibility. The Authority shall be entitled to the advice of counsel (who may be counsel for any party or for any Bondowner) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Authority may rely conclusively on any notice, certificate or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Authority shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action under this Agreement, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Authority is called for by this Agreement, the Authority may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Authority shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person or entity except by its own directors, officers and employees. No recourse shall be had by the Borrower, the Trustee or any Bondowner for any claim based on this Agreement or the Bonds against any director, officer, employee or agent of the Authority unless such claim is based upon the bad faith, fraud or deceit of such person. No covenant, obligation or agreement of the Authority contained in this Agreement shall be deemed to be a covenant, obligation or agreement of any present or future director, officer, employee or agent of the Authority in his individual capacity, and no person executing a Bond shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 803. Expenses of the Authority. Except to the extent paid or reimbursed from the Project Fund, the Borrower shall pay when due the Authority's Service Charge and shall prepay or reimburse the Authority within thirty days after notice for all expenses (including reasonable attorney's fees) incurred by the Authority in connection with the issuance and carrying of the Bonds and all expenses reasonably incurred or advances reasonably made in the exercise of the Authority's rights or the performance of its obligations hereunder. Any fees, expenses, reimbursements or other charges which the Authority may be entitled to receive from the Borrower hereunder, if not paid when due, shall bear interest at the rate specified in Section 802.

Section 804. Matters to be Considered by Authority. In approving, concurring in or consenting to action or in exercising any discretion or in making any determination under this Agreement, the Authority may consider the interests of the public, which shall include the anticipated effect of any transaction on tax revenues and employment, as well as the interests of the other parties hereto and the Bondowners; provided, however, nothing herein shall be construed as conferring on any person other than the other parties and the Bondowners any right

to notice, hearing or participation in the Authority's consideration, and nothing in this section shall be construed as conferring on any of them any right additional to those conferred elsewhere herein. Subject to the foregoing, the Authority will not unreasonably withhold any approval or consent to be given by it hereunder.

Section 805. Actions by Authority. Any action which may be taken by the Authority hereunder shall be deemed sufficiently taken if taken on its behalf by its Chairman, its Vice Chairman or its Executive Director or by any other member, officer or agent whom it may designate from time to time.

ARTICLE IX: THE BONDOWNERS

Section 901. Action by Bondowners. Any request, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by the Bondowners shall, except as otherwise expressly provided, require the concurrence of the registered owners of Bonds representing more than fifty per cent of the Outstanding principal amount of the Bonds and may be contained in and evidenced by one or more writings of substantially the same tenor signed by such Bondowners or their authorized representatives. In taking or refraining from any such actions, each Bondowner may act in its sole and absolute discretion. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of this Agreement (except as otherwise herein expressly provided) if made in the following manner, but the Authority or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(i) The fact and date of the execution by any Bondowner or his attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Authority or to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

(ii) The authority of the person or persons executing any such instrument on behalf of a corporate Bondowner may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its clerk or secretary or an assistant clerk or secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registration books.

Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond. Bonds owned or held by or for the account of the Authority or the Borrower shall not be deemed Outstanding Bonds for the purpose of any consent or other action by Bondowners.

Section 902. Proceedings by Bondowners. No Bondowner shall have any right to institute any legal proceedings for the enforcement of this Agreement or any remedy hereunder unless an Event of Default has occurred and is continuing of which the Trustee is required to take notice under Subsection 701(d), the Bondowners have directed the Trustee to act and furnished the Trustee indemnity as provided therein and have afforded the Trustee reasonable opportunity to proceed, and the Trustee shall thereafter fail or refuse to take such action. Subject to the foregoing, any Bondowner may by any available legal proceedings enforce and protect its rights hereunder and under the laws of the State.

ARTICLE X: MISCELLANEOUS

Section 1001. Amendment. This Agreement may be amended by the parties but without Bondowner consent for any of the following purposes: (a) to subject additional property to the lien of this Agreement; (b) to add to the obligations of the Borrower or to surrender or limit any right or power of the Borrower; or (c) to cure any ambiguity or defect, or to add provisions which are not inconsistent with this Agreement and which in either case do not materially adversely affect the interests of the Bondowners.

Except as provided in the foregoing sentence, this Agreement may be amended by the parties only with the written consent of the Bondowners holding a majority in outstanding principal amount of; provided, however, no amendment of this Agreement may be made without the unanimous written consent of the affected Bondowners for any of the following purposes: (1) to extend the maturity of any Bond, (2) to reduce the principal amount or interest rate of any Bond, (3) to make any Bond prepayable other than in accordance with the terms hereof, (4) to create a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (5) to reduce the percentage of the outstanding principal amount of the Bonds required to be represented by the Bondowners giving their consent to any amendment.

In connection with any amendment entered into pursuant to this Section 1001, the Trustee shall receive a legal opinion from Bond Counsel, upon with the Trustee may conclusively rely, that the amendment entered into is authorized or permitted by the terms of this Agreement in compliance with all conditions precedent.

Section 1002. Successors and Assigns. The rights and obligations of the parties to this Agreement shall inure to and be binding upon their respective successors and permitted assigns.

Section 1003. Notices. Any request, authorization, direction, notice, consent, waiver or other document provided by this Agreement shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or delivered during business hours as follows: (i) to the Authority at Two Pillsbury Street, Suite 201, Concord, New Hampshire 03301-4954 attention of Executive Director, (ii) to the Trustee at The Bank of New York Mellon Trust Company, N.A., Attn: Corporate Trust, 135 Santilli Highway, AIM 026-0018, Everett, Massachusetts 02149, (iii) to the Borrower at 25 Manchester Street, Merrimack, New Hampshire 03054, attention of Treasurer, and (iv) to the Bondowners at their addresses appearing in the bond register, or, as to all of the foregoing, to such other address as the addressee shall have given in writing to the one giving notice. Notice hereunder may be waived prospectively or

retroactively by the person entitled to the notice, but no waiver shall affect any notice requirement as to other persons. All notices shall be effective upon receipt.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Agreement and delivered using Electronic Means; provided, however, that the Authority or the Borrower, as the case may be, shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority or the Borrower, as the case may be, whenever a person is to be added or deleted from the listing. If the Authority or the Borrower, as the case may be, elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Authority and the Borrower each understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority and the Borrower, as the case may be, shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and the Borrower, as the case may be, and all respective Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority and the Borrower, as the case may be. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority and the Borrower each agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority or the Borrower, as the case may be; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

“Electronic Means” shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

Section 1004. Agreement Not for the Benefit of Other Parties. This Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the Authority, the Borrower, the Trustee, the Paying Agent and the Bondowners.

Section 1005. Severability. In case any provision of this Agreement or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1006. Counterparts. This Agreement may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original; but such counterparts together shall constitute one and the same instrument.

Section 1007. Captions. The captions and table of contents of this Agreement are for convenience only and shall not affect the construction hereof.

Section 1008. Governing Law. This Agreement shall be governed by the laws of the State.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed under seal as of the date stated above.

BUSINESS FINANCE AUTHORITY (SEAL)
OF THE STATE OF NEW HAMPSHIRE

By: _____
Executive Director

PENNICHUCK WATER WORKS, INC. (SEAL)

By: _____
Title:

THE BANK OF NEW YORK MELLON TRUST (SEAL)
COMPANY, N.A., as Trustee

By: _____
Title:

EXHIBIT A

- Water treatment media and miscellaneous water supply upgrades
- Harris Pond Dam spillway replacement
- Main replacement and rehab
- Booster station replacement and rehab, storage tank maintenance/replacement, back-up generator installation and pump and system operational improvements
- Service, hydrant and meter replacement or rehab
- Rolling stock and equipment replacement or rehab
- Customer service support applications, financial accounting and other applications and water system monitoring upgrades and enhancements
- Data presentation and collection system
- Geographical information systems
- Asset management system

EXHIBIT B

Requisition No. __

Business Finance Authority of the State of New Hampshire
Water Facility Revenue Bonds
(Pennichuck Water Works, Inc. Project) Series 2014A

REQUISITION FOR PAYMENT FROM PROJECT FUND

To: The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Trustee”) under the Loan and Trust Agreement dated as of December 1, 2014 (the “Agreement”) among the Business Finance Authority of the State of New Hampshire (the “Authority”), Pennichuck Water Works, Inc. (the “Borrower”) and the Trustee.

This requisition is made pursuant to Section 402 of the Agreement. Terms used in this requisition shall have the meanings specified for them in the Agreement.

The Trustee is hereby authorized and directed to make payment from the Project Fund for Project Costs or indebtedness incurred to pay Project Costs as follows:

<u>Amount of Payment/Reimbursement</u>	<u>Nature of Goods/Property/Services</u>	<u>Name and Address of Payee</u>
--	--	----------------------------------

The undersigned Borrower Representative hereby certifies to you in connection with such payment requested by this requisition as follows:

1. After giving effect to the payment of the requisition, the use of all funds disbursed from the Project Fund complies with the limitations contained in the Federal Tax Statement.
2. Such payment or reimbursement is for Series A Project Costs and the obligations have not been the basis for a prior requisition which has been paid.
3. No Event of Default hereunder and no event or condition which, after notice or lapse of time or both, would become an Event of Default hereunder exists.

4. The payment or reimbursement requested by the requisition is due for work actually performed or materials or property actually supplied prior to the date of the requisition.

Dated: _____

PENNICHUCK WATER WORKS, INC.

By: _____
Borrower Representative

The undersigned hereby approves this requisition.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____

AM 43290021.4

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 1
Technical Session Nov. 6, 2020 – Request 1

Date Request Received: 11/6/20
Technical Session 1 - Request No. 1

Date of Response: 11/9/20
Witness: Larry D. Goodhue

REQUEST:

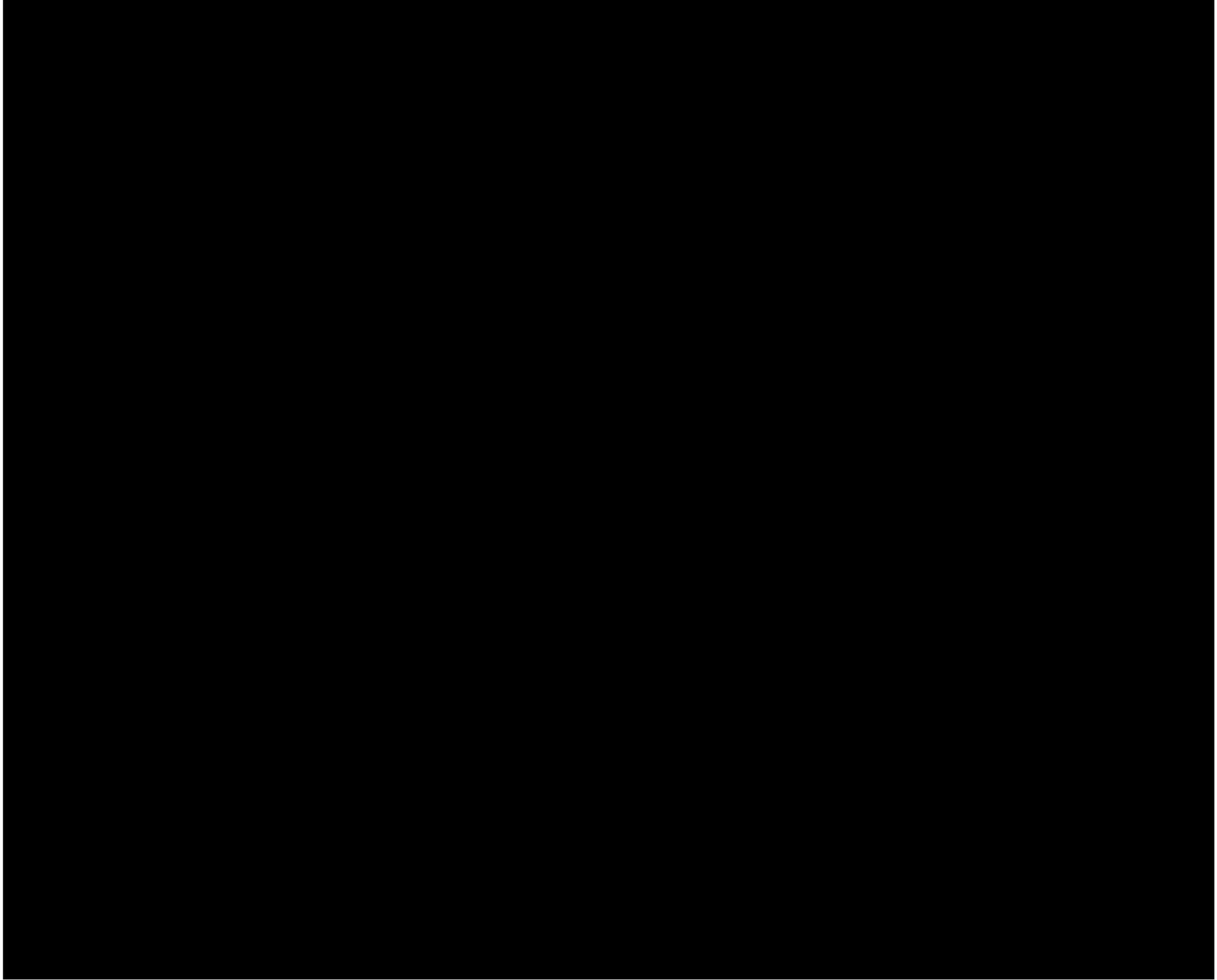
Please provide a copy of the current or currently in effect Term Sheet for the Pennichuck Corporation Line of Credit with TD Bank.

RESPONSE:

Please see the attached Pennichuck Corp, Line of Credit term sheet with TD Bank attached as LDG 6.

[REDACTED]

[REDACTED]



[REDACTED]

LOAN AGREEMENT

[REDACTED]

[REDACTED]

[REDACTED]

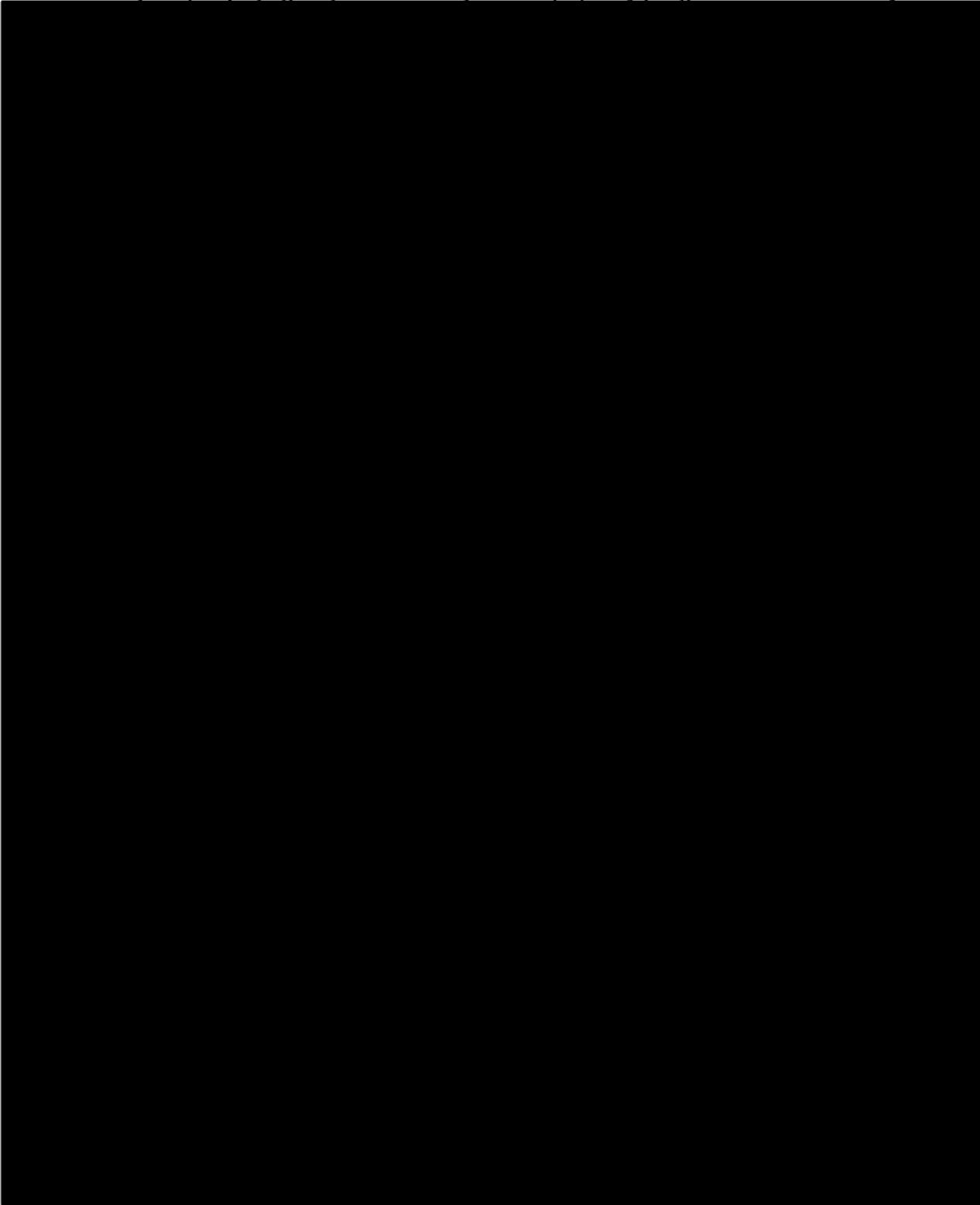
[REDACTED]

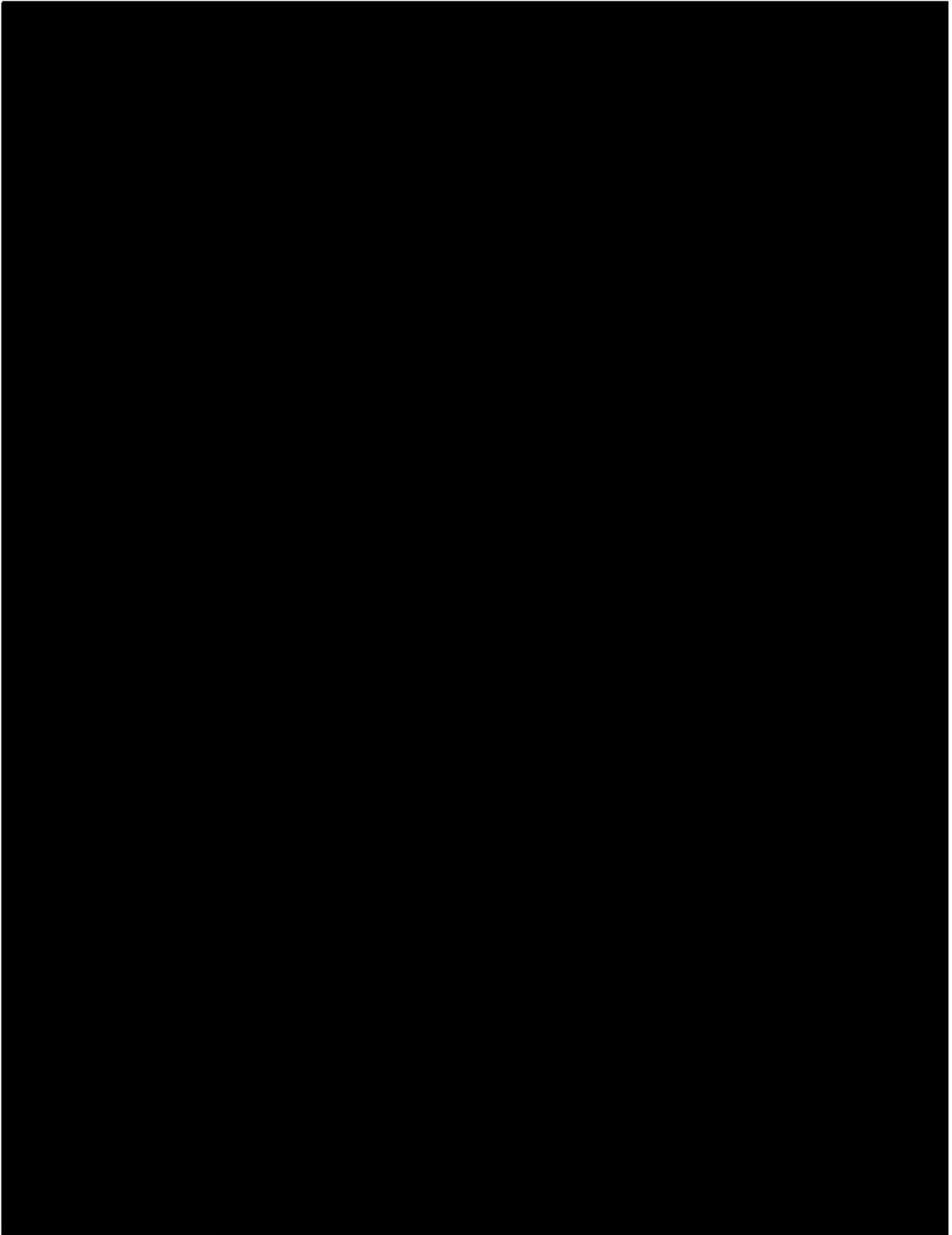
[REDACTED]

