



**RE: Sale of Coastal Resources of Maine, LLC Hampden Facility;
Notice of Fundamental Matters or Changes per MRC Bylaws**

Dear MRC Member,

We'd like to begin by thanking you for your support and patience as MRC works with stakeholders to reopen the Hampden facility. The end of the sale process is near, and we are looking forward to a fresh start for the Hampden facility.

The MRC Board has discussed and deliberated the proposed transaction regarding the bondholders' sale of the Hampden facility and related assets to Delta Thermo Energy Hampden Maine (DTE-HM, LLC). We feel the sale will benefit members and represents the best opportunity to resume waste processing at the facility. On April 21, 2021, the MRC Board voted unanimously to approve the transaction to move the sale process forward.

An overview of the sale transaction and its key provisions is available on MRC's homepage at www.mrcmaine.org. Among other considerations, the MRC will receive over \$3.8 million at closing to cover repayment of the \$1.5 million we loaned to Coastal and to reimburse costs MRC incurred during this interim period. The schedule anticipates the sale being final in June 2021 and for DTE-HM, LLC to begin processing some level of waste before year end.

The sale is subject to approval by the receivership court.

Please note that the transaction involves four Fundamental Matters or Changes as defined in MRC's Bylaws that are subject to special voting rights of MRC Members if certain conditions are met. The enclosed Notice to all MRC Members of the Fundamental Matter or Changes provides more information on this matter.

We appreciate your review of this letter and the enclosed Notice. MRC will continue to keep you updated as the sale process progresses.

If you have any questions, please contact MRC Executive Director Michael Carroll at 207-664-1700.

Sincerely,

Karen Fussell
President



To: MRC Members
From: Michael Carroll, MRC Executive Director
Date: May 3, 2021
Re: **Fundamental Matters or Changes Subject to Special Voting Rights**

At its meeting on April 21, 2021, the MRC Board voted unanimously to approve the assignment of certain contracts necessary to facilitate the potential sale of the Coastal Resources of Maine, LLC facility and related equipment in Hampden to Delta Thermo Energy Hampden Maine, LLC (DTE-HM, LLC).

This transaction involves the following Fundamental Matters or Changes as defined in Section 4.5 of MRC's Bylaws:

1. An option for DTE-HM, LLC to purchase the land on which the facility sits.
2. A replacement rebate structure
3. A two-year extension of the Site Lease
4. A two-year extension of the Master Waste Supply Agreement

The attached table provides more detail on each of these proposed changes.

Pursuant to MRC Bylaws Section 4.5 "Special Voting Rights", MRC Members have the right to request, within thirty (30) days from the date of this Notice, a special meeting for the purpose of submitting one or more of the proposed Fundamental Changes to a vote of the membership. Members are not required to take any action. MRC Bylaws Section 4.2 "Special Meeting" requires that requests be received in writing from members representing at least 60,000 tons of waste delivered in order for a special meeting to be called.

If a special meeting is not called or if the Fundamental Changes at issue are approved at such a special meeting of the Members, the MRC can proceed to implement the Changes approved by the Board to move the plant sale forward.

Copies of MRC's Bylaws, Site Lease, and Master Waste Supply Agreement (MWSA) are available in the Documents section of MRC's website under Policies and Contracts.

If you have any questions at all, please do not hesitate to contact me.

Fundamental Matters or Changes for MRC Member Consideration per MRC Bylaws Section 4.5

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| 1. Purchase Option on the Facility Site | A. Existing agreement | The MRC owns the Site on which the Facility is located and leases the Site to the Facility owner. As the Site-owner, the MRC is listed on Maine DEP licenses for the Facility and has joint responsibility for compliance with permit conditions. |
| | B. Proposed change | As part of the purchase of the Facility, DTE-HM, LLC would have the option to purchase the Site from the MRC after multiple conditions have been satisfied. The Site Lease would end if the land is sold, but key Site Lease provisions would be moved into the Master Waste Supply Agreement (MWSA). |
| | C. Why a Fundamental Matter or Change | Disposition of the Site on which the Facility is situated is a Fundamental Matter or Change per Section 4.5(i) of MRC By-Laws |
| | D. Further details | <p>The option for DTE-HM, LLC to purchase the Site is defined in an Option Agreement. Key details include the following:</p> <ul style="list-style-type: none"> (i) DTE-HM cannot buy the Site until it meets ALL of the following conditions: <ul style="list-style-type: none"> a. DTE-HM, LLC completes 9 months of stable operation of the Facility, which must include the peak months of July and August, with minimal downtime. b. DTE-HM, LLC is in compliance with all agreements and permits, including diversion requirements. c. The Maine DEP agrees to remove the MRC from the Facility permits. (ii) Key provisions of the Site Lease that protect the MRC and its members are transferred to the MWSA. (iii) The purchase price would be \$7.0 million to the MRC net of prior site lease payments made. |
| | E. Basis for MRC Board support | <ul style="list-style-type: none"> (i) Per the conditions on the Option, DTE-HM, LLC cannot buy the Site until it has a proven track record as the Facility operator and satisfies DEP approval requirements to release the MRC from the Maine DEP permits. (ii) The ownership change is subject to Maine DEP review before the purchase. (iii) The MRC will keep key protections from the Site Lease in the MWSA. (iv) The price is more than the cost spent by the MRC to buy and improve the Site (\$6.21 million). (v) After selling the Site, DTE-HM, LLC, not the MRC, would be liable for property tax payments, property upkeep and satisfaction of liens. (vi) DTE-HM, LLC will be liable for DEP permit compliance rather than MRC. |
| | F. Consequences if members vote not to approve | DTE-HM, LLC needs a path to buy the Site to support its financing. If the purchase option is not approved, there is no guarantee that the purchase would go forward or that another purchaser would be found on more favorable terms as presently exist with DTE-HM, LLC. The facility could be liquidated, leaving a void in regional infrastructure for solid waste management and recycling. |

