

MEMORANDUM

TO: MRC Board of Directors
FROM: Greg Louder, Executive Director
Dan McKay, Esq., General Counsel
George H. Aronson, Principal, MRC
RE: Revisions to the Master Waste Supply Agreement and Site Lease
DATE: 18 April 2017

With final permits in place, the MRC is now reviewing the Master Waste Supply Agreement and the Site Lease with Fiberight and its investors and lenders in advance of the closing of construction financing for the facility. The objectives of the review are to ensure that the agreements are consistent with changes in the facility as it has evolved since the agreements were originally drafted, and to continue to protect the positions of the Joining members, while negotiating revisions and amendments that satisfy specific conditions of the financing and keep basic business terms addressed by the agreements. In particular:

- The Master Waste Supply Agreement (the Agreement), which was originally signed by the MRC and Fiberight in January 2016, is being amended and restated for subsequent approval and execution.
- The form of the Site Lease, which had been fully negotiated and included as an appendix to the executed version of the Agreement (but was not executed, because the MRC had not at that time closed on the acquisition of the Hampden site that would be the subject of the Site Lease) is being amended for subsequent approval and execution.

The Joinder Agreements, which have been signed by the MRC and the Joining Members, are not being amended. They will continue to be honored in full force and effect without change. The MRC recognizes that the Joinder Agreements require that the MRC provide Joining Members notice of proposed amendments with an opportunity to be heard prior to any such amendments being executed. This memorandum is intended to alert Joining Members of that opportunity before amendments are final.

The remaining sections of this memorandum provide an updated status of the potential revisions to the Agreement and the Site Lease that are currently being discussed between the MRC and Fiberight and its investors and lenders. Note that the potential revisions are not yet final and some provisions have not been fully negotiated as of this writing. Note in particular that the MRC has not yet received detailed comments on the Agreement and the Site Lease from the project lenders. The purpose of the memorandum is to provide Joining Members with advance notice of provisions that might be changed in advance of finalization of the agreements. Joining Members will be provided an opportunity to be heard regarding changes at the MRC Board meeting scheduled for April 26, 2017.

None of the changes to the agreements would alter the allocation of reserve funds among Charter Municipalities or the distribution of reserve funds to Departing Municipalities.

Joining Members with particular interest in or concerns regarding specific provisions of the Master Waste Supply Agreement or the Site Lease, whether or not identified herein, are urged to contact MRC Executive Director Greg Louder directly in advance of the MRC Board meeting to ensure that their comments, interests and concern can be addressed at the meeting and through the negotiation process.

Revisions to the Master Waste Supply Agreement

As indicated above, the Master Waste Supply Agreement (the Agreement) as executed in January 2016 is being amended and restated. Material changes to the Agreement being proposed include the following:

1. Signatory and Assignment. The amended and restated version of the Agreement will be signed by a new special purpose entity, Coastal Resources of Maine, LLC (Coastal), which will be the Company for the purposes of the Agreement. Coastal will be owned jointly by Fiberight and its investors. The Agreement will include a new Section 8.1 that will require Fiberight to remain jointly and severally liable for obligations under the Agreement, and that will further obligate Fiberight to provide intellectual property and technical support as required.
2. The Delivery Commitment. The Delivery Commitment is being revised to the value of 102,513 tons per year, which is the sum of the Estimated Delivery Amounts filled in in Section 3.3(a) of each Joinder Agreement that has been executed by the MRC and a Joining Member. The revision will be implemented at multiple locations in the Agreement. These revisions are needed, because the Amendment was drafted with references to the aspirational value for the Delivery Commitment of 150,000 tons per year, which value was not achieved.
3. Definition of Commercial Operation Date. The definition of Commercial Operation Date in the Agreement is being revised to refer to and conform with the definition in the Site Lease, which itself refers to the performance test that will determine when the date occurs.
4. Definition of Force Majeure. The list of items in the definition of Force Majeure is being expanded to include (a) events resulting from delivery of Unacceptable Waste having substantial costs not readily recoverable from insurance proceeds or from an identified negligent party; and (b) invalidation of a flow control ordinance adopted by a Joining Member. Specific language and limits are under review.
5. Carve-out for local food waste and food scrap programs. Per new language in Section 3.1(v), Joining Members are specifically allowed to implement such programs without the consent of the Company.
6. Unacceptable Waste. Section 4.3 is being revised to insert a standard of care for the Company to identify and remove Unacceptable Waste from material delivered to the Facility at the earliest possible point of acceptance and handling, and to allocate the costs for management and disposal and clean-up that might result from deliveries of Unacceptable Waste despite procedures to identify and remove it. Specific language is being negotiated.
7. Remove process for amending the Tipping Fee. Section 5.1 is being revised to delete language on MRC's obligation to facilitate Company presentations of proposed amendments to the Tipping Fee, which language was often received with confusion during the period when Joining Members were considering approval of Joinder Agreements.

