

**DISCLOSURE SCHEDULES TO  
LLC MEMBERSHIP PURCHASE AND SALE AGREEMENT**

between the

**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**

as Seller and

**INTERIOR ALASKA NATURAL GAS UTILITY**

**a/k/a INTERIOR GAS UTILITY**

as Buyer

DATED AS OF DECEMBER 13, 2017

## **Disclosure Schedule 3.5**

### **Consents Required**

1. The approval of the Regulatory Commission of Alaska to the change in control of Fairbanks Natural Gas, LLC.



**Disclosure Schedule 3.6**

**Financials and Year-to-Date Reports**

[See attached.]



PENTEX ALASKA NATURAL GAS COMPANY, LLC

CONSOLIDATING FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

and

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

PENTEX ALASKA NATURAL GAS COMPANY, LLC

CONSOLIDATING FINANCIAL STATEMENTS

For the year ended June 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
Management's Discussion and Analysis	iii
Report of Independent Certified Public Accountants	1
Consolidating Financial Statements	
Consolidating Statement of Net Position	4
Consolidating Statement of Revenues, Expenses and Changes in Net Position	6
Consolidating Statement of Cash Flows	8
Notes to Consolidating Financial Statements	13
Supplemental Report Required by <i>Government Auditing Standards</i>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27

This Page Intentionally Left Blank

PENTEX ALASKA NATURAL GAS COMPANY, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

**Overview of the Financial Statements**

The financial statements of Pentex Alaska Natural Gas Company, LLC (Pentex) report financial activity for four subsidiary companies; Fairbanks Natural Gas, LLC, Titan Alaska LNG, LLC, Arctic Energy Transportation, LLC and Polar LNG, LLC. Pentex's sole member is the Alaska Industrial Development and Export Authority (AIDEA), a public corporation of the State of Alaska and a body corporate and politic constituting a political subdivision within the State Department of Commerce, Community and Economic Development (DCCED), but with separate and independent legal existence. Pentex has its own set of financial statements which are audited independently from AIDEA.

Pentex has made a change in its accounting cycle moving from a calendar year accounting cycle to a fiscal year accounting cycle. Pentex's fiscal year runs from July 1 through June 30. The Statement of Net Position presented in this management's discussion and analysis is on a consolidated comparative basis. The consolidated comparative prior period covered is October 1, 2015 through June 30, 2016. This may cause variances that normally do not exist. The Statement of Revenues, Expenses and Changes in Net Position is not presented in comparative form.

The financial statements contain three sections: management's discussion and analysis, consolidating financial statements and notes to consolidating financial statements. Pentex operations are business type activities and follow enterprise fund accounting. We are a blended component unit of AIDEA and are presented as part of the Revolving fund in its financial statements. A copy of AIDEA's financial statements can be obtained at AIDEA's website at [www.aidea.org/NewsPublications/Publications/FinancialStatements.aspx](http://www.aidea.org/NewsPublications/Publications/FinancialStatements.aspx), or by mail at 813 West Northern Lights Blvd., Anchorage, Alaska 99503.

**Consolidating Financial Statements**

**Statement of Net Position** reports assets, liabilities, deferred outflows of resources, and net position at year-end. Net position is reported as: net investment in capital assets and unrestricted.

**Statement of Revenues, Expenses and Changes in Net Position** reports income, expenses, and resulting change in net position during the reporting period.

Both the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position use the accrual basis of accounting and economic resources measurement focus.

**Statement of Cash Flows** reports our sources and uses of cash and change in cash resulting from our activities during the reporting period.

**Notes to Consolidating Financial Statements** provide more information to better understand the amounts reported in the consolidating financial statements.

**Management's Discussion and Analysis**

This section contains our analysis of the financial position and results of operations for the period July 1, 2016 to June 30, 2017. The section helps the reader focus on significant financial matters and provides additional information regarding Pentex's activities. For best understanding, read this information with the Report of Independent Certified Public Accountants, the audited consolidating financial statements and the accompanying notes.

PENTEX ALASKA NATURAL GAS COMPANY, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)  
June 30, 2017

**Financial Highlights**

Pentex's assets and deferred outflows of resources exceeded its liabilities at June 30, 2017 by \$54.1 million. June 30, 2017 unrestricted net position was \$6 million. This amount was unrestricted, and thus, available for future financial needs.

**Financial Analysis**

Following are Pentex's total assets and deferred outflows of resources, liabilities and net position at June 30, 2017 and June 30, 2016:

	June 30, 2017	June 30, 2016	Increase (Decrease)
Current assets	\$ 7,380,160	\$ 5,878,053	\$ 1,502,107
Property, plant and equipment	60,542,005	62,376,970	(1,834,965)
Total assets	67,922,165	68,255,023	(332,858)
Deferred outflows of resources	2,275,561	2,396,981	(121,420)
Total assets and deferred outflows of resources	<u>\$ 70,197,726</u>	<u>\$ 70,652,004</u>	<u>\$ (454,278)</u>
Current liabilities	\$ 763,070	\$ 866,944	\$ (103,874)
Noncurrent liabilities	15,374,691	15,269,988	104,703
Total liabilities	16,137,761	16,136,932	829
Total net position	<u>54,059,965</u>	<u>54,515,072</u>	<u>(455,107)</u>
Total liabilities and net position	<u>\$ 70,197,726</u>	<u>\$ 70,652,004</u>	<u>\$ (454,278)</u>

**Current assets** were \$1.5 million higher at June 30, 2017 compared to June 30, 2016 as outlined below:

	June 30, 2017	June 30, 2016	Increase (Decrease)
Cash	\$ 5,357,495	\$ 4,046,318	\$ 1,311,177
Investments	313,418	223,899	89,519
Accounts receivable, net allowance for doubtful accounts (\$75,000, 2017 and \$100,000, 2016)	495,451	550,878	(55,427)
Liquefied natural gas inventory	372,577	349,803	22,774
Materials and supplies inventory	376,038	408,853	(32,815)
Deposits and other current assets	465,181	298,302	166,879
Total current assets	<u>\$ 7,380,160</u>	<u>\$ 5,878,053</u>	<u>\$ 1,502,107</u>

- **Cash** balances were \$1.3 million higher at June 30, 2017 compared to June 30, 2016 as a result of positive cash flows from operating activities.



PENTEX ALASKA NATURAL GAS COMPANY, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

June 30, 2017

- **Investments** increased \$90 thousand due to a deposit of \$50 thousand into the deferred compensation account and investment earnings from that account of \$40 thousand.
- **Accounts receivable, net** decreased \$55 thousand primarily due to a collections efforts and an increase in write-off of uncollectable customer accounts. Commercial accounts were the most significant write-off accounts.
- **Liquefied natural gas (LNG) inventory** increased \$23 thousand largely due to a higher level of LNG inventory and an increase in the cost of LNG inventory.
- **Materials and supplies inventory** decreased \$33 thousand primarily due to inventory adjustments made for customer meter replacements and pre-construction activities.
- **Deposits and other current assets** increased \$167 thousand primarily due to a deposit made for the purchase of three Heil LNG transport trailers that had not been delivered prior to June 30, 2017.

**Property, plant and equipment** balances were \$1.8 million lower at June 30, 2017 compared to June 30, 2016 as outlined below:

	June 30, 2017	June 30, 2016	Increase (Decrease)
Property, plant and equipment in service, at cost	\$ 45,877,231	\$ 45,386,541	\$ 490,690
Less: accumulated provision for depreciation and amortization	4,220,062	1,852,972	2,367,090
Net property, plant and equipment in service	41,657,169	43,533,569	(1,876,400)
Gas plant held for future use, at cost	16,767,839	16,676,626	91,213
Construction work in progress	2,116,997	2,166,775	(49,778)
Total net property, plant and equipment	<u>\$ 60,542,005</u>	<u>\$ 62,376,970</u>	<u>\$ (1,834,965)</u>

- **Gas plant in service, at cost** increased \$490 thousand primarily due to the purchase of all leased Titan LNG transport trailers, pipe insulation upgrades to the Titan liquefaction plant and various other small capital projects costing \$150 thousand, \$194 thousand and \$146 thousand respectively.
- **Gas plant held for future use, at cost** increased \$91 thousand due to continued progress on the Geographic Information System (GIS) to improve future distribution integrity and monitoring.
- **Construction work in progress** decreased \$50 thousand primarily due to the sale of assets no longer needed for construction projects.

**Deferred outflows of resources** decreased \$121 thousand due to annual amortization of the gas plant acquisition adjustment, which represents the excess of AIDEA's purchase cost of its ownership in Pentex over the net book value of the underlying assets purchased.

PENTEX ALASKA NATURAL GAS COMPANY, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

June 30, 2017

**Current liabilities** were \$104 thousand lower at June 30, 2017 compared to June 30, 2016 as outlined below:

	June 30, 2017	June 30, 2016	Increase (Decrease)
Current maturities of long-term debt	\$ 118,626	\$ 157,288	\$ (38,662)
Accrued wages and burden	166,596	282,558	(115,962)
Accounts payable	461,230	364,879	96,351
Other current and accrued liabilities	16,618	62,219	(45,601)
Total current liabilities	<u>\$ 763,070</u>	<u>\$ 866,944</u>	<u>\$ (103,874)</u>

- **Current maturities of long-term debt** decreased \$39 thousand as a result of annual servicing of debt in accordance with the normal amortization schedule. See *long-term debt* note to the consolidating financial statements.
- **Accrued wages and burden** decreased \$116 thousand due to accumulated employee incentive pay being disbursed, and accrued vacation and sick wages being used.
- **Accounts payable** increased \$96 thousand due to increased gas cost and late vendor billing on capital projects.
- **Other current and accrued liabilities** decreased \$45 thousand primarily due to deferred gas revenue from budget pay customer accounts being lower than the previous year.

**Noncurrent liabilities** were \$105 thousand higher at June 30, 2017 compared to June 30, 2016 as outlined below:

	June 30, 2017	June 30, 2016	Increase (Decrease)
Accumulated deferred compensation	\$ 313,418	\$ 223,899	\$ 89,519
Long-term debt, less current maturities			
AIDEA line of credit	14,806,184	14,670,291	135,893
Equipment loans payable	255,089	375,798	(120,709)
Total noncurrent liabilities	<u>\$ 15,374,691</u>	<u>\$ 15,269,988</u>	<u>\$ 104,703</u>

- **Accumulated deferred compensation** increased \$90 thousand due to an annual contribution payment of \$50 thousand and investment earnings of \$40 thousand.
- **AIDEA line of credit** increased \$136 thousand due to restoration work in fiscal year 2017 related to construction performed in fiscal year 2016. See *line of credit* note to the consolidating financial statements.



PENTEX ALASKA NATURAL GAS COMPANY, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

June 30, 2017

- **Equipment loans payable** decreased \$121 thousand due to annual debt service payments for equipment.

**Total net position** increased \$455 thousand during the year ending June 30, 2017 as outlined below:

Beginning net position (July 1, 2016)	\$ 54,515,072
Additions:	
Net change resulting from operating and nonoperating activities	<u>(455,107)</u>
Ending net position (June 30, 2017)	<u>\$ 54,059,965</u>

**Net position** at June 30, 2017 was categorized as follows:

Net investment in capital assets	\$ 48,013,705
Unrestricted	<u>6,046,260</u>
Ending net position (June 30, 2017)	<u>\$ 54,059,965</u>

PENTEX ALASKA NATURAL GAS COMPANY, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

June 30, 2017

Following are Pentex's operating revenues and expenses, net nonoperating revenues (expenses) and change in net position for the period July 1, 2016 to June 30, 2017:

	June 30, 2017
<b>Operating revenues</b>	
Residential sales	\$ 1,178,696
Commercial sales	12,235,429
Interruptible sales	2,785,624
Other operating revenues	<u>267,377</u>
Total operating revenues	<u>16,467,126</u>
<b>Operating expenses</b>	
Natural gas purchases	6,922,922
Trucking	2,072,632
Electricity	953,287
LNG trailer lease	70,500
Gas liquefaction expenses	1,356,638
Fairbanks distribution operations	304,155
Fairbanks distribution maintenance	75,932
Fairbanks storage and vaporization operations	288,454
Fairbanks storage and vaporization maintenance	58,875
Engineering	186,978
AET operations and maintenance	16,717
Talkeetna maintenance	6,755
Customer service	189,084
Administrative and general expenses	2,004,219
Interest expense	19,057
Depreciation	2,367,090
Amortization	<u>121,420</u>
Total operating expenses	<u>17,014,715</u>
<b>Operating income (loss)</b>	<u>(547,589)</u>
<b>Nonoperating revenues (expenses)</b>	
Gain from disposition of property, plant and equipment	45,076
Interest and dividend income	4,616
Other income	7,887
Net increase in fair value of investments	<u>34,903</u>
<b>Nonoperating revenues (expenses) total</b>	<u>92,482</u>
<b>Change in net position</b>	<u>(455,107)</u>
Net position - beginning of period	<u>54,515,072</u>
<b>Net position - end of period</b>	<u><u>\$ 54,059,965</u></u>

PENTEX ALASKA NATURAL GAS COMPANY, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

June 30, 2017

**Operating revenues** for the period July 1, 2016 to June 30, 2017 consisted of the following:

- **Residential sales** include tariff rate approved sales for customers classified as residential.
- **Commercial sales** include tariff rate approved sales for customers classified as small commercial and large commercial and sales agreements for commercial customers outside of service area located in Fairbanks, Alaska (AK).
- **Interruptible sales** include tariff rate approved sales for customers classified as small commercial interruptible and tariff approved sales agreements for large commercial interruptible customers.
- **Other operating revenues** includes a customer charge that is a fixed charge at various amounts dependent upon customer classification, application fees for service or transfer of service and penalty charges for late payments.

**Operating expenses** for the period July 1, 2016 to June 30, 2017 included the following:

- **Natural gas purchases** represent the cost of gas consumed by all customers serviced by Pentex's owned companies.
- **Trucking** represents the cost of transporting LNG from the LNG plant to the LNG storage facilities.
- **Electricity** represents the cost of electricity used in the natural gas liquefaction process.
- **LNG trailer lease** represents the cost of lease payments for LNG transport trailers used in the transportation of LNG to storage facilities.
- **Gas liquefaction expenses** represent the cost to liquefy natural gas for transport to Fairbanks and other destinations in Alaska (AK).
- **Distribution operations** includes costs related to general operations of the distribution system located in Fairbanks, AK.
- **Distribution maintenance** includes costs related to maintenance operations of the distribution system located in Fairbanks, AK.
- **Storage and vaporization operations** includes costs related to general operations of the storage and vaporization system located in Fairbanks, AK and Talkeetna, AK and a storage system located in Houston, AK.
- **Storage and vaporization maintenance** includes costs related to general maintenance of the storage and vaporization system located in Fairbanks, AK and Talkeetna, AK and a storage system located in Houston, AK.
- **Engineering** includes cost for in-house engineering related to capital projects and state/federal regulation compliance.

PENTEX ALASKA NATURAL GAS COMPANY, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

June 30, 2017

- **Customer service** includes cost for servicing of customer accounts, meter reading and general customer support.
- **Administrative and general expenses** include costs related to administrative staff and general operations such as facilities costs and supplies that are not directly related to other operating departments.
- **Tax other than income** includes payroll tax costs for all employees.
- **Depreciation and amortization** represent the allocation of the cost of property, plant and equipment assets over the useful lives of the assets and amortization of the gas plant acquisition adjustment.

**Fixed charges for the period July 1, 2016 to June 30, 2017** consisted of:

- **Interest expense** is the cost of financing current equipment. See *long-term debt* note to consolidating financial statements and *line of credit* note to consolidating financial statements.

**Net nonoperating revenues (expenses)** for the period July 1, 2016 to June 30, 2017 are comprised of gains from dispositions of property, plant and equipment, interest/dividend income from investments and a net increase in fair value of investments.

**Outlook**

The Pentex companies have positive opportunities in the future to strengthen their ability to better serve their customers. FNG is currently active in integration discussions with Interior Alaska Natural Gas Utility located in the greater Fairbanks, AK area to combine the two utilities to better serve the public. Titan is an integral part of discussions to increase its capabilities to deliver greater quantities of LNG to Fairbanks and other locations throughout Alaska.



Report of Independent Certified Public Accountants

Pentex Alaska Natural Gas Company, LLC and subsidiaries

**Report on the Financial Statements**

We have audited the accompanying consolidating statement of net position of Pentex Alaska Natural Gas Company, LLC and its subsidiaries (Pentex), a blended component unit of Alaska Industrial Development and Export Authority, as of and for the year ended June 30, 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the consolidating financial statements, which collectively comprise Pentex's consolidating financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidating financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidating financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidating financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidating financial statements.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidating net position of Pentex Alaska Natural Gas Company, LLC and its subsidiaries as of June 30, 2017, and its revenues, expenses and changes in net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii - x be presented to supplement the consolidating financial statements. Such information, although not a part of the consolidating financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidating financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidating financial statements, and other knowledge we obtained during our audit of the consolidating financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2017 on our consideration of Pentex's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pentex's internal control over financial reporting and compliance.

Cook + Haugeberg LLC

August 23, 2017

## CONSOLIDATING FINANCIAL STATEMENTS



PENTEX ALASKA NATURAL GAS COMPANY, LLC

CONSOLIDATING STATEMENT OF NET POSITION

June 30, 2017

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC
<u>Assets and Deferred Outflows of Resources</u>			
Property, plant and equipment			
Property, plant and equipment in service, at cost	\$ 16,445,911	\$ 3,588,953	\$ 2,395,494
Less: accumulated provision for depreciation and amortization	1,470,257	952,402	232,724
Net property, plant and equipment in service	14,975,654	2,636,551	2,162,770
Gas plant held for future use, at cost	14,489,023		
Construction work in progress	1,889,955	227,042	
Net property, plant and equipment	31,354,632	2,863,593	2,162,770
Current assets			
Cash	3,708,204	1,626,686	15,481
Investments	313,418		
Accounts receivable, net	478,431	17,020	
Accounts receivable - subsidiaries	41,396	507,498	20,860
Liquefied natural gas inventory	431,455	43,342	12,720
Materials and supplies inventory	376,038		
Deposits and other current assets	143,222	303,988	17,971
Total current assets	5,492,164	2,498,534	67,032
Deferred outflows of resources			
Gas plant acquisition adjustment			
Total assets and deferred outflows of resources	\$ 36,846,796	\$ 5,362,127	\$ 2,229,802
<u>Liabilities and Net Position</u>			
Current liabilities			
Current maturities of long-term debt	\$ 9,859	\$ 108,767	\$
Accrued wages and burden	106,206	60,390	
Accounts payable	41,950	419,064	216
Accounts payable - subsidiaries	477,763	29,965	62,026
Other current and accrued liabilities	5,805	9,191	1,622
Total current liabilities	641,583	627,377	63,864
Noncurrent liabilities			
Accumulated deferred compensation	313,418		
Long-term debt, less current maturities			
AIDEA line of credit	14,806,184		
Equipment loans payable		255,089	
Total noncurrent liabilities	15,119,602	255,089	
Net position			
Net investment in capital assets	16,914,626	2,499,738	2,162,770
Unrestricted	4,170,985	1,979,923	3,168
Total net position	21,085,611	4,479,661	2,165,938
Total liabilities and net position	\$ 36,846,796	\$ 5,362,127	\$ 2,229,802

The accompanying notes are an integral  
part of these financial statements.



Polar LNG, LLC	Eliminations	Acquisition Valuation Adjustment	Accumulated Depreciation and Amortization - Valuation	Pentex Alaska Natural Gas Company, LLC
\$	\$	\$ 23,446,873	\$	\$ 45,877,231
			1,564,679	4,220,062
		23,446,873	(1,564,679)	41,657,169
		2,278,816		16,767,839
				2,116,997
		25,725,689	(1,564,679)	60,542,005
7,124				5,357,495
				313,418
				495,451
	(569,754)			372,577
	(114,940)			376,038
				465,181
7,124	(684,694)			7,380,160
		2,488,047	(212,486)	2,275,561
\$ 7,124	\$ (684,694)	\$ 28,213,736	\$ (1,777,165)	\$ 70,197,726
\$	\$	\$	\$	\$ 118,626
				166,596
				461,230
	(569,754)			16,618
	(569,754)			763,070
				313,418
				14,806,184
				255,089
				15,374,691
7,124	(114,940)	28,213,736	(1,777,165)	48,013,705
7,124	(114,940)	28,213,736	(1,777,165)	54,059,965
\$ 7,124	\$ (684,694)	\$ 28,213,736	\$ (1,777,165)	\$ 70,197,726

PENTEX ALASKA NATURAL GAS COMPANY, LLC

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ending June 30, 2017

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC
Operating revenues			
Residential sales	\$ 1,178,696	\$	\$
Commercial sales	12,032,897	202,532	
Interruptible sales	2,785,624		
Commercial sales - subsidiaries		13,031,193	158,533
Other operating revenues	267,377		
Total operating revenues	16,264,594	13,233,725	158,533
Operating expenses			
Natural gas purchases	12,803,954	6,874,094	113,172
Trucking		2,260,016	
Electricity		1,014,828	
LNG trailer lease		70,500	
Gas liquefaction expenses		1,356,638	
Fairbanks distribution operations	309,368		
Fairbanks distribution maintenance	75,932		
Fairbanks storage and vaporization operations	352,921		
Fairbanks storage and vaporization maintenance	58,875		
Engineering	186,978		
AET operations and maintenance			16,717
Talkeetna maintenance		6,755	
Customer service	189,084		
Administrative and general expenses	1,296,875	517,892	56,609
Taxes other than income	71,481	60,508	433
Interest expense	887	18,170	
Depreciation	832,219	507,784	132,985
Amortization			
Total operating expenses	16,178,574	12,687,185	319,916
Operating income (loss)	86,020	546,540	(161,383)
Nonoperating revenues (expenses)			
Gain from disposition of property, plant and equipment	45,076		
Interest and dividend income	4,616		
Other income	7,887	6,985	
Net increase in fair value of investments	34,903		
Nonoperating revenues (expenses) total	92,482	6,985	
Changes in net position	178,502	553,525	(161,383)
Net position - beginning of period	20,907,109	3,926,136	2,327,321
Net position - end of period	\$ 21,085,611	\$ 4,479,661	\$ 2,165,938

The accompanying notes are an integral  
part of these financial statements.

