

CommonWealth

Resource Management Corporation

13 April 2023

The Municipal Review Committee, Inc. (the MRC)
Attn.: Michael Carroll, Executive Director
20 Godfrey Drive, Suite 213
Orono, Maine 04473

RE: Joining Member Assets Managed by the MRC for the First Quarter of 2023:
Financial Statements and Distributions

Dear Members of the Committee:

CommonWealth Resource Management Corporation (CRMC) herein presents financial statements through the first quarter of 2023 for assets of Joining Members held through a joint venture with the MRC. The Joining Members include 83 municipalities and public entities that entered into Joinder Agreements with the MRC for management of their MSW and related funds and assets on and after April 1, 2018. The assets include a building with equipment for mixed waste processing (the Facility), the site hosting the Facility (the Site) and related infrastructure in Hampden, Maine owned by the MRC on behalf of the Joining Members. The Site had been leased to Coastal Resources of Maine, LLC (Coastal) pursuant to a Restated and Amended Site Lease (the Site Lease). Coastal developed, constructed and operated the Facility to accept MSW from the Joining Members starting in May 2019, in accordance with a Master Waste Supply Agreement between Coastal and the MRC (MWSA), but suspended operations on May 28, 2020. Coastal's lenders subsequently placed the Facility and Coastal's other assets into receivership after Coastal defaulted on payment and performance obligations.

In August 2022, the MRC closed on the purchase out of receivership of the Facility and related Coastal assets. The net purchase price for the Facility was **\$1,169,346.58**, based on a gross price of \$1.5 million offset by \$330,653.42 in credit for MRC payments of certain expenses. To purchase and own the Facility, the MRC formed a new sole-purpose corporation called Municipal Waste Solutions, LLC (MWS), of which the MRC is currently the sole member and manager. MWS is the successor to Coastal as the counterparty to the MRC of the Site Lease, the MWSA and certain other agreements. The MRC has advanced funds to pay Facility expenses (insurance costs, utility charges, minor repairs and permit-related fees) on behalf of MWS. Accordingly, the financial statements provided herein include a balance sheet for the MRC with a basis in MWS of **\$1,511,792.80**, which includes (a) the MRC's net purchase price of **\$1,169,346.58** for the Facility and related assets assigned to MWS; and (b) subsequent MRC advances to pay Facility expenses of **\$342,446.22** on behalf of MWS through the end of the first quarter of 2023.

As part of the process for completing the purchase, the MRC entered into settlement agreements with multiple lien-holders pursuant to which the MRC agreed to pay a total amount of \$524,264.75 over time. The MRC had made \$268,592.30 of such payments to lien-holders as of March 31, 2023.

To re-open the Facility, the MRC is working with a private investment group that would purchase a majority of ownership interests in MWS, manage the re-opening of the Facility and secure financing accordingly. The MRC has entered into a Term Sheet that grants exclusivity to such a private investment group, which is undertaking due diligence in advance of a closing anticipated to be completed in second quarter 2023. The MRC cannot be assured that such purchase will occur as contemplated and has therefore investigated public ownership and financing options as a contingency plan. The financial statements provided herein for the MRC do not account for financial arrangements set forth in the Term Sheet, which are prospective and subject to completion of definitive agreements and financing arrangements.

The MRC has satisfied its obligation set forth in Exhibit B to the Joinder Agreements to make payments to Joining Members over a 36-month period following the Facility commercial operation date (November 1, 2019). In particular, the MRC was obligated to distribute cash for all MSW delivered in the prior calendar quarter of \$5 per ton to Joining Members that invested funds held by the MRC in the acquisition of the Site and Facility, and of \$3 per ton to Joining Members that did not have such funds held or invested by the MRC. That obligation expired on October 31, 2022. Payments for all MSW delivered by Joining Members prior to that date were made in the first quarter of 2023 or in prior quarters. Accordingly, this letter does not recommend making such distributions. Note that in 2022 the MRC Board voted to defer payment of a total of \$92,137.58 to four Joining Members for reimbursement of fees not otherwise collected due to suspension of Facility operations.

Regarding the administration of funds, CRMC offers the following recommendations:

1. Consistent with prior Board decisions from 2022, until the MRC cash position improves, continue to defer payments of **\$92,137.58** to reimburse fees not collected in prior quarters due to suspension of Facility operations.
2. Authorize a transfer of **\$50,000.00** from the Tip Fee Stabilization Fund to the Operating Account to fund MRC administrative expenses in the upcoming quarter consistent with the 2023 operating budget.

