

CommonWealth

Resource Management Corporation

15 April 2013

The Municipal Review Committee, Inc. (the MRC)
Attn.: Greg Louder, Executive Director
395 State Street
Ellsworth, Maine 04605

RE: Charter Municipality Assets Managed by the MRC:
Financial Statements, Distributions and Management of
Available Funds in the Second Quarter of 2013

Dear Members of the Committee:

In this letter, CommonWealth Resource Management Corporation (CRMC) provides financial statements, information and recommendations regarding the distribution and management of available funds by the MRC in the **second** quarter of 2013 under the Second Amended, Restated and Extended Waste Disposal Agreements (the Extended Agreements). In carrying out its duties, the MRC is also bound by the terms of the MRC Administration Authorization (that is, the MRC By-Laws); as well as various agreements that govern the flow of funds associated with the Facility among MRC, PERC and Bangor Hydro-Electric Company (Bangor Hydro) after such funds have been released by PERC's lender.

This letter provides information and recommendations regarding Performance Credits and Net Cash Flow receivable by virtue of prior ownership of limited partnership shares in PERC. The MRC manages such proceeds in accordance with the Extended Agreements, as amended, the Fifth Amended and Restated Agreement of Limited Partnership of PERC (the Partnership Agreement), and related agreements.

In this quarter, CRMC recommends that funds be withdrawn from the Tip Fee Stabilization Fund for transfer to the Custody Account. Such withdrawal cannot be approved without the affirmative vote of a Supermajority of the MRC Board of Directors.

1.0 FINANCIAL STATEMENTS

Table 1 presents a balance sheet for the start of the second quarter of 2013 and preceding quarters in a format that reflects the financial statements prepared by the MRC's auditor. As shown, as of April 1, 2013:

- The Custody Account balance at Bangor Savings Bank was **\$881,676.55**.
- The market value of the Tip Fee Stabilization Fund, including accrued income through the end of the first quarter of 2013, was **\$20,771,834.91**. This fund is held in the form of a ladder of bonds and CDs of varying maturities as invested by the MRC's investment advisor, People's United Bank, in accordance with the approved Investment Policy. The balance in liquid money market funds readily available for withdrawal as of April 1, 2013, was \$570,924.18, which is 2.8 percent of the full value of the fund.
- The market value of the MRC Operating Budget Stabilization Fund, including accrued income through the end of the first quarter of 2013 (also being managed by People's United Bank), was **\$2,543,481.47**. The balance in liquid money market funds readily available for withdrawal as of April 1, 2013, was \$27,744.07, which is 1.1 percent of the full value of the fund.
- Cash distributions payable by the MRC to the Charter Municipalities in the quarter are **\$1,036,440.32** (see Table 3).

The Net Assets of the joint venture include the amounts in the accounts listed above, along with the value of the ownership shares of the Charter Municipalities in PERC, net of the cash distributions payable. Note that the share of the funds owned by the Charter Municipalities and held in reserve by PERC's lender is not included in Net Assets, because such share is considered a contingent asset under generally accepted accounting principles.

Table 2 presents the revenues and expenditures of the joint venture, as well as the change in Net Assets, for the second quarter of 2013 and preceding quarters. Note that the excess of revenues over expenditures, as adjusted for changes in balance sheet items (the investment in PERC and in cash distributions payable) is reconciled with the change in Net Assets over each quarter. Table 2 includes line-items for payment of the 2012 GAT delivery shortfall, as well as reimbursement of such payments from the Charter Municipalities to the MRC. Table 2 also shows the transfers from the Operating Budget Stabilization Fund to the MRC Operating Fund in the third quarter of 2012 and the first quarter of 2013.

2.0 DISTRIBUTIONS TO THE CHARTER MUNICIPALITIES

The MRC distributes cash to the Equity Charter Municipalities as required to achieve (a) the target value of **\$48 per ton** of solid waste delivered in the prior quarter for all Equity Charter Municipalities on a pooled basis; and (b) the target value of **\$54 per ton** of solid waste delivered in the prior quarter for all New Charter Municipalities.

To achieve these target values, the MRC needs to distribute at least **\$1,036,440.32** to the Charter Municipalities for the first quarter of 2013 (**\$952,346.64** to Equity Charter Municipalities and **\$84,093.68** to New Charter Municipalities) based on a tipping fee of **\$76.00** and the actual tonnages delivered by the Equity and New Charter Municipalities for the previous quarter. The basis for this requirement is provided in Table 3.

