

KENNETH E. DUTRUCH, ET AL

VS: 2010-11212 J

STATE OF LOUISIANA

22ND JUDICIAL DISTRICT COURT

*Riecke Construction
Life Insurance*

SOUTHEASTERN LOUISIANA WATER & SEWER
CO., LLC, ET AL

PARISH OF ST. TAMMANY

TO:

SUBPOENA DUCES TECUM

KREBS, FARLEY & PELLETERI, PROFESSIONAL, L.L.C.

THROUGH ITS REGISTERED AGENT, DAVID J. KREBS, ESQ.

400 POYDRAS STREET, SUITE 2500

NEW ORLEANS, LA 70130

YOU ARE HEREBY SUMMONED by the 22nd Judicial Court for the Parish of St. Tammany, Louisiana, To LAW OFFICES OF PERAGINE & LORIO, LLC, 527 EAST BOSTON STREET SUITE 201, COVINGTON, LOUISIANA 70433

on the 22ND day of APRIL 2013, at 10:00 o'clock A.M. to produce the following documents, papers or records:

And commanding it to produce certified copies of the following documents:

- 1) Any and all letters, emails, correspondence, discovery and other items exchanged between any and all parties in *Riecke Development and Construction Co., Inc. and SECO Group, L.L.C. versus New York Life Insurance Company*; No. 614-449 Section 22, 19th Judicial District Court, Parish of East Baton Rouge, State of Louisiana;
- 2) Any and all settlement agreement(s) executed by any and all parties in *Riecke Development and Construction Co., Inc. and SECO Group, L.L.C. versus New York Life Insurance Company*; No. 614-449, Section 22, 19th Judicial District Court, Parish of East Baton Rouge, State of Louisiana;

AND THEREFORE, YOU ARE NOT TO FAIL UNDER PENALTY OF THE LAW.

By order of this Court, this 20TH day of MARCH 2013

Requested by Attorney:

ALEX J. PERAGINE P01

527 EAST BOSTON STREET, SUITE 201

COVINGTON, LA 70433

(985) 292-3500

Malise Prieto, Clerk of Court

BY

PENNY BIBLE

DEPUTY CLERK

204-A

Revised November 2011

Issued March 22, 2013

Please see reverse side for Louisiana Code of Civil Procedure, Article 1354, Subpoena duces tecum.

Louisiana Code of Civil Procedure, Article 1354, Subpoena duces tecum

1. A subpoena may order a person to appear and produce at the trial, deposition, or hearing, books, papers, documents, any other tangible things, or electronically stored information, in his possession or under his control, if a reasonably accurate description thereof is given. A subpoena may specify the form or forms in which electronically stored information is to be produced. A party or an attorney requesting the issuance and service of a subpoena shall take reasonable steps to avoid imposing undue burden or cost on a person subject to that subpoena. The court in which the action is pending in its discretion may vacate or modify the subpoena if it is unreasonable or oppressive. Except when otherwise required by order of the court, certified copies, extracts, or copies of books, papers, and documents may be produced in obedience to the subpoena duces tecum instead of the originals thereof. If the party or attorney requesting the subpoena does not specify that the named person shall be ordered to appear, the person may designate another person having knowledge of the contents of the books, papers, documents, other things, or electronically stored information, to appear as his representative.
2. A person commanded to respond to a subpoena duces tecum may within fifteen days after service of the subpoena or before the time specified for compliance, if such time is less than fifteen days after service, send to the party or attorney designated in the subpoena written objections, with supporting reasons, to any or all of the requests, including objection to the production of electronically stored information in the form or forms requested. If objection is so made, the party serving the subpoena may file a motion to compel compliance with the subpoena and may move for sanctions for failure to reasonably comply.
3. A person responding to a subpoena to produce books, papers, or documents shall produce them as they are kept in the usual course of business or may organize and label them to correspond with the categories in the demand.
4. If a subpoena does not specify the form or forms for producing electronically stored information, a person responding to a subpoena may produce the information in a form or forms in which the person ordinarily maintains it or in a form or forms that are reasonably useable.
5. A person responding to a subpoena need not produce the same electronically stored information in more than one form.
6. A person responding to a subpoena need not produce books, papers, documents, or electronically stored information from sources that the person identifies as not reasonably accessible because of undue burden or cost. On motion to compel production or to quash, the person from whom production is sought shall show that the information sought is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order production from such sources if the requesting party shows good cause. The court may specify conditions, including an allocation of the costs, for the production.
7. When the person subpoenaed is an adverse party, the party requesting the subpoena duces tecum may accompany his request with a written request under oath as to what facts he believes the books, papers, documents, electronically stored information, or tangible things will prove, and a copy of such statement shall be attached to the subpoena. If the party subpoenaed fails to comply with the subpoena, the facts set forth in the written statement shall be taken as confessed, and in addition the party subpoenaed shall be subject to the penalties set forth in Article 1357.
8. Subpoenas duces tecum shall reproduce in full the provisions of this Article.

Amended by Acts 1978, No. 593, §1; Acts 2008, No. 824, §2, eff. Jan. 1, 2009.

East Baton Rouge Parish Clerk of Court - C614449 PET/SUIT ON CONTRACT

SEC. 22

014449
SUIT NO.:

SECTION:

RIECKE DEVELOPMENT AND CONSTRUCTION CO., INC. AND SECO GROUP, LLC

19TH JUDICIAL DISTRICT COURT

VERSUS

PARISH OF EAST BATON ROUGE

NEW YORK LIFE INSURANCE COMPANY
DEPUTY CLERK OF COURT

STATE OF LOUISIANA

2010-11212 "J"
FILED

MAR 19 2013

MALISE PRIETO CLERK
Deputy

PETITION FOR BREACH OF CONTRACT AND DECLARATORY JUDGMENT

NOW COMES RIECKE DEVELOPMENT AND CONSTRUCTION CO., INC., AND SECO GROUP, LLC (formerly known as SOUTHERN LOUISIANA WATER & SEWERAGE CO., L.L.C.), which file this Petition, and allege the following:

1.

PLAINTIFFS

Riecke Development and Construction Co., Inc., ("Riecke") is a domestic corporation with its principal place of business in St. Tammany Parish, Louisiana. SECO Group, LLC ("SECO"), is a domestic limited liability company with its principal place of business in St. Tammany Parish.

2.

DEFENDANT

Made defendant herein is NEW YORK LIFE INSURANCE COMPANY ("New York Life" or "Defendant"), a foreign insurance company domiciled in Delaware, who can be served through its registered agent for service of process, Louisiana Secretary of State.

3.

VENUE

Venue is proper in East Baton Rouge Parish pursuant to La. C.C.P. art. 42(7) which mandates venue in East Baton Rouge Parish for any foreign insurer.

4.

FACTS

On March 19, 2007, defendant issued four policies of life insurance, insuring the life of Bruce Cucchiara, totaling \$5,000,000.00. Three of the policies were in the face amount of \$1,000,000 each. Each of these three policies were owned by Riecke and named Riecke as the beneficiary, specifically policy numbers 48 727 608, 48 727 568, and 48 727 525.

EBR1431347

Wright & Associates, LLC
Attorneys at Law
608 Mandeville Ave.
Suite 2
Baton Rouge, LA 70802



Certified True and Correct Copy
eCertID: 000044447

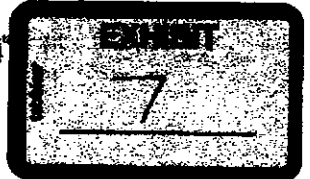
Beita Gray
East Baton Rouge Parish
Deputy Clerk of Court

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5.

The fourth policy, number 48 727 348, was issued on March 19, 2007, in the face amount of \$2,000,000.00, insuring the life of Bruce Cucchiara, owned by and designating the beneficiary as Southern Louisiana Water & Sewerage Co., LLC, now known as SECO.

6.

On April 24, 2012, Bruce Cucchiara died.

7.

