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To: MRC Members
From: Michael Carroll, MRC Executive Director
Date: September 29, 2022
Re: **Recapitalization of Hampden Facility;**
Notice of Fundamental Matters or Changes per MRC Bylaws

At its meeting on Monday, September 26, 2022, the MRC Board unanimously voted to authorize a potential recapitalization and restructuring transaction for the purpose of reopening the Hampden Facility and returning it to commercial operations.

A copy of the Resolution approved by the MRC Board to accomplish this recapitalization and restructuring of the Hampden Facility (the “Recapitalization Transaction”) is attached and also available on the MRC website.

In short, the Hampden Facility needs new capital and a restructuring to reopen. MRC has and continues to be in discussions with Revere Capital Advisors and affiliates (“Revere”). These discussions have focused on the specific capital needs and related considerations of the Hampden Facility, and how MRC and Revere as owners can achieve reopening and return to commercial operations of the Hampden Facility.

The Recapitalization Transaction involves the following Fundamental Matters or Changes as defined in MRC Bylaws, making them subject to Special Voting Rights:

- Extension of the term of the Site Lease to align with the schedule for the Hampden Facility’s reopening and return to commercial operation;
- Similarly, an extension of the term of the Master Waste Supply Agreement to align with the schedule for the Hampden Facility’s reopening;
- Continuing MRC Member entitlement to Rebates by reformulating Rebates to be sourced from cash distributions to be paid to the MRC commensurate with its ownership position in the Hampden Facility, which can be a source of distributions to MRC Members consistent with existing municipal joinder agreements; and
- Disposition of a capital asset with a value in excess of \$100,000 – i.e., the sale of MRC membership interests in Municipal Waste Solutions, LLC, a subsidiary of MRC which owns the facility, resulting in recapitalization and restructuring of the

Hampden Facility with MRC continuing to be a minority owner in partnership with Revere.

The Table on the next page provides further detail on the Fundamental Matters or Changes in the context of the Recapitalization Transaction.

Pursuant to 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 these proposed Fundamental Matters or 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.

Copies of MRC’s Bylaws are available in the Documents section of MRC’s website under Policies and Contracts.

On October 12, 2022, at 10:00 A.M., the MRC Board will hold a virtual Town Hall with Members to further discuss these Fundamental Matters or Changes, provide an update on the Recapitalization Transaction, and afford Members an opportunity for questions and comments. Please visit the MRC website to register for this virtual Town Hall.

In the meantime, if you have any questions at all, please contact Michael Carroll at 207-664-1700.

Fundamental Matters or Changes:

Authorize Recapitalization and Restructuring of the Hampden Facility

Proposed Authorization	Full authorization of MRC and Municipal Waste Solutions, LLC ¹ (“MWS”) entering into the Recapitalization Transaction for the purpose of implementing a reopening and return to commercial operations of the Hampden Facility, on terms to be approved by the signing MRC officer and MWS Manager (who is the President of MRC Board) to ensure a recapitalization of the Hampden Facility occurs on terms and conditions in the best interest of MRC and its Members.
Material Terms of Recapitalization Transaction	<ul style="list-style-type: none">• MRC would sell majority membership interests of MWS to Revere for \$1.17 million, with MRC retaining 5% ownership in the Hampden Facility• Closing in November 2022• Revere recapitalizes MWS to provide funds for the following purposes: (i) reopening the Hampden Facility (e.g., costs of labor, professional services and outside services; equipment maintenance, repairs and refurbishment; rentals and license fees; restoring inventories of materials and supplies; capital improvements; and other costs incurred during the period before the Facility returns to operation and becomes self-sustaining); (ii) paying for carrying costs of the Hampden Facility prior to commercial operation (e.g., insurance, utilities, etc.); (iii) paying MRC a management fee; (iv) paying rent to MRC under the Site Lease; and (v) paying for cash flow needs, and covering certain cash losses that MWS might incur, in order to meet obligations to provide for disposal of Joining Member MSW at bypass disposal facilities• MRC and MWS enter into a consent/forbearance agreement to allow a reasonable time for the Hampden Facility to reopen (targeted within 8-12 months)• MRC and MWS enter into a Management Services Agreement, in which MRC receives \$5 per ton as compensation (increased annually with CPI) for identified services, such as those it has assumed and performed during the Hampden Facility’s suspension of operations (e.g., bypass management; billing)

¹ Municipal Waste Solutions, LLC is a subsidiary Maine company created by MRC to purchase the Hampden Facility out of Receivership from the Bondholders. MRC needed to have a separate subsidiary company owned by MRC to accomplish this to retain the contractual structure of the key agreements such as the Site Lease and Master Waste Supply Agreement (e.g., to have counterparties; for example, MRC cannot both be a Landlord and Tenant in the Site Lease).

