

A special meeting of the Board of Aldermen was held Tuesday, July 13, 2010 at 6:35 p.m. in City Hall Room 208.

President Brian S. McCarthy presided; Deputy City Clerk Patricia Piecuch recorded.

Prayer was offered by Deputy City Clerk Patricia Piecuch; Alderman Sheehan led in the Pledge to the Flag.

The roll call was taken with 10 members of the Board of Aldermen present; Aldermen Clemons and Melizzi-Golja were not in attendance. Aldermen Vitale, Chasse, and Cookson arrived after the roll was taken.

Her Honor Mayor Donnalee Lozeau and Corporation Counsel James M. McNamee were also in attendance.

COMMUNICATIONS

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

From: Brian S. McCarthy, President, Board of Aldermen
Re: Special Board of Aldermen Meeting

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

NON-PUBLIC SESSION

MOTION BY ALDERMAN CRAFFEY 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 LAROSE

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

Yea: Alderman Craffey, Alderman Deane, Alderman Pressly,
Alderman LaRose, Alderman Tabacsko, Alderman Cox,
Alderman Sheehan, Alderman Wilshire, Alderman Flynn,
Alderman Cookson, Alderman McCarthy 11

Nay: 0

MOTION CARRIED

The Board of Aldermen went into non-public session at 6:45 p.m. Alderman Chasse and Alderman Vitale arrived after roll call.

Mayor Lozeau

I thought that it would be valuable to take a run through the purpose of tonight's meeting, other than the obvious which you all know. It's important to update you as we said we would. At the last meeting, we talked about hiring a transaction executive, John Patenaude, who is joining us tonight. John you can sit next to Jamie. What's going to happen tonight is I'll introduce you to John. He'll walk through the PUC filing that happened recently that you all received a copy of, the status of the definitive merger agreement with an outline that he's going to distribute to you tonight: the timeline, the financing, and the due diligence and costs. There's an envelope that you are all going to receive so when John is talking you have documents in front of you. Most of that we're going to ask you to give back to us, but the DMA outline which is the Definitive Merger Agreement - that's what we are calling it, the DMA - that outline will be something that we will suggest that you keep, although maintain its confidentiality, and John will tell you why.

There are three big issues that we are not taking up tonight that you should be aware of. One is the modeling. The modeling is huge because we don't expect you to vote for the signing of a DMA unless you

know the rate show and the modeling shows. We have not completed that exercise to John's satisfaction. We anticipate that it will be ready in time to have a special meeting relative to the modeling after next Wednesday's finance committee meeting. So that's right now the goal.

The governing structure. It may have occurred to some of you, and at some points we've talked about it, how is this group going to be governed. Is there a separate board. Is it a water district? What might that look like? That's not going to be taken up tonight.

And then the DMA, itself. What are the words in it, not just the outline of the structure of the DMA. Those three items, we just don't have enough time to really take those up tonight. The decisions for tonight are going to be about the funds for due diligence and when the next meetings are. As I mentioned, the modeling, we think can happen next Wednesday night. But the meeting to talk about the DMA and the governance, I don't think can be a typical evening meeting. I don't think it is an hour meeting. I think it might be something that we want to talk about after John's discussion points that we are going to go through about whether or not we want to look at doing a Saturday meeting. It's important that everybody be comfortable around that agreement. That certainly can be talked about. I think those are the two final decisions that we're going to be looking for tonight.

Many of you heard at the last meeting that John Patenaude recommended by some of those on our legal staff – on our legal team. I shouldn't say staff. I'm sorry, Jamie. And, John has a lot of transaction experience. So I am going to introduce John and I'm going to ask him to tell you just a little bit about his experience so you have a better sense with him, and then he'll walk through that list we talked about.

John Patenaude

Some of you know me from Nashua Corporation. I was with Nashua Corporation from 1991 through its sale last September of 09. The last ten years I was there I was the Chief Financial Officer. During my time at Nashua, I was involved in a lot of disposition of businesses, together with the acquisition of businesses. But Nashua is not my only experience.

Prior to that, I was with Coopers and Lybrand in Boston before they bought out by Price Waterhouse. Prior to that I was with a company called Aussie-Mac, a national chemical company out of Milan, Italy, and was involved in the acquisition of partial chemical plants. If you think buying water companies is tough, partial chemical plants can be just as tough. So that's my experience level in transactions. I've been on both sides of the equation. I also just from an educational point of view, I graduated from Boston College with a BS in accounting, and I have a Masters in Science in taxation from Bentley College.

