

STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE

IN THE MATTER OF:)	
)	
Local Government Center, Inc., et al.)	C-2011000036
)	
RESPONDENTS)	
)	

HEALTHTRUST’S STATEMENT OF UNDISPUTED FACTS

HealthTrust, Inc. (“HealthTrust”) submits this statement of undisputed facts in support of its motion for summary judgment on the Motion for Entry of Default Order filed by the Bureau of Securities Regulation (“BSR”).

1. On August 16, 2012, the Presiding Officer issued the Final Order in this matter. In pertinent part, the Final Order directed that: (1) the property-liability program distribute \$3.1 million to members no later than September 1, 2013; and (2) the property-liability program repay \$17.1 million to the health program no later than December 1, 2013. Final Order ¶¶ 11, 13. The Final Order also directed that within 90 days the Local Government Center should reorganize its two pooled management programs into a form that provides each program with an independent board and its own set of written bylaws. Final Order ¶ 1. The then-respondent entities appealed provisions of the Final Order, including the \$17.1 million repayment, to the New Hampshire Supreme Court.¹

2. In November 2012, the two existing LLCs (Local Government Center HealthTrust, LLC (“LGCHT”) and Local Government Property-Liability Trust LLC (“LGCPLT”)) adopted separate bylaws and appointed separate boards of managers. Motion for

¹ On October 7, 2013, Property-Liability Trust, Inc. (“PLT”), with HealthTrust’s assent, moved that the Supreme Court stay the \$17.1 million payment obligation while the appeal was pending. The Supreme Court granted the stay on October 23, 2013.

Entry of Default ¶ 11. See Affidavit of Peter J. Curro (“Curro Aff.”) ¶ 3; Affidavit of Dennis Pavlicek (“Pavlicek Aff.”) ¶ 3.

3. BSR attorneys testified that paragraph 1 of the Final Order had been complied with in testimony before the legislative Committee to Review the Hearing Officer’s Report with Regard to the New Hampshire Local Government Center on August 21, 2013. See Audio Recording at <http://www.gencourt.state.nh.us/statstudcomm/committees/2121/> (at 14:54 and subsequent).²

4. On September 1, 2013, as part of a reorganization, LGCHT and LGCPLT assigned their respective assets and liabilities to HealthTrust and PLT, each of which had its own set of bylaws and its own board of directors. Motion for Entry of Default ¶ 11.³ HealthTrust and PLT each continue to have an independent board and its own set of bylaws. Curro Aff. ¶ 3; Pavlicek Aff. ¶ 3.

5. The December 31, 2010 PLT financial statements reported total net assets (assets net of liabilities) of \$10,401,808. That \$10.4 million figure did not account for either the \$3.1 million distribution to PLT members or the \$17.1 million repayment obligation to HealthTrust later required by the Final Order. If these two potential obligations had been included, PLT would have been insolvent by approximately \$9.8 million ($\$10,401,808 - \$3,100,000 - \$17,100,000 = (\$9,798,192)$). Pavlicek Aff. ¶ 4.

² Senator Forrester: So, did I understand you correctly that they have complied with #1 but you’re disputing... whether they’ve complied fully? Is that what you’re saying?

BSR Attorney Laroche: #1 of the order has been complied with. The pools themselves... now have their own boards with their own independent bylaws...

Senator Forrester: So that’s been satisfied?

BSR Attorney Laroche: Yes. Yes, that has been. There is no dispute in terms of compliance with the Order.

³ The propriety of aspects of this reorganization is being litigated before the superior court in New Hampshire Municipal Ass’n, Inc. et al. v. State of New Hampshire Dep’t of State et al., No 217-2013-CV-00511 (Merrimack Super. Ct.).

6. PLT's audited December 31, 2011 financial statements reported total net assets of \$11,566,563. This figure did not account for either the \$3.1 million or the \$17.1 million directed to be paid in the Final Order. Pavlicek Aff. ¶ 5.

7. PLT's June 30, 2013 unaudited financial statements reported total net assets of \$12,150,050. This figure did not account for either the \$3.1 million or the \$17.1 million directed to be paid in the Final Order. Pavlicek Aff. ¶ 6.

