

REPORT OF THE PENNICHUCK WATER SPECIAL COMMITTEE

NOVEMBER 3, 2010

A meeting of the Pennichuck Water Special Committee was held on Wednesday, November 3, 2010 at 7:25 p.m. in the Aldermanic Chamber.

Alderman-at-Large Brian S. McCarthy presided.

Members of the Committee present: Alderman-at-Large Barbara Pressly
Alderman-at-Large Mark S. Cookson
Alderman Michael J. Tabacsko
Alderman Jeffrey T. Cox

Members not in Attendance:

Also in Attendance: Mayor Donnalee Lozeau
Alderman-at-Large Ben Clemons
Alderman Kathryn D. Vitale
Alderman-at-Large David W. Deane
Alderman Richard LaRose
Alderman Mary Ann Melizzi-Golja
Alderman Diane Sheehan
Alderman Richard P. Flynn

MOTION BY ALDERMAN TABACSKO THAT THE RULES BE SO FAR SUSPENDED AS TO ALLOW ALL MEMBERS OF THE BOARD OF ALDERMEN PRESENT TO VOTE FOR THE DURATION OF THE MEETING

MOTION CARRIED

NON-PUBLIC SESSION

MOTION BY ALDERMAN TABACSKO THAT THE COMMITTEE GO INTO NON-PUBLIC SESSION BY ROLL CALL PURSUANT TO RSA 91-A:3,II(e) TO CONSIDER A PENDING CLAIM OR LITIGATION WHICH HAS BEEN THREATENED IN WRITING OR FILED AGAINST THE CITY

SECONDED BY ALDERMAN LAROSE

A Viva Voce Roll Call was taken, which resulted as follows:

Yea: Alderman Pressly, Alderman Cookson, Alderman Tabacsko, Alderman Cox, Alderman LaRose, Alderman Flynn, Alderman Deane, Alderman Vitale, Alderman Clemons, Alderman Sheehan, Alderman Melizzi-Golja, Alderman McCarthy

12

Nay:

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MOTION CARRIED

NON-PUBLIC SESSION

Mayor Lozeau

This evening I thought I would give you a snapshot of what we would like to cover tonight. We would like to begin tonight with the major due-diligence findings. Remember that when we met last we went over some of those findings, we talked about them, and we would like to update you on the status of all of those, and

then we're going to move into the update on the model, which the Downer guys are here to go over with us. Then we were going to talk about the funding options just to again review the idea of general obligation bonds versus revenue bonds. Then give you the status of negotiations with Pennichuck and then talk about a timeline.

It is our hope that we will be taking a vote next Tuesday night on a Definitive Merger Agreement (DMA). That is our hope. We will know better by the end of tonight what you are thinking and will discuss that a little bit more when we get into where the negotiations are. That is just kind of a thumbnail sketch of tonight's meeting.

John Patenaude

Thank you. Last week we brought up the major issues which we had found during due-diligence. Tonight I will just go over those issues again and also tell you what our resolutions have been relative to those issues <REDACTION 1>

Mayor Lozeau

I meant to tell people what was in the packet we handed out.

John Patenaude

What is in the packet that you just received is some revenue requirements comparisons which Arthur and Wade will be going through. There is the major due-diligence findings, which I am going through now. Behind it is an executive summary of due-diligence and as we told you last time behind this in the Mayor's Office there is a stack of about 8 or 9 inches of paper and if you would like to go through that you are welcome to go through it and read through there. There is nothing secretive, it is just making 9" of copies for everybody I am not sure you would have enjoyed that. They are in the Mayor's Office in one packet that you could review if you so desire.

<REDACTION 2>

John Patenaude

There is a DES site there where there is some contamination and they are working through that, and there is a fund, I forget what the name the exact fund that pays for the cleanup. They are working through that. There was a company Aries Consulting I believe is the one that is working the plan for them. There used to be a tank farm or tanks in that site.

Alderman Deane

Was that all permitted when they took it out?

John Patenaude

Yeah. I mean DES is involved there. It is still ongoing. It is not fully cleaned up yet.

Alderman Deane

And what did it contain diesel fuel or gasoline or something?

John Patenaude

I can't remember from the report. I think it was mainly gasoline.

Mayor Lozeau

I think it was fueling for their trucks.

Alderman Deane

So that was a tank that just fell out of the timeline that was set by DES that all tanks had to be...

John Patenaude

It was the tanks out of there, the tanks got taken out, but when they sampled the soil there was some either gas or diesel that had to be cleaned up, and they are working with DES on cleaning that up. There is a program with DES.

<REDACTION 3>

John Patenaude

So that one we expect to have resolved prior to close. On the revenues and operating expenses we went through the model, the information that they had provided us back in spring and July and found that some of the revenues in doing due-diligence we found some of the revenues are overstated and also some of the expenses had been understated in the earlier period. We're going through that now. Arthur can talk about what our exposure there was. We had a meeting with them going through what the items were and we have identified the items. They are still working through that process.

Arthur Gottlieb

In all cases we are talking about the future not the past. Their past numbers are as far as we know solid. They are a public company that is audited. The real issue I think that we are focused on is that it will be less expensive for the city to run Pennichuck than it is for it to be run as a public company. Their estimate of the cost savings that might come as a result of the change in ownership was close to \$2 million per year, and our belief is that after looking at it a little more closely that the cost savings is probably closer to \$1.5 million per year. We're going back and forth with them on that.

In terms of the modeling work we have done we have mostly assumed that the actual savings is going to be closer to the \$1.5 million. When we think about what the impact will be to run this utility under city ownership we think of it as it being in general \$1.5 million less expensive for it to be run by the city than for it to continue as a public company.

On the revenue side, it is a little bit trickier. There we are talking about what they project their revenues would be if they were to continue as the owners versus what we believe the revenues need to be if the city becomes the owner. The discrepancy is more on what they believe they would need to charge going forward only because there are certain rate cases that they have built into their model that have not yet been filed. But it has less of an impact on the question of how the ratepayers will feel under city ownership. That one is a little bit of a softer issue than the how much money are you going to save if you are the owners.

The overall analysis is sort of summarized by the couple of graphs that we put out.

John Patenaude

The last item is really the employment agreements on change of control. It really relates to the plug and play concept. We need people to run the company not just to exit day 1; couple of administrators and people that work the water company. Their agreements they were trying to get through were pretty loosely

and we're getting there to tighten it down. We will have people available in the plug and play. Otherwise we have an issue of if somebody leaves and we need them we just don't want that to happen. If they leave they get nothing. That is what we want. If you want to leave tomorrow you can leave but you get nothing and we will have to use the monies that you would get under change or control to hire somebody to work your job.

That is being worked on as we speak and will be resolved. Those are the major items. There are a lot of nits and gnats and you can read through the reports, but those were the, I will call them show stoppers when we went through it.

Alderman Cookson

What are the expertise that we are going to attempt to retain after this acquisition? What type of person are we looking for or who do we need to keep based on qualifications?

John Patenaude

You have one person that runs the regulated companies, you need that person. He is very knowledgeable. He is an engineer works for the company. You need him. If he goes away you are in trouble. You also have an administrator who is in charge of not only the rate calculations or the rate filings but also H.R. and customer service. That is very important. We have to make sure of two things; we have to make sure they can get water and we have to make sure that the customers are happy and we have to make sure we can bill them. Those are instrumental. We want to make sure that if people, and some of these people are close to retirement age and we have to make sure there are people underneath them ready to take over at that point in time. I think the other thing that is being looked at is really a person to be over the entire operation to make sure at least on a short term basis that it continues to run and the customers can be serviced and that water service company customers are talked to and they are happy. Somebody is going to have to go out there and do that. That is the expertise that we are keeping.

Alderman Cookson

I know that and Alderman McCarthy is familiar with this too, we have at least lived through two mergers and acquisitions in a previous high-tech company, and there is always been the retaining of individuals, executives through some sort of transition period and typically it is about a year before they decide that it is time for them to move on or someone decides it is time for that person to move on. We are identifying those individuals that we are going to or are attempting to retain, the expertise that we want to retain. The one thing that I didn't hear but I think might be part of it as well is that champion, that one person or group of individuals that are going to say be the champion for this on the Pennichuck side.

John Patenaude

We have identified the people, and also back when they went through their analysis, gave us comments, not in writing, but verbal comments about who is instrumental from their view and who they are not worried about.

Alderman Cookson

With that knowledge of the type of expertise that we do want and the potential identifying of whether these people are interested in moving on or whether they are staying, what are the gaps that we need to fill at this point?

John Patenaude

I would say that we are covered. We have the person that is in charge of production, manufacturing whatever you call it in the water business, and also the service side of making sure that is happening. We have on board the person that is H.R. administration. We've also got a person who is in charge of the water service business. I think we need to retain that person at least for 3 or 4 months to understand that business. None of us understand that business fully and that person has the contacts and the relationships. Also we have the controller. That is an important position to maintain. My understanding is he will stay on as well. Those are the main areas.

Alderman Cookson

So you are saying there aren't any gaps at this point in time?

John Patenaude

The gaps that we would have is to make sure that somebody is over them to make sure that they are coordinating because today you do have somebody that is doing that, but what can happen here is they can go their separate ways and you have to make sure you rein them in and give them hugs and love and ...

Alderman Cookson

And compensation.

John Patenaude

Yeah.

Mayor Lozeau

It is probably best to tell you the positions that we know we are not going to keep and then let you know that all of the rest that are there will stay. I think that is probably easier.

John Patenaude

The three main positions are the CEO, which we have been talking about having replaced with a lesser paid CEO and maybe not long term, but short term at least, the CFO...

Alderman Cookson

One quick question about the CEO. Is that going to be an internal, somebody that is already knowledgeable with the current running or an outside?

Mayor Lozeau

I think it would probably be an outside. Frankly I have been giving some thought to us considering Mr. Patenaude as he is learning more about this, as an interim position.

Alderman Cookson

So an external candidate for CEO okay.

John Patenaude

The CFO. I have asked the CFO to actually stay on for a month or so while we close the books relative to the transition to make sure that all happens and make sure everything is transitioned to the controller, but

the controller is pretty upbeat and the CFO is mainly involved with SEC filings and all that good stuff. Then the lawyer, the general counsel. We will have to look to outsource, but it is contract reviews, and we have people that we know that I have worked with in the past that do it on a part-time basis they are basically retired and they are very good at it. They are contract people. I think we can outsource it at a reasonable rate because it is not a full-time position once you get out of the SEC world.

Alderman Cookson

Thank you. There is no expectation that the city's legal counsel would ever take over that responsibility?

Mayor Lozeau

No.

Alderman Cookson

Alright. Thank you.

John Patenaude

We talked about it, but there was a capacity gap.

Mayor Lozeau

There is a capacity gap and there is also that arm's length that we are trying to have as a corporation run without it being perceived that it is or will actually be I don't want either of those.

John Patenaude

The outsourcing is what I have seen in the past very efficient and not very expensive. It is finding the right individual to do it.

Alderman Cookson

Thank you.

Alderman Pressly

I did not hear you mention the board of directors. Is that just understood that they will be leaving?

John Patenaude

Yes. That is part of the DMA says they all resign.

Alderman Pressly

Okay so the board of directors are going, the CEO, the CFO, and general counsel and the assumption is that everyone else will stay on?

John Patenaude

For a period of time yes.

Alderman Pressly

Okay. That is good.

John Patenaude

There are some people that are of retirement age. Even in the lower ranks there are a lot of people that could be retiring in 2 or 3 years. The key there is to make sure that as any business that you have somebody that can move up in a position or you have identified a gap source that you can either fill from outside but you would like to fill it internally if possible.

<REDACTION 4>

Alderman Cookson

With regard to H.R., are we going to have...we will have access to all performance management reviews?

John Patenaude

Once we buy.

Alderman Cookson

Okay. Do they typically...I am not sure how their reviews, they have annual reviews?

John Patenaude

They have annual reviews. I think they are all in the spring either March or April and they go through and have raises each year and they had studies done in 2008 all the way down to the number of employees. They had one for senior management and then another that went all the way down sort of giving the utility industry's type of comparison.

Alderman Cookson

Thank you.

Chairman McCarthy

Is there anything else?

John Patenaude

So that is it on due-diligence.

Arthur Gottlieb

I guess I would just like to call your attention to the two graphs. We have had a lot of internal discussion, we have talked a great deal with Pennichuck to make sure we get as good a handle as possible on what reasonable revenue expectations are for the city should it become the owner and what reasonable expense expectations are for the city. Once you have done that the model really is driven by only three things. The rate of inflation, in this particular model we are building in a 3% rate of inflation which is probably a little bit high but nonetheless not inappropriate. The next thing that really matters is the rate at which you increase water rates, how much do water rates go up over time, and again in the model that we have taken water rates go up more slowly than inflation in fact go up roughly 80% the rate of inflation so if inflation is 3% a year water rates go up about 2.4% per year. It is lower than the rate of inflation. And then the third thing is how much does it cost for the debt that the city raises to finance the transaction. These models here are based around 6.5% debt. Debt is cheaper than that today.

