

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G18-06

RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY APPROVING WAIVER OF A CONDITION PRECEDENT TO THE SALE OF PENTEX ALASKA NATURAL GAS COMPANY, LLC TO THE INTERIOR GAS UTILITY; APPROVING A LETTER AGREEMENT WITH THE INTERIOR GAS UTILITY; AND EXTENDING THE DEADLINE FOR CLOSING ON THE TRANSACTIONS WITH THE INTERIOR GAS UTILITY

WHEREAS, on December 7, 2017, the Board of the Authority approved Resolution No. G17-16A that (1) authorized the Authority to sell its membership interests in Pentex Alaska Natural Gas Company, LLC to the Interior Gas Utility (“IGU”), and (2) authorized the Authority to enter into a Financing Agreement with IGU under which the Authority would loan funds to IGU under the sustainable energy transmission and supply development program (“SETS”);

WHEREAS, in accordance with Resolution No. G17-16A, on December 13, 2017, the Executive Director of the Authority signed (1) the LLC Membership Purchase and Sale Agreement with IGU (the “Pentex PSA”), and (2) the Financing Agreement with IGU (the “FA”);

WHEREAS, the Pentex PSA and the FA established as a condition precedent that the closing under the Pentex PSA and the FA must occur no later than May 31, 2018, time being of the essence;

WHEREAS, the closing on the Pentex PSA was also subject to the condition precedent that the Alaska Department of Natural Resources (“DNR”) must approve the transfer of the lease for the North Slope Pad from AIDEA to IGU;

WHEREAS, DNR has refused to approve the transfer of the lease for the North Slope Pad to IGU so that this condition precedent set out in the Pentex PSA cannot be satisfied;

WHEREAS, the Executive Director of the Authority is recommending that the Authority waive the condition precedent of obtaining DNR's approval;

WHEREAS, IGU has requested that the Authority enter into a Letter Agreement that addresses the waiver of the condition precedent and that modifies certain provisions of the FA;

WHEREAS, the Executive Director recommends that the Authority enter into a Letter Agreement with IGU but that the terms of IGU's proposed Letter Agreement be revised; and

WHEREAS, the Executive Director recommends that the Authority extend the closing deadline to June 14, 2018 to enable the IGU Board the opportunity to consider the revised Letter Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:

Section 1. The Authority shall waive the condition precedent of the Pentex PSA that DNR's approval to the transfer of the lease for the North Slope Pad from the Authority to IGU must be obtained. The Authority shall proceed to the closing under the Pentex PSA and the FA notwithstanding the failure to satisfy the condition precedent regarding DNR's approval of the transfer of the North Slope Pad.

Section 2. The revised Letter Agreement in the form attached to this Resolution is approved. The Executive Director is authorized and directed to sign the revised Letter Agreement in the name of and on behalf of the Authority.

Section 3. The deadline for the closing under the Pentex PSA and the FA shall be extended to June 14, 2018, and completing the closing by that extended deadline shall remain a condition precedent to the Authority's obligations under the agreements. The Executive Director is authorized and directed to sign all documents necessary to so extend the closing deadline.

Section 4. If IGU fails to close under the Pentex PSA and the FA by 11:59 p.m. on June 14, 2018, the Executive Director is authorized and directed to immediately send a notice to IGU terminating the Pentex PSA and FA for failure of condition precedent.

DATED at Anchorage, Alaska this 31st day of May, 2018.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY



Chair

SEAL
ATTEST:



Secretary

LETTER AGREEMENT

This letter agreement (“Letter Agreement”) dated as of _____, 2018, is entered into by and between the ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (“AIDEA”), a public corporation of the State of Alaska with a primary place of business in Anchorage, Alaska, and the INTERIOR ALASKA NATURAL GAS UTILITY, which is also known as the INTERIOR GAS UTILITY (“IGU”), a public corporation of the Fairbanks North Star Borough with a primary place of business in Fairbanks, Alaska.

Whereas, IGU and AIDEA have entered into an LLC Membership Purchase and Sale Agreement (“PSA”) and a Financing Agreement (“FA”) to effect the goals of the Interior Energy Project;

Whereas, Sections 5.9 and 6.11 of the PSA provide a condition precedent to IGU’s obligation to close that AIDEA will receive the approval by the Alaska Department of Natural Resources (“DNR”) to modify and transfer the North Slope Pad Right-of-Way Lease (“ROW Lease”) from AIDEA to IGU;

Whereas, DNR has declined AIDEA’s request to modify or approve the transfer of the ROW Lease to IGU but has reached a tentative course of action which will include (1) terminating the ROW Lease, (2) DNR arranging a competitively bid sale of a new lease of the property underlying the ROW Lease, and (3) the new lease proceeds (i.e., up-front payment, rent) may be shared between DNR and AIDEA; and

Whereas, IGU is willing to waive the condition precedent set forth in Sections 5.9 and 6.11 of the PSA under the following terms and conditions.

Now therefore, IGU and AIDEA agree as follows:

1. IGU will waive the condition precedent set forth in Sections 5.9 and 6.11 of the PSA.
2. AIDEA, on behalf of IGU, will negotiate with DNR terms, which permit IGU to recover the Interior Energy Program’s project funds used to improve the ROW Lease up to \$6,000,000, less the amount of fees DNR originally discounted for the gravel used for those improvements (approximately \$530,000).

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

By: _____
John Springsteen
Chief Executive Officer/Executive Director

INTERIOR ALASKA NATURAL GAS
UTILITY a/k/a INTERIOR GAS UTILITY

By: _____
Jomo L.P. Stewart
General Manager