Alderman Pressly

Any other water companies?

John Patenaude

No water companies. Water companies are tough to find.

Let me just start by giving you an overview of the transaction from my perspective. The PUC filing. I have to tell you that that absorbed a lot of time. I came on board the second week of June, and dealing with Pennichuck, that took a lot of time. The issue of the eminent domain and the court ruling and when does the PUC had to rule as to what the value relative to the eminent domain. That became a sticking issue greater than the definitive merger agreement. It took us a long time to get through that. We finally resolved it. Between Jamie and Bill Ardinger's creativity, we were able to file this document with PUC to extend the date out so it gives us time to negotiate a merger agreement which could end all of these legal battles in terms of PUC. That took us a lot of time, and that stopped us because Pennichuck really wanted that. They wouldn't move ahead until that was resolved. It was a sticking point.

Then we moved on ...

Unidentified Speaker

More time than it should have.

Mr. Patenaude

Exactly, it was more time than it should have. Again, our side became very creative, and that's what you have to do in these situations. You have to be very creative and think outside the box. I applaud Jamie and Bill Ardinger for doing that because the other side wouldn't have gotten us there.

The definitive merger agreement, we had a copy to Pennichuck from the third week of June. We did not get their response until after our filing with the PUC. We've gone through a couple reiterations here. We are going to actually it's the second time we will send them comments will be tomorrow to the agreement. We've taken the posture where we provide them comments, they provide us comments and we meet after each session. Rather than passing documents around, we find it's a very good process to meet and say: "Here's our changes and here's the reason why." We've been able to put a lot of things to bed by doing that – meeting with them and moving forward that way. I think from a perspective that if you were to put a percentage test on it, I would say we're at about 85 percent now. It's the last 15 or 10 percent that we need to go. Hopefully, if you look at the timeline in the packet, you'll see that we would hope to target the completion of that agreement. I put down Monday. It could be a little later than that, but I think we're well on our way. I think the major issues. There are some major issues, but the biggest ones have been put to bed at this point in time.

With that, the agreement is that when the merger agreement is completely drafted and agreed to by the lawyers and ourselves and the two parties, then the lawyers will agree that that's the agreement that we live by and no changes other than if we find something in due diligence going forward. From that we can start to do due diligence to complete our process. In a lot of transactions what happens is people will do due diligence, simultaneously with the negotiation of the agreement. In this case and there are other cases where first of all you put down the agreement and then you do due diligence. That's what we're doing. So we have a framework that we agree on. Then we can move on from there.

Again the due diligence process will probably take us about 30-45 days to get through.

Attorney McNamee

Let me just briefly mention because they are going to be considering the contracts that are in the package to go out, just what the areas of due diligence are, without much detail.

Mr. Patenaude

The main areas are financial review, and that's more of a desk top review. We know their books have been audited through December 31st. We're not re-auditing their books. What we're doing is we're just looking at as of the latest date would be the end of June. Are they doing things consistently, looking at things consistently. We also have to look at the model and make sure the numbers work in the model so there's no surprises there. We have an operational review to make sure things are running properly. You don't want to buy something that's broken, right? So that's part of it.

I should say during the due diligence process, it's not just checking to make sure that things are there or not. As we're going through that process, we want to make sure that we look at things to say: "Can we change things in the future? Can we make recommendations? Can things become more efficient?"

That's part of the process. While it's not the main purpose for due diligence, that always happens in the process.

Environmental and OSHA review. That's just making sure that there's no major problems relative to environmental matters or matters with safety, OSHA, in the facilities. Labor, an ERISA review of their pension plans. We want to make sure that they are all tied down. We don't want to get any documents that would get us into problems. We've got to make sure that those are tied down. Labor contracts. It could be one contract, but that has to be reviewed. And also making sure that the benefits are ERISA compliant. And then just legal contracts and that nature. Just looking at the things that might get us into trouble if we don't look at. So that's really the process. We've gone out and contacted people. In the financial review bid, I was involved in that. Initially we had bids in the hundreds of thousands of dollars relative to financial review. We've worked with a firm in town to get that down to a reasonable number. That's the review that we would undertake.

The timeline again, next Monday for definitive merger agreement or (inaudible) and then commence due diligence once we get that. We will not start due diligence until we're comfortable that we have an agreement that everybody can live with that we've agreed to and that they've agreed to, no moving parts. During the due diligence process, by the way, they have a lot of schedules which they have to provide us (inaudible) to the agreement itself which they will take during that time. What we do on our due diligence, we'll have people all over them and in the meantime they will also provide us with schedules.