8. Construction Date Schedule. The date by which the Company must achieve the Construction Date is being moved out to August 1, 2017. This affects both the termination rights in Section 10.1 and a related MRC obligation in Section 3.2.
9. Investor rights and benefits. The language in Section 12 on investor rights and benefits has not yet been reviewed by the lender's counsel and will likely need to be revised to reflect lending requirements.
10. Invalidation of flow control ordinances. A new Section 13.5 is being added to provide a response process for the unlikely contingency in which a flow control ordinance is challenged and then invalidated by a court.
11. Exhibit B. The description of the calculation of the Delivery Sufficient Payment is being revised to delete the references to deriving an upper limit based on data from the Closing Pro Forma, which derivation is inconsistent with the current pro forma and the approach to construction financing.
12. Exhibit F on Rebates. The Rebate Calculation is being revised to account for the changed economics of the current facility concept and the change in risk profile that results from having a Delivery Commitment of 102,513 tons per year as compared to the 150,000 tons per year that was contemplated in 2015. Among the changes are the following:
 - New formula and parameters. Rebates will still be paid quarterly on the basis of revenue received in the prior quarter, but the calculation formula is being changed. The new formula will involve three steps of rebate payments based on achieving three threshold levels of total revenues from tipping fees and material and product sales, with the rebate amount being five percent for all amounts above the first threshold; an additional ten percent of amounts above the second threshold; and an additional fifteen percent of amounts above the third threshold. The threshold levels are still under discussion. Note that the prior version of the calculation had based rebate payments on thirty percent of tipping fees above one threshold and thirty percent of material and product revenues above a second threshold. The new version of the formula has rebates begin at a somewhat lower level, then phase in until the marginal contribution of additional revenues under the new formula is the same as was the case under the old formula.
 - Rebate payment thresholds conditions. Payment of rebates is conditioned on satisfaction of certain "threshold conditions", including compliance with debt-related and equity investor-related covenants under applicable financing agreements; maintaining a minimum debt service coverage ratio; receiving tip fees in excess of an annual tip fee rebate threshold; Joinder Member payment of tipping fees payable; and MRC payment of amounts payable under the Master Waste Supply Agreement or Site Lease. In addition, payment of rebates is conditioned on satisfaction of a threshold condition on distribution of cash to the investors.
 - Bolt-on concept for revenue upgrade projects. A new concept has been added whereby the Company can get a preferential return on new capital investments in the facility ("Revenue Upgrade Projects") that might provide a substantial increase in material or product revenues. In exchange, the Company agrees to provide the MRC with rebates at the levels that would have

been achieved without the Revenue Upgrade Project until the Company has achieved a return of and on its capital investment. This provision provides the Company with an extra incentive to invest in upgrades to the facility that increase its revenues, while allowing the MRC and Joining Members to ultimately share in the resulting revenue improvements.