Polar LNG, LLC	Eliminations	Acquisition Valuation Adjustment	Accumulated Depreciation and Amortization - Valuation	Pentex Alaska Natural Gas Company, LLC
\$	\$	\$	\$	\$
				1,178,696
				12,235,429
				2,785,624
	(13,189,726)			267,377
	(13,189,726)			16,467,126
	(12,868,298)			6,922,922
	(187,384)			2,072,632
	(61,541)			953,287
				70,500
				1,356,638
	(5,213)			304,155
				75,932
	(64,467)			288,454
				58,875
				186,978
				16,717
				6,755
				189,084
421				1,871,797
				132,422
				19,057
			894,102	2,367,090
			121,420	121,420
421	(13,186,903)		1,015,522	17,014,715
(421)	(2,823)		(1,015,522)	(547,589)
				45,076
				4,616
	(6,985)			7,887
				34,903
	(6,985)			92,482
(421)	(9,808)		(1,015,522)	(455,107)
7,545	(105,132)	28,213,736	(761,643)	54,515,072
\$ 7,124	\$ (114,940)	\$ 28,213,736	\$ (1,777,165)	\$ 54,059,965

PENTEX ALASKA NATURAL GAS COMPANY, LLC

CONSOLIDATING STATEMENT OF CASH FLOWS

For the year ending June 30, 2017

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC
Increase (Decrease) in Cash			
Cash flows from operating activities			
Cash received from customers and subsidiaries	\$ 16,237,168	\$ 13,160,975	\$ 158,706
Cash paid to suppliers, employees and subsidiaries	(15,263,408)	(12,049,996)	(146,875)
Interest and dividends received	4,616		
Net cash provided by (used in) operating activities	978,376	1,110,979	11,831
Cash flows from capital and related financing activities			
Proceeds from issuance of long-term debt	135,893		
Principal payments on long-term debt	(10,181)	(149,190)	
Interest payments	(887)	(18,170)	
Proceeds from disposal of property, plant and equipment	72,266		
Property, plant and equipment additions	(145,585)	(623,734)	
Net cash provided by (used in) capital and related financing activities	51,506	(791,094)	
Cash flows from investing activities			
Purchase of investments	(50,000)		
Net cash used in investing activities	(50,000)		
Net increase (decrease) in cash	979,882	319,885	11,831
Cash at beginning of period	2,728,322	1,306,801	3,650
Cash at end of period	\$ 3,708,204	\$ 1,626,686	\$ 15,481

The accompanying notes are an integral part of these financial statements.

<u>Polar LNG, LLC</u>	<u>Eliminations</u>	<u>Accumulated Depreciation and Amortization - Valuation</u>	<u>Pentex Alaska Natural Gas Company, LLC</u>
\$ (421)	\$ (13,369,732) 13,369,732	\$	\$ 16,187,117 (14,090,968) 4,616
(421)			2,100,765
			135,893 (159,371) (19,057)
			72,266 (769,319)
			(739,588)
			(50,000)
			(50,000)
(421)			1,311,177
7,545			4,046,318
<u>\$ 7,124</u>	<u>\$</u>	<u>\$</u>	<u>\$ 5,357,495</u>



PENTEX ALASKA NATURAL GAS COMPANY, LLC

CONSOLIDATING STATEMENT OF CASH FLOWS  
(Continued)  
For the year ending June 30, 2017

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 86,020	\$ 546,540	\$ (161,383)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	832,219	507,784	132,985
Capitalized payments on accounts payable	42,578		
Interest payments	887	18,170	
Other income	7,887	6,985	
(Increase) decrease in assets			
Accounts receivable, net	54,828	599	
Accounts receivable - subsidiaries	(37,085)	(80,334)	173
Liquefied natural gas inventory	(20,703)	(13,484)	1,605
Materials and supplies inventory	(1,886)	8,995	
Deposits and other current assets	18,583	(18,161)	25,831
Increase (decrease) in liabilities			
Accrued wages and burden	(97,087)	(18,875)	
Accounts payable	(39,964)	136,209	106
Accounts payable - subsidiaries	96,285	7,360	13,601
Accumulated deferred compensation	89,519		
Other current and accrued liabilities	(53,705)	9,191	(1,087)
Total adjustments	892,356	564,439	173,214
Net cash provided by (used in) operating activities	\$ 978,376	\$ 1,110,979	\$ 11,831

Noncash Investing Activities

For the year ending June 30, 2017:

Fairbanks Natural Gas, LLC (FNG) had unrealized gains on available for sale securities in the amount of \$34,903.

FNG reclassified meter installed from meter inventory and pipe fitting inventory to the proper asset account in the amount of \$25,705.

The accompanying notes are an integral part of these financial statements.

<u>Polar LNG, LLC</u>	<u>Eliminations</u>	<u>Accumulated Depreciation and Amortization - Valuation</u>	<u>Pentex Alaska Natural Gas Company, LLC</u>
\$ (421)	\$ (2,823)	\$ (1,015,522)	\$ (547,589)
		1,015,522	2,488,510
			42,578
			19,057
	(6,985)		7,887
			55,427
	117,246		(22,774)
	9,808		7,109
			26,253
			(115,962)
			96,351
	(117,246)		89,519
			(45,601)
	2,823	1,015,522	2,648,354
\$ (421)	\$	\$	\$ 2,100,765

This Page Intentionally Left Blank

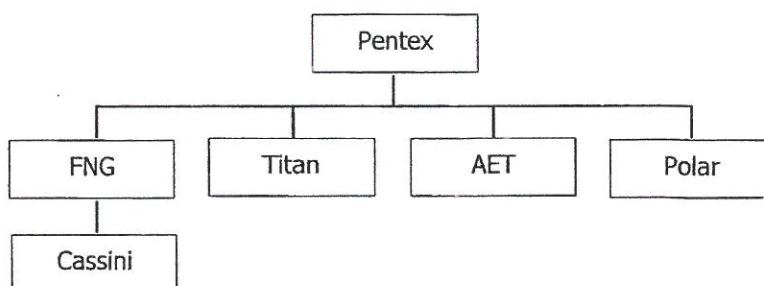


## PENTEX ALASKA NATURAL GAS COMPANY, LLC

### NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

#### DESCRIPTION OF ORGANIZATION AND PRINCIPLES OF CONSOLIDATING

The consolidating financial statements of Pentex Alaska Natural Gas Company, Inc. (Pentex), a blended component unit of Alaska Industrial Development and Export Authority (AIDEA), include the accounts of Fairbanks Natural Gas, LLC (FNG), which operates a natural gas distribution utility for the residents and businesses of Fairbanks, Alaska; Titan Alaska LNG, LLC (Titan), which operates a natural gas liquefaction plant in Point Mackenzie, Alaska; Arctic Energy Transportation, LLC (AET), a liquefied natural gas fuel provider for the transportation industry with locations in Fairbanks and Houston, Alaska; and Polar LNG, LLC (Polar), the project lead for an abandoned project on the North Slope located in the vicinity of Dead Horse, Alaska. The four companies are owned and managed by Pentex. All material intercompany balances and transactions are eliminated in the consolidating financial statements, which are organized as follows:



In early 2015 Pentex Alaska Natural Gas Company, LLC executed a Letter of Intent with AIDEA, a public corporation of the State of Alaska, to sell 100 percent of the membership interest of Pentex to AIDEA. The final Purchase and Sale Agreement was executed on June 15, 2015 and the transaction was closed on September 30, 2015. Transfer of ownership of Pentex and its subsidiaries to AIDEA became effective October 1, 2015, at which time the company implemented governmental accounting standards for accounting and reporting financial information in accordance with those standards promulgated by the Governmental Accounting Standards Board (GASB). Effective July 1, 2016, Pentex operates on a fiscal year with the reporting cycle ending on June 30.

Complete financial statements of AIDEA can be obtained from AIDEA's office at 813 W. Northern Lights Blvd., Anchorage, Alaska 99503 or on the web at [www.aidea.org/NewsPublications/Publications/FinancialStatements.aspx](http://www.aidea.org/NewsPublications/Publications/FinancialStatements.aspx).

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Accounting - Enterprise Fund Accounting* - In preparing the financial statements in conformity with generally accepted accounting principles, Pentex is subject to the accounting requirements as set forth by the GASB. Accordingly, the financial activities of Pentex are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, whereby revenues are recognized when earned and expenses are recognized when goods or services are received or the related liability is incurred.

PENTEX ALASKA NATURAL GAS COMPANY, LLC

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)

*Regulation* - The accounting records of the company conform to the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission for natural gas companies subject to provisions of the Natural Gas Act. FNG was regulated by the Regulatory Commission of Alaska (RCA) through September 30, 2015. AIDEA is exempt from economic regulation; therefore, after the membership interest sale, FNG's tariff was canceled and the company is no longer regulated by the RCA.

*Income Taxes* - Pentex was organized in the State of Delaware as a limited liability company electing to be treated as a partnership, whereby the taxable income or losses of the company was passed through to its members based on the members' agreement. The purchase of membership interest by AIDEA changed Pentex's filing status effective October 1, 2015 to a single member disregarded entity exempt from income taxes.

*Use of Estimates* - In preparing the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Plant Additions and Retirements* - Additions and replacements of property, plant and equipment are at original cost. Plant costs are comprised of contracted services, direct labor and materials, and capitalized costs. The capitalized costs include indirect overhead charges, certain general and administrative costs, costs of funds and other developmental costs. When property, plant and equipment are disposed of or otherwise retired, the original cost of the property, plus cost of retirement, less salvage value is charged against the net book value of the asset. Any gain or loss is recognized as income or expense in the year of disposition or retirement. Maintenance, repairs and renewals are charged to operations and maintenance expense. Renewals which extend the useful life of the property are capitalized.

*Cash* - Cash includes cash on hand and amounts held in checking accounts.

*Investments* - Investments are reported at fair value (generally based on quoted market prices). Pentex has not adopted formal investment policies establishing limits on investment choices to manage credit risk or limits on investment maturities for managing the company's exposure to fair value losses arising from increasing interest rates (interest rate risk).

*Fair value of financial instruments* - Pentex categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are based on quoted market prices within active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

*Accounts Receivable* - Accounts receivable are recorded at the amount the company expects to collect. Management determines the allowance for doubtful accounts by identifying troubled accounts, using historical experience applied to an aging of the accounts and regularly evaluating the individual accounts. Accounts receivable are written off when deemed uncollectible and recoveries of previously written off accounts are recorded as revenue when received.



PENTEX ALASKA NATURAL GAS COMPANY, LLC

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)

*Accumulated Provision for Depreciation and Amortization* - Provision has been made for depreciation and amortization on a straight-line basis using the following ranges of annual rates:

Distribution, storage and vaporization	2 - 4%
LNG production equipment	2 - 4%
General plant	
Structures and improvements	2 - 15%
Transportation and power-operated equipment	2 - 17%
Furniture and office equipment	6 - 28%

*Deferred Outflows of Resources* - Deferred outflows of resources represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The company only has one item that qualifies for reporting in this category, which is the deferred amount representing the gas plant acquisition adjustment reported in the statement of net position. This deferred outflow results from the difference between the cost to purchase the ownership interest in Pentex and the net book value of the underlying assets of the company at the purchase date. This amount is deferred and amortized over the life of the associated assets purchased.

*Net Position* - The implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* requires the company to categorize its net position. The company's net position is categorized as net investment in capital assets and unrestricted.

*Environmental Issues* - Pentex's environmental issues policy is to record a liability when the likelihood of responsibility for pollution remediation activities such as site assessments and cleanup is probable and the costs are reasonably estimable. At June 30, 2017, there were no environmental issues meeting both of these criteria and, accordingly, no provision has been made in the accompanying financial statements for any potential liability.

*Operating Revenues and Expenses* - Pentex considers all revenues and expenses except investment income, gains and losses from dispositions of property, plant and equipment and materials and supplies inventory, and other income relating to line hit repairs, to be part of its ongoing operations and classifies them as operating in the statement of revenues, expenses, and changes in net position.

*Subsequent Events* - The company has evaluated subsequent events through August 23, 2017, the date on which the financial statements were available to be issued.

PENTEX ALASKA NATURAL GAS COMPANY, LLC

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)

PROPERTY, PLANT AND EQUIPMENT

The major classes of property, plant and equipment activities were as follows for the year ending June 30, 2017:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Nondepreciable components of property, plant and equipment				
Land	\$ 373,700	\$	\$	\$ 373,700
Gas plant held for future use, at cost	16,676,626	91,213		16,767,839
Construction work in progress	2,166,775	65,216	(114,994)	2,116,997
Total nondepreciable components of property, plant and equipment	19,217,101	156,429	(114,994)	19,258,536
Depreciable components of property, plant and equipment				
Distribution, storage and vaporization	31,030,331	43,203		31,073,534
LNG production equipment	9,276,021	193,844		9,469,865
General plant				
Structures and improvements	3,433,811	12,584		3,446,395
Transportation and power-operated equipment	1,208,666	227,395		1,436,061
Furniture and office equipment	64,012	13,664		77,676
Total depreciable components of property, plant and equipment	45,012,841	490,690		45,503,531
Less: accumulated provision for depreciation				
Distribution, storage and vaporization	(935,969)	(1,258,164)		(2,194,133)
LNG production equipment	(681,896)	(815,318)		(1,497,214)
General plant				
Structures and improvements	(100,565)	(134,088)		(234,653)
Transportation and power-operated equipment	(113,474)	(129,897)		(243,371)
Furniture and office equipment	(21,068)	(29,623)		(50,691)
Total accumulated provision for depreciation and amortization	(1,852,972)	(2,367,090)		(4,220,062)
Total depreciable components of property, plant and equipment, net	43,159,869	(1,876,400)		41,283,469
Net property, plant and equipment	\$ 62,376,970	\$ (1,719,971)	\$ (114,994)	\$ 60,542,005

Depreciation expense totaled \$2,367,090 for property, plant and equipment for the fiscal year ending June 30, 2017.

PENTEX ALASKA NATURAL GAS COMPANY, LLC

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

(Continued)

The major classes of property, plant and equipment by subsidiary were as follows at June 30, 2017:

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC	Valuation Adjustment	Pentex Alaska Natural Gas Company, LLC
Distribution, storage and vaporization	\$ 15,828,620	\$ 26,447	\$	\$ 15,218,467	\$ 31,073,534
Land	347,700	26,000			373,700
LNG production equipment		1,466,923		8,002,942	9,469,865
General plant					
Structures and improvements	59,242	766,195	2,395,494	225,464	3,446,395
Transportation and power- operated equipment	135,918	1,300,143			1,436,061
Furniture and office equipment	74,431	3,245			77,676
Property, plant and equipment in service, at cost	16,445,911	3,588,953	2,395,494	23,446,873	45,877,231
Gas plant held for future use, at cost	14,489,023			2,278,816	16,767,839
Construction work in progress	1,889,955	227,042			2,116,997
Total property, plant and equipment	32,824,889	3,815,995	2,395,494	25,725,689	64,762,067
Less: accumulated provision for depreciation and amortization	1,470,257	952,402	232,724	1,564,679	4,220,062
Net property, plant and equipment	\$ 31,354,632	\$ 2,863,593	\$ 2,162,770	\$ 24,161,010	\$ 60,542,005

DEFERRED OUTFLOWS OF RESOURCES

The gas plant acquisition adjustment will be recognized as expense as follows:

Year ending June 30:	
2018	\$ 121,421
2019	121,421
2020	121,421
2021	121,421
2022	121,421
2023 - 2027	607,103
2028 - 2032	607,103
2033 - 2037	399,855
2038 - 2042	14,909
2043 - 2047	14,909
2048 - 2052	14,909
2053 - 2056	9,668
	<u>\$ 2,275,561</u>

PENTEX ALASKA NATURAL GAS COMPANY, LLC

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS

FNG had a recurring fair value measurement as of June 30, 2017 consisting of a S&P 500 rated mutual fund (equity) investment account at U.S. Bancorp totaling \$313,418 (Level 1 inputs).

ACCOUNTS RECEIVABLE

The accounts receivable balances as of June 30, 2017, were as follows:

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Pentex Alaska Natural Gas Company, LLC
Trade	\$ 553,431	\$ 17,020	\$ 570,451
Less: allowance for doubtful accounts	75,000		75,000
	<u>\$ 478,431</u>	<u>\$ 17,020</u>	<u>\$ 495,451</u>

At June 30, 2017 all natural gas sales had been billed.

INVENTORIES

Inventories consisted of the following on June 30, 2017:

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC	Eliminations	Pentex Alaska Natural Gas Company, LLC
Liquefied natural gas inventory	\$ 431,455	\$ 43,342	\$ 12,720	\$ (114,940)	\$ 372,577
Materials and supplies inventory					
Pipe inventory	232,807				232,807
Meter inventory	75,619				75,619
Parts inventory	67,612				67,612
	<u>376,038</u>				<u>376,038</u>
	<u>\$ 807,493</u>	<u>\$ 43,342</u>	<u>\$ 12,720</u>	<u>\$ (114,940)</u>	<u>\$ 748,615</u>



PENTEX ALASKA NATURAL GAS COMPANY, LLC

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

(Continued)

TRANSACTIONS AMONG SUBSIDIARIES

Fairbanks Natural Gas, LLC purchases natural gas from Titan Alaska LNG, LLC for regasification and distribution to FNG's customers. FNG also purchases boil off gas from Arctic Energy Transportation, LLC. AET purchases liquefied natural gas from Titan for resale to the transportation industry. Titan purchases liquefied natural gas from AET for use in its LNG tractors used to transport liquefied natural gas. For the year ending June 30, 2017, the total liquefied natural gas purchased by FNG and AET from Titan was \$12,911,643 and \$119,550, respectively. The total natural gas purchased by FNG and Titan from AET was \$44,388 and \$121,419, respectively, for the year ending June 30, 2017.

Cash advances are made between the companies throughout the year during the normal course of business.

Included in the statement of net position were the following related party balances at June 30, 2017:

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC	Total
Accounts receivable - FNG	\$	\$ 471,744	\$ 6,019	\$ 477,763
Accounts receivable - Titan	15,124		14,841	29,965
Accounts receivable - AET	26,272	35,754		62,026
	<u>\$ 41,396</u>	<u>\$ 507,498</u>	<u>\$ 20,860</u>	<u>\$ 569,754</u>
Accounts payable - FNG	\$	\$ 15,124	\$ 26,272	\$ 41,396
Accounts payable - Titan	471,744		35,754	507,498
Accounts payable - AET	6,019	14,841		20,860
	<u>\$ 477,763</u>	<u>\$ 29,965</u>	<u>\$ 62,026</u>	<u>\$ 569,754</u>

All related party balances and transactions are eliminated in the consolidating financial statements at June 30, 2017.

LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2017:

	Balance at June 30, 2016	Additions	Principal Payments	Balance at June 30, 2017	Amounts due within one year
Wells Fargo Equipment Finance, Inc. 3.9 percent note payable	\$ 169,826	\$	\$ (106,037)	\$ 63,789	\$ 63,789
Wells Fargo Equipment Finance, Inc. 4.15 percent note payable	343,220		(43,153)	300,067	44,978
Wells Fargo Equipment Finance, Inc. 5.75 percent note payable	20,040		(10,181)	9,859	9,859
	<u>\$ 533,086</u>	<u>\$</u>	<u>\$ (159,371)</u>	<u>\$ 373,715</u>	<u>\$ 118,626</u>

PENTEX ALASKA NATURAL GAS COMPANY, LLC

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)

The 3.9 percent note payable by Titan to Wells Fargo Equipment Finance, Inc. is payable in monthly installments of \$9,232 including interest and becomes due on January 18, 2018. The note is secured by two 2013 T-800 tractors.

The 4.15 percent note payable by Titan to Wells Fargo Equipment Finance, Inc. is payable in monthly installments of \$4,715 including interest and becomes due on June 7, 2023. The note is secured by one 2015 Heil LNG transport trailer.

The 5.75 percent note payable by FNG to Wells Fargo Equipment Finance, Inc. is payable in monthly installments of \$922 including interest and becomes due on May 28, 2018. The note is secured by a 2013 Ford F550.

Minimum annual payments for long-term debt at June 30 are as follows:

		Principal	Interest	Total
Fairbanks Natural Gas, LLC				
2018	\$	9,859	\$ 286	\$ 10,145
Titan Alaska LNG, LLC				
2018		108,767	12,436	121,203
2019		46,880	9,701	56,581
2020		48,863	7,718	56,581
2021		50,930	5,651	56,581
2022		53,085	3,497	56,582
2023		55,330	1,251	56,581
		<u>363,855</u>	<u>40,254</u>	<u>404,109</u>
Pentex Alaska Natural Gas Company, LLC				
2018		118,626	12,722	131,348
2019		46,880	9,701	56,581
2020		48,863	7,718	56,581
2021		50,930	5,651	56,581
2022		53,085	3,497	56,582
2023		55,330	1,251	56,581
	\$	<u>373,714</u>	<u>\$ 40,540</u>	<u>\$ 414,254</u>



PENTEX ALASKA NATURAL GAS COMPANY, LLC

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)

OPERATING LEASES

Operating lease terms are outlined as follows:

FNG leases office facilities in Fairbanks, Alaska under an operating lease. The lease is effective June 1, 2016 and expires on May 31, 2019. Monthly payments are \$10,253, which consists of the base lease payment of \$9,216 and an additional lease payment of \$1,037. The additional lease payment is for property taxes and insurance and is subject to a "true-up" annually based on actual costs. The lease expense for the year ending June 30, 2017 was \$125,901.

Titan entered into an operating lease for several trailers used to haul liquefied natural gas. The one year lease began in September 2013 and automatically renewed for additional one-year terms. Titan agreed with the lessor to extend the lease term to January 31, 2017. At the end of that extension, the lessor sold the trailers to Titan. Monthly payments were \$11,750 per month through the end of the extended lease term. Lease payments charged to income totaled \$70,500 for the year ending June 30, 2017.

AET in 2012 exercised an option to lease land from Fisher's Fuel, Inc. The initial lease requires annual payments starting at \$6,000 in the first year and increasing annually by 1.5 percent in each subsequent year for five years with two automatic five-year extensions. The lease was renewed for an additional five years in June 2017. Lease payments charged to income totaled \$15,517 for the year ending June 30, 2017.