	<ul style="list-style-type: none"> • MRC and MWS amend the Master Waste Supply Agreement to identify cash distributions to MRC from its ownership of the Hampden Facility as a funding source for rebates, with MRC distributing rebates to MRC members pursuant to the Master Waste Supply Agreement as amended, the MRC Bylaws, and the municipal joinder agreements • MRC and MWS extend Initial Term of the Site Lease to continue for a full 15 years from the date of resumption of Commercial Operations or December 31, 2023, whichever date is earlier • MRC and MWS extend the Initial Term of the Master Waste Supply Agreement to continue for a full 15 years from the date of resumption of Commercial Operations or December 31, 2023, whichever date is earlier • MRC and MWS will amend the Site Lease and Master Waste Supply Agreement to update those agreements based on MWS as owner (i.e., removing Coastal and Fiberight as parties), to remove legacy provisions related to initial development, construction and start-up of the Facility, and to reflect the restructuring (e.g., MRC Management Services Agreement; partnership between MRC and Revere; etc.) – amendments will be discussed in greater detail at the October 12, 2022 virtual Town Hall for MRC Members • The calculation of the Tip Fee <u>will not change</u> under the Master Waste Supply Agreement • MWS will assume all obligations under the lienholder settlement agreements, indemnifying MRC • MWS will contract with a new operator of the Hampden Facility, with MRC participating in a management committee that has oversight over operations, similar to MRC’s past role as a partner in the PERC facility • MWS will implement a reopening process in stages focused on (i) “front end” material recovery facility (“MRF”) operations to reduce Hampden Facility downtime and enhance reliability, (ii) “back end” operations through modifications and upgrading of equipment, and (iii) equipment installations and upgrades for biogas operations.
<p>Why a Fundamental Matter or Change</p>	<p>Section 4.5 of MRC’s Bylaws states the following are Fundamental Matters or Changes:</p> <ul style="list-style-type: none"> • Disposition of any capital asset with a value in excess of \$100,000 (i.e., MRC sale of MWS membership interests such that MRC is a minority owner of MWS) • Extension of the term of the Site Lease

	<ul style="list-style-type: none"> • Extension of the term of the Master Waste Supply Agreement • Amendment to the Master Waste Supply Agreement that effects in a material respect entitlement to MRC Members' rebates (<u>note</u>: although entitlement to rebates remains, MRC nonetheless considers a material change in the funding source of rebates, here cash distributions to MRC as a minority owner for distribution to MRC Members per joinder agreements, to warrant noticing such change as a Fundamental Matter or Change to ensure MRC Members are informed)
<p>Further Details and Context</p>	<p>The Recapitalization Transaction is designed to secure funds necessary to reopen and return the Hampden Facility to commercial operations.</p> <p>MRC has previously estimated the funding needed to successfully accomplish this to be approximately \$20 million.</p> <p>The MRC Board has voted to work with a private sector partner to recapitalize the Hampden Facility for reasons that include:</p> <ul style="list-style-type: none"> • Technical expertise of the Revere project team with MRF and solid waste facility operations and maintenance, facility development and restructuring, and materials and product marketing; • Expertise of Revere and its project team in arranging equity financing and innovative investment strategies that avoid recourse to the MRC and MRC Members; and • Revere's willingness to work in partnership with the MRC as a minority owner with management and oversight authority comparable to prior MRC experience with the PERC facility. <p>In addition, the Recapitalization Transaction involves a new agreement between MRC and MWS, where MRC receives compensation for services – many of which it has performed during the suspension of operations of the Hampden Facility. This represents a significant new source of revenue for MRC, in addition to rent that MWS will pay to MRC.</p> <p>Further, the Recapitalization Transaction results in necessary funding to cover carrying costs of the Hampden Facility through the winter of 2022/2023 as reopening efforts are implemented (e.g., insurance and utilities). Additional bypass costs are also significantly covered by MWS during the reopening phase. Collectively, these are significant costs that MRC has addressed during the suspension of operations, which would shift to MWS upon closing of the Recapitalization Transaction.</p> <p>Importantly, the Recapitalization Transaction puts into action reopening of the Hampden Facility, implementing detailed work plans to accomplish this purpose.</p>

	<p>Moreover, the overall contractual structure has been retained, with MRC remaining the Landlord receiving rental payments, no changes to the tip fee under the Master Waste Supply Agreement, and the Hampden Facility being reopened consistent with its purpose to optimize diversion through separation of recyclables and other commodities and production of saleable products.</p>
<p>Basis for MRC Board support</p>	<p>The Recapitalization Transaction presents the most efficient path forward to secure necessary funding to reopen the Hampden Facility, without requiring financial recourse to MRC or its Members.</p> <p>As noted, it also retains the contractual structure of the Hampden Facility, with the noted additions of MRC being a minority owner and being compensated for services under a new MRC Management Services Agreement. MRC will also have a greater role in the oversight of the Hampden Facility, which the Board believes better positions the Hampden Facility for success – all in the in the best interests of MRC Members.</p>
<p>Consequences if members vote not to authorize</p>	<p>If MRC members vote to not authorize this Recapitalization Transaction, then there will be no private sector funding to recapitalize the Hampden Facility before the start of the 2022/2023 winter season.</p> <p>MRC will then undertake contingency measures and seek alternative financing of a form that it has not yet been able to secure despite significant prior efforts, and which might not be obtainable without credit support or guarantees or equivalent recourse to the full faith and credit of MRC Members, which has never previously been a requirement for MRC membership. At the same time, MRC will need to cover the carrying costs of the Hampden Facility. If unable to secure capital in a timely manner, MRC would need to sell the facility or otherwise liquidate the assets. Under such circumstances, MRC would, to the extent of available remaining resources, work with its Members on solid waste management alternatives.</p>



