Good afternoon Mr. Chairman and Members of the Committee, I am honored and humbled to speak before you today on job opportunities for women and minorities in American energy. My message today is simple, America's energy boom can be a *transformational* force on several fronts central to our nation's future, including on job opportunities for women and minorities—in fact, economic opportunities broadly speaking, if we—those of us in the private sector and those in government—conceive our business strategies and conceive our public policies to See Value Where Others Do Not™ rather than allowing momentum to determine destiny. This message is built on a few levels of context

<u>See Value Where Others Do Not™</u>

First level of context and by way of introduction, I am chairman of 3.5.7.11, an investment holding company building minority businesses of scale following a strategy with two essential ingredients: business transformation and partnering with customers who share our values. Our first investment was in the energy sector. Our energy vertical now consists of two energy services companies: Benton-Georgia, LLC, a rapidly growing midstream and downstream energy services company; and Bird Electric an electrical contracting services for the complete electric supply chain, whose origin and core customer base are with premier energy companies. Benton is a certified minority-owned businesses and Bird will be soon. Together these companies have about $300 million in revenue, over 2,200 employees and operations in 19 states.

Why are we in energy? Similar to most investors and businesspeople we like solid industry dynamics, strong or supportive macro economy, competitive advantage, advantaged cost structure etc. in our companies. Focusing on these factors usually leads to solid, even good results. These factors are some of the reasons America's energy sector has been and hopefully will continue to be good for America. However, a preference these factors alone is not differentiating and does not explain our choice.

I am from Beaumont Texas. My Texas origin might suggest that energy is a natural or likely place for me to be, but my path was the complete opposite of direct. Within in Beaumont there are a set of tracks, two sides of town, and you can guess which side I grew up on. My great grandmother, Sein Bobino, never learned to read but she was the only person in my family who valued higher education. She inspired me and when she passed away my senior year in high school, I had one dream - get out of Beaumont and stay out of Beaumont. That desire led me to MITs electrical engineering program to become educated and from there to McKinsey and Company. A McKinsey colleague introduced me to private equity and shortly thereafter I learned that there was a black man—Reginald Lewis—who was doing important deals in private equity including a headline grabbing $1Billion transaction.

After reading about Mr. Lewis' accomplishments I set my sights on Harvard Law, Harvard Business to become truly educated and a career in private equity, but energy was not yet on my radar. Or more precisely, after becoming educated I had to *learn* a few things before I recognized the opportunity in energy.

Over the next decade I worked on a number of deals in several industries. I honed the skills of my profession and I thought hard about how to create value, the differences between good and bad deals and especially the components of great deals. It was during this period that I hit upon the ingredient that has been central to my modest success. I *learned* that great deals and great companies, in addition the standard factors, require that one See Value Where Others Do Not™.

Seeing Value Where Others Do Not™ requires one to think and act *Transformationally*. This involves having i) a practical hard-nose sense about a business or things as they are—this is what we pay for as

investors; ii) uncommon insight about what a business can be transformed into— this is what we deliver as owners and operators; and iii) the ability to execute against the insight (i.e. transform the company). We call this Transformational Investing™. It is how we create real value for our customers and for ourselves. It is the kind of thinking that is essential to great deals. Enlightened by Transformational thinking, I *learned* what real opportunity looks like. I "discovered" the energy sector. I *learned* that I needed to be in places like Douglasville, Georgia, Eastland, Texas and Cambridge, Ohio—places like Beaumont.

Transformational thinking brought me home to America's energy sector. And we brought Transformational Investing™ to Benton. Although it is too early to conclusively assess our investment in Benton, we can report that we have recruited leading talent, expanded our footprint nationally, built capabilities to service production in the major North American shales, and doubled revenue, among other accomplishments. The company is now ready to disproportionately participate in the industry's growth.

We haven't done this alone—it turns out there are a lot of people in the energy industry very interested in helping someone like me. Likewise, we've been helped by people in the financial community including folks from Gladstone Capital, Regions Bank, Monroe Capital and Wells Fargo. And, we have been helped by leaders such as Chairman Hastings, Chairman Lamborn, and Senator Menendez by their mere inquiry into the subject.

Transformational thinking is the lens by which I come to today's proceedings…and again I see opportunity.

<u>What Others See</u>

I suspect the Committee is aware of and likely had testimony on the impact of America's energy sector's resurgence. In short, new technologies and production techniques are increasing America's production and accessible reserves of hydrocarbons, especially natural gas. The result is a series of benefits and expected benefits including employment growth, but also including the prospect of being a net exporter and the associated strategic freedom, reduction in greenhouse gas emissions, and facilitation of manufacturing growth. Each of these is a big deal in its own right with potential transformational implications that have or should be considered at another time.

With regard to employment and related considerations, I will reference a report by IHS Global, Inc. (IHS) for the America Petroleum Institute (API) published in March 2014 (the latest in a series of such collaborations) as a second point of context. This is not to say the IHS/API report is the definitive authority. There are many sources for the backdrop I am about to paint. They differ in mostly methodological ways (i.e. assumptions, time horizons, industry definition), but are directionally consistent with the IHS/API findings. The IHS/API is useful as a context setter because it basically assumes that current trends on all relevant drivers (e.g. labor participation rate), exception of development policy, continue on their current trajectory. Interestingly, the current trajectory is generally what most people see. Unfortunately the current trajectory has problematic implications. Specifically, the current trajectory results in an energy industry in which women and minorities are significantly underrepresented at all levels and severely underrepresented in the senior managerial, professional, board and ownership ranks.

