

**SALLISAW MUNICIPAL AUTHORITY
SPECIAL MEETING**

June 5, 2023

5:00 P.M.

**Council Chambers
113 North Elm Street
Sallisaw, Oklahoma**

A G E N D A

- 1. Meeting Called to Order**
- 2. Declaration of a Quorum**
- 3. Consider Approval of Engagement Letter between the Sallisaw Municipal Authority and Hall, Estill, Hardwick, Gable, Golden and Nelson, P.C. for Legals Services Related to Sallisaw Landfill and Authorize City Manager to Sign Agreement**
- 4. Discuss and Consider Approval of Letter of Intent Between CARDS Holdings, LLC (CARDS) and the Sallisaw Municipal Authority Providing the Framework For Further Discussions and Negotiations Related to CARDS Proposal to Purchase the Sallisaw Municipal Landfill Facility, or Enter Into a Operating Agreement.**
- 5. Discussion and Possible Action and/or Direction to Staff on the Potential Sale of the Sallisaw Municipal Landfill Facility.**
- 6. Adjourn**

Posted: June 1, 2023

Time: 10:45 A.M.

Kim Jamison

AGENDA ITEM COMMENTARY

Meeting Date: June 5, 2023
Board: Sallisaw Municipal Authority
Subject: Engagement Letter

ITEM TITLE: Consider Approval of Engagement Letter between the Sallisaw Municipal Authority and Hall, Estill, Hardwick, Gable, Golden and Nelson, P.C. for Legals Services Related to Sallisaw Landfill and Authorize City Manager to Sign Agreement

INITIATOR: General Manager

STAFF INFORMATION SOURCE: General Manager

BACKGROUND: The General Manager and City Attorney have reached out to the legal firm of Hall, Estill, Hardwick, Gable, Golden and Nelson, P.C. to provide legal services to the SMA related to the possible sale of the Sallisaw Municipal Landfill facility. This is the same firm SMA used during the process of constructing the electric line to the landfill facility, as well as the annexation of the landfill property.

EXHIBITS: 1. Engagement Letter

KEY ISSUES: Outside legal representation is needed to ensure SMA is properly represented during the negotiating phase of this process, as well as legal review of any agreement resulting from the LOI process. The firm specializes in contracts, as well as environmental representation.

FUNDING SOURCE: Sallisaw Municipal Authority

RECOMMENDATION: Approval of Engagement Letter with Hall, Estill, Hardwick, Gable, Golden and Nelson, P.C. and authorize City Manager to sign documents.

DATE REC'D

5/23/23

REC'D BY



Keith Skelton
City Manager
City of Sallisaw
115 E. Choctaw Avenue
Sallisaw, OK 74955

Subject: Engagement of Hall, Estill, Hardwick, Gable, Golden & Nelson, P.C.

Dear Keith:

It was very good to hear from you regarding the City of Sallisaw and the Sallisaw Municipal Authority's potential sale of the Sallisaw Landfill Facility to a third party operator or negotiation for a public/private partnership. Hall, Estill, Hardwick, Gable, Golden & Nelson, P.C. ("Hall Estill") looks forward to working with you and other representatives of the City of Sallisaw (the "City") on this project, including your City Attorney, John Robert Montgomery.

I will be your primary contact responsible for putting together an internal "legal partnership" that will offer the most current, cost-effective, strategic counsel possible. Additional counsel who may be part of the team working on will be Bryan Nowlin. I may also be assisted by an experienced paralegal, Zachary Brewer.

The purpose of this letter, as well as the accompanying "Terms of Engagement," is to confirm our understanding regarding the services Hall Estill has been engaged to provide. We believe an understanding of such matters at the outset is conducive to a harmonious, professional relationship. Consequently, we encourage you to review these documents carefully and contact me as soon as possible with any questions you might have.

Hall Estill respects the role of your City Attorney in providing legal services to the City and the Sallisaw Municipal Authority ("Authority") and is always happy to collaborate with him. Should the City or Authority need additional legal services, please know that we believe that we offer our clients exceptional value and quality representation in a multitude of practice areas in addition to those historically provided, all of which we would be happy to discuss with you in further detail.

