

A special meeting of the Board of Aldermen was held Monday, January 15, 2007 at 6:00 p.m. in the Aldermanic Chamber.

President David Rootovich presided; City Clerk Paul R. Bergeron recorded.

Prayer was offered by City Clerk Paul R. Bergeron; Alderman Tabacsko leading in the Pledge to the Flag.

The roll call was taken with 13 members of the Board of Aldermen present; Aldermen Tollner and Williams arrived during non-public session.

His Honor Mayor Bernard A. Streeter and Corporation Counsel David R. Connell were also in attendance.

COMMUNICATIONS

MOTION BY ALDERMAN TABACSKO THAT ALL COMMUNICATIONS BE READ BY TITLE ONLY MOTION CARRIED

From: Mayor Bernard A. Streeter
Re: Special Board of Aldermen Meeting

MOTION BY ALDERMAN TABACSKO TO ACCEPT AND PLACE ON FILE MOTION CARRIED

NON-PUBLIC SESSION

MOTION BY ALDERMAN TABACSKO THAT THE BOARD OF ALDERMEN 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 MCCARTHY

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

Yea: Alderman Tabacsko, Alderman McCarthy, Alderman Flynn, Alderman LaRose, Alderman Dion,
Alderman Bolton, Alderman MacLaughlin, Alderman Richardson, Alderman Deane,
Alderman Teeboom, Alderman Williams, Alderman Plamondon, Alderman Rootovich

12

Nay: Alderman Cookson,

1

MOTION CARRIED

Rob Upton, Esq.

Let me quickly at least set the stage for Alan. You remember Alan is a partner; he is the transaction partner at Sheehan, Phinney, Bass & Green that I hired to assist me when it looked like we were going to try to negotiate a deal with the company, when we started that process back late last summer. What prompts this meeting is we started the trial last week. In fact a number of the Aldermen came and observed it. We tried the case for two days; we basically presented the policy evidence of the City in support of the transaction being in the public interest. President Rootovich, Mayor Street, and Alderman McCarthy were the witnesses on behalf of the City. I think it is fair to say that they hit the ball out of the park.

They were great witnesses on behalf of the City. I don't think that the company anticipated how strong they would be. Alderman McCarthy was at times magnificent. I hate to blow up his head, but at times his answers were I thought really unbelievable good. When he started out I said you have been waiting 10 years for this

moment so here is your chance, and he, as George Washington Puckett said, he seed his chances and he took them. He did a great job. I can't help but believe that the reason that we are here is in part due to that.

The company in the last week or so has advised us that it has engaged an investment banker and it has finally involved its lawyers. That is a seed change for the company, it is a signal of a far different attitude about the negotiations than it has ever had, and I think it is evidence that they are finally approaching these negotiations with the kind of good faith that we wanted and hoped that they would present to us. In any event, they started talking again on Thursday and into the weekend about the possibility of putting together a stay in the proceedings before the PUC to give the company and the city an opportunity to negotiate a definitive agreement under which the city would buy the company.

It is a totally different attitude about how to do all of that. It has been an attitude of negotiation rather than capitulation. We reached the point where an agreement has been negotiated, an agreement to seek a stay, and there is a press release that goes with it. I will hand those out to you while Alan is talking about what the process was. I will just let Alan take it over from there because he is the one who actually did it not me.

Alan Reisch, Esq.

Thanks Rob and thanks for having me here this evening. As Rob indicated, I am a partner at Sheehan, Phinney, Bass & Green in Manchester, and I will give you about 30 seconds of my background. I work exclusively in business and corporate law, I do a great deal of work with corporate acquisitions, mergers and acquisitions is the fancy term for it, but I try to avoid that, it didn't seem to be very fitting in New Hampshire. I have spent the last 30 off years doing it. I also do a lot of tax oriented work. Rob asked me to become involved in August and September of this year, which I think everybody here is aware of.

We spent a good deal of time during the early fall and the mid fall negotiating with representatives of Pennichuck. I think you are probably aware of that. A new president came in toward the end of October/early November. The process seemed to bog down a little bit at that point, and within the last 20-30 days there has been a radical change as Rob indicated in the posture that the company has taken toward a possible acquisition by the city.

I think as Rob said a great deal of that is due to what occurred in the first couple of days of the hearing. There are a couple of other dynamics that have occurred here as well that have struck us. The company has brought in corporate counsel to advise. This is a publicly traded company and what they do has great significance both for their shareholder public and for the members of the board of directors. The city had made an initial proposal subject to fulfillment of a number of conditions, to pay a price of \$29 a share for all of the outstanding and committed shares of this company. Now the trading level at the time that proposal was made was somewhere in the range of \$18 to \$19 a share, there had been a few spikes going back 6 months or more earlier, but that had been the prevailing level.

The proposal the city was making, even though it was conditioned on going through a lot of what we call due-diligence to make sure we understand all of the tax implications of what is going on and that we understand their debt structure, represented an enormous premium for their shareholders. As I think Mr. Sansoucy can point out, it is supported by his economic analysis of the kind of rate structure that could be put in place once the acquisition is completed. That was obvious enough not only to engage the attention of the board of directors but since it became necessary at that point for them to bring in experienced corporate counsel from Boston, from the firm of Nutter, McClennen & Fish, one can pretty clearly conclude that he told that board that it had an obligation to consider this offer not simply to turn its back on it, but to give it every due opportunity to be brought to fruition.

Now that proposal as Rob indicated was coupled with a condition that the proceeding be stayed for a period of at least 6 months. The reason for that is twofold; first of all there was no way in the world that the city rationally

was going to continue to invest the money in the hearing process while at the same time negotiate paying a substantial sum of money to the company. At some point it becomes a zero sum gain, you just can't keep treating each of these as separate investment tasks. But equally to the point we had to find a way of cooling things off long enough for us to be able to conduct the normal kind of corporation commercial negotiations. As difficult as that can be, it is extraordinarily difficult when the parties are still litigating with one another so it made no sense to try to continue the litigation at the same time. Corporate counsel clearly has advised them that they have the duty to give this a reasonable opportunity for all possible exploration.

The other thing that has occurred is that George Bald the Commissioner of Resources and Economic Development has become personally engaged in trying to create a climate or an environment in which the parties can complete a commercial negotiation without pushing this thing back into the PUC, tying up state resources, and winding up as George puts it with an outcome that might be very difficult for one or both parties and could conceivably not be satisfactory to anybody. George has been extremely proactive in doing this and I think his participation has sent yet another message to the company, which is this is not just a private matter for the board of directors, but it is a matter of public sector concern as well that the company leave every alternative open for a resolution.

What we have hammered out is a process as follows: the proposal of the city was for a \$29 a share price. We have very strong reason to believe that the company's present position, which is subject to further negotiation, is no more than \$31 a share and may in fact be lower than that. Remember we are at the beginning of the process of defining the precise price point, but we are not talking about a sky is the limit price at this point we are talking about a range of \$2 a share at the most all of which is subject to negotiation during this stay period. We also have a commitment from them to give us their utmost cooperation in due-diligence, which means setting up what is called a due-diligence room, providing access to all of the information that the city's experts and consultants would need to ascertain the feasibility and desirability of going ahead with this deal at the final negotiated price point. They have also agreed to issue a press release announcing the stay, which specifically identifies the fact that one of the possibly or likely outcomes if it is successful is going to be the acquisition of the company by the city, which I certainly have every reason to believe is going to have quite an impact on its shareholder base.

Once you let that horse out of the barn I think the pressure will increase on the company to try to bring this deal to successful completion. The current trading level of the stock I believe is between \$20 and \$21, no more than that, and it will be interesting to watch what the performance of the market will be, assuming that the resolution is approved by the Board of Aldermen this evening, once this news comes out into the public market place. All of the stars are in the right conjunction, the Governor is generally aware of this process, the Governor is strongly supportive of the notion that there be a commercial resolution of this, and is strongly supportive of the notion that the proceedings be stayed and that the parties be put in a posture where they try to strike a commercial deal that will lead to the acquisition of the company by the city.

The stay agreement provides the stay is for a minimum of 4 months. If at the end of 4 months we haven't ironed out all of the details precisely and assuming the PUC has no issue with this, and there is no reason to believe that it will, the parties have agreed that there would be an additional stay of 2 months so for a total of 6 months to complete the due-diligence and to hammer out the deal and arrive at the final agreement. During the course of this somebody, I think it may have been the lawyer for the company, raised some question about how the PUC would react to the notion that the parties had agreed to stay the proceeding and I said well they would probably send gift baskets to everybody. I am not sure that they are looking forward to, Rob I don't know whether it is 2 weeks or 4 weeks of hearings but...

Rob Upton, Esq.

It would be a minimum of another 3 weeks.

Alan Reisch, Esq.

Debra Howland the Executive Director of the PUC has been involved with George Bald in this effort to try to create a climate where the parties can come together and establish a process for striking a deal and all indications are while she is equally discreet that they are strongly supportive of the notion that parties should have every opportunity to get this resolved with a negotiated settlement.

Under the arrangement, the city would pay what amounts to a deposit or down payment on the acquisition of \$250,000. When the final deal is put in place and closed the city will get a credit for it, economically. That is what it amounts to. It is probably the functional equivalent of putting a \$200 down payment on a \$200,000 house is what it worked out to on the numbers. We have agreed on what a stay agreement should look like. We negotiated it over the weekend, finalized the form of a proposal press release, and that is the proposition that we are bringing before you this evening for your consideration and for your action after you have had a chance to ask questions and conduct any discussion that you want to conduct on the matter.

I would be happy to answer questions.

Alderman LaRose

Thank you. When you say purchasing the company, you are talking about all of them is that correct not just PWW?

Alan Reisch, Esq.

Yes that is correct.

Alderman LaRose

Thank you.

Alderman Richardson

I believe the offer that we had talked about for purchasing the entire company was \$215 million. Isn't that it?

Rob Upton, Esq.

No that is not. That was the \$215 million was for the acquisition of the assets of the three regulated companies. That had an equivalent value of the \$235 million. That is why we always felt that we were okay at the \$235 million.

Alderman Richardson

Okay so it is the \$235 million number then.

Rob Upton, Esq.

It is the \$235 million number that...

Alderman Richardson

The last time we talked about that that was \$10 million too high and you corrected the offer. At the last non-public meeting we had.