On May 22, 2012, the New York Life insurance agent which placed the above described insurance policies, Philbert "PJ" Demaris, III, forwarded to New York Life the appropriate claim forms on behalf of Riecke and SECO, including proper proofs of loss and the death certificate of Bruce Cucchiara, all of which New York Life has admitted receiving on May 24, 2012.

8.

Pursuant to La. R.S. 22:1811, all death claims "shall be settled by the insurer within 60 days after the date of receipt of due proof of death . . ." New York Life has failed to pay any policy benefits to Riecke or SECO as required by contract and by law, and thus is in breach of contract.

9.

Defendant is justly and truly indebted to Riecke in the amount of THREE MILLION AND 00/100 (\$3,000,000.00) DOLLARS, and Defendant is justly and truly indebted to SECO in the amount of TWO MILLION AND 00/100 (\$2,000,000.00) DOLLARS together with legal interest from judicial demand until paid, penalty interest provided by law and by contract, and for reasonable attorney's fees and all costs of these proceedings.

10.

New York Life has indicated that it is waiting for the police investigation of Bruce Cucchiara to be concluded by the New Orleans Police Department, but there are no facts supporting any reasonable conclusion that Riecke or SECO or any of their authorized agents or employees were involved in the death of Cucchiara. As such, New York Life has no reasonable basis to delay payment to Plaintiffs under its life insurance contracts.

11.

Plaintiffs request a trial by jury.

Vaughn & Associates, LLC
Attorneys at Law
6000 Ambassador Blvd.
Suite B
Baton Rouge, LA 70809



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Debra Gray
East Baton Rouge Parish
Deputy Clerk of Court

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East Baton Rouge Parish Clerk of Court - C614449 PETSUIT ON CONTRACT

Page 3 of 3

WHEREFORE, Plaintiffs pray that Defendant be cited to appear and answer this demand and after due proceedings had, that Riecke Development and Construction Co., Inc., have judgment against Defendant in the amount of \$3,000,000.00, that SECO Group, LLC, have judgment against Defendant in the amount of \$2,000,000.00, and that both Plaintiffs have judgment against Defendant for contractual and legal penalty interest, together with reasonable attorney's fees, legal interest from the date of judicial demand, and all costs of court; and further, Plaintiffs pray that the Court declare that there is evidence proven by a preponderance of evidence that Riecke Development and Construction Co., Inc., or SECO Group, LLC, or their agents or employees were involved in the death of Bruce Cucchini which would allow New York Life to escape payment of the face value of the policies at issue.

By Attorneys:-

David M. Vaughn

David M. Vaughn, Bar No. 08807
VAUGHN & ASSOCIATES, LLC
8480 Bluebonnet Blvd., Suite B
Baton Rouge, LA 70810
225.769.1320
Facsimile: 225.769-1115
Email: david@jalawfirm.net

AND

Michael J. Walsh

Michael J. Walsh, Bar No. 8500
LEE AND WALSH
257 Maximilian Street
Baton Rouge, LA 70802
(225) 344-0474
Michael@leeandwalsh.com

Attorneys for Riecke Development and Construction Co., Inc., and SECO Group, LLC

Please serve:

New York Life Insurance Company
Through its registered agent
Louisiana Secretary of State
8585 Archives Avenue
Baton Rouge, Louisiana 70809

FILED
EAST BATON ROUGE PARISH LA

2012 AUG -7 PM 1:42

Julia Brayer
DEPUTY CLERK OF COURT

Vaughn & Associates, LLC
Attorneys at Law
8480 Bluebonnet Blvd.
Suite B
Baton Rouge, LA 70810



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East Baton Rouge Parish
Deputy Clerk of Court

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KEVIN DAVIS
PARISH PRESIDENT


ST. TAMMANY PARISH

P. O. Box 628
COVINGTON, LA 70434
985-898-3427
FAX: 985-867-5124

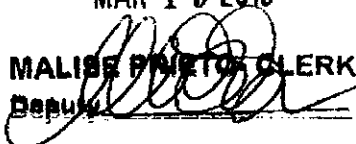
KELLY M. RABALAIS
EXECUTIVE COUNSEL
EMAIL: KMRABALAIS@STPGOV.ORG


November 15, 2010

I, Kelly M. Rabalais, Executive Counsel for the Office of the Parish President, hereby certify that the following forty-four (44) pages are true and correct copies of the records of St. Tammany Parish. These documents are being provided in response to the Notice of Records Deposition and Subpoena Duces Tecum requested by attorney Alex Peragine, and issued by the 22nd Judicial District Court in the matter entitled "Kenneth Dutruch v. Southeastern Louisiana Water & Sewer Co. LLC and Jared J, Reicke, 22nd JDC# 2010-11212- Division J".


Kelly M. Rabalais
Executive Counsel

2010-11212 "J"
FILED

MAR 19 2013
MALISE PINETON CLERK
Deputy


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Ms. Rabalais,

I am in receipt of your e-mail to Paul Mayronne (below), and must comment on how puzzled I am with it's content.

For the life of me, I can not begin to understand what is improper, unethical, or illegal about me and my personnel communicating directly with Greg; especially because from the time Mr. Davis and I shook hands on the frame work of the deal on October 23, 2008, I WAS TOLD TO COMMUNICATE WITH AND THROUGH GREG by Mr. Davis.

Let me remind you, this is NOT a litigious or confrontational process we are working to conclude. This is a business transaction between a willing buyer and a willing seller.

I am not an attorney, but I fail to see how or why it makes sense to remove the individuals on both sides that understand the water and sewer business, from the process of sharing information that will be necessary to close

this deal... on a water and sewer company. My office and Greg's office have been working together for almost three (3) years on this transaction without a single misunderstanding or problem.

I also fail to see how anyone's interests are being served by adding another layer to the transfer of technical, practical, and regulatory "Due Diligence" items. Using attorneys as "runners" would seem to slow the sharing of information to a crawl at best, not to mention VERY expensive.

Let me assure you that NO ONE is trying to act as lawyers in this sharing of information. As a matter of fact, my office extended the offer to have Mr. Mayronne draft the first working Purchase Agreement (at SELA's expense) to save the parish money and you time; we are still waiting on a response to that offer.

No one is trying to under-mind your work, I assure you. We are simply trying to move forward with the exchange of needed information and answer questions pertaining to the actual running of S.E.L.A., while waiting on the AG opinion. We have to stop wasting days, weeks, and months while the lawyers are doing their jobs! Please just let my office and Greg's office do theirs.

Thank you, and I look forward to continuing our collective work together to conclude this transaction.

Sincerely,

Jared J. Riecke
C.E.O. / Chairman of the Board
S.E.L.A. Water and Sewer, L.L.C.

Begin forwarded message:

From: "Paul J. Mayronne" <pjm@jonesfussell.com>
Date: March 9, 2009 3:17:27 PM CDT
To: <jay@selawater.com>
Subject: FW: SELA Transaction

Jared,

Please see the message below from Kelly Rabalais. I will give you a call this afternoon to discuss.

Thanks

Ken Dutruch

From: Jared Riecke [jay@rieckehandassoc.com]
Sent: Monday, October 29, 2007 9:40 PM
To: kdutruch@pecla.com; Bruce Cucchiara; Gerald Gilbert
Subject: SELA Sale

Gentlemen,

By now, I am sure we all know the disappointing news regarding the Parish's incredibly low offer to purchase SELA. After consulting with my family, our lawyers, and CPA, we are going to reject their offer and not counter, as we feel that they ARE NOT dealing in good faith. On a personal note, I am about as disappointed as it gets right now.

After some 24 months of working with R.W. Beck and the Parish officials, it is painfully obvious that either they do not understand the value of this company, or they refuse to pay it.

For the last several months I have hired and had Ed Dillard, CPA, working with Beck and the Parish officials trying to come to some kind of middle ground on the issues they were using to "low ball" us.

Obviously, this was to no avail (through NO fault of Mr. Dillard, might I add).

