

STATE OF NEW HAMPSHIRE

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

February 5, 2021

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 RE Bond Financing Component, Revision

Dear Ms. Howland:

Staff is submitting a revised recommendation to replace the original regarding the Bond Financing component of Pennichuck Water Works, Inc.'s (PWW or the Company) financing. In a February 3, 2021 e-mail response to Staff's original recommendation, Larry Goodhue, CEO at the Company, notified Staff that Hilltop Securities (Hilltop) would be issuing the bonds in 2021 and, most likely, throughout the five-year plan of financing. In its original recommendation, Staff had stated that B.C. Ziegler and Company (Ziegler) would likely be the firm issuing the bonds. In his e-mail, Mr. Goodhue explained that PWW's primary investment banker "moved over" from Ziegler to Hilltop in very late 2020. In that e-mail, Mr. Goodhue informed Staff that PWW had referenced Hilltop in its response to Staff 4-7.

Mr. Goodhue indicated, in PWW's response to Staff 4-7, that it "is nearly certain that it would be using Hilltop Securities to issue its bond for April 2021, and most likely for the years immediately following...because [its] primary investment banker at Ziegler was recruited to join Hilltop in late 2020." In his February 3rd e-mail, Mr. Goodhue confirmed, that, indeed, the Company would be using Hilltop to issue bonds in 2021, and likely throughout the five-year issuance period.

Staff revised its recommendation to reflect the above information.

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

cc: Service List

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February 5, 2021

Debra A. Howland
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21 South Fruit Street, Suite 10
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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 Bond Financing Component, Revised

Dear Ms. Howland:

The purpose of this letter is to provide Staff’s recommendation regarding the Bond Financing component of Pennichuck Water Works, Inc.’s (PWW or the Company) petition for financing. Staff recommends the Commission approve PWW’s request for authorization to issue up to \$57.5 million in aggregate tax-exempt bonds and/or other taxable indebtedness for issuances during the years 2021-2025, and respectfully requests that approval be granted as soon as possible.

Procedural Background

On September 24, 2020, PWW filed a petition (Petition), pursuant to RSA 369:1-4, requesting authority to (1) renew its fixed asset line of credit (Line of Credit Renewal) and (2) issue up to \$57.5 million, in the aggregate, of tax-exempt bonds, taxable bonds (collectively, Bonds), and/or Bond Anticipation Notes (Notes) (collectively, Bond Financing). On November 6, the Commission granted a motion to bifurcate the investigation of the Line of Credit Renewal and the Bond Financing. This letter pertains to the Bond Financing component of the Petition.¹

The Petition was accompanied by the direct testimony of PWW’s Chief Executive Officer, Larry D. Goodhue, along with supporting financial schedules and financing authorizations from the boards of directors of PWW and Pennichuck Corporation (Penn Corp), PWW’s parent. On November 18, PWW filed a copy of the City of Nashua’s (the City) authorization for PWW to proceed with the financing. On January 11, 2021, Staff propounded

¹ The Fixed Asset Line of Credit component was approved in Order No. 26,442, issued on December 29, 2020 in Docket No. DW 20-157.

discovery to PWW regarding its proposed Bond Financing, to which the Company provided responses on January 20.²

Bond Financing

PWW requests approval and authority to issue up to \$57.5 million in Bonds and/or Notes. According to the Petition, the Bonds would be unsecured, have a term not exceeding 30 years, and a fixed rate of interest between 3.5% and 4.0%. On January 20, 2021, Mr. Goodhue confirmed that PWW still expects the rate to fall within that range.³

In his pre-filed testimony, Mr. Goodhue pointed out that if PWW gets a credit rating enhancement as part of its bond issuance process, the interest rate could improve. Mr. Goodhue stated that PWW was assigned an S&P bond rating of “A” with a “negative outlook” at the time of its April 2020 bond issuance, which the Company maintained at the time of its subsequent bond issuance in September 2020. During a technical session held on November 6, 2020, PWW reported that it continues to retain that same bond rating. The Petition states that Notes would also be unsecured and have a fixed interest rate, and a term of 12 to 15 months, during which they could be aggregated with the following year’s annual bond issuance.

Mr. Goodhue discussed the covenants for the proposed Bonds, stating that the new debt would be issued under the Loan and Trust Agreement⁴ adopted for the Company’s 2014 and 2015 tax-exempt bond financings and all subsequent bond issuances. In response to Staff 4-4, Mr. Goodhue confirmed that the underlying terms for the proposed Bonds are the same as those of the bonds issued in 2014, 2015, and for those in the financings approved in DW 17-183, which pertained to bonds issued in 2018, 2019, and 2020.

Mr. Goodhue stated that if tax-exempt bonds are issued, they will be Private Activity Bonds (PABs) issued through the New Hampshire Business Finance Authority (NHBFA). He said the NHBFA has already given its approval to the proposed bonds, and that approval by the New Hampshire Governor and Executive Council is still required. Mr. Goodhue explained that PABs would be issued as one or more series under the 2014 Loan and Trust Agreement between the NHBFA, PWW, and a trustee, and would be subject to the covenants contained in that agreement. He added that such covenant requirements align well with PWW’s current capital and rate structures. Mr. Goodhue stated that all payments of principal and interest on the PABs would be limited obligations of the NHBFA and would be payable solely from payments made by PWW. Further, he said PABs would not be general obligations of the State of New Hampshire (State), and neither the general credit nor the taxing power of the State or any subdivision thereof, including the NHBFA, would secure payment of any obligation under the bonds.

² PWW’s responses to the requests in that discovery, designated as Staff Data Requests – Set 4, are attached to this letter.

³ PWW response to Staff 4-1.

⁴ The Loan and Trust Agreement, dated December 1, 2014, was attached to PWW’s response to Staff 1-11 as Exhibit LDG-7. Except for responses to Staff Set 4, all PWW data request responses are attached to Staff’s Recommendation regarding the Line of Credit, dated December 11, 2020.

The Petition states that the cost to issue Bonds and/or Notes, including legal and underwriting fees, is expected to be approximately \$1.75 million in the aggregate during the five-year bond issuance period. PWW pointed out that the actual cost of issuance will depend upon the final structure of the proposed financings, including whether the Bonds are issued as tax-exempt or taxable instruments. Mr. Goodhue stated that issuance costs would be financed through funds from the Bond Financing and that PWW intends to amortize those costs on a straight-line basis over the term of the newly issued bonds.

Based on its current credit rating and the bond market's previous willingness to purchase its 2014 through 2020 bonds without a Debt Service Reserve Fund (DSRF)⁵, PWW does not anticipate that its proposed Bond issuance will require a DSRF. In response to a Staff inquiry, Mr. Goodhue further explained that the Company was advised by its investment bankers and legal experts that a DSRF would not be required based on (1) current laws and regulations, (2) the terms of the Company's existing Bond Purchase Agreement,⁶ (3) all associated issuance documents for its bond offerings, and (4) due to the Company's credit rating.⁷

The Bonds, according to the Petition, are part of the Company's overall plan of financing scheduled for the period beginning on or around April 2021 and ending on or around April 2025. The Petition states that the purpose of the Bond Financing is to allow the Company to pay down its line of credit purchases for 2020 to 2024 capital improvements that are eligible for recovery through PWW's Qualified Capital Project Adjustment Charge (QCPAC) mechanism.⁸ The QCPAC mechanism enables PWW to make necessary capital improvements to its systems while maintaining sufficient cash flow to meet debt service and operating requirements. *Pennichuck Water Works, Inc.*, Order No. 26,298 at 7 (October 9, 2019). The Commission "reviews and approves the proposed surcharge so that PWW may begin recovery of the debt service and property taxes associated with completed projects." *Id.* To be eligible for the QCPAC surcharge, the prior year's capital projects must be financed by debt approved by the Commission. *Pennichuck Water Works, Inc.*, Order No. 26,070 at 8-9 (November 7, 2017).

Mr. Goodhue referred to exhibit LDG-3, which shows a financial projection for a 30-year bond repayment period. The projection, he said, was based on allowed revenue increases using the methodology established in orders issued in PWW's prior two rate cases⁹ and, conservatively, a Bond interest rate of 5.0%.

In response to Staff Data Request 4-2, Mr. Goodhue provided the projected impact of the proposed financing on an average residential customer's bill. Based on forecasted annual capital expenditures funded by the proposed Bond Financing during the 2021 to 2025 issuance period and assuming a conservative, 5.0% interest rate on the bonds, the impact on an average single-

⁵ A debt service reserve fund is a separate account which may be held in trust and used to pay principal and interest payments on a bond or note. Such accounts reduce non-payment risk to the lender and may have minimum funding requirements based on the amount of the obligation.

⁶ The existing Bond Purchase Agreement and related financing documents were included as attachments to PWW response to Staff 4-5.

⁷ PWW response to Staff 4-3.

⁸ See Order No. 26,442 (December 29, 2020) (approving PWW's \$12 million line of credit with TD Bank through June 30, 2023).

⁹ Order Nos. 26,070, issued on November 7, 2017 in DW 16-806 and 26,383 issued on July 24, 2020 in DW 19-084.

family bill are increases ranging from \$0.72 to \$1.39 annually (6.0¢ to 11.6¢ monthly), or 1.3% to 2.5%, in 2021 and 2025, respectively. The cumulative impact on those bills by the end of the of the five-year issuance period in 2025 would be \$5.68 annually (47.3¢ monthly), or 10.2%.

In his testimony, Mr. Goodhue described and provided the status of the various approvals required. 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.¹⁰ Further, he said Penn Corp’s board would also approve the final structure and terms of the financing, as well as other material documents and agreements, when those documents are finalized. The City, sole owner of both Penn Corp and PWW, gave its authorization for the financing on October 27, 2020.¹¹

In a February 3, 2021 e-mail correspondence, Mr. Goodhue notified Staff that the Company would be using Hilltop Securities as its underwriter. Mr. Goodhue had earlier stated in his testimony that PWW was working with B.C. Ziegler and Company (Ziegler) to develop the structure and terms of the annual Bond Financings, and that it anticipated Ziegler would be the underwriter for annual issuances of the Bonds and/or Notes. At the time of his response to Staff 4-7, however, Mr. Goodhue indicated the Company “is nearly certain that it would be using Hilltop Securities to issue its bond for April 2021, and most likely for the years immediately following...because [its] primary investment banker at Ziegler was recruited to join Hilltop in late 2020.¹² In his February 3rd e-mail, Mr. Goodhue confirmed that, indeed, the Company would be using Hilltop to issue bonds in 2021 and likely through the five-year issuance period.

In its Motion, PWW stated that Commission approval of the Bond Financing would be necessary in early 2021 in order for it to issue bonds in April 2021.¹³ During a technical session held on October 7, 2020, the Company was more specific in indicating that approval of the Bond Financing component of its requested financing is desired by early-February.

Staff Analysis

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).

¹⁰ Copies of the approval actions can be found at Petition 52-54.

¹¹ Per PWW filing on November 18, 2020.

¹² PWW response to Staff 4-7.

¹³ PWW Motion to Bifurcate at 2, filed on October 14, 2020.

Staff, however, maintains that the Bond Financing is routine. *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, the impact of the Bond Financing, with an increase on an average residential customer bill ranging annually between 1.3% to 2.5%, appears reasonable and should not have an a material adverse impact on ratepayers. Staff believes this range of increase would have an indiscernible impact on rates.

Second, Staff recognizes the routine nature of the Bond Financing, as the conversion of the line of credit capital investment expenditures into long-term debt is an integral part of PWW’s QCPAC. The Company’s all-debt capital structure requires an annual rate increase through the QCPAC in order to provide adequate cash coverage to remain solvent.¹⁴

Third, Staff notes that the Commission found the Company’s prior bond financing request, which is very similar to the instant request, routine. *See Pennichuck Water Works, Inc.*, Order 26,101 (February 2, 2018) (finding the previous financing, a \$32.5 million bonding, for a term of three years, with projected interest rates of 4.5% to 5.0 %, routine). As such, Staff reviews the Bond Financing as a routine request.

Staff has thoroughly reviewed and supports PWW’s proposed Bond Financing as presented in its filing. The procurement of this financing will enable the Company to issue tax-exempt or taxable bonds with repayment terms and financial covenants which are aligned with PWW’s current, all-debt, capital structure resulting from its acquisition by the City as approved by Commission Order No. 25,292 (November 23, 2011) in DW 11-026. The proposed financing is also consistent with the ratemaking structure approved by the Commission in Order No. 26,070, including implementation of the QCPAC process. In addition, the debt maturities within the structure of the proposed Bond Financing would be closely aligned with the useful lives of the assets being financed.

Staff contends that the Bond Financing allows PWW to fulfill its duty to provide safe and adequate water service in accordance with RSA 374:1, as the proceeds are used to repay the line of credit used for necessary capital investments. The Company noted PWW “only makes investments in capital projects in order to meet regulatory requirements for water quality and supply standards, and to replace aging infrastructure that is needed to meet these standards, and the Company’s overall mission to provide clean, safe drinking water.”¹⁵

Staff concludes that PWW has demonstrated that the proposed Bond Financing 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 the Bond Financing 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 Bond Financing for issuances during the years 2021 through 2025. Further, the Staff respectfully recommends that the Commission

¹⁴ “PWV has a unique ratemaking structure because it is funded entirely through debt issuances, and does not have access to equity markets.” *Pennichuck Water Works, Inc.*, Order No. 26,442 at 1 (December 29, 2020)

¹⁵ PWV response to Staff 4-8.

issue an order approving the Bond Financing as soon as possible so as to enable the Company to close on the financing by April of this year.

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

Attachment: PWW Response to Staff Set 4 Requests.

cc: Service List

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 4

Date Request Received: 1/11/21
Request No. Staff 4-1

Date of Response: 1/20/21
Witness: Larry D. Goodhue

REQUEST: Mr. Goodhue indicated that, as of the date of his testimony, filed on September 24, 2020, the interest rate on the bonds could be between 3.5% and 4.0% per annum (Bates 3). What does PWW currently anticipate the interest rate on the bonds will be?

RESPONSE:

Based upon information acquired by the Company from its investment bankers, the following is known at this time, as it relates to prevailing bond rates for either A rated or A+ rated bonds (per the Standard and Poors rating scale).

Currently, it is anticipated that the Company could issue bonds into the marketplace at its current A rating, at a rate approximating 2.94%, and if its bond rating was enhanced to an A+ rating, approximating 2.91%. These rates are specific to Pennichuck's current rating, structure and the bonds being issued subject to AMT (Alternative Minimum Tax features attached to the bonds issued).

Considering the market trends for the trailing 5 years, which is the best proxy at this time, for which sensitivity can be applied to what the rates could be over the next 5 years, the following data is known. It is important to note that this data is based upon general market rates for both A and A+ rated bonds and is not specific to Pennichuck's own issued rates.

	<u>A Rated Issuances</u>	<u>A+ Rate Issuances</u>
5 year low	2.69%	2.66%
5 year high	4.02%	3.97%

Based upon all of this data, it is currently anticipated that the bonds to be issued under this Plan of Financing in the next five years could possibly be issued somewhere between 3.0 - 4.0%, as a conservative range of rates based upon the 5 year historic lows and highs in the table above. However, it is also important to note, that current economic, political, and other factors will have a bearing on the bond markets, outside the control of the Company. Overall bond rates have remained historically low for a number of years now; however, the Company believes it would be imprudent to expect that rates will continue to adjust lower or remain at these historically low levels going forward for the factors cited above. As such, the Company conservatively expects that the bonds would be issued (on average) over the five years of this Plan of Financing in the 3.5 – 4.0% range, as originally cited.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 4

Date Request Received: 1/11/21
Request No. Staff 4-2

Date of Response: 1/20/21
Witness: Larry D. Goodhue

REQUEST: What is the projected percentage and absolute dollar impact of the proposed Bond Issuance on an average residential customer bill. When preparing this projection, assume average monthly water consumption by the customer and use a worst case scenario, including that the interest rate on the bonds is 5.0% and the full amount of the allowed issuance occurs in June of 2021. Provide any spreadsheets and/or schedules used to compute this information.

RESPONSE:

Attached to this response is the calculation requested, with one adjustment. The adjustments to rates are not shown and calculated as if the entire issuance occurs in June 2021. The Company does not have the borrowing capacity or ability to issue the bonds all at once in June 2021. The Company is limited at an annual issuance level of \$12 million, as that is the annual borrowing limit on its Fixed Asset Line of Credit with TD Bank, NA. If the Company issued all of the bonds at once in June 2021, it would not have rates sufficient in its current rate structure and under the QCPAC program to receive cash needed to service the issued bonds. As such, it would therefore result in a violation of the covenants for the bonds and potentially place the Company in a position of insolvency.

In lieu of the requested impact calculation the Company has attached a schedule to this response that shows the impact annually and in the aggregate of issuing the bonds at annual increments in line with its existing budgets and forecasts for the CAPEX that the bonds are needed for. This schedule is attached hereto as Exhibit DR4-2. This impact calculation includes the rate impact shown at a 5% bond interest rate; as well as those impacts at both the 3.5% and 4.0% levels offered as the current anticipated “collar” around issued rates.

Additionally, this attached schedule shows a total drawdown on the facility below the overall capacity approved by the NHBFA, and as included in this docket, based upon current budgets and forecasts for the following five years of issuances. The overall capacity requested in the NHBFA approval and this financing petition, allows for the possibility that bonds are issued at a premium, for which the excess capacity approval is needed, but for which the effective interest rates would come back in line with the proforma interest rate calculations included, due to the amortization of the premium over the lives of the issued bonds.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 4

Exhibit DR 4-2 in Response to Staff 4-2

QCPAC Surcharge Year ----->	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	Total for 5 year Plan of Financing
Proforma Capex to be bonded ^{Note 1 and 2}	\$ 5,994,000	\$ 11,374,000	\$ 10,337,000	\$ 9,832,000	\$ 12,000,000	\$ 49,537,000
Add: estimated/allocated Cost of Issuance per bond offering:						
estimated cost of underwriters discount	47,952	90,992	82,696	78,656	96,000	
estimated NHBFA issuance cost	45,000	85,300	77,500	73,700	90,000	
estimated fixed cost of issuance (legal, documentation, credit rating, etc) ^{Note 3}	185,000	190,000	195,000	200,000	205,000	
Subtotals	277,952	366,292	355,196	352,356	391,000	1,742,796
Total Estimated Bondable Amounts ^{Note 4}	\$ 6,271,952	\$ 11,740,292	\$ 10,692,196	\$ 10,184,356	\$ 12,391,000	\$ 51,279,796
Estimated Level Annual Debt Service for 30 years (including DSRR 1.0 and DSRR 0.1) to be included in rates as a QCPAC Surcharge on existing allowed revenues						
@5% coupon rates	\$448,799	\$840,095	\$765,097	\$728,758	\$886,658	
@ 3.5% coupon rates	\$375,116	\$702,169	\$639,484	\$609,111	\$741,087	
@ 4.0% coupon rates	\$398,978	\$746,836	\$680,164	\$647,859	\$788,230	
Approved Revenue Requirement from DW 19-084	\$35,819,774	\$35,819,774	\$35,819,774	\$35,819,774	\$35,819,774	
Annual Impact on Rates as a percentage of Approved Revenue Requirement from DW 19-084						
@5% coupon rates	1.3%	2.3%	2.1%	2.0%	2.5%	
@ 3.5% coupon rates	1.0%	2.0%	1.8%	1.7%	2.1%	
@ 4.0% coupon rates	1.1%	2.1%	1.9%	1.8%	2.2%	
Cumulative Impact on Rates as a percentage of Approved Revenue Requirement from DW 19-084						
@5% coupon rates	1.3%	3.6%	5.7%	7.8%	10.2%	
@ 3.5% coupon rates	1.0%	3.0%	4.8%	6.5%	8.6%	
@ 4.0% coupon rates	1.1%	3.2%	5.1%	6.9%	9.1%	
Average Single Family monthly bill with rates approved in DW 19-084 (from customer impact page of 1604.06 schedules)						
	\$55.65	\$55.65	\$55.65	\$55.65	\$55.65	
Annual Impact on Average Single Family monthly bills						
@5% coupon rates	\$0.72	\$1.28	\$1.17	\$1.11	\$1.39	
@ 3.5% coupon rates	\$0.56	\$1.11	\$1.00	\$0.95	\$1.17	
@ 4.0% coupon rates	\$0.61	\$1.17	\$1.06	\$1.00	\$1.22	
Cumulative Impact on Average Single Family monthly bills						
@5% coupon rates	\$0.72	\$2.00	\$3.17	\$4.34	\$5.68	
@ 3.5% coupon rates	\$0.56	\$1.67	\$2.67	\$3.62	\$4.79	
@ 4.0% coupon rates	\$0.61	\$1.78	\$2.84	\$3.84	\$5.06	

Note 1: Amounts included for years 2021 thru 2024 are taken from Schedules to be filed in February 2021 in support of the FY 2020 Capex Additions and Budgeted/Forecasted Capex for 2021-2023 (rounded to nearest \$1,000).

Note 2: Amount included for 2025, based upon schedule submitted with application for approval to the NHBFA for this plan of financing, capped at \$12 million FALOC limit.

Note 3: Amounts based upon historical data for annual bond issuances, including a conservative 2.5% annual inflation factor.

Note 4: Amounts are specified as "estimated" as the annual plan for Capex is adjusted each year as the Capex budget is realigned for necessary and prudent capital projects to be undertaken in the following year, and estimated to be undertaken in the 2 "out years" as a part of the Company's internal budgeting and approval process, and the annual QCPAC filing with the Commission.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 4

Exhibit DR 4-2 in Response to Staff 4-2

	QCPAC Surcharge Year ----->					Total for 5 year Plan of Financing
	2021	2022	2023	2024	2025	
Proforma Capex to be bonded ^{Note 1 and 2}	\$ 5,994,000	\$ 11,374,000	\$ 10,337,000	\$ 9,832,000	\$ 12,000,000	\$ 49,537,000
Add: estimated/allocated Cost of Issuance per bond offering:						
estimated cost of underwriters discount	47,952	90,992	82,696	78,656	96,000	
estimated NHBFA issuance cost	45,000	85,300	77,500	73,700	90,000	
estimated fixed cost of issuance (legal, documentation, credit rating, etc) ^{Note 3}	185,000	190,000	195,000	200,000	205,000	
Subtotals	277,952	366,292	355,196	352,356	391,000	1,742,796
Total Estimated Bondable Amounts ^{Note 4}	\$ 6,271,952	\$ 11,740,292	\$ 10,692,196	\$ 10,184,356	\$ 12,391,000	\$ 51,279,796

Estimated Level Annual Debt Service for 30 years (including DSRR 1.0 and DSRR 0.1) to be included in rates as a QCPAC Surcharge on existing allowed revenues

@5% coupon rates	\$448,799	\$840,095	\$765,097	\$728,758	\$886,658
@ 3.5% coupon rates	\$375,116	\$702,169	\$639,484	\$609,111	\$741,087
@ 4.0% coupon rates	\$398,978	\$746,836	\$680,164	\$647,859	\$788,230

Approved Revenue Requirement from DW 19-084 **\$35,819,774** **\$35,819,774** **\$35,819,774** **\$35,819,774** **\$35,819,774**

Annual Impact on Rates as a percentage of Approved Revenue Requirement from DW 19-084

@5% coupon rates	1.3%	2.3%	2.1%	2.0%	2.5%
@ 3.5% coupon rates	1.0%	2.0%	1.8%	1.7%	2.1%
@ 4.0% coupon rates	1.1%	2.1%	1.9%	1.8%	2.2%

Cumulative Impact on Rates as a percentage of Approved Revenue Requirement from DW 19-084

@5% coupon rates	1.3%	3.6%	5.7%	7.8%	10.2%
@ 3.5% coupon rates	1.0%	3.0%	4.8%	6.5%	8.6%
@ 4.0% coupon rates	1.1%	3.2%	5.1%	6.9%	9.1%

Average Single Family monthly bill with rates approved in DW 19-084 (from customer impact page of 1604.06 schedules)

\$55.65 **\$55.65** **\$55.65** **\$55.65** **\$55.65**

Annual Impact on Average Single Family monthly bills

@5% coupon rates	\$0.72	\$1.28	\$1.17	\$1.11	\$1.39
@ 3.5% coupon rates	\$0.56	\$1.11	\$1.00	\$0.95	\$1.17
@ 4.0% coupon rates	\$0.61	\$1.17	\$1.06	\$1.00	\$1.22

Cumulative Impact on Average Single Family monthly bills

@5% coupon rates	\$0.72	\$2.00	\$3.17	\$4.34	\$5.68
@ 3.5% coupon rates	\$0.56	\$1.67	\$2.67	\$3.62	\$4.79
@ 4.0% coupon rates	\$0.61	\$1.78	\$2.84	\$3.84	\$5.06

Note 1: Amounts included for years 2021 thru 2024 are taken from Schedules to be filed in February 2021 in support of the FY 2020 Capex Additions and Budgeted/Forecasted Capex for 2021-2023 (rounded to nearest \$1,000).

Note 2: Amount included for 2025, based upon schedule submitted with application for approval to the NHBFA for this plan of financing, capped at \$12 million FALOC limit.

Note 3: Amounts based upon historical data for annual bond issuances, including a conservative 2.5% annual inflation factor.

Note 4: Amounts are specified as "estimated" as the annual plan for Capex is adjusted each year as the Capex budget is realigned for necessary and prudent capital projects to be undertaken in the following year, and estimated to be undertaken in the 2 "out years" as a part of the Company's internal budgeting and approval process, and the annual QCPAC filing with the Commission.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 4

Date Request Received: 1/11/21
Request No. Staff 4-3

Date of Response: 1/20/21
Witness: Larry D. Goodhue

REQUEST: Regarding the statement in Mr. Goodhue’s testimony at Bates 4, “PWW does not expect that a DSRF [Debt Service Reserve Fund] will be required for this financing activity,”:

- a) Please explain how it will be determined whether a DSRF is required.
- b) If a DSRF is required, please explain and quantify how this would affect the (a) costs and/or charges and (b) interest rate on the bond financing, and (c) provide the impact this would have on an average residential customer bill.

Will PWW know, prior to the closing, whether a DSRF is required and, if so, would it be willing to notify the Commission of this requirement?

RESPONSE:

- a) The Company has been advised by its investment bankers and the various legal experts that assist the Company with issuing its bonds, that a DSRF will not be required for its annual bond issues under current laws and regulations, the terms of the Company’s currently existing Bond Purchase Agreement and all of the associated issuance documents for its bond offerings, and due to the Company’s Credit Rating.
- b) Should legal or regulatory requirements or other conditions change in a manner that require a DSRF, then the Company would be required to borrow additional funds in its bond issuances to fully fund restricted cash accounts for those DSRF funds. This would enhance its credit rating but at a higher cost to its ratepayers due to increased debt service on the bonds including those additional bonds issued to establish restricted cash accounts at levels above current RSF levels. As noted, the Company has no expectation that a DRSF will be required. Given that DSRFs have not been required with previous issuances and the number of variables and assumptions necessary, the Company does not believe it could provide a valuable calculation to analyze or estimate what level of DSRF funds could be required, or the potential impacts it may have on credit ratings, interest rates, and customer rates.
- c) If a DSRF should be required for any annual bond issuance, the Company would make the Commission aware of this requirement.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 4

Date Request Received: 1/11/21
Request No. Staff 4-4

Date of Response: 1/20/21
Witness: Larry D. Goodhue

REQUEST: Except for the amount, term, and interest rate, please indicate if the terms and conditions for PWW's proposed Bond Financing are substantially the same as those of the bond financing approved in DW 17-183. If not, please identify and fully explain any differences.

RESPONSE:

All of the underlying terms and conditions for which bonds are to be issued under this 5-year Plan of Financing will be based upon, and the same as the terms and conditions that have been used to issue bonds by the Company in 2014, 2015, 2018, 2019 and 2020, including those issued as approved under DW 17-183.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 4

Date Request Received: 1/11/21
Request No. Staff 4-5

Date of Response: 1/20/21
Witness: Larry D. Goodhue

REQUEST: Please provide a copy of the Bond Purchase Agreement, as amended, and any related documents that show the final terms and conditions for the bond issuances approved in DW 17-183.

RESPONSE:

The Bond Purchase Agreement, the Official Statement for the April 2020 issued bonds, Official Statement Supplement dated May 2020, also for the April 2020 issued bonds, all of which were for issuances under the approval in DW 17-183 are attached and incorporated herein as Exhibit DR4-5A, Exhibit DR4-5B and Exhibit DR4-5C respectively. The Loan and Trust Agreement was provided to Staff as Exhibit LDG-7 in response to Staff Discovery Request DR1-11. Pursuant to Order No. 26,101 dated February 2, 2018 in DW 17-183, the Company was granted authority to issue bonds for multiple years, it is attaching these documents as they existed for the most recent annual bond issuance under this approval, for its annual bond issuance in April 2020, for its 2020 Series A and 2020 Series B bonds. The documents for each of the years of issuance under this authority are essentially the same, with the only changes occurring for each year pertaining to the bondable amounts, the structure of the issued bonds (i.e. the terms and maturities of the serialized and hybrid offerings), the current credit ratings, and updates for any legal disclosure required at that time (for example, language was required in the documents in 2020 for COVID-19, which was not required in 2018 and 2019).

\$7,000,000

**BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
WATER FACILITY REVENUE BONDS
(PENNICHUCK WATER WORKS, INC. PROJECT) SERIES 2020A (AMT)**

\$380,000

**BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
WATER FACILITY REVENUE BONDS
(PENNICHUCK WATER WORKS, INC. PROJECT)
SERIES 2020B (FEDERALLY TAXABLE)**

BOND PURCHASE AGREEMENT

The Business Finance Authority
of the State of New Hampshire
2 Pillsbury Street, Suite 201
Concord, New Hampshire 03301

Pennichuck Water Works, Inc.
25 Manchester Street
Merrimack, New Hampshire 03054

The undersigned, B.C. Ziegler and Company (the “Underwriter”), offers to enter into the following agreement with The Business Finance Authority of the State of New Hampshire (the “Authority”) and Pennichuck Water Works, Inc. (the “Borrower”), which, upon acceptance of this offer by the Authority and the Borrower, will be binding upon the Authority and the Borrower and upon the Underwriter. This offer is made subject to acceptance of this Bond Purchase Agreement by the Authority and the Borrower on or before 5:00 p.m., Boston, Massachusetts time, on the date set forth in item 1 of **Schedule A** attached hereto (the “date hereof”). Terms used herein and not otherwise defined shall have the same meanings assigned to them in the Official Statement (as hereinafter defined).

1. Purchase Price. Upon the terms and conditions and upon the basis of the respective representations, warranties and covenants set forth herein, the Underwriter hereby agrees to purchase from the Authority for offering to the public and the Authority hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of (i) the Authority’s Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project), Series 2020A (AMT) (the “Series 2020A Bonds”) and (ii) the Authority’s Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project), Series 2020B (Federally Taxable) (the “Series 2020B Bonds” and collectively with the Series 2020A Bonds, the “Series 2020 Bonds”) on the date set forth in item 4 of **Schedule A** for the Series 2020A Bonds and item 4 of **Schedule B** for the Series 2020B Bonds attached hereto or such other date as shall have been mutually agreed upon by the parties hereto (the “Date of the Closing”). The Series 2020 Bonds will be issued pursuant to a Loan and Trust Agreement dated as

of April 1, 2020 (the “Agreement”), by and among the Authority, the Borrower and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The aggregate principal amount of the Series 20A Bonds, the date of the Series 2020A Bonds, the dates of maturity of the Series 2020A Bonds, the principal amount of the Series 2020A Bonds due on each maturity, the interest rates per annum for the Series 2020A Bonds due on each maturity, the public offering prices and yields of, the sinking fund installments, and the optional redemption terms for the Series 2020A Bonds are set forth in item 2 of **Schedule A** attached hereto. The aggregate principal amount of the Series 2020B Bonds, the date of the Series 2020B Bonds, the dates of maturity of the Series 2020B Bonds, the principal amount of the Series 2020B Bonds due on each maturity, the interest rates per annum for the Series 2020B Bonds due on each maturity, the public offering prices and yields of, and the optional prepayment terms for the Series 2020B Bonds are set forth in item 2 of **Schedule B** attached hereto. The Series 2020 Bonds shall be subject to redemption as set forth in the Official Statement dated April 23, 2020, (the “Official Statement”) relating to the Series 2020 Bonds and shall in all other respects be the same Bonds described in the Official Statement. The purchase price to be paid by the Underwriter for the Series 2020A Bonds shall be as set forth in item 3 of **Schedule A** attached hereto. The purchase price to be paid by the Underwriter for the Series 2020B Bonds shall be as set forth in item 3 of **Schedule B** attached hereto.

2. **The Financing Documents.** On the date hereof, the Authority and the Borrower shall deliver to the Underwriter a copy of the form of the Agreement and the Continuing Disclosure Agreement dated April 29, 2020 (the “Continuing Disclosure Agreement”), intended to be executed between the Borrower and the Trustee (the Continuing Disclosure Agreement, the Agreement, and this Bond Purchase Agreement are collectively referred to as the “Financing Documents”).

3. **Public Offering.** The Underwriter agrees to make a bona fide public offering of all the Series 2020 Bonds at a price not in excess of the respective public offering prices nor below the yields, as applicable, set forth in item 2 of **Schedule A** for the Series 2020A Bonds and in item 2 of **Schedule B** for the Series 2020B Bonds attached hereto. On or before the Date of the Closing, the Underwriter shall furnish to the Authority a certificate acceptable to Hinckley, Allen & Snyder LLP (“Bond Counsel”), signed by the Underwriter setting forth the issue prices of and the calculation of the yield on the Series 2020 Bonds for purposes of Section 148 of the Internal Revenue Code of 2086 (the “Code”) and stating that the Authority, the Borrower and Bond Counsel may rely on such certification for purposes of determining compliance with Section 103 of the Code.

4. **Official Statement.** In order to enable the Underwriter to comply with Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”) and rules of the Municipal Securities Rulemaking Board (the “MSRB”), the Borrower shall provide to the Underwriter sufficient copies of the Official Statement, which the Authority (only with respect to the statements therein with respect to the Authority under the captions “THE AUTHORITY” and “LITIGATION” (solely as it pertains to the Authority)) and the Borrower (with respect to all other statements therein) deem final as of its date, in sufficient time to accompany any confirmation that requires payment from any customer and in any event within seven (7) business days after the date of this Bond Purchase Agreement and in no event later than two (2) business days prior to the Date of the Closing. The Authority and the Borrower hereby authorize the use of the Official Statement by the Underwriter in connection with the public offering and sale of the Series 2020 Bonds. The

Authority and the Borrower hereby ratify and confirm the use by the Underwriter prior to the date hereof of the Preliminary Official Statement dated April 13, 2020, (the “Preliminary Official Statement”) in connection with the public offering of the Series 2020 Bonds. The final Official Statement shall be substantially the same (except for insertions, deletions and changes contemplated in the Preliminary Official Statement and this Bond Purchase Agreement) as the Preliminary Official Statement and shall contain only those substantive changes as are approved by the Underwriter, which approval shall not be unreasonably withheld. The Preliminary Official Statement, as of its date, was deemed final (i) by the Authority (but only with respect to the statements therein with respect to the Authority under the captions “THE AUTHORITY” and “LITIGATION” (solely as it pertains to the Authority)) and (ii) by the Borrower (with respect to all other statements therein) for purposes of the Rule, except for permitted omissions set forth in the Rule.

The Underwriter agrees to provide a certificate at Closing (as defined herein) stating that it has filed a copy of the Official Statement with the MSRB in accordance with the Rule and stating whether or not the Underwriter retains any unsold balance of Series 2020 Bonds for sale to the public. In the event that it does so retain for sale to the public any such Bonds as of the Closing, the Underwriter agrees to promptly notify the Authority and the Borrower of the date on which the Underwriter no longer retains any unsold balance of the Series 2020 Bonds for sale to the public.

5. Authority’s Representations and Warranties. The Authority hereby represents and warrants to, and agrees with each of the Borrower and the Underwriter as follows, all of which shall survive the Closing:

(a) The Authority is a body corporate and politic, created and existing under New Hampshire RSA 162-A with the power to issue revenue bonds under RSA 162-I (collectively, the “Act”). The Authority is authorized to issue the Bonds and loan the proceeds to the Borrower for the purpose of financing certain facilities used for the furnishing of water, to execute and deliver this Bond Purchase Agreement and the Agreement, to perform its obligations under each, and to issue and sell the Series 2020 Bonds pursuant hereto and to the Agreement.

(b) The Authority has taken all necessary action and has complied with all provisions of the Constitution and laws of the State of New Hampshire, including the Act, including but not limited to the making of the findings required by the Act, required to make this Bond Purchase Agreement, the Agreement and the Series 2020 Bonds the valid obligations they purport to be; and when executed and delivered by the parties hereto and thereto, this Bond Purchase Agreement and the Agreement will constitute legal, valid and binding agreements of the Authority and will be enforceable against the Authority in accordance with their respective terms, except as enforceability may be subject to the exercise of judicial discretion in accordance with general equitable principles and to applicable bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors heretofore or hereafter enacted to the extent that the same may be constitutionally applied and except as any indemnification or contribution provisions thereof may be limited under applicable securities laws.

(c) When delivered to and paid for by the Underwriter in accordance with the terms of this Bond Purchase Agreement and the Agreement, the Series 2020 Bonds will constitute legal, valid and binding special obligations of the Authority enforceable against the Authority in accordance with their terms, except as enforceability may be subject to the exercise of judicial

discretion in accordance with general equitable principles and to applicable bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors heretofore or hereafter enacted to the extent that the same may be constitutionally applied, and will be entitled to the benefits of the Agreement.

