

CommonWealth

Resource Management Corporation

17 January 2012

The Municipal Review Committee, Inc. (the MRC)
Attn.: Greg Louder, Executive Director
40 Harlow Street
Bangor, Maine 04401

RE: Charter Municipality Assets Managed by the MRC:
Financial Statements, Distributions and Management of
Available Funds in the First Quarter of 2012

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 **first** quarter of 2012 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); the Trust Indenture, which governs the flow of funds associated with the Facility and the permitted uses of reserve funds; and the Surplus Cash Agreement, as amended, which governs the flow of funds among PERC, the MRC and Bangor Hydro-Electric Company (Bangor Hydro) after such funds have been released by the Trustee.

This letter provides information and recommendations regarding 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, the Surplus Cash Agreement, as amended, and the Fourth Amended and Restated Agreement of Limited Partnership of PERC (the Partnership Agreement).

In this quarter, CRMC does not recommend that funds be withdrawn from the Tip Fee Stabilization Fund for transfer to the Custody Account. CRMC does not anticipate the need for further withdrawals from the Tip Fee Stabilization Fund until April 2012.

1.0 FINANCIAL STATEMENTS

Table 1 presents a balance sheet for the start of the first quarter of 2012 and four preceding quarters in a format that reflects the financial statements prepared by the MRC's auditor. As shown, as of January 1, 2012:

- The Custody Account balance at Bangor Savings Bank was **\$2,217,939.69**, which includes \$666,666.67 released from reserve funds, and \$552.70 released from other funds, to the MRC by the Trustee to the PERC bond financing in the third quarter of 2011. At its October 2011 meeting, the MRC Board had voted to transfer the \$666,666.67 in cash to the PERC private partners in exchange for (i) ownership of the \$666,666.67 that is allocable to the PERC private partners and is being held as a debt service reserve fund by TDBank; (ii) a 500-ton-per-year deductible on future GAT shortfall penalties; and (iii) good faith commitment to reach agreement on an alternative protocol for GAT shortfall penalty payments. Such transfer had not occurred as of this writing. An update on the status of transfer will be provided at the Board meeting.

In the absence of direction from the Board, the \$552.70 has remained in the Custody Account. CRMC recommends that the Board confirm that such treatment is consistent with the Board's other instructions.

- The market value of the Tip Fee Stabilization Fund, including accrued income through the end of the fourth quarter of 2011, was **\$20,965,411.27**. This fund is held in the form of a ladder of bonds 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 January 1, 2012, was \$1,663,248.51, which is 8.0 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 fourth quarter of 2011 (also being managed by People's United Bank), was **\$2,658,750.35**. This value includes \$2.0 million that were transferred from the Custody Account in the fourth quarter of 2011 after being released from reserve funds earlier in 2011.
- Cash distributions payable in the quarter are **\$1,191,424.91** (see Table 3).

The General Fund Balance includes the amount in the Tip Fee Stabilization Fund; the amount in the MRC Operating Budget Stabilization Fund; and other amounts that are classified as undesignated.

The Net Assets of the joint venture include the General Fund Balance, as well as the ownership shares in PERC. Note that the Equity Charter Municipalities' share of Equity

Reserves 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 the Fund Balance, for the fourth quarter of 2011 and three 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 shows revenues from payments of the GAT shortfall penalty by Charter Municipalities to the MRC as reimbursement for their shares of the payment of \$98,326.82 made by the MRC to PERC in the second quarter. The revenue accounts for cash distributions and offsets against shares of fund balances assessed in the quarter. For one New Charter Municipality (Cranberry Isles), the offsets outstanding exceeded distributions through the fourth quarter cash distribution by a total of \$301.17. That remaining offset will be rolled over to subsequent quarters as required until the entire credit is taken.

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 **\$46 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 **\$1,191,424.91** to the Charter Municipalities for the fourth quarter of 2011 (**\$1,102,787.50** to Equity Charter Municipalities and **\$88,637.36** to New Charter Municipalities) based on a tipping fee of **\$73.20** 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.