8. Based on the available financial statements, in the summer of 2013, HealthTrust recognized that PLT lacked the assets to make a \$17.1 million payment. Acting to protect its then-contingent claim against PLT, HealthTrust demanded that PLT not make the \$3.1 million distribution to members unless it first made adequate provision to pay the \$17.1 million. When PLT declined, HealthTrust asked the Secretary to cause PLT to delay the distribution of the \$3.1 million. The BSR refused by letter dated August 30, 2013. Curro Aff. ¶ 4. On August 30, 2013, PLT distributed the \$3.1 million to members as directed in the Final Order. Pavlicek Aff. ¶ 7.

9. PLT's August 31, 2013 unaudited financial statements – which reflected PLT's August 2013 payment of the \$3.1 million to PLT members but did not include the \$17.1 million obligation which was on appeal – reported total net assets of \$12,205,163. The August 31, 2013 PLT financial statements showed that PLT could not pay HealthTrust and also meet its coverage obligations to members and claimants. Based on those financial statements, if the New Hampshire Supreme Court affirmed the \$17.1 million obligation, PLT would be rendered insolvent by approximately \$4.9 million ($\$12,205,163 - \$17,100,000 = (\$4,894,837)$). Pavlicek Aff. ¶ 8.

10. The Final Order suggested at ¶ 13 that PLT borrow the money to pay HealthTrust. When PLT sought to do so, no lenders indicated a willingness to extend a loan to provide cash

for PLT to pay HealthTrust. Affidavit of George Bald (Supreme Court No. 2012-729, filed October 7, 2013; copy attached as Exhibit A). By letter dated May 10, 2013, RBS Citizens, N.A., denied PLT's request for a credit facility as part of a plan to repay the \$17.1 million to HealthTrust. Pavlicek Aff. ¶ 9.

11. The PLT Board of Directors determined to offer the PLT coverage lines (property-liability, workers' compensation, and unemployment compensation) to PLT members. The PLT Board set the rates applicable to those coverage lines, consistent with offers being made on terms set forth in PLT's coverage documents. The PLT Board made the decisions concerning how to offer the coverage lines to PLT members and the structure of those coverage lines. Pavlicek Aff. ¶ 10.

12. PLT's independent consulting actuaries, the national actuarial consulting firm Towers Watson, performed rate level and experience modifier analyses concerning PLT's 2013/2014 property-liability, workers' compensation and unemployment compensation coverages. Based on the Towers Watson indications, the rates and experience modifiers included in PLT offers made in the fall of 2014 were priced at or above break-even. Pavlicek Aff. ¶ 11.

13. In the early fall of 2013, PLT's financial statements showed that it would be insolvent if the Supreme Court affirmed the \$17.1 million PLT payment obligation, and that PLT could not meet its coverage obligations and pay HealthTrust. This placed the PLT Board of Directors in an untenable position because, in the event of insolvency, they would owe duties to all of PLT's creditors, not all of whom could be paid. The PLT insolvency, absent some form of advance agreement with a creditor or creditors, would require a filing for protection under the

Bankruptcy Code or, possibly, some form of equity receivership because any subsequent payments would prefer those receiving the payments. Pavlicek Aff. ¶ 12.

14. In a bankruptcy, PLT's payments to coverage claimants and others would be interrupted. There is no priority in bankruptcy for claimants under the PLT coverage agreements. PLT's Board of Directors, therefore, faced the prospect that coverage claimants (other than workers' compensation claimants whose claims were secured by a special deposit with the New Hampshire Department of Labor set at 120% of reserves for incurred but unpaid losses, HealthTrust, and any other general creditors, would not receive full payment, and the payments to all would be delayed. Pavlicek Aff. ¶ 13.