Board Resolution to Authorize Recapitalization and Restructuring of the Hampden Facility

WHEREAS, the Municipal Review Committee, Inc. (“MRC”) previously entered into an agreement to acquire the solid waste processing facility in Hampden and related assets of Coastal Resources of Maine LLC (the “Facility”); and

WHEREAS, to effect this acquisition, MRC established Municipal Waste Solutions, LLC (“MWS”), a subsidiary wholly owned by MRC for the purpose of owning the Facility and being a counterparty to key agreements with MRC and others as described in the transaction documents involving acquisition of the Facility [e.g., the Restated and Amended Site Lease (“Site Lease”) and Amended and Restated Master Waste Supply Agreement (“MWSA”)]; and

WHEREAS, prior to and since acquisition, MRC and MWS have diligently pursued actions to reopen the Facility, which in the judgment of MRC and MWS require recapitalization and restructuring efforts to support a reopening; and

WHEREAS, MRC and MWS have been in discussions with Revere Capital Advisors and affiliates (“Revere”) on recapitalizing and restructuring needs regarding the Facility whereby MRC and Revere would be co-owners of the Facility to effect a reopening, which have progressed and remain continuing; and

WHEREAS, as part of these continuing discussions, MRC, MWS, and Revere have performed due diligence on the specific capital needs and related considerations to implement a reopening of the Facility; and

WHEREAS, as a result of the foregoing, MRC, MWS, and Revere wish to further advance a recapitalization and restructuring transaction with the purpose of implementing a reopening of the Facility by executing a negotiated term sheet intended to result in execution of definitive agreements and a closing to achieve this purpose (the “Facility Recapitalization”); and

WHEREAS, it is contemplated the Facility Recapitalization will involve certain Fundamental Matters or Changes per MRC Bylaws involving an extension of the terms of the Site Lease and Master Waste Supply Agreements to align with a reopening schedule, modification of the Site Lease to recognize cash distributions to MRC as rebates available for MRC Members, and a transaction that involves a value of more than \$100,000 of capital assets owned by MRC; and

WHEREAS, it is further contemplated the Facility Recapitalization will involve other amendments to the Site Lease and Master Waste Supply Agreement that are not Fundamental Matters or Changes, but are nonetheless necessary due to MWS' acquisition of the Facility and to reflect implementation of a reopening and commercial operations under MWS' ownership; and

WHEREAS, a closing on the Facility Recapitalization is expected in November 2022; and

WHEREAS, it is desirable for MRC to have completed the Fundamental Matter or Change process in advance of any closing on the Facility Recapitalization, as well as ensure MRC members have a notice and opportunity to comment on any amendments to the Site Lease and MWSA, in order to avoid unnecessary delays to recapitalize, restructure, and reopen the Facility.

NOW THEREFORE, IT HEREBY IS

RESOLVED: That the MRC and MWS hereby are authorized to (i) enter into a term sheet, definitive agreements, and all such other agreements as are contemplated hereby or thereby to effect the Recapitalization Transaction, with implementation of the transactions contemplated in the Recapitalization Transaction subject to the Fundamental Matters or Changes provisions pursuant to MRC's Bylaws, (ii) execute and deliver such amendments to the Site Lease and Master Waste Supply Agreement, subject to prior notice and opportunity for comment to MRC members as required in those agreements, (iii) to execute and deliver such agreements and other documents as the signing officer may deem necessary or appropriate in order to fully effect the transactions contemplated by the Recapitalization Transaction (all the foregoing being collectively referred to herein as the "Transaction Documents"), in each case on substantially the terms presented at this meeting; and

BE IT FURTHER RESOLVED: That each of the President, Vice President and Treasurer of the MRC, acting singly, hereby is authorized to execute and deliver each of the Transaction Documents on behalf of the MRC on such terms and conditions as he or she may approve, his or her signature thereon to constitute conclusive evidence of such approval, and to take all such further actions as he or she may deem necessary or appropriate in order to implement these resolutions and the transactions contemplated hereby; and

BE IT FURTHER RESOLVED: That the President, as an authorized Manager of MWS, is hereby authorized to execute and deliver each of the Transaction Documents on behalf of MWS on such terms and conditions as he or she may approve, his or her signature thereon to constitute conclusive evidence of such approval, and to take all such further actions as he or she may deem necessary or appropriate in order to implement these resolutions and the transactions contemplated hereby.

Adopted this 26th day of September, 2022