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 fourth quarter of 2011, the following sources of cash are available for the distribution as of January 1, 2011, as described in Table 4:

- **\$923,420.58** in Performance Credits distributed by PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter.
- **\$14,152.83** in Performance Credits distributed by PERC to the MRC on behalf of the Equity Charter Municipalities in prior quarters and currently held in the Custody Account.
- **\$253,851.50** in partnership cash distributions from PERC to the MRC on behalf of the Equity Charter Municipalities in the previous quarter.

With these deposits, the balance in the Custody Account as of January 1, 2012, even after excluding the \$666,666.67 released from reserve funds and not yet re-allocated, was sufficient to provide cash for the recommended distribution to the Charter Municipalities. Therefore, CRMC does not recommend a transfer of cash from the Tip Fee Stabilization Fund to the Custody Account at this time.

Table 5 indicates that a transfer of cash from the Tip Fee Stabilization Fund to the Custody Account will likely be required next quarter for the MRC to make the cash distribution to the Charter Municipalities scheduled for May 2012.

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 meeting.

4.0 RECOMMENDATIONS

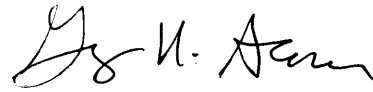
Based on the above, CRMC recommends approval of the following:

1. Distribute **\$1,191,424.91** to the Charter Municipalities as described herein.
2. Confirm that the **\$552.70** released from reserves in 2011 can remain in the Custody Account.

No withdrawal from the Tip Fee Stabilization Account or bond prepayment is recommended at this time. No transfer to the Tip Fee Stabilization Account is recommended at this time.

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

Sincerely,

A handwritten signature in black ink, appearing to read "G. H. Aronson". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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, 2011, unaudited

	Notes	1/1/2012	10/1/2011	7/1/2011	4/1/2011	1/1/2011
ASSETS						
Cash and cash equivalents						
Custody Account (Bangor Savings Bank)		2,217,939.69	4,292,110.36	1,144,775.52	191,807.66	858,826.64
Accounts Receivable						
PERC partnership distribution (Net Cash Flow) accrued for prior quarter						
Investments						
Tip Fee Stabilization Fund (portfolio managed by Merrill Bank)						
Account balance	1	20,858,763.01	20,797,846.08	20,613,062.77	21,245,080.17	21,700,556.69
Accrued interest income		106,648.26	108,028.80	123,093.61	117,883.34	139,670.64
MRC Operating Budget Stabilization Fund (managed by Merrill Bank)						
Account balance	1	2,652,770.54	696,192.37	694,121.63	686,276.03	687,978.10
Accrued interest income		5,979.81	4,107.20	3,147.89	4,837.90	3,355.90
Investment in PERC	2	13,259,694.00	13,259,694.00	13,259,694.00	13,259,694.00	13,259,694.00
TOTAL ASSETS		39,101,795.31	39,157,978.81	35,837,895.42	35,505,579.10	36,650,081.97
LIABILITIES AND NET ASSETS						
Liabilities						
Cash distributions payable, current quarter	3	1,191,424.91	1,251,168.02	1,160,594.26	1,113,992.66	1,267,530.14
Indenture reserves released, awaiting final allocation	4	666,666.67	2,666,666.67			
Net Assets		37,243,703.73	35,240,144.12	34,677,301.16	34,391,586.44	35,382,551.83
TOTAL LIABILITIES AND NET ASSETS		39,101,795.31	39,157,978.81	35,837,895.42	35,505,579.10	36,650,081.97
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, 2011, using results of audit of MRC Joint Venture financials for calendar year 2010. Value through 2011 to be updated upon audit.					
3	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.					
4	Under gaap, Net Assets do not include the following contingent assets, which is the MRC's share of funds held in reserve for to the PERC financing, for distribution to the MRC when the debt is retired. Note that \$2,666,666.67 was released to the MRC in the third quarter of 2011 after PERC's bonds were refinanced with a bank load fom TDBank. As of December 31, 2011, \$2.0 million of the relased funds had been transferred to the MRC Operating Budget Stabilization Account, \$666,666.67 remained in reserve held by TDBank, and \$666,666.67 remained unallocated pending completion of certain arrangements with the PERC private partners. The unallocated funds of \$666,666.67 (which happen to be in the same amount as the funds remaining in reserve) are held in the Custody Account at Bangor Savings Bank.					
	Capital Improvement Fund	-	-	333,333.34	333,333.34	333,333.34
	Operating Reserve Account	-	-	1,000,000.00	1,000,000.00	1,000,000.00
	Capital Reserve Fund	-	-	2,000,000.00	2,000,000.00	2,000,000.00
	Subtotal	-	-	3,333,333.34	3,333,333.34	3,333,333.34
	Held by TD Bank	666,666.67	666,666.67			
	Total	666,666.67	666,666.67	3,333,333.34	3,333,333.34	3,333,333.34