- Company ability to offset payables against rebate amounts and to propose changes in the rebate parameters. These provisions have generally the same effect as in the prior version, although language related to specific offsets has been moved to the body of the Agreement.

In addition to the Rebates, the new Exhibit F identifies and defines two new potential streams of payments that would flow to the accounts of Joining Members outside of the rebate calculation and independent of compliance with the rebate threshold conditions. These are:

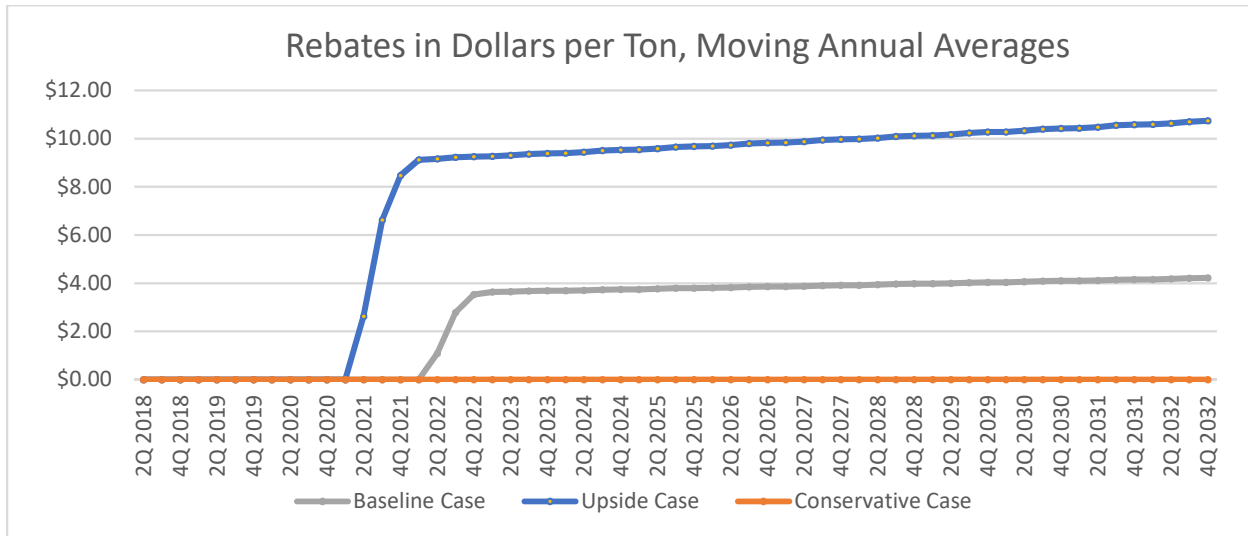
- Payments of \$2.21 per ton to the MRC from tipping fees paid by municipalities that have become Joining Members, but were not Charter Municipalities (Burlington, Lowell and Frenchboro).
- Payments of up to \$2.21 per ton to the MRC from tipping fees in excess of \$70.00 per ton (escalating from 2018) paid by or on behalf of municipalities that were Departing Municipalities.

The rebate formula, thresholds and parameters are being negotiated in good faith to share the value of operating revenues in excess of baseline values between the Joining Members and the Company on a fair and reasonable basis. Both the MRC and the Company acknowledge that there is no guarantee that either the desired levels of Rebates or the targeted levels of return on investment will be achieved.

As before, the ability to achieve desired rebate levels will depend on the amount of waste delivered and processed from Joining Members and from other entities; the tipping fees charged for deliveries from other entities; the quantities and types of materials recovered and products produced; and the prices obtained for sales of the recovered materials and produced products. To prepare projections of the rebate levels that might be achieved, the MRC has reviewed three scenarios for facility operations that have been prepared by Fiberight and its investors:

- A baseline case that involves favorable levels of waste deliveries and tipping fees, and favorable levels of prices for recovered materials and produced products.
- A conservative case that involves plausible, but less favorable, levels of waste deliveries, tipping fees, and prices for recovered materials and produced products.
- An upside case that involves aspirational levels of waste deliveries, tipping fees, and prices for recovered materials and produced products.

