

January 26, 2015

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
813 West Northern Lights Boulevard
Anchorage, Alaska 99503-2407
Attn: Executive Director

Re: **Letter of Intent**

Gentlemen:

This Letter of Intent ("**Letter**") sets forth our understanding as to the proposed terms of the sale to the Alaska Industrial Development and Export Authority or a subsidiary entity (together, "**AIDEA**"), of 100% of the membership interest of Pentex Alaska Natural Gas Company, LLC ("**Pentex**"), a Delaware limited liability company, which currently owns 100% of the membership interest of five subsidiaries (each a "**Subsidiary**" and collectively the "**Subsidiaries**"): (i) Fairbanks Natural Gas, LLC ("**FNG**"), (ii) Titan Alaska LNG, LLC ("**Titan**"), (iii) Arctic Energy Transportation, LLC ("**AET**"), (iv) Polar LNG, LLC ("**Polar**"), and (v) Cassini LNG Storage, LLC ("**Cassini**") (the "**Transaction**").

1. **Basic Terms.** The definitive agreement (the "**Definitive Agreement**") to be negotiated and agreed upon between AIDEA and Pentex's members will reflect the terms listed on Exhibit A attached hereto and made a part hereof. With respect to those terms on Exhibit A which may be legally unenforceable if included verbatim in the Definitive Agreement, the parties acknowledge that the Definitive Agreement will include provisions intended to effectuate the intent of the parties. Buyer will provide the initial draft of the definitive agreement.
2. **Non-Binding.** Other than the covenants contained in paragraphs 6 and 7 of this Letter (the "**Binding Provisions**"), this Letter is not binding upon either AIDEA or Pentex. Neither AIDEA nor Pentex will be obligated to consummate the acquisition contemplated hereby unless and until the parties have reached agreement as to all of the terms of the transactions and the Definitive Agreement satisfactory to both parties has been executed. The covenants in the Binding Provisions are binding upon AIDEA and Pentex whether or not the parties reach a Definitive Agreement with respect to the purchase of the Business.
3. **Business Continuation.** Pentex (and its Subsidiaries) will continue to operate its business (the "**Business**") consistent with past practice during the pendency of this Letter.
4. **Negotiation of Definitive Agreement.** The parties agree to (a) negotiate in good faith to seek to finalize a Definitive Agreement with respect to the Transaction as expeditiously as possible, but no later than February 28, 2015, subject to extension as mutually agreed to in writing by the parties; and (b) if such Definitive Agreement is

executed, to use their reasonable best efforts to close the Transaction in accordance with the terms thereof as soon as reasonably practicable thereafter. A disagreement over a term of the Transaction, including reflection in the Definitive Agreement of the terms set forth on Exhibit A attached hereto, does not constitute bad faith or a breach of this paragraph.

5. **Due Diligence.** Pentex agrees to cooperate with AIDEA's due diligence investigation of the Business through the date of execution of the Definitive Agreement. AIDEA shall be entitled to conduct a due diligence investigation of the Business to be acquired and shall be entitled to review, among other documents agreed to by Pentex and AIDEA, an asset list, sales volume over an agreed upon period of time, appropriate information regarding employees of the Business. In no event will AIDEA make any contact with the Business's employees, customers, or suppliers without the prior written approval of Pentex.
6. **Confidentiality.** The parties agree that the terms of the Confidentiality Agreement dated as of January 21, 2015, between AIDEA and Pentex, will continue in force according to its terms unless superseded, terminated or modified by the mutual agreement of the parties.
7. **Expenses.** Each party will pay all of its expenses, including legal fees, incurred in connection with the Transaction.
8. **Termination.** Either Pentex or AIDEA may terminate this Letter for any reason at any time by sending written notice thereof to the other party, provided, however, that Sections 6 and 7 shall remain in effect for a period of one year following such termination.
9. **Counterparts.** This Letter may be executed in two or more counterparts, each of which will be deemed to be an original copy of this Letter and all of which, when taken together, will be deemed to constitute one and the same agreement.

(Signatures begin on the next page.)

If you are in agreement with the terms of this Letter, please sign in the space provided below. When executed by all parties, each party will retain one executed original for their respective files. If you do not return a signed copy to the undersigned on or before 5 p.m. Alaska Time on January 26, 2015, this Letter shall terminate and be without further force or effect.

Sincerely,



Dan Britton, President
Pentex Alaska Natural Gas Company, LLC

Acknowledged and Agreed:

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

By:  _____

Its: Executive Director

Date: 1/26/2015

EXHIBIT A TO LETTER OF INTENT

TERM SHEET

This Term Sheet summarizes the general business terms to be contained in the Definitive Agreement and is attached to and forms a part of the Letter of Intent between the parties dated January 26, 2015.

