

House Finance Committee

Jeff Hastings

Chairman, Chief Executive Officer

Managing Partner

March 22, 2017

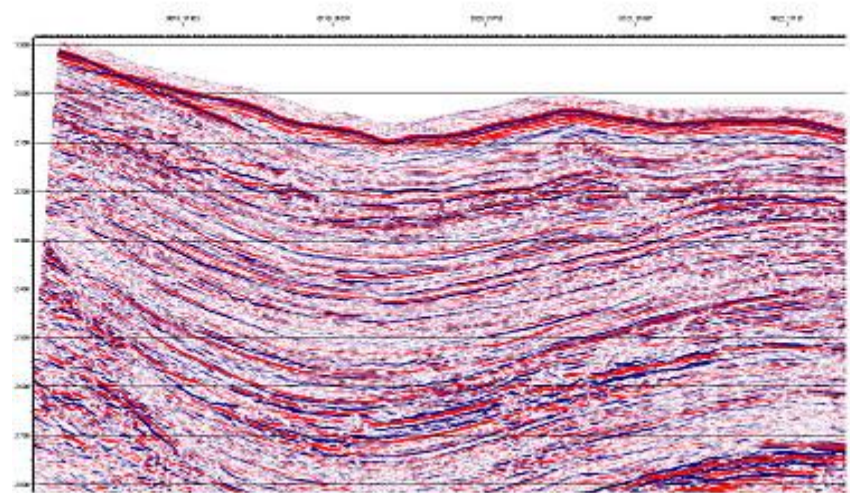


SAExploration

- Our team has been partnered with the Kuukpik Corporation for the past 20 years
- The company employs an average of 400 people per year
- The Kuukpik-SAE JV is a consistent revenue source to
 - ◆ Kuukpik Corporation and its shareholders
 - ◆ The village of Nuiqsut
 - ◆ The thousands of Alaskan families that benefit from each program
- **We are committed to preferentially hire Native Alaskans and Alaska residents**
 - ◆ We are proud of our 80%+ Alaskan hire rate
- We are committed to using Alaskan subcontractors and suppliers

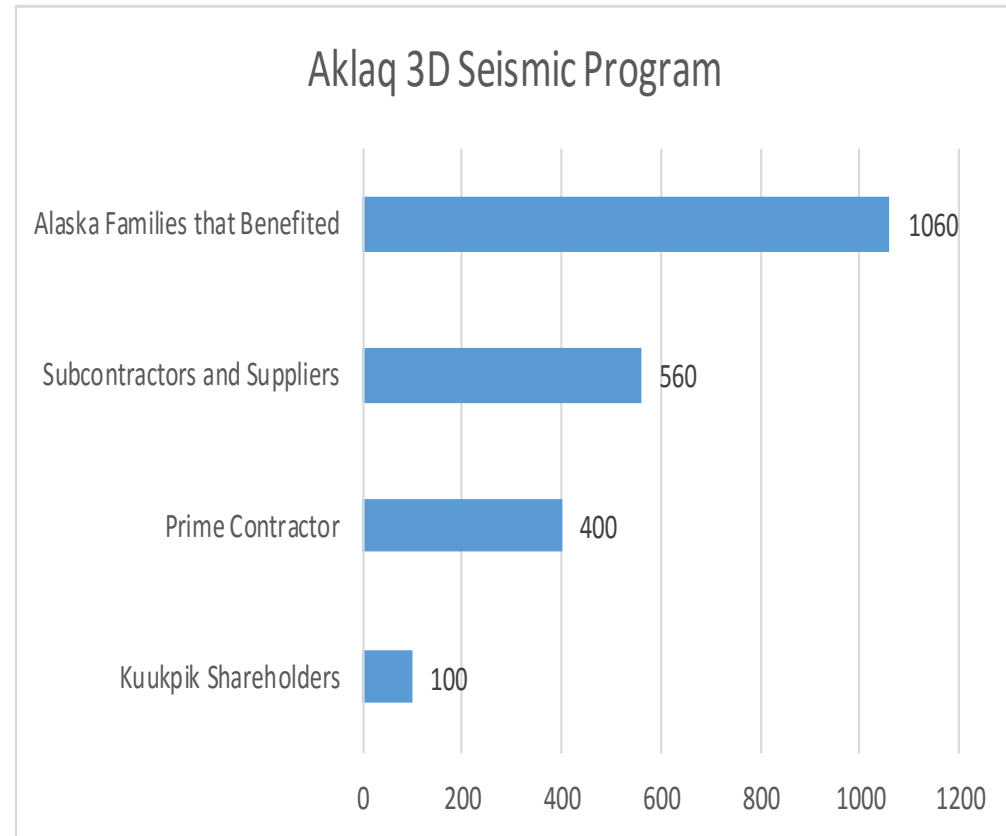
Our Core Business – Collecting Seismic Data