3.0 SOURCES OF CASH FOR THE DISTRIBUTIONS

The MRC distributes Net Cash Flow and Performance Credits to the Equity Charter Municipalities on a quarterly basis. The Performance Credits are allocated and distributed among the individual Equity Charter Municipalities based on the pro rata share of actual tons at the end of the prior quarter (Extended Agreements, Article XVIII,B, pages 50-51). Net Cash Flow is distributed on the basis of ownership shares in the PERC partnership. Additional cash is distributed to the extent necessary to achieve the target value of \$48 per ton for the net disposal cost to all Equity Charter Municipalities on a system-wide average basis. The value of \$48 per ton became effective on July 1, 2012, in accordance with a schedule of increases in the target values approved previously by the MRC Board of Directors.

The MRC distributes Performance Credits to New Charter Municipalities on a quarterly basis in the amount of the difference between the Tipping Fee in the prior quarter and the target value of \$54 per ton, which difference is multiplied by the actual waste delivered by each New Charter Municipality.

To the extent that the MRC has not received payments of Performance Credits or Net Cash Flow during the quarter in sufficient amounts to make the cash distribution payments, the MRC can call on (a) other cash available in the Custody Account; and (b) transfers of cash from the Tip Fee Stabilization Fund.

For the distribution required to achieve the target values for the first quarter of 2013, the following sources of cash are available for the distribution as of April 1, 2013, as described in Table 4:

- **\$144,686.17** in partnership cash distributions (Net Cash Flow) from PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter.

- **\$463,855.09** in Performance Credits distributed by PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter.
- **\$273,135.29** in Performance Credits and Net Cash Flow, and related earnings, distributed by PERC to the MRC on behalf of the Equity Charter Municipalities in prior quarters and currently held in the Custody Account.

With these sources, the balance in the Custody Account as of April 1, 2013 (which is \$881,676.55), is not sufficient to provide cash for the recommended distribution to the Charter Municipalities (which is \$1,036,440.32). Therefore, CRMC recommends a transfer of cash from the Tip Fee Stabilization Fund to the Custody Account at this time. As shown in Tables 4 and 5, the recommended transfer is **\$180,000**, which is projected to be sufficient to avoid further transfers of cash from the Tip Fee Stabilization Fund to the Custody Account through the end of 2013.

A full allocation of the Note Payments and Performance Credits to be distributed to each individual Equity Charter Municipality will be available subsequent to the Board

4.0 RECOMMENDATIONS

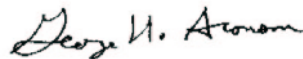
Based on the above, CRMC recommends approval of the following:

1. Distribute **\$1,036,440.326** to the Charter Municipalities as described herein.
2. Transfer **\$180,000** from the Tip Fee Stabilization Account to the Custody Account to make cash available for the distribution.

No bond prepayment is recommended at this time.

If you have any further questions, please feel free to contact me.

Sincerely,



George H. Aronson
Principal

Attachments Tables 1 through 5
Copies: PERC, LP

Table 2					
Joint Venture of the Charter Municipalities of the					
Municipal Review Committee, Inc.					
Statement of Governmental Fund Revenues, Expenditures and					
Changes in Fund Balance/Statement of Activities					
Quarterly basis, 2012-2013, unaudited					
		Unaudited	Unaudited	Unaudited	Unaudited
	Period	First quarter	Fourth quarter	Third quarter	Second quarter
	from	1/1/2013	10/1/2012	7/1/2012	4/1/2012
	to	4/1/2013	1/1/2013	10/1/2012	7/1/2012
REVENUES					
	Performance Credits	463,855.09	967,761.25	1,027,732.30	1,041,292.73
	Partnership distributions (Net Cash Flow)	144,686.17	260,437.20	274,206.24	280,928.61
	Charter Municipality GAT payments	-	29,226.10	55.22	-
	Appreciation (depreciation) of investments				
	Tip Fee Stabilization Fund	(48,207.96)	(49,150.22)	(2,881.41)	(27,362.95)
	MRC Operating Budget Stabilization Fund	(6,423.56)	(1,129.61)	5,899.25	8,794.42
	Interest income				
	Tip Fee Stabilization Fund - interest received	77,103.87	85,937.21	104,732.55	98,572.02
	Tip Fee Stabilization Fund - interest accrued	(4,898.28)	(6,848.92)	(11,162.44)	4,154.41
	Op Budget Stabilization Fund - interest received	8,786.66	9,611.08	8,813.20	9,977.90
	Op Budget Stabilization Fund - interest accrued	284.51	(1,356.81)	953.77	(527.31)
	Custodial Account (interest net of bank fees)	(901.27)	(817.46)	(811.41)	(477.32)
	TOTAL REVENUE	634,285.23	1,293,669.82	1,407,537.27	1,415,352.51
EXPENDITURES					
	Distributions to Charter Municipalities	1,146,127.96	1,212,304.13	1,136,412.41	1,158,282.63
	Transfer to the MRC Operating Fund	90,000.00		70,000.00	
	GAT shortfall penalty payment		20,000.00		
	TOTAL EXPENDITURES	1,236,127.96	1,232,304.13	1,206,412.41	1,158,282.63
	EXCESS OF REVENUES OVER EXPENDITURES	(601,842.73)	61,365.69	201,124.86	257,069.88
ADJUSTMENTS					
	Change in investment in PERC				
	Reserve funds released				
	Change in cash distribution payable	109,687.64	66,176.17	(75,891.72)	21,870.22
	Total adjustments	109,687.64	66,176.17	(75,891.72)	21,870.22
	Adjusted Excess of Revenues over Expenses	(492,155.09)	127,541.86	125,233.14	278,940.10
CHANGE IN NET ASSETS					
	End of period	33,446,924.61	33,939,079.70	33,811,537.84	33,686,304.70
	Start of period	33,939,079.70	33,811,537.84	33,686,304.70	33,407,364.60
	Change in Net Assets over Period	(492,155.09)	127,541.86	125,233.14	278,940.10
	Note 1	MRC paid the GAT fine to PERC of \$98,326.82 in 2Q 2011. Towns repaid the MRC through a mix of cash and account credits.			
		In 1Q 2012, the MRC received cash offsets for GAT fines of \$245.95 from Charter Municipalities.			
		In 2Q 2012, the MRC received cash offsets for GAT fines of \$55.22 from Charter Municipalities.			
		At the end of 2Q 2012, \$9,226.10 remained to be offset in calendar year 2012. The offset was taken in 4Q 2012.			