Rob Upton, Esq.

I don't remember that. Our planning has always been at the \$235 million and we always felt that the \$235 million was within the range of what you had approved when we talked about making proposals to acquire the company. I know that I have reported that \$235 million to you on a couple of occasions.

Alderman Richardson

We had it written down in written form and we had talked about at the last meeting there was an offer of \$160 million, \$190 million, and ...

Rob Upton, Esq.

\$200 million something, \$215 million.

Alderman Richardson

\$215 million.

Rob Upton, Esq.

That was the proposal that you authorized me to make at the PUC for the purpose of trying to convince the company to come back and sit at the table and negotiate with us. The \$235 million figure was a figure that we subsequently used in making the proposal to acquire the stock at \$29 a share and in fact that \$235 million I remember talking about this, but that \$235 million actually supports at \$235 million and the stuff that goes around it supports ultimately a payment of \$30.50 a share. But we wanted to go with the \$29 a share so we did that because we felt that all of that was within the level that we had talked about when we were down here.

Alderman Richardson

I don't remember a discussion of the \$235 million when we voted. I remember \$215 million. Alderman Teeboom has \$215 million maybe he has the written record there that he could talk to.

Alderman Teeboom

Yeah I have a couple of questions and I have my notes on the settlement. Before I was going to get into that I was just going to ask well I can answer this question and then ask a couple of questions to you. On this point, proposal number 1 Attorney Upton is what we are talking about, I think it is what Alderman Richardson is talking about, it says the following "Nashua will acquire all of the operating assets of Pennichuck Water Works, Inc, PWW, Pennichuck East Utility, PEU, and Pittsfield Aqueduct Corporation, PAC, listed in Exhibit A to the City's February 2003 notice to each company under RSA 38(6) and all of the unimproved land held by Southwood Corporation located in the watershed for a total of" the number that was written in here is \$225 million.

Rob Upton, Esq.

Right.

Alderman Teeboom

Okay. There was then discussion about the \$235 million. I will back into that number and I will ask you some questions. The number the way it was backed into was \$235 million talked about we said there was \$20

million to complete the treatment plant, there is \$45 million worth of debt outstanding, well add \$45 million at the time, and \$10 million in transaction fees, which pays for all of the costs of making this thing happen, all attorney fees and everything else. That left \$160 million doing simple subtraction. That translated on a 4.2 million shares plus or minus a few shares. Translated to somewhere between \$36 and \$38 a share. That \$36 or \$38 a share included the cost of the taxes to be paid on the shares.

Rob Upton, Esq.

Right.

Alderman Teeboom

Okay so then there was some discussion about \$10 million being subtracted from the \$225 million on here and I can't quite recall, but I did make a note \$215 million, I will have to review my notes to find out what the \$10 million subtraction was, but there was a \$10 million subtraction in terms of the offer to be made to Pennichuck. Not the PUC, but to Pennichuck Corporation. So that just laid the foundation. Let me now ask my question and then Alderman Richardson can pursue that question.

My question is following to Attorney Reisch. You are the expert on mergers and acquisitions right?

Alan Reisch, Esq.

I do a lot of work in that area. Expert is kind of a fancy word but...

Alderman Teeboom

I read about you guys, guys like you in the magazines.

Alan Reisch, Esq.

Those are the guys in Boston and New York. We do it differently up here.

Alderman Teeboom

Here is the question; I am very confused between the numbers I just read you, tax transactions on top of, which has been a big problem, how many taxes do we really owe on top of the stock price that we offer. So we offer them a stock price which is the market price and then we offer them a premium which we think is attractive to the stock owners to make a deal, and then we owe taxes because we can't buy stock, we can't swap stock like any other company could do. We have to buy the stock, sell the stock, and pay taxes or the people that own the stock I guess sell the stock. Could you explain what is the purchase price we are talking about when you add it all together, how does that translate to the figure that I...you must have worked these out okay in other words the debt, the treatment plant, cost to complete, transaction costs, taxes, stock price...can you work through that equation briefly to get us back to somewhere around \$225 million, \$230 million whatever the number is so we can translate this back to our revenue requirements and our cost? Could you do that?

Alan Reisch, Esq.

I will try to as best I can, and I may look for help to a couple of other sources...

Alderman Teeboom

We have Mr. Sansoucy here that can help you if you need to call on him.

Alan Reisch, Esq.

They have a total of 4.4 million shares that are outstanding or committed. Of that roughly 4.2 million shares are actually issued and outstanding. We have to verify all of these things mind you, but we are just working with the numbers in the public filings. They have another 200,000 shares that are committed to stock options. Now those 200,000 shares aren't free shares, in other words the people who hold the options aren't entitled just to get the stock for a penny a share, they are required to pay something for those shares so there is some other cash coming in the side door for those options, and we believe but haven't confirmed yet that what we called the weighted average exercise price of those options is somewhere in the neighborhood of \$21 - \$22 a share, in that range.

Ignoring that for the moment at 4.4 million shares and \$29 a share it works out to a total of approximately \$126.5 million all told. We have done some calculations as best we can on the available data concerning what the tax liability will be. Now let me go back a step and as Alderman Teeboom was indicating before, because of some requirements from bond counsel who will provide all of the legal work for the financing necessary to do this deal, the city can't simply acquire the shares of Pennichuck Corporation, that parent company up at the top and hold them indefinitely. They have to wind these companies up. We have to go through a process called dissolution which in plain English basically means transferring all of the assets out of these companies to the city or to some special purpose entity set up by the city that qualifies. That is going to trigger a tax liability within the corporation, but it is going to be the city's problem if the city acquires the shares. We are assuming, based on the numbers, that liability is approximately \$39 million.

Alderman Teeboom

What is the percentage on that?

Alan Reisch, Esq.

On the taxes?

Alderman Teeboom

Yeah based on 30%, 40%?

Alan Reisch, Esq.

Well it is hard to give you a percentage because you are working with corporate taxes not individual taxes and there are complications there. I have a Masters in tax, but it is about as old as the manicottis you don't want to rely on me for tax information, but our tax partner has gone through the analysis.

Alderman Richardson

You can up with \$126.5 million based on the number of shares. What is that \$126.5 million is that assuming some price per share?

Alan Reisch, Esq.

That is at \$29 a share.

Alderman Richardson

That is 4.2 million times \$29 a share?

Alan Reisch, Esq.

Actually 4.4 million I think. I may be off by a very small margin of error on trying to recalculate it on the fly without my calculator.

President Rootovich

Alderman Richardson just let him finish Alderman Teeboom's question first?

Alderman Teeboom

Yeah I still have the floor.

Alan Reisch, Esq.

So we have assumed that the tax liabilities will be approximately \$39 million and we have communicated that to Pennichuck and they understand that is a key variable in our analysis of this. We have not gone through what is called a due-diligence process to break this all down and come up with a final number because we have not yet had access to all of the internal records. This is a normal pattern for a transaction like this you establish an initial agreement on price or a range of prices and then the buyer goes through due-diligence and basically lifts up the bed covers to see what is going on and gets all of the details and an expert analysis that tells you with a great deal of precision what the liability is, but we have assumed based on the information we have received so far that the tax liabilities are \$39 million and that has been communicated to Pennichuck and they understand that.

As best we can from the publicly available records we have determined that the aggregate indebtedness of Pennichuck is another \$50 million. I believe, again I am doing this on the fly, that brings the aggregate to \$215 million or it may be \$215.5 million, but approximately \$215 million. We have not tried to make any independent calculation of what the transaction costs would be. We have simply assumed a \$10 million figure that I believe has been utilized in the past in this Chamber. That brings the total to \$225 million approximately. Am I missing anything Rob or Skip?

Alderman Teeboom

Now you are missing the completion of the treatment plant.

Alan Reisch, Esq.

The completion of the treatment plant at one point was \$20 million. That process has been ongoing and I assume that cost to complete number has been reduced because that number came from the early Fall, but Skip you may have some further information on that that would be helpful.

George Sansoucy

That \$20 million stays in. That is the third phase. The second phase is complete, which just completed \$30 million total. There is another \$20 million bond that is scheduled and has to be completed over a period of two years because the treatment plant can only be taken out of service ¼ at a time to continue to service people.

With the interior work and it starts in the Fall of '07 and goes to the Fall of '09 and that is the remaining \$20 million bond for the treatment plant.

Rob Upton, Esq.

Tell them how you propose to deal with that in the purchase Skip.

George Sansoucy

All of the proformas that we have run that establish the savings for the City of Nashua have included \$6 million of pipe replacements per year in the PWW for a total of \$18 million plus inflation of \$20 million. In addition to that there is \$4 million of reserves and replacement being put aside within this proforma also for a total of \$10 million. The \$6 million pipe repair and replacement can be moved ahead three years and that money that is already built into the proforma can be used to complete the treatment plant under this scenario. There is no threat to the piping system because we have an additional \$4 million that is being put aside out of rates each year that can be used for any piping system or anything necessary in that regard. We are buying, under this scenario, the entire company so it would be whatever additional capital requirements are needed outside of Nashua that will be part of the due-diligence and part of the final pro forma.

President Rootovich

Alderman Teeboom did you get your question answered?

Alderman Teeboom

Almost. Getting close. Adding this quickly and adding to the \$225 .5 million and I may be off by a million, another \$10 million for the transaction costs roughly...

Alan Reisch, Esq.

I think we included that in getting to the \$225 million.

Alderman Teeboom

Yup so we get to \$245 million.

George Sansoucy

Mr. President the \$20 million is not part of this bond or it is not going to go before the PUC.

Alderman Teeboom

I will get to that. Let me just raise my question then. So I wind up with \$245 million, however, the proposal number 1 says we offer now we don't offer transaction costs, that is a cost that we incur we don't offer that as part of the settlement. And I think maybe you can clarify, we don't offer the completion costs because the completion costs is going to be our completion. Right. So I subtract from the \$245 million \$30 million and I am at \$215 million, and the \$215 million is the number that I have on proposal 1.

Now I think that squares with Alderman Richardson's question. I think that squares with my question. If that is apples and apples Skip because you must have gone through all of these numbers...

George Sansoucy

That is apples and apples when you get to it. Yes when you are talking net cash that you spend...

Alderman Teeboom

Yes and therefore the...

George Sansoucy

Net cash.

