

MUNICIPAL REVIEW COMMITTEE, INC.

ANNUAL MEETING

The Annual Meeting of the Members and Board of Directors of Municipal Review Committee, Inc. was held on Wednesday, December 14, 2016 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
Tony Smith, Town of Mount Desert
Karen Fussell, City of Brewer
Mike Roy, City of Waterville

Consultants:

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

Guests:

Craig Stuart-Paul, Fiberight
Steve Davey, Fiberight
Hank Lang, PERC
Gary Stacey, PERC
Vic Horton, MRRA

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

President Reeves welcomed the membership to the Annual Meeting, noting that it has been a formative year for the MRC and that he is proud of the significant progress in

implementing the MRC's post-2018 plan. He thanked the membership for their attendance and turned the presentation over to Greg Lounder, Executive Director of the MRC.

ELECTION RESULTS

Greg Lounder summarized the results of the election to fill four seats on the Board of Directors of the MRC, noting this year as receiving the highest level of member participation to date. The results were as follows: Sue Lessard, Town of Bucksport was elected to fill the remainder of Barbara Veilleux's two-year term. Chip Reeves, Tony Smith and Jim Guerra were each re-elected to serve three-year terms beginning January 1, 2017. Mr. Lounder noted that Ms. Lessard has previously served on the Board of Directors and he welcomed her back to the Board.

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 first reviewed the draft 2017 Operating Budget, noting select revenue and expense line items. The Board is not recommending any change to the dues formula, and dues would remain at \$1.25 per ton. Ms. Wilson noted that the MRC receives funds from Emera for monitoring its interest in the PERC facility, and that the MRC also receive reimbursement from PERC for expenses related to participation on the oversight committee.

Ms. Wilson noted that the proposed transfer from the Budget Stabilization Fund is less than usual and will leave an account balance of approximately One Hundred Thousand Dollars (\$100,000). She also noted that there is a reserve built into the budget to address the costs associated with the windup of the PERC partnership. Legislative activity is expected to increase in 2017 and staff is reaching out to Fiberright with a request to share in those expenses. Ms.

Wilson noted that overall, the budget is considerably lower than last year, and the contingency fund line item is to avoid having to go back and amend the budget due to unforeseen expenses.

Ms. Wilson then reviewed the Capital Asset Management Budget. The \$3.3 million budget figure is the remainder of the approximately \$5,000,000 that the MRC had reserved for project development for the Fiberight facility, which is in addition to the infrastructure costs. Ms. Wilson explained that those funds are derived from the Tip Fee Stabilization Account and there is approximately \$1.6 million in reserve. The Board will discuss how to spend that reserve at the January board meeting.

OVERVIEW OF 2017 TRANSITION YEAR

Greg Louder indicated that, after a very long year of local decision making, one hundred fifteen (115) municipalities have seen the value of moving forward as a group with the Fiberight facility. This figure represents approximately sixty-five percent (65%) of the MRC's current tonnage. Departing members representing approximately twenty-five percent (25%) of the MRC's current tonnage have made arrangements with facilities in Portland, Norridgewock and Canada, and it is believed that municipalities representing the remaining ten percent (10%) intend to stay with PERC.

Mr. Louder noted that the Fiberight technology was flexible enough to adapt when it became apparent that the MRC would have to size the Fiberight facility to work on a somewhat smaller scale based on the tonnage commitments that were received. He expressed his pleasure to report that the project remains on schedule for the Fiberight facility to be open and accepting and processing municipal solid waste ("MSW") as expected on April 1, 2018.

INFRASTRUCTURE PROJECT UPDATE

Denis St. Peter of CES, Inc. presented a project infrastructure update. CES, Inc. is responsible for construction quality assurance for the Fiberight project. The infrastructure has been divided into two (2) phases to take advantage of the remaining construction year. Mr. St. Peter presented photos of the sewer installation and reported that the last construction task in the first phase is to place sub-base gravel on the road to provide access to the site. The goal is to complete enough of the road so that work at the site can commence in the spring.

KEY TERMS OF USAE SETTLEMENT

Dan McKay, counsel to the MRC provided a brief review of the current litigation with the MRC's general partner USA Energy, Inc. ("USAE"). He reported that a settlement agreement was reached this summer which, in addition to settling the pending litigation, provided some parameters for the unwind of the PERC partnership, extricating those communities withdrawing from PERC. Mr. McKay reviewed the key terms of the settlement agreement, noting that the management fee increase will no longer have a direct financial impact on the MRC communities because, under the settlement agreement, their stream of distributions will be fixed for the duration of the partnership and will not be directed affected by project expenses. Mr. McKay reviewed the partnership unwind provisions in the agreement, noting that the MRC communities will receive guaranteed minimum distributions of performance credits and net cash flow aggregating \$5.4 million over the remaining partnership term. In addition, Equity Charter Municipalities will have the option to "put" limited partnership interests based on a fixed valuation of \$1.5million, and PERC will have a reciprocal "call".