The following is a schedule of future minimum lease payments for operating leases as of June 30, 2017:

	Fairbanks Natural Gas, LLC	Arctic Energy Transportation, LLC	Pentex Alaska Natural Gas Company, LLC
2018	\$ 123,036	\$ 6,464	\$ 129,500
2019	112,783	6,561	119,344
2020		6,659	6,659
2021		6,759	6,759
2022		6,860	6,860
	<u>\$ 235,819</u>	<u>\$ 33,303</u>	<u>\$ 269,122</u>

LINE OF CREDIT

FNG received a \$15,000,000 line of credit from the Alaska Industrial Development and Export Authority (AIDEA) dated May 19, 2014 to be used for the expansion of FNG's distribution system. The per annum stated interest rate for advances under the line of credit is zero percent (0%) until December 31, 2017, at which time amounts drawn under this line of credit are anticipated to be converted into a long-term note. Prior to AIDEA's acquisition of 100 percent of the membership interests of Pentex the line of credit was secured by FNG's personal and fixture property of every kind, excluding inventory and accounts receivable. The terms of the line of credit agreement related to the security have not been changed and remain in effect after the membership interest sale to AIDEA. The balance outstanding at June 30, 2017 was \$14,806,184.

PENTEX ALASKA NATURAL GAS COMPANY, LLC

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)

Line of credit transactions consisted of the following for the year ending June 30, 2017:

Balance at July 1, 2016	Additions	Balance at June 30, 2017
\$ 14,670,291	\$ 135,893	\$ 14,806,184

DEFERRED COMPENSATION LIABILITY

FNG maintains a deferred compensation plan for the president of the company (the executive). Under the plan, the executive is entitled to have a fixed annual benefit amount of \$50,000 credited to the deferred compensation account. Gains and losses on amounts voluntarily set aside by management to offset deferred compensation obligations are recorded as adjustments to the offsetting investment and the liability balance. Normal vesting occurs after two years from the date of the annual award. Annual awards prior to October 1, 2015 credited to the executive's deferred compensation account became fully vested on October 1, 2015, the date following the closing of AIDEA's acquisition of the membership interests of Pentex Alaska Natural Gas, Company, LLC. The plan is unfunded; therefore, benefits are paid from the general assets of the company and are not accumulated via a trust or equivalent arrangement. The total benefit amount accrued was \$313,418 at June 30, 2017.

CONSOLIDATED NET POSITION

Consolidated net position of Pentex consisted of the following at June 30, 2017:

Net investment in capital assets	
Total capital assets	\$ 60,542,005
Gas plant acquisition adjustment	2,275,561
Materials and supplies inventory	376,038
AIDEA line of credit	(14,806,184)
Equipment loans payable (total long-term and current)	(373,715)
Total net investment in capital assets	48,013,705
Unrestricted	6,046,260
Net position	\$ 54,059,965

NATURAL GAS PURCHASE AND TRANSPORTATION CONTRACTS

In January 2014 FNG entered into an "Interruptible LNG Transportation Agreement" with Titan to furnish interruptible LNG transportation services. The agreement, which was effective January 1, 2014, expires March 31, 2018.

In January 2014 FNG entered into a "Firm LNG Sale and Purchase Agreement" with Titan. The agreement, which was effective January 1, 2014, expires March 31, 2018.

In July 2013 Titan entered into a "Gas Sale and Purchase Agreement" with Hilcorp Alaska, LLC to purchase natural gas. The agreement, which was effective July 1, 2013, expires March 31, 2018.



PENTEX ALASKA NATURAL GAS COMPANY, LLC

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)

In August 2013 Titan entered into a "Firm Transportation Service Agreement" with Enstar Natural Gas Company for transportation of natural gas from the Cook Inlet area to Point Mackenzie. The agreement, which was effective beginning September 1, 2013, expires July 31, 2018.

In March 2015 Titan entered into an "LNG Transportation Agreement" with Sourdough Express, Incorporated for transportation of LNG. The agreement had an initial term of March 11, 2015 until September 30, 2015 and will automatically renew for additional one year periods until terminated by either party.

In March 2015 Titan entered into a "Trailer Interchange Agreement" with Weaver Bros., Inc. for transportation services. The agreement, which was effective March 11, 2015, will remain in effect until terminated by either party.

In November 2015 Titan entered into an "LNG Transportation Agreement" with Big State Logistics, Inc. for transportation of LNG. The agreement had an initial term of November 1, 2015 until June 30, 2016 and will automatically renew for additional one year periods from July to June until terminated by either party.

#### RETIREMENT PLAN

FNG and Titan maintain separate 401(k) defined contribution retirement plans for all eligible employees of FNG and Titan. Under each plan, participants may defer a portion of their annual compensation. FNG and Titan provide matching contributions of up to 4 percent of contributions made by eligible employees. For the year ending June 30, 2017, FNG's matching contributions totaled \$34,297 and Titan's matching contributions totaled \$16,760.

#### CONCENTRATIONS AND CREDIT RISK

Titan distributes natural gas predominantly to FNG for sale to customers in Fairbanks, Alaska. Accordingly, the companies are affected by the economic conditions in the local economy.

*Custodial Credit Risk Related to Deposits* - For deposits, Custodial Credit Risk is the risk that, in the event of the failure of the banking institution, Pentex will not be able to recover the value of its deposits that are in the possession of an outside party. The company has no written policy regarding custodial credit risk. All deposits of Pentex at June 30, 2017 are held in the name of the company and its subsidiaries. Of bank balances totaling \$5,567,236, \$250,000 was covered by Federal Deposit Insurance Corporation (FDIC).

#### RELATED PARTIES

Fairbanks Natural Gas, LLC (FNG), Titan Alaska LNG, LLC (Titan), Arctic Energy Transportation, LLC (AET), and Polar LNG, LLC (Polar) are wholly owned companies of Pentex Alaska Natural Gas Company, LLC (Pentex).

FNG is a certificated public utility holding Certificate of Public Convenience and Necessity number 514 issued by the Regulatory Commission of Alaska for the area located in Fairbanks, Alaska. The sole purpose of FNG is to distribute natural gas through its gas distribution system to the residents and businesses of Fairbanks. In addition FNG formed Cassini LNG Storage, LLC to develop a large LNG storage facility in Fairbanks, Alaska. FNG is Cassini's sole LLC member.

PENTEX ALASKA NATURAL GAS COMPANY, LLC

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

(Continued)

Titan is a producer of liquefied natural gas (LNG) primarily dedicated to supplying Fairbanks Natural Gas, LLC with LNG.

AET is an LNG fuel service company with locations in Fairbanks, Alaska and Houston, Alaska. Its purpose is to introduce LNG to the motor fuel market in the state of Alaska. AET continues to run a pilot program to determine the feasibility of marketing natural gas motor fuels.

Polar LNG, LLC was developing an LNG facility on the North Slope of Alaska. In mid 2014 Polar ceased development of the project and began the process of dissolving past development efforts. In 2015 all development efforts that were not liquidated through sale were written off.

Cassini, a wholly owned subsidiary of FNG, was created for the purpose of designing, constructing and operating a large LNG storage tank to be located in Fairbanks, Alaska. The purpose of the storage tank is to service FNG's current and future customers. Cassini, which to date has no assets or liabilities, recently restarted its efforts of designing and constructing the LNG storage.

RECENT PRONOUNCEMENTS

GASB Statement No. 87, Leases (GASB 87) was issued by the GASB in June 2017. The objective of GASB 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases, based on the principle that leases are financings of the right to use an underlying asset. GASB 87 requires lessees to recognize a lease liability and an intangible right-to-use asset, and requires a lessor to recognize a lease receivable and a deferred inflow of resources. GASB 87 is effective for the fiscal year ending June 30, 2021. The company has not implemented GASB 87 and is currently evaluating the impact on future financial statements.

GASB Statement No. 85, Omnibus 2017 (GASB 85) was issued by the GASB in March 2017. The objective of GASB 85 is to address practice issues that have been identified during implementation and application of recent GASB pronouncements, and addresses a variety of topics related to blending component units, goodwill, fair value measurement and application and postemployment benefits. GASB 85 is effective for fiscal year ending June 30, 2018. The company has not implemented GASB 85 and is currently evaluating the impact on future financial statements.

GASB Statement No. 84, Fiduciary Activities (GASB 84) was issued by the GASB in January 2017. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying fiduciary activities of the governmental entity with the focus on whether a government is controlling the assets of the fiduciary activity, and on the beneficiaries with whom a fiduciary relationship exists. A fiduciary activity meeting the criteria set forth in GASB 84 should be reported in a fiduciary fund, and a liability of the fiduciary fund should be recognized when an event has occurred that compels a government to disburse fiduciary resources. GASB 84 is effective for the fiscal year ending June 30, 2020. The company has not implemented GASB 84 and is currently evaluating the impact on future financial statements.



SUPPLEMENTAL REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*

This Page Intentionally Left Blank

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Pentex Alaska Natural Gas Company, LLC and subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidating financial statements of Pentex Alaska Natural Gas Company, LLC and its subsidiaries (Pentex), a blended component unit of Alaska Industrial Development & Export Authority (AIDEA), as of and for the year ended June 30, 2017, and the related notes to the consolidating financial statements, which collectively comprise Pentex's consolidating financial statements, and have issued our report thereon dated August 23, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pentex's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pentex's internal control. Accordingly, we do not express an opinion on the effectiveness of Pentex's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pentex's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pentex's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pentex's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cook - Haugeberg LLC

Certified Public Accountants

Fairbanks, Alaska  
August 23, 2017



PENTEX ALASKA NATURAL GAS COMPANY, LLC

COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

August 23, 2017

August 23, 2017

Management  
Pentex Alaska Natural Gas Company, LLC

In planning and performing our audit of the consolidating financial statements of Pentex Alaska Natural Gas Company, LLC (Pentex) and its subsidiaries as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States, we considered Pentex's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pentex's internal control. Accordingly, we do not express an opinion on the effectiveness of Pentex's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted other matters involving internal control and its operation and the recommendations discussed below represent potential areas for improvement noted as a result of our observations and documentation of your systems.

Prior Year Recommendations - Resolved

Inventory Valuation

During the performance of inventory costing testwork procedures for the 2016 audit, we identified an instance where the values of certain meter inventory items were based on incorrect costs. To ensure that the meter inventory is valued in accordance with the company's accounting policies, we recommended that all internal control procedures for inventory valuation be followed, which include a process for management's review and approval of valuation reports used to adjust inventory account balances. This recommendation has been implemented and we did not identify similar instances in the current year audit.

Time Sheet Review

Beginning with audit procedures for the 2014 year end we have identified instances of time sheets not approved by supervisors. Supervisor approval of time sheets, as evidenced by a signature on the time sheet, provides assurance the internal controls established for accuracy and completeness of payroll related transactions are operating effectively. We did not identify similar instances in the current year audit.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing internal control and results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Sincerely,

Cook + Haugeberg LLC

Certified Public Accountants



PENTEX ALASKA NATURAL GAS COMPANY, LLC

LETTER TO THOSE CHARGED WITH GOVERNANCE

August 23, 2017



# Cook & Haugeberg LLC

CERTIFIED PUBLIC ACCOUNTANTS

August 23, 2017

Management  
Pentex Alaska Natural Gas Company, LLC

We have audited the consolidating financial statements of Pentex Alaska Natural Gas Company, LLC (Pentex) as of and for the year ended June 30, 2017 and have issued our report thereon dated August 23, 2017. Professional standards require that we advise you of the following matters relating to our audit.

## ***Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards***

As stated in our engagement letter dated June 30, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you of your responsibilities.

As part of our audit, we considered the internal control of Pentex. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtain reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Pentex's compliance with certain provisions of laws, regulations, and contracts. However, providing an opinion on compliance with those provisions is not an objective of our audit.

## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Pentex is included in the notes to the consolidating financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

119 North Cushman Street, Suite 300 • Fairbanks, Alaska 99701 • 907-456-7762  
www.ch-cpa.com e-mail: contact@ch-cpa.com

Senior Consultants: James F. Dieringer, Jr., CPA and Michael T. Cook, CPA

FAX 907-452-6184

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the consolidating financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidating financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive estimates affecting the consolidating financial statements were:

- Management provides for an allowance for doubtful accounts based on an analysis of troubled accounts, using historical experience applied to an aging of the accounts and regularly evaluating the individual accounts.
- The allocation to the underlying assets of deferred outflows resulting from the cost above book basis of the purchase price of the company paid by Alaska Industrial Development and Export Authority (AIDEA) takes into consideration management's estimate of future obsolescence of those assets.

We evaluated the key factors and assumptions used to develop these estimates and determined they are reasonable in relation to the consolidating financial statements taken as a whole.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Corrected and Uncorrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Additionally, during the course of our audit, management detected errors in the financial statements and informed us of these errors when found. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. No such misstatements were identified by us as a result of our audit procedures.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter which could be significant to Pentex's consolidating financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter dated August 23, 2017.



### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us, and to our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings or Issues**

In the normal course of our professional association with Pentex, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Pentex's auditors.

### Other Matters

We applied certain limited procedures to the management's discussion and analysis information, which is required supplementary information (RSI) that supplements the consolidating financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidating financial statements, and other knowledge we obtained during our audit of the consolidating financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the information and use of management of Pentex Alaska Natural Gas Company, LLC and Alaska Industrial Development and Export Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Cook & Haugeberg LLC*

Certified Public Accountants

**Pentex Alaska Natural Gas Company, LLC**  
**Consolidating Financial Statements - With Budget Comparison**  
**Month Ended September 30, 2017**  
(Unaudited)

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC	Polar LNG, LLC	Inter-company Eliminations	Valuation Adjustment (10- 1-2015)	Pentex Alaska Natural Gas Co., LLC
							(Actual)
<b>Assets and Deferred Outflows of Resources</b>							
Property, plant and equipment	16,574,236	4,699,174	2,396,270	0	0	23,446,873	47,116,553
Gas plant in service, at cost	1,680,651	1,038,232	266,035	0	0	1,788,204	4,773,122
Less: Accumulated provision for depreciation	14,893,585	3,660,942	2,130,235	0	0	21,658,669	42,343,431
Net plant in services	14,483,110	0	0	0	0	2,278,816	16,761,926
Gas plant held for future use, at cost	2,160,387	227,042	0	0	0	0	2,387,429
Construction work in progress	31,537,082	3,887,985	2,130,235	0	0	23,937,485	61,492,787
Net property, plant and equipment							
Current assets	3,128,406	1,035,406	35,963	7,071	0	0	4,206,845
Cash	313,418	0	0	0	0	0	313,418
Investments	773,748	16,193	0	0	0	0	789,942
Accounts receivable, net	5,106	733,549	23,369	0	(762,024)	0	0
Accounts receivable - affiliates	421,378	59,448	10,095	0	(103,559)	0	387,362
Liquified natural gas inventory	381,549	0	0	0	0	0	381,549
Materials and supplies inventory	102,953	361,273	16,305	0	0	0	480,531
Deposits and other current assets	5,126,558	2,205,869	85,732	7,071	(865,583)	0	6,559,647
Total current assets							
Deferred outflows of resources	0	0	0	0	0	2,245,205	2,245,205
Gas plant acquisition adjustment, net of amortization							
<b>Total assets and deferred outflows of resources</b>	<b>36,663,640</b>	<b>6,093,853</b>	<b>2,215,967</b>	<b>7,071</b>	<b>(865,583)</b>	<b>26,182,690</b>	<b>70,297,639</b>
<b>Liabilities and Net position</b>							
Current liabilities	7,230	190,472	0	0	0	0	197,702
Current maturities of long-term debt	79,430	40,776	0	0	0	0	120,206
Accrued wages and burden	134,660	622,525	255	0	0	0	757,441
Accounts payable	661,729	22,552	77,744	0	(762,024)	0	0
Accounts payable - subsidiaries	1,433	7,506	1,063	0	0	0	10,002
Other current and accrued liabilities	884,483	883,831	79,061	0	(762,024)	0	1,085,350
Total current liabilities							
Noncurrent liabilities	313,418	0	0	0	0	0	313,418
Accumulated deferred compensation	14,806,184	0	0	0	0	0	14,806,184
Long-term debt, less current maturities	0	994,085	0	0	0	0	994,085
AIDEA line of credit	15,119,602	994,085	0	0	0	0	16,113,687
Equipment loans payable							
Total noncurrent liabilities							
Net position	17,105,217	2,703,428	2,130,235	7,071	(103,559)	26,182,690	48,121,570
Net investment in capital assets	3,554,338	1,512,510	6,671	7,071	(103,559)	26,182,690	4,977,031
Unrestricted	20,659,556	4,215,938	2,136,906	7,071	(103,559)	26,182,690	53,098,602
Total net position							
<b>Total liabilities and net position</b>	<b>36,663,640</b>	<b>6,093,853</b>	<b>2,215,967</b>	<b>7,071</b>	<b>(865,583)</b>	<b>26,182,690</b>	<b>70,297,639</b>



Pentex Alaska Natural Gas Company, LLC  
Consolidating Financial Statements - With Budget Comparison  
Month Ended September 30, 2017  
(Unaudited)

**STATEMENT OF OPERATIONS**

Mcf:

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC	Polar LNG, LLC	Inter-company Eliminations	Valuation Adjustment (10- 1-2015)	Pentex Alaska Natural Gas Co., LLC
	4,963	0	0	0	0	0	4,963
Residential	34,922	0	0	0	0	0	34,922
Small commercial	20,302	0	0	0	0	0	20,302
Large commercial	10,993	0	0	0	0	0	10,993
Interruptible - small	1,704	0	0	0	0	0	1,704
Interruptible - large	19,717	0	0	0	0	0	19,717
Hospital	4	0	0	0	0	0	4
UAF	0	3,041	0	0	0	0	3,041
TKA commercial gas	0	0	0	0	0	0	0
Crowley commercial gas	0	0	0	0	0	0	0
Fairbanks Natural Gas, LLC	0	93,875	1,128	0	(95,003)	0	0
Titan commercial gas	0	0	1,450	0	(1,450)	0	0
AET commercial gas	0	2,501	0	0	(2,501)	0	0
Total Mcf	92,605	99,417	2,578	0	(98,954)	0	95,645

HDD

769

769

**Operating revenues**

Residential gas revenues	102,585	0	0	0	0	0	102,585
Small commercial gas revenues	720,039	0	0	0	0	0	720,039
Large commercial gas revenues	417,251	0	0	0	0	0	417,251
Interruptible - Small	220,182	0	0	0	0	0	220,182
Interruptible - Large	28,119	0	0	0	0	0	28,119
Hospital gas revenues	325,334	0	0	0	0	0	325,334
UAF gas revenues	66	0	0	0	0	0	66
TKA commercial gas revenues	0	53,214	0	0	0	0	53,214
Crowley commercial gas revenues	0	0	0	0	0	0	0
Fairbanks Natural Gas, LLC	0	1,532,599	18,765	0	(1,551,364)	0	0
Titan commercial gas revenues	0	0	39,132	0	(39,132)	0	0
AET commercial gas revenues	0	40,743	0	0	(40,743)	0	0
Service Charge Revenues	72,152	0	0	0	0	0	72,152
Other Revenue	3,034	0	0	0	0	0	3,034
Total operating revenues	1,888,761	1,626,556	57,897	0	(1,631,239)	0	1,941,975

Pentex Alaska Natural Gas Company, LLC  
Consolidating Financial Statements - With Budget Comparison  
Month Ended September 30, 2017  
(Unaudited)

	Fairbanks		Arctic Energy		Polar LNG,	Valuation		Pentex Alaska
	Natural Gas,	Titan Alaska	Transportation,	LLC	LLC	Inter-company	Adjustment (10-	Natural Gas
	LLC	LNG, LLC	LLC	LLC	LLC	Eliminations	1-2015)	Co., LLC
	(Actual)							
<b>Operating expenses</b>	1,535,609	868,982	42,376	0	0	(1,593,749)	0	853,218
Natural gas purchases	0	271,448	0	0	0	(43,253)	0	228,195
Trucking Expenses	0	160,100	0	0	0	1,124	0	161,224
Electricity	0	364,585	0	0	0	0	0	364,585
Gas liquefaction expenses	61,450	0	0	0	0	(475)	0	60,975
Fairbanks distribution operations	14,150	0	0	0	0	0	0	14,150
Fairbanks distribution maintenance	42,491	0	0	0	0	(6,267)	0	36,224
Fairbanks storage & vaporization operations	55,045	0	0	0	0	0	0	55,045
Fairbanks storage & vaporization maintenance	52,103	0	0	0	0	0	0	52,103
Engineering	0	941	0	0	0	0	0	941
Talkeetna maintenance	12,035	0	0	0	0	0	0	12,035
Customer services	0	0	0	0	0	0	0	2,216
Fairbanks operations	0	0	2,216	0	0	0	0	2,216
Big Lake operations	332,473	131,514	1,616	0	0	0	0	1,616
Administration and general expenses	138	6,878	7,411	53	0	0	0	471,451
Interest expense	210,393	85,831	33,311	0	0	0	0	7,015
Depreciation	2,315,887	1,890,279	86,929	53	0	(1,642,620)	253,881	583,416
Total operating expenses	(427,126)	(263,722)	(29,032)	(53)	11,381	(253,881)	(962,434)	
Operating income (loss)	-22.61%	-16.21%	-50.14%		-0.70%		-49.56%	
Operating income (loss) margin %								
<b>Non operating income (expense)</b>	0	0	0	0	0	0	0	0
Gain (loss) from disposition of property, plant and equip	0	0	0	0	0	0	0	0
Gain (loss) from disposition of materials and supplies in	0	0	0	0	0	0	0	0
Interest and dividend income	1,070	0	0	0	0	0	0	1,070
Other income (expense)	0	0	0	0	0	0	0	0
Increase in fair value of investments	1,070	0	0	0	0	0	0	1,070
Total non operating income (expense)	(426,056)	(263,722)	(29,032)	(53)	11,381	(253,881)	(961,364)	
Change in net position	21,085,611	4,479,661	2,165,938	7,124	(114,940)	26,436,571	54,059,966	
Net position beginning of year	20,659,556	4,215,938	2,136,906	7,071	(103,559)	26,182,690	53,098,602	
Net position - end of period								

Pentex Alaska Natural Gas Company, LLC  
Consolidating Financial Statements - With Budget Comparison  
Month Ended September 30, 2017  
(Unaudited)

**STATEMENT OF CASH FLOWS**

**Operating activities:**

Net income/(loss) for the period  
Adjustments to reconcile net income to net cash provided by  
(used in) operating activities:

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC	Polar LNG, LLC	Inter-company Eliminations	Valuation Adjustment (10- 1-2015)	Pentex Alaska Natural Gas Co., LLC
	(426,056)	(263,722)	(29,032)	(53)	11,381	(253,881)	(961,364)
Depreciation and amortization (Increase) decrease in assets	210,393	85,831	33,311	0	0	253,881	583,416
Accounts receivable	(295,317)	826	0	0	0	0	(294,491)
Accounts receivable - affiliates	36,291	(226,051)	(2,510)	0	192,270	0	0
LNG inventory	10,077	(16,106)	2,625	0	(11,381)	0	(14,784)
Materials & supplies inventory	(5,511)	0	0	0	0	0	(5,511)
Deposits & other current assets	40,269	(57,286)	1,666	0	0	0	(15,351)
Increase (decrease) in liabilities	0	0	0	0	0	0	0
Accumulated deferred compensation	(26,776)	(19,614)	0	0	0	0	(46,390)
Accrued wages & burden	92,712	203,461	40	0	0	0	296,212
Accounts payable	183,966	(7,413)	15,717	0	(192,270)	0	0
Accounts payable - affiliates	(4,371)	(1,685)	(559)	0	0	0	(6,616)
Other current & accrued liabilities	(184,324)	(301,759)	21,258	(53)	0	0	(464,879)
Net cash provided by (used in) operating activities							

(Actual)

**INVESTING ACTIVITIES**

Investments in deferred compensation plan  
Gas plant in service, at cost  
Gas plant held for future use  
Construction work in progress  
Other capital expenditures

	0	0	0	0	0	0	0
	(137,360)	(1,110,221)	(775)	0	0	0	(1,248,357)
	0	0	0	0	0	0	0
	(255,485)	0	0	0	0	0	(255,485)
	0	0	0	0	0	0	0
Net cash provided by (used in) investing activities	(392,845)	(1,110,221)	(775)	0	0	0	(1,503,841)

**FINANCING ACTIVITIES**

(Payment) proceeds of financing  
Paid in Capital

	(2,629)	820,700	0	0	0	0	818,071
	0	0	0	0	0	0	0
Net cash provided by (used in) financing activities	(2,629)	820,700	0	0	0	0	818,071

Increase (decrease) in cash

	(579,798)	(591,280)	20,483	(53)	0	0	(1,150,649)
--	-----------	-----------	--------	------	---	---	-------------

Cash at beginning of period

	3,708,204	1,626,686	15,481	7,124	0	0	5,357,494
--	-----------	-----------	--------	-------	---	---	-----------

Cash at end of period

	3,128,406	1,035,406	35,963	7,071	0	0	4,206,845
--	-----------	-----------	--------	-------	---	---	-----------

## **Disclosure Schedule 3.8(a)**

### **Real Estate Interests**

#### Owned

1. Real property as listed in the attached title commitment from Yukon Title Company, Inc. dated April 13, 2015.
2. Real property as listed in the attached title commitment from First American Title Insurance Company dated April 17, 2015.
3. Real property as listed in the attached title commitment from First American Title Insurance Company dated April 16, 2015.

