

MUNICIPAL REVIEW COMMITTEE, INC.

BOARD OF DIRECTORS

A regular quarterly meeting of the Board of Directors of Municipal Review Committee, Inc. was held on Wednesday, October 28, 2015 at 10:00 a.m. in the Lincoln Events Center, 8 Prince Street, Lincoln, Maine. In attendance were the following:

Directors:

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

Consultants:

Greg Louder, MRC Executive Director
George Aronson, CRMC
Daniel G. McKay, Eaton Peabody
Denis St. Peter, CES, Inc.
Jessamine Pottle, CES, Inc.

Guests:

Craig Stuart-Paul, Fiberight
Kevin Nordby, USAE Holdings, Inc.
Peter Prata, PERC
Gary Stacey, PERC

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

Chairman Reeves convened the meeting at 10:12 a.m. He thanked the town of Lincoln for hosting the meeting and board members and consultants introduced themselves to the audience.

CONSIDERATION OF MINUTES OF JULY 29, 2015 QUARTERLY BOARD OF DIRECTORS MEETING AND OCTOBER 2, 2015 SPECIAL BOARD OF DIRECTORS MEETING

The Board considered approval of the minutes of the July 29, 2015 quarterly meeting of the Board of Directors and the October 2, 2015 special meeting of the Board of Directors.

Board member Ken Fletcher requested an amendment of the draft October 2, 2015 meeting minutes under the section regarding the Board's consideration of a resolution that finds that Fiberight has met the feasibility milestone set forth in the Development Agreement. Mr. Fletcher requested removal of the word "thoroughly" describing the Board's review of Fiberight's technology and project financials, and to change the phrase "high level of confidence" to "acceptable level of confidence" with regard to the Board's decision regarding Fiberight's attainment of the feasibility milestone. Mr. Fletcher noted the basis for the requested changes is that there are still some items that are unknown at this time. The Board discussed the proposed amendments to the meeting minutes. George Aronson noted that meeting minutes note that further review of the pro forma is recommended. Board member Sophie Wilson stated her recollection of the discussions during the Board's three hour executive session during the October 2, 2015 meeting reviewing Fiberight's technology and project financials, noting that she recalled the Board's determination of its high level of confidence. After further discussion, Mr. Fletcher moved that the minutes be amended to reflect his proposed revisions. The motion failed by a vote of 6-2 with Board members Fletcher and Keene voting in favor.

The Board then considered a motion to approve the minutes of the July 29, 2015 quarterly meeting of the Board of Directors and the October 2, 2015 special meeting of the Board of Directors in the form presented to the meeting. There being no further discussion, and upon motion duly made and seconded, by a vote of 6 to 2, with Board members Fletcher and Keene voting against, it was:

VOTED: That the minutes of the July 29, 2015 quarterly meeting of the Board of Directors of the MRC and the minutes of the October 2, 2015 special meeting of the Board of Directors of the MRC hereby are approved in the form presented to the Board at this meeting.

**CONSIDERATION OF FINANCIAL STATEMENTS AND BILLS PAYABLE
AS OF OCTOBER 20, 2015**

Sophie Wilson presented current bills payable in the amount of \$88,631.91. She reported that the MRC currently has \$195,940.06 in the Operating Account prior to payment of these bills and that the Finance Committee has reviewed the monthly financial statements and bills payable and recommends acceptance. Upon motion made and duly seconded it was unanimously:

VOTED: That the bills payable of \$88,631.91 presented to the Board at this meeting for the period ending October 20, 2015 hereby are approved.

**PRESENTATION OF CRAIG STUART-PAUL, PRESIDENT AND CEO OF FIBERIGHT, LLC
REGARDING THE STATUS OF FINANCING COMMITMENTS TO THE FIBERIGHT,
HAMPDEN PROJECT AND PROGRESS TOWARD DECEMBER 1, 2015 MILESTONE IN
DEVELOPMENT AGREEMENT**

Craig Stuart-Paul, President and CEO of Fiberight, LLC (“Fiberight”) provided an update on the status of the Fiberight Hampden project. Mr. Stuart-Paul reported that Fiberight is still in the permitting stage, and upon receipt of the Department of Environmental Protection (“DEP”) determination Fiberight will prepare a package for distribution to major contractors. AMEC Foster Wheeler has provided initial construction feasibility approval for the project.