Specifically, with respect to the current representation, we anticipate that our role in the immediate project will be to provide guidance and advice to the City and Authority regarding the potential sale of the Sallisaw Landfill Facility to Central Arkansas Recycling and Demolition Services, LLC (aka CARDS) or negotiation of a public/private venture regarding the Landfill.

At the present time, we anticipate that the following professionals will be involved in providing the services that the City of Sallisaw and the Sallisaw Municipal Authority require. Those individuals and their respective hourly rates are listed here:

<u>Professional</u>	<u>Hourly Rate</u>
D. Kenyon "Ken" Williams, Jr.	\$395.00
Bryan Nowlin	\$395.00
Zachary Brewer	\$200.00

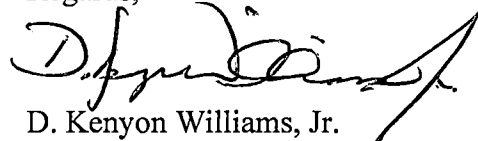
Because of our appreciation for the relationship, these are 2020 rates and are significantly less than our 2023 rates.

If you have any questions regarding Hall Estill's engagement and the procedures for payment of services rendered and expenses incurred, please call me as soon as possible. If, after any billing for services rendered, we do not hear from you within 30 days of your receipt of our statement, we will presume that you are in agreement with the charges.

We appreciate the opportunity to provide legal services to the City and the Authority. As a reminder, Hall Estill is a full service law firm serving clients with a variety of legal needs, including bankruptcy/restructuring/creditor's rights, corporate services, energy/natural resources, environmental services, family law, Indian law, intellectual property, labor/employment, litigation, tax and nearly 130 lawyers in six office locations (Tulsa, Oklahoma City, Denver, Fayetteville, and Bentonville). As such, should you need legal services in other areas of expertise in addition to what we are providing with respect to this engagement, do not hesitate to inquire.

Thank you again for choosing Hall Estill to represent you. Please indicate your acceptance of these terms by signing one copy of this letter and returning it to me for our file.

Regards,



D. Kenyon Williams, Jr.

DKW/cyc
Enclosure

I have read the Engagement Letter, understand the terms and agree to abide by them.

CITY OF SALLISAW, OKLAHOMA

By: _____
Keith Skelton
Title: City Manager
Date: _____

HALL, ESTILL, HARDWICK, GABLE, GOLDEN & NELSON, P.C.

Standard Terms of Engagement for Legal Services

Introduction

This statement contains the standard terms of our engagement as your attorneys. Unless modified in writing by mutual agreement, these terms will be an integral part of the letter to which this statement is attached (collectively, "Engagement Letter"). Therefore, we ask that you review this statement carefully and contact us promptly if you have any questions. We suggest that you retain a copy of the Engagement Letter in your file.

Scope of Hall Estill's Representation

The scope of legal services we will provide is described in the accompanying letter. Any questions that you have about that scope of services should be addressed to us immediately.

We will at all times act on your behalf to the best of our ability. Depending upon the scope and requirements of the engagement, we may perform certain services in a jurisdiction other than where our attorneys are admitted, and you agree to the performance of these services. Any expressions on our part concerning the possible outcome of your legal matters are expressions of our best professional judgment, but are not guarantees. Such expressions are necessarily limited by our knowledge of the facts and are based on the state of the law at the time they are expressed.

It is our policy that the person or entity we represent is the person or entity that is identified in our Engagement Letter and does not include any affiliates of such person or entity, unless specifically referred to.

It is also our policy that the attorney-client relationship will be considered terminated upon our completion of the specific services that you have retained us to perform in this engagement. This will not affect any obligations we might have with respect to the maintenance of client confidential information or with respect to the attorney-client privilege. If you later retain us to perform additional services, our attorney-client relationship will be revived subject to these terms of engagement, as they may be supplemented at that time.