(d) The Authority makes no representation or warranty that interest on the Series 2020 Bonds is or will continue to be exempt from federal or state income taxation.

(e) If, after the date of this Bond Purchase Agreement and until the earlier of (i) ninety (90) days after the Date of the Closing or (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than twenty-five (25) days after the Date of the Closing, provided, however, that if the Underwriter provides a certificate on the Date of the Closing stating that it still holds Series 2020 Bonds for distribution to the public then such foregoing periods shall be extended until twenty-five (25) days after the “end of the underwriting period” (as such phrase is defined in the Rule), the Authority becomes aware of any event that would cause the information appearing (i) under the caption “THE AUTHORITY” or (ii) under the caption “LITIGATION” (solely as it pertains to the Authority) in the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Authority agrees to notify the Underwriter (and for purposes of this paragraph to provide the Underwriter with such information as it may from time to time request), and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, at the Borrower’s expense to supplement or amend the Official Statement in a form and manner approved by the Underwriter, the Authority and the Borrower and to furnish at the Borrower’s expense to the Underwriter a reasonable number of copies of such supplement or amendment.

(f) With respect to information therein under the headings “THE AUTHORITY” and “LITIGATION,” insofar as the information under such caption relates solely to the Authority, the Official Statement is as of the date hereof and will be as of the Date of the Closing true, correct and complete in all material respects and did not, does not and will not omit any material statement which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary to make the statements as to such matters contained therein not misleading in light of the circumstances in which they were made. The Authority has assumed no responsibility for providing or reviewing any information contained in the Official Statement other than under the captions “THE AUTHORITY” and “LITIGATION” insofar as they relate to the Authority.

(g) The Authority will, but at the expense of the Underwriter, furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Series 2020 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the Authority will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state.

6. Borrower Representations and Warranties. As an inducement to the Authority and the Underwriter to enter into this Bond Purchase Agreement and to make the offering of the Series

2020 Bonds herein contemplated, the Borrower hereby represents, warrants and agrees with each of the Authority and the Underwriter as follows, all of which shall survive the Closing:

(a) The Borrower is a corporation formed, in existence and in good standing under the laws of the State of New Hampshire. The Borrower is a “water facility” and an “eligible facility” within the meaning of the Act and has the corporate power and authority to execute and deliver the Financing Documents and to undertake and perform its obligations thereunder.

(b) The Borrower has duly authorized all necessary action to be taken by it for: (i) the loan to the Borrower of the proceeds from the issuance and delivery of the Series 2020 Bonds by the Authority upon the terms set forth in this Bond Purchase Agreement and in the Official Statement; (ii) the approval of the Preliminary Official Statement and the Official Statement and the use by the Underwriter of the Preliminary Official Statement and the Official Statement in connection with the sale of the Series 2020 Bonds; and (iii) the execution, delivery and performance by the Borrower of and under the Financing Documents and any and all such other agreements and documents as may be required to be executed, delivered and received by the Borrower in order to carry out the transactions contemplated by such instruments and by the Official Statement. On the Date of the Closing, the Financing Documents will have been duly executed and delivered by the Borrower and, assuming the due authorization, execution and delivery of such instruments by the other parties thereto and their authority to perform such instruments, will constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by laws relating to bankruptcy, insolvency, reorganization or other similar laws of general application affecting the rights of creditors and general principles of equity and except as any indemnification or contribution provisions thereof may be limited under applicable securities laws.

(c) The execution and delivery of, and compliance with the terms and conditions of, the Financing Documents, and the carrying out and consummation of the transactions contemplated thereby and by the Official Statement, did not at the time of such execution and delivery, do not and will not violate or conflict with any of the terms and provisions of any statute, or any rule, order, regulation, judgment or decree of any court, agency, or other governmental or administrative board or body to which the Borrower is subject, or conflict with or constitute a breach of or a default under any provision of the Borrower’s articles of organization or by-laws, or any material agreement, indenture, mortgage, lease, deed of trust, or other instrument to which the Borrower is a party or by which the Borrower or its properties are bound, except for violations, conflicts, breaches or defaults that would not have a material adverse effect on the Borrower.

(d) The information under the headings “INTRODUCTION” (with respect to the Borrower and the Project), “PLAN OF FINANCING,” “SOURCES AND USES OF FUNDS,” “BONDOWNERS’ RISKS” (as such statements relate to the Borrower or the Project), “LITIGATION” (with respect to the Borrower), “CONTINUING DISCLOSURE” (with respect to the Borrower), “MISCELLANEOUS” (with respect to the Borrower’s financial statements) and in Appendices A and B of the Official Statement is, as of the date hereof, and will be, as of the Date of the Closing, true and correct in all material respects and did not, does not and will not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Borrower has approved and consents to the use of the Preliminary Official Statement and the Official Statement by the Underwriter.

(e) The Borrower has previously complied with any undertaking in a written contract or agreement of the type specified in paragraph (b)(5)(i) of the Rule.

(f) Since December 31, 2019, there has been no material adverse change in the financial position of the Borrower not disclosed in writing to the Underwriter, nor has the Borrower incurred any material liabilities other than liabilities that have been incurred in the ordinary course of business or that are set forth in or contemplated by the Official Statement.

7. Covenants of the Borrower. The Borrower covenants and agrees with the Authority and the Underwriter as follows:

(a) If either during (i) the period between the date of this Bond Purchase Agreement and the Date of the Closing or (ii) the period between the Date of the Closing and the date ninety (90) days after the end of the underwriting period (as defined in the Rule) (or, if earlier, the date by which the Official Statement is available to any person from the MSRB, but in no event less than twenty-five (25) days after the end of the underwriting period (as defined in the Rule)), any event shall occur as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances when the Official Statement is delivered to a prospective purchaser true and correct in all material respects and with no omission of material facts necessary to make the statements therein, in light of the circumstances in which they were made not misleading, the Borrower will cooperate in the preparation of a revised Official Statement or amendments or supplements to the Official Statement so that the statements in the Official Statement, as revised, or the Official Statement, as so amended or supplemented, will not, in light of the circumstances when such Official Statement is delivered to a prospective purchaser, be misleading. As required by Section 4 hereof, the Underwriter shall promptly notify the Borrower (i) if the date of the end of the underwriting period (as defined in the Rule) is more than ninety (90) days after the Closing Date, and (ii) regardless of the notice in clause (i) of this sentence, the date that is the end of the underwriting period. In the absence of such notice, the Borrower shall deem the end of the underwriting period to be ninety (90) days after the Date of the Closing; The Borrower will cooperate with the Underwriter and its counsel in any endeavor to qualify the Series 2020 Bonds for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the Borrower shall not be required to qualify as a foreign corporation or to file a general written consent to suit or service of process in any jurisdiction;

(b) between the date hereof and the Date of the Closing, the Borrower will not take any action that would cause the representations and warranties contained in Section 6 of this Bond Purchase Agreement to be untrue as of the Date of the Closing. On the Date of the Closing, the Borrower shall deliver or cause to be delivered all opinions, certificates and other documents to be delivered by it or on its behalf as provided for in this Bond Purchase Agreement, and to deliver such additional certificates and other documents as the Underwriter or the Authority may reasonably request to evidence performance of or compliance with the provisions of this Bond Purchase Agreement and the transactions contemplated by the Official Statement, and the Financing Documents, all such certificates and other documents to be reasonably satisfactory in form and substance to the Underwriter and the Authority;

(c) in order to permit the Underwriter to satisfy its obligations under Section 4 of this Bond Purchase Agreement, the Borrower will furnish to the Underwriter copies of the Official Statement and any amendments and supplements thereto, in each case as soon as practicable, but in any event in the case of the Official Statement within seven (7) Business Days of the date of this Bond Purchase Agreement and in no event less than two (2) business days prior to Closing, which copies shall be furnished at a minimum in such quantities as shall be reasonably requested by the Underwriter to fulfill its obligations under paragraph (b)(4) of Rule 15c2-12;

(d) the Borrower shall indemnify and hold harmless (except to the extent, if any, that a court of competent jurisdiction determines that such agreement to indemnify and hold harmless is not enforceable as a result of being contrary to law or public policy) the Authority, each officer, director, employee and agent of the Authority and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "Securities Act"), or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) any of such parties (hereinafter collectively called the "Authority Indemnified Parties"), against any and all losses, claims, damages, liabilities, costs or expense whatsoever arising out of: (i) any breach by the Borrower of any of its representations and warranties as set forth in Section 6 hereof; and (ii) any allegation that there is as of the date hereof or as of the Date of the Closing any untrue statement of a material fact contained in the Indemnified Information (as defined below) or the omission therefrom of any material fact necessary in order to make the statements made in light of the circumstances under which they were made not misleading. In case any claim shall be made or action brought against one or more of the Authority Indemnified Parties, in respect of which indemnity may be sought against the Borrower, the Authority Indemnified Party or Parties shall promptly notify the Borrower in writing setting forth the particulars of such claim or action and the Borrower shall assume the defense thereof including the retention of counsel and the payment of all reasonable expenses. The Authority Indemnified Party or Parties shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Authority Indemnified Party unless (1) the retention of such counsel has been specifically authorized by the Borrower, (2) the Authority Indemnified Party shall have reasonably concluded that there may be a conflict of interest between it and the Borrower in the conduct of the defense of such action, or (3) the Borrower shall not in fact have employed counsel reasonably satisfactory to such Authority Indemnified Party. For the purposes of this paragraph and the next succeeding paragraph, the term "Indemnified Information" shall mean the statements and information contained in the Official Statement under the captions: "INTRODUCTION" (with respect to the Borrower and the Project), "PLAN OF FINANCING," "SOURCES AND USES OF FUNDS," "BONDOWNERS' RISKS" (as such statements relate to the Borrower or the Project), "LITIGATION" (with respect to the Borrower), "CONTINUING DISCLOSURE" (with respect to the Borrower), "MISCELLANEOUS" (with respect to the Borrower's financial statements) and in Appendices A and B, except for any projections and opinions of any entity other than the Borrower. The Borrower shall not be liable for any settlement of such action effected without its consent, but if settled with the consent of the Borrower, or if there is final judgment for the plaintiff in any such action with or without consent, the Borrower agrees to indemnify and hold harmless the Authority Indemnified Party or Parties from and against any loss or liability by reason of settlement or judgment to the extent set forth in this paragraph. The indemnity provided in this paragraph includes reimbursement for expenses reasonably incurred by the Authority Indemnified Parties in investigating the claim and in defending it if the Borrower declines to assume the defense. The indemnity provided in this paragraph shall survive the Closing (as defined in Section 9 hereof); and

(e) the Borrower shall indemnify and hold harmless (except to the extent, if any, that a court of competent jurisdiction determines that such agreement to indemnify and hold harmless is not enforceable as a result of being contrary to law or public policy) the Underwriter, each officer, director, employee and agent of the Underwriter and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act or Section 20 of the Exchange Act) any of such parties (hereinafter collectively called the “Underwriter Indemnified Parties”), against any and all losses, claims, damages, liabilities, costs or expense whatsoever arising out of: (i) any breach by the Borrower of any of its representations and warranties as set forth in Section 6 hereof; or (ii) any allegation that there is any untrue statement of a material fact contained in the Indemnified Information or the omission therefrom of any material fact necessary in order to make the statements made in light of the circumstances under which they were made not misleading. In case any claim shall be made or action brought against one or more of the Underwriter Indemnified Parties, in respect of which indemnity may be sought against the Borrower, the Underwriter Indemnified Party or Parties shall promptly notify the Borrower in writing setting forth the particulars of such claim or action and the Borrower shall assume the defense thereof including the retention of counsel and the payment of all reasonable expenses; provided, however, that failure to so notify the Borrower (1) will not relieve the Borrower from its liability unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the Borrower of substantial rights and defenses; and (2) will not, in any event, relieve the Borrower from any obligations to the Underwriter Indemnified Party or Parties other than the indemnification obligation. The Underwriter Indemnified Party or Parties shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Underwriter Indemnified Party unless (1) the retention of such counsel has been specifically authorized by the Borrower, (2) the Underwriter Indemnified Party shall have reasonably concluded that there may be a conflict of interest between it and the Borrower in the conduct of the defense of such action, or (3) the Borrower shall not in fact have employed counsel reasonably satisfactory to such Underwriter Indemnified Party. The Borrower shall not be liable for any settlement of such action effected without its consent, but if settled with the consent of the Borrower, or if there is final judgment for the plaintiff in any such action with or without consent, the Borrower agrees to indemnify and hold harmless the Underwriter Indemnified Party or Parties from and against any loss or liability by reason of settlement or judgment to the extent set forth in this paragraph. The indemnity provided in this paragraph includes reimbursement for expenses reasonably incurred by the Underwriter Indemnified Parties in investigating the claim and in defending it if the Borrower declines to assume the defense. The indemnity provided in this paragraph shall survive the Closing.

7A. The Underwriter shall indemnify and hold harmless (except to the extent, if any, that a court of competent jurisdiction determines that such agreement to indemnify and hold harmless is not enforceable as a result of being contrary to law or public policy) (a) the Authority Indemnified Parties and (b) the Borrower, each officer, director, employee and agent of the Borrower and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act or Section 20 of the Exchange Act) the Company (the “Borrower Indemnified Parties”), against any and all losses, claims, damages, liabilities, costs or expense whatsoever arising out of any allegation that there is any untrue statement of a material fact contained in the Official Statement under the Caption “UNDERWRITING” or the omission therefrom of any material fact necessary in order to make the statements made in light of the circumstances under which they were made not misleading. In case any claim shall be made or action brought against

one or more of the Authority Indemnified Parties or one or more of the Borrower Indemnified Parties, in respect of which indemnity may be sought against the Underwriter, the Authority Indemnified Party or Parties or Borrower Indemnified Party or Parties, as the case may be, shall promptly notify the Underwriter in writing setting forth the particulars of such claim or action and the Underwriter shall assume the defense thereof including the retention of counsel and the payment of all reasonable expenses. The Authority Indemnified Party or Parties or Borrower Indemnified Party or Parties, as the case may be, shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Authority Indemnified Party or Parties or Borrower Indemnified Party or Parties, as the case may be, unless (1) the retention of such counsel has been specifically authorized by the Underwriter, (2) the Authority Indemnified Party or Borrower Indemnified Party, as the case may be, shall have reasonably concluded that there may be a conflict of interest between it and the Underwriter in the conduct of the defense of such action, or (3) the Underwriter shall not in fact have employed counsel reasonably satisfactory to such Authority Indemnified Party or Borrower Indemnified Party, as the case may be. The Underwriter shall not be liable for any settlement of such action effected without its consent, but if settled with the consent of the Underwriter, or if there is final judgment for the plaintiff in any such action with or without consent, the Underwriter agrees to indemnify and hold harmless the Authority Indemnified Party or Parties or Borrower Indemnified Party or Parties, as the case may be, from and against any loss or liability by reason of settlement or judgment to the extent set forth in this paragraph. The indemnity provided in this paragraph includes reimbursement for expenses reasonably incurred by the Authority Indemnified Party or Parties or Borrower Indemnified Party or Parties, as the case may be, in investigating the claim and in defending it if the Underwriter declines to assume the defense. The indemnity provided in this paragraph shall survive the Closing.

7B. (a) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 7(d) above is for any reason held to be unavailable to the Authority in accordance with its terms, the Borrower and the Authority shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Borrower and the Authority in such proportions such that the Authority is responsible for that portion represented by the percentage that the Authority's issuance expenses (including legal, administrative, financing, and incidental expenses of the Authority) bears to the initial public offering price appearing on the cover page of the Official Statement and the Borrower is responsible for the balance. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 7(e) above is for any reason held to be unavailable to the Underwriter in accordance with its terms, the Borrower and the Underwriter shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Borrower and the Underwriter in such proportions such that the Underwriter is responsible for that portion represented by the percentage that the Underwriter's discount on the sale of the Series 2020 Bonds bears to the initial public offering price appearing on the inside cover page of the Official Statement and the Borrower is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. In addition, each person, if any, who controls either of the Authority or the Underwriter within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as the Authority or the Underwriter, as applicable.

(b) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in paragraph 7A above is for any reason held to be unavailable to the Authority or the Borrower, as the case may be, in accordance with its terms, the Underwriter, on the one hand, and the Authority or the Borrower, as the case may be, on the other hand, shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Authority or the Borrower, as the case may be, and the Underwriter in such proportions such that the Underwriter is responsible for that portion represented by the percentage that the Underwriter's discount on the sale of the Series 2020 Bonds bears to the initial public offering price appearing on the inside cover page of the Official Statement and the Authority or the Borrower, as the case may be, is responsible for the balance.

7C. Notwithstanding any other provision in this Bond Purchase Agreement to the contrary, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. In addition, each person, if any, who controls the Authority, the Underwriter or the Borrower within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as the Authority, the Underwriter or the Borrower, as applicable.

8. The Series 2020 Bonds shall be in fully registered form, and one typewritten Bond in the aggregate principal amount of each maturity of each series of the Series 2020 Bonds shall be registered initially in the name of CEDE & Co. as nominee of the Depository Trust Company ("DTC").

9. On the Date of the Closing which is the date set forth in item 4 of **Schedule A** and **Schedule B** attached hereto, or such other date as shall have been mutually agreed upon, the Authority and the Borrower will deliver to the Underwriter, by delivery of the Series 2020 Bonds to the Trustee as custodial agent for DTC, the Series 2020 Bonds in fully registered definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will accept such delivery and pay the purchase price of (i) the Series 2020A Bonds as set forth in item 3 of **Schedule A** attached hereto and (ii) the Series 2020B Bonds as set forth in item 3 of **Schedule B** attached hereto. The Closing will be via the Fast Automated Securities Transfer program "FAST" of DTC and the Series 2020 Bonds will be held by the Trustee, as custodial agent for DTC. Payment for the Series 2020 Bonds as aforesaid shall be made at such place in Boston, Massachusetts, as shall have been mutually agreed upon. This payment and delivery is herein called the "Closing." The Series 2020 Bonds will be made available for examination in Boston, Massachusetts one (1) business day prior to the Closing.

10. The Underwriter's obligations hereunder to purchase and pay for the Series 2020 Bonds shall be subject to the performance by the Authority and the Borrower of their respective obligations to be performed hereunder at or prior to the Closing and the accuracy in all material respects of the representations and warranties contained herein as of the date hereof and as of the Closing and shall be subject to the following:

(a) that at the time of the Closing, (i) the Financing Documents shall be in full force and effect, and shall not have been amended, modified, or supplemented except as may have been agreed to by the Underwriter, the Authority and the Borrower, and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to by the Underwriter, the Authority, with respect to the information under the heading "THE

AUTHORITY” and “LITIGATION” insofar as such information relates to the Authority, and the Borrower; and (ii) that there shall have been taken in connection with the issuance of the Series 2020 Bonds such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate in connection with the transactions contemplated hereby; and

(b) that at or prior to the Closing the undersigned shall receive the following documents:

(i) executed copies of the Financing Documents;

(ii) an opinion of Hinckley, Allen & Snyder LLP, dated as of the Date of the Closing, in substantially the form attached as Appendix D to the Official Statement together with a reliance letter addressed to the Underwriter;

(iii) a certificate, dated as of the Date of the Closing, of an authorized officer of the Authority, to the effect that (A) no litigation is pending or, to his or her knowledge, threatened against the Authority (either in state or federal courts) seeking to restrain or enjoin the issuance, execution or delivery of the Series 2020 Bonds or in any manner questioning the proceedings or authority for the issuance of them or affecting directly or indirectly the validity of the Series 2020 Bonds or of any provisions made or authorized for their payment, including the Bond Purchase Agreement, and the Agreement or contesting the existence of the Authority or the title of any of its members or officers to their respective offices (but in lieu of such certificate the Underwriter may accept an opinion of counsel to the Authority in form and substance acceptable to the Underwriter, that in their opinion the issues raised in any such pending or threatened litigation are without substance or that the contentions of any plaintiffs therein are without merit); (B) that the representations and warranties of the Authority contained in the Bond Purchase Agreement and the Agreement are true and correct in all material aspects as of the Closing; (C) that the resolutions with respect to the Series 2020 Bonds adopted by the Authority were adopted in accordance with law and the by-laws of the Authority and remain in full force and effect in the form initially adopted; and (D) that the Agreement, the Bond Purchase Agreement and the Series 2020 Bonds were executed by duly authorized officers of the Authority;

(iv) a supplemental opinion of Bond Counsel, dated as of the Date of the Closing and addressed to the Authority and the Underwriter, in form satisfactory to the Authority, the Underwriter and their respective counsel;

(v) the opinion, dated as of the Date of the Closing, of Rath, Young and Pignatelli, P.C., counsel to the Borrower, addressed to the Authority, Bond Counsel and the Underwriter, in form satisfactory to the Authority, the Underwriter and their respective counsel;

(vi) a certificate of the Borrower, dated the Date of the Closing and signed by the President or other authorized officer of the Borrower, and in form and substance reasonably satisfactory to the Underwriter, to the effect that (i) each of the representations and warranties set forth in Section 6 hereof and in Article X of

the Agreement is true and correct on and as of the Date of the Closing in all material respects; the Borrower is not in default with respect to any of the covenants set forth in Section 7 hereof on and as of the Date of the Closing; and no Event of Default by the Borrower under the Agreement or under any of the documents or agreements contemplated therein or under this Bond Purchase Agreement, and no event which but for the lapse of time or service of notice or both would constitute an Event of Default under the Agreement, has occurred and is continuing; (ii) since the date hereof, there has been no material adverse change in the business or property or financial condition of the Borrower, except as set forth in or contemplated by the Official Statement; (iii) since the date of the Official Statement, there has been no material change in, and no material change is contemplated in, the identity or control of the Borrower and no judicial or administrative action or proceeding is pending or threatened in writing affecting the Borrower's properties or assets which, if adversely determined, would materially adversely affect the security for the Series 2020 Bonds; (iv) there is no litigation, action, suit, proceeding, inquiry or investigation of any kind against the Borrower before or by any New Hampshire or federal court or governmental agency or body pending or, to the best knowledge and belief of the Borrower, threatened in writing (A) which in any case or in the aggregate, if adversely determined, would result in any material liability on the part of the Borrower or inability of the Borrower to conduct its business or perform the obligations contemplated in the Financing Documents, or (B) wherein an adverse decision, ruling or finding would (a) materially adversely affect the transactions contemplated by the Financing Documents or the security for the Series 2020 Bonds, or (b) adversely affect the validity or enforceability of the Series 2020 Bonds or the Financing Documents; (v) the information contained in the Official Statement, as of its date and as of the Date of the Closing, under the captions "INTRODUCTION" (with respect to the Borrower and the Project), "PLAN OF FINANCING," "SOURCES AND USES OF FUNDS," "BONDOWNERS' RISKS" (as such statements relate to the Borrower or the Project), "LITIGATION" (with respect to the Borrower), "CONTINUING DISCLOSURE" (with respect to the Borrower), "MISCELLANEOUS" (with respect to the Borrower's financial statements) and in Appendices A and B was and is true and correct, and did not and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made;

(vii) the Series 2020 Bonds;

(viii) copies of the resolutions adopted by the Board of Directors of the Borrower authorizing the execution and delivery of the Financing Documents and the approval of the Official Statement, certified by the Secretary of the Borrower as having been duly adopted and being in full force and effect;

(ix) copies of: (i) any required approvals from the New Hampshire Public Utilities Commission or the State; and (ii) any required municipal approvals;

(x) a copy of the resolutions adopted by the Authority authorizing the

execution, issuance, sale and delivery of the Series 2020 Bonds, consent to the use of the Official Statement and the execution and delivery of the Agreement and this Bond Purchase Agreement, certified by an authorized officer of the Authority as having been duly adopted and being in full force and effect;

(xi) a certificate, of one or more duly authorized officers of the Trustee, dated the Date of the Closing, as to the due acceptance of the Agreement by the Trustee and the due authentication and delivery of the Series 2020 Bonds by the Trustee thereunder;

(xii) a certificate, dated the Date of the Closing of an officer of the Trustee as to its due authorization and acceptance of duties with respect to the Agreement;

(xiii) the opinion, dated the Date of the Closing, of Harrington & Vitale, Ltd., addressed to the Underwriter, in form satisfactory to the Underwriter;

(xiv) a copy of the Preliminary Blue Sky Memorandum indicating the jurisdictions in which the Series 2020 Bonds may be sold in compliance with the "Blue Sky" or securities laws of such jurisdictions;

(xv) a copy of the Final Blue Sky Letter; and

(xvi) other certificates of the Authority and the Borrower listed on a closing memorandum to be approved by Bond Counsel and counsel to the Underwriter, including any certificates or representations of the Borrower or other parties required in order for Bond Counsel to deliver the opinion referred to in paragraph (iv) above, as well as legal opinions, certificates, proceedings, instruments and other documents as the counsel to the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Authority and the Borrower with legal requirements, the truth and accuracy, in all material respects as of the time of Closing, of the respective representations of the Authority and of the Borrower contained herein and the due performance or satisfaction in all material respects by the Authority and the Borrower at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the Borrower.

11. The Underwriter may terminate this Bond Purchase Agreement by notification in writing or by facsimile to the Authority if at any time subsequent to the date hereof and at or prior to the Closing:

(a) legislation shall be enacted by the State of New Hampshire or the United States or introduced in or favorably reported to either the United States House of Representatives or the United States Senate or a decision by a court of the United States or the United States Tax Court shall be rendered or a ruling or regulation (final, temporary or proposed) shall be made by or on behalf of the Treasury Department of the United States, or a release or official statement shall be issued by the President or the Treasury Department, that makes the revenues or other income of the general character expected to be derived by the Authority under the Agreement, or the interest received on bonds of the general character of the Series 2020 Bonds, subject to federal income

taxation or New Hampshire personal income taxation which would have the effect of changing directly or indirectly the federal income taxation or New Hampshire personal income tax of interest on bonds of the general character of the Series 2020 Bonds in the hands of the owners thereof, which in the reasonable opinion of the Underwriter materially adversely affects the market price of the Series 2020 Bonds; or

(b) (i) the United States shall have become engaged in hostilities that have resulted in a declaration of war or a national emergency or (ii) in the reasonable opinion of the Underwriter, there shall have occurred any other outbreak of hostilities, local, national or international, or an escalation thereof, the effect of which on the financial markets of the United States is such as would, in the reasonable opinion of the Underwriter, affect materially and adversely the ability of the Underwriter to market the Series 2020 Bonds; or

(c) there shall have occurred a general suspension of trading on the New York Stock Exchange or a general banking moratorium shall have been declared by federal or New York or New Hampshire state authorities; or

(d) any action is taken by the Securities and Exchange Commission or a court of competent jurisdiction that would require registration of the Series 2020 Bonds under the Securities Act in connection with the public offering thereof, or qualification of the Agreement under the Trust Indenture Act of 1939, as amended; or

(e) any event or condition occurs that, in the reasonable judgment of the Underwriter, renders untrue or incorrect, in any material respect as of the time to which the same purports to relate, the information contained in the Official Statement, or that requires information not reflected in such Official Statement to be reflected therein in order to make the statements and information contained therein, in light of the circumstances under which they were made, not misleading in any material respect as of such time; provided that the Authority, the Borrower and the Underwriter will use their best efforts to amend or supplement the Official Statement to reflect, to the satisfaction of the Underwriter, such changes in or additions to the information contained in the Official Statement.

If the obligations of the Underwriter to purchase and accept delivery of the Series 2020 Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and no party shall be under further obligation hereunder; except that the obligations for the payment of expenses, as provided in Section 12 hereof, shall continue in full force and effect.

12. Payment of Expenses. All expenses and costs of the Authority incident to the performance of its obligations in connection with the authorization, sale and delivery of the Series 2020 Bonds to the Underwriter, specifically including, without limiting the generality of the foregoing, the cost of preparing, printing or reproducing the Series 2020 Bonds, the Preliminary Official Statement, the Official Statement, the Financing Documents, and all ancillary papers, and reasonable fees and expenses of Bond Counsel as previously agreed, shall be paid by the Borrower.

All expenses and costs incurred by the Borrower in connection with the transactions contemplated hereunder shall be paid by the Borrower. In addition, if the Closing does not occur as a result of the failure of the Borrower to meet its obligations hereunder, the Borrower shall

reimburse the Underwriter for all reasonable out of pocket expenses, including but not limited to reasonable counsel fees, including the cost of producing this Bond Purchase Agreement, the fees and expenses for qualification of the Series 2020 Bonds for sale under state securities laws and preparation of the Blue Sky memoranda, incurred by them in connection with the contemplated transactions hereunder. The Underwriter shall pay all of the other costs and expenses incurred by it in connection with the public offering and distribution of the Series 2020 Bonds.

In order to ensure compliance with applicable state and/or local ethics statutes that may apply to employees of the Authority as well as federal securities regulations that may apply to the Underwriter, the Authority shall be responsible for and upon presentation by the Underwriter of a bill to the Authority shall pay any expenses on behalf of the Authority's employees that are incidental to implementing this Bond Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees.

13. Underwriter's Representations and Agreements. The Underwriter hereby represents, warrants and agrees as follows:

(a) The Underwriter has neither requested nor received from (nor does the Underwriter expect to receive from or have reviewed by) the Authority or any of its directors, officers, employees or agents any information with respect to the Borrower, the Project, the Series 2020 Bonds or the security purported to be afforded by the Agreement, or otherwise, except for any such information that is included within the express representations and warranties of the Authority in this Bond Purchase Agreement or the Agreement or under the captions "THE AUTHORITY" and "LITIGATION" (solely with respect to the information pertaining to the Authority) in the Preliminary Official Statement or the Official Statement or in any other instrument delivered to the Underwriter by or on behalf of the Authority in connection with the transactions contemplated hereby or thereby.

(b) The Underwriter has not relied and does not rely on any findings or action taken by the Authority or the findings made by the Authority as required by the Act as constituting information with respect to the Borrower, the Project, the Series 2020 Bonds or the security purported to be afforded by the Agreement, or otherwise.

(c) Neither the Authority nor any of its directors, officers, employees or agents shall have any responsibility to the Underwriter for the completeness of the information obtained by the Underwriter from any source with respect to the Borrower, its assets, businesses, circumstances, financial condition and properties, or with respect to the Project, the Series 2020 Bonds or the security purported to be afforded by the Agreement, or otherwise, or, subject only to the exceptions stated in paragraph (a) above, for the accuracy of such information and the Underwriter acknowledges that, as between itself and the Authority, the Underwriter assumes responsibility for obtaining such information and making such investigation as it deems necessary or desirable in connection with its decision to purchase the Series 2020 Bonds.

14. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Authority and the Borrower in establishing the issue price of the Series 2020 Bonds and shall execute and deliver to the Authority and the Borrower on or before the Closing Date an "issue price" or similar certificate substantially

in the form attached hereto as **Exhibit 1** (the “Certificate of the Underwriter”), together with the supporting pricing wires or equivalent communications, with such modifications to such certificate as may be deemed appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority, the Borrower and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2020 Bonds. Such certificate shall also set forth calculations of the yield on the Series 2020 Bonds and the weighted average maturity for the Series 2020 Bonds and state that the Authority, the Borrower and Bond Counsel may rely on such certifications for purposes of determining compliance with Sections 103, 148 and 149(d) of the Code.

(b) Except as otherwise set forth in Schedule A to **Exhibit 1** hereto, the Authority and the Borrower will treat the first price at which 10% of each Maturity (as defined in **Exhibit 1**) of Series 2020 Bonds designated on Schedule A to **Exhibit 1** as subject to the 10% test is sold to the public (the “10% test”) as the issue price of that Maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be considered a separate Maturity for this purpose). For each Maturity of the Series 2020 Bonds for which the 10% test is not met as of the Date Hereof (which shall be designated on Schedule A to **Exhibit 1** as subject to the hold-the-offering-price rule), the Authority and the Borrower will treat the initial offering price set forth in Schedule A to **Exhibit 1** as the issue price of that Maturity under the hold-the-offering-price rule described below.

(c) The Underwriter confirms that it has offered the Series 2020 Bonds to the public on or before the Date Hereof at the respective Initial Offering Prices (as defined in **Exhibit 1**) therefor. Schedule A to **Exhibit 1** sets forth as of the Date Hereof, the Maturities, if any, of the Series 2020 Bonds for which the 10% test has not been satisfied and for which the Authority, the Borrower and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority and the Borrower to treat the Initial Offering Price to the public of each such Maturity as the issue price of that Maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any Maturity of the Series 2020 Bonds, the Underwriter will neither offer nor sell unsold Series 2020 Bonds of that Maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the Date Hereof and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Date Hereof; or
- (2) the date on which the Underwriter has sold at least 10% of that Maturity of the Series 2020 Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the Authority, the Borrower and Bond Counsel when 10% of a Maturity of the Series 2020 Bonds subject to the hold-the-offering-price rule has been sold to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the Date Hereof and shall confirm in the Certificate of the Underwriter delivered on or before the Closing Date those Maturities of the Series 2020 Bonds as to which the hold-the-offering-price rule has been satisfied.

(d) The Underwriter acknowledges that sales of any Series 2020 Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for

purposes of this Section 14. Further, for purposes of this Section 14:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) (1) “Underwriter” has the meaning set forth in the first paragraph of this Purchase Contract, and (2) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2020 Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2020 Bonds to the public (including a party to a retail distribution agreement participating in the initial sale of the Series 2020 Bonds to the public), and
- (iii) a purchaser of any of the Series 2020 Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

In the event the Underwriter fails (other than for a reason permitted under this Purchase Contract) to accept and pay for the Bonds at the Closing as provided herein, the Underwriter shall pay to the Authority as full liquidated damages and not as a penalty, the amount of one percent (1%) of the principal amount of the Bonds, and payment of that sum by the Underwriter to the Authority shall constitute a full release and discharge of all claims and damages of the Authority and the Borrower for such failure and for any and all defaults hereunder on the part of the Underwriter. Such amount shall be applied first to the expenses and damages of the Authority in full and, thereafter, to the expenses and damages of the Borrower. The Underwriter understands that in such event the actual damages of the Authority and the Borrower may be less than such amount. Accordingly, the Underwriter waives any right to claim that the actual damages of the Authority and the Borrower are less than such amount. The Authority, the Borrower and the Underwriter acknowledge and confirm that it would be extremely difficult, if not impossible, to determine the exact amount of damages that would be suffered as a result of a failure by the Underwriter (other than for a reason permitted herein) to accept and pay for the Bonds at the Closing as provided herein and that the liquidated damages provided herein are a reasonable good faith estimate of the actual damages and are not a penalty.

15. Notices. Any notice or other communication to be given to the Authority under this Bond Purchase Agreement may be given by mailing or delivering the same in writing to the Authority at its address set forth above, Attn: James Key-Wallace, Executive Director; any notice or other communication to be given to the Borrower under this Bond Purchase Agreement may be

given by mailing or delivering the same in writing to the Borrower at its address set forth above, Attn: Larry Goodhue, Chief Executive Officer; and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by mailing or delivering the same in writing to B.C. Ziegler and Company, Attn: Scott Rolfs, Managing Director, One North Wacker Drive, Suite 2000, Chicago, IL 60606. All notices shall be effective upon delivery.

16. Parties. This Bond Purchase Agreement is made solely for the benefit of the Authority, the Underwriter (including the successors or assigns of any Underwriter) and the Borrower and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Authority's and Borrower's representations, warranties and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter and delivery of and payment for the Series 2020 Bonds hereunder.

17. Underwriter's Role. The parties to this Agreement acknowledge that the Underwriter does not have a fiduciary duty to the Authority or the Borrower under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the Authority or the Borrower without regard to its own financial or other interests.

18. Governing Law. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire and shall constitute an instrument under seal thereunder.

19. Counterparts. This Bond Purchase Agreement may be executed in any number of counterparts, all of which taken together shall be one and the same instrument, and any parties hereto may execute this agreement by signing any such counterpart.

20. Time of Execution. This Bond Purchase Agreement is executed at 7:15 p.m. on April 23, 2020.

[Remainder of page intentionally left blank]

Very truly yours,

B.C. ZIEGLER AND COMPANY



By: Ike Papadopoulos
Title: Managing Director

Accepted and Agreed to as of the date hereof

THE BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

Authorized Officer

Accepted and Agreed to as of the date hereof

PENNICHUCK WATER WORKS, INC.

By: Larry D. Goodhue
Title: Chief Executive Officer, Chief Financial Officer, and Treasurer

[Signature page to Bond Purchase Agreement]


Very truly yours,

B.C. ZIEGLER AND COMPANY

By: Ike Papadopoulos
Title: Managing Director

Accepted and Agreed to as of the date hereof

THE BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE



Authorized Officer

Accepted and Agreed to as of the date hereof

PENNICHUCK WATER WORKS, INC.

By: Larry D. Goodhue
Title: Chief Executive Officer, Chief Financial Officer, and Treasurer

[Signature page to Bond Purchase Agreement]

Very truly yours,

B.C. ZIEGLER AND COMPANY

By: Ike Papadopoulos
Title: Managing Director

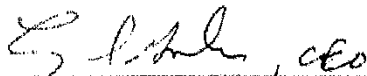
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Accepted and Agreed to as of the date hereof

PENNICHUCK WATER WORKS, INC.



