

2014 Sealaska Annual Report

ON THE PATH









PICTURED ON THE COVER:
Nora Marks Dauenhauer, *Lukaax.ádi*, Sockeye, Raven, Tlingit
Lejon Robertson Jr., Double Headed Eagle, Frog, Haida

Along the way, we have milestones to celebrate. After 40 years of fighting for ownership of our lands, finally, the promise has been fulfilled. In December 2014, Congressional action returned a small portion of our traditional homelands to Native ownership.



NAVIGATING THE PATH

A Marker in Time

We are Tlingit, Haida and Tsimshian ... We are Sealaska.

Today's leaders forge a new path guided by a strong mission and the teachings of our ancestors. Every day, we strive to create a better life for our shareholders and the communities we call home.

The goals of Sealaska may vary over time, but our values are the same, forming a continuum through time from our respected past leaders to present day.

There is much to reflect on this year in terms of charting a new course amongst obstacles. We are restructuring Sealaska to be more nimble and recalculating our goals for success. Ultimately, we are building momentum, as we take strategic and thoughtful steps to steady Sealaska for the future.

The current team, both Board and management, are creating a path forward to a prosperous future for the next generation. Our operations are on track for success, and Sealaska is profitable. By following our strategic plan, we aim for new and stronger businesses and sustainable economies in Southeast Alaska.

We are on the path together—21,600 strong.



DEAR SHAREHOLDERS,

This past year was a time of transformation at Sealaska. From final lands to new management and Board leadership, we are on the road to a successful future. Yet our values remain the same. Both of us were raised with Native values. In particular, *Haa Shukáa*—the value that connects us with our ancestors and descendants. We are honored to serve in our current positions of leadership, and also know that many came before us. We use the strategic plan as our road map to manage Sealaska for future generations. Every piece of the plan, combined with our Native values, builds a path that stays connected to our past, while setting the vision for the future.

OPERATIONS ARE IMPROVING

After reflecting on last year's performance, we are happy to share that our operations are on the path to profitability. Sealaska is also streamlining its operating structure by selling companies that don't align with our values, such as Security Alliance, while continuing to reduce our company-wide general and administrative costs.

As a result of these activities, Sealaska made a net profit of $14.9 million in 2014, despite overall lower revenue. This is a notable turnaround compared to recent years. The financial recovery from our 2013 performance, combined with our significant investment assets, puts Sealaska in a sound financial position.

PROGRESS TOWARD NEW ACQUISITION

This is the most intentional and thoughtful due-diligence process we have undertaken, because it is built on understanding our past successes and failures. Although we want to move quickly, we know it is better to be smart and strategic. Simply put, speed is important but it is more important to get it right. We want to be in a business we can all get behind—one that meets our financial targets and makes sense with our values.

Sealaska's management team has evaluated hundreds of companies, honing our filters every step of the way. We are focusing on these key priorities: current cash flow; regional presence (Alaska or the Pacific Northwest); shareholder employment; and of course, alignment with our core Native values.

Our ability to make acquisitions comes from Sealaska's strong financial base. Our investments have performed well over the years. When combined with our access to cash, it positions us to make meaningful operational investments.

PROMISE FULFILLED

Last December was a historical milestone for Tlingit, Haida and Tsimshian people. Congress passed a bill to fulfill the long overdue promise of returning some of our original lands. Over the last decade as we worked toward the passage of this legislation, we listened to shareholders, community members and leaders to understand what is important to them. Based on this collaborative approach, we feel a sense of responsibility in the management of lands in Southeast. With that in mind, our land stewardship practices include examining new opportunities, such as carbon sequestration, wetland mitigation and local commercial harvest of Native foods.

PLANNING FOR THE FUTURE

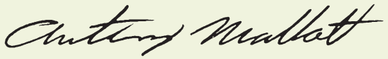
Even the largest, most successful businesses face change and financial challenges over time. Sealaska is in the process of creating a stronger management structure and culture to help us bolster our operational performance and provide improved risk management systems. We know this is necessary for Sealaska to become an enduring entity not only for the next 100 years, but for the next thousand.

There is no doubt that challenges lie ahead as we work toward achieving our ultimate vision—building a long-term sustainable organization based on Native values. Our values guide us, and the ability to navigate obstacles along the way shapes our journey. This path connects to our past and leads us into the future.

As always, we welcome your thoughts. Sealaska belongs to all of us, and we value all shareholder voices.



Joe Nelson
Board Chair



Anthony Mallott
President and Chief Executive Officer

For greater detail on the six points of Sealaska's strategic plan, please turn to page 18.



RENEWED CONNECTION

Lands Returned to Sealaska

After a decade-long battle and hundreds of community meetings, Congress approved the final acreage due under the Alaska Native Claims Settlement Act to Sealaska and its shareholders. We owe a debt of gratitude to all who helped Sealaska cross this milestone.

Sealaska's first and foremost priority is to take care of our land to ensure it will be here and provide benefits for our children and grandchildren. We also embrace our leadership role in the region—as a land steward, and as a good neighbor. Even though we only own less than 2 percent of our traditional homelands, we care for all of it.

With the passage of the lands bill, approximately 70,000 acres of land return to Sealaska ownership. These lands allow for the continuation of our timber program and all of the benefits this industry provides in the region. The legislation will also return many sacred sites to Native ownership, which Sealaska will manage with local tribes. In addition, Congress included a provision to set aside approximately 150,000 acres of the Tongass National Forest as conservation lands.

Now is the time to review our history as a timber company and revisit our approach to how we utilize our land. Sealaska's guiding principles for land management require us to sustain value creation and benefits from the land while adhering to our core Native values. Through this commitment to land management, each rotation of trees will provide shareholders with language, education and cultural benefits, as well as dividends into the future.

Sealaska supports the coalition of the five "landless" communities to finalize a just land entitlement. We also stand in solidarity with Native veterans who served in Vietnam and support their land allotment.

We'd like to thank all who helped us secure our final lands—see inside back cover for a list of supporters.



When the Alaska Native Claims Settlement Act (ANCSA) passed on December 18, 1971, it was the culmination of more than 200 years of effort by Alaska Natives to retain ownership of their land. During the 1970s, the Sealaska Lands Committee evaluated and selected parcels from designated withdrawal areas.

Pictured: (L-R) Marlene Johnson, Judson L. Brown, Robert Sanderson Sr., and Mark Jacobs Jr.

"Our connection to land is a basis for our cultural identity."

– Anthony Mallott, Sealaska President and CEO

In 1912, the Alaska Native Brotherhood (ANB) was founded. The ANB along with ANS (Alaska Native Sisterhood) were the driving force behind Alaska Natives moving forward in the fight for title to aboriginal land.

During Grand Camp of 1925, Peter Simpson said to William Paul, "Willie, who owns this land?" William Paul (after a long pause) replied, "We do." Peter Simpson then said, "Why don't you fight for it." Generations of our people carried this fight forward until we retained some of our Native land through the passage of ANCSA. The work of the ANB/ANS inspires Sealaska as it manages its lands. We pay respect to our Elders as we work for our children and grandchildren.









Sealaska focuses on the sustainability of our local economies so that shareholders and local community members can continue to live and work in their hometowns.

Pictured: P2P participants and Haa Aaní CDFI loan recipients

Sealaska established the Elders' Settlement Trust to provide special economic benefit to original shareholders when they turn 65. Since the trust's inception, more than $10.9 million in benefits have been provided.

Pictured: Sealaska shareholder Paul Young and his wife Irma



IMPACT IN OUR COMMUNITIES

Sealaska's purpose is to focus on culture, our land, and the capacity and well-being of our shareholders. This keeps us on a path to regional development and stronger communities. Unlike other enterprises, Sealaska must balance the needs of our shareholders and local community members, all the while maintaining profitability.

Haa Aaní, LLC established the nonprofit Haa Aaní Community Development Fund, Inc. (CDFI), which is a Community Development Financial Institution. At the end of 2014, Haa Aaní CDFI reached nearly $1.4 million in funding. Key funding partners include the Rasmuson Foundation, The Nature Conservancy and the Alaska Conservation Foundation. This provides a new source of loan capital for community entrepreneurs seeking non-traditional funding.

With its partners, Haa Aaní CDFI created "Path to Prosperity" (P2P), a business plan competition. Each year, two winners are awarded $40,000 in services for consulting and technical assistance on their business concepts.

Sealaska is also confident about the positive impact from the return of our final ANCSA lands. Over two decades of research have guided our vision and practice of land stewardship, and these new lands will help us continue to play a role in the region. Our leadership team is looking at the best ways to provide jobs and manage our land in a way that all who call the Tongass home can benefit. In 2014, the Sealaska Board reaffirmed a comprehensive land management policy that recognized collective ownership and the use of Values In Action.



Former Sealaska intern Tessa Hasbrouck learning about land surveying techniques with Sealaska Natural Resources Manager Brian Kleinhenz.

STRENGTHENING OUR PEOPLE

We are grateful for our active shareholder base playing a role in guiding Sealaska on its journey to success. As we strengthen our shareholder community, our shareholders strengthen us, contributing and benefiting at the same time. Shareholders and their families are the reason that Sealaska is moving forward with purpose.

Sealaska has mentored and shared its expertise with nearly 200 interns dating back to 1981. Former interns are now leading Sealaska, such as Director Jodi Mitchell and Sealaska President and CEO Anthony Mallott. In 2014, Sealaska contributed $525,000 to Sealaska Heritage Institute (SHI) for scholarships for the 2014-2015 academic year. In addition, Sealaska made 257 log donations, the majority of which went to the construction of the new Walter Soboleff building.

