

**EXHIBIT C**  
**FINANCIAL ASSURANCES AGREEMENT**

**ADL 419409**  
**SPECTRUM NATURAL GAS PIPELINE**  
**RIGHT-OF-WAY LEASE**

This Financial Assurances Agreement (as amended or otherwise modified from time to time, this "Agreement") is entered in to as of [\_\_\_], 2012 (the "Effective Date") by and between the Alaska Department of Natural Resources ("DNR"), and Spectrum Alaska, LLC ("Spectrum"), the "Parties" to this Agreement. This Agreement is made in support of Spectrum's obligations arising under a lease agreement, ADL 419409, between the State of Alaska and Spectrum ("Right-of-Way Lease") and is attached to and made part of that lease agreement. The Commissioner is entering into this Agreement under his authority set out at AS 38.05.020(b)(2) and (4).

DNR and Spectrum hereby agree as follows:

**1. Determination of Additional Security Payments**

- 1.1 To provide a source of funds to guarantee that all expenses associated with Spectrum's performance, dismantlement, remediation, and restoration obligations under the Right-of-Way Lease and the laws and regulations of the State of Alaska can be met; Spectrum will, as further described herein, make deposits to an Account established by the State of Alaska for that purpose (the "Escrow Account") an amount equal to the estimated DR&R expenses.
- 1.2 The estimated DR&R expenses shall be determined according to a method agreed to by the parties and shall be a good faith estimate of all reasonably foreseeable expenses associated with Spectrum's dismantlement, remediation, and restoration obligations under Right-of-Way Lease and the laws and regulations of the State of Alaska, less the salvage value of recovered materials.
- 1.3 Estimated DR&R expenses may, at the request of either party, be recalculated at five year intervals from the date the first deposit is made in to the Escrow Account and the remaining required payments adjusted accordingly.
- 1.4 DNR may retain a consultant to assist with the calculation of estimated DR&R expenses. All costs associated with calculating estimated DR&R expenses, including any consultant fees, shall be paid by Spectrum.
- 1.5 Prior to January 1, 2015, the Parties may determine estimated DR&R Expenses by inflating for ten years an initial DR&R estimate of \$219,332 the five year compound annual growth rate of the then most recent Producer Price Index for all commodities and allowing credit for an initial salvage value of \$64,000 inflated using the five year compound annual growth rate of the then most recent Producer Price Index for iron and steel.
- 1.6 Spectrum shall make an initial deposit to the Escrow Account of \$26,500 before any Written Authorization is issued pursuant to the Right-of-Way Lease. The balance of the estimated DR&R expenses shall be paid to the Escrow Account in ten equal annual deposits beginning one year from the date operation of the Pipeline begins. The annual payments will be \$17,300.

1.7 The Current Required Balance shall be the sum of the initial deposit and any subsequent deposits that have become due as provided in this section. If at any time the balance of the Escrow Account falls below the Current Required Balance, Spectrum shall, within thirty days, make a deposit to the Escrow Account to bring the balance of the Escrow Account to the Current Required Balance. Failure to maintain the Current Required Balance shall be considered a material breach of the Right-of-Way Lease.

## **2. Appointment of Escrow Agent**

2.1 Prior to the Effective Date of the Right-of-Way Lease, DNR and Spectrum shall identify and appoint a mutually agreeable financial institution to act as Escrow Agent for the Escrow Account.

2.2 At the time an Escrow Agent is appointed, the parties shall enter in to an escrow agreement, consistent with this Agreement, with the Escrow Agent.

2.3 All usual and customary fees, expenses, and other charges of the Escrow Agent shall be paid by Spectrum.

## **3. Use of Escrowed Funds**

3.1 The Commissioner shall have the right, without further legal proceedings, to draw upon the funds in escrow to cover the costs of performance any time the State has the right to perform under this Lease. Use of funds pursuant to this subsection does not limit and shall not be construed to limit any liability of the Lessee under this Lease. Use, by the Commissioner, of funds pursuant to this subsection does not reduce or limit the obligation of the Lessee to maintain in the Escrow Account the Current Required Balance.

3.2 Escrowed funds may be held as cash deposits, 30 Year U.S. Treasury Bonds, or other securities approved by the Commissioner. Any interest earned will become part of the Escrow Account unless retaining interest would cause the funds in the Escrow Account to exceed estimated DR&R expenses, in which case interest not needed to maintain the Escrow Account at estimated DR&R expenses shall be released to Spectrum.

## **4. Release of Escrowed Funds**

4.1 Escrowed funds may not be released to Spectrum except with the written consent of the Commissioner. The Commissioner will consent to the release of escrowed funds only if:

4.1.1 After prior approval of the transferee by the Commissioner, Spectrum transfers all of its interest in the Right of Way Lease and the transferee accepts and provides a Guaranty, satisfactory to the Commissioner, guaranteeing the performance of all of Lessee's duties and obligations under and by virtue of the Right-of-Way Lease, including any liability incurred during Spectrum's tenure as lessee whether identified at the time of transfer or not; or

4.1.2 The Commissioner determines that Spectrum has met all of its obligations arising under the Right-of-Way Lease and should be released pursuant to paragraph 2(d) of the Right-of-Way Lease; or

4.1.3 Spectrum and the State enter into an agreement providing for a substitute guarantee, satisfactory to the Commissioner, guaranteeing the performance of all of Lessee's duties and obligations under and by virtue of this Lease.

4.2 Funds may be released by the Commissioner pursuant to section 3.2 of this agreement.

## **5. Miscellaneous Provisions**

5.1 This Agreement shall be governed by and construed in accordance with the laws of the State of Alaska, without giving effect to that state's conflicts of laws rules. The venue for any appeal or civil action relating to this Agreement shall be in the Third Judicial District of the State of Alaska.

5.2 This Agreement may be amended, modified, or supplemented only by a written instrument executed by the Parties.

5.3 This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors, and assigns. However, the rights, duties and obligations of Spectrum hereunder may not be transferred, assigned, or delegated without prior written consent of the Commissioner.

5.4 The estimated DR&R expenses shall not be construed as a limit on Spectrum's obligations or liabilities under the Right-of-Way Lease or the law and regulations of the State of Alaska. Nothing in this agreement is intended to limit Spectrum's obligations or liabilities arising from its tenure as lessee, operations, or conduct on the leasehold.