In here, we also again we have a date we put in there. Again, you have to tell us if it works or not, is the review of the rate and financing model next week. That becomes important that you understand that because we'll be looking at rates, water rates for your constituents and other constituents outside. And also how do we finance the acquisition. Again that will be done by next week. We will be looking at different levels. It's not an absolutely: "Here's a number." There are a lot of variables. We want you to understand the variability in some of this process.

Mayor Lozeau

You will see that we're bringing in Melanson & Heath for some of this review. That's a new set of eyes that knows the city; knows our books, more than an outside company and is more reasonably priced, I think, because of that and some of the work that John did with them. Some of the other larger financial institution came in with prices for the due diligence of almost \$200,000. Working with this company, I think, will

Mr. Patenaude

Melanson has also done some water district financials and more good rates for I think the City of Franklin has their own. They gave me a list. I think it's in their package, you can see that they worked with water companies so it's not brand new to them. (Inaudible) is already there within there. Again, we would target to have a meeting relative to the approval of the signing around August 10th timeframe. We're probably signing three or four days later, but before we get to signing new documents, it is important that we sit down with you and go through the rates. Alright, that model, so you understand that. The governing structure, as the mayor has said, and the DMA, itself. I view you as I would a board of directors for any public company that I work for. It's important that you at least know what you're approving. It's not a cart Blanche type of thing. We'd want you to understand. Here's what you're approving and at least you will be able to make a rationale decision and not blindly approve something. Not that you would, but that's the way we're approaching it. If you have any comments on how we're approaching it, I'd be glad to hear that.

Mayor Lozeau

Now is a good time to tell us.

Mr. Patenaude

That's really the due diligence phase. We will provide to you an overview of the definitive merger agreement. All it does, it doesn't go into a lot of detail, and when you get the definitive merger agreement, you'll be able to use this as a baseline. There are nine sections in the agreement and a preamble before that. It will give you a feeling of what's in the preamble, what's in each of the sections. This agreement in a lot of ways is no different than a standard merger agreement between companies. Everyone has its own little nuances but in general they provide for the same thing. How is the merger done. How is the transaction done. What kinds of representation and warranties does the seller give to the buyer. What kinds of reps and warranties does the buyer give to the seller. What are other conditions before we close. We have a lot of – if you look at this timeline, there's a lot of time between when this is signed and when you have your what I call your 90-day bond approval and the closing. Because what happens here is we have to go to PUC approval. That could take six months. I don't know.

Alderman Pressly

Six months?

Mr. Patenaude

It could. Three months, six months.

Mayor Lozeau

It's hard to predict.

Attorney McNamee

With an appeal, it could take longer.

Alderman Pressly

The appeal?

Attorney McNamee

If somebody were to appeal.

Mayor Lozeau

It wouldn't be Pennichuck.

Mr. Patenaude

So unlike a public-to-public transaction, which could be closed in a matter of months or even days after due diligence, this is not a slam dunk.

Mayor Lozeau

That was really hard for Pennichuck to understand. They really thought they could push this hard enough to get this turned around and voted on and the bond vote and everything this summer. It's been a lot of work to make them understand that we can't operate that way, and we won't operate that way.

Alderman Pressly

What about their role? Have they predicted how long it will take to have the proxy and the vote?

Attorney McNamee

They have to wait until the PUC approval.

Alderman Pressly

Okay. So there's no portion of it...

Mr. Patenaude

Their portion depends ... For instance, their proxy has to be approved by the SEC. If the SEC doesn't like their proxy, they have up to 45 days to send it back to you, and then you have another 40 days to fix it. It usually doesn't take you 40 days. But then it goes back for another review by the SEC, and then you can issue it out. It varies company by company. When I was at Nashua, Cenveo, who bought us, their proxy went there twice before the SEC approved it.

Here's another factor which could happen. There could be a lawsuit by one of their shareholders, which is very happens, every transaction public-to-public. What happens is it's the plaintiff lawyers trying to extract funds from the transaction. It happens. That's a fact of life. That could happen. My guess I would bet, I'm a betting man, (inaudible – multiple speakers) that could happen as well. That might happen on the front end. Who knows. Then, you have the meeting and while that is happening we have to be lined up to issue the bonds, close the transaction and then close .. Consultants. Where's probably into February or March of next year, 2011, will probably be the earliest, I would think.

Mayor Lozeau

It's just hard to predict.

Mr. Patenaude

It's a process.