In 2014, Sealaska paid out $9.6 million in distributions, including payments to village corporations. But this is not the only value shareholders receive. Many of Sealaska's costs represent shareholder benefits:

- Contribution to SHI: return on investment seen in the increase of traditional language speakers
- Land management and research: nearly 20 years of fish habitat and water quality monitoring
- Carving blank program and firewood program
- Building shareholder capacity

We are proud of our initiative to bring young leaders into the boardroom. Since 2009, Sealaska directors have championed the Board Youth Advisor program, sharing their knowledge and fostering leaders who go on to give back to our communities.



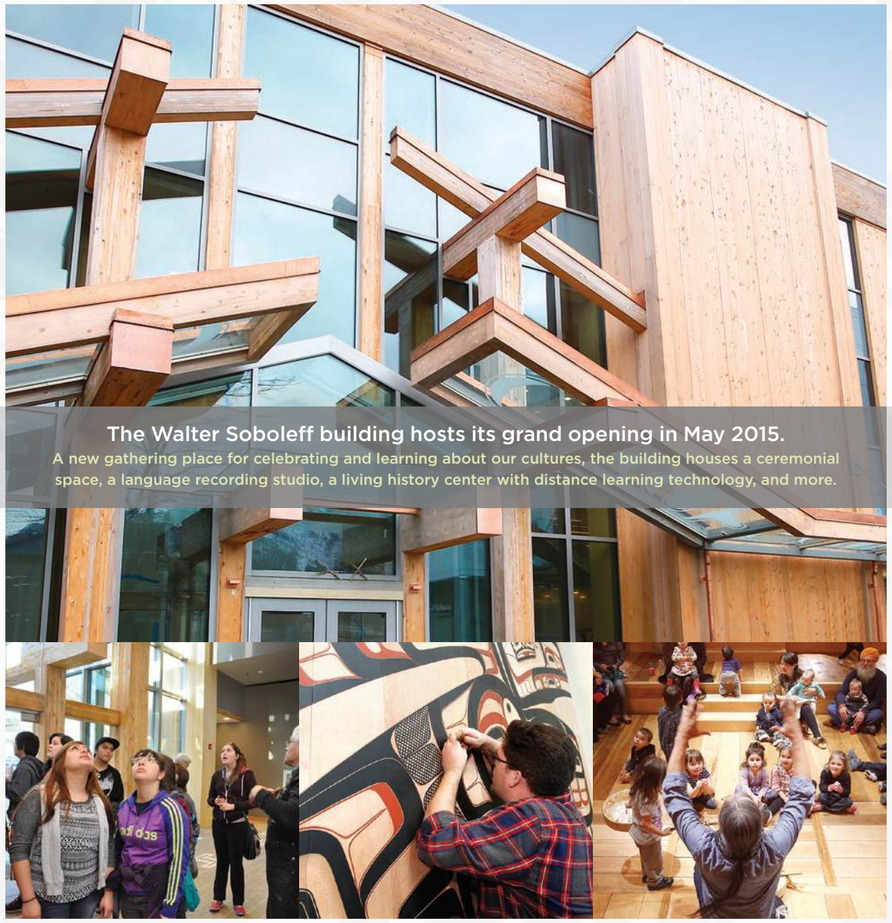


Celebration 2014—Every two years, this event brings together thousands of people to celebrate Tlingit, Haida and Tsimshian cultures.









The Walter Soboleff building hosts its grand opening in May 2015.
A new gathering place for celebrating and learning about our cultures, the building houses a ceremonial space, a language recording studio, a living history center with distance learning technology, and more.

Sealaska took on the responsibility of protecting and strengthening the container of wisdom left by our Elders. As a result, Sealaska established Sealaska Heritage Institute in 1980 to administer cultural and educational programs. Since inception Sealaska has donated roughly $30.6 million in cash donations and in-kind services to Sealaska Heritage Institute.

Pictured: Gabrielle George-Frank, Daḵl'aweidí (Killer Whale), Tlingit



UPLIFTING OUR CULTURE

A strong financial base allows us many paths to the future, including the support of our cultural initiatives and programming through Sealaska Heritage Institute (SHI). In 2014, Sealaska contributed $1.7 million in cash and in-kind services to support the operations and activities of SHI.

Sealaska's commitment to Tlingit, Haida and Tsimshian cultures and to SHI will never waver. We contribute when our profits are up and even when they are down.

The cornerstone of Sealaska's investment in SHI is the grand opening of the long-awaited Walter Soboleff building. Named for a beloved Tlingit scholar and leader, the facility will include demonstrations, exhibits, a living history center and climate-controlled collections storage. In 2013, Sealaska contributed $1 million in cash donations to support the construction of the building, along with donating land for the site.

We are proud of the cultural and educational programs that SHI leads throughout the region. From skin-sewing classes to the "Baby Raven Reads" early literacy programs, there are opportunities for all ages to connect with Tlingit, Haida and Tsimshian cultures.

In addition, Sealaska and SHI advocate for policy change including the return of sacred objects through the Native American Graves Protection and Repatriation Act (NAGPRA) Program. Last year, Sealaska leaders testified before Congress to ensure that Alaska Natives would not be prosecuted for traditional uses of migratory bird feathers.

Sealaska Government Services Group:

Kingston Environmental companies

Managed Business Solutions, LLC

MBS Systems, LLC

Sealaska Construction Solutions, LLC

Sealaska Constructors, LLC

Sealaska Environmental Services, LLC

Sealaska Technical Services, LLC

Synergy Systems, Inc.

PATH TO PROFITABILITY

In 2014 we established the Compliance and Risk Management Department. This team will align compliance efforts and organize a risk management program company wide. This is just one example of many structural improvements occurring across Sealaska that will provide long-term benefits.







Sealaska's businesses are growing and evolving based on our strategic plan adopted in 2012. Operations had a substantial improvement from 2013 and as a result 2014 had higher net profits than the previous years. The Board and management are committed to achieving and growing positive earnings from operating activity. Our government services group is creating value in environmental monitoring, niche construction and data analytics.

Sealaska Technical Services (STS) focuses on data collection, acquisition and analysis for environmental, nuclear, chemical and biological resource management. In 2014, STS partnered with Tetra Tech, a global environmental company, to pursue and coordinate opportunities as joint venture partners in the SBA Mentor-Protégé program.

Managed Business Solutions' (MBS) recent partnership with the U.S. Fish and Wildlife Service is a great example of business decisions that align with core Native values. MBS is an expert at data analysis and developed an online tracking system for wildlife and sport fish restoration. This conservation work will monitor grants that support the protection and enhancement of fish and wildlife resources and habitat.







Sealaska Environmental Services (SES) successfully graduated from the U.S. Small Business Administration (SBA) 8(a) program in 2012 and continues to win competitive small business contracts in environmental remediation and long-term monitoring, deepening its core competencies in environmental monitoring.

Sealaska Construction Solutions (SCS) is working in niche construction areas around emergency response services and demolition and deconstruction. SCS has partnered with NorthStar Federal Services, the largest remediation and emergency response contractor in the country. Sealaska and NorthStar (formerly LVI) have worked on similar projects since 2008.

Sealaska Timber Corporation (STC): The Sealaska land legislation passed in Congress in the final days of 2014, changing the future of STC. During the stalled legislation, STC reduced expenses to remain profitable despite challenging harvest conditions. This year, STC is reviewing its operations and taking a fresh look at new ways of doing business. STC will continue with its science-based management of our lands while creating benefits for shareholders.

STC's management strategy follows three guiding principles: alignment with Sealaska's Values In Action through a sustainable harvest plan; value creation and economic benefit for Southeast Alaska; maximizing benefits from our unique land asset including wetland mitigation, forest products and tourism.



Haa Shuká / Ít!' Kunísii / Na Hlagigyadm

Our respect for our ancestors and our drive to pass on our cultural heritage to present and future generations, while simultaneously creating prosperity and opportunity for them.

Marjorie V. Young was a staunch advocate for the protection and growth of the Shareholder Permanent Fund as a source of sustainable dividends. In 2009, Sealaska named the fund in honor of her 30 years of service on the Board. She is Haida, Frog clan and lives on Prince of Wales Island.



STRENGTH FOR THE LONG HAUL

Our Past Investments Allow for Agility

Sealaska's investments continue to be the most consistent example of our financial success. Since 2001, Sealaska has distributed dividends of $31.0 million from operations, $46.6 million from the Marjorie V. Young (MVY) Shareholder Permanent Fund, and another $152.4 million in ANCSA Section 7(i) and 7(j) monies.

Sealaska's investment portfolio includes two funds. The MVY Shareholder Permanent Fund is invested on a long-term basis to provide consistent dividends. The Investment and Growth (I&G) Fund is managed for the short- and medium-term to support operational needs and new investments.

Both funds have exceeded long-term performance targets and are continually managed to provide the greatest return, while meeting strict risk management guidelines.

As we look at 2015 and into the future, our solid investments provide the foundation for where we want to go as a Native enterprise. Because of the foresight to manage and diversify our portfolio in the past, the MVY Shareholder Permanent Fund will provide shareholder dividends long into the future. At the same time, the I&G Fund allows us to be both agile and intentional, and acquire new companies that truly align with our values.

The Sustainable Southeast Partnership works with groups throughout Southeast Alaska. Here they have teamed with Hydaburg Cooperative Association and the SEARHC Traditional Foods program to set up a community garden in Hydaburg. Hydaburg is one of only two remaining Haida communities in Alaska.

Pictured: (L-R) Frieda Mae Peel, Ka'illjuus Lang, Ella Mooney, and Lia Heifetz



MOVING FORWARD IN PARTNERSHIP

Sealaska's success is dependent on living our Native values. In the spirit of working together (*Wooch.éen*), we are forming strong partnerships in our communities. From the passage of the land legislation, to cultural education, to managing our businesses, partnerships are the key to moving forward.