#### Leased

3. Option and Lease Agreement between Arctic Energy Transportation, LLC and Fisher's Fuel, Inc., dated September 3, 2011, as amended.
4. 3408 International. Commercial Lease between Fairbanks Natural Gas, LLC and Debenham Family Limited Partnership, dated May 10, 2013 as amended.





***First American***

***First American Title Insurance Company***  
3035 C Street  
Anchorage, AK 99503  
Phn - (907)561-1844 (800)770-0510  
Fax - (907)562-0540

**COMMITMENT  
FOR  
TITLE INSURANCE**

**To:**

Alaska Industrial Development and Export  
813 W Northern Lights Boulevard  
Anchorage, AK 99503

Attn: Jeff San Juan  
Re: Fairbanks Natural Gas, LLC

**FOR QUESTIONS REGARDING THIS COMMITMENT, PLEASE CONTACT:**

First American Title Insurance Company  
3035 C Street  
Anchorage, AK 99503

Title Officer: Wesley E. Keller  
File No: 0209-2432021  
Phone No: (907)786-9579  
Fax No: (907)562-0540  
Email: wkeller@firstam.com



**First American**

**First American Title Insurance Company**  
3035 C Street  
Anchorage, AK 99503  
Phn - (907)561-1844 (800)770-0510  
Fax - (907)562-0540

**Anchorage OFFICE**  
**FAX (907)562-0540**

Title Officer: **Wesley E. Keller**  
Phone **(907)786-9579** - Email **wkeller@firstam.com**

Re: Property Address: **2942 Tria Road, Fairbanks, AK 99709 ; (Parcel No. 1) 2161, 2155 and 2147 Donald Ave, Fairbanks, AK 99709; 2060 and 2100 Taxiway Ave., Fairbanks, AK 99709; (Parcel No. 2) and 25849 W. Ayrshire Ave., Wasilla, AK 99654 (Parcel No. 3)**

**COMMITMENT FOR TITLE INSURANCE**

Issued by

**FIRST AMERICAN TITLE INSURANCE COMPANY**

Agreement to Issue Policy

We agree to issue a policy to you according to the terms of this Commitment.

When we show the policy amount and your name as the proposed insured in Schedule A, this Commitment becomes effective as of the Commitment Date shown in Schedule A.

If the Requirements shown in this Commitment have not been met within six months after the Commitment Date, our obligation under this Commitment will end. Also, our obligation under this Commitment will end when the Policy is issued and then our obligation to you will be under the Policy.

Our obligation under this Commitment is limited by the following:

- The Provisions in Schedule A.
- The Requirements in Schedule B-I.
- The General Exceptions and Exceptions in Schedule B-II.
- The Conditions.

This Commitment is not valid without Schedule A and Section I and II of Schedule B.

**First American Title Insurance Company**

Wesley E. Keller, Chief Title Officer

**SCHEDULE A**

1. Commitment Date: April 16, 2015 at 8:00 A.M.

2. Policy or Policies to be issued:

AMOUNT                      PREMIUM

**Fairbanks Recording District**

Short Term Rate

ALTA Ext Owner Policy 1402.06 (2006)-N                      \$   Not Disclosed                      \$   To Be Determined

Proposed Insured:

Alaska Industrial Development and Export Authority

**Palmer Recording District**

ALTA Ext Owner Policy 1402.06 (2006)-N                      \$   Not Disclosed                      \$   To Be Determined

Proposed Insured:

Alaska Industrial Development and Export Authority

3. (A) The estate or interest in the land described in this Commitment is:

A fee simple.

(B) Title to said estate or interest at the date hereof is vested in:

Fairbanks Natural Gas, LLC, as to Parcel Numbers 1 and 2, and Titan Alaska LNG, LLC, as to Parcel Number 3

4. The land referred to in this Commitment is described as follows:

Parcel Number 1:

Tracts C and D, TANANA LEVEE INDUSTRIAL PARK, according to the official plat thereof, filed under Plat Number 2007-53, Records of the Fairbanks Recording District, Fourth Judicial District, State of Alaska.

Parcel Number 2:

Lots 6, 7, 8, 9, 10, and 11, Block 6, METRO INDUSTRIAL AIRPARK, according to the official plat thereof, filed under Plat Number 69-12194, Records of the Fairbanks Recording District, Fourth Judicial District, State of Alaska.

Parcel Number 3:

Tract 31B, POINT MACKENZIE DEVELOPMENT SUBDIVISION, TRACTS 31A & 31B, according to the official plat thereof, filed under Plat No. 98-146, Records of the Palmer Recording District, Third Judicial District, State of Alaska.

**SCHEDULE B  
SECTION I  
REQUIREMENTS**

The following requirements must be met:

- (A) Pay the agreed amounts for the interest in the land and/or the mortgage to be insured.
- (B) Pay us the premiums, fees and charges for the policy.
- (C) Documents satisfactory to us creating the interest in the land and/or the mortgage to be insured must be signed, delivered and recorded:
- (D) You must tell us in writing the name of anyone not referred to in this Commitment who will get an interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions.
- (E) Releases(s) or Reconveyance(s) of Item(s):
- (F)
  - 1. If any document in the completion of this transaction is to be executed by an attorney-in-fact, the contemplated Power of Attorney form should be submitted for review prior to closing.
  - 2. The State of Alaska, Division of Insurance has issued its Order R92-1. The order in part, requires the immediate billing and collection of the minimum charge for this commitment within 30 days of the first billing. In the event this transaction fails to close, the minimum billing will be the cancellation fee in accordance with our filed rate schedule.

**NOTICE**

In 1999, the Alaska Department of Natural Resources began recording maps of claimed rights of way which may have been created under a federal law known as "RS 2477", pursuant to Alaska Statute 19.30.400. Because the maps are imprecise, the exception from coverage shown on Section 2, Part 1, Paragraph 4 has been taken. Questions regarding the State's RS 2477 claims should be directed to the Department of Natural Resources. Public Information Center 550 W. 7th Avenue, Suite 1260, Anchorage, Alaska 99501 (907) 269-8400.

**NOTICE**

The attached plat, if any, is furnished as a courtesy only by First American Title Insurance Company, and is not part of any title commitment or policy of title insurance.

The plat is furnished solely for the purpose of assisting in locating the premises and does not purport to show all highways, roads or easements affecting the property. No reliance should be placed upon this plat for location or dimensions of the property and no liability is assumed for the correctness thereof.



**SCHEDULE B  
SECTION II**

**GENERAL EXCEPTIONS**

**PART ONE:**

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Rights of the state or federal government and/or the public in and to any portion of the land for right of way as established by Federal Statute RS2477 (whether or not such rights are shown by recordings of maps in the public records by the State of Alaska showing the general location of these rights of way.)
5. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
6. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
7. Any lien, or right to a lien, for services, labor or materials or medical assistance heretofore or hereafter furnished, imposed by law and not shown by the public records.

**SCHEDULE B**  
**SECTION II**  
**EXCEPTIONS**

**PART TWO:**

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction.

THE FOLLOWING AFFECT PARCEL NUMBER 1:

1. Reservations or exceptions in patents or in acts authorizing the issuance thereof.  
Recorded: March 5, 1969  
Recording Information: Book 226 Page 85
2. Taxes and/or Assessments, if any, due The Fairbanks Northstar Borough.  
  
(NOTE: Information from Northern Property Tax Service to follow under separate cover)
3. An easement reserved in a deed, including the terms and provisions thereof;  
Recorded: December 23, 2005  
Recording Information: Serial Number 2005-028905-0  
From: Tanana River Industrial Area, also known and appearing of record as TRIA, a partnership  
To: Interior Excavation and Trucking, Inc., an Alaska corporation  
For: Perpetual easement for roadway purposes, 50 feet in width  
Affects: As set forth in said instrument
4. Easements as dedicated and shown on the plat of said subdivision. (Copy attached)
5. Slope easements as dedicated and reserved on the plat of said subdivision as follows;  
  
"There shall be reserved adjacent to the dedicated streets shown hereon a slope reservation easement sufficient to contain cut and fill slopes of 1.5 feet horizontal for each 1 foot vertical (1.5 to 1) of cut or fill for the purpose of providing and maintaining the lateral support of the constructed streets. There is reserved to the grantors, their successors and assigns, the right to use such areas at any time upon providing and maintaining other adequate lateral support, as approved by the Municipality."

THE FOLLOWING AFFECT PARCEL NUMBER 2:

6. Reservations or exceptions in patents or in acts authorizing the issuance thereof.  
Recorded: July 19, 1954  
Recording Information: Book 68 Page 89
7. Taxes and/or Assessments, if any, due The Fairbanks Northstar Borough.  
  
(NOTE: Information from Northern Property Tax Service to follow under separate cover)

8. Right of Way Easement, including the terms and provisions thereof, granted to Golden Valley Electric Association, Inc. , and its assigns and/or successors in interest, to construct, operate and maintain an electric transmission and/or telephone distribution line or system by instrument  
Recorded: May 17, 1960  
Recording Information: Book 113 Page 307  
Affects: Blanket Easement
9. Right of Way Easement, including the terms and provisions thereof, granted to Golden Valley Electric Association, Inc. , and its assigns and/or successors in interest, to construct, operate and maintain an electric transmission and/or telephone distribution line or system by instrument  
Recorded: May 29, 1970  
Recording Information: Book 224 Page 179  
Affects: Lot 7, Block 6
10. Easements as dedicated and shown on the plat of said subdivision. (Copy attached)
11. The effect of the notes which appear on the plat of said subdivision. (Copy attached)
12. Right of Way Easement, including the terms and provisions thereof, granted to Golden Valley Electric Association, Inc. , and its assigns and/or successors in interest, to construct, operate and maintain an electric transmission and/or telephone distribution line or system by instrument  
Recorded: April 28, 1998  
Recording Information: Book 1062 Page 315  
Affects: Portion of Lots 7 and 8, Block 6 as set forth in said instrument
13. Deed of Trust and the terms and conditions thereof.  
Grantor/Trustor: Fairbanks Natural Gas, LLC, an Alaska limited liability company  
Grantee/Beneficiary: Alaska Industrial Development and Export Authority  
Trustee: First American Title Insurance Company  
Amount: \$15,000,000.00  
Dated: May 19, 2014  
Recorded: May 20, 2014  
Recording Information: Serial Number 2014-006651-0  
Affects: Parcel Numbers 2 and 3

THE FOLLOWING AFFECT PARCEL NUMBER 3:

14. Reservations or exceptions in U.S. Patent or in acts authorizing the issuance thereof.  
Recorded: October 22, 1965 in Book 59, Page 209  
And Recorded: April 11, 2006 under Serial Number 2006-009213-0
15. Reservations or exceptions in State of Alaska Patent or in acts authorizing the issuance thereof, recorded March 6, 1981 in Book 229 at Page 259.  
  
And amendments thereto,  
Recorded: January 22, 1993  
Recording Information: Book 704, Page 475  
  
Said patent, among other things, reserves all oil, gas and other minerals together with the privileges, mining and drilling rights and immunities.  
  
Note: Title to the mineral estate, as it pertains to said oil, gas and mineral interests, has not been further searched and no insurance is provided under this policy.
16. Taxes and/or Assessments, if any, due The Matanuska-Susitna Borough.  
  
(NOTE: Information from Northern Property Tax Service to follow under separate cover)
17. Rights of the public and/or governmental agencies in and to any portion of the above described real property lying within any roadway or public easement areas.
18. The effect of the notes which appear on Amended Plat Number 82-80 and Plat Number 98-146.
19. Easements as dedicated and shown on Amended Plat Number 82-80 and Plat Number 98-146.
20. Right of Way Easement, including the terms and provisions thereof, granted to Matanuska Electric Association, Inc., and its assigns and/or successors in interest, to construct, operate and maintain an electric transmission and/or telephone distribution line or system by instrument  
Recorded: July 24, 1985  
Recording Information: Book 427 Page 243  
Affects: Blanket Easement
21. Right of Way Easement, including the terms and provisions thereof, granted to Matanuska Electric Association, Inc., and its assigns and/or successors in interest, to construct, operate and maintain an electric transmission and/or telephone distribution line or system by instrument  
Recorded: October 27, 2000  
Recording Information: Book 1097 Page 126  
Affects: Blanket Easement
22. All matters, including dedications, notes, restrictions and easements shown or disclosed by the Record of Survey, Tract 31B, Point Mackenzie Development Subdivision as shown on Plat No. 2012-31.



23. Unrecorded leases or periodic tenancies, if any.
24. Questions of survey, right of person(s) in possession, material or labor liens, workmen's compensation liens, any impairment of existing improvements by reason of easements noted herein, and any breach of the restrictions noted herein, disposition of which will be determined by a ALTA/ACSM Land Title Survey and an ALTA LIEN AFFIDAVIT.

We require that the ALTA/ACSM Survey be submitted prior to closing for determination of insurability.

25. Any Matters arising from the Notes as contained on that certain ALTA/ACSM Survey by Keystone Surveying, dated November 19, 2013 under Job No. 2012-19 / FNG AltaSurvey, denoted as follows:

2. The record description of this parcel does not close mathematically.
3. This survey uncovered substantial errors in the dimensions of the subject parcel as contained in the plat of the subject parcel, Plat #98-146.
4. This survey uncovered substantial errors in the dimensions of the road right-of-way of Chulitna River to Goose Bay Road as contained in the plat of the parent parcel ASLS 80-111 recorded as Amended Plat #82-80.
5. The errors noted in the above Notes 3 and 4 were resolved by using found original monumentation as shown hereon. Dimensions were prorated from the record to the measured dimensions as found between those found original monuments.

26. REQUIREMENT that this company be provided proof of the authority of Daniel W. Britton, President/CEO of Fairbanks Natural Gas, LLC and President of Titan Alaska LNG, LLC to execute Quit Claim Deed recorded October 21, 2013 under Serial Number 2013-022901-0.

THE FOLLOWING AFFECT ALL PARCELS:

27. Any conveyance or encumbrance by Fairbanks Natural Gas, LLC should be executed pursuant to their Operating Agreement, a copy of which should be submitted to this office for inspection.
28. Any conveyance or encumbrance by Titan Alaska LNG, LLC should be executed pursuant to their Operating Agreement, a copy of which should be submitted to this office for inspection.
29. Any conveyance or encumbrance by Pentex Alaska Natural Gas Company, LLC should be executed pursuant to their Operating Agreement, a copy of which should be submitted to this office for inspection.
30. Any conveyance or encumbrance by Alaska Industrial Development and Export Authority, should be executed pursuant to a proper resolution of the shareholders voted on at a duly called meeting of the shareholders in accordance with the By-Laws or other authority of the corporation.

Certified copies of the resolution authorizing the conveyance and encumbrances and of the minutes of the meeting of the shareholders and copies of the By-Laws or other authority for such conveyance or encumbrance should be furnished for examination.

The resolution should specify the officers authorized to sign on behalf of the corporation.

31. This report has been submitted to our underwriter for review and approval. We will inform you of any further exceptions and/or requirements.

**Note: Our search of the 'public records' as defined in the Policy of Title Insurance to issue, discloses no matters against Alaska Industrial Development and Export Authority.**

**END OF SCHEDULE B**

## **CONDITIONS**

### **1. DEFINITIONS**

(a)"Mortgage" means mortgage, deed of trust or other security instrument.

(b)"Public Records" means title records that give constructive notice of matters affecting the title according to the state law where the land is located.

### **2. LATER DEFECTS**

The Exceptions in Schedule B - Section II may be amended to show any defects, liens or encumbrances that appear for the first time in the public records or are created or attached between the Commitment Date and the date on which all of the Requirements (a) and (c) of Schedule B - Section I are met. We shall have no liability to you because of this amendment.

### **3. EXISTING DEFECTS**

If any defects, liens or encumbrances existing at Commitment Date are not shown in Schedule B, we may amend Schedule B to show them. If we do amend Schedule B to show these defects, liens or encumbrances, we shall be liable to you according to Paragraph 4 below unless you knew of this information and did not tell us about it in writing.

### **4. LIMITATION OF OUR LIABILITY**

Our only obligation is to issue to you the Policy referred to in this Commitment, when you have met its Requirements. If we have any liability to you for any loss you incur because of an error in this Commitment, our liability will be limited to your actual loss caused by your relying on this Commitment when you acted in good faith to:

comply with the Requirements shown in Schedule B - Section I

or

eliminate with our written consent any Exceptions shown in Schedule B - Section II.

We shall not be liable for more than the Policy Amount shown in Schedule A of this Commitment and our liability is subject to the terms of the Policy form to be issued to you.

### **5. CLAIMS MUST BE BASED ON THIS COMMITMENT**

Any claim, whether or not based on negligence, which you may have against us concerning the title to the land must be based on this commitment and is subject to its terms.





*First American*

**First American Title Insurance Company**  
3035 C Street  
Anchorage, AK 99503  
Phn - (907)561-1844 (800)770-0510  
Fax - (907)562-0540



*First American Title*

#### Privacy Information

##### We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our subsidiaries we have adopted this Privacy Policy to govern the use and handling of your personal information.

##### Applicability

This Privacy Policy governs our use of the information that you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values.

##### Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

##### Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

##### Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

##### Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

##### Information Obtained Through Our Web Site

First American Financial Corporation is sensitive to privacy issues on the Internet. We believe it is important you know how we treat the information about you we receive on the Internet.

In general, you can visit First American or its affiliates' Web sites on the World Wide Web without telling us who you are or revealing any information about yourself. Our Web servers collect the domain names, not the e-mail addresses, of visitors. This information is aggregated to measure the number of visits, average time spent on the site, pages viewed and similar information. First American uses this information to measure the use of our site and to develop ideas to improve the content of our site.

There are times, however, when we may need information from you, such as your name and email address. When information is needed, we will use our best efforts to let you know at the time of collection how we will use the personal information. Usually, the personal information we collect is used only by us to respond to your inquiry, process an order or allow you to access specific account/profile information. If you choose to share any personal information with us, we will only use it in accordance with the policies outlined above.

##### Business Relationships

First American Financial Corporation's site and its affiliates' sites may contain links to other Web sites. While we try to link only to sites that share our high standards and respect for privacy, we are not responsible for the content or the privacy practices employed by other sites.

##### Cookies

Some of First American's Web sites may make use of "cookie" technology to measure site activity and to customize information to your personal tastes. A cookie is an element of data that a Web site can send to your browser, which may then store the cookie on your hard drive.

[FirstAm.com](http://FirstAm.com) uses stored cookies. The goal of this technology is to better serve you when visiting our site, save you time when you are here and to provide you with a more meaningful and productive Web site experience.

##### Fair Information Values

**Fairness** We consider consumer expectations about their privacy in all our businesses. We only offer products and services that assure a favorable balance between consumer benefits and consumer privacy.

**Public Record** We believe that an open public record creates significant value for society, enhances consumer choice and creates consumer opportunity. We actively support an open public record and emphasize its importance and contribution to our economy.

**Use** We believe we should behave responsibly when we use information about a consumer in our business. We will obey the laws governing the collection, use and dissemination of data.

