

**NAVITAS UTILITY CORPORATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

Includes Independent Auditor's Report Issued By



**NAVITAS UTILITY CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Navitas Utility Corporation

Opinion

We have audited the accompanying consolidated financial statements of Navitas Utility Corporation which comprise the balance sheet as of December 31, 2021, and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Navitas Utility Corporation as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Navitas Utility Corporation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Navitas Utility Corporation's ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Navitas Utility Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Navitas Utility Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule-detail of operating expenses is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Oklahoma City, Oklahoma
March 22, 2023

NAVITAS UTILITY CORPORATION
BALANCE SHEET
DECEMBER 31, 2021

ASSETS

Current assets:

Cash
Receivable from affiliated entity
Inventory
Prepays and other assets
CIEB
Total current assets



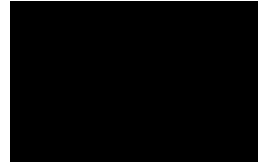
Property and equipment:

Autos and pickups
Trucks
Heavy equipment
Tools and other small equipment
Office equipment
Leasehold improvements
Meters and regulators
Accumulated depreciation
Property and equipment, net

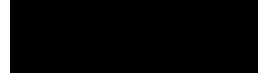


Other non-current assets:

Investment in affiliated entity



Total assets



LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable and other accrued expenses
Lines of credit
Current portion of long-term debt
Total current liabilities

Long-term debt, less current portion

Other accruals

Stockholders' equity:

Common stock, [redacted] par value, [redacted] share
authorized, [redacted] issued and outstanding
Additional paid-in capital
Retained earnings
Total stockholders' equity

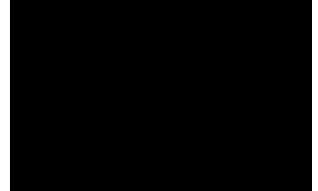
Total liabilities and stockholders' equity



NAVITAS UTILITY CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2021

Revenue:

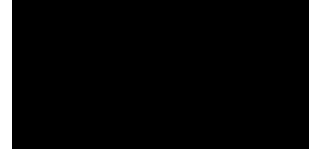
Service crews
Commodity sales
Construction crews
Total revenue



Cost of goods sold:

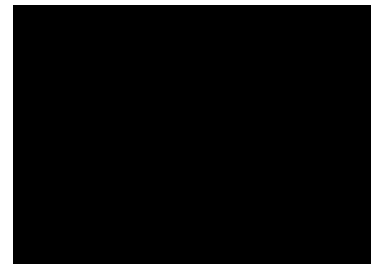
Commodity marketing and transport

Gross profit



Operating expenses:

Direct costs
Indirect costs
Depreciation
Total operating expenses



Operating income (loss)

Other income (expense):

Forgiveable loan from the U.S. Government
Interest (expense)
Other non-operating income (expense)
Total other income (expense)



Net income (loss)

Retained earnings, beginning

Dividend distributions

Retained earnings, ending

**NAVITAS UTILITY CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

OPERATING ACTIVITIES

Net Income (loss)
Adjustments to reconcile net income
to net cash provided by operations:
 Depreciation and amortization
 Earnings from affiliated company
 (Increases) decreases in:
 Receivable from affiliated entity
 Inventory
 Prepays and other assets
 CEIB
 Increases (decreases) in:
 Accounts payable and accrued expenses
Net cash provided by operating activities

INVESTING ACTIVITIES

Purchase of property and equipment
Distributions to members
Net cash (used) by investing activities

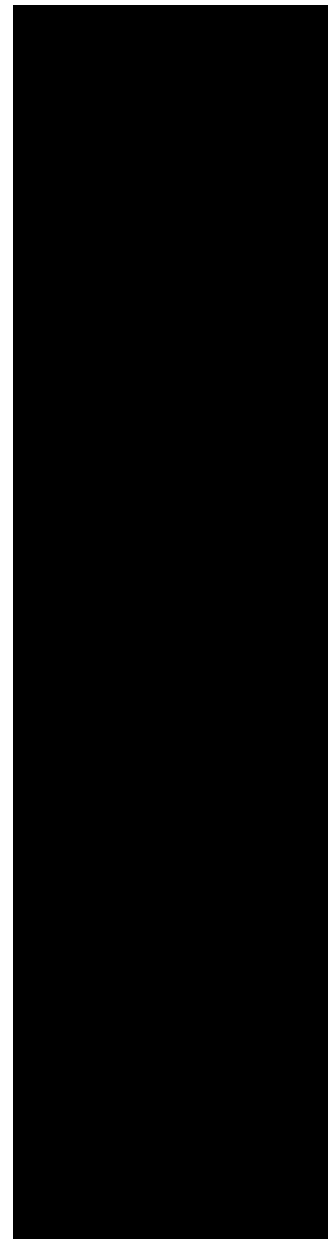
FINANCING ACTIVITIES

Proceeds from long-term debt
Repayment of long-term debt
Net cash provided by financing activities