- Seismic Operations are the tip end of the spear
- Seismic data is critical information, essential to the success of an exploration program
- Recently, use of new technology is producing higher resolution images of the subsurface
 - ◆ Information that is a direct correlation to the new discoveries which have recently been announced
- The information gathered from the seismic data is critical to finding new opportunities, new reserves to sustain Alaska into the future



Benefit from a Single Program

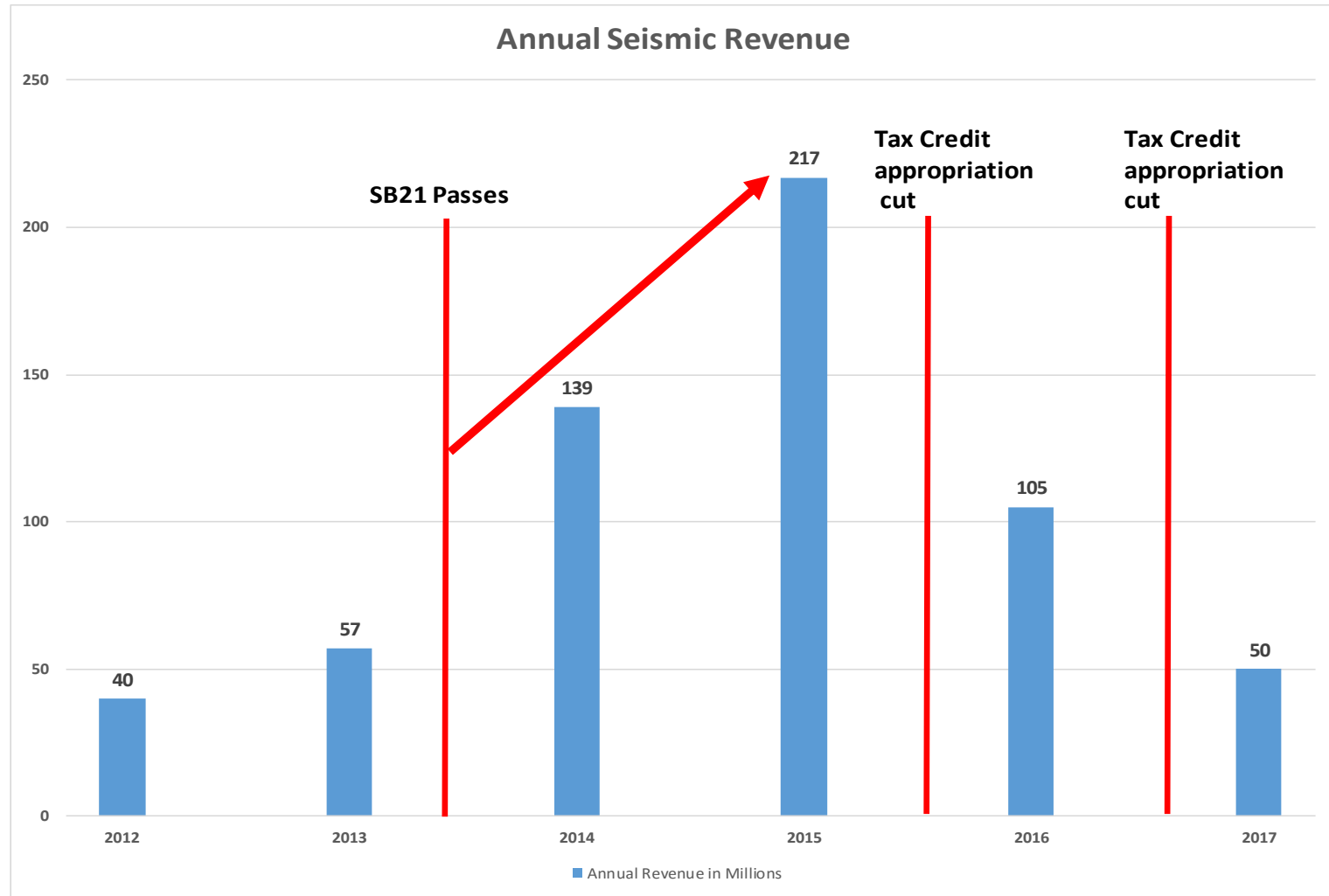
- How does a seismic program benefit Alaskan contractors and their families?
- The graph to the right is a snap shot of a single program “Aklaq”, acquired in the winter of 2016
- More than 1000 Alaska employees and their families gain a direct benefit
- The majority of the revenue generated is paid to subcontractors and suppliers who are Alaskan
- In the case of the Aklaq program of the 57 million dollars in revenue 49 million dollars was earned by Alaskan contractors and suppliers