Sealaska is a leader in the region for managing second growth trees. We are sharing our expertise with Huna Totem Corporation, Hoonah Indian Association, the U.S. Forest Service, the State of Alaska and others to collaboratively manage lands. The Natural Resources Conservation Service of the U.S. Department of Agriculture funded this partnership with a $2 million grant—to collaborate on land management and conservation to improve and sustain salmon and wildlife habitat.

Our partnerships keep us on the path to creating sustainable communities in Southeast Alaska. Haa Aaní, LLC works with the Sustainable Southeast Partnership—a collaborative network of tribal and city governments, Alaska Native Corporations, nonprofits, non-governmental and conservation organizations that support community-driven projects and initiatives.

As a result of Sealaska's final ANCSA land conveyance, 76 cemetery and historic sites will be protected and managed by tribes through memorandums of understanding with Sealaska. Sealaska will ensure decisions are locally driven. Through the legislation, no resource development or activity can occur that could be harmful to the historic nature of the sites.

To be successful in the region we must collaborate with entities that have similar goals and values.









STRATEGIC PLAN UPDATE

Each year Sealaska's Board of Directors and management evaluate the company's 5-year strategic plan. The ultimate goal of the plan is for Sealaska to be self-sustaining with income from our subsidiaries. This will allow Sealaska to use ANCSA Section 7(i) revenue and investment fund income for increased focus on initiatives for our people, culture and homelands.

Sealaska has always operated on a long-term strategic plan, and the current plan was adjusted in 2012 to focus on sustainable profitability. Sealaska has achieved significant operating restructuring and narrowing of operations since 2012.

We would like to update you on our progress made this past year toward our six key initiatives.

1 NARROW OUR OPERATIONS

We disposed of all non-core operations except for Security Alliance, which we are in the process of marketing. We identified two areas of future focus for our operations: natural foods, and data analytics and monitoring. Both sectors are experiencing strong long-term growth and fit with our core values.

2 MAKE AN ACQUISITION

We are developing our strategy in the natural foods, data analytics and environmental monitoring sectors by entering joint ventures and creating new investments. We have two new joint ventures starting in 2015. We also have a rigorous investment process in place to strengthen our understanding of our target industries and help us find new opportunities. We have reviewed hundreds of companies, and looked into more than 20 at a very detailed level. Currently, we are in discussions with four acquisition targets that meet our strict requirements.

3 SECURE OUR LANDS

We received our final lands entitlement, which allows us to create a long-term land management plan to provide economic benefit to our shareholders and the region. The significant effort taken to achieve this momentous milestone should not be overlooked. It motivates us to ensure that our land management strategies are thoughtful, well executed and in line with our cultural values.

4 REDUCE OUR EXPENSES

2014 was a transition year with restructuring costs. But, even so, we successfully reduced total costs and expenses. We did this by focusing on operating efficiency, profitability, and better management of our selling, general and administrative expenses. We are further reducing costs in 2015 while making significant structural improvements within Sealaska.

5 CREATE A STREAMLINED GOVERNMENT SERVICES FUNCTION

We brought our environmental management, construction management, and IT businesses under one leadership team. This allows us to focus on more profitable areas such as data monitoring and analytics, where we have already performed successfully.

6 SUPPORT ECONOMIC DEVELOPMENT IN SOUTHEAST ALASKA

Even with our final land entitlement, we only own approximately 2 percent of our traditional homelands. Still, we care for all of Southeast and our subsidiary Haa Aaní, LLC works with partners to find innovative ways to create economically sustainable communities. We have a greater chance of long-term success if we combine our resources and share responsibility rather than tackle regional issues on our own. So we will continue to expand our network to achieve this important mission.

BOARD OF DIRECTORS



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Juneau, Alaska
Chair



JACQUELINE PATA
Fairfax, Virginia
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VICKI SOBOLEFF
Corporate Controller



TRAVIS SUTTON
Information Technology
Manager



MELANIE A. TYSKA
Compliance and
Risk Manager



LINDA WYNNE
Records and
Information Manager

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

	2010	2011	2012	2013	2014
Net income (loss) attributable to Sealaska	$ 15,154	$ 6,791	$ 11,318	$ (35,086)	$ 14,881
Total assets	361,151	368,664	386,302	319,851	311,988
Sealaska shareholders' equity	247,933	249,778	256,141	216,357	228,238
Long-term bank debt	31,216	28,288	30,460	—	-
Short-term bank debt	1,172	1,275	386	18,510	18,510
Current ratio	2.39	2.30	2.10	1.47	1.73
Bank debt/equity ratio	0.13	0.12	0.12	0.09	0.08
Shareholders' equity attributable to Sealaska per share	113.52	112.40	113.62	94.81	98.96
Net income (loss) attributable to Sealaska per share	8.08	3.73	5.99	(14.67)	6.67
Dividends per share	$ 3.56	$ 2.24	$ 2.21	$ 2.25	$ 1.36
Cumulative distributions to shareholders and Village corporations since inception	$ 463,460	$ 487,411	$ 514,366	$ 538,162	$ 547,749

❖ Dollars are in thousands except per share amounts and ratios. Years ended December 31.

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

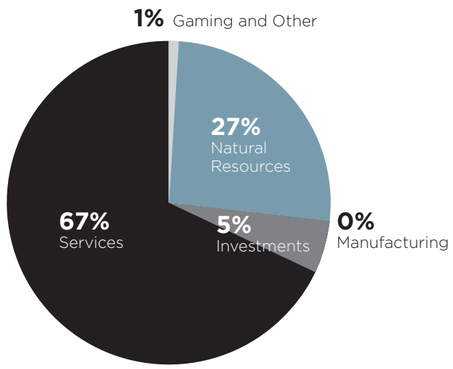
CORPORATE OVERVIEW

Sealaska Corporation was formed in 1972 as one of 13 Regional Native Corporations created by the Alaska Native Claims Settlement Act (ANCSA). Sealaska received: an initial sum of money that was $93.2 million in total to capitalize Sealaska and the Village corporations in the region; the fee title (surface and subsurface) to at least 362,000 acres of land; and approximately 300,000 additional acres of subsurface land in Southeast Alaska. All lands were formerly part of the Tongass National Forest. Sealaska currently has more than 21,600 shareholders descended from the three Alaska Native groups of Southeast Alaska: the Tlingit, Haida and Tsimshian.

Sealaska and its subsidiaries maintain offices throughout the United States and in Canada and Europe. Sealaska has financial activity in the following business segments:

1. Natural Resources
2. Services
3. Gaming & Other
4. Investments

REVENUE BY BUSINESS SECTOR



In addition to these active sources of revenue, Sealaska also receives income from ANCSA Section 7(i) profit sharing from other Regional Corporations.

FINANCIAL OVERVIEW

Sealaska's consolidated continuing operations produced revenues of $121.5 million in 2014, down from $165.0 million in 2013. Net income is $14.9 million, up from the net loss of $35.1 million in 2013. The $50.0 million improvement to the 2013 net loss is primarily the result of the improved financial performance of the operating business segments, especially the services segment. Sealaska's 2014 loss from operations of $7.3 million (after corporate selling, general and administrative expenses), is a substantial improvement from the loss of $52.3 million in 2013. This is the result of focusing operations on higher margin revenue generating opportunities. Total Sealaska Shareholders' Equity at December 31, 2014 of $228.2 million is up from the Sealaska Shareholders' Equity of $216.3 million at December 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2014, Sealaska had cash on hand and current investment securities of $74.0 million. An additional $112.2 million was held in long-term investments, including the Marjorie V. Young Shareholder Permanent Fund, venture capital funds and private equity funds.

Liquidity	2014	2013
Available funds		
Cash, cash equivalents and current investments	$ 74.0	$ 80.2
(Less) restricted balances	-	-
Total available funds	**74.0**	80.2
Available line of credit and revolving loan		
Total line of credit and revolving loan	**60.0**	60.0
Less: Outstanding balances	**(18.5)**	(18.5)
Less: Outstanding letters of credit	-	-
Total available line of credit and revolving loan	**41.5**	41.5
Total liquidity	**$ 115.5**	$ 121.7

❖ Dollars are in millions. Years ended December 31.

Working Capital	2014	2013
Current assets	$ 94.8	$ 112.4
Current liabilities	54.7	76.6
Working capital	$ 40.1	$ 35.8
Current ratio	1.73	1.47

❖ Dollars are in millions. Years ended December 31.

I. Results of Operations

A. NATURAL RESOURCES

In 2014, Sealaska's natural resources business segment was comprised of three wholly owned subsidiaries, as well as the Natural Resources Department within Sealaska headquarters. Those subsidiaries are: Sealaska Timber Corporation (STC), Alaska Coastal Aggregates, LLC (ACA) and Haa Aaní, LLC.

The natural resources business segment produced revenues of $33.4 million in FY2014, down from $45.4 million in 2013, and produced costs and expenses of $35.0 million in 2014, down from the costs and expenses of $66.0 million in 2013.

STC has successfully managed the harvest, marketing and shipping of round logs to customers throughout Asia, the Middle East and North America since 1980. Thanks to the recent passage of the Southeast Alaska Native Land Entitlement Finalization and Jobs Protection Act by the 113th Congress, STC will continue to be a major participant in the Southeast Alaska timber industry into the future.

ACA is a supplier of sand, rock and gravel aggregates for commercial, municipal, state and federal construction projects. Through management and promotion of these resources from Sealaska's subsurface estate, ACA pursues projects throughout the Southeast Alaska region and the interior of Alaska.