Net cash (decrease) for year

Cash (overdraft), beginning of year

Cash (overdraft), end of year



NAVITAS UTILITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

(1) Summary of Significant Accounting Policies

Organization and structure - We were formed on May 17, 2006. We are an operator of suburban and rural local distribution companies (LDCs). We are the managing member of Navitas Assets, LLC, our primary client, for whom we locate, develop, and operate mid and downstream pipeline systems and other energy assets. We provide gas acquisition and utility management to systems serving numerous counties in Oklahoma, Texas, Tennessee, and Kentucky. We have Oklahoma offices in Eakly, Velma, Hollis, Kinta, and Ochelata, Tennessee office in Jellico, Kentucky office in Betsy Layne, as well as a corporate office Costa Mesa, California. We are a certified minority owned business with the California PUD.

We own 100% membership interest in Navitas Communications, LLC which provides communication services to Navitas companies.

Use of estimates - Accrual accounting is used to prepare these financial statements. Financial statement preparation requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingencies as of the date of these financial statements and for the period of these financial statements. Items that may be estimated include, but are not limited to, the economic useful life of assets, the fair value of some assets and liabilities, bad debt expense, billed revenues to affiliated entities, gas purchases for which gas has been delivered but no invoice has been received and various other recorded or disclosed amounts.

We evaluate estimates on an ongoing basis using historical experience, consultation with experts and other methods we consider reasonable given the circumstances. Nevertheless, actual results could differ significantly from the estimates. Any effects on our financial position or results of operations from revisions of these estimates are recorded when the facts that gave rise to the revision become known.

Cash and cash equivalents - Cash and cash equivalents consist of highly liquid investments, which are readily convertible in to cash, and have original maturity dates of three months or less.

Costs in excess of bills (CIEB) - Navitas includes \$203,884 of Costs In Excess of Bills on its books to offset a payable to a pipeline company for a matter underlying Kentucky Public Service Commission Order 2019-00430. This order directs Navitas KYNG, LLC to place a surcharge of \$0.024 per CCF of gas sold in Kentucky on its billings to customers for the next eight years or until the amount of \$203,884 is collected.

Property, plant and equipment – Our properties are generally stated at cost. Maintenance and repairs are charged to expense. Depreciation of these properties is charged to operations using the straight-line method. We assign lives to our properties based on our estimates of their useful economic lives. Estimated useful lives of our properties are as follows:

| | |
|-----------------|----|
| Trucks | 7 |
| Heavy equipment | 7 |
| Tooling | 4 |
| Computers | 4 |
| Meters | 10 |

Accounts receivable – Receivables are evaluated for potential write-offs at six-month intervals and we use the direct write-off method for recording bad debts in our financial statements.

Inventories – Inventories are valued at the lower of cost or market, using the first-in, first-out method.

**NAVITAS UTILITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

(1) Summary of Significant Accounting Policies (continued)

Investments – Investments are reported under the cost method and are increased by the Company’s share of profits and decreased by related distributions

Income taxes – The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporation income taxes on its taxable income. Instead, the stockholders of the Company are liable for individual federal and state income taxes on their respective shares.

(2) Investment in Limited Liability Company

We are the managing member and a fifteen percent interest holder in Navitas Assets, LLC (NALLC), a limited liability company. NALLC primarily operates to acquire relatively small, operating, rural assets and secondarily pursues the development of energy projects. NALLC currently owns over 1,000 miles of regulated distribution pipeline as well as certain unregulated transmission assets. We provide service assistance and perform construction for NALLC. Summarized financial information for NALLC is as follows:

| | |
|-----------------------|--|
| Current assets | |
| Property & equipment | |
| Other assets | |
| | |
| Current liabilities | |
| Long-term liabilities | |
| Members' equity | |
| | |
| Net income (loss) | |