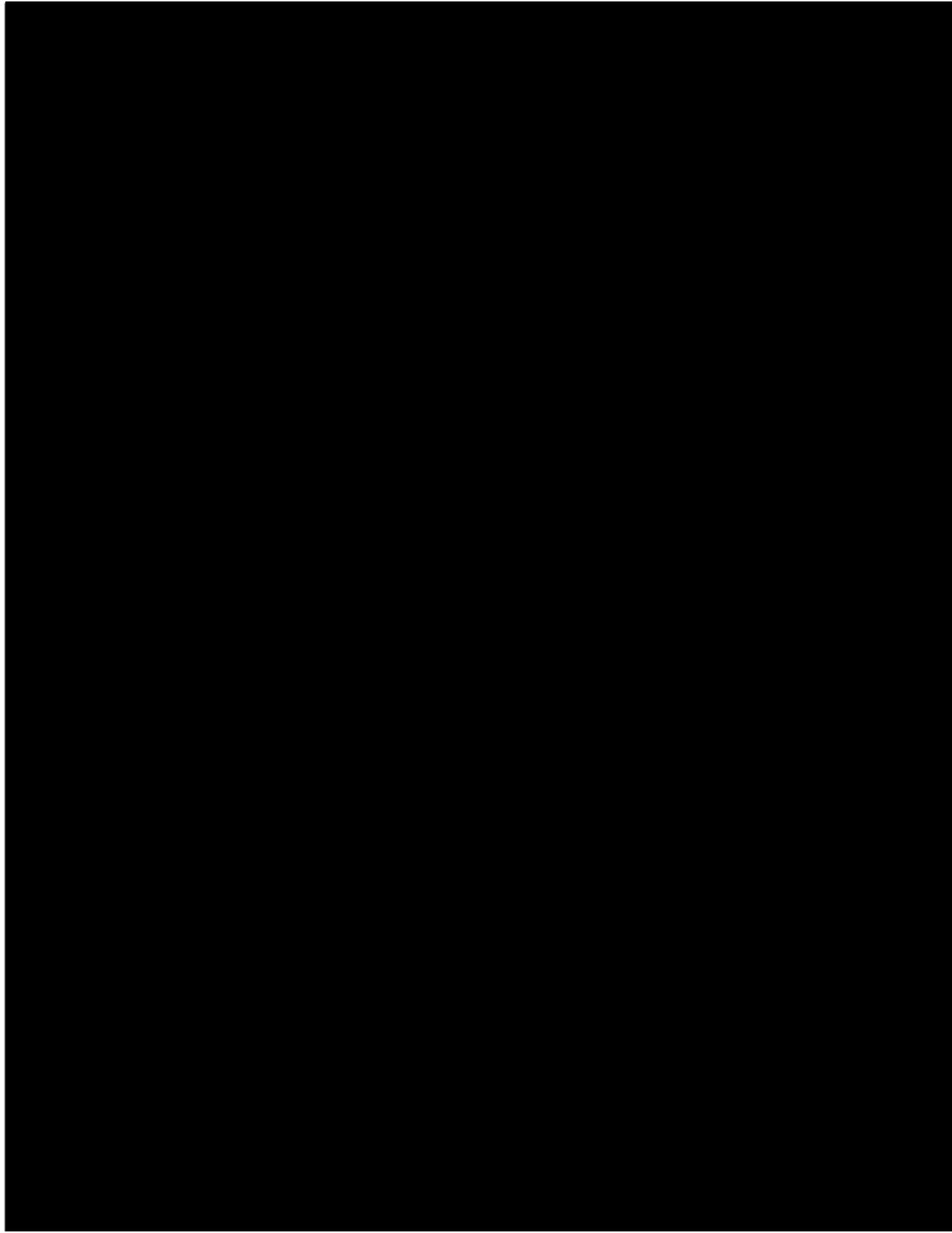
[REDACTED]

[REDACTED]

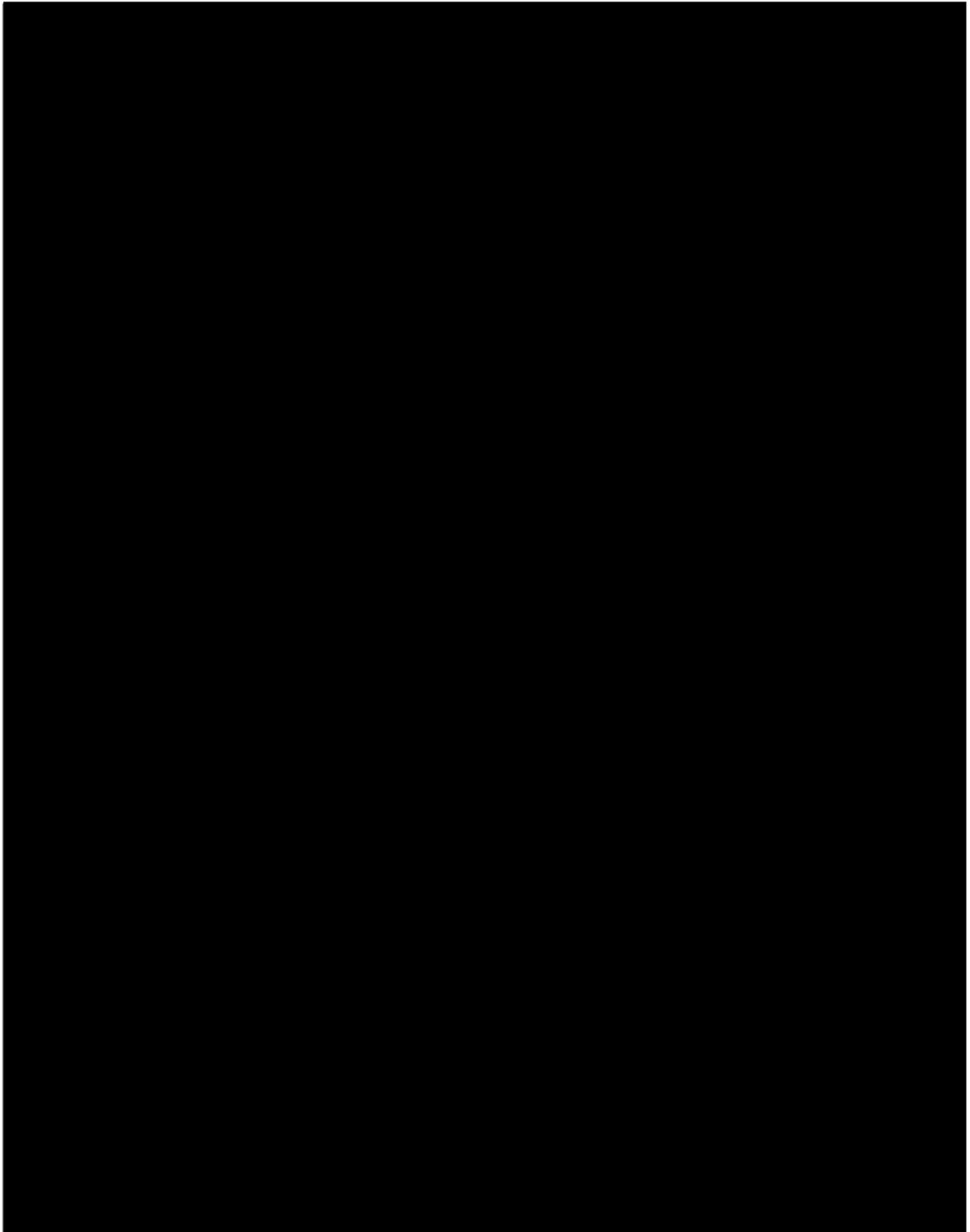
[REDACTED]

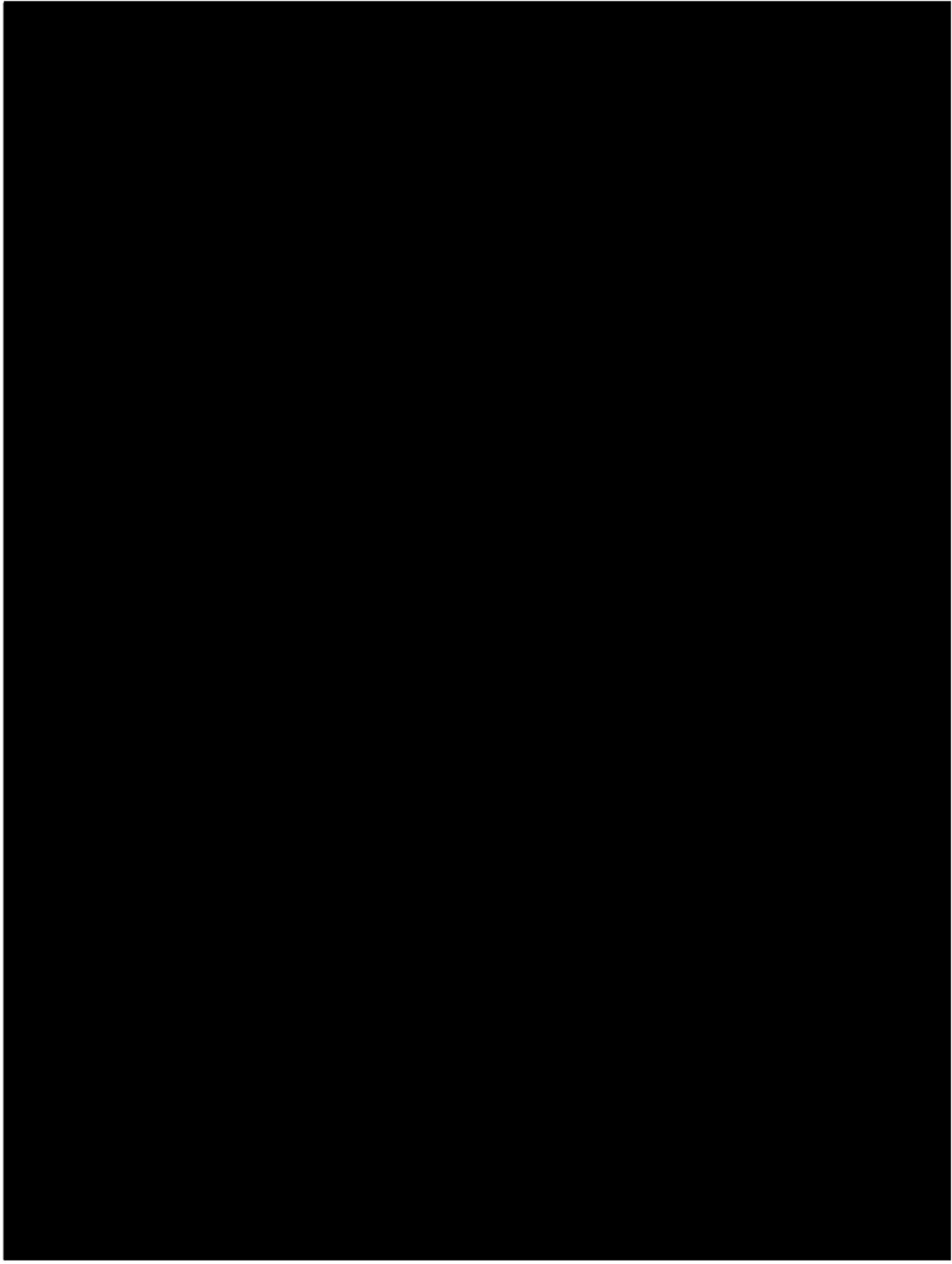


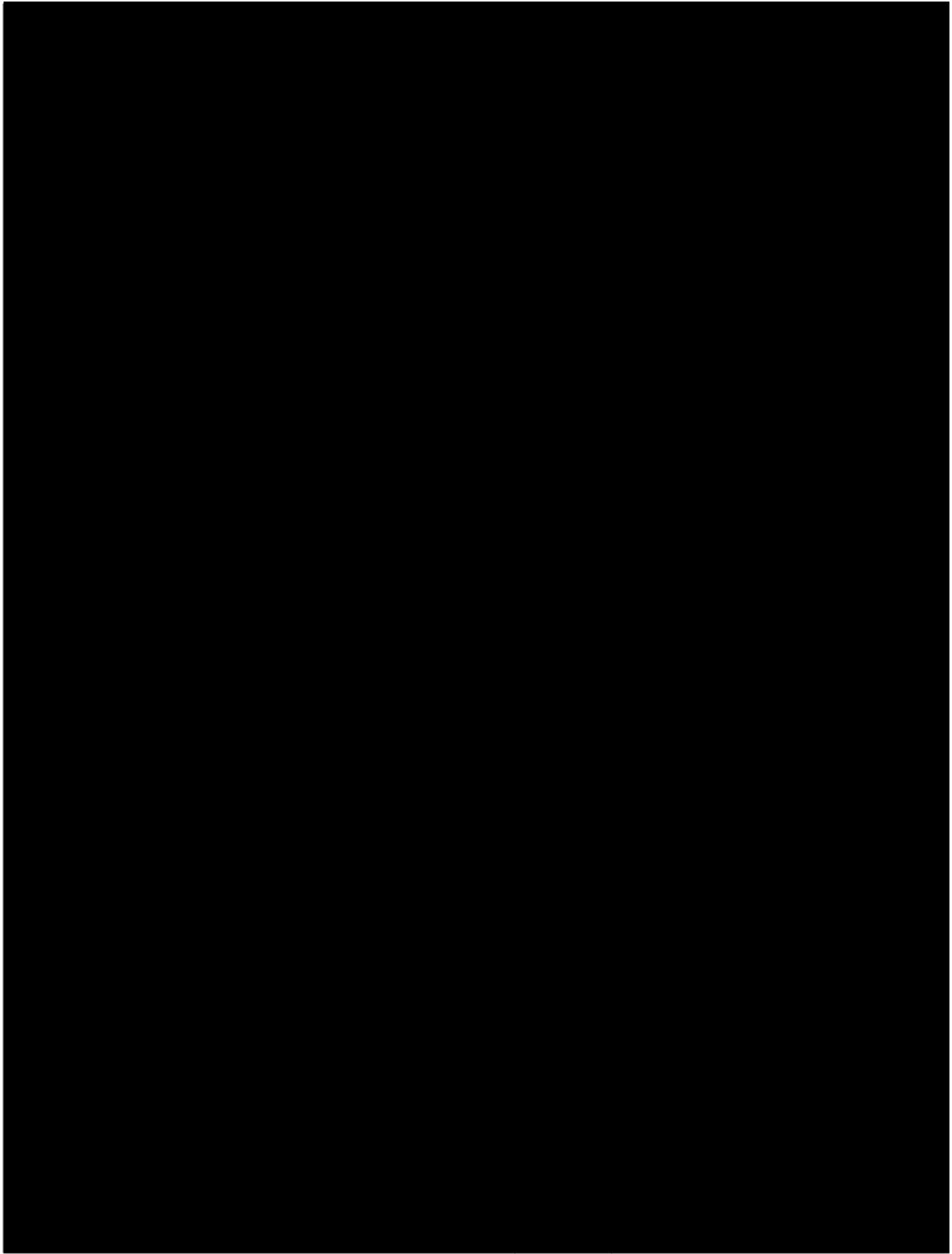




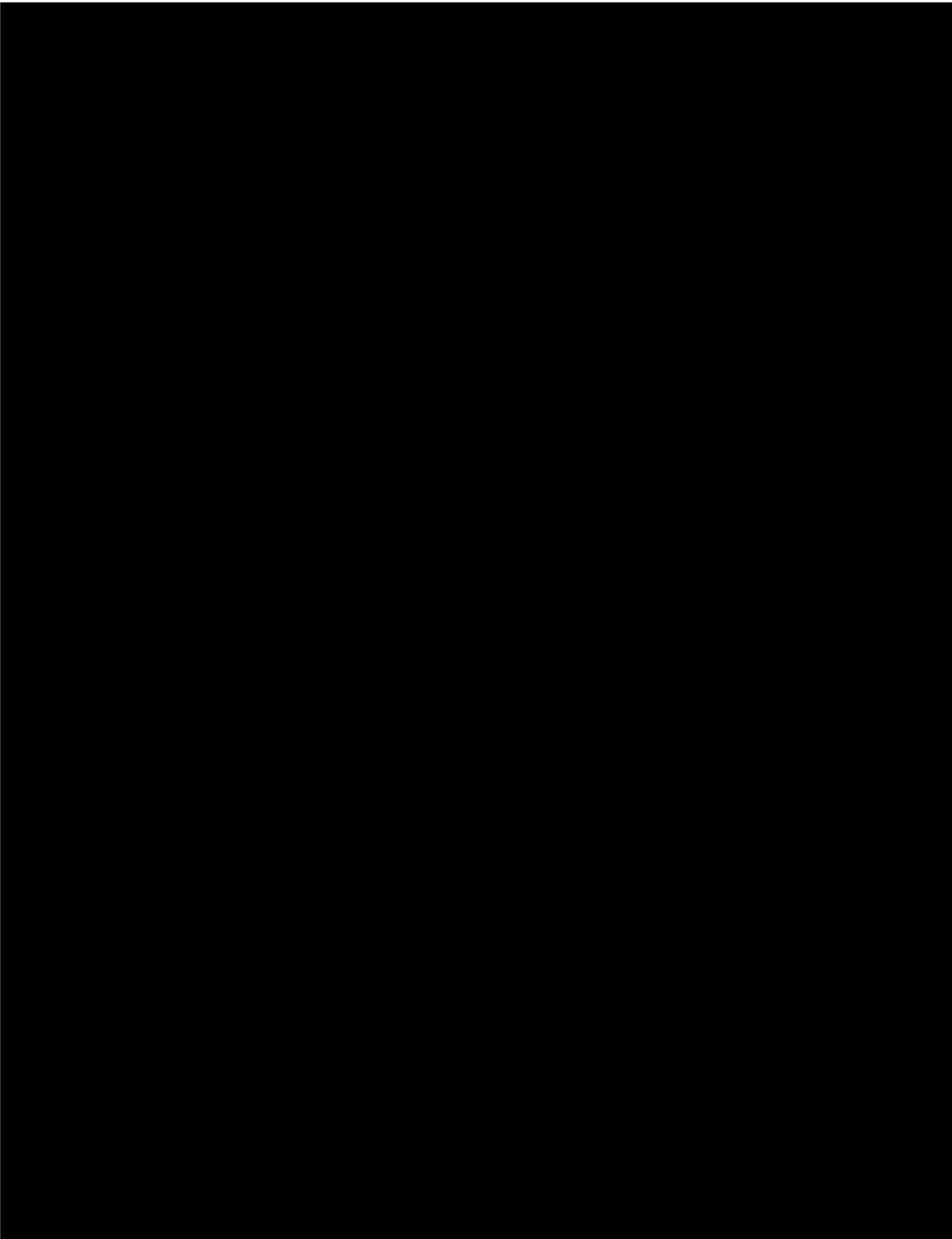
[Redacted]

