

PRESIDENT/CEO REPORT

April 1, 2009

Dear BNC Shareholders:

Congratulations, the corporation has achieved thirty five years successful operations. In 2008 BNC earned approximately \$11,580,000 in consolidated revenue with a net pre-tax profit of approximately \$ 2,530,000. BNC Management and the Board of Directors are focused on maintaining profitable operations and providing returns to the shareholders. A Shareholder dividend of \$2.25 per share was paid in December 2008. To date, BNC has paid out approximately \$4,600,000 or \$26.14 per share. Shareholders have received a dividend every year for the past twenty-one years.

2008 was a year dedicated to expanding BNC's businesses and development of our senior management team. In June, Tom Kennedy was hired as BNC's Chief Operating Officer and in August, John Dittrich became the BNCI/BSI General Manager and Chief Financial Officer. Bringing Tom and John to BNC companies created greater depth and capacity for overall business growth. The new management team quickly produced results by forming strategic partnerships and securing contract work.

BNC's active subsidiaries, BNC International and Bethel Services had profitable returns in 2008. As you may recall from the pervious annual report, BNCI activity slowed last year and at that time management anticipated dissolving the company. However, under the direction of the new management team, the environmental division found new business opportunities for BNCI and successfully secured work for the company for continued operations. The Board of Directors was supportive of the efforts to achieve sustainability for the subsidiary. Bethel Services, Inc. operations continued to prosper in 2008 and BSI ended the year earning over \$1,000,000 in net income. In the fall of 2008, the Board of Directors adopted the following subsidiary mission statement:

"Bethel Services will grow its business units in a socially and culturally responsible manner and will provide client services with the highest levels of integrity and competency."

Establishing this statement as the basis for subsidiary operations helped bring greater structure and productivity to BSI overall. With the new management team in place, BSI developed a partnership with Unit Company, a large Anchorage-based construction contractor, to target several government contracts. As a result, BSI was successful in winning a Coast Guard Housing Project worth up to \$22,000,000 and a US Air Force F22 Corrosion Control Hangar worth \$20,700,000. Therefore, BSI ended 2008 with a backlog in excess of \$45,000,000. BNC will be experiencing significant growth in subsidiary

revenues in 2009 and 2010. Management and the Board of Directors will focus on producing profitable returns from those increased revenues.

BNC's two other wholly owned subsidiaries, Bethel Engineering and Technology Services, Inc. (BETSI) and BNC Contracting, Inc. (BCI) did not have active contracting revenue in 2008. Both BETSI and BCI are well positioned to pursue further business development and corporate management continues to explore those opportunities.

Due to the volatility of the economy and the stock market in the past year, the BNC stock and bond portfolio did experience a reduction in current value.. BNC ended the year with a portfolio value of \$876,700 which represents a drop of approximately \$123,000 from the previous year. Phil Younker, Jr. with Abridge Partners manages the portfolio. BNC has been a fairly conservative investor to date and we are hopeful that our portfolio value will recover when the economy turns around. BNC's other long term investments Denali Spectrum Manager and Sorenson Communication are on track and should bring strong returns to the corporation over time.

During the last annual meeting, shareholders heard from Bruce Edwards regarding the possibility of establishing a settlement trust for BNC. Mr. Edwards stated the Board of Directors developed a draft Trust document; however, further steps were placed "on hold" while the corporation waits to see whether Tax Code section 646 is extended. The continuation of this tax section which currently allows tax deferred transfer of passive corporate assets into settlement trusts through 2010, will significantly impact whether or not the settlement trust will provide any substantial tax benefit to BNC. The settlement trust idea will be revisited once the tax code deadline is resolved.

BNC continues to do well in the Anchorage real estate market. In 2008 BNC added properties to the Corporation's real estate holdings: a commercial office building at 2605 Denali Street and three adjacent lots 2604, 2606, and 2608 Eagle Street were purchased and placed in the wholly-owned subsidiary 2605 Denali Street Holdings, LLC. These properties are centrally located in mid-town Anchorage and have excellent development potential. For many years BNC subsidiaries have rented office space in Anchorage and finally with these purchases, BNC will be able to house the subsidiary offices in a parent-owned building. This has been a long-time goal for the Board of Directors. BNC's other Anchorage real estate investments remain strong and bring profitable returns to the corporation. The properties in Bethel; however, despite operating at near full occupancy levels, have been experiencing much lower profit margins due to the increased cost of utilities and operations. Management is working to ensure that these properties are sustainable.

Quyaviksugamci tamarpeci for the opportunity to continue as your President/CEO. Since 2006 I have worked to manage BNC's risk exposure and position the Corporation for continued growth and sustainability by recruiting

talented management and developing relationships to grow revenues and diversify operations. I am excited about the future of BNC. It has truly been my honor to serve as your President and CEO and I appreciate your continued feedback and support.

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*Anastasia C. Hoffman
President/CEO*