

Received through MCC Steering Committee meeting, November 2, 2019

1. Board makeup. Who picks?

Brownlee Note: Section 5.01 of the USA currently contemplates that the first board will have 7 directors. Each municipality will appoint 1 director and the 5 directors after that each appoint two more directors at large. The second board and all later boards is a board of 7. Two of these directors shall be the directors at large from the first board. The municipalities will create a director selection committee with each municipality appointing one person to the Committee. This Committee will then develop a skills matrix for the vacancies on the Board and that Committee will appoint the remaining directors.

BMS – It is suggested that the MCC Board would have at least these three committees – audit, HR and compensation and a nominating committee. In a typical process scenario, the nominating committee would review Director candidates in comparison to Board-approved criteria (ultimately shareholder-approved through the USA) for qualifications. These nominees would have come from the shareholders. Recommended nominees would be submitted to the Board for approval, assuming an original slate was appointed and Director terms were now staggered.

The details of the committee mandates and the nomination process can be developed with a governance consultant and legal counsel.

2. Dividend formula. Would like to understand it and perhaps renegotiate.

Brownlee Note: This is based on the current dividend formula that the Commission already uses. It’s the status quo. It’s listed in Section 6.2(b) and (c) of the Limited Partnership Agreement.

1/3 of the dividends will be paid out equally with each getting their equal share.
2/3 of the dividends will be paid out in accordance with the proportionate population breakdown.

Example - This is easiest understood with numbers. For example purposes, let’s say \$1.8M is being paid out in dividends.

1/3 of this \$1.8M is \$600,000. Each one of the 5 municipalities will obtain \$120,000.
2/3 of this \$1.8M is \$1,200,000. That remaining amount is being paid out as a proportionate population distribution.

Municipality	Population	Percentage of Population	Proportionate Dividend Payment	Equal Dividend Payment	Total Payment
Beaver	5,905	59.63%	\$715,560	\$120,000	\$835,560
Ryley	483	4.88%	\$58,560	\$120,000	\$178,560
Holden	350	3.53%	\$42,360	\$120,000	\$162,360

Viking	1,083	10.94%	\$131,280	\$120,000	\$251,280
Tofield	2,081	21.02%	\$252,240	\$120,000	\$372,240
AGGREGATE	9,902	100%	\$1,200,000	\$600,00	\$1,800,000

Brownlee Note: As for the renegotiation of the calculation of the formula, that is up to the parties to negotiate amongst themselves. Once the formula is agreed upon, we will paper this.

We do note that the parties do not agree on a changed formula and wish to maintain the Commission as is, that this is the current formula for distribution of profits under the current Commission model. Nothing is changed here by not proceeding.

BMS – Response is per no. 11 on the October 16, 2019 question set:

The current dividend and grant formulas were developed by the municipal members in consideration of all the financial transfers between the members for various jointly-funded services and projects. The MCC re-organization can continue without revisiting the formula understanding there has been no significant change in these funding transfers.

Under the MCC agreements, the distribution of income among the shareholders can be revisited when the underlying funding transfers change.

3. Location of office. Is there a real need to have an office in Edmonton? Council has spoken to residents who oppose.

Brownlee Note: This is something that the group needs to decide upon. It is not a legal matter.

BMS – The MCC corporate office will remain in Beaver County. Branch offices are decided based on business developments/contracts.

4. Why the have the adjacent residents [REDACTED] not been bought out yet?

Brownlee Note: This is something that BMS needs to respond to

BMS – BMS's land holdings are sufficient for its anticipated operational requirements.

There is an amount in the current capital budget for a future land acquisition.

Land negotiations can be discussed in closed session.

5. The MNP report indicated salary structure is appropriate. But this did not include the bonus system.

Brownlee Note: This is something that MNP and/or BMS can respond to.

BMS – All compensation programs and results were submitted to MNP. Our CFO reviewed the MNP report per below comment: (portion of emailed comments)

“Please note that on page 19, there’s no mention that bonuses are excluded. There’s 2 sets of data, 1 for Base Salary and another for Total Cash. The Total Cash includes the bonuses.”