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, 2011, unaudited					
		Unaudited	Unaudited	Unaudited	Unaudited
	Period	Fourth quarter	Third quarter	Second quarter	First quarter
	from	10/1/2011	7/1/2011	4/1/2011	1/1/2011
	to	1/1/2012	10/1/2011	7/1/2011	4/1/2011
REVENUES					
	Performance Credits	923,420.58	1,273,802.58	1,007,048.99	47,665.38
	Partnership distributions (Net Cash Flow)	253,851.50	334,337.35	274,072.80	53,690.95
	Charter Municipality GAT payments	1,345.25	34,237.56	34,546.61	
	Appreciation (depreciation) of investments				
	Tip Fee Stabilization Fund	(10,262.41)	70,638.17	98,317.89	(47,747.86)
	MRC Operating Budget Stabilization Fund	(1,384.62)	(980.55)	3,328.71	(3,999.71)
	Interest income				
	Tip Fee Stabilization Fund - interest received	71,179.34	114,145.14	119,664.71	92,271.34
	Tip Fee Stabilization Fund - interest accrued	(1,380.54)	(15,064.81)	5,210.27	(21,787.30)
	Op Budget Stabilization Fund - interest received	2,962.79	3,051.29	4,516.89	2,297.64
	Op Budget Stabilization Fund - interest accrued	1,872.61	959.31	(1,690.01)	1,482.00
	Custodial Account (interest net of bank fees)	(1,619.98)	(1,667.76)	(381.06)	(845.17)
	TOTAL REVENUE	1,239,984.52	1,813,458.28	1,544,635.80	123,027.27
EXPENDITURES					
	Distributions to Charter Municipalities	1,251,168.02	1,160,594.26	1,113,992.66	1,267,530.14
	Transfer to the MRC Operating Fund	45,000.00			
	GAT shortfall penalty payment			98,326.82	1
	TOTAL EXPENDITURES	1,296,168.02	1,160,594.26	1,212,319.48	1,267,530.14
	EXCESS OF REVENUES OVER EXPENDITURES	(56,183.50)	652,864.02	332,316.32	(1,144,502.87)
ADJUSTMENTS					
	Change in investment in PERC				
	Reserve funds released		2,667,219.37		
	Change in cash distribution payable	59,743.11	(90,573.76)	(46,601.60)	153,537.48
	Total adjustments	59,743.11	2,576,645.61	(46,601.60)	153,537.48
	Adjusted Excess of Revenues over Expenses	3,559.61	3,229,509.63	285,714.72	(990,965.39)
CHANGE IN NET ASSETS					
	End of period	37,910,370.40	37,906,810.79	34,677,301.16	34,391,586.44
	Start of period	37,906,810.79	34,677,301.16	34,391,586.44	35,382,551.83
	Change in Net Assets over Period	3,559.61	3,229,509.63	285,714.72	(990,965.39)
	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 2Q 2011, the MRC received cash reimbursements and offsets for GAT fines of \$34,546.61 from Charter Municipalities.			
		In 3Q 2011, the MRC received cash reimbursements and offsets for GAT fines of \$34,237.56 from Charter Municipalities.			
		In 4Q 2011, the MRC received cash offsets for GAT fines of \$1,345.25 from Charter Municipalities.			
		At the end of 4Q 2011, \$301.17 remained to be credited in calendar year 2012.			
	Note 2	The entry for 3Q 2011 includes \$2,666,666.67 and \$552.70 released to the Custody Account from bond reserve funds.			

