AMERICAN NATURAL ENERGY CORP.
(FORMERLY ANG HOLDINGS, INC.)

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

AMERICAN NATURAL ENERGY CORP.
(FORMERLY ANG HOLDINGS, INC.)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
American Natural Energy Corp.

We have audited the accompanying consolidated financial statements of American Natural Energy Corp. (formerly ANG Holdings, Inc.) (a corporation) and subsidiaries (a majority-owned subsidiary of HC2 Holdings, Inc.), which comprise the balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Natural Energy Corp. (formerly ANG Holdings, Inc.) and subsidiaries as of December 31, 2019 and 2018 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Albany, New York
April 27, 2020

AMERICAN NATURAL ENERGY CORP.
(FORMERLY ANG HOLDINGS, INC.)
CONSOLIDATED BALANCE SHEETS
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash	**$ 682,014**	$ 207,092
Accounts receivable	**31,069,497**	4,290,714
Inventory	**333,495**	256,236
Other current assets	**509,957**	235,279
Total current assets	**32,594,963**	4,989,321
Restricted cash	**200,404**	350,548
Note receivable, net	**485,549**	510,463
Property and equipment, net	**93,697,968**	59,345,915
Right of use asset	**2,787,248**	-
Intangible assets, net	**6,954,665**	5,485,863
Goodwill	**746,661**	746,661
Other long-term assets	**122,618**	115,832
Total assets	**$ 137,590,076**	$ 71,544,603
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	**$ 6,530,627**	$ 2,914,885
Line of credit	**1,343,000**	1,100,000
Accounts payable	**16,654,290**	1,682,824
Accrued expenses and other current liabilities	**4,689,851**	2,054,455
Short-term lease liability	**560,063**	-
Total current liabilities	**29,777,831**	7,752,164
Long-term debt, net	**41,864,868**	22,405,593
Subordinated convertible debt and accrued interest - related party	**-**	3,133,294
Asset retirement obligation	**178,261**	-
Redeemable preferred stock liability	**10,886,314**	-
Warrants liability	**5,198,227**	-
Long-term lease liability	**2,236,517**	-
Deferred income taxes	**1,006,701**	1,590,184
Total liabilities	**91,148,719**	34,881,235
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Convertible redeemable preferred stock, Series A, $.001 par value, 15,500 shares authorized, 12,232 issued and outstanding (liquidation preference - see Note 10)	**12**	12
Common stock, $.001 par value, 5,000,000 shares authorized, 2,255,030 issued and outstanding	**2,255**	2,096
Additional paid-in capital	**40,232,674**	36,973,932
Retained earnings (accumulated deficit)	**6,206,416**	(312,672)
	46,441,357	36,663,368
Total liabilities and stockholders' equity	**$ 137,590,076**	$ 71,544,603

See accompanying notes to the consolidated financial statements.

AMERICAN NATURAL ENERGY CORP.
(FORMERLY ANG HOLDINGS, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2019 and 2018

	2019	2018
Revenue, net	**$ 37,492,746**	$ 19,925,591
Cost of revenue	**13,321,828**	9,335,255
Income before station operations costs	**24,170,918**	10,590,336
Station operations costs	**4,622,446**	2,666,068
Income before other operating expenses	**19,548,472**	7,924,268
Payroll and related costs	**1,674,991**	1,085,110
Depreciation and amortization	**6,127,506**	4,607,667
Impairment and other losses	**-**	1,101,033
Selling, general and administrative expenses	**961,696**	971,602
Income from operations	**10,784,279**	158,856
Interest expense	**4,104,635**	1,908,920
Other (income) and expense, net	**648,390**	(233,530)
Profit (loss) before taxes	**6,031,254**	(1,516,534)
Income tax benefit	**(510,298)**	(911,002)
Net profit (loss)	**$ 6,541,552**	$ (605,532)

See accompanying notes to the consolidated financial statements.

AMERICAN NATURAL ENERGY CORP.
(FORMERLY ANG HOLDINGS, INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2019 and 2018

	Common Stock		Preferred Stock Series A		Paid-in	Retained Earnings (Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit)	Total
Balance at January 1, 2018	2,096,137	$ 2,096	12,232	$ 12	$ 36,968,044	$ 292,860	$ 37,263,012
Share based compensation	-	-	-	-	5,888	-	5,888
Net loss	-	-	-	-	-	(605,532)	(605,532)
Balance at December 31, 2018	2,096,137	2,096	12,232	12	36,973,932	(312,672)	36,663,368
Conversion of HC2 Convertible Debt Note into 158,893 common shares	158,893	159	-	-	3,258,742	-	3,258,901
ASC 842 Implementation	-	-	-	-	-	(22,464)	(22,464)
Net profit	-	-	-	-	-	6,541,552	6,541,552
Balance at December 31, 2019	2,255,030	$ 2,255	12,232	$ 12	$ 40,232,674	$ 6,206,416	$ 46,441,357

See accompanying notes to the consolidated financial statements.

AMERICAN NATURAL ENERGY CORP.
(FORMERLY ANG HOLDINGS, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit (loss)	**$ 6,541,552**	$ (605,532)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Amortization of intangible assets	**907,151**	756,135
Redeemable Preferred Stock payment in kind dividends and accretion	**1,450,866**	-
Amortization of deferred financing costs and discounts on related party convertible notes and long-term obligations	**713,740**	123,837
Amortization of discount on note receivable	**(14,006)**	(7,194)
Depreciation	**5,220,356**	3,851,532
Share based compensation	**-**	5,888
Deferred income taxes	**(583,483)**	(910,514)
Gain on sale or disposal of assets	**(28,051)**	(222,889)
Impairment and other losses	**-**	1,101,033
(Gain) loss on fair value adjustments of warrants	**714,037**	-
Changes in operating assets and liabilities:		
Accounts receivable	**(23,762,029)**	(314,796)
Inventory	**31,434**	(8,657)
Other assets	**(31,185)**	(45,171)
Other liabilities	**(359,632)**	-
Accounts payable	**14,971,698**	(248,327)
Accrued expenses and other current liabilities	**(683,570)**	469,678
Accrued interest on subordinated convertible debt	**123,802**	(683)
Net cash flows provided by operating activities	**5,212,680**	3,944,340
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,106,169)**	(1,143,838)
Proceeds from disposal of property, plant and equipment	**244,013**	85,361
Website development costs	**-**	(4,055)
Cash paid for business acquisitions, net of cash acquired	**(40,976,216)**	-
Payments received on note receivable	**56,783**	18,498
Net cash flows used in investing activities	**(41,781,589)**	(1,044,034)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term obligations	**28,000,000**	-
Proceeds from issuance of Redeemable Preferred Stock liability	**14,000,000**	-
Issuance fees of Redeemable Preferred Stock liability	**(80,361)**	-
Discount/premium on borrowings	**(946,141)**	-
Net proceeds from line of credit	**243,000**	69,500
Principal payments on long-term debt	**(4,322,811)**	(3,113,149)
Principal payments on related party subordinated convertible debt	**-**	(213,330)
Net cash flows provided by (used in) financing activities	**36,893,687**	(3,256,979)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	**324,778**	(356,673)
CASH AND RESTRICTED CASH, Beginning of year	**557,640**	914,313
CASH AND RESTRICTED CASH, End of year	**$ 882,418**	$ 557,640
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year:		
Interest	**$ 2,027,479**	$ 1,627,837
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Property, plant and equipment included in accounts payable	**$ 405,600**	$ 310,725
Transfer of property, plant and equipment to inventory	**$ 108,693**	$ -
Note receivable for sale of land (Note 4)	**$ -**	$ 690,000
Settlement of long-term debt against accounts receivable (Note 8)	**$ -**	$ 400,000
Insurance receivable (included in accounts receivable) recorded to extent of loss on property, plant, and equipment	**$ -**	$ 193,868
Conversion of subordinated convertible notes and accrued interest into common stock	**$ 3,258,898**	$ -