The 2014 IHS/API report indicates that the U.S. oil & gas industry (excluding retail) and petrochemical industry could provide between 940 thousand and 1.3 million job opportunities by 2030. Slightly less

than half of these opportunities are attributable to simply replacing retiring Baby Boomers. The balance is roughly equally driven by organic growth and investment by the industry and by the effect of pro-development policies assumed to be in place at the high end of the projected range. [Exhibit 1]

Sales, semi-skilled blue collar and service roles are expected to be the fastest growing occupations over the period, increasing by 184%, 70% and 62% respectively. Blue collar jobs of all types (skilled, semi-skilled, and unskilled) account for about two-thirds of the total jobs (over 800 thousand) and of the expected growth (over 240 thousand additional job opportunities in the aggregate). [Exhibit 2]

Importantly, jobs in America's energy sector are "good" jobs, offering middle class to upper-middle class compensation all levels of the employment pyramid. Although training is required for the more skilled and higher paying roles, a college degree often is not. For example, horizontal directional drill operators, considered a skilled blue collar job, can earn upwards of $300 thousand per year.

Moreover, by some measures minorities have a material employment stake in America's energy sector and are projected to meaningfully expand that stake over time. According to IHS/API minorities (defined by IHS/API as African-Americans and Hispanics) comprised 26% of the sector's labor force in 2010. That percentage is projected to grow to over 32% by 2030 in the upside growth scenario. This translates to 170 thousand additional jobs in 2030. [Exhibit 3] Similar to the case of the industry overall, projected minority employment growth is lead by increases in blue collar occupations. [Exhibit 4]

Not surprisingly, the story for women is not as good currently and not trending as favorably as that for minorities. According to IHS/API women comprised 17% of the sector's labor force in 2010. That percentage is projected to drop slightly to less than 15% in 2030 in the upside growth scenario (a 17% "market share" decline, in this context meaning disproportionately being left out of the energy sector boom). This is the result of women's current and expected continued underrepresentation in almost all occupations, particularly in the sector's large and fast growing blue collar occupations. [Exhibit 5]

What Others Might Not See

The numbers above may obscure the fact that both minorities and women are underrepresented in America's energy sector today and will be in 2030 if we simply let current trends continue. In 2010 minorities made up roughly 32% of the population compared to their 26% share of energy sector employment. By 2030 the contrast increases as minorities are expected to account for 40-50% of the population compared with a 32% share of the energy sector's employment. As mentioned, the underrepresentation of women is even more starkly obvious.

Parsing the data a bit further reveals that African-Americans, like women, are projected to experience a market share decline—the underrepresentation of African-Americans will get worse—during this period. African-American's market share decline is driven by losses in professional and in skilled and unskilled blue collar occupations, slightly offset by gains in sales, service and office support roles. Women suffer declines in every category except managerial and financial and service occupations. Although Hispanics continue to be underrepresented in the aggregate, the projections call for gains by Hispanics in all job categories, led by gains in blue collar and service occupations. [Exhibit 6]

This somewhat concerning view of minority and women participation in America's energy sector is exacerbated when assessing the top of hierarchy. The participation rate at the top of the hierarchy is a crucial indicator of the quality of participation. At this level employees morph into employers, agents of owners, and potentially into owners and job-creators in their own right. They become industry leaders

with the power to create jobs, direct hiring, make capital investment and set company policy, and to potentially influence public policy.

The level of underrepresentation of minorities and women in America's energy sector's senior and professional ranks is troubling. Again, the IHS/API can provide part of the texture. That data show that minorities were about 15% of management and professional related employees in 2010 and are projected to comprise 17% in 2030. This compares with 21% of all blue collar jobs (45% of unskilled jobs) in 2010 and 38% of such jobs (64% of unskilled jobs) projected for 2030. Women do slightly better with a 24% share of the top of the hierarchy in 2010 which they are projected to sustain in 2030, but obviously significantly underrepresented in both time periods. [Exhibit 7]

Additional texture concerning minority and women participation in America's energy sector's senior ranks comes from our experience. Benton is the largest WMBE in its space. On first impression that could be viewed as a source of pride. However even we struggle to be inclusive in our vendor and employee base. As a small business, we also struggle managing the vicissitudes of Fortune 500 customers. For example we recently survived the decision of a large customer to meet its own cash targets by not paying its smaller vendors. Thus the more relevant conclusion to be drawn from Benton is there's still something wrong with this picture.

Potential Transformational Opportunity

I see parallels between America's energy sector and the diversity opportunity on the one hand and Benton's circumstances at the time of our investment on the other. The hard-nosed realities of Benton at the time of our investment were not pretty. It was a small, family-owned, capital constrained, pipeline construction company serving utilities in select urban areas in the southeast with significant customer concentration and mostly a bystander to the explosive growth taking place in the industry. This summary, with the benefit of hindsight, might make the transformational opportunity appear obvious, i.e. just do the opposite. The reality that most others saw at the time was quite sobering. Transformation required wholesale change across the business, e.g. different customers, people, capabilities, systems, geography, networks, culture, etc. and a significant capital commitment with no guarantee of success. The best evidence of the scale of the challenge is that there were not many bidders for the asset. Benton would have probably survived continuing to do what it has always done. But it would have been smaller and far less consequential. Instead we saw opportunity and I chose to go for it.