Our contract will expire in several days and it does not appear any other potential buyers are forthcoming from the group. But, if any potential buyers are brought to the table after the expiration date, I would be more than happy to sign a case by case contract like our current one. I remain willing to sell SELA for a realistic price and would be excited to work with y'all if a buyer can be located.

Perhaps searching nation wide for someone?

Regardless, THANK YOU all for the work that was put into this. From the moment I relayed the Parish's interest in buying SELA to y'all, I can honestly say I never felt as though anything could have been handled differently, more expediently, or in any way better than how it was done by your group... and for that, THANK YOU!!!

Please try and find me a buyer. And until then, we will continue to run SELA as we are; seeking to grow in customer count, territory, and revenue.

Thank you once again,

Jared J. Riecke

2010-11-21-5'
FILED

MAR 19 2013

MALISE PRITO, CLERK
Deputy
[Signature]

Riecke
DEPOSITION
EXHIBIT
19

EXHIBIT
29
M330

623

Sara E. Strain

From: Kelly M. Rabalais
Sent: Tuesday, March 10, 2009 2:41 PM
To: Jared Riecke
Cc: Kevin Davis; etr@abtinc.us
Subject: RE: SELA Transaction

Mr. Riecke,

I honestly do not know how to respond to your email below. But, I offer the following.

As professionals who are tasked with facilitating a complex deal as the acquisition of SELA, attorneys often get much accomplished dealing directly with one another. That is why I asked Paul Mayronne to ensure that all communications on this deal occur solely through the attorneys. Contacting Mr. Gordon on ways to structure the deal or due diligence items is not productive at this point nor appropriate. St. Tammany Parish's attorneys are Susan Talley and the undersigned. We will explore our legal options and advise Mr. Davis accordingly. When it comes time for Mr. Gordon to work with the SELA folks on the logistics he will be involved under my direction. It is my job to ensure proper coordination on this deal and I take that seriously.

I sincerely apologize if you or your attorneys have been offended by Susan's or my handling of this matter. We have always conducted ourselves in the most professional manner. I take it from your email and from the comments made by your attorneys during our meeting with a representative of the Attorney General, that you are not pleased with our handling. There is nothing I can do about that. The Parish is proposing to undertake its biggest acquisition to date, all funded with public monies. We have the obligation to make sure that it is done correctly, ethically, legally and such that we are completely protected from all risks. If we proceed cautiously at every step there is good reason. I am sure you can understand the great burden we have as a fiduciary of public funds.

I agree that facilitating through counsel may seem unnecessary at times, but it is the only way to streamline this process and ensure that information is being communicated to the correct party. Therefore, I stand by my email to Paul with specific instructions. If you wish to discuss this matter further please do not hesitate to call.

Thanks.

Kelly

Kelly M. Rabalais

Executive Counsel

St. Tammany Parish Government

Office of the Parish President

Telephone: (985) 898-3427

Facsimile: (985) 867-5124

From: Jared Riecke [mailto:jay@selawater.com]
Sent: Tuesday, March 10, 2009 10:46 AM
To: Kelly M. Rabalais
Cc: Kevin Davis; etr@abtinc.us
Subject: Fwd: SELA Transaction



KEVIN DAVIS, PARISH PRESIDENT

ST. TAMMANY PARISH

P. O. BOX 628
COVINGTON, LA 70424
985-898-2362 AND 985-646-4082
FAX: 985-898-5237
E-MAIL: KDAVIS@STPGOV.ORG
WEB SITE: HTTP://STPGOV.ORG

He comp

May 25, 2006

Jared Riecke
President, CEO
Southeastern Louisiana Water and Sewer Co., L.L.C.
350 N. Causeway Blvd.
Mandeville, LA 70448

Re: Possible Water & Sewer System Acquisition

Dear Mr. Riecke:

We are continuing to analyze the feasibility of the Parish acquiring the Water & Sewer System. We are seriously considering this matter and are moving forward with our analysis.

To this end, we are proceeding with our independent Investment Banker/Underwriter (Merrill Lynch) and our regular Bond Counsel (Foley & Judell) to do a brief RFP to obtain an Engineering Report from an independent, national firm. This Report will be instrumental in conducting any Acquisition Agreement for the System and will be needed in the marketing of the Utility Revenue Bonds.

We anticipate that this Report can be obtained expeditiously. Our Investment Banker advises us that such a report typically costs \$40,000 - \$70,000 and can run 3 - 6 weeks depending on the size and general condition of the System as well as the organization of the System records.

In order to better facilitate the potential acquisition process we respectfully request that you designate a single contact person within the company with whom Parish representatives can coordinate with on all aspects of this process.

We look forward to continue working with you to move the process forward.



Sincerely,

Kevin Davis
Kevin Davis

2010-11212 "J"
FILED

MAR 19 2013

MALISE PRIETO CLERK
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Riecke
DEPOSITION
EXHIBIT
11

STP-004014

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EXHIBIT
21
PRIETO



KEVIN DAVIS, PARISH PRESIDENT

ST. TAMMANY PARISH

P. O. Box 628

COVINGTON, LA 70434

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FAX: 985-898-5237

E-MAIL: KDAVIS@STPGOV.ORG

WEB SITE: [HTTP://STPGOV.ORG](http://STPGOV.ORG)

2010-11212 "J"
FILED

MAR 19 2013

May 17, 2007

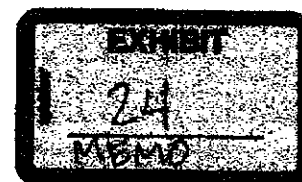
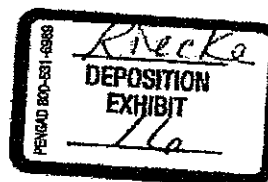
MALISE PRIETO, CLERK
Deputy

Jared Riecke
President & CEO
Southeastern Louisiana Water & Sewer Co., L.L.C.
350 North Causeway Boulevard
Mandeville, LA 70448

Dear Mr. Riecke:

With respect to the possible acquisition of the water and sewer systems of Southeastern Louisiana Water & Sewer Co., L.L.C. (SELA), the St. Tammany Parish Government is willing to consider a purchase price of \$39,000,000.00 subject to the following:

- (1) Delivery of a satisfactory final Appraisal Study by R. W. Beck, Inc. covering various matters, including:
 - (a) valuation, including premium analysis
 - (b) projected rate impact following Parish acquisition
 - (c) projected capital needs
- (2) Ability of the Parish to issue a sufficient amount of Utilities Revenue Bonds on reasonable terms to finance the acquisition and provide for reserves, costs of issuance and working capital
- (3) Ability to obtain State Bond Commission approval of the purchase price in light of the premium aspect reflected in the R. W. Beck Appraisal Study
- (4) Approvals by the St. Tammany Parish Council of the purchase and the issuance of the Utilities Revenue Bonds of the Parish
- (5) Receipt by the Parish of customary closing items for public acquisitions of private water and sewer systems, including, but not limited to, title matters, legal opinions, etc.



STP-004054

623

May 17, 2007

Page 2

We look forward to hearing from you in this regard.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin C. Davis', written in a cursive style.

