

MEMORANDUM

TO: Equity Charter Municipalities
FROM: Greg Louder, Executive Director
RE: Cash Distributions from the MRC
DATE: 23 May 2017

In response to inquiries from Equity Charter Municipalities, this memorandum provides an updated summary of the sources and timing of cash distributions from the MRC associated with the scheduled termination of the Waste Disposal Agreements with PERC on March 31, 2018.

The MRC anticipates three one-time distributions of cash to the Equity Charter Municipalities corresponding to the following events:

1. Cash released by PERC's lender from the Debt Service Reserve Fund (\$1.333 million net of costs).
2. Payments by the PERC Partnership to Equity Charter Municipalities that exercise their Put Option to sell their limited partnership interests in the PERC Partnership (up to \$1.5 million if all Put Options are exercised).
3. MRC payments of funds from the Tip Fee Stabilization Account and the Custody Account to Departing Municipalities (actual amounts will depend on actual balances and allocations).

Cash released by PERC's Lender from the Debt Service Reserve Fund

The Equity Charter Municipalities have the right to receive their share of the funds that would be released from the Debt Service Reserve Fund to the MRC after the PERC Partnership makes its last debt service payment. The amount that would be released to the MRC would be \$1,333,333.34, net of any debt service not previously paid by PERC, and net of any costs incurred for recovery if the payment is not received when anticipated. The total amount released would be allocated pro rata among the Equity Charter Municipalities on the basis of the tonnage of MSW delivered by each to the PERC facility over the term of the financing. The Attachment provides an **ESTIMATE** of the amount to be paid to each Equity Charter Municipality that was prepared as of the end of 2016. The final allocated payment amounts will depend on the actual tons of MSW delivered to the PERC facility through the end of 2017.

PERC is scheduled to make its last debt service payment on December 15, 2017. Assuming that payment is made as scheduled, some time would be required to receive the payment from PERC's bank; get the data required to determine the final allocation of funds among the Equity Charter Municipalities; calculate the final allocation; and send out the funds. The MRC will do what it can to expedite this process; no action by Equity Charter Municipalities will be required. At that time, the MRC would also assess whether and to what extent funds would need to be reserved against the cost to secure the payment. In light of the time required to complete the transaction, the MRC believes that it is realistic for Equity Charter Municipalities to anticipate receiving a first release of such funds by January or February of 2018, with full release likely later in 2018 depending on the need for reserves against the cost to secure the payment.

Payments by the PERC Partnership for exercise of the Put Options

Per the settlement between the PERC Partnership and the MRC, each Equity Charter Municipality that exercises its Put Option to sell its partnership interests back to the PERC Partnership would receive a

payment that represents its pro rata share of the total negotiated value of \$1.5 million for all such interests. MRC provided detailed information and procedures for local exercise of the Put Option in mailings dated February 6 and February 22, 2017. The Attachment provides the exact amounts that PERC would pay to each Equity Charter Municipality that exercises its Put Option. To receive this payment, an Equity Charter Municipality must provide proper written notice of exercise of its Put Option by December 15, 2017 following the procedures described in the mailings referenced above. Equity Charter Municipalities that do not exercise the Put Option on a timely basis would either be on their own in retaining or negotiating a sale of their interests with PERC, or would need to accept the costs and outcome of a Call Option process that may result in a sale price different than that agreed upon in connection with exercise of the Put Option. Both PERC and the MRC encourage all Equity Charter Municipalities to exercise the Put Option. Questions about the Put Option can be directed to Greg Lounder, MRC Executive Director, at 207-664-1700 or glounder@mrcmaine.org.

The MRC anticipates that the Put Options will be exercised at a financial closing anticipated to be held on or about March 31, 2018. The PERC Partnership would make the payments directly to participating Equity Charter Municipalities at the closing.

MRC payments to Departing Municipalities

Since 1998, the MRC has administered a variety of reserve funds on behalf of the Equity Charter Municipalities. The two funds having the most significant balances are the Tip Fee Stabilization Fund and the Custody Account. The combined balance in these two accounts was approximately \$26.6 million as of the end of 2016 and is projected to be approximately \$23.0 million by March 31, 2018, after accounting for funds being expended on behalf of Joining Members for site and related infrastructure for the waste processing facility being developed in Hampden. The Attachment provides the amounts allocated to each Equity Charter Municipality as of the end of 2016 as an **INDICATION** of what payment amounts will be as of March 31, 2018. The actual payment amounts will depend on actual MSW deliveries and cash flows derived from PERC facility performance through March 31, 2018.