You agree to cooperate fully with us and to promptly provide all material information known or available to you relevant to our representation.

Approach to Providing Services

Customarily, a Relationship Attorney serves each of our clients. The Relationship Attorney should be someone in whom you have confidence and with whom you enjoy working; you should assume the attorney sending the Engagement Letter is the designated Relationship Attorney for this matter. You are free to request a change of Relationship Attorney at any time.

Subject to the supervisory role of the Relationship Attorney, other attorneys and support personnel in the Firm may perform the work or parts of it. Such delegation may be for the purpose of involving attorneys or support personnel with special experience or expertise in a given area or for the purpose of providing services on the most efficient and timely basis. Whenever practicable, we will advise you of the names of those attorneys and support personnel who work on your matters. If you are concerned about our performance or the performance of the Relationship Attorney, you may call our President, Michael D. Cooke at (918) 594-0414, or Robert P. Morris, our Executive Director, at (918) 594-0535.

Methods of Communication

We are mindful of our obligation to preserve the client's confidential information. To that end, it is important that we agree from the outset what kinds of communications technology we will employ in the course of this engagement. The exchange of documents using the Internet, or even direct computer-to-computer data transfer, may involve some risk that information will be retrieved by third parties. Even the use of fax machines can cause problems if documents are sent to numbers where the documents sit in open view. As part of these general issues, please be aware that (1) e-mail communication is not a

secure method of communication in all circumstances; (2) any e-mail that is sent to the client or by the client may be copied and held by various computers that it passes through as it goes from the sender to the recipient; and (3) persons not participating in our communication may intercept such messages by improperly accessing the client's computer or the lawyer's computer, or even some computer not related to either the client or the law firm which the e-mail passes through. However, it has been our experience that most current business communications are accomplished by electronic means. Hall Estill will assume that you have no objections to such communications and consent to receive communications via electronic means unless you notify us in writing to the contrary.

Establishment of Fee Structure

In determining the amount to be charged for the legal services we provide to you, we will consider:

1. The time and effort required, the novelty and complexity of the issues presented, and the skill required to perform the legal services properly;
2. The fees customarily charged in the community for similar services and the value of the services to you;
3. The likelihood that our representation will preclude other employment by the Firm;
4. The amount of money or value of property involved and the results obtained;
5. The time constraints imposed by you as our client and other circumstances, such as an emergency closing, the need for injunctive or other emergency relief, or substantial disruption of other office business;
6. The nature and longevity of our professional relationship with you; and
7. The experience, reputation and ability of the attorneys performing the services.

Among these factors, the time and effort required are typically weighed most heavily. We will keep contemporaneous records of the time we devote to your work, including conferences (both in person and over the telephone), negotiations, factual and legal research and analysis, document preparation and revision, travel on your behalf and other related matters. We record our time in units of tenths and quarters of an hour, depending upon the attorney involved and any specific requests you may make.

The hourly rates of our attorneys and support personnel have an important bearing on the fees we charge. The range of our hourly rates for attorneys, including Shareholders, Associates, Special Counsel and Of Counsel, as well as Paralegals is set to reflect current levels of experience, changes in overhead costs and other factors. These rates are adjusted periodically, typically on an annual basis. We are often asked to estimate the amount of fees and costs likely to be incurred in connection with a particular matter. If requested we will endeavor to furnish such an estimate based upon our professional judgment, but always with a clear understanding that it is not, unless otherwise agreed, a maximum or fixed-fee quotation.

The ultimate cost frequently is more or less than the amount estimated.

For certain well-defined services (for example, a simple business incorporation), we may quote a flat fee. It is our policy not to accept representation on a flat-fee basis except in such defined-service areas or pursuant to a special arrangement tailored to the needs of a particular client.

Generally speaking, our fees are not contingent and payment is due within 30 days of your receipt of our invoice or statement. In undertaking representation of a client on a contingent fee basis, any such contingent fee arrangement must be reflected in a separate written contingent fee agreement.