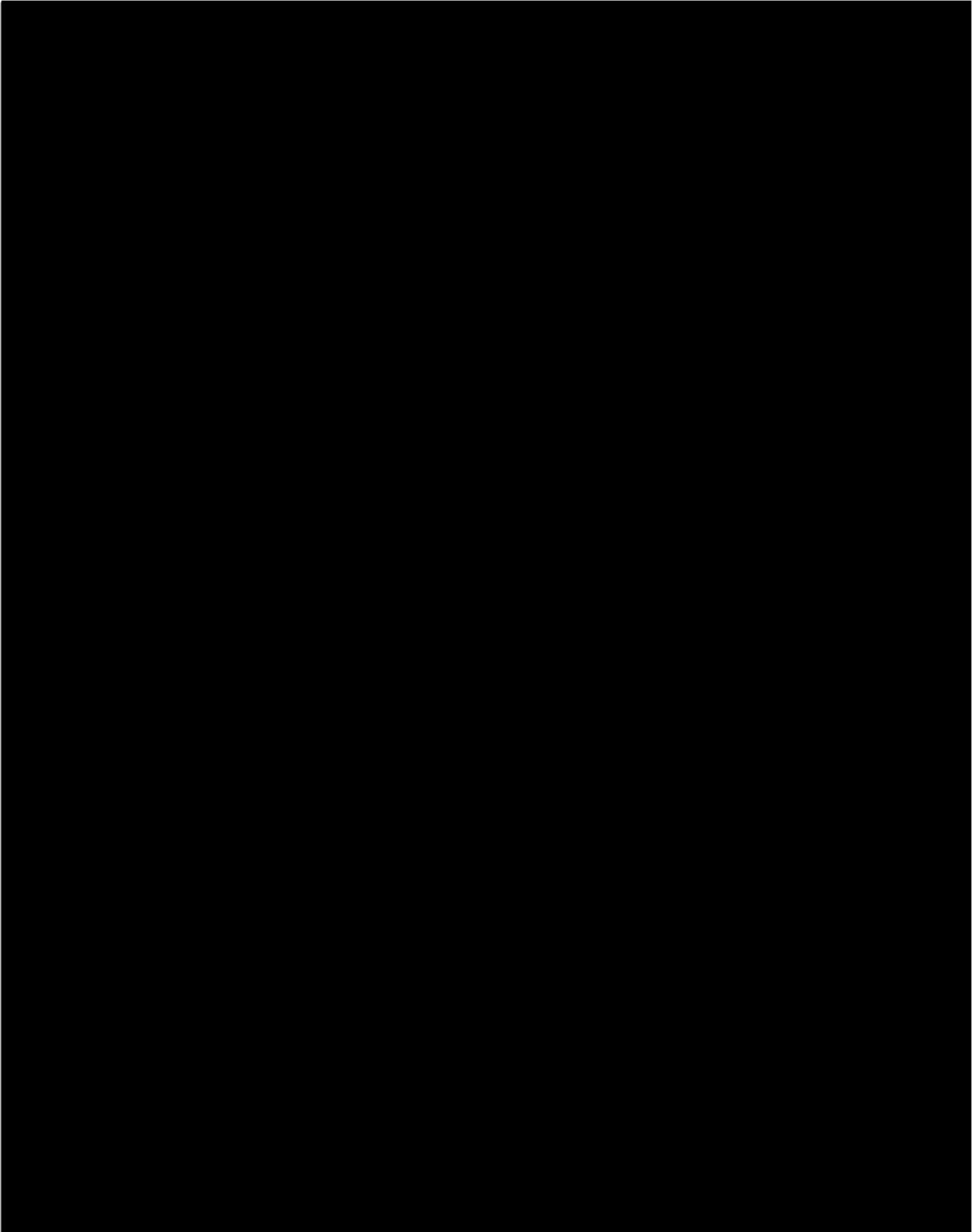




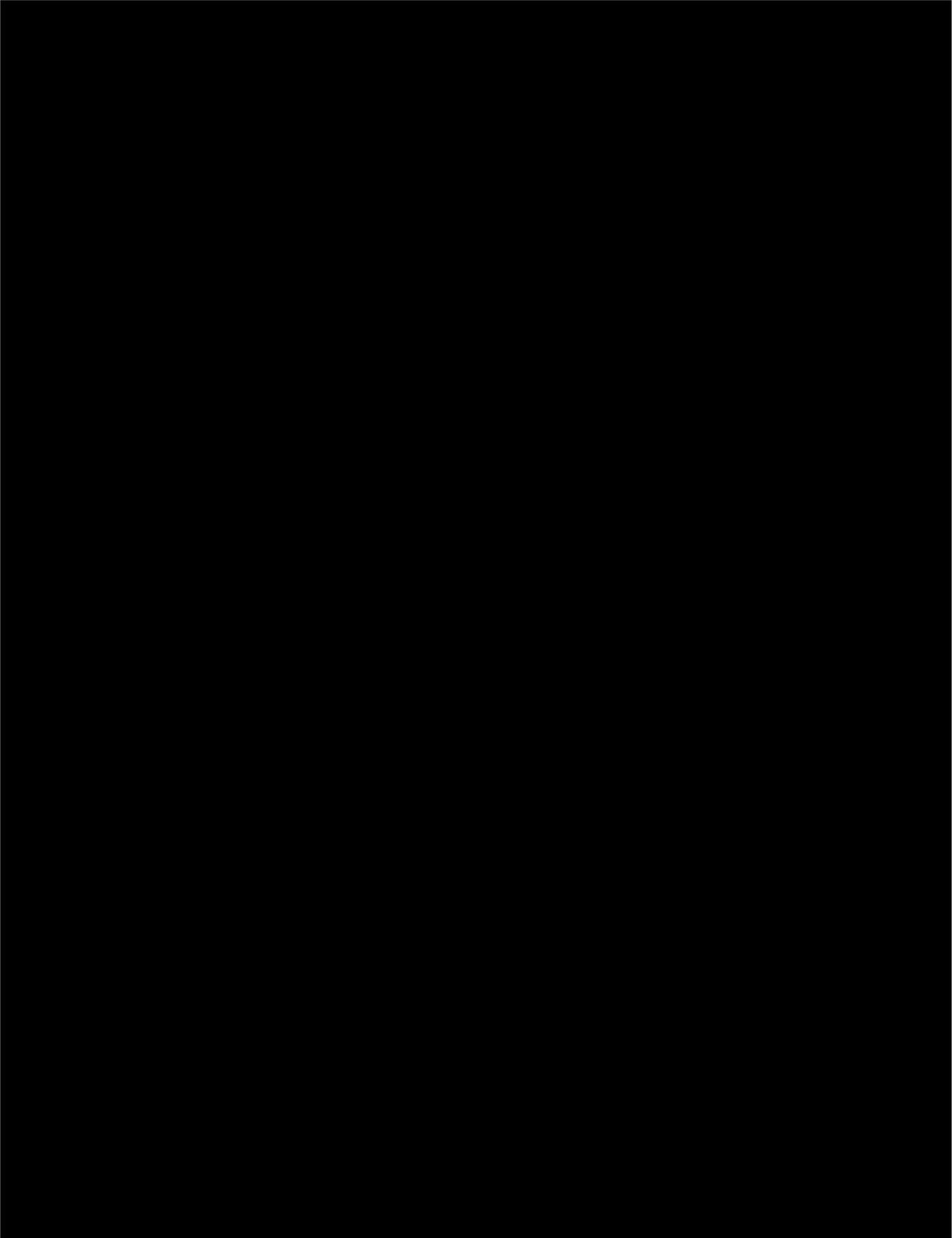


[Redacted]

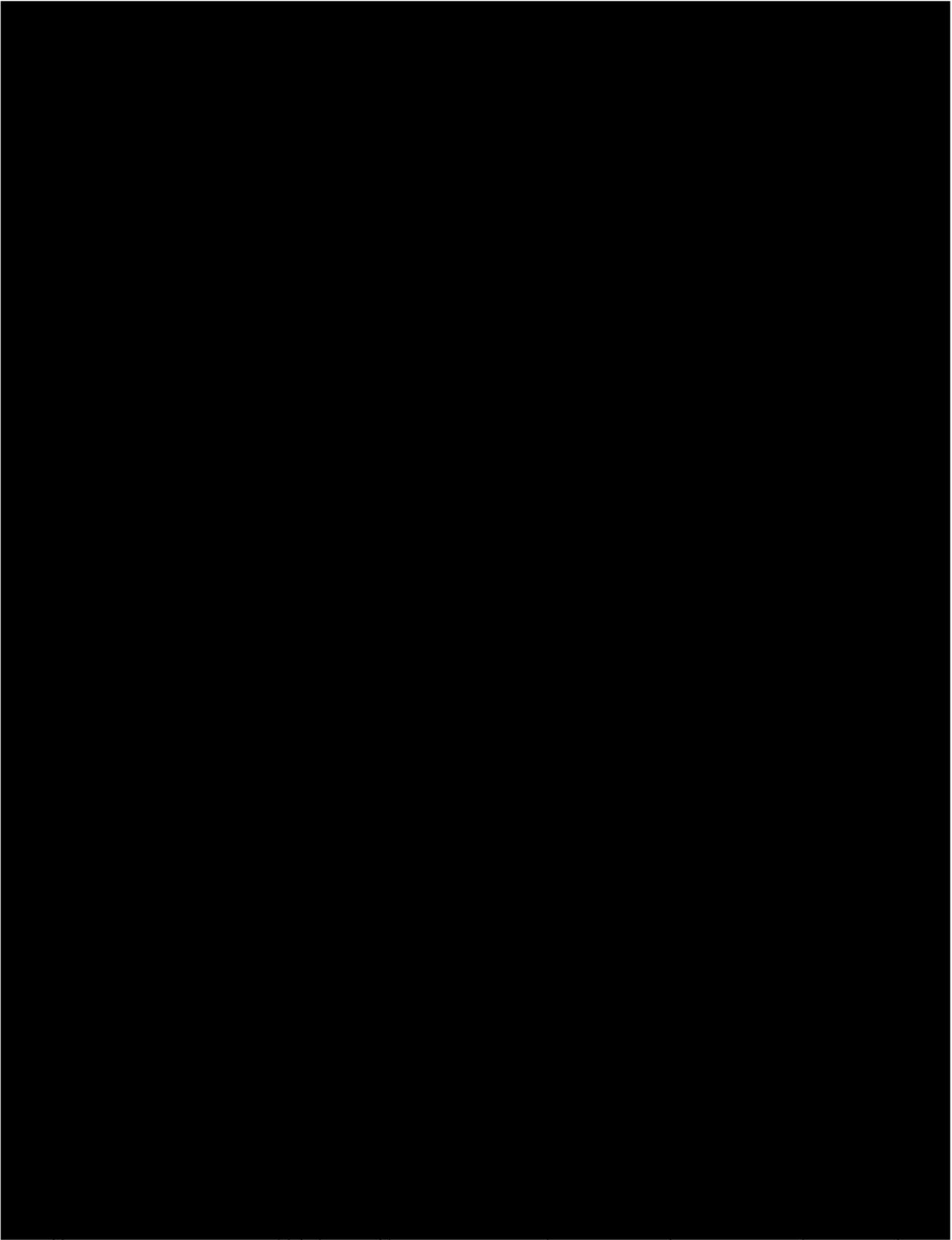




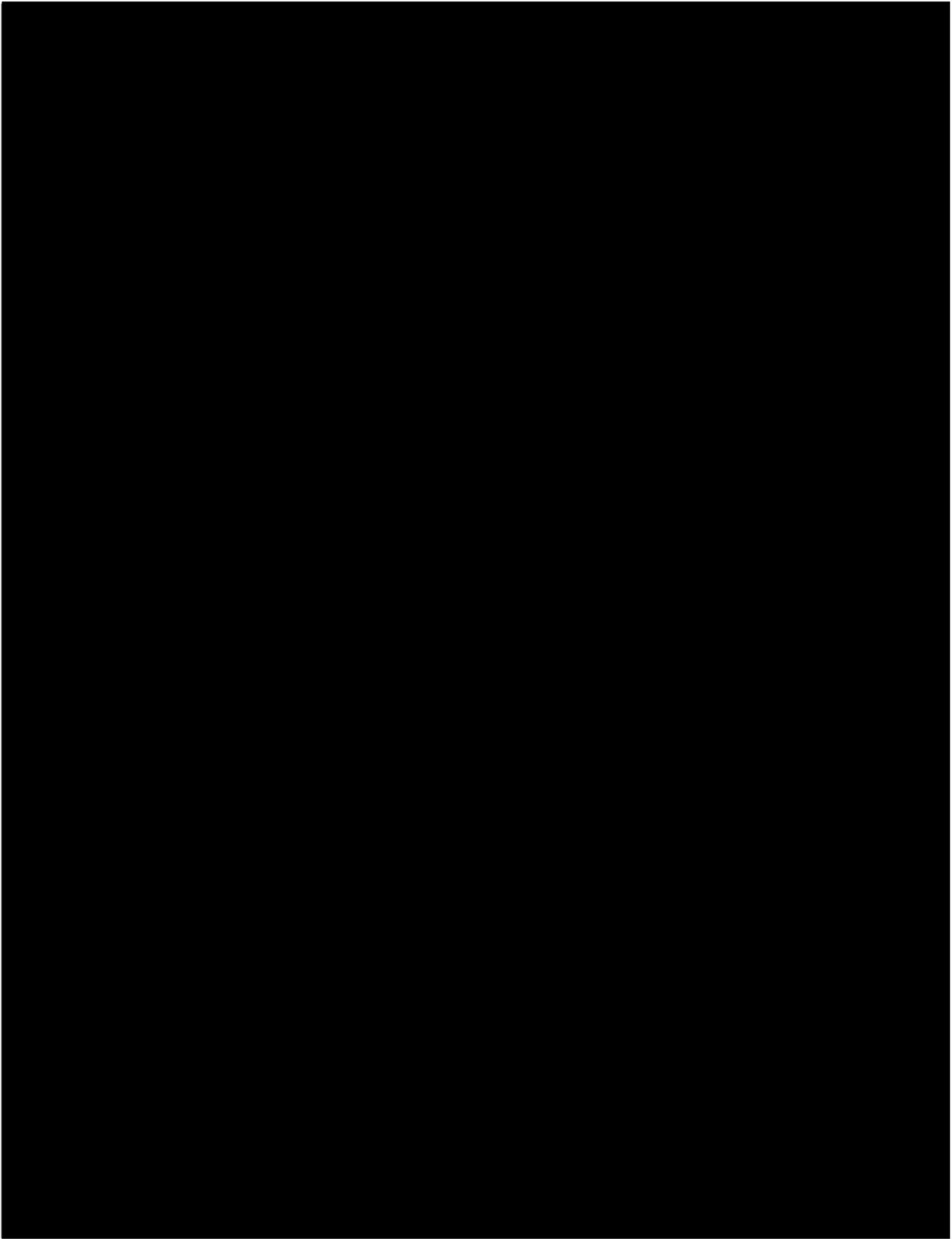
[Redacted]

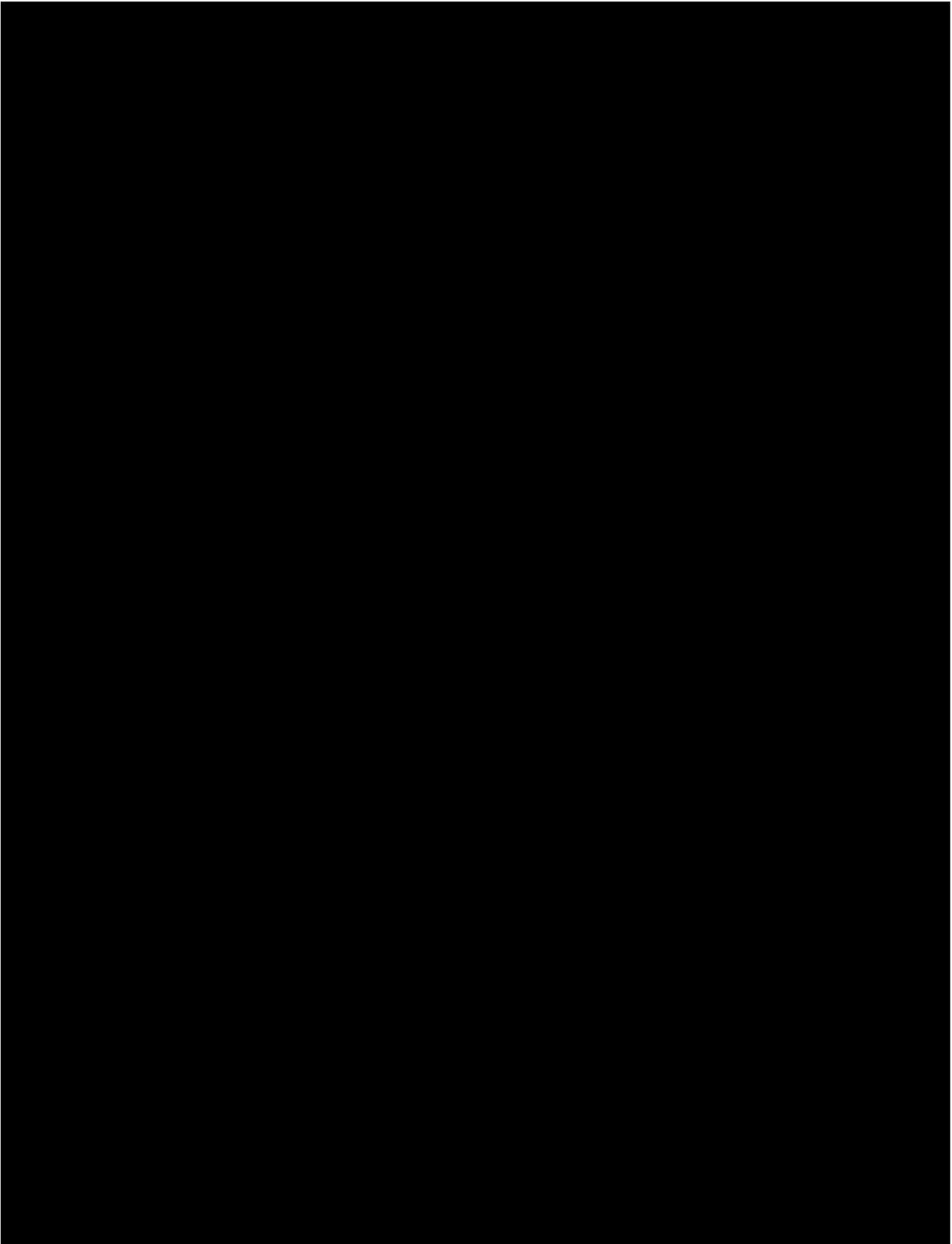


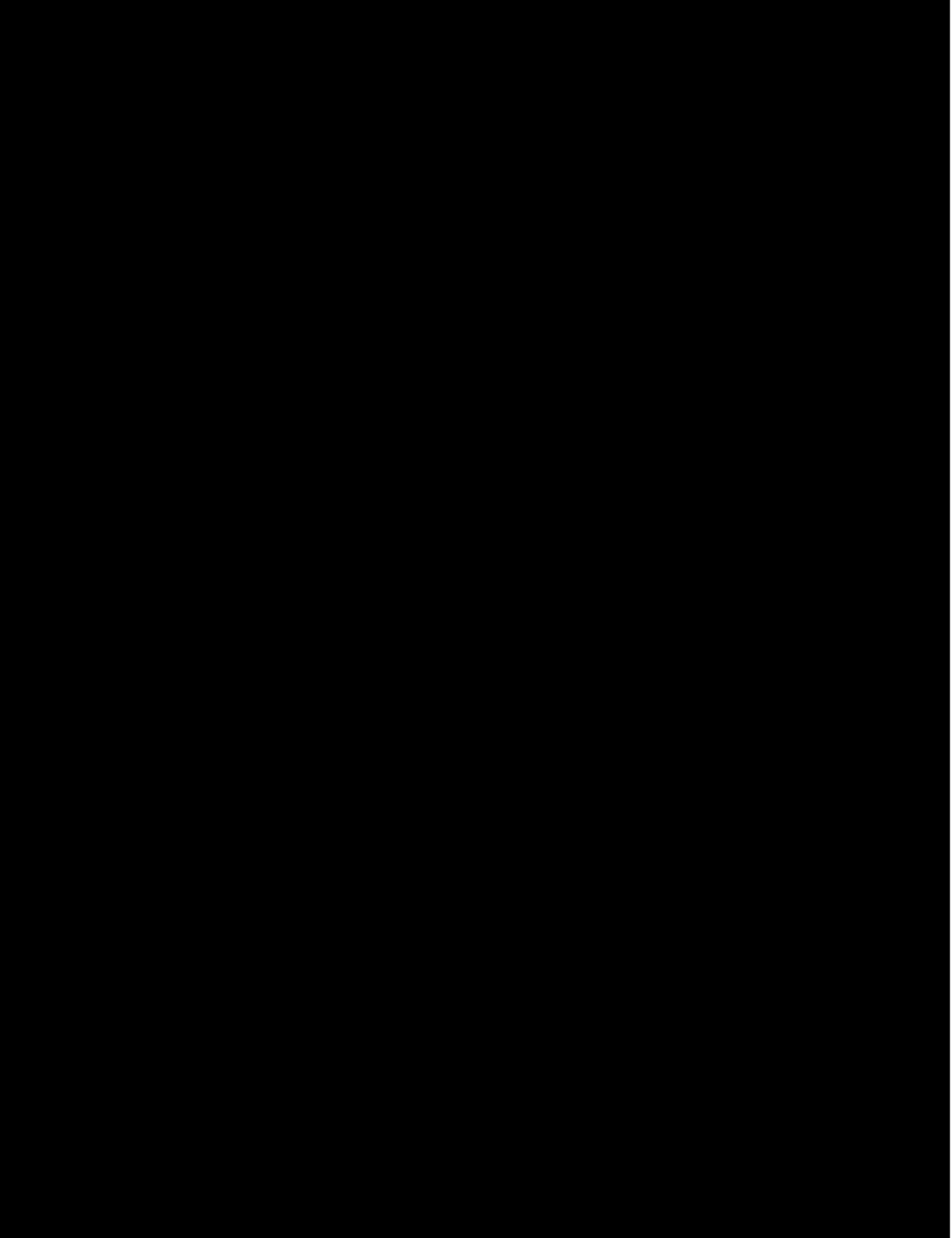
[Redacted]



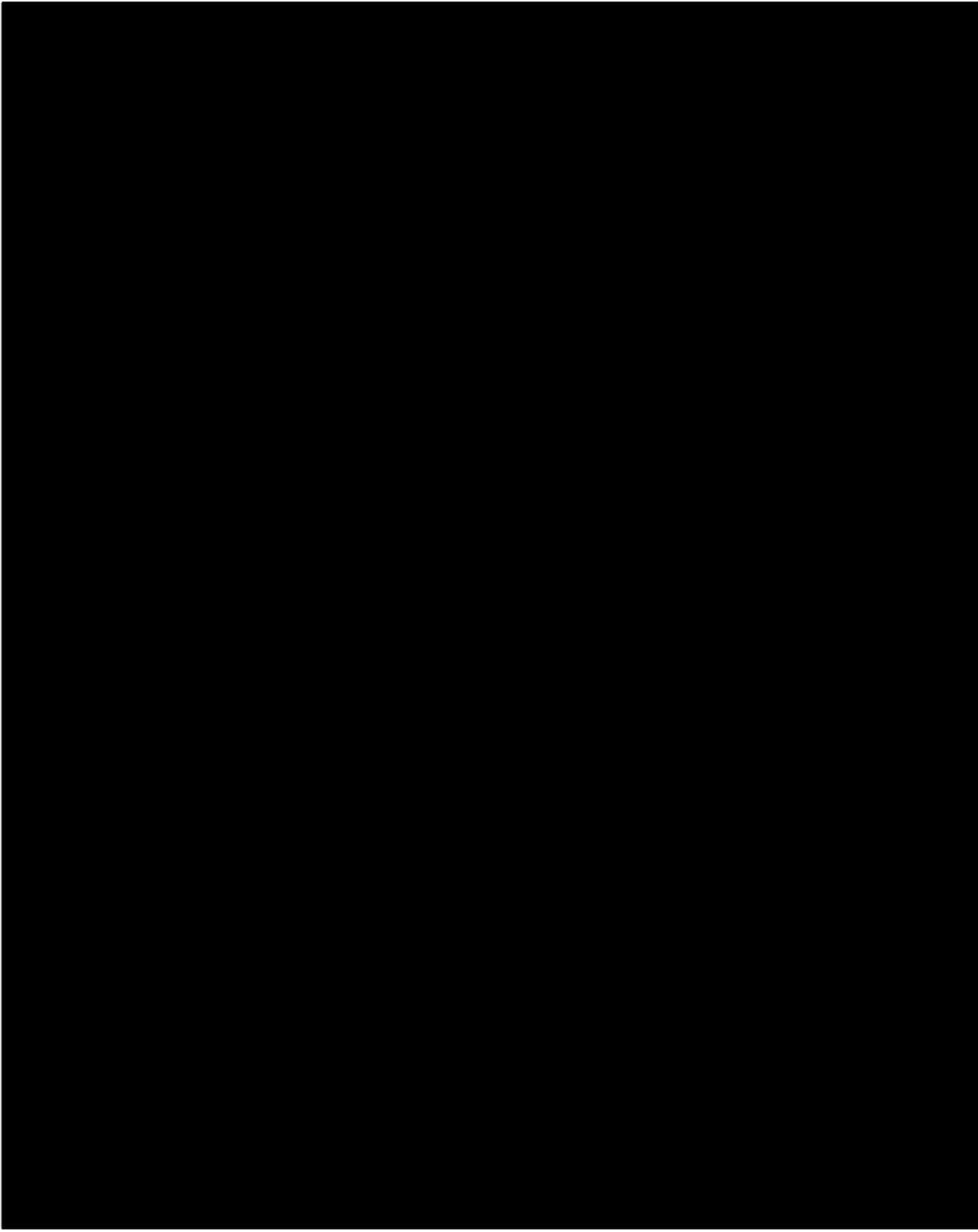
[Redacted]