High priority mining prospects have been identified on Sealaska lands from the research and assessment of historical exploration data. These prospects are primarily located on southern Prince of Wales Island, and contain gold, silver, lead, zinc, copper and rare earth elements used in cellphones, wind turbines and other high technology applications. The corporate Minerals Department is currently developing a network of reputable exploration and mining companies as potential partners. Sealaska has committed to mineral development that follows the best environmental practices. We will work with the local communities to strive for positive economic benefit and to alleviate concerns. Sealaska continues to reach out to the surface owners and the public to describe and promote these mineral opportunities. Special emphasis is on "social license" early in the mining exploration phase to identify and respond to community concerns about labor force needs, job opportunities, affiliated business opportunities and environmental protection.

The corporate Natural Resources Department in 2014 achieved its forest stewardship plan, and continues to work to secure land owner assistance contracts from the Natural Resources Conservation Service. Pre-commercial thinning projects are up to date and are keeping pace with the need. Targeted pruning and planting programs are conducted to optimize future forest values and/or maintain or enhance wildlife habitat. Several partnership programs were initiated to expand the range of stewardship activities while minimizing cost.

Haa Aaní, LLC was established in 2009 to assist with economic sustainability within Southeast Alaska's communities. Haa Aaní, LLC continues to focus its efforts on economic development within the region through collaboration with local, state and tribal governments, conservation organizations, other regional economic development organizations, Native organizations and entrepreneurs.

B. SERVICES

For 2014, Sealaska's services business segment included wholly owned subsidiaries Sealaska Environmental Services, LLC, Kingston Environmental, LLC, Kingston Environmental Services, Inc., Sealaska Constructors, LLC, Sealaska Government Services, LLC, Sealaska Technical Services, LLC, Sealaska Construction Solutions, LLC, Synergy Systems, Inc., Managed Business Solutions, LLC, and MBS Systems, LLC.

The services business segment generated revenues of $81.2 million in 2014, down from $102.1 million in 2013, and incurred costs and expenses of $77.8 million in 2014, down from $134.2 million in 2013.

The services businesses returned to profitability in 2014 and made a profit of $3.4 million, an improvement of approximately $35.4 million on the previous year.

This improvement in profits was a result of exiting civil construction, a strong focus on reducing costs, and focusing on our strengths in our core markets, which are environmental monitoring, niche construction and data analytics. Overall revenue was down as we focus on less commoditized work, but profit margins continue to improve substantially over prior years. In 2015, we continue to focus on higher value added work and in particular, we are strengthening our data monitoring and data analytics capability in these profitable, high growth markets.

In 2013, Sealaska decided to exit guard services and logistics businesses. Sealaska Global Logistics, LLC was sold in 2013 and we anticipate finalizing the sale of Security Alliance, LLC in 2015. Accordingly, Security Alliance, LLC and Sealaska Global Logistics, LLC are reported in Discontinued Operations for the three years presented in the consolidated statement of operations.

C. GAMING

The gaming business segment generated revenues of $154,000 in 2014, down from $374,000 in 2013, and incurred costs and expenses of $604,000 in 2014, down from the costs and expenses of $741,000 in 2013.

Sealaska's gaming business is managed by its wholly owned subsidiary End-to-End Enterprises, LLC (E2E). The sole gaming project under E2E is the Cloverdale Rancheria casino and resort project, approximately 90 miles north of San Francisco on Highway 101. E2E and the Cloverdale Rancheria of Pomo Indians are collaborating to find a new investor and to secure the governmental approvals to construct and operate a casino.

The property and the project are well positioned for casino and resort development. The land has a favorable Indian Land Opinion confirming the land is qualified for Indian Trust Land status and in April 2014, the Bureau of Indian Affairs released the Final Environmental Impact Statement that is required for the land to be taken into trust. The next significant milestone for the project will be the record of decision, which should be issued in mid-2015.

D. INVESTMENTS
For 2014, Sealaska's investments business segment primarily included the Marjorie V. Young (MVY) Shareholder Permanent Fund and the Investment and Growth (I&G) Fund.

The investment business segment achieved investment gains of $6.4 million in 2014, down from $16.6 million in 2013, and incurred costs and expenses of $461,000 in 2014, down from $514,000 in 2013.

The combined balance of the MVY Shareholder Permanent Fund and the I&G Fund was $156.6 million at the start of the year, and ended 2014 with a combined balance of $160.9 million invested in stocks, bonds, real estate and private equity investments. Of these investments, $48.7 million and $47.3 million were held as current assets in 2014 and 2013, respectively.

Both funds have maintained strong, long-term performance, which shows the strength of the funds' diversification strategy directed by the Board-approved investment policy.

1. Marjorie V. Young Shareholder Permanent Fund
Renamed as a tribute to longtime Native leader and retired Sealaska director Marjorie V. Young, Sealaska's MVY Shareholder Permanent Fund was created in 1987 to provide shareholders with meaningful and consistent dividends over time.

Sealaska management and the Board of Directors, along with their investment advisors and investment managers, constantly evaluate the risk exposure of the total portfolio and make changes whenever necessary to lessen risk—if doing so does not inordinately affect long-term expected returns. Sealaska utilizes the services of several external investment managers.

2. Investment and Growth Fund
The Investment and Growth Fund is managed with both a short-term and long-term investment horizon and is used for both operational needs and new investments.

The management focus of the fund is to grow principal with a prudent level of risk, maintain sufficient liquidity to fund Sealaska's current business operations, and provide a source of capital for corporate development.

E. CORPORATE AND OTHER INCOME
For 2014, Sealaska's corporate and other income included the revenue generating departments at the corporate headquarters, such as the Real Estate Department, which leases office space to others in Sealaska's Juneau headquarters.

The corporate and other income business segment generated revenues of $501,000 in 2014, up from $439,000 in 2013, and incurred costs and expenses of $1.8 million in 2014, down from $2.6 million in 2013.

II. Shareholder Benefits and Services

A. SEALASKA HERITAGE INSTITUTE
Established in 1980, Sealaska Heritage Institute (SHI) is Sealaska's regional nonprofit organization whose mission is to perpetuate and enhance the Tlingit, Haida and Tsimshian cultures of Southeast Alaska, and to promote cross cultural understanding. SHI develops Native language, culture and arts education curricula and material, and provides professional development for teachers and artists; manages the Sealaska scholarship program; conducts research and publishes material on Native history and culture and public policy issues affecting Alaska Natives; and maintains an archival and ethnographic collection. SHI is finalizing construction of the Walter Soboleff building in downtown Juneau. The building will house SHI programs; its archival and ethnographic collection; and market Native art. Its programs and museum exhibitions will serve as an education center for Native people, the general public and visitors to Alaska.

In 2014, Sealaska contributed $1.7 million in cash and in-kind services to support the operations of SHI. Using Sealaska's cash and in-kind donations as leverage, SHI raised an additional $12.3 million in grants, revenue and sales and provided direct service to over 10,000 individuals through its programs and activities. In addition, STC contributed $338,000 toward scholarships, and Sealaska contributed $187,000 for a total of $525,000. Sealaska's contribution comes from the scholarship endowment set up in 1989, which has contributed $7.9 million to SHI's scholarship program since inception.

B. HAA AANÍ COMMUNITY DEVELOPMENT FUND, INC. (HACDFI)
In 2012, Haa Aaní, LLC launched the nonprofit Haa Aaní Community Development Fund, Inc. (HACDFI) with a contribution of $500,000. HACDFI is an Emerging Native CDFI and achieved its 501(c)(3) status in 2013. HACDFI raised total capital funding of nearly $1.4 million by the end of 2014 and has deployed several small rural development loans in the region. The purpose of HACDFI is to provide loans and technical services to shareholders and entrepreneurs who meet the CDFI criteria in underserved markets. In 2015, HACDFI will continue to build upon its funding sources and capacity by attaining its certified CDFI status with the U.S. Treasury CDFI Fund Program. This certification will open up further opportunities for HACDFI by qualifying for federal funding awards and technical services to grow the internal capacity of the CDFI.

C. ELDERS' SETTLEMENT TRUST
The Elders' Settlement Trust (EST) is a grantor trust created to provide a special economic benefit to original shareholders at the age of 65. The assets and liabilities of the EST are reported on Sealaska's consolidated financial statements (see notes 4 and 13 of the consolidated financial statements). The EST, which is governed by a board of trustees, assumes a long-term annualized rate of return of six and a quarter percent (6.25%) in order for the trust to meet the estimated benefit payments. Since the Trust's inception, more than $10.9 million in benefits have been provided.

D. DISTRIBUTIONS
Since its inception in 1972, Sealaska has distributed $547.8 million in dividends and ANCSA Section 7(j) payments to shareholders and Village corporations. The outstanding shares of dividend paying stock are affected by the open enrollment of Descendants when they reach 18 years of age, enrollment of Leftouts, and of the additional shares issued to Elders reaching the age of 65. Adding more dividend-paying stock for the reasons described above means that dividends will be paid to a larger number of individuals and may result in smaller dividends to original shareholders. However, the recipients of Descendant and Leftout shares do not receive ANCSA Section 7(j) payments. This protects a portion of the distributions for holders of original shares who do receive those Section 7(j) payments. Also, when holders of life estate Class D (Descendant), Class E (Elders) and Class L (Leftouts) shares pass away, their life estate shares are canceled. Under the current operations dividend policy to distribute 35 percent of Sealaska Corporation's consolidated net earnings (less earnings associated with the Permanent Fund) averaged over five years, 2013 financial results will negatively affect the operations dividend calculation for the next four years.