The remainder of this letter discusses the MRC financial position. Tables 1 and 2 present unaudited financial statements for the MRC Joint Venture with the Joining Members as of April 1, 2023, and for prior quarters.

MRC quarterly financial statements: balance sheets and statements of Net Position

Table 1 presents balance sheets for the end of the first quarter of 2023 and preceding quarters in a format that reflects financial statements prepared previously by the MRC's auditor, with additional line-items and adjustments to present activity related to the MRC acquisition of Coastal assets from receivership. As shown, as of April 1, 2023, the Joint Venture of the MRC and Joining Members had total assets of **\$5,507,224.82** comprised of the following:

- Balance of **\$101,183.88** in the Development and Distribution Account (the D and D Account, formerly the Custody Account) held at First National Bank (First NB). The

account balance includes grant funds of \$42,467 for future staffing from the Pandemic Recovery for an Innovative Maine Economy (PRIME) Fund being held in escrow, leaving an unrestricted balance of \$58,716.88. The D and D Account was used during the quarter to complete the obligation to pay distributions to Joining Members, which payments were funded by a transfer of \$40,000.00 from the Target Value Reserve Fund in the Tip Fee Stabilization Account.

- Accounts Receivable of **\$588,096.25** for tip fees from Joining Members for MSW delivered in the quarter, over 96 percent of which have been out for less than 30 days.
- Balance of **\$999,971.07** in the Tip Fee Stabilization Account, which is managed by First National Wealth Management (affiliated with First NB). The balance was comprised of fixed income assets (market value of \$922,853.73 of a mix of US Treasury bills, US agency bond investments funds and commercial bank CDs and \$74,904.64 in cash equivalents) valued at **\$997,758.37** and accrued interest of **\$2,212.70**. Withdrawals during the quarter include \$40,000 transferred to the D and D Account to fund distributions and \$25,000 transferred to the Operating Account to pay for overhead and administrative costs.
- Balance of **\$852,162.65** in the Contingency Account (formerly the Operating Budget Stabilization Account), which is held in a liquid money market account at First NB. This account was used in the quarter to pay \$142,974.64 of Facility expenses on behalf of MWS; \$175,592.30 in lien payments; \$933,010.63 for Joining Member MSW sent to bypass disposal facilities; and to receive tip fees of \$1,559,889.70 from Joining Members. Transfers into the Contingency Account included a \$150,000 nonrefundable exclusivity payment held in escrow until the Term Sheet expired. A net amount of \$30,217.47 was transferred to the Operating Account to reconcile prior transfers.
- Balance of **\$315,269.90** in the Cash Collateral Agency Account held at First NB for the benefit of the MRC. This balance is comprised of fixed income funds and short-term investment funds valued at \$296,301.53; cash and equivalents of \$18,634.30; and \$334.07 of accrued interest.
- Investment in MWS of **\$1,511,792.80**, which includes (a) the MRC's net purchase price of **\$1,169,346.58** for the Facility and related assets assigned to MWS; and (b) cumulative subsequent MRC investment in ongoing expenses of **\$342,446.22**.
- The Site owned by the MRC improved for development of the Facility, valued at **\$1,138,748.27** as described in prior asset management letters. Although the MRC continues to own the Site, ownership of the access road to the Facility and certain other infrastructure has been turned over to the Town of Hampden. The value of \$1,138,748.27 is based on full book cost for Site acquisition and improvements net of the book cost of the infrastructure turned over to the Town of Hampden. The MRC has not performed an appraisal of the Site market value, which likely exceeds the book value.

As Table 1 also shows, as of April 1, 2023, the joint venture of the MRC and the Joining Members had liabilities and payables of **\$1,039,832.48** comprised of the following:

- Deferred reimbursements of lost fees of **\$92,137.58** as described previously.
- Payments outstanding to Joining Members of **\$748.55** not deposited by the end of the quarter.
- Outstanding lien balances at the end of the quarter of **\$255,672.45** based on payments that cleared by the end of the quarter.
- Disposal costs accrued of **\$691,273.90** based on disposal fees incurred but not yet paid, and in some cases not yet invoiced or swapped, for bypass MSW delivered for disposal through the end of the quarter.