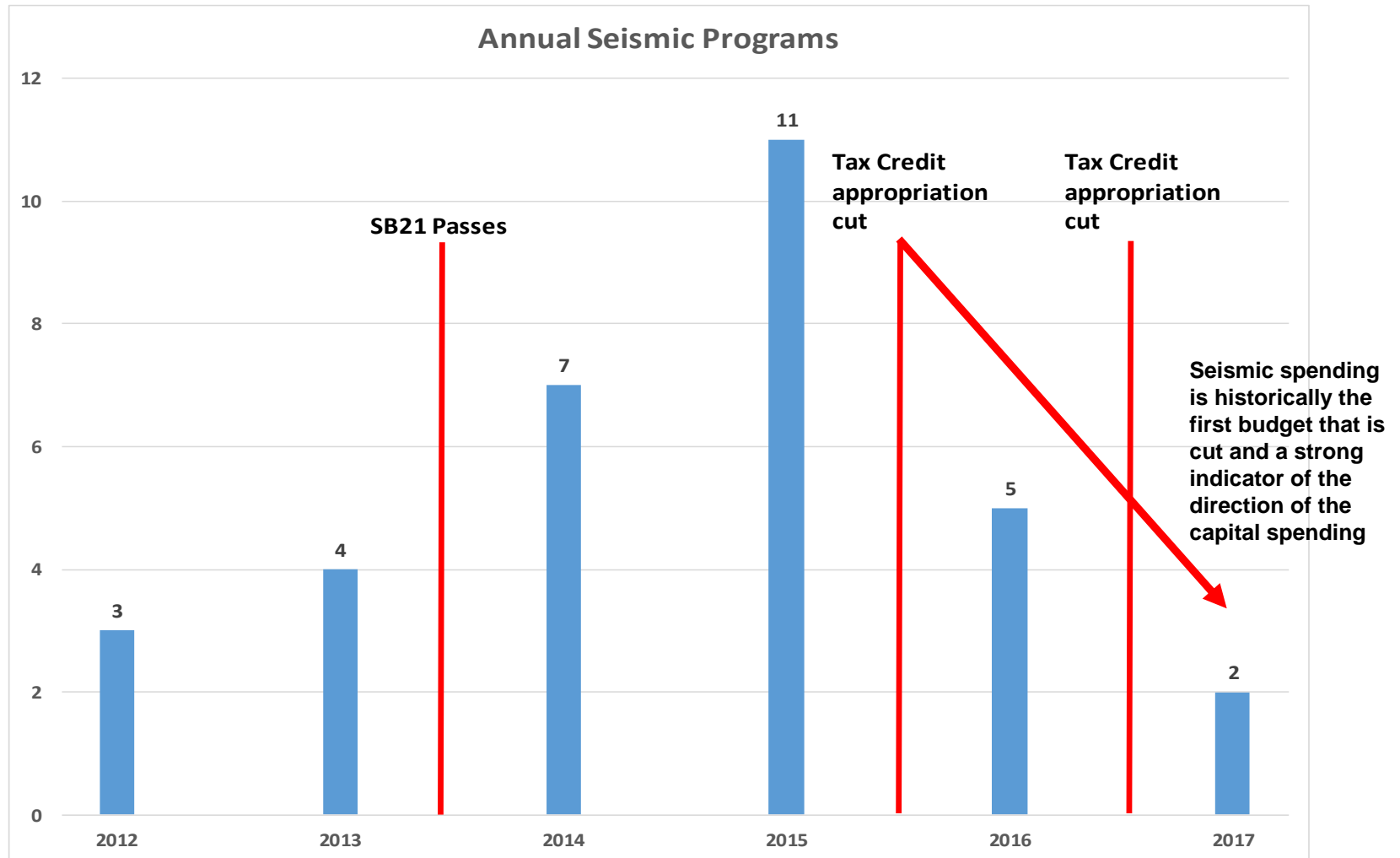
190+ Alaska Suppliers

- Afognak Leasing, LLC
- Air Liquide America LP
- Airport Equipment Rentals
- Alaska Air Taxi, LLC
- Alaska Charter & Transport
- Alaska Clean Seas
- Alaska Communications System
- Alaska Emergency Medicine
- Alaska Frontier Constructors
- Alaska Hydraulics, Inc.
- Alaska Industrial Hardware
- Alaska Mining & Diving Supply
- Alaska Pavement Maintenance
- Alaska Printing, Inc.
- Alaska Process Industry C
- Alaska Pure Water Product
- Alaska Rubber
- Alaska Safety
- Alaska Serigraphics
- Alaska Sportsman's Lodge
- Alaska Steel Co.
- Alaska Tent & Tarp
- Alaska Textiles Inc.
- Alaska Urgent Care, LLC
- Alaska Waste
- Alaska Welding Works
- Aldrich Offshore Services
- ALMx-Security Inc.
- Alutiq Oilfield Solutions
- American Marine Corporation
- Anchorage Waste
- Arctic Fox Environmental
- Arctic Office Products
- Arctic Slope Telephone association
- Arctic Wire Rope and Supply
- Atlas Fluid Controls Corp
- B & J Sporting Goods
- Bald Mountain Air Service
- BDO USA, LLP
- Beacon Occupational Health
- BeadedStream LLC
- Best Western Bidarka Inn
- Best Western King Salmon
- Big Ray's
- Boldings Enterprises LLC
- Brooks Range Supply
- Budget Rental car of Anchorage
- Builders Choice Inc.
- Canterwoods Cabins LLC
- Caribou Construction Inc.
- Carlile Transportation Systems
- Central Pacific Rebuilders
- CH2M Hill Alaska Inc.
- Challenger Learning Center
- City of Homer P/H
- Clean Harbors Exploration
- Coburn's Machine Shop
- Container Specialties
- Corvus Specialty Equipmen
- Crowne Plaza Anchorage
- Cruz Construction, Inc.
- Cummins Northwest LLC.
- D & D Equipment Service
- Delta Leasing, LLC
- Delta Western Inc.
- Desperate Marine LLC
- Discovery Luxury Rentals
- Doodlebugger Consulting
- Ekelund Excavating Inc.
- Emerald Alaska/NRC Alaska
- Enstar Natural Gas
- Fairfield Nodal
- Fairweather Science, LLC
- Fairweather, LLC
- Far North Supply
- Ferguson Enterprises, Inc
- Frigid North Company