It is almost surely the case that the energy sector will continue to thrive without any special effort to change the diversity trends projected by IHS/API. And the sector already is and will continue to be consequential on many dimensions. However, to be truly consequential on diversity America's energy sector must see the opportunity residing in its current vigor and act *Transformationally*.

The good news is many of the techniques for executing the transformation—substantially increasing industry diversity—are well-known. [Exhibit 8] There are demonstrated methods for building and expanding the employee pipeline (e.g. partnerships with local secondary schools and community colleges), increasing the diversity of the pool (e.g. targeted outreach to help people recognize opportunity in places like Beaumont and Midland), employee development (e.g. rotational programs), and employee retention (e.g. mentoring, network development, community building).

Similarly, there are demonstrated methods for increasing supplier diversity including targeted outreach, RFP design, and joint venturing. And, there are opportunities for innovation, particularly in the way that companies collaborate with WMBE firms, which at least initially are smaller than their established competitors, and in the way in which asset sales or business dispositions are conducted.

And there are things that the government can do to help including maintaining a policy regime that promotes growth and opportunity in the industry, continuing emphasis on and support of STEM education, dramatically increasing attention to and support of vocational education and training, helping spread the word about opportunity in the industry, and, very importantly, keeping a spotlight on the issue through e.g. reporting requirements and especially events like today's hearing.

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I close with my simple message: America's energy boom can be a *transformational* force on several fronts central to our nation's future, including on job and broader economic opportunities for women and minorities. In order for America's energy boom to be all that it can be, we must conceive our business strategies and conceive our public policies to See Value Where Others Do Not™ rather than allowing momentum to determine destiny. I urge this Committee to do all that it can to support the efforts of America's energy industry to seize the moment to do well and to do good with the opportunities it has been given.

# U.S. Congressional House Committee on Natural Resources Oversight Hearing on "American Energy Jobs: Opportunities for Women and Minorities."

## Exhibits from Testimony of Dale Lefebvre
## 3.5.7.11

BENTON

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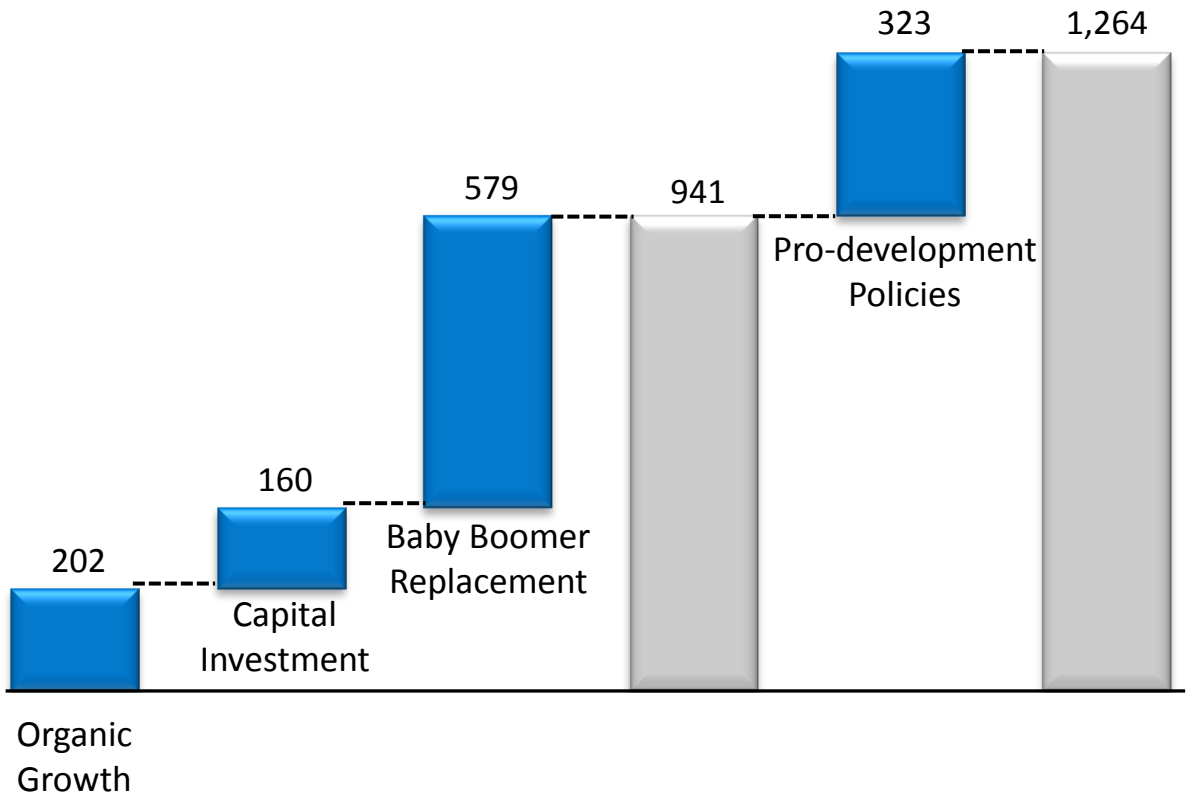
*See Value Where Others Do Not* ™