Mr. Stuart-Paul presented a slideshow containing a three-dimensional model of the proposed Fiberight facility and engineering aspects of the anaerobic digesters, reporting that once built, the Hampden project will have one of the largest digesters in the country, both in output and size. Fiberight has received notification from DEP that public hearings are now closed and applications are in the survey stage. Mr. Stuart-Paul reported that DEP has indicated its support of an anaerobic digester in Maine and that DEP may issue permits as early as the end of this year.

Mr. Stuart-Paul indicated that proposed agreements with MRC have been approved by Fiberight subject to comments from its strategic partners. Strategic partners should be making their final comments necessary in order to finalize the project documents by the December 1, 2015 deadline set forth in the development agreement. Mr. Stuart-Paul advised that he will attend the MRC’s annual meeting in December.

With regard to the status of financing, Mr. Stuart-Paul reported that three (3) strategic partners have been identified and that George Aronson is currently vetting their credentials. Each one of these partners has the potential to move the project forward, with not only the financial capability to fund the project, but also experience building large capital projects in the waste sector.

Mr. Stuart Paul noted a significant upside revenue potential available from further pathway development within Fiberight's flexible platform, explaining different outputs and revenue potentials (i.e. biochemical, bioplastics). Fiberight has been awarded a \$1.5million grant to develop higher value sugar pathways and there have been discussions with the University of Maine around potential research programs nested within the Hampden project. Mr. Stuart-Paul indicated that these technical advancements will take time, but that there is significant impact possible for potential rebates over the current highly conservative process design.

Board Member Karen Fussell asked Craig Stuart Paul to clarify Fiberight's current position with the strategic partners. Mr. Stuart-Paul noted that Fiberight can't reach a binding commitment until the contracts are finalized and the permits have been issued, but represented that he has received letters of intent. The strategic partners have been through due diligence and have reviewed the project pro formas. The strategic partners are aware that when they commit to the project their identities will become public which is expected to occur by the MRC's annual meeting on December 16, 2015.

The Board discussed the Bangor Gas pipeline which runs through the property on which the Fiberight facility will be located. Mr. Stuart-Paul indicated that pipeline was used to transport aviation fuel, and that Bangor Gas has indicated to him that the pipeline is in decent shape. Fiberight has been in discussions with Clean Energy Renewable Fuels ("CERF") which is interested in utilizing this pipeline and building a filling station to fill with biogas.

An audience member asked if there is any government funding for the project and Mr. Stuart-Paul clarified that this is a privately funded project, however one of the strategic partners wants to explore the potential of obtaining tax free bonds.

**FINANCE COMMITTEE REPORT ON DRAFT JOINDER AGREEMENT EXHIBIT B –
DISPOSITION OF EQUITY RESERVE FUNDS AND PARTNERSHIP INTERESTS**

Board Member Sophie Wilson reported that, as requested by the Board at the last meeting, the Finance Committee recently met to review the sources and uses of the equity reserve funds and partnership interests. At the recent special meeting, the Board discussed the different classifications of MRC members, i.e. equity charters (those who have been with the MRC since the beginning), and new charters (those communities who joined the MRC at a later date) and how these classifications impact the sources and uses of the funds.

Ms. Wilson reported that the 2008 contract signed by new charters expressly acknowledged that new charters did not have any rights to performance credits or equity partnership shares. After the Finance Committee meeting, George Aronson created a matrix that designates seven (7) classifications of members. The Finance Committee discussed the need to clarify the arrangement with current members by 2018, and to determine how to classify member communities in the new arrangement moving forward.

The Finance Committee has begun the task of reviewing the sources and uses but the work is not yet complete.

However, it is prepared to offer the following two (2) recommendations to the Board:

1. Departing New Charters will not receive any funds at the end of the PERC contract from the Tip Fee Stabilization Fund.
2. The MRC should reserve approximately \$1.2 million from the Tip Fee Stabilization Fund, in addition to the \$1.33 million currently in the Debt Reserve Fund for a total of \$2.5 million to deal with the issues that could arise when the PERC partnership is dissolved and liquidated.

