



Town Hall

April 20, 2022

Zoom Virtual Meeting

Welcome

Karen Fussell, MRC President

- Today's program
 - Facility sale process and schedule
 - MRC roles in the process
 - What if the MRC ends up the owner?
 - Joining Member participation
 - Q & A

Facility sale process and schedule

March - April	New receiver appointed; investment banker retained. Data room in place; MRC providing tours to bidders. Bid documents finalized.
May 16	Preliminary bidder qualifications due.
May 27	Final bidder qualifications and draft agreements due.
May 17 to June 3	MRC screens proposals for financial/technical capability. Receiver designates qualified bidders.
June 7	Bids due from qualifying buyers.
June 14	Auction for highest price bid among qualified bidders.
June 30	Target date for close on purchase.

Screening bidders for financial capability

- Cash ready to close the purchase on June 30, 2022
- Financing ready for upgrades, start-up
- No changes to tipping fee
- No sale or pledge of land by MRC
- No fatal flaws in mark-up of Key Agreements
- Reasonable high-level pro forma
- MRC will review and can disqualify bidders

Screening bidders for technical capability

- Project team experience with comparable facilities at scale
 - MRF equipment
 - Pulp production
 - Marketing recovered products
- Start-up and operating plan and schedule
 - Org chart and staffing plan
 - Diversion plan
- MRC will review and can disqualify bidders

If a Private Bidder Wins the Auction...

- Finalize/sign Key Agreements with MRC
 - Includes Master Waste Supply Agreement and Site Lease
 - Formalize MRC potential oversight and ownership/partnership roles
- Close on the purchase
- Add owner to permits and licenses
- Owner mobilizes at Facility for upgrades, start-up, ramp-up
- Take first MSW by late 2022/early 2023

If MRC's Stalking Horse Bid succeeds...

- MRC has cash set aside for purchase
- Needs more funds to successfully reopen plant

MRC stays sole owner

- Hire a contract operator
- Manage the effort
- Must raise \$20 million



MRC brings in a qualified private partner

- Multiple interested parties
- Wide range of proposals
- Must happen quickly

Preferred option: MRC as sole owner

- Full control and use of the facility
- Better long-term economics
- More services for Members



MRC Financing Options

- Grants, earmarks not available within timeframe needed
- Banks require loan guarantees
- Federal/state guarantee programs not assured/take too long
- *To access funding, MRC will need support from Joining Members*
- Joining Members can ***volunteer*** to
 - **Be a guarantor** – and co-sign for a portion of MRC's loan; or
 - **Be an investor** – and loan cash to the MRC

MRC Financing Options

How might a Joining Members **be a guarantor?**

1. Co-sign for part of an MRC loan
 - Must be able to authorize and approve guarantee timely
2. Get a guarantor fee when cash flow is positive [2% of loan balance]
3. Make loan payments if cash is not available from other sources

MRC Financing Options

How might a Joining Member **be an investor?**

1. Provide cash or loan proceeds to the MRC
 - Would reduce size of MRC loan
 - Same term and repayment schedule as MRC loan
2. MRC pays market rate plus a [2%] guarantor adder
3. Subordinated to bank loans, but superior to guarantor fees

MRC Financing Options: Compensation concepts

MRC can:

1. Pay back invested cash as if a loan at a market interest rate
2. Pay fees for guarantees
3. Provide a preferred return from funds left after those payments

Investors: 1, 2 & 3

Guarantors: 2 & 3

MRC Financing Option:

Some sample numbers (\$ in thousands per year)

Year after opening	1	2	3	4
Revenues				
Tip fees	12,413	12,786	13,170	13,565
<u>Products</u>	<u>5,806</u>	<u>5,980</u>	<u>6,160</u>	<u>6,345</u>
Total revenues	18,219	18,767	19,330	19,910
<u>Operating Expenses</u>	<u>15,388</u>	<u>15,850</u>	<u>16,326</u>	<u>16,816</u>
Cash from Operations	2,832	2,917	3,004	3,093
Waterfall				
1 Debt service	1,793	1,793	1,793	1,793
Available	1,038	1,123	1,211	1,300
2 Guarantor payment	400	386	363	338
Available	638	737	848	962
3A Preferred return	500	483	454	423
3B General distribution	138	255	394	540

Sample preliminary compensation numbers

Guarantor fees: \$20M loan @ 2% fee is \$400k/year for 102,513 tons per year

- If 100% of all JMs participate, equivalent to ~ \$4 per ton
- If 50% of all JMs participate, equivalent to ~ \$8 per ton (2X)
- If 25% of all JMs participate, equivalent to ~\$16 per ton (4X)

Investor Returns: Could exceed 10% on invested cash

- 5.5% interest rate (to be determined)
- 2.0% guarantee fee share
- 2.5% preferred return
- 10.0% total return in this particular example

Next steps

- Refine member financing proposal and compensation plan
- Review bidder proposals for financial and technical capacity
- Work out terms with qualified bidders
- If signs indicate MRC likely to become plant owner:
 - Prepare formal request to members for financing assistance
 - Plan road show to talk with members

Questions & Answers

THANK YOU!

Upcoming Meetings

April 27 Quarterly Meeting

May 17 - June 3

multiple meetings expected

Questions?

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