Kevin C. Davis
Parish President



KEVIN DAVIS, PARISH PRESIDENT

ST. TAMMANY PARISH

P. O. BOX 628

COVINGTON, LA 70434

985-898-2362 AND 985-646-4082

FAX: 985-898-5237

E-MAIL: KDAVIS@STPGOV.ORG

WEB SITE: HTTP://STPGOV.ORG

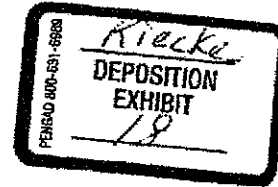
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MAR 19 2013

May 4, 2007

MALISE PRIETO-SIERK

Deputy Clerk

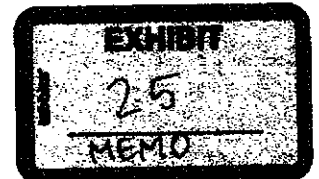


Jared Riecke
President & CEO
Southeastern Louisiana Water & Sewer Co., L.L.C.
350 North Causeway Boulevard
Mandeville, LA 70448

Dear Mr. Riecke:

With respect to the possible acquisition of the water and sewer systems of Southeastern Louisiana Water & Sewer Co., L.L.C. (SELA), the St. Tammany Parish Government is willing to consider a purchase price of \$42,000,000.00 subject to the following:

- (1) Delivery of a satisfactory final Appraisal Study by R. W. Beck, Inc. covering various matters, including:
 - (a) valuation, including premium analysis
 - (b) projected rate impact following Parish acquisition
 - (c) projected capital needs
- (2) Ability of the Parish to issue a sufficient amount of Utilities Revenue Bonds on reasonable terms to finance the acquisition and provide for reserves, costs of issuance and working capital
- (3) Ability to obtain State Bond Commission approval of the purchase price in light of the premium aspect reflected in the R. W. Beck Appraisal Study
- (4) Approvals by the St. Tammany Parish Council of the purchase and the issuance of the Utilities Revenue Bonds of the Parish
- (5) Receipt by the Parish of customary closing items for public acquisitions of private water and sewer systems, including, but not limited to, title matters, legal opinions, etc.



STP-004063

623

May 4, 2007

Page 2

We look forward to hearing from you in this regard.

Sincerely,

Kevin C. Davis
Parish President

STP-004064

Sara E. Strain

From: Bruce Cucchiara [bruce70433@yahoo.com]
Sent: Monday, March 24, 2008 3:06 PM
To: Greg Gordon
Subject: Financing Options
Attachments: 3805926991-STP Financing Proposal.doc

Greg,

Here is the proposal from Gerry Gilbert on a Bank that does utility financing. Look over these terms and let me know if the Parish would be interested in meeting. Gerry could get the representatives here for a meeting anytime in the next two weeks.

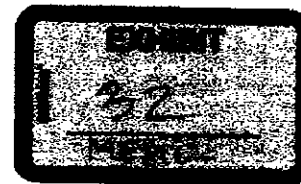
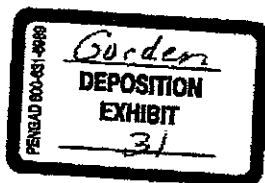
Looking for last minute shopping deals?
 Find them fast with Yahoo! Search.
<http://tools.search.yahoo.com/newsearch/category.php?category=shopping>



2010-1212 "J"
FILED

MAR 19 2013

MALISE FINEO CLERK
 Deputy



STP-003898

623

INTEROFFICE MEMORANDUM

December 28, 2007

2010-11212 "J"
FILED

TO: KEVIN DAVIS
PARISH PRESIDENT

BILL OILER
CHIEF ADMINISTRATIVE OFFICER

KIM SALTER
ASSISTANT CHIEF ADMINISTRATIVE OFFICER

MAR 19 2013

MALISE FRIETZ CLERK
Deputy

FROM: GREG GORDEN
DEPARTMENT OF ENVIRONMENTAL SERVICES

RE: SELA ACQUISITION

Attached please find updated affordability analysis from Nancy Hughes at RW Beck.

I asked Ms. Hughes to update the attached analysis for potential acquisition prices of \$43-46 million. Ms. Hughes is going to complete said same analysis for \$41-\$42 million, too. I will forward this analysis to you once I receive it.

The cover memorandum by Ms. Hughes discusses a number of capital expenditure assumptions. However, for the sake of brevity I have only included only the **Low CIP + Additional Capital Expenditures** because this scenario assumes, after the first year, \$1.5 million in annual capital expenditures by the Parish and adds capital expenditures identified by SELA as being paid for by capacity fees. In our internal meetings this is the capital expenditure scenario we have been reviewing in the most detail.

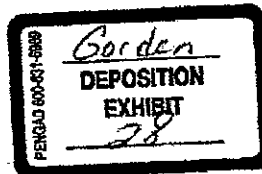
In order to shorten your review time I have highlighted these cash flow assumptions.

PLEASE BEWARE: the attached analysis assume ownership by the Parish in January, 2008. Obviously this will not be possible so I have asked Ms. Hughes to revise future analysis to assume ownership in July, 2008.

Also included in the attachment is a debt service schedule for the assumed acquisition amounts.

The attached is being provided to you for your review since we may be having a meeting and/or conference call with Ms. Hughes concerning these analysis in the near future.

Please call or email me if you have any questions. I will be out of the office until Wednesday, January 9, 2008, but I can be reached via email of my mobile phone.



STP-003825

623

MEMORANDUM

To: Greg Gordon, St. Tammany Parish

From: Nancy Hughes

Subject: Updated Analyses

Date: December 17, 2007

Attached are the Parish affordability analyses updated to reflect the latest Merrill Lynch debt service schedules dated December 3, 2007. The analyses were run to reflect four purchase price assumptions (\$43 million, \$44 million, \$45 million and \$46 million) and three capital expenditure assumptions. Following is a brief explanation of the scenario assumptions.

Purchase Price

Analyses were run to reflect four purchase price assumptions (\$43 million, \$44 million, \$45 million and \$46 million). The analyses assume that the system would be acquired January 1, 2008; i.e., revenues, expenses and capital expenditures are annual figures. We noticed that the Merrill Lynch schedules show annual debt service for the period ending July 1 each year; however, 2008 only includes six months of debt service. To put everything on an annual basis, we adjusted the debt service each year to reflect principal and interest for the period ending December 31 each year. The debt service calculations are shown in Appendix B to this memo.

The annual debt service assuming a \$43 million purchase price was estimated by prorating the \$44 million debt service schedule.

Capital Expenditures

The capital expenditure assumptions are the same as before. To recap, the scenarios are:

Low CIP: Based on Parish assumption of \$1.5 million annual capital expenditures in 2007 dollars, escalated annually at 2.30 percent inflation rate. However, 2008 capital expenditures were reduced by \$1.0 million per the Parish.

Low CIP + Additional Capital Expenditures: This scenario takes the Low CIP capital expenditures and adds capital expenditures identified by SELA as being paid for from capacity fees.

High CIP: Reflects capital expenditures estimated by R. W. Beck based on projected growth in system. Capital expenditures equal \$2,500 per new water customer and \$4,900 per new wastewater customer (in 2007 dollars), plus \$400,000 annual capital expenditure (in 2007 dollars) for inflow/infiltration reduction.

File: 011319/11-01124-10103-0101

1001 Fourth Avenue, Suite 2500, Seattle, WA 98154-1004 Phone (206) 695-4700 Fax (206) 695-4764

STP-003826

Memorandum to Greg Gordon
December 17, 2007
Page 2



Results

The results of the Parish affordability analyses are provided in Appendix A. The analyses are grouped by purchase price. The debt service coverage ratio (DSCR) is calculated two ways: including and not including capacity fee revenues. When we spoke with David Moffet of Merrill Lynch a few months ago, it was not clear whether the bond agencies would allow the Parish to include capacity fee revenues in the DSCR calculation. However, even if capacity fees are excluded, the DSCR is at or above 1.25 in nearly every purchase price scenario analyzed. Capital expenditures are not reflected in the DSCR calculation.

Capital expenditures do affect net cash flow. In each of the High CIP scenarios analyzed, annual net cash flow is negative for the first four or five years. At the two lower CIP scenarios, net cash flow is positive in all years. As before, the analyses show the cumulative net cash flow as a percent of annual revenues in each year.