We currently are discussing with Pennichuck the idea that this 6.5% should be the ceiling at which the city is obligated to close. That is not a hard number yet, but nonetheless it is a slightly pessimistic number. We view that from the interest rate point of view as being to some extent worst case. If it is above that the city may elect simply not to do the deal or there are other financing mechanisms which we can talk about a little bit more later which may be better.

If you just look at this picture this is sort of a 20 year picture, the first one, the one that goes out to 2030. In this picture, you can see the solid blue line is current ownership that is the brighter blue line, the top line and then this little stair step is just one version of how the city might choose to raise rates over time. This particular one is rates go up 7.5% every three years, which is clearly less than the rate of inflation. That is for the company as a whole. If you just sort of take the area, sort of the distance between the dotted blue line and the solid blue line that is the excess, that is the extra revenue the city might have over time versus Pennichuck ownership, the savings versus Pennichuck ownership.

The red line is the same thing, but it is just looking at Pennichuck Water Works so those two red lines are just looking at Pennichuck Water Works. Again, the core message from this graph is that under reasonable assumptions rates will be lower not much lower, will be slightly lower under city ownership than under current ownership. For example if the city is able to borrow money at 6% the lines move much further apart. The solid lines never move, but the dotted lines move further apart if the city is able to borrow money at 6% for example or if inflation is lower than what we are projecting the lines move further apart. That is this graph. To me the takeaway from this graph is that at this \$29 share price, at what we hope will be the worst

case financing scenario, it is an okay deal. You will own the water supply and the ratepayers will not be paying more and in fact should be paying slightly less.

The next graph however is in my view...if this were going to be the case forever it would be worth asking the question of why bother except that you do own the water supply. The next graph I think gives a better sense of why you might choose to go ahead even though the first 20 years are not all that much different if the city owns it versus Pennichuck owns it. What happens is in year 30 so roughly in the year 2041 the city will have fully paid off all of the debt that it raised to do this acquisition. So you see that little plateau there going across that is essentially saying that is the period at which you have fully paid off...what happens when the debt is paid off there is literally \$10 million per year at 6.5% and about \$150 million there is literally \$10 million a year in payments that the city gets to stop making or not the city I am sorry that Pennichuck as owned by the city gets to stop making in 2041.

The revenue requirement, the amount of money needed by the city to run the water utility, in fact levels off and then you have the opportunity, again we are now talking about grandchildren, the opportunity to start lowering rates because the company does not need to fund that \$10 million a year of debt service. This is just one example of what the future might look like once you get out past retiring that \$150 million of debt that you raise on day 1.

The other thing to say is that there are many many different ways one might choose to do the financing as the years go on and so it is more likely that red line in fact might be smoothed out, might be lower at the beginning and a little higher at the end, be smoothed out to recognize the fact that you don't actually again when we are getting out into the later years there is not a strict requirement that you pay down the debt at the rate of \$5 million or \$6 million or \$7 million per year, which is what happens in the out years, you might choose to pay it down more slowly so that that red line starts to drop sooner but doesn't go down as low as it does in 2050 just as an example. Again, these are decisions that are going to get made 10, 15, 20 years from now depending on what the interest rate look like and on how the city wishes to run the water utility at that point.

There is a reason why...just to say the financial justification for this is because in the long term, this is not necessarily people sitting around this room but certainly children and grandchildren of people sitting around this room will have benefited from the fact that the city made this decision today.

Alderman Deane

Is the capital improvements and depreciation of the assets built into this model?

Arthur Gottlieb

Yes.

Alderman Deane

What is that built in at?

Arthur Gottlieb

It is built in at \$7.7 million per year of capital improvements every year. We could have done anything <REDACTION 5>

Alderman Deane

What have they done prior to that?

Arthur Gottlieb

That would be if one looks over this time period that would be a fairly...they have spent a lot more over the last five years because they have done a massive capital improvement program over the last five years or a little bit more than that.

Alderman Deane

If you took the treatment plant out of that equation?

Arthur Gottlieb

All I know is that they have gone from roughly \$40 million of capital assets to \$100 million of capital assets over the last 6 years.

Alderman Deane

And that includes the treatment plant?

Arthur Gottlieb

That includes the treatment plant.

Alderman Deane

Basically it is the treatment plant. If the treatment plant didn't exist do you know the total on that?

Arthur Gottlieb

No.

Alderman Deane

If we backed that out?

Arthur Gottlieb

I think that was a \$50 million project.

Alderman Deane

What I am asking you is...

Arthur Gottlieb

What the routine capital expenses are?

Alderman Deane

Absolutely.

Arthur Gottlieb

And I think the answer is that it is below the \$7.7 million number.

Alderman Deane

Well below right?

Arthur Gottlieb

The thing that is important to say is if more capital expenditures...it is a difficult thing to...we believe this is a reasonable view of the future. If capital expenses were lower going forward than both the blue line, the solid line and the dotted lines would both move down. If they invest less in assets they can only charge less in rates, but our need to finance debt would also go down. If capital expenditures go down both lines move down if they go up both lines move up and so this is just sort of a reasonable estimate line going forward, but they really do move in tandem if that helps.

Alderman Deane

What is their total existing debt right now?

Arthur Gottlieb

Roughly \$60 million.

Alderman Tabacsko

The correlation on inflation, if inflation grows at more than 3% on average the rates go up faster, but what...

Arthur Gottlieb

The requirement would still be that they go up slower than inflation. There isn't a version where I believe that again unless there is a massive capital expenditure program like they just completed **<REDACTION**
6>.

Chairman McCarthy

The reason for that is the operating cost goes up essentially by inflation, but because once you buy a capital asset the price is fixed we don't pay the inflation cost on that as we are paying it off.

Arthur Gottlieb

Exactly right.

Alderman Tabacsko

So what is better or worse...3% who knows what the future brings over this next 40 year period, does higher inflation actually make this a better deal for the citizens in the end?

Arthur Gottlieb

In a sense it would because you would be really happy you locked in 6.5% bonds. The answer is yes higher inflation doesn't hurt. Over extended periods of time in American history 3% has tended not to be a bad number. Even when you have those years which are 14% you then have offset by years that are 1%.

Alderman Tabacsko

Thank you.

Alderman Clemons

It was my understanding that the original expectation was 7% financing and we are now trying to get them to agree to 6.5%?

Chairman McCarthy

It is the escape mechanism...

Alderman Clemons

The escape mechanism and that is what we are trying to get is to 6.5%? What happens at 7%?

Arthur Gottlieb

At 7% the dotted lines are slightly above the solid lines. It is very complicated because again just to give you an example if you are looking over a 30 year horizon raising rates at 2.5% per year versus raising rates at 3% per year there is a dramatic difference. It is night and day. Even at 7% interest if the city believes and if the citizens are prepared to have rates go up at the rate of inflation, there is no issue the numbers are very, there is not an affordability issue there is not a shortfall of revenue. But the approach we have tried to take pretty consistently is to have rates go up not only slower than Pennichuck and slower than the rate of inflation and that works out better in this case at 6.5%.

Alderman Clemons

Okay. Thank you.

Alderman Cookson

Thank you. As this body ultimately makes decisions on directions that we go why isn't it that we see the different scenarios? Why don't we see like as Alderman Clemons just asked about the 7% versus the 6% or the 6.5%? Why isn't that information being shared or discussed visually with us? This scenario looks good what you show us at 6.5%, but we have to take into account some other scenarios. When is it going to be cost effective when is it not going to be cost effective and why aren't we seeing that information as well?

Arthur Gottlieb

At some level this is the worst case that we are contemplating today.

Alderman Cookson

Okay.

Arthur Gottlieb

Other scenarios that I would show you would all have a bigger spread between the solid and the dotted lines and therefore are better and we didn't feel...we were trying to focus on ...

Alderman Cookson

This was the worst case scenario.

Arthur Gottlieb

I can always find a worse case, but it doesn't have any special optimism built into it in terms of getting better interest rates, using a different financing approach, having a higher rate of inflation, there are just a whole number of things that could happen optimistically that are not built into this.

Alderman Cookson

Alright. If I look at your first chart, which has both the blue and the red line just visually looking at that the slope of the blue line is greater than the slope of the red line therefore they will never intersect in the out years.

Arthur Gottlieb

In fact they will intersect briefly sort of towards the end of the bond payout period. But then you would catch up and it evens out pretty quickly and it is not particularly an issue because you would smooth out the line and at the end of the bond payout period you are paying off \$8 million, \$9 million, a year of principal and in general ...you don't need to do that, when you are running the water company it is not an obligation so there are brief periods where the dotted goes above the solid...

Chairman McCarthy

That wasn't the question.

Alderman Cookson

Not the dotted compared to the solid line of the same color...

Arthur Gottlieb

The blue line is all three utilities and the red line is just the PWW.

Alderman Cookson

And it has a greater slope and will never intersect?

Arthur Gottlieb

No it can't intersect because there is always the other two utilities. There is always going to be the gap. The gap between those two are the revenues from the other two utilities.

Alderman Cookson

Okay.

Chairman McCarthy

I hadn't actually thought about this, but looking at the long-term model, after that point where the initial bond is paid off, we go through this with our street maintenance, which basically if you are borrowing a fixed amount every year to do ongoing maintenance ultimately you wind up paying that amount plus the interest on that amount on a yearly basis, which is not, it is hard to get out of that but it is not a great place to be. When the bond is paid off and we don't have that \$10 million bond payment to make anymore we could in fact at that point begin to fund the ongoing capital improvements with that cash and then another few years after that all of the existing debt would essentially retire at which point...

Arthur Gottlieb

Exactly right. It is important to say that in 2041, at that point, by 2041 you will have paid off all of the transaction financing and you will certainly have paid off all of the debt that Pennichuck has today however you will have been borrowing \$8 million a year for the previous 30 years, paying it off on a 30 year schedule so the company will still have a good amount of debt at that point, which makes sense. It also means it has a good amount of capital because you have to keep the capital plant; you have to keep reinvesting the plant. If in this model you saw the debt go down to zero at some point that would mean that you had stopped investing in your capital plant and that would cause other problems.

In 2041 you still have roughly, you have been borrowing \$8 million a year for 30 years, that is \$240 million, you have paid off about 1/3 of it because it has been amortizing over a 30 year period and so you still have about \$160 million of debt and exactly that which is you could use that extra \$10 million a year to pay for your capital expenses and retire the remaining debt a little more quickly. It is a kind of decision you begin to make ten years from now assuming everything has been going the way you would like, you start to think a little more creatively about how do we really maximize the long-term operation of the business while keeping rates as low as reasonable for our consumers. There will come a point in this graph when that decision begins to get more interesting.

Chairman McCarthy

On the other side of that, as a stock company Pennichuck would never decide to do that because they essentially need to keep about half of their equity in the plant as debt in order to make their dividend.

Arthur Gottlieb

In fact I would say it differently, which is that I think the PUC would insist because the return on equity is so much higher than the cost of debt, the legally allowed. They are going to insist that a certain amount of it be done via debt because otherwise the rates...actually if there was no debt used the rates would have to go up even more. Yes there is a flexibility the city would have that Pennichuck doesn't have and wouldn't want to take advantage of anyway.

Alderman Flynn

In past years we have talked off and on about how it is obvious it would be a better deal for the city to control the water company. Some of the things we have talked about was the money that would be saved for example by getting rid of a lot of high-cost payroll items. I know you talked about a few positions that are going to be modified, the CEO some kind of modification or scaled down version. What does that really amount to? At one time it was very easy for us to talk about we can definitely do this cheaper because we are not going to have big payroll. What is the savings in payroll in this model here compared to...what do we expect for payroll savings because of the city taking over?

John Patenaude

Not the payroll savings we sort of looked at it in total.

Arthur Gottlieb

If you think about the three positions that would pretty quickly get merged into one, if you think about the CEO, CFO, and general counsel, those three together are more than or on the order of \$800,000 of total compensation perhaps a little bit more than that including Duane's bonus and the very nice benefit packages you have, those three alone consolidate down to about give or take a little bit right consolidate down to ¼ of what they are. So that is a big chunk of it. Another very big chunk of it is the audit and other compliance things they need to do in order to be a public company and that number comes in at close to \$400,000. Just between those two there is \$1 million and then there are a certain amount, a few people, it is not a large number but it is sort of 3 or 4 people also who are employees who are directly related to being a public company as opposed to being what essentially is a company that is not subject to SEC and public market regulation.

Probably the main savings if you think about it are going to be close to \$500,000 related to outside assistance necessary to being a public company mostly the audit the preparation printing and distribution of the annual report, those types of activities. That is roughly \$500,000 of overhead and roughly a million of compensation the bulk of which is for three senior people who are mostly there because it is a public company not because they are actually doing day-to-day work.