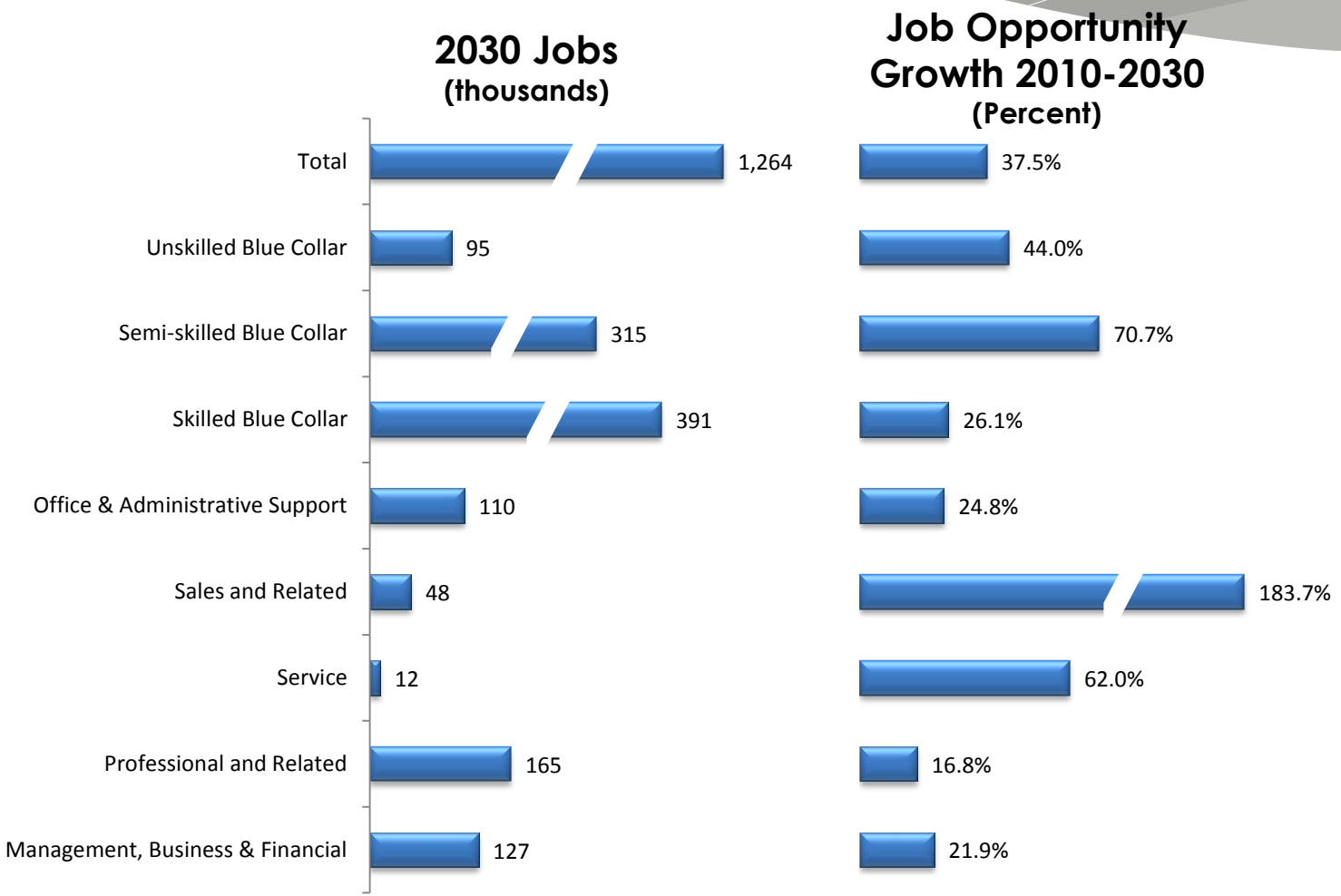
# The U.S. Oil & Gas industry and Petrochemical industry could provide between 940 thousand and 1.3 million job opportunities between 2010 to 2030.

**U.S. Oil & Gas* and Petrochemical Job Opportunities**
**2010-2030**
**(thousands)**




Source: *Minority and Female Employment in the Oil + Gas and Petrochemical Industries*, HIS Global, Inc., March 2014.
*Projections based on U.S. Oil & Gas Upstream and midstream segments only.