See accompanying notes to the consolidated financial statements.

NOTE 1 — ORGANIZATION AND BUSINESS ACTIVITIES

American Natural Energy Corp. (Formerly ANG Holdings, Inc.) ("ANG" and together with its subsidiaries, the "Company", "we", "us" and "our") is a non-diversified holding company whose subsidiaries are premier retailers of compressed natural gas ("CNG") who design, build, own, operate and maintain natural gas fueling stations. The Company has customer bases in a variety of markets including regional trucking, refuse, airports and food and beverage distribution. ANG owns and operates (52) and operates or maintains (5) natural gas fueling locations in New York, Florida, North Carolina, Georgia, Kentucky, Vermont, Indiana, Ohio, Arizona, Colorado, Kansas, Texas, Utah, Tennessee, Arkansas, California, and Virginia, with an additional location currently under development in California. The Company also generates revenue through operation and maintenance agreements and federal and state credits, grants, and incentives.

HC2 Holdings, Inc. (NYSE: HCHC) maintains a 69.27% voting ownership interest in ANG. The remaining ownership is made up of the original founding members and employees of ANG.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying Consolidated Financial Statements of American Natural Energy Corp. (Formerly ANG Holdings, Inc.) and its subsidiaries ("American Natural Gas, LLC", "ANG Region 1, LLC", "ANG Region 2, LLC", and "ANG Region 3, LLC") were prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Intercompany transactions and balances are eliminated in consolidation.

Management's Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. These differences may be material.

Concentration of Credit Risk

Cash

Financial instruments which potentially subject the Company to a concentration of credit risk principally consist of cash, cash equivalents, and trade receivables.

The Company maintains cash balances with a major financial institution which at times exceeds the federally insured limit.

Trade receivables and revenues

To reduce credit risk related to trade receivables, the Company performs ongoing credit evaluations of its customers' financial conditions but does not generally require collateral. For the year ended December 31, 2019, there was one customer who accounted for approximately 20% of revenue and as of December 31, 2019, that customer accounted for approximately 8% of accounts receivable. For the year ended December 31, 2019, there was one customer who accounted for approximately 25% of revenue and as of December 31, 2018, that customer accounted for approximately 37% of accounts receivable.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Restricted Cash

For purposes of the consolidated statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of 3 months or less to be cash.

Accounts Receivable

Accounts receivable primarily includes trade accounts due from customers and may also include grants and other current receivables. Accounts receivable are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; as such accounts receivable do not bear interest, although a finance charge may be applied to such receivables that exceed predetermined terms.

Accounts receivable are periodically evaluated for collectability based on past credit history with customers, their current financial condition, and other relevant factors. The Company charges off accounts receivable when it becomes apparent based upon age or other circumstances that amounts will not be collected. Management believes that no allowance for doubtful accounts is necessary at December 31, 2019 and 2018.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or net realizable value. Inventories are primarily comprised of items relating to CNG station equipment.

Note Receivable

The Company's note receivable is stated at the unpaid principal balance, net of unearned discounts. The unearned discount is recognized as interest income over the term of the note.

Property and Equipment

Property, plant equipment acquired in connection with our acquisitions was recorded based on its estimated fair value as of its acquisition date. Purchased and constructed property, plant and equipment is recorded at cost. For constructed property, certain interest costs incurred during the construction period are capitalized as part of facility construction costs. Renewals and betterments of property are accounted for as additions. Repairs and maintenance charges are expensed as incurred. Depreciation is provided on the straight-line method for financial reporting and the accelerated method for income tax purposes. Estimated useful lives are 7 to 18 years for facilities and equipment, 15 years for the Canton, OH asset retirement obligation, 5 to 7 years for office furniture and equipment, and 5 years for vehicles. For equipment on leased properties, the estimated useful life is the lesser of the estimated useful life or the expected period the equipment will be in service based upon the property lease.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Retirement Obligations (AROs):

In accordance with its operating leases, the Company is liable for certain costs involving the ultimate closure of the Canton, OH, facility. These charges include costs of decommissioning, remediation, and incremental direct administration costs of closing the facility. The Company recognizes the estimated costs to close this facility and recognizes an asset related to the costs. The Company recognized an ARO asset of $104,500 and $0 for the years ended December 31, 2019 and 2018, respectively. In subsequent years, the cost is amortized over the estimated useful life of the associated station assets. The Company recognized depreciation expense of approximately $3,800 and $0 over ARO assets for the years ended December 31, 2019 and 2018, respectively. The Company also records a liability for the ARO obligation. The Company determines the estimated obligation based on the requirements for the ultimate closure of the Canton, OH facility. On an annual basis, the Company reviews the liability to fulfill the retirement obligation. GAAP requirements provide for the determination of the liability generally using current costs and annual inflation increases. The liability is also periodically reviewed when the associated lease is renewed or otherwise adjusted. The liability is accreted using an expected cash flow approach discounted using a credit-adjusted risk-free rate of current cost estimates. The Company recognized an ARO liability of approximately $178,300 and $0 for the years ended December 31, 2019 and 2018, respectively. The Company recognized accretion expense of approximately $2,100 and $0 over ARO liabilities for the years ended December 31, 2019 and 2018, respectively.