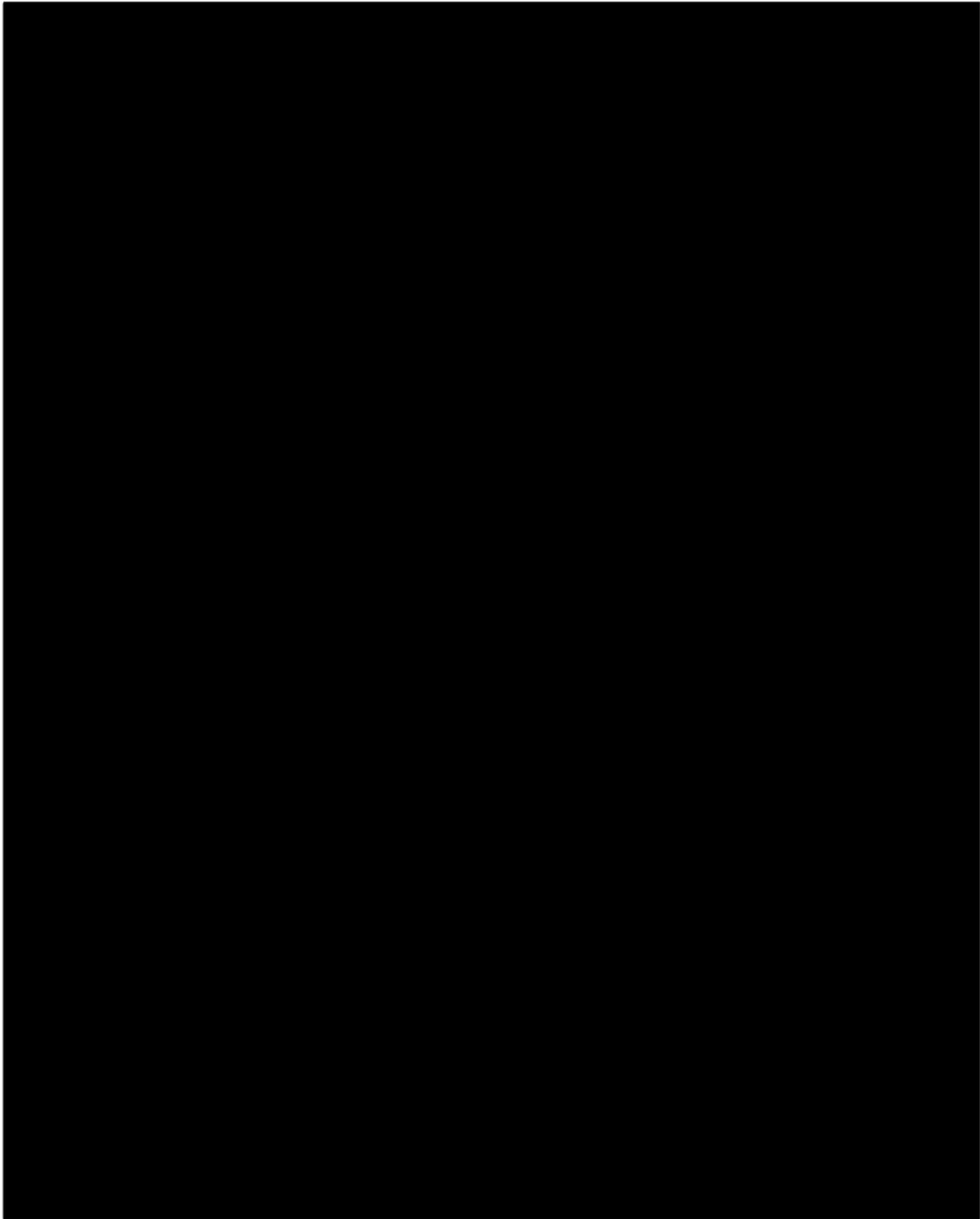


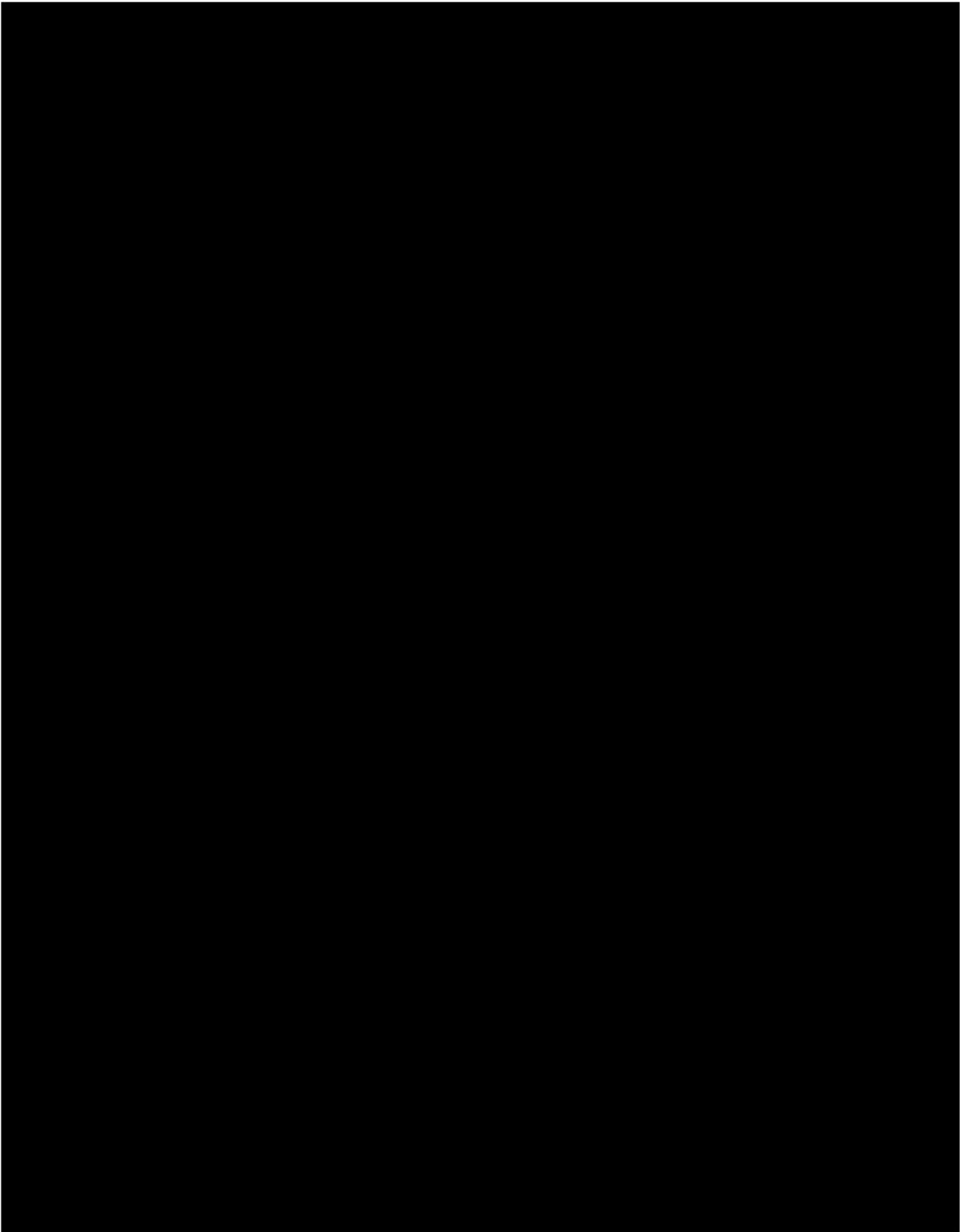




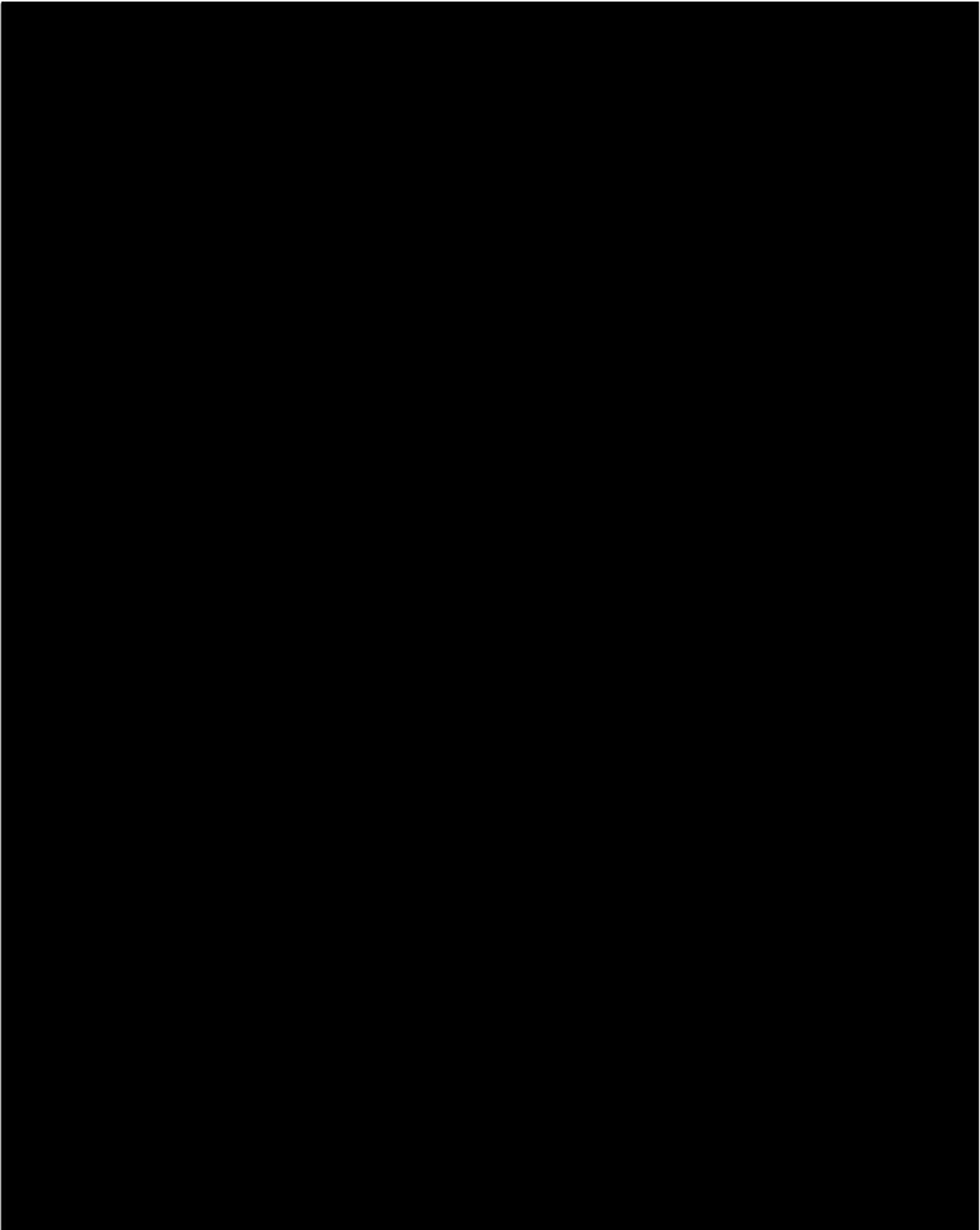
[Redacted]







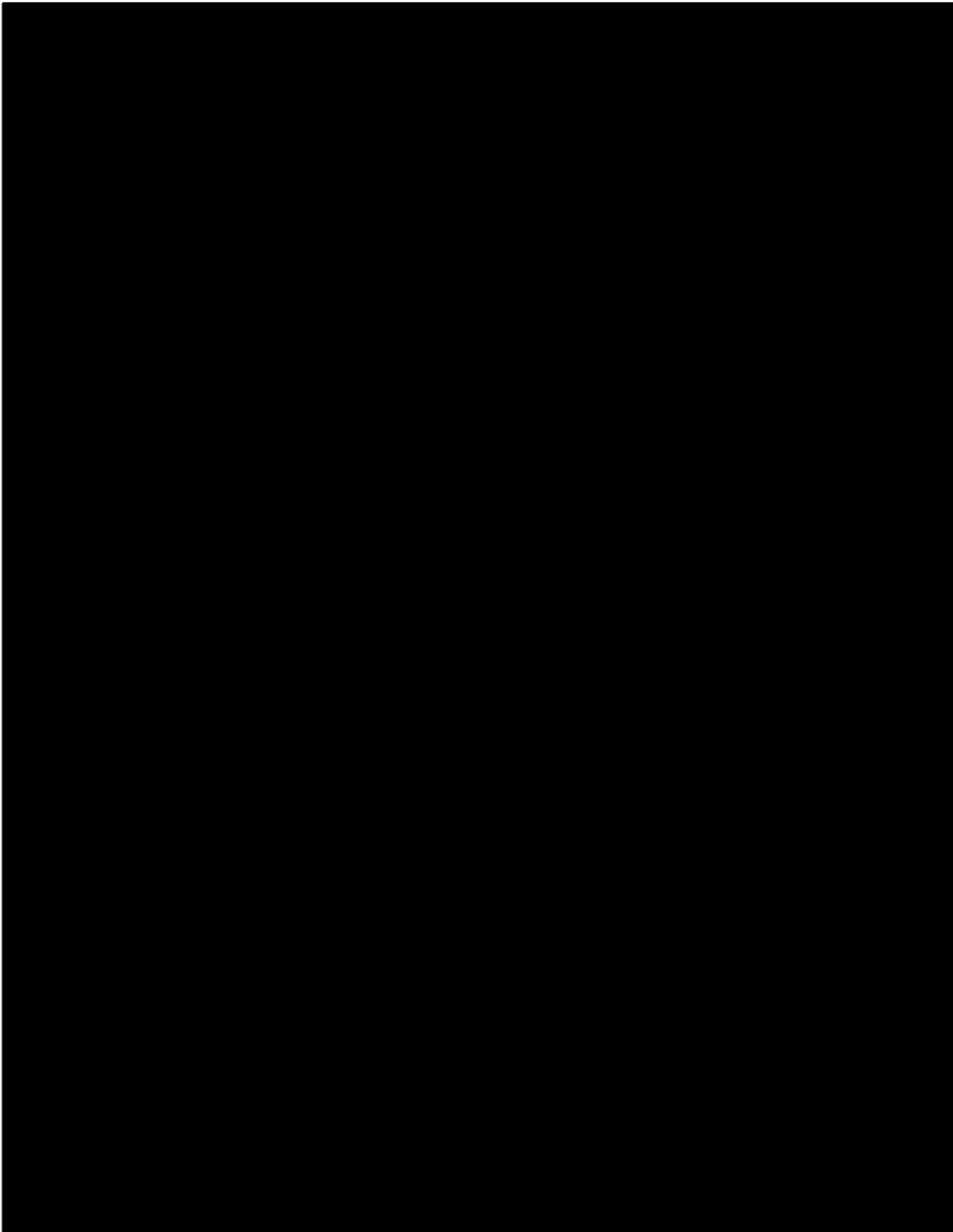
[Redacted]

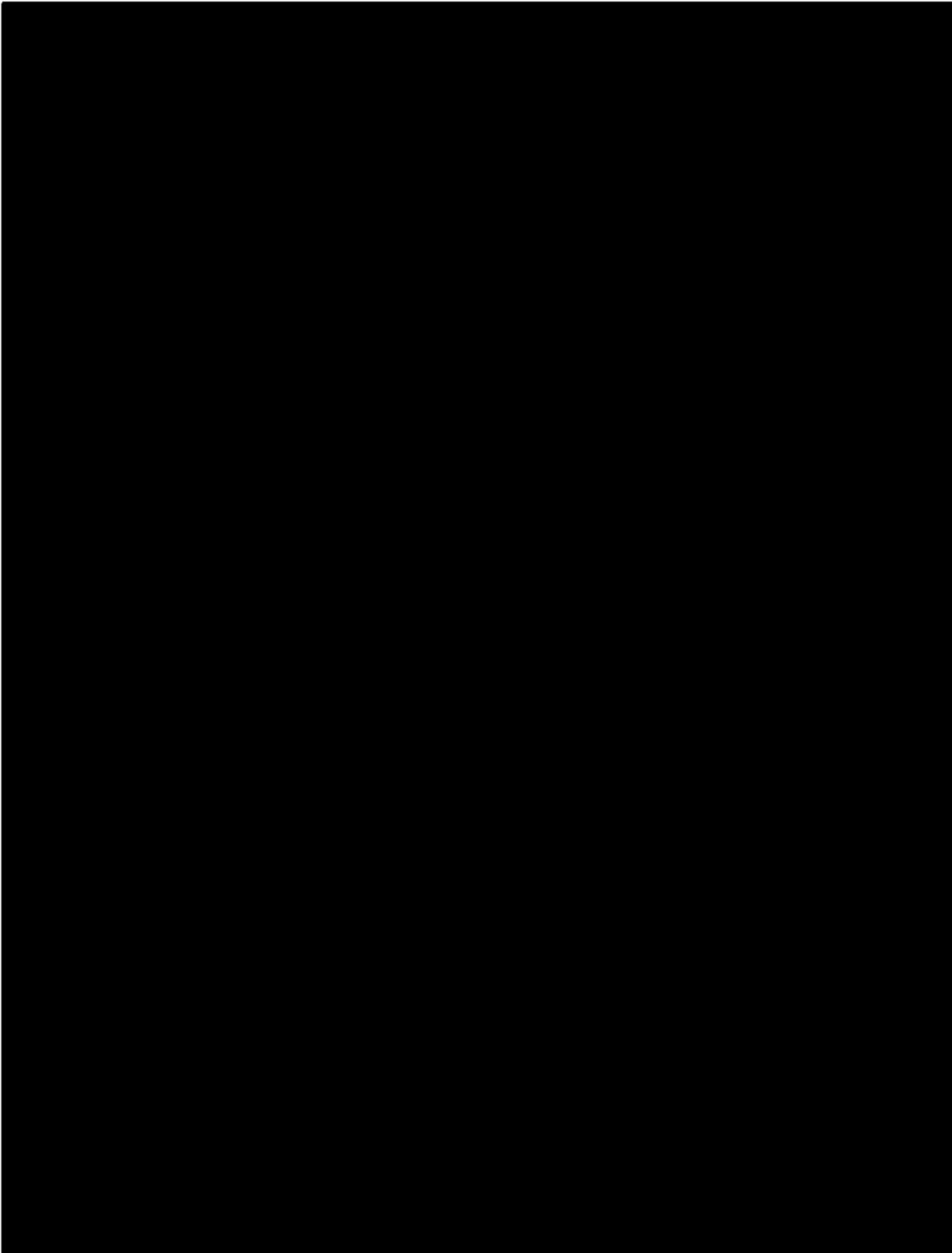


[Redacted text]

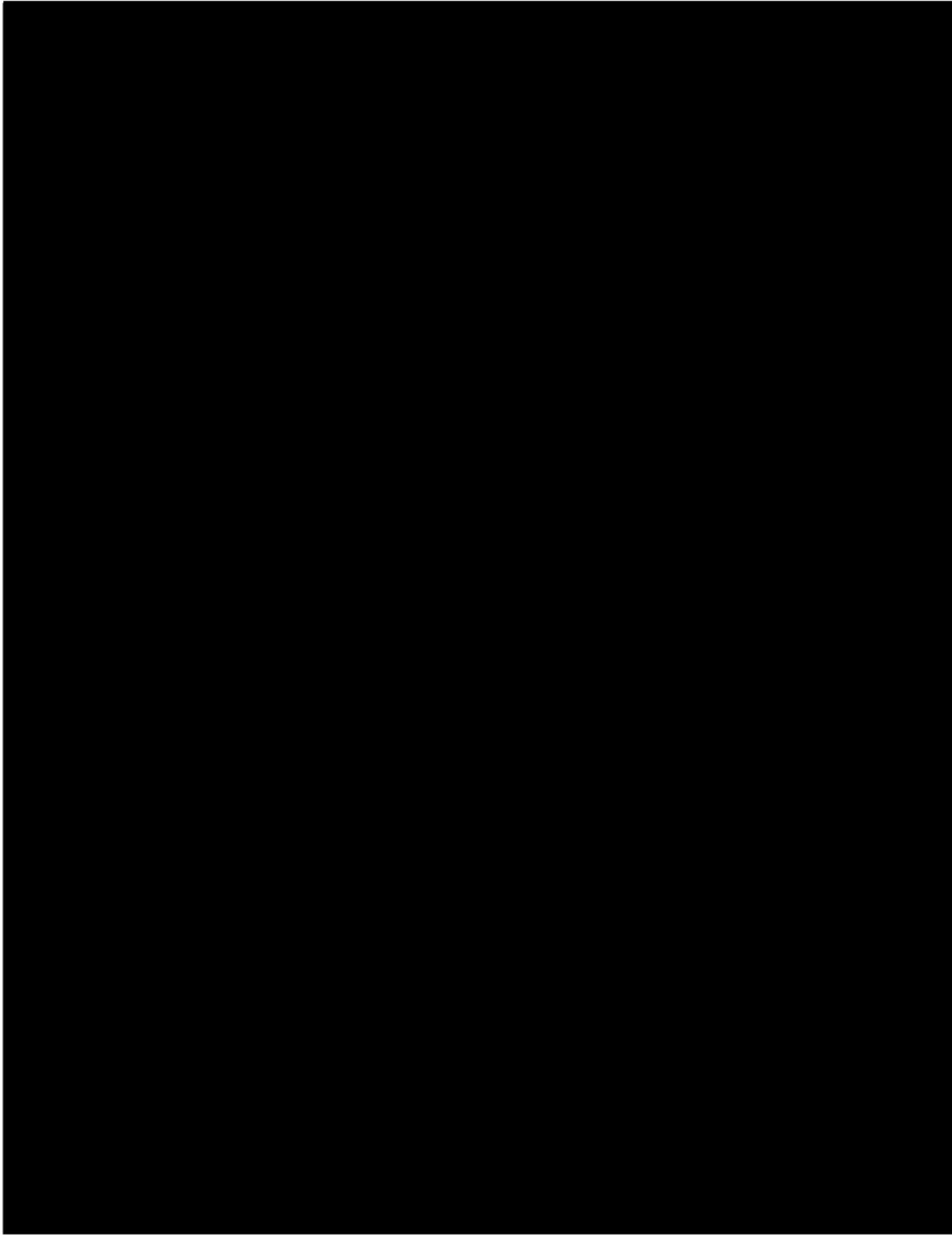
[Redacted text]

