

MUNICIPAL REVIEW COMMITTEE, INC.

ANNUAL MEETING

The Annual Meeting of the Members of Municipal Review Committee, Inc. was held on Wednesday, December 16, 2015 at 3:00 p.m. at the Cross Insurance Center in Bangor, Maine. In addition to a number of members from the charter municipalities of the Municipal Review Committee (“MRC”), in attendance were the following:

Directors:

Sophie Wilson, Orono
Elery Keene, Winslow
James Guerra, Mid-coast Solid Waste Corp.
Ken Fletcher, Winslow
Catherine Conlow, Bangor
Chip Reeves, Bar Harbor
Barbara Veilleux, Penobscot County
Karen Fussell, Brewer

Consultants:

Greg Louder, MRC Executive Director
Dan McKay, Esq., Eaton Peabody
George Aronson, CRMC
Denis St. Peter - CES, Inc.
Craig Stuart-Paul, Fiberright

Guests:

Peter Prata, PERC
Gary Stacey, PERC
Kevin Nordby, PERC Holdings, LLC

Jen Baroletti kept the minutes of the meeting and President Chip Reeves presided.

President Reeves welcomed the membership to the Annual Meeting and expressed his appreciation for the turnout. He provided an overview of the history of the MRC and reminded the membership that the mission of the MRC is to provide affordable, long-term and

environmentally sound disposal of municipal solid waste (“MSW”). He asked Board members to introduce themselves, and then introduced to the membership the MRC consultants present at the meeting.

ELECTION RESULTS

Greg Louder summarized the results of the election to fill four seats on the Board of Directors of the MRC as follows: Cathy Conlow, City of Bangor, Karen Fussell, City of Brewer, and Barbara Veilleux, Penobscot County were each re-elected to serve three-year terms beginning January 1, 2016. Mike Roy, City of Waterville, was elected to serve a two-year term beginning January 1, 2016, which is the remainder of the three year term left vacant by Joshua Reny’s resignation earlier this year.

TREASURER’S REPORT

Sophie Wilson presented the Treasurer’s Report, requesting that any comments from the member communities be provided in advance of the January board meeting. Ms. Wilson reviewed select revenue and expense line items in the draft 2016 budget, indicating that dues would remain at \$1.25 per ton and noting that the totals are less than last year with the intention of a planned reduction in the draw on the Budget Stabilization Fund Account. Ms. Wilson briefly reviewed the expense categories listed in the budget, indicating that the operating budget for regular operations is lower than last year based on the fact that projected costs are lower now that the MRC has completed more of its post-2018 planning efforts. The staff structure will remain the same, and the MRC will continue to do some post-2018 planning.

Ms. Wilson then reviewed the Capital Asset Management Budget, noting that the approximately five million dollars (\$5,000,000) in revenue from the Tip Fee Stabilization Fund is contingent upon members signing on to the Fiberight proposal.

POST-2018 DISPOSAL SOLUTION

Greg Louder then discussed the proposed post-2018 disposal solution, noting that the MRC has capitalized on a new technology that will provide new ways of processing municipal solid waste (“MSW”) and organics in our region while decreasing landfill residue.

Mr. Louder then reviewed the general terms of a 10 year contract with Waste Management in Norridgewock which has been secured as a contingency in the event of delays or bypass issues with the Fiberight facility. He reviewed the thresholds of tonnage required to be delivered to the new Fiberight facility in order to move the project forward and answered questions from the audience regarding current tonnage delivered to PERC and the flexibility of recycling efforts at the local level. Mr. Louder noted the collective force of the 187 member communities which has contributed to the MRC’s success, noting that the way to avoid failure is to stick together.

FIBERIGHT FACILITY: HAMPDEN

Craig Stuart-Paul of Fiberight next presented on the proposed Fiberight next generation waste processing facility in Hampden, Maine. Fiberight does not view MSW as waste, but as a resource from which marketable recyclables and other value added products can be extracted. .It will constitute one of the largest capital projects in the state of Maine in a long time. The facility will employ at least sixty-five (65 people in addition to other job opportunities (truck drivers, etc.) directly linked to plant operations.

Mr. Stuart-Paul announced that Covanta, one of the largest owner/operators in the world of infrastructure for the conversion of waste-to-energy with \$1.8billion in annual revenues, would be the principal equity investor in Fiberight. Covanta provides a combination of capital, experience and access to their deep engineering and operations team. Covanta will oversee

operations and maintenance at the facility for a fifteen (15) year term with technical support from Fiberight and will be responsible for marketing recovered metals through well established contractual relationships. Covanta has historically been a waste-to-energy firm but is looking for opportunities to diversify its revenue stream by investing in the anaerobic digester technology.