Alderman Flynn

A million and a half dollars? On one of these charts you were talking about a million and a half dollar difference. Is it the blue lines or the red lines that you were talking about? I think you talked about there was a I don't know a spread difference for the city of about a \$1.5 million on average per year and is that the red lines?

Arthur Gottlieb

It might be from an earlier chart or from these tonight?

Alderman Flynn

I thought you were talking about these charts.

Arthur Gottlieb

I don't think I was saying that today. Really if you just compare the operating expenses was really the time I talked about \$1.5 million, but I am not graphing operating expenses here in any of these charts we are not just looking at operating expenses we're looking here at the revenues required by the city to cover its operating expenses and its debt service. These lines here the dotted lines are more or less the amount of water revenue that Pennichuck would require under city ownership to cover all of its operating expenses and its debt service, and in fact our debt service is big and that is why it really matters whether the interest rate is 7% or 6.5%.

Alderman Flynn

Is there still a savings to the city in terms of taxes to be paid under these models?

Arthur Gottlieb

These particular models are for Pennichuck being run as a taxable entity, it is still paying property taxes to the City and I think to the state as well so it is still paying its property tax bills the way it does today so that is a good thing because the city wants to continue to collect property taxes, and it is a taxable entity so it could potentially be paying corporate income taxes however because of the amount of interest payments and tax depreciation there actually are no corporate taxes paid at least for the first 30-35 years. That is also to some extent true, not completely true, but to some extent true of Pennichuck today. Pennichuck goes through periods where it pays fairly little in taxes as well.

Chairman McCarthy

I thought Pennichuck was paying a couple of million a year in federal income taxes.

Alderman Flynn

I think last year they didn't. This year they will use up a good chunk of their tax loss carry forward, but they are not paying at a 40% rate. In theory they should be paying at a 40% rate and the answer is they are not.

John Patenaude

If you look at their balance sheet there is \$18 million of deferred taxes and that is really because they take the depreciation earlier on their tax return. At some point in the future there is a crossover.

Chairman McCarthy

What does the exercise of stock options cost them on a yearly basis? Is that noticeable?

Arthur Gottlieb

It is a non cash expense so it is not one that I am factoring...it doesn't appear in this model. This model is very focused on cash flow and obviously under city ownership there won't be any stock option expense even on a theoretical basis. This is really very focused on...is not focused on that kind of stuff.

Chairman McCarthy

Do they have an employee stock purchase plan?

Arthur Gottlieb

They do. Under the agreement they will, once we sign the agreement then they cease that program.

Chairman McCarthy

That has to have at least a theoretical liability associated with it because they have to replenish their stock holding.

Arthur Gottlieb

People pay for the shares as well so, but...

Chairman McCarthy

Right but typically those plans are discounted by some amount so there is some amount there. And the options they have to be holding shares or be prepared to buy shares and sell them at a reduced price so there is a least a liability on the books from that that increases every year.

John Patenaude

Actually there is no liability it is in equity so that when people vest their shares and buy then the cash goes into equity and they get the shares.

Arthur Gottlieb

The sense of perhaps the question you are asking which is that there are a lot of stock options out there today that have been awarded in the past and the cost of buying in those stock options is built into the cost of the transaction if that helps. It is part of the cost of the transaction.

Chairman McCarthy

We are buying out the value of the options not initially allowing ...we're not going to wind up paying ourselves in...

Arthur Gottlieb

If a key employee owns 40,000 options prices at \$20 a share they will get that \$9 difference at closing and that is part of the price of the deal.

Alderman Clemons

Going back to the property taxes that are paid, what is that to the city or and to Merrimack just out of curiosity?

John Patenaude

I think it is somewhere north of \$2 million a year.

Arthur Gottlieb

I though it was like \$2.4 million or \$2.5 million.

John Patenaude

I do have it, but not in front of me. Interestingly it is a number that will continue to grow over time as assets are added. When you spend money on capital equipment on plant and equipment you increase the asset base, property taxes go up.

Alderman Clemons

Now is that overall how much they pay in taxes to all municipalities or is that just to the city?

John Patenaude

I think that was overall.

Arthur Gottlieb

That is a total property tax number.

Chairman McCarthy

Most of that goes to the city however.

Alderman Clemons

The only reason I bring it up is because I know that if we were to put an easement on part of that land they would qualify for a tax break and I am wondering what that would equate out to be in communities other than the city.

Chairman McCarthy

The lands that we would put easements on if you are looking at conservation easements...

Alderman Clemons

Yeah.

Chairman McCarthy

Would be lands that are either currently entirely wet and therefore are very low appraisal values or are in current use and we're not collecting much tax on them anyway. The bulk of that \$2 million is on the plant and the other buildings that they own.

Alderman Clemons

Right.

Chairman McCarthy

So those would not be subject to easements.

Alderman Clemons

Well the land in Merrimack around the reservoir would I would imagine.

Chairman McCarthy

I think that is in current use and they are probably not paying very much tax on it.

Alderman Clemons

That would be interesting to find out. I was under the assumption that if it is in current use you have to allow people to pass on the land and...

Chairman McCarthy

You don't have to allow anyone to...

Alderman Clemons

According to state law.

Chairman McCarthy

You can fence it off.

Alderman Clemons

I would like to see if we can get an answer on that.

Arthur Gottlieb

I have the tax bills from last year. I haven't retained each of the pieces, but I have that information.

Alderman Sheehan

He has a different question though, that wasn't his question. Pardon me, but I thought it was whether or not it is in current use and whether we have to ...

Mayor Lozeau

The tax bill will show that.

Alderman Sheehan

Okay.

Arthur Gottlieb

That shows up on the bill.

Mayor Lozeau

So there is a pretty significant parcel that we have talked about and whether or not we would like to see it in conservation use, and we are doing a little bit of work on that, and that is something that we have talked about in a couple of meetings of funds available to maybe do something like that, which I think we should, we haven't finished exploring it, I think we certainly should.

Alderman Clemons

Right and it extends to Hollis and there are other towns too so I just there may be an opportunity to save more money there just by putting that land into...

Arthur Gottlieb

Just be clear by reducing tax payments to other municipalities?

Alderman Clemons

Correct.

John Patenaude

A lot of the tax bills relate back to the charge, the tax on the pipes themselves. That is a big chunk of it. In the other towns other than where the well heads are or where the pumping stations are there is very little land. It is all pipes.

Mayor Lozeau

On the model Mr. Chairman if I could I just wanted to point out that as Arthur said we're kind of looking at worst case scenario there what we're hoping will be the worst case scenario. Actually it is I think better than a hope it is really based on our advisors looking at it and saying under these circumstances this might be as far as we would ever be willing to go, which is why we are looking at lowering that 7% down to 6.5%. It gives us an opportunity to go forward with the DMA, do our public work, have the public discussion, discuss the issues surrounding the bond and the vote, collect more information see where we are moving forward in what direction we want to go and if we get to that place and say we're going to end up at this worst case scenario we have the opportunity to say then we are not going that way it is too much of a burden.

I think the more likely scenario that gives me a little bit more breathing room is the idea of looking at running it as a non-taxable entity whether we get the federal legislation or not and we get that number down pretty significantly. Even if we operated it lets say at non-taxable and we predict that we might be at 4.5%, which is actually high compared to where we could be today, but who knows 8 or 9 months from now, and we said you know the federal legislation hasn't happened and we're going to have to pay that built-in gain of somewhere between \$40 million and \$45 million we're still better off at the 4.5% paying that capital gains and moving forward and operating it as a non-taxable entity than we would be at 6.5% taxable.

I think that at some stage in between the DMA and the bond vote we have to look at that really closely and recognize what our risk is. Let's make no mistake about it if we pay that capital gains to reap the benefit of being non-taxable I don't think they are going to send us a rebate check if the legislation passes. I think there is no motivation so we really have to do our work up front heading in that direction and working with our delegation to make that happen so we don't have to do that. But in the review of this I think we have to look at worst case scenario taxable, worst case scenario not taxable.

The one consistent theme here is if the legislation passes this really is a home run, we are in great shape. I think those are things that we have to be paying attention to as we move forward. I don't see the final vote on the DMA as being the final vote on the company. I think we are just into the next phase of the work we have to do and I think that is important to remember too when we're making this decision.

Alderman Vitale

On the sheets, are we going to go through the rest of the handout from tonight or were we just covering the quick synopsis of this? The reason I was asking is I wanted to just ask about the steel workers union and the 47 employees covered under that.

John Patenaude

You can ask a question if you would like.

Alderman Vitale

Would those be something that we would carry over, that we would keep those workers and keep that union?

John Patenaude

If you buy the stock of the company that is a contractual obligation that you have with the steel workers and those are the employees in the field so you have to deal with that. Obviously it is a contract and it ends in 2013 and there is re-negotiations and all that goes around union contracts.

Mayor Lozeau

Of course there are the contractual obligations with the employees that we call the line staff so to speak. There are contractual obligations with some of the upper management. Some of those contracts we are not going to like but they are obligations that we as the new owner would have to honor, and others in this that some may surprise you on what they are. As you can see in this executive summary there is a package in there for a supplemental executive retirement plan, which companies did back in that day. It is on page 9 that I am referring to in the packet. I think that I was a little surprised that they did something like that and I looked at it and thought okay is this an obligation that we have to and yes it is a contract. Now when we become in the public domain about some of this and there are going to be people that think oh you are paying out all of these sweetheart deals because that is what it looks like, but we have to make sure that we understand it and we understand that is an obligation that was negotiated long before the city was involved with what we might do, with the exception of Duane because I think he came along after the city had already started its work, but others had not.

That is not going to be a comfortable position for us. Like I said I think we have to make sure the people understand this is not some deal that we concocted here as a group, this is something that was in place and no different than you buy a company downtown they have a lease with the landlord you buy the lease with the landlord. You might not like it you know it might say you are going to keep my employees; it could say all kinds of things when you do that. I think we will find them at many different levels in there some of which are more palatable than others. I just don't want you to have any surprises so the things that jumped out at some of us we wanted to make sure you knew.

Alderman Pressly

Thank you for pointing that out. That is going to be a very difficult pill to swallow.

Mayor Lozeau

I think when we are looking closely at some of the other contracts it is going to be difficult too. When people get a potential two year buyout when they retire or whatever that is difficult for us to wrap our brains around.

Alderman Pressly

Yup. I agree.

Alderman Flynn

At the last meeting that was the first time I really learned that we are not going to use revenue bonds we are going to use general obligation bonds. I think that was the first time I have heard that. Maybe I missed a meeting or two in between. I think there was kind of just a general comment that there was a lot of savings in percentages based on revenue bonds versus general obligation bonds. I am a little surprised that got discovered so late in the game that we went 4 or 5 years thinking and talking to people telling them that this was not going to be anything but paid through the operations of Pennichuck. What is the real difference in that percentage? Why were we so surprised? I am surprised that it has come out at this point in time.

Chairman McCarthy

I tend to agree, I mean it is certainly a late coming event the discussion of general obligation bonds came up. I will say in the other discussions we knew that there was a difference in the rate between general obligation and revenue bonds. The problem is right now with buying the corporation it can't be structured as revenue bonds because you can't pledge the revenues of the stock corporation to pay the bonds so we're in a position where we had to look at other things, and then the difference in the numbers becomes visible. I think if you go back to Mr. Sansoucy's numbers he was carrying a higher debt number for the revenue bonds because they were revenue bonds and we had assumed there was a premium of a ½ a percent to 1 percent in those, but that was also in the non-taxable revenue bond scenario and this is because we are buying it with taxable financing it would be different.

I will ask them in a minute what the difference is in the interest rates, but I would point out that the concern we have always had with general obligation bonds is if the revenues aren't there then we are going to have to make that up from taxpayer financing, but really in the regulated utility case we will always have sufficient revenue to pay off the debt because that is how the rate case is structured. The PUC essentially can't ever leave us in the position of not having enough money to meet the obligations of the bonds and therefore we would never have to pay them out of the general fund. I am not as concerned about that as I might have been under some other scenarios. I will ask Mr. Patenaude to...

John Patenaude

Part of the issue as I understand in speaking with bond counsel on the revenue bonds is that you have to pledge all of the assets of the company with the existing debt that you have with BFA and those \$60 million of debt on the books today you would have to borrow incremental to what the purchase price is to cover that debt so you are not only borrowing...you would have to borrow whatever it is plus the \$60 million and then it gets more expensive because I think the BFA is down the 4% range I think. BFA they are bonds guaranteed by the state.

Mayor Lozeau

The Business Finance Authority.

John Patenaude

They were a much lower rate and the majority of the debt is about \$45 million of the \$60 million debt.

Alderman Flynn

As a general obligation bond are they going to show up in the city's budget book yearly where we have our other...