Goodwill and Intangible Assets

Goodwill is not amortized but rather tested annually for impairment or whenever events or changes in circumstances, such as a significant adverse change in the economic climate, a transition to a new product or services strategy, or a significant change in the customer base, that would make it more likely than not that an impairment may have occurred. If the carrying value of goodwill exceeds its fair value, an impairment loss is recognized. The Company identified no impairments to goodwill during the years ended December 31, 2019 and 2018.

Finite lived intangible assets are recorded at their fair value at the date of acquisition and are amortized over their estimated useful lives. Finite lived intangible assets consist of fueling contracts, customer relationships, and web site development costs. Fueling contracts and customer relationships are being amortized over 5 to 15 years and the web site is being amortized over 3 years.

Long-Lived Assets

The Company recognizes an impairment loss when the carrying amount of a long-lived asset exceeds its fair value. In the event that facts and circumstances indicate that the carrying amounts of long-lived assets may be impaired, an evaluation of recoverability would be performed. The evaluation process consists of comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if an impairment is indicated. If this review indicates that the asset will not be recoverable, the carrying value of the asset would be reduced to its estimated fair value. In 2019, the Company identified no impairments to long-lived assets. During 2018, the Company determined that the carrying amount of certain stations may be impaired, in part

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets (Continued)

due to 2018 operating and cash flow losses combined with a history of operating and cash flow losses at those stations. As a result, the Company recorded an impairment charge totaling approximately $657,000, of which approximately $619,000 was allocated to property, plant, and equipment and the remaining approximately $38,000 allocated to Customer Contracts intangible assets. The impairment charge represents the difference between the carrying value of the assets and their fair value based on estimated future discounted cash flows. The charge had no impact on the Company's cash flow or its ability to generate cash flow in the future. The impairment charge is included in the accompanying 2018 statement of operations under the caption "Impairment and other losses."

Share Based Compensation

The Company has share-based incentive compensation plans under which certain officers and employees are participants and may be granted stock options. The Company accounts for share-based compensation in accordance with the fair-value recognition provisions of ASC 718, *Compensation – Stock Compensation*, and ASC 505, *Equity*, which require all share-based payments to employees to be recognized as expense in the consolidated financial statements based on their fair values. The Company records share-based compensation expense for all new and unvested stock options that are ultimately expected to vest as the requisite service is rendered. The Company issues new shares of American Natural Energy Corp. (Formerly ANG Holdings, Inc.) stock upon the exercise of stock options.

The Company uses the Black-Scholes option valuation model to determine the fair value of share-based compensation. The Black-Scholes model incorporates various assumptions including the expected term of awards, volatility of stock price, risk-free rates of return and dividend yield. The expected term of an award is no less than the option vesting period and is based on the Company’s historical experience. Expected volatility is based upon the volatilities of comparable public companies. The risk-free interest rate is approximated using rates available on U.S. Treasury securities with a remaining term similar to the option’s expected life. The Company uses a dividend yield of zero in the Black-Scholes option valuation model as it does not anticipate paying cash dividends in the foreseeable future. Share-based compensation is recorded net of expected forfeitures.

Revenue Recognition

The following table disaggregates revenue by type for the years ended December 31:

	2019	2018
Sales of CNG	$ 26,085,912	$ 15,952,785
AFETC	10,624,384	2,639,897
RIN & LFCS	491,474	1,332,910
Rental	167,584	20,524
Grant	123,393	122,417
Revenue, Net	$ 37,492,746	$ 19,925,591

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Sale of Compressed Natural Gas ("CNG")

The Company recognizes revenue from the sale of compressed natural gas at the point of sale. For take-or-pay arrangements with customers which require the purchase of minimum volumes of compressed natural gas, the Company estimates the under-lifted charges for not meeting minimum volume requirements, if any, based on the minimum volumes in excess of customer purchases throughout the measurement period specified in the contracts.

Maintenance Contracts

Maintenance contract revenue is recognized in the period covered by the contract and revenue from ad-hoc maintenance related services is recognized at the time the maintenance is performed.

Alternative Fuels Excise Tax Credit ("AFETC")

Under separate pieces of U.S. federal legislation, the Company had been eligible to receive the AFETC tax credit for its natural gas vehicle fuel sales made through December 31, 2019. The AFETC, which had previously expired on December 31, 2017, was reinstated on December 20, 2019 to apply to vehicle fuel sales made from January 1, 2018 through December 31, 2020. The AFETC credit is equal to $0.50 per gasoline gallon equivalent of CNG that the Company sold as vehicle fuel.

The Company generally recognizes federal alternative fuels tax credit revenue in the period in which the CNG is sold and files the related excise tax return quarterly; however, AFETC is not recognized as revenue until it is authorized through federal legislation, which also provides a determinable price. AFETC is considered a government incentive and not an output of the stations for accounting purposes. The Company passes on a portion of the tax credit to several of its larger customers in the form of a rebate based upon provisions in those customer agreements. AFETC revenue is recognized net of these rebates to customers.

As a result of the most recent legislation authorizing AFETC being signed into law on December 31, 2019, net AFETC revenue after customer rebates for 2018 calendar year CNG fuel sales, totaling approximately $5,200,000, was recognized in 2019, the period in which the extension was signed into law and the credit became available. Additionally, approximately $5,400,000 in net AFETC revenue after customer rebates was recognized in 2019 for 2019 calendar year CNG fuel sales. Previously, net AFETC revenue after customer rebates for 2017 calendar year CNG fuel sales, totaling approximately $2,640,000, was recognized in 2018, the period in which that extension was signed into law and the credit became available. As of December 31, 2019, approximately $23,741,000 in AFETC credits is receivable, with approximately $13,084,000 of this balance payable to customers. As of December 31, 2018, there were no AFETC receivable or payable balances.

Renewable Identification Numbers ("RINs") and Low Carbon Fuel Standards ("LCFS") Credits

RINs and LCFS credits are generated when renewable natural gas ("RNG") is sold for use as a vehicle fuel in the United States and California, respectively. These credits can be sold to third parties who need the RINs and LCFS credits to comply with federal and state emission compliance requirements. The Company has entered into agreements with certain suppliers in which the

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Renewable Identification Numbers ("RINs") and Low Carbon Fuel Standards (“LCFS”) Credits (Continued)

supplier or supplier’s affiliate receives the RINs and/or LCFS credits generated by the Company’s compression and conversion of RNG into vehicle transportation fuel at certain Company stations in exchange for cash consideration equal to a fixed percentage of the value of the monetized RINs and/or LCFS credits. The Company does not receive, sell or transfer RINs or LCFS credits generated through the sale of RNG at its stations. The Company recognizes revenue for these credits when there is an agreement in place with a supplier to monetize the credits at a determinable price in the period in which the related RNG is sold at its stations.