15. PLT's potential insolvency and bankruptcy or receivership proceeding also placed HealthTrust in a difficult position. Any payment to HealthTrust on the \$17.1 million PLT obligation would be partial and would only follow a potentially lengthy period of time necessary to obtain court approval as part of an insolvency proceeding. A PLT bankruptcy proceeding would entail expense, both for the proceeding itself and for administering coverage claims, which would reduce the assets available to pay PLT creditors, including HealthTrust. Further, PLT's failure to timely make payment on its coverage obligations to claimants against its members (who in most instances were also HealthTrust members) would harm those members, and inflict reputational damage on HealthTrust. Curro Aff. ¶ 5.

16. If HealthTrust and PLT did not anticipate and address the consequences of a potential Supreme Court decision affirming the PLT \$17.1 million payment obligation under the Final Order, and such a decision issued, then PLT could be thereby rendered insolvent and consequently precluded from negotiating with creditors outside of a bankruptcy or other proceeding. In that case, (1) PLT would not be able to pay HealthTrust in full, (2) any PLT

payment to HealthTrust would be significantly delayed, (3) PLT's assets would be depleted by the expenses of the bankruptcy or receivership proceeding, (4) PLT's payments to coverage claimants would be interrupted, (5) the New Hampshire Department of Labor would need to act to liquidate the deposit and arrange for payment of workers' compensation claims, and (6) PLT's other coverage obligations would not be paid in full. Additionally, HealthTrust would be competing with such PLT claimants for recovery from PLT's estate, and HealthTrust's members who are also members of PLT would be harmed, as would HealthTrust's reputation. Curro Aff. ¶ 6; Pavlicek Aff. ¶ 14.

17. In these circumstances, HealthTrust and its outside counsel negotiated a Settlement Agreement ("Agreement") with PLT to avoid those adverse consequences from affirmance of the portion of the Final Order directing the \$17.1 million payment. The Agreement was expressly conditional, and it was only to become operational if the Supreme Court affirmed the payment provision or a modified obligation that remained in excess of PLT's ability to pay without precluding PLT from paying coverage obligations in full. Agreement ¶ C.3. Curro Aff. ¶ 7; Pavlicek Aff. ¶ 15.

18. The HealthTrust Board of Directors approved the Agreement at the Board meeting on October 28, 2013. The HealthTrust Board considered PLT's financial condition and concluded that forcing PLT to default on its coverage obligations and file for bankruptcy would not be in the interest of HealthTrust or its members because of the additional administration costs and delay in realizing on PLT's available assets that would result. Agreement ¶ A.11(d). Since, pursuant to the Agreement, it would administer the runoff of PLT's coverage obligations, HealthTrust would have the ability to monitor the administration expense and see that the runoff

is handled effectively and efficiently. A bankruptcy or receivership would entail greater administration costs that would not be subject to HealthTrust's control. Curro Aff. ¶ 8.

19. The HealthTrust Board also considered that: (1) the insolvency of PLT (and resulting hardship for PLT members) would cause reputational harm to HealthTrust because of the two entities' long association in the marketplace and because more than half of HealthTrust members are also PLT members; and (2) because the \$17.1 million obligation to HealthTrust would be the cause of PLT's insolvency – HealthTrust might wrongfully be viewed as being responsible for the hardships imposed on PLT members and claimants, which could substantially erode HealthTrust's goodwill and damage its business. Agreement ¶ A.10. HealthTrust agreed to give priority to the coverage claims of PLT members, which places PLT claimants in a better position than they would have had in bankruptcy. The priority was warranted in light of the benefit to HealthTrust of administering the runoff and the danger to HealthTrust's own business of causing a default in the payment of PLT claims. Because the Agreement provides that the operational and financial results for the PLT runoff will be tracked and reported separately, Agreement ¶ E.2, HealthTrust has the ability to monitor the status of the runoff of PLT's coverage obligations and to determine the availability of the transferred PLT assets for distribution to HealthTrust members. Curro Aff. ¶ 9.

20. The HealthTrust Board concluded that HealthTrust's realization on the \$17.1 million potential PLT obligation would be maximized by accepting an assignment of PLT's assets and liabilities, agreeing to handle the claims of PLT coverage claimants, and agreeing that those claimants would be the first paid from PLT assets. See Agreement ¶ 11(f). Curro Aff. ¶ 10.