Accounting for the Total Assets of \$5,507,224.82 and total liabilities and payables of \$1,039,832.48, as of the end of the quarter the MRC had a Net Position for the benefit of Joining Members of **\$4,467,392,34**.

MRC quarterly financial statements: statement of activities and Change in Net Position

Table 2 presents additions (revenues) and deductions (expenditures) of the joint venture for the first quarter of 2023 and preceding quarters. The excess of revenues over expenditures, as adjusted for changes in balance sheet items, is reconciled with the change in the Net Position over each quarter. Table 2 also shows transfers to the MRC Operating Fund. As shown:

- The MRC received revenue of **1,559,889.70** from tip fees for Joining Member MSW delivered and accepted in the quarter.
- The MRC earned **\$11,241.31** in interest and dividends net of bank fees from invested funds in the quarter. Accrued interest decreased by **\$1,537.78**. The market value of investments appreciated by **\$20,215.07** during the quarter, which is attributable to changes in the market valuations of fixed income assets as interest rates fluctuate.
- The MRC paid distributions to Joining Members of **\$36,057.19** in the quarter, including payments from prior quarters that cleared the account in the past quarter.
- The MRC paid disposal costs of **\$933,010.63** for disposal of bypassed Joining Member MSW in the quarter.
- The MRC paid expenses of **\$142,974.64** to secure the Facility.
- The MRC made payments to lien-holders of **\$175,592.30**.

- The MRC transferred a net amount of **\$55,217.47** to the Operating Fund during the quarter consisting of a direct transfer of \$25,000.00 and payments of \$30,217.47 to account for commingled payments of tip fees and dues to the Contingency Account and Operating Fund.

Accounting for the excess of additions over deductions and adjusting for payment lags due to accounts payable and receivable and non-cash items, the MRC experienced a Change in Position that was a net increase of **\$740,211.05** in the quarter.

To fund MRC administrative expenses in the upcoming quarter consistent with the 2023 operating budget, CRMC recommends that the MRC transfer **\$50,000.00** from the Tip Fee Stabilization Fund to the Operating Account.

Reserve fund requirements and resources

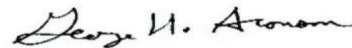
As of April 1, 2023, the status of the requirements for reserve funds in Exhibit B, Section 2 of the Joinder Agreements is described below:

| Reserve fund requirement | Resources |
|---|--|
| \$5.0 million for actual expenditures for acquisition of the site and development of related infrastructure | Satisfied by expenditures in 2016 and 2017 |
| \$1.167 million as the Closure Reserve Fund | Satisfied by funding expenditures from the Operating Fund |
| \$3.0 million for the Delivery Sufficiency Reserve Fund | Minimum balance requirement waived by MWS as successor to Coastal. The MRC anticipates removing this requirement by amendments to the Site Lease and Master Waste Supply |
| Up to \$7.0 million as the Building Reserve | Minimum balance requirement waived by MWS as successor to Coastal. The MRC anticipates removing this requirement by amendments to the Site Lease and Master Waste Supply Agreements. |
| \$1.0 million for Bridge Waste transportation costs held in Tip Fee Stabilization Fund and D and D Account | The cost reimbursement period ended for the MRC at the Commercial Operation Date. The remaining funds were included in the Target Value Reserve Fund. |
| Target Value Reserve Fund | The payment obligation period ended in 2022 and was completed in January 2023. |

| | |
|---|---|
| Unrestricted fund balances | \$ 999,971.07 in the Tip Fee Stabilization Account <u>315,269.90 in the Cash Collateral Account</u> |
| Investment accounts | \$ 1,315,240.97 |
| | \$ 852,162.65 Contingency Account balance <u>58,716.88 unrestricted in the D and D Account</u> |
| Working capital accounts | \$ 910,879.53 subtotal |
| | \$ 2,226,120.50 Total unrestricted balance |
| Payables and accrued payments | (\$ 255,672.45) Lien payments outstanding (\$ 748.55) Uncleared distribution payments <u>(\$ 92,137.58) Deferred fee reimbursements</u> |
| Unrestricted balance net of payables/accruals excluding tip fees, bypass disposal costs and projected facility expenses | (\$ 348,558.58 Payables/accruals excluding bypass \$1,877,561.92 net unrestricted |

If you have any further questions, please feel free to contact me.