Mayor Lozeau

I don't know that we have...

Alderman Flynn

Because it is going to be a city obligation at that point the way we are financing it rather than as a revenue bond right?

Chairman McCarthy

I don't know the exact answer to that. I would suspect that they do show up in the city's books.

Mayor Lozeau

Good point.

Chairman McCarthy

They will start to pay down fairly quickly. I don't think we are in a position where there is any issue with our debt limit on the city side that we would run into with that.

Mayor Lozeau

That was the legislation. One of the things I think happened Alderman Flynn is when the city went to the Legislature and asked to be able to buy stock the exercise of determining what the source of funds would be to buy that stock I don't think a discussion ever took place surrounding that, which is why the general obligation bond/revenue bond discussion never took place. When Bill Ardinger started as part of the team and he is very experienced in these matters, which is why we asked him to be part of the team, it was one of the things that he discovered, which is why we went back to the Legislature to get legislation and turned it around very quickly to say if we go with the general obligation bonds it is not going to be carried in the debt limits that the city has, that the state imposes on municipalities because we could demonstrate that it was very different than us just spending money on more things in the city you know buying more stuff or whatever that it was really a separate entity and like this stock purchase was very different than anything else we had done before.

I too was thinking well we will do revenue bonds because you have an income, set it up in a way that it is totally separate, but when you start looking at the real numbers and then you know that you have the guaranteed income the way that Alderman McCarthy was just explaining, it really is a mistake to be looking at revenue bonds under those circumstances because you will pay a significant amount of interest, more than double. If we look at the general obligation bonds we are using the city's reputation, we're more likely to get our low rates. When you look at just the revenue bonds you don't consider the city in that in the same light that you do when determining the rates. So the more it gets explained the more you understand why it makes some sense to do it that way. I don't know in the long term that it ever has to stay that way depending on how we move forward in carrying that burden.

I know that Mr. Ardinger is not happy that he is sick tonight and not here to talk about that. He gets very animated when he talks about it. We will revisit it again too. That is why I asked them to put it on tonight's list of topic because I think we just talked for a short period about it the last time we brought it up. I thought we should talk about it some more and then before we get into the public hearing on the bonds I think we should talk about it again so that we all have a, again like the other items have a comfort level that we understand why that makes sense so that when you are talking to your constituents you can readily explain why what doesn't seem so obvious makes sense.

Chairman McCarthy

Anything else on the issues we have had?

Alderman Deane

I'm just trying to understand how you are going to use a general obligation bond and basically pimp off our good numbers that we currently have through our good fiscal practices and garner a lower interest rate. It just seems like it is a pretty tangled web of way to do something. We have enterprise accounts with waste water and solid waste where they borrow money and one of the two has a revenue stream that is sufficient enough to cover the operations of it but I mean when we look at we use general obligation bonds with them correct?

Mayor Lozeau

Yes.

Alderman Deane

But because the stock is in play ...

John Patenaude

As far as I can tell one of the main reasons to use general obligation bonds in this situation because we are buying an entire company is that if one were to try to use revenue bonds in this situation you would also have to refinance all of the existing debt and so you would have to raise, with revenue bonds, you would have to raise an additional \$60 million to refinance all of the existing debt and the interest rate you would pay on that additional \$60 million could be and likely would be significantly higher than the interest rate on the existing debt. That is the main driver here is that if you had just done the eminent domain taking you would have extracted just the assets you would have left all of the existing debt behind, you would have raised \$243 million of revenue bonds and had them be secured by those assets. In this case, again if you want to use revenue bonds you would have to refinance all of the existing debt and that would be a very expensive proposition.

Mayor Lozeau

I wouldn't characterize it as pimping off of our other numbers. That was just an additional point to make in the list of reasons that we should look at it this way. I would call it that the city has as you described been very fiscally responsible, we have benefited from that. There is no reason that we shouldn't benefit from it in another endeavor that we are going to make. It is not a driving reason behind it it is just an added benefit that we have a reputation that has been very well received.

Alderman Deane

It was a poor choice of words on my part, but regardless as you know that started well before your term in office began. I had another question. We have taken significant sums of money out of different accounts like CERF for instance. How are we going to put that money back?

Mayor Lozeau

First if I could, the first million, well the last million dollars is a better way to describe it \$500,000 of which I had intended to put in CERF in my first budget, that was an additional amount to CERF and this last \$500,000 that was in CERF through my budget that we used, that million dollars has been accounted for in

the transaction costs and that is because unlike the money spent before this is actually money that is acceptable to use or to return to put into the bond because it is part of the transaction because we have been moving into purchasing the company. The almost \$5 million that was before that is something that we have talked about visiting again here to determine how do we want to do that; do we want to replace some number of that or not. All of it, some of it, later, I think that there are a lot of different options of how we may return some of those dollars. Alderman McCarthy had a couple of interesting ideas about how to return it, but that last million dollars that belongs in CERF will be returned to CERF under all of the models and scenarios that we have presented.

Chairman McCarthy

My suggestion was ...

Alderman Deane

I just have one...so that million dollars is going to be returned is going to be money that is being borrowed is that how that CERF is going to be replenished?

Mayor Lozeau

It is money that is going to be bonded in this transaction but we're returning the money to the city that was spent on this company so the company should carry that cost of the transaction. Perfectly normal business...

Alderman Deane

Well when we talked about the prior \$5 million I think some of the discussion hinged around the fact that why would we want to borrow \$5 million and give it back to ourselves and pay interest on it for the life of the bond.

Mayor Lozeau

And that is what I think we still have to determine.

Alderman Deane

We didn't want to do it with the \$5 million but we are going to do it with the million now?

Mayor Lozeau

That's...

Alderman Deane

What is the difference between the two totals? They were both used for basically the same...

Chairman McCarthy

The difference is I think we don't think we have the last million to put aside for any length of time to get paid back. Let me tell you how I think we should do this and maybe we want to extend it to that last million depending on the way the cash flow works, I don't know.

My suggestion is that when we take over the corporation we structure the \$5 million that we have already spent as a essentially debt obligation of the company that is outstanding and that way we don't have to borrow the cash to pay it back. What we would do is the company when it has additional cash such as in years where lawn watering is up and therefore we get more revenue than we think we have which happens fairly often with this company, we can pay back parts of that debt so that we are not financing it and we're not impacting the water rate directly out of it we are taking advantage of the natural cycles of the company's business in order to pay that back from the rate base into repaying what the city spent on it.

My suggestion was that we try to direct that towards capital type expenses on the city side so that we're not constructing a budget model that is dependent on that revenue. In fact, the natural place to use it is when we have to do major amounts of work on the pipe for example and the city is going to have to fund repaving streets in conjunction with that that we put it towards the paving program when those essentially dividends get declared and that money comes to the city, we put it towards that capital expense. That is sort of associated with the program anyway and that gives us a way to up the amount of paving that we catch up on without having to borrow the money to do that either.

Mayor Lozeau

I thought that was a great nexus and a way to do it.

Alderman Tabacsko

But on that same subject if I may, the last million as you mentioned earlier that being here at the end of the process or the beginning of the process, but that million that was taken in two pieces from CERF would go back in this next budget cycle back into CERF right?

Mayor Lozeau

After the closing yes.

Chairman McCarthy

To get back to your point Alderman Deane I think we anticipate expenses backed by CERF on replacement of equipment that if there isn't money in CERF to pay for it we are going to have to borrow money to make those expenses anyway so it really doesn't matter which way we do it. The stuff that we are buying will wind up bought on debt either way.

Alderman Deane

I knew that was coming anyway. That is a given. Thank you.

Alderman Flynn

So when is that decision going to be made? We might be taking a vote next week I guess on this memorandum of understanding...

Mayor Lozeau

We have to.

Alderman Flynn

Are we going to have resolved whether that money is going back to the taxpayers or is going to be...where that other \$5 million is going?

Mayor Lozeau

I don't see that it would be resolved by then. It is certainly up to this board to decide if you resolve it by then...

Alderman Flynn

Once we...

Mayor Lozeau

Arthur had a ...

Alderman Flynn

When we sign that memorandum of understanding we are agreeing to the \$29 price, we are agreeing to paying that \$4.5 million of Pennichuck costs between their severance packages and their closing costs right so I mean we are approving an awful lot of costs that we're agreeing to under that memorandum of understanding but we are not at that point concluding whether we are ever going to give that money back to the taxpayer or the ratepayers will pay it over some opportune situations over the years.

Chairman McCarthy

We don't have to make that decision until we let the bonds right because there is nothing in the merger agreement that is impacted by our paying ourselves back out of our bonds. When we decide to let the bonds to finance the purchase we can include or not that additional \$5 million in those or we can include it as a debt to ourselves in the way we structure the corporation when we buy it.

Arthur Gottlieb

And this is an important point which is that the way in which the city chooses to finance this transaction when it is time to actually issue the bonds will depend really on what the interest rates are at that point in time, will depend on whether or not you have been successful with the federal tax legislation, will depend on the spread between non-taxable debt and taxable debt. There will be a number of options available to the city at that time. If for example you have been successful with the federal tax legislation and you can borrow tax exempt debt at 4% you might very well choose to raise the additional \$5 million at that time because it is very inexpensive money and it is a good way to get the city reimbursed. If in fact you have to raise taxable debt and the rate is 6.5% you might choose not to because you believe that would push the ratepayers further than you would like to push them.

What we have modeled here by doing 6.5% taxable it is in that sense sort of a worst case financing but there can be a number of scenarios. There will be an interesting choice to make roughly a year from today based on data available 11 months from today to figure out what is the best course of action for the city from a financing point of view. As the Mayor said earlier it is even conceivable that if the spread between tax exempt and taxable debt is large enough it could make tremendous financial sense to raise tax exempt

debt, to use that debt if it is low enough interest to raise tax exempt debt use that to finance that transaction even if it triggers having to raise an extra \$45 million to pay off the built in gain. The math happens to work out you would rather raise tax exempt debt at 4% and pay off a very big chunk of built in gain than raise taxable debt at 6.5% - you are better off, but you won't really know at this point which path you wish to take until you know has the legislation passed or not and what are the actual interest rates in the month before the closing at the time you are raising the debt.

Alderman Flynn

So we will have agreed under the memorandum of understanding to all of those conditions including the price and different payouts that we are going to do but we won't decide on...originally I know, I am sure I wasn't the only one who spoke this way, we always talked to the constituency as though the cost of acquiring Pennichuck would not be born by the taxpayer it would be born by the ratepayer. I don't know how many times I have said that but I certainly have said it many many times and it is a convincing argument when people get on the fence on where they stand with the Pennichuck acquisition. It is a very convincing argument to say that it really is going to be spread out over time and the benefits will be to those ratepayers over time but the taxpayers up front those people who today are signing their checks and sending their money into City Hall they will not be the ones that paid for the cost of acquiring Pennichuck.

Now that decision really is going to come when we take a subsequent vote further down the line for how we are going to finance this or how we are going to or will it be when we have to make the presentation to the PUC as to how we are going to keep it less costly under Nashua's ownership than Pennichuck's ownership? When is that decision going to come?

Arthur Gottlieb

It is important to say this, this is actually very important; in the DMA it says this deal will not happen unless the PUC allows Pennichuck to set rates at a level able to service the debt. Whether or not it is a general obligation of the city the deal does not happen unless the PUC agrees to let Pennichuck set rates to cover all of the debt obligations, and in that sense you are getting the benefit of the city's good credit and the ability to not refinance all of the existing debt while being in a situation where the PUC must agree that rates will cover your debt service.

Alderman Flynn

So this won't go before the PUC until we decide how we want to handle that other \$5 million? Won't the PUC have to know that to decide if we are an equal or better opportunity for the ratepayers?

Chairman McCarthy

The only thing that might have to go before the PUC would be the structure of the liability back to the city. We need to know how much debt we are going to raise so if we are putting it in the bond then that has to go to the PUC, if we are structuring it as an obligation that probably has to be factored in in some way so that the rates can be set, but that is as much as the PUC needs to know about it. The PUC basically doesn't care about how we are financing it they care about what the impact of that is in the rate.

Alderman Flynn

It does impact the rate if you decide to take it out up front and put it back into the city's coffers.

Chairman McCarthy

Correct. It impacts the rate either way. That is the source of the money ultimately. It is a question of how we choose to structure it. We will need to make that decision before we close and certainly before we issue the bonds that will pay for it which is the point at which we are actually committed to the transaction,

Alderman Flynn

So that vote for that occurs before we go to the PUC?

Chairman McCarthy

Is that...