**Accuracy** We will take reasonable steps to help assure the accuracy of the data we collect, use and disseminate. Where possible, we will take reasonable steps to correct inaccurate information. When, as with the public record, we cannot correct inaccurate information, we will take all reasonable steps to assist consumers in identifying the source of the erroneous data so that the consumer can secure the required corrections.

**Education** We endeavor to educate the users of our products and services, our employees and others in our industry about the importance of consumer privacy. We will instruct our employees on our fair information values and on the responsible collection and use of data. We will encourage others in our industry to collect and use information in a responsible manner.

**Security** We will maintain appropriate facilities and systems to protect against unauthorized access to and corruption of the data we maintain.



# NOTICE!

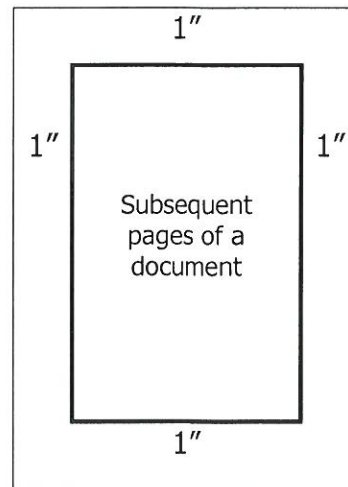
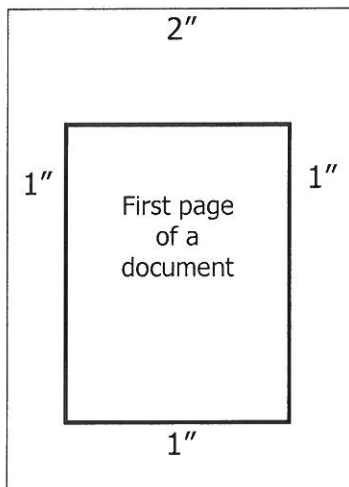
**Recording offices in Alaska ARE enforcing margin and font requirements. Failure to comply with the terms of this Notice may result in your transaction being delayed or failing. It is essential that you comply with this notice. First American will not be responsible in any way for the consequences of any delay caused by the failure to comply with these recording requirements.**

## **Margin Requirements:**

- First page of a document: Must contain two inches (2") of blank space across the top and one (1") margins on the remainder of first page.
- Additional pages of a document: Must contain one inch (1") margin on top, bottom and sides.

## **Font Requirements:**

- Type size may be no smaller than 10 point font.
- Example: This is 10 point type



**There can be no marks or holes of any kind within the margins. This is to include any signature, corporate seals, and/or notary seals. Embosser notary seals will require folding the edge of the document to comply with margin guidelines.**

**For information on recording requirements, fees or office locations, visit the State Recorder's website at [www.recorder.alaska.gov](http://www.recorder.alaska.gov)**



**First American Title Insurance Company**

3035 C Street  
Anchorage, AK 99503  
Phone: (907)561-1844 / Fax: (907)562-0540

PR: 0209

Ofc: 0209

**Invoice**

**To:** Alaska Industrial Development and Export  
813 W Northern Lights Boulevard  
Anchorage, AK 99503

**Invoice No.:**  
**Date:** April 22, 2015  
**Our File No.:** 0209-2432021  
**Title Officer:** Wesley E. Keller  
**Escrow Officer:**

Attention: Jeff San Juan

Your Reference No.: Fairbanks Natural Gas, LLC

**RE:** Property:  
2942 Tria Road, Fairbanks, AK 99709

**Liability**  
**Owners:** \$ 0.00  
**Lenders:** \$ 0.00

**Buyers:** Alaska Industrial Development and Export Authority  
**Sellers:** Fairbanks Natural Gas, LLC, Titan Alaska LNG, LLC

Description of Charge	Invoice Amount
Service: Minimum Cancellation Fee	\$ 250.00
<b>Invoice Total</b>	<b>\$ 250.00</b>

The charges on this invoice are reflective of the minimum cost of production of the products or services provided and are due and payable within 30 days of the above date. Charges on this invoice may be fully credited towards the final policy premiums upon closing.

**Credit may be given if a future Policy is issued on the subject property within 2 years from the date of this invoice.**

Comments:

Thank you for your business!

*To assure proper credit, please send a copy of this Invoice and Payment to*  
First American Title Insurance Company  
Attn: Accounts Receivable Department

**COMMITMENT FOR TITLE INSURANCE**  
**ISSUED BY**  
***YUKON TITLE COMPANY INC.***  
**Policy Issuing Agent for First American Title Insurance Company**  
714 Gaffney Road  
Fairbanks, AK 99701  
(907) 456-3474  
Fax (907) 456-3476

ORDER NO. Y87230-CH  
RE: Fairbanks Natural Gas, LLC\TBD

TO: **Rose & Figura**  
**Attn: Mark Figura**  
**Via Email**

**AGREEMENT TO ISSUE POLICY**

We agree to issue a policy to you according to the terms of this Commitment. When we show the policy amount and your name as the proposed insured in Schedule A, this Commitment becomes effective as of the Commitment Date shown in Schedule A.

If the Requirements shown in this Commitment have not been met within six months after the Commitment Date, our obligation under this Commitment will end. Also, our obligation under this Commitment will end when the Policy is issued and then our obligation to you will be under the Policy.

Our obligation under this Commitment is limited by the following:

- The Provisions in Schedule A.
- The Requirements in Schedule B-1.
- The General Exceptions and Exceptions in Schedule B-2.
- The Conditions.

This Commitment is not valid without SCHEDULE A and Sections 1 and 2 of SCHEDULE B.

Yukon Title Company, Inc.



**Crissy K Haman, Title Officer**  
**crissy@yukontitle.com**

**SCHEDULE A**

1. Commitment Date: **April 13, 2015 at 8:00 A.M.**

2. Policy or Policies to be issued:

<u>TYPE OF POLICY</u>	<u>AMOUNT</u>	<u>PREMIUM</u>
<b>2006 Owner's Standard Policy</b>	<b>\$1,000.00</b>	<b>\$ 250.00</b>
<b>ALTA (6/17/2006)</b>		
<b>Proposed Insured: To Be Determined</b>		
<b>Additional Parcel Fee</b>		<b>\$ 200.00</b>
<b>Credit from File No. Y80720</b>		<b>&lt;\$450.00&gt;</b>

3. A fee simple interest in the land described in this Commitment is owned, at the Commitment Date, by

**Fairbanks Natural Gas, LLC**

4. The land referred to in this Commitment is described as follows:

**PARCEL I**

**Tracts C And D, TANANA LEVEE INDUSTRIAL PARK, according to the plat filed March 28, 2007 as Plat No. 2007-53, Records of the Fairbanks Recording District, Fourth Judicial District, State of Alaska.**

**PARCEL II**

**Lots 6, 7, 8, 9, 10 and 11, Block 6, METRO INDUSTRIAL AIRPARK, according to the plat filed December 12, 1969 as Instrument No. 69-12194; Records of the Fairbanks Recording District, Fourth Judicial District, State of Alaska.**



## Schedule B – Section 2

### EXCEPTIONS

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction.

#### PART ONE:

1. Taxes or assessments which are not shown as existing liens by the records or any taxing authority that levies taxes or assessments on real property or by the Public Records.
2. Any facts, rights, interests, or claims which are not shown by the Public Records but which could be ascertained by an inspection of said land or by making inquiry of person in possession thereof.
3. Easements, claims of easements or encumbrances which are not shown by the Public Records.
4. Rights of the state or federal government and/or the public in and to any portion of the land for right of way as established by federal statute RS 2477 (whether or not such rights are shown by recordings of maps in the Public Records by the State of Alaska showing the general location of these rights of way).
5. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by Public Records.
6. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
7. Any lien, or right to a lien, for services, labor or materials or medical assistance heretofore or hereafter furnished, imposed by law and not shown by the Public Records.

#### PART TWO:

##### THE FOLLOWING AFFECT PARCEL I:

1. **Reservations and exceptions** as contained in the U.S. Patent.
2. **Taxes due the Fairbanks North Star Borough for the year 2015**, are a lien, not yet due and payable. First half taxes will be due and payable September 1st, second half of taxes will be due and payable November 2nd.
3. **Any effect of the notes** which appear on the plat of said subdivision.
4. **Easements** as delineated on the plat of said subdivision.
5. **Deed of Trust**, including terms and provisions thereof, to secure an indebtedness:  
Amount: \$15,000,000.00  
Trustor: **FAIRBANKS NATURAL GAS, LLC**  
Trustee: **FIRST AMERICAN TITLE INSURANCE COMPANY**  
Beneficiary: **ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**  
Dated: May 19, 2014  
Recorded: May 20, 2014  
Instrument No.: 2014-006651-0  
**(Affects this and other property)**
6. **Necessity of providing a Letter of Opinion as to the person(s) authorized to sign on behalf of FAIRBANKS NATURAL GAS LLC.**

**7. TITLE TO VEST IN PERSONS OR ENTITIES NOT YET REVEALED AND WHEN SO VESTED WILL BE SUBJECT TO MATTERS DISCLOSED BY A SEARCH OF THE RECORDS AGAINST THEIR NAME.**

**NOTE:** Taxes due the Fairbanks North Star Borough for 2014 have been paid in the amount of \$137,259.44.  
Parcel No.: 0593832  
Land Valuation: \$232,912  
Improvements: \$8,433,552  
Mill Rate: 15.8380%

**THE FOLLOWING AFFECT PARCEL II:**

8. **Reservations and exceptions** as contained in the U.S. Patent.
9. **Taxes due the Fairbanks North Star Borough for the year 2015**, are a lien, not yet due and payable. First half taxes will be due and payable September 1st, second half of taxes will be due and payable November 2nd.
10. **Right of way easement**, including terms and provisions thereof, granted to **GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.**, and their assigns and/or successors in interest, to construct, operate and maintain an electric transmission and/or telephone distribution line or system by instrument recorded May 17, 1960 in Book 113 at Page 307. (Blanket Easement)
11. **Right of way easement**, including terms and provisions thereof, granted to **GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.**, and their assigns and/or successors in interest, to construct, operate and maintain an electric transmission and/or telephone distribution line or system by instrument recorded March 15, 1961 in Book 126 at Page 42. (Blanket Easement)
12. **Any effect of the notes** which appear on the plat of said subdivision.
13. **Easements** as delineated on the plat of said subdivision.
14. **Right of way easement**, including terms and provisions thereof, granted to **GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.**, and their assigns and/or successors in interest, to construct, operate and maintain an electric transmission and/or telephone distribution line or system by instrument recorded May 29, 1970 in Book 244 at Page 179. (Blanket Easement as to Lot 7)
15. **Right of way easement**, including terms and provisions thereof, granted to **GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.**, and their assigns and/or successors in interest, to construct, operate and maintain an electric transmission and/or telephone distribution line or system by instrument recorded April 28, 1998 in Book 1062 at Page 315. (See instrument for area affected as to Lots 6 and 7)
16. **Deed of Trust**, including terms and provisions thereof, to secure an indebtedness:  
Amount: \$15,000,000.00  
Trustor: **FAIRBANKS NATURAL GAS, LLC**  
Trustee: **FIRST AMERICAN TITLE INSURANCE COMPANY**  
Beneficiary: **ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**  
Dated: May 19, 2014  
Recorded: May 20, 2014  
Instrument No.: 2014-006651-0  
(Affects this and other property)

17. **Encroachment** of chain link fence and underground gas distribution lines and extent of sump into 20 foot public utilities easement; encroachment of adjoining property owner's fence and encroachment of stop sign; as disclosed by ALTA/ACSM LAND Title Survey dated December 4, 2013 by **STUTZMANN ENGINEERING ASSOCIATES, INC.**
18. **Necessity of providing an Attorney's Letter of Opinion** as to the person(s) authorized to sign on behalf of **FAIRBANKS NATURAL GAS LLC.**
19. **TITLE TO VEST IN PERSONS OR ENTITIES NOT YET REVEALED AND WHEN SO VESTED WILL BE SUBJECT TO MATTERS DISCLOSED BY A SEARCH OF THE RECORDS AGAINST THEIR NAME.**

**NOTE:** Taxes due the Fairbanks North Star Borough for 2014 have been paid in the amount of \$56,363.30 as to Lots 6-10, Block 6 of Metro Industrial Airpark.

Parcel No.:	0650360
Land Valuation:	\$310,700
Improvements:	\$3,248,038
Mill Rate:	15.8380%

**NOTE:** Taxes due the Fairbanks North Star Borough for 2014 have been paid in the amount of \$972.36 as to Lot 11, Block 6 of Metro Industrial Airpark.

Parcel No.:	0141054
Land Valuation:	\$61,394
Improvements:	\$0
Mill Rate:	15.8380%

The address of the property per the Fairbanks North Star Borough records:

**2942 Tria Road, Fairbanks, AK 99709 as to Tracts C and D of Parcel I**

**2161 Donald Avenue, Fairbanks, AK 99709 as to Lot 6, Block 6 of Parcel II**

**2155 Donald Avenue, Fairbanks, AK 99709 as to Lot 7, Block 6 of Parcel II**

**2147 Donald Avenue, Fairbanks, AK 99709 as to Lot 8, Block 6 of Parcel II**

**None as to Lot 9, Block 6 of Parcel II**

**2060 Taxiway Avenue, Fairbanks, AK 99709 as to Lot 10, Block 6 of Parcel II**

**2100 Taxiway Avenue, Fairbanks, AK 99709 as to Lot 11, Block 6 of Parcel II**

Questions regarding this Commitment should be directed to, **Crissy K Haman, Title Officer**

**CH/VP**

Typed: April 21, 2015



## SCHEDULE B – Section 1

The following requirements must be met:

- (a) Pay the agreed amounts for the interest in the land and/or the mortgage to be insured.
- (b) Pay us the premiums, fees and charges for the policy.
- (c) Documents satisfactory to us creating the interest in the land and/or the mortgage to be insured must be signed, delivered and recorded.
- (d) You must tell us in writing the name of anyone not referred to in this Commitment who will get an interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions.
- (e) Release(s) or Reconveyance(s) of appropriate items.
- (f)
  - 1. If any document in the completion of this transaction is to be executed by an attorney-in-fact, the contemplated Power of Attorney form should be submitted for review prior to closing.
  - 2. The State of Alaska, Division of Insurance has issued its Order R92-1. The order in part, requires the immediate billing and collection of the minimum charge for this commitment within 30 days of the first billing. In the event this transaction fails to close, the minimum billing will be the cancellation fee in accordance with our filed rate schedule.

### NOTICE

In 1999, the Alaska Department of Natural Resources began recording maps of claimed rights of way which may have been created under a federal law known as "RS 2477", pursuant to Alaska Statute 19.30.400. Because the maps are imprecise, the exception from coverage shown on Schedule B, Part One, Paragraph 4 has been taken. Questions regarding the State's RS 2477 claims should be directed to the Department of Natural Resources, Public Information Center, 550 W. 7<sup>th</sup> Avenue, Suite 1260, Anchorage, AK 99501-3557, (907) 269-8400.



## CONDITIONS

### 1. DEFINITIONS

(a)"Mortgage means mortgage, deed of trust or other security instrument.

(b)"Public Records" means title records that give constructive notice of matters affecting the title according to the state law where the land is located.

### 2. LATER DEFECTS

The Exceptions in Schedule B-Section II may be amended to show any defects, liens or encumbrances that appear for the first time in the public records or are created or attached between the Commitment Date and the date on which all of the Requirements (a) and (c) of Schedule B-Section I are met. We shall have no liability to you because of this amendment.

### 3. EXISTING DEFECTS

If any defects, liens or encumbrances existing at Commitment Date are not shown in Schedule B, we may amend Schedule B to show them. If we do amend Schedule B to show these defects, liens or encumbrances, we shall be liable to you according to Paragraph 4 below unless you knew of this information and did not tell us about it in writing.

### 4. LIMITATION OF OUR LIABILITY

Our only obligation is to issue to you the Policy referred to in this Commitment, when you have met its Requirements. If we have any liability to you for any loss you incur because of an error in this Commitment, our liability will be limited to your actual loss caused by your relying on this Commitment when you acted in good faith to:

comply with the Requirements shown in Schedule B - Section I

eliminate with our written consent any Exceptions shown in Schedule B - Section II.

We shall not be liable for more than the Policy Amount shown in Schedule A of this Commitment and our liability is subject to the terms of the Policy form to be issued to you.

### 5. CLAIMS MUST BE BASED ON THIS COMMITMENT

Any claim, whether or not based on negligence, which you may have against us concerning the title to the land must be based on this commitment and is subject to its terms.

**YUKON TITLE COMPANY, INC. and THE FIRST AMERICAN CORPORATION**

**PRIVACY POLICY**

**We Are Committed to Safeguarding Customer Information**

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information-particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our underwriter, The First American corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

**Applicability**

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. Yukon Title and First American have also adopted broader guidelines that govern our use of personal information regardless of its source. We call these guidelines our *Fair Information Values*, a copy of which can be found on First American's website at [www.firstam.com](http://www.firstam.com).

**Types of Information**

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- \*Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- \*Information about your transactions with us, our affiliated companies, or others; and
- \*Information we receive from a consumer reporting agency.

**Use of Information**

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all the information we collect as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions which whom we or our affiliated companies have joint marketing agreements.

**Former Customers**

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

**Confidentiality and Security**

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and our *Fair Information Values*. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.



*First American*

***First American Title Insurance Company***  
3035 C Street  
Anchorage, AK 99503  
Phn - (907)561-1844 (800)770-0510  
Fax - (907)562-0540

**1st AMENDMENT TO COMMITMENT  
FOR  
TITLE INSURANCE**

**To:**

Rose & Figura  
1207 W 8th AVE  
Anchorage, AK 99501

Attn: Mark Figura  
Re: Fairbanks Natural Gas

**FOR QUESTIONS REGARDING THIS COMMITMENT, PLEASE CONTACT:**

First American Title Insurance Company  
3035 C Street  
Anchorage, AK 99503

Title Officer: Wesley E. Keller  
File No: 0209-2310229  
Phone No: (907)786-9579  
Fax No: (907)562-0540  
Email: wkeller@firstam.com



**First American**

**First American Title Insurance Company**  
3035 C Street  
Anchorage, AK 99503  
Phn - (907)561-1844 (800)770-0510  
Fax - (907)562-0540

**Anchorage OFFICE**  
**FAX (907)562-0540**

Title Officer: **Wesley E. Keller**  
Phone **(907)786-9579** - Email **wkeller@firstam.com**

Re: Property Address: **25849 W. Ayrshire Avenue, Wasilla, AK 99654**

**COMMITMENT FOR TITLE INSURANCE**

Issued by

**FIRST AMERICAN TITLE INSURANCE COMPANY**

Agreement to Issue Policy

We agree to issue a policy to you according to the terms of this Commitment.

When we show the policy amount and your name as the proposed insured in Schedule A, this Commitment becomes effective as of the Commitment Date shown in Schedule A.

If the Requirements shown in this Commitment have not been met within six months after the Commitment Date, our obligation under this Commitment will end. Also, our obligation under this Commitment will end when the Policy is issued and then our obligation to you will be under the Policy.

Our obligation under this Commitment is limited by the following:

- The Provisions in Schedule A.
- The Requirements in Schedule B-I.
- The General Exceptions and Exceptions in Schedule B-II.
- The Conditions.

This Commitment is not valid without Schedule A and Section I and II of Schedule B.

**First American Title Insurance Company**

Wesley E. Keller, Senior Commercial Title Officer



**SCHEDULE A**

1. Commitment Date: April 17, 2015 at 8:00 A.M.

2. Policy or Policies to be issued:

AMOUNT

PREMIUM

ALTA Std Loan Policy 1056.06 (1) (2006)-N

\$ Not Disclosed

\$

TBD

Proposed Insured:

Lender To Be Determined, its successors and/or assigns as their interests may appear as defined in the Conditions of this policy.

3. (A) The estate or interest in the land described in this Commitment is:

A fee simple.

(B) Title to said estate or interest at the date hereof is vested in:

Titan Alaska LNG, LLC

4. The land referred to in this Commitment is described as follows:

Tract 31B, POINT MACKENZIE DEVELOPMENT SUBDIVISION, TRACTS 31A & 31B, according to the official plat thereof, filed under Plat No. 98-146, Records of the Palmer Recording District, Third Judicial District, State of Alaska.

**SCHEDULE B  
SECTION I  
REQUIREMENTS**

The following requirements must be met:

- (A) Pay the agreed amounts for the interest in the land and/or the mortgage to be insured.
- (B) Pay us the premiums, fees and charges for the policy.
- (C) Documents satisfactory to us creating the interest in the land and/or the mortgage to be insured must be signed, delivered and recorded:
- (D) You must tell us in writing the name of anyone not referred to in this Commitment who will get an interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions.
- (E) Releases(s) or Reconveyance(s) of Item(s):
- (F)
  - 1. If any document in the completion of this transaction is to be executed by an attorney-in-fact, the contemplated Power of Attorney form should be submitted for review prior to closing.
  - 2. The State of Alaska, Division of Insurance has issued its Order R92-1. The order in part, requires the immediate billing and collection of the minimum charge for this commitment within 30 days of the first billing. In the event this transaction fails to close, the minimum billing will be the cancellation fee in accordance with our filed rate schedule.

**NOTICE**

In 1999, the Alaska Department of Natural Resources began recording maps of claimed rights of way which may have been created under a federal law known as "RS 2477", pursuant to Alaska Statute 19.30.400. Because the maps are imprecise, the exception from coverage shown on Section 2, Part 1, Paragraph 4 has been taken. Questions regarding the State's RS 2477 claims should be directed to the Department of Natural Resources. Public Information Center 550 W. 7th Avenue, Suite 1260, Anchorage, Alaska 99501 (907) 269-8400.

**NOTICE**

The attached plat, if any, is furnished as a courtesy only by First American Title Insurance Company, and is not part of any title commitment or policy of title insurance.

The plat is furnished solely for the purpose of assisting in locating the premises and does not purport to show all highways, roads or easements affecting the property. No reliance should be placed upon this plat for location or dimensions of the property and no liability is assumed for the correctness thereof.

**SCHEDULE B  
SECTION II**

**GENERAL EXCEPTIONS**

**PART ONE:**

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Rights of the state or federal government and/or the public in and to any portion of the land for right of way as established by Federal Statute RS2477 (whether or not such rights are shown by recordings of maps in the public records by the State of Alaska showing the general location of these rights of way.)
5. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
6. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
7. Any lien, or right to a lien, for services, labor or materials or medical assistance heretofore or hereafter furnished, imposed by law and not shown by the public records.