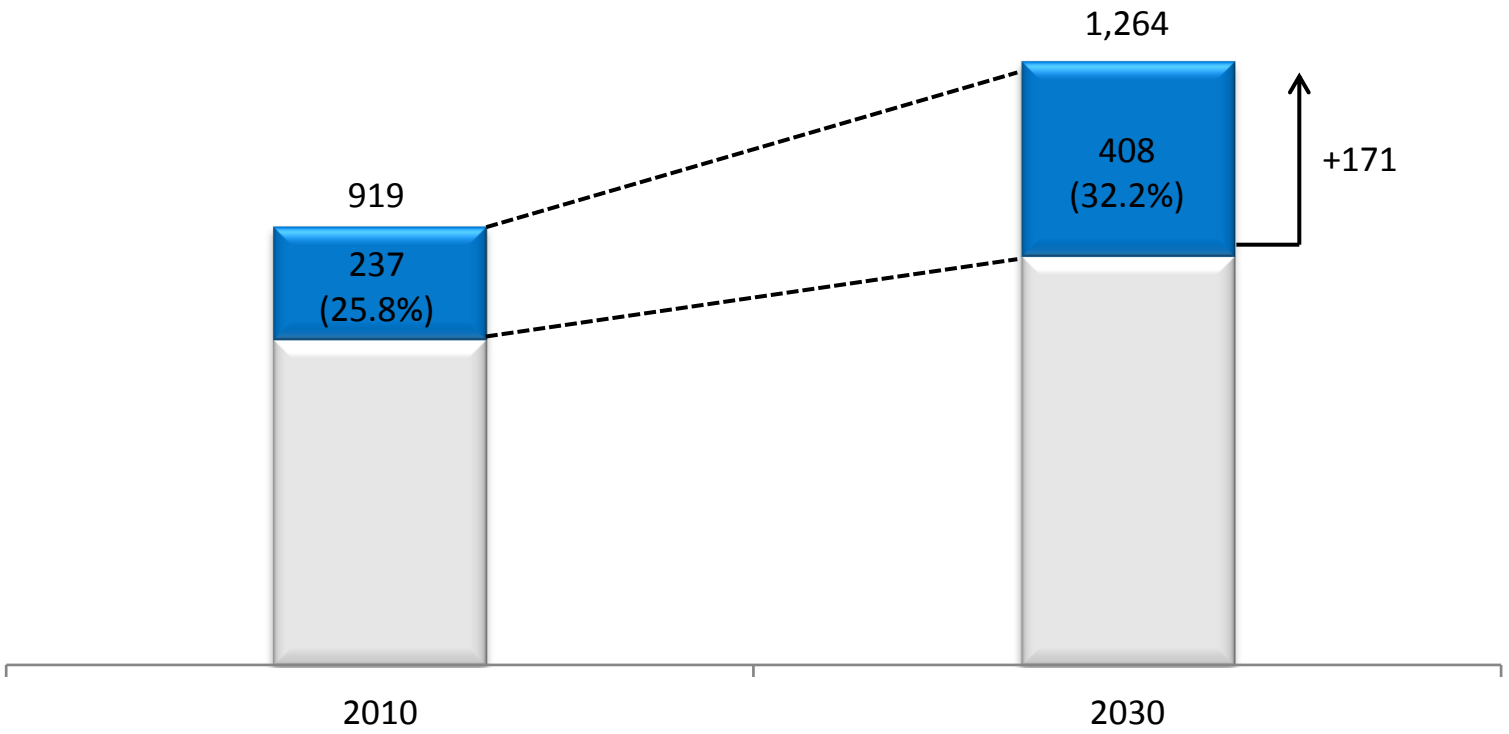
# Sales, semi-skilled blue collar, and service roles are expected to be the fastest growing job opportunities. Blue collar jobs account for two-thirds of the jobs and of the growth.




Source: *Minority and Female Employment in the Oil + Gas and Petrochemical Industries*, HIS Global, Inc., March 2014; 3.5.7.11 analysis
Note: Projections based on U.S. Oil & Gas Upstream and midstream segments only.
Note: Does not total due to rounding.

# Minorities have a material employment stake in America's energy sector, which is projected to expand over time.

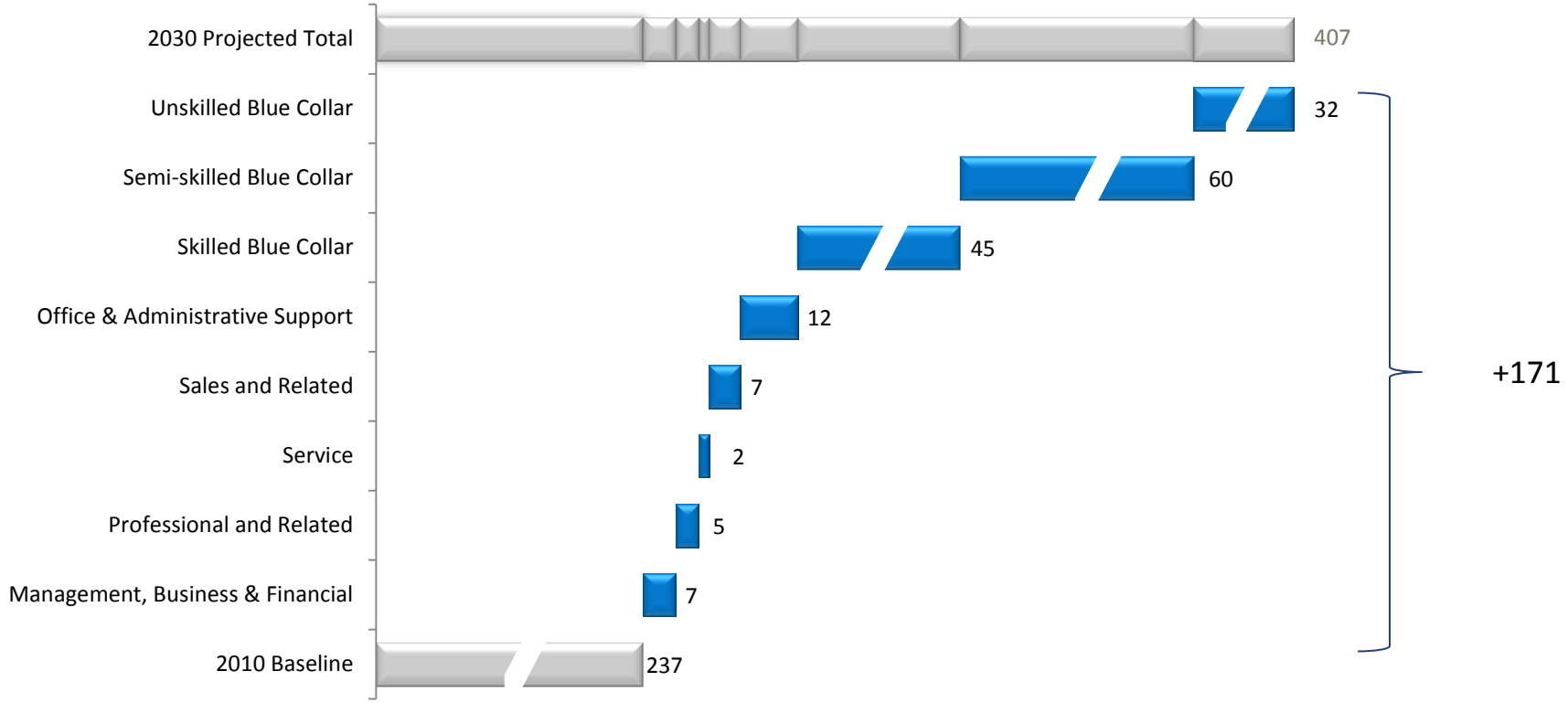
**Minority* Participation in U.S. Oil & Gas** and Petrochemicals employment 2010-2030**
**(thousands)**