Potential Conflicts Regarding Affiliates

You agree that our representation of you in this matter does not give rise to an attorney-client relationship between Hall Estill and any of your affiliates, unless specifically set forth herein. You also agree that during the course of our representation of you, we will not be given any confidential information regarding any of your affiliates unless you believe it necessary to do so. In such circumstances, you agree to identify such information as being confidential and discuss your reasons for revealing it with us prior to disclosing the information. Accordingly, in most instances, representation of you in this matter will not give rise to any conflict of interest in the event other clients of the Firm are adverse to any of your affiliates. If such conflicts do arise you agree that you will not unreasonably withhold your written consent to a waiver of such conflicts.

Services We Expressly Do Not Provide to You

Members of our Firm, whether attorneys, paralegals, or other persons employed by the Firm, are from time to time serving in elected or appointed positions with various governmental or regulatory bodies at the federal, state, county, municipal or local level. Such service could include, but is not limited to, service in the state legislature, as a board member of a state agency, board, or commission, or the executive branch of state government, as a county commissioner, mayor, city council member, alderman, as a member of a planning and/or zoning board in charge of land use and entitlement issues, or a board of adjustment or variance. Members of our Firm must discharge those duties without regard to their employment or association with the Firm, and more importantly, it could be a prohibited conflict of interest for them to give any special consideration, benefit or access to you or any other client of the Firm by virtue of your engagement of the Firm in any capacity, including the actual lobbying of any such governmental body or agency. Accordingly, you acknowledge and confirm that this engagement of the Firm is not in consideration for or in contemplation of any expected benefit

to be derived from the activities of such persons in elected or appointed positions.

You also understand that in the course of such public service these persons may be called upon to take positions, cast votes, adopt rules and regulations or otherwise act in a manner adverse to your actual or perceived business interests, and you acknowledge that such events are not conflicts of interest or ethical violations of the Firm's duties to you as a client.

Billing Arrangements and Terms of Payment

We will bill you on a regular basis, normally each month, for both fees and disbursements. You agree to make payment upon receipt of your invoice. Such payment should be received by us within 30 days from the date of your receipt of invoice.

Moreover, you agree that your obligation to pay our fees is not dependent on the outcome of our legal representation.

We will give you prompt notice if your account becomes delinquent, and you agree to bring the account or the retainer deposit current. If the delinquency continues and you do not arrange satisfactory payment terms, we may terminate the representation. In litigation matters, our ability to terminate or withdraw from the case may be subject to court approval. We reserve the right to pursue collection of any unpaid balance of your account. You agree to pay the costs of collecting the debt, including court costs, filing fees and a reasonable attorney's fee.

Additional Charges

Typically, we will charge our clients not only for legal services rendered, but also for other ancillary services provided. Examples include long distance telephone, travel expenses, legal courier charges, overnight carrier charges, computerized research services, and the use of our facsimile, laser printing and photocopy machines. While our charges for these services are measured by use, they do not, in all instances, reflect our actual out-of-pocket costs. For many of these items, the true cost of

providing the services is difficult to establish. We are constantly striving to maintain these charges at rates that are lower than those maintained by others in our markets, in some instances the amounts charged may exceed the actual costs to the Firm.

In addition, we generally will disburse funds on your behalf for filing fees, overnight deliveries, necessary travel and other miscellaneous items as required to complete the scope of our services. We will bill you at actual cost for these types of expenses. When disbursements are significant, we often request that you pay the vendor direct. Fees and expenses of others, such as governmental verification, lien searches, consultants, appraisers and local counsel, are required to be paid directly by you unless agreed otherwise.

We do not regularly bill for our clerical or administrative staff directly to the client. These employees and their efforts are considered as overhead and calculated into the hourly rates of the professionals who may provide services to you. Secretarial or administrative overtime is only passed through to the client when deadlines or extraordinary circumstances related to the client's representation necessitate the overtime work.