John Patenaude

Just a point, what happens is the DMA gets signed then you have what I call the 90 day vote for the bonding that you have in public and then after that it goes to PUC for approval and then after that the shareholders approve and then we get financing. I would like to make one point on the debt just to clarify it. The city raises the debt. The cash from that debt will be partially sent down as equity and mostly down to the buying subsidiary, we have to have this transitory subsidiary as debt between Pennichuck and the City so the debt most of that debt will lay down in Pennichuck itself but there will be a payable back to the city. In essence, the financing, the funding from the financing comes back through Pennichuck through the ratepayers and not the taxpayers. It is complex, but that is the way the flow of the funds comes down. So at the end of the day unless there is a catastrophe and I have to clarify that, but on a normal operation the ratepayers pay that debt and not the taxpayers, real estate taxpayers.

Chairman McCarthy

I think the question is simply will we have made that decision when we go to the PUC.

John Patenaude

Well we will have to show the structure to the PUC how we get the monies down because we want them to make sure that they agree that our rates that we charge the water users is sufficient to pay the principle and the interest on the debt that the city is borrowing.

Alderman Flynn

So how do we come about that agreement? We're not going to take a vote on that agreement will we?

Chairman McCarthy

It is part of the structure of how we will set up the financing so it is something we would deal with when we vote on the financing mechanism or whatever it is.

Alderman Flynn

And that will happen before we got to the PUC?

Chairman McCarthy

Yeah.

John Patenaude

Keep in mind in our agreement it is likely that, and I can't pinpoint the exact place it is in there, but if we can't get sufficient rates to cover both principle and interest to service the debt then we can walk away from the transaction.

Chairman McCarthy

My point was simply that rather than increase the actual debt load and pay interest on the \$5 million that we borrow for ourselves if we just structure that as essentially it starts out as an existing loan to the corporation from the city, then we don't have to charge interest to...we don't have to pay interest to somebody else we can either not charge the interest or pay the interest to ourselves on that debt as the corporation pays the city back and that also allows us to structure it more conveniently in terms of the cash flow of the corporation.

Alderman Flynn

I don't think it is a deal breaker, but it is an interesting...it is kind of an interesting position to put ourselves in where we are agreeing to more than we ever expected to pay I think. I think \$29 is more than we expected agreeing to the costs of covering all of Pennichuck's costs as we said that \$4.5 million for severance for officers and their closing costs in this whole deal, we are picking that all up. Then to say to the taxpayer that we are not quite ready to show you the money. I think that is going to be a different position for me to try to...I am sure that is going to come up in the deal not as a ratepayer but as a taxpayer someone who has been here for the last 3 years and paid taxes not someone on my water bill in the year 2017 or something, but something up front, the question is going to be there show me that money, I should be getting that money returned to me because that I think has been the song that the city has been singing or at least as an Alderman that is the song I thought we were presenting to our constituency.

Chairman McCarthy

I don't think that anybody is disagreeing with that. The question is over how we do that in such a way that some third party is not benefiting by getting the interest on \$5 million from either the ratepayer or the taxpayer.

Alderman Flynn

I am saying I think it is hard to vote on \$29 and the \$4.5 million and not be in a position to say how you are going to handle the \$5 million.

Chairman McCarthy

And I think we do know that from the...as we refine the scenarios we can understand whether the financing makes sense with the \$5 million in or out.

Mayor Lozeau

And I would say at that final vote you want to know that because you want to be able to talk about that and how we expect we would do that. I thought Alderman McCarthy's idea about doing it the way he is describing seemed to make a lot of sense for that much money.

John Patenaude

It is an interesting question you are raising. I think the structure the way one would do it is you borrow money at 6.5% or 6% or less, you lend it to Pennichuck at 7.5% at a higher interest rate and you use that differential to generate sufficient cash flow to pay back the city as though it had also lent an extra \$5 million to Pennichuck. I think ultimately the structure that will be in place is going to be money borrowed by the city at one interest rate and lent to the corporation at a higher interest rate. I think the choices between do you borrow the extra \$5 million and lend it and then have the interest rate differential be smaller or do you not borrow the extra \$5 million and lend less and have the interest rate differential be a little bit higher.

Mayor Lozeau

We can run models on that.

John Patenaude

That is a thing to model, but your point that structure fits into what we need to do anyway which is to borrow money at the city level and lend it to Pennichuck at the corporate level.

Alderman Flynn

And that is how we are going to do the first million dollars or that is the plan for the first million dollars anyhow isn't it?

Mayor Lozeau

Yes.

John Patenaude

But more specifically is to actually borrow that extra million dollars so that the cash is available day 1 versus this other one where in fact it is like you created a debt and you are collecting it over an extended period of time instead of having the \$5 million come in as a single slug at one time. There is a difference. Does that make sense?

Alderman Flynn

I guess so.

Chairman McCarthy

Are you all set Alderman Flynn?

Alderman Flynn

I am all set.

Alderman Pressly

Thank you. I would just like to assure Alderman Flynn that he is not alone in the dilemma that I for one and I think there are many others made the same assumption having been told that would be the case during the debate and working hard to get the vote from the people. You are not going to be alone in having to explain that. I think if we stress this to the people who will be the spokespeople how important that is to

clarify that and to assure the citizens that it will be coming it will just be coming in a different format. You are not alone in having said something that you are going to have to back away from. I will have to also.

Mayor Lozeau

You may not have to back away from it.

Chairman McCarthy

I haven't heard anybody say we shouldn't pay back the \$5 million.

Alderman Pressly

I can't tell you how many times I like Alderman Flynn said that it is going to be a revenue bond. So it is not going to be that so we will have to be able to say you know it is a little bit different than what we had thought it was going to be when we started out with this.

Mayor Lozeau

Hopefully you are going to be able to say it is a better deal than a revenue bond...

Alderman Pressly

Okay and I think that is maybe, maybe we need to train ourselves to understand the best way to phrase it to be accurate and to be fair.

Chairman McCarthy

My concern over the issue and as I said I haven't heard anybody express a concern about paying back the \$5 million I think there has been a concern about paying it back from debt financed obligations and I certainly share that. Most of the ratepayers are in Nashua so if we take \$5 million and pay it back to ourselves but that involves collecting \$8 million from the ratepayers and giving \$3 million to whoever is financing the deal we are going to wind up paying our own \$5 million back and then extracting \$3 million from the other communities that goes directly to the bond holders and that just doesn't make any sense, that doesn't make us ahead.

Alderman Pressly

I don't have any issues with the discussion as to how you are going to do it, but for those of us who have been vocal on this issue for these 8, 9, 10 years it is something that we have said that we will have to change the way we say it.

Mayor Lozeau

I think it is going to be very important going forward that again this is another one of those points, we all have to feel comfortable enough to understand it, we all have to feel like we understand why it makes sense, and I want you all to be in that place before you take these first of all the DMA vote next week on what does it mean for the dollar amount and things like that and then in the final analysis that bond vote. When we go out and start talking to the public and we come to terms with the presentation that we are going to do in other communities as well as our own, we will become more comfortable with what the information is so that we are speaking the same language and we know what it means, which moves us into some of the discussion surrounding you know where we are with the negotiations with Pennichuck.

I and the team have been working with them. Alderman McCarthy has come in and talked with us about strategy and how we are going forward. We have made requests of Pennichuck and we're working on those requests some of which you heard tonight; lowering the interest rate, curing those issues from due-diligence, taking care of the employee contracts and making sure that those are buttoned up, and I have made a pitch to lower the \$29 price. Some of that lowering of the \$29 price relates directly to revenues and expenses and some of it relates to I think our comfort level on voting for this. That is what I expressed when I spoke to the Chairman of the Board that we had concerns that first of all the \$29 when I brought that number to you the first time I told you that I didn't feel that it gave us as much wiggle room as I would like. I think some of you likely agreed with that.

That \$29 is significantly better than the \$32 or some would argue \$33 that was looked at years ago by a significant amount. It is clearly better than the eminent domain number any way you look at it, but would it be better if we were closer to \$29 than \$29 I think it absolutely would be. Now you read today in the paper that their quarter is up, they are feeling good, they feel like they are a stronger company than they were when we negotiated the \$29. I don't know that they will be able to deliver something less than \$29 the question is do we want to walk away at \$29 do we want to say we have decided \$29 is too much and we are not going to vote for the DMA and go forward? That is where we come to the discussion we have had before from my humble opinion that I think some of you share is we've got this balance that we have to strike right so own the asset, protect that resource, long term, good benefit from the city under the modeling that we are talking about. We will own it free and clear in 2041.

What is the value of that? It is not just the value of the company at that point when you look at that. Can we run numbers, can we make choices that have this operating in a positive, I think we can. Can we make the argument that we will not raise rates at the same level that Pennichuck did, our model shows we can. We're putting together a graph to show you what have been Pennichuck increases over the past ten years and what we see with the city going forward. I would like to see us not raise rates in the first year or two if possible, but I don't want to put us in the situation where we are cutting off our nose to spite our face and we end up with a negative just so we can tell people that we're not going to raise it. I think the idea of presenting to the public that and hopefully we will know these answers for certain on whether we can go the first year or the first two years without that increase and then we look at the next years and what we are going to do.

I think it is reasonable to say to people we are not going to raise it more than the rate of inflation. I think it is unreasonable to raise it too much lower because I think that hurts the goal as we move forward and I think it puts the company in a precarious situation which we shouldn't be and I think most people understand that if you are going to be operating business and remember we're going with the corporate model, even if we end up as a non-taxable entity I advocate for that corporate model we have agreed to. We expect them to run it like a business and if they are running it like a business they are going to maintain that business following the rate of inflation. It just makes sense. That is what keeps us on that steady course.

Now for some it is not going to be easy to say so we're going to take it and we're going to raise rates accordingly and explain the rate of inflation or whatever we're going to come to consensus on. But I think we ought to tell people exactly what we think we are going to do and that needs to be part of the public discussion on this before we vote on the bond to buy the company and we have to see if people accept that and understand that and whether we all still feel like that is the right thing to do at the end of the discussion and before that vote.

Now this next vote on Tuesday it is important to know that this next vote has to take place on Tuesday for the DMA. We have a deadline of November 30th with the PUC. Briefs and things will have to be filed and so we have to pay attention to that. We don't want to take this action the week before Thanksgiving or the week of Thanksgiving I think it reflects badly on us. We have been dealing with this since what is the year 2003 I can't recall, and now they are going to take action you know around the holiday and nobody sees what they are doing? I think that is bad. We have a normal Board of Aldermen meeting next week, a regularly scheduled meeting, and I think that we potentially can take action that night. If we did that and

voted in the positive for the DMA the Pennichuck board will take it up the next day, and it can't become public until the close of business day that day that they take it up. Okay so that means that it will be in the public domain by the 11th. Now there is a holiday there, it is Veterans Day, but I think people are still paying attention to the news and other things as well, but it also gives a whole week before the holiday for discussions, for the press to run stories, for us to have conversations. It keeps us away from December and now we are looking into January at some point. We look at the bond vote; we can have public meetings the first two weeks in December.

I look at it this way, there are two weeks of business in November and there are two weeks of business in December, there are three weeks of business in January and they are the three weeks after the first week. I think that is the way that we should be approaching this. It gives us a chance to decide on how we are going to have the public presentation; we will do it in Nashua we will do it maybe in Merrimack, we'll do it in some of the towns where the PEU is, maybe go up to Pittsfield, however we are going to do that whatever we decide. I think it gives us a window of time to do what we need to do and then to get to the PUC in a reasonable amount of time. That is the timetable that we are looking at.

I expect we will hear back from Pennichuck on Monday about whether or not they have agreed to all of the last items that we have put out there including whether they will move that price, but that is where we are. I asked them for \$28, I hope I made a compelling argument for that. I expressed your concerns about what happened when you heard about some of the due-diligence items. I expressed how important I thought it was for you to feel like the company was willing to move, and now we have to let them have that discussion with their group and see what happens.

Alderman Sheehan

How many outstanding shares are there?

Arthur Gottlieb

It is 4.7 something million.

Alderman Sheehan

Thank you.

Mayor Lozeau

We are right there.

Alderman Pressly

I have this pile of paper and I would like to know definitely what is the Definitive Merger Agreement with...does that include the bylaws and the things that I thought we were going to do tonight? I thought we were going to review those tonight.

Mayor Lozeau

We completed the Bylaws and the Articles of Incorporation at the last meeting and we had the final...

John Patenaude

You have the ones we gave at the last meeting. Without Bill here if you have questions it would be difficult. Hopefully Bill was going to be here, but we can...but those all get incorporated into the DMA.

Alderman Pressly

I know I received it, but I had some questions about it and I saw some errors in it and I thought that would...

Mayor Lozeau

In the final one?

Alderman Pressly

Yeah just small things, but...

Mayor Lozeau

Well that would be good if you brought them to John's attention. The small areas, but if the questions...

Alderman Pressly

I think when we see the whole thing together we do see, I saw a couple of things that I thought needed to be pointed out. One is the number of people from Nashua that would be on the board, but if you have 11 board members that puts us in a diminished position. I was going to suggest that it be a percentage of the board instead of a number of 5.