Source: *Minority and Female Employment in the Oil + Gas and Petrochemical Industries*, HIS Global, Inc., March 2014; 3.5.7.11 analysis
*Defined by IHS as African-Americans and Hispanics.
**Based on U.S. Oil & Gas upstream and midstream segments only.

# Similar to the industry overall, projected minority employment growth is led by increases in blue collar occupations.

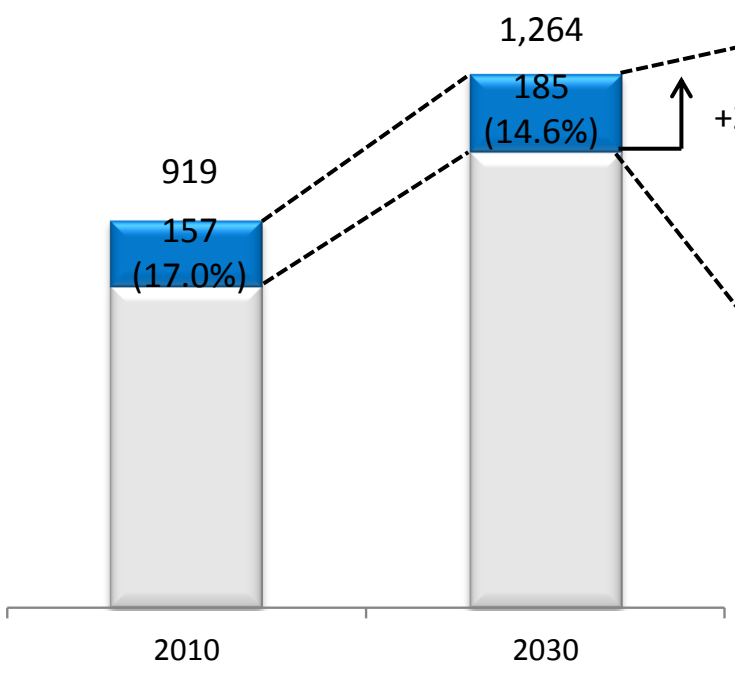
**Source of Growth in Minority* Employment in U.S. Oil & Gas** and Petrochemicals 2010-2030**
**(thousands)**