Sincerely,



George H. Aronson, Principal

Attachments: Tables 1 through 2

| Table 1 | | | | | | | | | | | | |
|--|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------|--|
| Joint Venture of the Joining Members of the Municipal Review Committee, Inc. | | | | | | | | | | | | |
| Governmental Funds Balance Sheet / Statement of Net Position | | | | | | | | | | | | |
| Quarterly Basis through 1Q 2023, adjusted for audit through 4Q 2020 | | | | | | | | | | | | |
| | Notes | Unaudited 1-Apr-23 | Unaudited 1-Jan-23 | Unaudited 1-Oct-22 | Unaudited 1-Jul-22 | Unaudited 1-Apr-22 | Audit in progress 1-Jan-22 | Audit in progress 1-Oct-21 | Audit in progress 1-Jul-21 | Audit in progress 1-Apr-21 | Audited 1-Jan-21 | |
| ASSETS | | | | | | | | | | | | |
| Cash and cash equivalents | | | | | | | | | | | | |
| D and D Account (First National Bank) | | 58,716.88 | 54,662.41 | 46,678.38 | 27,210.99 | 26,153.79 | 22,045.91 | 21,391.94 | 25,977.36 | 28,876.23 | 9,339.90 | |
| PRIME grant funds held in escrow | | 42,467.00 | 42,467.00 | | | | | | | | | |
| Custody Account (Bangor Savings Bank) | 1 | | | | | | | | | | 233.07 | |
| Accounts Receivable | | | | | | | | | | | | |
| Tip Fees receivable for Joining Members MSW | 2 | 588,096.25 | 313,829.33 | 509,506.88 | 478,186.49 | 410,993.91 | 134,265.96 | 579,625.56 | 339,053.45 | 532,067.06 | 688,938.00 | |
| Reimbursements receivable for Facility costs | | | | | | | - | 9,739.95 | 7,050.79 | - | 15,342.04 | |
| Investments | | | | | | | | | | | | |
| Tip Fee Stabilization Fund | | | | | | | | | | | | |
| Account balance (at First National Wealth Management) | 3 | 997,758.37 | 1,040,327.76 | 1,356,646.89 | 1,763,281.46 | 3,102,531.60 | 3,809,371.05 | 4,411,548.86 | 5,055,927.52 | 5,237,748.51 | 5,520,157.59 | |
| Accrued income | 3 | 2,212.70 | 3,880.87 | 4,225.77 | 6,293.81 | 7,633.70 | 5,441.64 | 14,092.99 | 12,319.58 | 9,207.90 | 19,715.64 | |
| Contingency Account (First National Bank WM) | | 852,162.65 | 423,517.34 | 556,701.06 | 646,592.23 | 91,328.85 | 269,574.05 | 239,770.80 | 335,570.69 | 286,756.15 | 438,527.50 | |
| Cash Collateral Account/Delivery Sufficiency Fund | | | | | | | | | | | | |
| Account balance (at First National Wealth Management) | 3 | 314,935.83 | 306,572.37 | 301,163.38 | 1,342,677.70 | 1,459,237.80 | 1,526,807.27 | 1,527,500.89 | 1,525,331.01 | 1,506,803.43 | 1,532,869.71 | |
| Accrued income (at First National Wealth Management) | 3 | 334.07 | 203.88 | 622.28 | 2,883.75 | 2,223.44 | 498.25 | 3,506.95 | 2,323.74 | 1,131.13 | 1,088.33 | |
| Funds in escrow to purchase the Coastal assets | 4 | - | - | - | 150,000.00 | - | - | - | - | - | - | |
| Exclusivity deposit | 5 | - | 150,000.00 | 250,000.00 | - | - | - | - | - | - | - | |
| Value of Hampden site and infrastructure | 6 | 1,138,748.27 | 1,138,748.27 | 1,138,748.27 | 1,138,748.27 | 1,138,748.27 | 1,138,748.27 | 1,138,748.27 | 1,138,748.27 | 1,138,748.27 | 1,138,748.27 | |
| Investment in MWS LLC | | | | | | | | | | | | |
| Acquisition cost for the Facility and Coastal assets | 7 | 1,169,346.58 | 1,169,346.58 | 1,169,346.58 | | | | | | | | |
| Advances for expenses after purchase (cumulative) | 8 | 342,446.22 | 199,471.58 | 50,599.58 | | | | | | | | |