Alderman Teeboom

...the \$225 million that is in proposal 1 will be reduced by \$10 million to \$215 million and that would be Nashua will acquire all assets. I would assume when it says Nashua would acquire all assets that excluded the cost to complete \$20 million, excluded because that is cost.

President Rootovich

But the \$10 million still has to be bonded. Those are actually costs.

Alderman Teeboom

That is a separate issue.

Rob Upton, Esq.

And remember Fred that we are not just buying, in this transaction, the assets of PEU, PWW, and PAC; we are buying the entire company, which includes Southwood including not just the unimproved land but also including those commercial real estate projects...

Alderman Teeboom

Oh it is?

Rob Upton, Esq.

...the partnerships and the service company, which has a series of contracts. Now that is what the beauty of buying the whole company is from the city standpoint is because it offers enormous flexibility to the city. You are going to have assets that you can convert to cash and two instances that you must convert to cash. Our bond counsel will not permit us to hold those commercial real estate ventures, those commercial real estate partnerships that Southwood has with Stabile. It will not let us hold those contracts that the service company has. It will require us to sell those and to sell those before or simultaneously with the closing, which will mean that there will be an inflow of cash to the city.

Alderman McCarthy

I just wanted to follow up on that because that was what I was going to ask about is we are getting substantial assets that we will liquefy at the same time for about the same price we were going to pay for just the ...

Rob Upton, Esq.

Actually a better price. Remember we will also have all of the assets of Pennichuck East and Pittsfield Aqueduct, all of those satellite systems that it has. Now we have had a lot of discussions from time to time about whether it made sense for the city to own or to hold those satellite systems. We are in a position where once again because we own all of them we have the flexibility of putting those together as a package and marketing those if that is what you decide you want to do, but you have that flexibility you are the ones that will make that decision does it make sense for us to hold these satellite systems and have a large system like Pennichuck does or does it make sense for us to shrink in and have just the Nashua core system. It will be your decision. I don't think there is a right or a wrong answer. It will be your decision.

Alderman McCarthy

In fact in the case of Pittsfield Aqueduct they have taken a vote to go forward with the same proceedings we have so I think we would find a willing buyer for that system. It is worth my recollection is around \$3 million, but...

George Sansoucy

Are you addressing the...

Alderman McCarthy

I'm just in general and my other question was do we know what the value of the developed Southwood parcels and the service contracts are? I think when we had worked that out for our original \$121 million offer we had those valued in at somewhere between \$10 million and \$15 million altogether. I think we are looking at somewhere between \$15 million and \$20 million that we would liquidate almost immediately upon acquisition of the system.

George Sansoucy

To go back to the \$215 million to tie that up, the \$215 million is correct for the three regulated companies. What is being talked about on the table is the entire company so what comes with it is the service company and all of the land, this gets all of the land in Merrimack, Hollis that we want for the watershed plus all of Southwood. That appears to be at least a \$15 million package in addition to the \$215 million.

Rob Upton, Esq.

The \$215 million includes the purchase of all of the stock.

George Sansoucy

The \$215 million was the whole thing?

Alderman McCarthy

Right.

Rob Upton, Esq.

The \$29 a share included everything yes. So we got everything and we had the flexibility at that point to market these other assets and reduce our total cost.

George Sansoucy

Right and those will be used to offset any other additional transactional costs of liquidation that will come back in.

Rob Upton, Esq.

Right and provide working capital for example....

George Sansoucy

But all of the land...

Rob Upton, Esq.

...this way you don't have to bond out...

President Rootovich

Gentlemen, we have to record this, it has to be one at a time please.

George Sansoucy

All of the land...

President Rootovich

Skip one at a time please okay please. Continue...

George Sansoucy

All of the land that we wanted back to the watershed comes back in the total deal.

Alderman Teeboom

I still have the floor.

President Rootovich

I understand Alderman Teeboom. And I recognize that hands are up around the horseshoe here and I have written your names down, but Alderman Teeboom has the floor.

Alderman Teeboom

It is a difficult process. I am almost done. I'm glad that people jumped in, but just to close this up, I am just trying to first of all tie in proposal 1. There is a big difference between proposal 1 and what I hear now. The proposal 1 talked about unimproved land. As I now understand it is everything including...that is a big thing. The \$215 million which was going to be offered to Pennichuck Corporation is still \$215 million am I correct not counting costs to complete and not counting transaction costs am I correct?

Rob Upton, Esq.

We're not paying them \$215 million we are paying them the \$120 something million that is what they get. We because we now are the company and because the company will have to be liquidated, we will have to pay the tax and we will have to deal with the debt so we are assuming those but we don't have to pay them.

Alderman Teeboom

My final thing, the revenue bonds that we have out of this deal if this is accepted, the revenue bonds we have to float that we have to vote on is going to be the \$215 million plus \$20 million, plus \$10 million, am I correct? It is \$245 million. Is that correct?

Alderman McCarthy

No it is not.

President Rootovich

No.

Alderman McCarthy

The one thing that is not correct Fred is the change in the completion of the treatment plant. What Mr. Sansoucy has done after looking at it has said that instead of putting that in the initial bond we would put it in the cost of capital improvements over the first three years and defer...we had built into the proforma replacing pipe on a more accelerated schedule than PWW has. Looking at that we can push that out by three years and finish the treatment plant out of that same cost of capital improvements, which means we don't have to have that \$20 million in the initial revenue bond.

Alderman Teeboom

So much do we have to get for the initial revenue bond?

Alderman McCarthy

\$225 million, however, depending on how we finalize the details of the transaction it may not be that because if we decide to sell for example the service corporation contracts to Veolia and sell the Southwood developed parcels we can do those as basically simultaneous transactions so that we don't need to bond those so you might wind up with a number if you look at those that is down in the \$210 million to \$215 million range for what the actual bond requirement is.

Alan Reisch, Esq.

If it would be helpful I could add a couple of observations on the source of cash and the way you can choose to apply it. I have seen a number of \$10 million roughly attached to the value of the Southwood holdings and that gives you some idea of orders of magnitude of if you chose to do it you might be able to realize out of Southwood. The other thing is and I want to go back to the Pennichuck options, remember the total 4.4 million shares that we are talking about there are only 4.2 million that are out there right now, there are 200,000 more shares that are subject to options. Now these options are going to require the option holders to pay some money and let's just use a weighted average and we have told this is the weighted average exercise price of \$20 a share because that makes the multiplication easy, at \$20 a share 200,000 shares that is another \$4 million in cash. It is true you have cash going out, but you also have cash coming in in a series of

unfortunately complex transactions that have to be knitted together, but when you get done depending upon the direction you decide to go and what you decide to keep and what you decide to sell, in fact you may be looking at aggregate net cash needs that are even lower than the numbers that you have been going through Alderman.

Alderman Teeboom

I don't quite understand the 200,000 options don't we owe those options to those who hold those options?

Alan Reisch, Esq.

Sure, but they have got to pay money to get the shares. You see we pay them \$29 a share but that is not \$29 a share just out the window because they have to pay \$20 a share in order to get \$29 a share so net is down to \$9 a share.

Alderman Teeboom

It is not a gift.

Alan Reisch, Esq.

It is not a gift.

Alderman Teeboom

That is a purchase price.

Alan Reisch, Esq.

There are enough gifts in this company, but those are not gifts.

Alderman Teeboom

I may have a couple of questions about the revenue itself, but that can come later. I have a couple of charts on the revenue and how we pay for the revenue bond and what that means, but I will come back to that later.

George Sansoucy

I just wanted to add to what Attorney Reisch said that yes it is correct that we may end up with cash flows to help reduce or add working capital. At the same time we may find liquidation costs that might require a little bit more that has to be bonded so I don't want to leave you thinking that this is an absolute max and that we are not going to end up saying this is the deal, we have these types of liquidation costs, but I would also like to caution that being said we used very very conservative interest rates with Carol and First Southwest and a movement of half a point of interest rate on this changes the bondability by \$30 million on this transaction and still push through substantial savings.

The transaction that Rob is talking about tonight we are looking at \$437 million in savings in the next 30 years for all three companies. That is interest rate sensitive. I just want to make sure that you people don't think it is absolute.

Rob Upton, Esq.

To supplement what Skip is saying, we are not talking about a deal now we are talking about things that we have offered. We are not talking about a negotiated deal yet. That is what is going to happen. This is all very interesting, but ultimately it doesn't mean anything because we don't know where we are going to end up. What we really need to focus on tonight is are we going to be able to go ahead and have those negotiations and then we are going to have to come back to you and present a deal that really spells all of this stuff out in much more detail because right now we are just talking about things that are interesting but not final and not anywhere close to final.

Alderman Dion

Thank you Mr. Chairman. The \$250,000 sort of a deposit to negotiate, assuming that the negotiations fail that \$250,000 is returned or is it just an agreement in writing? In other words is there any money being exchanged is what I am getting at?

Alan Reisch, Esq.

Yes there is. The \$250,000 is being paid currently and it would be like a down payment or a non-refundable deposit on a house, you close on the house and it is credited against the purchase price, if you don't close on the house then the seller keeps the deposit.

Alderman Dion

So in other words that \$250,000 if no deal can be reached Pennichuck keeps is that what you are saying?

Alan Reisch, Esq.

That is exactly correct yes.

Alderman Dion

I certainly don't like that. The \$29 a share that is contemplated, through negotiations am I safe in assuming that let's say the anti is brought from \$29 to \$30 or to \$31, for every dollar over \$29 we are talking \$4.4 million?

Alan Reisch, Esq.

A little bit less than that, but yeah for purposes of this discussion let's treat it that way, and the reason I say a little bit less than that is because remember 200,000 shares have some dollars coming back the other way.

Alderman Dion

Maybe 4.3 million.

Alan Reisch, Esq.

Something in that order.

Alderman Dion

Okay that is all I had Mr. Chairman. Thank you.

President Rootovich

Are there any further questions?

Alderman Richardson

Thank you. I have been told that Pennichuck is very motivated to make a deal. I was wondering if Attorney Upton could speak to that about what motivates them to make a deal at this present time versus in the time past.

Rob Upton, Esq.