**OVERVIEW OF MRC ECONOMIC PRO FORMA ANALYSIS OF
FIBERIGHT PROJECT**

George Aronson introduced himself and gave a brief history of the MRC's efforts beginning in 2007 concerning potential alternatives and how the MRC got to where it is now with Fiberight. Mr. Aronson reviewed the economic advantages of Fiberight, including converting soluble and insoluble organics to marketable high-value products and recovering recyclables from pulped MSW. Fiberight's technology is much less reliant on manual picking, as it has automated that process by pulping materials on the front end. With Fiberight, the MRC can avoid having new uniform collection methods required to support the plant, which would result in high transportation costs. The Fiberight facility is also appropriate in scale for the MRC service territory. Mr. Aronson reiterated that the Fiberight facility will only accept in-state waste and emphasized the need for realistic projections of tonnage from member communities in order to determine whether or not there is sufficient tonnage for the project to move forward.

Mr. Aronson next reviewed the composition of MSW in Maine (e.g. metals, glass, plastics, paper, organics and yard waste) and the potential byproducts of the Fiberight process, including recovered materials, converted organics, on-site fuel and residue. He noted that actual percentages of products will change based on MSW composition, process recovery rates and market conditions.

Mr. Aronson then provided a top level overview of projected revenues and costs at one hundred fifty thousand (150,000) tons, one hundred eighty thousand (180,000) tons and two

hundred ten thousand (210,000) tons, indicating that the margins are more comfortable at the 210,000 ton level, but that tip fees cover the costs of the plant in every scenario. Mr. Aronson explained the proposed rebate structure, noting that increased tonnage and increased revenues from sales of byproducts will result in higher rebates, noting that product revenues also will depend on market conditions which tend to be cyclical.

Mr. Aronson reported on his feasibility findings for the Fiberight project, indicating that the facility, if constructed, operated and maintained with proposed technical performance levels and projected revenues and costs, would generate positive cash flows under a wide range of scenarios. To prepare for contingencies, the MRC has secured capacity for bridge and bypass waste at the Crossroads Landfill in Norridgewock on behalf of member communities. Mr. Aronson reported that based upon his review, he is optimistic and confident in the numbers moving forward with Fiberight.

UPDATE ON FIBERIGHT PROJECT STATE AND LOCAL PERMITTING STATUS

Denis St. Peter of CES, Inc. next presented on the status of permitting for the facility, including permits to be issued by the Maine Department of Environmental Protection (“DEP”) and the federal Army Corps of Engineers (“ACOE”) . Several public informational meetings have been very helpful in addressing concerns and as of December 11, 2015, all information has been submitted. Permit approval is expected within 30 to 60 days. The MRC is now working with the Town of Hampden and expects to submit its permit application in January and approvals can be expected within ninety (90) days.

OVERVIEW OF FIBERIGHT PROJECT CONTRACT DOCUMENTS DEVELOPED BY THE MRC FOR CONSIDERATION AND APPROVAL BY MRC COMMUNITIES

Dan McKay of Eaton Peabody, counsel for the MRC, reviewed the three (3) principal agreements – a Site Lease (between the MRC and Fiberight), a Master Waste Supply Agreement between the MRC and Fiberight, and a Municipal Joinder Agreements between the MRC and each municipality that decides to come into the project as a Joining Member). Mr. McKay noted the initial contract term of fifteen (15) years, with five (5) five (5) year extensions is a long term solution consistent with the MRC’s fundamental mission.

Mr. McKay explained that the MRC will own the land, build the access road and provide access to utility services. Fiberight will finance the project and will construct, own and operate the facility. The MRC is obligated to work with the Joining Members to provide a minimum aggregate annual quantity of not less than 150,000 tons of MSW to Fiberight, but there will be no individual GAT requirements for towns. Individual communities will provide a tonnage estimate but will not be liable for any shortfall so long as they comply with the exclusivity provisions of the Joinder Agreement.

Mr. McKay next reviewed the distribution of assets at the end of the PERC project, explaining that certain reserve accounts are presently held by the MRC on behalf of the member municipalities, including the Custody Account and the Tip Fee Sstabilization Account, the amounts of which are projected to aggregate to approximately \$25 million in 2018. If a member community elects not to move forward with the Fiberight project, it would receive its allocable share of the reserve funds after the PERC Partnership has been wound up in 2018. Those member municipalities choosing to move forward with the Fiberight project would not withdraw their allocable share. Of the funds remaining in the project, up to \$5 million would be used to build the access road and infrastructure for the site. The Board is proposing setting aside an

additional \$1 million as a bridge disposal contingency fund and \$7 million as a sinking fund to preserve the MRC's ability to purchase the facility should Fiberright falter. The Board is also proposing setting aside an additional \$3 million as a Delivery Sufficiency Reserve and \$1.16 million to be allocated to a PERC Closure Fund to fund costs associated with closure of the PERC facility and dissolution of the PERC partnership.