Mayor Lozeau

I can't recall how we resolved that at the meeting when we talked about that.

Alderman Pressly

I thought it was still a document that needed to be finalized. It changes once you see the whole thing together, but I know that our advisors have said all along it is really important that we make sure that Nashua has control and we decided on 5 thinking that it would be 7, 8, or 9, but now that it can go to 13 I think that changes things a lot and I think we should change the number to a percentage that moves with the number that you have. What is it we can have anywhere from 7 to 13 members on the board?

John Patenaude

Seven to thirteen.

Alderman Pressly

So if we only have to have 5 from Nashua that could put us in a very diminished position.

Mayor Lozeau

That is a good point.

Alderman Pressly

So I would like to suggest that we change that to a minimum of 5 or somehow that it be 55% or 60% must be the Nashua citizens. That way the percentage will move with the total number that they have.

Chairman McCarthy

What happens when we have exactly the right number of Nashua directors and one of them resigns?

Alderman Pressly

This is it; this is why I think it should be on a percentage basis of the total that serve.

Chairman McCarthy

Regardless of how you figure that out what do you do in that case, do we then fire one of the other directors to keep the balance that way?

Alderman Pressly

Well I think your next appointment would have to be the replacement person or the appointment...

Chairman McCarthy

You will have a period of time when Nashua does not necessarily have control under that model.

Alderman Pressly

Well that could be then so maybe it should be 75% and that would provide a cushion for that.

Alderman Sheehan

I thought in our discussion we abandoned the concept of where somebody's domicile having any bearing on the value that they bring and the skill set was going to be our primary consideration and that we would vet the people through the process to make sure that they were interested in running a company effectively rather than where they are from being the more important aspect. For that reason we abandoned that line of percentage.

Alderman Pressly

I didn't have that impression. I thought our advisors have said all along be very careful that you keep control.

Chairman McCarthy

Well it is in one of the sets of minutes that we have because I think we're up to date on minutes of these meetings.

Alderman Sheehan

Nice job Sue.

John Patenaude

Just keep in mind that at the end of the day you still have control because you are the shareholders of the company. That is the true control that you have over the board, over the company, over everything. I just want to make that point.

Alderman Sheehan

That was my understanding.

Alderman Clemons

I was under the impression that Alderman Sheehan was, which is that we made a decision based upon...we certainly wanted people from Nashua however we also wanted to make sure that the board was put in place with quality folks that would have the expertise that we needed to run the company and that the obvious understanding would be that anybody that takes a position on the board is going to serve the best interest of the corporation because that is what they are being hired or being put on the board to do, and that if they were negligent in their duties that would be our responsibility as shareholders to essentially take that cause up and remove that person for whatever that reason may be. I don't see an issue with the way that the at least that portion of the articles are set up currently.

Alderman Pressly

Well I happen to have some strong objections to portions of the Bylaws and I am mistaken I didn't realize that was the final. We talked about it, this would be the last hopefully it would be, but it was not finalized. I have done some research on Google as far as advisability on the makeup of boards and there is strong indication that it is important to have a restriction on the number of consecutive terms. I know I have served on numerous boards in three foreign countries and four different states in my lifetime and there is one consistent denominator and that is human nature. If you have a troublemaker on a board everybody knows that and they do not re-appoint them. The problem is someone that hangs on and is there and nobody has the heart to say you know Joe, Sally it is time for you to move on or they are not willing to not re-appoint them. To expect a Board of Aldermen 20, 30, 40 years from now that doesn't have the same experience that this board has and the knowledge, I think it is unreasonable to expect them to throw out somebody that has been nominated. Look at our library board, same people over and over again. The same thing with the cemetery board.

One of the recommendations that they made in the literature is that at least there should be something in there that all votes by the Board of Directors to select or re-appointment people as directors on the board shall be taken by secret ballot. This is a recommendation that is being made for boards of directors both for profit and not for profit to take the pressure off the board of directors because they are the ones that have to suggest that they be re-appointed. It is very very difficult to have a board if we have 7 or 13 they work together they become close friends and let's say someone is not really contributing, it is very very difficult to be unkind and say you know I don't want to have you back or we think it is time for you to move on. I would strongly suggest at the very least that you add this language that the board of directors must vote by secret ballot when they do that. I would like to make that motion that add in Article II under the Board of Directors between Section 14 and 15 on page 5, that all votes by the Board of Directors to select or re-appoint people as directors on the board shall be taken by secret ballot. I ask that the vote be taken by roll call.

MOTION BY ALDERMAN PRESSLY TO AMEND THE BYLAWS IN ARTICLE II BETWEEN SECTION 14 AND SECTION 15 ON PAGE 5, TO ADD LANGUAGE THAT READS "ALL VOTES BY THE BOARD OF DIRECTORS TO SELECT OR RE-APPOINT PEOPLE AS DIRECTORS ON THE BOARD SHALL BE TAKEN BY SECRET BALLOT"

ON THE QUESTION

Chairman McCarthy

Do you want to amend some other section to exclude that from the provisions of the Right-to-Know Law, because the Right-to-Know Law says can't do that. We have a provision in there that says the meetings of the board of directors are subject to the Right-to-Know Law.

Alderman Pressly

They cannot take a secret...

Chairman McCarthy

You can meet in non-public session and take votes, but only on things that are protected by one of the exclusions in the Right-to-Know Law and votes on members of the body that is meeting are specifically not allowed to be taken.

MOTION WITHDRAWN

MOTION BY ALDERMAN PRESSLY TO AMEND THE BYLAWS IN ARTICLE II, #15 TO READ” A BOARD MEMBER IS ROTATED OFF THE BOARD AFTER SERVING TWO CONSECUTIVE THREE-YEAR TERMS, PARTIAL TERMS NOT TO BE CONSIDERED. THE SAME INDIVIDUAL MAY BE RE-APPOINTED ONE YEAR AFTER THE COMPLETION OF THE INDIVIDUAL’S FORMER SERVICE.”

ON THE QUESTION

Alderman Pressly

This is the other type of language that is recommended. This is sort of the compromise that has been by people that deal with boards of directors all over the country that this way you are assured that people who no longer they are sort of the hangers on, they are the folks that you know they consider this a lifetime appointment and they enjoy serving and really don't contribute too much.

This just means that they can serve two consecutive three-year terms and they would be rotated off and a year later they could be re-appointed, and I ask for a roll call vote.

Chairman McCarthy

Before we do that I would suggest a minor change that we don't use the term rotated off, that we write it in terms of the qualifications for the member that they can't be appointed to a third term.

Alderman Pressly

Well I thought rotated off is a nicer way of saying it.

Chairman McCarthy

Rotated is ambiguous in that usage I suspect.

Alderman Deane

They never leave.

Alderman Pressly

Well that is true. Then that would be fine I would be happy to change that to a term limit of two consecutive limitations.

AMENDED MOTION BY ALDERMAN PRESSLY TO AMEND THE BYLAWS IN ARTICLE II, #15 TO READ” A BOARD MEMBER, AFTER SERVING TWO CONSECUTIVE THREE-YEAR TERMS, PARTIAL TERMS NOT TO BE CONSIDERED, CANNOT BE APPOINTED TO A THIRD TERM. THE SAME INDIVIDUAL MAY BE RE-APPOINTED ONE YEAR AFTER THE COMPLETION OF THE INDIVIDUAL’S FORMER SERVICE.”

ON THE QUESTION

Alderman Clemons

I have stated before and I will just state again for the record that I am against this. The reason that I am against it and the reason I will be voting no is because I feel that a major contributor to a board should not be forced off that board simply because an amount of time has gone by that they have served on it. There are plenty of examples of folks that have a lot of value and bring a lot of substance to boards where sometimes that value would be lost and not replaced if that person were to be rotated off. Further the thought of getting that person back while that could happen those folks might become involved with something else in that year period and may not have an interest in coming back or may not be able to for whatever reason because they have moved on with their lives.

In a situation like that you lose a lot of value to a board like this. I don’t think we should be putting ourselves in the place where we are constantly going out to try to find new talent when we have the perfect talent already sitting on the board. Now that is not to say that there aren’t folks who may be as the previous speaker said placeholders or folks that are hanging on too long, but again that comes to the responsibility of the nominating board to make sure that the people that they are bringing forward are responsible and are contributing.

Ultimately it comes down to the shareholder to make sure that again those people are contributing. I think it becomes quite obvious when somebody doesn’t attend meetings or they offer no value to a conversation or to what is going on. I think it becomes very obvious who those people are in a very short amount of time. Again, it falls on the shareholders to make sure that we’re appointing people that serve the best interest of the corporation. That is irregardless of term limits. If a person is on the board and they are doing the job that they need to be doing and they are adding a lot of value I don’t want to be constricted to say well thank you for your service we will see you a year from now. I just don’t think it is the right thing to do. I think it is putting handcuffs on ourselves and we shouldn’t be doing that so I am going to be voting no.

Alderman LaRose

Thank you Mr. President. Doesn’t the shareholders hold the vote on a nominee?

Chairman McCarthy

Yes.

Alderman Sheehan

I would just like to ask that perhaps some of the professionals we have hired would ring in on this subject particularly how it might be viewed at the PUC, if it had any impact at all.

Arthur Gottlieb

Unfortunately I think it is more a Bill question.

Mayor Lozeau

That is a Bill question. If he didn't have the flu he would be happy to answer.

John Patenaude

It is really not, it is something you all have to decide, it is something that could be crafted into the minutes. You know again you all have valid reasons, you may or may not have valid reasons, but I would say that at the end of the day you as shareholders will be voting for members of the board so you do have ultimate control there. Hopefully people you appoint to the board have the integrity and the will to do the right thing, but you can never guarantee that and there is no board in this world that can guarantee that...

Alderman Pressly

There is no perfect board.

John Patenaude

...even if you put a limitation on there, there is no guarantees.

Alderman Sheehan

They can change it, right.

John Patenaude

These Bylaws can be changed.

Alderman Pressly

In doing this I think it is important to take a look at the current board. We are assuming that they have this wonderful very talented current board. Using the system that we are putting forth the one member that has served 40 years, reached the age of 70, which meant that he should have stepped down, he has not, they got around that law, and since he was one of their pals brought him back with a special status where he doesn't vote. Most of the people on that board are family members from the original people of 150 years ago. I know one person that was a family member and was invited to come on and refused because she didn't like what they were doing. If you look at the board it is all a good old boys and girls club. I happen to know most of them socially and personally, they are wonderful people, but the one thing that we did promise the voters that we would not allow it to become a clique or a group of people that just was on it to be on it.

This is the only way that I know of to make sure that there is a very graceful and easy way to not allow anyone to stay on more than 6 years or 7 or 8 depending on when they started. This makes it very simple and easy. It means that any future Board of Aldermen 30, 40 years from now that hasn't had the experience that we have had they do not have to rise up and refuse somebody and cause almost a bloodbath, which there have been those cases here on this board, I have seen them. To me this is one of the ways to make a promise to the citizens that I made along the way that we would do everything to make sure that it did not turn out to be the type of board that would become very incestuous and just have it be all of their friends taking care of all of their friends.

Alderman Tabacsko

Thank you. I guess I'm more inclined to be concerned about getting quality people and being able to retain them and run the company particularly in the beginning of this very unique circumstance that we are going

to have. I will not be supporting the motion. I believe the fact is this bylaw can be changed by any subsequent makeup of the shareholder or at any time. It is not something that we're so locked into. I just think that for the transition period it is important that we not limit ourselves. That is where I am coming from on this. Thank you.

Alderman Cookson

Thank you. I certainly see both perspectives and I appreciate both perspectives. Six to 8 years is quite a commitment. You're asking these individuals they can sit on this board and it will be 6-8 years that they are sitting there, and I know that some people sit there longer than that, but I guess my concern more than the 6-8 year commitment is the potential stagnation. Once you get into a group you start to develop group think and it is always important to bring in new ideas, new blood, and fresh ideas. I don't see a problem letting an individual take a year off between his or her second and third term if he or she is nominated again.

I think it is probably a really good idea. I am happy to support this. Again, I see both perspectives. I think it is a good idea. I don't think it can do any harm. I think it really helps with the stagnation of ideas, I think it helps with group think, and that it might potentially yield rewards to this group that we're asking to run this company. Forty years I am completely opposed to so if you want to set that term limit of you can't serve anything greater than 40 years I am fine with that. I think 6-8 years is quite an obligation to running a company, give them a break, let them take a year off, and then if they decide to come back or if they are nominated again let them come back and serve a couple more years. I don't think it can do any harm. I will support it.

Alderman Melizzi-Golja

Just verify for me I am reading this correctly; directors in Class C will have their term expire in the third full calendar year so that is the most a director would serve as a term, a three year term?

Chairman McCarthy

No. Basically they can serve two full terms plus the residue so people...