We were concerned before about whether they were motivated. I think that their motivation has changed; I think it has changed in part because they recognize that the city is ready and willing to go forward at the PUC. I don't think they thought we would. I don't think they thought that we would be ready, that we would have our witnesses lined up, and I just don't think they thought that was going to happen. Their CEO was present and saw that. Now I also think that probably even more importantly than that is what Alan described about the hiring of a lawyer and an investment banker. Their incentive is to meet their fiduciary responsibility to their shareholders. I think that is what their real incentive is, but also have in mind what \$29 represents. Twenty nine dollars discounted equals \$40 in 4 years. The question is could they ever get to that level in 4 years and I think we all think that the answer to that is pretty unlikely so that this represents an extremely attractive price to their shareholders.

Fred and I have talked about that on a number of occasions they have shareholders that want money so I think they are extremely incentivized to do something now where I think just even 3 months ago they were not. The biggest reason I think that has changed is the lawyer and the investment banker.

Alderman Richardson

I understand that their lawyer has counseled them that they have fiduciary responsibility to present this to their shareholders. Has that been provided, that information been provided to their shareholders yet at all? Let me ask you a little bit even further than that, do they at the present time as things stand right now have that fiduciary responsibility?

Alan Reisch, Esq.

Their fiduciary responsibility right now is at the board level. They have a duty to consider it, to try to negotiate a definitive agreement that makes sense to them, and to recommend it to their shareholders. What is going out to the shareholders and the general public tomorrow, assuming that everything is approved in this Chamber, is the notice that the proceedings have been stayed and that the parties are entering into a negotiation for the resolution of the dispute that may involve the acquisition of the company from the shareholders. They do not yet have a duty to disclose the price point. At some point during this process and I will explain to you why I'm so fuzzy on this in just a moment; they may very well have a duty to get much more specific in terms of what they tell their shareholders.

The issue of what they have to disclose there is no bible that tells you exactly what you have to disclose in any given deal at any one point in time. But when it becomes more and more certain that the deal is going to get done and when it becomes more and more apparent that doing the deal is going to have a major impact on the shareholders then they do have to go into the marketplace generally and get much more specific than they do right now. They have been going through, this is the world lawyers live in, and you will see it in the press release if you haven't already seen it, with the statement that the company has not been for sale. What they are trying to do is to maintain a position as long as they can to avoid having to tell their shareholders exactly

what the details of these negotiations are because once they get themselves into a posture where it is clear that the company is for sale they not only may be inviting in other bidders and at that point they can't even pull back from the negotiations, but they may be forced into a position where they have to start to disclose the specific dollars to the marketplace.

I think everybody in this room can understand that is they came out today and said that they were looking at a proposal of \$29 a share the market would probably look a heck of a lot different tomorrow and so would the pressures on the board of directors. Long story short and I apologize for being long winded, but what they are trying to do is to walk a thin line and to maintain as much flexibility as they can to avoid getting their hands forced with their shareholders.

Alderman Richardson

I wanted to talk a little bit about; we are talking about selling assets, selling assets that we don't want immediately so I am interested in what we are looking at for potential buyers. We are going to have people out there that are bidding on these things or is it one potential buyer who could buy it at fireside prices? What kind of market is there out there for the type of assets we would be looking at selling?

Rob Upton, Esq.

I will take a stab at it in the first instance and Skip may have some additional information, but we clearly know the interest of Pittsfield in the Pittsfield Aqueduct assets that are in Pittsfield, which represents a significant portion of the value of Pittsfield Aqueduct Company. We suspect but we don't know that John Stabile may be interested in the acquisition of the partnership interests that Southwood has with him in those commercial real estate ventures. He is the most likely buyer. Nobody has approached him, none of that has happened yet. That all has to occur there is no doubt about that. We are hoping that we can find other buyers for those assets or other bidders for those assets so that Stabile doesn't think he has a captive seller.

We think it is probable with respect to the service company asset contracts that they have to operate other systems for other owners that it is probable that Veolia would have an interest in those. We have had preliminary discussions with them but we haven't taken it very far. That is why I said really what we are talking about tonight is it is fascinating stuff because it is the stuff that we are going to be talking about when we get into the negotiations and thinking about when we get into the negotiations and trying to get much more detailed information about. We don't have that yet. Those are the things that we will want to do, but those are the likely buyers at least in my judgment now. That could all change. We could find somebody who is desperate to get their hands on those commercial real estate ventures and bid the price up.

Alderman Richardson

I guess it is fair to say that this will all come out in the press release that we would end up having to dispose of certain assets and anybody who would be interested then would be...

Rob Upton, Esq.

Not yet.

George Sansoucy

That is not in the press release yet.

Alderman Richardson

Okay.

Rob Upton, Esq.

We can't disclose those things yet, but those are things that once we get into the due-diligence we will start looking for those kinds of acquirers.

Alderman Richardson

Okay.

George Sansoucy

When the definitive agreement is written right Rob then the definitive agreement would be public that we would be selling those assets before the transaction is completed at the end of the transaction, then it would be public then. The definitive agreement is what we are trying to negotiate and then it would become public those assets would become available.

Alderman Richardson

Okay. So I am going to go on to another topic and that is we're looking at providing a \$250,000 earnest money I guess right. That is essentially what it is right?

Alan Reisch, Esq.

That is correct yes.

Alderman Richardson

And if we walk away from the deal we are going to lose that \$250,000.

Alan Reisch, Esq.

That is correct.

Alderman Richardson

What have they put up? What is in this deal? What have we negotiated that they would lose if they walked away from the deal?

Alan Reisch, Esq.

Public Disclosure. Public disclosure will likely change the whole center of gravity in the whole equation in terms of the negotiating position. I agree with you it is an off balance sheet consideration, but there has been a quantum change, a major change in their position. They have conceded for the first time that they really are for sale and they have talked in a range that leads us to believe with a good basis for believing it that this deal can be brought home at a price point that will make sense to all of you in the room based on what we have discussed so far. I have to say as a lawyer we always have a condition on exception of these things. That is what the due-diligence is all about to make sure what we think is there is there and that the liabilities really are what we think they are. They have made a major commitment in our view not only committing to the

transaction but committing to a range that gives us every reason to believe it is going to be brought in at a number that can be supported.

Alderman Richardson

So what you are saying then is they would have too much motivation to not walk away?

Alan Reisch, Esq.

We believe so.

Alderman Richardson

What you are saying by the public disclosure issue.

Alan Reisch, Esq.

We believe there will be great motivation for them to do it. When you think about it in real world terms, when this press release goes out tomorrow they have a couple of major institutional investors now in theory institutional investors shouldn't be calling the company and saying give me a heads up what is really going on here, but in the real world that is what happens. Their phone will start ringing, they will begin to hear from major investors, and sooner or later and my guess is it is sooner rather than later the market is going to get a sense the kinds of values that the company may be looking at.

Take a look at what happened when Rob filed the notices of settlement with the PUC, my recollection is that those shares spiked up around \$24/\$25 range level then they bottomed back down to \$18 to \$19 and they floated up a little bit since then. That gives you some idea of what the market is expecting here. If they began to get word of the fact that the number is not \$24 or \$25 but \$29 that would put a great deal of pressure on the board, but in fact you almost don't need this, and it gets back I think to a point Rob made earlier, they have very sophisticated counsel involved, these are people who know how to do what it is that we're all trying to do here in the long term. I know what counsel would have to advise that board because we have pretty conservative standards when they are in their position. After you do this enough it is like any business you can kind of read what the other folks are up to, and I am pretty sure that Nutter, McClennen & Fish is advising them that they have to devote a great deal of effort to making sure that they don't lose that price and that price point, and I am pretty sure their investment banker is telling them the same thing.

As a matter of fact my guess would be the investment banker is telling them if that is the number meaning the \$29 that has been put on the table, you ought to lock the door and make sure you don't let the city out of there until they sign the P&S Agreement. That is how good that number is for them.

Alderman Richardson

Okay so I guess really what we are looking at if we are negotiating between \$29 and \$31 somewhere in there, our number is actually going to be larger than the \$215 million plus, plus, plus right we are going to be bumped up and we don't know where we are going to land right between that \$29 and the \$31. What you are saying is that they have a lot of motivation to take what we offer if it goes public right so that drives it down towards the \$29.

Alan Reisch, Esq.

That is correct.

Alderman Richardson

But we are dealing with Montopoli right, he is Mr. Hardnose.

Alan Reisch, Esq.

Yes.

Alderman Richardson

So it is going to be distended time right, we can plan on this taking a long time.

Alan Reisch, Esq.

I think that is a fair comment, but we are patient and we are hardnosed.

Alderman Richardson

Thank you.

Alderman Plamondon

I just want to bring things back to the negotiations and where we are right now. If I understand correctly we are looking at a \$250,000 deposit basically to go into negotiations. As a point to follow up on questions that Alderman Dion made earlier, now there has been the analogy here of buying a house and so on and so forth, but are these good faith efforts, this is good faith negotiations by the city. If the city negotiates in good faith and this cat and mouse game continues the city could seek that money back, if everything falls apart and we can blame Pennichuck Corporation for breaking negotiations and continuing with cat and mouse could we not seek those funds back?

Alan Reisch, Esq.

It would have to be a pretty extreme case. It would have to be a situation where they almost literally walked out the door and refused to negotiate any further. I mean to ratchet it up or...

... tape flipped...

Rob Upton, Esq.

...if in fact Montopoli stuck at \$31, never moved off \$31, and we could not move beyond \$29, it didn't make any sense to me beyond \$29, under those circumstances, the \$250 million would be gone just as it would be I suppose using the house analysis if you decided that even after the termite inspection and the title examination you didn't want to buy the house. You walk away and you leave the deposit on the table.

I have every reason to believe that depending on how good the numbers are, and of course that is the variable we have to get in and see what is going on with the taxes, debts, and liability, that assuming everything else foots out okay that we are going to be able to bring back to you a price that is part of a larger economic package, will make sense to you within the context of the prior discussions that you have been having.

Alderman Plamondon

We can pretty much keep them at the table because of this deposit and so on right?

Rob Upton, Esq.

Yes. I do not believe they have the right to just get up and walk away.

Alderman Plamondon

Okay.

Rob Upton, Esq.

If they do it would be a very different scenario, but that is not what this is about, not after they get on the phone, assuming that this is approved here, not after they get on the phone and notify the Governor that they have entered into this agreement. I leave it to your imagination where that would leave them if the regulatory proceedings had to resume again.