**SCHEDULE B**  
**SECTION II**  
**EXCEPTIONS**

**PART TWO:**

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction.

1. Reservations or exceptions in U.S. Patent or in acts authorizing the issuance thereof.  
Recorded: October 22, 1965 in Book 59, Page 209  
And Recorded: April 11, 2006 under Serial Number 2006-009213-0
2. Reservations or exceptions in State of Alaska Patent or in acts authorizing the issuance thereof, recorded March 6, 1981 in Book 229 at Page 259.

And amendments thereto,

Recorded: January 22, 1993  
Recording Information: Book 704, Page 475

Said patent, among other things, reserves all oil, gas and other minerals together with the privileges, mining and drilling rights and immunities.

Note: Title to the mineral estate, as it pertains to said oil, gas and mineral interests, has not been further searched and no insurance is provided under this policy.

3. Taxes and/or Assessments, if any, due The Matanuska-Susitna Borough.  
  
(NOTE: Information from Northern Property Tax Service to follow under separate cover)
4. Rights of the public and/or governmental agencies in and to any portion of the above described real property lying within any roadway or public easement areas.
5. The effect of the notes which appear on Amended Plat Number 82-80 and Plat Number 98-146.
6. Easements as dedicated and shown on Amended Plat Number 82-80 and Plat Number 98-146.
7. Right of Way Easement, including the terms and provisions thereof, granted to Matanuska Electric Association, Inc., and its assigns and/or successors in interest, to construct, operate and maintain an electric transmission and/or telephone distribution line or system by instrument  
Recorded: July 24, 1985  
Recording Information: Book 427 Page 243  
Affects: Blanket Easement



8. Right of Way Easement, including the terms and provisions thereof, granted to Matanuska Electric Association, Inc., and its assigns and/or successors in interest, to construct, operate and maintain an electric transmission and/or telephone distribution line or system by instrument  
Recorded: October 27, 2000  
Recording Information: Book 1097 Page 126  
Affects: Blanket Easement
9. All matters, including dedications, notes, restrictions and easements shown or disclosed by the Record of Survey, Tract 31B, Point Mackenzie Development Subdivision as shown on Plat No. 2012-31.
10. Unrecorded leases or periodic tenancies, if any.
11. Any conveyance or encumbrance by Titan Alaska LNG, LLC should be executed pursuant to their Operating Agreement , a copy of which should be submitted to this office for inspection.
12. This report has been submitted to our underwriter for review and approval. We will inform you of any further exceptions and/or requirements.

**END OF SCHEDULE B**

## **CONDITIONS**

### **1. DEFINITIONS**

(a)"Mortgage" means mortgage, deed of trust or other security instrument.

(b)"Public Records" means title records that give constructive notice of matters affecting the title according to the state law where the land is located.

### **2. LATER DEFECTS**

The Exceptions in Schedule B - Section II may be amended to show any defects, liens or encumbrances that appear for the first time in the public records or are created or attached between the Commitment Date and the date on which all of the Requirements (a) and (c) of Schedule B - Section I are met. We shall have no liability to you because of this amendment.

### **3. EXISTING DEFECTS**

If any defects, liens or encumbrances existing at Commitment Date are not shown in Schedule B, we may amend Schedule B to show them. If we do amend Schedule B to show these defects, liens or encumbrances, we shall be liable to you according to Paragraph 4 below unless you knew of this information and did not tell us about it in writing.

### **4. LIMITATION OF OUR LIABILITY**

Our only obligation is to issue to you the Policy referred to in this Commitment, when you have met its Requirements. If we have any liability to you for any loss you incur because of an error in this Commitment, our liability will be limited to your actual loss caused by your relying on this Commitment when you acted in good faith to:

comply with the Requirements shown in Schedule B - Section I

or

eliminate with our written consent any Exceptions shown in Schedule B - Section II.

We shall not be liable for more than the Policy Amount shown in Schedule A of this Commitment and our liability is subject to the terms of the Policy form to be issued to you.

### **5. CLAIMS MUST BE BASED ON THIS COMMITMENT**

Any claim, whether or not based on negligence, which you may have against us concerning the title to the land must be based on this commitment and is subject to its terms.



*First American*

**First American Title Insurance Company**  
3035 C Street  
Anchorage, AK 99503  
Phn - (907)561-1844 (800)770-0510  
Fax - (907)562-0540



*First American Title*

#### Privacy Information

##### We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our subsidiaries we have adopted this Privacy Policy to govern the use and handling of your personal information.

#### Applicability

This Privacy Policy governs our use of the information that you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values.

#### Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

#### Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

#### Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

#### Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

#### Information Obtained Through Our Web Site

First American Financial Corporation is sensitive to privacy issues on the Internet. We believe it is important you know how we treat the information about you we receive on the Internet.

In general, you can visit First American or its affiliates' Web sites on the World Wide Web without telling us who you are or revealing any information about yourself. Our Web servers collect the domain names, not the e-mail addresses, of visitors. This information is aggregated to measure the number of visits, average time spent on the site, pages viewed and similar information. First American uses this information to measure the use of our site and to develop ideas to improve the content of our site.

There are times, however, when we may need information from you, such as your name and email address. When information is needed, we will use our best efforts to let you know at the time of collection how we will use the personal information. Usually, the personal information we collect is used only by us to respond to your inquiry, process an order or allow you to access specific account/profile information. If you choose to share any personal information with us, we will only use it in accordance with the policies outlined above.

#### Business Relationships

First American Financial Corporation's site and its affiliates' sites may contain links to other Web sites. While we try to link only to sites that share our high standards and respect for privacy, we are not responsible for the content or the privacy practices employed by other sites.

#### Cookies

Some of First American's Web sites may make use of "cookie" technology to measure site activity and to customize information to your personal tastes. A cookie is an element of data that a Web site can send to your browser, which may then store the cookie on your hard drive.

FirstAm.com uses stored cookies. The goal of this technology is to better serve you when visiting our site, save you time when you are here and to provide you with a more meaningful and productive Web site experience.

#### Fair Information Values

**Fairness** We consider consumer expectations about their privacy in all our businesses. We only offer products and services that assure a favorable balance between consumer benefits and consumer privacy.

**Public Record** We believe that an open public record creates significant value for society, enhances consumer choice and creates consumer opportunity. We actively support an open public record and emphasize its importance and contribution to our economy.

**Use** We believe we should behave responsibly when we use information about a consumer in our business. We will obey the laws governing the collection, use and dissemination of data.

**Accuracy** We will take reasonable steps to help assure the accuracy of the data we collect, use and disseminate. Where possible, we will take reasonable steps to correct inaccurate information. When, as with the public record, we cannot correct inaccurate information, we will take all reasonable steps to assist consumers in identifying the source of the erroneous data so that the consumer can secure the required corrections.

**Education** We endeavor to educate the users of our products and services, our employees and others in our industry about the importance of consumer privacy. We will instruct our employees on our fair information values and on the responsible collection and use of data. We will encourage others in our industry to collect and use information in a responsible manner.

**Security** We will maintain appropriate facilities and systems to protect against unauthorized access to and corruption of the data we maintain.



# NOTICE!

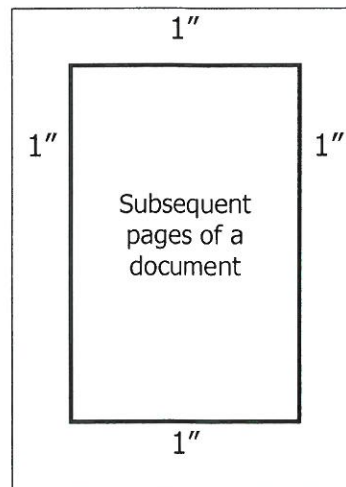
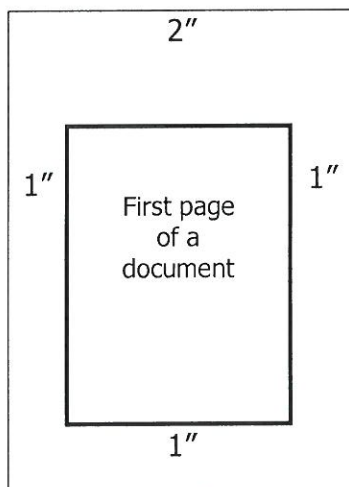
**Recording offices in Alaska ARE enforcing margin and font requirements. Failure to comply with the terms of this Notice may result in your transaction being delayed or failing. It is essential that you comply with this notice. First American will not be responsible in any way for the consequences of any delay caused by the failure to comply with these recording requirements.**

## **Margin Requirements:**

- First page of a document: Must contain two inches (2") of blank space across the top and one (1") margins on the remainder of first page.
- Additional pages of a document: Must contain one inch (1") margin on top, bottom and sides.

## **Font Requirements:**

- Type size may be no smaller than 10 point font.
- Example: This is 10 point type



**There can be no marks or holes of any kind within the margins. This is to include any signature, corporate seals, and/or notary seals. Embosser notary seals will require folding the edge of the document to comply with margin guidelines.**

**For information on recording requirements, fees or office locations, visit the State Recorder's website at [www.recorder.alaska.gov](http://www.recorder.alaska.gov)**





**First American Title Insurance Company**

3035 C Street  
Anchorage, AK 99503  
Phone: (907)561-1844 / Fax: (907)562-0540

PR: 0209

Ofc: 0209

**Invoice**

**To:** Rose & Figura  
1207 W 8th AVE  
Anchorage, AK 99501

**Invoice No.:**  
**Date:** August 28, 2014  
**Our File No.:** 0209-2310229  
**Title Officer:** Wesley E. Keller  
**Escrow Officer:**

Attention: Mark Figura

Your Reference No.: Fairbanks Natural Gas

**RE:** Property:  
25849 W. Ayrshire Avenue, Wasilla, AK 99654

**Liability**  
**Owners:** \$ 0.00  
**Lenders:** \$ 0.00

**Buyers:** Titan Alaska LNG, LLC  
**Sellers:**

Description of Charge	Invoice Amount
Service: Minimum Cancellation Fee	\$ 250.00
<b>Invoice Total</b>	<b>\$ 250.00</b>

The charges on this invoice are reflective of the minimum cost of production of the products or services provided and are due and payable within 30 days of the above date. Charges on this invoice may be fully credited towards the final policy premiums upon closing.

**Credit may be given if a future Policy is issued on the subject property within 2 years from the date of this invoice.**

Comments:

Thank you for your business!

*To assure proper credit, please send a copy of this Invoice and Payment to*  
First American Title Insurance Company  
Attn: Accounts Receivable Department

**Disclosure Schedule 3.8(b)**

**Personal Property**

See attached list entitled "Schedule of Personal Property - \$50,000 or greater."

Pentex Alaska Natural Gas Company, LLC  
Schedule of Personal Property - \$50,000 or greater

<b>Description</b>	<b>In Service Date</b>	<b>\$ Cost</b>
<b><u>FNG</u></b>		
Auxiliary Equip	03/01/06	151,662.00
SS I - Tank 1	03/01/06	181,995.00
SS I - Tank 2	03/01/06	181,994.00
SS I - Tank 3	03/01/06	181,994.00
SS I - Tank 4	03/01/06	181,994.00
DW Drill JT 2720	05/31/06	165,697.13
SS II Project	03/31/07	3,499,413.91
SS II Project	10/31/07	2,123,513.34
SS II Project	12/31/08	83,627.85
SS I Generator	12/31/08	52,000.00
2012 Dodge Ram	01/25/13	50,382.00
Ford F-550	06/01/13	58,555.72
JT30 DW Drill	07/19/14	273,596.00
FX30 DW Vac Trailer	06/05/15	93,500.00
SS 1 Boilers	09/30/15	287,848.32
<b><u>Titan</u></b>		
<b><u>Production Equipment</u></b>		
Turbo Expander	03/01/06	60,000.00
BTB 1	03/01/06	200,000.00
BTB2	03/01/06	200,000.00
Cascade Unit	03/01/06	400,000.00
Heat Exchanger	09/01/09	85,447.70
Fire Eyes - 193 Plant Upgrades	01/01/13	89,664.57
193 Plant Upgrades	01/01/13	134,756.10
General Monitor	12/31/13	87,029.84
BTB Emission upgrade	07/28/14	259,197.57
<b><u>Transportation Equipment</u></b>		
LNG Trailer - Alloy	03/01/06	180,000.00
LNG Trailer - Alloy	03/01/06	180,000.00
LNG Trailer - Alloy	10/19/06	228,451.53
LNG Trailer - Alloy	10/21/06	228,451.54
LNG Trailer - Alloy	10/23/06	228,457.72
LNG Trailer - Alloy	10/30/06	228,368.09
LNG Trailer - Chart	02/28/10	313,530.15
LNG Trailer - Chart	02/28/10	313,530.17
2013 Kenworth T800	01/01/13	273,622.32
2013 Kenworth T800	01/01/13	273,632.04
LNG Trailer - Heil	06/07/16	343,285.00
LNG Trailer - Heil	10/01/17	369,782.66
LNG Trailer - Heil	10/01/17	369,782.67
LNG Trailer - Heil	10/01/17	369,782.67
<b>Total</b>		<b><u>\$ 12,984,545.61</u></b>

## **Disclosure Schedule 3.8(c)**

### **Clear Title Exceptions**

1. All of the encumbrances affecting title to the real property as listed in the title commitment from Yukon Title Company, Inc. dated April 13, 2015, attached to Disclosure Schedule 3.8(a). (For Fairbanks Natural Gas, LLC real property).
2. All of the encumbrances affecting title to the real property as listed in the title commitment from First American Title Insurance Company dated April 17, 2015, attached to Disclosure Schedule 3.8(a). (For Titan Alaska LNG, LLC real property).
3. All of the encumbrances affecting title to the real property as listed in the title commitment from First American Title Insurance Company dated April 16, 2015, attached to Disclosure Schedule 3.8(a). (For Titan and FNG real property).
4. Security interest under Commercial Security Agreement, dated May 19, 2014, between Fairbanks Natural Gas, LLC, as Borrower, and the Alaska Industrial Development and Export Authority, as Secured Party.
5. Lien and security interest under the Deed of Trust, Security Agreement and Fixture Filing, dated May 19, 2014, made by Fairbanks Natural Gas, LLC, as Trustor, to First American Title Insurance Company, as Trustee, and for the benefit of the Alaska Industrial Development and Export Authority, as Beneficiary.
6. Rights and interests under the Assignment of Contracts, Agreements, Licenses and Permits, dated May 19, 2014, by Fairbanks Natural Gas, LLC, as Borrower, and the Alaska Industrial Development and Export Authority, as Lender.
7. Security interest created under Combination Loan and Security Agreement between Wells Fargo Equipment Finance, Inc. and Fairbanks Natural Gas, LLC, dated January 2, 2013, as assigned from Fairbanks Natural Gas, LLC to Titan Alaska LNG, LLC, pursuant to the Assignment and Assumption Agreement, dated September 24, 2013.
8. Security interest created under Combination Loan and Security Agreement between Wells Fargo Equipment Finance, Inc. and Titan Alaska LNG, LLC, dated May 27, 2016.
9. Security interest created under Combination Loan and Security Agreement between Wells Fargo Equipment Finance, Inc. and Titan Alaska LNG, LLC, dated August 25, 2017.
10. Security interests affecting title to the personal property listed on the attached "Schedule of Encumbered Personal Property."



Pentex Alaska Natural Gas Company, LLC  
Schedule of Encumbered Personal Property  
As of November 18, 2017  
Disclosure Schedule 3.08(c)

<u>Personal Property</u>	<u>VIN/ID#</u>	<u>Secured Party</u>
2013 T800 LNG Kenworth Tractor	1XKDDW9X5DR355714	Wells Fargo Equipment Financing
2013 T800 LNG Kenworth Tractor	1XKDDW9X5DR355715	Wells Fargo Equipment Financing
2013 F550 Ford Crew Cab	1FD0W5HT6DEB29763	Wells Fargo Equipment Financing
2015 LNG Transport Heil Trailer	5HTZA5356F7L80725	Wells Fargo Equipment Financing
2017 LNG Transport Heil Trailer	5DDKM5351J1008617	Wells Fargo Equipment Financing
2017 LNG Transport Heil Trailer	5DDKM5353J1008618	Wells Fargo Equipment Financing
2017 LNG Transport Heil Trailer	5DDKM5355J1008619	Wells Fargo Equipment Financing

Encumbered Date	Projected Release Date
1/2/2013	1/2/2018
1/2/2013	1/2/2018
5/20/2013	5/28/2018
5/27/2016	6/7/2023
8/25/2017	7/1/2024
8/25/2017	7/1/2024
8/25/2017	7/1/2024

### Disclosure Schedule 3.9

#### Good Condition Exceptions

1. Following is the list of equipment or aspect of the structures that is not in good condition and repair (ordinary wear and tear excepted):

<u>Asset #</u>	<u>Description</u>	<u>Original Book Value</u>
9-1	Computer	\$1,500
10-1	Computer – Server	\$2,500
38-1	CBSW HandHelds	\$5,335
55-1	Computer	\$1,403
61-1	Laptop Computer	\$1,975
65-1	Computer – SSI	\$818
66-1	Laptop Computer – Engineering	\$3,011
68-1	Computer – SSII	\$1,409
92-1	Computer	\$1,500
94-1	Laptop Computer 2008 – Engineering	\$2,174
101-1	Computer – Accounting	\$981
107-1	Computer	\$587

2. Other defects, deficiencies or matters are listed or described in: Physical Inspection Due Diligence Report prepared by HDR/MEI for AIDEA dated May 8, 2015 (for Titan Alaska LNG, LLC), and Physical Inspection Due Diligence Report prepared by HDR/MEI for AIDEA dated May 13, 2015 (for FNG Storage and Regasification Facilities).
3. Other defects, deficiencies or matters are listed or described in:

“PDC – IGU LNG Asset Inspection Report” prepared by CHI Engineering Services, Inc., dated June 9, 2017;

“Structural Evaluation of Existing LNG Facility Assets” of “Due Diligence Inspection Report for IGU FINAL” prepared by PDC Inc. Engineers, dated December 2016;

“LNG Environmental Health and Safety Program Review” prepared by MWH/Stantec dated March 28, 2017; and

“Evaluation: Natural Gas Distribution Assets” of “Due Diligence Inspection Report for IGU FINAL” prepared by Stantec, undated.

**Disclosure Schedule 3.11**

**Contested Accounts Receivable**

None.



## **Disclosure Schedule 3.12**

### **Material Contracts**

1. Option and Lease Agreement between Arctic Energy Transportation, LLC and Fisher's Fuel, Inc., dated September 3, 2011, as amended.
2. Firm Transportation Service Agreement between Titan Alaska LNG, LLC and Enstar Natural Gas Company, dated August 28, 2013.
3. Natural Gas Sale Agreement between Fairbanks Natural Gas, LLC and CIRI Alaska Tourism Corporation, dated effective as of April 1, 2011, as assigned from Fairbanks Natural Gas, LLC to Titan Alaska LNG, LLC.
4. Combination Loan and Security Agreement between Wells Fargo Equipment Finance, Inc. and Fairbanks Natural Gas, LLC, dated January 2, 2013, as assigned from Fairbanks Natural Gas, LLC to Titan Alaska LNG, LLC, pursuant to the Assignment and Assumption Agreement, dated September 24, 2013.
5. Combination Loan and Security Agreement between Wells Fargo Equipment Finance, Inc. and Fairbanks Natural Gas, LLC, dated May 20, 2013.
6. Combination Loan and Security Agreement between Wells Fargo Equipment Finance, Inc. and Titan Alaska LNG, LLC, dated May 27, 2016.
7. Combination Loan and Security Agreement between Wells Fargo Equipment Finance, Inc. and Titan Alaska LNG, LLC, dated August 25, 2017.
8. Gas Sale and Purchase Agreement between Titan Alaska LNG, LLC, and Hilcorp Alaska, LLC, dated July 1, 2013.
9. Gas Sale and Purchase Agreement between Titan Alaska LNG, LLC and Hilcorp Alaska, LLC (Titan-02), dated August 1, 2017.
10. Letter Agreement for Gas Sale and Purchase Agreement Line of Credit and Prepayment Requirement between Titan Alaska LNG, LLC, and Hilcorp Alaska, LLC, dated July 17, 2013.
11. 2013 Fuel Service Agreement between Fairbanks Natural Gas, LLC and Fairbanks Memorial Hospital 2013.
12. Letter amendment to Large Volume Interruptible Service Agreement pricing between Fairbanks Natural Gas, LLC and Fairbanks Memorial Hospital, dated June 13, 2016.
13. Amended Large Volume Interruptible Service Agreement between Fairbanks Natural Gas, LLC and University of Alaska, dated September 1, 2007.
14. Letter amendment to Large Volume Interruptible Service Agreement pricing between Fairbanks Natural Gas, LLC and University of Alaska, dated March 7, 2016.

15. Letter agreement to move FNSB and FNSBSD to Interruptible Large rate class dated February 8, 2016.
16. LNG Transportation Agreement by and between Titan Alaska LNG, LLC and Big State Logistics, Incorporated, dated November 1, 2015.
17. LNG Transportation Agreement by and between Titan Alaska LNG, LLC and Sourdough Express, Incorporated, dated March 10, 2015.
18. Trailer Interchange Agreement by and between Titan Alaska LNG, LLC and Weaver Bros., Inc., dated March 11, 2015.
19. Loan Agreement by and between Fairbanks Natural Gas, LLC and AIDEA, dated May 19, 2014, as amended, and accompanying agreements listed on Disclosure Schedule 3.19, Interested Party Contracts.
20. Employment Agreement by and between Fairbanks Natural Gas, LLC and Dan Britton, dated October 17, 2016.
21. Deferred Compensation Agreement by and between Fairbanks Natural Gas, LLC and Dan Britton, dated December 11, 2013 as amended.
22. Deferred Compensation Agreement by and between Fairbanks Natural Gas, LLC and Dan Britton, dated September 30, 2015.
23. Firm LNG Sales and Purchase Agreement between Titan Alaska LNG, LLC and Fairbanks Natural Gas, LLC, dated January 1, 2014.
24. Interruptible LNG Transportation Agreement between Titan Alaska LNG, LLC and Fairbanks Natural Gas, LLC, dated January 1, 2014.
25. Small Enterprise License Agreement (Small Utility) between Fairbanks Natural Gas, LLC and Environmental Systems Research Institute, Inc., dated July 15, 2015.
26. Purchase Order # 13428 from Fairbanks Natural Gas, LLC, dated June 18, 2015, to Geo North Consulting in the amount of approximately \$115,375.
27. Utility Agreement, dated June 3, 2015, between Fairbanks Natural Gas, LLC and City of Fairbanks.
28. Cost Reimbursement Agreement, dated October 18, 2017, between Fairbanks Natural Gas, LLC, Cassini LNG Storage, LLC, and the Alaska Industrial Development and Export Authority.