[Redacted text]

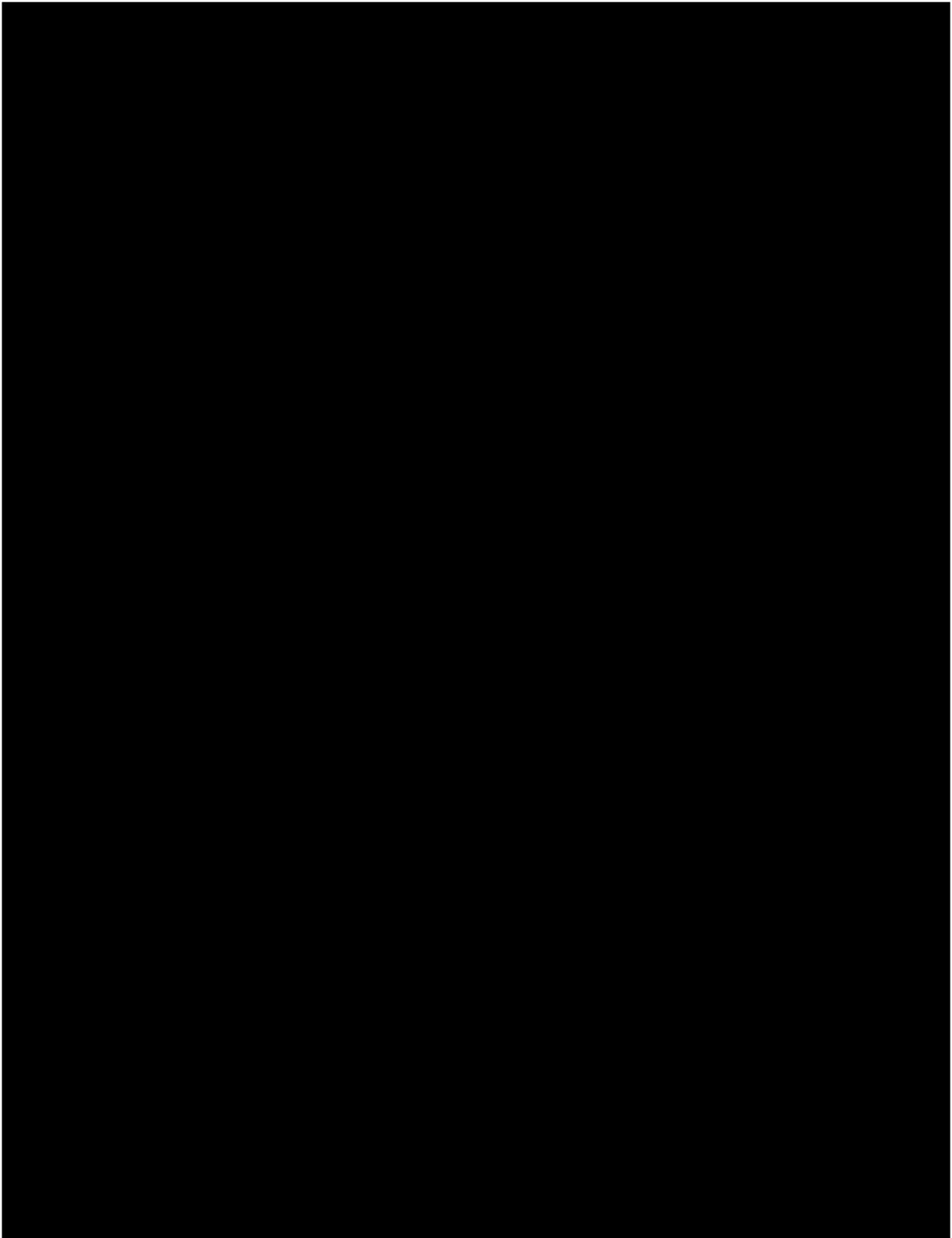




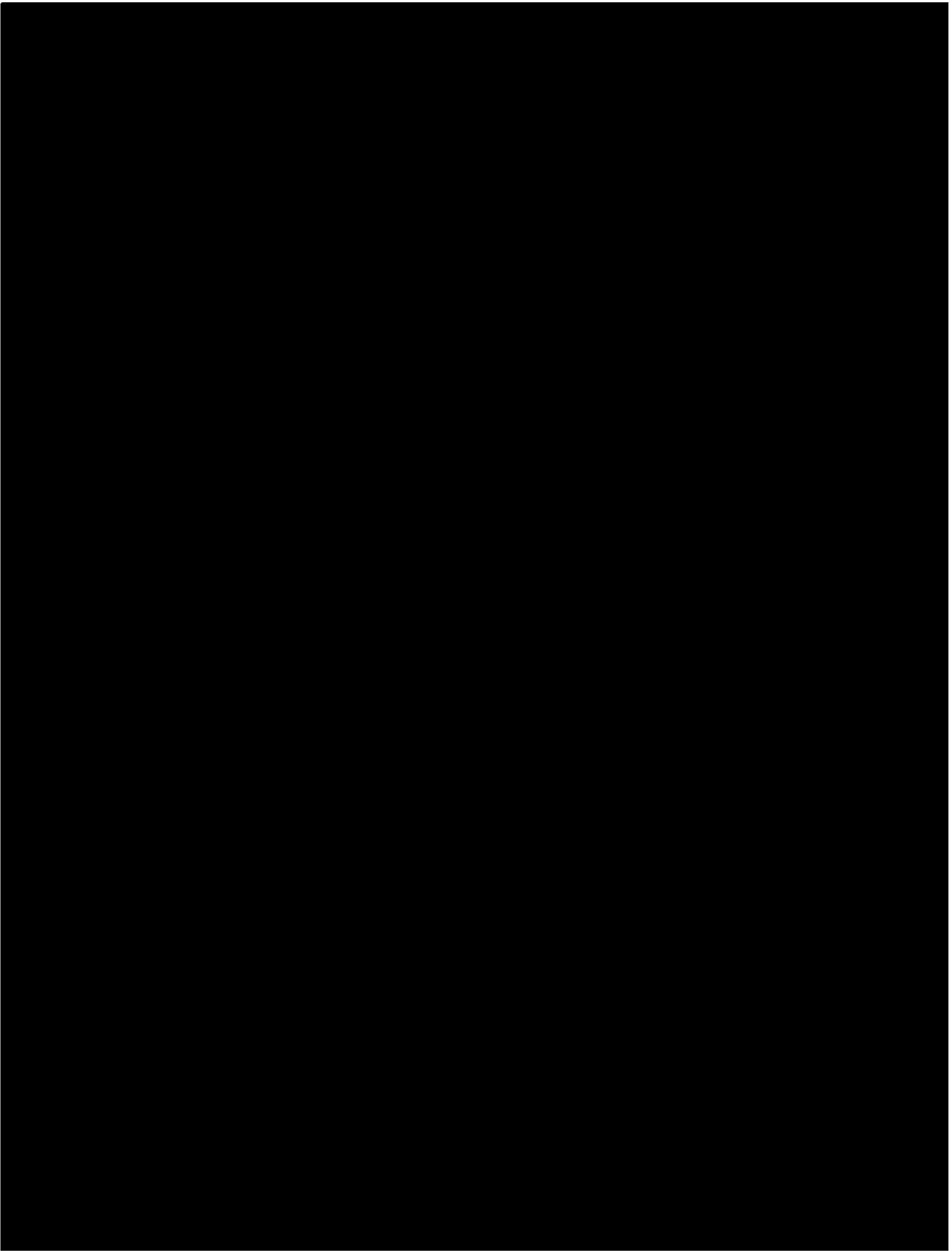
[Redacted]

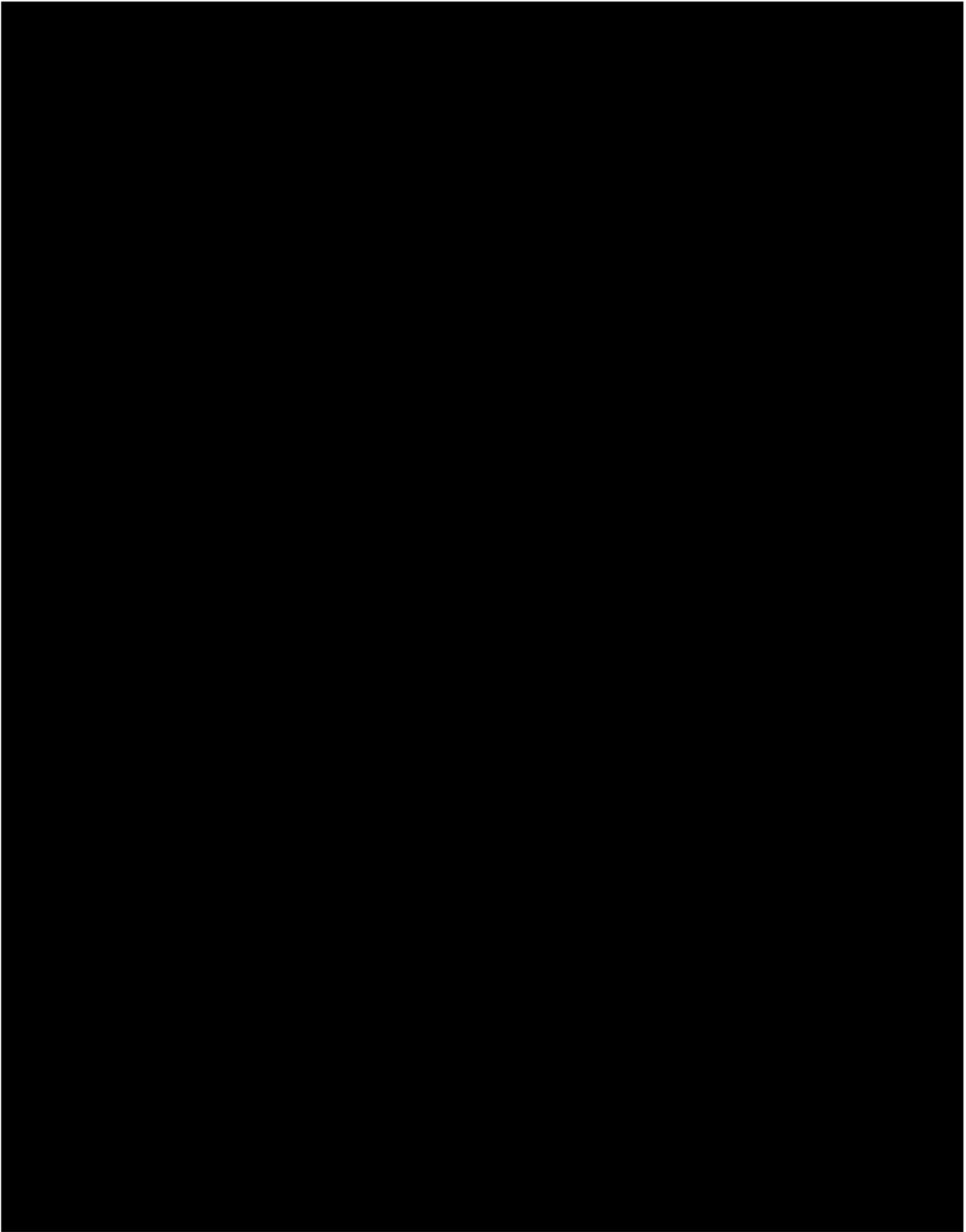


[Redacted]

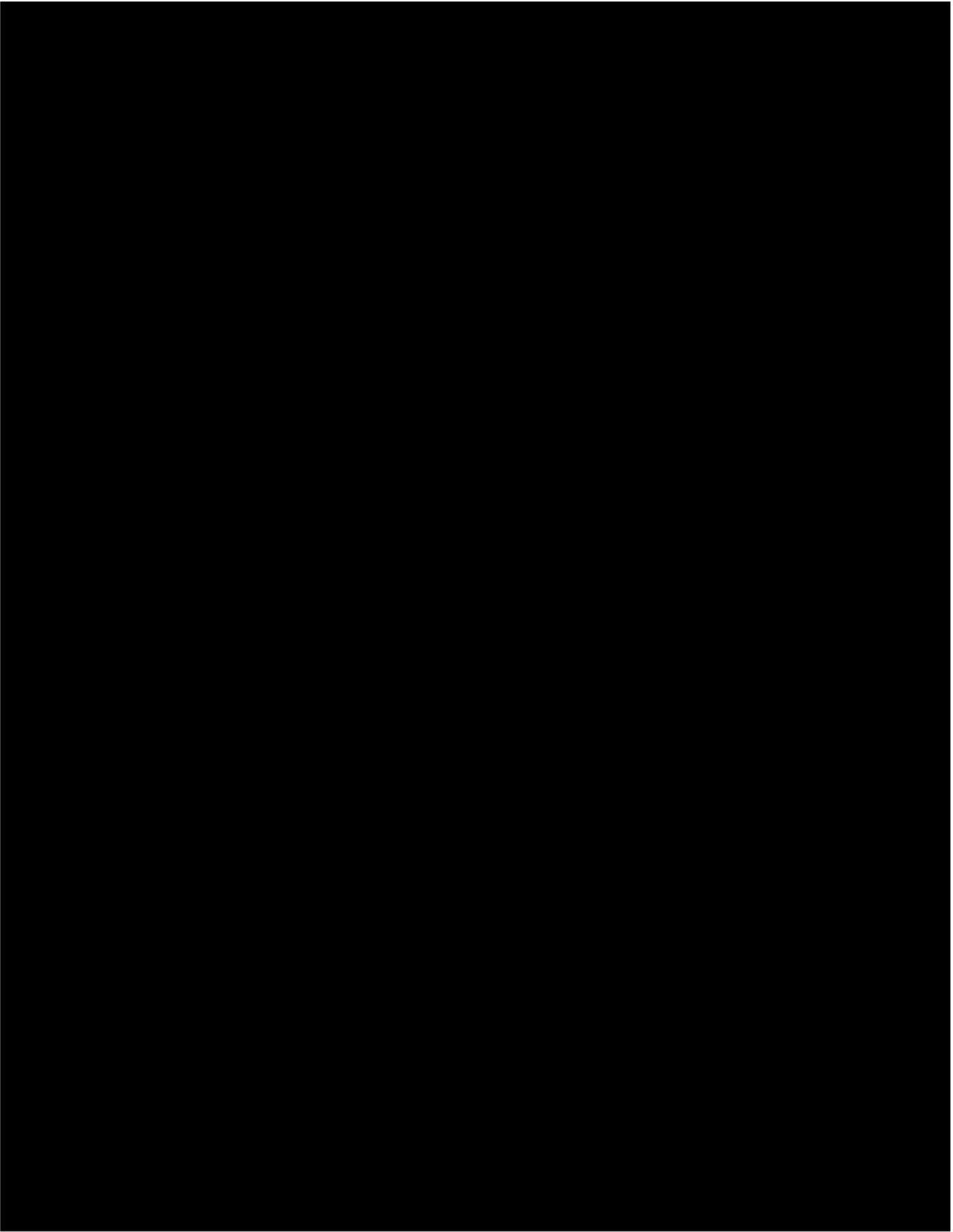


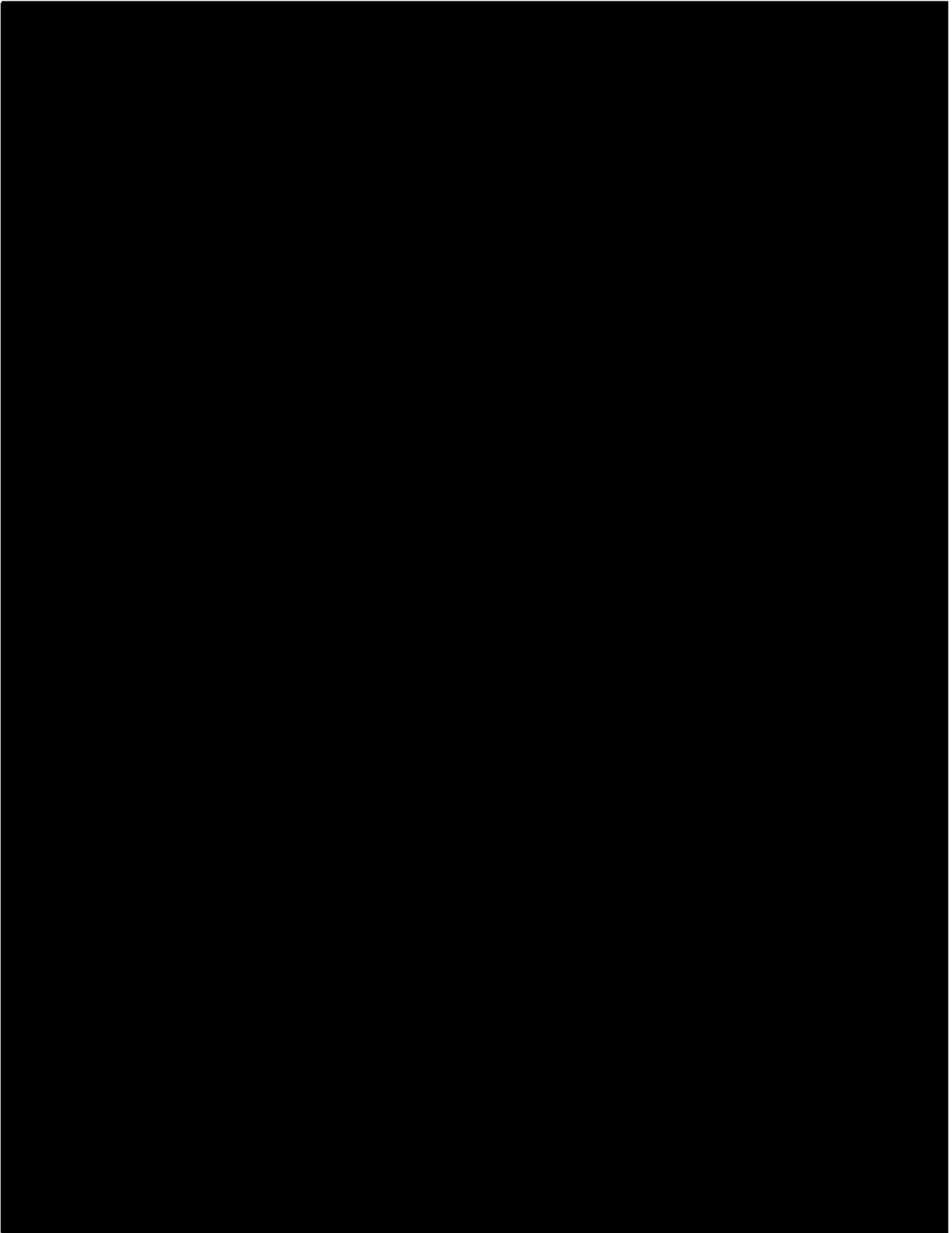
[Redacted]