Alderman Plamondon

Thank you.

Alderman McCarthy

I just want to go back to the question about their motivation. When we made the \$121 million offer a couple of years ago, which was substantially lower cost per share than this, I had some of the guys from some of the big institutional investors calling me and asking why on earth aren't they accepting this offer immediately so I suspect that when it is seen that they are negotiating that the pressure on them will actually be more than you can possibly imagine to do something and stock has been stalled for 4 years at the same price. Those people have made, other than the dividends that it pays, virtually nothing on that investment. I think their investor base will be very anxious for them to reach an agreement and get out at even \$29 a share.

Rob Upton, Esq.

May I add a thought to that? This market isn't going to remain static once this news becomes public. The people who like to get into the market and buy based on speculation are going to be very active. It will be interesting to see where that first share price goes. These people do not forgive and forget lightly. If this deal gets pulled out from under their feet when they have made a commitment for 300,000 shares or whatever the number may be at an average price of \$25, there will be a lot of unhappiness.

MOTION BY ALDERMAN BOLTON THAT THE BOARD OF ALDERMEN AUTHORIZE THE CITY TO ENTER INTO THE STAY AGREEMENT DATED JANUARY 16, 2007

ON THE QUESTION

Alderman Teeboom

I attended both of the meetings at the PUC so far and let me just give a quick impression. I think Montopoli looking at the staff report the staff report said there is no public good with this taking, and I must admit Alderman McCarthy did an extremely good job and so did Skip, but it came down to public with questions and every question asked by an attorney on their side, which I thought was kind of scattered, but every question

answered was it is in the public good. I think that grew a hole in the situation because the next step, if you can't argue public good and dismiss the case, which is what I think they banked on, if you can't dismiss the case on public good then you get the argument about value and that is a wildcard because you are now dealing with commissioners and I don't think they have a clue on how to set the value. Those people are rate setting people with rate setting models and I don't know if they know how to deal with values. That is a wildcard.

On top of that you are dealing with stockholders, and I attended the stockholders meeting earlier this year, and I don't think anybody here was there, but I was there, and a couple of major stockholders were extremely upset at Hannah McCarthy with what was happening. Our stock is down. I bought the stock at \$23 a share, my single share. The share at that point was \$20. They were very upset. You have that further complication. There is pressure on Pennichuck to sell because they don't want a wildcard into this value thing. If we can't agree on value that means we will have to go to court after that, if they don't agree to the value we don't agree to the value, then we go from there.

I think the other thing is if there is a value set then Pennichuck is left with these two companies, PEU, PAC, PSC what are they going to do with those pieces because we can't buy that under the regulator proceeding. So they will be stuck with some pieces and they don't know what to do with those pieces. It is very complex for them. I think they banked on winning the case through the public good argument and I think they saw a pretty good hole shot in that because the package wasn't put together with the...we didn't even hear yet from Veolia and Beck, which was up next. They were just talking with the panel of Streeter and... the ones they thought were going to be easy Streeter and McCarthy and Sansoucy and Rootovich, they probably thought they were pushovers, they weren't pushovers.

So given that there is a motion on the floor, I do have questions about can I bring this up now since there is a motion on the floor – I have some questions of about how to deal with understanding the revenue bond.

President Rootovich

Alderman Teeboom I wish you would hold on that at this point and let Alderman Cookson ask his questions first.

Alderman Teeboom

Okay because before we take a motion I do need to understand the revenue bond better.

Alderman Cookson

Thank you. I believe and Attorney Upton this is to you, I believe that in testimony that was provided this past week whether it be depositions that were introduced as exhibits or whether it was a question that was asked of the panel this week, I believe that I heard that the city was not interested in maintaining or keeping satellites. Is that an accurate statement?

Rob Upton, Esq.

No it is not.

Alderman Cookson

That is not an accurate statement?

Rob Upton, Esq.

It is not an accurate statement...

Alderman Cookson

What is inaccurate about that?

Rob Upton, Esq.

The city has sought to acquire all of the assets of PWW, which includes the core consisting of Nashua and what is hydraulically connected to the water treatment plant and it has also sought to acquire the satellite systems of PWW that are outside of Nashua and it has committed to operate those at the same rates as the core system. In other words, just doing exactly what Pennichuck is doing currently. Now when I talk about the satellite systems in the course of this whole transaction that might be different you might end up thinking differently about how you treat those satellites whether you keep them and all of that just because that offers you flexibility in the overall transaction that we can't get in the PUC transaction.

Alderman Cookson

Okay. Let me ask my question again. Testimony presented this week indicated that the city is not interested in keeping those satellites. You have already said this evening that we know that Pittsfield Aqueduct there is a known interest that we may be looking to market that and we may be looking to market these satellites. Pennichuck East, Southwood you indicated that Mr. Stabile might be interested as a potential buy of that partnership. Service Company Veolia so again are you telling me right now that the city is interested in keeping those satellites or are we interested in divesting those?

Rob Upton, Esq.

What you are referring to is Bernie's deposition in which he said I'm not concerned with I think it was New Market and some other one of the satellites. They converted that into trying to show that the city was not interested in the satellites of PWW that it was trying to acquire and asked the witnesses about that. The witnesses were very clear that Nashua has sought to acquire the assets of PWW, which includes satellites systems and it is interested, in the PUC proceeding, in acquiring those satellite systems. That is different from if we get into a negotiation buy the entire company and consider whether we want to own and hold the satellites of PWW, PEU, and PAC. There may be great policy reasons why this board would say we have acquired these and now we seek to sell these. It is just a different way of looking at it.

But in the PUC proceedings we didn't present evidence saying we're not interested in the satellites...

Alderman Cookson

Okay.

Rob Upton, Esq.

...our testimony is that we are.

Alderman McCarthy

I had provided a lot of the testimony on that to the PUC. There are a couple of issues here; at the PUC we're looking at PWW and its satellites some of which are in places like Epping and New Market and places that are

fairly distant from Nashua. We're also in the transaction looking at Pennichuck East, which has some distant satellites and in fact some that are in the hydraulically connected Merrimack River Valley area. Our position has been we would keep and operate those satellites if that is what is necessary, but if it may make sense for systems like New Market to be joined together with other systems that are closer to that...and if you go back and look at the way the PUC does business, the PUC only sees a fraction of the water business in New Hampshire because they only deal with regulated utilities.

The testimony we had last week shows there are only really 3 viable utilities in the State of New Hampshire so when one of these so-called troubled systems shows up where the developer puts in a couple of miles of plastic pipe through a condominium and it goes bad the PUC asks Pennichuck to deal with that because they are the only people they know. When a system comes up that is adjacent to Manchester they don't go and ask Manchester would you connect this up and service it because they don't regulate Manchester they don't know anything about it, they ask Pennichuck, Pennichuck takes it and then gets a bulk water agreement with Manchester to supply the water. In the end it might make more sense for New Market to be connected to one of the municipal systems that is over in that area where the end of their pipe is 2 miles away from New Market and that would make a lot more sense than having us own it and have trucks drive from Nashua an hour and a half to New Market, do some work, and then come back. The testimony was we would take a look at that. It is probably not our intention to divest any of the satellites that are in the Merrimack Valley because we have this general feeling that is all going to be a single system at some point probably sooner than we think. Other systems it might make more sense to both us and to the consumers in that system to have it owned by some entity that is not located over here. Those are the ones that we would look at.

There was also testimony regarding, and a lot of the public interest part centered around oh my God what do we do with the next troubled system, and Mr. Sansoucy's testimony showed there are only 1,100 customers who are left on systems that can become troubled. There are a small number of these developer systems left and when you count up all of them that could possibly be ripe for acquisition at some point, it is 1,100 connections. That to me was more of a bit of detail there about how are we going to absorb those over the next decade, but that is not a problem that public policy should be made around. It is something that should just be sorted out.

Alderman Cookson

Thank you. So the satellites will be reviewed based on their proximity to Nashua and then that decision will be made by the Board of Aldermen to decide whether we sell those satellites?

Alderman McCarthy

The position we have always taken is that it is basically has to do with us and to do with the town in which those assets are located. If they feel more comfortable leaving it in this arrangement for now that is fine. I don't think we want to do anything that is contrary to the local government's wishes...

Alderman Cookson

That makes sense. So let me say going into...how do we know that Pittsfield Aqueduct is interested in acquiring their own water?

Alderman McCarthy

They took the same vote that we did under RSA 38 and voted to engage in eminent domain proceedings against the company to take it about a year ago, and they have in fact, through the water district of which they are a member, said that they were interested in acquiring it should we come into its possession.

Alderman Cookson

Mr. Sansoucy do you have any additional information of why Pittsfield might be interested in owning their own water? Did you know why?

George Sansoucy

Yes I do sir. Pittsfield Aqueduct who we have worked with for years, we originally valued that and sold that to Pennichuck in the 1990s.

Alderman Cookson

Who is we?

George Sansoucy

My company, myself and my company. For the Dustin family of Concord, which owned it. We offered it to the Town of Pittsfield first. They were not in a position to buy it at that time. They did retain us to do an appraisal of Pittsfield Aqueduct about 18 months ago in preparation of the opportunity to make an offer to purchase that from the company, through the eminent domain proceeding or any other mechanism. They have expressed that concern. They have spent \$60,000 towards moving that forward. They are very concerned because they have a lot of land around their reservoir and Mr. Correll indicated to them that they would not guarantee that they would not sell the land. We believe that they are very interested in purchasing their portion from Pittsfield Aqueduct Company.

Alderman Cookson

Mr. Sansoucy would you represent them if they moved forward with this?

George Sansoucy

I could not...if I am negotiating the sale to the City of Nashua I cannot represent them. I would be representing the City of Nashua and they would have to get a different appraiser at that point in time.

Alderman Cookson

Is that your firm that would not be able to provide them that service or you personally?

George Sansoucy

My entire firm would not be able to if we were on this side of the transaction.

Alderman Cookson

Thank you. If anybody has been watching the papers you know that Pennichuck is buying up water utilities left and right right now; Exeter, Bow, and there are probably a few others that are just recently been announced or closing those deals. Will those systems be evaluated in this negotiation?

Rob Upton, Esq.