KEVIN DAVIS, PARISH PRESIDENT

ST. TAMMANY PARISH

P. O. BOX 628
COVINGTON, LA 70434
985-898-2362 AND 985-646-4082
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May 17, 2007

Jared Riecke
President & CEO
Southeastern Louisiana Water & Sewer Co., L.L.C.
350 North Causeway Boulevard
Mandeville, LA 70448

Dear Mr. Riecke:

With respect to the possible acquisition of the water and sewer systems of Southeastern Louisiana Water & Sewer Co., L.L.C. (SELA), the St. Tammany Parish Government is willing to consider a purchase price of \$39,000,000.00 subject to the following:

- (1) Delivery of a satisfactory final Appraisal Study by R. W. Beck, Inc. covering various matters, including:
 - (a) valuation, including premium analysis
 - (b) projected rate impact following Parish acquisition
 - (c) projected capital needs
- (2) Ability of the Parish to issue a sufficient amount of Utilities Revenue Bonds on reasonable terms to finance the acquisition and provide for reserves, costs of issuance and working capital
- (3) Ability to obtain State Bond Commission approval of the purchase price in light of the premium aspect reflected in the R. W. Beck Appraisal Study
- (4) Approvals by the St. Tammany Parish Council of the purchase and the issuance of the Utilities Revenue Bonds of the Parish
- (5) Receipt by the Parish of customary closing items for public acquisitions of private water and sewer systems, including, but not limited to, title matters, legal opinions, etc.

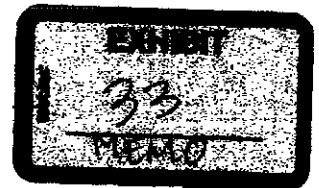
2010-11212 "J"

FILED



MAR 19 2013

MALISE PRIETO - CLERK
Deputy



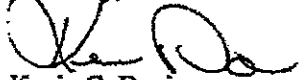
STP-004054

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May 17, 2007
Page 2

We look forward to hearing from you in this regard.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin C. Davis', written over a horizontal line.

Kevin C. Davis
Parish President

STP-004055

INTEROFFICE MEMORANDUM

April 11, 2006

2012-11212 "J"
FILED

**TO: KEVIN DAVIS
PARISH PRESIDENT**

MAR 19 2013

**BILL OILER
CHIEF ADMINISTRATIVE OFFICER**

MALISE PRIETO-CLERK
[Signature]
Deputy

**KIM SALTER
ASSISTANT CHIEF ADMINISTRATIVE OFFICER**

**FROM: GREG GORDEN
DEPARTMENT OF ENVIRONMENTAL SERVICES**

**RE: ACQUISITION OF SOUTHEASTERN LOUISIANA WATER AND
SEWER COMPANY, L.L.C.**

In April, 2005 Southeastern Louisiana Water and Sewer Company, L.L.C. (herein SELA) provided the St. Tammany Parish Government with a company prospectus for use in discussions between representatives of SELA and the Parish (specifically Leslie Long, Director, Department of Finance and myself) concerning the acquisition of SELA to further the goals of the Parish's Wastewater Consolidation Plan.

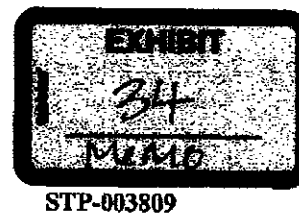
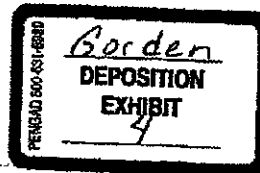
Over the course of numerous meetings it was decided that SELA representatives would settle on an acquisition price and then piece together an acquisition proposal for review by the Parish. The Parish requested that any acquisition proposal take into account the need for sufficient cash flow levels to properly operate SELA and comfortably keep pace with any type of proposed repayment schedule.

What follows in this memorandum is:

- a brief background of SELA;
- its current state;
- an analysis of the financial data provided by SELA;
- an overview of the acquisition proposal;
- a discussion about the logistics of a potential ownership transfer;
- a discussion concerning the impact the acquisition of SELA would have on the Parish's Wastewater Consolidation Program.

SELA BACKGROUND

What follows is a verbatim reiteration of SELA's background found in the prospectus. Though authored by SELA, it does present a very succinct company overview.



623

“Southeastern Louisiana Water and Sewer Company, L.L.C. (SELA) is a private water and sewer company located in St. Tammany Parish, Louisiana. The company was established in 1981, when Mr. Edward T. Riecke was developing a residential subdivision on the northshore of Lake Pontchartrain. He needed to supply sewer per the Environmental Protection Agency and the Louisiana Department of Environmental Quality.

The customer base grew from the original 30 in 1981 to over 3,600 in January 2000. During the past five years, the customer base has grown by approximately 340% to 12,212 sewer and water customers. It is projected that this customer base will increase by approximately 80% over the next five years to 22,184 sewer and water customers. This growth is the result of low crime, good schools and rural living in the St. Tammany parish area. In order to keep pace with the growth, Mr. Riecke has reinvested the majority of the cash flow and his own equity into new infrastructure.

The company has one system in Tangipahoa Parish and the remaining in St. Tammany Parish. SELA has approximately forty (40) percent of the utility business in West St. Tammany Parish. In early 2003, the company established its first system in East St. Tammany Parish.

The company has been highly successful in drilling its water wells. These wells are drilled on property it owns or the principal, Mr. Riecke, controls. The company has postured itself geographically to compete effectively for its business. They are able to contain costs. When connections to a plant begin to maximize the volume, larger plants replace the smaller ones. The smaller plants are then refurbished and sold to the next development to support those requirements.

The company receives cash from the developer for the plant during the infrastructure development phase of the subdivision. The developer is responsible to put in the water and sewer infrastructure. When construction is complete and SELA has been awarded the services for the subdivision, the sewer and water assets in the ground are deeded back to the SELA, at no cost to the company.

As a requirement of a financial commitment issued by Bank One in late 2003, Professional Engineering Consultants Corporation (PEC) of Baton Rouge, LA was chosen and commissioned to perform a valuation of the company. SELA commissioned PEC to update that valuation in 2005. PEC estimated the total depreciated asset value to be \$56,056,619. The life of most of these sewer and water assets, based on the materials used, is estimated to be 50-75 years.”

THE STATE OF SELA

Infrastructure:

As of May, 2005 SELA has twenty-nine (29) well sites and over 88 miles of water mains which serve 6,459 water users. SELA also owns and operates fifty-one (51) wastewater

treatment facilities which serve 5,028 wastewater customers (one of which is located in Tangipahoa Parish and is not considered to be a part of the proposed acquisition). Please find an attached map showing the locations of the water well and wastewater treatment plant sites owned by SELA.

Wastewater

Inspections by the Department of Environmental Services (DES) of SELA owned and operated facilities in 2002 and 2003 revealed a general corporate apathy toward compliance with environmental rules and regulations. Many of the systems inspected during these years were poorly operated and maintained. It appeared to the DES inspectors that little or no wasting of sludge was conducted. Therefore, the sewage treatment plants (STPs) carried very large loads of solids and made them very susceptible to the discharge of solids to waters of the state. Many of the receiving streams from these STPs were observed to have deposits of sludge along them. Additionally, the handling of peaks and infiltration/inflow into the sewage collection systems was particularly problematic at the Westwood facility. The facility routinely discharged large quantities of solids to Bayou Tete L'ours during peak flows and during rain events.

Since 2004, SELA has taken several steps to correct the above described deficiencies. As a result of actions taken by DEQ and EPA, a subsequent \$2 million dollar fine, and the hiring of key personnel, the general apathy toward environmental rules and regulations has been removed. It is our understanding that a schedule for wasting sludge at each facility is now followed, resulting in less of a solids load being carried in the treatment plants. Also, SELA has upgraded the Westwood plant with a large digester and filter press so that wasted sludge can be more easily handled and with additional treatment capacity that will hopefully aid with the facility's handling of peak flows.

One (1) remaining item of concern to DES personnel are the number of certified operators employed by SELA. It is our understanding that SELA typically employs about six (6) operators to operate all 40+ STPs. This may prevent the operators from being able to give each plant the attention required to operate properly.

