CONNECTICUT RESOURCES RECOVERY AUTHORITY

THREE HUNDRED NINETY-FIRST MEETING JUNE 29-30, 2005

A Special telephonic meeting of the Connecticut Resources Recovery Authority Board of Directors was held on Wednesday, June 29, 2005 at 100 Constitution Plaza, Hartford, Connecticut.

Those present by telephone were:

Chairman Michael Pace

Directors:
Mark Cooper
Michael Jarjura
Mark Lauretti
Theodore Martland
Raymond O'Brien
Andrew Sullivan

Present from the CRRA staff at 100 Constitution Plaza:

Tom Kirk, President (via telephone)
Floyd Gent, Director of Operations
Thomas Gaffey, Director of Recycling and Enforcement
Laurie Hunt, Director of Legal Services
Kristen Greig, Secretary to the Board/Paralegal

Chairman Pace called the meeting to order at 11:00 a.m. and noted that there was a quorum.

Chairman Pace noted that this vote required a 2/3 majority and stated that, although there was a quorum, there were not enough Directors to vote on this matter. Chairman Pace requested a motion to recess the meeting and reconvene the telephonic meeting at 8:00 a.m. on Thursday, June 30, 2005. The motion made by Director O'Brien and seconded by Director Martland was approved unanimously.

The meeting was recessed at 11:08 a.m.

JUNE 30, 2005

Chairman Pace reconvened the meeting on Thursday, June 30, 2005 at 8:03 a.m.

Those present by telephone were:

Chairman Michael Pace

Directors: Mark Cooper
James Francis
Michael Jarjura
Edna Karanian
Mark Lauretti
Theodore Martland
Raymond O'Brien
Andrew Sullivan

Present from the CRRA staff at 100 Constitution Plaza:

Tom Kirk, President (via telephone)
Jim Bolduc, Chief Financial Officer
Floyd Gent, Director of Operations
Thomas Gaffey, Director of Recycling & Enforcement
Laurie Hunt, Director of Legal Services
Michael Bzdyra, Senior Analyst
Kristen Greig, Secretary to the Board/Paralegal

RESOLUTION REGARDING PRICING OPTIONS ASSOCIATED WITH THE AGREEMENT WITH CASELLA WASTE SYSTEMS, INC AND FCR, INC FOR DESIGN, UPGRADE RETROFIT AND OPERATION/MAINTENANCE FOR THE REGIONAL RECYCLING CENTER FOR THE MID-CONNECTICUT PROJECT

Chairman Pace stated that the issue is the review of the revenue options from the RRT report dealing with recyclables.

Chairman Pace asked Director Sullivan to review the discussion that the Finance Committee had on this issue. Director Sullivan stated that the Finance Committee had a lengthy meeting at which the Committee reviewed all of the options and recommended the Fixed Price Option on the contract. Director Sullivan noted that Mr. Gent was going to talk to FCR to determine whether there might be some revenue sharing alternatives that could be taken into consideration at the end of 2012 or at some intervening period.

Mr. Gent reviewed his conversation with Mr. Sean Duffy of FCR and stated that CRRA was looking to see if there could be some sort of revenue sharing on the upside above a trigger point if the market improved dramatically. Mr. Gent explained that the three commodities that CRRA is talking about are #6 ONP, #7/#8 ONP and OCC. Mr. Gent explained that Mr. Duffy told him that FCR is actually locking in rates for ten years on #6 ONP and OCC. With respect to #8 ONP, Mr. Gent said that FCR is entering into a financial hedge with AAA Financial, whereby FCR is giving up any upsides. Mr. Gent explained that whenever that commodity goes above a fixed price, that money goes to the benefit of the financial institution and when the price drops below the fixed price, the financial institution pays FCR the difference between the lower actual commodity price and the fixed price. Mr. Gent added that FCR's arrangement is basically a swap, taking a variable commodity price and converting it into a fixed revenue. Director O'Brien pointed out that this means that CRRA is well protected on that revenue stream.

Mr. Gent further explained that FCR locks in his profit with this arrangement. Mr. Gent said that if FCR did not do this, they would expect some relief on the low end. Mr. Gent explained that FCR is in a different position than CRRA because of the obligation to pay CRRA, the $6 million investment and the cost of processing. Mr. Gent stated that, based on his calculation, that obligation came out to approximately $60/ton. Mr. Gent said that if one looks at the investment, processing costs, fixed costs and what FCR pays CRRA as a minimum guarantee, FCR has significant risk. Mr. Gent stated that the FCR/Casella Board will not allow him to take that type of exposure over a ten-year period. Director Sullivan added that he did not think any Board would allow that kind of exposure over a one or two year period and added that the way these commodities fluctuate in the marketplace, everything has to have some sort of a hedge factor to it just to get businesses to commit to these types of transactions.

Chairman Pace asked Director Karanian if she was satisfied with that answer. Director Karanian responded that she understood why FCR would need to do that as Mr. Gent had stated, because they have a contract obligation so FCR is locking in their profit. Director Karanian stated that she had a discussion with Mr. Gent regarding some of the other aspects of the agreement. Director Karanian said that she still believes that ten years is a long time to bet on a fixed price being favorable in what has proven to be and will continue to be, particularly ten years out, a volatile commodity market. In the context of the overall contract, Director Karanian stated that she thought that she could affirm the fixed price option for the ten year period, subject to a couple of suggestions. Director Karanian's first suggestion was to monitor and track prices in the fiber market so CRRA has a feel for where it stands. Director Karanian's second suggestion was to explore a financial hedge to reduce the risk of missing any upside opportunity. Director Karanian stated that she was not sure if a financial hedge would be feasible outside the contract and recognized that there would be a cost associated with this. Director Karanian said that she thinks CRRA has an obligation to explore those kinds of things as they could be a way of reducing CRRA's risk of the loss of the upside opportunity.