Table 3				
Distributions to the Charter Municipalities				
in the First Quarter of 2012				
Equity Charter Municipalities				
	Tipping Fee, fourth quarter 2011		\$ 73.20	
	Target value		\$ (46.00)	
	Distributions required to achieve the target value, \$ per ton		\$ 27.20	(A)
	Waste deliveries, Equity Charter Municipalities, tons		40,543.66	(B)
	Distributions required to achieve the target value		\$ 1,102,787.55	(A) x (B)
New Charter Municipalities				
	Tipping Fee, fourth quarter 2011		\$ 73.20	
	Target value		\$ (54.00)	
	Distributions required to achieve the target value, \$ per ton		\$ 19.20	(D)
	Waste deliveries, New Charter Municipalities, tons		4,616.53	(E)
	Distributions required to achieve the target value		\$ 88,637.36	(D) x (E)
Summary for all Charter Municipalities				
	Equity Charter Municipalities		\$ 1,102,787.55	(A) x (B)
	New Charter Municipalities		\$ 88,637.36	(D) x (E)
	Total		\$ 1,191,424.91	
Table 4				
Sources of Cash for the Distribution				
in the First Quarter of 2012				
	Distributions required to achieve the target values		\$ 1,191,424.91	
Net Cash Flow				
	Total received, 4Q		\$ 253,851.50	
	Deferred for future distribution			
	Distribution		\$ 253,851.50	\$ (253,851.50)
	Recommended distribution of Performance Credits (received earlier)		\$ 937,573.41	
	Equity Charter Municipalities			
	Received this quarter	\$ 834,783.22		
	Received prior quarter	14,152.83		
	Total distribution		\$ 848,936.05	
	New Charter Municipalities		\$ 88,637.36	
	Total distribution		\$ 937,573.41	
	Received last quarter		923,420.58	
	Received in prior quarters		14,152.83	
	Total distribution		937,573.41	

Table 5				
Funds Available After Distributions				
Custodial Account balance as of 1/1/2012				\$ 2,217,939.69
Deposits - 1Q 2012				
Net Cash Flow from PERC, 1Q (estimated)				
Performance Credits, 1/15 (actual)			-	
Performance Credits, 2/15 (estimated)			-	
Performance Credits, 3/15 (estimated)			-	
Subtotal			\$ -	\$ -
Withdrawals - 1Q 2012				
Distribution to the Charter Municipalities				
Net Cash Flow distributed			\$ (253,851.50)	
Performance Credits distributed			\$ (937,573.41)	
Subtotal				\$ (1,191,424.91)
Withdrawal of unallocated released reserve funds				\$ (666,666.67)
Projected balance after deposits and withdrawals				\$ 359,848.11
Transfer from the Tip Fee Stabilization Fund				\$ -
Balance after transfer				\$ 359,848.11
CASH FLOW PROJECTIONS FOR 2Q 2012				
Projected closing balance as of 4/1/2012				\$ 359,848.11
Deposits April 2012				
Net Cash Flow from PERC, 2Q2012 (estimated)			44,522.45	
Performance Credits, 2Q2012 (estimated)			12,121.19	
Subtotal			\$ 56,643.64	\$ 56,643.64
Withdrawals 2Q 2012				
Distribution to the Charter Municipalities (estimated)				\$ (1,169,253.82)
Projected balance after deposits and withdrawals				\$ (752,762.07)
Transfer from the Tip Fee Stabilization Fund				\$ 800,000.00
Balance after transfer				\$ 47,237.93
Projected closing balance as of 7/1/2012				\$ 47,237.93