Retainer and Clients' Funds

In accordance with Firm policy, we may have asked you to provide a retainer deposit, and the Engagement Letter will state the amount of the retainer and any special agreement regarding the retainer. By providing a retainer, you grant us a security interest in the amount of the retainer deposit. Typically, the retainer is equal to the fees and costs likely to be incurred during a two-month period of anticipated peak activity on your behalf. Unless otherwise agreed, the retainer deposit will be credited toward your unpaid invoices, if any, at the conclusion of services, and you will be expected to pay our bills within 30 days as provided above. If our bills are not timely paid, we may apply the retainer to those unpaid bills. At the conclusion of our legal representation or at such time as the deposit is unnecessary or is appropriately

reduced, the remaining balance or any appropriate part of it will be returned to you. If the retainer deposit proves insufficient to cover current expected expenses and fees on at least a two-month basis, it may have to be increased. Any understanding regarding a retainer deposit, which is inconsistent with the foregoing, must be expressly confirmed in the Engagement Letter or subsequent written communication from us.

Retainer deposits will be disbursed as provided in our agreement with you, and you will be notified from time to time of the amounts applied or withdrawn. Any amount remaining after the representation is concluded will be returned to you.

All retainers and clients' funds are held in clients' funds accounts in trust for your benefit at qualified financial institutions in accordance with our ethical obligations in the states where we regularly practice. The name and address of the financial institution holding your funds will be provided to you upon your request.

- If the deposit, whether it be a retainer or other amount which we will hold for you, represents a significant amount and/or will be held for a long period of time, the deposit may, at your request, be placed in a segregated account (or other form of investment approved by you) provided that you supply us with a tax identification number and other necessary information. Interest earned on the segregated clients' funds account will be added to the deposit for your benefit and will be included in your taxable income.

When the funds are small or are to be held for only a short period of time, it is our practice to place the funds in a pooled account maintained in accordance with State Bar of Oklahoma rules. Unless you instruct us otherwise, we will follow the above practices with respect to client funds held on your behalf.

Questions about Your Bill

If you disagree with the amount of our fee, please take up the question with your Relationship Attorney or with our President or Executive Director. Typically, such disagreements are resolved to the satisfaction of both sides with little inconvenience or formality.

Ending Your Relationship with Us

You may terminate our representation at any time, with or without cause, by notifying us. If we terminate the engagement, we will take such steps as are reasonably practicable to protect your interests with respect to the scope of our representation. If permission for withdrawal is required by court, we will promptly apply for such permission, and you agree to engage successor counsel to represent you.

Unless previously terminated, our representation of you with respect to the agreed upon scope of representation will terminate upon sending you our final statement for services rendered relative to the specific engagement undertaken. Following such termination, any otherwise nonpublic information you have supplied to us, which is retained by us, will be kept confidential in accordance with applicable rules of professional conduct. Your papers and property will be returned to you upon receipt of payment for outstanding fees and costs unless a court orders otherwise. We will retain our own files, including lawyer work product, pertaining to the representation. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to destroy or otherwise dispose of any documents or other materials retained by us five years after the termination of the engagement.

You are engaging us to provide legal services in connection with an agreed upon scope of representation. After completion of the representation, changes may occur in the applicable laws or regulations that could have an impact upon your future rights and liabilities. Unless you actually engage us to provide additional advice on issues arising from this representation, we have no continuing obligation

to advise you with respect to future legal developments.

AGENDA ITEM COMMENTARY

Meeting Date: June 5, 2023
Board: Sallisaw Municipal Authority
Subject: Sallisaw Municipal Landfill

ITEM TITLE: Discuss and Consider Approval of Letter of Intent Between CARDS Holdings, LLC (CARDS) and the Sallisaw Municipal Authority Providing the Framework For Further Discussions and Negotiations Related to CARDS Proposal to Purchase the Sallisaw Municipal Landfill Facility, or Enter Into a Operating Agreement.

INITIATOR: General Manager
CARDS Holdings, LLC

STAFF INFORMATION SOURCE: General Manager
CARDS Holdings, LLC

BACKGROUND: Staff is requesting review and possible approval of the Letter of Intent (LOI). This LOI would allow city staff to begin negotiations with CARDS on the possible purchase of the landfill facility, or to enter into a partnership. Staff notes that attorneys for both SMA and CARDS have worked together on the construction of this LOI.