George Aronson clarified that the MRC does not intend to maintain this reserve indefinitely and would be committed to revisiting this issue by the end of 2018 when the PERC partnership has ended. The Finance Committee is also currently discussing a third recommendation, which is not yet ready for presentation to the Board. This additional recommendation relates to the process for “buying in” to the Fiberright project with the ultimate goal that at the end of the initial fifteen (15) year term, all member communities will be at parity.

The Board generally discussed the course of winding up the partnership and requested that legal counsel prepare a position paper outlining the process. George Aronson reminded the Board that it needs to have a draft of Exhibit B to the Joinder Agreement by December 1st so this should be done within the next four (4) weeks.

Dan McKay clarified his understanding that, if a community decides to withdraw and then later wants to rejoin the MRC, that community would rejoin on the same basis as a new non-Charter member.

After further discussion, and upon motion made and duly seconded it was unanimously:

VOTED: That Departing New Charters leaving the MRC prior to April 1, 2018, shall not receive any funds from the Tip Fee Stabilization Fund.

VOTED: That, prior to determining the allocation of MRC funds, to further reserve approximately \$1.2 million from the Tip Fee Stabilization Fund that would join the \$1.333 million currently in the Debt Reserve Fund for a total of \$2.5 million, to deal with the issues that arise when the PERC partnership comes to an end.

DISCUSSION OF COMMENTS RECEIVED TO DATE ON THE DRAFT AGREEMENTS FOR MSW MANAGEMENT, INCLUDING THE \$70 YEAR ONE TIP FEE, MSW SHORTFALLS, REBATE FORMULA AND SITE LEASE PAYMENTS

Greg Louder led the discussion, indicating a high level of interest from communities upon receipt of the package containing the draft agreements, including several requests for electronic versions of the agreements to be further distributed to other interested individuals within member towns. To date a few comments of a non-substantive nature have been received, but no comments regarding the substantive structure of the transaction have yet been forthcoming. Mr. Louder asked the Board to share any feedback received to date. Some members have asked for draft town meeting warrants, and Dan McKay is working on assembling a package with warrants and alternative consents and resolutions depending on municipality structure.

Board member Karen Fussell indicated that she has been asked questions regarding the Board's confidence level in the pro forma provided by Fiberright and asked at what time, and with what level of detail, the Board expects to be in a position to provide that information to member communities. George Aronson indicated that he will work with Craig Stuart-Paul of Fiberright to prepare a summary document to show revenue and an overview of the high points to be available by December 1st. The Board

discussed the need to prepare this information at a high overview level to balance the need to protect proprietary information concerning Fiberight's technology and financials with generally explaining the process with sufficient detail to ensure that communities have adequate information to determine how the Board reached its decision so that they can determine whether or not to move forward with the MRC.

George Aronson stated that the MRC has received several questions from communities regarding guaranteed annual tonnage ("GAT"). Mr. Aronson clarified that under the new arrangement with Fiberight each community is asked to provide an annual estimate of tonnage, but no member community will be in default if it fails to meet the target unless it intentionally diverts MSW. The goal of this arrangement is to pool the tonnage of enough towns in the portfolio to cover any unintentional shortage of a particular member community. The agreements provide that the MRC will establish a reserve to cover unintentional shortfalls, and only if the reserve is not enough to cover the unintentional shortfall would each community be separately assessed an allocable share of any penalty. The Board discussed the need to work with individual towns to determine reasonable estimates for each member community.

The Board also discussed the Force Majeure provision, including the theory behind this clause and arbitration and the associated risks, noting that there is always a risk of events beyond reasonable control of either party.

Board member Elery Keene mentioned that the Maine Municipal Association ("MMA") may be reviewing the agreements on behalf of certain towns and that the MRC may want to consider reaching out to MMA to facilitate this process. Chairman Reeves clarified that the MRC should endeavor to provide any information they need but that each community needs to come to its own decision. Dan McKay reiterated that the deadline to receive any comments from member communities is November 13th.

Board member Ken Fletcher indicated that he had submitted additional written questions on the draft documents. In view of time constraints, it was agreed that George Aronson will provide responses to him.

The Board entertained questions from the audience regarding the draft agreements generally discussed the rebate structure and the importance of making that information available to describe the general concept to member communities.