## **Disclosure Schedule 3.13(b)**

### **Material Permits and Licenses**

1. Hazardous Materials Certificate of Registration for Registration Year(s) 2016-2019, Reg. No. 062016 552 041YA, issued June 20, 2016 to Titan by the U.S. Department of Transportation.
2. Air Quality Control Operating Permit No. AQ0855TVP02 Revision 2 for the Titan Alaska LNG, LLC LNG Plant No. 1, issued by the State of Alaska Department of Environmental Conservation, Revision 2 effective April 25, 2014.
3. Operator Identification Number 39092 issued February 5, 2014 by U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration to Titan Alaska LNG.
4. Operator ID 99128 issued by U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration to Titan Alaska LNG. Mandatory Land Use Permit No. 170220100401 issued July 21, 2010 by the Matanuska-Susitna Borough Planning and Land Use Department
6. Right of Way permits (See attached).
7. Sage 50 Premium Accounting software license agreement.
8. Continental Utility Solutions, Inc. (CUSI) software license agreement.
9. Special Permit - U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA) docket PHMSA-2013-0181, related to 125,000 barrel liquefied natural gas storage facility at 2942 Tria Road, Fairbanks, Alaska.

### Compliance with Laws

1. See compliance matters listed or described in: Physical Inspection Due Diligence Report prepared by HDR/MEI for AIDEA dated May 8, 2015 (for Titan Alaska LNG, LLC) and Physical Inspection Due Diligence Report prepared by HDR/MEI for AIDEA dated May 13, 2015 (for FNG Storage and Regasification Facilities).
2. Other compliance matters are listed or described in:  
  
“PDC – IGU LNG Asset Inspection Report” prepared by CHI Engineering Services, Inc., dated June 9, 2017;  
  
“Structural Evaluation of Existing LNG Facility Assets” of “Due Diligence Inspection Report for IGU FINAL” prepared by PDC Inc. Engineers, dated December 2016;

“LNG Environmental Health and Safety Program Review” prepared by MWH/Stantec dated March 28, 2017;

“Evaluation: Natural Gas Distribution Assets” of “Due Diligence Inspection Report for IGU FINAL” prepared by Stantec, undated; and

“Due Diligence Report, Economic and Management Review” prepared by NewGen Strategies & Solutions, dated June 12, 2017.



[illegible]

[illegible]

## **Disclosure Schedule 3.14**

### **Legal Proceedings**

1. Fairbanks Natural Gas, LLC is a party to a proceeding before the Alaska Labor Relations Agency entitled "International Brotherhood of Electrical Workers, Local No. 1547, Petitioner, vs. Fairbanks Natural Gas, Respondent." The case number is ALRA Case No. 17-1700-RC. The case concerns IBEW's efforts to represent certain employees of Fairbanks Natural Gas, LLC. Fairbanks Natural Gas, LLC moved to dismiss the case for lack of jurisdiction, which motion was denied. Fairbanks Natural Gas, LLC filed an administrative appeal to the Anchorage Superior Court. The administrative appeal is case number 3AN-17-08359CI. Briefing on the administrative appeal is currently in progress.
2. A contractor's truck hauling LNG to FNG in a trailer owned by Titan was involved in a fatality accident on November 27, 2017 when the truck struck a person who was on the roadway. It is unknown at this time whether any litigation involving Titan or FNG will occur, or whether a claim against Titan or FNG may be made, regarding this accident.



## Disclosure Schedule 3.16(b)

### Environmental Liabilities

#### A. Environmental Reports provided:

##### Titan Alaska LNG, LLC Real Property:

1. June 2005, Environmental Site Assessment, Tracts 31A and 31B, Point MacKenzie Development Subdivision, Wasilla, Alaska performed by Travis/Peterson Environmental Consulting, Inc.
2. October 13, 2005, Baseline Site Assessment Report, Point MacKenzie Northern Eclipse Liquid Natural Gas Plant Facility, Tracts 31A and 31B, Point MacKenzie Development Subdivision, Wasilla, Alaska, by SECOR International Incorporated.
3. October 9, 2007, letter from State of Alaska Dept. of Environmental Conservation to Fairbanks Natural Gas, regarding Engine Oil Spill at the LNG Processing Plant at Ayrshire Road, Big Lake, Spill # 04239900101 and SGS Environmental Services Alaska Division Level II Laboratory Data Report dated June 20, 2007.
4. November 2, 2007 letter from Alaska Soil Recycling to State of Alaska Dept. of Environmental Conservation regarding soil disposal.
5. September 16, 2009 letter from State of Alaska Dept. of Environmental Conservation to Northern Eclipse, LLC regarding Review of the file for Northern Eclipse LNG Plant Engine Oil Leak, Big Lake, and Request for a Work Plan for Further Site Characterization and Summary of Work Completed to Date.
6. August 13, 2010, letter of Stantec Consulting Corporation to State of Alaska Dept. of Environmental Conservation, regarding Letter Report of Soil Characterization Reports.
7. December 6, 2010, Soil Remediation Report for Point MacKenzie Liquid Natural Gas Plant Facility ADEC File No.: 2265.38.037, Tracts 31A and 31B, Point MacKenzie Development Subdivision, Wasilla, Alaska, from Stantec Consulting Corporation.
8. February 3, 2011, letter of Stantec Consulting Corporation to State of Alaska Dept. of Environmental Conservation, regarding Contaminant Fate and Transport Evaluation – SESOIL, Point MacKenzie Liquid Natural Gas Plant Facility, Tracts 31A and 31B, Point MacKenzie Development Subdivision, Wasilla, Alaska.
9. February 22, 2011, letter of Stantec Consulting Corporation to State of Alaska Dept. of Environmental Conservation, regarding Transmittal of Soil Remediation Report and Contaminant Fate and Transport Evaluation (SESOIL) Report for Fairbanks Natural Gas Facility, Point MacKenzie Liquid Natural Gas Plant Facility, Tracts 31A and 31B, Point MacKenzie Development Subdivision, Wasilla, Alaska.



10. March 14, 2011, letter from State of Alaska Dept. of Environmental Conservation to Fairbanks Natural Gas, regarding Decision Document; Point MacKenzie Northern Eclipse Liquid Natural Gas (LNG) Plant Cleanup Complete with Institutional Controls Determination.
11. April 5, 2011, letter from State of Alaska Dept. of Environmental Conservation to Fairbanks Natural Gas, regarding Point MacKenzie Fairbanks Natural Gas Liquid Natural Gas (LNG) Plant Cleanup Complete with Institutional Controls Determination.
12. March 3, 2011, letter from State of Alaska Dept. of Environmental Conservation Division of Air Quality to Fairbanks Natural Gas, regarding January 12, 2005 Compliance Order by Consent (COBC) No. 04-288-50-35136 Closure letter, File No. 2265.16.001 For Air Quality Control Permitting concerns.
13. April 22, 2011, letter of Alaska National Insurance Company to FNG regarding TEG Air and Bulk Asbestos sampling conducted on April 4, 2011.
14. Limited Phase II Environmental Site Assessment, Tract 31B, Point Mackenzie Development Subdivision, Wasilla, Alaska prepared by Shannon & Wilson, Inc., dated June 24, 2015.
15. Executive Summary Limited Phase II Environmental Site Assessments, Wasilla and Fairbanks, Alaska prepared by Shannon & Wilson, Inc., dated June 24, 2015.
16. September 15, 2015, letter from State of Alaska Dept. of Environmental Conservation to Titan Alaska, LLC regarding Air Quality Full Compliance Evaluation Report for Titan Alaska, LLC, Liquid Natural Gas Plant No. 1, Permit No. AQ0855TVP02 Rev 2, File No. 2265.16.001 Enforcement Tracking No. 2015-R0731-37-0001.

*Fairbanks Natural Gas, LLC Real Property:*

17. June 23, 1997, Phase I Environmental Site Assessment, Lots 6-11, Block 6, Metro Industrial Airpark, Fairbanks, Alaska prepared by Nortech Environmental & Engineering Consultants.
18. May 24, 2006, Phase I Environmental Site Assessment, Tax Lots 2906 and 2912, Township 1S, Range 1W, Section 29, Fairbanks, Alaska prepared by Nortech Environmental Engineering & Industrial Hygiene Consultants.
19. January and February 1998, Drinking Water Analysis Reports prepared by Northern Testing Laboratories, Inc.
20. January 6, 2011, letter from State of Alaska Dept. of Environmental Conservation to Fairbanks Natural Gas, LLC regarding Cleanup Completion Determination.
21. September 3, 2010, letter from Stantec Consulting Corporation to State of Alaska Dept. of Environmental Conservation, regarding Letter Report of Soil Characterization Reports

for Fairbanks Natural Gas, Lots 6 through 11 of Block 6, Metro Industrial Park, Fairbanks, Alaska.

22. February 22, 2011, letter of Stantec Consulting Corporation to USEPA Region 10, regarding Transmittal of Soil Remediation Report for Fairbanks Natural Gas Facility, Fairbanks, Alaska (for septic system removal).
23. Certification of RCRA Exempt Status from OIT, Inc. dated September 3, 2010 (for soil remediation).
24. Limited Phase II Environmental Site Assessment, Tracts C and D, Tanana Levee Industrial Park, Fairbanks Alaska prepared by Shannon & Wilson, Inc., dated June 24, 2015.
25. Executive Summary Limited Phase II Environmental Site Assessments, Wasilla and Fairbanks, Alaska prepared by Shannon & Wilson, Inc., dated June 24, 2015.
26. Limited Removal Action, Tracts C and D, Tanana Levee Industrial Park, Fairbanks, Alaska prepared by Shannon & Wilson, Inc., dated September 14, 2015.

**B. Certain matters:**

1. An estimated 150 gallons of engine lube oil was released beginning in January 2004 from oil pan penetrations covered with gasketed bolted plates on the BTB compressor #2 on the Owned Real Property, which release was reported in July 1, 2005, and for which the environmental reports and materials identified in items A.1-11 (above) relate, including the Cleanup Completion letter (item A.11 above).
2. In mid-2013, in connection with selecting appropriate emission control equipment in compliance with the requirements stipulated in Titan's Title V operating permit as well as Subpart ZZZZ (the most current version of the 2010 Reciprocating Internal Combustion Engines (RICE) National Emission Standards of Hazardous Air Pollutants (NESHAP), which final rule had become effective in January 2013), Titan was made aware that the two engines that were permitted under the operating permit as rich-burn actually operate as lean-burn. As a result of this discrepancy, Titan needed a minor modification to its operating permit to retrofit the two engines to operate using a lean-burn configuration, which modification it requested from Alaska Department of Environmental Conservation (ADEC) on September 12, 2013. In recognition that both engines needed to operate during the peak production season (in order that FNG could fulfill its obligations to customers during the peak season), Titan requested an extension for compliance with Subpart ZZZZ by letter dated October 14, 2013. The EPA Region 10 requested additional information on February 3, 2014, which Titan provided on March 7, 2014. On April 4, 2014, the EPA Region 10 denied the compliance extension. Titan objected to the denial and requested reconsideration by letter dated April 22, 2014. The revision to the operating permit was issued by ADEC effective April 25, 2014. On July 2, 2014, Titan informed the EPA Region 10 that the engine conversions and emissions control equipment were completed. In letter dated August 20, 2014, ADEC approved Titan's proposed source test plan, which had been submitted on July 17, 2014. ADEC reiterated



Titan's non-compliance with certain permit conditions in the Air Quality Full Compliance Evaluation Report, dated September 17, 2015.

3. A former garage on the east side of the Owned Real Property burned to the ground in December 2009, which may have resulted in the release of Hazardous Materials that had been stored in such facility, although environmental reports subsequent to the fire have not identified any reportable environmental contamination.
4. Diesel range organics concentrations exceeding the most stringent Method Two cleanup levels and residual range organic concentrations exceeding the ADEC maximum allowable concentration were measured in surface samples collected at Tracts C and D, Tanana Levee Industrial Park, Fairbanks, Alaska as part of the Limited Phase II Environmental Site Assessment of the Fairbanks site in 2015. The impacted soil was removed, transported, and disposed, and the excavated areas backfilled with clean imported fill material, as summarized in the Limited Removal Action, Tracts C and D, Tanana Levee Industrial Park, Fairbanks, Alaska prepared by Shannon & Wilson, Inc., dated September 14, 2015.
5. Titan received a notice of amendment letter dated August 30, 2017 from the US Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) regarding amendments to Titan's procedures. Titan submitted its amended procedures on October 5, 2017. October 30, 2017 Titan received a closure letter from PHMSA closing the notice of amendment and thanking Titan for its cooperation.
6. Fairbanks Natural Gas (FNG) received a notice of amendment letter dated August 19, 2016 from the US Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) regarding amendments to FNG's procedures. FNG submitted its amended procedures on September 23, 2016. November 16, 2016 FNG received a closure letter from PHMSA closing the notice of amendment and thanking FNG for its cooperation.
7. Fairbanks Natural Gas (FNG) received a warning letter dated August 16, 2016 from the US Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) regarding probable violations of the Pipeline Safety Regulations. FNG submitted its response on September 29, 2016. December 19, 2016 FNG received an acknowledgement letter from PHMSA stating it had received FNG's response and the contents of the response would be reviewed during subsequent inspections.
8. Fairbanks Natural Gas (FNG) received a notice of probable violation and proposed compliance order dated September 16, 2016 from the US Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) regarding probable violations of the Pipeline Safety Regulations. FNG submitted its response on October 14, 2016. December 07, 2016 FNG received an inadequate response letter from PHMSA stating it had received FNG's response and an item in the response did not adequately address PHMSA's concern. December 19, 2017 FNG received a correction to December 7, 2016 inadequate response letter from PHMSA correcting a transposition of a quoted regulation and also giving FNG the opportunity to respond to the December 7, 2017 inadequate response letter. FNG submitted a response on December 21, 2016 addressing

the item PHMSA addressed as inadequate. May 16, 2017 FNG received an inadequate response letter from PHMSA stating it had received FNG's response and an item in the response continued to not adequately address PHMSA's concern and requires further attention. October 25, 2017 FNG again responded to the inadequate response letter with further refinement. FNG is awaiting a response from PHMSA on its latest response letter dated October 25, 2017.

9. Other matters are listed or described in:

"PDC – IGU LNG Asset Inspection Report" prepared by CHI Engineering Services, Inc., dated June 9, 2017;

"Structural Evaluation of Existing LNG Facility Assets" of "Due Diligence Inspection Report for IGU FINAL" prepared by PDC Inc. Engineers, dated December 2016;

"LNG Environmental Health and Safety Program Review" prepared by MWH/Stantec dated March 28, 2017;

"Evaluation: Natural Gas Distribution Assets" of "Due Diligence Inspection Report for IGU FINAL" prepared by Stantec, undated; and

"Due Diligence Report, Economic and Management Review" prepared by NewGen Strategies & Solutions, dated June 12, 2017.

10. Fairbanks Natural Gas received a letter dated November 9, 2017 from the State of Alaska Department of Environmental Conservation. The letter relates to the City of Fairbanks Regional Fire Training Center Burn Pit and alleged contamination by perfluorooctane sulfonate from the use of fire extinguishing foam. The letter requests information from Fairbanks Natural Gas. Fairbanks Natural Gas responded with a letter dated November 20, 2017.
11. Titan has reported spills since January 2015 as documented in the attached spill reports and as summarized in the table below:

2015			2016			2017		
	Spills reported	Amount reported		Spills reported	Amount reported		Spills reported	Amount reported
Jan	None		Jan	None		Jan	None	
Feb	None		Feb	Yes	3 Gallons	Feb	None	
Mar	None		Mar	None		Mar	Yes	0.75 Gallons
Apr	Yes	0.5 Gallons	Apr	None		Apr	None	
May	None		May	Yes	3 Gallons	May	None	
Jun	None		Jun	None		Jun	None	
Jul	None		Jul	None		Jul	None	
Aug	None		Aug	None		Aug	None	
Sep	None		Sep	None		Sep	None	
Oct	Yes	0.5 Quart	Oct	None		Oct	None	
Nov	None		Nov	None		Nov	Yes	~100 Gal.
Dec	None		Dec	None		Dec	None	





LARGE SPILLS, HAZARDOUS SUBSTANCE SPILLS OR SPILLS AFFECTING WATERWAYS MUST BE REPORTED IMMEDIATELY.

After Hours: 1-800-478-9300

FACILITY NAME AND ADDRESS:  
Titan Alaska LNG, LLC.  
25849 Tyshire Rd.  
Big Lake AK 99652

REPORT MONTH/YEAR:  
April 2015

REPORTED BY:  
James Branch

[illegible]

FACILITY NAME AND ADDRESS:  
T.Tan Alaska L-NG-LLC  
25849 Alyeska Rd.  
Big Lake, Ak. 99652

REPORT MONTH/YEAR:  
October 2015

REPORTED BY:  
Dana K. Paul

James Branch

FACILITY NAME AND ADDRESS  
T. Taton Alaska W6. LK2  
25840 Ayshire Rd  
Big Lake AK 99652  
REPORT MONTH/YEAR: February 2016  
REPORTED BY: Anne Sand

Sans Branch

[illegible]



LARGE SPILLS, HAZARDOUS SUBSTANCE SPILLS OR SPILLS AFFECTING WATERWAYS MUST BE REPORTED IMMEDIATELY.

Fairbanks 455-3340 After Hours 4-800-478-9300  
 Juneau 455-3340  
 Anchorage 269-5063  
 Fairbanks 455-3340

FACILITY NAME AND ADDRESS:  
T. tow Alaska LNG  
25844 Aprshire Rd  
Big Lake, Ak 99652

REPORT MONTH/YEAR:  
May 2016

REPORTED BY:  
[Signature]

James Boach

DATE / TIME OF SPILL	LOCATION	PRODUCT SPILLED	QTY SPILLED (GALLONS)	CAUSE OF SPILL & AREA AFFECTED	WHO RESPONDED	CLEANUP & METHOD / PLACE OF DISPOSAL
5-10-16 09:30	BTB1	NC	3	opening of trailer management valve. Product should not have been in that line.	Plant Personnel	Absorbent Pads





Only for spills less than 10 gallons, solely to land, not to creeks, sewers or storm drains (see Discharge Reporting requirements, 18 AAC 75.300)

SPILLS GREATER THAN 55 GALLONS SOLELY TO LAND OUTSIDE SECONDARY CONTAINMENT, HAZARDOUS SUBSTANCE SPILLS OR SPILLS TO WATER MUST BE REPORTED IMMEDIATELY.

Call the nearest ADEC office for more information: Anchorage: 269-3063 Fairbanks: 451-2121 Juneau: 465-5340

Please submit the completed monthly spill reporting log to the nearest ADEC office:

Anchorage: [doc.carspillreport@alaska.gov](mailto:doc.carspillreport@alaska.gov)

Fairbanks: [dec.narspillreport@alaska.gov](mailto:dec.narspillreport@alaska.gov)

Juneau: [dec.spar.seregon.spills@alaska.gov](mailto:dec.spar.seregon.spills@alaska.gov)

FACILITY NAME AND ADDRESS:	
11am Abiona LBN, LLC 25849 Arshire Rd. Big Lake, AL 36650	
REPORT MONTH/YEAR:	
March 2017	
REPORTED BY:	PHONE #:
Texas Branch	(407) 313-6111
EMAIL:	
jbranch@titanalekska.com	

[illegible]

**From:** [Dan Britton](#)  
**To:** [Juday, Jerry H \(LAW\)](#)  
**Subject:** Fwd: Titan Alaska LNG (oil spill 122717)  
**Date:** Tuesday, November 28, 2017 12:34:46 PM

---

Here is the notification of the spill I discussed with you. We were told that a separate report beyond the email is not required, and that this spill is not required to be included on the monthly report as it is already reported.

Let me know if you have any questions.

Dan

----- Forwarded message -----

**From:** **Jim Branch** <[jbranch@titanalaskalng.com](mailto:jbranch@titanalaskalng.com)>  
**Date:** Tue, Nov 28, 2017 at 12:19 PM  
**Subject:** Titan Alaska LNG (oil spill 122717)  
**To:** [gay.harpole@alaska.gov](mailto:gay.harpole@alaska.gov)  
**Cc:** Dan Britton <[dwbritton@fngas.com](mailto:dwbritton@fngas.com)>

Gay,

We had an oil spill yesterday 12-27-2017 from a valve that was cracked open without a plug in it when the oil pump was turned on. From our estimate of what is missing from the tank it is a quantity of approximately 100 gallons. Most of the oil landed on the concrete slab shown in the pictures. I would estimate that 20 to 30 gallons came into contact with the soil. We have scooped up the snow and oil as well as used absorbents to recover the spill. There will be additional pictures coming after the rest of the surface soil has been scraped up. The ground is frozen so I don't believe the oil went down far.

The two trash cans in the picture were what was cleaned up off of the soil. The other drums are from the concrete. I am sure we will collect another drum of snow, oil, and soil today finishing up the soil area. If when the ground thaws more oil shows up on top we will use absorbents to clean it up.

Our plan of disposal is to have ECC dispose of the contaminated soil and oily water that will be generated when the snow and oil melts and separates. We will also be able to give a more accurate account of oil that contacted the soil after separation. The absorbents that were used will be disposed at the nearby waste incinerator on KGB.

I will document and forward the receipts from ECC and the incinerator.

If there is anything else that you would like please let me know.