EXHIBITS: 1. CARDS LOI - Sallisaw Municipal Authority - Clean Revised

KEY ISSUES:

- The LOI lays out the basic framework to begin negotiations.
- Items listed in the LOI are subject to further discussion and negotiation.
- The LOI is non-binding, and either party may walk away from the process with notice.
- Attention is called to the section "Exclusive Negotiations". *During the negotiation process "...Authority (SMA) agrees that neither the Authority nor any board member, official, employee, consultant, affiliate, advisor, agent, or representative of the Authority will (i) solicit, initiate, or encourage any inquiries, bids, proposals or offers from any person, entity or group relating to a sale, lease or operating agreement covering the Sallisaw landfill facility or the hauling and collection services it currently performs..."*

FUNDING SOURCE: NA

RECOMMENDATION: Staff recommends review of the LOI, and for the Board to either approve or provide further direction.



PERSONAL AND CONFIDENTIAL

6/___/2023

Sallisaw Municipal Authority
Attn: Keith Skelton
115 E Choctaw Ave
Sallisaw, OK 74955

Dear Keith:

I am writing to you on behalf of CARDS Holdings, LLC (“CARDS”) to formally express our interest in establishing a strategic relationship with the Sallisaw Municipal Authority (the “Authority”) that optimally serves the solid waste and sanitation needs of the Authority, the City of Sallisaw and its citizens. In this letter, CARDS is proposing three alternative strategic options for the Authority’s consideration (the “Proposal”), each of which we strongly believe will benefit the Authority and the Sallisaw citizens you serve financially, operationally and environmentally.

The Proposal options are intended to provide us with a framework for further discussions and negotiations. CARDS is open to exploring a combination of the proposed options as well as other arrangements that ensure the Sallisaw landfill facility will continue to meet and serve the best interests of the Authority and the citizens of Sallisaw and the solid waste collection and disposal needs of the Sallisaw community.

CARDS HOLDINGS, LLC

Headquartered in Springdale, Arkansas, CARDS is a leading regional provider of solid waste services in Northwest Arkansas and surrounding areas with operations extending into Kansas, Missouri, Oklahoma, and Texas. CARDS provides municipal, commercial, and industrial waste collection services to over one hundred thousand customers and offers post-collection disposal services throughout its service territories. CARDS prides itself on becoming a member of each of the communities we serve and our long-standing relationships in those communities demonstrate us delivering on our commitment to being a valued member of the community.

INITIAL PROPOSALS

Subject to further discussions and negotiations, CARDS proposes three alternative strategic relationship and transactional options for the Authority’s consideration, which are intended to provide a framework for further discussions and negotiations with CARDS, as follows:

Option 1 – Purchase of the Sallisaw Landfill

- CARDS would purchase from the Authority the land, together with the improvements thereon and the appurtenances thereto, comprising the Sallisaw landfill facility, all landfill equipment and all permits required for the operation of the landfill facility. Upon completion of the purchase, CARDS would execute and file a deed restriction limiting use of the entirety of the property to be a solid waste landfill. The Authority would be extended a right of first refusal if CARDS proposes or elects to sell, assign, lease or engage a third party to operate the Sallisaw landfill facility.
- The proposed financial terms for the purchase of the Sallisaw landfill facility, and the additional economic benefits the Authority and the Sallisaw community would realize, are as follows:
 - o \$20,000,000 in cash paid to the Authority at closing;

- o a \$1.00 per ton royalty tipping fee to the Authority, estimated at \$300,000 per year, based on today's internal volumes;
- o SMA would retain all capital and operating costs associated with the gas system at the landfill and 100% of all methane gas royalties (commencing once the gas system is permitted, constructed and operational);
- o an estimated \$100,000 in additional sales tax revenue based on \$2,500,000 in capital purchases by CARDS; and
- o \$5,000 CARDS annual commitment to community events.