In response to a question regarding the timeline, Dan McKay provided overview of project development process including permitting, public input and comment period with an explanation of the timeframe for these tasks.

Board member Barbara Veilleux indicated that a regional meeting has been requested in Newport area, and Board member Karen Fussell reported that regional meetings have been scheduled in Ellsworth (10/28), Bangor (10/29) and Orono (11/5). Ms. Fussell indicated that Board members are available and willing to come out to communities to hold meetings, and encouraged member communities, if interested, to reach out to a Board member or staff.

At 12:20 p.m., the meeting adjourned for lunch.

At 12:57 p.m., the meeting reconvened.

FOURTH QUARTER 2015 TIPPING FEE CALCULATION

George Aronson presented the PERC tipping fee calculation for the fourth quarter of 2015 of \$76.80 per ton. Aggregate tonnage from charter towns was down approximately 1,460 tons (2.9%) compared to the third quarter of 2014. Deliveries from both equity charter municipalities and new charter municipalities decreased from the third quarter of 2014. Total residual disposal costs were slightly less than projected. 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 for the fourth quarter of 2015 at \$76.80 per ton as calculated by PERC.

PERC FACILITY OPERATIONS REPORT

Peter Prata presented the PERC facility Operations Report, reporting that electrical production was at 95%, which is 5% better than budget. Glass and grit yield is at 17-18%, which is excellent for this

late in the year. As for deliveries, the plant is currently 2,400 tons ahead on MSW. A scheduled boiler outage last week revealed tube leaks in the generating section, so the two-day planned outage ended up lasting four days, which resulted in longer truck waiting periods yesterday. Mr. Prata reported that the plant was bypassing MSW as of noon yesterday and plans to continue through the end of the week to make up for the delay.

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

George Aronson presented an overview of the Charter Municipality Asset Management Report as compiled by Commonwealth Resource Management. He noted that as of October 1, 2015 there are current balances of \$1.214 million in the Custody Account, \$24.695 million in the Tip Fee Stabilization Fund and \$864,377.05 in the Operating Budget Stabilization Fund. He recommended a quarterly cash distribution of \$980,741.20.

Mr. Aronson reported that cash flows have been good this quarter, and there is no need to draw funds from the Tip Fee Stabilization Account in order for the MRC to make the cash distribution to the Charter Municipalities. He noted that the balance of the Custody Account is higher than it needs to be and recommended that the Board consider transferring up to \$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 and that a cash distribution in the aggregate amount of \$980,741.20 be made to the members.

VOTED: That the amount of \$600,000 be transferred from the Custody Account to the Tip Fee Stabilization Account.

CONSIDERATION OF AGREEMENT WORK SCOPE EXTENSION WITH UNIVERSITY OF MAINE TO PEER REVIEW ORGANICS TO BIOGAS CONVERSION RATES AND POST HYDROLYSIS SOLIDS GENERATION RATES

Greg Lounder and George Aronson recently met with the engineering professionals at the University of Maine who conducted the peer review of Fiberight's technology in order to gain a better understanding of the production of post-hydrolysis solids, biogas and electricity and to better understand Fiberight's pro forma. Mr. Lounder reported that the UMaine professionals were very helpful in this discussion. George Aronson has already received some information relating to their review and expects to have their full response soon.

Greg Lounder updated the Board with regard to open issues with the Department of Environmental Protection ("DEP") permitting and the town of Hampden, including questions concerning the amount of water the facility would use, and the amount of waste-water the facility would generate. Those questions stem back to a change in design, as Fiberight has elected to go with air cooling rather than a water tower, which results in a slightly different capital cost. This design results in higher electricity usage but much less water usage and accordingly, much less waste water. This one modification has addressed the water supply and waste-water concerns.

**CONSIDERATION OF AN OPTION AGREEMENT BETWEEN MRC
AND MAINE GROUND DEVELOPERS, INC.**

Greg Lounder presented a final draft of an option agreement pursuant to which the MRC would obtain an option to acquire a utility corridor extending from the westerly sideline of Ammo Park Road to the project site, noting that this agreement contemplates working with an adjacent landowner to move forward with the utility element of the project. This Option Agreement will give to the MRC a sufficient interest in the property to allow it to apply for local permits with the Hampden Planning Board. A general discussion ensued regarding the terms of the proposed option agreement.