To answer your question Alderman Cookson, whatever it is that Pennichuck Corporation and its subsidiaries own at the time the deal closes, if it is approved here, will be acquired. Everything will go lock, stock, and

barrel. This is an unusual deal. It is a deal that is driven by cash considerations as you have all pointed out to me again this evening in this dialogue. This is not like a typical deal negotiated by a private sector financially driven investor on the one hand and a seller on the other. I think Pennichuck understands this. Even if they are adding additional properties with a substantial premium value over the acquisition cost or the acquisition debt, they know they can't blow through the ceiling that the city can afford.

Alderman Cookson

Thank you.

Alderman Teeboom

Anybody wants to see I have copies does anyone want to see the charts that I am going to be talking about? There are three charts. Mr. Sansoucy initially when we started this whole...well at least when I started participating in this whole train of events you came up with an analysis that is chart #1 that was a \$145 million bond. We were going to have to raise \$145 million revenue bond, and it showed that the revenue requirements for Nashua were day 1 well below the revenue requirements for PWW, and that was a PWW taking I believe.

George Sansoucy

That is correct.

Alderman Teeboom

And it showed that the difference only got bigger as time went on.

George Sansoucy

That is correct.

Alderman Teeboom

Okay. The chart since I have derived from the paper that you handed out last we talked when we considering taking all of the assets of Pennichuck except you know for the latest development, per proposal #1. That showed a requirement for a \$225 million revenue bond. That came right out of your documentation.

George Sansoucy

Yes that is correct.

Alderman Teeboom

And that showed that day 1 the revenue to be collected by PWW and by Nashua were about the same or within dollars actually if you look at the spreadsheet.

George Sansoucy

Yes.

Alderman Teeboom

And you have always said that you didn't want to propose this purchase if day 1 Nashua ever flipped over to the other direction.

George Sansoucy

Yes.

Alderman Teeboom

Could you address this now in terms of the revenue bonds we are now looking at?

George Sansoucy

Yes.

Alderman Teeboom

I think the revenue bond we are now looking at is \$215 million. I am a little bit confused Mr. McCarthy said we can play around a little bit with the \$20 million...

George Sansoucy

The revenue bond would be bigger than the \$215 million because of the transaction costs and all of that. But your breakeven point going forward tonight at 4.83% interest rate is \$255 million.

Alderman Teeboom

Two hundred fifty five million.

George Sansoucy

It is \$255 million at 4.83% going forward tonight, and the reason that...

Rob Upton, Esq.

Skip would you explain what that means?

George Sansoucy

That means that your rate at a bond of \$255 million for the whole company your rates would equal Pennichuck's rates the first year and then you would immediately begin to see a savings over Pennichuck for every year thereafter, and the total savings would then be at the end of that \$437 million. Now that is at 4.3% interest rate and it has \$4 million of bond reserves built into it so it is \$4 million under Pennichuck's rates, but it is not \$4 million under the cash flow because your bonds have a bond reserve every year that builds your own cash flow so you borrow less in the future for capital repairs. At that number, there is \$4 million less than Pennichuck's cash flow and rates, but it comes back up to that break even because of bond reserves.

Alderman Teeboom

What does that break even point become, instead of being \$36 million...

George Sansoucy

What is the dollar amount?

Alderman Teeboom

What is that dollar amount become at \$255 million?

George Sansoucy

That dollar amount is \$33,775,000 a year.

Alderman Teeboom

At \$255 million?

George Sansoucy

Yes at \$255 million.

Alderman Teeboom

So how come it is lower than what is on this chart that you handed out? That chart is about \$36 million at \$225 million bond.

George Sansoucy

That is because the \$20 million for the treatment plant is pushed ahead three years so that your revenue requirement is less the \$20 million.

Alderman Teeboom

Okay. So you play around with your models some.

George Sansoucy

You are \$33 million today because you don't have the \$20 million in there.

Rob Upton, Esq.

You have a lower interest rate.

Alderman Teeboom

I think I understand but you are basically playing with the parameters in the model.

Rob Upton, Esq.

Yeah and that is part of the problem with doing this kind of an analysis now because we don't know what it will ultimately look like. This is a best guess with the information that we have.

Alderman Teeboom

My question #3 Mr. Sansoucy, on the last chart that chart has always been a bit of a problem for me. I presented it before to this board but I have never really had a chance to ask you about it. That comes right off your Exhibit #4, in fact I made a note in the corner, and it shows different revenue bonds the latest being \$225 million, another one we saw was for \$230 million, there was another one for \$190 million, but they all show the same trend, that is the revenue bond is never paid off because of the apples and apples comparison so we always owe more money no matter where we start and for a number of years, and these are beginning of your figures not end of your bond figures. We always seem to owe more money so how do we pay off this bond?

George Sansoucy

Okay to answer your question, you don't always owe more money. You remember that the world you are in right now is always a direct comparison to Pennichuck so the reason you have the step bonds is because we are spending \$6 million a year just like Pennichuck does so that anything we present to the PUC or any rate comparison it is always where are Pennichuck's rates going to be, where are our rates going to be. That is why it continues up because you are tracking Pennichuck's expenditures.

Now at this rate of expenditure, they are spending \$6 million and you are spending \$10 million, and this is the comparison for the PUC and for the public interest, at the point that you own this or you negotiate to own it so that you are no longer being ruled by the PUC, then you can adjust your capital so that if you want to levelize your bond payments, have them go down, however you want to do it becomes part of your capital improvement program that you vote on. But this is intended to track Pennichuck so that when we even negotiate a deal and go into the PUC to argue on your behalf that the negotiated deal is in the public interest, we are always comparing against Pennichuck's rate of expense.

The day you own it you begin to actually assess what you believe is the correct rate of capital expense. At that point, like the Town of Hudson I think you recognize the Town of Hudson did not have a rate increase in 9 years after we modeled that because they matched their rate of expenditures, etc. I expect the city to do exactly the same thing and reduce that climb to a very stable climb, but put the reserves aside so that you don't have to bond as much as you would have otherwise bonded in the future. This is the path in order to present to the PUC.

Alderman McCarthy

If you look at the model of how their stock price works, they are entitled to, by the PUC, about an 8.5 – 9% aggregate return on their investment in the company, which is both the equity capital of the stock and what they have invested in debt, which implicitly gives them a desire to increase the debt of the corporation over time because the debt that they take out at 7% they are entitled to 8.5% on and that is how they get what they can pay back to the shareholders in terms of their return on their investment. Ultimately they want to have their value funded about ½ in equity of the shareholders and ½ in debt so that the shareholders are getting 10.5%, they are taking money out at 7%, and that aggregates to 8.5% or 9%. But under that model, they virtually have no...if they were to be debt free they couldn't make any money.

Alderman Teeboom

I understand that stockholders owning stock is a debt essentially.

Alderman McCarthy

It is not just the shareholders owning stock. In order to pay the shareholders a reasonable return they have to take out conventional debt at a rate that is below the statutory return that the PUC allows otherwise their stock can't pay enough to be attractive and they can't grow the equity in the stock.

Alderman Teeboom

All I am saying is our model would be different. I think our objective would be to reach like Manchester, which owes no money I mean they own the whole place outright. It seems to me that we need a capital plan to start paying down this debt.

Rob Upton, Esq.

You are going to pay off your revenue bonds for the acquisition of this company. Those are going to be paid down as you would any other bond. What is different in the analysis that you have done is you have included that \$20 million of bonding for capital every three years. Every bond has to be paid off. You determine the amount of additional capital that you are going to ultimately borrow. But you have to pay off that bond, that acquisition bond. Let's say it is \$200 million, you have to pay that off. It will get paid off. The difference is you will borrow more to do other things.

Alderman Teeboom

Well that is my point, we borrow more so we pay off a bond and keep borrowing more that is why the step function.

Rob Upton, Esq.

You can say Sansoucy we think you are nuts, we don't need that \$20 million every three years and start skipping them. That is how you would see a different flow on the...

Alderman Teeboom

That is my final question. I know you sent me the information in the mail. I will analyze it and send it to the rest of the board, but can you give us a quick view of what all of this means to the ratepayers?

George Sansoucy

Yes I can. I sent a package to all of the Aldermen that is going to be coming to you in the mail, which is the rates that Mr. Teeboom has correctly pointed out are very confusing and we sorted them out for every city. Pennichuck is up to over \$500 per residential customer in the City of Nashua right now. They will have one more 30% rate increase coming at the end of the treatment plant construction so it will be about \$650 to \$680.

Alderman Teeboom

Per year.

George Sansoucy

Per year. When the purchase is complete we expect those rates to be less than the \$650 to \$680 including the development of your reserve accounts, but we are targeting hopefully 10% less rates than would otherwise be so around \$600.

Alderman Teeboom

Just to give you a point of reference, I am paying \$90 every 3 months so I am paying \$360. The average residential is much higher?

George Sansoucy

Yes. The average residential is over \$500 now.

Rob Upton, Esq.

That is with the 43% increase?

George Sansoucy

That is with the 66% that has been pushed through and there is another 30% coming.

Rob Upton, Esq.

You may not be experiencing that quite yet. It might not all be fully implemented.

Alderman McCarthy

I just want to say I actually completely agree with Alderman Teeboom on the future expenses. I think we do need to develop as we get to it a capital plan that does pay as we go as much as possible. With that difference between the rates there is a lot of room to structure a capital plan so that we don't go further into debt and so that eventually it is a debt free system. I think we or some other public entity intends to own it for a long long time, and the planning to get to that free state is probably a good investment in the future.

Alderman Teeboom

I will say this, having some experience in these things, always better to settle than have a court case.

President Rootovich

Is there any further discussion?

Alderman Richardson

I wanted to clarify from Mr. Sansoucy the \$255 million breakeven. What does that include? Does that include after sale of those properties that we cannot own and disposal of other properties? What does the breakeven include?

George Sansoucy

Yes it does, it includes after the sale. It would be a gross of about \$270 million and you would sell off about \$15 million and it would be net of \$255 million, and it excludes what you cannot own.

Alderman Bolton

Basically what that says is if we issue revenue bonds totaling \$255 million we break even. It doesn't matter what numbers go in to making the needs for the \$255 million. If our ultimate acquisition price and expenses

turn out to be \$275 million but we are able to recoup \$20 million that gets us to \$255 million. If our acquisition costs and expenses plus what we decide we need for working capital going forward come to \$255 million and we get nothing from other sales, that is still \$255 million and it is still breakeven. It doesn't matter what components go into it. However you get to \$255 million you break even. Anything under \$255 million you are ahead from the very first year.