Option 2: Operating Agreement with Retained Closure Obligations

- CARDS and the Authority would enter into a life-of-site operating agreement for the Sallisaw landfill facility.
- CARDS would be extended a right of first refusal if the Authority proposes or elects to sell, assign, lease or engage a third party to operate the Sallisaw landfill facility and/or its collection and hauling assets and operations, which would be on terms consistent with the landfill and collection services as currently performed by the Authority, including the performance of all residential, commercial and roll-off services and landfill operations.
- The proposed financial terms of the operating agreement for the landfill facility and the economic benefits the Authority and the Sallisaw community would realize are as follows:
 - o All expenses of operating the landfill facility would be assumed by CARDS, including capital outlay for landfill expansion, such as cell development, leachate services and other landfill projects;
 - o CARDS would assume all landfill equipment and maintenance costs until replacement; with the Authority (retaining and being entitled to receive equipment sale proceeds up to \$3.0 million
 - o CARDS would set the tipping fees and retain all revenues associated with landfill operations;
 - o SMA would retain all capital and operating costs associated with the gas system at the landfill and 100% of all methane gas royalties (commencing once the gas system is permitted, constructed and operational);
 - o CARDS would pay a \$3.80 per ton royalty monthly to the Authority, with a \$1.2 million annual minimum guarantee in years 1 through 5; and
 - o all costs associated with landfill closure and post-closure obligations would be retained by the Authority.

Option 3: Operating Agreement with Shared Closure Obligations

- The terms of this Option 3 are the same as Option 2, except as follows:
 - o CARDS would pay a \$1.80 per ton royalty monthly to the Authority, with a \$1.2 million annual minimum guarantee in years 1 through 5;
 - o all costs associated with landfill closure would be assumed by CARDS; and
 - o following landfill closure by CARDS, all landfill responsibilities, including post-closure care and liability, would be retained by the Authority.

As noted above, the terms of each of the Proposal options are subject to further discussions and negotiations. The Proposal options as outlined in this letter are based on CARDS initial review of the information we have been provided or otherwise have access to and are subject to confirmatory due diligence by CARDS of the business, financial, environmental, and legal history of the Sallisaw landfill facility, and confirmatory due diligence by the Authority.

Except as set forth below in this Proposal, a binding obligation will only arise upon our joint execution and delivery of a definitive purchase and/or operating agreement and the other related agreements customary for transactions of such nature (the "Definitive Agreements"). The Definitive Agreements would contain customary and reasonable representations, warranties, covenants, conditions and indemnifications, including lien and encumbrance assurances, working capital conditions, and fleet and equipment condition requirements.

CARDS anticipates the completion of all due diligence to coincide with joint execution and delivery of the Definitive Agreements within seventy-five (75) days of executing this Proposal. The targeted closing date for the proposed transaction is August 31, 2023.

CARDS' due diligence shall consist of review of the most recent five-years of the Authority's financials, review of any environmental report concerning the Landfill within the control of the Authority and the performance of engineering and environmental inspections and assessments by CARDS and its advisors as are customary for comparable landfill transactions. The Authority's due diligence shall consist of review of the most recent three years of CARDS' financials, and review of any notice of violation or any other environmental enforcement action taken against any of the landfills owned or operated by CARDS. Audited financials can be reviewed at CARDS headquarters located in Fayetteville, AR. All documents and written information provided by CARDS pursuant to the Authority's due diligence requests will be provided through a third-party repository designated by CARDS, at which the Authority's due diligence review will be conducted. Copies of CARDS' due diligence documents and written information shall not be made by the Authority or its representatives without CARDS' written consent.

If the results of the due diligence are not acceptable to either party, in their sole discretion, then that party may terminate this Letter of Intent by written notice to the other party within five (5) days after the end of the due diligence period.