Table 3				
Distributions to the Charter Municipalities				
in the Second Quarter of 2013				
Equity Charter Municipalities				
	Tipping Fee, first quarter		\$ 76.00	
	Target value		\$ (48.00)	
	Distributions required to achieve the target value, \$ per ton		\$ 28.00	(A)
	Waste deliveries, Equity Charter Municipalities, tons		34,012.38	(B)
	Distributions required to achieve the target value		\$ 952,346.64	(A) x (B)
New Charter Municipalities				
	Tipping Fee, first quarter		\$ 76.00	
	Target value		\$ (54.00)	
	Distributions required to achieve the target value, \$ per ton		\$ 22.00	(D)
	Waste deliveries, new Charter Municipalities, tons		3,822.44	(E)
	Distributions required to achieve the target value		\$ 84,093.68	(D) x (E)
Summary for all Charter Municipalities				
	Equity Charter Municipalities		\$ 952,346.64	(A) x (B)
	New Charter Municipalities		\$ 84,093.68	(D) x (E)
	Total		\$ 1,036,440.32	

Table 4			
Uses and Sources of Cash for the Distribution			
in the Second Quarter of 2013			
Distributions required to achieve the target values			\$ 1,036,440.32
Net Cash Flow			
Received in prior quarter	\$ 144,686.17		
Distributed previously	\$ -		
Deferred for future distribution	\$ -		
Distribution		\$ (144,686.17)	
Performance Credits			
Received in prior quarter	\$ 463,855.09		
Distributed previously			
Deferred for future distribution	\$ -		
Distribution		\$ (463,855.09)	
Subtotal		\$ (608,541.26)	\$ (608,541.26)
Additional funds required			\$ 427,899.06
Other cash available			
From prior Custody Account balance		\$ 247,899.06	
Equity Charter allocation	\$ 163,805.38		
New Charter allocation	\$ 84,093.68		
		\$ 247,899.06	\$ (247,899.06)
Recommended cash transfer from the Tip Fee Stabilization Fund			\$ 180,000.00
Table 5			
Funds Available After Cash Distributions			
Custodial Account balance as of 4/1			\$ 881,676.55
Deposits			
Performance Credits, 4/15 (actual)		-	
Performance Credits, 5/15 (estimated)		188,048.78	
Performance Credits, 6/15 (estimated)		474,343.40	
Net Cash Flow from PERC, 2Q, estimated		\$ 190,284.45	
Subtotal		\$ 852,676.63	\$ 852,676.63
Transfer from the Tip Fee Stabilization Fund			\$ 180,000.00
Withdrawals			
Distribution to the Charter Municipalities			\$ (1,036,440.32)
Bank fees			
Projected funds available after distribution			\$ 877,912.86
Reserve for next distribution			\$ 877,912.86
Transfer to the Tip Fee Stabilization Fund			\$ -
Projected closing balance as of 6/30			\$ 877,912.86
Projected closing balance as of 9/30			\$ 1,452,565.92
Projected closing balance as of 12/31			\$ 1,379,471.37