(3) Long-term debt

We have [REDACTED] loans at a bank with outstanding balances totaling [REDACTED] at December 31, 2021. Payments on these loans are due monthly and have interest rates ranging from [REDACTED]%. These notes mature from [REDACTED] and are secured by [REDACTED]

We have [REDACTED] loans at a bank with outstanding balances totaling \$ [REDACTED] at December 31, 2021. Payments on these loans are due monthly and have interest rates ranging from [REDACTED]%. These notes mature in [REDACTED] and are secured by [REDACTED]

We have [REDACTED] loans and a line of credit at a bank with outstanding balances totaling [REDACTED] at December 31, 2021. Payments on these loans are due monthly and have interest rates ranging from [REDACTED]. These notes mature in [REDACTED] and are secured by [REDACTED]

NAVITAS UTILITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

(3) Long-term debt (continued)

We have [REDACTED] loans at a bank with outstanding balances totaling \$ [REDACTED] at December 31, 2021. Payments on these loans are due monthly and have interest rates ranging from [REDACTED]%. These notes mature in [REDACTED] and are secured by [REDACTED].

We have [REDACTED] loan at a bank with outstanding balance totaling \$ [REDACTED] at December 31, 2021. Payments on this loan are due monthly and have interest rate of [REDACTED]. This note matures in [REDACTED] and is secured by a [REDACTED].

We have [REDACTED] loan at a bank with outstanding balance totaling \$ [REDACTED] at December 31, 2021. Payments on this loan are due monthly and have interest rate of [REDACTED]. This note matures in [REDACTED] and is secured by a [REDACTED].

We have [REDACTED] at a bank with outstanding balance totaling [REDACTED] at December 31, 2021. Payments on this loan are due monthly and have interest rate of [REDACTED]. This note matures in [REDACTED] and is secured by a [REDACTED].

We secured an [REDACTED] through the U.S. Small Business Administration for [REDACTED] during the year ended December 31, 2021. The outstanding balance was \$ [REDACTED] at December 31, 2021. Payments on this loan are due monthly starting in [REDACTED] and has an interest rate of [REDACTED]. The loan matures in [REDACTED] and is secured by [REDACTED].

Principal maturities are as follows:

| | | | |
|--------------------------------------|------------|----|--|
| | 2022 | \$ | |
| | 2023 | | |
| | 2024 | | |
| | 2025 | | |
| | 2026 | | |
| | Thereafter | | |
| | | \$ | |
| | | | |
| <hr/> | | | |
| Reconciliation to balance sheet | | | |
| Current portion of long-term debt | | \$ | |
| Lines-of-credit | | | |
| Long-term debt, less current portion | | \$ | |

NAVITAS UTILITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

(4) Commitments

We have several multi-year agreements with Enogex, Southern Star, CenterPointe and Seminole. These contracts are to specifically supply gas to systems managed by Navitas Utility Corporation.

(5) Transactions With Affiliates and Related Parties

We control [REDACTED] percent of the member units of Navitas Assets, LLC (NALLC), and our shareholders also control member units of NALLC. The majority of our revenues are for services and construction performed for NALLC. During the course of our operations, we bill and are charged for products and services and sometimes we advance and receive money for cash flow needs. At December 31, 2021, we have a receivable from NALLC for \$ [REDACTED] resulting from billings for goods and services and they are required to pay interest of [REDACTED] on the unpaid balance.

Our shareholders have guaranteed some of our debt.

(6) Concentrations

We purchase gas from a limited number of suppliers for resale to a related entity, Navitas Assets, LLC, and [REDACTED] of those suppliers provide us with [REDACTED] of our gas purchases.

Substantially all of our revenues are derived from commodity sales or service revenues to a related entity, Navitas Assets, LLC.

(7) Income taxes

We elected to be treated as an S Corporation for income tax purposes and, therefore, all tax liability is passed on to its shareholders. We did adopt standards to account for uncertainty in income taxes as required by generally accepted accounting principles. During 2020, we evaluated tax positions and it was our determination that we had not taken any positions that would be subject to uncertainty, however, uncertain tax positions are ultimately the responsibility of the Company's shareholders. The statute of limitations for examining our federal and state tax returns is generally three years from the filing date, so our 2019 through 2021 income tax returns are subject to examination.

(8) Subsequent events

In May 2022, Navitas Utility Corporation created a new wholly owned subsidiary and acquired two hydroelectric plants in North Carolina.

We have accounted for subsequent events through March 22, 2023, the date our consolidated financial statements were issued, and we believe that all required subsequent events disclosures have been made.