Fundamental Matters or Changes for MRC Member Consideration per MRC Bylaws Section 4.5

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| 2. New rebate structure | A. Existing matter | The MWSA provides a complicated formula for profit-sharing subject to numerous conditions per MWSA Exhibit F. |
| | B. Proposed change | The MWSA would be amended to have DTE-HM, LLC pay the MRC an amount of \$1.50 per ton delivered, escalating with CPI, for each calendar quarter and year of the initial term in which MSW deliveries exceed the Delivery Commitment. |
| | C. Why a Fundamental Matter or Change | Any amendment of the MWSA that alters entitlement to rebates is a Fundamental Matter or Change per Section 4.5(v) of the MRC By-laws. |
| | D. Further details | <p>(i) Per-ton payments would start after the 9-month period of stable operations is completed.</p> <p>(ii) Payments are only made if the MRC meets its Delivery Commitments, but the MWSA retains the provisions whereby MSW delivered by non-MRC entities counts toward satisfaction of the Delivery Commitment. This shields the MRC and the Joining Members should MSW deliveries be reduced.</p> <p>(iii) Value could be over \$154,000 per year, or over \$2 million during the initial term.</p> |
| | E. Basis for MRC Board support | <p>(i) The existing rebate structure includes conditions that are unlikely to be satisfied.</p> <p>(ii) The replacement structure depends on far fewer conditions and the payments are far more likely to be received.</p> <p>(iii) Under the replacement structure, DTE-HM, LLC would retain a financial incentive to work with MRC members on waste reduction in order to have capacity to accept replacement MSW from non-MRC members at higher tip fees and not subject to the rebate payments.</p> |
| | F. Consequences if members vote not to approve | DTE-HM, LLC needs to change the existing rebate structure to support its financing. If the change is not approved, there is no guarantee that the Sale would go forward or that another purchaser would be found on more favorable terms. The Facility and related equipment likely would be liquidated, leaving a void in the regional infrastructure for waste management and recycling. |

Fundamental Matters or Changes for MRC Member Consideration per MRC Bylaws Section 4.5

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| 3. Extend the Site Lease initial term | A. Existing provision | Initial term is 15 years from the Commercial Operation Date (November 1, 2019), or until November 1, 2034. |
| | B. Proposed change | Extend the initial term by two years. |
| | C. Why a Fundamental Matter or Change | Any extension of the Site Lease is a Fundamental Matter under Section 4.5(iii) of the MRC By-laws. |
| | D. Further details | Minor edits to contract language |
| | E. Basis for MRC Board support | The extension would give DTE-HM, LLC an initial 15-year operating term after re-starting the Facility, which is reasonable given the delay resulting from the Coastal Resources of Maine closure and the uncertainties associated with the schedule for the re-start. |
| | F. Consequences if members vote not to approve | The extended term supports financing for DTE-HM, LLC. If the change is not approved, there is no guarantee that the sale would go forward or that another purchaser would be found on more favorable terms. The Facility and related equipment likely would be liquidated, leaving a void in the regional infrastructure for waste management and recycling. |
| 4. Extend the MWSA initial term | A. Existing provision | Initial term is 15 years from the Commercial Operation Date (November 1, 2019), or until November 1, 2034. |
| | B. Proposed change | Extend the initial term by two years. |
| | C. Why a Fundamental Matter or Change | Any extension of the MWSA is a Fundamental Matter under Section 4.5(ii) of the MRC By-laws. |
| | D. Further details | Minor edits to contract language |
| | E. Basis for MRC Board support | The extension would give DTE-HM, LLC an initial 15-year operating term after re-starting the Facility, which is reasonable given the delay resulting from the Coastal Resources of Maine closure and the uncertainties associated with the schedule for the re-start. |
| | F. Consequences if members vote not to approve | The extended term supports financing for DTE-HM, LLC. If the change is not approved, there is no guarantee that the sale would go forward or that another purchaser would be found on more favorable terms. The Facility and related equipment likely would be liquidated, leaving a void in the regional infrastructure for waste management and recycling. |