Alderman Melizzi-Golja

Right, but a full term is three?

Chairman McCarthy

Three years.

Alderman Melizzi-Golja

Correct so in fact at the end of three years they would have to be re-nominated...

Chairman McCarthy

Yes.

Alderman Melizzi-Golja

And at that point the sole shareholder could choose to not re-appoint them.

Chairman McCarthy

Correct.

Alderman Melizzi-Golja

So in fact the sole shareholder could choose to not re-appoint a board member for whatever reason after one full term of three years. In the meantime, if during that full term of three years, the sole shareholder becomes concerned with the performance; under Section VII it appears that the sole shareholder could take action to remove that director?

Chairman McCarthy

Yes.

Alderman Melizzi-Golja

In my mind that says the sold shareholder who I believe are the people that have to uphold this promise to citizens for this board to not become like the existing board have several outs in this document. I understand your concern, but I think the outs are here for us to maintain the integrity of that board.

Chairman McCarthy

I guess I can see both points of view, but I'm not persuaded of it as a way to get the inept off of the board. If somebody gets appointed who can't do the job or won't do the job it is pretty tough for me to face my constituents and say don't worry he will only be on there 8 years at the most. If there is somebody who is not doing the job this board is going to have to take action on that and if there is somebody who shouldn't be on there this board is going to have to take action on that. Yes we have had those situations come up in the past, not very often because most of the people who come in here while we grill them fairly hard about qualifications as we should, most of the people who get in front of us to be appointed to boards are people who should be on those boards.

There have been some cases where I didn't think they were and I didn't have a problem with voting against them at that point. I am sensitive to Alderman Cookson's point about group think however that rotating it to some extent helps, but you may also just get the situation where it is what we have instead of 12 directors we have 15 and there are 3 who are always sitting out waiting to get re-appointed the next year. Once again to fix that it comes back to this board.

Is there anything else on this before we vote? The motion is to limit directors to two full terms plus whatever partial term they may have served.

A Viva Voce Roll Call was requested, which resulted as follows:

Yea: Alderman Deane, Alderman Pressly, Alderman Flynn, Alderman Cookson, Alderman McCarthy
5

Nay: Alderman Clemons, Alderman Vitale, Alderman LaRose, Alderman Tabacsko,
Alderman Melizzi-Golja, Alderman Cox, Alderman Sheehan

7

MOTION FAILED

Alderman Pressly

Mr. President thank you. Having observed this, the current board and this company for the last ten years pretty closely I think Alderman Cookson used the word that I did not use, which is stagnation. The two issues that I think have caused this company to do the horrible things that they have done to this community is secrecy and stagnation. Therefore in the spirit of compromise, I move and ask for a roll call that a board member may serve three consecutive three-year terms, partial terms not to be considered, the same individual may be re-appointed one year after the completion of the individual's former service.

MOTION BY ALDERMAN PRESSLY TO AMEND TO READ: "A BOARD MEMBER MAY SERVE THREE CONSECUTIVE THREE-YEAR TERMS, PARTIAL TERMS NOT TO BE CONSIDERED, THE SAME INDIVIDUAL MAY BE RE-APPOINTED ONE YEAR AFTER THE COMPLETION OF THE INDIVIDUAL'S FORMER SERVICE"

ON THE QUESTION

Alderman Pressly

I think it is an argument that would make us much more comfortable for future boards of Aldermen where they don't have to rise up and throw somebody off. This is a much more pleasant way to deal with stagnation, and therefore, I have proposed a compromise, which would mean it would be as many as nine years. The advantage of having it this way is that when a person agreed to do this they know what the rules are up front, and if you do ever have to change bylaws it is always much easier to make them less restrictive than more restrictive. Therefore, that is my motion, and I again ask for a roll call.

Alderman Clemons

Thank you. I will again be voting no for the same reasons. I don't see it as a compromise because my point in the first place was that I don't think we should be limiting ourselves to the amount of time that an individual serves on a board if that person is serving the board well whether that be 9 years, 6 years, or 25 years. I don't have a problem with that. If a person is doing the job that we ask them to do and they do it day in and day out and they do it well then why would I ask that person to leave because a certain period of time came up? I have a fundamental problem with that and I will not support anything that restricts the amount of time that a person can serve on this board.

It also comes back to the responsibility that we have as shareholders. If there is a person on the board who is not doing their job then that should be the reason why we remove them. If we can identify that and we don't take responsibility on that because we say well this person has been there for a while and they are one of the good old boys, then we are failing and maybe the voters should vote us out.

Alderman Sheehan

I think I am going to keep the same position as well. I do understand stagnation and group think being a very scary thing, but I don't think we ask anybody to leave their job in the city because they have been here too long and we just want some fresh ideas. I think it falls under the same thing. Being that we are the

shareholder it is our job to make sure that the company is running efficiently and effectively and if it isn't giving them a longer leash to hang themselves with doesn't offer us any benefit. If there is a failure to perform or we want to see new ideas and we feel group think then it is our duty to make changes. That happens; there are reorganizations in private companies all the time just for simple reasons of stagnation, group think, and needing to change your dynamic of how the company is operating and to move into a new way of doing business.

I think that allowing a 9 year window because we just want to be nice, I think the days of being nice like that are over. I don't think that would necessarily be the case. I know personally myself I would move to remove somebody that I felt was doing that. I understand what you are trying to accomplish and I appreciate that I just think that time is the enemy of that process and if that was happening that sooner rather than later would be the time to address it. I think that making the term longer exacerbated why I don't feel like it is the right answer to accomplish that goal.

Alderman Vitale

I think I would have to agree that most of the time I believe we should vote to remove somebody if they are not performing in the way that we need to run the water company. I do understand the stagnation part that you might get somebody there that goes under the radar screen, and having that three terms or two terms or five terms or whatever would be a way to bring somebody new in that maybe performs at a higher level. It might be that the person that rotates out is not necessarily doing a bad job but it could be that somebody that is brought in in their stead is doing a better job.

But I don't necessarily like have to take somebody out of the position just because they hit three years as a last straw it has to be that way. I would be amenable to thinking of it in terms of if it comes down to that third term that it could be overridden by a majority of the shareholders, the people sitting here saying okay we can override this because this person is performing at the level that we want them to perform. It gives you the ability to keep somebody if they really are there and you really discuss that it gives you the ability to keep them. But if it is an ability to bring somebody new in the vote would stand.

Alderman Clemons

To that last point I would just argue that you may as well not have the term limits as to have that mechanism because essentially you have that opportunity anyway without the term limits by simply voting no on the nominee.

Alderman Deane

Wouldn't the Personnel Advisory Committee have to convene in order to remove?

Chairman McCarthy

Yes. Well I mean something would be brought to the Board probably in the form of a resolution.

Alderman Deane

But then the Personnel Advisory Committee would be the one that would make the final decision because they are judge and jury.

Chairman McCarthy

No. They would make a recommendation to the Board and it would be effective on passage of the resolution by the Board.

Alderman Deane

So this Board would have to bring a resolution in to remove and then the judge and jury would be the Personnel Advisory Committee. Do we have one of those in place Mayor? Do we have three people on that?

Mayor Lozeau

We do.

Chairman McCarthy

No it would be our Personnel/Administrative Affairs Committee.

Alderman Deane

No no no.

Chairman McCarthy

Not...

Alderman Deane

When we had issues upstairs...

Chairman McCarthy

That is because those are city employees. The directors...

Alderman Deane

It wasn't a city employee it was Mr. Farkas was it not?

Mayor Lozeau

No but Planning and Zoning are looked at under the ordinance as quasi city employees and are treated differently.

Chairman McCarthy

Actually they are not. This board has the authority to remove members from the Zoning Board of Adjustment.

Mayor Lozeau

I just thought that is why...

Alderman Deane

That was an ethics...

Chairman McCarthy

That was an ethics complaint that was taken to the Ethics Review Committee.

Alderman Deane

I thought the Personnel...

Chairman McCarthy

No that was the Ethics Review Committee that this board established that only had one...

Alderman Deane

Mr. Harrington was the lone...

Chairman McCarthy

Right, was the only member...

Alderman Deane

...judge and jury on that.

Chairman McCarthy

...who was able to sit.

Mayor Lozeau

That was ethics.

Alderman Deane

Ethics Review Committee.

Mayor Lozeau

But the Personnel Advisory Board does have its three members aside from this discussion

Alderman Deane

If it was an ethics issue on this board once formed what would be the process?

Chairman McCarthy

So they are not city employees and they are not members of an elected board, I would contend that it is the same process if there were an ethics issue someone would have to bring legislation before this Board to address that situation or the board of directors can remove the director themselves.

Alderman Tabacsko

Because they appoint.

Chairman McCarthy

If we wanted to remove them a resolution would be submitted, would be referred to the Personnel/Administrative Affairs Committee, and then would come back to the Board for a final vote.

Alderman Deane

So that is the process for removing somebody from this future board?

Chairman McCarthy

Yes.

Alderman Deane

I didn't know if everyone was aware of that.

Chairman McCarthy

I think so. We have discussed that...

Alderman Deane

I don't.

Chairman McCarthy

...in the section of the bylaws that allows us to remove them.

Alderman Pressly

Thank you. In my memory and maybe someone has a different recollection, I do not know of a single time...these nominations I presume are going to be brought forth particularly for the re-appointments they are going to be brought forth as they do with the cemetery boards and with the library boards, and I don't recall any Board of Aldermen ever saying no or even asking any questions on either of those boards. The reason I am doing this is that I think in 10, 20, 30 years, they are going to have a big problem and another group of people and they are going to wish they had this. It is a lot easier to have it restrictive starting out and change it or change the bylaws to accommodate for that one perfect person that comes along you know every hundred years that is irreplaceable.

Chairman McCarthy

This Board has certainly, I don't know that it has ever happened with the Library Board of Trustees, but this Board has certainly refused to confirm individuals who were appointed on at least three occasions I am aware of. Typically it never gets down to a vote. What happens is when it becomes obvious that the nominee is not going to be appointed they withdraw their nomination before the final vote is taken. I do know of at least three cases where that has occurred.

Alderman Pressly

I know that also, but I also sat in the Chamber when there was a complete bloodbath for a person on the Airport Authority and it was one of the most unpleasant nasty things I have ever seen and it was primarily for political reasons that the person did not get the appointment. I just think this is something that is going to save a lot of grief in the future if we go to 20, 40 that I think this is just good public policy, and it certainly keeps my promise to the citizens that we will do what we can to make sure that this does not become a cliky good old boy/good old girl club like it is today.

Alderman Tabacsko

I feel like this is going about solving a problem that could be more easily addressed and more appropriately addressed I think in charging the...we have already established that the board is going to have to have a nominating committee that is going to bring forth the appointments and re-appointments. I don't know why we as the sole shareholder can't instruct that nominating committee that we have concerns about group think and stagnation and non performance, and that we expect them to develop a policy that will to the extent that it can because human nature is human nature, but to the extent that it can will protect the entity from those things.

I think that would be more effective than term limits that will flush this thing through at some point, but I don't know that it is the most effective way to do it.

Alderman Melizzi-Golja

I understand your concern. I guess my concern with let's say you can serve a maximum of three terms and then you are off and then you can come back in a year or two, for those board members who are not participating the way we would hope to see them participate I think by giving them that three term limit it sometimes has a negative affect too because someone is in their second term and then people say oh we really like him or we really like her and well we will just let him finish out this term rather than saying no we need to get rid of you we need to get rid of this person now and let's do it.

I also think it can have the other affect, people will say well they can only be on for 9 years so we will let them finish up their third term and then they will automatically be off and so it will be a natural death rather than coming before this Board. I think in that way people hide behind that and don't do what they think should be done then we're not keeping that promise to the citizens. I really think that the people who are sitting around this horseshoe in 12 years or 15 years or 20 years or even in 5 years, they have the responsibility to make sure that board is performing at its best regardless of where people are in their term. If they think someone isn't doing the best they can possibly do for the ratepayers then as the sole shareholder this board I think has the responsibility to take action.

I would hate to see that three term limit become a way of people on the board of directors saying well we will just kind of ride it out because they will just fade off into the sunset and we won't ask them back on. That would be my concern about that. I think the people sitting around this horseshoe have the tools in this document to do what they need to do, and it is up to them to do it. I understand your concern and I would hope the people here would do the right thing.

Alderman Clemons

We're also assuming that people once they get appointed are going to stick around for a lifetime on this board, and I don't think that is going to happen. Like I said I think we may see a few individuals who serve the board very very well and who we want to keep around stay on there. We may see some individuals who don't serve the board well who also would like the same thing, but we need to take care of that by not re-appointing them. And then there is going to be the majority of folks who are going to be on there for maybe 1 term, 2 terms, 3 terms, and then life happens and they are going to move on.

I think that is going to be the case for the majority of people so as far as keeping the board fresh I think it is just a natural thing that is going to happen. That is all I would like to add in addition to what has been said.