21. The PLT Board of Directors approved the Agreement at its meeting on October 29, 2013. The PLT Board of Directors recognized that if PLT had to repay the full \$17.1 million, it would render PLT insolvent. Agreement ¶ 9(c). That unfortunate outcome could lead to bankruptcy or similar receivership proceedings, which would result in the payment of only part of PLT's coverage obligations, thus causing severe hardship to PLT members and claimants. Agreement ¶ 9(e). The PLT Board concluded that it was in the best interests of PLT members and claimants to reach an agreement in advance on how the \$17.1 million potential obligation would be satisfied if the Supreme Court affirmed it. Agreement ¶ 9(f). Pavlicek Aff. ¶ 16.

22. In the Agreement, PLT and HealthTrust agreed that if the Agreement became operational, PLT would transfer all of its assets and liabilities to HealthTrust (Agreement ¶ D.1); HealthTrust would accept the assignment of all of PLT's assets and liabilities in full satisfaction of PLT's obligations under the Final Order, including the repayment provision (¶ D.2); HealthTrust would manage the runoff of PLT's coverage obligations, using the assets transferred from PLT and the existing administrative structure and to that to the extent of PLT's assets HealthTrust would give priority to the payment of PLT's coverage obligations (¶ D.3); and any transferred assets remaining after the satisfaction of PLT's coverage obligations would be the sole property of HealthTrust (¶ D.5). Curro Aff. ¶ 11.

23. The Agreement contains provisions concerning the runoff of PLT's coverage obligations. HealthTrust agreed to initially hire the PLT employees until it determined the best staffing option for on-going operations. Agreement ¶ E.1. The Agreement provides that HealthTrust will track and report (in its financial statements) the operating and financial results for its health coverages and the PLT runoff separately; that the provisions of the Final Order

would apply separately to the health coverage pool and the PLT runoff; and that claim payments for the PLT runoff would not be included in any calculations of surplus to be retained by HealthTrust. Agreement ¶ E.2. Curro Aff. ¶ 12.

24. PLT's financial statements as of August 31, 2013, reported PLT net assets of \$12.2 million. Accordingly, subject to the costs of administering the runoff of PLT's coverage obligations at a level equal to or less than the reserves established for that purpose, HealthTrust could reasonably anticipate that it would ultimately realize approximately the net asset amount of \$12.2 million based on the August 31, 2013 financial statements. Curro Aff. ¶ 13.⁴

25. The Agreement became operational on January 10, 2014, when the Supreme Court issued its decision that, among other things, affirmed the \$17.1 million repayment obligation. Since that time, HealthTrust has administered the runoff of PLT's coverage obligations. HealthTrust has tracked and reported the operational and financial results of the runoff of PLT coverage lines separately. Curro Aff. ¶ 14.

26. The reserves for incurred coverage obligations reported in PLT's financial statements were based on analyses by its independent consulting actuary, the national actuarial firm of Towers Watson. The claims reserves reported in the PLT August 31, 2013 financial statements were based on Towers Watson's analyses of the reserves for workers' compensation, property-liability and unemployment coverages as of December 31, 2012. The reserves carried in the August 31, 2013 financial statements reflected the December 31, 2012 actuarial central estimates provided by Towers Watson as updated by PLT. Pavlicek Aff. ¶ 18.

⁴ PLT's September 30, 2013 unaudited financial statements reported total net assets of \$12,521,434. PLT's October 31, 2013 financial statements reported net assets of \$12,742,952. The November 30, 2013 financial statements reported net assets of \$12,535,150. Pavlicek Aff. ¶ 8 n. 1.

27. Towers Watson prepared updated analyses of PLT's workers' compensation, property-liability and unemployment coverages as of August 31, 2013 for PLT. The reports reduced Towers Watson's selected incurred loss, loss adjustment, and workers compensation assessment estimates by a total of \$3.3 million from the estimates as of December 31, 2012 underlying the August 31, 2013 financial statements. Pavlicek Aff. ¶ 19.