Alderman Richardson

Thank you Mr. Sansoucy for clarifying the components of that. Could you also clarify for me your statement about the \$437 million savings? Is that over 30 years?

George Sansoucy

Yes it is.

Alderman Richardson

Is it cumulative?

George Sansoucy

Cumulative at \$255 million break even over 30 years.

Alderman Richardson

Is there any discounting on that?

George Sansoucy

No that is gross dollars.

Alderman Richardson

The other point I wanted to get at was I was looking at the Pennichuck announcement here for telling everybody what is going on, the press release. It was said that this would be kind of a hammer that would drive them to negotiate with us. I am looking in here for any information about money, about an offer, and I can't find any numbers in here that I would see would cause investors to be picking up the phone and calling up Pennichuck and telling them to start negotiating pronto.

Alan Reisch, Esq.

As I tried to explain before, they have been quite assiduous in staying away from any reference to price or the range of prices in this for the reasons we talked about maybe 10 or 15 minutes ago. I think what I said to you is the fact that the hearing is being stayed and that the parties are embarking on a discussion about the possible acquisition of the company. That is I think front and center in the release is what is really going to stimulate a great deal of investor interest both the existing investors and then the so-called arbitragers who spend a lot of time trying to figure out exactly what the price point will be so they can jump in quickly almost like day traders and to take advantage of the spread. But you are correct there is no reference to the specific price point in this for the reasons that we have discussed before, but in my view that is not what is necessary in order to generate a lot of investor interest about what is going on and some pressure from institutional investors for further information.

Alderman Richardson

So what you are saying then is that somehow some of these investors are going to get a pretty good idea but on the sly or something that we are talking these kinds of numbers, the \$29 to \$31 a share? Is that what you are saying?

Alan Reisch, Esq.

What I am saying is this, and I am going to answer in a little bit different way, as a legal proposition they should not get any advance notice because that is the classic definition of insider information and the leaking of insider data. I wouldn't want anybody to walk out of the room thinking that I am suggesting the company would do that because I honestly don't believe they would. I have worked enough with their counsel to know how he is going to advise them and he is going to take the same position with them that I think you all have been advised here that obviously there can be no trading based on inside information that we are discussing here in this room, but risk arbitragers are pretty good at figuring out what the deal is and what the deal is likely to be. I suspect what we are going to see is a spike in prices. It will be very interesting to watch where it goes. These are people who will be making a commitment not at \$18 or \$19 a share but if I had to make a guess at somewhere between \$23 and \$25 a share. These people are going to be very interested in exactly where that share price is going, but more important where this deal is going, whether there is going to be a deal, and what the price point will be.

Alderman Richardson

At what point, if this doesn't come together, doesn't gel at what point does the general public find out what was discussed? Is there some point in time when say we call off negotiations, we walk away from negotiating, would that information get out that we offered \$29 a share?

Alan Reisch, Esq.

Let me give you an example. It all depends on the circumstances, and I really that is a lawyer's answer, but you know we deal in a factual world where things can vary from one day to the next. Let's take an example, let's say that there was a preliminary agreement that the price would be X dollars a share, whatever the number is, at that point they might very well conclude that they have to advise the marketplace, that they have something with sufficient certainty so that they have to inform the marketplace as to what the negotiations are, if something happened after that point that cratered the deal, and it could be anything from the PUC disapproving the transfer and imposing some unreasonable conditions to Lord knows what, the cat is out of the bag that the price was out there and the deal did not go down.

If the deal didn't go down for some reason that is chargeable to Pennichuck, let me give you an example, when you get into the agreement phase, there is a condition that says, amongst many other things, that the city does not have to close the deal, if there is a material adverse change in the operations, financial conditions, or liabilities of Pennichuck, so they are out there, they have disclosed what the price is, they have disclosed there is an agreement to go forward, and out of nowhere one of these material adverse changes eventuates, the city takes a look at it and says forget it we are walking away, we are not going to do the deal not when everything has changed as radically as it has changed, the number is out there and the deal isn't done. I hope that begins to answer your question.

Alderman Richardson

I just want to make sure that at some point in time if it doesn't gel that Pennichuck would be afraid of the pressure that is put on them.

Alan Reisch, Esq.

I honestly believe they will. I have done enough of this so that I know what the thinking is. Obviously I can't guarantee it because I can't get inside everybody's head and somebody made the reference before to Duane Montopoli who is a very firm negotiator. I think that is a fair way to put it for the moment. I will leave it at that, he is very firm in his views and he sticks to his guns for a long time. We think that he is where he is today not because he has softened or become more flexible but because there are external pressures on him whether from the investment banker or from counsel, you can't say no to this kind of a proposal you have to explore it in good faith because there is too much of a discrepancy between the numbers you might be looking at and with the current trading level of the shares and you are subject to a great deal of criticism and maybe more if you walk away.

But that of course is my judgment not based on anybody sitting down with me at a table and telling me that is what is going on, it is just that I have been through enough of this so I think I know what is going on on the other side and I think those pressures will increase. I can't sit here and guarantee you that because human nature is quirky people don't always behave rationally, something happens that none of us anticipates, but based on the models that we are working with, I think the likelihood is quite high that the pressures will continue on him and on the board to explore every reasonable avenue to get this deal done.

Alderman Richardson

We have dealt with Mr. Correll before and Mr. Correll was pretty hardnosed too. He wasn't interested in the levels that we were talking about before and I can only surmise it is because he had a great deal of personal financial interest in not selling to Nashua. Now Mr. Montopoli what is his exercise price and his options?

Alan Reisch, Esq.

I wish I had that information. I think it is somewhere in the range of \$18 or \$19, but I would really have to go back Alderman and confirm that for you.

Alderman Richardson

Okay so we are talking he is in the money in other words.

Alan Reisch, Esq.

He is in the money.

Alderman Richardson

Does he have provisions for not selling to Nashua in his employment agreement?

Alan Reisch, Esq.

He has severance and change of control agreements. There are a number of them scattered throughout the company. The company has been quite generous with its executives let's put it that way.

Alderman Richardson

So we don't know if there is a prohibition against selling to Nashua such that he would lose those options.

Alan Reisch, Esq.

No there is nothing of that that I know of at all.

Rob Upton, Esq.

It has been suggested to us by people at the company that Montopoli could realize as much as a million dollars from this transaction personally.

Alderman Richardson

Thank you.

President Rootovich

Again the motion before you by Alderman Bolton is to move the authorization of the stay agreement dated 1-16-07 between the City of Nashua and Pennichuck Corporation.

David Connell, Esq.

Mr. President, a couple of process issues; the \$250,000 will have to come from an appropriation. I was talking with Mrs. Anderson. You have in the committee now, Budget Committee I assume, a resolution to raise some more money from I think bond proceeds, by transfer in the amount of \$250,000. Maybe you want to discuss whether that is the vehicle for this or whether you want that to be the vehicle for its original purpose plus this, which would require it to be increased. Second process question is there is a Finance Committee meeting after this because this is a contract that ought to be approved by that board as well. Alan and Rob can speak to this, but we need to understand the consequence of failing to approve this in terms of what can be made public and non-public from this evening's proceedings. In other words, if things are approved presumably there would be no reason to keep the minutes or at least the results non-public. If it fails maybe there is a need to keep both sets of minutes non-public, both votes. Maybe we could hear from Alan on that.

Alan Reisch, Esq.

Under the terms of the stay agreement if this is approved by the City the disclosures that the parties have agreed to make are contained in the press release. I think going beyond that to any significant degree would be going beyond the agreement that we have worked out on a preliminary basis with Pennichuck. If it is approved I think it would also be tricky from this point of view; I have tried to give you my candid observations in here tonight really on an attorney/client basis, the privileged basis, and I think to go much beyond that to discuss the actual content of this dialogue would do at least two things; the first thing it would do is potentially to communicate some things to the public including Pennichuck that would be very helpful to it in its negotiations and of course the essence of negotiation is not necessarily to open the kimono fully.

The other thing in my view from a technical point of view, and I would hope it would never come to this, it might waive the attorney/client privilege, and Rob can speak to that, and if you were to approve this and we were to go through the negotiations and get nowhere and wind up back in the hearing room, we might wind up in a situation where Pennichuck could begin to delve into the inners of the dialogue amongst you and me and Mr. Upton. Long story short, probably more than I needed to say. I would suggest that the only thing that be made public would be the end result of your deliberations here tonight as far as this session is concerned. I understand that the Finance Committee may operate on a different ...**audio inaudible...**

Rob Upton, Esq.

I agree with that. My expectation was and the reason I asked the Mayor to call a Finance Committee meeting was there would have to be a public vote on approving that contract because of the requirement that money be spent. I know we went into a big issue with that the last time and I wanted to make sure we avoided that. I know that the Finance Committee feels very strongly that it should consider and approve those contracts so I asked the Mayor to call a special meeting of the Finance Committee.

Alderman Bolton

It seems to me that we cannot make the contract itself public so we cannot discuss it publicly in the Finance Committee or it may be necessary to have the Finance Committee approve it and certainly it is going to be necessary to somehow figure out where that payment is coming from, but the document itself is part of negotiations, which we ought to be entitled to keep confidential. Have I missed something?

President Rootovich

Alderman McCarthy...

Alderman Bolton

I am asking a question please sir.

President Rootovich

I thought you were done Alderman Bolton, my apologies. I thought you were done. It was a simple mistake. Please continue.

Alderman Bolton

If I have missed something Attorney Upton or do you disagree?

Rob Upton, Esq.

We were concerned about that before the meeting started and Alan talked with their counsel about the fact that it would have to be a public approval of the contract and I think their sense is that anything that gets reported as a result of your action is not going to be publicly available until after the press release is made public.

Alderman Bolton

Section 3 of the agreement itself says that the terms of the agreement are subject to the confidentiality agreement that we have already entered into. Reading this it seems to me that it is clear that the only public disclosure is going to be of the Exhibit A press release.

Rob Upton, Esq.

That is true, the agreement itself is not going to be disclosed, but I think you have to approve the agreement.

Alderman Bolton

We can't discuss the agreement in public session.