By: Larry D. Goodhue
Title: Chief Executive Officer, Chief Financial Officer, and Treasurer

[Signature page to Bond Purchase Agreement]

SCHEDULE A**\$7,000,000****BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
WATER FACILITY REVENUE BONDS
(PENNICHUCK WATER WORKS, INC. PROJECT) SERIES 2020A (AMT)**Item
Number

1. Date of this Bond Purchase Agreement – April 23, 2020
2. (a) Aggregate principal amount of the Series 2020A Bonds – \$7,000,000
- (b) Date of the Series 2020A Bonds – April 29, 2020
- (c) 2020A Term Bonds:
- (c)(1) Sinking fund installments – The sinking fund installments for the Series 2020A Bonds maturing on April 1, 2030 shall be as follows:

<u>Year</u>	<u>Principal Amount</u>
2023	\$ 15,000
2024	145,000
2025	155,000
2026	160,000
2027	165,000
2028	170,000
2029	180,000
2030*	185,000

***Maturity**

\$1,175,000 4.00% Term Bond Due April 1, 2030; Price: 107.192%, Yield: 3.15%, CUSIP 644684DR0

- (c)(2) Sinking fund installments – The sinking fund installments for the Series 2020A Bonds maturing on April 1, 2050 shall be as follows:

<u>Year</u>	<u>Principal Amount</u>
2031	\$195,000
2032	200,000
2033	210,000
2034	220,000
2035	230,000

2036	235,000
2037	245,000
2038	255,000
2039	265,000
2040	280,000
2041	290,000
2042	300,000
2043	315,000
2044	325,000
2045	340,000
2046	355,000
2047	370,000
2048	380,000
2049	400,000
2050**	415,000

****Final Maturity**

\$5,825,000 4.00% Term Bond Due April 1, 2050; Price: 100.00%, Yield: 4.00%, CUSIP: 644684DS8

(d) Optional Redemption of Series 2020A Bonds

The Series 2020A Bonds, except such Series 2020A Bonds maturing on or before April 1, 2030, which are not subject to redemption prior to maturity unless redeemed pursuant to the special redemption provisions, are redeemable prior to maturity beginning April 1, 2030, at the option of the Borrower by the written direction of the Borrower to the Authority and the Trustee, at a redemption price equal to 100% of the principal amount of the Series 2020A Bonds to be redeemed, together with accrued interest to the redemption date. The Series 2020A Bonds are subject to special redemption as described in the Official Statement at a price of par.

3. Purchase price of the Series 2020A Bonds – \$7,020,386.00 (par amount of \$7,000,000.00 less underwriter's discount of \$64,120.00 and plus net original issue premium of \$84,506.00).
4. Date of the Closing – April 29, 2020

SCHEDULE B**\$380,000**

**BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
 WATER FACILITY REVENUE BONDS
 (PENNICHUCK WATER WORKS, INC. PROJECT)
 SERIES 2020B (FEDERALLY TAXABLE)**

Item
 Number

1. Date of this Bond Purchase Agreement – April 23, 2020
2. (a) Aggregate principal amount of the Series 2020B Bonds – \$380,000
- (b) Date of the Series 2020B Bonds – April 29, 2020
- (c) 2020B Term Bonds:
- (c)(1) Sinking fund installments – The sinking fund installments for the Series 2020B Bonds maturing on April 1, 2023 shall be as follows:

<u>Year</u>	<u>Principal Amount</u>
2021	\$125,000
2022	130,000
2023**	125,000

****Maturity**

\$380,000 5.25% Taxable Term Bond Due April 1, 2023; Price: 99.328%, Yield: 5.50%, CUSIP 644684DT6

- (d) The Series 2020B Bonds are subject to special redemption as described in the Official Statement at a price of par.
3. Purchase price of the Series 2020B Bonds – \$373,965.60 (par amount of \$380,000 less underwriter's discount of \$3,480.80 less net original issue discount of \$2,553.60).
4. Date of the Closing – April 29, 2020

EXHIBIT 1

FORM OF CERTIFICATE OF THE UNDERWRITER

\$7,000,000

BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
WATER FACILITY REVENUE BONDS
(PENNICHUCK WATER WORKS, INC. PROJECT) SERIES 2020A (AMT)

\$380,000

BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
WATER FACILITY REVENUE BONDS
(PENNICHUCK WATER WORKS, INC. PROJECT)
SERIES 2020B (FEDERALLY TAXABLE)

The undersigned, on behalf of B.C. Ziegler and Company (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

A. **Issue Price**

1. **Sale of the General Rule Maturities.** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in **Schedule A to Exhibit 1**.

2. **Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in **Schedule A to Exhibit 1** (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as **Schedule B to Exhibit 1**.

(b) As set forth in the Purchase Contract, the Underwriter agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. **Defined Terms.**

(a) *General Rule Maturities* means those Maturities of the Bonds listed in **Schedule A to Exhibit 1** hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in **Schedule A to Exhibit 1** hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (April 23, 2020), or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Borrower* means Pennichuck Water Works, Inc.

(e) *Authority* means The Business Finance Authority of State of New Hampshire.

(f) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(g) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April 23, 2020.

(i) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

B. Yield

At the request of, and in accordance with the methodology described by, Hinckley, Allen & Snyder LLP (“Bond Counsel”) in **Schedule C to Exhibit 1**, and in accordance with the facts and assumptions provided by the Authority, [and using DBC finance software], we have computed the yield on the Bonds to be _____% for purposes of Sections 103 and 148 of the Internal Revenue Code of 1986, as amended (the “Code”). A description of such methodology is attached hereto as **Schedule C to Exhibit 1**, and our computation of yield is attached as **Schedule D to Exhibit 1**.

C. Weighted Average Maturity

At the request of Bond Counsel, and using DBC finance software, we have calculated the weighted average maturity of the Bonds to be not greater than _____ years.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including, but not limited to Sections 103 and 148 of the Code, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Authority and the Borrower with respect to certain of the representations set forth in the Authority Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Authority and the Borrower from time to time relating to the Bonds.

B.C. Ziegler and Company, as Underwriter

By: _____
Name: Ike Papadopoulos
Title: Managing Director

Dated:

SCHEDULE A TO EXHIBIT 1**SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES*****General Rule Maturities***

2020A Term Bonds

- (1) Sinking fund installments – The sinking fund installments for the Series 2020A Bonds maturing on April 1, 2030 shall be as follows:

<u>Year</u>	<u>Principal Amount</u>
2023	\$ 15,000
2024	145,000
2025	155,000
2026	160,000
2027	165,000
2028	170,000
2029	180,000
2030*	185,000

*Maturity

- (2) Sinking fund installments – The sinking fund installments for the Series 2020A Bonds maturing on April 1, 2050 shall be as follows:

<u>Year</u>	<u>Principal Amount</u>
2031	\$195,000
2032	200,000
2033	210,000
2034	220,000
2035	230,000
2036	235,000
2037	245,000
2038	255,000
2039	265,000
2040	280,000
2041	290,000
2042	300,000
2043	315,000
2044	325,000
2045	340,000
2046	355,000
2047	370,000

2048	380,000
2049	400,000
2050**	415,000

**Final Maturity

2020B Term Bonds

- (1) Sinking fund installments – The sinking fund installments for the Series 2020B Bonds maturing on April 1, 2030 shall be as follows:

<u>Year</u>	<u>Principal Amount</u>
2021	\$125,000
2022	130,000
2023**	125,000

**Maturity

Hold-the-Offering-Price Maturities

None

SCHEDULE B TO EXHIBIT 1

PRICING WIRE OR EQUIVALENT COMMUNICATION

SCHEDULE C TO EXHIBIT 1

YIELD COMPUTATION METHODOLOGY

General. The term “yield” refers to that discount rate which, when used in computing the present value as of the issue date of all unconditionally payable payments of principal and interest on an obligation, produces an amount equal to the present value of the issue price of such obligation as of the issue date.

All calculations are to be made on the basis of semiannual compounding using a 360-day year, upon the assumption that payments are made on the last day of each semiannual interest period. Mandatory redemptions are to be taken into account. All calculations are to be made using actual facts and reasonable expectations as of the date of issue. For example, optional redemptions are taken into account to the extent it is reasonably certain that they will occur.

In calculating yield on the Bonds, there shall be used, as the issue price, the aggregate of the issue prices described in the Certificate of the Underwriter, including any accrued interest on the Bonds.

Certain Bonds subject to optional redemption or issued at a premium. In calculating the yield on the Bonds, a bond subject to optional redemption within 5 years of the issue date is to be treated as if redeemed at its stated retirement price (including call premium) on the optional redemption date that would produce the lowest yield. A bond is only subject to the foregoing rule if any one of the following is true: (1) the yield on the issue, computed using the assumption that all bonds subject to redemption within 5 years of the issue date are redeemed at maturity, is more than .125% higher than the yield on the issue, computed using the assumption that such bonds are redeemed at their earliest redemption date; (2) the issue price of the bond exceeds its stated redemption price at maturity by more than .25% multiplied by the product of such redemption price and the number of complete years to the first optional redemption date; or (3) the bond bears interest at increasing interest rates (i.e., the bond is a stepped coupon bond).

Deep discount bonds. In the case of a discount bond (or group of substantially identical discount bonds) subject to mandatory early redemption (determined without regard to payments for a “qualified guarantee”), yield is computed by treating such bond (or bonds) as redeemed at present value. Safe harbor: A discount bond is not subject to the foregoing rule if the stated redemption price at maturity does not exceed the issue price by more than .25% multiplied by the product of such redemption price and the number of years to the weighted average maturity of the bond (or bonds), taking scheduled mandatory redemptions into account. In such case, i.e., if the stated redemption price at maturity of such discount bond (or bonds) does not exceed the foregoing threshold, yield is computed treating each such discount bond as though redeemed at its outstanding stated principal amount (rather than at present value), plus accrued unpaid interest.

Administrative costs.

(i) In general. In determining payments and receipts on investments, only “qualified administrative costs” may be taken into account. Thus, “qualified administrative costs” are the only administrative costs that increase the payments for, or decrease the receipts from, the

investments. Qualified administrative costs are reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, record keeping, custody and similar costs. Except as specified in paragraph (ii), below, general overhead costs and similar indirect costs of the Authority such as employee salaries and office expenses and costs associated with computing the rebate amount under section 148(f) are not “qualified administrative costs.” In general, administrative costs are not reasonable unless they are comparable to administrative costs that would be charged for the same investment or a reasonably comparable investment if acquired with a source of funds other than gross proceeds of tax-exempt bonds.

(ii) Special rule for administrative costs of investments in certain regulated investment companies and commingled funds. Qualified administrative costs include all reasonable administrative costs, without regard to the limitation on indirect costs under paragraph (i), above, incurred by:

(A) Certain regulated investment companies. A publicly offered regulated investment company (as defined in section 67(c)(2)(B)) of the Code; and

(B) External commingled funds. A commingled fund in which the Authority and any related parties do not own more than 10 percent of the beneficial interest in the fund:

(iii) Special limit on broker’s fees for guaranteed investment contracts. For a guaranteed investment contract, a broker’s commission paid on behalf of either the issuer or the provider is not a “qualified administrative cost” to the extent that the fee exceeds the lesser of (i) 0.2% of the amount of gross proceeds reasonably expected to be deposited in the contract over its term (or, if more, \$4,000), and (ii) \$39,000, or the aggregate amount of all fees received by the broker in connection with investments acquired with gross proceeds of the bond issue exceeds \$111,000.

(iv) Special limit on broker’s fees for U.S. Treasury Obligations. For investments purchased for a yield restricted defeasance escrow, the broker’s commission is not a “qualified administrative cost” if it exceeds the lesser of (i) 0.2% of the amount of gross proceeds initially invested in the obligations (or, if more, \$4,000), and (ii) \$39,000, or the aggregate amount of all fees received by the broker in connection with investments acquired with gross proceeds of the bond issue exceeds \$111,000.

SCHEDULE D TO EXHIBIT 1

YIELD COMPUTATION

NEW ISSUE/BOOK-ENTRY**RATING: See "RATING" herein**

In the opinion of Hinckley, Allen & Snyder LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2020A Bond for any period that such Series 2020A Bond is held by a "substantial user" of the facilities financed by such Series 2020A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the Series 2020A Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Series 2020B Bonds is included in gross income for federal income tax purposes. Under existing statutes, the interest on the Series 2020 Bonds is exempt from the New Hampshire personal income tax on interest and dividends. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2020 Bonds. See "TAX MATTERS" herein.

\$7,380,000**BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE****Water Facility Revenue Bonds****(Pennichuck Water Works, Inc. Project) Series 2020****Comprised of:****\$7,000,000**

**Water Facility Revenue Bonds
(Pennichuck Water Works, Inc. Project)
Series 2020A (AMT)**

\$380,000

**Water Facility Revenue Bonds
(Pennichuck Water Works, Inc. Project)
Series 2020B (Federally Taxable)**

Dated: Date of Delivery**Due: As Shown on Inside Cover**

The Series 2020 Bonds will be issued by the Business Finance Authority of the State of New Hampshire (the "Authority") pursuant to a Loan and Trust Agreement dated as of April 1, 2020 (the "Agreement") among the Authority, Pennichuck Water Works, Inc. (the "Borrower") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Series 2020 Bonds will be loaned to the Borrower to provide funds to finance capital improvements to the Borrower's water supply and water distribution installations, upgrades, replacements and rehabilitations and related support systems at project sites owned and operated by the Borrower, as more fully described in "PLAN OF FINANCING."

The Series 2020A Bonds and the Series 2020B Bonds (collectively, the "Series 2020 Bonds") will be payable solely from revenues received by the Trustee under the Agreement in repayment of the loan made by the Authority to the Borrower under the Agreement. Repayment of the Series 2020 Bonds is unsecured and will be on parity with the Borrower's obligation to repay certain other unsecured bonds issued on the Borrower's behalf by the Authority (the "Prior Outstanding Bonds," as described and defined herein) and any other unsecured, non-subordinated indebtedness of the Borrower. Interest on the Series 2020 Bonds will be payable on each October 1 and April 1, beginning October 1, 2020. Principal or mandatory sinking fund payments on the Series 2020 Bonds will be payable on April 1 as shown herein under "THE SERIES 2020 BONDS" and "THE SERIES 2020 BONDS – Principal, Sinking Fund Installments, and Interest Requirements."

The Series 2020 Bonds will be issued in denominations of \$5,000 and integral multiples of \$5,000 in excess thereof. The Series 2020 Bonds, when issued, will be registered initially only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2020 Bonds. Purchasers of the Series 2020 Bonds will not receive certificates representing their interests in the Series 2020 Bonds purchased. Ownership by the beneficial owners of the Series 2020 Bonds will be evidenced by book-entry only. Principal of and interest on the Series 2020 Bonds will be paid by the Trustee to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Series 2020 Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2020 Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. See "THE SERIES 2020 BONDS – Book-Entry-Only System."

The Series 2020 Bonds will be subject to redemption prior to maturity as described herein.

THE SERIES 2020 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY OR OF THE STATE OF NEW HAMPSHIRE OR ANY POLITICAL SUBDIVISION THEREOF EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE REVISED STATUTES ANNOTATED CHAPTER 162-I. NO PUBLIC FUNDS MAY BE USED TO PAY THE PRINCIPAL OR PURCHASE PRICE OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2020 BONDS, WHICH SHALL BE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER THE AGREEMENT. THE AUTHORITY HAS NO TAXING POWER.

The Series 2020 Bonds are offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriter, subject to the approval of legality by Hinckley, Allen & Snyder LLP, Boston, Massachusetts, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Borrower by Rath, Young and Pignatelli, P.C., Concord, New Hampshire; and for the Underwriter by Harrington & Vitale, Ltd., Providence, Rhode Island. It is expected that delivery of the Series 2020 Bonds will be made through the facilities of DTC in New York, New York, or its custodial agent, on or about April 29, 2020.



April 23, 2020

THE SERIES 2020 BONDS**Series 2020A Bonds (AMT)****Dated: Date of Delivery****Due: April 1**

The Series 2020A Bonds will be issuable in fully-registered form without coupons in denominations of \$5,000 or any multiple of \$5,000 in excess thereof. Interest on the Series 2020A Bonds will be payable on each October 1 and April 1, commencing on October 1, 2020.

\$1,175,000 4.000% Term Bond Due April 1, 2030, Yield: 3.150%, CUSIP[†]: 644684DR0

\$5,825,000 4.000% Term Bond Due April 1, 2050, Yield: 4.000%, CUSIP[†]: 644684DS8

Series 2020B Bonds (Federally Taxable)**Dated: Date of Delivery****Due: April 1**

The Series 2020B Bonds will be issuable in fully-registered form without coupons in denominations of \$5,000 or any multiple of \$5,000 in excess thereof. Interest on the Series 2020B Bonds will be payable on each October 1 and April 1, commencing on October 1, 2020.

\$380,000 5.250% Term Bond due April 1, 2023, Yield: 5.500%, CUSIP[†]: 644684DT6

[†] CUSIP[®] is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2020 CUSIP Global Services. All rights reserved. CUSIP[®] data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP[®] numbers listed above are being provided solely for the convenience of Bondowners only at the time of issuance of the Series 2020 Bonds, and no representation is made with respect to the correctness thereof. The CUSIP[®] number for a specific maturity is subject to being changed after the issuance of the Series 2020 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity. None of the Authority, the Borrower, the Underwriter or the Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP[®] numbers printed above.

No dealer, broker, salesman or other person has been authorized by the Authority, the Borrower or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Statements contained in this Official Statement, which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact. The information set forth herein has been obtained from the Authority, the Borrower and other sources believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority. In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the Borrower since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2020 BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2020 BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE AGREEMENT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BORROWER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SERIES 2020 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Neither the fact that a registration statement or an application for a license has been filed under New Hampshire RSA 421-B with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

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APPENDIX D –	FORM OF OPINION OF BOND COUNSEL
APPENDIX E –	FORM OF CONTINUING DISCLOSURE AGREEMENT

\$7,380,000
BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
WATER FACILITY REVENUE BONDS
(PENNICHUCK WATER WORKS, INC. PROJECT) SERIES 2020

Comprised of:

<p>\$7,000,000 Water Facility Revenue Refunding Bonds (Pennichuck Water Works, Inc. Project) Series 2020A (AMT)</p>	<p>\$380,000 Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2020B (Federally Taxable)</p>
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INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the Cover Page and Appendices, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in APPENDIX C hereto.

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page hereof and the appendices hereto, is to furnish certain information relating to: (a) the Business Finance Authority of the State of New Hampshire (the "Authority"); (b) the Authority's \$7,000,000 Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2020A (AMT) (the "Series 2020A Bonds") and the Authority's \$380,000 Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2020B (Federally Taxable) (the "Series 2020B Bonds" and, collectively with the Series 2020A Bonds, the "Series 2020 Bonds"); (c) Pennichuck Water Works, Inc., a New Hampshire public utility corporation (the "Borrower"); and (d) the Project to be financed with the proceeds of the Series 2020 Bonds.

The Authority

The Authority is a body politic and corporate, created and existing under New Hampshire Revised Statutes Annotated 162-A:3 and authorized by the Constitution and laws of the State of New Hampshire, including specifically New Hampshire RSA Chapter 162-I, as amended from time to time (the "Act"), to issue the Series 2020 Bonds in the manner contemplated by the Loan and Trust Agreement dated as of April 1, 2020 (the "Agreement") among the Authority, the Borrower and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), relating to the Series 2020 Bonds (the "Agreement"). See "THE AUTHORITY" herein.

The Borrower

The Borrower is a public utility corporation organized under the laws of the State of New Hampshire for the purpose of engaging in business as a private water company and providing service in various municipalities in the State of New Hampshire. The Borrower's rates and charges and quality of service are subject to regulation by the New Hampshire Public Utilities Commission (the "New

Hampshire PUC”). See “THE BORROWER” herein and APPENDIX A – “INFORMATION REGARDING PENNICHUCK WATER WORKS, INC.” hereto.

The Series 2020 Bonds

The Series 2020 Bonds will be issued pursuant to the Agreement. The proceeds of the Series 2020A Bonds and the Series 2020B Bonds will be loaned to the Borrower to: (i) finance capital improvements to the Borrower’s water supply and water distribution installations, upgrades, replacements and rehabilitations and related support systems at project sites owned and operated by the Borrower and (ii) pay costs of issuance with respect to the Series 2020 Bonds.

The Series 2020 Bonds will be payable solely from revenues received by the Trustee under the Agreement in repayment of the loans made by the Authority to the Borrower under the Agreement. See APPENDIX C – “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AND TRUST AGREEMENT.”

Bondowners’ Risks

Payment of the principal of and interest on the Series 2020 Bonds is dependent upon revenues to be derived from the operations of the Borrower. Certain risks are inherent in the production of such revenues. See “BONDOWNERS’ RISKS” herein and “Additional Factors Affecting the Business Operations of the Borrower” set forth in APPENDIX A to this Official Statement for a discussion of certain risks associated with ownership of the Series 2020 Bonds.

Appendices

The audited consolidated financial statements of the Borrower’s parent, Pennichuck Corporation (the “Parent”), for the fiscal years ending December 31, 2019 and December 31, 2018 are included in APPENDIX B-1 to this Official Statement. The unaudited consolidated financial statements of the Borrower for the fiscal years ending December 31, 2019 and December 31, 2018 are included in APPENDIX B-2 to this Official Statement.

Definitions of certain words and terms used in this Official Statement and a summary of certain provisions of the Agreement are set forth in APPENDIX C to this Official Statement. Such definitions and summary do not purport to be comprehensive or definitive. All references herein to the Agreement are qualified in their entirety by reference to the definitive form of such document.

The Borrower will undertake, pursuant to a Continuing Disclosure Agreement, to provide certain annual financial information and notices of the occurrence of certain material events. A description of this undertaking is set forth in this Official Statement under “CONTINUING DISCLOSURE” and the form of Continuing Disclosure Agreement is set forth in APPENDIX E hereto.

THE AUTHORITY

The Authority is a body politic and corporate, created and existing under New Hampshire RSA 162-A:3 and authorized by the Constitution and laws of the State of New Hampshire, including specifically the Act, to issue the Series 2020 Bonds in the manner contemplated by the Agreement. The Authority has adopted resolutions authorizing the issuance of the Series 2020 Bonds. The Authority has authorized the Underwriter to use this Official Statement in connection with the offer and sale of the Series 2020 Bonds.

THE SERIES 2020 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY OR OF THE STATE OF NEW HAMPSHIRE OR ANY POLITICAL SUBDIVISION THEREOF EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. NO PUBLIC FUNDS MAY BE USED TO PAY THE PRINCIPAL OR PURCHASE PRICE OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2020 BONDS, WHICH SHALL BE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER THE AGREEMENT. THE AUTHORITY HAS NO TAXING POWER.

The Authority has not participated in the preparation or reviewed or approved this Official Statement except the material under this heading and the section entitled "LITIGATION - The Authority." The distribution of this Official Statement has been duly approved and authorized by the Authority. Such approval and authorization does not, however, constitute a representation or approval by the Authority of the accuracy or sufficiency of any information contained herein except to the extent of the information contained under this heading and the section entitled "LITIGATION - The Authority."

THE BORROWER

The Borrower is a public utility corporation, organized under the laws of the State of New Hampshire for the purpose of engaging in business as a private water company and providing service in various municipalities in the State of New Hampshire. The Borrower's principal office is located at 25 Manchester Street, Merrimack, New Hampshire 03054. The Borrower's rates and charges and quality of service are subject to regulation by the New Hampshire PUC.

The Borrower is franchised by the New Hampshire PUC to distribute water in the City of Nashua, New Hampshire and in portions of the towns of Amherst, Bedford, Derry, Epping, Hollis, Merrimack, Milford, Newmarket, Plaistow and Salem, New Hampshire. Its transmission mains extend from Nashua into portions of the surrounding towns of Amherst, Merrimack and Milford. The Borrower also owns and operates three stand-alone water systems in Milford. Its franchises in the remaining towns consist of stand-alone satellite water systems. It has no competition in its core franchise area, other than from customers using their own wells. The Borrower serves approximately 28,750 customers and its 2019 revenues totaled approximately \$32.3 million. For the fiscal year ended December 31, 2019, approximately 19% of its water revenues were derived from commercial and industrial customers and approximately 72% from residential customers, with the balance being derived from fire protection and other billings to municipalities, principally the City of Nashua and the Towns of Amherst, Merrimack and Milford.

See APPENDIX A - "INFORMATION REGARDING PENNICHUCK WATER WORKS, INC." for more information about the Borrower.

The Borrower is a subsidiary of Pennichuck Corporation (the "Parent"), a holding company based in Merrimack, New Hampshire. The City of Nashua, New Hampshire, is the sole shareholder of the Parent, having acquired the Parent in January 2012. None of the Parent, the City of Nashua, or any of the Parent's other subsidiaries is obligated, directly or indirectly, to make any payments with respect to the Series 2020 Bonds.

PLAN OF FINANCING

At the request of the Borrower, the Authority will issue and sell to the Underwriter named herein, \$7,380,000 aggregate principal amount of the Series 2020 Bonds. Pursuant to the Agreement, on the date of issuance of the Series 2020 Bonds, the Authority will loan the proceeds of (a) the Series 2020A Bonds to the Borrower and proceeds in the amount of \$6,964,787.00 shall be deposited in the Project Fund and will be used to pay Project Costs or to reimburse the Borrower for previously incurred Project Costs, including certain costs of issuance allocable to the Series 2020A Bonds, and (b) the Series 2020B Bonds to the Borrower and proceeds in the amount of \$370,962.00 shall be deposited in the Project Fund to pay: (i) the costs of issuing the Series 2020B Bonds and the Series 2020A Bonds, if necessary; and (ii) reimbursement to the Borrower for Project Costs not otherwise eligible to be financed with the Series 2020A Bonds.

SOURCES AND USES OF FUNDS

The following is a summary of the estimated sources of funds and the uses of such funds:

Sources of Funds:

Principal Amount of the Series 2020A Bonds	\$7,000,000.00
Net Original Issue Premium	81,952.40
Principal Amount of the Series 2020B Bonds	<u>380,000.00</u>
Total Sources of Funds:	\$7,461,952.40

Uses of Funds:

Loan to Borrower for Project Costs (Series 2020A Bonds)	\$6,890,618.00
Loan to Borrower for Project Costs (Series 2020B Bonds)	264,231.00
Costs of Issuance Payable out of Bond Proceeds	180,900.00
Underwriter's Discount	67,600.80
Authority Fees	55,350.00
Additional Proceeds	<u>3,252.60</u>
Total Uses of Funds:	\$7,461,952.40

THE SERIES 2020 BONDS

Description of the Series 2020 Bonds

The Series 2020 Bonds will be dated their date of issuance and will bear interest from such date, payable on each October 1 and April 1, beginning October 1, 2020, at the rates set forth on the inside cover page hereof and will mature on April 1 of the indicated years and in the principal amounts set forth on the inside cover page hereof.

Subject to the provisions discussed under "THE SERIES 2020 BONDS – Book-Entry-Only System" below, the Series 2020 Bonds are issuable as fully-registered bonds without coupons in the minimum denomination of \$5,000 or integral multiples of \$5,000 in excess thereof. Principal or redemption premium, if any, of the Series 2020 Bonds will be payable at the principal corporate trust office of the Trustee, and interest on the Series 2020 Bonds will be paid by check or draft mailed to the registered owner as of the fifteenth day of the month preceding the month in which the interest is to be paid (the "Record Date"), or by wire transfer as provided in the Agreement.

Principal, Sinking Fund Installments, and Interest Requirements

The following table sets forth, for each respective year ending December 31, the amounts required to be made available by the Borrower in such year for payment of the principal of and sinking fund installments on the Series 2020 Bonds, interest on the Series 2020 Bonds in each such year and debt service obligations on the Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2014A (AMT) and Series 2014B (Federally Taxable), the Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2015A (AMT), the Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2015B (Non-AMT), the Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2018A (AMT), the Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2018B (Non-AMT), the Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2019A (AMT), the Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2019B (Non-AMT), the Borrower's \$8,000,000 7.4% Senior Notes Due March 1, 2021 (the "Corporate Bonds") and the State of New Hampshire Revolving Fund ("SRF") Notes, as well as the total debt service of such obligations of the Borrower.

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Annual Period Ending	Series 2020A Bonds			Series 2020B Bonds			Bonds		Corporate Bonds		SRF Debt		Total
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Total Debt Service	Total Debt Service	Total Debt Service	Total Debt Service	Total Debt Service		
December 31, 2020	-	\$118,222	\$118,222	-	\$ 8,423	\$ 8,423	\$ 5,631,898	\$ 592,400	\$ 1,340,620	\$ 7,691,563			
2021	-	280,000	280,000	\$125,000	16,669	141,669	5,582,906	2,488,800	1,343,495	9,836,870			
2022	-	280,000	280,000	130,000	9,975	139,975	5,588,098	-	1,329,909	7,337,982			
2023	\$ 15,000	279,700	294,700	125,000	3,281	128,281	5,592,221	-	1,328,082	7,343,284			
2024	145,000	276,500	421,500	-	-	-	5,575,530	-	1,331,865	7,328,895			
2025	155,000	270,500	425,500	-	-	-	5,592,408	-	1,335,691	7,353,599			
2026	160,000	264,200	424,200	-	-	-	5,587,233	-	1,339,528	7,350,961			
2027	165,000	257,700	422,700	-	-	-	5,589,991	-	1,343,406	7,356,097			
2028	170,000	251,000	421,000	-	-	-	5,580,433	-	1,347,314	7,348,747			
2029	180,000	244,000	424,000	-	-	-	5,582,743	-	1,294,375	7,301,118			
2030	185,000	236,700	421,700	-	-	-	5,586,156	-	1,127,709	7,135,565			
2031	195,000	229,100	424,100	-	-	-	5,585,731	-	1,107,463	7,117,294			
2032	200,000	221,200	421,200	-	-	-	5,391,125	-	992,514	6,804,839			
2033	210,000	213,000	423,000	-	-	-	5,393,456	-	921,564	6,738,020			
2034	220,000	204,400	424,400	-	-	-	5,393,931	-	924,177	6,742,508			
2035	230,000	195,400	425,400	-	-	-	5,384,038	-	926,857	6,736,295			
2036	235,000	186,100	421,100	-	-	-	5,383,644	-	849,078	6,653,822			
2037	245,000	176,500	421,500	-	-	-	2,740,228	-	555,800	3,717,528			
2038	255,000	166,500	421,500	-	-	-	2,750,472	-	460,231	3,632,203			
2039	265,000	156,100	421,100	-	-	-	2,742,993	-	460,231	3,624,324			
2040	280,000	145,200	425,200	-	-	-	2,737,647	-	460,231	3,623,078			
2041	290,000	133,800	423,800	-	-	-	2,743,181	-	460,231	3,627,212			
2042	300,000	122,000	422,000	-	-	-	2,739,785	-	460,231	3,622,016			
2043	315,000	109,700	424,700	-	-	-	2,747,241	-	460,231	3,632,172			
2044	325,000	96,900	421,900	-	-	-	2,735,378	-	460,231	3,617,509			
2045	340,000	83,600	423,600	-	-	-	2,743,978	-	460,231	3,627,809			
2046	355,000	69,700	424,700	-	-	-	1,264,537	-	460,231	2,149,468			
2047	370,000	55,200	425,200	-	-	-	818,662	-	460,231	1,704,093			
2048	380,000	40,200	420,200	-	-	-	821,197	-	460,231	1,241,397			
2049	400,000	24,600	424,600	-	-	-	484,797	-	-	909,397			
2050	415,000	8,300	423,300	-	-	-	-	-	-	423,300			
Total: ⁶	\$7,000,000	\$5,396,022	\$12,396,022	\$380,000	\$38,348	\$418,348	\$122,091,638	\$3,081,200	\$25,341,757	\$163,328,965			

⁶ Columns contain rounded amounts and may not sum to the stated totals.

Redemption of the Series 2020 Bonds

Mandatory Sinking Fund Redemption of the Series 2020 Bonds. The Series 2020 Bonds are subject to mandatory sinking fund redemption, without premium, plus accrued interest to their redemption dates on April 1 of each of the years and in the amounts as follows:

The Series 2020A Bonds maturing April 1, 2030 and April 1, 2050 (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 April 1 of each of the years and in the amounts as follows:

2030 Bond

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2023	\$ 15,000	2027	\$165,000
2024	145,000	2028	170,000
2025	155,000	2029	180,000
2026	160,000	2030	185,000*

* Final maturity

2050 Bond

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2031	\$195,000	2041	\$290,000
2032	200,000	2042	300,000
2033	210,000	2043	315,000
2034	220,000	2044	325,000
2035	230,000	2045	340,000
2036	235,000	2046	355,000
2037	245,000	2047	370,000
2038	255,000	2048	380,000
2039	265,000	2049	400,000
2040	280,000	2050	415,000*

* Final maturity

The Series 2020B Bonds maturing April 1, 2023 (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 April 1 of each of the years and in the amounts as follows:

2023 Bond

<u>Year</u>	<u>Principal Amount</u>
2021	\$125,000
2022	130,000
2023	125,000*

* Final maturity

The Borrower may purchase Series 2020 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.

Special Redemption of the Series 2020 Bonds. The Series 2020 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 Series 2020 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 Series 2020 Bonds. The Series 2020 Bonds are subject to redemption pursuant to the Agreement 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 2020 Bonds Outstanding of any maturity shall be called for redemption, the Series 2020 Bonds to be so redeemed shall be selected, subject to the Agreement, by the Trustee by lot (or pro rata in the case of the Series 2020B Bonds) 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 Series 2020 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 Series 2020 Bonds for redemption. Any special redemption of Series 2020 Bonds shall be at a price of par.

Optional Redemption of the Series 2020A Bonds. The Series 2020A Bonds (except such Series 2020A Bonds maturing on or before April 1, 2030, which are not subject to redemption prior to maturity unless redeemed pursuant to the special redemption provisions described above) are redeemable prior to maturity beginning April 1, 2030, at the option of the Borrower by the written direction of the Borrower to the Authority and the Trustee. Such redemption shall be in 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 2020A Bonds Outstanding of any maturity shall be called for redemption, the Bonds to be so redeemed shall be selected, subject to the Agreement, 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.

No Optional Redemption of the Series 2020B Bonds. The Series 2020B Bonds are not subject to optional redemption.

Selection of the Series 2020 Bonds for Redemption. If less than all of the Series 2020 Bonds of a series and maturity are to be redeemed, the portion of the Series 2020 Bonds to be redeemed shall be selected by the Trustee by lot (or pro rata in the case of the Series 2020B Bonds) or in any customary manner of selection as determined by the Trustee; provided, however, that so long as DTC (as hereinafter defined) or its nominee is the Bondowner, the particular Series 2020 Bonds or portions of the Series 2020 Bonds of such series and maturity to be redeemed shall be selected by DTC in such manner as DTC may determine. If a Series 2020 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.

Acceleration. The Trustee may, upon the occurrence of an Event of Default, as defined in the Agreement, by written notice to the Borrower and the Authority, declare immediately due and payable the principal amount of the Outstanding Series 2020 Bonds and the payments to be made by the Borrower therefor, and accrued interest on the foregoing, whereupon the same shall become immediately due and

payable without any further action or notice. Any acceleration of Series 2020 Bonds shall be at a price of par.

See APPENDIX C - "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AND TRUST AGREEMENT."

Notice of Redemption. The Trustee shall give notice of redemption to the Bondowners not less than thirty (30) days nor more than forty-five (45) (sixty (60) in the case of the Series 2020B Bonds) days prior to the date fixed for redemption. 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 Series 2020 Bond. So long as DTC or its nominee is the Bondowner, the Authority and the Trustee will recognize DTC or its nominee as the Bondowner for all purposes, including notices and voting. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (as hereinafter defined), having received notice from a DTC Participant (as hereinafter defined) or otherwise, to notify the Beneficial Owner so affected shall not affect the validity of the redemption. The proposed redemption is conditioned upon there being on deposit in the Bond Fund on the redemption date sufficient money to pay the full redemption price of Series 2020 Bonds to be redeemed.

Effect of Redemption. On the redemption date, the redemption price of each Series 2020 Bond to be redeemed will become due and payable, subject to any conditionality; and from and after such date, notice having been properly given and amounts having been made available and set aside from such redemption in accordance with the provisions of the Agreement, notwithstanding that any Series 2020 Bonds called for redemption have not been surrendered, no further interest will accrue on any Series 2020 Bonds called for redemption.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2020 Bond certificate will be issued for each maturity of each series of the Series 2020 Bonds, each in the aggregate principal amount of such maturity and series, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with Direct Participants, "DTC Participants"). DTC has a Standard & Poor's rating of "AA+⁺". The DTC Rules applicable to its

Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series 2020 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Underwriter, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2020 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2020 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Each person for whom a Direct or Indirect Participant acquires an interest in the Series 2020 Bonds, as nominee, may desire to make arrangements with such Direct or Indirect Participant to receive a credit balance in the records of such Direct or Indirect Participant, and may desire to make arrangements with such Direct or Indirect Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Direct or Indirect Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2020 BONDS.

So long as Cede & Co. is the registered owner of the Series 2020 Bonds, as nominee for DTC, references herein to the Bondowners or registered owners of the Series 2020 Bonds (other than under the caption "TAX MATTERS" herein) means Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2020 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2020 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

NONE OF THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2020 BONDS UNDER THE AGREEMENT; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2020 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2020 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2020 BONDS; OR (VI) ANY OTHER MATTER.