- Frontier Paper, Inc. - DO
- Frontier Precision Inc.
- Garness Engineering Group
- Garness Industrial Products
- GBR Equipment, Inc.
- GCI Communication Corp
- Glacier Exploration Surveyors
- Glass Doctor of Fairbanks
- Grant Aviation
- H & H Industrial Inc.
- MW Fire Protection
- Holiday Inn Express Anchorage
- Ice Services, Inc.
- Inupiat Resources LLC
- J & J Janitorial Services
- K & L Gates, LLP
- Ketek Group Inc.
- Kuukpiik Arctic Services
- Kuukpiik Corporation
- Kuukpiik Fuel
- Kuukpiik Hotel
- Land's End Resort
- LTR Training Systems, Inc
- Lynden Transport Inc.
- Magic Industries, Inc.
- Magic Metals, Inc.
- MagTec Alaska, LLC
- Main Street Hotel
- Mapmakers Alaska
- Marine Chemist Consulting
- Marsh Creek
- Millennium Alaskan Hotel
- Minto Development Corpora
- Mom's Laundry Service
- Municipality of Anchorage
- N C Machinery
- Nana Oilfield Services
- Naniq Global Logistics
- Nanuq Inc
- Nenana Heating Services
- Nikiski Fuel
- North Slope Borough
- North Slope Telecom
- North Star Terminal & Stevedore
- Northern Air Cargo, Inc
- Northern Oilfield Services
- Northern Sled Works
- Northwest Geophysics, LLC
- Ocean Sonics Ltd
- Olgoonik Fairweather, LLC
- Owl Ridge
- Pacific Alaska Leasing CoPacific Power Group, LLC
- Pacific Western Equipment
- Peak Oilfield Service Co
- Peregrine Falcon Alaska
- Petro Marine Services
- Petroleum newspaper
- Polar Wire Products, Inc.
- Premier Alaska Tours
- Prudhoe Bay Hotel
- Quality Inn - Kenai
- Reanier & Associates
- Rebel Seismic Supply, Inc
- Restoration Science & Eng
- Rotating Services, LLC
- Rough Woods Inn
- Sala LLC Remote Medical Services
- Shoreside Petroleum Inc.
- Skidmore Mac
- Smultea Environmental
- Snug Harbor Seafood's
- Soloy Helicopters, LLC
- Sophie Station
- Stephen R Braund & Assoc.
- Steve's Chevron Service I
- Sukup Geophysical Consulting
- Surveyors Exchange Co
- TekMate, LLC
- Coast International Inn
- Theisen Ventures
- True North Oilfield Servi
- UMIAQ, LLC
- Unitech of Alaska, Inc.