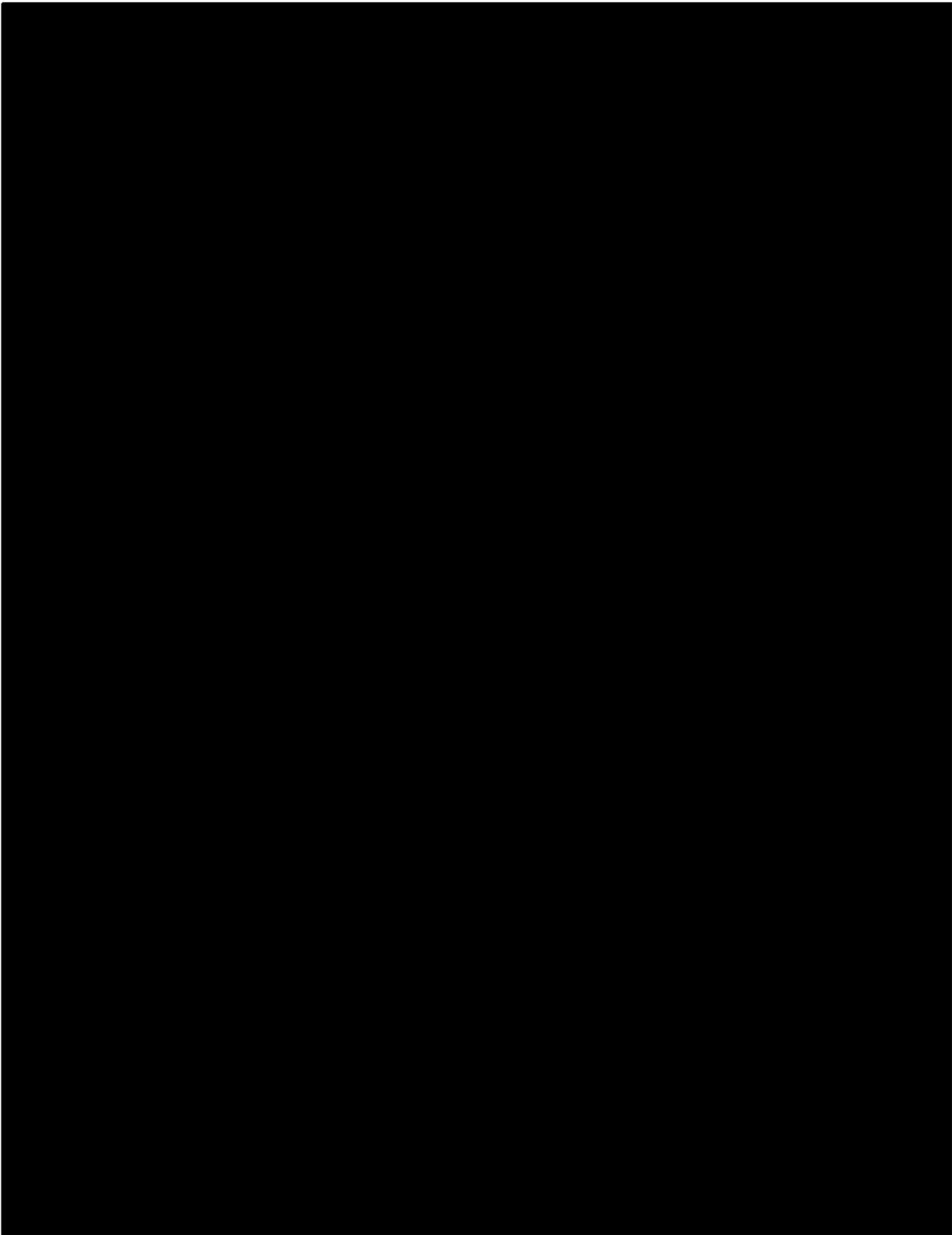


[Redacted]

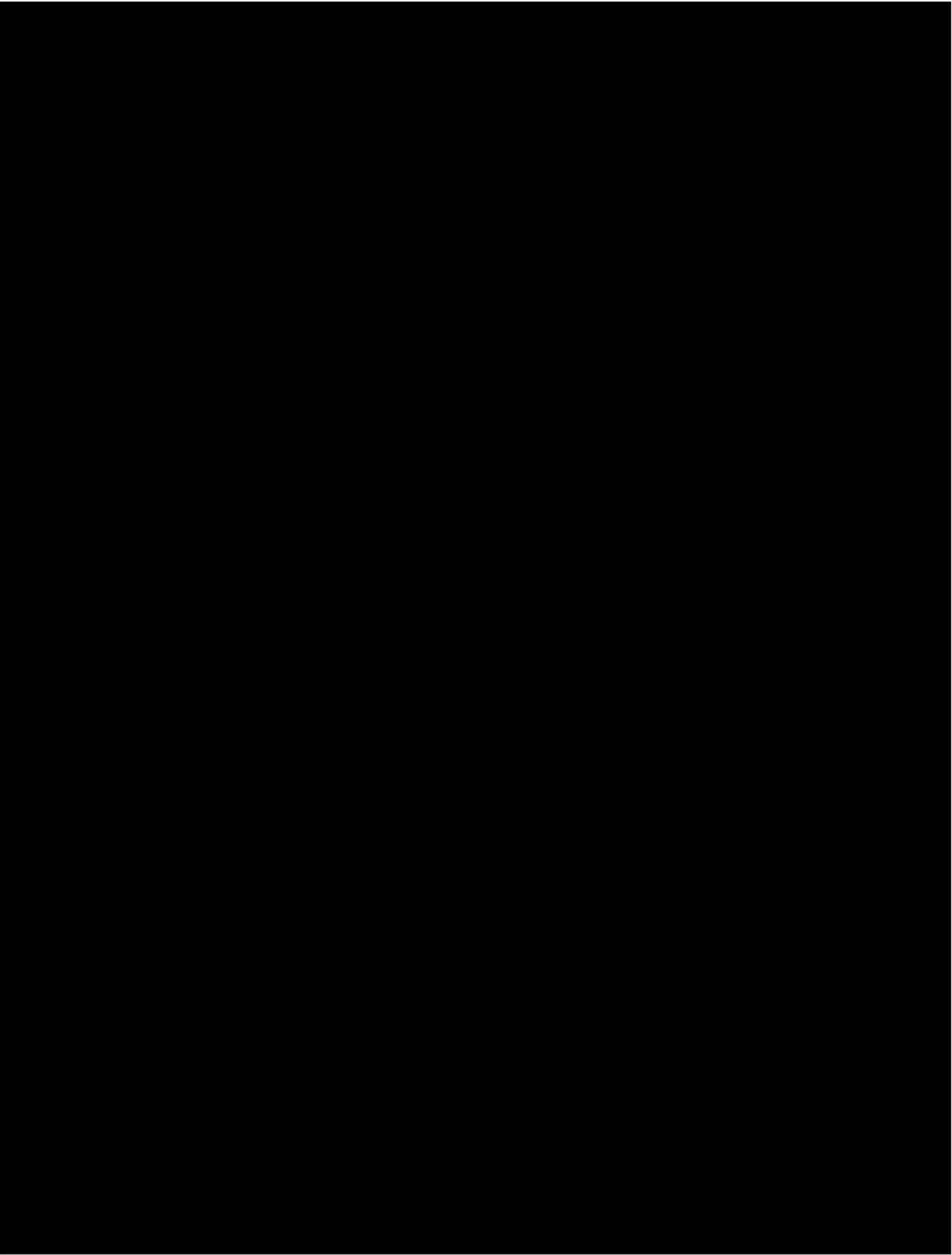


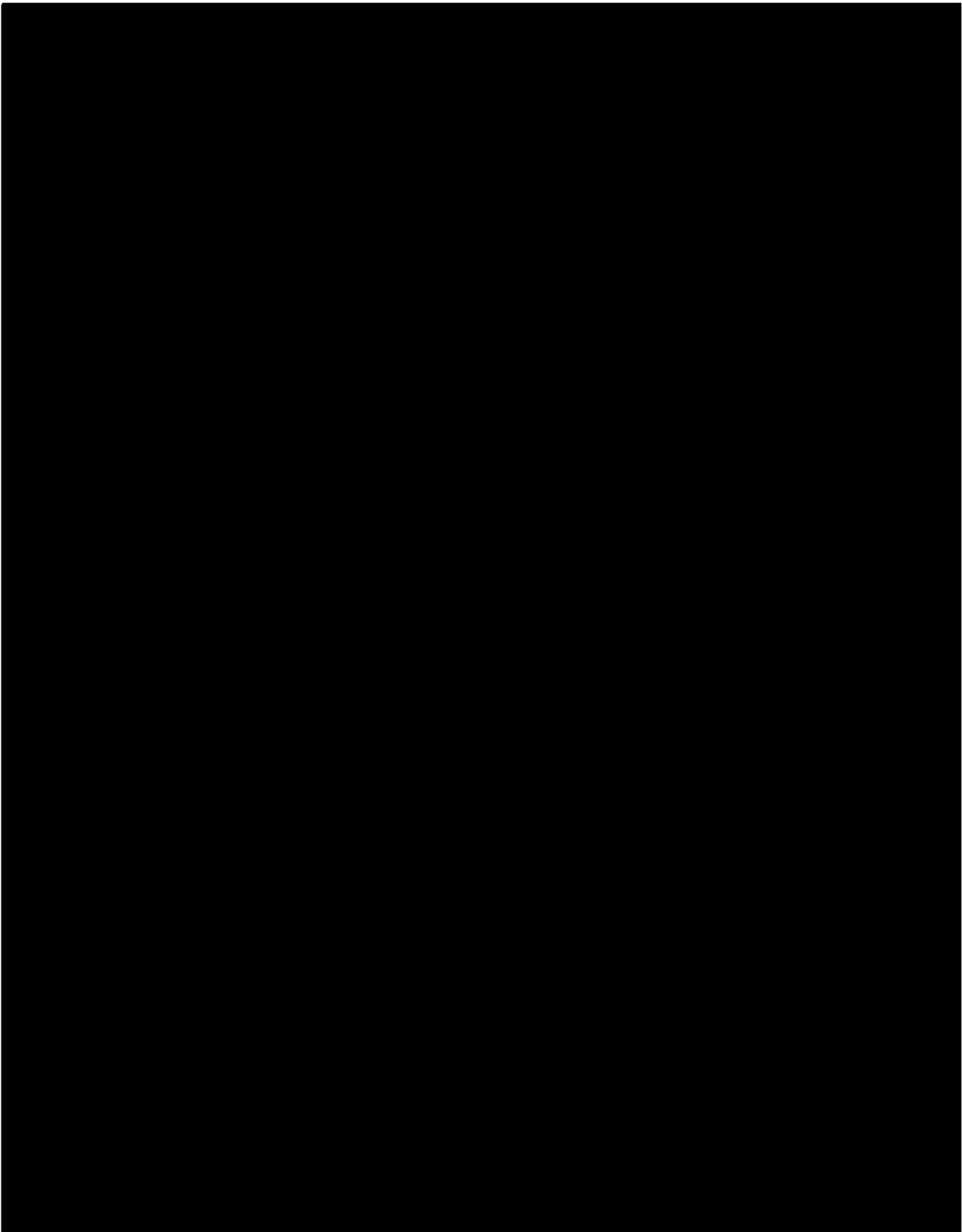


[Redacted]

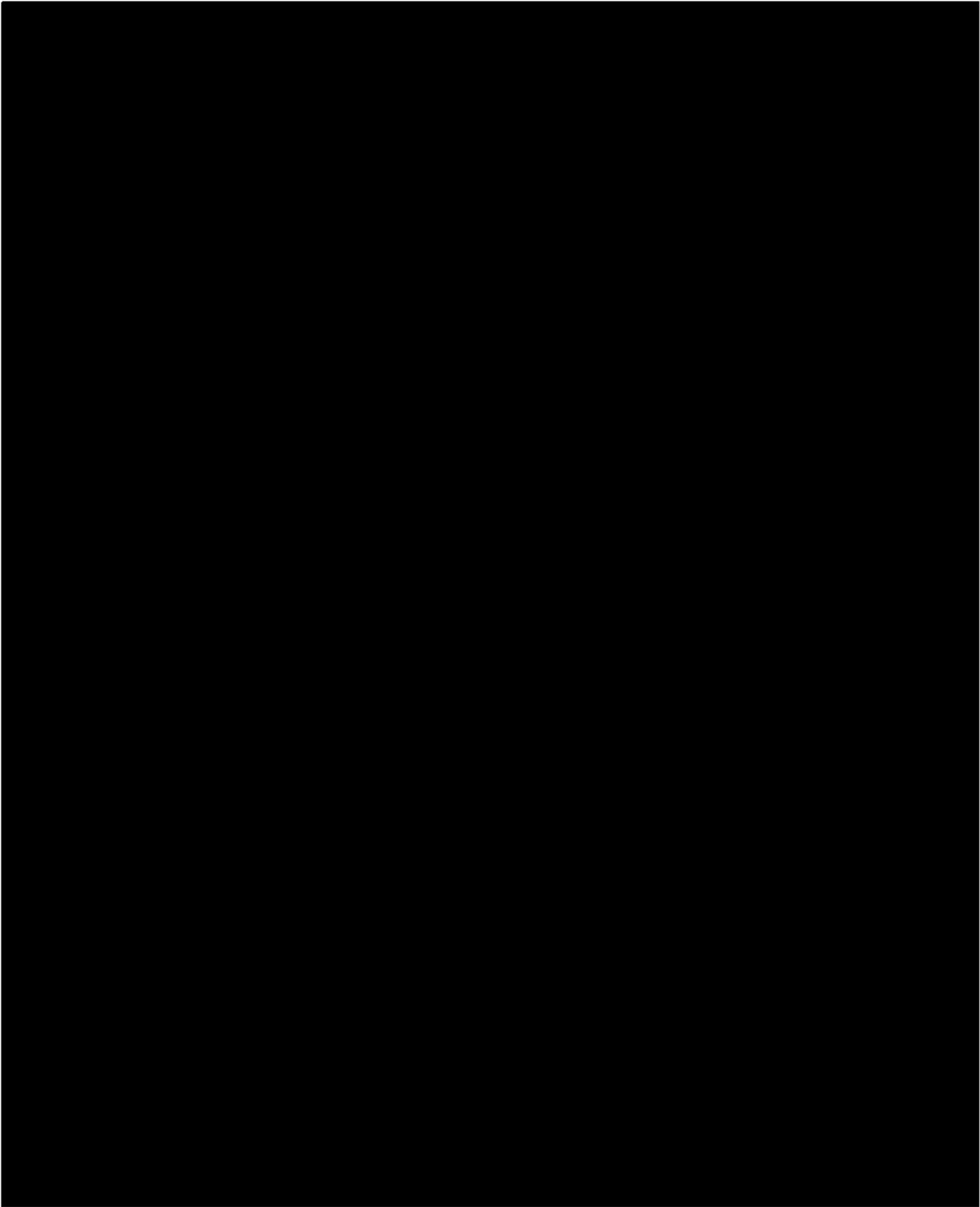


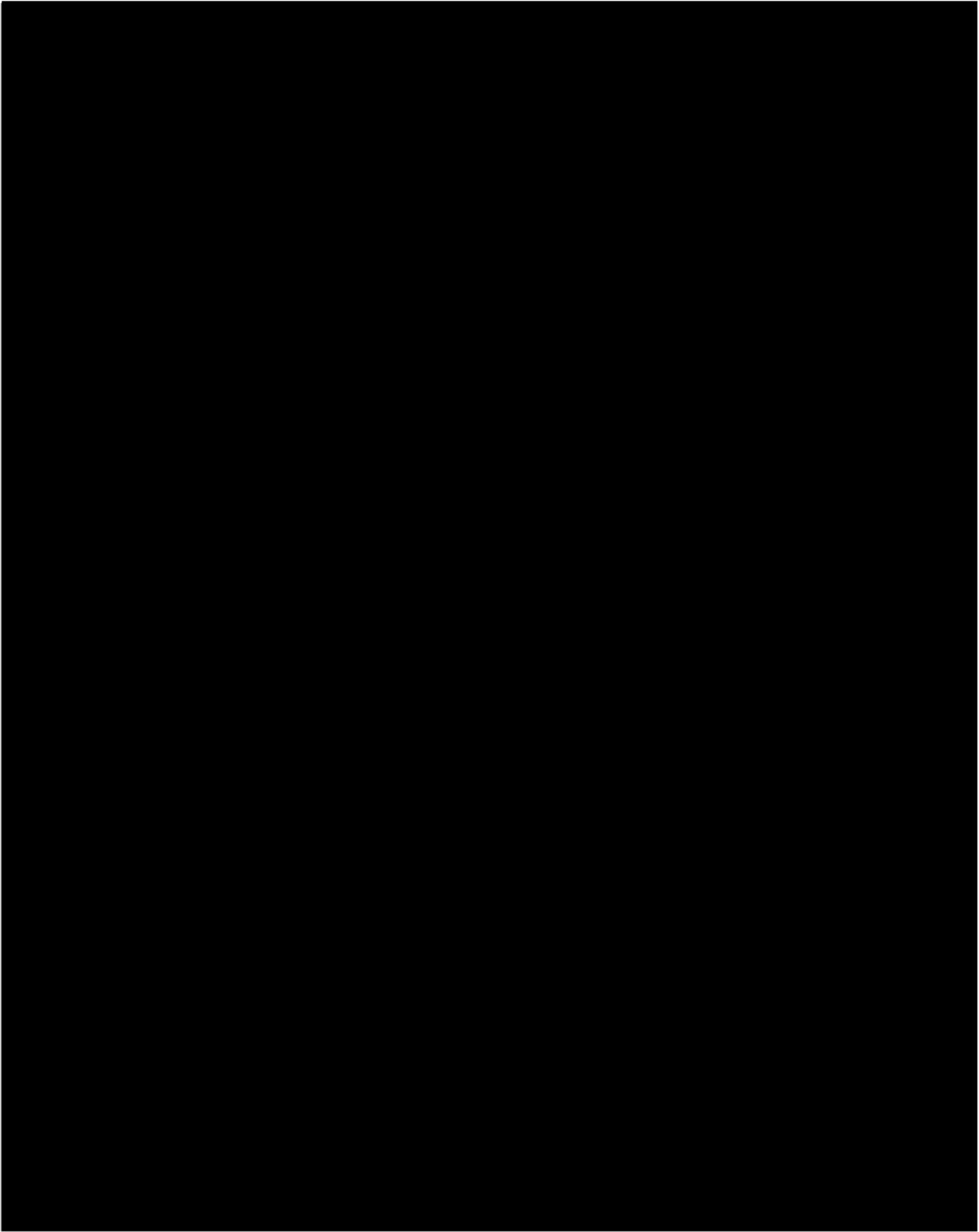
[Redacted]





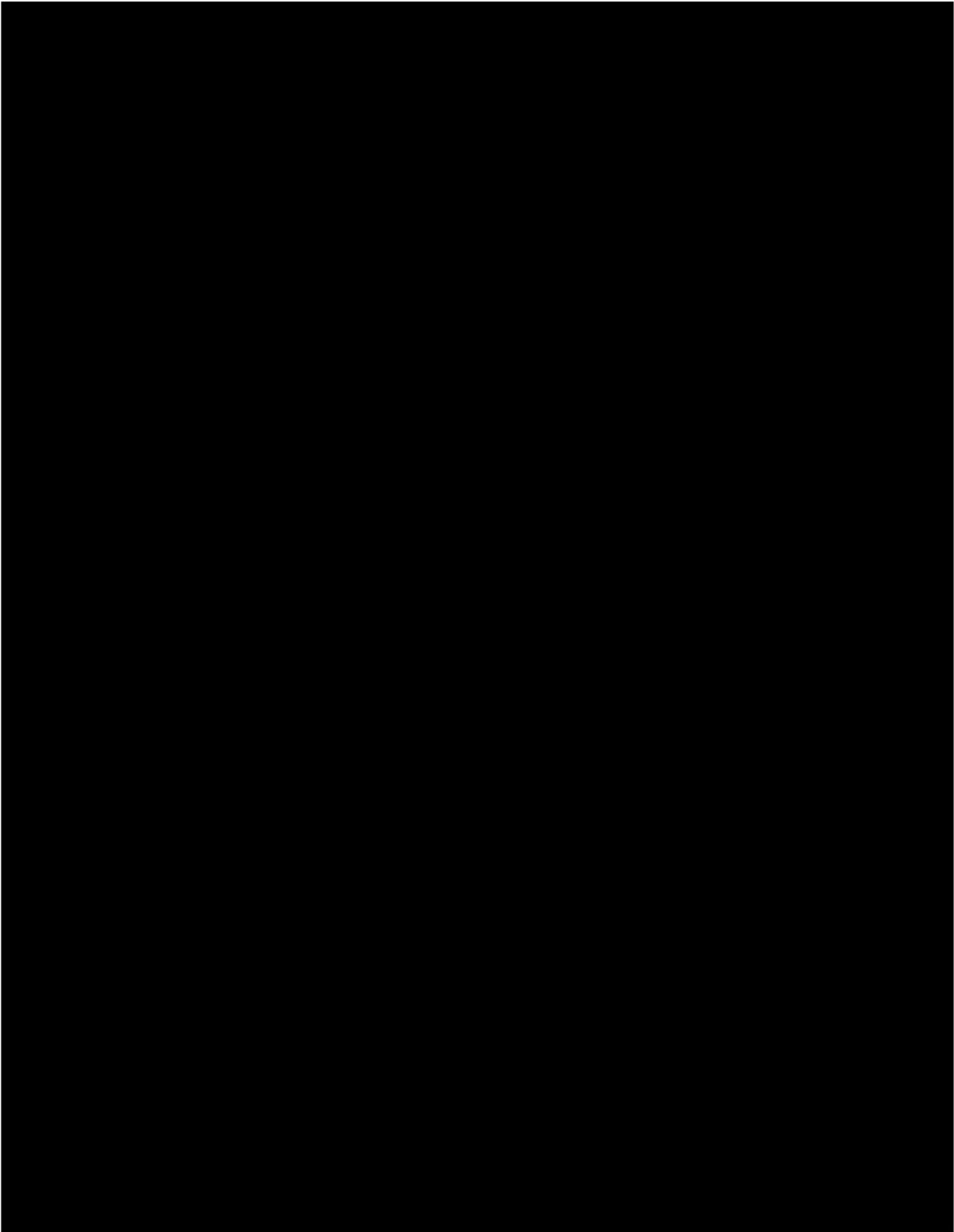
[Redacted]