The figure provided below provides rough projections of rebate payments in dollars per ton over the 15-year term of the Agreement for each of the three cases identified above – the base line case, the conservative case and the upside case.



As shown,

- For the baseline case, rebates begin in 2022 and achieve the range of three to five dollars per ton on a moving annual average basis.
- For the upside case, rebates begin in 2021 and achieve the range of nine to eleven dollars per ton on a moving annual average basis.
- For the conservative case, there would be no rebates.

Actual rebate amounts are anticipated to vary greatly from quarter to quarter, with higher rebates in the summer when waste quantities increase and market tipping fees tend to increase, and lower rebates in the winter when waste quantities decline and market tipping fees tend to decrease. Generally, the levels of rebates are somewhat below what had been projected for comparable market conditions for a facility that would have been based on a guaranteed delivery level of 150,000 tons per year. Note, however, that rebates will increase to the benefit of Joining Members as and to the extent that additional waste is delivered to the Facility by municipalities that are not Joining Members.

The graph does not account for specific bolt-on revenue upgrade projects that, if implemented as anticipated in the early years, could add substantially to the rebate levels.

The graph also does not account for the new payments to the MRC and Joining Members of up to \$2.21 per ton from tipping fees paid by Joining Members that were not Charter Municipalities and from Departing municipalities. If such municipalities deliver 30,000 tons per MSW at tipping fees, and the market tipping fee exceeds \$75 per ton, then such payments would amount to \$66,300 per year, which is equivalent to about \$0.65 per ton if allocated among 102,513 tons of waste deliveries.

Revisions to the Site Lease

As indicated above, the form of Site Lease that was attached to the executed version of the Master Waste Supply Agreement (the Agreement) as executed in January 2016 is being amended. Material changes to the Site Lease being proposed include the following:

1. Signatory and Assignment. The amended and restated version of the Agreement will be signed by a new special purpose entity, Coastal Resources of Maine, LLC (Coastal), which will be the Company for the purposes of the Agreement. Coastal will be owned jointly by Fiberight and its investors. The Agreement will include new conforming language that will require Fiberight to remain jointly and severally liable for obligations under the Agreement, and that will further obligate Fiberight to provide intellectual property and technical support as required.
2. The Delivery Commitment. The Delivery Commitment is being revised to the value of 102,513 tons per year, which is the sum of the Estimated Delivery Amounts filled in in Section 3.3(a) of each Joinder Agreement that has been executed by the MRC and a Joining Member. The revision will be implemented at multiple locations in the Site Lease. These revisions are needed, because the Site Lease was drafted with references to the aspirational value for the Delivery Commitment of 150,000 tons per year, which value was not achieved.
3. Electric power. Per Sections 4.2(b) and 4.3(a), the MRC will provide electric power to the site, but the Company would be responsible for any improvements required to implement an electrical interconnection for export of electricity (which is not anticipated at this time).
4. Schedule. New dates consistent with current construction plans will be identified for the Construction Access Date and the Infrastructure Completion Date in Section 7.2. The date by which the Company must achieve the Construction Date to avoid an event of default per Sections 6.1 and 18.1 would be moved out to August 1, 2017.
5. Performance Test. The description of the Performance Test in Section 7.4 is being revised to reflect the anticipated design and capacity of the facility.
6. Insurance coverage requirements. The minimum insurance coverage requirements in Section 15.1 have not yet been determined.
7. Investor rights and benefits. The language in Section 19 on investor rights and benefits has not yet been reviewed by the lender's counsel and will likely need to be revised to reflect lending requirements.
8. Exhibit B. The description of the facility will need to be revised to reflect current plans.
9. Exhibit C. The building and property values will need to be revised to reflect current estimates, as had been anticipated in the footnote to the exhibit.