28. Pro forma PLT financial statements as of December 31, 2013 (prepared after January 10, 2014) incorporated the updated reserve estimates from Towers Watson. Those financial statements show total net assets of \$15,813,101. Curro Aff. ¶ 15.

29. In January 2014, HealthTrust asked Towers Watson to update its estimates of the incurred obligations for the PLT workers' compensation, property-liability, and unemployment coverage lines as of January 10, 2014, the date the Agreement became operational. Towers Watson's updated analyses reduced its actuarial central estimates by a total of \$1.4 million from the total of the central estimates as of August 31, 2013. Curro Aff. ¶ 16.

30. In late February 2014, HealthTrust prepared a pro forma financial statement of assets and liabilities for the runoff of PLT's coverage lines as of January 31, 2014 using the Towers Watson updated estimates. The pro forma statement showed total net assets of \$18,119,988. The pro forma indicated that there could be a positive net amount of \$1,019,988 after the runoff of the PLT coverage obligations and payment of the full \$17.1 million obligation to HealthTrust ($\$18,119,988 - \$17,100,000 = \$1,019,988$). Curro Aff. ¶ 17.

31. That \$1 million in potential ultimate net assets is significantly less than the 90% confidence level margin of \$4,402,000 calculated by Towers Watson as of January 10, 2014. PLT historically reflected a 90% confidence level margin in its net assets as reported in its

financial statements. The \$1,019,988 net position corresponds to a confidence level margin of 68% as calculated by Towers Watson. Curro Aff. ¶ 18.

32. HealthTrust continues to exist. It has a board of directors and by-laws. Curro Aff. ¶ 19. PLT continues to exist. It has a board of directors and by-laws. Pavlicek Aff. ¶ 20.

33. The PLT Board of Directors monitors compliance with the Agreement by HealthTrust. Since January 10, 2014, HealthTrust has provided the PLT Board of Directors with information concerning the runoff of the PLT coverage lines, including the pro forma January 31, 2014 financial statement for the PLT runoff and the Towers Watson analyses as of January 10, 2014. Pavlicek Aff. ¶ 21.

34. The PLT Board of Directors met to discuss the runoff and those materials on March 4, 2014. PLT's Board of Directors heard from HealthTrust staff, PLT's counsel, and Towers Watson concerning the updated information at its March 4, 2014 meeting. Noting that the PLT risk management pool program had historically maintained a 90% confidence level margin and that the approximately \$1 million in potential ultimate net assets (after satisfaction of all obligations including the \$17.1 million payable to HealthTrust) was significantly below that level, the PLT Board concluded that it was not in the interest of PLT members to seek to terminate or rescind the Agreement. The PLT Board concluded that PLT could not operate as a viable pooled risk management program with such thin potential net assets. Pavlicek Aff. ¶ 22.

35. At its meeting on April 1, 2014, the HealthTrust Board voted to approve a distribution of \$13.9 million by HealthTrust from the assets transferred by PLT as soon as possible after June 30, 2014, proportionally to the then existing HealthTrust members with medical and dental coverage, based on their share of contributions made to each of the medical and dental lines during the current fiscal year, subject to the advance approval or expressed non-

objection of the Secretary. The HealthTrust Board decided to authorize the \$13.9 million distribution after giving consideration to (1) the Towers Watson reports as of August 31, 2013 and January 10, 2014; (2) the PLT Board's practice of maintaining a 90% confidence level margin; and (3) the significant changes in estimates of PLT coverage line incurred obligations that have taken place over the past several months. The HealthTrust Board will make decisions concerning further distributions after it receives Towers Watson updated reserve analyses for the close of the current fiscal year, June 30, 2014. Curro Aff. ¶ 20.

36. HealthTrust requested the Secretary's consent or expressed non-objection to the \$13.9 million distribution to HealthTrust members on April 8, 2014. To date, the Secretary has declined to consent or not object to the proposed distribution. Curro Aff. ¶ 21.

37. On April 29, 2014, the New Hampshire Department of Labor issued an Administrative Order concerning PLT and HealthTrust. Curro Aff. ¶ 22.