Alderman Pressly

Are we communicating with - the two people that come to my mind that might object, and that would be Merrimack or Anheuser-Busch. Are we talking with them?

Mr. Patenaude

No, we can't do that. The thing here is everything is confidential. Remember you all are under the confidentiality agreement because this is a public company. Shares could be traded and non-public information so, that's why we have to be so careful.

Alderman McCarthy

Anheuser-Busch was taken care of beforehand. We negotiated a silent agreement with them that removed their objections as far as I know. It's Merrimack that's the issue.

Alderman Pressly

They are still out there.

Attorney McNamee

Once you take a vote, if your vote is to proceed on the DMA, on the merger agreement, the Purchase & Sales Agreement, which is on this schedule August 10th, that vote would be in non-public session because again this public company their directors would not have voted on it yet. But within a few days they will and so if both sides then have voted on it, immediately they will file it with the SEC. We would also have an intervenor available. Then the fact that we are pursuing this course would become public knowledge. At that point, part of the plan is to find the ways that we can reach out to those intervenors that held us up.

Alderman Pressly

And that's as of August 13 to September 24th?

Mr. Patenaude

That's when you've got to vote on the financing.

Mayor Lozeau

Right, and that give us the opportunity to have the public meetings that I discussed with you at the last meeting, which is we can have some here. We might want to have some in different areas. However we want to approach that to get people's input before you vote on the finance and the bond and things like that.

Mr. Patenaude

The other thing is when this is filed with the SEC, it is open to the public. The actual document. That's why it is important we spend a lot of time with all of you here to go through the DMA, or the definitive merger agreement because anybody can pull that out and ask questions, obviously of you, but it will be a public document and all the people can search the SEC file to see what's there. So it's important to get at least an understanding so you can ...

Alderman Pressly

That comes after the PUC approval?

Mr. Patenaude

No that becomes before we even sign the document.

Alderman Pressly

Okay, I don't see that in here.

Mr. Patenaude

We've got it listed for the July 27th. We listed to send you out the DMA by the hopefully the 21st.

Mayor Lozeau

So the only document you are going to leave this meeting with tonight is the one that John is going to hand out in a minute. It gives you the outline of what the sections are. The things that we are writing on right now, which you are welcome to write on, is going to go back in your envelope. And we will keep that for you so at the next meeting, you can pull out notes that things occurred to you now. We think it is important for you to have that outline before we have the meeting with the actual language in the DMA so you have some

sense of what to expect, what does it mean, what am I looking for, and to formulate any questions that relate to those sections even before you get that. But then get the actual document out to you. The messenger will hopefully on the 27th so you that you have that document before we meet so you have a chance to read through it, outline your questions and then we can meet and talk about it. That's all before anything is public.

Alderman Pressly

The public is in August.

Mr. Patenaude

Yes. Mid-August. The other thing we are working on is an operating plan which will have to be submitted to the PUC as part of the approval process. Right now the operating plan as we visualize it is what I call a plug-n-play process where we leave in place the management, not the higher management, but the actual management of the operations to run the water company. We are putting that together. You will get to see that before it is finalized. But that's something that is crucial in the PUC process and will be crucial as PUC will say: "Well, who's going to run this thing?" We're putting together that document as well. "How are you going to run this thing?" That's what the PUC is going to say. "How are you going to run this thing? Are you bringing somebody from the outside to run it?" "No, we're having the people that run it today, run it." What we're saving is SEC compliance costs and some of that at senior management that relates to running the company from a public company perspective. That you will get to see as well, together with the financing plan which we will have to provide to you anyway relative to your bond approval process. At the end of September you will see that before you sign as well. That hasn't been completed yet. We're still working on that. There were some holes. We are working with the bond advisor and bond counsel to work through those issues. So that's where we are at.

Alderman Sheehan

I have questions on the Melanson letter of agreement. In the fourth paragraph, it says "our engagement cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations that may exist" because it is not in accordance with general accepted auditing standards. Were the other, the \$200,000...

Mr. Patenaude

They are the same. None of them, unless they do a full blown audit, which is even more would not have that disclosure. The accounting standards don't allow them to do that.

Mayor Lozeau

It's also important to know that on some level, because they are a publicly regulated utility, we have some confidence that their financials don't have theft and fraud and some of those other things. For me, I'm worried about unfunded liability with employees, and things they may carry in a company that we don't want to carry. Things like that I'm more interested in getting a better handle on. And then operationally, that's a whole different ... Again, we're not going to necessarily find out that the water is bad, but you might find out that they have invested in some changes that we may make different choices and what are those. And what are the things that we don't know because we wouldn't know intuitively what they are.