After the Waste Disposal Agreements with PERC are ended (scheduled for March 31, 2018), the MRC will distribute to each Departing Municipality (that is, Equity Charter Municipalities that have not signed Joinder Agreements and would not be MRC members) its share of the cash balance in the Tip Fee Stabilization Fund and the Custody Account. Shares will be calculated such that capital expenditures related to the acquisition of site and infrastructure for the Fiberight Hampden waste processing facility will be allocated solely to Joining Members, and will not be paid by Departing Members.

The MRC anticipates that the data needed to make the final allocation of the Tip Fee Stabilization Fund and the Custody Account will not be available until the first or second week of April 2018. The MRC would calculate the final amounts to be allocated to each Departing Municipality, then have its calculations reviewed by its independent auditor before the cash is distributed. Also, each Departing Municipality will be asked to sign a municipal withdrawal agreement. In light of the time required to complete the calculations and the audit, the MRC advises Departing Municipalities not to anticipate receiving payment until July 2018.

| Table 3: All Charter Municipalities | | | | | | | | | |
|---|-----|-----------------|----------------------------------|-----------------------|-----------------------------------|------------------------------|------------|---------------------------|------------|
| Schedule of Equity Charter Municipality Net Position as of 31 December 2016 | | | | | | | | | |
| Based on account balances as of 31 December 2016 and PERC LP value from Put Option values | | | | | | | | | |
| Investment in the Hampden Site and related infrastructure valued at cost and allocated among Joining Members only | | | | | | | | | |
| | | | | Operating Budget | Investment in Hampden Site | Value of Put Option for Sale | | Debt Service Reserve Fund | |
| | JM? | Custody Account | Tip Fee Stabilization Account | Stabilization Account | Valued at Cost (through 12-31-16) | of Interests in PERC | Subtotal | | Total |
| | Y=1 | | | | | | | | |
| | | | <i>Includes accrued interest</i> | | | | | | |
| Totals | | 454,456 | 26,160,656 | 192,918 | 1,620,173 | 1,500,000 | 29,928,203 | 1,333,333 | 31,261,537 |
| Albion | 1 | 2,983 | 133,681 | 1,072 | 14,293 | 6,771 | 158,799 | 7,967 | 166,766 |
| Alton | 1 | 1,059 | 50,931 | 386 | 5,445 | 3,161 | 60,983 | 2,635 | 63,617 |
| Atkinson | 1 | 452 | 18,124 | 136 | 1,938 | 982 | 21,632 | 1,006 | 22,638 |
| Baileyville | 0 | 6,067 | 293,386 | 1,869 | - | 11,059 | 312,381 | 14,341 | 326,722 |
| Bangor | 1 | 90,914 | 4,264,419 | 33,856 | 455,933 | 254,149 | 5,099,272 | 236,986 | 5,336,258 |
| Bar Harbor | 1 | 6,045 | 851,907 | 6,000 | 91,082 | 49,881 | 1,004,915 | 40,333 | 1,045,247 |
| Blue Hill/Surry | 1 | 11,325 | 599,651 | 4,316 | 64,112 | 31,001 | 710,404 | 31,487 | 741,891 |