No Responsibility of the Authority, the Borrower and the Trustee

NONE OF THE AUTHORITY, THE BORROWER OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2020 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE SERIES 2020 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2020 BONDS.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Authority and the Trustee. In addition, the Authority may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. If for either reason the Book-Entry Only system is discontinued, the Series 2020 Bond certificates will be delivered as described in the Agreement and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, the Series 2020 Bonds may be exchanged for an equal aggregate principal amount Series 2020 Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Series 2020 Bond may be registered on the books maintained by the Trustee for such purpose only upon the assignment in the form satisfactory to the Trustee. For every exchange or registration of transfer of Series 2020 Bonds, the Authority and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such change or registration of transfer, but no other charge may be made to the Bondowner for any exchange or registration of transfer of the Series 2020 Bonds. The Trustee will not be required to transfer or exchange any Series 2020 Bond during the notice period preceding any redemption if such Series 2020 Bond (or any part thereof), is eligible to be selected or has been selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS

Special, Limited Obligations

The Series 2020 Bonds will be payable solely from revenues received by the Trustee under the Agreement in repayment of the loans made by the Authority to the Borrower. The obligation of the Borrower to make payments under the Agreement is absolute and unconditional. The rights of the Authority under the Agreement (except certain rights to payment of expenses and to indemnification and to certain reserved rights) will be assigned and pledged by the Authority to the Trustee to secure the Series 2020 Bonds. The Series 2020 Bonds are unsecured. There is no security interest in, or pledge of, the Borrower's revenues in support of the Series 2020 Bonds. The facilities constituting the Project are not mortgaged, pledged or otherwise encumbered as security for the Series 2020 Bonds.

In addition, the Series 2020 Bonds are unsecured obligations of the Borrower payable on a parity with the Borrower's unsecured obligations under certain other bond issues on its behalf by the Authority, specifically: (a) \$37,830,000* of Series 2014A (AMT) Bonds dated December 15, 2014; (b) \$4,930,000* of Series 2014B (Federally Taxable) Bonds dated December 15, 2014; (c) \$18,925,000* of Series 2015A (AMT) Bonds dated October 27, 2015; (d) \$1,735,000* of Series 2015B (Non-AMT) Bonds dated October 27, 2015; (e) \$4,460,000* of Series 2018A (AMT) Bonds dated April 4, 2018; (f) \$1,075,000* of

* Total balance outstanding as of March 1, 2020.

Series 2018B (Federally Taxable) Bonds dated April 4, 2018; (g) \$8,080,000* of Series 2019A (AMT) Bonds dated April 4, 2019; (h) \$170,000* of Series 2019B (Federally Taxable) Bonds dated April 4, 2019; and (i) any other unsecured, non-subordinated indebtedness of the Borrower. In addition, the Series 2020 Bonds are payable on a parity with the Borrower's unsecured obligation to repay a loan in the amount of \$2,400,000 made to Borrower by American United Life Insurance Company on March 1, 1996. The Borrower's obligation to the Parent with respect to the Parent's obligation to the City of Nashua (referred to as the City Bond Fixed Revenue Requirement ("CBFRR")) is subordinate in payment to the Series 2020 Bonds and the other unsecured obligations of the Borrower referred to herein. The original principal amount of the CBFRR was \$145,570,000, which was modified to \$150,570,000 in the Borrower's most recent rate case with the New Hampshire PUC, and is inclusive of the funding for the rate stabilization funds of the Borrower and its sister regulated subsidiaries. The purpose of the CBFRR is to reimburse the City for certain of its acquisition costs. The Parent's payments under the CBFRR obligation come from payments made by the Borrower and the two other regulated subsidiaries. The Borrower's share of the monthly payments is approximately \$644,000 per month.

The Authority has no obligation, directly or indirectly, to pay principal of, premium, if any, and interest on the Series 2020 Bonds, or expenses of operation, maintenance and upkeep of the Project, except from Series 2020 Bond proceeds or from funds received under the Agreement, exclusive of funds received under the Agreement by the Authority for its own use. The 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. No Series 2020 Bond shall constitute an indebtedness of the State or the Authority except to the extent permitted by the Act. Nothing contained in the Agreement 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: (a) from moneys received or to be received under the provisions in the Agreement or derived from the exercise of the Authority's rights under the Agreement, other than moneys received for its own purposes; or (b) as may be required by law other than the provisions of the Act. Nothing contained in the Agreement shall be construed to require or authorize the Authority to operate the Project itself or to conduct any business enterprise in connection therewith.

Additional Borrowings

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 Series 2020 Bonds as to claims for the payment of principal and interest thereunder (these limitations 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 will terminate upon the securing of the Series 2020 Bonds with first mortgage bonds pursuant to the Agreement, if issued); 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. For a further description of this covenant and other covenants, see APPENDIX C – "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AND TRUST AGREEMENT."

The Borrower will ensure that the Series 2020 Bonds shall be ranked equally with other Funded Debt. Subject to certain provisions of the Agreement, no Funded Debt which is senior to the Series 2020 Bonds shall be issued as long as the Series 2020 Bonds are outstanding.

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 New Hampshire PUC that will result, if approved by the New Hampshire PUC, 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 New Hampshire PUC pursuant to the Agreement 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 New Hampshire PUC 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 New Hampshire PUC pursuant to the Agreement if Borrower receives an order from the New Hampshire PUC 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 the Agreement relating to the Rate Covenant, all obligations of Borrower under the provision of the Agreement relating to the Rate Covenant 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 New Hampshire PUC, 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 New Hampshire PUC. For a further description of this covenant and other covenants, see APPENDIX C – "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AND TRUST AGREEMENT."

BONDOWNERS' RISKS

The following is a discussion of certain risks that could affect payments to be made by the Borrower with respect to the Series 2020 Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2020 Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein and in APPENDIX C.

General – Limited Obligations/No Security/Additional Indebtedness

The Series 2020 Bonds are limited obligations of the Authority. The Series 2020 Bonds are payable by the Authority solely from payments to be made by the Borrower pursuant to the Agreement. No representation or assurance can be given that the Borrower will realize revenues in amounts sufficient to make such payments under the Agreement. The realization of future revenues is dependent upon, among other things, government regulations, the capabilities of the management of the Borrower and future changes in economic and other conditions that are unpredictable and cannot be determined at this time. The Borrower also has payment obligations on certain other bonds issued on its behalf by the Authority. As indicated above, there is no security being provided by the Borrower for repayment of the Series 2020 Bonds. The risk factors discussed and referred to below should be considered in evaluating the ability of the Borrower to make such payments.

Factors Affecting the Business Operations of the Borrower

For factors or events that could adversely affect the Borrower's operations and financial performance see "Additional Factors Affecting the Business Operations of the Borrower" in APPENDIX A attached hereto.

Tax-Exempt Status of the Series 2020A Bonds

The failure by the Borrower to comply with certain legal requirements could cause the inclusion of interest on the Series 2020A Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020A Bonds. See "TAX MATTERS." In such event, the Series 2020A Bonds may be redeemed in whole or in part without premium under the circumstances described herein under the caption "THE SERIES 2020 BONDS – Redemption of the Series 2020 Bonds." The Agreement does not provide for the payment of any additional interest or penalty in the event that the interest on the Series 2020A Bonds becomes includable in gross income for federal income tax purposes.

Factors Relating to Security for the Series 2020 Bonds

Enforcement of the remedies under the Agreement may be limited or restricted by federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors and by application of general principles of equity affecting the enforcement of creditors' rights and liens securing such rights, and by the exercise of judicial authority by state or federal courts, and may be subject to delay in the event of litigation or statutory remedy procedures. The various legal opinions to be delivered concurrently with the delivery of the Series 2020 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors.

Bond Audits

Officials of the Internal Revenue Service (the "IRS") have indicated that more resources will be invested in audits of tax-exempt bonds. The Series 2020 Bonds may be, from time to time, subject to audits by the IRS. In connection with the issuance of Series 2020 Bonds, Bond Counsel is rendering its opinion with respect to the tax-exempt status of interest on the Series 2020 Bonds, as described under the heading "TAX MATTERS" below. Such opinion speaks only as of its date and Bond Counsel has no obligation to monitor compliance following the issuance of the Series 2020 Bonds. The Borrower has agreed to comply with all requirements set forth in a tax agreement. No ruling with respect to the tax-exempt status of interest on the Series 2020 Bonds has been or will be sought from the IRS, and opinions of counsel are not binding on the IRS or the courts and are not guarantees. There can be no assurance that

an audit of the Series 2020 Bonds will not adversely affect the tax-exempt status of interest on the Series 2020 Bonds.

Infectious Disease Outbreak

Beginning in December 2019, the global outbreak of a respiratory illness due to a novel coronavirus (known as COVID-19) has since been declared a pandemic by the World Health Organization. In response to this pandemic, the President of the United States has declared a National Emergency under the Federal Stafford Act and the Governor of New Hampshire has declared a State of Emergency as of March 13, 2020 pursuant to the New Hampshire Constitution and New Hampshire RSA 4:45. Financial markets in the United States and globally have recently seen declines attributed to the COVID-19 disease. The continued spread of COVID-19 or any other similar outbreaks in the future may materially adversely impact such financial markets and national, state, and local economies and, accordingly, may have a material adverse impact on the Borrower's financial performance. While the potential impact on the Borrower cannot be predicted at this time, the sustained continued spread of the outbreak could have a negative effect on the Borrower's financial operations and balance sheet and therefore could impact its ability to pay debt service as required under the Agreement. See Appendix A – "ADDITIONAL FACTORS AFFECTING THE BUSINESS OPERATIONS OF THE BORROWER – COVID-19."

LITIGATION

The Authority

To the knowledge of the Authority there is no legal action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which the Authority has been served with process or official notice or threatened against or affecting the Authority or any reasonable basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Official Statement or the validity of the Series 2020 Bonds, the Agreement or any agreement or instrument to which the Authority is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement.

The Borrower

No litigation, proceedings or investigations are pending or, to the knowledge of the Borrower, threatened against the Borrower or its officers or property except litigation, proceedings or investigations being defended by or on behalf of the Borrower in which the probable ultimate recoveries and the estimated costs and expenses of defense, in the opinion of management of the Borrower, will be entirely within the Borrower's applicable self-insurance and insurance policy limits (including primary and excess insurance policies and subject to applicable deductibles and self-insured retentions), or will not have a material adverse effect on the operations or condition, financial or otherwise, of the Borrower. No litigation, investigations or proceedings are now pending or, to the Borrower's knowledge, threatened against the Borrower, which would in any manner challenge the enforceability of the Series 2020 Bonds, the Agreement or any agreement or instrument to which the Borrower is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement, or the corporate existence or powers of the Borrower to enter into and carry out the transactions described in or contemplated by, or the execution, delivery, validity or performance by the Borrower of, the Agreement.

UNDERWRITING

B.C. Ziegler and Company (the "Underwriter"), has entered into a Bond Purchase Agreement dated the date hereof relating to the offering and sale of the Series 2020 Bonds. In the Bond Purchase Agreement, the Authority agrees to sell to the Underwriter, and the Underwriter has agreed to purchase

from the Authority, the Series 2020 Bonds. The Underwriter will be paid an underwriting fee of \$67,600.80. Those obligations are also subject to various conditions in the Bond Purchase Agreement being satisfied. The Underwriter has agreed to purchase all of the Series 2020 Bonds if any of the Series 2020 Bonds are purchased. In the Bond Purchase Agreement, the Borrower will agree to indemnify the Underwriter and the Authority against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Underwriter or the Authority may be required to make in respect of those liabilities, and the Underwriter has agreed to indemnify the Borrower against a certain liability.

TAX MATTERS

In the opinion of Hinckley, Allen & Snyder LLP, Bond Counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to the status of interest on any such Series 2020A Bond for any period that such Series 2020A Bond is held by a “substantial user” of the facilities financed or refinanced by such Series 2020A Bonds or by a “related person” within the meaning of Section 147(a) of the Code. Bond Counsel is of the further opinion that interest on the Series 2020A Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2020A Bonds. The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2020A Bonds. Failure to comply with these requirements may result in interest on the Series 2020A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2020A Bonds. The Authority and the Borrower have covenanted to comply with such requirements to ensure that interest on the Series 2020A Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Interest on the Series 2020B Bonds is included in gross income for federal income tax purposes.

Bond Counsel is also of the opinion that, under existing statutes, the interest on the Series 2020 Bonds is exempt from the New Hampshire personal income tax on interest and dividends. Bond Counsel expresses no opinion regarding any other New Hampshire tax consequences arising with respect to the Series 2020 Bonds. Bond Counsel has not opined as to the taxability of the Series 2020 Bonds or the income therefrom under the laws of any state other than New Hampshire.

To the extent the issue price of any maturity of the Series 2020A Bonds is less than the amount to be paid at maturity of such Series 2020A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2020A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2020A Bonds which is excluded from gross income for federal income tax purposes. For this purpose, in general, the issue price of a particular maturity of the Series 2020A Bonds may be established by reference to the first price at which a substantial amount of such maturity of the Series 2020A Bonds is sold to the public. The original issue discount with respect to any maturity of the Series 2020A Bonds accrues daily over the term to maturity of such Series 2020A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2020A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2020A Bonds. Bondowners should consult their own tax advisors with respect to the tax consequences of ownership of Series 2020A Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2020A Bonds in the original offering to the public at the issue price established therefor.

Series 2020A Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Series 2020A Bonds, or, in some cases, at the earlier redemption date of such Series 2020A Bonds (“Premium Series 2020A Bonds”), will be treated as having amortizable bond premium for federal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Series 2020A Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondowner’s basis in a Premium Series 2020A Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondowner. Holders of Premium Series 2020A Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective owners of the Series 2020A Bonds should be aware that certain requirements and procedures contained or referred to in the Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2020A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2020A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2020A Bonds.

On December 22, 2017, H.R. 1 (Public Law 115-97), commonly referred to as the Tax Cuts and Jobs Act (the “2017 Tax Act”), was enacted into law. The 2017 Tax Act does not adversely affect the exclusion from gross income of interest on the Series 2020A Bonds. The 2017 Tax Act, however, contains provisions lowering the income tax rates applicable to many corporations and individuals and repealing the alternative minimum tax on corporations for their taxable years beginning before January 1, 2018.

Prospective owners of the Series 2020A Bonds should be aware that from time to time legislation, apart from the 2017 Tax Act, is or may be proposed which, if enacted into law, could result in interest on the Series 2020A Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent such Bondowners from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Series 2020A Bonds from gross income. To date, no such other legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Series 2020A Bonds. Prospective owners of the Series 2020A Bonds are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2020A Bonds may otherwise affect a Series 2020A Bondowner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Series 2020A Bondowner or the Series 2020A Bondowner’s other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Series 2020A Bondowners should consult with their own tax advisors with respect to such consequences.

Certain Additional United States Federal Income Tax Considerations Relating to the Series 2020B Bonds

The following discussion summarizes certain U.S. federal tax considerations generally applicable to beneficial owners of the Series 2020B Bonds that acquire their Series 2020B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and

available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service (“IRS”) with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not address all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to investors who may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors who hold their Series 2020B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, the following discussion does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a beneficial owner of Series 2020B Bonds. In addition, this summary generally is limited to investors who become beneficial owners of Series 2020B Bonds pursuant to the initial offering for the issue price that is applicable to such Series 2020B Bonds (i.e., the price at which a substantial amount of such Series 2020B Bonds is first sold to the public) and who will hold their Series 2020B Bonds as “capital assets” within the meaning of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Series 2020B Bond who for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust with respect to which a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Series 2020B Bond (other than a partnership) who is not a U.S. Holder. If an entity classified as a partnership for U.S. federal income tax purposes is a beneficial owner of Series 2020B Bonds, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partners in such partnerships should consult their own tax advisors regarding the tax consequences of an investment in the Series 2020B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest. Stated interest on the Series 2020B Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

“Original issue discount” will arise for U.S. federal income tax purposes in respect of any Series 2020B Bond if its stated redemption price at maturity exceeds its issue price by more than a de minimis amount (as determined for tax purposes). For any Series 2020B Bonds issued with original issue discount, the excess of the stated redemption price at maturity of that Series 2020B Bond over its issue price will constitute original issue discount for U.S. federal income tax purposes. The stated redemption price at maturity of a Series 2020B Bond is the sum of all scheduled amounts payable on such Series 2020B Bond other than qualified stated interest. U.S. Holders of Series 2020B Bonds generally will be required to include any original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders of Series 2020B Bonds issued with original issue discount generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

“Premium” generally will arise for U.S. federal income tax purposes in respect of any Series 2020B Bond to the extent its issue price exceeds its stated principal amount. A U.S. Holder of a Series

2020B Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2020B Bond.

Disposition of the Series 2020B Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition of a Series 2020B Bond will be a taxable event for U.S. federal income tax purposes. In such event, a U.S. Holder of a Series 2020B Bond generally will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2020B Bond which will be taxed in the manner described above under “Interest”) and (ii) the U.S. Holder’s adjusted tax basis in the Series 2020B Bond (generally, the purchase price paid by the U.S. Holder for the Series 2020B Bond, increased by the amount of any original issue discount previously included in income by such U.S. Holder with respect to such Series 2020B Bond and decreased by any payments previously made on such Series 2020B Bond, other than payments of qualified stated interest, or decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. Defeasance or material modification of the terms of any Series 2020B Bond may result in a deemed reissuance thereof, in which event a beneficial owner of the defeased Series 2020B Bonds generally will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the beneficial owner’s adjusted tax basis in the Series 2020B Bond.

In the case of a non-corporate U.S. Holder of the Series 2020B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will generally be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder’s holding period for the Series 2020B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Medicare Tax on Unearned Income. The Health Care and Education Reconciliation Act of 2010 (P.L. 111- 152) requires certain U.S. Holders that are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, interest and gains from the sale or other disposition of the Series 2020B Bonds for taxable years beginning after December 31, 2012. U.S. Holders that are individuals, estates or trusts should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Series 2020B Bonds.

Non-U.S. Holders

The following discussion applies only to non-U.S. Holders. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to non-U.S. Holders in light of their particular circumstances. For example, special rules may apply to a non-U.S. Holder that is a “controlled foreign corporation” or a “passive foreign investment company,” and, accordingly, non-U.S. Holders should consult their own tax advisors to determine the United States federal, state, local and other tax consequences of holding the Series 2020B Bonds that may be relevant to them.

Interest. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” payments of principal of, and interest on, any Series 2020B Bond to a Non-U.S. Holder, other than a bank that acquires such Series 2020B Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, generally will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series 2020B Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

Disposition of the Series 2020B Bonds. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” any gain realized by a Non-U.S. Holder upon the sale,

exchange, redemption, retirement, reissuance or other disposition of a Series 2020B Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement, reissuance or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2020B Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Series 2020B Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding — U.S. Holders and non-U.S. Holders

Interest on, and proceeds received from the sale of, a Series 2020B Bond generally will be reported to U.S. Holders, other than certain exempt recipients, such as corporations, on IRS Form 1099. In addition, a backup withholding tax may apply to payments with respect to the Series 2020B Bonds if the U.S. Holder fails to furnish the payor with a correct taxpayer identification number or other required certification or fails to report interest or dividends required to be shown on the U.S. Holder's federal income tax returns.

In general, a non-U.S. Holder will not be subject to backup withholding with respect to interest payments on the Series 2020B Bonds if such non-U.S. Holder has certified to the payor under penalties of perjury (i) the name and address of such non-U.S. Holder and (ii) that such non-U.S. Holder is not a United States person, or, in the case of an individual, that such non-U.S. Holder is neither a citizen nor a resident of the United States, and the payor does not know or have reason to know that such certifications are false. However, information reporting on IRS Form 1042S may still apply to interest payments on the Series 2020B Bonds made to non-U.S. Holders not subject to backup withholding. In addition, a non-U.S. Holder will not be subject to backup withholding with respect to the proceeds of the sale of a Series 2020B Bond made within the United States or conducted through certain U.S. financial intermediaries if the payor receives the certifications described above and the payor does not know or have reason to know that such certifications are false, or if the non-U.S. Holder otherwise establishes an exemption. Non-U.S. Holders should consult their own tax advisors regarding the application of information reporting and backup withholding in their particular circumstances, the availability of exemptions and the procedure for obtaining such exemptions, if available.

Backup withholding is not an additional tax, and amounts withheld as backup withholding are allowed as a refund or credit against a holder's federal income tax liability, provided that the required information as to withholding is furnished to the IRS.

THE FOREGOING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR BENEFICIAL OWNER OF SERIES 2020B BONDS IN LIGHT OF THE BENEFICIAL OWNER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO ANY TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF SERIES 2020B BONDS, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

Attached to this Official Statement as APPENDIX D and made a part hereof is the form of approving opinion of Bond Counsel for the Series 2020 Bonds.

LEGALITY OF THE BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that bonds of the Authority are securities in which all public officers and public bodies of the State and its political subdivisions, all insurance companies, trust companies, banking associations, credit unions, building and loan associations, investment companies, executors, administrators, trustees and other fiduciaries, pension, profit-sharing and retirement funds may properly invest funds, including capital in their control or belonging to them. The Act further provides that bonds of the Authority are securities which may properly be deposited with and received by any State or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

Notwithstanding the foregoing provisions of the Act, other provisions of New Hampshire law limit permissible investments by certain investors, including some or all of the persons, organizations and entities listed in the preceding paragraph, to eligible investments for savings banks. New Hampshire statutes currently provide that bonds of the Authority rated in the four highest rating categories by a nationally recognized bond rating service are eligible investments for New Hampshire savings banks.

STATE OF NEW HAMPSHIRE NOT LIABLE ON BONDS

The Series 2020 Bonds do not constitute any debt or liability of, or a pledge of the faith and credit of the Authority, the State of New Hampshire, its political subdivisions or any municipality; the principal of, premium, if any, and interest on the Series 2020 Bonds are payable solely from the funds and revenues pledged for their payment in accordance with the Agreement. Nothing herein, in the Agreement or in the Series 2020 Bonds shall directly, indirectly or contingently obligate the Authority, the State of New Hampshire, its political subdivisions or any municipality to levy or pledge any form of taxation or to make any appropriation for the payment of the Series 2020 Bonds.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Series 2020 Bonds by the Authority are subject to the unqualified approving opinion of Hinckley, Allen & Snyder LLP, Boston, Massachusetts, Bond Counsel to the Authority, substantially in the form attached hereto as APPENDIX D. Certain legal matters will be passed upon for the Borrower by Rath, Young and Pignatelli, P.C., Concord, New Hampshire; and for the Underwriter by Harrington & Vitale, Ltd., Providence, Rhode Island.

CONTINUING DISCLOSURE

No financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2020 Bonds and the Authority will not provide any such information. The Borrower has undertaken all responsibilities for any continuing disclosure to Bondowners as described below, and the Authority shall have no liability to the Bondowners or any other person with respect to such disclosures.

The Borrower and The Bank of New York Mellon Trust Company, N.A., as dissemination agent (the "Dissemination Agent"), are entering into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondowners and in order to assist the Underwriter in complying with Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The Borrower has covenanted for the benefit of Bondowners to provide certain financial information and operating data relating to the Borrower and the Parent by not later than one hundred eighty (180) days following the end of the Borrower's fiscal year beginning with the fiscal year ending December 31, 2020 (the "Annual Report"), to provide certain annual operating data relating to the

Borrower and to provide notices of the occurrence of certain enumerated events, in accordance with the requirements of the Rule. The Annual Report and notices of material events, if any, will be filed on behalf of the Borrower with the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of certain enumerated events is set forth in Appendix E – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

In connection with the issuance of bonds on its behalf by the Authority in April 1997 (the "1997 Bonds"), January 2005 (the "January 2005 Bonds") and October 2005 (the "October 2005 Bonds" and, together with the 1997 Bonds and the January 2005 Bonds, the "Refunded Bonds"), the Borrower covenanted for the benefit of the owners of the Refunded Bonds to provide certain financial and other information. Prior to the refinancing of the Refunded Bonds with a portion of the bonds issued by the Authority on behalf of the Borrower in December 2014 (the "2014 Bonds") and October 2015 (together with the 2014 Bonds, the "Existing Bonds"), the Borrower had not fully complied with its disclosure obligations under its continuing disclosure agreements with respect to the Refunded Bonds.

Under the continuing disclosure agreements entered into by the Borrower with respect to the January 2005 Bonds and the October 2005 Bonds, the Borrower was required to disclose annually certain information regarding the regulation of its rates by the New Hampshire Public Utilities Commission and Federal and New Hampshire Regulation of the Borrower relating to environmental protection and public health and safety. Prior to the acquisition of the Parent by the City of Nashua in 2012, the Borrower had satisfied these disclosure obligations by providing the Trustee, in its role as dissemination agent, with copies of the annual reports of the Parent that had been filed by the Parent with the Securities and Exchange Commission. After the Parent ceased being a publicly traded company in January 2012, these annual reports were not prepared or provided to the Dissemination Agent, and the required disclosures regarding rate and environmental regulation of the Borrower were not made. The Borrower subsequently provided the required disclosures to the Dissemination Agent for each of the years 2013-2014. Under the continuing disclosure agreements entered into by the Borrower with respect to the Existing Bonds, the Borrower is not required to make any disclosures regarding rate and environmental regulation of the Borrower.

Under the continuing disclosure agreements entered into by the Borrower with respect to the Refunded Bonds, the Borrower was required to disclose changes in the ratings of the Refunded Bonds. The Borrower failed to disclose timely changes in the ratings of the Refunded Bonds that occurred in December 2013 with respect to the upgrading of the Borrower's underlying rating. The Borrower subsequently provided the required disclosures to the Dissemination Agent.

The Borrower may also be considered to have filed certain of its annual reports late. Under the continuing disclosure agreement for the 1997 Bonds, the Borrower was required to provide its annual report for each year to the Dissemination Agent by June 1 of the following year. In all years, the Borrower provided its annual reports to the Dissemination Agent before the applicable deadline, but in 2014, the Borrower's annual report was not provided by the Dissemination Agent to the MSRB by the applicable deadline.

Other than with respect to the required regulatory disclosures in 2013-2014, with respect to the disclosures with respect to ratings changes in 2013 and, potentially, the timeliness of filing of the Borrower's annual report in 2014, the Borrower has complied in all material respects with its disclosure obligations with respect to the Refunded Bonds. The Borrower determined in 2014 that it was not required to self-report under the Municipalities Continuing Disclosure Cooperation Initiative that was announced by the Division of Enforcement of the Securities and Exchange Commission on March 10, 2014.

In connection with the issuance of the Existing Bonds, the Borrower covenanted for the benefit of the owners of the Existing Bonds to provide certain financial and other information. The Borrower has complied in all material respects with its disclosure obligations with respect to the Existing Bonds.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC Business ("S&P") has assigned the Series 2020 Bonds a rating of "A" with a negative outlook. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained only from S&P. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency issuing the same if, in its judgment, circumstances so warrant. Any such change or withdrawal of such rating could have an adverse effect on the market price of the Series 2020 Bonds. None of the Underwriter, the Borrower, or the Authority has undertaken any responsibility, after the issuance of the Bonds, to oppose any such change or withdrawal.

MISCELLANEOUS

The references herein to the Act, the Agreement and the Continuing Disclosure Agreement are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act, the Agreement and the Continuing Disclosure Agreement. Copies of such documents are on file at the offices of the Underwriter and following delivery of the Series 2020 Bonds will be on file at the office of the Trustee.

The Cover Page hereof and the Appendices hereto are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Borrower has supplied and reviewed the information contained herein which relates to its property and operations and has approved all such information for use within this Official Statement.

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed. To the extent that any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The agreement of the Authority and the Borrower with the holders of the Series 2020 Bonds is fully set forth in the Agreement, and neither any advertisement of the Series 2020 Bonds nor this Official Statement, is to be construed as constituting an agreement with the purchasers of the Series 2020 Bonds.

The attached Appendices A through E are integral parts of this Official Statement and should be read in their entirety together with all foregoing statements.

APPENDIX A – "INFORMATION REGARDING PENNICHUCK WATER WORKS, INC.", APPENDIX B-1 – "AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF PENNICHUCK CORPORATION FOR THE FISCAL YEARS ENDING DECEMBER 31, 2019 and DECEMBER 31, 2018" and APPENDIX B-2 – "UNAUDITED FINANCIAL STATEMENTS OF PENNICHUCK WATER WORKS, INC. FOR THE FISCAL YEARS ENDING DECEMBER 31, 2019 AND DECEMBER 31, 2018" have been supplied by the Borrower.

APPENDIX C – "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AND TRUST AGREEMENT" and APPENDIX D – "FORM OF OPINION OF BOND COUNSEL" have been provided by Hinckley, Allen & Snyder LLP, Bond Counsel.

APPENDIX E – “FORM OF CONTINUING DISCLOSURE AGREEMENT” has been provided by Harrington & Vitale, Ltd., counsel to the Underwriter.

All appendices are incorporated as an integral part of this Official Statement.

The Authority has consented to the use of this Official Statement. The contents of this Official Statement are the responsibility of the Borrower, except that the Authority is responsible for statements under the heading “THE AUTHORITY” herein and information relating to the Authority under the heading “LITIGATION – the Authority.” The Authority makes no representations with respect to nor warrants the accuracy of any other information. The Borrower has agreed to indemnify the Authority against certain liabilities relating to this Official Statement.

THE SERIES 2020 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY OR OF THE STATE OF NEW HAMPSHIRE OR ANY POLITICAL SUBDIVISION THEREOF EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. NO PUBLIC FUNDS MAY BE USED TO PAY PRINCIPAL, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2020 BONDS, WHICH SHALL BE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER THE AGREEMENT. THE AUTHORITY HAS NO TAXING POWER.

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APPENDIX A
INFORMATION REGARDING PENNICHUCK WATER WORKS, INC.

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APPENDIX A

INFORMATION REGARDING PENNICHUCK WATER WORKS, INC.

The information contained in this Appendix A to the Official Statement relates to and has been obtained from Pennichuck Water Works, Inc. (the “Borrower” or “PWW”). The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of the Borrower since the date thereof, or that the information contained in this Appendix A is correct as of any subsequent time. Any terms used in this Appendix A which are not defined herein are defined in the Loan and Trust Agreement relating to the Series 2020 Bonds.

General Description of the Borrower

Overview. The Borrower is a utility corporation organized under the laws of the State of New Hampshire for the purpose of engaging in business as a private water company by collecting, storing, treating and distributing potable water for domestic, industrial, commercial and fire protection service in various municipalities in New Hampshire. The Borrower is headquartered in Merrimack, New Hampshire, which is located approximately 45 miles north of Boston, Massachusetts.

The Borrower is a wholly-owned subsidiary of Pennichuck Corporation (the “Parent” or the “Corporation”), which has four other wholly-owned subsidiaries. The Parent’s income is derived from the income of these subsidiaries. Two of these subsidiaries, Pennichuck East Utility, Inc. (“Pennichuck East” or “PEU”) and Pittsfield Aqueduct Company, Inc. (“Pittsfield” or “PAC”), also engage in the collection, storage, treatment and distribution of potable water for domestic, industrial, commercial and fire protection service. Pennichuck Water Service Corporation (“Service Corporation”) provides various non-regulated water-related monitoring, maintenance, testing, compliance reporting, billing and customer services for water systems in various towns, businesses and residential communities in and around southern and central New Hampshire and northern Massachusetts. Its most significant contracts are with the Town of Salisbury, Massachusetts and the towns of Penacook and Boscawen, New Hampshire. The Southwood Corporation (“Southwood”) is a real estate holding company, that has historically owned a portion of the Corporation’s land holdings in Merrimack, New Hampshire. As of the end of 2019, all of the land holdings of Southwood have been transferred to ownership by Pennichuck Corporation. Southwood remains as a corporate shell, providing for future needs, if any should occur.

The Borrower is subject to certain organizational arrangements and contractual agreements that could influence its liquidity. The Borrower’s dividends to the Parent have historically been the source of a substantial majority of the Parent’s revenue and cash flow, but the Borrower may not pay dividends if the payment would cause its net worth to be less than \$4.5 million. Under the Loan and Trust Agreement relating to the Series 2020 Bonds (“Trust Agreement”), the Borrower is subject to a Rate Covenant should the Net Revenues of the Borrower during any fiscal year be less than 1.1 times the total amounts paid on Funded Debt, during that same fiscal year. Net Revenues are defined as earnings before interest, taxes, depreciation and amortization (“EBITDA”). Under the Rate Covenant, as set forth in Section 503 of the Trust Agreement, the Borrower is obligated to use its best efforts to initiate a rate-making proceeding with the New Hampshire Public Utilities Commission (“NHPUC”) if it is in violation of this covenant for any fiscal year.

The Borrower is also a party to a money pooling arrangement among the Parent and all five subsidiaries that allows all of the subsidiaries to contribute to and borrow from a common pool of funds. The Borrower at its discretion may make contributions to the fund, which may be used to make loans to other Parent subsidiaries. Loans made to any party under this arrangement are to be repaid with interest to the fund, and the Parent may declare such loans due and payable in an event of default under the terms of any specific loan.

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Borrower's Services and Operations. The Borrower is franchised by the NHPUC to distribute water in the City of Nashua, New Hampshire and in portions of the towns of Amherst, Bedford, Derry, Epping, Hollis, Merrimack, Milford, Newmarket, Plaistow and Salem, New Hampshire, as well as the town of Tyngsboro, Massachusetts. Its transmission mains extend from Nashua into portions of the surrounding towns of Amherst, Merrimack and Milford. The Borrower also owns and operates three stand-alone systems in Milford. Its franchises in the remaining towns consist of stand-alone satellite water systems. It has no competition in its core franchise area, other than from customers using their own wells. The Borrower serves approximately 28,780 customers, and its 2019 water revenues totaled approximately \$31.9million. For the twelve months ended December 31, 2019, approximately 18.5% of its water revenues were derived from commercial and industrial customers, and approximately 48.8% from residential customers, with the balance being derived from fire protection and other billings to municipalities, principally the City of Nashua and the towns of Amherst, Merrimack and Milford.

Borrower's Management and Employees. The Borrower is governed by up to a 13-member independent Board of Directors, with ten positions filled as of January 31, 2020. Each Director is elected for a three-year term. The present members of the Board of Directors are:

Thomas J. Leonard, Chairman
Attorney, Welts, White & Fontaine, P.C.

David P. Bernier
Former Superintendent, North Conway Water Precinct – Retired as of March 1, 2018

C. George Bower
Principal, ESRA Consulting, LLC

James P. Dore
CEO and CFO, Pageflex, Inc.

Elizabeth A. Dunn
Retired Attorney, Former Assistant Attorney General, State of New Hampshire

Stephen D. Genest
Community Coordinator, Southern NH Services

Jay N. Lustig
Program Manager II, BAE Systems

John D. McGrath
VP of Construction Operations, Methuen Construction Co.

Deborah Novotny
SVP, Commercial Lender, Enterprise Bank

Preston J. Stanley, Jr.
Owner and Manager, Stanley Iron Works

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The Borrower's current executive officers are:

<u>Name</u>	<u>Principal Position</u>
Larry D. Goodhue	Chief Executive Officer, Chief Financial Officer and Treasurer
Donald L. Ware	Chief Operating Officer
Suzanne L. Ansara	Corporate Secretary
Carol Ann Howe	Assistant Treasurer
George Torres	Corporate Controller

The Borrower employs 129 employees and officers. Of these, there are 74 management and clerical employees who are non-union. The remaining employees are members of the United Steelworkers Union. The current union contract, which was re-negotiated in September 2017, expires in October 2020. Negotiations for a new contract will be conducted during the late summer and early fall of 2020. The Borrower believes that its employee relations are good.

The Borrower has a proactive succession planning program in place, which includes regular and ongoing leadership training for all of its senior management team members, as well as mid-level managers and supervisors, as well as professional development training for all of its employees. The Borrower maintains and updates this plan on an ongoing basis and reviews it with the Board of Directors and the Compensation Committee of the Board, on an annual basis. This plan identifies potential future retirement dates for all key employees of the Company, and has targeted goals, objectives and milestones for the development of successors within the organization, as well as targeted objectives should replacements need to be provided for from outside the organization. This is inclusive of the current executive officer positions, for which internal candidates for succession of identified roles have been targeted, and for which mentoring and immersion in operating, treasury, financing and rate setting activities have been implemented and are currently operational.

Borrower's Properties. The Borrower's principal properties are located in Nashua, New Hampshire, except for portions of its watershed or buffer land which are located in the neighboring towns of Amherst, Merrimack and Hollis, New Hampshire. In addition, the Borrower owns four impounding dams which are situated on the border of Nashua and Merrimack, New Hampshire.

The primary source of potable water for the Borrower's core system is supplied by pumping water from the Merrimack River in Merrimack, New Hampshire. The Borrower supplements that source, as needed throughout the year, from its secondary sources of potable water, which collectively are the Pennichuck Brook, Holt Pond, Bowers Pond, Harris Pond and Supply Ponds in the Nashua area that together can hold up to 500 million gallons of water. The Borrower can deliver up to 31.2 million gallons per day, or mgd, into the distribution system. By comparison, during its peak month, which occurred in July 2016, the average daily demand was 24.5 mgd. The average daily demand per day for 2019 was 12.0 mgd, with a peak daily demand of 18.8 mgd.

The Borrower owns an Infilco Degremont Water Treatment Plant in Nashua that uses a combination of physical and chemical removal of suspended solids and sand and carbon filtration to treat the water that the Borrower supplies to its customers. The carbon filtration beds of this plant are replaced or regenerated on a regular cycle of every 3-5 years; two-thirds of the filtration beds were replaced with new carbon in 2019, with the remaining 1/3 being replaced in Q2 2020. The plant has a rated capacity of 35.0 mgd.

The Borrower owns a raw water intake and pumping facility located on the Merrimack River. This summer seasonal supply from the Merrimack River was upgraded to a year-round source of supply during 2019, with the construction, installation and implementation of a new deep-water intake, to replace the in-bank intake that has been in operation for several years as a seasonal use facility. With this upgrade to that intake facility,

APPENDIX A

this water supply became the Company's primary year-round source of water and is expected to provide a reliable, consistent and efficient long-term supply for the Borrower's service area. The Borrower's existing pumping facility on the Merrimack River is capable of providing up to 22.0 mgd.

