

CommonWealth

Resource Management Corporation

15 July 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 Third 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 **third** 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 transferred from the Custody Account back to the Tip Fee Stabilization Fund.

1.0 FINANCIAL STATEMENTS

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

- The Custody Account balance at Bangor Savings Bank was **\$1,347,574.17**.
- The market value of the Tip Fee Stabilization Fund, including accrued income through the end of the second quarter of 2013, was **\$20,437,242.77**. 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 July 1, 2013, was \$534,091.79, which is 2.6 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 second quarter of 2013 (also being managed by People's United Bank), was **\$2,448,625.96**. The balance in liquid money market funds readily available for withdrawal as of July 1, 2013, was \$8,473.64, which is 0.3 percent of the full value of the fund.
- Cash distributions payable by the MRC to the Charter Municipalities in the quarter are **\$1,081,034.30** (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 final payments of the 2012 GAT delivery shortfall penalties, 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 and second quarters 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 **\$51 per ton** of solid waste delivered in the prior quarter for all Equity Charter Municipalities on a pooled basis (which was increased from \$48 per ton as of July 1, 2013); 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 **\$1,081,034.30** to the Charter Municipalities for the second quarter of 2013 (**\$980,674.55** to Equity Charter Municipalities and **\$100,359.75** to New Charter Municipalities) based on a tipping fee of **\$74.75** 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 \$51 per ton for the net disposal cost to all Equity Charter Municipalities on a system-wide average basis. The value of \$51 per ton became effective on July 1, 2013, 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) the prior balance of 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 second quarter of 2013, the following sources of cash are available for the distribution as of July 1, 2013, as described in Table 4:

- **\$278,126.20** in partnership cash distributions (Net Cash Flow) from PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter, which are being held in the Custody Account.

- **\$802,908.10** in Performance Credits distributed by PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter, which are also being held in the Custody Account.

With these sources, the balance in the Custody Account as of July 1, 2013 (which is \$1,347,574.17), is more than sufficient to provide cash for the total recommended distribution to the Charter Municipalities (which is \$1,081,034.30). Therefore, no transfer of cash from the Tip Fee Stabilization Fund to the Custody Account is required at this time in order to make the cash distribution.

Indeed, receipt of the Performance Credits and Net Cash Flow from PERC as projected over the next summer months would result in an elevated balance in the Custody Account sufficient to meet projected cash distributions in upcoming quarters with more than an adequate margin. For these reasons, CRMC recommends that the MRC transfer \$800,000 from the Custody Account to the Tip Fee Stabilization Account in August after it has been confirmed that actual distributions are reasonably consistent with the projections.

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

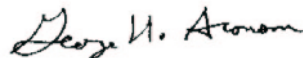
Based on the above, CRMC recommends approval of the following:

1. Distribute **\$1,036,440.326** to the Charter Municipalities as described herein.
2. Transfer **\$800,000** to the Tip Fee Stabilization Account from the Custody in August after it has been confirmed that actual distributions are reasonably consistent with the projections.

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 1
Joint Venture of the Charter Municipalities of the
Municipal Review Committee, Inc.
Governmental Funds Balance Sheet / Statement of Net Assets
Quarterly Basis, 2012-13, unaudited

	Notes	7/1/2013	4/1/2013	1/1/2013	10/1/2012	7/1/2012
ASSETS						
Cash and cash equivalents						
Custody Account (Bangor Savings Bank)		1,347,574.17	881,676.55	1,420,164.52	1,395,861.56	1,231,091.62
Accounts Receivable						
PERC partnership distribution (Net Cash Flow) accrued for prior quarter						
Investments						
Tip Fee Stabilization Fund (portfolio managed by Peoples United Bank)						
Account balance	1	20,358,356.29	20,693,345.18	20,664,449.27	20,627,662.28	20,525,811.14
Accrued interest income		78,886.48	78,489.73	83,388.01	90,236.93	101,399.37
MRC Operating Budget Stabilization Fund (managed by Peoples United Bank)						
Account balance	1	2,441,160.39	2,535,166.32	2,622,803.22	2,614,321.75	2,669,609.30
Accrued interest income		7,465.57	8,315.15	8,030.64	9,387.45	8,433.68
Investment in PERC	2	10,286,372.00	10,286,372.00	10,286,372.00	10,286,372.00	10,286,372.00
TOTAL ASSETS		34,519,814.90	34,483,364.93	35,085,207.66	35,023,841.97	34,822,717.11
LIABILITIES AND NET ASSETS						
Liabilities						
Cash distributions payable, current quarter	3	1,081,034.30	1,036,440.32	1,146,127.96	1,212,304.13	1,136,412.41
Indenture reserves released, awaiting final allocation	4					
Net Assets		33,438,780.60	33,446,924.61	33,939,079.70	33,811,537.84	33,686,304.70
TOTAL LIABILITIES AND NET ASSETS		34,519,814.90	34,483,364.93	35,085,207.66	35,023,841.97	34,822,717.11
NOTES						
1	Investments valued per market conditions as of date shown to account for unrealized gains and losses, and accrued interest.					
2	Value of Charter Municipal share of PERC Partners' capital as of January 1, 2012, using results of audit of MRC Joint Venture financials for calendar year 2011.					
	Payables are prior to application of credits for unpaid GAT fines. Credits are not realized until the tonnage of MSW that earns the value of the credits is delivered.					
3	Under gaap, Net Assets do not include the contingent assets shown below, which are the MRC's share of funds held in reserve by PERC's lender for distribution to the MRC when the debt is retired.					
	TD Bank Reserve Fund	1,333,333.34	1,333,333.34	1,333,333.34	1,333,333.34	1,333,333.34