SUPPLEMENTARY SCHEDULES

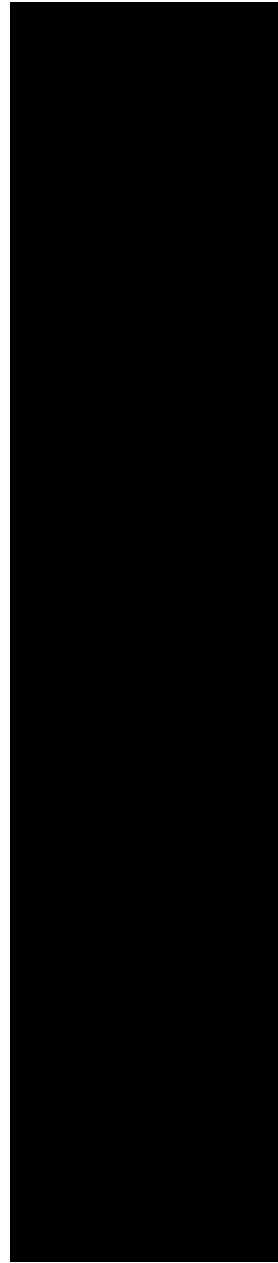
**NAVITAS UTILITY CORPORATION
SUPPLEMENTARY SCHEDULE
DETAIL OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2021**

Direct costs:

- Equipment maintenance
- Line maintenance
- Line service

Indirect costs:

- Administrative and general sales
- Audit and accounting fees
- Bank fees
- Communication equipment
- Communication service
- Customer assistance
- Customer records
- Fuel
- Insurance-other
- Legal expenses
- Licenses, permits and memberships
- Office consumables
- Office supplies
- Other employee benefits
- Other rentals
- Outside services
- Plant maintenance
- Postage
- Safety and security
- Utilities



**NAVITAS ASSETS, LLC
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

Includes Independent Auditor's Report Issued By



NAVITAS ASSETS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Navitas Assets, LLC

Opinion

We have audited the accompanying consolidated financial statements of Navitas Assets, LLC which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of income and members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Navitas Assets, LLC as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Navitas Assets, LLC and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Navitas Assets, LLC's ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Navitas Assets, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Navitas Assets, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

HBC CPAs & Advisors

Oklahoma City, Oklahoma
March 22, 2023

**NAVITAS ASSETS, LLC
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2021**

ASSETS

Current assets:

Cash in bank
Accounts receivable
Underbillings and other assets
Total current assets

Property and equipment:

Land
Systems
Equipment
Leasehold improvements
Accumulated depreciation
Property and equipment, net

Other assets:

Acquisition and related costs, net of accumulated amortization of 

Total assets

LIABILITIES & MEMBERS' EQUITY

Current liabilities:

Accounts payable, vendors
Payable to affiliated entity
Customer deposits
Other accrued expenses
Line of credit
Current portion of long-term debt and other obligations
Total current liabilities

Long-term debt and other obligations, less current portion

Members' equity

Members' equity
Minority member interests
Total members' equity

Total liabilities and members' equity

NAVITAS ASSETS, LLC
CONSOLIDATED STATEMENT OF INCOME AND MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2021

Revenue:
 Revenue
 Total revenue
 Commodity cost
 Bad debt expense
 Total cost of goods sold

 Net commodity revenue

Direct costs:
 Direct costs
 Depreciation and amortization
 Total direct costs

Other operating expenses

 Operating income

Other income (expense):
 Interest income
 Interest expense
 Total other income (expense)

 Net income (loss)

Members' equity, beginning
 Members' contributions (distributions)

 Members' equity, ending



NAVITAS ASSETS, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

OPERATING ACTIVITIES

Net income (loss)
Adjustments to reconcile net income
 (Increases) decreases in:
 Accounts receivable
 Notes Receivable
 Inventories
 Underbillings and other prepaids
 Increases (decreases) in:
 Accounts payable
 Customer deposits
 Payable to affiliate
 Overbillings and other accruals
Net cash provided by operating activities