The Borrower also owns approximately 500 acres of land located in Nashua and Merrimack, New Hampshire, which is held for watershed and reservoir purposes.

The Borrower owns 11 water storage reservoirs located in and around Nashua, New Hampshire, which have a combined total storage capacity of 27.2 million gallons.

The Borrower owns a 900,000 gallon per day gravel-packed well located in Amherst, New Hampshire.

As of January 31, 2020, the Borrower's distribution facilities consisted of, among other assets, 497 miles of transmission and distribution mains, 28,772 service connections, and 2,868 hydrants.

Borrower's Assets Affected by the Project. The Project will include the following upgrades and improvements to the Borrower's assets:

- upgrades to a number of the Borrower's water supply and treatment facilities, including booster station, well and chemical feed pump replacements;
- improvements to the Borrower's water distribution system, including water main replacement and rehabilitation in Nashua and the other communities in the Borrower's franchise area, and maintenance or rehabilitation of water storage tanks;
- information support system upgrades and enhancements, including upgrades to the SCADA monitoring system, and ongoing development and implementation of a comprehensive Asset Management, Data Presentment and Collection, and Geographic Information System, and;
- operational improvements to its water system, including improvements to pumping stations, acquisition of rolling stock and equipment, and acquisition and installation of water meters.

Transaction with the City of Nashua

Overview. On January 25, 2012, in full settlement of an Eminent Domain lawsuit filed by the City of Nashua ("City"), which began in 2002, and with the approval of the NHPUC, the City acquired all of the outstanding shares of the Parent and, thereby, indirect acquisition of its regulated subsidiaries. The total amount of the acquisition was \$150.6 million ("Acquisition Price") of which \$138.4 million was for the purchase of the outstanding shares, \$5.0 million for the establishment of a Rate Stabilization Fund ("RSF"), \$2.6 million for legal and due diligence costs, \$2.3 million for severance costs, and \$1.3 million for underwriting fees. The entire purchase of \$150.6 million was funded by General Obligation Bonds ("City Bonds") issued by the City. Neither the Parent nor PWW is a party to the City Bonds and neither has guaranteed or is obligated in any manner for the repayment of the City Bonds. The Parent remained a private corporation with an independent Board of Directors, with the City as its sole shareholder. PWW, PEU, PAC, Service Corporation and Southwood continued as subsidiaries of the Parent, and PWW, PEU and PAC continued as regulated companies under the jurisdiction of the NHPUC. The terms of the merger and the requisite accounting and rate-setting mechanisms were agreed to in NHPUC Order 25,292 ("PUC Order") dated November 23, 2011.

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Transactions with related party – City of Nashua. The Parent issued a promissory note to the City in the amount of \$120 million to be repaid over a thirty (30) year period with monthly payments of approximately \$707,000, including interest at 5.75%. The purpose of the note is to reimburse the City for certain of its acquisition costs. The Parent's source of payments under the promissory note come from cash distributions made to the Parent by PWW and the two other regulated subsidiaries. PWW's distributions to the Parent are approximately \$644,000 per month. In connection with the acquisition, the Parent recorded an additional \$30.6 million as contributed capital from the City.

Rate Stabilization Funds – Restricted Cash. As a part of the acquisition, the Parent agreed to contribute \$5 million of the proceeds from the settlement transaction to PWW and its sister subsidiaries, which was used to establish the RSF, at an imprest value of \$5 million, allowing for the maintenance of stable water utility levels, and providing a mechanism to provide PWW and its subsidiaries with funds to use for its distributions to the Parent, which serve to help ensure the Parent's continued ability to meet its obligations under the promissory note to the City, in the event of adverse revenue developments at PWW and its sister subsidiaries. Amounts shown as restricted cash on the balance sheets of the Parent and PWW consist of amounts set aside in the RSF account, which are adjusted monthly as required in the PUC Order. During 2017, PWW secured further approvals from the PUC, with an order pursuant to docket DW16-806, in which the RSF was approved for bifurcation, in order to establish multiple RSF accounts to insure PWW's and its sister subsidiaries ability to meet their obligations under the promissory note to the City, but also for all of PWW's external debt obligations, as well as funding a backstop the Company's normal operating expenses. The \$5 million RSF was bifurcated such that imprest values of \$680,000 was dedicated to the promissory note to the City (the CBFRR RSF), \$390,000 was dedicated to P&I payments for all of PWW's external debt (the DSRR 1.0 RSF), \$2.85 million was dedicated to PWW's normal operating expenses (the MOERR RSF), and \$1.08 million was reserved to be allocated to PWW's sister subsidiaries, when and if approved by the PUC. Of the \$1.08 million held in reserve for the Borrower's sister subsidiaries, \$980,000 was approved by the PUC in the fall of 2018 for the Borrower's sister subsidiary, Pennichuck East Utility, Inc., with the remaining \$100,000 still be held in reserve, pending a request in a docket for its other sister subsidiary, Pittsfield Aqueduct Company, in its next filed case before the PUC.

Municipal Acquisition Regulatory Asset ("MARA"). Pursuant to the PUC Order, the Parent established a new regulatory asset (MARA) which represents the amount by which the acquisition price exceeded the net book assets of the Parent's regulated subsidiaries (PWW, PEU and PAC) at December 31, 2011. The initial amount of the MARA was approximately \$89.0 million for the regulated companies, offset by a non-regulated amount of approximately \$4.8 million. The MARA is to be amortized over a thirty (30) year period in the same manner as the repayment of the debt service for the City Bonds.

Regulation

The Borrower is regulated by the NHPUC with respect to water rates, financing and provision of service. The Borrower is also subject to Federal and New Hampshire regulation relating to environmental protection and public health and safety.

NHPUC. New Hampshire law provides that a utility is entitled to charge rates which permit it to earn a reasonable return on its rate base, which includes the cost of the property employed in serving its customers, less accrued depreciation, contributed capital and deferred income taxes. The cost of capital permanently employed by a utility in its utility business marks the minimum rate of return that a utility is lawfully entitled to earn on its rate base. Capital expenditures associated with complying with Federal and state water quality standards have historically been recognized and approved by the NHPUC for inclusion in the Borrower's rate base, although there can be no assurance that the NHPUC will approve future rate relief in a timely or sufficient manner to cover the Borrower's capital expenditures. Increased monitoring and reporting standards have also led to additional operating costs for the Borrower. The Borrower expects that any additional monitoring and testing costs arising from future United States Environmental Protection Agency ("EPA")

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and New Hampshire Department of Environmental Services (“DES”) mandates will eventually be recovered through increases in water rates.

The Borrower’s rates that were in effect during 2019 were based on a November 2017 NHPUC order in which the Borrower was granted an overall permanent rate relief of 10.81% based upon a modified rate methodology filed in that case. These rates in existence for 2019 were the result of a Borrower filed rate case in September 2016, which resulted in the November 2017 NHPUC order under docket DW 16-806 with the PUC, seeking approval for a modified rate methodology that was focused on cash flow coverage, rather than return on rate base. The modified rate structure approved in the case established three principal “buckets” of allowed revenues: (1) CBFRR revenues dedicated to providing revenues required to fund the cash funded from the Borrower to its Parent in order to satisfy PWW’s portion of the cash flow need to pay the note obligation to the City from the merger transaction, (2) DSRR revenues dedicated to collecting 110% of the total Principal and Interest on all of the Borrower’s existing external debt obligations, and (3) OERR revenues dedicated to collecting 100% of the operating expenses of the Borrower from its test year under its most recent rate case. Additionally, the modified rate methodology approved the bifurcation of the RSF fund, as described earlier, to provide a stabilization mechanism behind each of these allowed revenue “buckets,” between filed rate cases with the PUC for the Borrower. Lastly, the modified rate structure established the QCPAC (Qualified Capital Project Annual Adjustment Charge), whereby the Borrower shall provide annual submissions to the PUC to gain approval for 110% of the incremental Principal and Interest for borrowings for capital projects bonded or borrowed annually, as well as 100% of the incremental property taxes for these capital projects.

The Borrower has another rate case proceeding in pendency with the NHPUC at this time, based upon 2018 as a test year, in docket DW 19-084. In this case, the Company is seeking an overall requested rate increase of 11.91%, inclusive of the QCPAC increases it has already earned in 2019 and one in pendency for 2020, which would result in a net overall requested rate increase of 7.45% over and above those QCPAC surcharge increases already approved or pending approval. This case was filed in order to bring the Company’s current allowed revenues in line with its current operating expenses, as well as the fixed costs associated with the CBFRR and the DSRR, as adjusted annually with the QCPAC process. The Company is also seeking some further modifications to its overall allowed and approved rate structure, as it pertains to items included for recovery and adjustment, for its ongoing and current operating expenses. It is anticipated that the Company will get permanent rates reset from this case, in either late 2020 or very early 2021.

Water Quality Regulation. The Borrower is subject to the water quality regulations issued by the EPA and the DES. The EPA is required to periodically set new maximum contaminant levels for certain chemicals as required by the Federal Safe Drinking Water Act. The quality of the Borrower’s treated water currently meets or exceeds all current standards set by the EPA and the DES.

The Borrower’s filtration plant in Nashua meets the requirements of the Safe Drinking Water Act and the Borrower’s community water systems have wells that produce water meeting the requirements of the Safe Drinking Water Act.

Dam Safety and Maintenance. The Borrower owns four dams which it is required from time to time to repair or upgrade. In 2004, the Borrower spent approximately \$1.0 million to upgrade the spillways and earthen embankments of two of its dams, in order to meet current DES and Federal standards. Additionally, in 2016 the Borrower spent approximately \$1.9 million to reconstruct the spillway on another one of its dams. Further upgrades to one of two of the Borrower’s dams was and is being reviewed and designed in 2019 and early 2020, for project execution in 2020 and 2021.

Additional Factors Affecting the Business Operations of the Borrower

In addition to the factors or events listed under “BONDHOLDERS’ RISKS - Factors Affecting the Business Operations of the Borrower” in the Official Statement to which this Appendix A is attached, one or

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more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the Borrower's operations and financial performance to an extent that cannot be determined at this time:

Uncertainty of Rate Relief and Magnitude of Future Rate Relief Requests. The Borrower operates under the jurisdiction of the NHPUC which regulates the rates the Borrower may charge for providing water to its customers. The Borrower's ability to meet its financial objectives is dependent upon the rates it charges its customers. There is no assurance that the NHPUC will approve any future rate relief request; and, even if approved, there is no guarantee that any rate relief will be granted in a timely or sufficient manner to allow the Borrower to meet its ongoing obligations, which includes debt service on the Series 2020 Bonds.

Decreased Consumption by a Significant Commercial or Industrial Customer. The Borrower's revenues will decrease, and such decrease may be material, if a significant commercial or industrial customer terminates or materially reduces its use of water. Approximately \$5,898,000, or 18.5%, of the Borrower's 2019 water utility revenues was derived from commercial and industrial customers. The Borrower's largest customer is a bottling plant located in Merrimack, New Hampshire. For the twelve months ended December 31, 2019, sales to this customer were approximately \$796,000, and accounted for approximately 2.5% of the Borrower's total water utility revenues for that period. The Borrower expects this percentage to remain roughly the same for calendar year 2020.

If this or any other large commercial or industrial customer reduces or ceases its consumption of water from the Borrower, the Borrower may seek NHPUC approval to increase the rates for its remaining customers to offset decreased revenues prospectively from the effective date of rate relief. There can be no assurance, however, that the NHPUC would approve such a rate relief request, and even if it did approve such a request, it would not apply retroactively to the date of the reduction in consumption. The delay between such date and the effective date of the rate relief may be significant and could adversely affect the Borrower's operating results and cash flows.

Damage to Capital Assets and Climate Change. The occurrence of natural disasters, such as floods or droughts, could damage the facilities of the Borrower, affect water supply, interrupt services or otherwise impair operations and the ability of the Borrower to produce revenues. A failure of any of the Borrower's four dams could result in injuries and property damage downstream for which it may be liable, and which would very likely adversely affect its ability to supply water in sufficient quantities to its customers. The Borrower has procured "downstream" liability insurance coverage for this risk, in addition to an excess liability insurance policy, which could partially or fully mitigate the economic impact of such an event.

The Borrower's water supply and infrastructure is also subject to climate change related risks. Climate change may intensify and increase the frequency of extreme weather events that could damage assets, affect water supply, interrupt services, or otherwise impair operations as set forth above. In order to plan for such events, the Borrower recently completed a Risk and Resiliency Analysis in which the Borrower evaluated its most critical assets, staffing, information technology systems and financial resources. Part of this analysis focused on the Borrower's primary and secondary water sources. As a result of such analysis, the Borrower has engaged in long-range water resource planning, related to these water sources to account for a changing climate and to mitigate and manage potential negative impacts. This includes investments the Borrower has made with regards to providing for two mutually exclusive sources of water for its treatment facility, either of which can be sourced independently on a year-round basis, or in combination with each other. Additionally, the Borrower has completed bathymetric analyses of its secondary water source, participates in State-wide sponsored efforts surrounding the protection of both of its water sources from future impediments, and is re-evaluating the most current requirements related to current and impending climatic impacts.

Cybersecurity. The Borrower relies on technology to conduct operations. As such, the Borrower's technology systems face multiple and increasingly sophisticated, cybersecurity threats, including but not

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limited to hacking, viruses, malware or other attacks on its computer and other digital networks and systems. A cybersecurity incident could be due to unintentional actions or targeted, deliberate attacks by individuals, entities or other actors attempting to gain access to the Borrower's technology systems. A successful attack on the Borrower's technology systems could substantially impact operations and damage digital networks and systems that would be costly to remedy. As cybersecurity threats evolve, the Borrower may be required to use additional resources to mitigate risks.

The Borrower has completed an ISO 27001 evaluation of its IT infrastructure and networks, to identify and eliminate or essentially mitigate any potential identified threat from that study. Additionally, the Borrower continuously trains all employee users of its cyber network, to maintain best practices and consistently evaluates and updates its cyber risk protection applications. However, the Borrower cannot assure that such measures will adequately guard against all cyber threats or attacks or prevent or mitigate damages resulting from any such threat or attack. As such, the Borrower maintains cyber liability insurance in the amount of \$2,000,000 per occurrence and \$2,000,000 aggregate to further mitigate risk.

COVID-19. Beginning in December 2019, the global outbreak of a respiratory illness due to a novel coronavirus (known as COVID-19) has since been declared a pandemic by the World Health Organization. In response to this pandemic, the President of the United States has declared a National Emergency under the Federal Stafford Act and the Governor of New Hampshire has declared a State of Emergency as of March 13, 2020 pursuant to the New Hampshire Constitution and New Hampshire RSA 4:45.

The New Hampshire Governor's order declaring a state of emergency, Executive Order 2020-04 ("EO 2020-04") dated March 13, 2020, provided that the Governor may issue additional temporary orders while EO 2020-04 is in effect. Two such subsequent Emergency Orders that have been issued by the Governor pursuant to EO 2020-04 directly impact the Borrower. The first is Emergency Order #3. Pursuant to Executive Order 2020-04, the Governor issued Emergency Order #3 dated March 17, 2020 ("EO #3"), which prohibits providers of water service in the State of New Hampshire from "disconnecting or discontinuing service for non-payment for the duration of the State of Emergency declared in Executive Order 2020-04." Customers with arrearages at the end of the expiration of EO 2020-04 ("Customers") must be provided a payment arrangement opportunity to pay such arrearages over no less than a six month period, and such Customers may not be charged for any late payment fees for arrearages that were accrued during the State of Emergency. The second is Emergency Order #17 Pursuant to Executive Order 2020-04, the Governor issued Emergency Order #17 dated March 26, 2020 ("EO #17"), which calls for all business and other organizations that do not provide "Essential Services" as designated in Exhibit A to EO #17 to close their physical workplaces and facilities and for all New Hampshire citizens to stay at home or in their place of residence with certain listed exceptions. The list of Essential Services in Exhibit A to EO #17 includes "[e]mployees needed to operate and maintain public and private drinking water and wastewater/drainage infrastructure..." "[w]orkers who support the operation, inspection and maintenance of essential dams, locks and levees," and "[w]orkers – including contracted vendors – involved in the construction of critical or strategic infrastructure including... water..." Pursuant to EO #17, all businesses deemed Essential Services must "develop strategies, procedures and practices to allow for social distancing protocols consistent with guidance provided by the CDC and the Division of Public Health."

Beginning March 4, 2020, the Borrower entered into its own pandemic response protocols in anticipation of the effects of the COVID-19 outbreak and to mitigate risk and exposure to the employees, customers and operations of the Borrower. Although most, if not all, of Borrower's operations fall within Essential Services listed in Exhibit A to EO #17 as employees needed to operate and maintain public and private drinking water, any unnecessary operations and/or unnecessary direct customer contact, as it relates to the Company's normal operating activities, have been discontinued at this time and employee schedules have been shifted to provide for appropriate social distancing, as well as telework for all employees, when practical and applicable, depending on the employee's actual job functions and roles. All necessary operations of the Borrower have continued at necessary levels through this pandemic to date, but there is a risk that the impacts

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of COVID-19 could adversely affect necessary operations of the Borrower, depending on the length and severity of the impacts of this pandemic within the Borrower's service territories.

In compliance with EO #3, the Borrower will not be disconnecting or discontinuing service to any customer during the State of Emergency period and payment reminder notices have been revised accordingly. The Borrower has not yet experienced any unusual non-payment issues with its service to customers due to COVID-19. However, there is a risk that Customers may go into arrearages during the declared State of Emergency period on their water service accounts, which would negatively impact the Borrower's revenues while the Borrower is prevented from enforcing payment with discontinuance or disconnection. Required payment arrangements of at least six months and the prohibition of the assessment of any late fees for any Customer with arrearages accrued during the State of Emergency would also impact the Borrower's finances after the end of the State of Emergency. For the year ending December 31, 2019, residential Customers constituted 62% of usage and 70% of Borrower's revenue, and commercial Customers constituted 16% of usage and 17% of Borrower's revenue. Given these amounts, individuals and businesses impacted by COVID-19 could negatively impact a significant amount of Borrower's revenues. The Borrower also has one major commercial Customer that constituted 8% usage and 3% revenues, separate from the commercial figures above, for the year ending December 31, 2019, but the Borrower's agreement with such Customer provides for a substantial notice period if such Customer wished to discontinue service without cause. The Borrower's operations and finances could also be further impacted by additional emergency orders the Governor of New Hampshire may issue during the State of Emergency.

In addition to any direct business risk to the Borrower's operations caused by COVID-19, the State and national economies may be materially impacted by COVID-19, which could adversely impact the Borrower. COVID-19 appears to be altering the behavior of businesses and individuals in a manner that may have negative impacts on local, state, national and global economies. Financial markets in the U.S. and globally have seen recent declines and volatility attributed to COVID-19 concerns. The ultimate impact of COVID-19 on the economy and the Borrower is uncertain, but the Borrower is monitoring this and remains committed to addressing any such impacts as necessary.

Miscellaneous Factors. The Borrower's business is geographically limited. The Borrower's revenues and operating results are subject to local regulatory, economic, demographic, competitive and weather conditions in its area of operations. A change in any of these conditions could make it more costly or difficult for the Borrower to conduct its business. In addition, the water utility industry in general in the past has experienced, and may in the future experience, problems including (a) the effects of inflation upon the costs of operation of facilities, (b) uncertainties in predicting future demand requirements, and (c) increased financing requirements coupled with the increased costs and uncertain availability of capital.

INFORMATION REGARDING THE BORROWER'S AFFILIATED ENTITIES

Pennichuck Corporation

The Parent's mission is to be a leading supplier of quality, safe drinking water and water-related services in New England and to achieve sustainable growth in its revenues and earnings by:

Expanding Service Corporation's water management business with a focus on servicing small and mid-sized water systems, where it believes it can best leverage its capital resources as well as its operating and technical expertise. Service Corporation's strategy calls for a focus on segments in which it can provide high-quality service in a cost-effective manner, meeting both customer needs and providing for minimum earned contribution margins. These segments include small and mid-size municipal utilities, small systems such as community water systems and non-transient, non-community water systems. Additionally, these segments include contracted water and wastewater billing services, water testing services, and meter testing services.

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Developing its water management business by leveraging one or more regional operations centers and then targeting growth opportunities that may be serviced from those centers. In order to service new customers effectively, it must have staff close to those customers. Accordingly, Service Corporation has and will continue to develop its business around its primary geographic hubs, based upon the Corporation's current geographic operating locations. Pursuing new business opportunities in the surrounding areas are part of the staff's strategic objectives and job descriptions. The Parent currently plans to pursue opportunities through potential New Hampshire hubs that correspond roughly to Nashua, coastal New Hampshire, the Lakes Region of New Hampshire, western New Hampshire and the Conway region, for full service operating contracts. For limited scope contracts relating to billing services, Service Corporation is less geographically limited, and will pursue opportunities that are limited by the scope of the services required, rather than any geographic limitations.

Pennichuck East and Pittsfield

Pennichuck East was organized in 1998 to acquire certain water utility assets from the Town of Hudson, New Hampshire following the Town's acquisition of those assets from an investor-owned water utility which previously served Hudson and several surrounding communities. Pennichuck East is franchised to distribute water in portions of the New Hampshire towns of Litchfield, Pelham, Windham, Londonderry, Derry, Plaistow, Sandown, Atkinson, Raymond, Bow, Hooksett, North Conway, Middleton and Barnstead. Pennichuck East currently serves approximately 8,250 customers, and its annual water revenues were approximately \$8.8 million for calendar year 2019. Based upon its most currently completed rate case, the modified rate methodology approved for the Borrower in that case, was also approved for this corporation in its most recently completed case.

Pittsfield was acquired by the Parent in 1998 and currently serves approximately 640 customers in and around Pittsfield, New Hampshire. Its annual water revenues were approximately \$775,000 for calendar year 2019. Pittsfield has an approved rate base of approximately \$1.4 million. The modified rate methodology adopted for the Borrower and Pennichuck East, has not yet been requested or approved for this corporation.

Water Management Services

The Parent complements its water utility business by providing non-regulated, water-related monitoring, maintenance, testing and compliance reporting services for water systems for various towns, businesses and residential communities primarily in southern and central New Hampshire. It conducts this business through its subsidiary, Service Corporation.

Service Corporation's principal activities consist of providing contract operations and maintenance, meter testing, water testing and water and wastewater billing services to municipalities and small, privately owned community water systems.

In September 2001, Service Corporation entered into a long-term agreement with the Town of Salisbury, Massachusetts to perform similar operations and maintenance services, which was extended under a new contract in June 2017 through June 2022, with an allowance for further extension until June 2027.

Effective as of April 2018, Service Corporation entered into an agreement with the Penacook/Boscawen water system in New Hampshire to perform operations and maintenance contract services, as well as billing services, thru April 2021.

In addition to these significant contracts, as of January 31, 2020, Service Corporation was providing such services to 81 other operating contracts for a variety of small to mid-sized entities.

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Real Estate Development and Investment

Southwood, the Parent's real estate subsidiary, has historically been passively engaged in the management and maintenance of its current land holdings, outside of land holdings held in ownership by the water utility business subsidiaries. As of the end of 2019, all of the land holdings previously owned by Southwood were transferred to the Parent, which now has assumed the passive management and maintenance of those land holdings. On a going forward basis, Southwood will be maintained as a corporate shell allowing for its usage in possible future land management opportunities, should they occur.

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INSURANCE

The Borrower has insurance coverages in place, for the following areas of coverage and the specified limits of coverage. Insurance is procured on a consolidated group basis for the Borrower in conjunction with the Parent and its other subsidiaries, with the specified coverages being available to any and all of these entities. The coverages listed below are for the specified policy coverage periods.

General Liability	1/1/2020-1/1/2021	\$1,000,000 each occurrence \$300,000 damage to rented premises \$5,000 medical expense (any one person) \$1,000,000 personal injury \$2,000,000 general aggregate \$2,000,000 products aggregate
Automobile Liability	1/1/2020-1/1/2021	\$1,000,000 combined single limit
Umbrella Liability	1/1/2020-1/1/2021	\$10,000,000 each occurrence \$10,000,000 aggregate limit
Worker's Compensation	1/1/2020-1/1/2021	\$500,000 each accident \$500,000 each employee \$500,000 policy limit
Fidelity Bond	1/1/2020-1/1/2021	\$500,000 employee theft \$1,000,000 ERISA Fidelity \$500,000 forgery or alteration \$500,000 on premises crime \$500,000 in transit crime \$500,000 money orders or counterfeit money \$500,000 computer fraud \$100,000 electronic data restoration expense \$150,000 social engineering \$500,000 funds transfer fraud
Cyber Liability	1/1/2020-1/1/2021	\$2,000,000 each occurrence \$2,000,000, aggregate limit
Contractor's Liability	Pollution 1/1/2020-1/1/2021	\$3,000,000 each pollution condition \$3,000,000 aggregate limit \$500,000 emergency remediation each condition \$500,000 emergency remediation aggregate limit
Directors and Officers	1/1/2020-1/1/2021	\$5,000,000

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Employment Liability	Practices	1/1/2020-1/1/2021	\$3,000,000
Fiduciary Liability		1/1/2020-1/1/2021	\$2,000,000

LITIGATION

Information regarding litigation with respect to the Borrower is set forth in the body of this Official Statement to which this Appendix A is attached under “LITIGATION – The Borrower”.

[Signature Page Follows]

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PENNICHUCK WATER WORKS, INC.

By: /s/ Larry D. Goodhue
Larry D. Goodhue
Chief Executive Officer, Chief Financial Officer, and Treasurer

APPENDIX B-1

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF PENNICHUCK
CORPORATION FOR THE FISCAL YEARS ENDING DECEMBER 31, 2019 AND
DECEMBER 31, 2018**

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Pennichuck Corporation and Subsidiaries
Consolidated Financial Statements
December 31, 2019 and 2018
(With Independent Auditors' Report Thereon)

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MELANSON HEATH
ACCOUNTANTS • AUDITORS

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Manchester, NH 03102
(603) 669-6130
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INDEPENDENT AUDITORS' REPORT

Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

Board of Directors and Stockholder
Pennichuck Corporation and Subsidiaries

We have audited the accompanying consolidated financial statements of Pennichuck Corporation and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income (loss), comprehensive income (loss), changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pennichuck Corporation and Subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Melanson Heath

March 24, 2020

PENNICHUCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - CONTINUED

As of December 31, 2019 and 2018

(in thousands, except share data)

	<u>2019</u>	<u>2018</u>
STOCKHOLDER'S EQUITY AND LIABILITIES		
Stockholder's Equity:		
Common stock; \$0.01 par value; 1,000 shares authorized, issued and outstanding	\$ -	\$ -
Additional paid in capital	30,561	30,561
Accumulated deficit	(28,140)	(22,523)
Accumulated other comprehensive income	318	372
Total Stockholder's Equity	<u>2,739</u>	<u>8,410</u>
Long-Term Debt, Less Current Portion and Unamortized Debt Issuance Costs	<u>212,296</u>	<u>200,225</u>
Current Liabilities:		
Lines of credit	9,283	6,626
Current portion of long-term debt	6,582	6,019
Accounts payable	3,529	5,362
Deferred revenue	59	63
Accrued interest payable	1,723	1,682
Other accrued expenses	898	700
Accrued wages and payroll withholding	192	346
Customer deposits and other	322	235
Total Current Liabilities	<u>22,588</u>	<u>21,033</u>
Other Liabilities and Deferred Credits:		
Deferred income taxes	14,427	14,110
Accrued pension liability	12,971	10,021
Unamortized debt premium	3,162	2,966
Deferred investment tax credits	438	470
Regulatory liability	9,930	9,943
Accrued post-retirement benefits	3,982	3,201
Customer advances	84	84
Contributions in aid of construction, net	54,770	51,961
Derivative instrument	353	263
Other long-term liabilities	404	447
Total Other Liabilities and Deferred Credits	<u>100,521</u>	<u>93,466</u>
TOTAL STOCKHOLDER'S EQUITY AND LIABILITIES	\$ <u>338,144</u>	\$ <u>323,134</u>

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2019 and 2018
(in thousands, except share data)

	<u>2019</u>	<u>2018</u>
ASSETS		
Property, Plant and Equipment, net	\$ <u>237,182</u>	\$ <u>221,860</u>
Current Assets:		
Cash and cash equivalents	4,885	1,575
Restricted cash - RSF	1,963	3,428
Restricted cash - Bond Project Funds	3,426	3,337
Accounts receivable - billed, net	3,041	3,417
Accounts receivable - unbilled, net	2,575	2,927
Accounts receivable - other	16	4
Inventory	648	611
Prepaid expenses	418	610
Prepaid property taxes	992	1,021
Deferred and refundable income taxes	<u>8</u>	<u>-</u>
Total Current Assets	<u>17,972</u>	<u>16,930</u>
Other Assets:		
Deferred land costs	-	2,275
Deferred charges and other assets	13,727	10,697
Investment in real estate partnership	-	104
Acquisition premium, net	<u>69,263</u>	<u>71,268</u>
Total Other Assets	<u>82,990</u>	<u>84,344</u>
TOTAL ASSETS	\$ <u>338,144</u>	\$ <u>323,134</u>

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
For the Years Ended December 31, 2019 and 2018
(in thousands)

	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ <u>44,779</u>	\$ <u>45,265</u>
Operating Expenses:		
Operations and maintenance	24,158	23,540
Depreciation and amortization	8,449	8,113
Taxes other than income taxes	<u>6,287</u>	<u>6,509</u>
Total Operating Expenses	<u>38,894</u>	<u>38,162</u>
Operating Income	5,885	7,103
Interest Expense	(11,172)	(10,910)
Allowance for Funds Used During Construction	-	106
Other, Net	<u>264</u>	<u>111</u>
Loss Before Provision for Income Taxes	(5,023)	(3,590)
Provision for Income Taxes	<u>(314)</u>	<u>(1,692)</u>
Net Loss	<u>\$ (5,337)</u>	<u>\$ (5,282)</u>

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2019 and 2018
(in thousands)

	<u>2019</u>	<u>2018</u>
Net Loss	\$ (5,337)	\$ (5,282)
Other Comprehensive Income (Loss):		
Unrealized gain (loss) on derivatives	(160)	53
Reclassification of net income realized in net income	70	59
Income tax provision (benefit) relating to other comprehensive income (loss)	<u>36</u>	<u>(45)</u>
Other Comprehensive Income (Loss)	<u>(54)</u>	<u>67</u>
Comprehensive Loss	<u>\$ (5,391)</u>	<u>\$ (5,215)</u>

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
For the Year Ended December 31, 2019
(in thousands, except per share data)

	Common Stock		Additional Paid in Capital	Retained Earnings/(Deficit)	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance as of January 1, 2019	1,000	\$ -	\$ 30,561	\$ (22,523)	\$ 372	\$ 8,410
Common dividends declared	-	-	-	(280)	-	(280)
Net loss	-	-	-	(5,337)	-	(5,337)
Other comprehensive income:						
Unrealized loss on derivatives, net of taxes of \$(63)	-	-	-	-	(97)	(97)
Reclassification of net income realized in net income, net of taxes of \$27	-	-	-	-	43	43
Balance as of December 31, 2019	1,000	\$ -	\$ 30,561	\$ (28,140)	\$ 318	\$ 2,739

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
For the Year Ended December 31, 2018
(in thousands, except per share data)

	Common Stock		Additional		Retained Earnings/(Deficit)	Accumulated Other Comprehensive Income		Total
	Shares	Amount	Paid in Capital			Comprehensive Income		
Balance as of January 1, 2018	1,000	\$ -	\$ 30,561		\$ (16,961)	\$ 305		\$ 13,905
Common dividends declared	-	-	-		(280)	-		(280)
Net loss	-	-	-		(5,282)	-		(5,282)
Other comprehensive income:								
Unrealized gain on derivatives, net of taxes of \$21	-	-	-		-	32		32
Reclassification of net income realized in net income, net of taxes of \$24	-	-	-		-	35		35
Balance as of December 31, 2018	1,000	\$ -	\$ 30,561		\$ (22,523)	\$ 372		\$ 8,410

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(in thousands)

	<u>2019</u>	<u>2018</u>
Operating Activities:		
Net Loss	\$ (5,337)	\$ (5,282)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	8,537	8,196
Equity component of AFUDC	-	(20)
Amortization of deferred investment tax credits	(33)	(33)
Provision for deferred income tax	341	1,206
Undistributed (income) loss in real estate partnership	104	(1)
Gain on disposition of property	(150)	(114)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable billed, unbilled and other	718	(649)
(Increase) decrease in inventory	(37)	(7)
(Increase) decrease in prepaid expenses	221	110
(Increase) decrease in refundable income taxes	(8)	516
(Increase) decrease in deferred charges and other assets	(2,579)	550
Increase (decrease) in accounts payable and deferred revenue	(1,836)	3,817
Increase (decrease) in accrued interest payable	41	57
Increase in other	3,818	534
Net cash provided by operating activities	<u>3,800</u>	<u>8,880</u>
Investing Activities:		
Purchase of property, plant and equipment including debt component of allowance for funds used during construction	(16,843)	(13,790)
Proceeds from sale of property	221	119
Change in investment in real estate partnership and deferred land costs	-	(19)
Net cash used by investing activities	<u>(16,622)</u>	<u>(13,690)</u>

The accompanying notes are an integral part of these consolidated financial statements.

PENNICHUCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(in thousands)

	<u>2019</u>	<u>2018</u>
Financing Activities:		
Borrowings (payments) on lines of credit, net	\$ 2,657	\$ 1,052
Payments on long-term debt	(6,034)	(5,614)
Contributions in aid of construction	48	696
Proceeds from long-term borrowings	18,692	8,492
Debt issuance costs	(327)	(431)
Dividends paid	(280)	(280)
Net cash provided by financing activities	<u>14,756</u>	<u>3,915</u>
Increase (Decrease) in cash, cash equivalents, and restricted cash	1,934	(895)
Cash, cash equivalents, and restricted cash at beginning of period	<u>8,340</u>	<u>9,235</u>
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 10,274</u>	<u>\$ 8,340</u>

Supplemental Disclosure on Cash Flow and Non-cash Items
For the Years Ended December 31, 2019 and 2018 (in thousands)

	<u>2019</u>	<u>2018</u>
Cash paid during the period for:		
Interest	\$ 10,963	\$ 10,645
Income taxes	157	141
Non-cash items:		
Contributions in aid of construction	4,061	4,962
Forgiveness of debt	89	87

The accompanying notes are an integral part of these consolidated financial statements.

**PENNICHUCK CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Note 1 – Description of Business and Summary of Significant Accounting Policies

Description of Business:

Pennichuck Corporation (“the Company,” “we,” or “our”) is a holding company headquartered in Merrimack, New Hampshire with five wholly owned operating subsidiaries: Pennichuck Water Works, Inc., (“Pennichuck Water”) Pennichuck East Utility, Inc., (“Pennichuck East”) and Pittsfield Aqueduct Company, Inc. (“PAC”) (collectively referred to as the Company’s “utility subsidiaries”), which are involved in regulated water supply and distribution to customers in New Hampshire; Pennichuck Water Service Corporation (“Service Corporation”) which conducts non-regulated water-related services; and The Southwood Corporation (“Southwood”) which has historically owned several parcels of undeveloped land (please refer to “Deferred Land Costs” in Note 1).

The Company’s utility subsidiaries are engaged principally in the collection, storage, treatment and distribution of potable water to approximately 37,663 customers throughout the State of New Hampshire. The utility subsidiaries, which are regulated by the New Hampshire Public Utilities Commission (the “NHPUC”), are subject to the provisions of Accounting Standards Codification (“ASC”) Topic 980 “*Regulated Operations*.”

Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property, Plant and Equipment

Property, plant and equipment, which includes principally the water utility assets of the Company's utility subsidiaries, is recorded at cost plus an allowance for funds used during construction on major, long-term projects and includes property funded with contributions in aid of construction. Maintenance, repairs and minor improvements are charged to expense as incurred. Improvements which significantly increase the value of property, plant and equipment are capitalized.

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash, money market funds and other short-term liquid investments with original maturities of three months or less.

Restricted Cash – RSF

This restricted cash balance consists of funds maintained for the Rate Stabilization Fund ("RSF"), which was established in conformity with the requirements of NHPUC Order No. 25,292, as explained more fully in Note 14 of these financial statements. The RSF is an imprest fund of \$5 million, which is subject to funding above or below the imprest fund balance, reflecting actual revenue performance as it relates to prescribed revenue levels supported by the RSF. The excess or deficient amount (versus the \$5 million imprest balance) is subject to return or collection to rate payers over the succeeding three-year period of time, as of the rate order issued with the next promulgated rate case filing. On November 7, 2017, the NHPUC approved and issued Order No. 26,070 which established new rates for Pennichuck Water. In addition, the rate order then authorized the reallocation of the existing \$5,000,000 RSF among the Company's utility subsidiaries. Such that, Pennichuck Water's allocated share of the RSF would now be \$3,920,000, with the remaining balance of \$1,080,000 to be allocated between Pennichuck East and PAC. Rate order No. 26,179, under docket DW 17-128 then allocated \$980,000 of the \$1,080,000 to Pennichuck East with the remaining \$100,000 to PAC. The purpose for splitting and allocating the existing RSF is to provide additional reserves which ensure sufficient capital to enable the Company to support its operations. For the years ending December 31, 2019 and 2018, the balances in the RSF were approximately \$2.0 million and \$3.4 million, respectively.