E. SHAREHOLDER RELATIONS
At December 31, 2014, Sealaska had 21,697 shareholders. The Shareholder Relations Department manages shareholders' records, stock transfers due to gifting or estate settlement, shareholder distributions and processing EST payments. In 2013, Sealaska launched an online, interactive tool called MySealaska. MySealaska allows shareholders to access shareholder information and gives the shareholder direct control over their contact and banking information. Shareholders can also view and print many Sealaska forms, conduct electronic transactions and vote their proxies, which reduce administrative expenses. The Shareholder Relations Department is also responsible for the processing of applications and the issuance of Class D and Class L stock, following a 2007 vote by Sealaska shareholders approving open enrollment for eligible applicants. The department also issues new Class E stock to original shareholders at the age of 65, following a 2009 vote by shareholders to provide this benefit. The number of common stock shares outstanding at December 31, 2014 was 2,306,276.

III. Special Note Regarding Forward-Looking Statements

Certain sections of the annual report contain forward-looking statements that are based on management's expectations, estimates, projections and assumptions. Words such as "expects," "anticipates," "plans," "believes," "scheduled," "estimates" and variations of these words and similar expressions are intended to identify forward-looking statements, which include but are not limited to projections of revenues, income, segment performance, cash flows, contract awards, deliveries and backlog. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict.

Therefore, actual future results and trends may differ materially from what is forecast in forward-looking statements. All forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to the company or any person acting on the company's behalf are qualified by the cautionary statements in this section. The company does not undertake any obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report.

IV. Significant Accounting Policies

Sealaska's consolidated financial statements and accompanying notes have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). The preparation of these financial statements requires the company's management to make estimates, judgments and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. Sealaska bases its estimates on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management.

To ensure full disclosure and accurate representation of the financial condition of the company, Sealaska continually evaluates the accounting policies and estimates used to prepare the consolidated financial statements and, working with independent auditors and the Board of Directors, adjusts financial statements to accurately represent the financial condition of the company. See also Notes to Consolidated Financial Statements.

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS
SEALASKA CORPORATION:

We have audited the accompanying consolidated financial statements of Sealaska Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014 and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Sealaska Corporation and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters
As discussed in note 1(l) to the consolidated financial statements, in 2014, the Corporation adopted ASU 2014-02, *Goodwill and Other (Topic 350)*, which allows a nonpublic entity to elect an accounting alternative to amortize goodwill on a straight-line basis over ten years. Also as discussed in note 1(s) to the consolidated financial statements, in 2014, the Company adopted ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have a major effect on an entity's operations and financial results. Our opinion is not modified with respect to these matters.

KPMG LLP

April 15, 2015

CONSOLIDATED BALANCE SHEETS

Assets (As of December 31, 2014 and 2013)	2014	2013
Current assets		
Cash and cash equivalents	$ 25,314	$ 32,857
Investments (note 4)	48,658	47,306
Receivables, net (note 5)	14,155	21,153
Inventories (note 6)	902	4,391
Prepaid expenses and other current assets	929	2,216
Deferred tax asset (note 12)	749	749
Current assets held for sale (notes 2 and 16)	4,065	3,747
Total current assets	94,772	112,419
Investments (note 4)		
Marjorie V. Young Shareholder Permanent Fund	102,060	99,160
Investment and growth long-term	10,144	10,157
Endowment funds	6,243	5,946
Elders' Settlement Trust	9,312	8,882
Other	14,195	3,623
Total investments	141,954	127,768
Property and equipment, at cost (note 7)	269,574	268,429
Less accumulated depreciation	(228,187)	(223,247)
Total property and equipment, net	41,387	45,182
Notes receivable	860	1,297
Other assets	2,626	2,340
Goodwill, net (note 9)	4,502	5,002
Deferred tax asset (note 12)	24,328	23,960
Noncurrent assets held for sale (notes 2 and 16)	1,559	1,883
Total assets	$ 311,988	$ 319,851

❖ Dollars are in thousands.

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity (As of December 31, 2014 and 2013)	2014	2013
Current liabilities		
Line of credit (note 11)	$ —	$ 2,458
Current portion of long-term debt (note 10)	18,510	18,510
Accounts payable	6,012	8,815
Amounts payable under ANCSA Sections 7(i) and 7(j) (note 3)	13,640	12,568
Other accrued expenses	11,232	19,889
Anticipated future losses on contracts	5,059	12,659
Current liabilities held for sale (notes 2 and 16)	235	1,702
Total current liabilities	54,688	76,601
Noncurrent liabilities		
Amounts payable under ANCSA Sections 7(i) and 7(j) (note 3)	10,222	11,431
Long-term debt, less current portion (note 10)	—	—
Other noncurrent liabilities (note 13)	16,214	15,367
Noncurrent liabilities held for sale (notes 2 and 16)	846	111
Total liabilities	81,970	103,510
Shareholders' equity		
Common stock, no par or stated value. Issued and outstanding 2,306,276 and 2,281,976 shares, in 2014 and 2013, respectively	—	—
Contributed capital	93,162	93,162
Retained earnings	135,076	123,195
Total Sealaska's shareholders' equity	228,238	216,357
Noncontrolling interest	1,780	(16)
Total shareholders' equity	230,018	216,341
Commitments and contingencies (notes 4, 8, 11, 14, and 17)	—	—
Total liabilities and shareholders' equity	$ 311,988	$ 319,851

❖ Dollars are in thousands.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2014, 2013, and 2012	2014	2013	2012
Revenues			
Natural resources (note 8)	**$ 33,352**	$ 45,412	$ 46,728
Investments (note 4)	**6,350**	16,609	16,766
Services	**81,183**	102,116	146,450
Gaming	**154**	374	343
Corporate and other income	**501**	439	660
Total revenues	**121,540**	164,950	210,947
Cost and expenses			
Natural resources (note 8)	**35,039**	65,970	45,285
Investments	**461**	514	611
Services	**77,794**	134,153	150,611
Gaming	**604**	741	696
Corporate and other expenses	**1,829**	2,596	1,740
Selling, general and administrative	**13,107**	13,222	15,849
Total cost and expenses	**128,834**	217,196	214,792
Loss from operations	**(7,294)**	(52,246)	(3,845)
Other, net (note 1m)	**(2,367)**	(4,422)	(1,489)
Loss from continuing operations before natural resources revenue sharing and income taxes	**(9,661)**	(56,668)	(5,334)
Net natural resource revenue sharing under ANCSA Sections 7(i) and 7(j) (note 3)	**24,409**	21,962	16,870
Income (loss) from continuing operations before income taxes and discontinued operations	**14,748**	(34,706)	11,536
Income tax benefit (expense) (note 12)	**422**	(86)	(109)
Income (loss) from continuing operations before discontinued operations	**15,170**	(34,792)	11,427
Discontinued operations, net of tax (notes 2 and 16)	**145**	1,510	1,977
Net income (loss)	**15,315**	(33,282)	13,404
Less net income attributable to the noncontrolling interest	**434**	1,804	2,086
Net income (loss) attributable to Sealaska	**$ 14,881**	$ (35,086)	$ 11,318
Per share of common stock			
Income (loss) from continuing operations before discontinued operations	**$ 6.61**	$ (15.34)	$ 5.11
Discontinued operations (notes 2 and 16)	**$ 0.06**	$ 0.67	$ 0.88
Net income (loss)	**$ 6.67**	$ (14.67)	$ 5.99

❖ Dollars are in thousands except per share values.
See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2014, 2013, and 2012	Contributed capital	Retained earnings	Noncontrolling interest	Total shareholders' equity
Balance at January 1, 2012	$ 93,162	$ 156,616	$ 12,322	$ 262,100
Net income	—	11,318	2,086	13,404
Dividends to shareholders	—	(4,955)	—	(4,955)
Distributions to noncontrolling interest	—	—	(1,024)	(1,024)
Balance at December 31, 2012	$ 93,162	$ 162,979	$ 13,384	$ 269,525
Net income	—	(35,086)	1,804	(33,282)
Dividends to shareholders	—	(5,105)	—	(5,105)
Distributions to noncontrolling interest	—	—	(866)	(866)
Purchase of subsidiaries' shares from noncontrolling interest	—	407	(2,129)	(1,722)
Sale of Nypro Kánaak subsidiaries	—	—	(12,209)	(12,209)
Balance at December 31, 2013	$ 93,162	$ 123,195	$ (16)	$ 216,341
Net income	—	14,881	434	15,315
Dividends to shareholders	—	(3,000)	—	(3,000)
Distributions to noncontrolling interest	—	—	(734)	(734)
Noncontrolling interest related to disposition of affiliate	—	—	2,096	2,096
Balance at December 31, 2014	**$ 93,162**	**$ 135,076**	**$ 1,780**	**$ 230,018**

❖ Dollars are in thousands.
See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014, 2013, and 2012	2014	2013	2012
Cash flows from operating activities			
Net income (loss)	$ 15,315	$ (33,282)	$ 13,404
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and depletion	6,250	10,035	11,888
Amortization	647	—	—
Bad debt expense	(351)	2,125	788
Deferred taxes	(368)	303	369
(Gain) loss on disposal of property and equipment	(3,922)	1,375	829
(Gain) loss on sale of subsidiaries	319	(3,689)	—
Loss on impairment of goodwill	—	10,024	363
Deferral of prior grant proceeds into property basis	—	5,153	—
Write-off of land selection and development costs	—	11,590	—
Loss on impairment of assets	—	—	459
Loss on impairment of investment	—	122	—
Unrealized (gain) loss on investments	2,366	(8,253)	(12,868)
Anticipated future losses on contracts	982	12,659	—
Decrease (increase) in assets, net of effects of acquisitions and disposals			
Receivables	7,349	2,687	17,050
Inventories	3,421	(1,320)	448
Prepaid expenses and other current assets	1,307	113	(106)
Net purchase of investments	(1,352)	(1,827)	(2,055)
Accounts payable	(2,803)	(6,299)	5,912
Other accrued expenses	(17,239)	3,641	6,559
Amounts payable under ANCSA Sections 7(i) and 7(j)	(137)	8,352	(4,082)
Other, net	(280)	2,247	615
Assets held for sale	(726)	(203)	—
Net cash provided by operating activities	**$ 10,778**	$ 15,553	$ 39,573

❖ Dollars are in thousands.