Chairman Reeves clarified that the MRC seeks fee interest in that strip of land rather than an easement and that the MRC plans to ultimately convey the property to the Hampden Water District which would then maintain the water and sewer lines. Upon motion made and duly seconded it was unanimously:

VOTED: That the expenditure of Forty Thousand Dollars (\$40,000) as payment for the deposit contemplated by the Option Agreement hereby is approved.

VOTED: That the MRC enter into the Option Agreement on substantially the terms presented at this meeting, with such minor edits as may be approved by the Chairman.

ADMINISTRATIVE REPORT – MEMBER COMMUNITIES UPDATES, TRENDS IN MSW DELIVERIES, SLATE OF NOMINEES FOR ANNUAL ELECTION OF DIRECTORS, MRC ANNUAL MEETING/2016 MEETING SCHEDULE, PERC 2016 BUDGET

Board Member Karen Fussell, Chair of the Communications Committee reported that the packet to member communities was sent out a couple of weeks ago. She urged Board members to reach out to their member communities to ensure receipt and to answer any questions.

Ms. Fussell asked board members to bring any questions or information requests directly to the Communications Committee so they can respond promptly through the electronic email distribution list and Facebook. The Board praised the marketing efforts of Jessamine Pottle of CES, Inc., particularly the quick turnaround and polished final product of the handout which was distributed at the Maine Municipal Association (“MMA”) conference.

The Board next discussed the slate of nominees for the annual election of directors and confirmed that all nominees are duly qualified and eligible to serve under the criteria established by the MRC Bylaws. The draft slate will be sent out to the member communities in due course. A general discussion ensued regarding the voting procedure. The three (3) nominees receiving the highest number of votes will be elected to the three (3) open spots on the Board, each to serve for a three (3) year term. The nominee receiving the fourth highest number of votes will be elected to fill the board seat recently vacated by Joshua Reny to serve the remaining two years of his term.

The Board discussed the 2016 meeting schedule, confirming that quarterly board meetings will be held on the fourth Wednesday of each of January, April, July and October, 2016. After discussion, the Board agreed to reserve the fourth Wednesday of each other month beginning at 10 a.m. in the event the Board needs to call a special meeting. After discussion, the Board agreed to continue holding the meetings in Orono, subject to change if there is significant interest in holding a meeting in a particular region.

Greg Louder informed the Board that DEP has committed to November 18th to hold a public information meeting in the Town of Hampden, which is a component of the regulatory review process of the pending permit applications. Mr. Louder is pleased that the DEP has scheduled that meeting in mid-November, which speaks well to the point at which we are in the overall process. Mr. Louder continues to feel positive about the likelihood of obtaining timely approval from DEP.

Mr. Louder reported that the PERC Oversight Committee met recently in Orrington to consider PERCs annual operating budget for 2016. Mr. Louder commended PERC management for the thoughtful budget and the Oversight Committee unanimously approved the adoption of the 2016 budget as presented.

EXECUTIVE SESSION

A motion was made, and duly seconded, at 1:41 p.m., to adjourn the meeting to executive session pursuant to 1 M.R.S.A. §405(6)(e) and (f) for discussion with legal counsel concerning legal rights and duties over certain contract matters related to negotiations with Fiberight, LLC and to discuss certain records that are protected from public disclosure by law. Whereupon, it was unanimously:

VOTED: That the meeting is adjourned to executive session.

At 1:41 p.m., the meeting adjourned for break.

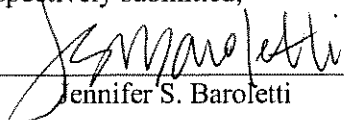
At 1:51 p.m., the meeting reconvened.

At 3:13 p.m., the executive session ended and the regular meeting reconvened.

Board Member Karen Fussell reported that the Town Manager of Orrington will be distributing to communities a sixty-five (65) page report including an engineering analysis of the Fiberight project, along with a list of questions that each member community should be asking the MRC. Greg Louder reported that he has received this list of questions and that the questions can be easily answered.

There being no further business to come before the Board, it was adjourned at 3:14 p.m.

Respectively submitted,



Jennifer S. Baroletti

Dated: January 27, 2014