SELA is in the process of regionalizing some of its wastewater infrastructure and/or planning regional sites. The regional projects are as follows (please note that for each site now flowing into a regional facility means that site's WWTP has come off-line):

1. The Castine Regional plant is complete and is taking wastewater flow from the Quail Creek and Forest Brook subdivisions. The Castine Regional plant site would require additional land acquisition to allow expansion, but it is well placed to handle regional wastewater flows for the high growth LA 1088 corridor.
2. The West St. Tammany Regional plant is currently under expansion. Once complete this plant will accept flows from existing SELA customers along LA 21, Madison Farms, Faubourg Coquille, Seymour Meyers Industrial Park, and potentially Christwood.
3. The proposed Timber Branch II regional plant will serve Tallow Creek, Beau Arbre, Timber Branch, and, potentially, Terra Bella and Beau L'Age.

4. SELA is in the process of taking two plants located along LA 22 off-line, Timberlane and Black River, and re-directing flows to the Guste Island Regional Facility, which is owned by Greenleaves Utility.

Water

As stated above, SELA currently operates twenty-nine (29) well sites and maintains over 88 miles of water mains.

To date the DES is not aware of any long-term operating difficulties and/or violations SELA has experienced in its water production or distribution operations.

The most important factor in reviewing SELA's water operations is their claim to have over 11 million gallons of water reserves to serve an additional 27,000 customers. If independently verified through a review of as-builts of completed water infrastructure improvements, this would mean SELA's total potential customer base would be 39,212 (taking into consideration their current customer base of 12,212). This reserve water capacity would allow the Parish, upon completion of the proposed acquisition, to capture future residential and commercial developments and sell water and wastewater services in the high growth areas (the wastewater improvements being paid for by capacity fees). Also, it would allow the Parish to provide regional water distribution and ensure that these future developments tie into the regional wastewater treatment facilities SELA has already established.

The production, distribution and sale of potable water are key components to establishing water/wastewater services to areas with a suitable density that lack both. SELA's 11 million gallons of capacity, and its 88 miles of lines would enable the Parish to reach out to new areas and/or tie newly constructed water lines onto an existing distribution network.

SELA FINANCIALS

Due to mitigating circumstances Ms. Long will not be able to provide her analysis of the current and projected cash flows of SELA until an internal meeting of the appropriate Parish officials is convened.

SELA'S PROPOSAL

SELA representatives first approached the USDA's Rural Development program officials concerning the proposed acquisition. Mike Taylor, the regional Director for Rural Development, was interested in assisting the Parish to secure Rural Development funds for the acquisition, but could only provide up to 50% of the original company valuation (which was \$45 million in SELA's April 2005 company prospectus) through their direct loan program. Mr. Taylor also added in the caveat that he could not ensure the funds would be available since various entities are hoping to use Rural Development funds for

Katrina-related rebuilding. In a best case scenario our options with Rural Development were as follows:

1. **USDA Direct Loan Program:** The terms of this loan can be 40 years and the present interest rate is approximately 4.5%. When calculating available debt service this program uses the cash flow from operations (EBITDA). A debt service reserve fund equal to 10% of debt service is required.
2. **Guaranteed Loan Program:** This loan would be through a participating bank or combination of banks. The federal government guarantees 90% of the loan. The guarantee program is not tax exempt. Lenders like this program. They service the loan but it doesn't affect their lending ceiling (guaranteed part) and the guaranteed part can be sold on the secondary market.

Rates are probably NY Prime – 5 – 5.25% today.

The terms of this loan are negotiable but a 25-30 year term and 10% debt service reserve fund should be possible.

Since Rural Development could only guarantee providing half of the purchase price through the Direct Loan Program we would at least be required to utilize both options.

At this point we discussed the need for SELA representatives to put together an acquisition package that secured the total amount and took advantage of historically low interest rates – a commercial package that would include the selling of tax exempt bonds.

During the interim period SELA finally settled on a purchase price. Based on the depreciated asset value established for SELA; the available reserve capacity that would allow future customer growth with minimum capital expenditure; and the available cash flow from operations to service a debt, SELA has pegged the fair market value for their assets at **\$50,000,000**.

SELA worked with Stephens, Inc. to develop an acquisition proposal that included two different financing methods (see attached). A summary follows:

1. A traditional \$50 million, 30 year, fixed rate, insured, serial and term revenue bond issue with interest only payment for the first two years, a 10 year call and a debt service reserve fund.
2. A synthetic scenario a 70% of LIBOR (London Interbank Offered Rate – a widely used benchmark or reference rate for short term interest rates on adjustable or variable rate credit accounts/loans) swap and a similar structure to the traditional scenario.

Since interest rates fluctuate daily one cannot determine an exact interest rate until the package goes to market. However, for analysis purposes, the rates in this package are about 4.6%. This rate is very similar, if not better in some respects, to the rates that could be expected when working with Rural Development.

An important aspect to this package is the debt service coverage ratio to attract bond insurance. According to the Stephens, Inc. proposal bond insurance firms generally look for around 1.25 times annual debt service coverage in similar revenue bond issues. Using SELA's current and projected cash flow projections and the above structuring scenarios the Parish should have adequate debt service coverage to obtain bond insurance. However, to ensure adequate debt service the above scenarios have assumed a two year, interest only period. This interest only period would provide the Parish with some breathing room so as to concentrate on the ownership transfer logistics and business development.

PUBLIC BENEFIT CORPORATION

(Robert Barnett, Legal Counsel, will report on this topic when we meet. I have been waiting for his analysis of the Attorney General's opinion regarding this topic, but since it is still pending and this memo was technically completed on March 20th I have decided to put this forward and leave the public benefit corporation discussion for another time.)

OWNERSHIP/MANAGEMENT TRANSFER

SELA is split into two operational areas: administrative and field.

Administrative

The administrative operations are located in a 7800 square foot leased office in Mandeville. There is ten (10) full-time and (1) part-time staff performing various administrative operations as follows:

1. Billing water and sewer users
2. Collecting payment for bills
3. Cutoff list for unpaid bills
4. New service requests
5. Project development for new service areas
6. Customer complaints and response
7. Financial administration
8. Personnel/Payroll
9. Monitoring regulatory compliance
10. Communications with field offices

Many of the administrative functions listed above are the same as those that we currently perform at Cross Gates, just on a larger scale. One major difference from the Cross Gates administrative operations is project/business development. Project/business development involves the interaction with residential and commercial developers and the negotiation for sale/provision of water/wastewater services with said developers. This will be a key operation in which we should retain the current personnel because it is the lifeblood of the company's future. The projected future cash flows on which we will depend for operating revenue and debt service will largely depend on the smooth transition of this vital function. This will also be a key transition item because if we wish to own and operate SELA "like a business" negotiating the sale of water/wastewater services

utilizing SELA's current rate structure will be crucial since projected cash flows take into account said rate(s). If we allow developers to feel that they can now expect reduced prices because of Parish ownership we will flirt with financial ruin.

During discussions with SELA management regarding a transfer they felt the Parish would not need 2-3 administrative positions (Personnel, Accounts Payable) since the duties for said positions are currently handled by existing departments.

Finally, we did not discuss retention of the office space mentioned above. If we decided to move the administrative personnel I can only assume we would need to move them into SELA's LA 59 facility, which would require some renovations to that space.

Field Operations

Field operations are located in a 7800 square foot building and warehouse owned by SELA, located along LA 59 near Fountainbleu High School. A Director of Field Operations oversees four (4) groups described as follows:

1. Fabrication Crew: SELA is a licensed contractor in building construction, sewer plants or sewer disposal, pipe work (both water and sewer), and electrical. There are five (5) staff in this crew and they construct all aspects of the water and wastewater work except for the water wells.
2. Water Department: three (3) staff who perform utility locates for LA One Call; six (6) operations/maintenance staff; and one (1) water quality crew member to check chlorine and other chemical residuals at the well sites and in the distribution system.
3. Sewer Department:
 - a. CDL crew – there are three (3) CDL licensed operators and they operate a VAC truck and two sludge holding tanks. The VAC truck is used to clean the lift stations and wastewater plants as required.
 - b. Wastewater crew – this group consists of two crews of three (3) people each, a crew leader, and their primary responsibility is to check on the lift stations four times per week, and assist with capital improvement projects as needed. There are four (4) operators that are certified.
4. General:
 - a. Warehouse and Grounds – there are three (3) full-time staff and several part-time staff during the summer months, whose primary responsibility is to cut the grass, repair fences, paint equipment and stock the warehouse.
 - b. Main Crew – six (6) people that assist on various water and wastewater operations/maintenance and capital products.