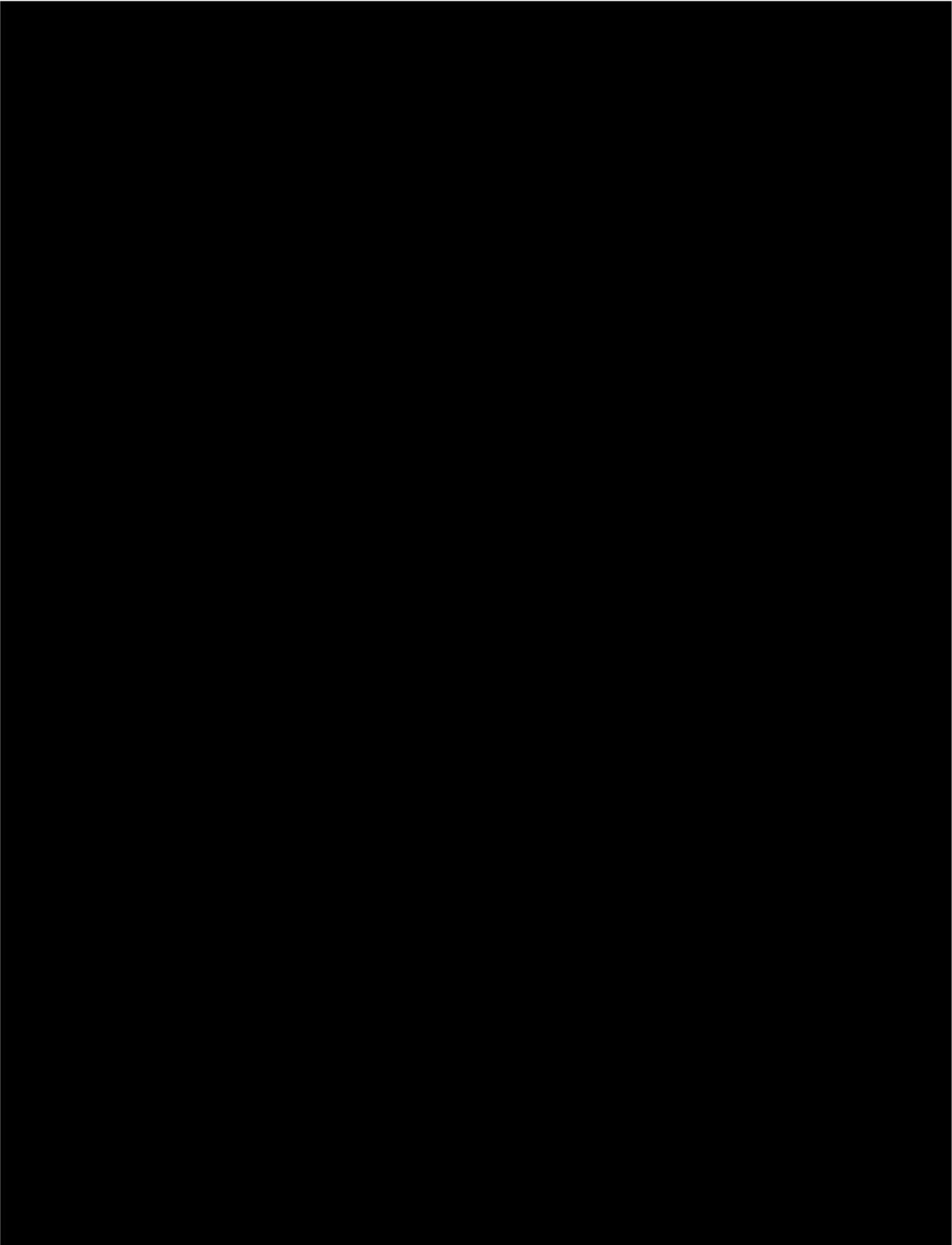


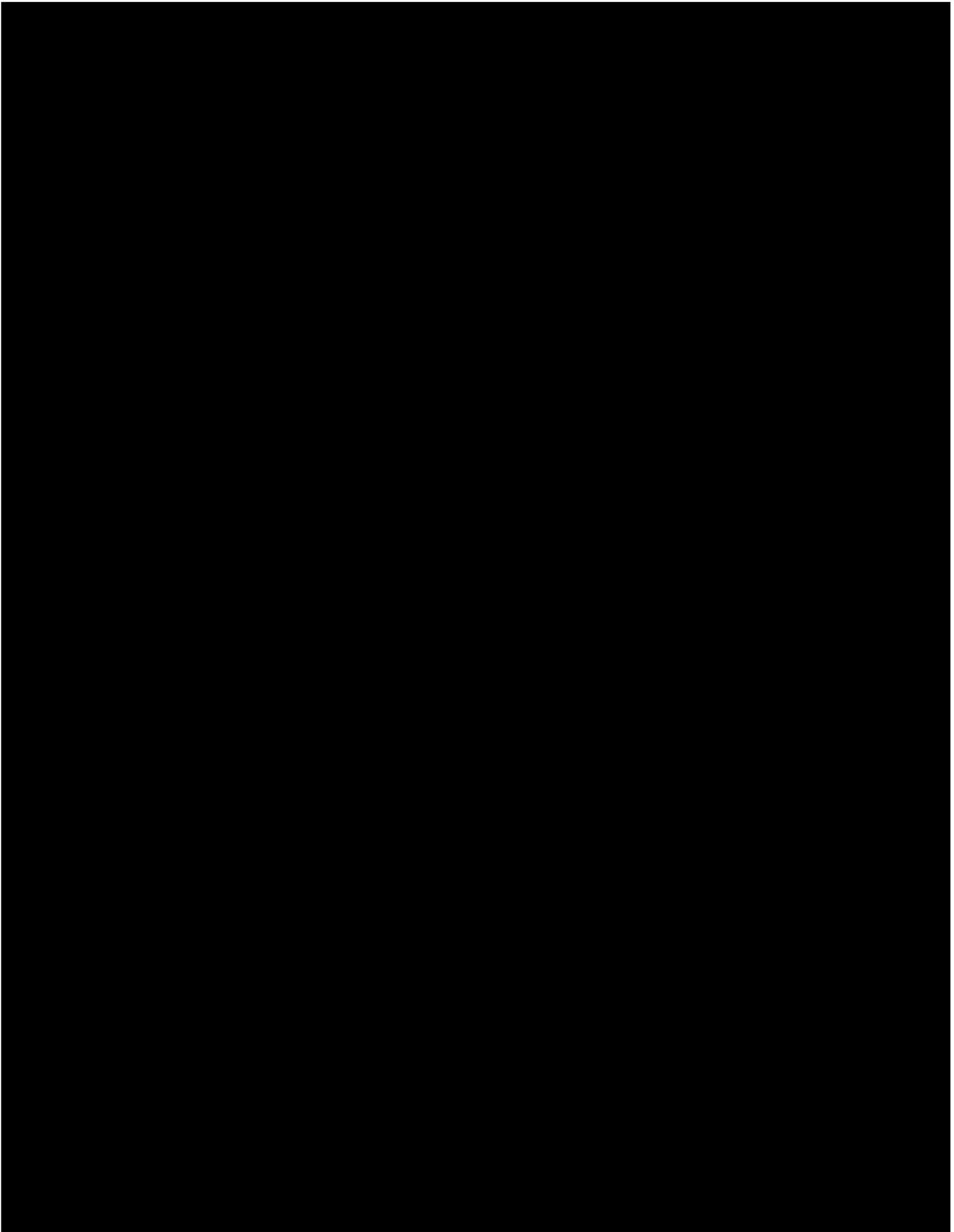


[Redacted]

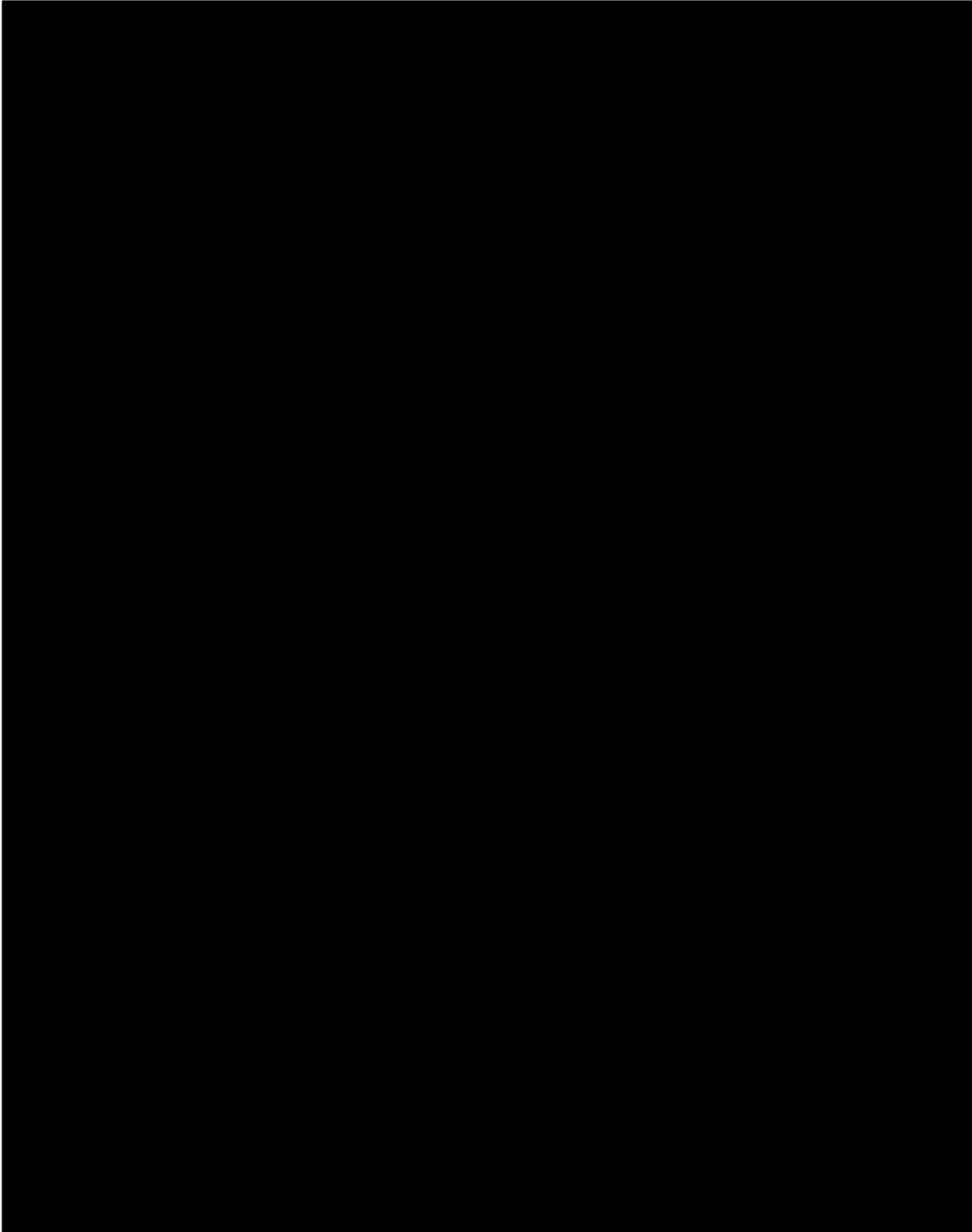
[Redacted]