Alderman Cookson

To Alderman Tabacsko's point about setting expectations, absolutely, that is absolutely one of the things that needs to be done, but to that point you also have to understand human psychology and organizational effectiveness and understand a term called regression toward the mean and that is over a period of time as a person becomes more comfortable in a particular setting they are going to do the least amount that is expected of them, they are going to regress toward the average. That is human psychology and that has been studied year after year after year and there are plenty of studies to indicate that you have outliers, you have exceptional people, you have others that are just going to regress toward the mean. I think we are protecting our interests, I think we are protecting the people's interest the ratepayers' interest in doing this.

Again, I see both sides I just also understand the human psychology and think that it is probably something that again to Alderman Pressly's point it is easier to become less restrictive than less restrictive as time goes on. I will just say that at a particular point in time when I taught, I think it was my first year of teaching high school, the head of the math department that I taught in was a former instructor of mine when I was in high school, and the best words of advice that she ever gave me was you don't smile until Christmas. I think that same analogy could be had here and that is put the rules in place but after you get to a certain point you can become less restrictive.

I think it is good policy. Again I respect both sides, I think it is probably in the best interest of the people who elected us and the ratepayers to ultimately put this in place, see what happens to it, and then address it if the effects aren't as we intended.

Chairman McCarthy

Is there any further discussion? Everyone understands the motion?

A Viva Voce Roll Call was requested, which resulted as follows:

Yea: Alderman Deane, Alderman Pressly, Alderman Flynn, Alderman Cookson, Alderman McCarthy

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Nay: Alderman Clemons, Alderman Vitale, Alderman LaRose, Alderman Tabacsko,
Alderman Melizzi-Golja, Alderman Cox, Alderman Sheehan

7

MOTION FAILED

Alderman Flynn

I don't think the Mayor is probably coming back, but is it her intention...

Chairman McCarthy

She left her phone; I assume she will be back.

Alderman Flynn

Well she isn't here when I need her anyhow. The intention for Tuesday night is to deal with this document here that says final merger agreement dated September 16, 2010?

Chairman McCarthy

Yes.

Alderman Flynn

This is the copy that we are going to deal with on Tuesday night?

Chairman McCarthy

Yes. Alderman Cookson you had a question about either the Articles of Incorporation or the Bylaws.

Alderman Cookson

Thank you. It was a quick statement. It was actually Article VIII Conflict of Interest and it was the latter half of the sentence there are a couple prepositional phrases, which I am not sure that are required. It talks about a director shall not participate in debate or vote on matters that involve a direct, personal, or pecuniary interest for the director or any immediate member of the family of the director, and we have defined earlier in the document immediate family member. I'm thinking as far as wording goes it should say director or any immediate family member versus the 6 additional words at the end of the sentence.

John Patenaude

Got it.

Alderman Cookson

Thank you.

Alderman Deane

Can you read that again?

Alderman Cookson

I removed the final 6 words of the sentence "of the family of the director" and preceding that it says immediate member and I have inserted the word "family" in between "immediate" and "member".

Alderman Deane

Thank you.

Chairman McCarthy

Do we want to take a vote on that or can we agree on that one by...

Alderman Deane

I think we ought to take a roll call vote on that. That might go down in flames.

**MOTION BY ALDERMAN COOKSON TO AMEND ARTICLE VIII-CONFLICT OF INTEREST SO THAT IT READS: “A DIRECTOR SHALL NOT PARTICIPATE IN DEBATE OR VOTE ON MATTERS THAT INVOLVE A DIRECT, PERSONAL, OR PECUNIARY INTEREST FOR THE DIRECTOR OR ANY IMMEDIATE FAMILY MEMBER”
MOTION CARRIED**

Chairman McCarthy

Are there any further amendments?

Alderman Deane

I just wanted to go back and reflect on the comments that Alderman Pressly had made pertaining to specifically I would say it was the Cemetery Board of Trustees and Library Board of Trustees. In my nine years of meeting in these high pollutant conventions, they have never been interviewed. They are always nominated by one of their own. We sit here and I believe all of you have already participated in this fun, and we recite their names, and that is the end of it. As for the rest of the boards and commissions that we have some oversight of if they are going to be re-appointed then a request has to be made through to Alderman Clemons if they are going to come back for an interview. New folks are brought in more often than not with the Mayor and we are given a basic outline and resume. I think Alderman Pressly was looking at the fact that some of those people have been on those cemetery boards probably since they were teenagers and they have to carry them in here now when we have these conventions.

I know when I saw Lester Gidge here I was like wow. He is an older fellow now you know, and how long has he been on that board of trustees? Cemetery probably wasn't even there; he was probably one of the first ones. And the fact with the family affair that has been going on with the Pennichuck board is exactly what it is, exactly.

Alderman LaRose

Thank you. I think one of the reasons that you see the same people on cemetery boards is you have to own a plot in the cemetery to be on the board.

Alderman Deane

Do you have to own a book to be on the Library Trustees?

Chairman McCarthy

Unfortunately the intersection of people who own plots in the cemetery and people who are otherwise qualified to be on boards if you get my drift may be smaller than you think.

Mayor Lozeau

Mr. Chairman I would just take a moment to say that I know that it is almost 11:00 p.m. and we are a little punchy and I think the point that Alderman Deane was trying to make was that the issue surrounding the Pennichuck board was important to deal with for any number of reasons, but I don't want to let it go unsaid that the members that serve on the Board of Library Trustees or the Board of Cemetery Trustees are all people that are doing the best job that they can and are all participating and dedicated to the city in the work that they are doing. Although some of them have been there for an extended period of time, I have not had

anybody knocking down my doors to be on any of those boards, and those boards know their members and should they re-appoint them, I agree that in convention we have no discussion about it and maybe we want to look at a process where there is something in between, but I just don't want them thinking that we don't appreciate and respect the service that they are giving the city.

Alderman Sheehan

Thank you.

Alderman Clemons

Thank you.

Chairman McCarthy

But in all fairness I think Alderman Deane's point is a good one that we bring people who are going to serve on the Mine Falls Park Advisory Committee in and question them at some length about their qualifications for that job and yet the people who run our public library, which is one of our most important services, are not subject to that same process.

Mayor Lozeau

And I agree and I think that you know maybe it is worthwhile to look at that process, but I just...we have had just a lot of discussion here and I just didn't want it to get lost that while we may be interested in having the process be a little bit different because it may not be as thorough as others, we still...

Alderman Deane

My intentions were not to belittle or...

Mayor Lozeau

And I know that.

Alderman Deane

...degrade anybody that is willing to serve, it is the process associated with the appointments. That was my only point.

Chairman McCarthy

I guess I would point out before we go on on that line that we are a little far up field from the purpose for which we enter non-public session.

Alderman Pressly

I would like to thank the board for indulging me the time to do that, and to explain a little bit why I did. I think as the senior person on this board I probably just because of my age have the most experience of serving on boards. I have lived in four states and three foreign countries although I have lived here the vast majority of my life and my heritage for New Hampshire goes back to 1635. I do believe I probably have the broadest experience of having served on a variety of different boards of directors of churches, of government, of non-profits, just a full range of groups of people that come together for a purpose and they use a set of bylaws and rules to govern themselves and make decisions. Across the places that I have lived the consistent

problem is people who stay on too long and the difficulty and unpleasantness of removing the stagnant people and bringing in fresh.

My thinking did not prevail. I hope that those of you who have the faith that you do in the system that we put forth I hope you are right, but I also wanted to be recorded on the record, which will come out eventually that I did make an effort to assure that we had a constant turnover and new blood brought to our water company. Thank you.

Alderman Tabacsko

On a much more practical matter, the vote on Tuesday is going to be in non-public session correct?

Mayor Lozeau

Yes it has to be in non-public session so that then the Pennichuck board can take it up and their board and it can't be made public until the close of business.

Alderman Tabacsko

And the practical reason for asking this is are we planning to do this before or after the board?

Mayor Lozeau

I was going to talk to the President but it was my intention to do it after the board meeting, and I was going to ask before we close tonight if there is any other information that people feel they need to see or review before Tuesday's vote to please let me know and I will get you what you need and to remind you that the very lengthy packet that Mr. Patenaude had mentioned earlier this evening that backs up the executive summary that we have discussed tonight is available in my office, and any of you that would like to see it by all means just give a call and we will set you up a spot if you feel you need to look through it closer. But I think it is really important that people feel well educated and well versed to come in Tuesday night and make this decision that has to be made.

Alderman Tabacsko

Just to explain, we're going to do this after the regular meeting, the reason is we were looking at possibly holding a Joint Special School Building Committee meeting here in the Chamber prior to next Tuesday's board meeting just because it is easier to get a quorum since we are all going to be here. Those of you who are on Joint Special I think we will get this in for 7:15 p.m. on Tuesday night. We have one set of invoices to approve and it is just a matter of getting a quorum together to do that. It is just one of those things that needs to be done so we will go ahead and move for that.

Alderman Sheehan

This might be circling back, but I just wanted to point out I don't have a lot to do with the cemetery in general other than visiting my mother, I do have a lot to do with the library frequently and if there were a problem I think we might be looking closer at interviewing or visiting this stuff, but the library seems to be really well run as an end user. I would just like to thank the boards for the work that they are doing because I think that just needs to be said.

Alderman Cookson

Just a quick question actually about the board of directors so I will circle back to the reason why we are actually here.

Chairman McCarthy

An interesting diversion.

Alderman Cookson

Yes. The policies and procedures that are adopted by the board of directors do they determine those and the question that I am actually wanting to get at is are they going to be conducting business using either Masons or Roberts or are they going to formally adopt one of those as a way that they conduct business? Is that part of the decision that they make?

John Patenaude

That will be a decision they make.

Alderman Cookson

Okay. Thank you.

Chairman McCarthy

Is there an issue with that or...

Alderman Cookson

No I was just curious if it was something that we had to define or if it was something that they ultimately adopted how they conducted business.

Alderman Clemons

That brings up one other point, which I did not see actually in here and I just recall...I don't know what triggered it, but I don't believe it is stated in there...it is stated in there that the shareholder determines what the salary is for the board of directors, but I don't believe it actually specifies what that is. Is that intentional?

John Patenaude

Yes because it can change any time so you have determined what it is now you can determine at any point in time.

Alderman Clemons

Okay. I just remembered that. Thank you.

Chairman McCarthy

If there is no other business for the committee I would ask for a motion that the committee seal the minutes of the non-public session by roll call until such time as the majority of the board vote that the purpose of the confidentiality would no longer be served.

MOTION BY ALDERMAN PRESSLY THAT THE COMMITTEE SEAL THE MINUTES OF THE NON-PUBLIC SESSION BY ROLL CALL UNTIL SUCH TIME AS THE MAJORITY OF THE BOARD VOTES THAT THE PURPOSE OF THE CONFIDENTIALITY WOULD NO LONGER BE SERVED

ON THE QUESTION

Chairman McCarthy

I will, before we vote on that, comment that our staff is actually caught up on transcribing all of the previous minutes so they are...

Alderman Deane

Back to 2003?

Chairman Deane

Yeah with the exception of I think there are about 4 tapes that they cannot physically locate, but other than that everything from the start of this process that was sealed has been transcribed so we will be able to un-seal them.

Alderman Deane

So have they been transferred over to newer technology other than the 8 tracks that we first started recording them on?

Chairman McCarthy

Yes they have actually I think all been moved to digital recordings. It turns out the way we do transcriptions from these is much more efficient than it was from cassettes so the first thing that they have done was to copy them onto digital media and then transcribe them to written.

Alderman Deane

It takes forever to do that. Doesn't it take a long time?

Chairman McCarthy

To copy?

Alderman Deane

Yeah to copy it.

Chairman McCarthy

They just leave it running in the back well it was with the other recorder. I don't know what shape the other recorder is in at this point, but...so the motion is to seal the minutes. Would the Clerk please call the roll?

A Viva Voce Roll Call was taken, which resulted as follows:

Yea: Alderman Clemons, Alderman Vitale, Alderman Deane, Alderman Pressly, Alderman LaRose,
Alderman Tabacsko, Alderman Melizzi-Golja, Alderman Cox, Alderman Sheehan, Alderman Flynn,
Alderman Cookson, Alderman McCarthy

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Nay:

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MOTION CARRIED

**MOTION BY ALDERMAN PRESSLY TO COME OUT OF THE NON-PUBLIC SESSION AND RETURN TO
THE REGULAR MEETING OF THE PENNICHUCK SPECIAL WATER COMMITTEE**

MOTION CARRIED

ADJOURNMENT

MOTION BY ALDERMAN LAROSE TO ADJOURN

MOTION CARRIED

The Pennichuck Water Special Committee meeting was adjourned at 10:55 p.m.

Alderman Jeffrey T. Cox
Committee Clerk