

MUNICIPAL REVIEW COMMITTEE, INC.

BOARD OF DIRECTORS

A meeting of the Board of Directors of Municipal Review Committee, Inc. was held on Wednesday, October 22, 2014 at 10:00 a.m. at the Town of Orono Municipal Building, 59 Main Street, Orono, Maine. In attendance were the following:

Directors:

Catherine Conlow, Bangor
Karen Fussell, Brewer
James Guerra, Rockport
Phil McCarthy, Clinton
Chip Reeves, Bar Harbor
Joshua Reny, Fairfield
Tony Smith, Mt. Desert
Sophie Wilson, Orono
Elery Keane, Winslow

Consultants:

Greg Louder, MRC Executive Director
George Aronson, CRMC
Dan McKay, Esq., Eaton Peabody

PERC

Peter Prata, PERC
Gary Stacey, PERC

PERC Holdings

Kevin Nordby, SET PERC
Kevin Tryst, SET PERC

Jennifer Baroletti kept the minutes of the meeting and President Reeves presided.

President Reeves convened the meeting at 10:06 a.m.

APPROVAL OF MINUTES

The first order of business to come before the Board was approval of the minutes of the July 23, 2014 quarterly meeting of the Board of Directors and the September 17, 2014 special

meeting of the Board of Directors. One minor correction was noted to a time reference in the minutes of the September meeting. Upon motion made and duly seconded it was unanimously:

VOTED: That the minutes of the July 23, 2014 quarterly meeting of the Board of Directors of the MRC and the minutes of the September 17, 2014 special meeting of the Board of Directors of the MRC hereby are approved in the forms presented to the Board at this meeting, as corrected.

CONSIDERATION OF FINANCIAL STATEMENTS AND BILLS PAYABLE

Sophie Wilson presented bills payable totaling \$84,339.23 to the Board for consideration. Ms. Wilson also presented the Board with an overview of the MRC's financial statements and the Finance Committee Report. The Finance Committee recently met with its investment advisor to discuss how to best utilize the extra \$1,200,000 currently in the Custody Account. The Finance Committee recommendation is to move \$600,000 from the Custody Account to the Tip Fee Stabilization Account in order to achieve a better return. After discussion, and upon motion duly made and seconded, it was unanimously:

VOTED: That the bills payable of \$84,339.23 presented to the Board at this meeting hereby are approved.

Ms. Wilson advised the Board that the next Finance Committee meeting will take place on November 13, 2014 at 9am to discuss (i) 2015 budget; (ii) Executive Director Greg Louder's evaluation; (iii) and recommendations regarding changes in the personnel policy, and that all Board members are welcome to attend.

FOURTH QUARTER 2014 TIPPING FEE CALCULATION

George Aronson presented the PERC tipping fee calculation of \$77.00 per ton for the fourth quarter of 2014. He noted that municipal deliveries of MSW year to date are down 1.9% from this time last year continuing the trend in recent years. Residuals disposal costs were 1.3% less than projected but are very close to the projected cost per ton after taking into account that overall MSW deliveries were about 1% less than projected. Mr. Aronson reported that PERC is seeing a slightly lower net interest rate after accounting for rate swaps. This low interest environment has been good for the MRC municipalities.

Mr. Aronson reported that there were no environmental performance excursions and that overall there was nothing of particular concern this quarter. Based upon his review of the PERC materials, he recommended that the Board vote to accept the tipping fee calculation. Upon motion made and duly seconded it was unanimously:

VOTED: To accept the tipping fee of \$77.00 per ton for the fourth quarter of 2014 as calculated by PERC.

PERC FACILITY OPERATIONS REPORT

Peter Prata, Plant Manager of PERC, presented the PERC facility operations report. He reported that the boilers ran well during the quarter. The electrical capacity for the quarter was at 98.9%, and the plant has run at over 100% electrical capacity for three months during 2014. October currently is running at 95.4%. He reported that, as a result of good communication with ISO New England, the plant avoided a planned interruption related to CMP line construction activity. This type of interruption typically results in a 4-5% reduction in electrical production on an annual basis, so avoiding the outage was of significant benefit to PERC.