HEALTHTRUST, INC.

By Its Attorneys,

Dated: May 9, 2014

/s/ Michael D. Ramsdell
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CERTIFICATE OF SERVICE

I certify that I have forwarded copies of this pleading to counsel of record via email.

/s/ Michael D. Ramsdell
Michael D. Ramsdell

STATE OF NEW HAMPSHIRE
SUPREME COURT
2012 TERM

IN THE MATTER OF:)
)

Local Government Center, Inc. *et al.*)
)
_____)

Case No. 2012-0729

**AFFIDAVIT OF GEORGE BALD IN SUPPORT OF RENEWED MOTION
OF APPELLANT PROPERTY-LIABILITY TRUST, INC.
FOR STAY OF FINAL ORDER PENDING APPEAL**

I, George Bald, depose and state on oath as follows:

1. From February 6, 2013, through August 19, 2013, I served as the Interim Executive Director of Local Government Center Property-Liability Trust, LLC ("Old PLT"), to which, as of September 1, 2013, Property-Liability Trust, Inc. ("PLT") became the successor-in-interest, pursuant to a transfer of all assets and all liabilities from Old PLT to PLT in connection with a restructuring of Old PLT.

2. My career has been spent in local, regional (intra-state), and state government in New Hampshire beginning in 1978 with the first of my three terms as mayor of the City of Somersworth, which then had the "strong mayor" form of municipal government. I also served for a total of six years with the Pease Development Authority (the "PDA"), the last two, 2004-2006, as the PDA's Executive Director. While several serious disputes arose between the City of Portsmouth and the PDA, they were all resolved, and the redevelopment of Pease Air Force Base was successful. Most recently before my employment with Old PLT, I served from 2006 to

November 2012 as Commissioner of the New Hampshire Department of Resources and Economic Development.

3. In my capacity as Old PLT's Interim Executive Director, I was actively and daily engaged with PLT's efforts and activities both (a) to negotiate with the BSR regarding the terms of the Final Order, and (b) to comply with the terms of the Final Order.

4. Indeed, compliance with, and clarification of, the Final Order was one of my principal responsibilities, as PLT had told me would be the case if I accepted its offer of employment. I was thus intent both on complying to the extent possible, and on negotiating, notwithstanding the BSR's rejection of a PLT proposal to mediate that preceded my arrival at PLT.

5. Among other things, the Final Order called for PLT to pay \$17.1 million by December 1, 2013, to co-appellant HealthTrust, Inc. ("HT"), which since September 1, 2013 has been the successor-in-interest to Local Government Center HealthTrust LLC ("Old HT"), pursuant to an Asset Purchase Agreement by and among HT, Old HT, and Local Government Center, Inc. The financial statements that Old PLT submitted during the proceeding before the Bureau demonstrated that PLT did not have funds sufficient to make that payment.

6. The Final Order therefore provided that "[t]he funds to make this re-payment may be borrowed from an independent entity at commercially reasonable terms, in consultation with the Bureau of Securities Regulation in the exercise of its supervisory powers which shall be exercised in good faith." Final Order at 78, Item 13.

7. My office calendar records during my six-month tenure as Interim Executive Director shows at least 12 personal meetings or telephone calls, the first on February 12, 2013, and the last on August 6, 2013, with Barry Glennon, the Director of the Bureau, regarding the Final Order. The same records also show six meetings or telephone calls with William Gardner, the New Hampshire Secretary of State and Mr. Glennon's superior. The \$17.1 million payment required by the Final Order and PLT's inability to pay such an amount – and my position that the parties should acknowledge the reality of such inability and attempt to deal with it – were always among the topics discussed during these meetings and telephone conferences.

8. At no time during my tenure at PLT, did either PLT or I lose sight of, or ignore, the \$17.1 million obligation or the peril it posed for PLT.

9. PLT simultaneously availed itself of the permission granted to it in the Final Order to seek to borrow the money to discharge the \$17.1 million obligation.