Mr. Patenaude

The estimated cost, we went out to the firms listed here relative to the cost. This is the high side, but our goal here is to come in below this, but clearly this is actually this is relatively inexpensive given some transactions I've seen. Some transactions I've seen have run millions of dollars for due diligence. For

instance, the quotes we got from the big four, one of them was \$350,000, \$250,000. You start adding that up. Melanson, again, we've talked about Beck has been involved in this project from my understanding for years so they know the company. Geolnsight also, environmental and OSHA overview, they have been involved. Peckar & Abramson is a law firm that I sourced out, that I know of. They are a very few law firms that specialize in labor and ERISA. Rath, Young has told me that they didn't feel comfortable doing the due diligence here because it is a specialty. A real specialty.

Attorney McNamee

This is not the same labor law that we're used to under the PELRB. This is the national relations board. And I think actually there's no law firm in New Hampshire that deals with that, or recognized as experts.

Mr. Patenaude

The rates, and I've used them in the past, the rates that you saw there are reasonable rates. Rates for firms in Boston would run probably between \$100 and \$150 higher per hour than what you are looking at in their proposal. Myself, just for reviewing the due diligence, in reviewing certain documents, having knowledge. Trying to keep it cheap - don't want to say cheap. Cheap is a bad word. Inexpensive and effective. It has to be effective as possible. The bottom, what we tried to do is put together a fee other than due diligence for the next three months: July, August and September. CW Downers is our investment bankers. Rath, Young is other than due diligence, the PUC filings that are going to have to be working on. Also they are negotiating the DMA as we speak. They have to involved also in the operating and finance plans because those are all documents that have to go up to the PUC. We have to make sure that they are right and they are focused on what our end gain is. I can tell you the law firm that you picked is very creative in those areas. I think more creative than a lot of firms that I have dealt with. They will help us get to the end gain. Myself is just the time and managing the process and working with the mayor and her staff to run through the meetings and the whole due diligence process, not due diligence but the completion of the contract and working through some of these. So that's what we have. The contingency, you never get it right. As much as you try in making it right, I'd rather give you a higher number than a lower number and come in higher.

Mayor Lozeau

We still have some funds available from the last amount that we had transferred. It's not a lot after all the bills. It's \$59,000. Then with this new round, we spent almost \$5.1 million on Pennichuck today. Since I've been here that first amount that we transferred early after I got here was \$500,000. Then the second \$500,000. I'm not as you all know not excited about spending this kind of money, but we want to get it right. As John said, we have to be effective. We have to make sure that we are hiring people that we have confidence in, the work product they are going to give us in order to make this significant decision that we have to make. This is our best estimate. The bottom is an estimate. The top is pretty certain with the quotes we received and the contracts. I should say point out that you'll notice in John's contract, I don't even want to say .. I mean typically transaction executives are three or four times what John is providing services for. That wasn't lost on the agenda.

Mr. Patenaude

Just to let you know when the mayor called me I was in retirement. I wasn't looking for a job. The other thing is I do have three children who own homes in this city, and I have grandchildren in this city. So, I do have (inaudible) although I live in Hudson. Half of my family lives in Nashua, and the grandkids. Again, I don't believe in gauging the city. I just like doing the work. I like eminent work, and I thought that was fair for both of us so that's how I came up with my offer.

Attorney McNamee

In your packet you have contracts for everyone except Rath, Young. It's a continuation of the original with them. There are two things that we are asking for in this meeting. One is that you approve these contracts for it to go forward with due diligence. And I apologize that you just got it and are being asked to vote. Because we can't bring these out in the public domain, they have been very gracious about allowing us that. We can answer questions on it for certain. These have been fairly closely negotiated deals. The Rath, Young contract I want to point out that we got a substantial discount with Bill Ardinger. Probably up to half the rate that he would charge a business client. Melanson, Heath is a tenth of what we saw or almost a little over a tenth from what we saw from other financial firms. The Beck model is within the same rates that you approved just a couple years ago with the last contract. This is just an addendum to the contract. GeoInsight, we actually negotiated that price a little more closely and the level of due diligence to something less than what they thought it might have to be. What they initially proposed to us was the due diligence that had actually been approved previously by this Board because this was the environmental due diligence firm that was engaged in 2007 last time. And what we said about Peckar & Abramson, they are experts and those rates are excellent for a law firm with that area of expertise. So that's one vote that we ask that you approve these contracts.