There are a total of 36 field operations employees.

During discussions with SELA management we stressed the need to at least retain use of the field operations building along LA 59 for an extended period of time (under a lease for a nominal amount) because the Parish does not want to have to build a new facility during the transitional period. SELA management made the assertion that the Parish

would not need to retain the fabrication crew since we currently have such crews in the Department of Public Works, and SELA is no longer actively constructing its own wastewater plants (it used to re-furbish used package plants to save money). I do not agree completely with that opinion, however due to changes in SELA operating procedures there may not be a need for 5 crew members.

CONCLUSIONS

The acquisition of SELA represents one of the single most important decisions for the Parish's Wastewater Consolidation Program. If completed the acquisition would initiate the following:

- Make the Parish Government the largest water/wastewater utility provider in western St. Tammany (the City of Slidell being the largest provider in eastern St. Tammany), with the capacity to grow larger;
- The Parish Government would have control of strategically positioned services at the intersection(s) of I-12 and LA 1088, 59, 21, 1085 and 1077;
- Control of the larger regionalization projects currently underway by a private utility, all of which are in high growth areas with large scale projects (i.e. Terra Bella);
- Work in concert with other important regionalization projects. Please recall that the two large regional proposals submitted by the Parish during the Louisiana Speaks process (East Slidell wastewater management area and the greater Mandeville management area) were both chosen as a top five project that will ultimately receive some funding. The acquisition of SELA, along with the initiation of these two projects, will jumpstart the consolidation program in a way few thought possible;
- Work in concert with the Parish's proposed Coastal Impact Assistance Program (CIAP) projects that will provide funding to further the wetland assimilation efforts that are vital to the success of the East Slidell and Mandeville regionalization projects. For example, CIAP funds will help the City of Mandeville extend its effluent distribution lines into the wetlands and after completion will allow Mandeville to expand its capacity, at which time could tie seven (7) of the SELA plants we control into the regional system. A feat most in the utility business would have never thought the Parish could complete;
- Provide the Parish the customer and rate base with which to leverage private investment to construct regional conveyance lines in the West Tchefuncte wastewater management area;
- Display the administration as being serious about environmental issues. Taking over a large private utility company with a checkered compliance history will denote that seriousness and show citizens how our planning efforts culminated in a tangible outcome.

The acquisition of SELA signifies one of the largest bites at the apple the Parish will have to bring instant credibility to the administration's wastewater consolidation efforts. At some point in time the Parish will have to take a formidable first step to initiate the

consolidation process and show that millions of dollars of planning efforts did not end up just another a pretty looking report on a shelf.

On the other hand the proposal does offer two large obstacles. First is the price. At this time SELA is proposing an asset sale of at least \$50 million (they have also suggested \$55 million because they are in the process of initiating approximately \$5 million in capital improvements, which we would inherit, and are not reflected in the asset value, as they see it). I personally feel that senior administration officials need to meet with SELA management and suggest an asset acquisition of between \$38-45 million. This range represents a price that SELA would have a hard time justifying on the open market. Since we have gone this far with them I feel that the owners would entertain such during negotiations. However, considering the owners pieced together a proposal that meets their price expectation they may not budge. Either way it is worth the effort.

The second obstacle is the debt. Even though SELA ownership has put forth a proposal that shows an adequate debt service coverage utilizing existing cash flows, the amount of debt we will need to incur, along with the duration, may seem daunting to senior administration officials and Council members alike. I personally do not have an easy way to address these concerns. I can only attest to the fact the Parish Government has spent a great deal of time, effort, and the Federal governments money developing a plan, laying the groundwork by educating elected officials, federal and state regulators, and the public about the breadth and cost of plan implementation, and that initiation of the plan was coming – someday. To that effect, I think that “someday” has finally come.

Cc: Leslie Long
Director, Department of Finance

Robert Barnett
Executive Counsel

STP-003817

2010-11212 "J"
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11-13-2010
Disc 4

MALISE PRIETO - CLERK

Deputy

VENDOR NAME: R W BECK INC.
VENDOR NO. 06096
ORIG. CONTRACT \$107,000.00
P.O. NUMBER S042250
ACCOUNT NUMBER 020-00-51100



DATE PAID INVOICE NAME

09/28/06	10/13/06	DEDUCT RECORDING FEE \$28.00			107,000.00
09/28/06	10/13/06	0083960	138979	79,179.67	27,820.33
12/20/06		C/O #1 PER GREG ADD \$50,000.00			77,820.33
12/14/06	01/25/07	0085846	142580	23,870.48	53,949.85
12/31/06	02/26/07	0086762	143808	22,567.42	31,382.43
02/27/07	03/29/07	0087380	145344	2,546.51	28,835.92
03/26/07	04/19/07	0088105	146092	9,092.03	19,743.89
05/17/07	06/07/07	0089413	147738	10,299.05	9,444.84
06/22/07	07/12/07	0090316	148822	2,967.30	6,487.54
07/09/07	07/26/07	0090474	149703	3,578.75	2,908.79
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10/23/07	11/08/07	0093176	153651	2,430.00	1,088.89
12/21/07		C/O #3 PER GREG ADD \$5000.00			6,088.89
11/19/07	12/28/07	0093863	155863	4,528.00	1,560.89
05/14/08		C/O #4 PER AMEND ADD \$50,000.00			51,560.89
01/14/08	05/22/08	0095259	162297	3,631.79	47,929.10
02/29/08	05/22/08	0096187	162297	3,467.15	44,461.95
04/14/08	06/05/08	0097389	162608	5,695.93	38,766.02
06/23/08	07/17/08	0099003	164169	4,567.53	34,198.49
07/15/08	08/07/08	0099657	164987	6,687.50	27,510.99
08/11/08	09/18/08	0099896	166718	11,053.31	16,457.68
09/22/08	10/30/08	0101157	169275	8,845.00	7,612.68
10/10/08	11/20/08	101350	169817	1,601.10	6,011.58
11/11/08	02/12/09	102247	173154	2,170.69	3,840.89
12/19/08	02/12/09	103693	173154	2,054.31	1,786.58
03/23/09	04/06/09	C/O #5 PER AMEND ADD \$10,000.00			11,786.58
02/13/09	04/08/09	105111	175286	2,132.12	9,654.46
03/11/09	05/14/09	105647	177040	605.11	9,049.35
04/15/09	05/14/09	106842	177040	355.00	8,694.35
05/15/09	06/04/09	107748	178130	1,271.93	7,422.42
08/18/09	10/23/09	110647	184605	3,718.75	3,703.67
12/11/09		C/O #6 PER AMEND ADD \$37000.00			40,703.67
12/11/09		C/O #7 PER AMEND ADD \$165000.00			205,703.67
08/14/09	12/17/09	110649	187180	16,907.29	188,796.38



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623

09/14/09	12/17/09	112185	187180	2,945.25	185,851.13
10/12/09	12/17/09	112904	187180	6,583.25	179,267.88
12/30/09	01/14/10	114825	188264	10,080.25	169,187.63
01/22/10	02/11/10	115383	189415	165,000.00	4,187.63

last invoice per Greg

429,812.37

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In a going concern business the market value usually is depreciated replacement cost. However, this does not consider its earning capacity.

* Capitalization of excess earnings Value -

Income methods of valuation:

- Less speculative or higher expected growth rate in income stream - lower the cap. rate

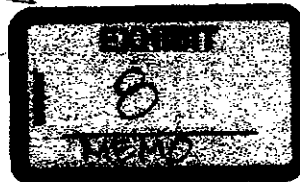
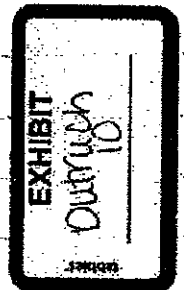
Discount Rate 9.8%

* Earnings = its expected present value of its expected future cash flows.

