

Summary of LLC Membership Purchase and Sale Agreement

Nature of Transaction:

- AIDEA is to buy 100% of the membership interests in Pentex Alaska Natural Gas Company, LLC, a Delaware limited liability company.
- The transaction is structured as a “stock purchase,” not as an “asset purchase.” AIDEA will acquire the entire Pentex *entity*. After Closing, Pentex and its Subsidiaries under AIDEA’s ownership will continue to hold their existing assets and liabilities, including: (1) all gas purchase contracts; (2) the contract to sell the Titan LNG plant to Harvest Alaska; (3) service contracts under which FNG supplies gas to business and residential customers; and (4) any liabilities, such as an existing remediated spill site.
- There are three Sellers:
 - (1) Harrington Partners, L.P., a Delaware limited partnership (85% owner);
 - (2) Pentex Alaska Natural Gas Company, a Texas corporation (10% owner);
 - (3) Daniel Britton (5% owner).
- Pentex’s assets include anything that it owns or controls through its Subsidiaries, which together with Pentex constitute the Acquired Companies under the terms of the Purchase Agreement:
 - (1) Fairbanks Natural Gas Company, LLC (Fairbanks gas distribution utility);
 - (2) Titan Alaska LNG, LLC (LNG plant and trucking operator);
 - (3) Arctic Energy Transportation, LLC (LNG fueling station operator);
 - (4) Polar LNG, LLC (North Slope LNG plant developer – inactive);
 - (5) Cassini LNG Storage, LLC (Fairbank storage facility developer – inactive).

Basic Purchase Terms:

- Purchase Price is \$52.5 million *plus* Net Working Capital of the Acquired Companies as of the Closing Date.
- Net Working Capital is the amount by which current assets exceed current liabilities, but it cannot be more than \$1.5 million.

- AIDEA is to pay the Deposit of \$2,675,000 upon signing Purchase and Sale Agreement. The Deposit will be held by U.S. Bank as Escrow Agent.
- The Deposit converts into the Holdback Amount at Closing. AIDEA can make claims against the Holdback Amount for one year after Closing. At the one year anniversary, the remaining Holdback Amount is to be disbursed to Sellers.
- Remainder of the Purchase Price is to be paid in cash at the Closing, including an estimated amount for Net Working Capital. After Closing, the CPAs will “true up” the Net Working Capital to match finalized numbers.
- Closing is to occur as soon as all conditions are satisfied, but in no event later than July 31, 2015.

Sellers’ Representations and Warranties

- Article 3 of the Agreement contains extensive representations and warranties Sellers are making for AIDEA’s benefit. These representations and warranties are standard for this type of transaction.
- Sellers’ representations and warranties extend to matters such as:
 - (1) Sellers have clear title and the necessary authority to transfer ownership of Pentex to AIDEA;
 - (2) The financial statements of the Acquired Companies provided to AIDEA are accurate;
 - (3) The Acquired Companies have good title to all the real and personal property listed, and all the property is in good condition and repair and sufficient to continue the existing businesses;
 - (4) Accounts receivable are valid and collectible, subject to the bad debt reserve on the accounting books;
 - (5) The Acquired Companies have all the Permits and Licenses needed to conduct the businesses;
 - (6) There are no legal proceedings against the Acquired Companies and no undisclosed liabilities;
 - (7) The Acquired Companies are in compliance with all Environmental, Health and Safety Laws, with no releases of hazardous substances;
 - (8) The Acquired Companies have no tax liabilities.

- Any exceptions to the Sellers' representations and warranties must be listed in the Disclosure Schedules to the Agreement.
- If Sellers breach any of the representations and warranties, AIDEA may seek to collect for losses out of the Holdback Amount, or AIDEA may seek indemnity under Article 9.

AIDEA's Representations and Warranties

- AIDEA is making a few representations and warranties to Sellers that are standard for this type of transaction, focused principally on AIDEA's authority to enter into and perform the Agreement.
- AIDEA is also representing that it has sufficient funds to complete the transaction and this is to be supported by a certificate from AIDEA's Chief Financial Officer.

Conduct of Business Prior to Closing

- The Acquired Companies are to operate their businesses in the ordinary course prior to Closing, preserving their assets and businesses.
- AIDEA is to seek expedited approval of the Regulatory Commission of Alaska (RCA) for the change in control of Fairbanks Natural Gas, and Sellers are to cooperate with AIDEA in doing so. The RCA must determine that AIDEA can operate an utility.
- Sellers are to give AIDEA access to the businesses and records of the Acquired Companies pending Closing. This includes allowing AIDEA to complete environmental assessments of real property at AIDEA's expense.
- Sellers are to update the Disclosure Schedules as necessary prior Closing, with AIDEA having the right to approve of any changes made (other than the addition of the second quarter 2015 financial reports).