Mr. Prata reported that out-of-state deliveries were down in September due to preparation for the anticipated outage. A contractor performed Relative Accuracy Test Audits (“RATA”) on the Continuous Emissions Monitoring (“CEM”) equipment during the annual stack test. No issues were detected.

Mr. Prata indicated that a ferrous test is in the works designed to pull more ferrous metals out of the bottom ash from the boilers. It looks promising and the necessary equipment can be installed fairly easily. The initial payback is projected at 11-16 months.

Truck waiting times for September were the shortest in memory, and overall, the plant is running very well.

CHARTER MUNICIPALITY ASSET MANAGEMENT REPORT – CUSTODY ACCOUNT, TIP FEE & OPERATING BUDGET STABILIZATION FUNDS, LP INTEREST/BOND PREPAYMENT & 4th QUARTER CASH DISTRIBUTION

George Aronson presented an overview of the Charter Municipality Asset Management Report compiled by Commonwealth Resource Management. He reported that the balance in the Custody Account as of October 1, 2014 was \$2,212,299.84, which is higher than it has been as a result of greater than expected distributions over the summer resulting from PERC’s high performance level. He reported balances of \$21,454,830.37 in the Tip Fee Stabilization Account, and \$1,726,736.26 in the Operating Budget Stabilization Account. He recommended an aggregate quarterly cash distribution to Charter Municipalities of \$1,111,136.40.

Mr. Aronson reported that cash distributions and performance credits from PERC for the quarter more than offset distributions to Charter Municipalities and consequently there was no need to draw funds from the Tip Fee Stabilization Account. As reported earlier in the meeting,

the Finance Committee has recommended transfer of \$600,000 from the Custody Account to the Tip Fee Stabilization Account.

Following Mr. Aronson's presentation, and upon motion made and duly seconded it was unanimously:

VOTED: That the Charter Municipality Asset Management Report hereby is approved in the form presented to the Board at this meeting, that a cash distribution in the aggregate amount of \$1,111,136.40 be made to the members, and that \$600,000 be transferred from the Custody Account to the Tip Fee Stabilization Account.

Sophie Wilson thanked Mr. Aronson for his insight, indicating that his projections are invaluable.

CONSIDERATION OF AGREEMENT WITH UNIVERSITY OF MAINE TO PEER REVIEW CERTAIN CHEMICAL AND BIOLOGICAL PROCESSING COMPONENTS OF THE FIBERIGHT MSW PROCESSING TECHNOLOGY

Greg Louder reminded the Board that at its last meeting, the Board approved an agreement with the University of Maine ("UMaine") for peer review of the Fiberight proposal. George Aronson drafted the scope of the agreement, and UMaine is in the process of proposing some adjustments. Mr. Louder suspects that the body of work may involve more funds than the Board had appropriated at the last meeting, indicating that the Board may need to revisit the process from a financial standpoint.

Mr. Aronson added that the MRC was hoping to have a report from UMaine in November and available to present at the December annual meeting. He noted that Fiberight's Virginia plant is scheduled to undergo construction in December to increase capacity so there is some urgency to finalize the peer review arrangement with UMaine in order to allow for a site visit prior to the construction. Mr. Aronson briefly discussed the scope of the peer review and asked, if budget is a limitation, which items should be trimmed from the scope. A general

discussion ensued regarding the MRC's expectation as to the level of expertise of people working on the peer review. The Board agreed that the contract should reserve the right to approve all members of the team. After discussion, the Board approved the agreement subject to the requirements that (i) counsel review the contract prior to signing, and (ii) the final scope and cost estimate be submitted to the Board in the form of a consent ballot prior to Mr. Lounder signing the agreement on behalf of the MRC.

PROGRESS REPORT ON DEVELOPMENT OF A NEW MSW RECYCLING AND PROCESSING FACILITY WITH FIBERIGHT, LLC

Greg Lounder reported that he and George Aronson have had productive meetings with Craig Stuart-Paul, CEO of Fiberight, and are making progress on a development agreement outlining the overall structure of an arrangement. Mr. Lounder indicated that details will be a topic of negotiation and need to be further described in executive session but the progress with Fiberight is very encouraging.