6. Council concerned about travel out of country, and capital purchases.

Brownlee Note: Under the current structure, only the management of BMS can authorize matters such as this. By transitioning to Claystone Waste under the currently proposed matter, this is something that each council can have more authority over. The current plan of Claystone is that a long term, 3 year capital plan is to be prepared. This will provide all expected expenditures and financial policies for the upcoming 3 years. This plan needs to be unanimously approved of by the municipalities (Section 4.03 of the USA). Should Council be unhappy with this, they have the right to require amendments to these strategic plans prior to approving it.

**Staying as is under the Commission model means that Council has no authority over this.
Transitioning to Claystone**

BMS –

International trips

Through the GM, approval is provided for trips for a business purpose. Out of Canada trips have been infrequent since August 2011:

1. 2012 – GM to a US engineering conference
2. 2016 – former VP operations to a US oil-industry waste conference
3. 2017 – operations personnel, project engineer and operations manager to China to evaluate new landfill equipment
4. 2018 – Business Development Manager to US for same oil-industry conference as in 2.
5. 2019 – GM to European waste conference (in context of personal vacation, only conference accommodation expensed)
6. 2019 – Business Development Manager to US for waste industry conference

Capital budget

The waste industry is capital intensive – infrastructure and equipment. We budget on five year rolling plans based on operational needs and on business development opportunities. Current plan is 2019 – 2023. Rolling plan sets to 2020 – 2024 for November 2019 budget meeting.

7. Council concerned about the sale of lands back to [REDACTED] in the recent past. The purchase of these lands was financed by all shareholders agreeing to waive dividends many years ago. The proceeds of these sales should go back to shareholders.

Brownlee Note: We know nothing about the history here and cannot speak to the correctness of this. However, under the Commission model, money cannot be paid back to the municipalities under its current regulation without ministerial consent. Transitioning to Claystone will enable this to be done without the need for ministerial consent.

BMS – Land transaction history can be discussed in closed session.

8. Return on Investment. The MNP report indicates ROI is within acceptable ranges, but how should we use this to understand overall benefit to shareholders? E.g. if ROI is 10%, should shareholders expect 10% dividend based on overall value of investment (business value)? Essentially, what is an acceptable range of dividend back to shareholders, in relation to MNP estimate of ROI?

Brownlee Note: This is not a legal matter. As noted in this document and as noted previously, the Commission cannot pay dividends anyway without Ministerial consent. It's possible that the Minister could impose different rules on the dividends regardless.

Transitioning to Claystone means that they can do this without needing Ministerial approval and they could impose policies with respect to this.

BMS – We currently use a target of a Return on Assets (ROA) of 11.6% (avg of 2017 and 2018 results, 12% and 11.2% respectively)

Per the MCC business plan (Appendix 3), the waste management sector ROA is 4.7%, and public waste management companies, Waste Management and Waste Connections, have recent ROA's of 9.6% and 5.9% respectively.

MNP calculated Return on Invested Capital as a metric. We can review use of this as a metric.

Regarding dividend sustainability, the dividend payout ratio (dividend over net income) is often used as a measure. BMS has a DPR of approximately 40%, which is in the range of public utilities.

On-going dividends are a matter of corporate strategy, and are addressed at the Board level. At this time, our business plan has established dividends through to 2023.

9. Percentage of local employment. How do we control?

Brownlee Note: The best way for Council's to do this is to impose a binding policy in the strategic plan ensuring certain percentages of local employment. Under the Commission model, this is not as certain as this is within the purview of management.

BMS – There is no set policy on a minimum level of local employment. However, at this time, over 2/3's of our employees live within the Beaver Region.

10. Out of province garbage. Everyone that I have been contacted about that are within 5 to 6 miles of the landfill are completely opposed to out of province garbage but seem to be Ok with Alberta garbage.

Brownlee Note: This is an internal operational discussion that needs to be had with BMS

BMS – There is opportunity to dispose of out-of-province waste at the Ryley landfill. However, this is a secondary business development project, relegated to a future business plan cycle and can be clarified in the MCC business plan, that acceptance is subject to unanimous approval of shareholders.

11. The biggest issue people are seeing is the time line. I think the communication of the timelines need to be more public.

BMS – We believe that our communication efforts have been significant, highly visible and transparent with regard to the project. Nevertheless, we are always open to suggestions for improvement.