10. The most obvious avenue for borrowing such a large amount was PLT's current and long-standing bank, RBS Citizens, N.A. ("Citizens Bank") in Manchester. I met four times with PLT's banker, Jeffrey B. Tatro, Senior Vice President of Citizens Bank. One of the meetings was also attended by Mr. Tatro's colleague, Keith Pine, Vice President of Citizens Bank's Government Banking Division. I provided Citizens Bank with PLT's most recent 2011 audited financials and other requested financial information. Citizens Bank concluded after the meetings and its review of the situation that the requested loan was "not a bankable credit," expressing concerns about the insufficiency both of cash flow to repay the loan and of collateral to secure it. While it is true that PLT did not submit a formal "loan application," it was merely sparing itself a nugatory effort. PLT was not a stranger to Citizens Bank, walking in off the

street to get a home mortgage. If anyone was going to lend \$17.1 million to PLT, it was Citizens Bank.

11. Nonetheless, I also met with Steve Webb, President of TD Bank New Hampshire, on May 1, 2013, to explore a loan from Mr. Webb's bank. Mr. Webb reviewed PLT's audited financials at the meeting. He declined to pursue PLT's request further politely but firmly.

12. My third and final approach on behalf of PLT was to the New Hampshire Business Finance Authority ("BFA"), an organization I know well from my years in government. I spoke three times with Jack Donovan, the Executive Director of BFA, and also provided him with PLT's audited financials.

13. BFA, which is not itself a direct lender but rather a provider of loan guaranties, declined to provide support for a borrowing from a third-party private lender and expressed its opinion that no such lender could be found, even if BFA support were available, because of the same cash flow and collateral concerns that deterred Citizens Bank.

14. What is obvious from PLT's 2010 financials before the Presiding Officer was also obvious to prospective lenders from PLT's 2011 financials: PLT was in no position to discharge or incur a \$17.1 million obligation.

15. In light of PLT's inability to make the \$17.1 million payment, I met with the Bureau's consultant, Michael Coutu, in July 2013 and eventually was able to schedule a negotiating session between PLT and the Bureau.

16. The meeting convened on neutral territory, at the office of the New Hampshire Department of Resources and Economic Development. Old PLT was represented by myself and

two board members (including the chair); Old HT, the prospective recipient of PLT's \$17.1 million repayment (and PLT's co-appellant of the Final Order), sent two board members (including its chair); Old PLT's and Old HT's corporate parent, Local Government Center, Inc., sent its board chair.

17. The Bureau was represented by two people, Mr. Glennon, its Director, and Mr. Coutu, its consultant. The Secretary of State was invited, but did not attend.

18. The meeting was held on Monday, August 5, 2013.

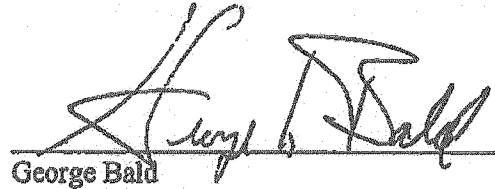
19. The attendees tentatively agreed on a list of items that Mr. Coutu undertook to turn into a written term sheet. It is my understanding and belief that Mr. Coutu prepared the term sheet and gave it to Mr. Glennon to present to the Secretary of State. Neither Old PLT nor Old HT nor LGC has received a copy of this term sheet.

20. On Tuesday afternoon, August 6, 2013, I received a telephone call from Mr. Glennon. He told me that the term sheet that was prepared by Mr. Coutu was not acceptable to the Secretary and that the \$17.1 million repayment order was no longer under discussion.

21. There matters stood until the end of my agreed-upon six-month term on August 19, 2013. On August 14, I had asked Mr. Glennon to give me a copy of Mr. Coutu's term sheet, in the hope it might assist my successor in renewing settlement efforts. Mr. Glennon denied my request the next day.

22. I believe I did my best to end or ameliorate the disputes and difficulties arising from the Final Order, and I regret that they remain in the judicial arena, where it appears they will have to be resolved.

Subscribed and sworn to before me under the pains and penalties of perjury on this 3rd
day of October, 2013.


George Bald

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