Harvest Alaska Contracts

- AIDEA's purchase of Pentex will leave the two Harvest Alaska contracts in place:
 - (1) The contract for Titan Alaska LNG to sell the Point Mackenzie LNG plant and the trucking equipment, and for Arctic Energy Transportation (AET) to sell the two LNG fueling facilities, for total of \$15,150,000; and
 - (2) Harvest Alaska's 10-year contract to supply LNG to Fairbanks Natural Gas for its existing customer base at \$15 per Mcf delivered to Fairbanks, subject to price adjustments over time.
- The two Harvest Alaska contracts are subject to the approval of the RCA and require the consent of the Alaska Attorney General under antitrust laws. AIDEA is committed under

the Agreement to not challenge the validity the Harvest Alaska contracts or to delay their approvals.

- The Harvest Alaska contracts are expected to close after AIDEA's purchase of Pentex is completed. Pentex under AIDEA's ownership would therefore receive the purchase price to be paid for the Titan Alaska LNG and AET assets (\$15,150,000).
- If the Harvest Alaska contracts close first, Sellers are entitled to disburse to themselves the purchase price paid for the Titan Alaska LNG and AET assets, and AIDEA's purchase price for Pentex will be reduced by the same amount.
- Pending the Closing, AIDEA is entitled to discuss contract amendments or new gas supply contracts with Harvest Alaska and Hilcorp so long as no amendment or new contract goes into effect until AIDEA's purchase of Pentex is completed.

Conditions to Closing

- Closing is subject to fulfillment of certain conditions, most of which are standard for this type of Agreement (e.g., no adverse events; no litigation against the transaction; no breach of any representation or warranty).
- Approval of the RCA for AIDEA assuming control over Fairbanks Natural Gas is a condition to Closing.
- AIDEA's obligation to close is conditioned on its satisfaction with the results of the environmental assessments it is conducting.
- AIDEA's obligation to close is conditioned on it approving any amendments to Sellers' Disclosure Schedules (other than the addition of the second quarter 2015 financial reports).

Sellers' Indemnity Obligations

- AIDEA can recover for any losses it incurs because of a breach in Sellers' obligations under the Agreement, a breach in Sellers' representations and warranties, a Pre-Closing Environmental Liability, a tax liability of Sellers, or a pre-Closing liability under the Harvest Alaska contracts.
- AIDEA can recover for such matters in various ways:
 - (1) For one year after the Closing, AIDEA can proceed against the Holdback Amount;
 - (2) For a period of three years after Closing, AIDEA can seek indemnity from Harrington Partners, L.P. for such matters; the indemnity obligation is "capped" at an aggregate amount of \$12 million, except for fraud, intentional misconduct, or breach of Sellers' Fundamental Representations.

- For the period of time allowed by the statute of limitations, AIDEA can also seek to recover from Harrington Partners, L.P. for certain specified matters (a breach of the Fundamental Representations; government fines for Pre-Closing Environmental Liabilities; an indemnity obligation to Harvest Alaska related to the pre-Closing period).

AIDEA's Indemnity Obligations

- For a period of three years after Closing, AIDEA is obligated to indemnify Sellers from any losses they suffer as a result of AIDEA's breach of its obligations under the Agreement, or its representations and warranties, or its ownership of the Acquired Companies after Closing.
- AIDEA's indemnity obligation is subject to legislative appropriation, if necessary, to make payment from AIDEA funds, and AIDEA is committed to seek an appropriation if one is needed to satisfy an indemnity obligation.
- AIDEA's indemnity obligation is "capped" at an aggregate amount of \$12 million, except for fraud or intentional misconduct.

Termination

- Either party can terminate the Agreement if the conditions to Closing are not satisfied by July 31, 2015.
- AIDEA can terminate the Agreement if there is Material Adverse Effect on the Acquired Companies that is not remedied.
- AIDEA can terminate the Agreement if Sellers amend the Disclosure Schedules and AIDEA does not approve the amendment.
- AIDEA can terminate the Agreement if AIDEA is not reasonably satisfied with the results of the environmental assessments it conducts.
- Upon termination, Sellers can retain the Deposit if the termination occurs because AIDEA breached the Agreement. Otherwise, the Deposit is to be refunded to AIDEA.