



Good Morning;

My name is Jeff Hastings. I am the Executive Chairman for SAExploration, a managing member of Kuukpik/SAE, our Joint Venture with the native village of Nuiqsut. My family has lived and labored in the state since 1987. Our companies employ an average of 400 Alaskans annually.

I would like to start by extending our appreciation for the long hours that have been clocked and the efforts of legislators and their staff. We acknowledge that these are difficult times and there is no easy or, single solution to the fiscal gap we Alaskans currently face.

Today we would like to draw attention to the condition and state of many of the prime contractors and subcontractors that are being effected by the uncertainty and lack of confidence in the current tax credit program and the provisions in the current version of HB247.

Over the past 7-8 months we have seen the erosion of third party lenders willing to project finance, or lend against outstanding tax certificates. The State's tax certificates, once regarded as AAA credit worthy are now wrought with enough uncertainty that even high risk lenders and factoring firms will not entertain lending against the program. Our clients, who have had program financing at the closing table, have watched the money needed to fund or continue their programs, vaporize as the uncertainty of monetization under current programs increases.

The timing of the audit and certification process, which is now a "first application in, first certificate out" process, is an unknown variable adding to the inability to finance the receivable of the state.

Once a certificate is awarded there is no schedule, current funding, or apparent plan for the state to fund and pay for those credits that have already been earned.

This lack of a viable plan to pay the State's obligation under the current tax credit program is causing a trickle down of financial distress that extends from the explorer, to the prime contractor, to the subcontractors that depend on the state to meet it's obligation timely.

The latest version of HB247 has several provisions that will cause further stress on a long line of Alaskan companies who employ thousands of Alaskans.

This version of the bill further restricts a holder of a certificate from assigning those certificates to "The Secondary Market", those entities who currently pay production tax.

This version of the bill also provides for purchase of the tax certificates by the pension fund at the rate of 60%. The fund can then turn around and cash the certificate back into the Department of Revenue for 100% of the face value. When did the State of Alaska get into the factoring business? Is the State and expecting Alaskan companies who have earned and are now owed the funds to take a 40% haircut and in the same motion provide a windfall to another group of Alaskans that are participants through the pension fund?

In essence, the State, through the months of uncertainty of how currently earned credits will be treated and new provisions contained in the current version of HB247, has all but eliminated the opportunity for third party lending, restricted or nominalized the secondary market to trade or assign certificates and appears to be taking advantage of the distress this situation has caused by offering a factoring facility that will cause damage to many Alaskans families while providing a windfall for others.

We all know change is needed in many areas of our spending. However, to claw back monies earned by Alaska companies, or not to provide payment visibility on obligations of the State is negatively effecting thousands of families in the State. There has to be a better way to fund the program and provide visibility to allow companies to help themselves and the State through this trough.

Thank you for your time this morning. If there is any information or, support we can provide to you or your staff we are available anytime.

Respectfully



Jeff Hastings
Executive Chairman
SAExploration Inc.
jhastings@saexploration.com
907 229 0150

Talking Points

- Over the past 7-8 months we have seen the erosion of third party lenders willing to project finance, or lend against outstanding tax certificates. The State's tax certificates, once regarded as AAA credit worthy are now wrought with enough uncertainty that even high risk lenders and factoring firms will not entertain lending against the program. Our clients, who have had program financing at the closing table, have watched the money needed to fund or continue their programs, vaporize as the uncertainty of monetization under current programs increases.
- The timing of the audit and certification process, which is now a "first application in, first certificate out" process, is an unknown variable adding to the inability to finance the receivable of the state.
- Once a certificate is awarded there is no schedule, current funding, or apparent plan for the state to fund and pay for those credits that have already been earned.
- This lack of a viable plan to pay the State's obligation under the current tax credit program is causing a trickle down of financial distress that extends from the explorer, to the prime contractor, to the subcontractors that depend on the state to meet its obligation timely.
- This version of the bill further restricts a holder of a certificate from assigning those certificates to "The Secondary Market", those entities who currently pay production tax.
- This version of the bill also provides for purchase of the tax certificates by the pension fund at the rate of 60%. The fund can then turn around and cash the certificate back into the Department of Revenue for 100% of the face value. When did the State of Alaska get into the factoring business? Is the State and expecting Alaskan companies who have earned and are now owed the funds to take a 40% haircut and in the same motion provide a windfall to another group of Alaskans that are participants through the pension fund?
- In essence, the State, through the months of uncertainty of how currently earned credits will be treated and new provisions contained in the current version of HB247, has all but eliminated the opportunity for third party lending, restricted or nominalized the secondary market to trade or assign certificates and appears to be taking advantage of the distress this situation has caused by offering a factoring facility that will cause damage to many Alaskans families while providing a windfall for others.