The Company passes on a portion of these credits to certain customers in the form of a rebate based upon provisions in those customer agreements. Revenue is recognized net of these rebates to customers. Approximately $491,000 and $1,330,000 of net revenue after customer rebates related to these credits was recognized for the years ended December 31, 2019 and 2018, respectively

Grants

Grant revenue is recognized as eligible costs are incurred or over the applicable compliance period in accordance with the terms of the individual grant agreements.

Advertising

Advertising costs are expensed as incurred. Approximately $35,200 and $30,800 in advertising expense was recognized for the years ended December 31, 2019 and 2018, respectively.

Income Taxes

The Company accounts for income taxes in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, *Income Taxes* whereby income taxes are provided using the asset and liability method. Under this method, income taxes (i.e., deferred tax assets and liabilities, current taxes payable/refunds receivable, and tax expense) are recorded based on amounts refundable or payable in the current year and include the result of any difference between U.S. GAAP and tax reporting. Deferred income taxes reflect the tax effect of certain net operating losses, capital losses, general business credit carry forwards, and the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates. The Company accounts for the financial effect of changes in tax laws or rates in the period of enactment. In addition, valuation allowances are established when management determines that it is more likely than not that some portion or all of a deferred tax asset will not be realized. Tax valuation allowances are analyzed periodically and adjusted as events occur or circumstances change that warrant adjustments.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Company follows guidance issued by the FASB regarding accounting for uncertainty in income taxes. This guidance sets forth the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is more than 50% likely to be realized upon its settlement.

The Company believes that there is no tax position taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within 12 months of the reporting date.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (“ASC 842”). This ASU amended the FASB Accounting Standard Codifications to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet. The Company adopted this codification for all leases in fiscal year 2019. The Company calculated the present value of the lease liability for each lease via the incremental borrowing rate method outlined by ASC 842, representing the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The Company determined the value of the right of use asset for all leases per ASC 842 via calculating the total of the lease liability, plus lease payments made before lease commencement, plus initial direct costs, less lease incentives. Information including a summary of lease related transactions and the leases held by the Company is included in Note 16.

Subsequent Events

The Company has evaluated subsequent events through April 27, 2020, which is the date the financial statements were available to be issued

Global and domestic responses to the coronavirus disease (COVID-19) outbreak continue to rapidly evolve. The initial effect, which centered around global financial markets, has since spread to all businesses including the energy industry. Management’s determination is that currently, there is minimal financial effect on the Company. As the situation continues to unfold, management may need to find ways to address the disruption of business operations that may result from the virus’ spread

NOTE 3 — RESTRICTED CASH

In August 2016, in connection with the acquisition of a fueling station from American CNG, Inc., the Company issued a Promissory Note to the seller which included a provision to set aside $300,000 in an escrow account to be available to the seller in the event of a default under the Note. In January 2018, the escrow account balance was reduced to $150,000 which is recorded as restricted cash in the accompanying balance sheet at December 31, 2018. In January 2019, the escrow agreement was terminated and the remaining funds in the escrow account were released and disbursed to the Company.

NOTE 3 — RESTRICTED CASH (Continued)

The Company is also required to maintain a restricted deposit in support of an irrevocable letter of credit in the amount of approximately $200,000.

These amounts have been recorded as non-current restricted cash in the accompanying balance sheet at December 31, 2019 and 2018.

The following table provides a reconciliation of cash and restricted cash reported within the balance sheet that sum to the total of the same such amounts presented in the statement of cash flows.

	December 31, 2019	December 31, 2018
Cash	$ 682,014	$ 207,092
Restricted cash	200,404	350,548
Total cash and restricted cash presented in the statement of cash flows	$ 882,418	$ 557,640

NOTE 4 — NOTE RECEIVABLE, NET

In 2018, the Company sold land for a purchase price of $700,000, comprising cash of $10,000 and a $690,000 note with a 15-year term due in June 2033. The note bears interest at 2.9% per annum and requires monthly payments of $4,732. The Company recognized a discount on the note of $130,424.

The note receivable balance consists of the following:

	December 31, 2019	December 31, 2018
Unpaid principal balance	$ 633,693	$ 671,502
Less: unamortized discount on note receivable	109,224	123,230
	524,469	548,272
Less: current maturities (included in other current assets)	38,920	37,809
Note receivable, net	$ 485,549	$ 510,463

Amortization of the discount, included in interest income in the accompanying statement of operations, was $14,006 and $7,194 for the years ended December 31, 2019 and 2018, respectively.

NOTE 5 — PROPERTY AND EQUIPMENT

A schedule of property and equipment is as follows:

	2019	2018
Land	$ 12,353,717	$ 10,163,497
Facilities and equipment	92,953,537	56,636,621
Office furniture and equipment	183,024	152,229
Vehicles	342,976	374,772
Total	105,833,254	67,327,119
Less: Accumulated depreciation	(14,251,843)	(9,100,392)
Property and equipment in service	91,581,411	58,226,727
Facility construction in process	2,116,557	1,119,188
Property and equipment	$ 93,697,968	$ 59,345,915
Depreciation expense for the year:		
Operating expenses	$ 5,220,356	$ 3,851,532
Depreciation	$ 5,220,356	$ 3,851,532

See Note 17 for detail of property and equipment acquired by ANG in the ampCNG purchase. Facility construction in process is expected to be completed at various dates throughout 2020 to 2021.