INVESTING ACTIVITIES

Purchase of property and equipment
Net cash provided by investing activities

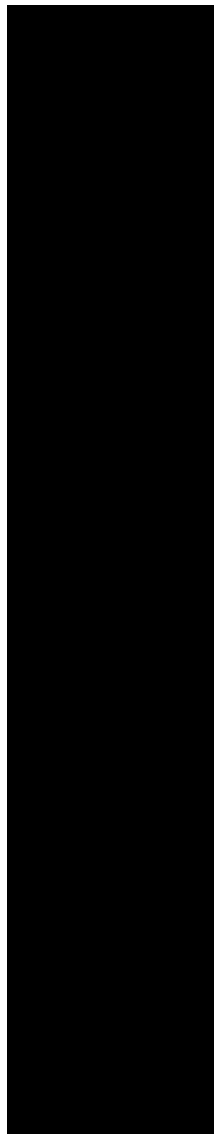
Proceeds from long-term debt and other obligations
Repayment of long-term debt and other obligations
Capital contributions
Net cash provided by financing activities

Net cash increase for year

Cash at beginning of year

Cash at end of year

Interest expense of [REDACTED]1 was paid for the year ended December 31, 2021.



NAVITAS ASSETS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

(1) Summary of Significant Accounting Policies

Organization and structure - We are an energy-assets holding company formed on March 20, 2007. We acquire relatively small, operating, rural assets and secondarily pursue the development of energy projects. We currently own over 1000 miles of regulated distribution pipeline as well as certain unregulated transmission assets. Navitas Utility Corporation is the managing member of our limited liability company and is the operator of our energy assets.

We own a 100% membership interest in Fort Cobb Fuel Authority, LLC ("FCFA"). FCFA wholly owns membership interests in two LLCs and a majority interest in a third LLC. We also own 100% membership interests in Navitas TN NG, LLC ("NTNNG"), Navitas KY NG, LLC ("NKYNG"), and Navitas Utility Texas, LLC ("NUTX"). FCFA, NTNNG, NKYNG, and NUTX provide distribution services to customers in smaller municipalities and rural areas in Oklahoma, Tennessee, Kentucky, and Texas.

Consolidation – We have included the accounts of FCFA, NTNNG, NKYNG, and NUTX in these financial statements and have eliminated all intercompany accounts and transactions. FCFA, NTNNG, NKYNG, and NUTX are disregarded entities for tax purposes.

Use of estimates - Accrual accounting is used to prepare these financial statements. Financial statement preparation requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingencies as of the date of these financial statements and for the period of these financial statements. Items that may be estimated include, but are not limited to, the economic useful life of assets, the fair value of some assets and liabilities, bad debt expense, unbilled revenues for natural gas delivered but for which meters have not been read, gas purchases for which gas has been delivered but no invoice has been received and various other recorded or disclosed amounts.

We evaluate estimates on an ongoing basis using historical experience, consultation with experts and other methods we consider reasonable given the circumstances. Nevertheless, actual results could differ significantly from the estimates. Any effects on our financial position or results of operations from revisions of these estimates are recorded when the facts that gave rise to the revision become known.

Cash and cash equivalents - Cash and cash equivalents consist of highly liquid investments, which are readily convertible in to cash, and have original maturity dates of three months or less.

Accounts receivable – Accounts receivable represent valid claims, both billed and unbilled, against non-affiliated customers for products sold or services rendered. We assess the credit worthiness of our counterparties and generally require security, usually in the form of prepayments or deposits, when appropriate. Outstanding customer receivables are evaluated for potential write-offs at six-month intervals and we use the direct write-off method for recording bad debts in our financial statements.

Inventory – Inventories are valued at the lower of cost or market, using the first-in, first-out method.

Property, plant and equipment – Our properties are generally stated at cost. Maintenance and repairs are charged to expense. Depreciation of these properties is charged to operations using the straight-line method. We assign lives to our properties based on our estimates of their useful economic lives. Lives of regulated assets are sometimes determined during rate proceedings or by regulatory statutes. Lives of our properties generally range from five to forty years.

Intangible assets – We amortize organizational costs, rate case expenses and acquisition costs over periods ranging from 24 to 120 months. The amortization periods are sometimes based on recovery periods granted during rate proceedings or by regulatory statutes.

NAVITAS ASSETS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

(1) Summary of Significant Accounting Policies (continued)

Revenue recognition – We generally bill our customers on a cyclical basis prior to the end of the month. We estimate and accrue unbilled revenues at the end of each month.

Income taxes – We are a limited liability company subject to United States income tax laws and have elected to be treated as a partnership for income tax reporting purposes. No income tax expense is recorded in these financial statements because our taxable income is passed on to our members and reported in their individual income tax returns.