See accompanying notes to consolidated financial statements.

Years Ended December 31, 2014, 2013, and 2012	2014	2013	2012
Cash flows from investing activities			
Acquisitions, net of cash acquired	$ —	$ —	$ (498)
Proceeds from the sale of Nypro Kánaak, net of cash disposed of	—	10,273	—
Proceeds from the sale of Sealaska Global Logistics	—	387	—
Capital expenditures	(1,302)	(8,250)	(19,065)
Proceeds from sale of land and equipment	2,162	520	—
Repayment of notes receivable	—	79	(284)
Proceeds from sale of investments	3,734	—	—
Purchases of investments	(19,181)	(3,180)	—
Net cash used in investing activities	**(14,587)**	(171)	(19,847)
Cash flows from financing activities			
Additional investments in consolidated subsidiaries	—	(1,422)	—
Dividends to shareholders	(3,000)	(5,105)	(4,955)
Borrowings (repayments) on short-term debt	—	—	(508)
Borrowings on long-term debt	—	—	2,200
Repayment on long-term debt	—	(9,872)	(917)
Distribution to noncontrolling interests	(734)	(866)	(1,024)
Net cash used in financing activities	**(3,734)**	(17,265)	(5,204)
Net (decrease) increase in cash and cash equivalents	(7,543)	(1,883)	14,522
Cash and cash equivalents at beginning of year	32,857	34,740	20,218
Cash and cash equivalents at end of year	**$ 25,314**	32,857	34,740
Supplemental cash flow disclosures			
Cash paid during the year for interest	$ 457	596	1,078
Cash paid during the year for income taxes	97	120	165
Non-cash investing and financing activities			
Note issued to purchase of additional interest in consolidated subsidiaries	$ —	300	—
Increase in shareholders' distributions payable	348	464	157
Note Receivable for the sale of Rocky Pass Seafoods	861	—	—
Conversion of Note Receivable to Investments for Green Earth Greens	500	—	—

❖ Dollars are in thousands.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Operations and Summary of Significant Accounting Policies

Operations

Sealaska Corporation (Sealaska or Corporation) is a Regional Alaska Native Corporation formed under the Alaska Native Claims Settlement Act (ANCSA). Sealaska's four primary continuing business activities relate to the development, production, and sale of natural resources; environmental remediation and related services; information technology; and construction. In addition, Sealaska holds and manages an extensive investment portfolio and participates in gaming (e.g., establishment and development of casino projects). ANCSA is further described in note 3.

Basis of Presentation and Significant Accounting Policies

(A) PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Sealaska Corporation, and its majority-owned subsidiaries (collectively, the Corporation). All significant intercompany balances and transactions have been eliminated in consolidation. The Corporation has no involvement with variable interest entities. The Corporation accounts for investments over which it has significant influence but not a controlling financial interest using the equity method of accounting.

(B) REVENUE RECOGNITION AND RECEIVABLES

A significant source of the Corporation's revenue is through professional service contracts. The Corporation adheres to the guidance for revenue recognition contained in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 912, *Contractors–Federal Government*. Revenue from government service contracts is recognized as the services are rendered, as the costs are incurred or based on the specific terms of the contract. Revenues from fixed fee construction contracts are recognized by the percentage of completion method, measured by percentage of costs incurred to date, including labor incurred and materials procured to date, to estimated total costs for each contract. This method is used because management considers labor cost and materials procurement to be the best available measure of progress on these contracts.

As some of the contracts extend over one or more accounting periods, revisions in cost and earnings estimates are reflected in the period during which the facts requiring the revision become known.

Provisions for estimated losses on uncompleted contracts are made in the period in which the losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Revenue from cost-plus-fee contracts is recognized on the basis of costs incurred during the period plus the fee earned. If contract costs and estimated earnings exceed related billings on any uncompleted contract, the difference is shown as a current asset. If billings exceed related contract costs and estimated earnings on any uncompleted contract, the difference is shown as a current liability.

Equipment sales and rental revenue is recognized in the period in which the rental or sales arrangement is incurred, the equipment has been delivered, and when collectability is reasonably assured.

Natural resource revenue distributed to the Corporation by other Regional Corporations is recorded as revenue when received from the other Regional Corporations. Natural resource revenue derived from the sale of timber is recognized when earned, and the risks of ownership have been transferred to the buyer, which is generally upon shipment to the customer.

(C) TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Corporation maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and its customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. The Corporation reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Write-offs for 2014, 2013, and 2012 were $0, $463,000, and $788,000, respectively. The Corporation does not have any off-balance-sheet credit exposure related to its customers.

(D) CASH AND CASH EQUIVALENTS

Sealaska maintains its cash in bank accounts with various financial institutions. At times, the balances may exceed federally insured limits. For purposes of the consolidated statements of cash flows, Sealaska considers all highly liquid debt instruments with original maturities of three months or less from the date of purchase to be cash equivalents, except for certain cash and cash equivalents included in the investment portfolio that are intended to be invested on a long-term basis.

(E) INVESTMENTS

Sealaska's investments in marketable debt and equity securities (note 4) are classified as trading securities and are recorded at fair value. Fair value is based upon quoted market prices. The increase or decrease in fair value from period to period relating to marketable securities included in Sealaska's investment portfolio is included in the determination of income or loss. Interest and dividend income is recognized as earned. Gains or losses on the sale of marketable securities are determined on a specific identification basis.

Certain investments are valued at the net asset value (NAV) per share/unit reported at the close of each business day. NAV is used by the Corporation as a practical expedient to estimating fair value as these funds do not have readily determinable fair values.

Sealaska accounts for certain noncontrolling interests, less than 50 percent ownership and control, in privately held corporations, LLCs, and partnerships (the investee) using the equity method of accounting. Under the equity method, Sealaska's original investment in the investee is recorded at cost and subsequently adjusted for changes in the net assets of the investee. The carrying amount of the investment is periodically increased (decreased) by the proportionate share in the earnings (losses) of the investee.

Sealaska records its ownership of Green Earth Greens, Inc. and Native American Bank via the cost method.

(F) INVENTORIES

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or estimated net realizable value. Inventories consist primarily of sorted/scaled timber, manufacturing materials and finished goods.

(G) DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

The Corporation presents discontinued operations in the consolidated statements of operations for the operating results of the "components of an entity" that either has been disposed of or is classified as held for sale. A component of an entity is further defined as an

entity comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity may be a reportable segment or an operating segment, a reporting unit, a subsidiary, or an asset group. Any goodwill attributable to components classified as assets held for sale is included in the financial statement caption "Goodwill" rather than being reclassified to assets held for sale. As of December 31, 2014, there was no goodwill attributable to the discontinued operations. The Corporation elected to present assets held for sale as both current and noncurrent amounts and to not present separately in the statement of cash flows the information related to discontinued operations. In 2014, the Corporation adopted ASU 2014-08, see note 1(s) for further disclosure.

(H) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost.

Depreciation and amortization of property, equipment, and leasehold improvements are provided primarily on the straight-line method over the shorter of the expected useful lives of the assets or the lease term as follows:

Buildings, leaseholds and improvements	**15–45 years**
Equipment and furnishings	**5–20 years**
Computer and office equipment	**3–5 years**

(I) TIMBER OPERATIONS

Costs of logging yards and camps are amortized as timber is harvested, based on estimated volumes of timber to be removed from each tax reporting block. Costs of logging roads are amortized using a composite rate for each tax reporting block based on actual road costs incurred, anticipated future road costs to be incurred, and estimated volumes to be removed from the respective tax block.

Costs of silviculture and reforestation activities, net of grants received, are capitalized as an element of property, plant, and equipment and depleted as the associated timber is harvested.

Depletion of purchased timber is provided based on amounts harvested in relation to volumes purchased. Timber and mineral resources received under the provisions of ANCSA are carried at zero value and no depletion expense is recorded when such resources are harvested or extracted. For tax purposes, depletion is reported based upon the higher of the estimated fair value of a specific timber block or mineral deposit as of the date of conveyance or first commercial development.

(J) ROADS AND YARDS ASSETS

Roads and yards constructed for the harvest of timber are amortized based on units of production, which are calculated by taking the total estimated future asset capital costs plus the current known net actual capital costs, all divided by the total future harvest (estimated total or remaining timber volume to be harvested).

Roads and yards are classified as long-lived assets and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Recoverability of the road assets is measured by a comparison of the carrying amounts of the asset to estimated undiscounted cash flows expected to be generated by the asset group the roads are a part of. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of an asset exceeds its estimated fair value.

(K) LONG-LIVED ASSETS

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(L) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

In January 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-02, *Intangibles – Goodwill and Other (Topic 350),* which provides for an accounting alternative for subsequent measurement of goodwill. The Corporation early adopted ASU No. 2014-02 in 2014, and elected to amortize goodwill on a straight-line basis over 10 years. Goodwill must be tested for impairment when a triggering event occurs that indicates that the fair value of an entity may be below its carrying amount. The goodwill impairment amount, if any, represents the excess of the entity's carrying amount over its fair value, limited to the carrying amount of goodwill of the entity. The Corporation has made an accounting policy decision to test goodwill impairment at the group level.

Other intangible assets consist of customer relationships. Customer relationships are amortized over their estimated useful lives, typically between seven to eight years using the straight-line method.