NOTE 6 — GOODWILL AND INTANGIBLE ASSETS

The Company’s goodwill and intangibles assets are as follows:

	January 1, 2019	Additions	Impairment	December 31, 2019
Goodwill	$ 746,661	$ -	$ -	$ 746,661
	$ 746,661			$ 746,661
Intangible assets subject to amortization:				
Customer Contracts	$ 6,593,345	$ 2,367,413	$ -	$ 8,960,758
Customer Relationships	684,198	-	-	684,198
Website Development Costs	151,916	-	-	151,916
	7,429,459	2,367,413	-	9,796,872
Less accumulated amortization	1,943,596	898,611	-	2,842,207
	$ 5,485,863			$ 6,954,665

NOTE 6 — GOODWILL AND INTANGIBLE ASSETS (Continued)

	January 1, 2018	Additions	Impairment	December 31, 2018
Goodwill	$ 746,661	$ -	$ -	$ 746,661
	$ 746,661			$ 746,661
Intangible assets subject to amortization:				
Customer Contracts	$ 6,631,734	$ -	$ (38,389)	$ 6,593,345
Customer Relationships	684,198	-	-	684,198
Website Development Costs	147,861	4,055	-	151,916
	7,463,793	4,055	(38,389)	7,429,459
Less accumulated amortization	1,187,461	756,135	-	1,943,596
	$ 6,276,332			$ 5,485,863

Future amortization expenses of the intangible assets subject to amortization are as follows:

Years Ending December 31,	Amount
2020	$ 1,001,432
2021	796,222
2022	796,222
2023	796,222
2024	732,607
Thereafter	2,831,961
	$ 6,954,665

NOTE 7 — LINE OF CREDIT

The Company maintains a $1,500,000 line of credit with Pioneer Bank payable on Demand with interest at LIBOR plus 3% with a floor of 3.25% (4.75% at December 31, 2019). There were $1,343,000 and $1,100,000 of outstanding borrowings on this line as of December 31, 2019 and 2018, respectively. The line is secured by the assets of American Natural Gas, LLC.

NOTE 8 — LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2019	December 31, 2018
Notes payable (4) to Ford Credit in monthly installments of \$814-\$960 including interest at 0%-3.16%; maturing January 2022 through October 2022; secured by the equipment.	$ 79,975	$ 139,182
Copier capital lease payable in monthly installments of \$155 including interest at approximately 6%; maturing January 2020; secured by the equipment.	2,166	2,368
Senior Note payable to Pioneer Bank in monthly installments of \$138,785 including interest at 4.5%; maturing February 2022; secured by all assets of American Natural Gas LLC.	10,161,329	11,333,751
Senior Note payable to Pioneer Bank in monthly installments of \$5,068 including interest at 4.5%; maturing October 2022; secured by all assets of American Natural Gas LLC.	399,838	441,377
Subordinated Unsecured Promissory Note payable to American CNG LLC in monthly installments of \$51,054 including interest at 4.25%; maturing January 2022. The Company recognized a discount on the promissory note to seller of \$85,193 which is being amortized over the term of the note. In January 2018, the outstanding principal balance was reduced by \$400,000 as a credit against amounts due to the Company under a fueling agreement. The note was re-amortized, resulting in a monthly payment of \$42,147 over the remaining term.	582,293	1,496,030
Master equipment lease financing agreement with M&T Bank in the original amount of \$12,000,000. Funds under the financing agreement were primarily utilized to finance certain assets as a result of the Questar acquisition. The agreement requires monthly payments of \$127,513, including interest of approximately 5.04%, maturing with a purchase obligation payment of \$6,750,466 in May 2022; secured by certain equipment of the Company.	9,191,703	10,188,939
Master equipment lease financing agreement with M&T Bank in the original amount of \$2,500,000. Funds under the financing agreement were primarily utilized to finance certain assets as a result of the Questar acquisition. The agreement requires monthly payments of \$26,285, including interest of approximately 4.81%, maturing with a purchase obligation payment of \$1,399,296 in September 2022; secured by certain equipment of the Company.	2,037,207	2,249,075

Continued…

NOTE 8 — LONG-TERM DEBT (Continued)

	December 31, 2019	December 31, 2018
Master equipment lease financing agreement with M&T Bank in the original amount of $28,000,000. Funds under the financing agreement were primarily utilized to finance certain assets as a result of the ampCNG acquisition. The agreement requires monthly payments ranging from approximately $295,000 to $316,000, including interest of LIBOR plus 3.00% (4.75% at December 31, 2019), maturing with a purchase obligation payment of $18,626,493 in July 2023; secured by certain equipment of the Company.	27,073,399	-
Total	49,527,910	25,850,722
Less: unamortized discount on promissory note	32,270	47,760
Less: unamortized deferred financing costs	1,100,145	482,484
	48,395,495	25,320,478
Less: current maturities	6,530,627	2,914,885
Long-term debt, net	$ 41,864,868	$ 22,405,593

Maturities of long-term debt as of December 31, 2019 are as follows:

Year Ending December 31,	
2020	$ 6,530,627
2021	5,357,101
2022	5,365,400
2023	22,847,445
2024	3,075,345
Thereafter	6,351,992
Total	$ 49,527,910

Amortization of the discount on promissory note and deferred financing costs is reported in the income statement as interest expense. Total amortization of the discount and deferred financing costs above recognized as interest expense was approximately $344,000 and $124,000 for the years ended December 31, 2019 and 2018, respectively.

The Pioneer Bank loan agreement contains certain financial covenants, including a minimum debt service coverage ratio of 1.20 to 1.0 and a maximum debt to tangible net worth ratio of 1.00 to 1.00 for American Natural Gas LLC. The Company was in compliance with the aforementioned financial covenants at December 31, 2019.

The ANG Region 1 LLC M&T Bank loan agreement contains certain financial covenants, including a minimum fixed charge coverage ratio of 1.15 to 1.0 and a maximum total liabilities to total net worth ratio of 2.00 to 1.00 for ANG Region 1 LLC. The Company was in compliance with the aforementioned financial covenants at December 31, 2019.

NOTE 8 — LONG-TERM DEBT (Continued)

The ANG Region 3 LLC M&T Bank loan agreement contains certain financial covenants, including a minimum fixed charge coverage ratio of 1.15 to 1.0 and a maximum total liabilities to total net worth ratio of 2.00 to 1.00. The Company was in compliance with the minimum fixed charge coverage ratio financial covenant at December 31, 2019. The Company received a waiver from M&T Bank for non-compliance with the total liabilities to total net worth ratio at December 31, 2019. This waiver additionally amended the covenant to a maximum total liabilities to total net worth ratio of 2.50 to 1.00.

The ANG Region 3 LLC M&T Bank loan is also subject to annual mandatory prepayments equal to a percentage of defined excess cash flow. At December 31, 2019, ANG Region 3 LLC had excess cash flow, as defined, of $1,422,759. An additional principal payment in the amount of the calculated excess cash at December 31, 2019 is payable to M&T Bank within 150 days of fiscal year-end and has been included in the current maturities of long-term debt as of December 31, 2019.

On January 23, 2020, ANG entered into a short-term loan agreement with M&T Bank for a total of $500,000. This loan carries an interest rate of 2.5% plus 1-month LIBOR and matures in June 2020.

The CEO of the Company personally guarantees the Pioneer Bank and M&T Bank facilities.