- Why consider 2006 - 2015 Cash Flow -
- S&P Growth 12.9% - Beck's annual growth in future net cash flow = 2.4%
- Why is calculation only 10 yrs -

* Beck included 60 days of projected 2007 O&M Expenses \$794,000

* Rate Base does not Apply - Contributions in Aid of Construction



OUTRUCH000450

76,181,918 New Constr. —
 (22,118,593) Depreciation —

54,063,324 =
~~Net Plant~~ $\times 4\%$ = ~~\$24,869,129~~

54,063,324 -

1. Net Book Value
2. Discounted Cash Flow Value —
 - a. 17,011 Value —
 - Free Cash Flow =
2. Discount Rate —
 - Terminal Business Value —
3. Smooth Steady Profits Yr. to Yr. :
 Capitalization method is good.
4. -

Comparisons -

- RWK - 5% Rev. Growth
- SELA - ~ 10% Plus " "

- RWB - \$ 4,097,000 2007 O&M - 7.68% More -
- SELA - 3,782,205
- \$ 314,795 - 7.68%

2. Capital Exp. = \$ 3,264,000.00, 6% of System each year -
 System Value = \$ 54,063,324

Note: Most of CapEx covered by Developers -

1. Replacement Reserve - Short Lived Assets

2. Reserve = 1.1 x Debt Service -

1-5 yrs
5-10 "
10-15 "

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10 -

3. Update Car Loan -
Avg. 06 - 7362 W
5846 W W
13208

4. Working Capital - 1/8 of O&M

5. Other Expenses (Debt Free) -
1817 / (#8972 - 4828) = 43.85%
= 1,817,000 - Income Tax

EXHIBIT
Dutruch
12

EXHIBIT
9
MEMO

DUTRUCH000454

623

$$\begin{array}{r}
 7362 \\
 5846 \\
 \hline
 13208 \\
 ,
 \end{array}$$

2007 Capital Exp

$$3,423,000 - 400,000$$

$$= 3,023,000 / \frac{3,208 \text{ Cuts}}{1400}$$

Avg. Capital Cost / Cuts

$$= \frac{3,023,000}{1400} = \$2159.00$$

$$3023000 / 700 = \underline{\underline{\$4318.57}}$$

*What about Added facilities

Add Back - 2007 Income

$$\begin{aligned} \text{Income} - & 700 \text{ Gallons} \times \$6 \times 400 \text{ gallons} \\ & = \$1,680,000.00 \end{aligned}$$

$$\text{TAD Fee} = 400 \times 700 = 280,000/\text{yr}$$

$$\$1,960,000$$

ORM Expense - Why Int. Expense
& Prop. Taxes

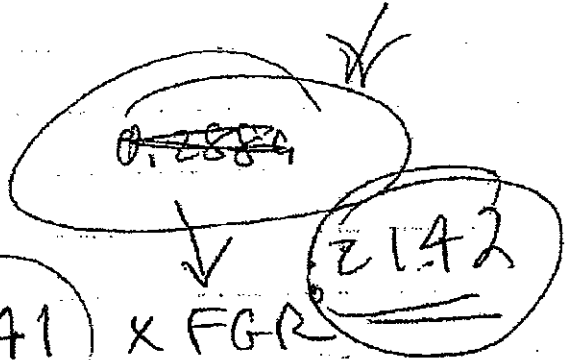
Why Income Tax @ 38.25%

$$2500 (\text{water}) + 49000 (\text{WW})$$

Other Expense -

- Property Taxes - 147,571
- 938,700

~~Jan~~



Terminal Value =

$$\frac{12,641}{6.88\% - 2.88\%} \times FGR$$

$$= 39357$$

0.3654

$$29023 = \frac{7370 \times FGR}{6.88\% - 2.88\%}$$

$$= 26507 \times \frac{2142}{9.28}$$

T.V. = 8.7 million

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116

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DEPUTY

SELA Comments -

1. Discounted Cash Flow Method -

a. Debt Free Value of \$1.6MM -
what is this?

b. Capital Costs - 3.3 Million/year -
10 yrs - Replace - $33/76 \approx 50\%$
of existing systems - Not Realistic -
- what is realistic -

- Fund Future Capital improvements
with - Future Cash Flow -

- I.P. 2006 #'s support debt
service - then Future Revenue
Growth Potential (including rate
increase will fund future

replaced costs -

* - Check cover of Bonds -

- 3.3 Million Capital Costs -

(NO large scale Replacement)

- Maybe need to find a source
for Bond - for Bond & replacement
Call what Fort A suggests -



- Stephens - 1.15 - 1.25 Gov

We're Averaging 1.81 >

ML says 1.8 Cap. Can we cover
for Capital improvement?

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10
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EXHIBIT
Outruch
13

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Assumptions: (Using Stephens, Inc. Summary
of Cash Flow Projections and
debt Service Assumptions -

1. Revenue Growth (Projected)
06-07 = 18,929 (19.8%)
07-08 = 17,377

✓ 3 Actual Projected 06 Revenue = \$3,727,028

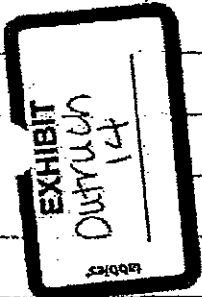
✓ 07 Projected Rev. = $3,727,028 \times 1.1892$
= \$4,432,182

08 " " = $4,432,182 \times 1.1737$
= \$5,202,052

4. Assume 2 yr. of Interest Only
and 1.15 Debt Coverage, how much
can Parish Pay =

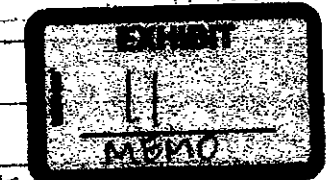
$\$5,202,052 / 1.15 = \$4,523,523$

$\therefore \$4,523,523 / 3,622,131 \times \$55mm$
= \$68,687,128



with 1.25 Cover

$\$5,202,052 / 1.25 = 4,161,642 / 3,622,131 \times \$55mm$
= \$63,192,200



DUTRUCH000459

Ken Dutruch

From: Bruce Cucchiara [bruce70433@yahoo.com]
Sent: Monday, February 27, 2008 10:33 AM
Subject: Re: Fw: 2005_2010 projection current rates_feb_22.xls

Done.

--- Ken Dutruch <kdutruch@pecla.com> wrote:

> Guys, I think it would be wise to pass this info on to the parish.
> Under this scenerio: borrow \$55m, interest only first two years and 28
> year amort., at end of 2007 excess cash would be abbout \$3.156M and
> debt service for 2008 is \$3.2M. What a comfort level that would
> provide. This doesn't include any further cost reductions the parish
> will make or the anticipated increase in revenue assuming the rate
> increase happens. The extra \$5M will allow build out of the system as
> presently needed. Bruce I think we need to tell Parish if this \$55M
> expenditure is made the system will meet our revenue projections and
> customer projections thru Year _____ without spending any additional
> monies. Ken
> ----- Original Message -----
> From: Ken Dutruch
> To: kdutruch@pecla.com
> Sent: Wednesday, February 22, 2006 4:37 PM
> Subject: Fw: 2005_2010 projection current rates_feb_22.xls
>

> ----- Original Message -----
> From: ggilbert
> To: 'Ken Dutruch'
> Sent: Wednesday, February 22, 2006 7:45 AM
> Subject: 2005_2010 projection current
> rates_feb_22.xls
>

> Ken,
>
> here is the excel file that I included the debt service data. If you
> want to look at other scenarios, go to the bottom tab for 2006 cash
> flow,
> 2007 cash flow and 2008 cash flow. Below the assumptions, you will
> find the debt service assumptions. Just change the amount you want and
> the calculations will occur. Call if you have any questions.
>
> Gerry

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EXHIBIT
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33

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SECRET
17
3/30