Restricted Cash – Bond Project Funds

This restricted cash balance consists of funds remaining from the issuance of the Series 2014, 2015, 2018 and 2019 tax-exempt bonds (the "Bonds") in December of 2014, October of 2015 and April 2018 and 2019, respectively. The proceeds from those bond issuance transactions are maintained in separate restricted cash accounts, with Trustee oversight, and are subject to withdrawal as a reimbursement of eligible capital project expenditures for the years 2014 through 2019, as defined by the indenture and issuance documents associated with each offering. The restricted cash accounts are also used as a "conduit" for the transfer of money from operating cash to restricted cash, allowing the Trustee to make the required payments to bondholders for principal and interest due semi-annually.

Revenue Recognition – Regulated Entities

Standard charges for water utility services to customers are recorded as revenue, based upon meter readings and contract service, as services are provided. The majority of the Company's water revenues are based on rates approved by the NHPUC. Estimates of unbilled service revenues are recorded in the period the services are provided. Provision is made in the consolidated financial statements for estimated uncollectible accounts.

Revenue Recognition – Non-Regulated Entities

The Company derives its non-regulated revenues primarily from water management services which include contract operations and maintenance, and water testing and billing services to municipalities and small, privately owned community water systems. Revenue is measured based on consideration specified in contracts with customers. The Company recognizes revenue when it satisfies performance obligations under the terms of the contract which generally occurs with the transfer of control of the services to the customer. Revenues from unplanned additional work are based upon time and materials incurred in connection with activities not specifically identified in the contract, or for which work levels exceed contracted amounts.

Revenues from real estate operations, other than undistributed earnings or losses from equity method joint ventures, are recorded upon completion of a sale of real property. The Company's real estate holdings outside of the Company's utility subsidiaries are comprised primarily of undeveloped land.

The Company does not have any significant financing components as payment is received at or shortly after the point of sale.

Contract Combination

To determine the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate a combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts, which is mainly because the Company provides a significant service of integrating a complex set of tasks and components into a single project or capability.

For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation using management's best estimate of the standalone selling price of each distinct good or service in the contract. In cases where the Company does not provide the distinct good or service on a standalone basis, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which management forecasts the Company's expected costs of satisfying a performance obligation and then adds an appropriate margin for that distinct good or service.

As of December 31, 2018, the funds in these restricted cash accounts totaled approximately \$3.3 million. During 2019, approximately \$3.3 million was withdrawn from the restricted cash accounts to make the principal and interest payments for the Bonds, on January 1, July 1 and October 1. In December 2019, approximately \$3.4 million was transferred into these restricted cash accounts from the Company's operating cash accounts, to provide the funds needed to make the net principal and interest payments due on January 1, 2020 for the Bonds. As of December 31, 2019, the funds in these restricted cash accounts totaled approximately \$3.4 million.

Concentration of Credit Risks

Financial instruments that subject the Company to credit risk consist primarily of cash (including cash equivalents and restricted cash) and accounts receivable. Cash balances are invested in financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2019 and 2018, the Company had approximately \$9,600,000 and \$6,900,000 in excess of FDIC insured limits, respectively. Our accounts receivable balances primarily represent amounts due from the residential, commercial and industrial customers of our regulated water utility operations, as well as receivables from our Service Corporation customers.

Accounts Receivable – Billed, Net

Water utility accounts receivable (regulated) are recorded at invoiced amounts.

Non-regulated accounts receivable are recorded based on contracted prices when the Company obtains an unconditional right to payment under the terms of the contract.

The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable and is determined based on historical write-off experience and the aging of account balances. We review the allowance for doubtful accounts quarterly. Account balances are written off against the allowance when it is probable the receivable will not be recovered.

Accounts Receivable – Unbilled, Net

We read our customer meters on a monthly basis and record revenues based on meter reading results. Information from the last meter reading date is used to estimate the value of unbilled revenues through the end of the accounting period. Estimates of water utility revenues for water delivered to customers but not yet billed are accrued at the end of each accounting period. Actual results could differ from those estimates.

Inventory

Inventory is stated at the lower of cost or net realizable value, cost being determined using the average cost method which approximates the first-in, first-out (FIFO) method.

Deferred Land Costs

Deferred land costs have been recorded in all reporting periods leading up to and including 2019 by Southwood, the Company's real estate subsidiary. Southwood was passively engaged in the management and maintenance of land holdings outside of any of the land holdings held in ownership by the Company's utility subsidiaries. Included in deferred land costs is the Company's original basis in its undeveloped landholdings and any land improvement costs, which are stated at the lower of cost or market. All costs associated with real estate and land projects are capitalized and allocated to the project to which the costs relate. Administrative labor and the related fringe benefit costs attributable to the acquisition, active development, and construction of land parcels are capitalized as deferred land costs. No labor and benefits were capitalized for the years ended December 31, 2019 and 2018.

As of the end of 2019, all of the land holdings previously owned by Southwood were transferred to the Company, which now has assumed the passive management and maintenance of those land holdings. On a going forward basis, Southwood will be maintained as a "corporate shell" allowing for its usage in possible future land management opportunities, should they occur.

Deferred Charges and Other Assets

Deferred charges include certain regulatory assets and other assets. Regulatory assets are amortized over the periods they are recovered through NHPUC-authorized water rates. The Company's utility subsidiaries have recorded certain regulatory assets in cases where the NHPUC has permitted, or is expected to permit, recovery of these costs over future periods. Currently, the regulatory assets are being amortized over periods ranging from 2 to 25 years.

Unamortized Debt Issuance Costs

Unamortized debt issuance costs are amortized over the term of the related bonds and notes. The Company's utility subsidiaries have recorded unamortized debt issuance costs in cases where the NHPUC has permitted or is expected to permit recovery of these costs over future periods. The debt issuance costs are being amortized over the original lives of the associated debt.

Contributions in Aid of Construction

Under construction contracts with real estate developers and others, the Company's utility subsidiaries may receive non-refundable advances for the cost of installing new water mains. These advances are recorded as Contributions in Aid of Construction ("CIAC"). The Company's utility subsidiaries also record to plant and CIAC the fair market value of developer installed mains and any excess of fair market value over the cost of community water systems purchased from developers. CIAC are amortized over the life of the related properties.

Performance Obligations

For performance obligations related to operations, planned maintenance, and water testing and billing services, control transfers to the customer over time as the services are provided. These services are sold primarily to municipalities or small, privately owned community water systems. The majority of the Company's unplanned maintenance contracts are billed on a time and materials basis and revenue is recognized over time as the services are performed. The majority of the Company's operations, planned maintenance, and water testing and billing contracts are billed on a fixed price basis. For fixed price contracts, the Company measures its progress towards complete satisfaction of the performance obligation using a time-based measure. This method is used because management considers time elapsed to be the best available measure of progress on contracts.

Contract Estimates and Modifications

Due to the nature of the work required to be performed on many of the Company's performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment.

As a significant change in one or more of these estimates could affect the profitability of the Company's contracts, management reviews and updates the Company's contract-related estimates regularly through a Company-wide project review process in which management reviews the progress and execution of the Company's performance obligations and the estimate at completion. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, and the related changes in estimates of revenues and costs. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, among other variables.

The Company recognizes adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, the Company recognizes the total loss in the period it is identified.

Variable Consideration

Variable consideration is estimated at the most likely amount to which the Company is expected to be entitled. Any variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and the determination of whether to include estimated amounts in the transaction price are based largely on assessments of legal enforceability, the Company's performance, and all information (historical, current, and forecasted) that is reasonably available to management.

Variable consideration is allocated entirely to a performance obligation or to a distinct good or service within a performance obligation if it relates specifically to efforts to satisfy the performance obligation or transfer the distinct good or service, and the allocation depicts the amount of consideration the Company expects to be entitled.

Significant Judgments

The Company recognizes contract revenue for financial reporting purposes over time. Progress toward completion of the Company's contracts is measured using a time-based criterion for each contract and requires significant judgment. This method is used because management considers time-elapsed to be the best available measure of progress on contracts.

Contract Assets and Liabilities

Billing practices are governed by the contract terms of each project based upon achievement of milestones or pre-agreed schedules. Billings do not necessarily correlate with revenue recognized using a time-elapsed method of revenue recognition. Contract assets include unbilled amounts typically resulting from revenue under long-term contracts when the time-elapsed method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and right to payment is not unconditional. Contract liabilities consist of deferred revenue.

Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. The Company classifies deferred revenue as current or noncurrent based on the timing of when revenue is expected to be recognized. The noncurrent portion of deferred revenue is included in Other long-term liabilities in the Balance Sheets.

Practical Expedients

The Company generally expenses pre-contract costs when incurred because the amortization period would have been one year or less.

Investment in Joint Venture

Southwood uses the equity method of accounting for its investment in a joint venture in which it does not have a controlling interest. Under this method, Southwood records its proportionate share of losses under "Other, net" in the accompanying Consolidated Statements of Income (Loss) with a corresponding decrease in the carrying value of the investment.

As of the end of 2019, Southwood assumed 100% ownership of this investment, and as such, has consolidated the operating results of the investment in its 2019 results.

Income Taxes

Income taxes are recorded using the accrual method and the provision for federal and state income taxes is based on income reported in the consolidated financial statements, adjusted for items not recognized for income tax purposes. Provisions for deferred income taxes are recognized for accelerated depreciation and other temporary differences. A valuation allowance is provided to offset any net deferred tax assets if, based upon available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Investment tax credits previously realized for income tax purposes are amortized for financial statement purposes over the life of the property, giving rise to the credit.

Adoption of New Accounting Standards

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued ASC 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles (U.S. GAAP). The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company adopted ASC 606 effective January 1, 2019, the first day of the Company's fiscal year, using the full-retrospective method for the non-regulated entities.

As part of the adoption of ASC 606, the Company elected to use the following transition practical expedients: (1) revenue from contracts which begin and end in the same fiscal year has not been restated; (2) hindsight was used when determining the transaction price for contracts that include variable consideration, rather than estimating variable consideration amounts in the comparative reporting period; (3) the amount of transaction price allocated to unsatisfied performance obligations and when those amounts are expected to be recognized, for the reporting periods prior to the date of initial application of the guidance, have not been disclosed; and (4) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate.

The majority of the Company's revenue is recognized over time as the performance obligation is satisfied. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of the Company's contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

The adoption of ASC 606 did not have a significant impact on the Company's financial position, results of operations, or cash flows. The majority of the Company's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Company's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

See *Summary of Significant Accounting Policies, Revenue Recognition*, above for further discussion of the effects of the adoption of ASC 606 on our significant accounting policies.

Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In 2019, the Company adopted FASB Accounting Standards Update (ASU) 2017-07, *Compensation – Retirement Benefits (Topic 715) - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires reporting the service cost component in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net periodic benefit cost are presented separately from the service cost component and outside a subtotal from operations. The Company adopted ASU 2017-07 retrospectively. There was no material impact on the Company's results of operations or financial condition upon adoption of the new standard.

New Accounting Standards to be Adopted in the Future

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*. The ASU requires all leases with lease terms more than 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the income statement. This ASU will be effective for the Company for the year ending December 31, 2021. The Company is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. The ASU requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This ASU will be effective for the Company for the year ending December 31, 2023. The Company is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 2 – Property, Plant and Equipment

The components of property, plant and equipment as of December 31, 2019 and 2018 were as follows:

(in thousands)	<u>2019</u>	<u>2018</u>	<u>Useful Lives (in years)</u>
Utility Property:			
Land and land rights	\$ 5,993	\$ 3,346	-
Source of supply	72,360	65,807	3 - 70
Pumping and purification	29,929	29,823	7 - 64
Transmission and distribution, including services, meters and hydrants	188,069	176,263	15 - 91
General and other equipment	16,352	16,742	7 - 75
Intangible plant	790	790	20
Construction work in progress	<u>1,225</u>	<u>2,175</u>	
Total utility property	314,718	294,946	
Total non-utility property	<u>5</u>	<u>5</u>	5 - 10
Total property, plant and equipment	314,723	294,951	
Less accumulated depreciation	<u>(77,541)</u>	<u>(73,091)</u>	
Property, Plant and Equipment, net	<u>\$ 237,182</u>	<u>\$ 221,860</u>	

The provision for depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 91 years. The weighted average composite depreciation rate was 2.53% and 2.54% in 2019 and 2018, respectively.

Note 3 – Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statements of cash flows.

(in thousands)	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 4,885	\$ 1,575
Restricted cash - RSF	1,963	3,428
Restricted cash - Bond Project Funds	<u>3,426</u>	<u>3,337</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 10,274</u>	<u>\$ 8,340</u>

Amounts included in restricted cash represent those required to be set aside as outlined in Note 1.

Note 4 – Accounts Receivable

Accounts receivable consisted of the following at December 31, 2019 and 2018:

(in thousands)	<u>2019</u>	<u>2018</u>
Accounts receivable - billed	\$ 3,091	\$ 3,461
Less allowance for doubtful accounts	<u>(50)</u>	<u>(44)</u>
Accounts receivable - billed, net	<u>\$ 3,041</u>	<u>\$ 3,417</u>
Accounts receivable - unbilled	\$ 2,575	\$ 2,927
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
Accounts receivable - unbilled, net	<u>\$ 2,575</u>	<u>\$ 2,927</u>

Note 5 – Deferred Charges and Other Assets

Deferred charges and other assets as of December 31, 2019 and 2018 consisted of the following:

(in thousands)	<u>2019</u>	<u>2018</u>	<u>Recovery Period (in years)</u>
Regulatory assets:			
Source development charges	\$ 801	\$ 873	5 - 25
Miscellaneous studies	790	865	2 - 25
Unrecovered pension and post-retirement benefits expense	<u>11,347</u>	<u>8,197</u>	(1)
Total regulatory assets	12,938	9,935	
Supplemental executive retirement plan asset	<u>789</u>	<u>762</u>	
Total deferred charges and other assets	<u>\$ 13,727</u>	<u>\$ 10,697</u>	

⁽¹⁾ We expect to recover these amounts consistent with the anticipated expense recognition of these assets.

Note 6 – Post-retirement Benefit Plans**Pension Plan and Other Post-Retirement Benefits**

The Company has a non-contributory, defined benefit pension plan (the “DB Plan”) that covers substantially all employees. The benefits are based on years of service and participant compensation levels. The Company’s funding policy is to contribute annual amounts that meet the requirements for funding under the U.S. Department of Labor’s Pension Protection Act. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

Post-retirement medical benefits are provided for eligible retired employees through one of two plans (collectively referred to as our “OPEB Plans”). For employees who retire on or after the normal retirement age of 65, benefits are provided through a post-retirement plan (the “Post-65 Plan”). For eligible non-union employees who retire prior to their normal retirement age and who have met certain age and service requirements, benefits are provided through a post-employment medical plan (the “Post-employment Plan”). Future benefits under the Post-65 Plan increase annually based on the actual percentage of wage and salary increases earned from the plan inception date to the normal retirement date. The benefits under the Post-employment Plan allow for the continuity of medical benefits coverage at group rates from the employee’s retirement date until the employee becomes eligible for Medicare, which are fully funded by the retiree. The liability related to the Post-65 Plan will be funded from the general assets of our Company.

Upon retirement, if a qualifying employee elects to receive medical benefits under our Post-65 Plan, we pay up to a maximum monthly benefit of \$360 based on years of service.

The following table sets forth information regarding our DB Plan and our OPEB Plans as of December 31, 2019 and for the year then ended:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
Projected benefit obligations	\$ 34,158	\$ 4,586
Employer contribution	1,181	11
Benefits paid, excluding expenses	(695)	(63)
Fair value of plan assets	21,187	604
Accumulated benefit obligation	30,643	-
Funded status	(12,971)	(3,982)
Net periodic benefit cost	1,494	279
Amount of the funded status recognized in the Consolidated Balance Sheet consisted of:		
Current liability	-	-
Non-current liability	(12,971)	(3,982)
Total	<u>\$ (12,971)</u>	<u>\$ (3,982)</u>

The following table sets forth information regarding our DB Plan and our OPEB Plans as of December 31, 2018 and for the year then ended:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
Projected benefit obligations	\$ 27,369	\$ 3,735
Employer contribution	1,097	11
Benefits paid, excluding expenses	(648)	(58)
Fair value of plan assets	17,348	534
Accumulated benefit obligation	24,823	-
Funded status	(10,021)	(3,201)
Net periodic benefit cost	1,286	251
Amount of the funded status recognized in the Consolidated Balance Sheet consisted of:		
Current liability	-	-
Non-current liability	(10,021)	(3,201)
Total	<u>\$ (10,021)</u>	<u>\$ (3,201)</u>

The components of net periodic benefit cost other than the service cost component are included in the line item operations and maintenance in the consolidated statements of income (loss), as the amounts are immaterial.

Changes in plan assets and benefit obligations recognized in regulatory assets, for the year ended December 31, 2019, were as follows:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
Regulatory asset balance, beginning of period	\$ 7,632	\$ 565
Net actuarial loss incurred during the period	2,991	516
Prior service cost incurred during the period	-	16
Recognized net actuarial (gain)/loss	(354)	(19)
Regulatory asset balance, end of period	<u>\$ 10,269</u>	<u>\$ 1,078</u>

Changes in plan assets and benefit obligations recognized in regulatory assets, for the year ended December 31, 2018, were as follows:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
Regulatory asset balance, beginning of period	\$ 7,593	\$ 651
Net actuarial gain incurred during the period	374	(77)
Prior service cost incurred during the period	-	16
Recognized net actuarial (gain)/loss	(335)	(25)
Regulatory asset balance, end of period	<u>\$ 7,632</u>	<u>\$ 565</u>

Amounts recognized in regulatory assets for the DB and OPEB Plans that have not yet been recognized as components of net periodic benefit cost of the following as of December 31, 2019:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
Net actuarial loss	\$ 10,269	\$ 1,209
Prior service cost	-	(131)
Regulatory asset	<u>\$ 10,269</u>	<u>\$ 1,078</u>

Amounts recognized in regulatory assets for the DB and OPEB Plans that have not yet been recognized as components of net periodic benefit cost of the following as of December 31, 2018:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
Net actuarial loss	\$ 7,632	\$ 712
Prior service cost	-	(147)
Regulatory asset	<u>\$ 7,632</u>	<u>\$ 565</u>

The key assumptions used to value benefit obligations and calculate net periodic benefit cost for our DB and OPEB Plans include the following:

	<u>2019</u>	<u>2018</u>
Discount rate for net periodic benefit cost, beginning of year	4.15%	3.50%
Discount rate for benefit obligations, end of year ^(a)	3.13%	4.15%
Expected return on plan assets for the period (net of investment expenses)	7.00%	7.00%
Rate of compensation increase, beginning of year	3.00%	3.00%
Healthcare cost trend rate (applicable only to OPEB Plans)	6.50%	7.00%

^(a) An increase or decrease in the discount rate of 0.5% would result in a change in the funded status as of December 31, 2019, for the DB Plan and the OPEB Plans of approximately \$2.8 million and \$421 thousand, respectively.

The estimated net actuarial loss for our DB Plan that will be amortized in 2020 from the regulatory assets into net periodic benefit costs is \$493,000. The estimated net actuarial gain and prior service cost for our OPEB Plans that will be amortized in 2020 from the regulatory assets into net periodic benefit costs is \$29,500.

In establishing its investment policy, the Company has considered the fact that the DB Plan is a major retirement vehicle for its employees and the basic goal underlying the establishment of the policy is to provide that the assets of the DB Plan are invested in accordance with the asset allocation range targets to achieve our expected return on DB Plan assets. The Company's investment strategy applies to its OPEB Plans as well as the DB Plan. The expected long-term rate of return on DB Plan and OPEB Plan assets is based on the Plans' expected asset allocation, expected returns on various classes of Plan assets, as well as historical returns.

The assets of our Post-65 Plan are held in two separate Voluntary Employee Beneficiary Association (“VEBA”) trusts. The VEBA plan assets are maintained in directed trust accounts at a commercial bank.

The investment strategy for the Company’s DB Plan and OPEB Plans utilizes several different asset classes with varying risk/return characteristics. The following table indicates the asset allocation percentages of the fair value of the DB Plan and OPEB Plans’ assets for each major type of plan asset as of December 31, 2019, as well as the targeted allocation range:

	<u>DB Plan</u>		<u>OPEB Plans</u>	
		<u>Asset Allocation Range</u>		<u>Asset Allocation Range</u>
Equities	61%	30% - 100%	69%	30% - 100%
Fixed income	39%	20% - 70%	29%	0% - 50%
Cash and cash equivalents	0%	0% - 15%	2%	0% - 15%
Total	<u>100%</u>		<u>100%</u>	

The following table indicates the asset allocation percentages of the fair value of the DB Plan and OPEB Plans’ assets for each major type of plan asset as of December 31, 2018, as well as the targeted allocation range:

	<u>DB Plan</u>		<u>OPEB Plans</u>	
		<u>Asset Allocation Range</u>		<u>Asset Allocation Range</u>
Equities	59%	30% - 100%	65%	30% - 100%
Fixed income	41%	20% - 70%	32%	0% - 50%
Cash and cash equivalents	0%	0% - 15%	3%	0% - 15%
Total	<u>100%</u>		<u>100%</u>	

Management uses its best judgment in estimating the fair value of its financial instruments. However, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts that we could realize in a sales transaction for these instruments. The estimated fair value amounts have been measured as of year-end and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates.

Investments in common stock and mutual funds are stated at fair value by reference to quoted market prices. Money market funds are valued utilizing the net asset value per unit based on the fair value of the underlying assets as determined by the directed trustee.

The DB Plan also holds assets under an immediate participation guarantee group annuity contract with a life insurance company. The assets under the contract are invested in pooled separate accounts and in a general investment account. The pooled separate accounts are valued based on net asset value (NAV) per unit of participation in the fund. The NAV is used as a practical expedient to estimate fair values. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than that reported at NAV. These accounts have no unfunded commitments or significant redemption restrictions at year-end. The value of these units is determined by the trustee based on the current market values of the underlying assets of the pooled separate accounts. Therefore, the value of the pooled separate accounts is deemed to be at estimated fair value.

The general investment account is not actively traded, and significant other observable inputs are not available. The fair value of the general investment account is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan's management believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain investments could result in a different fair value measurement at the reporting date.

A fair value hierarchy which prioritizes the inputs to valuation methods is used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The fair value of DB Plan and OPEB Plan assets by levels within the fair value hierarchy used as of December 31, 2019 was as follows:

(in thousands)	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
DB Plan:				
Guaranteed Interest Accounts	\$ 5,155	\$ -	\$ -	\$ 5,155
Total Assets in the Fair Value Hierarchy	5,155	-	-	5,155
Investments measured at net asset value ^(a)	<u>16,032</u>	<u>-</u>	<u>-</u>	<u>-</u>
DB Plan Investments, at Fair Value	<u>21,187</u>	<u>-</u>	<u>-</u>	<u>5,155</u>
OPEB Plans :				
Common stocks	311	311	-	-
Mutual funds	109	109	-	-
Fixed income funds	170	170	-	-
Money market funds	14	-	14	-
Total Assets in the Fair Value Hierarchy	604	590	14	-
Investments measured at net asset value ^(a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPEB Plans Investments, at Fair Value	<u>604</u>	<u>590</u>	<u>14</u>	<u>-</u>
Totals	<u>\$ 21,791</u>	<u>\$ 590</u>	<u>\$ 14</u>	<u>\$ 5,155</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of assets available for benefits of the Plans.

The fair value of DB Plan and OPEB Plan assets by levels within the fair value hierarchy used as of December 31, 2018 was as follows:

(in thousands)	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
DB Plan:				
Guaranteed Interest Accounts	\$ 4,414	\$ -	\$ -	\$ 4,414
Total Assets in the Fair Value Hierarchy	4,414	-	-	4,414
Investments measured at net asset value ^(a)	<u>12,934</u>	<u>-</u>	<u>-</u>	<u>-</u>
DB Plan Investments, at Fair Value	<u>17,348</u>	<u>-</u>	<u>-</u>	<u>4,414</u>
OPEB Plans:				
Common stocks	252	252	-	-
Mutual funds	93	93	-	-
Fixed income funds	170	170	-	-
Money market funds	19	-	19	-
Total Assets in the Fair Value Hierarchy	534	515	19	-
Investments measured at net asset value ^(a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPEB Plans Investments, at Fair Value	<u>534</u>	<u>515</u>	<u>19</u>	<u>-</u>
Totals	<u>\$ 17,882</u>	<u>\$ 515</u>	<u>\$ 19</u>	<u>\$ 4,414</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of assets available for benefits of the Plans.

Level 1: Based on quoted prices in active markets for identical assets.

Level 2: Based on significant observable inputs.

Level 3: Based on significant unobservable inputs.

The following table summarizes investments at fair value based on NAV per share as of December 31, 2019 and 2018, respectively:

(in thousands)	<u>Fair Value</u>
December 31, 2019	
Pooled Separate Accounts:	
Equities	\$ 12,870
Fixed Income	<u>3,162</u>
Total Pooled Separate Accounts	<u>\$ 16,032</u>
December 31, 2018	
Pooled Separate Accounts:	
Equities	\$ 10,257
Fixed Income	<u>2,677</u>
Total Pooled Separate Accounts	<u>\$ 12,934</u>

The following table presents a period-end reconciliation of DB Plan assets measured and recorded at fair value on a recurring basis, using significant unobservable inputs (Level 3):

(in thousands)	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 4,414	\$ 3,215
Plan transfers	1,079	1,548
Contributions	249	219
Benefits paid	(691)	(645)
Return on plan assets (net of investment expenses)	<u>104</u>	<u>77</u>
Balance, end of year	<u>\$ 5,155</u>	<u>\$ 4,414</u>

In order to satisfy the minimum funding requirements of the Employee Retirement Income Security Act of 1974, applicable to defined benefit pension plans, the Company anticipates it will contribute approximately \$1.3 million to the DB Plan in 2020.

The following maximum benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
2020	\$ 981	\$ 86
2021	1,146	103
2022	1,275	119
2023	1,325	125
2024	1,453	139
2025 - 2029	<u>8,840</u>	<u>889</u>
Total	<u>\$ 15,020</u>	<u>\$ 1,461</u>

Because the Company is subject to regulation in the state in which it operates, we are required to maintain our accounts in accordance with the regulatory authority's rules and regulations. In those instances, we follow the guidance of ASC 980 ("Regulated Operations"). Based on prior regulatory practice, we recorded underfunded DB Plan and OPEB Plan obligations as a regulatory asset, and we expect to recover those costs in rates charged to customers.

Defined Contribution Plan

In addition to the defined benefit plan, the Company provides and maintains a defined contribution plan covering substantially all employees. Under this plan, the Company matches 100% of the first 3% of each participating employee's salary contributed to the plan. The matching employer's contributions, recorded as operating expenses, were approximately \$278,000 and \$269,000 for the years ended December 31, 2019 and 2018, respectively.

Note 7 – Commitments and Contingencies*Operating Leases*

The Company's corporate office space, as well as certain office equipment, is leased under operating lease agreements. Total rent expense was approximately \$385,400 and \$367,400 for the years ended December 31, 2019 and 2018, respectively.

The remaining non-cancelable lease commitments for the corporate office space and leased equipment as of December 31, 2019 were as follows:

(in thousands)	<u>Amount</u>
2020	\$ 364
2021	354
2022	342
2023	330
2024	330
Thereafter	<u>4,007</u>
Total	<u>\$ 5,727</u>

Note 8 – Financial Measurement and Fair Value of Financial Instruments

Management uses its best judgment in estimating the fair value of its financial instruments. However, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts that we could realize in a sales transaction for these instruments. The estimated fair value amounts have been measured as of the period end and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates.

A fair value hierarchy is used, which prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1: Based on quoted prices in active markets for identical assets.
- Level 2: Based on significant observable inputs.
- Level 3: Based on significant unobservable inputs.

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For assets and liabilities measured at fair value on a recurring basis, the fair value measurement by levels within the fair value hierarchy used as of December 31, 2019 and 2018 were as follows:

(in thousands)	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Interest rate swap	\$ (353)	\$ -	\$ (353)	\$ -

(in thousands)	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Interest rate swap	\$ (263)	\$ -	\$ (263)	\$ -

The carrying value of certain financial instruments included in the accompanying Consolidated Balance Sheets, along with the related fair value, as of December 31, 2019 and 2018 was as follows:

(in thousands)	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				
Long-term debt	\$ (223,245)	\$ (258,839)	\$ (210,588)	\$ (234,381)
Interest rate swap liability	\$ (353)	\$ (353)	\$ (263)	\$ (263)

The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration. The fair value for long-term debt shown above does not purport to represent the amounts at which those debt obligations would be settled. The fair market value of the interest rate swap represents the estimated cost to terminate this agreement as of December 31, 2019 and 2018 based upon the then-current interest rates and the related credit risk.

The carrying values of our cash and cash equivalents, accounts receivable and accounts payable approximate their fair values because of their short maturity dates. The carrying value of our CIAC approximates its fair value because it is expected that this is the amount that will be recovered in future rates.

Note 9 – Revenue from Contracts with Customers – Non-Regulated Entities

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Disaggregation of Revenue

For the years ended December 31, 2019 and 2018, revenue recognized for goods transferred over time totaled \$2,892,868 and \$3,358,800, respectively.

For the year ended December 31, 2019, approximately 59% of revenues were from large-contract customers, 20% of revenues were from small contract customers (con-ops), and 21% revenues were from residential maintenance and other customers. For the year ended December 31, 2018, approximately 61% of revenues were from large-contract customers, 21% of revenues were from small contract customers (con-ops), and 18% revenues were from residential maintenance and other customers. In addition, substantially all of the Company's contracts were service-related type contracts.

Note 10 – Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the TCJA). The TCJA made broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) elimination of the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized; (3) changing rules related to usage and limitation of net operating loss carryforwards created in tax years beginning after December 31, 2017; (4) changing rules related to limitation of interest expense deductions; and (5) the taxation of CIAC as income for Regulated Water Utilities, due to the elimination of an exemption allowed prior to the TCJA. Certain of the TCJA's provisions require interpretation, which may be clarified through issuances of guidance by the U.S. Treasury Department, regulations, or future technical corrections.

The components of the federal and state income tax provision (benefit) as of December 31, 2019 and 2018 were as follows:

(in thousands)	<u>2019</u>	<u>2018</u>
Federal	\$ 144	\$ 913
State	203	812
Amortization of investment tax credits	<u>(33)</u>	<u>(33)</u>
Total	<u>\$ 314</u>	<u>\$ 1,692</u>
Current	\$ -	\$ 518
Deferred	<u>314</u>	<u>1,174</u>
Total	<u>\$ 314</u>	<u>\$ 1,692</u>

The following is a reconciliation between the statutory federal income tax rate and the effective income tax rate for 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Statutory federal rate	21.0 %	21.0 %
State tax rate, net of federal benefits	6.1	6.2
Permanent differences	(33.9)	(75.7)
Amortization of investment tax credits	<u>0.7</u>	<u>0.9</u>
Effective tax rate	<u>(6.1) %</u>	<u>(47.6) %</u>

The temporary items that give rise to the net deferred tax liability as of December 31, 2019 and 2018 were as follows:

(in thousands)	<u>2019</u>	<u>2018</u>
Liabilities:		
Property-related, net	\$ 21,396	\$ 20,682
Other	<u>519</u>	<u>424</u>
Total liabilities	<u>21,915</u>	<u>21,106</u>
Assets:		
Pension accrued liability	1,403	1,272
Net operating loss carryforward	4,953	4,556
Alternative minimum tax credit	476	476
NH Business Enterprise Tax credits	1,123	997
Other	<u>656</u>	<u>692</u>
	8,611	7,993
Less valuation allowance	<u>(1,123)</u>	<u>(997)</u>
Total assets	<u>7,488</u>	<u>6,996</u>
Net non-current deferred income tax liability	<u>\$ 14,427</u>	<u>\$ 14,110</u>

The Company has accumulated federal net operating losses. The federal tax benefit of the cumulative net operating losses is approximately \$3.9 million, begin to expire in 2033, and is included in deferred income taxes in the Consolidated Balance Sheet as of December 31, 2019. The net operating losses are 100 percent available to be applied to taxable income in future years and are not subject to the TCJA as they were generated prior to the 2018 tax year. The enactment of the TCJA now limits the net operating loss shelter to 80 percent of taxable income, for post-2017 tax year losses. The TCJA also provides for net operating losses to be carried forward indefinitely instead of limited to 20 years, as is the case for pre-2018 losses; however, carrybacks of these losses are no longer permitted.

The Company has accumulated New Hampshire net operating losses. The New Hampshire tax benefit of the cumulative net operating loss is approximately \$1.3 million which begins to expire in 2023, and is included in deferred income taxes in the Consolidated Balance Sheet as of December 31, 2019.

As of December 31, 2019 and 2018, it is estimated that approximately \$476,000 and \$476,000, respectively, of cumulative federal alternative minimum tax credits may be carried forward indefinitely as a credit against our regular tax liability.

As of December 31, 2019 and 2018, the Company had New Hampshire Business Enterprise Tax ("NHBET") credits of approximately \$1.1 million and \$997,000, respectively. NHBET credits begin to expire in 2019. It is anticipated that these NHBET credits will not be fully utilized before they expire; therefore, a valuation allowance has been recorded related to these credits. The valuation allowance increased by approximately \$126,000 and \$144,000 in the years ended December 31, 2019 and 2018, respectively.

Investment tax credits resulting from utility plant additions are deferred and amortized. The unamortized investment tax credits are being amortized through the year 2033.

The Company had a regulatory liability related to income taxes of approximately \$9,930,000 and \$9,943,000 as of December 31, 2019 and 2018, respectively. This represents the estimated future reduction in revenues associated with deferred taxes which were collected at rates higher than the currently enacted rates and the amortization of deferred investment tax credits.

A review of the portfolio of uncertain tax positions was performed. In this regard, an uncertain tax position represents the expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. As a result of this review, it was determined that the Company had no material uncertain tax positions, and tax planning strategies will be used, if required and when possible, to avoid the expiration of any future net operating loss and/or tax credits.

The Company's practice is to recognize interest and/or penalties related to income tax matters in "Other, Net" in the Consolidated Statements of Income. We incurred no interest in 2019 and 2018. We incurred no penalties during the years ended December 31, 2019 and 2018.

Note 11 – Long-Term Debt

Long-term debt as of December 31, 2019 and 2018 consisted of the following:

(in thousands)	2019	
	Principal	Unamortized Debt Issuance Costs
Unsecured note payable to City of Nashua, 5.75%, due 12/25/2041	\$ 104,570	\$ -
Unsecured senior note payable due to an insurance company 7.40%, due March 1, 2021	2,800	10
Unsecured Business Finance Authority:		
Revenue Bonds (Series 2014A), interest rates from 3.00% to 4.125%, due January 1, 2045	37,830	1,708
Revenue Bonds (Series 2014B), 4.50%, due January 1, 2045	4,930	109
Revenue Bonds (Series 2015A), interest rates from 4.00% to 5.00%, due January 1, 2046	18,925	1,373
Revenue Bonds (Series 2015B), 5.00%, due January 1, 2046	1,735	209
Revenue Bonds (Series 2018A), interest rates from 4.375% to 5.00%, due April 1, 2048	4,460	253
Revenue Bonds (Series 2018B), 4.33%, due April 1, 2028	990	57
Revenue Bonds (Series 2019A), interest rates from 2.19% to 4.15%, due April 1, 2049	8,080	287
Revenue Bonds (Series 2019B), 3.38%, due April 1, 2020	170	2
Unsecured notes payable to bank, floating-rate, due March 1, 2030	2,716	13
Unsecured notes payable to bank, 3.62%, due June 20, 2023	1,294	6
Unsecured notes payable to bank, 4.20%, due December 20, 2041	1,160	6
Unsecured notes payable to bank, 4.83%, due December 20, 2041	887	5
Unsecured notes payable to bank, 4.25%, due June 20, 2033	706	6
Unsecured notes payable to bank, 4.90%, due March 6, 2040	557	33
Unsecured notes payable to bank, 5.33%, due June 20, 2043	339	13
Unsecured notes payable to bank, 4.38%, due September 20, 2044	1,145	16
Unsecured New Hampshire State Revolving Fund ("SRF") notes (1)	21,783	172
Unsecured New Hampshire Drinking Water & Groundwater Trust Fund ("DWGTF") notes (2)	8,168	11
Unamortized debt issuance costs for defeased obligations, allowed by regulation	-	78
Total	223,245	\$ 4,367
Less current portion	(6,582)	
Less unamortized debt issuance costs	(4,367)	
Total long-term debt, less current portion and unamortized debt issuance costs	\$ 212,296	

- (1) SRF notes are due through 2049 at interest rates ranging from 1% to 3.8%. These notes are payable in 120 to 240 consecutive monthly installments of principal and interest. The 1% rate applies to construction projects still in process until the earlier of (i) the date of substantial completion of the improvements, or (ii) various dates specified in the note (such earlier date being the interest rate change date). Commencing on the interest rate change date, the interest rate changes to the lower of (i) the rate as stated in the note or (ii) 80% of the established 11 General Obligations Bond Index published during the specified time period before the interest rate change date.
- (2) DWGTF notes are due through 2050 at interest rates ranging from 1% to 3.38%. These notes are payable in 360 consecutive monthly installments of principle and interest. The 1% rate applies to construction projects still in process until the earlier of (i) the date of substantial completion of the improvements or (ii) June 1, 2020 as specified in the note (such earlier date being the interest rate change date). Commencing on the interest rate change date, the interest rate change to the rate as stated in the note.