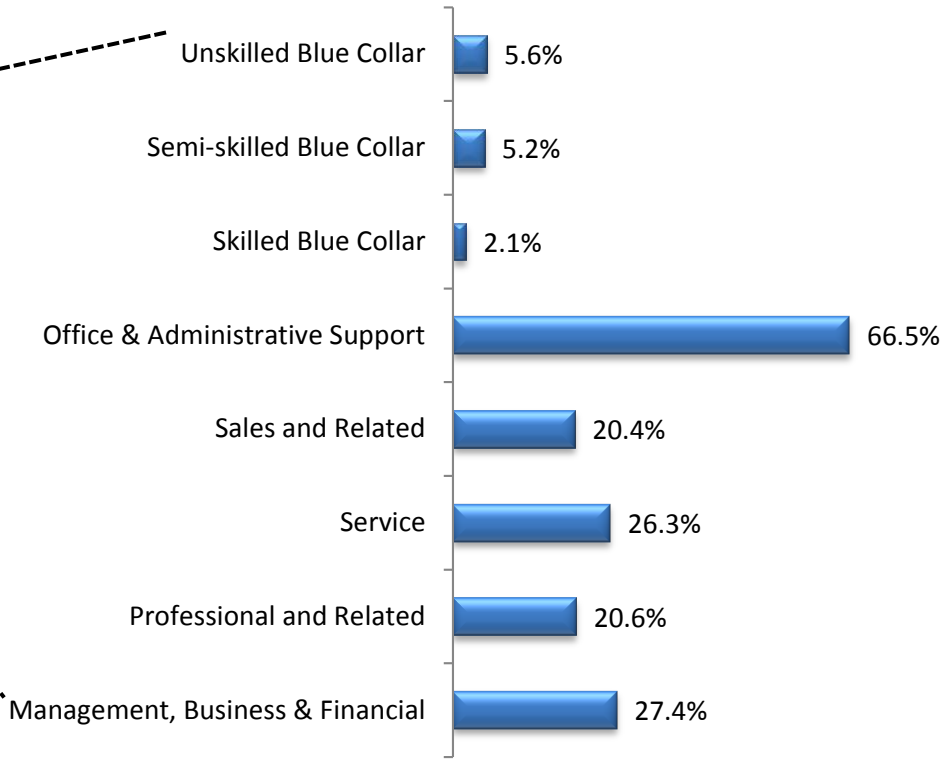

Source: *Minority and Female Employment in the Oil + Gas and Petrochemical Industries*, HIS Global, Inc., March 2014; 3.5.7.11 Analysis
*Defined by IHS as African-Americans and Hispanics.
**Based on U.S. Oil & Gas upstream and midstream segments only.

# Female employment in America's energy sector is expected to grow on an absolute basis, but decline on a percentage basis.

**Change in Female Participation in U.S. Oil & Gas* and Petrochemicals employment 2010-2030 (thousands)**



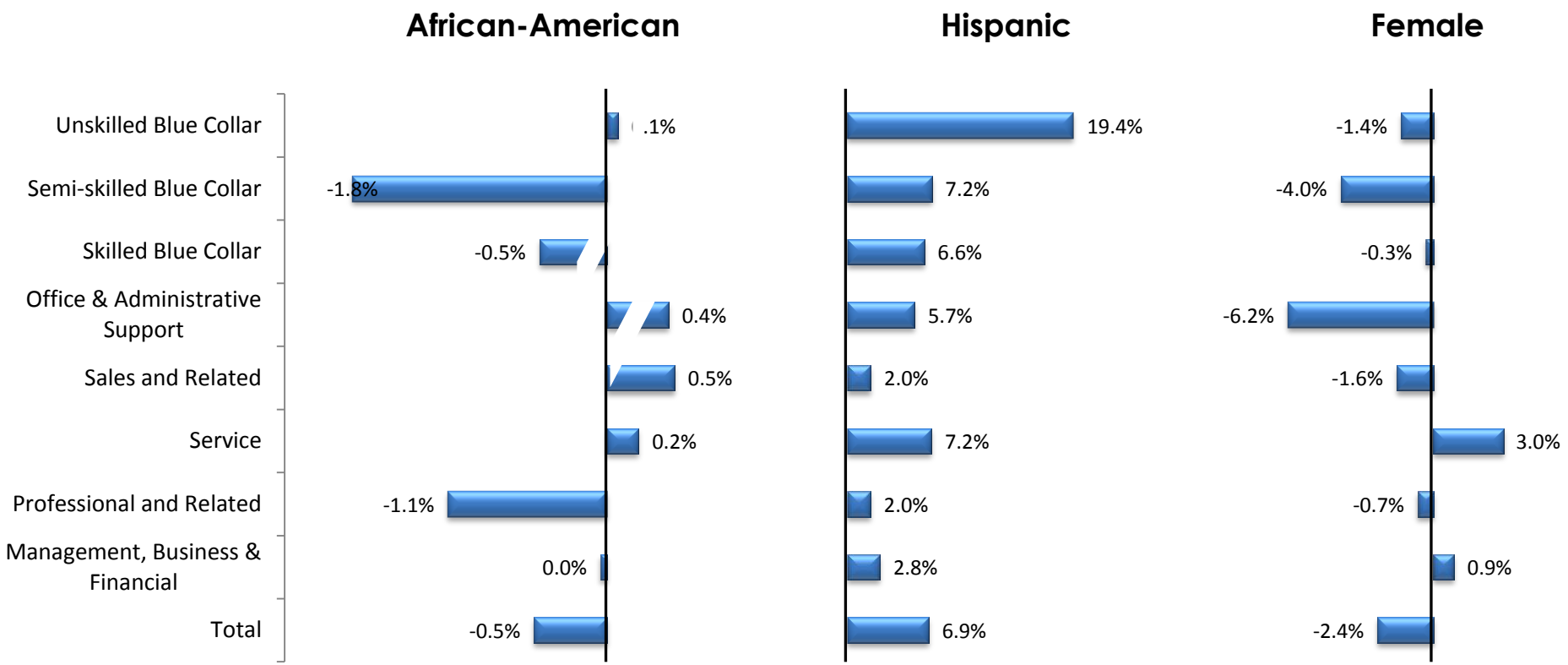

**Female Projected Share of Occupations 2030 (Percent)**




Source: *Minority and Female Employment in the Oil + Gas and Petrochemical Industries*, HIS Global, Inc., March 2014; 3.5.7.11 analysis
*Based on U.S. Oil & Gas upstream and midstream segments only.

# African-American employment in America's energy sector is expected to decline on a percentage basis also. Hispanics are expected to gain employment in all occupancies, led by significant increases in blue collar occupations.