| TOTAL ASSETS | | 5,507,224.82 | 4,843,027.19 | 5,384,239.07 | 5,555,874.70 | 6,238,851.36 | 6,906,752.40 | 7,945,926.21 | 8,442,302.41 | 8,741,338.68 | 9,364,960.05 | |
| LIABILITIES AND NET POSITION | | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | | |
| Distribution payable to Joining Members, current quarter | 9 | - | 36,074.24 | 121,999.99 | 105,773.76 | 123,932.79 | 146,036.62 | 167,311.84 | 151,651.68 | 126,636.89 | 149,421.48 | |
| Payments to Joining Members deferred | 10 | 92,137.58 | 92,137.58 | 78,992.13 | 41,439.16 | | | | | | | |
| Other payables (liens and issued checks uncashed) | 11 | 256,421.00 | 431,996.25 | 495,370.50 | 310.94 | 310.94 | 367.45 | 2,087.90 | 8,142.30 | 2,366.40 | | |
| Costs accrued for bypass disposal for Joining Member MSW | 12 | 691,273.90 | 555,637.83 | 485,810.93 | 604,115.76 | 105,987.59 | 583,783.09 | 152,213.75 | 538,431.07 | 489,450.13 | 645,642.37 | |
| Total liabilities | | 1,039,832.48 | 1,115,845.90 | 1,182,173.55 | 751,639.62 | 230,231.32 | 730,187.16 | 321,613.49 | 698,225.05 | 618,453.42 | 795,063.85 | |
| Net Position held for the benefit of Joining Members | | 4,467,392.34 | 3,727,181.29 | 4,202,065.52 | 4,804,235.08 | 6,008,620.04 | 6,176,565.24 | 7,624,312.72 | 7,744,077.36 | 8,122,885.26 | 8,569,896.20 | |
| TOTAL LIABILITIES AND NET POSITION | | 5,507,224.82 | 4,843,027.19 | 5,384,239.07 | 5,555,874.70 | 6,238,851.36 | 6,906,752.40 | 7,945,926.21 | 8,442,302.41 | 8,741,338.68 | 9,364,960.05 | |
| NOTES | | | | | | | | | | | | |
| 1 | Custody Account at Bangor Savings Bank closed in 1Q 2021. Funds transferred to First National Bank. | | | | | | | | | | | |
| 2 | Receivable for tonnage delivered for disposal through end of quarter. | | | | | | | | | | | |
| 3 | Assets include investments valued at market value. Accrued income stated separately. | | | | | | | | | | | |
| 4 | Funds placed in escrow pending satisfaction of various asset acquisition conditions. | | | | | | | | | | | |
| 5 | Nonrefundable deposits held in escrow pending satisfaction of various Term Sheet conditions. | | | | | | | | | | | |
| 6 | Value includes book cost of Site acquisition and development, net of book cost of access road transferred to Town of Hampden. The Site market value has not been appraised independently. | | | | | | | | | | | |
| 7 | Net purchase price paid on August 9, 2022. Expenses include payments for operations (but not for liens or bypass disposal) on or after August 9, 2022, from funds advanced from MRC accounts. | | | | | | | | | | | |
| 8 | Cash payable to Joining Members in subsequent quarter per the Joinder A | | | | | | | | | | | |
| 9 | | 92,137.58 | 36,074.24 | 121,999.99 | 105,773.76 | 123,932.79 | 146,036.62 | 167,311.84 | 151,651.68 | 126,636.89 | 149,421.48 | |
| 10 | | 748.55 | 731.50 | 1,105.75 | 310.94 | 310.94 | 367.45 | 2,087.90 | 8,142.30 | 2,366.40 | 49,623.36 | |
| 11 | | 256,421.00 | 431,996.25 | 494,264.75 | 494,264.75 | | | | | | | |
| 12 | | 691,273.90 | 555,637.83 | 485,810.93 | 604,115.76 | 105,987.59 | 583,783.09 | 152,213.75 | 538,431.07 | 489,450.13 | 645,642.37 | |
| | | 1,039,832.48 | 1,115,845.90 | 1,182,173.55 | 751,639.62 | | | | | | | |