| Boothbay RRDD | 1 | 6,486 | 760,799 | 5,611 | 81,341 | 42,450 | 896,688 | 38,038 | 934,726 |
| Bradley | 1 | 2,137 | 71,190 | 552 | 7,611 | 4,013 | 85,504 | 4,042 | 89,545 |
| Brewer | 1 | 14,552 | 1,074,114 | 8,577 | 114,839 | 75,601 | 1,287,683 | 52,725 | 1,340,408 |
| Brooks | 1 | 1,889 | 45,801 | 339 | 4,897 | 2,114 | 55,040 | 2,865 | 57,905 |
| Brownville | 1 | 1,698 | 105,159 | 866 | 11,243 | 6,772 | 125,738 | 5,530 | 131,267 |
| Bucksport | 1 | 1,736 | 309,585 | 2,607 | 33,099 | 23,892 | 370,919 | 15,084 | 386,003 |
| Burnham | 0 | 2,212 | 99,071 | 687 | - | 4,866 | 106,836 | 5,039 | 111,876 |
| Carmel | 1 | 4,410 | 153,687 | 1,178 | 16,432 | 7,867 | 183,574 | 8,978 | 192,552 |
| Central Penobscot | 1 | 9,557 | 308,880 | 2,265 | 33,024 | 13,141 | 366,868 | 18,359 | 385,227 |
| China | 1 | 2,998 | 263,611 | 2,223 | 28,184 | 17,166 | 314,182 | 13,978 | 328,160 |
| Clifton | 1 | 1,296 | 53,246 | 420 | 5,693 | 2,790 | 63,445 | 3,266 | 66,711 |
| Clinton | 0 | 3,075 | 375,089 | 2,734 | - | 22,989 | 403,888 | 18,060 | 421,948 |
| Dedham | 1 | 795 | 63,403 | 497 | 6,779 | 3,840 | 75,313 | 3,330 | 78,643 |
| Dover-Foxcroft | 1 | 7,732 | 321,361 | 2,415 | 34,358 | 17,427 | 383,294 | 17,796 | 401,090 |
| Eddington | 1 | 2,671 | 130,139 | 1,056 | 13,914 | 8,171 | 155,950 | 7,338 | 163,288 |
| Enfield | 0 | 2,378 | 128,396 | 904 | - | 6,863 | 138,541 | 6,375 | 144,916 |
| Fairfield | 0 | 11,789 | 532,774 | 3,499 | - | 24,012 | 572,074 | 28,717 | 600,790 |
| Glenburn | 0 | 8,805 | 318,658 | 2,170 | - | 14,696 | 344,329 | 17,130 | 361,459 |
| Gouldsboro | 0 | 810 | 129,872 | 945 | - | 7,331 | 138,958 | 5,712 | 144,670 |
| Greenbush | 0 | 2,209 | 93,344 | 667 | - | 4,752 | 100,971 | 4,869 | 105,841 |
| Guilford | 1 | 4,258 | 191,452 | 1,495 | 20,469 | 12,437 | 230,111 | 10,245 | 240,357 |
| Hampden | 1 | 11,838 | 517,337 | 3,851 | 55,311 | 29,839 | 618,176 | 27,308 | 645,484 |
| Hancock | 0 | 722 | 89,898 | 641 | - | 5,303 | 96,565 | 4,044 | 100,609 |
| Hermon | 0 | 14,366 | 522,899 | 3,518 | - | 24,184 | 564,967 | 27,027 | 591,994 |
| Holden | 1 | 3,594 | 141,877 | 1,039 | 15,169 | 8,084 | 169,762 | 7,439 | 177,201 |
| Jackson | 0 | 863 | 22,435 | 156 | - | 951 | 24,405 | 1,300 | 25,705 |
| Lamoine | 0 | 1,646 | 98,006 | 671 | - | 4,879 | 105,203 | 4,723 | 109,926 |
| Lee | 1 | 1,891 | 60,537 | 451 | 6,472 | 3,557 | 72,907 | 3,318 | 76,225 |
| Levant | 1 | 3,996 | 135,381 | 1,006 | 14,474 | 7,643 | 162,500 | 7,549 | 170,049 |
| Lincoln | 0 | 8,578 | 598,695 | 4,381 | - | 35,238 | 646,892 | 29,117 | 676,009 |
| Lucerne | 1 | 776 | 39,717 | 305 | 4,246 | 1,965 | 47,008 | 2,311 | 49,319 |
| Mariaville | 1 | 581 | 20,908 | 164 | 2,235 | 1,126 | 25,014 | 1,189 | 26,203 |
| Mars Hill | 0 | 4,011 | 156,249 | 1,149 | - | 8,880 | 170,291 | 7,798 | 178,089 |
| Mattawamkeag | 1 | 785 | 57,597 | 456 | 6,158 | 3,743 | 68,739 | 2,935 | 71,675 |