The other vote is the last document in your packet which is the form of the motion to transfer funds. I'll let the mayor talk about that, but you'll see it is being transferred from the CERF account to the Pennichuck account that we use to pay for these. Ultimately it would be transferred back once we go out to bond.

Alderman McCarthy

In terms of the contracts that we need to approve, we have an existing agreement with Rath, Young & Pignatelli. Is the Downer work under contract with Downer or..

Mayor Lozeau

That was approved at the last meeting.

Alderman McCarthy

Didn't we approve the agreement with..

Mayor Lozeau

John? You approved the ability for me to hire him but not ..

Attorney McNamee

Subject to final approval.

Alderman McCarthy

So we would need to approve the contracts with Melanson, Heath, RW Beck, GeoSight, Peckar & Abramson & Mr. Patenaude.

Attorney McNamee

And the Rath, Young is going to be exceeding the not-to-exceed amount at the end because we now have gotten into a different stage.

Alderman McCarthy

Okay and approve an extension to the Rath, Young under the current terms.

Alderman Deane

I need to understand why the fund transfer has to be done in a non-public setting.

Mayor Lozeau

We had that discussion because I was concerned about it because the last time we did, we did do it in a public session. The way Jamie explained it to me was..

Attorney McNamee

The reason is what we are doing is we're transferring the funds at this point, really at the end of the road, for due diligence purposes. If we were to have that vote taken in public session then it would become clear what we were doing is moving forward with an acquisition of Pennichuck.

Alderman Deane

Clear to whom?

Alderman McCarthy

People who speculate on the stock price.

Mayor Lozeau

Once the DMA becomes public, I think that we could make it clear that we have taken this financial approach and information will be available.

Alderman Deane

What's the plan to replenish the capital equipment reserve account?

Mayor Lozeau

The plan is, as we have discussed in numerous meetings now, if the cost that we incurred in acquisition are given back to the city that's when we'll replenish CERF. From my perspective, we owe a million dollars. The first \$500,000 that we transferred on my watch was I had not taken it out of CERF, but I was moving \$500,000 into CERF. I was putting additional money into CERF. We captured that money for this purpose. So the second time, it will be a total of \$1 million that I would like to put back into CERF when we recapture those dollars. Now that is part of the discussion that we are going to have in the financial modeling about are we putting \$6 million back. I think Alderman Flynn, you have raised this a few times. If some of its paid for then we revisit it. Do we do some? Do we do all? I think we need to talk about that and know what those circumstances are. But, from my perspective this \$1 million from CERF, when you add those two totals together, is really important to put back. We currently have \$5.1 million in CERF. Just so you are aware. It's not money that we would spend this year. We have a CERF plan going forward so I have some confidence that this is not going to negatively impact those dollars. I was more concerned about going into undesignated fund balance or some of those other sources. We're still trying to close our books and set the tax rates which is why I'm proposing this to be the funding source.

MOTION BY ALDERMAN TABACSKO TO APPROVE THE EXTENSION OF THE NOT-TO-EXCEED AMOUNT WITH RATH, YOUNG AND PIGNATELLI AND TO APPROVE THE PROVIDED AGREEMENTS WITH MELANSON, HEATH & CO., R.W. BECK, GEOSIGHT, PECKAR & ABRAMSON AND JOHN PATENAUDE

ON THE QUESTION

Alderman Cookson

I have a question with respect to the GeoInsight document. Is this the complete document or is this only a subset of the document?

Attorney McNamee

I believe it's the entire document.

Mayor Lozeau

I believe it is the whole contract scope of work.

Alderman Cookson

I'm looking at page three and it's talking about the process the GeoInsight recommends for Questionnaire Response Review illustrated on Figure 1. I don't see Figure 1 identified within this document.

Attorney McNamee

There was in the original document. It's a questionnaire.

Mr. Patenaude

It was a flow chart that showed...

Mayor Lozeau

How it would work?

Mr. Patenaude

Ya.

Mayor Lozeau

I guess Figure 1 is not included, Alderman Cookson. Is there anything else missing that you're aware of in that document? So just the flow chart. And what does the flow chart demonstrate?

Mr. Patenaude

There's a series of questions which if you answer x then you go to y and then if it's right there's no further action required. That kind of flow chart. It just shows what the steps are.

Mayor Lozeau

Of the actions that they are going to take. So we get in there and we find this, then we have to do this. We get in there and we don't find this then we move to this step. But is that defined clearly enough in the narrative or do you need that chart to know that? Is it too technical for most of us to know what...

Mr. Patenaude

It is technical, but they had done some work back two years ago, three years ago.