Benefits of the settlement to the MRC include avoiding further litigation expenses and uncertainty, a guaranteed payment stream and valuation of partnership interests consistent with

the MRC's projections, and removal of GAT penalties. Additionally, as a result of the fixing of guaranteed distributions and partnership valuation, the MRC no longer has a vested interest in the operating profitability or residual value of the PERC plant.

The settlement was approved at a September 30, 2016 special meeting. Subsequent to that approval there were two changes to the terms, one of which is to provide PERC with a "call" option which requires board approval. The "call" option provides PERC with the right to repurchase interests of those members not electing to "put" their option. This call option may only be exercised by PERC only after it has paid in full the \$5.4million agreed distribution, as well as the full purchase price due to all member communities that have exercised their "put" option. The additional change to the settlement terms is effective date of the increase in management fees, which was originally effective September 1, 2016, to December 8, 2016. There being no further discussion, after motion made and duly seconded, it was unanimously:

VOTED: That the revised settlement terms as presented at this meeting are hereby approved, and each of the President and Treasurer is hereby authorized, acting singly, to execute and deliver the Settlement Agreement and Sixth Amended and Restated Partnership Agreement on substantially the terms presented.

FIBERIGHT UPDATE

Craig Stuart-Paul of Fiberight presented on the refined Fiberight facility size and concept, the status of project financing and the schedule for construction and operations at the facility. He confirmed that Fiberight has secured financing for the project and has shared the terms with the MRC's consultant, George Aronson. The Department of Environmental Protection ("DEP") appeal has delayed the financing process, but Fiberight has provided assurances to the funders that the appeal is unlikely to succeed, and the financing partners are prepared to fund upon

resolution of the appeal. The financing is expected to close in the spring of 2017, and the facility should be available to accept MSW on the target date of April 1, 2018.

Mr. Stuart-Paul turned the presentation over to the MRC's consultant, George Aronson, who summarized the status of construction financing milestones and open issues before the financial close. Mr. Aronson explained that the Development Agreement with Fiberight contains a milestone of January 1, 2017 for Fiberight to obtain financing which was designed to ensure the timeline that Fiberight will be on track to accept MSW by April 1, 2018. After Board discussion, it is clear that Fiberight remains in a position to accept waste by that deadline, and the Board has been asked to consider a deferral of that milestone until May 1, 2017. The matter was then placed before the Board for consideration and, there being no further discussion, after motion made and duly seconded, it was unanimously:

VOTED: To defer exercise of the MRC's termination rights under Section 4.1(d) of the Development Agreement with Fiberight, and corresponding rights under the Master Waste Supply Agreement with Fiberight, until May 1, 2017, on the understanding that Fiberight is still capable of achieving the ability to accept and process MSW at the Hampden site by April 1, 2018, notwithstanding its failure to achieve full construction financing by January 1, 2017.

The MRC and Fiberight are in the process of refining their contractual arrangements. Current discussions include a slight change to the rebate formula, clarification of performance test methodology, finalizing the project site lease and modification of the Master Waste Supply Agreement to incorporate technical corrections.

Mr. Aronson provided an update on the status of reserve funds, presenting a diagram depicting the sources and uses of each of the MRC's separate funds. PERC has agreed to cooperate with the MRC in requesting that the Debt Service Reserve Fund (approximately \$1.3million) be released in 2017. The Operating Budget Stabilization Fund ("OBSF") has been

drawn down to keep dues down, and it is projected that at the end of 2017 activities related to the windup of the partnership will have been paid for, and any balance in the OBSF will be nominal.

2017 INITIATIVES

Greg Lounder explained that throughout the local decision making process he heard concern from some municipalities that the new Fiberright system was inconsistent with the advancement of local efforts to reduce, reuse, recycle. The MRC endeavored to bring more recycling to the region that compliments existing and expanded local efforts and will work in 2017 to clear up any misconceptions. The MRC will also be coordinating with joining members on diversion programs to find new and better ways to manage recycling at the local level. The MRC will ensure that it refines existing transfer and hauling arrangements. The MRC has prudently secured a contract with Norridgewock to manage bridge waste, if necessary, despite confidence that the Fiberright facility will be up and running in April 2018.

RECOGNITION OF SERVICE

Mr. Lounder presented a plaque to Elery Keene, who is retiring from the Board of Directors, in recognition of his twenty-five (25) years of service. Mr. Keene received a standing ovation and then spoke briefly about the history of the MRC and its progression to where it stands today.

CONSIDERATION OF BILLS PAYABLE

Sophie Wilson presented bills payable in the amount of \$81,441.69 to the Board for consideration, representing invoices for October, November and December, 2016. Upon motion made and duly seconded it was unanimously:

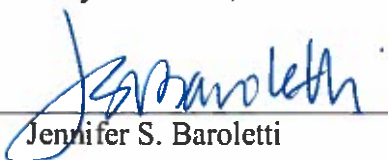
VOTED: That the bills payable of \$81,441.69 presented to the Board at this meeting hereby are approved.

CLOSING REMARKS

Greg Louder closed the program, thanking membership for their attendance and encouraging anyone with questions to reach out to him directly.

There being no further business to come before the Annual Meeting, it was adjourned at 4:15 p.m.

Respectively submitted,



Jennifer S. Baroletti

Dated: 1/25/2017