| Table 3: All Charter Municipalities | | | | | | | | | |
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| Based on account balances as of 31 December 2016 and PERC LP value from Put Option values | | | | | | | | | |
| Investment in the Hampden Site and related infrastructure valued at cost and allocated among Joining Members only | | | | | | | | | |
| | | | | Operating | Investment in | Value of Put | | Debt Service | |
| | JM? | Custody | Tip Fee | Budget | Hampden Site | Option for Sale | | Reserve | |
| | Y=1 | Account | Stabilization | Stabilization | Valued at Cost | of Interests | Subtotal | Fund | Total |
| | | | Account | Account | (through 12-31-16) | in PERC | | | |
| Midcoast SWD | 0 | 17,297 | 1,230,988 | 8,360 | - | 72,443 | 1,329,088 | 55,086 | 1,384,174 |
| Mid-Maine SWD | 1 | 14,101 | 641,163 | 4,978 | 68,550 | 42,863 | 771,654 | 33,890 | 805,545 |
| Milford | 0 | 2,886 | 179,543 | 1,304 | - | 10,519 | 194,252 | 8,579 | 202,831 |
| Millinocket | 1 | 5,514 | 433,002 | 3,270 | 46,295 | 27,395 | 515,476 | 21,681 | 537,157 |
| Milo | 1 | 4,590 | 198,330 | 1,481 | 21,205 | 11,559 | 237,165 | 10,649 | 247,814 |
| Monson | 1 | 577 | 34,855 | 253 | 3,727 | 1,909 | 41,320 | 1,792 | 43,113 |
| Mt. Desert/EMR | 1 | 10,725 | 1,035,543 | 7,717 | 110,716 | 56,439 | 1,221,140 | 52,212 | 1,273,352 |
| Newburg | 0 | 1,615 | 90,296 | 677 | - | 4,721 | 97,309 | 5,292 | 102,601 |
| Old Town | 0 | 7,562 | 708,544 | 5,428 | - | 45,410 | 766,944 | 34,277 | 801,221 |
| Orland | 0 | 666 | 57,469 | 483 | - | 4,672 | 63,289 | 2,646 | 65,936 |
| Orono | 1 | 14,024 | 613,992 | 4,590 | 65,645 | 38,919 | 737,171 | 31,293 | 768,464 |
| Otis | 1 | 319 | 28,991 | 234 | 3,100 | 1,961 | 34,605 | 1,510 | 36,114 |
| Palmyra | 1 | 3,494 | 108,908 | 840 | 11,644 | 5,622 | 130,509 | 6,802 | 137,311 |
| Parkman | 1 | 751 | 29,717 | 215 | 3,177 | 1,511 | 35,372 | 1,604 | 36,977 |
| Penobscot Co. | 0 | 2,627 | 140,872 | 979 | - | 7,813 | 152,292 | 6,726 | 159,018 |
| Pleasant River SWC | 1 | 513 | 172,343 | 1,716 | 18,426 | 11,840 | 204,838 | 10,028 | 214,866 |
| Plymouth | 0 | 1,775 | 83,364 | 615 | - | 4,474 | 90,227 | 4,342 | 94,569 |
| Reed Pt | 0 | 362 | 15,567 | 106 | - | 855 | 16,890 | 735 | 17,626 |
| Rockland | 0 | 14,888 | 900,905 | 6,515 | - | 49,990 | 972,298 | 44,366 | 1,016,664 |
| Sangerville | 1 | 2,208 | 83,330 | 629 | 8,909 | 4,155 | 99,231 | 4,780 | 104,011 |
| Searsport | 0 | 2,497 | 186,598 | 1,238 | - | 12,198 | 202,531 | 7,745 | 210,276 |
| Stetson | 0 | 1,898 | 80,929 | 598 | - | 3,208 | 86,633 | 4,607 | 91,240 |
| Steuben | 1 | 2,310 | 86,452 | 637 | 9,243 | 4,498 | 103,139 | 4,736 | 107,875 |
| Stonington | 0 | 3,198 | 171,990 | 1,098 | - | 7,599 | 183,886 | 8,371 | 192,257 |
| Thomaston Group | 0 | 13,277 | 641,495 | 4,496 | - | 32,382 | 691,650 | 32,535 | 724,186 |
| Thorndike | 1 | 531 | 41,809 | 355 | 4,470 | 2,546 | 49,711 | 2,255 | 51,966 |
| Troy | 1 | 428 | 30,219 | 259 | 3,231 | 1,982 | 36,118 | 1,663 | 37,781 |
| Union River SWD | 1 | 1,238 | 52,778 | 411 | 5,643 | 2,874 | 62,944 | 3,021 | 65,966 |
| Unity | 1 | 3,131 | 126,211 | 954 | 13,494 | 6,649 | 150,439 | 7,200 | 157,639 |
| Vassalboro | 1 | 3,849 | 215,406 | 1,711 | 23,030 | 13,514 | 257,510 | 11,695 | 269,204 |
| Veazie | 0 | 1,954 | 120,469 | 853 | - | 6,829 | 130,104 | 5,658 | 135,762 |
| Verona | 0 | 987 | 48,589 | 345 | - | 2,619 | 52,541 | 2,451 | 54,992 |
| Waldoboro Group | 1 | 7,005 | 476,226 | 3,623 | 50,916 | 27,696 | 565,465 | 25,169 | 590,635 |
| Waterville | 0 | 15,052 | 1,643,976 | 10,443 | - | 89,137 | 1,758,607 | 72,157 | 1,830,764 |
| Winslow | 0 | 12,230 | 563,803 | 3,753 | - | 27,590 | 607,376 | 26,558 | 633,934 |
| West Gardiner | 0 | 2,622 | 188,838 | 1,317 | - | 10,924 | 203,700 | 8,392 | 212,092 |
| Winthrop | 0 | 9,769 | 493,883 | 3,310 | - | 27,096 | 534,057 | 22,538 | 556,595 |
| Total | | 454,456 | 26,160,656 | 192,918 | 1,620,173 | 1,500,000 | 29,928,203 | 1,333,333 | 31,261,537 |