(M) OTHER EXPENSE

The Corporation has reported $2.4 million and $4.4 million in other expense for the years ended December 31, 2014 and 2013, respectively. Within these amounts are charitable contributions of $1.7 million and $3.8 million for the years ended December 31, 2014 and 2013, respectively. Remaining amounts related to other net miscellaneous expense of $637,000 and $654,000 for the years ended December 31, 2014 and 2013, respectively.

(N) ALASKA NATIVE CLAIMS SETTLEMENT ACT ASSETS

Sealaska has received substantial natural resource assets under the provisions of ANCSA as described in note 8. These assets are carried in the accompanying consolidated financial statements at zero value. For tax reporting purposes, these assets have a tax basis determined as the higher of their estimated fair value at the date of conveyance or first commercial development. As a result, a substantial difference between the book and tax basis exists, which is considered a temporary difference for purposes of reporting income taxes under U.S. generally accepted accounting principles.

(O) ANCSA SECTION 7(i) ACCOUNTING

Fixed Assets: In Section 7(i) accounting, ANCSA fixed assets are expensed in the year they are purchased. For book accounting, all fixed assets are depreciated using the straight-line method based on their useful life.

Roads and Yards: In Section 7(i) accounting, ANCSA roads are segregated into three categories: mainline, secondary, and spur. Mainline and secondary roads are amortized based on units of production and the useful life of 10 and three years, respectively. Spur roads are expensed in the year they are placed into service. The book treatment is addressed in the fixed assets note above. Yards are treated consistently for Section 7(i) and book accounting.

Inventories: Section 7(i) accounting allows for the deduction of the cost of inventories from revenues in determining Section 7(i) sharable income. For book purposes, inventories are reported at lower of cost or estimated net realizable value under current assets on the balance sheet.

Accounts Receivable: Section 7(i) accounting allows for the deduction of outstanding accounts receivable from revenues in determining Section 7(i) sharable income. For book purposes, accounts receivable are reported under current assets on the balance sheets and the associated revenues are recognized as described in note 1(b).

(P) INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their

respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Uncertain tax positions are recorded when they are determined to be more likely than not of being sustained on Sealaska's tax return. See note 12 for further discussion of income taxes.

Funds and properties received from the U.S. government under ANCSA are not subject to income taxes.

(Q) NET INCOME PER SHARE

Net income per share information in the consolidated financial statements is based on weighted average shares outstanding. Sealaska has no agreements or securities outstanding that represent dilutive potential common shares.

The number of common stock shares outstanding at December 31, 2014 and 2013 is 2,306,276 and 2,281,976, respectively. The stock, dividends paid, and other stock rights are restricted; the stock may not be sold, pledged, assigned, or otherwise alienated except in certain circumstances by gift, court order, or death; the stock carries voting rights only if the holder thereof is an eligible Native. All classes of stock carry economic rights.

On June 23, 2007, Sealaska's shareholders authorized the issuance of two additional classes of common stock without consideration. Class D stock is issuable to Alaska Natives born after December 18, 1971, who are 18 years of age or older and are lineal descendants of an original Sealaska shareholder and meet certain other requirements. Class L stock is issuable to Alaska Natives born before December 18, 1971, who were eligible to enroll in Sealaska Corporation in 1971 (pursuant to ANCSA) but were not so enrolled and who meet certain other requirements.

On June 27, 2009, Sealaska's shareholders authorized the issuance of an additional class of common stock without consideration. Class E stock is issuable to Alaska Natives born before December 18, 1971, who are original shareholders of Sealaska who have reached the age of 65 years or older, and meet certain other requirements. 9,800 shares of Class E stock, 14,300 shares of Class D stock, and 200 shares of Class L stock were issued in 2014. 9,500 shares of Class E stock, 18,100 shares of Class D stock, and 200 shares of Class L stock were issued in 2013. 9,700 shares of Class E stock, 22,500 shares of Class D stock, and 300 shares of Class L stock were issued in 2012.

(R) FAIR VALUE

ASC Topic 820, *Fair Value Measurement,* establishes a framework for fair value measurement in the financial statements by providing a definition of fair value, provides guidance on the methods used to estimate fair value, and expands disclosures about fair value measurements.

Fair Value Measurements

ASC Topic 820 defines fair value as the price that would be received to sell an asset or the amount paid to transfer a liability in an orderly transaction between market participants (an exit price) at the measurement date. Fair value is a market-based measurement considered from the perspective of a market participant. Sealaska uses market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation. These inputs can be readily observable, market corroborated, or unobservable. Sealaska applies both market and income approaches for recurring fair value measurements, using the best available information while utilizing valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair Value Hierarchy

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Sealaska has the ability to access at the measurement date.
- **Level 2** inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category are publicly traded equity securities with legal or contractual restrictions which are specific to the securities, as well as other securities with directly or indirectly observable inputs.
- **Level 3** inputs are unobservable and include situations where there is little, if any, market activity for the investment. Fair value for these investments are determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally are privately held debt and equity securities. The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair Value Measurements on a Nonrecurring Basis

Sealaska follows the fair value measurement requirements related to nonfinancial assets and nonfinancial liabilities that are not required or permitted to be measured at fair value on a recurring basis. Those include assets measured at fair value in goodwill impairment testing and nonfinancial long-lived assets measured at fair value for impairment assessment. During 2013 and 2012, using level three inputs and an income valuation technique, Sealaska performed an impairment assessment of certain long-lived assets and goodwill.

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, notes receivable, and accounts payable approximate fair value because of the short-term nature of these instruments. The carrying amounts of investment securities are stated at fair value. The carrying value of debt approximates fair value as the debt bears interest that adjusts based upon market interest rates.

(S) RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operation Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* ASU 2013-11 requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The new standard is to be applied prospectively but retrospective application is permitted. The Corporation will implement the provisions of ASU 2013-11 as of January 1, 2015.

In April 2014, the FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* ASU 2014-08 changed the requirements for reporting discontinued operations. This ASU limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have a major effect on an entity's operations and financial results. As a result, the Corporation expects to report fewer discontinued

operations under the new standard than would otherwise be reported under previous requirements. The new standard is effective for any disposals of components of the Corporation in annual reporting periods beginning after December 15, 2014. The Corporation early implemented the provisions of ASU 2014-08 as of January 1, 2014.

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers,* in May 2014. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should also disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for annual reporting periods beginning after December 15, 2017. The Corporation will implement the provisions of ASU 2014-09 as of January 1, 2018. The Corporation has not yet determined the impact of the new standard on its current policies for revenue recognition.

(T) FOREIGN CURRENCY TRANSACTIONS

The financial statements of Sealaska's foreign operations have been translated into U.S. dollars in accordance with ASC 830, *Foreign Currency Matters*. As the U.S. dollar is the functional currency of Sealaska's subsidiary operations, there are no foreign currency translation adjustments and all gains and losses from remeasuring foreign currency transactions into the functional currency are included in income.

(U) USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include provisions relating to uncollectible receivables, useful lives of capitalized timber costs, property and equipment, the related depreciation and valuation of certain underlying assets of limited partnership investments and amortization, realization of deferred income taxes, and impairment of long-lived assets and goodwill.

The recorded amounts are currently believed by management to be sufficient. However, such estimates could significantly change in future periods to reflect new laws, regulations, or information. It is not possible to determine whether changes in amounts recorded, due to such changed circumstances, will occur or to reasonably estimate the amount or range of any potential additional loss.

2. Acquisitions and Divestitures of Subsidiaries

(A) ROCKY PASS SEAFOODS, LLC

In December 2014, Haa Aaní, LLC sold the assets of Rocky Pass Seafoods, LLC for $1,000,000. Haa Aaní, LLC recorded a loss on sale of $361,000 for the transaction. Haa Aaní, LLC recorded a note receivable in the amount of $861,000 secured by an assignment with security interest in Kake Tribal Corporation's interest in ANCSA Section 7(j) payments made by Sealaska in equal payments over nine years from 2016 through 2024.

(B) SECURITY ALLIANCE OF FLORIDA, LLC

In September 2013, Sealaska Security Holdings, LLC purchased an additional 15 percent of Security Alliance of Florida, LLC (Security Alliance) for $1.4 million. The additional purchase brings the ownership percentage by Sealaska Security Holdings, LLC to 85 percent. The $1.4 million purchase price exceeded the book value of the noncontrolling interest by approximately $12,000 and represents additional paid-in capital. Sealaska recorded this $12,000 amount to its retained earnings. Sealaska is actively working to sell Security Alliance, and is presenting it as an investment held for sale at December 31, 2014. Prior year's services revenues and income from continuing operations were $21.3 million and $(603,000) respectively, in 2013 and $18.9 million and $(125,000), respectively, in 2012. These amounts have been reclassified to discontinued operations in accordance with ASC Subtopic 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

(C) MANAGED BUSINESS SOLUTIONS, LLC

In December 2013, Sealaska purchased an additional 3.24 percent of Managed Business Solutions, LLC for $300,000 and issued a note payable to the former minority stockholder that was recorded within accrued liabilities. The additional purchase brings the ownership percentage by Sealaska to 100 percent. The difference between the purchase price and the book value of the noncontrolling interest of $419,000 represents additional paid-in capital. Sealaska recorded this $419,000 amount to its retained earnings.