Attorney McNamee

2007.

Mr. Patenaude

Three years ago where they had put together, I'll call it screens, for lack of a better term that would Pennichuck would have to answer the questions relative to various sites. That's what they are proposing on using to finish those screens and get them completed so Pennichuck can answer those and then they can move on from there. A lot of these if there are no answers then there's no issue and then go forward. What they are proposing to review is the two main sites, pump sites for lack of a better term. Not the pumping stations but the..

Attorney McNamee

Filtration systems.

Mr. Patenaude

Filtrations systems, one in Nashua and the other in Pittsfield. That would be what they call a Phase I.

Mayor Lozeau

None of the environmental that have been done have found any issues.

Mr. Patenaude

Right.

Mayor Lozeau

That I'm aware of.

Unidentified Speaker

It says the proposal was updated June 1, 2010 for the March season from the city. And then GeoSite says you and Mr. James McNamee. Now this letter is to Mr. James McNamee. Who is the you?

Mr. Patenaude

Me.

Unidentified Speaker

It didn't include your name anywhere.

Mr. Patenaude

It actually was addressed to me initially, and I said no, address it to Jamie. I think they changed the addressee but didn't change the body of the letter.

Mayor Lozeau

Mark's been on my internal Pennichuck team because he had that one history. He's been involved long before I got with it. He was one of the ones that had been dealing with the environmental company so we asked him to do the initial reach out there with something. What it would cost to update their proposal so we were prepared when the time came.

MOTION CARRIED

MOTION BY ALDERMAN LAROSE TO TRANSFER THE SUM OF \$500,000 FROM ACCOUNT 593-87005, CAPITAL EQUIPMENT RESERVE FUND FY11 INTO ACCOUNT 699-07, WATER SUPPLY ACQUISITION

MOTION CARRIED

Mayor Lozeau

I understand, and I think I've mentioned this in other meetings, that this seems to all of a sudden have this momentum, and it feels like a lot of stuff is going on and it is hard to feel like you have enough information. I want to make it clear that if any of you that want more information or have concerns or questions, if you ask me that information and let me know ahead of time, I can set something up where I can provide that other information to you. It's not my goal to have you feel like you have to vote on something that you feel uncomfortable with because you don't know enough about it. Some of you have been working on this before I got here. I know how much work it took me to get to a place where I'm feeling comfortable. So when we look at these future meeting dates, which again I will remind you the first one that we're talking about is the modeling meeting which I'm going to propose next Wednesday night. I'll move finance to 6:30 and we can do a 7:30 special meeting if the president agrees with that. Then, I think we should talk about what everybody thinks is going to be necessary for the DMA meeting. Jamie, are you passing out?

Attorney McNamee

I'm not passing out anything.

Mayor Lozeau

That one you can take home.

Attorney McNamee

This one be very careful where you put it because its

(inaudible, multiple speakers simultaneously)

Attorney McNamee

There's also the federal criminal law that governs any disclosure about this.

Alderman Cookson

Mayor, if I understand your comment about if we want to get more information, because I have to tell you I feel quite uncomfortable being presented contracts to approve this evening without having the opportunity to read them thoroughly. And even in the time that we had, I don't think any of us truly know what was in that document that we just agreed to, or the documents that we agreed to.

So, my understanding of your comment is that if we see another special board of aldermen meeting scheduled with regard to Pennichuck, we can call you office and schedule time to come in and review documents prior to that meeting.

Mayor Lozeau

I would be willing to set that up for you.

(Inaudible statement from unidentified speaker)

Mayor Lozeau

I think it's important. There's a couple things in play here. We have designated a team of advisers and professionals to do some of this work for us. John and Downer and Ardingner, who are reading these contracts, and saying: "This is what we need to take the next steps." I have some confidence

Alderman Cookson

That's understood, but.

Mayor Lozeau

But that's my point, Alderman Cookson.

Alderman Cookson

We've had professionals in the past that we have hired and paid to do this exact same thing. I would suggest that they weren't the most professional and most responsible.