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						
	Period	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	from	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter
	to	4/1/2013	1/1/2013	10/1/2012	7/1/2012	4/1/2012
		7/1/2013	4/1/2013	1/1/2013	10/1/2012	7/1/2012
REVENUES						
Performance Credits		1,044,805.08	463,855.09	967,761.25	1,027,732.30	1,041,292.73
Partnership distributions (Net Cash Flow)		278,126.20	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		(233,316.65)	(48,207.96)	(49,150.22)	(2,881.41)	(27,362.95)
MRC Operating Budget Stabilization Fund		(24,750.50)	(6,423.56)	(1,129.61)	5,899.25	8,794.42
Interest income						
Tip Fee Stabilization Fund - interest received		78,327.76	77,103.87	85,937.21	104,732.55	98,572.02
Tip Fee Stabilization Fund - interest accrued		396.75	(4,898.28)	(6,848.92)	(11,162.44)	4,154.41
Op Budget Stabilization Fund - interest received		9,744.57	8,786.66	9,611.08	8,813.20	9,977.90
Op Budget Stabilization Fund - interest accrued		(849.58)	284.51	(1,356.81)	953.77	(527.31)
Custodial Account (interest net of bank fees)		(593.34)	(901.27)	(817.46)	(811.41)	(477.32)
TOTAL REVENUE		1,151,890.29	634,285.23	1,293,669.82	1,407,537.27	1,415,352.51
EXPENDITURES						
Distributions to Charter Municipalities		1,036,440.32	1,146,127.96	1,212,304.13	1,136,412.41	1,158,282.63
Transfer to the MRC Operating Fund		79,000.00	90,000.00		70,000.00	
GAT shortfall penalty payment				20,000.00		
TOTAL EXPENDITURES		1,115,440.32	1,236,127.96	1,232,304.13	1,206,412.41	1,158,282.63
EXCESS OF REVENUES OVER EXPENDITURES		36,449.97	(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		(44,593.98)	109,687.64	66,176.17	(75,891.72)	21,870.22
Total adjustments		(44,593.98)	109,687.64	66,176.17	(75,891.72)	21,870.22
Adjusted Excess of Revenues over Expenses		(8,144.01)	(492,155.09)	127,541.86	125,233.14	278,940.10
CHANGE IN NET ASSETS						
End of period		33,438,780.60	33,446,924.61	33,939,079.70	33,811,537.84	33,686,304.70
Start of period		33,446,924.61	33,939,079.70	33,811,537.84	33,686,304.70	33,407,364.60
Change in Net Assets over Period		(8,144.01)	(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 Third Quarter of 2013							
Equity Charter Municipalities							
	Tipping Fee, second quarter				\$	74.75	
	Target value				\$	(51.00)	
	Distributions required to achieve the target value, \$ per ton				\$	23.75	(A)
	Waste deliveries, Equity Charter Municipalities, tons					41,291.56	(B)
	Distributions required to achieve the target value				\$	980,674.55	(A) x (B)
New Charter Municipalities							
	Tipping Fee, second quarter				\$	74.75	
	Target value				\$	(54.00)	
	Distributions required to achieve the target value, \$ per ton				\$	20.75	(D)
	Waste deliveries, New Charter Municipalities, tons					4,836.61	(E)
	Distributions required to achieve the target value				\$	100,359.75	(D) x (E)
Summary for all Charter Municipalities							
	Equity Charter Municipalities				\$	980,674.55	(A) x (B)
	New Charter Municipalities				\$	100,359.75	(D) x (E)
	Total				\$	1,081,034.30	

Table 4
Sources and Uses of Cash Received
in the Third Quarter of 2013

Sources of Cash				
	Performance Credits received		\$	1,044,805.08
	Net Cash Flow (PERC distribution)		\$	278,126.20
	Custody Account balance		\$	-
	Interest			
	Total			1,322,931.28
Uses of Cash				
	Distribution to Equity Charter Municipalities		\$	980,674.55
	Distribution to New Charter Municipalities		\$	100,359.75
	Reserve for future distributions			241,896.98
	Total		\$	1,322,931.28
Allocations				
			Distributed	Reserved
	Performance Credits - Equity Charters		\$ 702,548.35	\$ 241,896.98
	Performance Credits - New Charters		\$ 100,359.75	
	Net Cash Flow (PERC distribution)		\$ 278,126.20	\$ -
	Interest			
		\$ 1,322,931.28	\$ 1,081,034.30	\$ 241,896.98

Table 5
Funds Available After Cash Distributions

	Custodial Account balance as of 7/1			\$ 1,347,574.17
Deposits				
	Net Cash Flow from PERC		\$	339,619.31
	Performance Credits, 7/15 (actual)		\$	479,808.84
	Performance Credits, 8/15 (estimated)		\$	411,386.89
	Performance Credits, 9/15 (estimated)		\$	481,913.55
	Subtotal		\$	1,712,728.59
			\$	1,712,728.59
Withdrawals				
	Distribution to the Charter Municipalities			
	Net Cash Flow distributed		\$	(278,126.20)
	GAT payment offsets			
	Performance Credits distributed		\$	(802,908.10)
	Subtotal			\$ (1,081,034.30)
				\$ (1,081,034.30)
	Projected balance after deposits and withdrawals			\$ 1,979,268.46
				\$ 1,979,268.46
	Projected funds available after distribution			\$ 1,979,268.46
	Reserve for next distribution			\$ (1,979,268.46)
	Transfer to the Tip Fee Stabilization Fund			\$ -
				\$ -
	Projected closing balance as of 9/30			\$ 1,979,268.46