NOTE 9 — SUBORDINATED CONVERTIBLE PROMISSORY NOTES – RELATED PARTY

During 2017, the Company executed a second amended and restated subordinated convertible promissory note to HC2 Holdings 2, Inc., a related party, with a stated principal of $3,155,920 and maturity date of July 2022 or such later date that financing can be arranged. The note was convertible to common stock at a conversion price of $20.51 per share at the option of the holder during the term of the note. The note was collateralized by all business assets; however, the note was subordinate to the Pioneer and M&T facilities and other first lien holders. On June 13, 2019, the note was fully extinguished via a conversion into 158,893 shares of ANG Common Stock based upon the total balance of principal and accrued interest of $3,268,898 at the conversion price of $20.51 per share.

NOTE 10 — STOCKHOLDERS EQUITY

Series A Convertible Redeemable Preferred Stock

The Company has 12,232 shares outstanding of Series A Convertible Redeemable Preferred Stock at December 31, 2019 and 2018.

Voting rights: Generally, the holders of Series A Convertible Preferred Stock are entitled to the number of votes equal to the number of shares of common stock into which such shares could be converted, with certain exceptions, and are entitled to elect the majority of the Company’s board of directors (3 of 5 seats).

NOTE 10 — STOCKHOLDERS EQUITY (Continued)

Series A Convertible Redeemable Preferred Stock *(Continued)*

Conversion rights: At the option of the holder, Series A Preferred Stock is convertible into common stock at $15 per common share, as adjusted for stock splits, stock dividend and other potentially dilutive events. In the event that the Company issues Series A Preferred Stock for less than $15, the conversion price of existing preferred shares may be adjusted. Shares of preferred stock will automatically convert into common stock after three (3) years from initial closing date of August 2014 upon the occurrence of certain performance events. As of December 31, 2019, the conversion conditions had been met. Accordingly, the Series A Convertible Preferred Stock was subsequently converted into 999,600 common shares on January 1, 2020 based upon an accrued value of $14,994,001 at the conversion price of $15 per share.

Redemption rights: The Series A Preferred Stock, including accumulated and unpaid dividends, is redeemable for cash at the option of the holders after seven (7) years from the date of the initial closing or upon change in control. The Company may redeem the preferred shares subsequent to the third anniversary of the initial closing date of August 2014.

Liquidation preference: Upon liquidation, dissolution or winding up of the Company, the holders of the Series A Preferred stock shall be entitled to receive in preference to any distribution to common shareholders the greater of $1,000 per share or the amount the holders would be entitled to receive on an as converted to commons stock basis (as adjusted for stock dividends, splits, etc.).

Dividend rights: Series A Preferred Stockholders are entitled to receive cumulative dividends at the rate of 11.5% through May 25, 2016 and cumulative dividends totaled $3,500,000 at December 31, 2019 and 2018. Holders are entitled to participating in-kind dividends on an as converted basis when and if dividends are declared for common stock. Any accrued but unpaid cumulative dividends, whether declared or not, on each outstanding share of Series A Preferred Stock may be converted into Common Stock.

Series B Preferred Stock

The Company has issued and outstanding 28,143 options for Series B Preferred stock. No shares are issued or outstanding at December 31, 2019.

Voting rights: Generally, the holders of Series B Preferred Stock have no voting rights other than on such matters submitted to a vote of the stockholders of Series B Preferred Stock.

Conversion rights: None unless there is a Fundamental Transaction as defined in the Certificate of Designation of Series B Preferred Stock.

Liquidation preference: Upon liquidation, dissolution or winding up of the Company, the holders of the Series B Preferred stock participate (on an as-converted basis) pari passu with the holders of commons stock.

Dividend rights: Series B Preferred Stockholders are entitled to receive preferential dividends equal to the per share amount of each dividend distributed to holders of Common Stock, when, as, and if declared.

NOTE 10 — STOCKHOLDERS EQUITY (Continued)

Series C Redeemable Preferred Stock and Associated Warrants

The Company issued 14,000 shares of Series C Redeemable Preferred Stock ("Series C Preferred Stock") to investors for total consideration of $14,000,000 in June 2019. This included 4,000 shares issued to Continental General Insurance Company, a subsidiary of HC2 and a related party. The Company additionally issued common stock purchase warrants ("Warrant") to each purchaser of Preferred Stock, totaling 223,883 shares of common stock at a price of $.001 per share. The Series C Preferred Stock and Warrant were analyzed as separate instruments under GAAP and were determined to be liabilities. Therefore, the Warrant was initially recorded at its fair value as of June 2019, and the Preferred Stock was initially recorded at the residual value of the total consideration of $14,000,000 net of a discount for the value of the Warrant. This discount will be amortized over the four year mandatorily redeemable period. The Series C Preferred Stock is additionally adjusted by a discount for issuance costs, in addition to unpaid dividends being recognized as a payment in kind liability. The Series C Preferred Stock balance as of December 31, 2019, is comprised of the following:

	December 31, 2019	December 31, 2018
Preferred stock liability	$ 14,000,000	$ -
Discount on preferred stock, net	(4,114,420)	-
Preferred stock issuance cost, net	(71,822)	-
Dividend payment in kind	1,072,556	-
Preferred stock liability, net	$ 10,886,314	$ -

The Warrant is adjusted to fair value as of the balance sheet date of December 31, 2019 utilizing a 3rd party ANG common stock valuation, representing an unobservable level 3 input. This valuation is performed as of each reporting date. As of December 31, 2019, the ANG common stock value was determined to be $23.22 (as of December 31, 2018, a valuation was not performed as no warrants were outstanding as of this date). The warrant liability at $23.22 per share for 223,883 shares resulted in the warrant liability of $5,198,227 as of December 31, 2019.

Voting rights: Series C Preferred Stock and the associated Warrants carry no voting rights for the holder.

Conversion rights: Series C Preferred Stock and the associated Warrants carry no conversion rights.

Redemption rights: The Series C Preferred Stock is mandatorily redeemable by the later of the fourth (4th) anniversary of the effective date, or the sixth month anniversary of a default by ANG on its M&T Bank commitments. Series C Preferred Stock is additionally mandatorily redeemable prior to or concurrently with the consummation of a change in control. ANG holds an option to redeem at least 2,000 shares after the second anniversary of the effective Date, but prior to the mandatory redemption. The Warrants are immediately exercisable as of the effective date and through the expiration date and may be exercised via partial exercise. The portion of the Warrants that remains unexercised as of maturity (10-year anniversary of issuance) or a change in control shall be deemed automatically exercised in whole.