Chairman Pace asked Director Sullivan if those explorations would take place outside and beyond the scope of this contract. Director Karanian stated that that is what she intended. Director Sullivan asked Director Karanian if she was suggesting a monitoring approach to this. Director Karanian replied that monitoring was part of it, but to also explore the use of a financial hedge to see if there is a way, outside of this contract, to capture or reduce the risk of the lost upside opportunity. Director Karanian pointed out that there may be a way to structure something that mitigates that risk. Chairman Pace asked Director Sullivan to have the Finance Committee take a look at Director Karanian's suggestion.

Chairman Pace asked the Board for their thoughts on the subject. Director Martland stated that FCR gave to a bank any upside after the fifth year so there isn't anything to discuss as far as that's concerned. Director Martland further stated that as Director O'Brien had said, CRRA is protected in the later years and said that he thought it was a good deal. Director Martland agreed that CRRA should monitor the market and be prepared to explain its decision to its customers if the market fluctuates. Director Martland said he sees the agreement as a "win-win" situation. Director Sullivan concurred.

Mr. Kirk said that the fixed price option is appropriate and said that everything that reduces risk to CRRA's stakeholders and customers is a benefit for a publicly-owned company such as CRRA. Mr. Kirk stated that CRRA should explore the hedging facilities to protect CRRA from the lost opportunity risk. Mr. Kirk added that management recommends that the Board approve the resolution with the fixed price option.

Chairman Pace asked, if the Board approved this resolution, what the timeline was for signing the agreement, beginning the equipment installation, and refurbishing the building. Mr. Gent responded that CRRA and FCR are "finalizing" the contract and the contract should be ready for signature by next Friday. Mr. Gent said that Peter Egan, along with others at CRRA, are working on an application for a permit modification to allow CRRA to move the paper operation to 211 Murphy Road. Mr. Gent added that CRRA expects that completing the permit application and submitting all the necessary drawings to the DEP will take about two months, which would put us into September. Mr. Gent stated that CRRA is anticipating that it will take six months for the DEP to review the application and take action to issue the permit. At that point in time, Mr. Gent said that CRRA would issue a Notice to Proceed on Task to Activities. Mr. Gent explained that FCR can not start making any modifications to the building until CRRA has a permit and noted that prior to that notice FCR will be ordering equipment because some of the equipment has a lead time of up to eight months. Mr. Gent explained that construction could start in April or May. Mr. Gent stated that FCR anticipates a six-month construction window and will be required to pay liquidated damages if they don't complete construction within six months. Director Martland asked if the final date would be September 2006. Mr. Gent replied that September 2006 was accurate, but that there was a two month window of "float" time built into the time frame. Mr. Gent said that when notice is given on Task 2, FCR would start accepting recyclables, paying CRRA the contract price and diverting those materials to another facility.

Chairman Pace summarized that CRRA was looking at an April/May 2006 time frame and pointed out that that CRRA is looking at budgeting for next year under Phase 2 and Phase 3 of this project. Mr. Gent agreed that this statement was correct.

Director Martland asked if this contract should be reviewed by the Attorney General or any other State agency. Chairman Pace responded in the negative. Chairman Pace asked Mr. Gent who the principals of FCR were. Mr. Gent stated that the contract is being signed by two companies, FCR and Casella Waste Systems, Inc. and explained that Casella Waste Systems is a public company. Mr. Gent said that the founders of that public company are the Casella's and they each own about 6%. Mr. Gent further stated that the Casella's may also have some other family members working in the company, but approximately 72% of the company is owned by shareholders, with T.Rowe Price owning 11.2% of the outstanding shares. Mr. Gent said that Casella is pledging their balance sheet on this contract and noted that they do between $400-$500 million per year in annual revenues. Mr. Gent stated that this project is a $6 million revenue stream.

Mr. Gent further stated that our contract has a lot of protections with respect to adverse parties.

Chairman Pace asked for any questions, comments or concerns, noting that the Finance Committee will address Director Karanian's and Director O'Brien's suggestions in their next meeting.

Chariman Pace requested a motion on the above-referenced matter. Director O'Brien made the following motion:

WHEREAS: The Board of Directors approved an agreement with Casella Waste Systems, Inc. and FCR, Inc. for the design, upgrade, retrofit and operation/maintenance services for the Mid-Connecticut Regional Recycling Center; and

WHEREAS: The pricing options associated with the approved agreement required further review; and

RESOLVED: The President is authorized to enter into an agreement to include the Fixed Pricing Option, substantially in the form as discussed at this meeting.

Director Martland seconded the motion.

The motion previously made and seconded was approved unanimously.

Eligible Voters	Aye	Nay	Abstain
Michael Pace, Chairman	X		
Mark Cooper	X		
James Francis	X		
Michael Jarjura	X		
Edna Karanian	X		
Marl Lauretti	X		
Theodore Martland	X		
Raymond O'Brien	X		
Andrew Sullivan	X		

ADJOURNMENT

Chairman Pace requested a motion to adjourn the meeting. The motion to adjourn made by Director Jarjura and seconded by Director O'Brien was approved unanimously.

There being no other business to discuss, the meeting was adjourned at 8:23 a.m.

Respectfully submitted,

Kristen B. Greig
Secretary to the Board/Paralegal