Regulation – We are subject to the rate regulation and accounting requirements of the Oklahoma Corporation Commission (“OCC”) and the Tennessee Regulatory Authority (“TRA”). During the rate-making process, these regulatory bodies set the framework for what we can charge customers for our services and it also establishes the manner in which our costs are accounted for.

(2) Cash and cash equivalents

At December 31, 2021, we had deposits exceeding FDIC insurance at one financial institution. These deposits exceeded the FDIC insurance by \$ [REDACTED].

(3) Line-of-Credit

For working capital needs we have [REDACTED] arrangements with a bank totaling \$ [REDACTED]. These notes bear interest at [REDACTED] and are due [REDACTED]. During the year, we drew [REDACTED] and paid down [REDACTED] on this line, so the remaining balance on the note at December 31, 2021 is [REDACTED]. It is secured by [REDACTED] and [REDACTED].

(4) Long-Term Debt and Other Obligations

Long-term debt

We have [REDACTED] loans at a bank with outstanding balances totaling [REDACTED] at December 31, 2021. The largest of these [REDACTED] notes has a remaining balance of \$ [REDACTED]. Interest on these notes is [REDACTED], in [REDACTED]-year increments, currently at [REDACTED]%. Principal and interest payments on the notes total \$ [REDACTED] per month. [REDACTED] notes, including the [REDACTED] mature in [REDACTED], and one matures in [REDACTED]. They are secured by [REDACTED], and are also guaranteed by [REDACTED].

We have [REDACTED] at a bank with a balance of \$ [REDACTED] at December 31, 2021. Interest is at [REDACTED]. There is a [REDACTED] year amortization on [REDACTED] with principal and interest payments of \$ [REDACTED] per month, however the final payment and remaining balance on the note is due [REDACTED]. The note is secured by [REDACTED].

Other third-party obligations

Outside of our normal and customary CIEB or BIEC associated with our pass through of gas costs.

Two of our customers agreed to advance funds to assist us with the cost of a utility line being constructed to accommodate service to their plant. The amounts initially advanced were \$ [REDACTED] and \$ [REDACTED] per the terms of our agreement with them, these advances will be reduced each month by the amount of gas they are obligated to take or pay for. A third advancement by customers of \$ [REDACTED] was included as part of an acquisition, this will be reduced based on a tariff refund.

We have an obligation to a County of \$ [REDACTED] for a future buildout of pipelines.

NAVITAS ASSETS, LLC
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(4) Long-Term Debt and Other Obligations (continued)

Other obligations (continued)

We have an agreement to defer collections connected to winter storm Uri totaling \$ [REDACTED]. This amount is offset by a corresponding liability. The two are being worked off together over a [REDACTED] month period beginning in [REDACTED].

The balance of all other obligations as of December 31, 2021 was \$ [REDACTED].

Principal maturities are as follows:

| | |
|----------------------|------------|
| 2022 | [REDACTED] |
| 2023 | [REDACTED] |
| 2024 | [REDACTED] |
| 2025 | [REDACTED] |
| 2026 | [REDACTED] |
| Thereafter | [REDACTED] |
| Total long-term debt | [REDACTED] |
| Other obligations | [REDACTED] |

Reconciliation to balance sheet

| | |
|--|------------|
| Current portion of long-term debt and other obligations | [REDACTED] |
| Long-term debt and other obligations, less current portion | [REDACTED] |

(5) Concentrations

Our ten largest customers make up approximately [REDACTED] of the total revenues for the year ended December 31, 2021.

We almost exclusively purchase all of our natural gas from a related entity, Navitas Utility Corporation. NUC purchases gas for resale to us from a limited number of suppliers, and two suppliers provide [REDACTED] of commodities purchased by NUC. Clearwater Enterprises is their largest supplier making up approximately [REDACTED] of commodity purchases, Petrol [REDACTED] and CIMA [REDACTED].

(6) Transactions With Affiliates and Related Parties

We pay service and construction costs to a related corporation, Navitas Utility Corporation (NUC), which controls [REDACTED] percent of our membership units. NUC shareholders also own our membership units. The majority of our commodity charges and operating expenses are paid to NUC. During the course of operations, we bill and are charged for products and services and sometimes we advance and receive money for cash flow needs. We also have a [REDACTED] to [REDACTED] in the amount of \$ [REDACTED] at December 31, 2021 resulting from their billings for goods and services and we are required to pay interest of [REDACTED] on the unpaid balance.

[REDACTED]