NOTE 10 — STOCKHOLDERS EQUITY (Continued)

Series C Redeemable Preferred Stock and Associated Warrants *(Continued)*

Liquidation preference: Upon liquidation, dissolution or winding up of the Company, the holders of the Series C Preferred stock shall be entitled to a rank senior of all junior securities, Series A preferred Stock, and Series B Preferred stock, in addition to seniority over any future preferred or capital stock issuance. In the event of an IPO, liquidation, or change of control, the Warrant holders are entitled to a required notice regarding the timing and amount of their transactional proceeds involving their exchange of common stock.

Dividend rights: Series C Preferred Stockholders are entitled to receive semi-annual 14% accreting dividend payable in cash or by adding such amount to the accrued value.

NOTE 11 — OPTION AND INCENTIVE PLAN

Omnibus Equity Award Plan

The Company established an Omnibus Equity Award Plan (the Plan) whereby options to purchase common stock are granted at a price that approximates the estimated fair value of the units at the date of grant, as determined by the management committee. The Plan authorizes the issuance of up to 107,000 shares of common stock, subject to adjustment as provided by the Plan.

There were 66,843 granted options outstanding at January 1, 2019 at a weighted average exercise price of $15.51. These grants are designated performance based or have a time vesting option. The time vesting options vest over three to five years of continuous service and have 10-year contractual terms. Share based compensation expense for employees was approximately $5,900 for the year ended December 31, 2018. No share based compensation expense was recognized during 2019 as all expenses were fully recognized over the requisite service periods which ended prior years. There is no unamortized share-based compensation expense as of December 31, 2019 related to options granted under the Plan.

Common stock option activity under the Plan is as follows:

	2019		2018	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding - January 1	66,843	$ 15.51	70,176	$ 15.65
Forfeited or expired	-	-	(3,333)	18.41
Outstanding - December 31	66,843	$ 15.51	66,843	$ 15.51
Vested and exercisable at December 31	66,843	$ 15.51	66,843	$ 15.51

NOTE 11 — OPTION AND INCENTIVE PLAN (Continued)

Omnibus Equity Award Plan (Continued)

A summary of the status of the Plan's non-vested common stock option shares and changes during the year is as follows:

	2019		2018	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1	-	$ -	5,556	$ 1.69
Vested	-	-	(4,445)	1.71
Forfeited	-	-	(1,111)	1.61
Non-vested at December 31	-	$ -	-	$ -

Options outstanding at December 31, 2019 are exercisable at a range of $15.00 to $18.41 per unit.

CEO Common Stock Options

In 2016, the Company granted common stock options to the CEO outside of the Plan. These options have an exercise price of $15.51 and a fair value at the grant date of $5.34. All 157,885 granted options outstanding were fully vested, and all share-based compensation expense under this agreement fully recognized, in prior years.

Series B Preferred Stock Options

During 2015, the Company granted Series B preferred stock options to a non-employee under a consulting contract. These options have an exercise price of $17.67 and a fair value at the grant date of $10.02. All 28,143 granted options outstanding were fully vested, and all share-based compensation expense under this agreement fully recognized, in prior years.

NOTE 12 — INCOME TAXES

A summary of the Company's tax provision is as follows:

	2019	2018
Federal:		
Deferred benefit	$ (455,649)	$ (856,227)
Total federal benefit	(455,649)	(856,227)
State:		
Current expense (benefit)	73,184	(488)
Deferred benefit	(127,833)	(54,287)
Total state benefit	(54,649)	(54,775)
Total income tax benefit	$ (510,298)	$ (911,002)

NOTE 12 — INCOME TAXES (Continued)

Income taxes reflected vary from the expected tax (computed by applying the statutory rate of 21% to earnings before income taxes) as follows:

	2019	2018
Expected tax at statutory rate	$ 1,277,343	$ (318,472)
State tax (net of federal tax benefits)	(40,536)	(56,770)
Alternative Fuel Excise Tax Credit	(2,231,121)	(653,200)
Preferred stock and warrants expenses *(A)*	469,817	-
Related party interest expense	51,040	70,763
Other permanent differences	(36,841)	46,677
Total	$ (510,298)	$ (911,002)

(A) Mandatorily redeemable preferred stock and warrants are treated as equity for tax purposes. Any expenses or change in fair value have no current tax benefit nor any future benefit or detriment.

Deferred income taxes arise from timing differences resulting from income and expense items reported for financial accounting and tax purposes in different periods.

The Company has Federal net operating loss carryforwards (NOLs) of approximately $20,500,000 that may be offset against future taxable income, of which approximately $9,300,000 were generated in 2017 and prior years and begin expiring in 2035. Due to U.S. federal income tax law changes enacted under the Tax Cuts and Jobs Act, the approximately $11,200,000 in NOLs generated in 2018 and 2019 are limited to an 80 percent deduction from taxable income in any single tax year with an indefinite carryforward.

The Company's net deferred tax liabilities consist of the following:

	2019	2018
Long-term deferred tax assets (liabilities):		
Net operating loss carryforwards	$ 5,272,506	$ 3,828,567
Alternative Fuel Vehicle Refueling Property Credit	574,032	574,032
Interest expense carryforward	298,435	153,761
Share based compensation	257,434	257,434
Other accrued expenses	3,466	-
Intangible assets amortization	(442,620)	(557,791)
Property and equipment depreciation	(6,969,954)	(5,846,187)
Net deferred tax liabilities	$ (1,006,701)	$ (1,590,184)

NOTE 13 — RETIREMENT PLAN

The Company maintains a 401(k) plan that covers eligible employees of American Natural Gas LLC. The Company provided a matching contribution of approximately $40,100 and $28,300 for the years ended December 31, 2019 and 2018, respectively.

NOTE 14 — RELATED PARTY TRANSACTIONS

The Company has engaged in significant transactions with its largest shareholder, HC2 Holdings Inc., including convertible debt and equity transactions as discussed in Notes 9 and 10. Management believes that the terms of these transactions are reasonable and reflective of market conditions however the terms of these transactions may have differed with third-party counterparties.

Certain legal services are provided by a law firm affiliated with a shareholder and member of the Board of Directors of the Company. Total fees paid to the related party were approximately $374,000 and $123,000 for the year ended December 31, 2019 and 2018, respectively.

NOTE 15 — COMMITMENTS AND CONTINGENCIES

Purchase Commitments

The Company has minimum purchase commitments with certain utility suppliers through various dates in 2024. Total minimum purchase commitments are as follows:

2020	$ 306,297
2021	255,185
2022	256,365
2023	257,545
2024	154,269
Total	$ 1,229,661

Construction in Progress

Modesto, California station construction has an estimated approximately $970,000 in remaining costs as of December 31, 2019.

