

PRESIDENT/CEO REPORT

April 1, 2010

Dear BNC Shareholders:

I am pleased to announce 2009 was a year of considerable progress for the corporation. During this period, the corporation achieved consolidated revenues surpassing \$36,100,000 and pre-tax profits exceeding \$6,000,000. The shareholder dividend of \$2.49 per share, distributed in December 2009, was the largest dividend paid in the history of the corporation. Over the past twenty-two years in excess of \$5,000,000 or \$28.63 per share has been paid out in shareholder dividends.

Executive management, through the guidance of the Board of Directors, continues to position the corporation for profitable growth and increased returns to the shareholders. The increased revenues have led to gains in shareholder value with shareholder equity rising 18% to nearly \$21,000,000 in 2009. This increase in net worth shows that Bethel Native Corporation is a financially stable and balanced company. These results reaffirm that BNC is recognized by its bonding and financial partners as a strongly capitalized and profitable business in both government contracting and in the private sector.

The subsidiary activities expanded last year with parent company oversight and continued focus on maximizing profitable returns. In 2009 Bethel Services earned in excess of \$2,000,000 in income from operations. Subsidiary revenues which more than doubled previous years were derived from construction, environmental remediation, professional services, engineering and government contracting. This diversification of revenue is important for sustainability as contracts will vary in size and profit margins so achieving a good mixture of revenue sources allows for sustained growth.

Bethel Services ended 2009 with a healthy backlog exceeding \$32,000,000 and will continue to explore favorable opportunities for increasing contract revenues in the near future. In 2010, the scope of services the subsidiary provides will expand to include provisioning and logistical support to the US Army. The recently awarded contract for over \$27,000,000 is for BSI to provide rapid-deployment camps and associated soldier support systems. The subsidiary management team is working to grow this line of work as well as targeting other opportunities in rural Alaska and the lower 48 while remaining focused on increasing operational profits.

The stock and bond portfolio ended 2009 with a value of \$948,567, slightly higher than the prior year. Phil Younker, Jr. with Abridge Partners continues to manage the portfolio. The corporation has been a fairly conservative investor in the past but the Board of Directors is actively reviewing the investment strategy to

determine the appropriate approach for the future. This portfolio is a long-term investment for BNC.

In addition to expanding operations, the corporation diversified commercial real estate holdings as well. In 2009, BNC's investment property, 5430 Fairbanks Street was sold for a handsome return on investment achieving a net gain of nearly \$2,000,000. The Board then directed management to explore opportunities for reinvestment. Management performed a comprehensive real estate market assessment and was ultimately successful in negotiating a 50% interest purchase of a Class A commercial office building in Irvine, California, located at 2100 Main Street. In doing so, the corporation was able to defer paying taxes on the gain of the Fairbanks Street property. This Irvine property has significant appreciation potential, good cash flow and established tenants. This property adds depth and geographical diversity to BNC's existing investments in Anchorage and Bethel.

Overall, BNC's performance in 2009 was very strong with record profits and significant growth in shareholder equity. The Board of Directors and management recognize the company has achieved a new level of maturity and together have worked to ensure the right corporate structure is in place to accommodate future growth. After reviewing other successful Alaska Native Corporations, the Board resolved to implement the holding company structure for BNC. As a result, in January 2010, Bethel Solutions, Inc. was established to house subsidiary operations and to ensure corporate goals are streamlined. This approach helps the company as a whole stay focused on growing consolidated profits and increasing shareholder value.

In conclusion, a great deal has been accomplished over the last year. Through the leadership of the Board of Directors and the diligence of the management team strategic goals are being met. The company remains focused on providing greater corporate stability, longevity and meaningful returns to shareholders through the payment of consistent dividends. BNC's success is a result of a group effort and I am extremely pleased to have a talented executive management team working with me to help the company grow.

Thank you for your confidence in allowing me to continue to serve in this capacity. Bethel Native Corporation has had thirty-six years of successful operations and as I enter my fifth year as your President/CEO, I pledge to do my very best to continue to produce positive results and work to achieve the corporation's mission and purpose. Cumigglua caliciqua, piyunartacimtun.

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Anastasia C. Hoffman, President/CEO