Mr. McKay explained that a Target Reserve Fund would be established to provide some subsidy to members off the Initial \$70 per ton tipping fee. Equity Charter Municipalities would receive a larger subsidy than New Charter Municipalities. New Joining Members that were not part of the PERC project would receive no subsidy or rebate and will pay a premium to the MRC based on tonnage delivered over the initial contract term as an equalizer so that all members will be on a parity with respect to tipping fees at the end of the initial fifteen (15) year term.

Mr. McKay next reviewed the proposed revisions to the MRC's bylaws, indicating that the MRC's mission remains unchanged but that many provisions in the current bylaws are specific to the PERC project and would need to be restated if the MRC moves forward with the Fiberright project. The revisions include changes to the corporate purposes and add the opportunity for member voting rights with respect to certain fundamental decisions.

**REPORT ON STATUS OF INDEPENDENT LEGAL REVIEW OF FIBERRIGHT
CONTRACT DOCUMENTS**

Greg Louder reported that an independent legal review is ongoing and should be completed by the end of the month. If the legal review produces substantial comments, then the MRC will take those into consideration before finalizing documents. Fiberright has reviewed and approved the current draft documents.

NEXT STEPS TO IMPLEMENT THE FIBERIGHT PROJECT – LOCAL CONTRACT APPROVAL PROCESS

Dan McKay reviewed the next steps, including receiving the final comments from the independent legal review and Fiberight, finalizing the legal agreements and seeking local legislative approval between January and June, 2016. Mr. McKay reiterated that the project cannot move forward from a financial standpoint until the 150,000 ton threshold has been met. Therefore, it is critical that this happens quickly to keep the project on schedule. The general deadline for towns to approve participation in the Fiberight project is the end of May, 2016, but there are provisions in the documents for towns that have regular scheduled town meetings later in the year. Mr. McKay reminded communities that there are significant financial consequences associated with late signup.

MRC BOARD CONSIDERATION OF ADDITIONAL REVISIONS TO THE FIBERIGHT PROJECT CONTRACT DOCUMENTS

Chairman Reeves presented draft resolutions to the Board for approval relating to the approval of the contract documents upon issuance and acceptance of the report of the independent counsel, authorizing the President to modify the documents reflecting the comments received from the independent counsel, and authorizing the President to execute and deliver the documents. Dan McKay explained that the resolutions are necessary in order for Fiberight to advance financing. A motion was made, and duly seconded, to adopt the resolutions as presented. A general discussion ensued. Board Member Elery Keene indicated his concern with delegating that much authority to the President to potentially modify the agreements without board input. After discussion, with Board Member Keene voting against, it was:

VOTED: That each of the Site Lease, the Master Waste Supply Agreement and the Municipal Joinder Agreement hereby is approved in substantially the form presented to the meeting subject to such further modification as may be approved

by the signing officer, including, without limitation, modification reflecting such comments as may be received from Independent Counsel.

VOTED: That each of the President and the Treasurer of the MRC, acting singly, hereby is authorized and directed to execute and deliver on behalf of the MRC the Lease Option on such terms as may be approved by the signing officer.

VOTED: That, upon issuance and acceptance of the report of the Independent Counsel, each of the President and the Treasurer of the MRC, acting singly, hereby is authorized and directed to execute and deliver on behalf of the MRC, (i) the Site Lease; (ii) the Master Waste Supply Agreement; and (iii) a Municipal Joinder Agreement with each Joining Member, in each case on substantially the terms presented to this meeting with such modifications as may in each case be approved by the signing officer.

VOTED: That each of the President and the Treasurer of the MRC, acting singly, hereby is authorized and directed to execute and deliver such further documents and to take such further action as he or she may determine to be necessary or appropriate in order to fully carry out the intent of the foregoing resolutions.

CLOSING REMARKS

Upon conclusion of the program, Chairman Reeves thanked the Board and staff for the amount of time they have each devoted to the MRC, indicating that although there are contingencies, he feels the Board and staff have done the very best job they can to protect the interests of the MRC communities. Board Member Sophie Wilson noted that although much of this meeting has been focused on moving forward with Fiberight, this is usually a time when the MRC recognizes how things are currently going. Ms. Wilson acknowledged Peter Prata and Gary Stacey from the PERC plant and thanked them and their employees for the great job that they do.

There being no further business to come before the Annual Meeting, it was adjourned at 5:32 p.m.

Respectively submitted,



Jennifer S. Baroletti

Dated: January 27, 2016