

Alliance Annual Meeting Presentation
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October 11, 2013

Thank you for the opportunity to speak tonight.

As I was preparing for this evening's event, some of my co-workers suggested that we should view the history of Alaska's oil industry and its significance to the State and its future, like Clarence the Angel did for George Bailey in Frank Capra's classic film, "It's a Wonderful Life".

Clarence helped George see how bleak life and his community of Bedford Falls would have been were it not for George and his existence. The alternative community, "Pottersville" was a pretty dismal environment, and its citizens lived a pretty miserable existence.

I think my friends are right, there are some parallels to this story. When I think about Alaska and its history, had there not been oil development, life may not have been as bleak as visualized in Pottersville, but Alaska most definitely would have been a very different place. For many of us, the challenges of the last few years are a reminder that if we do not constantly remind people how blessed we are to have resource development in this State, our future may not be as bright as our past.

We really have been blessed with a fairly healthy economy for the bulk of my working life. But in this timeframe we also have experienced the boom and bust cycles that have historically plagued Alaska's economy. In the recent US economic downturn, we didn't experience the severe decline in the real estate markets that challenged many other states. We have however, seen volatility in commodity prices, and we have seen what happens to business when taxes on oil production doubled.

In Alaska's oil industry, capital investment was severely curtailed. Many business opportunities disappeared and production has continued to decline. Some maintenance work has continued on the North Slope, but this work didn't add new barrels to the pipeline.

This spring, with the passage of Senate Bill 21, we saw the light again.

Immediately after the bill passed, several projects that had been on hold were released. Business began to pick up again. Activity on the Slope increased, and optimism in our future was budding once again, just as the leaves began to burst out of the birch trees across the state.

I view the referendum that challenges SB21 like a late spring snowfall—it is frustrating—it dampens our new found enthusiasm, but we need to shovel aggressively and I hope it melts quickly.

NANA just completed our annual round of informal shareholder meetings in all of our villages. We had a tough year in 2013, and we had a difficult message to deliver. It is absolutely a fact that our companies who deliver services to the oil industry had a slower year in 2013. We talked with our shareholders about Senate Bill 21 and its importance to our State, and to NANA.

While the bulk of the focus related to SB21 has been on North Slope oil production, the bill also includes other very important investment incentives that make exploration on other lands in Alaska, known as “middle earth”, attractive economically. Many of these lands are native owned. We wanted our people to understand that if the referendum is successful, it will negatively impact our current business and will jeopardize future opportunities to develop resources on our own lands.

What would Alaska be like if we didn’t have oil development? It would be very different. In my view, Alaska Native Corporations would not exist, and think of what that would mean to the economy of this state. The latest Alaska Business

Monthly magazine just came out with its ranking of the state's largest companies by revenue. 8 of the top 10, and 14 of the top 20 companies, are Alaska Native Corporations.

Since the passage of the Alaska Native Claims Settlement Act, many Alaska Native Corporations have developed businesses dedicated to serve the oil industry. For NANA, we consider ourselves to be a resource company at our core. At the same time we were created, the Trans-Alaska pipeline was being developed. The economic opportunities in the state at that time were all about oil. From the very beginning of our existence, our focus was oil. Our leaders built a strategy to systematically increase our oil service sector capabilities. We began investing heavily in infrastructure and competencies necessary to properly serve the industry.

This strategy has served us well. Over the years we have employed thousands of our own shareholders, other Alaska natives, and Alaskans in general. We have created expectations that because of historical success, everything, every year will go well, that we will take care of our shareholders, our employees, and of course, our clients. And most years that is true.

All in all, the oil sector has been a good partner. In the early days they recognized they needed Alaska native support if they were to develop resources in Alaska. They worked with us, and encouraged other more experienced companies to partner with us to help us learn. As a result we became better over time, developing expertise and business acumen. And now, while we originally leaned on our partners, we stand on our own two feet, and often times now, partners lean on us.

It's not just NANA. Other Native corporations have followed similar paths. We are making a meaningful contribution to the state of Alaska—through employment opportunities and business investments. And now, many of us are also exporting our capabilities and our talents into other markets, both nationally and internationally. And we are bringing profits home, investing in our remote communities and in our people.

As a Corporation whose owners live in some of the most remote regions of Alaska—communities that still lack basic infrastructure—we also recognize that Alaska does need an appropriate share of revenues flowing into the general fund, in order to deliver the levels of services that are required. But, if we don't create a positive business environment for resource companies to invest in, there won't

be **any** revenue for the state to spend on the needs of its citizens and communities.

Is Alaska still a great place to do business? We think so, and we are willing to do our part to create a bright future. Alaska is our home and always will be. At NANA we remind people we have been doing business in Alaska for 10,000 years. Our ancestors were entrepreneurs. They traveled to where there was game or fish or berries, and they traded what they had for what they needed.

We intend to be here 10,000 years from **now**. Like our ancestors, we will go where there is opportunity. And like our ancestors we will do what it takes to survive in harsh times, working to be able to continue to exist in the place where we are from.

Last week during our Village meetings, our Chairman talked about the importance of preparing ourselves for the future. As a company we have invested in our business and people for the past 40 years, and we are prepared for the next 40 years of oil development in Alaska. We are optimistic about our future.

This summer, in my village of Kiana, I was on the beach visiting with a couple of guys I have known all of my life. When I was still a teenager, both of them had found their way into a job on the North Slope, working two weeks on, two weeks

off. They learned valuable skills. One of those men worked on the North Slope until he retired two years ago. The other took the skills he had developed on the North Slope and found a job as a truck driver closer to home, at NANA's Red Dog Mine. He retired last year. Both of them were on the beach, fishing.

It's a wonderful life: to have a good job; to enjoy a comfortable lifestyle; to retire with enough income to be able to live in your hometown. That is what we all should look forward to.

Like George Bailey, we want to be true to our values. We want to do right by our families. We want our communities to prosper. With the referendum to un-do tax reform on the table, we have our work cut out for us. We all need to step up to help Alaskans understand that tax reform is already working, and it holds the key to our future.

Then it will truly be a wonderful life—not just for our business and industry, but for all Alaskans—for generations to come.

Thank you.