Mayor Lozeau

I would absolutely agree which is why you noticed some of them were not hired on my watch because of my confidence level. But my whole point is, what I'm saying to you, is there is some level of confidence from people like me that are working more closely with the advisers. It's not fair for me to assume that you have that same confidence because you've met them in meetings for an hour or two. That's what I am saying to you. I am willing to allow an opportunity for you, as individuals, to come in, take a look at whatever that packet might be that we have available and be able to review it so when you come to the meeting you are prepared. That's worked for this DMA meeting. I'm talking about we've done two things that divert from the usual. One is we're letting you walk out of here tonight with a document that gives you an outline so you have some idea what to expect when you see the DMA. You'll have an opportunity at Wednesday's meeting, even though we're not taking up the DMA, to potentially ask questions about this when you see it. Whatever you do when you look at the DMA, make sure you look at this or you look at that. Because when you get that final DMA document, that's going to be a negotiated document that has been a moving target all along that our advisers are working on. It's not going to be what we're all accustomed to look at the document and say: "I don't like on page 12 the word "may", "want" "shall." Well, this is the best deal that they have negotiated for us so that's a tough time to be talking about some of that. So, I propose the DMA meeting be something that's a little bit longer so you can get more comfortable with some of those things. You hear me say a lot as the night wears on, we're not doing our best work. I propose that that meeting maybe be a Saturday. We start at nine, ten o'clock in the morning and we work until we're done getting through the document. The advisers are willing to do that and come to that meeting and make that happen. And it seems to make sense to me. Now it call it a little additional attention to things because we're having special board meetings but everybody is speculating now that we're having some kinds of conversation, especially after the last filing and as things are going on. We just have to be careful how much we're in people's face.

Alderman McCarthy

I'd actually like to get a sense of the board as to whether we want to do that or not before we leave this evening. That would be after August 10th?

Mayor Lozeau

No, it would be before then. What would happen is: next meeting the modeling. After that we anticipate a DMA agreement that's going to be able to be messengered to you, which will be kind of the best deal we've negotiated. That will come to you and then we're looking at a week of that, maybe sooner, to then come back and that's when I'm looking for the Saturday morning.

Alderman McCarthy

I have a two-week upcoming vacation. I don't know the plans of the rest of the board are, but I don't want to schedule this while people can't be there.

Mayor Lozeau

Right. So if we could get a sense maybe of whether people like the Saturday idea and which Saturdays are not available, we'll see what we can do to work around that.

Alderman McCarthy

Let me just get a show of hands. Who would prefer to do it on a weekend? And who would prefer to do it on a couple of week nights. It's fairly evenly divided. We'll probably have to have some more discussion on that over the next week or so.

Mayor Lozeau

Okay, I'd just hate to lose some momentum when we could have everybody there and go through the document a piece at a time. Giving it to you in advance, I think would be very helpful because it's going to be hard to get through.

Alderman Wilshire

I agree with you that at nine, ten, eleven o'clock at night, you get tired and you can't grasp everything. I think a Saturday morning is really an opportune time.

Alderman McCarthy

I have a hard time grasping stuff on Saturday morning. I'm much better in the evening than at eight o'clock in the morning.

Mayor Lozeau

I'm happy to do a week day if people can get time off from work. Alderman McCarthy, I'm happy to do a weekday too.

Alderman Wilshire

That might work too.

Mayor Lozeau

If people can get a day off, I don't know.

Alderman McCarthy

It's not the day, it's the time of day.

Mr. Patenaude

A 7:00, 6:30 in the evening doesn't seem to be unreasonable.

Mayor Lozeau

It's just that it could be a good three-hour meeting. I don't know, it depends on what questions you have when you get into it.

Alderman LaRose

It seems to me that if we do it on a week night, on two consecutive week nights, you put – especially on the first tonight, you put a moratorium on how long you're going to go. When you reach that time, that's it and you go on to the next day.

Mayor Lozeau

I'm happy to do whatever.

Alderman McCarthy

We'll search this out.

Mayor Lozeau

I just want to make sure that everybody feels like they are not pushed into a corner on trying to make a decision on it.

MOTION BY ALDERMAN CRAFFEY 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

Alderman Chasse

For the record, I am here.

Alderman Sheehan

Alderman Vitale too.

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

Yea: Alderman Vitale, Alderman Craffey, Alderman Deane,
Alderman Pressly, Alderman LaRose, Alderman Tabacsko,
Alderman Cox, Alderman Sheehan, Alderman Wilshire,

Alderman Chasse, Alderman Flynn, Alderman Cookson,
Alderman McCarthy 13

Nay: 0

MOTION CARRIED

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

ADJOURNMENT

**MOTION BY ALDERMAN LAROSE THAT THE JULY 13, 2010, SPECIAL MEETING OF THE BOARD OF ALDERMEN BE ADJOURNED
MOTION CARRIED**

The meeting was declared adjourned at 7:40 p.m.

Attest:

Patricia Piecuch, Deputy City Clerk