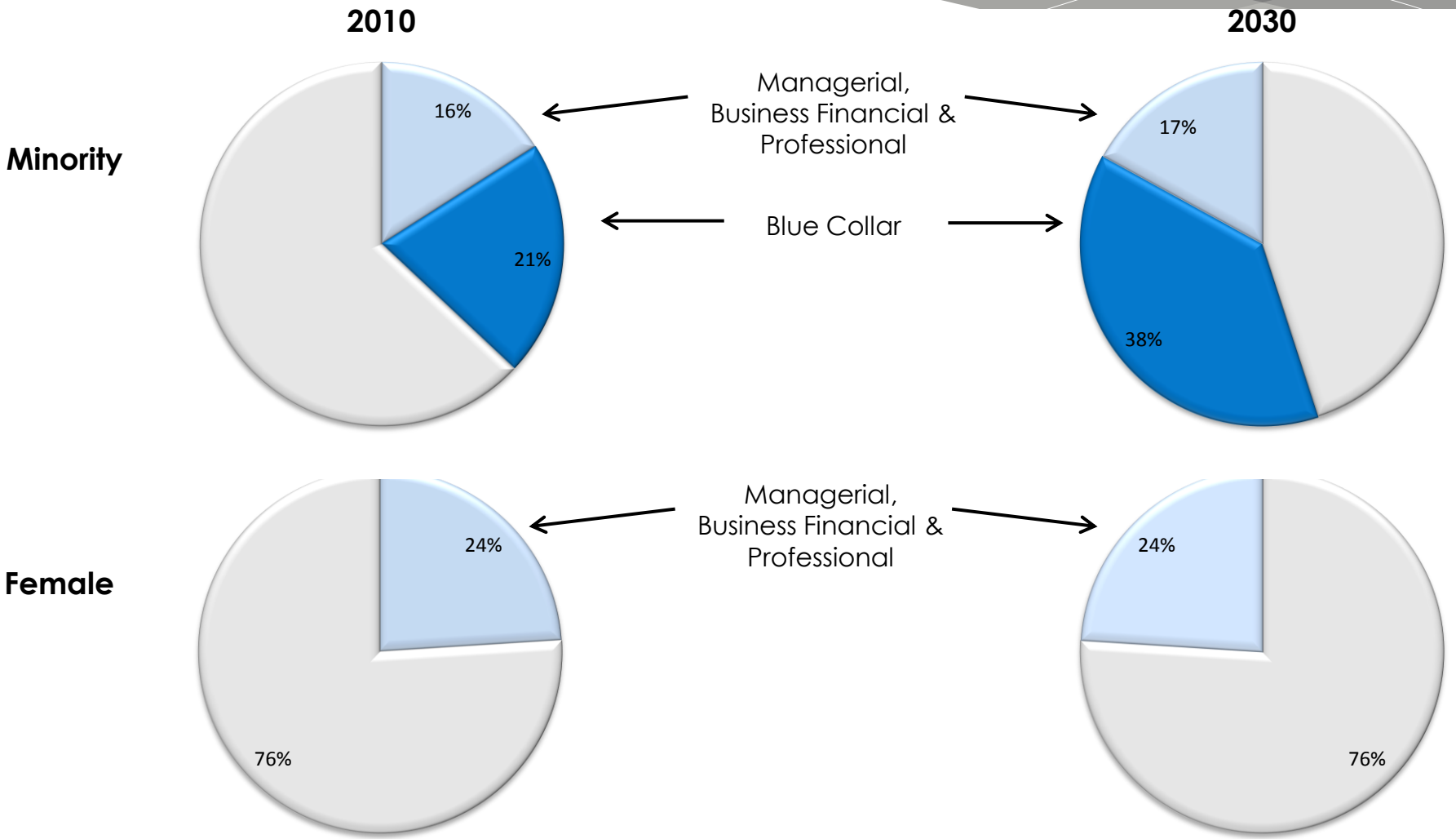
**Change in Minority and Female Participation in U.S. Oil & Gas* and Petrochemicals by Occupation**
**2010-2030**
**(thousands)**




Source: *Minority and Female Employment in the Oil + Gas and Petrochemical Industries*, HIS Global, Inc., March 2014; 3.5.7.11 analysis.
*Projections based on U.S. Oil & Gas Upstream and midstream segments only.

# Minorities and Females are, and are projected to remain, severely underrepresented in the senior and professional ranks of America's energy sector.

## Minority and Female Senior Presence in U.S. Oil & Gas* and Petrochemicals 2010-2030




Source: *Minority and Female Employment in the Oil + Gas and Petrochemical Industries*, HIS Global, Inc., March 2014; 3.5.7.11 analysis.
*Projections based on U.S. Oil & Gas Upstream and midstream segments only.

# A transformational intent can make the current energy boom a force for greater inclusion in the energy industry.

## Private Sector

- **Expand employee pipeline** via e.g. secondary school, vocational school and community college partnerships
- **Increase candidate diversity** at all levels via e.g. targeted outreach
- **Increase diversity in senior, professional and board ranks** via e.g. targeted development and retention programs
- **Increase supplier diversity** via e.g. targeted outreach, joint ventures, contract and deal structuring

## Government and Policy Makers

- Maintain and/or adopt policies that **promote industry growth**
- **Continue emphasis on STEM education**
- **Dramatically increase attention**/support to **vocational education** and training
- **Help spread the word** about opportunities in energy
- **Keep a spotlight on inclusion** and the energy industry in all aspects (employment, senior and board participation, ownership)