(in thousands)	2018	
	Principal	Unamortized Debt Issuance Costs
Unsecured note payable to City of Nashua, 5.75%, due 12/25/2041	\$ 106,830	\$ -
Unsecured senior note payable due to an insurance company 7.40%, due March 1, 2021	3,200	18
Unsecured Business Finance Authority:		
Revenue Bonds (Series 2014A), interest rates from 3.00% to 4.125%, due January 1, 2045	38,905	1,803
Revenue Bonds (Series 2014B), 4.50%, due January 1, 2045	5,030	114
Revenue Bonds (Series 2015A), interest rates from 4.00% to 5.00%, due January 1, 2046	19,490	1,450
Revenue Bonds (Series 2015B), 4.50%, due January 1, 2046	1,840	230
Revenue Bonds (Series 2018A), interest rates from 4.375% to 5.00%, due April 1, 2048	4,460	325
Revenue Bonds (Series 2018B), 4.33%, due April 1, 2028	1,075	-
Unsecured notes payable to bank, floating-rate, due March 1, 2030	2,928	14
Unsecured notes payable to bank, 3.62%, due June 20, 2023	1,367	7
Unsecured notes payable to bank, 4.20%, due December 20, 2041	1,192	6
Unsecured notes payable to bank, 4.83%, due December 20, 2041	909	5
Unsecured notes payable to bank, 4.25%, due June 20, 2033	744	7
Unsecured notes payable to bank, 4.90%, due March 6, 2040	573	35
Unsecured notes payable to bank, 5.33%, due June 20, 2043	346	19
Unsecured New Hampshire State Revolving Fund ("SRF") notes (1)	21,699	182
Unamortized debt issuance costs for defeased obligations, allowed by regulation	-	129
Total	210,588	\$ 4,344
Less current portion	(6,019)	
Less unamortized debt issuance costs	(4,344)	
Total long-term debt, less current portion and unamortized debt issuance costs	\$ 200,225	

- (1) SRF notes are due through 2049 at interest rates ranging from 1% to 3.8%. These notes are payable in 120 to 240 consecutive monthly installments of principal and interest. The 1% rate applies to construction projects still in process until the earlier of (i) the date of substantial completion of the improvements, or (ii) various dates specified in the note (such earlier date being the interest rate change date). Commencing on the interest rate change date, the interest rate changes to the lower of (i) the rate as stated in the note or (ii) 80% of the established 11 General Obligations Bond Index published during the specified time period before the interest rate change date.

The aggregate principal payment requirements subsequent to December 31, 2019 are as follows:

(in thousands)	Amount
2020	\$ 6,582
2021	8,836
2022	6,744
2023	8,054
2024	7,324
2025 and thereafter	185,705
Total	\$ 223,245

Several of Pennichuck Water's loan agreements contain a covenant that prevents Pennichuck Water from declaring dividends if Pennichuck Water does not maintain a minimum net worth of \$4.5 million. As of December 31, 2019 and 2018, Pennichuck Water's net worth was \$107.4 million and \$112.4 million, respectively.

The 2014A, 2014B, 2015A, 2015B, 2018A, 2018B, 2019A and 2019B bonds were issued under a new bond indenture and loan and trust agreement, established with the issuance of the 2014 Series Bonds, which contains certain covenant obligations upon Pennichuck Water, which are as follows:

Debt to Capital Covenant - Pennichuck Water cannot create, issue, incur, assume or guarantee any short-term debt if (1) the sum of the short-term debt plus its funded debt ("Debt") shall exceed 85% of the sum of its short-term debt, funded debt and capital stock plus surplus accounts ("Capital"), unless the short-term debt issued in excess of the 85% is subordinated to the Series 2014 bonds. Thereby, the ratio of Debt to Capital must be equal to or less than 1.0. As of December 31, 2019 and 2018, Pennichuck Water has a Debt to Capital Coverage ratio of 0.6 and 0.5, respectively.

All Bonds Test - Additionally, Pennichuck Water cannot create, issue, incur, assume or guarantee any new funded debt, if the total outstanding funded debt ("Total Funded Debt") will exceed the sum of MARA (as defined in Note 14 of these consolidated financial statements) and 85% of its Net Capital Properties ("MARA and Capital Properties"), and unless net revenues or EBITDA (earnings before interest, taxes, depreciation and amortization) shall equal or exceed for at least 12 consecutive months out of the 15 months preceding the issuance of the new funded debt by 1.1 times the maximum amount for which Pennichuck Water will be obligated to pay in any future year ("Max Amount Due"), as a result of the new funded debt being incurred. Thereby, the ratio of Total Funded Debt to MARA and Capital Properties must be equal to or less than 1.0; as of December 31, 2019 and 2018, this coverage ratio was 0.5 and 0.4, respectively. Also, the ratio of EBITDA to the Max Amount Due must be equal to or greater than 1.1; as of December 31, 2019 and 2018, this ratio was 1.5 and 1.6, respectively.

Rate Covenant Test - If during any fiscal year, the EBITDA of Pennichuck Water shall not equal at least 1.1 times all amounts paid or required to be paid during that year ("Amounts Paid"), then the Company shall undertake reasonable efforts to initiate a rate-making proceeding with the NHPUC, to rectify this coverage requirement in the succeeding fiscal years. Thereby, the ratio of EBITDA to Amounts Paid must be equal to or greater than 1.1; as of December 31, 2019 and 2018, the Rate Covenant coverage ratio was 1.98 and 1.48, respectively.

Pennichuck East's loan agreement for its unsecured notes payable to a bank of \$8.8 million and \$8.1 million at December 31, 2019 and 2018, respectively, contains a minimum debt service coverage ratio requirement of 1.10. At December 31, 2019 and 2018, this ratio was 1.84 and 0.89, respectively. Prior to 2019 Pennichuck East was required to maintain a maximum ratio of total debt to total capitalization of 65%; this covenant has since been eliminated by CoBank. At December 31, 2018 this ratio was 65%.

As of December 31, 2019 and 2018, the Company had a \$2.7 million and \$2.9 million, respectively, interest rate swap which qualifies as a derivative. This financial derivative is designated as a cash flow hedge. This financial instrument is used to mitigate interest rate risk associated with our outstanding \$2.7 million loan which has a floating interest rate based on the three-month London Interbank Offered Rate (“LIBOR”) plus 1.75% as of December 31, 2019. The combined effect of the LIBOR-based borrowing formula and the swap produces an “all-in fixed borrowing cost” equal to 5.95%. The fair value of the financial derivative, as of December 31, 2019 and 2018, included in our Consolidated Balance Sheets under “Other Liabilities and Deferred Credits” as “Derivative instrument” was \$353,000 and \$263,000, respectively. Changes in the fair value of this derivative were deferred in accumulated other comprehensive income.

Swap settlements are recorded in the statements of income (loss) with the hedged item as interest expense. During the years ended December 31, 2019 and 2018, \$70,000 and \$59,000, respectively, was reclassified pre-tax from accumulated other comprehensive income to interest expense as a result of swap settlements. The Company expects to reclassify approximately \$50,000, pre-tax, from accumulated other comprehensive income to interest expense as a result of swap settlements, over the next twelve months.

Note 12 – Lines of Credit

In April of 2018, the Company’s existing Line of Credit, which had a \$6 million limit for borrowings was replaced by a new \$4 million Working Capital Line of Credit, and two new Fixed Asset Lines of Credit for Pennichuck Water (\$10 million FALOC) and Pennichuck East (\$3 million FALOC), to be used to fund construction work in progress on capital projects, which will be refinanced into long-term debt term loan obligations or issued bond indebtedness, annually.

Short-term borrowing activity under the Company’s Working Capital Line of Credit for the years ended December 31, 2019 and 2018 was:

(in thousands)	<u>2019</u>	<u>2018</u>
Established line as of December 31,	\$ 4,000	\$ 4,000
Maximum amount outstanding during period	3,311	5,981
Average amount outstanding during period	934	1,701
Amount outstanding as of December 31,	2,439	361
Weighted average interest rate during period	3.98%	3.45%
Interest rate as of December 31,	3.55%	4.27%

Short-term borrowing activity under Pennichuck Water's \$10 million FALOC for the years ended December 31, 2019 and 2018 was:

(in thousands)	<u>2019</u>	<u>2018</u>
Established line as of December 31,	\$ 10,000	\$ 10,000
Maximum amount outstanding during period	8,850	5,574
Average amount outstanding during period	4,131	1,821
Amount outstanding as of December 31,	5,848	5,574
Weighted average interest rate during period	4.07%	3.05%
Interest rate as of December 31,	3.55%	4.27%

Short-term borrowing activity under Pennichuck East's \$3 million FALOC for the years ended December 31, 2019 and 2018 was:

(in thousands)	<u>2019</u>	<u>2018</u>
Established line as of December 31,	\$ 3,000	\$ 3,000
Maximum amount outstanding during period	1,894	691
Average amount outstanding during period	1,172	113
Amount outstanding as of December 31,	996	691
Weighted average interest rate during period	4.56%	3.11%
Interest rate as of December 31,	3.99%	4.71%

The Company's revolving credit loan facilities with TD Bank contain certain covenant obligations upon Pennichuck Water, which are as follows:

Debt to Capital Covenant - Pennichuck Water cannot create, issue, incur, assume or guarantee any short-term debt if (1) the sum of the short-term debt plus its funded debt ("Debt") shall exceed 85% of the sum of its short-term debt, funded debt and capital stock plus surplus accounts ("Capital"), unless the short-term debt issued in excess of the 85% is subordinated to the loan facility. Thereby, the ratio of Debt to Capital must be equal to or less than 1.0. As of December 31, 2019 and 2018, Pennichuck Water has a Debt to Capital Coverage ratio of 0.6 and 0.5, respectively.

All Bonds Test - Additionally, Pennichuck Water cannot create, issue, incur, assume or guarantee any new funded debt, if the total outstanding funded debt (“Total Funded Debt”) will exceed the sum of MARA (as defined in Note 14 of these consolidated financial statements) and 85% of its Net Capital Properties (“MARA and Capital Properties”), and unless net revenues or EBITDA (earnings before interest, taxes, depreciation and amortization) shall equal or exceed for at least 12 consecutive months out of the 15 months preceding the issuance of the new funded debt by 1.1 times the maximum amount for which Pennichuck Water will be obligated to pay in any future year (“Max Amount Due”), as a result of the new funded debt being incurred. Thereby, the ratio of Total Funded Debt to MARA and Capital Properties must be equal to or less than 1.0; as of December 31, 2019 and 2018, this coverage ratio was 0.5 and 0.4, respectively. Also, the ratio of EBITDA to the Max Amount Due must be equal to or greater than 1.1; as of December 31, 2019 and 2018 this ratio was 1.5 and 1.6, respectively.

Rate Covenant Test - If during any fiscal year, the EBITDA of Pennichuck Water shall not equal at least 1.1 times all amounts paid or required to be paid during that year (“Amounts Paid”), then the Company shall undertake reasonable efforts to initiate a rate-making proceeding with the NHPUC, to rectify this coverage requirement in the succeeding fiscal years. Thereby, the ratio of EBITDA to Amounts Paid must be equal to or greater than 1.1; as of December 31, 2019 and 2018, the Rate Covenant coverage ratio was 1.98 and 1.48, respectively.

Note 13 – Accumulated Other Comprehensive Income

The following table presents changes in accumulated other comprehensive income by component for the years ended December 31, 2019 and 2018:

(in thousands)	<u>Interest Rate Contract</u>	
	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 372	\$ 305
Other comprehensive income (loss) before reclassifications	(97)	32
Amounts reclassified from accumulated other comprehensive income	<u>43</u>	<u>35</u>
Net current period other comprehensive income	<u>(54)</u>	<u>67</u>
Ending balance	<u>\$ 318</u>	<u>\$ 372</u>

The following table presents reclassifications out of accumulated other comprehensive income for the years ended December 31, 2019 and 2018:

<u>Details about Accumulated Other Comprehensive Income Components</u>	<u>Amounts Reclassified from Accumulated Other Comprehensive Income</u>		<u>Affected Line Item in the Statement Where Net Income is Presented</u>
	<u>2019</u>	<u>2018</u>	
(in thousands)			
Gain (loss) on cash flow hedges			
Interest rate contracts	\$ 70	\$ 59	Interest expense
	<u>(27)</u>	<u>(24)</u>	Tax expense
Amounts reclassified from accumulated other comprehensive income	\$ <u>43</u>	\$ <u>35</u>	Net of tax

Note 14 – Transaction with the City of Nashua

On January 25, 2012, in full settlement of an ongoing Eminent Domain lawsuit filed by the City of Nashua (“City”) and with the approval of the NHPUC, the City acquired all of the outstanding shares of the Company and, thereby, indirect acquisition of its regulated subsidiaries. The total amount of the acquisition was \$150.6 million (“Acquisition Price”) of which \$138.4 million was for the purchase of the outstanding shares, \$5.0 million for the establishment of a Rate Stabilization Fund, \$2.6 million for legal and due diligence costs, \$2.3 million for severance costs, \$1.3 million for underwriting fees, and \$1.0 million for bond discount and issue costs. The entire purchase of \$150.6 million was funded by General Obligation Bonds (“Bonds”) issued by the City of Nashua. The Company is not a party to the Bonds and has not guaranteed nor is obligated in any manner for the repayment of the Bonds. The Company remains an independent corporation with an independent Board of Directors, with the City of Nashua as its sole shareholder.

Pennichuck Water, Pennichuck East, PAC, Service Corporation, and Southwood will continue as subsidiaries of Pennichuck Corporation and Pennichuck Water, Pennichuck East and PAC will continue as regulated companies under the jurisdiction of the NHPUC. The terms of the merger and the requisite accounting and rate-setting mechanisms were agreed to in the NHPUC Order No. 25,292 (“PUC Order”) dated November 23, 2011.

Transactions with Related Party – City of Nashua

The Company issued a promissory note to the City of Nashua in the amount of approximately \$120 million to be repaid over a thirty (30) year period with monthly payments of approximately \$707,000, including interest at 5.75%. The Company recorded an additional amount of approximately \$30.6 million as contributed capital. The remaining outstanding balance of the note payable to the City at December 31, 2019 and 2018 was approximately \$105 million and \$107 million, respectively, as disclosed in Note 11 to these consolidated financial statements. During 2019 and 2018, dividends of approximately \$280,000 and \$280,000, respectively, were declared and paid to the City. The dividends paid to the City during 2019 comprised approximately \$280,000 of regular quarterly dividends declared and paid; and no special dividend was declared or paid in 2019. The dividends paid to the City during 2018 comprised approximately \$280,000 of regular quarterly dividends declared and paid; and no special dividend was declared or paid in 2018.

Additional ongoing transactions occur in the normal course of business, between the Company and the City, related to municipal water usage, fire protection and sewer billing support services, and property taxes related to real property owned by the Company within the City of Nashua. For the years ended December 31, 2019 and 2018, respectively, approximately \$3.4 million and \$3.4 million were paid to the Company by the City for municipal water consumption, fire protection charges, and sewer billing support services. Conversely, the Company paid property taxes to the City of Nashua of approximately \$2.3 million for the year ended December 31, 2019, and approximately \$2.6 million for the year ended December 31, 2018.

Rate Stabilization Fund – Restricted Cash

As a part of the acquisition, the Company agreed to contribute \$5,000,000 of the proceeds from the settlement transaction to Pennichuck Water, which was used to establish a RSF, allowing for the maintenance of stable water utility rates and providing a mechanism to ensure the Company's continued ability to meet its obligations under the promissory note to the City, in the event of adverse revenue developments. Restricted cash consists of amounts set aside in the RSF account and is adjusted monthly as required in the NHPUC Order, as discussed in Note 1 of these financial statements.

Municipal Acquisition Regulatory Asset ("MARA")

Pursuant to the NHPUC Order, the Company established a new Regulatory asset (MARA) which represents the amount that the Acquisition Price exceeded the net book assets of the Company's regulated subsidiaries (Pennichuck Water, Pennichuck East, and PAC) at December 31, 2011. The initial amount of the MARA was approximately \$89 million for the regulated companies, offset by a non-regulated amount of approximately \$4.8 million. The MARA is to be amortized over a thirty (30) year period in the same manner as the repayment of debt service for the City's acquisition bonds. The balance in the MARA at December 31, 2019 was approximately \$73.3 million, reduced by the non-regulated credit of approximately \$4.0 million.

Aggregate amortization expense for the years ended December 31, 2019 and 2018 totaled approximately \$2,006,000 and \$1,958,000, respectively.

The following table represents the total estimated amortization of MARA:

(in thousands)	<u>Estimated Amortization Expense</u>
2020	\$ 2,061
2021	2,119
2022	2,183
2023	2,253
2024	2,328
2025 and thereafter	<u>58,319</u>
Total	<u>\$ 69,263</u>

Note 15 – Segment Reporting

For the years ended December 31, 2019 and 2018, and as of those dates, the following financial results were generated by the segments of the Company:

(in thousands)	<u>2019</u>	<u>2018</u>
<u>Operating Revenues:</u>		
Pennichuck Water	\$ 32,280	\$ 32,391
Pennichuck East	8,819	8,724
Pittsfield Aqueduct	775	791
Subtotal Regulated Segment	<u>41,874</u>	<u>41,906</u>
Service Corporation	2,893	3,347
Other	12	12
Total Operating Revenues	<u>\$ 44,779</u>	<u>\$ 45,265</u>
<u>Depreciation and Amortization Expense:</u>		
Pennichuck Water	\$ 7,211	\$ 6,978
Pennichuck East	1,239	1,134
Pittsfield Aqueduct	116	115
Subtotal Regulated Segment	<u>8,566</u>	<u>8,227</u>
Service Corporation	-	-
Other	(117)	(114)
Total Depreciation and Amortization Expense	<u>\$ 8,449</u>	<u>\$ 8,113</u>

(continued)

(continued)

(in thousands)	<u>2019</u>	<u>2018</u>
<u>Operating Income:</u>		
Pennichuck Water	\$ 5,303	\$ 6,247
Pennichuck East	355	780
Pittsfield Aqueduct	<u>62</u>	<u>45</u>
Subtotal Regulated Segment	<u>5,720</u>	<u>7,072</u>
Service Corporation	165	31
Other	-	-
Total Operating Income	<u>\$ 5,885</u>	<u>\$ 7,103</u>
<u>Interest Expense:</u>		
Pennichuck Water	\$ 3,517	\$ 3,455
Pennichuck East	937	753
Pittsfield Aqueduct	<u>42</u>	<u>48</u>
Subtotal Regulated Segment	<u>4,496</u>	<u>4,256</u>
Service Corporation	6	7
Other	<u>6,670</u>	<u>6,647</u>
Total Interest Expense	<u>\$ 11,172</u>	<u>\$ 10,910</u>
<u>Income Taxes Provision (Benefit):</u>		
Pennichuck Water	\$ 1,521	\$ 2,351
Pennichuck East	415	771
Pittsfield Aqueduct	<u>14</u>	<u>111</u>
Subtotal Regulated Segment	<u>1,950</u>	<u>3,233</u>
Service Corporation	49	7
Other	<u>(1,685)</u>	<u>(1,548)</u>
Total Income Taxes Provision (Benefit)	<u>\$ 314</u>	<u>\$ 1,692</u>
<u>Net Income (Loss):</u>		
Pennichuck Water	\$ 387	\$ 459
Pennichuck East	(980)	(540)
Pittsfield Aqueduct	<u>6</u>	<u>(114)</u>
Subtotal Regulated Segment	<u>(587)</u>	<u>(195)</u>
Service Corporation	111	16
Other	<u>(4,861)</u>	<u>(5,103)</u>
Total Net Income (Loss)	<u>\$ (5,337)</u>	<u>\$ (5,282)</u>

(continued)

(continued)

(in thousands)	<u>2019</u>	<u>2018</u>
<u>Total Net Assets:</u>		
Pennichuck Water	\$ 292,311	\$ 279,467
Pennichuck East	58,203	55,942
Pittsfield Aqueduct	<u>3,278</u>	<u>3,332</u>
Subtotal Regulated Segment	<u>353,792</u>	<u>338,741</u>
Service Corporation	24	(13)
Other	<u>(15,672)</u>	<u>(15,594)</u>
Total Net Assets	<u>\$ 338,144</u>	<u>\$ 323,134</u>
<u>Total Liabilities:</u>		
Pennichuck Water	\$ 184,942	\$ 167,107
Pennichuck East	49,143	45,693
Pittsfield Aqueduct	<u>1,509</u>	<u>1,534</u>
Subtotal Regulated Segment	<u>235,594</u>	<u>214,334</u>
Service Corporation	(22)	35
Other	<u>99,833</u>	<u>100,355</u>
Total Liabilities	<u>\$ 335,405</u>	<u>\$ 314,724</u>
<u>Total Long-Term Debt (including current portion and unamortized debt insurance costs):</u>		
Pennichuck Water	\$ 94,323	\$ 80,838
Pennichuck East	19,842	18,435
Pittsfield Aqueduct	<u>143</u>	<u>146</u>
Subtotal Regulated Segment	<u>114,308</u>	<u>99,419</u>
Service Corporation	-	-
Other	<u>104,570</u>	<u>106,825</u>
Total Long-Term Debt	<u>\$ 218,878</u>	<u>\$ 206,244</u>

Note 16 – Rate Cases

Pennichuck Water

On July 1, 2019, Pennichuck Water filed a request with the NHPUC for a rate increase of 11.91% over its current rates for the test year 2018, effective August 1, 2019. The proposed permanent rate increase includes a 2018 Qualified Capital Project Adjustment Charge (QCPAC) surcharge of 1.69%, a proposed 2019 QCPAC of 2.37%, and further modification to its ratemaking structure. The overall rate increase is subject to the normal regulatory filing process with the NHPUC, as followed for all prior rate case filings, and as such, the final permanent rate increase granted will be effective retroactive back to the filing date, with final approval by the NHPUC in the Fall of 2020.

The request for the overall permanent rate increase was based upon increased Pennichuck Water operating expenses since the last allowed rate increase in 2017 (for the 2015 test year), and to provide enough revenues to pay for investments made in plant and treatment systems to ensure its continued compliance with the Safe Drinking Water Act.

In addition to the requested rate increase, Pennichuck Water has proposed several modifications to its current ratemaking structure which are designed to provide adequate and timely cash coverage of operating expenses so that Pennichuck Water can avoid incurring additional debt. The proposed modifications include:

- creating a Material Operating Expense Supplement (MOES), an expense factor on top of its material operating expenses to cover inflationary increases between rate filings;
- including the actual cost of Federal and State corporate income taxes in the Company's Operating Expense Revenue Requirement (OERR) component of allowed revenues;
- reprioritizing the use of 0.1 Debt Service Revenue Requirement (DSRR) funds;
- reallocating the value of the aggregate RSF; and
- changing the treatment of debt issuance costs for long-term debt, other than tax exempt and taxable bond issuances.

Pennichuck East

On October 18, 2017, Pennichuck East filed a request with the NHPUC for a rate increase of 20.78% over its current rates for the test year 2016, for which 19.36% of this increase is related to a permanent rate increase and 1.42% is related to a prospective step increase (associated with capital investments and other allowable expenditures in the twelve months following the test year).

On May 31, 2018, the NHPUC issued Order No. 26,136 approving the requested 12.24% increase in temporary rates effective on a bills-rendered basis as of January 8, 2018.

On October 4, 2018, the NHPUC issued Order No. 26,179 approving an overall permanent rate increase of 17.86%, inclusive of the 12.24% increase in temporary rates previously approved on May 31, 2018 on a bills-rendered basis as of January 8, 2018. This overall rate increase also includes a 1.43% step increase earned on a forward-looking basis for bills rendered on or after November 16, 2018.

In addition to the rate increases granted in the order the NHPUC approved the following modifications to Pennichuck East's rate structure:

- the establishment of a five-year average of revenues versus the previous test-year revenues methodology for allowed revenue calculations, and
- the creation of the following additional revenue requirements as similarly adopted for Pennichuck Water in 2017:
 - OERR, and
 - DSRR
- the establishment of dedicated RSFs in support of the revenue requirement structure, and
- the establishment of a QCPAC that will assess annual surcharges between rate cases for capital expenditures placed in service in the prior year to fund the annual principal and interest payments of the associated new debt, in addition to the incremental property taxes associated with that capital.

Qualified Capital Project Adjustment Charge

On October 9, 2019, the NHPUC issued Nisi Order No. 26,298 approving a 4.06% surcharge on all capital improvements completed and placed in service by Pennichuck Water in 2018. This surcharge went into effect in October 2019 as a subset of Pennichuck Water's next allowed permanent rate case and is recoupable for bills rendered after April 4, 2019.

On December 6, 2019, the NHPUC issued Nisi Order No. 26,313 approving a 2.98% surcharge on all capital improvements completed and placed in service by Pennichuck East in 2018. This surcharge went into effect in December 2019 as a subset of Pennichuck East's next allowed permanent rate case and is recoupable for service rendered on or after July 22, 2019.

Note 17 – Subsequent Events

The Company has evaluated the events and transactions that have occurred through March 24, 2020, the date that these consolidated financial statements were available for issuance.

As referenced in Note 1, Southwood assumed 100% ownership of the previously joint investment in HECOP IV, LLC and subsequent to December 31, 2019, has begun the process of dissolving and liquidating this Limited Liability Corporation. This process is expected to be completed in the first quarter of 2020, which includes complying with New Hampshire state filing requirements and obtaining such approvals.

As referenced in Note 12, the Company is currently under a temporary extension of its \$4 million Working Capital Line of Credit facility with TD Bank, NA through March 31, 2020, pending a further temporary extension as it procures a multi-year renewal to be put in place during 2020. Repayment on this revolving line consists of monthly interest only payments with the outstanding principal balance paid at maturity. This facility is periodically drawn upon in support of the Company's overall operations.

The COVID-19 outbreak in the United States has resulted in economic uncertainties for many individuals and companies. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. The Company has a comprehensive pandemic response plan and protocol as a part of its Emergency Response and Action Plans, and has put that plan into effect, in cooperation with local, State and Federal authorities. The plan allows for the Company to continue to operate during this time, in light of the COVID-19 concerns, to continue to provide necessary services to its customers, jobs for its employees, and safety for all, in an abundance of caution.

APPENDIX B-2

**UNAUDITED FINANCIAL STATEMENTS OF
PENNICHUCK WATER WORKS, INC. FOR THE FISCAL YEARS ENDING
DECEMBER 31, 2019 AND DECEMBER 31, 2018**

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Appendix B-2

Pennichuck Water Works, Inc.
Comparative Unaudited Balance Sheets
As of December 31, 2018 and 2019
(dollars)

<u>ASSETS</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
Property, Plant and Equipment:		
Land	\$ 2,178,106	\$ 2,147,957
Buildings	54,262,036	60,656,277
Equipment & software	165,048,001	173,373,844
Intangible plant	257,988	257,988
	<u>221,746,131</u>	<u>236,436,066</u>
Accumulated depreciation	57,983,171	61,209,912
	<u>163,762,960</u>	<u>175,226,154</u>
Construction work in process	1,754,568	490,029
Property, Plant and Equipment, net	<u>165,517,528</u>	<u>175,716,183</u>
Current Assets:		
Cash	6,000	6,000
Restricted cash - RSF	2,213,507	1,121,291
Restricted cash - 2014 Bond Project Fund	2,158,034	2,188,909
Restricted cash - 2015 Bond Project Fund	1,169,544	1,190,619
Restricted cash - 2018 Bond Project Fund	9,178	46,174
Accounts receivable-billed, net	2,767,638	2,119,328
Accounts receivable-unbilled, net	1,715,764	1,826,777
Inventory	600,610	640,493
Prepaid expenses	550,224	354,490
Prepaid property taxes	736,613	672,768
Intercompany receivable	25,627,959	28,714,723
Total Current Assets	<u>37,555,071</u>	<u>38,881,572</u>
Other Assets:		
Debt issuance expenses	4,075,101	4,109,164
Municipal acquisition regulatory asset	66,616,661	64,741,956
Other	9,777,506	12,970,880
Total Other Assets	<u>80,469,268</u>	<u>81,822,000</u>
TOTAL ASSETS	<u>\$ 283,541,867</u>	<u>\$ 296,419,755</u>

Pennichuck Water Works, Inc.
Comparative Unaudited Balance Sheets
As of December 31, 2018 and 2019
(dollars)

<u>EQUITY AND LIABILITIES</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
Equity:		
Common stock	\$ 30,000	\$ 30,000
Additional paid-in capital	111,870,970	106,951,795
Retained earnings	459,068	386,829
Total Equity	<u>112,360,038</u>	<u>107,368,624</u>
Long Term Debt, Less Current Portion	82,014,856	95,246,861
Current Liabilities:		
Fixed asset line of credit	5,573,663	5,847,975
Current portion of long term debt	2,898,346	3,185,639
Accounts payable	4,130,980	2,903,461
Accrued property taxes	-	-
Accrued interest payable	1,644,752	1,706,314
Other accrued expenses	1,614,706	1,283,112
Customer deposits & other	139,880	76,106
Total Current Liabilities	<u>16,002,327</u>	<u>15,002,607</u>
Other Liabilities and Deferred Credits:		
Deferred income taxes	23,592,116	24,072,632
Accrued liability pension	10,021,153	12,970,815
Unamortized debt premium	2,965,973	3,161,796
Unamortized ITC	470,598	437,562
Regulatory liability	246,109	713,128
Accrued post retirement benefits	3,200,623	3,981,882
Customer advances	139,880	84,000
Contributions in aid of construction, net	31,741,629	33,059,749
Other long-term liabilities	786,565	320,099
Total Other Liabilities and Deferred Credits	<u>73,164,646</u>	<u>78,801,663</u>
TOTAL EQUITY AND LIABILITIES	<u>\$ 283,541,867</u>	<u>\$ 296,419,755</u>

Appendix B-2

Pennichuck Water Works, Inc.
 Comparative Unaudited Income Statement
 For the years ended December 31, 2018 and 2019
 (dollars)

	<u>12/31/2018</u>	<u>12/31/2019</u>
Revenues	\$ 32,390,671	\$ 32,280,395
Operating Expenses:		
Production	5,074,509	5,064,262
Distribution	2,848,339	3,197,561
Engineering	1,287,747	1,351,622
Customer service	1,498,145	1,583,386
Administration	5,462,808	5,758,315
Information systems	1,109,207	1,132,112
Management fee	<u>(3,288,063)</u>	<u>(3,177,470)</u>
Subtotal operations and maintenance	13,992,692	14,909,788
Depreciation	5,812,669	6,100,476
Amortization CIAC	(740,182)	(838,900)
Amortization expense	1,965,332	2,013,171
Subtotal depreciation and amortization	<u>7,037,819</u>	<u>7,274,747</u>
Gain from forgiveness on SRF debt	(59,384)	(63,284)
Taxes other than income taxes	5,172,304	4,855,740
Total Operating Expenses	<u>26,143,431</u>	<u>26,976,991</u>
Operating Income	6,247,240	5,303,404
AFUDC	17,965	-
Other, Net	-	121,612
Interest Expense	<u>(3,455,348)</u>	<u>(3,516,807)</u>
Income (Loss) Before (Provision for) Benefit From Income Taxes	2,809,857	1,908,209
(Provision for) Benefit From Income Taxes	(2,350,789)	(1,521,380)
Net Income (Loss)	<u>\$ 459,068</u>	<u>\$ 386,829</u>

Appendix B-2

Pennichuck Water Works, Inc.
 Comparative Unaudited Statements of Cash Flows
 For the Years Ended December 31, 2018 and 2019
 (dollars)

	<u>12/31/2018</u>	<u>12/31/2019</u>
Operating Activities:		
Net (loss) income	\$ 459,068	\$ 386,829
Adjustments:		
Depreciation & amortization	7,037,819	7,274,747
Equity component of AFUDC	(6,617)	-
Amortization of deferred ITC	(33,036)	(33,036)
Provision for deferred income taxes	1,608,614	468,144
(Gain) on disposition of property	-	(132,539)
Changes in:		
Accounts receivable and unbilled revenues	(518,439)	537,297
Materials and supplies	(6,568)	(39,883)
Prepaid expenses	150,641	259,579
Deferred charges and other assets	(352,791)	(3,451,393)
Accounts payable and accrued expenses	3,793,350	(1,666,770)
Accrued Interest Payable	37,236	61,561
Other	736,203	7,292,506
Net cash provided by operating activities	<u>12,905,480</u>	<u>10,957,042</u>
Investing Activities:		
Purchases of property, plant & equipment, including debt component of AFUDC	(9,357,868)	(14,253,576)
Sale of marketable securities	-	-
Proceeds from sale of land	-	198,211
Net cash used in investing activities	<u>(9,357,868)</u>	<u>(14,055,365)</u>
Financing Activities:		
Payments on long-term debt	(2,688,694)	(2,898,346)
Advances on line of credit	-	274,313
Contributions in aid of construction	2,947	18,768
Proceeds from long-term borrowings	5,535,000	16,417,645
Debt issuance costs	399,539	308,338
Net cash used in financing activities	<u>3,248,792</u>	<u>14,120,718</u>
Net increase/(decrease) in cash and cash equivalents	6,796,404	11,022,395
Cash and cash equivalents, beginning of year	8,247,823	5,556,263
Transferred (to) from parent	<u>(9,487,964)</u>	<u>(12,025,665)</u>
Cash and cash equivalents, end of year	<u>\$ 5,556,263</u>	<u>\$ 4,552,993</u>

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APPENDIX C

**DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS
OF THE LOAN AND TRUST AGREEMENT**

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS

In addition to terms defined elsewhere in the Agreement, the following terms have the following meanings in the Loan and Trust Agreement dated as of April 1, 2020 (the "Agreement") among the Authority, the Borrower and the Trustee, unless the context otherwise requires:

"Act" means New Hampshire RSA 162-I, as amended.

"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.

"Bond Fund" means the fund of that name established under Section 302 of the Agreement.

"Bond Year" has the meaning ascribed thereto in the Federal Tax Statement.

"Bonds" means, collectively, the Series A Bonds and the Series B Bonds.

"Bondowners" means the registered owners of the Bonds from time to time as shown in the bond register kept by the Trustee.

"Borrower Representative" means the Chief Executive Officer, Chief Financial Officer and Treasurer or an alternate or successor appointed by the Borrower with notice to the Trustee.

"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.

"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.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement between the Borrower and the Trustee, as dissemination agent, 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.

"Effective Date" means April 29, 2020.

"Event of Default" has the meaning stated in Section 601 of the Agreement, and "default" means any Event of Default under the Agreement without regard to any lapse of time or notice.

"Federal Tax Statement" means the Tax Certificate and Agreement executed in connection with the issuance of the Series A Bonds.

"Fiscal Year" means the calendar year.

"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.

"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

APPENDIX C

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.

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

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

“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.

“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.

“NHPUC” means the New Hampshire Public Utilities Commission.

“Outstanding,” when used to modify Bonds, refers to Bonds issued under the 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 the Agreement or irrevocable instructions so to mail shall have been given to the Trustee.

“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 or other bank deposit products 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 “AAA-M-G,” “AAA-M” 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

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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.

"Project" means financing capital improvements to the Borrower's water supply and water distribution installations, upgrades, replacements, rehabilitations and related support systems at project sites located in Amherst, Bedford, Derry, Epping, Hollis, Merrimack, Milford, Nashua, Newmarket, Pittsfield, Plaistow and Salem, New Hampshire; all of which are within the Borrower's service areas, including (i) water treatment media and miscellaneous water supply upgrades; (ii) water main replacement and rehabilitation throughout the Borrower's service areas in Amherst, Bedford, Derry, Hollis, Merrimack and Nashua, including, but not limited to, (a) in Nashua on Park Street, Mulberry Street, Rochette Street, Ash Street, Marquis Street, Lake Street, Chestnut Street, Scripture Street, Water Street, Bridle Path, Tolles Street, Warren Street, Lowell Street, Green Street, Beard Street, Lemon Street, Proctor Street, Temple Street, Mulvanity Street, Buchanan Avenue, Fowell Street, Zellwood Avenue, Pratt Street, Lincoln Street, Nutt Street, and (b) in Bedford on Route 101; (iii) development of a new well in Plaistow; and (iv) booster station replacement and rehabilitation throughout the Borrower's service areas (a) in Amherst, Bedford, Derry, Hollis, Merrimack, Milford and Nashua, (b) in the Woodlands Subdivision in Epping, (c) in the Shanda Farms/Great Bay Subdivision in Newmarket, (d) in the Sweet Hill, Valleyfield and Twin Ridge Subdivisions in Plaistow, and (e) in the Autumn Woods Subdivision in Salem; (v) storage tank installation/maintenance/replacement throughout the Borrower's service areas in Amherst, Bedford, Derry, Hollis, Merrimack, Milford and Nashua, including, but not limited to, the Kessler Farm Tank in Nashua; (vi) the development and installation of a new raw water intake in the Merrimack River in Merrimack; (vii) improvements to the Bowers Dam spillway in Merrimack; (viii) pump and system operational improvements throughout the Borrower's service areas (a) in Amherst, Bedford, Derry, Hollis, Merrimack, Milford and Nashua, (b) in the Woodlands Subdivision in Epping, (c) in the Shanda Farms/Great Bay Subdivision in Newmarket, (d) in the Sweet Hill, Valleyfield and Twin Ridge Subdivisions in Plaistow, and (e) in the Autumn Woods Subdivision in Salem; (ix) service, hydrant and meter replacement or rehabilitation throughout the Borrower's service areas (a) in Amherst, Bedford, Derry, Hollis, Merrimack, Milford and Nashua, (b) in the Woodlands Subdivision in Epping, (c) in the Shanda Farms/Great Bay Subdivision in Newmarket, (d) in the Sweet Hill, Valleyfield and Twin Ridge subdivisions in Plaistow, and (e) in the Autumn Woods Subdivision in Salem; (x) replacement or rehabilitation of rolling stock and equipment at 25 Manchester Street in Merrimack, 16 DW Highway in Merrimack, 200 Concord Street in Nashua and 371 Catamount Road in Pittsfield; (xi) customer service support applications, financial accounting and other applications and water system monitoring upgrades and enhancements at 25 Manchester Street in Merrimack; (xii) data presentation and collection system development, acquisition, installation and implementation at 25 Manchester Street in Merrimack, 16 DW Highway in Merrimack, 200 Concord Street in Nashua and 371 Catamount Road in Pittsfield; (xiii) geographical information systems development, acquisition, installation and implementation at 25 Manchester Street in Merrimack, 16 DW Highway in Merrimack, 200 Concord Street in Nashua and 371 Catamount Road in Pittsfield; and (xiv) asset management system development, acquisition, installation and implementation at 25 Manchester Street in Merrimack, 16 DW Highway in Merrimack, 200 Concord Street in Nashua and 371 Catamount Road in Pittsfield, all of which are or will be owned, operated or used by the Borrower for the purpose of improving its collection, purification, storage and distribution of water in Amherst, Bedford,

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Derry, Epping, Hollis, Merrimack, Milford, Nashua, Newmarket, Pittsfield, Plaistow and Salem, New Hampshire. Project also means the water facilities that result or have resulted from the foregoing activities.