Historical Seismic Investment



Historical Seismic Programs



Alaska O&G Tax Policy: Our Perspective

- Alaska's current tax structure has resulted in an increase in capital spending, which has resulted in more data, new opportunities and reserves.
 - ◆ Seismic data enabled by current tax structure resulted in major North Slope reserve discoveries
- The veto of the tax credit budget appropriation in 2015 and again in 2016 has had several negative effects
 - ◆ Capital spending is down--Including capital spending in the contractor community
 - ◆ There is no visibility, or confidence on the State's willingness to settle what it owes
 - ◆ Liquidity/money needed to fund projects has all but dried up
 - ***Independents, seismic companies, and most contractors cannot self fund***
 - ◆ Many contractors are still waiting to be paid for services they have rendered

The Reality

- For SAE, the delayed tax credit payout forced the company to a crossroads
 - ◆ Option 1: seek protection under the chapter 11 bankruptcy code and leave all our Alaska vendors hanging
 - ◆ Option 2: restructure the company and work with our Alaskan subcontractors and suppliers to find a way to extend payments
- We chose to restructure – eliminating 98% of our shareholders equity, the majority of which was held by employees, many of whom are Alaskans
 - ◆ We are Alaskan and are committed to staying



The Impact of HB111 on Kuukpiik SAE

- This bill as proposed reduces the cap on state purchase of credits from \$70 MM to \$35 MM per company which will dramatically stretch out payments for the debt owed.
- The secondary market, which is already uncertain of its ability to purchase credits will be destroyed by this bill
 - ◆ many of us will have no other opportunity to monetize the credits owed other than through the state
- There is no clear view or timeline for exploration tax credits:
 - ◆ **When will the applications be processed?**
 - ◆ **When will they be issued?**
 - ◆ **When will they be paid?**
- The impact on this Alaska company, our Alaska subcontractors and all the Alaskan families that make their living through these companies will be significant



The Way Ahead

- **It is critical that Alaska remains competitive with regards to global investment**
- Issue tax credit certificates in a timely manner. It is critical that we know when we can expect to be paid what is owed
- If full timely and full payment of credits are not an option, ensure a secondary market is available for selling of credits
 - ◆ Confidence and a clear understanding of the Statutes and Regulations
- We need a sustainable, lasting tax structure going forward--one that encourages new development and innovation while maximizing value to the State
- We made very hard choices and realize that you are facing the same...



Thank You