Rob Upton, Esq.

I believe that to be true, the terms of it.

Alderman Bolton

Okay.

President Rootovich

Alderman Bolton are you all set?

Alderman Bolton

I am fine.

Alderman McCarthy

I guess I would suggest that we do something similar to what we did the last time this came up and make whatever public motion we make just reference the agreement discussed in the non-public session. I can see it from Pennichuck's point of view that even if we just approved this and part of it came out in tomorrow's Telegraph that gives a certain class of people more notice than the press release tomorrow will give to other shareholders and I would hate to see us even get near that issue again. The last time we did that it worked out different than I thought it would work out and it was certainly painful for everybody involved.

Alderman Deane

Thank you. I have a question on the resolution that was referred to the Budget Committee pertaining to the funding of the stay agreement. How do we propose to deal with that?

President Rootovich

My understanding Alderman Deane is that there would be a motion by one member of the Finance Committee to take it out of the Budget Committee.

Alderman Deane

When was that...pardon me...it will be made by the full board?

Alderman McCarthy

Yeah.

Alderman Deane

So that will be done prior to the Finance Committee meeting?

President Rootovich

Yes.

Alderman Deane

So we're going to approve the funding source prior to approving the contract so the funding source will be in place. Okay.

Alderman Cookson

Thank you. A question to Attorney Upton, if this motion is approved this evening it is my understanding that you will present it to the PUC tomorrow morning jointly with counsel from Pennichuck is that correct?

Rob Upton, Esq.

That is correct prior to the commencement of the hearing again tomorrow he and I would present it to the PUC and ask them to deliberate on it prior to commencement of the hearing.

Alderman Cookson

And the expectation would be because both parties are jointly going forward asking for a stay that the commission would agree based on input from the Governor, from George Bald, and any other interested parties?

Rob Upton, Esq.

I think it goes beyond that. I think they will do it because nobody's rights would be prejudiced as a result of granting it. The parties' rights would not be prejudiced because in the event it fell through they could continue with the litigation. The interveners' rights would not be prejudiced because ultimately this transaction if it is put together has to come back to the PUC for approval and they would have the right to raise their concerns about it at that time. My expectation is that this is something that they would like not to have to decide and that they will be very happy to grant this.

Alan Reisch, Esq.

Just one point of clarification Alderman Cookson, I just want to be quite clear on this, it is my belief that both Commissioner Bald who has been enormously helpful here in creating the atmospheric and the Governor independently would be strongly in favor of the parties trying to hammer out a resolution. I have no reason to believe that either of them has been in communication with the PUC and in point of fact because I know them both quite well, I am certain that they haven't been and that they are very respectful of the independence of the PUC. I just wanted to make that point clear.

Alderman Cookson

Thank you for that clarification.

Alderman Tollner

Just so I am clear on what we are going to try and do, just following up on Alderman McCarthy's point earlier, as far as when this goes to the Finance Committee couldn't the motion be made that we are just transferring \$250,000 to continue to fund our ongoing negotiations whatever with Pennichuck and to Alderman Deane's question, a motion will be made after we come out of non-public or during non-public to deal with the Budget Committee issue?

Alderman McCarthy

I was anticipating when the full board comes back into public session entertain the motion to take the resolution and to pass it. There is nothing in the resolution itself other than the transfer of money so it certainly doesn't need to be done in non-public session. If there is discussion about it that relates to the agreement we should probably have that first. The issue that was sticky was what do you do about the agreement itself, and I was suggesting that the Finance Committee simply refer to it as the agreement discussed in non-public session.

Alderman Tollner

Again, just to clarify, I don't mean to be slow, but the taking from committee after we come out of non-public, that was from the Budget Committee?

Alderman McCarthy

Taking from the Budget Committee to the full Board.

Alderman Tollner

Right.

Alderman McCarthy

The full board ...

Alderman Tollner

Thank you.

Alderman Teeboom

Just trying to follow the bouncing ball here. We are paying \$250,000, which we will be paying to Pennichuck Corporation. To get the \$250,000 we are going to take it out of that excess bond money. Okay. The last time we transferred a sum of money, \$50,000 or something, out of that bond as well we didn't go back to Budget so why to we have to bring a resolution to transfer from Budget to the full Board? Could you explain that/

President Rootovich

That is what is required.

Alderman Teeboom

I don't understand that point.

David Connell, Esq.

My understanding is when you look at the balance in the account now together with this \$250,000 and then something else to think about is the funds to carry on in the near future, that the current count certainly can't bear it and even the resolution as worded you ought to consider whether you want to increase that tonight or in the near future. Maybe Mrs. Anderson has specifics.

Alderman Teeboom

I think I would like to hear from Mrs. Anderson because we did not go through these gyrations the last time at all. We have excess money and I asked the question at one point and you said it was a simple transfer. Could you address that question please?

Carol Anderson

That other \$50,000 had been appropriated. The money that is before you on this resolution was to carry through for charges through, what we anticipated through the end of February. I don't know what all of the consultants will be coming in, but that was to cover through February. It would be my recommendation that you increase this amount because you are looking at \$250,000 for this contract plus whatever it is going to cost for the consultants through January and February.

Alderman Teeboom

Where does this money come from then that we are ...we transfer it into the Pennichuck account, where does the money come from?

Carol Anderson

When we re-funded the bond in December.

Alderman Teeboom

So we do a transfer?

Carol Anderson

Yes.

Alderman Teeboom

And only the Budget Committee can do the transfer unless we transfer that authority...

Alderman Deane

The resolution can be filed by anyone. It was referred to Budget and we sent a recommendation back to the full Board, but my question is what is your recommendation Mrs. Anderson above and beyond the \$250,000 that is already listed in the...

Carol Anderson

The \$250,000 like I said was an estimate on my part when I was looking at the bills that I have received thus far, what I had to pay out and then looking at what was going to happen in January with the PUC. I guess if you could up that to maybe \$400,000 then it leaves us \$150,000.

Alderman Deane

If the \$250,000 was for the initial billing and now we have this \$250,000 for the stay it would almost appear to me as though you were looking probably somewhere around half a million dollars.

Carol Anderson

The only thing I was thinking is I am not sure if there are going to be more costs incurred because of this or less costs because we won't be going before the PUC at this point.

Alderman Deane

Maybe Mr. Upton can start moving his decimal point.

Rob Upton, Esq.

I can try to answer that. The costs that you incur on me will start to go down because I won't have the intense preparation of the trial stuff that I am doing. On the other hand, there is going to be due-diligence that you are going to start to incur. I don't know what that will be, but you will start to incur costs for the due-diligence.

Alderman Deane

But the due-diligence process is more productive to the settlement...

Rob Upton, Esq.

Absolutely much more productive to the settlement than what I am doing.

Alderman Teeboom

Go back to my question. We have a resolution in Budget, you want to pull that resolution out of Budget and then enhance it, and enhance it by how much?

Alderman Deane

One hundred and fifty thousand so the \$250,000 would be amended to read \$400,000 in the title and body.

Alderman Teeboom

That was not clear that we had a resolution already in Budget. Also on Finance why can't we take a non-public session in Finance?

President Rootovich

We can.

Alderman Teeboom

Why don't we do it that way, that way we are totally clear and when we come back out it is all done and we don't do further anything.

Alderman Deane

I think the process we are going to use is to approve Alderman Bolton's motion, come out of non-public, make a motion to take R-07-154 from the Budget Review Committee, amend it, make a motion for final passage as amended, vote on that, move to adjourn, and then start the Finance Committee, and then the motion will be made to agree to the terms of the discussion in non-public session.

Alderman Teeboom

Then I will propose in Finance that we go...

...tape ended...

MOTION BY ALDERMAN TABACSKO TO COME OUT OF THE NON-PUBLIC SESSION AND RETURN TO THE SPECIAL MEETING OF THE BOARD OF ALDERMEN

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

Yea: Alderman Tollner, Alderman Tabacsko, Alderman McCarthy, Alderman Flynn, Alderman LaRose, Alderman Dion, Alderman Bolton, Alderman MacLaughlin, Alderman Richardson, Alderman Deane, Alderman Teeboom, Alderman Cookson, Alderman Williams, Alderman Plamondon, Alderman Rootovich

15

Nay: 0

MOTION CARRIED

MOTION BY ALDERMAN BOLTON THAT THE BOARD OF ALDERMEN 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

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

Yea: Alderman Tollner, Alderman Tabacsko, Alderman McCarthy, Alderman Flynn, Alderman LaRose, Alderman Dion, Alderman Bolton, Alderman MacLaughlin, Alderman Richardson, Alderman Deane, Alderman Teeboom, Alderman Cookson, Alderman Williams, Alderman Plamondon, Alderman Rootovich

15

Nay: 0

MOTION CARRIED

MOTION BY ALDERMAN DEANE TO WITHDRAW FROM COMMITTEE R-07-154

MOTION CARRIED

R-07-154

Endorser: Mayor Bernard A. Streeter

**RELATIVE TO THE TRANSFER OF \$250,000 FROM ACCOUNT 592-85993
“BONDED DEBT TRANSFERS” INTO ACCOUNT 699-07 “WATER SUPPLY
ACQUISITION”**

MOTION BY ALDERMAN DEANE TO AMEND IN THE TITLE AND THE BODY THE AMOUNT OF \$250,000 TO \$400,000

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

Yea: Alderman Tollner, Alderman Tabacsko, Alderman McCarthy, Alderman Flynn, Alderman LaRose,
Alderman Bolton, Alderman MacLaughlin, Alderman. Richardson, Alderman Deane,
Alderman Teeboom, Alderman Plamondon, Alderman Rootovich

12

Nay: Alderman Dion, Alderman Cookson, Alderman Williams

3

MOTION CARRIED

**MOTION BY ALDERMAN DEANE FOR FINAL PASSAGE OF RESOLUTION R-07-154 AS AMENDED
MOTION CARRIED**

Resolution R-07-154 declared duly adopted as amended.

ADJOURNMENT

**MOTION BY ALDERMAN DEANE THAT THE JANUARY 15, 2007 SPECIAL MEETING OF THE BOARD OF
ALDERMEN BE ADJOURNED**

MOTION CARRIED

The meeting was declared adjourned at 8:12 p.m.

Attest:

Paul R. Bergeron, City Clerk