Environmental Matters

The Company is subject to federal, state, local and foreign environmental laws and regulations. The Company does not anticipate any expenditures to comply with such laws and regulations that would have a material impact on the Company's consolidated financial position, results of operations or liquidity. The Company believes that its operations comply, in all material respects, with applicable federal, state, local and foreign environmental laws and regulations.

Litigation, Claims and Contingencies

The Company may become party to various legal actions that arise in the ordinary course of its business. The Company is also subject to audit by tax and other authorities for varying periods in various federal, state, and local jurisdictions, and disputes may arise during the course of these audits. It is impossible to determine the ultimate liabilities that the Company may incur resulting from any of these lawsuits, claims, proceedings, audits, commitments, contingencies and related matters or the timing of these liabilities, if any. If these matters were to ultimately be resolved unfavorably, it is possible that such an outcome could have a material adverse effect upon the Company's consolidated financial position, results of operations, or liquidity. The Company, does not, however, anticipate such an outcome and it believes the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

NOTE 16 — LEASES

The Company holds active fully variable leases for one station in New York and one station in Utah. The total expense recognized for variable leases was approximately $23,100 and $21,700 for the years ended December 31, 2019 and 2018, respectively. The Company holds a single finance lease for office equipment at the Saratoga Springs, NY headquarters. The Company holds active operating leases for its headquarters in Saratoga Springs, New York, and for CNG station land for six stations in Indiana, two stations in New York, one station in Arkansas, five stations in Texas, three stations in Florida, one station in Tennessee, one station in Ohio, one station in Utah, one station in Georgia and one station in North Carolina. The discount rate utilized by the Company for calculating lease liability and right of use asset under ASC 842 is determined via the incremental borrowing rate method.

The following table summarizes the components of lease expense for the year December 31, 2019:

Amortization of ROU Assets - Finance Lease	$ 2,166
Operating Lease Cost (Cost resulting from lease payments)	508,094
Total Lease Cost	$ 510,261

Cash flow information related to leases for the year ended December 31, 2019 are as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Finance Lease - Financing Cash Flows	$ 2,166
Operating Lease - Operating Cash Flows (Fixed Payments)	$ 486,702
Operating Lease - Operating Cash Flows (Liability Reduction)	$ 389,744
Right-of-use assets obtained in exchange for new lease liabilities:	
Operating Leases	$ 3,194,453

As of December 31, 2019, the weighted-average remaining lease terms and the weighted-average discount rate for finance leases and operating leases are as follows:

Weighted Average Lease Term - Finance Lease	1.09 yrs
Weighted Average Lease Term - Operating Leases	5.65 yrs
Weighted Average Discount Rate - Finance Lease	0.00%
Weighted Average Discount Rate - Operating Leases	5.23%

Future minimum lease payments for operating and finance leases are as follows:

2020	$ 713,671
2021	734,695
2022	693,721
2023	435,009
2024	294,351
Thereafter	513,680
Total future lease payments	3,385,128
Less: Present value	(588,548)
Total lease liability balance	$ 2,796,580

NOTE 17 — ASSET ACQUISITION

<u>ampCNG, LLC ("AMP")</u>:

On June 14, 2019, ANG acquired 100% of the membership interest of ampCNG, LLC from AMP Americas, LLC for the purchase price $40,800,000 net of the initial working capital adjustment of $107,648 for a net cash consideration of $40,692,352. The acquisition included the tangible station assets of twenty CNG stations (Jonesboro, Jacksonville North, Jacksonville South, Orlando, Perry, Dalton, Fair Oaks, Lafayette, Sellersburg, Charlotte, Canton, Newport, Brock, Harrold, Kerrville, Amarillo, Buda, Rosenberg, Sweetwater, & Waco), including the owned land relating to the Dalton, Amarillo, Buda, Rosenberg, Sweetwater, & Waco stations. Nineteen preferred pricing contracts and seven take-or-pay contracts were acquired.

The acquisition of AMP has been accounted for as an asset acquisition under ASC 2017-01. The acquisition did not meet step one of 2017-01, as not substantially all the fair value acquired was concentrated in a group of similar identifiable assets. Under step two of ASC 2017-01, ANG performed an analysis of the acquired assets' inputs, substantive processes, and outputs. ANG determined that a substantive process was not acquired and therefore, the group of assets acquired did not constitute a business under step two of ASC 2017-01. To perform the analysis under 2017-01, ANG utilized estimates of fair value included in the consolidated financial statements, in conformity with ASC 820, "Fair Value Measurements and Disclosures", that represent the Company's best estimates and valuations developed, when needed, with the assistance of independent appraisers. The estimates and assumptions utilized are inherently subject to significant uncertainties and contingencies beyond the control of the Company. Accordingly, the Company cannot provide assurance that the estimates, assumptions, and values reflected in the valuations will be realized, and actual results could vary materially.

To finance the acquisition ANG borrowed $28,000,000 collateralized by the acquired station assets from M&T Bank, and $14,000,000 was raised via a preferred stock and warrant issuance. See Notes 8 and 10 for additional detail. An initial working capital true up of $107,648 was credited to ANG by AMP via a reduction in net purchase price, and a secondary working capital true up resulted in AMP paying ANG $105,000 in cash. A total of $388,864 in fees directly relating to the acquisition were capitalized as fixed assets. The net effect of these transactions was a $176,216 increase to the contractual $40,800,000 purchase price, resulting in an opening equity of $40,976,216 as of the acquisition date.

NOTE 17 — ASSET ACQUISITION (Continued)

ampCNG, LLC ("AMP"): (Continued)

The following table represents the values of the assets acquired and liabilities assumed after purchase price allocations were made based upon relative fair values per ASC 805:

Assets Acquired and Liabilities Assumed	
Accounts receivable	$ 3,016,755
Property, plant and equipment	38,410,831
Intangibles - customer contracts	2,367,413
Right of use asset	1,683,750
Other assets	271,167
Total assets acquired	$ 45,749,917
Accounts payable and other current liabilities	$ 3,116,607
Lease liability	1,657,094
Total liabilities assumed	$ 4,773,701
Total opening equity	$ 40,976,216

Intangible Assets - Customer Contracts: Customer contracts hold value for a business because they represent a stable, recurring source of income to the business. ANG utilized a third-party valuation specialist to provide a fair value for the seven take-or-pay and nineteen preferred pricing contracts acquired. Through the analysis performed by the valuation specialist, the take-or-pay and preferred pricing contracts were assigned an asset life of 12 and 5 years, respectively.