Jim

**JIM BRANCH**

PLANT MANAGER

TITAN ALASKA LNG, LLC

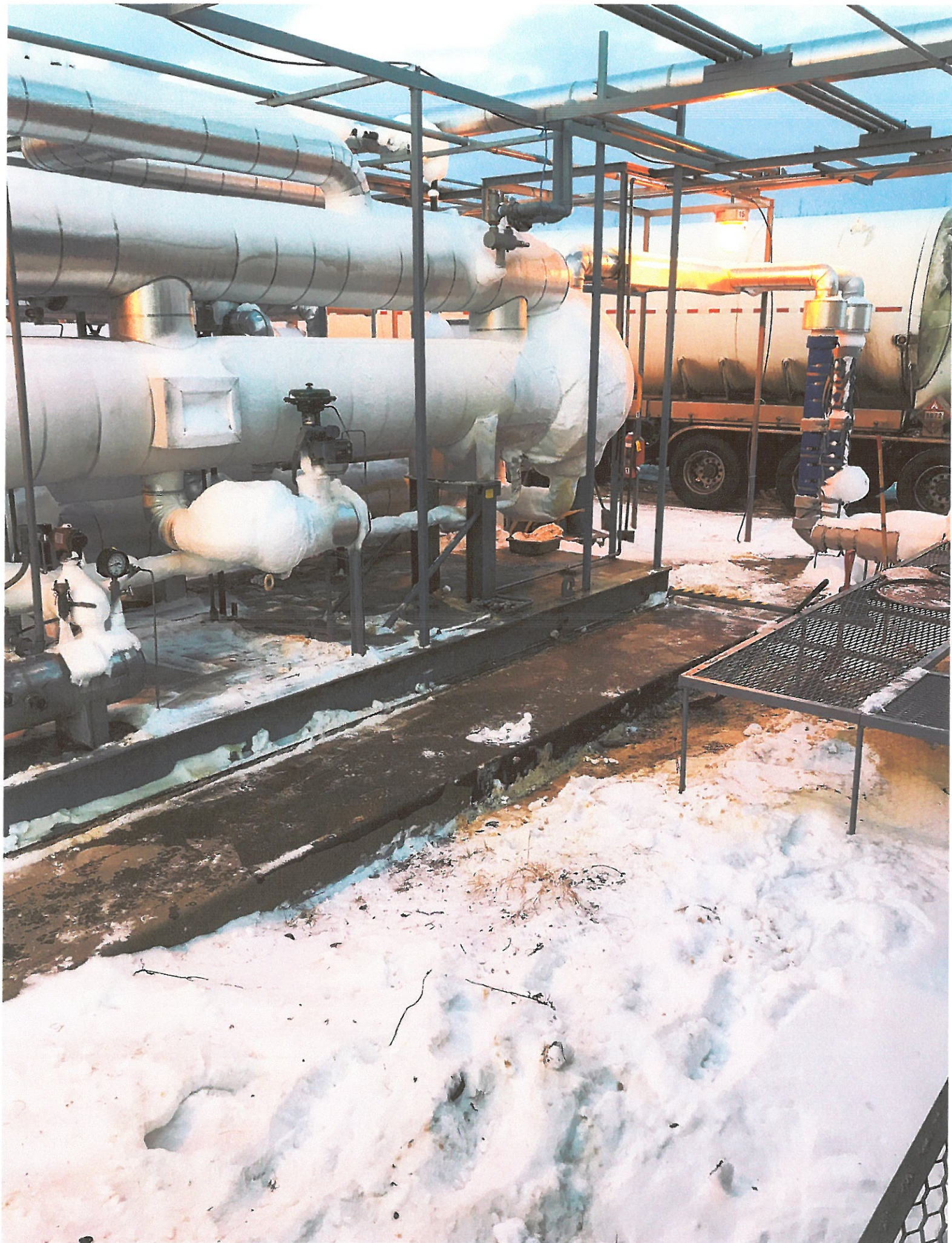
[\(907\)373-6111](tel:(907)373-6111) [\(907\)373-6233](tel:(907)373-6233) fax

[\(907\) 863-3112](tel:(907)863-3112) Cell

[jbranch@titanalaskalng.com](mailto:jbranch@titanalaskalng.com)





















**Disclosure Schedule 3.16(d)**

**Environmental Contamination**

1. See items listed on Disclosure Schedule 3.16(b).



**Disclosure Schedule 3.16(e)**

**Hazardous Substance Discharges**

1. See items listed on Disclosure Schedule 3.16(b).

**Disclosure Schedule 3.16(f)**

**Underground Storage Tanks**

None.

### **Disclosure Schedule 3.17(a)**

#### **Employee Benefit Plans**

1. Health insurance through United Health sponsored by Associated General Contractors.
2. Dental and vision insurance through United Health.
3. Group life, short-term disability and long-term disability insurance through Unum.
4. Fairbanks Natural Gas 401(k) Saving and Retirement Plan.
5. Titan Alaska LNG 401(k) Saving and Retirement Plan.
6. Deferred Compensation Agreement with Daniel Britton dated December 11, 2013 as amended.
7. Deferred Compensation Agreement with Daniel Britton dated September 30, 2015.
8. Temporary Work Schedule with Zach Dameron.

## **Disclosure Schedule 3.17(b)**

### **Proceedings Involving Employees**

1. Fairbanks Natural Gas, LLC is a party to a proceeding before the Alaska Labor Relations Agency entitled "International Brotherhood of Electrical Workers, Local No. 1547, Petitioner, vs. Fairbanks Natural Gas, Respondent." The case number is ALRA Case No. 17-1700-RC. The case concerns IBEW's efforts to represent certain employees of Fairbanks Natural Gas, LLC. Fairbanks Natural Gas, LLC has moved to dismiss the case for lack of jurisdiction, which motion was denied. Fairbanks Natural Gas, LLC filed an administrative appeal to the Anchorage Superior Court. The administrative appeal is case number 3AN-17-08359CI. Briefing on the administrative appeal is currently in progress.



## **Disclosure Schedule 3.19**

### **Interested Party Contracts**

1. Loan Agreement, dated May 19, 2014, between Fairbanks Natural Gas, LLC, as Borrower, and the Alaska Industrial Development and Export Authority, as Lender. The Loan Agreement is expected to be amended in December 2017 to provide additional funds for the construction of an LNG storage facility in Fairbanks. The Loan Agreement is also expected to be amended in December 2017 to extend the maturity date on the line of credit.
2. Line of Credit Note, dated May 19, 2014, in the principal amount of \$15 million, made by Fairbanks Natural Gas, LLC payable to the Alaska Industrial Development and Export Authority or to order. The maturity date on the line of credit is expected to be extended in December 2017.
3. Commercial Security Agreement, dated May 19, 2014, between Fairbanks Natural Gas, LLC, as Borrower, and the Alaska Industrial Development and Export Authority, as Secured Party.
4. Deed of Trust, Security Agreement and Fixture Filing, dated May 19, 2014, made by Fairbanks Natural Gas, LLC, as Trustor, to First American Title Insurance Company, as Trustee, and for the benefit of the Alaska Industrial Development and Export Authority, as Beneficiary.
5. Assignment of Contracts, Agreements, Licenses and Permits, dated May 19, 2014, by Fairbanks Natural Gas, LLC, as Borrower, and the Alaska Industrial Development and Export Authority, as Lender.
6. Cost Reimbursement Agreement, dated October 18, 2017, between Fairbanks Natural Gas, LLC, Cassini LNG Storage, LLC, and the Alaska Industrial Development and Export Authority.

## **Disclosure Schedule 3.21(a)**

### **Insurance Coverages**

1. Workers Compensation and Employer Liability Insurance, policy number 17C WS 60050, through Alaska National Insurance Company.
2. Commercial General Liability Insurance, policy number 17C LS 60050, through Alaska National Insurance Company.
3. Liability Insurance, policy number 1000171074-09, through Liberty Mutual Insurance Company.
4. Business Automotive Insurance, policy number, 17C AS 60050, through Alaska National Insurance Company.
5. Commercial Excess Liability, policy number NHA242019, through RSUI Indemnity Company.

The premiums owed for the insurance policies listed in items 1 and 2 above are based on estimates of payroll or sales for the policy period and are subject to year-end adjustments, either increasing or decreasing the premium owed for such policy period, based on the actual payroll or sales for such policy period.

## **Disclosure Schedule 3.21(b)**

### **Insurance Claims**

1. See attached insurance claim history.
2. A contractor's truck hauling LNG to FNG in a trailer owned by Titan was involved in a fatality accident on November 27, 2017 when the truck struck a person who was on the roadway. It is unknown at this time whether a claim may be made against Titan or FNG regarding this accident.



**Alaska National**  
INSURANCE COMPANY

**LOSS  
INFORMATION  
REPORT**

REPORT RUN DATE 11/17/17 PAGE 1  
TRANSACTIONS THROUGH 11/16/17

FAIRBANKS NATURAL GAS, LLC  
3408 International Way  
Fairbanks, AK 99701

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 17C-WS-60050  
FROM 03/01/17 TO 03/01/18  
All Policies

NO CLAIMS FOR THIS STANDARD WORKERS COMP POLICY

# Alaska National

## INSURANCE COMPANY

### LOSS INFORMATION REPORT

REPORT RUN DATE 11/17/17 PAGE 2  
TRANSACTIONS THROUGH 11/16/17

FAIRBANKS NATURAL GAS, LLC  
3408 International Way  
Fairbanks, AK 99701

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 16C-WS-60050  
FROM 03/01/16 TO 03/01/17  
All Policies

LINE 160: State Act Workers Compensation

ACC DATE	CLAIM NO	CLAIMANT NAME	PART NATURE CAUSE	CLASS ADJ	LOSS TYPE	PAID	OUTSTANDING	INCURRED
07/18/16	HE403-00	picked up end of a drag umbilical hernia	61 34 56	7502 KXL 11/23/13	IND MED ALAE TOTAL	14,120.00 32,671.46 1,148.00 47,939.46	0.00 0.00 0.00 0.00	14,120.00 32,671.46 1,148.00 47,939.46
10/02/16	HG620-00	Employee tripped and twisted his ankle and knee strain to right ankle and knee	90 52 29	7502 AZA 01/01/16	MED ALAE TOTAL	472.76 8.00 480.76	0.00 0.00 0.00	472.76 8.00 480.76
11/04/16	HG626-00	lifting injury strain to right forearm	33 52 56	7502 KXL 10/03/12	IND MED ALAE TOTAL	63,149.54 69,394.06 8,762.23 141,305.83	32,950.46 34,905.94 3,237.77 71,094.17	96,100.00 104,300.00 12,000.00 212,400.00
TOTAL LINE 160: State Act Workers Compensation						77,269.54 102,538.28 9,918.23 189,726.05	32,950.46 34,905.94 3,237.77 71,094.17	110,220.00 137,444.22 13,156.00 260,820.22

# Alaska National

## INSURANCE COMPANY

### LOSS INFORMATION REPORT

REPORT RUN DATE 11/17/17 PAGE 3  
TRANSACTIONS THROUGH 11/16/17

FAIRBANKS NATURAL GAS, LLC  
3408 International Way  
Fairbanks, AK 99701

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 16C-WS-60050  
FROM 03/01/16 TO 03/01/17  
All Policies

#### Totals by Type of Claim

Time Loss Claims	1 TL Open
	1 TL Closed
	2 Total
Medical Only Claims	0 MO Open
	1 MO Closed
	1 Total
All Claims	3 Total

#### POLICY SUMMARY

LOSS TYPE	PAID	OUTSTANDING	INCURRED
IND	77,269.54	32,950.46	110,220.00
MED	102,065.52	34,905.94	136,971.46
ALAE	9,910.23	3,237.77	13,148.00
TOTAL	189,245.29	71,094.17	260,339.46
MED	472.76	0.00	472.76
ALAE	8.00	0.00	8.00
TOTAL	480.76	0.00	480.76
IND	77,269.54	32,950.46	110,220.00
MED	102,538.28	34,905.94	137,444.22
ALAE	9,918.23	3,237.77	13,156.00
TOTAL	189,726.05	71,094.17	260,820.22



# Alaska National

INSURANCE COMPANY

## LOSS INFORMATION REPORT

REPORT RUN DATE 11/17/17 PAGE 4  
TRANSACTIONS THROUGH 11/16/17

FAIRBANKS NATURAL GAS, LLC  
3408 International Way  
Fairbanks, AK 99701

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 15C-WS-60050  
FROM 03/01/15 TO 03/01/16  
All Policies

LINE 160: State Act Workers Compensation

ACC DATE	CLAIM NO	STATUS	CLAIMANT NAME	INCIDENT	RESULT	PART NATURE CAUSE	CLASS ADJ HIRED	LOSS TYPE	PAID	OUTSTANDING	INCURRED
05/21/15	GM196-00	Closed TL		left index finger laceration	19 sutures	36	7502	IND	7,773.00	0.00	7,773.00
						40	KXL	MED	4,601.39	0.00	4,601.39
						12	04/13/15	ALAE	297.38	0.00	297.38
								TOTAL	12,671.77	0.00	12,671.77
01/11/16	GW994-00	Closed MO		Slipped and fell on ice		40	7502	MED	1,734.23	0.00	1,734.23
				fracture to the left ribs.		28	AZA	ALAE	142.69	0.00	142.69
						32	01/01/15	TOTAL	1,876.92	0.00	1,876.92
TOTAL LINE 160: State Act Workers Compensation											
								IND	7,773.00	0.00	7,773.00
								MED	6,335.62	0.00	6,335.62
								ALAE	440.07	0.00	440.07
								TOTAL	14,548.69	0.00	14,548.69

## LOSS INFORMATION REPORT

REPORT RUN DATE 11/17/17 PAGE 5  
TRANSACTIONS THROUGH 11/16/17

FAIRBANKS NATURAL GAS, LLC  
3408 International Way  
Fairbanks, AK 99701

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 15C-WS-60050  
FROM 03/01/15 TO 03/01/16  
All Policies

### POLICY SUMMARY

#### Totals by Type of Claim

Time Loss Claims	0 TL Open
	1 TL Closed
	1 Total
Medical Only Claims	0 MO Open
	1 MO Closed
	1 Total
All Claims	2 Total

LOSS TYPE	PAID	OUTSTANDING	INCURRED
IND	7,773.00	0.00	7,773.00
MED	4,601.39	0.00	4,601.39
ALAE	297.38	0.00	297.38
TOTAL	12,671.77	0.00	12,671.77
MED	1,734.23	0.00	1,734.23
ALAE	142.69	0.00	142.69
TOTAL	1,876.92	0.00	1,876.92
IND	7,773.00	0.00	7,773.00
MED	6,335.62	0.00	6,335.62
ALAE	440.07	0.00	440.07
TOTAL	14,548.69	0.00	14,548.69

**LOSS  
INFORMATION  
REPORT**

REPORT RUN DATE

11/17/17

PAGE

1

TRANSACTIONS THROUGH 11/16/17

FAIRBANKS NATURAL GAS, LLC  
3408 International Way  
Fairbanks, AK 99701

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 17C-AS-60050  
FROM 03/01/17 TO 03/01/18  
All Policies

NO CLAIMS FOR THIS STANDARD COMMERCIAL AUTO POLICY



FAIRBANKS NATURAL GAS, LLC  
3408 International Way  
Fairbanks, AK 99701

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 16C-AS-60050  
FROM 03/01/16 TO 03/01/17  
All Policies

NO CLAIMS FOR THIS STANDARD COMMERCIAL AUTO POLICY

REPORT RUN DATE

11/17/17

PAGE

3

TRANSACTIONS THROUGH 11/16/17

FAIRBANKS NATURAL GAS, LLC  
3408 International Way  
Fairbanks, AK 99701

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 15C-AS-60050  
FROM 03/01/15 TO 03/01/16  
All Policies

NO CLAIMS FOR THIS STANDARD COMMERCIAL AUTO POLICY

**LOSS  
INFORMATION  
REPORT**

REPORT RUN DATE

11/17/17

PAGE

16

TRANSACTIONS THROUGH 11/16/17

FAIRBANKS NATURAL GAS, LLC  
3408 International Way  
Fairbanks, AK 99701

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 17C-LS-60050  
FROM 03/01/17 TO 03/01/18  
All Policies

NO CLAIMS FOR THIS STANDARD LIABILITY POLICY



**LOSS  
INFORMATION  
REPORT**

REPORT RUN DATE

11/17/17

PAGE

17

TRANSACTIONS THROUGH 11/16/17

FAIRBANKS NATURAL GAS, LLC  
3408 International Way  
Fairbanks, AK 99701

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 16C-LS-60050  
FROM 03/01/16 TO 03/01/17  
All Policies

NO CLAIMS FOR THIS STANDARD LIABILITY POLICY

ALASKA RAILROAD CORPORATION  
P.O. Box 103515  
Anchorage, AK 99515

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 15H-LS-60050  
FROM 08/15/15 TO 11/15/15  
All Policies

NO CLAIMS FOR THIS STANDARD LIABILITY POLICY

LOSS  
INFORMATION  
REPORT

FAIRBANKS NATURAL GAS, LLC  
3408 International Way  
Fairbanks, AK 99701

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 15C-LS-60050  
FROM 03/01/15 TO 03/01/16  
All Policies

LINE 171: Other Liability - Occurrence

ACC DATE	CLAIMANT NAME
CLAIM NO	INCIDENT
STATUS	RESULT
09/16/15	Miho Aoki &, Ryota Kajita
GW933-00	FGN drill resulting in flooding in citizen's home
Closed	PD

TOTAL LINE 171: Other Liability - Occurrence

ADJ	PAID	OUTSTANDING	INCURRED
LOSS TYPE			
LOSS	39,598.61	0.00	39,598.61
ADJ			
FUL			
LOSS	39,598.61	0.00	39,598.61
ALAE	0.00	0.00	0.00
TOTAL	39,598.61	0.00	39,598.61



**LOSS  
INFORMATION  
REPORT**

REPORT RUN DATE 11/17/17 PAGE 20  
TRANSACTIONS THROUGH 11/16/17

FAIRBANKS NATURAL GAS, LLC  
3408 International Way  
Fairbanks, AK 99701

ACCOUNT: Fairbanks Natural Gas, LLC  
POLICY NO: 15C-LS-60050  
FROM 03/01/15 TO 03/01/16  
All Policies

Totals by Type of Claim

Open Claims	0
Closed Claims	1
All Claims	1 Total

POLICY SUMMARY

LOSS TYPE	PAID	OUTSTANDING	INCURRED
LOSS	39,598.61	0.00	39,598.61
ALAE	0.00	0.00	0.00
TOTAL	39,598.61	0.00	39,598.61



## Loss Run for NHA242019 - Fairbanks Natural Gas LLC

Insured Name: <b>Fairbanks Natural Gas LLC</b>	Policy No: NHA242019 0	Term: 3/1/2017 - 3/1/2018	Underwriter: Claim Prof:	Tyre, Sheril
Policy Limit: \$10,000,000				N/a
No claims exist for this policy year.				
Insured Name: <b>Fairbanks Natural Gas LLC</b>	Policy No: NHA239704 0	Term: 3/1/2016 - 3/1/2017	Underwriter: Claim Prof:	Tyre, Sheril
Policy Limit: \$10,000,000				N/a
No claims exist for this policy year.				
Insured Name: <b>Fairbanks Natural Gas LLC</b>	Policy No: NHA237351 0	Term: 3/1/2015 - 3/1/2016	Underwriter: Claim Prof:	Tyre, Sheril
Policy Limit: \$10,000,000				N/a
No claims exist for this policy year.				
Insured Name: <b>Fairbanks Natural Gas LLC</b>	Policy No: NHA234942 0	Term: 3/1/2014 - 3/1/2015	Underwriter: Claim Prof:	Tyre, Sheril
Policy Limit: \$10,000,000				N/a
No claims exist for this policy year.				
Insured Name: <b>Fairbanks Natural Gas LLC</b>	Policy No: NHA232405 0	Term: 3/1/2013 - 3/1/2014	Underwriter: Claim Prof:	Tyre, Sheril
Policy Limit: \$10,000,000				N/a
No claims exist for this policy year.				
Insured Name: <b>Fairbanks Natural Gas LLC</b>	Policy No: NHA229920 0	Term: 3/1/2012 - 3/1/2013	Underwriter: Claim Prof:	Tyre, Sheril
Policy Limit: \$10,000,000				N/a
No claims exist for this policy year.				
Insured Name: <b>Fairbanks Natural Gas LLC</b>	Policy No: NHA227620 0	Term: 3/1/2011 - 3/1/2012	Underwriter: Claim Prof:	Tyre, Sheril
Policy Limit: \$10,000,000				N/a
No claims exist for this policy year.				
Insured Name: <b>Fairbanks Natural Gas LLC</b>	Policy No: NHA225535 0	Term: 3/1/2010 - 3/1/2011	Underwriter: Claim Prof:	Tyre, Sheril
Policy Limit: \$10,000,000				N/a
No claims exist for this policy year.				



Loss Run for NHA242019 - Fairbanks Natural Gas LLC

Total Gross Incurred	Paid	Reserve	Incurred
Indemnity	\$0.00	\$0.00	\$0.00
Expense	\$0.00	\$0.00	\$0.00
Total	\$0.00	\$0.00	\$0.00



[illegible]

**Inception Year: 2013**

Claim No	Claimant	Claim Description	Inception Date	Loss Date	Reported Date	Status	LIU %	Currency	Gross	Net
NO CLAIMS REPORTED									0	0
									0	0

**Inception Year: 2014**

Claim No	Claimant	Claim Description	Inception Date	Loss Date	Reported Date	Status	LIU %	Currency	Gross	Net
NO CLAIMS REPORTED									0	0
									0	0

**Inception Year: 2015**

Claim No	Claimant	Claim Description	Inception Date	Loss Date	Reported Date	Status	LIU %	Currency	Gross	Net
NO CLAIMS REPORTED									0	0
									0	0

**Inception Year: 2016**

Claim No	Claimant	Claim Description	Inception Date	Loss Date	Reported Date	Status	LIU %	Currency	Gross	Net
NO CLAIMS REPORTED									0	0
									0	0

**Inception Year: 2017**

Claim No	Claimant	Claim Description	Inception Date	Loss Date	Reported Date	Status	LIU %	Currency	Gross	Net
NO CLAIMS REPORTED									0	0
									0	0
<b>Grand Total</b>									<b>919,692</b>	<b>919,692</b>

Amounts held in reserve are proprietary and confidential information of the insurance carrier and, unless required by law, such amounts are not disclosed herein.

**Disclosure Schedule 3.22**

**Absence of Changes**

None.