George Aronson provided the Board with an update on Fiberight's financing efforts in Iowa, indicating that Fiberight apparently is raising private equity potentially for a Maine project as well as for the project in Iowa. Fiberight should be able to do without an EPC guarantee, which would significantly reduce its projected financing costs. A general discussion ensued regarding the estimated time frame and general scope for a development agreement, and Mr. Aronson reported that they are hopeful to have that information by the annual meeting in December.

Mr. Aronson also reported that the MRC has provided information to the DEP on the Fiberight process in response to its questions, and he anticipates that further information will be requested during this quarter.

**RECOGNITION OF MRC MEMBER SUPPORT FOR
POST 2018 PLANNING PROCESS**

Mr. Louder advised that copies of all letters of support from MRC Municipalities received so far were included in the Board packet to demonstrate the broad based support from member communities. Approximately 80% of the membership has expressed support for the Board's efforts which is encouraging.

**ADMINISTRATIVE REPORT – TRENDS IN MSW DELIVERIES, SLATE OF
NOMINEES FOR ANNUAL ELECTION OF DIRECTORS, MRC ANNUAL
MEETING/2015 MEETING SCHEDULE, PERC 2015 BUDGET**

Greg Louder reported on waste delivery trends.

He then reviewed the slate of nominees for the annual election of directors, and distributed biographies and a sample ballot to the Board, requesting that the Board approve the ballot to send to member communities. Mr. McKay reminded the Board that the bylaws require the Board to determine that all nominees are qualified. Mr. Louder confirmed that all nominees are duly qualified under the bylaws. Upon motion duly made and seconded, it was unanimously:

VOTED: That the ballot as presented to the Board for the election of directors hereby is approved for distribution.

The Board next discussed potential dates for the annual meeting and determined that the annual meeting will take place on December 11th at 3pm at the Cross Insurance Center. The Board discussed scheduling a brief Board meeting on that day to address any items requiring approval. Sophie Wilson suggested that the annual meeting take place first to give members a chance to weigh in on the development agreement prior to the Board's decision. After discussion, the Board agreed to structure the day to maximize member input, and the Board agreed to reserve the afternoon for MRC business.

The Board next discussed the 2015 quarterly board meeting schedule. After discussion, and upon motion made and duly seconded, it was unanimously:

VOTED: That the 2015 quarterly meetings of the Board of Directors shall take place on the last Wednesday of the first month of each calendar quarter.

Mr. Lounder reported on PERC's 2015 budget, indicating that there was no additional information to add to the report that has already been provided.

Mr. Lounder then opened the floor to guests from member communities for questions and comments. Jack Clukey, Town Manager of Dover Foxcoft, thanked the Board for the work they are doing. He acknowledged that it is difficult work and voiced his appreciation of the efforts of the MRC.

EXECUTIVE SESSION

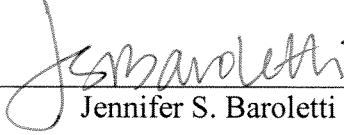
A motion was made, and duly seconded, at 11:04 a.m. to adjourn the meeting to executive session pursuant to 1 M.R.S.A. §405(6)(E) for discussion with legal counsel concerning legal rights and duties over certain contract matters related to potential negotiations with the PERC Partners and separate negotiations with Fiberight, LLC and as related to pending litigation that MRC has initiated against PERC's general partner USA Energy Group, LLC; executive session pursuant to 1 M.R.S.A. §405(6)(C) to discuss the condition and potential acquisition and use of real and personal property; and executive session pursuant to 1 M.R.S.A. §405(6)(A) to discuss a personnel matter. Whereupon, it was unanimously:

VOTED: That the meeting be adjourned to executive session.

At 3:10 p.m., the executive session ended and the regular meeting reconvened. A general discussion ensued confirming the time and place of the next Board Meeting on November 13,

2014 at 10:30 a.m. There being no further business to come before the Board, the meeting adjourned at 3:12 p.m.

Respectively submitted,



Jennifer S. Baroletti

Dated: February 5, 2015