“Project Costs” means the cost of issuing the Bonds and the costs of carrying out the Project that may be paid from Bond proceeds under the Act, including interest during construction of the 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.

“Project Fund” means the fund of that name established under the Agreement and shall include the accounts established with the Project Fund.

“Rebate Fund” means the fund of that name established under the Agreement.

“Series A Bonds” means the \$7,000,000 Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2020A (AMT), dated their date of delivery, and any bond or bonds duly issued in exchange or replacement therefor.

“Series B Bonds” means the \$380,000 Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2020B (Federally Taxable), dated their date of delivery, and any bond or bonds duly issued in exchange or replacement therefor.

“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.

“State” means the State of New Hampshire.

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

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AND TRUST AGREEMENT

The following is a brief summary, prepared by Hinckley, Allen & Snyder LLP, Bond Counsel, of certain provisions of the Loan and Trust Agreement dated as of April 1, 2020 (the "Agreement") among the Authority, the Institution and the Trustee pertaining to the Bonds. This summary does not purport to be complete, and reference is made to the Agreement for full and complete statements of such and all provisions.

Assignment and Pledge of the Authority

The Authority, for consideration paid as acknowledged in the Agreement, assigns and pledges to the Trustee in trust (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 the Agreement, 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 201)

Bond Fund

A Bond Fund is established with the Trustee for the account of the Borrower, and moneys shall be deposited therein as provided in the 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 the 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. 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 the 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. 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 302)

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 the 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 the Agreement, 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 303)

Payments by the Institution

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

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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.

Additional Payments. In addition to the payments required under Subsection 304(a) of the Agreement, the Borrower will pay to the Trustee, the Authority and the Bondowners when due all amounts owing to them respectively under the 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 304)

Unconditional Obligation

The obligations of the Borrower under the Agreement, including the obligation of the Borrower to make all payments under the Agreement, 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 the Agreement 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 305)

Investments

Pending their use under the 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 below, 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 the 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 307)

Rebate Fund

A Rebate Fund is established for the Series A Bonds by the Trustee for the purpose of complying with IRC Section 148(f) and the regulations thereunder. Amounts in the Rebate Fund shall not be available to pay principal, interest, or redemption premium on the Series A Bonds or the Series B Bonds.

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Project

A Project Fund is established with the Trustee for the account of the Borrower. Within the Project Fund there shall be established two separate accounts to be known as the "Series A Account" and the "Series B Account," into which Bond proceeds shall be deposited. 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 Series A Account of the Project Fund constituting the loan of the proceeds of the Series A Bonds by the Authority to the Borrower. The proceeds of the sale of the Series B Bonds (except accrued interest, if any, which shall be deposited in the Bond Fund) shall be promptly deposited in the Series B Account of the Project Fund constituting the loan of the proceeds of the Series B 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 the 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 the Agreement (Section 401).

Covenants of the Borrower

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 the Agreement 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 the Agreement 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 the Agreement to the contrary, all obligations of Borrower under the Agreement 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 502)

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 the 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

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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 503)

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) 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; (c) 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 NHPUC, but in any event equal to not less than 1 1/4% of its depreciable properties as of the preceding December 31, 1985, in excess of the amount required under the Agreement 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; and (d) 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 and Capital Properties) over all liabilities (including liabilities with respect to the Bonds) as determined by generally accepted accounting principles consistently applied. (Section 504)

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 the Agreement, 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 505)

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 in the Agreement 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 the Agreement); 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

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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 certain provisions of the Agreement, no Funded Debt that is senior to the Bonds shall be issued as long as the Bonds are Outstanding. (Section 506)

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 the 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 the 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 the 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 in the Agreement 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) 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. (Section 507)

Insurance

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.

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 the Agreement shall be in the appropriate New Hampshire standard form and shall be with responsible and reputable companies authorized to transact business in New Hampshire. 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

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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 409)

Default and Remedies

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

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 the Agreement, 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.

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 the 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 the Agreement as long as Borrower is making all payments required to be made by Borrower to the Trustee under the Agreement as and when any such payments are required to be made.

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

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.

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.

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.

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.

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 601)

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 under the Agreement that have not been assigned to the Trustee. (Section 602)

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

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 on the foregoing, whereupon the same shall become immediately due and payable without any further action or notice.

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.

Court Proceedings. The Trustee may enforce the provisions of the Agreement by legal proceedings for the specific performance of any obligation contained in the Agreement 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 of the Agreement, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing the obligations of the Borrower hereunder. (Section 603)

Performance of the Borrower's Obligations. If the Borrower shall fail to pay or perform any obligation under the Agreement, the Trustee or the Authority may, but shall not be obligated to, 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 of the Agreement. (Section 605)

Remedies Cumulative. The rights and remedies under the 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. (Section 606)

The Trustee

Performance of the Authority's Obligations. If the Authority shall fail to perform any obligation under the Agreement, the Trustee may, but shall not be obligated to, take whatever legal proceedings may be required to compel full performance by the Authority thereof, and in addition, the Trustee may, but shall not be obligated to, 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. (Section 701)

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 the Agreement 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 the Agreement 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 the Agreement 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 the Agreement 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 the Agreement or any of such remedies (not

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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. (Section 701)

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 the Agreement. The Trustee may be removed by thirty days' written notice from the Bondowners to the Trustee, the Authority and the Borrower. (Section 703)

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 the 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 the Agreement 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. (Section 704)

Proceedings by Bondowners

No Bondowner shall have any right to institute any legal proceedings for the enforcement of the 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 the Agreement, 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. (Section 902)

Corporate Existence of Borrower

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 the Agreement, merge or consolidate with any other person or transfer or dispose of all or any substantial portion of its assets. (Section 204)

Amendment

The 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 the 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 the Agreement and which in either case do not materially adversely affect the interests of the Bondowners.

Except as provided in the foregoing sentence, the 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 the 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

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rate of any Bond, (3) to make any Bond prepayable other than in accordance with the terms of the Agreement, (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. (Section 1001)

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 the 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 of the Agreement including rights under the Agreement; the security interests created by the 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 the 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 the Agreement, 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 the Agreement, 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 203)

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APPENDIX D
FORM OF OPINION OF BOND COUNSEL

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April 29, 2020

Business Finance Authority of the
State of New Hampshire
2 Pillsbury Street
Concord, New Hampshire 03301

\$7,000,000 Business Finance Authority
of the State of New Hampshire
Water Facility Revenue Bonds
(Pennichuck Water Works, Inc. Project) Series 2020A (AMT)
dated as of their date of delivery (the "Series 2020A Bonds")

\$380,000 Business Finance Authority
of the State of New Hampshire
Water Facility Revenue Bonds
(Pennichuck Water Works, Inc. Project) Series 2020B (Federally Taxable)
dated as of their date of delivery (the "Series 2020B Bonds," and
together with the Series 2020A Bonds, the "Bonds")

We have acted as bond counsel to the Business Finance Authority of the State of New Hampshire (the "Authority") in connection with the issuance by the Authority of the Bonds described above. In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion, including the Loan and Trust Agreement dated as of April 1, 2020 (the "Agreement") among the Authority, Pennichuck Water Works, Inc. (the "Company") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the same meanings as set forth in the Agreement.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Authority and the Company contained in the Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications by officials of the Company and others, without undertaking to verify the same by independent investigation.

The Bonds are issued pursuant to the Agreement. Under the Agreement the Company has agreed to make payments sufficient to pay when due the principal (including sinking fund installments) of, purchase price of and redemption premium (if any) and interest on the Bonds. Such payments and other moneys payable to the Authority or the Trustee under the Agreement, including proceeds derived from any security provided thereunder (collectively, the

Business Finance Authority of
the State of New Hampshire
April 29, 2020
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“Revenues”), and the rights of the Authority under the Agreement to receive the same (excluding, however, certain administrative fees, indemnification and reimbursements), are pledged and assigned by the Authority to the Trustee as security for the Bonds. The Bonds are payable solely from the Revenues. The Bonds do not constitute a general obligation of the Authority nor are they a debt or pledge of the faith and credit of the State of New Hampshire. Reference is hereby made to the Agreement for detailed statements of the rights and obligations (and limitations on liability, as the case may be) of the Authority, the Company, the Trustee and the owners of the Bonds.

We express no opinion with respect to compliance by the Company with applicable legal requirements in connection with the acquisition, construction, equipping, leasing or operation of the Projects, or with the Agreement.

Reference is made to the opinion of even date of Rath Young and Pignatelli, P.C., counsel to the Company, with respect to, among other matters, the corporate existence of the Company, the power of the Company to carry out the Projects being financed by the Bonds, the power of the Company to enter into and perform its obligations under the Agreement, and the authorization, execution and delivery of the Agreement by the Company.

Based on the foregoing, we are of the opinion that:

1. The Authority is a duly created and validly existing body corporate and politic and a public instrumentality of the State of New Hampshire with the power to enter into and perform the Agreement and to issue the Bonds.
2. The Agreement has been duly authorized, executed and delivered by the Authority and is a valid and binding obligation of the Authority enforceable upon the Authority.
3. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special limited obligations of the Authority, payable solely from the Revenues.
4. Interest on the Series 2020A Bonds is excluded from the gross income of the owners of the Series 2020A Bonds for federal income tax purposes, assuming continued compliance with certain covenants, and assuming the continued use of the Projects as “facilities for the furnishing of water” within the meaning of Section 142(a)(4) of the Internal Revenue Code of 1986, as amended (the “Code”). We express no opinion as to the status of interest on any Bond during any period while it is being held by a person who is a “substantial user” of the

Business Finance Authority of
the State of New Hampshire
April 29, 2020
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Project or a “related person” within the meaning of the Code. We observe that interest on the Series 2020A Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on corporations (for their taxable year beginning before January 1, 2018) and the federal alternative minimum tax imposed on individuals. Further, the Code establishes certain requirements that must be continuously satisfied subsequent to the issuance of the Series 2020A Bonds in order for interest on the Series 2020A Bonds to remain excluded from gross income for federal income tax purposes. These requirements include restrictions on the use, expenditure and investment of bond proceeds and the payment of rebates, or penalties in lieu of rebate, to the United States. Failure to comply with these requirements may cause interest on the Series 2020A Bonds to become included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Series 2020A Bonds. The Company and, to the extent necessary, the Authority have covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 2020A Bonds.

5. Interest on the Series 2020B Bonds is included in the gross income of the owners of the Series 2020B Bonds for federal income tax purposes. We express no opinion regarding any other federal tax consequences arising with respect to the Series 2020B Bonds.

6. Interest on the Bonds, including the profit made from their transfer or sale, is exempt from taxation within the State of New Hampshire. We express no opinion as to other New Hampshire tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than New Hampshire.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

HINCKLEY, ALLEN & SNYDER LLP

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APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX E

CONTINUING DISCLOSURE AGREEMENT**\$7,000,000****BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
WATER FACILITY REVENUE BONDS
(PENNICHUCK WATER WORKS, INC. PROJECT) SERIES 2020A (AMT)****\$380,000****BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
WATER FACILITY REVENUE BONDS
(PENNICHUCK WATER WORKS, INC. PROJECT)
SERIES 2020B (FEDERALLY TAXABLE)**

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by Pennichuck Water Works, Inc., a New Hampshire public utility corporation (the “Borrower”), and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and as initial Dissemination Agent (the “Dissemination Agent”) hereunder, in connection with the issuance by the Business Finance Authority of the State of New Hampshire (the “Authority”) of its \$7,000,000 Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2020A (AMT) (the “Series 2020A Bonds”), and the Authority’s \$380,000 Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2020B (Federally Taxable) (the “Series 2020B Bonds” and, collectively with the Series 2020A Bonds, the “Series 2020 Bonds”). The Series 2020 Bonds are being issued pursuant to a Loan and Trust Agreement (the “Loan and Trust Agreement”) dated as of April 1, 2020 among, the Borrower, the Authority and the Trustee. The Borrower covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriter in complying with the Rule. The Borrower acknowledges that the Authority and the Trustee have undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and have no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. In addition to the definitions set forth in the Loan and Trust Agreement which apply to this Disclosure Agreement, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4(a) of this Disclosure Agreement.

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“Beneficial Owner” means any person or entity that has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Series 2020 Bonds (including any person holding Series 2020 Bonds through nominees, depositories, or other intermediaries).

“Bondholder” shall mean the registered owner of a Series 2020 Bond and any beneficial owner thereof, as established to the reasonable satisfaction of the Trustee or the Borrower.

“Borrower” shall mean Pennichuck Water Works, Inc., a New Hampshire public utility corporation.

“Dissemination Agent” shall mean, initially, the Trustee and thereafter, the Borrower or a Dissemination Agent designated in writing by the Borrower and which has filed with the Borrower a written acceptance of such designation.

“EMMA” means the MSRB’s Electronic Municipal Market Access website.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board. Filing information relating to the MSRB is set forth in Exhibit B hereto.

“1934 Act” shall mean the Securities Exchange Act of 1934, as amended.

“Parent” means Pennichuck Corporation, a New Hampshire corporation and the sole stockholder of the Borrower.

“Participating Underwriter” shall mean the original underwriter of the Series 2020 Bonds required to comply with the Rule in connection with the offering of the Series 2020 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

SECTION 3. Provision of Reports.

(a) Each year, the Borrower shall provide, or have the Dissemination Agent provide, not later than the date six (6) months after the close of the Borrower’s fiscal year, commencing with the fiscal year ending December 31, 2020 (the “Annual Filing Deadline”), to the MSRB an Annual Report provided by the Borrower, which Annual Report the Borrower agrees shall be consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) days prior to said date, the Borrower (if it is not the Dissemination Agent) shall provide the Annual Report to the Dissemination Agent. The audited financial statements of the Parent may be submitted separately from, and at a later date than, the balance of the Annual Report if such audited financial statements are not available as of the date set forth above. If the

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Dissemination Agent does not receive the audited financial statements of the Parent by the required date, it shall file the audited financial statements as soon as practicable after the audited financial statements become available. If the Borrower is not serving as the Dissemination Agent, the Borrower shall submit the audited financial statements of the Parent to the Dissemination Agent as soon as practicable after they become available and the Dissemination Agent shall submit the audited financial statements of the Parent to the MSRB as soon as practicable thereafter. The Borrower shall provide a copy of the Annual Report to the Authority and the Trustee.

(b) In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, in each case, that the Borrower shall provide clear written instructions to the Dissemination Agent as to the complete list of documents comprising each Annual Report.

(c) The Dissemination Agent shall file a report with the Borrower (if the Borrower is not acting as Dissemination Agent), the Authority and the Trustee (if the Trustee is not then acting as Dissemination Agent) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided (the "Compliance Certificate"); such report shall include a certification from the Borrower that the Annual Report complies with the requirements of this Disclosure Agreement.

(d) If the Trustee has not received the Annual Report (if it is acting as the Dissemination Agent) or has not received a Compliance Certificate (if it is not acting as the Dissemination Agent) by the Annual Filing Deadline, the Trustee shall send, and the Borrower hereby authorizes and directs the Trustee to submit on its behalf, a notice to the MSRB in substantially the form attached as Exhibit A.

(e) If the Dissemination Agent is not the Borrower, and the Dissemination Agent has not provided the Annual Report to the MSRB by the Annual Filing Deadline, the Borrower shall send, or cause the Dissemination Agent to send, a notice substantially in the form of Exhibit A irrespective of whether the Trustee submits such written notice.

SECTION 4. Content of Reports.

(a) The Borrower's Annual Report shall contain or incorporate by reference financial information and operating data as set forth below:

1. Unaudited financial statements of the Borrower for the most recent fiscal year; and
2. Audited financial statements of the Parent for the most recent fiscal year.

(b) The audited financial statements provided pursuant to Sections 3 and 4(a) of this Disclosure Agreement shall be prepared in conformity with generally accepted accounting principles, as in effect from time to time. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borrower is an "obligated person" covered by the Rule, which (i) are

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available to the public on EMMA or (ii) have been filed with the Securities and Exchange Commission. The Borrower shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Series 2020 Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2020A Bonds, or other material events affecting the tax status of the Series 2020A Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material (the giving of notice of regularly scheduled mandatory sinking fund redemption shall not be deemed material for this purpose);
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2020 Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event with respect to an obligated person;*
13. The consummation of a merger, consolidation, acquisition or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into an agreement to take such an action or termination of an agreement to undertake any such action, other than pursuant to its terms, if material;

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower.

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14. Appointment of a successor or an additional trustee or change in the name of a trustee, if material;
15. incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect Bondowners, if material;¹ or
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.¹

(b) Whenever the Borrower obtains knowledge of the occurrence of a Listed Event, the Borrower shall, in a timely manner not to exceed ten (10) Business Days, file, or if the Borrower is not acting as the Dissemination Agent, direct the Dissemination Agent to file a notice of such occurrence with the MSRB. The Borrower shall provide a copy of each such notice to the Authority and the Trustee. The Dissemination Agent, if other than the Borrower, shall have no duty to file a notice of an event described hereunder unless it is directed in writing to do so by the Borrower, and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Borrower's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Series 2020 Bonds or upon delivery to the Trustee of an opinion of counsel expert in federal securities laws selected by the Borrower and acceptable to the Trustee to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Borrower's obligations under the Loan and Trust Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Borrower and the original Borrower shall have no further responsibility hereunder.

SECTION 8. Dissemination Agent. The Borrower may, from time to time with notice to the Trustee and the Authority, appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may, with notice to the Trustee and the Authority, discharge any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Borrower) and the Trustee may resign upon thirty (30) days written notice to the Borrower, the Trustee and the Authority. In acting as Dissemination Agent hereunder, the Trustee, and the Trustee acting in the capacity as Trustee hereunder, shall be entitled to all of the rights,

¹ For purposes of the events identified in Sections 5(a)(15) and (16) above, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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protections, privileges and immunities afforded it under the Loan and Trust Agreement. The Bank of New York Mellon Trust Company, N.A., is hereby appointed as the initial Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower and, if the Borrower is not acting as the Dissemination Agent, the Borrower and the Dissemination Agent may amend this Disclosure Agreement (and, except as provided in the last sentence of this Section 9, the Dissemination Agent shall agree to any amendment so requested by the Borrower) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Borrower and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, violate the Rule or the terms of the Loan and Trust Agreement. Without limiting the foregoing, the Borrower and the Dissemination Agent may amend this Disclosure Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Borrower or of the type of business conducted by the Borrower, (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Series 2020 Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (c) (i) the Trustee determines, or the Trustee receives an opinion of counsel expert in federal securities laws and acceptable to the Trustee to the effect that, the amendment does not materially impair the interests of the Bondholders or (ii) the amendment is consented to by the Bondholders as though it were an amendment to the Loan and Trust Agreement pursuant to Section 1001 of the Loan and Trust Agreement; and (d) the amendment complies with the terms of the Loan and Trust Agreement. The annual financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. Neither the Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Bondholders representing at least a majority in aggregate principal amount of Outstanding Bonds and the provision of indemnity satisfactory to the Trustee, shall), take such

APPENDIX E

actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Borrower or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Borrower or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Loan and Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance hereunder.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent and the Trustee. The Dissemination Agent (if the Trustee is acting in such capacity) and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent (if the Trustee is acting in such capacity) and the Trustee, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's and the Trustee's negligence or willful misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and the Trustee and payment of the Series 2020 Bonds. The Borrower covenants that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Disclosure Agreement.

The Dissemination Agent (if the Trustee is acting in such capacity) and the Trustee shall not be liable in connection with the performance of its duties hereunder, except for its negligence or willful misconduct. IN NO EVENT SHALL THE DISSEMINATION AGENT (IF THE TRUSTEE IS ACTING IN SUCH CAPACITY) OR THE TRUSTEE BE LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY (i) DAMAGES OR EXPENSES ARISING OUT OF THE SERVICES PROVIDED HEREUNDER, OTHER THAN DAMAGES WHICH RESULT FROM THE DISSEMINATION AGENT'S OR TRUSTEE'S FAILURE TO ACT IN ACCORDANCE WITH THE STANDARDS SET FORTH IN THIS DISCLOSURE AGREEMENT, OR (ii) SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, EVEN IF THE DISSEMINATION AGENT OR THE TRUSTEE HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Trustee, the Authority, the Underwriter and the Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Disclaimer. No Annual Report or notice of a Listed Event filed by or on behalf of the Borrower under this Disclosure Agreement shall obligate the Borrower to file any information regarding matters other than those specifically described in Section 4 and Section 5 hereof, nor shall any such filing constitute a representation by the Borrower or raise any inference that no other material events have occurred with respect to the Borrower or the Series 2020 Bonds or that all material information regarding the Borrower or the Series 2020 Bonds has

APPENDIX E

been disclosed. The Borrower shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein or as required by the Rule.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Merger, Etc. Any banking association or corporation into which the Dissemination Agent (if other than the Borrower) or the Trustee, as the case may be, may be merged, converted or with which the Dissemination Agent or the Trustee, as the case may be, may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Dissemination Agent or the Trustee, as the case may be, shall be a party, or any banking association or corporation to which all or substantially all of the corporate trust business of the Dissemination Agent or the Trustee, as the case may be, shall be transferred, shall succeed to all the Dissemination Agent's or the Trustee's respective rights, protections, obligations, privileges and immunities hereunder, as the case may be, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 17. Governing Law. Except to the extent governed by the Rule and related Federal law, this Disclosure Agreement shall be governed, construed, interpreted and enforced pursuant to and under the law of the State of New Hampshire.

[Signature Page Follows]

APPENDIX E

Dated: April 29, 2020

PENNICHUCK WATER WORKS, INC.

By: _____

Dated: April 29, 2020

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,
as Dissemination Agent and the Trustee

By: _____
Authorized Signatory

APPENDIX E

EXHIBIT A

**NOTICE TO THE MSRB OF FAILURE TO FILE
ANNUAL REPORT**

Name of Authority: Business Finance Authority of the State of New Hampshire
Name of Bond Issue: \$7,380,000
Business Finance Authority of State of New Hampshire
Water Facility Revenue Bonds
(Pennichuck Water Works, Inc. Project) Series 2020
Name of Obligated Person: Pennichuck Water Works, Inc.
Date of Issuance: April 29, 2020

NOTICE IS HEREBY GIVEN that Pennichuck Water Works, Inc. (the "Borrower") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated April 29, 2020 between the Borrower and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") and Dissemination Agent.

Dated: _____

[TRUSTEE/DISSEMINATION AGENT on behalf of]
[BORROWER]

[cc: Borrower]

APPENDIX E

EXHIBIT B
FILING INFORMATION FOR THE MSRB

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board
<http://emma.msrb.org/>

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SUPPLEMENT DATED MAY 12, 2020

TO OFFICIAL STATEMENT DATED APRIL 23, 2020
RELATING TO

\$7,380,000

Business Finance Authority of the State of New Hampshire
Water Facility Revenue Bonds
(Pennichuck Water Works, Inc. Project) Series 2020

Comprised of:

\$7,000,000	\$380,000
Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2020A (AMT)	Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2020B (Federally Taxable)

Collectively, the "Series 2020 Bonds".

Reference is hereby made to the Official Statement dated April 23, 2020 (the "Official Statement"), relating to the Series 2020 Bonds. The purpose of this Supplement to Official Statement (this "Supplement") is to revise the section of the Official Statement captioned "CONTINUING DISCLOSURE" to reflect the incurrence of two financial obligations and failure of the Borrower to timely provide notice of a material event pursuant to an existing continuing disclosure undertaking. Capitalized terms not otherwise defined in this Supplement have the meanings given to them in the Official Statement. Except as expressly modified by this Supplement, the Official Statement shall remain in full force and effect.

The section of the Official Statement captioned "CONTINUING DISCLOSURE" is hereby deleted in its entirety and replaced with the following, with the **bolded paragraph** reflecting new text:

CONTINUING DISCLOSURE

No financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2020 Bonds and the Authority will not provide any such information. The Borrower has undertaken all responsibilities for any continuing disclosure to Bondowners as described below, and the Authority shall have no liability to the Bondowners or any other person with respect to such disclosures.

The Borrower and The Bank of New York Mellon Trust Company, N.A., as dissemination agent (the "Dissemination Agent"), are entering into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondowners and in order to assist the Underwriter in complying with Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The Borrower has covenanted for the benefit of Bondowners to provide certain financial information and operating data relating to the Borrower and the Parent by not later than one hundred eighty (180) days following the end of the Borrower's fiscal year beginning with the fiscal year ending December 31, 2020 (the "Annual Report"), to provide certain annual operating data relating to the Borrower and to provide notices of

the occurrence of certain enumerated events, in accordance with the requirements of the Rule. The Annual Report and notices of material events, if any, will be filed on behalf of the Borrower with the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of certain enumerated events is set forth in Appendix E – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

In connection with the issuance of bonds on its behalf by the Authority in April 1997 (the "1997 Bonds"), January 2005 (the "January 2005 Bonds") and October 2005 (the "October 2005 Bonds" and, together with the 1997 Bonds and the January 2005 Bonds, the "Refunded Bonds"), the Borrower covenanted for the benefit of the owners of the Refunded Bonds to provide certain financial and other information. Prior to the refinancing of the Refunded Bonds with a portion of the bonds issued by the Authority on behalf of the Borrower in December 2014 (the "2014 Bonds") and October 2015 (together with the 2014 Bonds, the "Existing Bonds"), the Borrower had not fully complied with its disclosure obligations under its continuing disclosure agreements with respect to the Refunded Bonds.

Under the continuing disclosure agreements entered into by the Borrower with respect to the January 2005 Bonds and the October 2005 Bonds, the Borrower was required to disclose annually certain information regarding the regulation of its rates by the New Hampshire Public Utilities Commission and Federal and New Hampshire Regulation of the Borrower relating to environmental protection and public health and safety. Prior to the acquisition of the Parent by the City of Nashua in 2012, the Borrower had satisfied these disclosure obligations by providing the Trustee, in its role as dissemination agent, with copies of the annual reports of the Parent that had been filed by the Parent with the Securities and Exchange Commission. After the Parent ceased being a publicly traded company in January 2012, these annual reports were not prepared or provided to the Dissemination Agent, and the required disclosures regarding rate and environmental regulation of the Borrower were not made. The Borrower subsequently provided the required disclosures to the Dissemination Agent for each of the years 2013-2014. Under the continuing disclosure agreements entered into by the Borrower with respect to the Existing Bonds, the Borrower is not required to make any disclosures regarding rate and environmental regulation of the Borrower.

Under the continuing disclosure agreements entered into by the Borrower with respect to the Refunded Bonds, the Borrower was required to disclose changes in the ratings of the Refunded Bonds. The Borrower failed to disclose timely changes in the ratings of the Refunded Bonds that occurred in December 2013 with respect to the upgrading of the Borrower's underlying rating. The Borrower subsequently provided the required disclosures to the Dissemination Agent.

The Borrower may also be considered to have filed certain of its annual reports late. Under the continuing disclosure agreement for the 1997 Bonds, the Borrower was required to provide its annual report for each year to the Dissemination Agent by June 1 of the following year. In all years, the Borrower provided its annual reports to the Dissemination Agent before the applicable deadline, but in 2014, the Borrower's annual report was not provided by the Dissemination Agent to the MSRB by the applicable deadline.

Other than with respect to the required regulatory disclosures in 2013-2014, with respect to the disclosures with respect to ratings changes in 2013 and, potentially, the timeliness of filing of the Borrower's annual report in 2014, the Borrower has complied in all material respects with its disclosure obligations with respect to the Refunded Bonds. The Borrower determined in 2014 that it was not required to self-report under the Municipalities Continuing Disclosure Cooperation Initiative that was announced by the Division of Enforcement of the Securities and Exchange Commission on March 10, 2014.

In connection with the issuance of the Existing Bonds, the Borrower covenanted for the benefit of the owners of the Existing Bonds to provide certain financial and other information. The Borrower has complied in all material respects with its disclosure obligations with respect to the Existing Bonds.

In connection with the issuance of bonds on its behalf by the Authority in April 2019 (the "2019 Bonds"), the Borrower covenanted for the benefit of the owners of the 2019 Bonds to provide certain financial and other information, including the "incurrence of a financial obligation". On June 12, 2019, the Borrower entered into a loan agreement with the State of New Hampshire Department of Environmental Services (the "DES Loan") but did not submit a timely event notice. On May 7, 2020, the Borrower entered into a loan with TD Bank, N.A. regarding funding through the Paycheck Protection Program (the "PPP Loan") established by the CARES Act in response to the COVID-19 pandemic. The Borrower has since filed notices with the MSRB on its Electronic Municipal Market Access ("EMMA") website pertaining to the incurrence of the DES Loan and the PPP Loan and its failure to timely file a notice of the incurrence of the DES Loan. Other than with respect to the disclosures pertaining to the incurrence of a financial obligation with respect to the 2019 Bonds and the Series 2020 Bonds, the Borrower has complied in all material respects with its disclosure obligations for such bonds. The Borrower has taken steps to ensure that all future filings will be filed in a timely manner.

Ziegler

Dated: May 12, 2020

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 4

Date Request Received: 1/11/21
Request No. Staff 4-6

Date of Response: 1/20/21
Witness: Larry D. Goodhue

REQUEST: Please provide a copy of the proposed bond purchase agreement and/or any other documents that show the terms and conditions for the proposed bond financing. Note that documents previously submitted in the instant docket need only be referenced and do not need to be provided again.

RESPONSE:

The response to Staff 4-5 has already provided these documents. The documents are required to be created for each annual issuance, and such, the documents for issuances in 2021-2025 have not been created yet. But those will be based upon the template of documents consistent with the 2020 documents provided as attached exhibits or referenced in the response to Staff 4-5. As such, nothing additional is being provided to this response, as the response to Staff 4-5 encompasses the requested information for this data request.

Pennichuck Water Works, Inc.
DW 20-157
Petition For Financing Approval - Staff Data Requests - Set 4

Date Request Received: 1/11/21
 Request No. Staff 4-7

Date of Response: 1/20/21
 Witness: Larry D. Goodhue

REQUEST: Regarding the selection of the financial advisor and underwriter for the Bond Issuance:

- c) In DW 17-183, TD Securities (USA) LLC and TD Bank, NA worked on the bond issuance, per Mr. Goodhue's pre-filed testimony (Bates 18 in DW 17-183). Please explain why TD Securities (USA) LLC and TD Bank, NA, were not again selected to work on the currently proposed bond issuance.
- d) Please explain why B.C. Ziegler and Company was chosen to be the financial advisor and is expected to be the underwriter for the Bond Issuance.

Has the Company explored any other alternative options in this regard? Please explain.

RESPONSE:

- c) TD Bank, NA has never been a party to the Company's bond issuances, only acting as the Company's commercial bank and lender, which would have a tangential interest in those transactions, for which that tangential relationship and interest continues today. TD Securities (USA) LLC was not used for the bond issuance in April 2020 or in September 2020, as they had made changes internally to the investment banking team offering services to companies such as Pennichuck, both in the manner upon which they could assist our Company, and the structure and location of its team of professionals to service these engagements. After the Company's April 2019 bond issuance, TD Securities (USA) LLC decided to disassemble their investment banking team in Boston, and to service all customers from NY City, with a smaller team, geared more towards large bond issuances, well above the levels for which PWW typically issues bonds.
- d) With the transition by TD Securities in 2019, PWW's primary investment banker at that firm became the primary investment banker at B.C. Ziegler in Boston, which services firms and clients in the New England region. As such, the Company did an RFP with both firms, seeking independent responses as to their ability and costs for providing investment banking services for PWW beginning with its April 2020 bond issuance. In the end, B.C. Ziegler was selected, as the only "hard cost" for these deals (the underwriter's discount or commission) was exactly the same in both of the independent responses. However, the "intangibles" weighed in favor of Ziegler in that they: 1) offered better overall market coverage for bond issuances of PWW's size and type; 2) offered a team of professionals more geographically located near the Company; 3) better analytic and marketing tools to secure better market response for the sale of the bonds; and 4) probably most importantly, the institutional knowledge and strength of the primary

investment banker that had worked with the Company in an accretive manner with the Company's 2014, 2015 and 2018 issuances.

The Company has explored other alternatives and is nearly certain it will be using Hilltop Securities to issue its bonds for April 2021, and most likely for the years immediately following. The reasoning for this, is that the primary investment banker at Ziegler was recruited to join Hilltop in late 2020 and will soon be able to work with clients he serviced at his prior firm. His departure from Ziegler makes the likely move to Hilltop as a necessary consideration. A commitment has already been asserted related to the overall hard costs to be borne in moving to this new firm, whereby the underwriters discount would be equivalent to the one offered by Ziegler and TD Securities in the last RFP process. In moving to Hilltop, the Company would now be working with an investment banking firm that is the #2 ranked firm in the country for the issuance of municipal bonds (for which PWW's bonds are most closely identified to), working with a primary investment banker that has shown a great ability to assist the Company in issuing its bonds, even in very disrupted bond markets. He was brought into their firm to create a large and qualified team of professionals in a new Boston based office, servicing clients in New England. Under the guidance of this investment banker (and his personal extraordinary efforts) the Company was able to issue its annual bonds at the end of April 2020, in spite of the fact that the municipal bond market had stopped functioning in total, due to COVID-19. The bonds were issued within a few basis points of the rates previously achieved by the Company's April 2019 issuance with TD Securities, which were issued in a fully functioning and non-disrupted muni bond market. This banker again assisted the Company in the highly successful taxable bond issuance by PWW in September 2020 (as approved in DW 20-055) and achieving near optimum rate savings as compared to the anticipated range for which those bonds could be issued.

It is important to note and recall that the overall success of bond issuances, as it relates to the eventual cost of the debt instruments (which is passed onto customers in the DSRR portions of allowed rates) is fully dependent upon successfully navigating a true market-based environment. The bond markets are one of the purest forms of price being determined by the balance point between supply and demand. As such, using the right professionals that can assist in obtaining enhanced demand for the Company's bonds, results in lower overall cost of the issued debt, and lower overall water rates for customers.

Pennichuck Water Works, Inc.**DW 20-157****Petition For Financing Approval - Staff Data Requests - Set 4**

Date Request Received: 1/11/21
Request No. Staff 4-8

Date of Response: 1/20/21
Witness: Larry D. Goodhue

REQUEST: Mr. Goodhue states that “the issuance of up to \$57,500,000 in aggregate tax-exempt bonds ... is consistent with the public good ... because they will ... (3) generally improve the capitalization of PWW ... and without material adverse impact on customer rates, based on reasonable projections.” Petition at 33.

- a. Please further explain how the debt will improve capitalization and the resulting rates in future rate case will not have a material adverse impact on ratepayers, thus consistent with the public good.
- b. Please explain what the Company uses as a basis for reasonableness in its projections. Does the Company undertake any other models or projections when considering long-term capital projects?

RESPONSE:

- a. First, the Company only makes investments in capital projects in order to meet regulatory requirements for water quality and supply standards, and to replace aging infrastructure that is needed to meet these standards and the Company’s overall mission of providing clean, safe drinking water to its customers. The Company does not make capital investments to increase the rate base for which it can earn upon, to the benefit of external shareholders. In fact, the Company’s rate structure does not include a return on rate base. As such, the debt service costs associated with these bonds is the lowest cost alternative for the Company to obtain the required capital to make these necessary and prudent capital investments. As has been demonstrated in multiple rate cases for PWW since 2012, the Company’s overall weighted average cost of capital is far below what it incurred as a publicly traded utility prior to 2012, or by other Investor Owned Utilities in the State or in the industry. As such, the Company has a statutory responsibility to comply with Safe Drinking Water Standards, NHDES requirements for water source capacity and supply, and the proper stewardship of the assets needed to continue to serve its customers. Being able to accomplish this by funding these capital projects by issuing bonds as provided for under this Plan of Financing, is thereby in the public good.
- b. The Company considers capital projects based upon a number of metrics. For the replacement of water mains, the Company seeks to replace approximately 2 to 3 miles of over 500 miles water mains per year with a focus on water mains that

are: (1) unlined cast iron, (2) steel or (3) cement asbestos; as these mains are most subject to breaks and contribute to water quality problems. Water treatment media and facilities are replaced as needed to ensure compliance with water quality standards. The Company has an overall plan for the timely replacement of equipment when either technological needs necessitate it, or the cost of repair of equipment is in excess of the benefits derived, for which replacement would be a better overall economic result. The Company reassesses its capital needs each year on a 3-year looking forward basis in support of the QCPAC process. The Company has and will more fully utilize going forward, its GIS/Asset Management system for forecasting and modeling of capital needs, and to calculate risk including the consequence of mean time to failure and criticality of certain assets, in its plans to invest in its capital assets.

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