1. Membership Interest Purchase. In connection with the purchase of membership interest of Pentex:

(a) AIDEA will purchase from the owners of Pentex, all of the membership interest of Pentex free and clear of all liens, claims and encumbrances.

(b) At the Closing of the Transaction, Pentex will own, directly or indirectly, each of the Subsidiaries, which in turn will own all of the assets of the Business and, with respect to its liabilities or indebtedness as of the Closing Date, Pentex and the Subsidiaries will have only (i) liabilities incurred in the normal course of business, (ii) indebtedness owed to AIDEA under the Loan Agreement with FNG dated on or around May 19, 2014, and (iii) certain installment notes relating to equipment included in the assets of FNG and Titan as of the Closing, which indebtedness will be set forth on a schedule to the Definitive Agreement.

(c) At the Closing of the Transaction, Pentex will provide its good faith estimate of the working capital in the Business as of the Closing, as determined on a consolidated basis, and such estimate will be the basis for the increase in the Purchase Price payable at Closing. The estimate will be “trued-up” within a reasonable period after the Closing. The net working capital in the Business (as determined on a consolidated basis) will be calculated in the customary manner (by subtracting the current liabilities of the Business from the current assets of the Business), except any payables owed by Pentex or its Subsidiaries for capital expenditures will not be included in the calculation.

(d) All intercompany accounts between Pentex and any affiliate will be cancelled.

2. Execution & Closing. The parties anticipate executing the Definitive Agreement will occur on or about April 30, 2015, and that the closing of the Transaction (the “*Closing*”) will occur prior to July 31, 2015 (the “*Closing Date*”).

3. Purchase Price. The aggregate purchase price (the “*Purchase Price*”) for the membership interest of Pentex will be \$52,500,000 plus the positive amount of any working capital in the Business as of the Closing Date. AIDEA has negotiated the Purchase Price with Pentex based on AIDEA’s preliminary evaluation of (1) the price as a multiple of Pentex’s EBITDA being in line with commonly accepted business standards for acquisition transactions, and (2) the substantially higher replacement cost for Pentex’s assets (conservatively estimated at \$75,000,000). The Purchase Price will be paid in cash at Closing, except for a mutually agreed

upon escrow amount, not to exceed five percent of the Purchase Price, that would be held in escrow for an agreed upon period following closing, not to exceed one year. Upon execution of the Definitive Agreement, AIDEA will make a down payment of 5.00% of the Purchase Price, which amount will be credited towards the Purchase Price due at Closing.

4. Additional Agreements and Conditions.

(a) In the Definitive Agreement, AIDEA will confirm that (i) Pentex, Titan, and AET have entered into a Purchase and Sale Agreement with Harvest Alaska, LLC dated November 5 2014, and (ii) FNG has entered into an LNG Sale Agreement between FNG and Harvest Alaska, LLC dated November 5 2014 (collectively, the “*Harvest Agreements*”).

(b) In the Definitive Agreement, AIDEA will identify to Pentex the specific sources of financing that AIDEA will use for payment of the Purchase Price, and AIDEA will hold and maintain all such funds in accounts in immediately available fund at all times prior to the Closing.

5. Other Terms. The Definitive Agreement between the parties will contain customary representations and warranties, conditions and other provisions for a transaction of this nature.

6. Conditions to Closing. The closing of the Transaction is subject to the satisfaction of various conditions, including:

(a) the parties shall have negotiated and executed the Definitive Agreement and any other documents described in this Letter or hereafter agreed upon;

(b) the completion by AIDEA and AIDEA’s representatives of its due diligence review and investigation of Pentex and its assets, which AIDEA shall endeavor to complete prior to February 28, 2015, or as soon as practicable thereafter;

(c) the absence of any material adverse change in the business or condition (financial or otherwise) of Pentex or the Subsidiaries, or its relationships with customers, vendors and independent consultants/contractors prior to the Closing;

(d) the receipt of any necessary contractual and governmental consents and approvals in connection with the Transaction (including consent from the Regulatory Commission of Alaska, if required);

(e) Satisfaction of any other conditions in the Definitive Agreement.

7. Communication Plan. AIDEA and Pentex will mutually agree on the timing and content of a communication plan prior to any party making any public announcement or statement with respect to the Transactions contemplated by this Term Sheet.

8. Other Terms and Provisions. The Agreement will contain such other terms and conditions as are typical or customary for a Transaction of this type or as agreed upon by the parties.
