

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (the “MOU”) is entered into and effective this 14th day of January, 2014 (the “Effective Date”) by and between the Alaska Gasline Development Corporation (“AGDC”) and the State of Alaska (the “State”) acting through the Commissioner of the Alaska Department of Natural Resources and the Commissioner of the Alaska Department of Revenue (the “Commissioners”).

WHEREAS, the State has entered into a separate Memorandum of Understanding dated and effective December 12, 2013, with TransCanada Alaska Company, LLC, Foothills Pipe Lines Ltd., and TransCanada Alaska Development Inc. (“TADI”) (the “TC Agreement”); and

WHEREAS, Exhibit B to the TC Agreement contains an Alaska LNG Project Equity Option Term Sheet (the “Option Term Sheet”); and

WHEREAS, the Option Term Sheet describes a process pursuant to which TADI would create a separate entity as part of an integrated set of negotiated agreements among the parties to hold an equity participation interest in the midstream component of the Alaska LNG Project (the “TADI Affiliate”). Providing the State obtains Enabling Legislation authorizing the various components of the TC Agreement, and the State and TC subsequently negotiate and enter into the various transactional agreements provided for in the TC Agreement, and the TADI Affiliate subsequently negotiates and enters into an agreement with the Producers to acquire an equity interest in the midstream component of the Alaska LNG Project (the “Subsequent Agreements”), then the TADI Affiliate would grant the State an option (the “Option”) for the State to purchase an equity interest in the TADI Affiliate that will hold an equity participation interest in the midstream component (as defined in Paragraph 1 of the Option Term Sheet); and

WHEREAS, the Option Term Sheet includes a requirement that the final TADI and State Agreements will include a provision to permit the State to assign the Option to an Affiliate of the State (as such term is defined in Section 1.1 of the TC Agreement) at its discretion; and

WHEREAS, AGDC is an Affiliate of the State for purposes of the preceding clause; and

WHEREAS, the State has preliminarily determined that transferring the Option to AGDC is in the interest of the State, subject to the occurrence of the TC Agreement contingencies set forth above, and subject further to authorization by the State Legislature of such transfer and the terms upon which such transfer would be effected, including re-transfer of the Option to the State if not exercised (the “Conditions Precedent”); and

WHEREAS, AGDC has preliminarily determined, subject to the Conditions Precedent and review and approval of the terms of the final TC Agreement transactional agreements and the State Legislative authorization and Option transfer terms, that receiving the Option from the State is in the interest of AGDC;

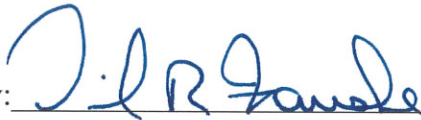
NOW, THEREFORE, AGDC and the State hereby agree as follows:

SECTION 1. Upon execution of the Subsequent Agreements, the State agrees to promptly transfer the Option to AGDC, and AGDC agrees to accept such transfer, upon the occurrence of the Conditions Precedent and in conformance with the directives of the Legislature.

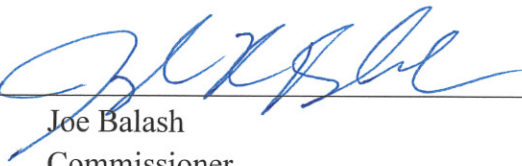
SECTION 2. AGDC and the State recognize that this Agreement does not address all of the matters that must be dealt with or all of the terms and conditions needed to finalize the Option Transfer Agreement. AGDC and the State intend to work together and use commercially reasonable efforts to reach agreement on such additional terms and conditions. AGDC and the State acknowledge that the approval of a final Option Transfer Agreement remains subject to approval by the management teams of AGDC and the State.

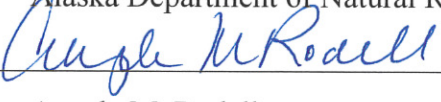
IN WITNESS WHEREOF, the State and AGDC have signed this MOU as of the Effective Date.

ALASKA GASLINE DEVELOPMENT CORPORATION

By: 
Daniel R. Fauske
Executive Director

STATE OF ALASKA

By: 
Joe Balash
Commissioner
Alaska Department of Natural Resources

By: 
Angela M. Rodell
Commissioner
Alaska Department of Revenue