EXCLUSIVE NEGOTIATIONS

In consideration of the substantial time and significant resources CARDS will expend to conduct and complete our due diligence review and to provide a reasonable period of time for the parties to continue further discussions and negotiations, for a period of 120 days following the acceptance of this Proposal (the "Exclusive Period"), the Authority agrees that neither the Authority nor any board member, official, employee, consultant, affiliate, advisor, agent, or representative of the Authority will (i) solicit, initiate, or encourage any inquiries, bids, proposals or offers from any person, entity or group relating to a sale, lease or operating agreement covering the Sallisaw landfill facility or the hauling and collection services it currently performs (a "Third-Party Transaction"), (ii) provide any information to or respond to any questions of any third party in response to any inquiry concerning, or in order to facilitate, any Third-Party Transaction, or (iii) engage in any negotiations or discussions with or enter into any agreement, understanding or undertaking with any person, entity or group other than CARDS relating to or concerning any Third-Party Transaction (and agrees to discontinue any pending discussions).

GOVERNING LAW

This letter, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the state of Oklahoma without giving effect to the conflicts of law principles thereof.

LEGAL EFFECT

Except for the paragraph entitled "'Exclusive Negotiations", "Governing Law" and this paragraph, which are binding on the parties, this letter and the Proposal set forth herein are non-binding and impose no obligation of any kind on CARDS (or any related party of CARDS), the Authority, or any other person or entity. Any such obligation will be created only by the execution and delivery by all applicable parties of the Definitive Agreements memorializing the transaction contemplated in this letter.

CONTACT INFORMATION

All discussions with CARDS regarding this Proposal will be conducted by and through Dan Christensen or Dustin Reynolds, whose contact information is as follows.

Dan Christensen
CARDS Holdings, LLC
Chief Executive Officer
Tel: 815-202-1914
Email: dan@cardsrecycling.com

Dustin Reynolds
CARDS Holdings, LLC
Chief Revenue Officer
Tel: 501-607-9193
Email: dustin@cardsrecycling.com

[Signature page follows]

CARDS would like to thank you for the opportunity to explore and pursue a strategic relationship with the Authority. We look forward to working with you in developing a transactional structure and terms that best serve our mutual interests. We are excited for the opportunity to partner with the Authority and serve the solid waste and sanitation needs of the City of Sallisaw, its citizens and the Sallisaw community.

Please acknowledge the Authority's interest and agreement to continue further discussions and negotiations with CARDS as contemplated by this letter by signing in the space provided below and returning an executed copy to me.

Very Truly Yours,

CARDS Holdings, LLC



Name: Dan Christensen
Title: President

Agreed to by the Sallisaw Municipal Authority:

Name: Keith Skelton
Title: General Manager, Sallisaw Municipal Authority

This letter and the "Proposal" (i) should be viewed as a letter of intent only regarding a financial transaction on the general terms and conditions outlined herein; (ii) does not create a binding obligation, fiduciary relationship or joint venture between the parties; and (iii) assumes the accuracy and completeness of the information previously provided by the Authority. Neither this Letter nor the Proposal constitute an offer, agreement, agreement in principle, agreement to agree, or commitment (a "Commitment") to provide financing. Such a Commitment, if any, will only be made upon the execution and delivery of Agreements acceptable to all parties.

AGENDA ITEM COMMENTARY

Meeting Date: June 5, 2023
Board: Sallisaw Municipal Authority
Subject: Landfill Facility

ITEM TITLE: Discussion and Possible Action and/or Direction to Staff on the Potential Sale of the Sallisaw Municipal Landfill Facility.

INITIATOR: General Manager

STAFF INFORMATION SOURCE: General Manager
Information provided at recent meetings.

BACKGROUND: This is a continuation of previous discussions and directions given to staff related to the offer to purchase the Sallisaw Municipal Landfill. Staff will provide updates on the status of the offer to purchase the Sallisaw Municipal Landfill.

EXHIBITS:

KEY ISSUES: If the Letter of Intent, as listed in this agenda, is not approved, the SMA Board of Trustees may use this agenda item to provide further direction to SMA staff regarding the landfill facility.

FUNDING SOURCE: NA

RECOMMENDATION: Take action on providing additional directions to staff regarding the landfill facility.