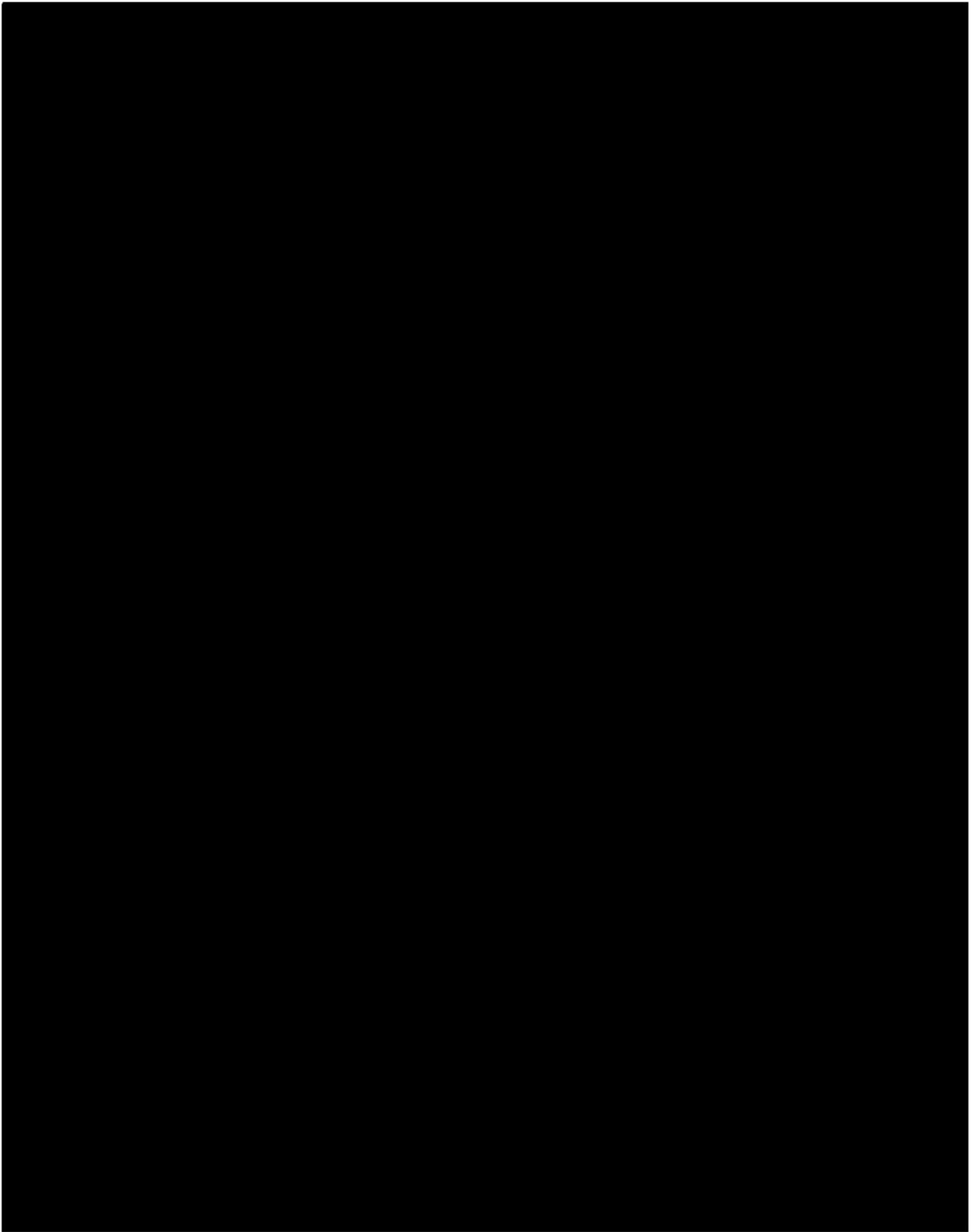


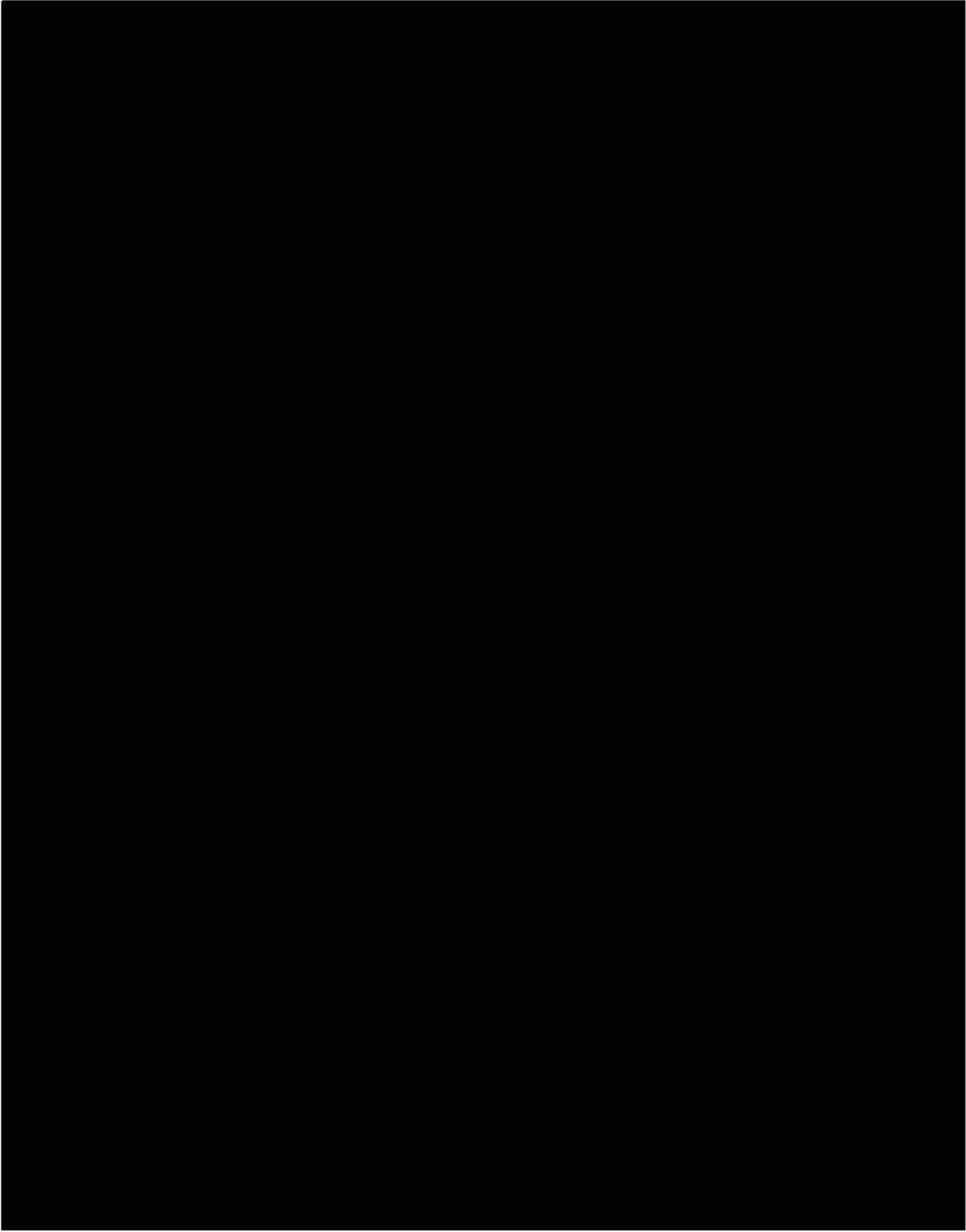


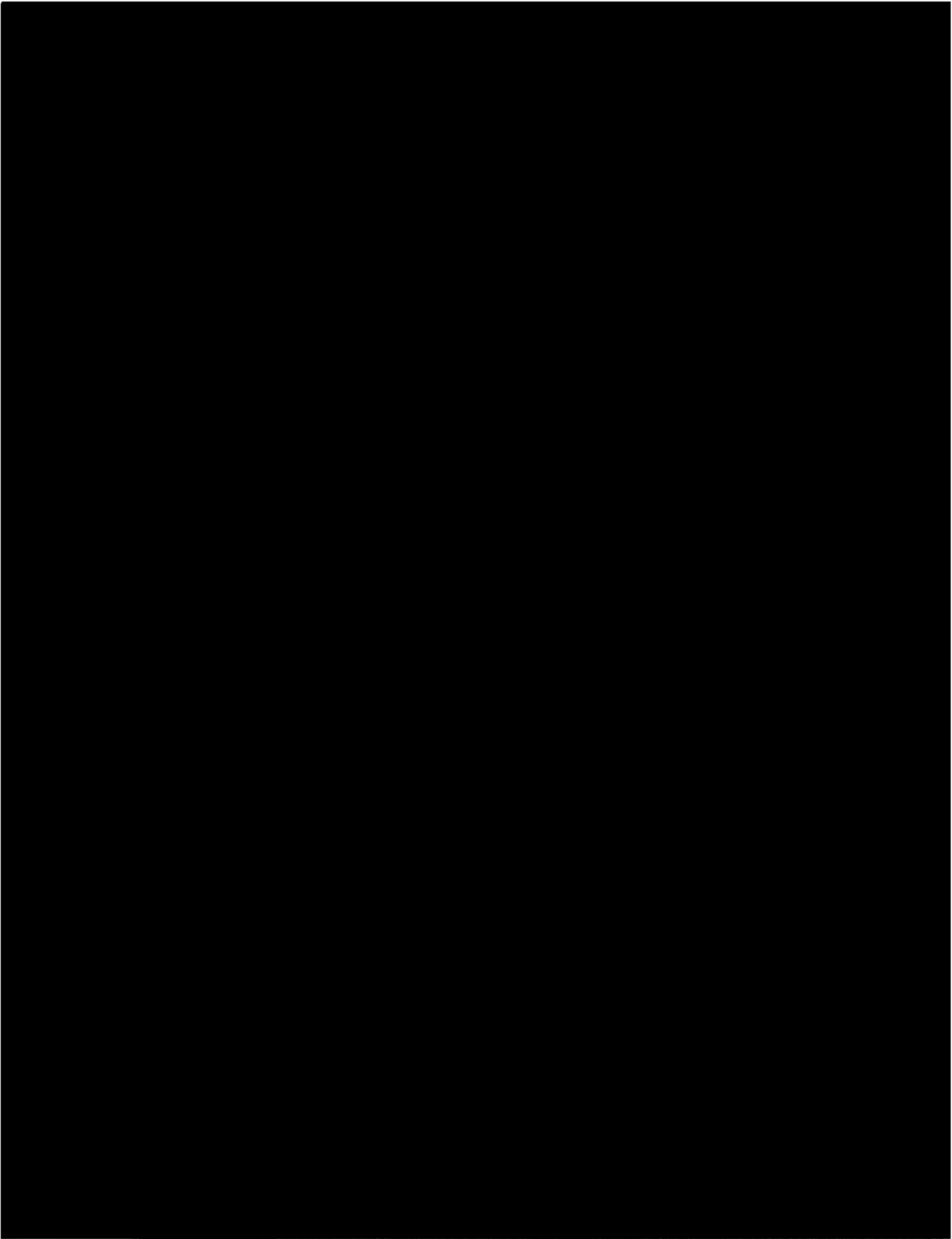


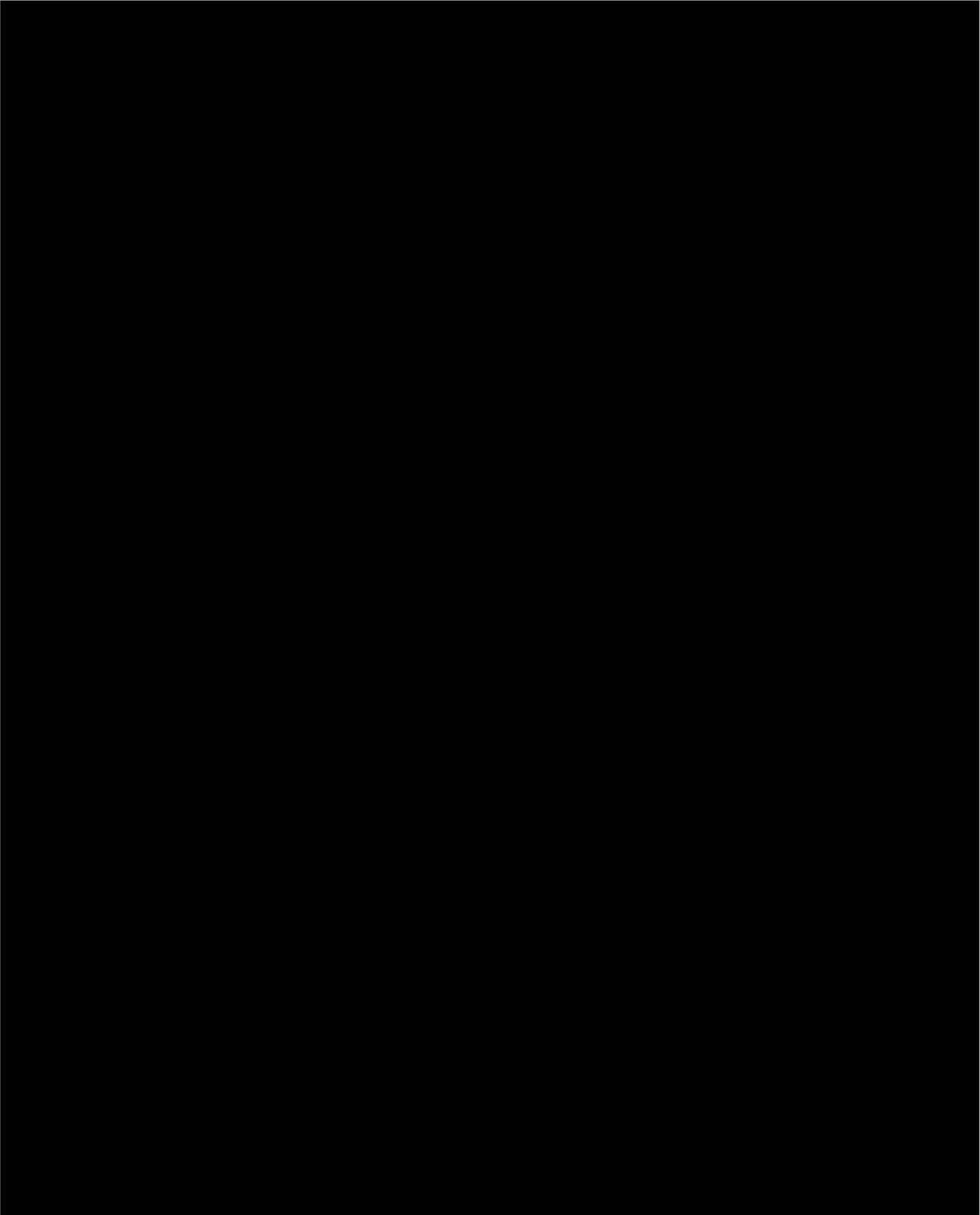
[Redacted]

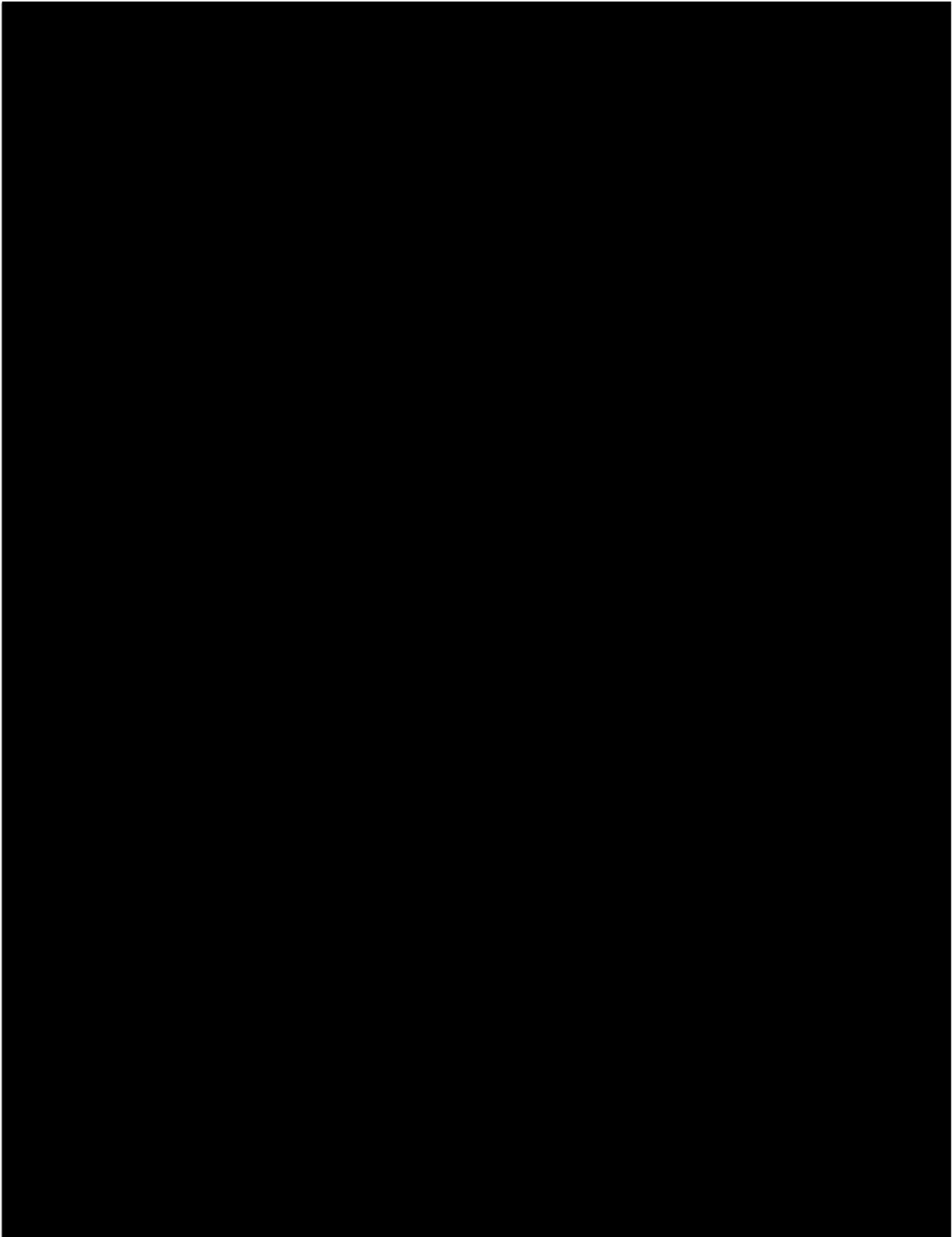




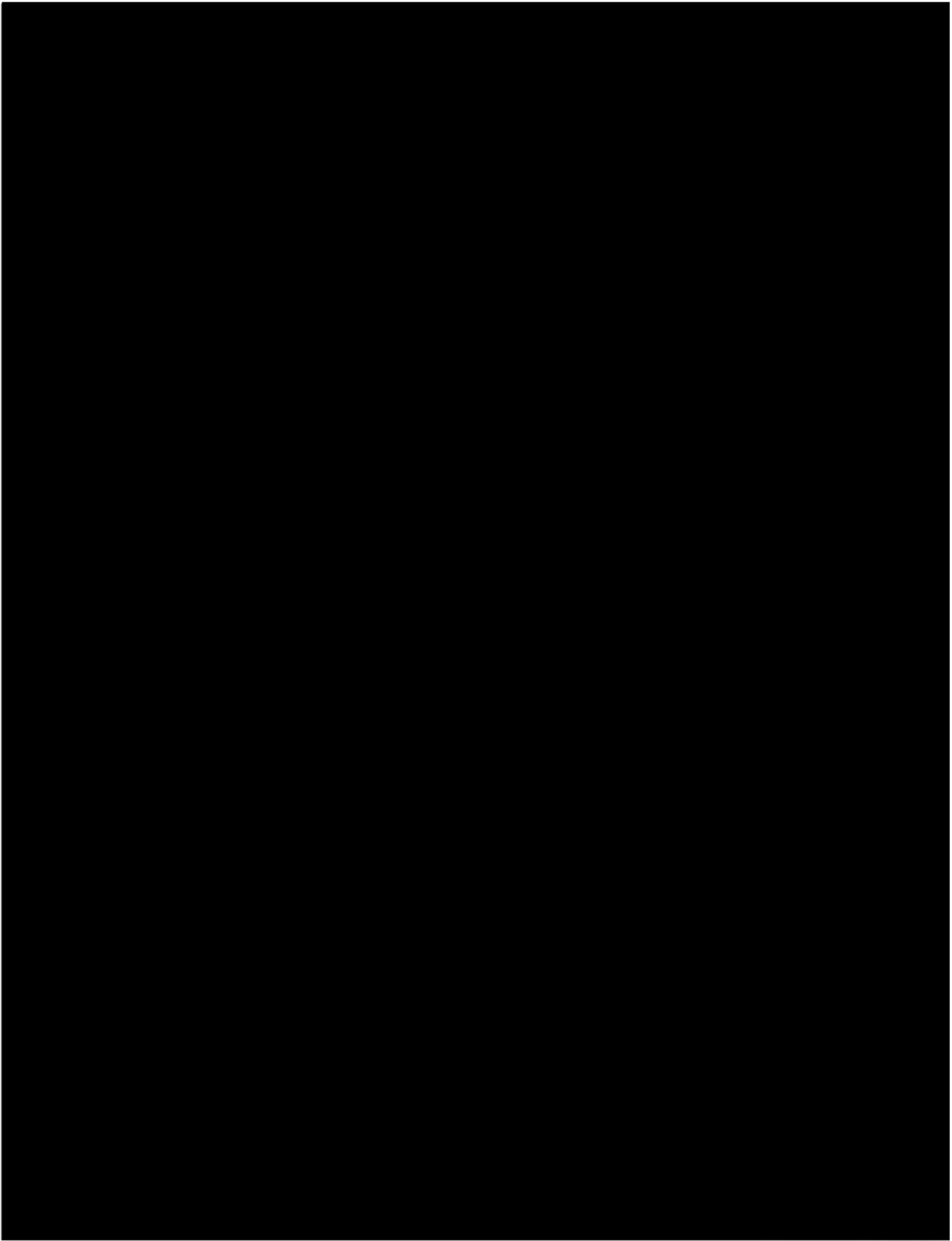




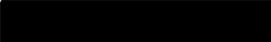




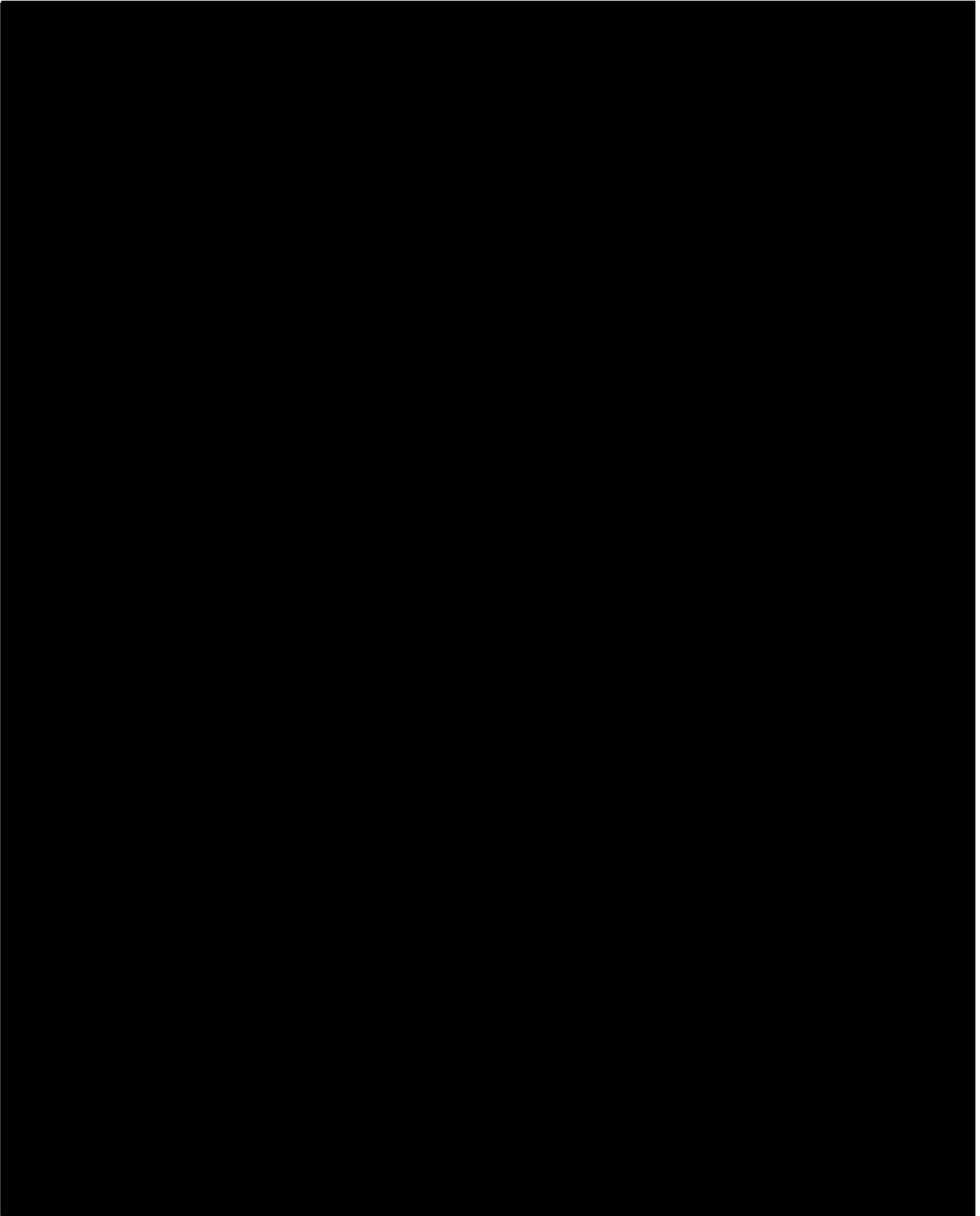
[Redacted]



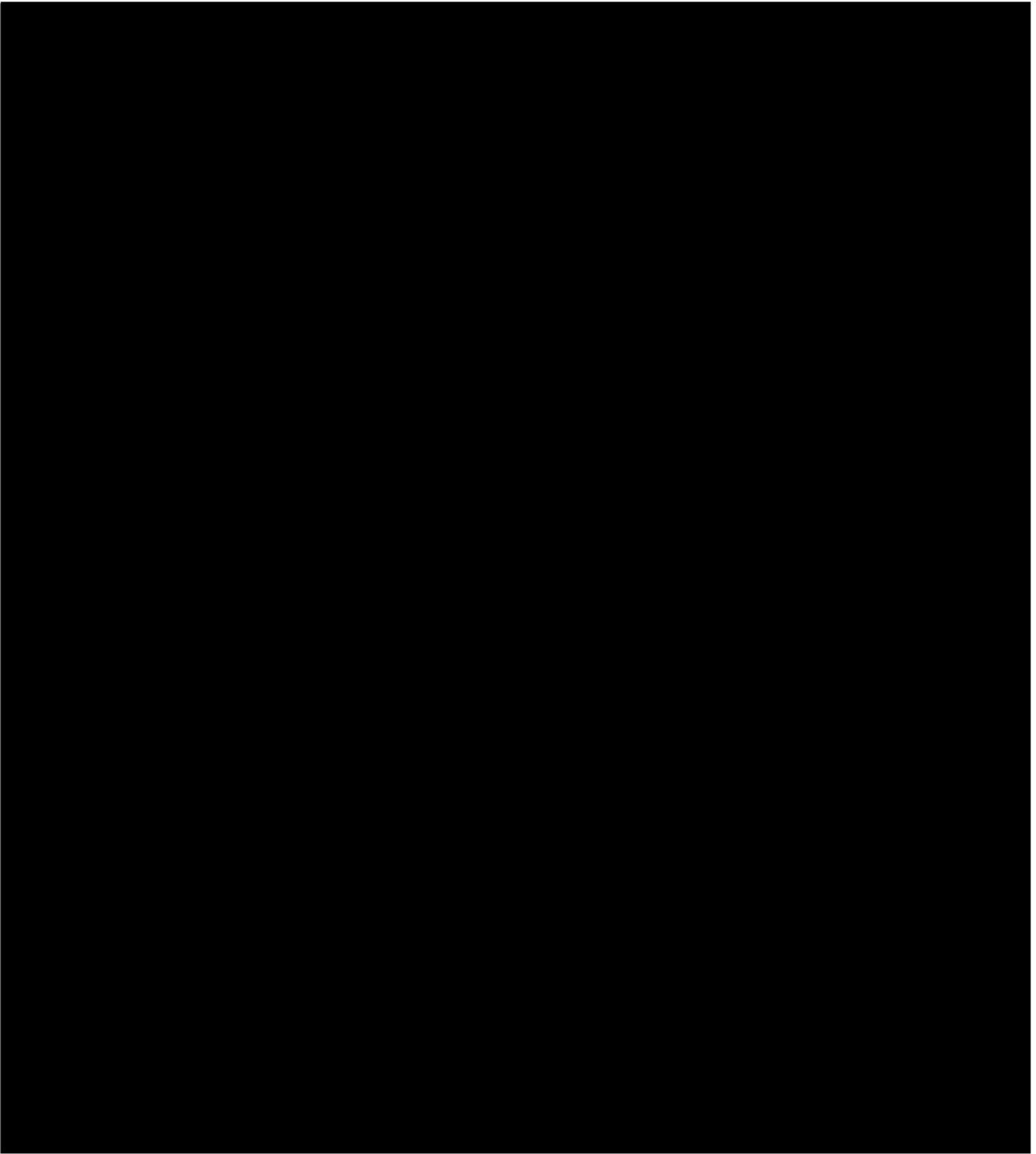
[Redacted]



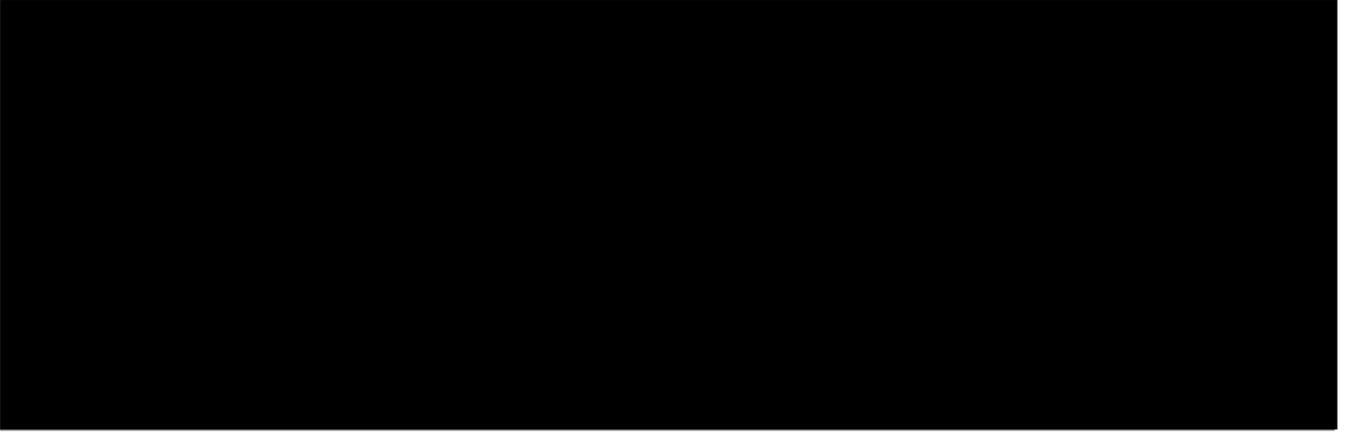




[Redacted]



[Redacted]



[REDACTED]



[REDACTED]



[REDACTED]

Executive.Director@puc.nh.gov
amanda.noonan@puc.nh.gov
anthony.leone@puc.nh.gov
carolann.howe@pennichuck.com
cbw@rathlaw.com
Christopher.tuomala@puc.nh.gov
david.goyette@puc.nh.gov
donald.ware@pennichuck.com
George.Torres@Pennichuck.com
jay.kerrigan@pennichuck.com
jayson.laflamme@puc.nh.gov
jjs@rathlaw.com
larry.goodhue@pennichuck.com
ocalitigation@oca.nh.gov
robyn.descoteau@puc.nh.gov
smw@rathlaw.com
steve.frink@puc.nh.gov
wfa@rathlaw.com