(D) SEALASKA GLOBAL LOGISTICS, LLC

In April 2013, Sealaska sold Sealaska Global Logistics, LLC, which operated under STC, for $387,000. Sealaska recorded a loss on sale of $108,000 for the transaction. Prior year's natural resource revenue and income (loss) from continuing operations were $5.3 million and $(718,000), respectively, in 2012 and $594,000 and $(830,000), respectively, in 2011. These amounts have been reclassified to discontinued operations in accordance with ASC Subtopic 360-10 *Accounting for the Impairment or Disposal of Long-Lived Assets.*

(E) NYPRO KÁNAAK

In June 2013, Kánaak Corporation sold its holdings in Nypro Kánaak Iowa, Alabama, and Guadalajara for a purchase price of $18.9 million, net of $1.3 million in foreign tax. Total cash received was $17.6 million, while $7.3 million of cash on hand was disposed of at the date of acquisition. Kánaak Corporation recorded a gain on sale of $3.8 million net of $6.8 million of foreign tax expense. Sealaska also discontinued Kánaak Corporation and recorded net income before tax on the discontinued operation of $3.2 million. Prior year's manufacturing revenues and income from continuing operations were $76.5 million and $1.3 million, respectively, in 2012 and $72.2 million and $338,000, respectively, in 2011. These amounts have been reclassified to discontinued operations in accordance with ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

3. Alaska Native Claims Settlement Act

Sealaska was incorporated in 1972 as a Regional Alaska Native Corporation pursuant to the provisions of ANCSA. Sections 7(i) and 7(j) are significant to the consolidated financial statements and are further described herein. Under the provisions of ANCSA, Sealaska has received, or expects to receive, conveyance of approximately 362,000 acres of land within the exterior boundaries of the Tongass National Forest in Southeast Alaska, of which it owns or will own the surface and subsurface estate. At December 31, 2014, Sealaska has received conveyance of approximately 290,800 acres. Sealaska has received its proportionate share of the monetary entitlement under the Act in the amount of $93.2 million, which is recorded as contributed capital. During 2014, the Southeast Alaska Native Land Entitlement Finalization and Jobs Act was passed. In 2015, this will convey approximately 70,075 acres of land to fulfill Sealaska's remaining entitlement under ANCSA.

ANCSA also provides for selection of land in Alaska by the Village and Urban Corporations formed thereunder, the subsurface estate of which accrues to the related Regional Corporations. It is anticipated that the Village and Urban Corporations in Sealaska's region will receive conveyance of 286,400 acres of land formerly part of the Tongass National Forest of which Sealaska will own the subsurface estate. Of the approximate 286,400 acres, conveyance has been received of approximately 278,100 acres. As described in note 8, the land and related surface and subsurface resources received under ANCSA are carried at zero value in the accompanying consolidated financial statements.

Section 7(i) of ANCSA requires that each Alaska Native Regional Corporation that received revenue or value from certain resources conveyed pursuant to ANCSA distribute 70 percent of the related net revenues to 12 of the 13 Regional Corporations, including the distributing Corporation. Sealaska and the other Regional Corporations have entered into a Section 7(i) Settlement Agreement, which establishes specific definitions and methods for calculating shareable revenues. Revenues received by Sealaska from the timber resources and subsurface estate obtained through ANCSA are subject to the revenue sharing provisions of Section 7(i), except that certain subsurface resources, commonly known as sand, rock, and gravel, are excluded from Section 7(i) revenue sharing. Distributions to Sealaska from other Regional Corporations under the provisions of Section 7(i), after reductions for distributions required by Section 7(j) of ANCSA, are recorded as income in the fiscal year the amounts become determinable and collection is reasonably assured. Section 7(j) of ANCSA requires that not less than 50 percent of monies received by Sealaska from other Regional Corporations under Section 7(i) must be distributed to Village Corporations, shareholders of Urban Corporations, and At-Large shareholders. Required distributions to other Regional Corporations are due 90 days following the end of the fiscal year and unpaid distributions incur interest at the prime rate plus 5 percent. Required distributions to Village Corporations, shareholders of Urban Corporations, and At-Large shareholders are based on the ratio of the total number of Sealaska shares owned by shareholders of Village Corporations, by shareholders of Urban Corporations and by At-Large shareholders.

Sealaska accrues and expenses an amount determined by applying the provisions of ANCSA Section 7(i) to applicable active revenue and expense transactions as they are recognized in the consolidated financial statements. Sealaska recorded a noncurrent liability representing the estimated distribution payable for near-term timing differences between the recognition of revenue and expenses for financial reporting and Section 7(i) reporting purposes.

4. Investments

Investments consist of the following:

	2014	2013
Investment and growth		
Common stock	$ 16,372	$ 20,711
Money market	4,689	3,615
Bonds and notes	27,541	22,692
Accrued interest, dividends and other	56	288
Total investment and growth	**48,658**	47,306
Marjorie V. Young Shareholder Permanent Fund		
Common stock	41,909	45,379
Alternative investments	53,691	45,995
Government bonds and notes	5,644	7,318
Money market, accrued interest, dividends and other	816	468
Total Marjorie V. Young Shareholder Permanent Fund	**102,060**	99,160
Investment and growth long-term portion		
Alternative investments	10,144	10,157
Endowment Fund	6,243	5,946
Elders' Settlement Trust	9,312	8,882
Other investments	14,195	3,623
Total investments	**$ 190,612**	$ 175,074

❖ Dollars are in thousands. Years ended December 31.

Following a shareholder advisory vote in 1987, the Sealaska Board of Directors designated certain funds held in investment securities and related investment earnings be held for long-term uses (Marjorie V. Young Shareholder Permanent Fund), and accordingly, such funds and earnings are not available for current operations, unless the Board of Directors determines it necessary.

Additionally, Endowment Funds have been established for which the earnings accrue to the benefit of the Sealaska Heritage Institute scholarship program and the Alaska Native Brotherhood.

During 1991, Sealaska's shareholders voted to establish an Elders' Settlement Trust (the Trust). Accordingly, and pursuant to ANCSA, the Sealaska Board of Directors established the grantor trust for the benefit of shareholders. Certain Sealaska directors are trustees of the Trust. The initial establishment of the liability was treated as future dividends and recorded in shareholders' equity. The liability represents future one-time distributions that will be made from the Trust to shareholders who attain the age of 65 years. Actuarial measurement of the liability occurs on a 3-year cycle, but adjusted annually for expected returns during the years in between measurement. Earnings are accrued to the liability up to the expected rate of return. All earnings in excess of this amount are available for operations. All subsequent distributions are recorded as a reduction of liability. The amount distributed during 2014, 2013, and 2012 was $481,000, $485,000, and $438,000, respectively. As noted above with the Marjorie V. Young Shareholder Permanent Fund, the Endowment Funds, the Trust, and other investments are not available to fund current operations, unless the Board of Directors determines it necessary. The majority of the related assets of the Endowment Funds and the Trust are invested in mutual funds focused on growth strategies.

Investment earnings consist of the following components:

	2014	2013	2012
Unrealized gains (losses)	$ (2,366)	$ 8,253	$ 12,868
Realized net gains, dividends and interest	8,716	8,356	3,898
Total investment earnings	**$ 6,350**	$ 16,609	$ 16,766

❖ Dollars are in thousands. Years ended December 31.

Sealaska invests in limited partnerships that make private investments in real estate, commercial assets, and operating entities. Sealaska has remaining commitments of $20.9 million that are due when called by the general partners of the investment funds. If Sealaska cannot or decides not to make the additional investment when called, then the general partner, at its discretion, has the right to sell Sealaska's investment.

The following tables present quantitative disclosure about the fair value measurements for each class of assets:

	Fair value at December 31, 2014			
Description	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant other unobservable inputs (Level 3)**
Money market, cash on hand accrued interest and dividends	$ 9,620	$ 9,620	$ —	$ —
Equity securities				
Equity securities—domestic	35,426	35,426	—	—
Equity securities—international (developed)	15,895	15,895	—	—
Equity securities—emerging markets	6,960	6,960	—	—
Equity securities—Vanguard Mutual funds	13,655	13,655	—	—
Total equity securities	71,936	71,936	—	—
Debt securities				
Government securities	14,258	11,660	2,598	—
Corporate securities	16,515	—	16,515	—
Asset- and mortgage-backed securities	3,126	—	3,126	—
Mutual funds	6,249	6,249	—	—
Total debt securities	40,148	17,909	22,239	—
Alternative investments				
Hedge funds	14,510	—	—	14,510
Private equity	13,541	—	—	13,541
Real assets	16,739	—	—	16,739
Real estate	24,118	—	—	24,118
Total alternative investments	68,908	—	—	68,908
Total	$ 190,612	$ 99,465	$ 22,239	$ 68,908

❖ Dollars are in thousands. Years ended December 31.

	Fair value at December 31, 2013			
Description	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant other unobservable inputs (Level 3)**
Money market, cash on hand accrued interest and dividends	$ 4,339	$ 4,339	$ —	$ —
Equity securities				
Equity securities—domestic	40,205	40,205	—	—
Equity securities—international (developed)	18,770	18,770	—	—
Equity securities—emerging markets	7,576	7,576	—	—
Equity securities—Vanguard Mutual funds	13,127	13,127	—	—
Total equity securities	79,678	79,678	—	—
Debt securities				
Government securities	9,716	2,706	7,010	—
Corporate securities	11,911	—	11,911	—
Asset- and mortgage-backed securities	962	—	962	—
Mutual funds	7,896	7,896	—	—
Total debt securities	30,485	10,602	19,883	—
Alternative investments				
Hedge funds	13,381	—	—	13,381
Private equity	9,479	—	—	9,479
Real assets	18,095	—	—	18,095
Real estate	19,617	—	—	19,617
Total alternative investments	60,572	—	—	60,572
Total	$ 175,074	$ 94,619	$ 19,883	$ 60,572

❖ Dollars are in thousands. Years ended December 31.

The Corporation's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of level 1, 2, or 3 for the years ended December 31, 2014 and 2013.

The following tables present a roll-forward of the fair value of Level 3 (significant unobservable inputs) assets and liabilities for the year ended December 31, 2014 and 2013:

Description	**January 1, 2014**	**Gain/(loss)**	**Net purchases (sales)**	**December 31, 2014**
Hedge funds	$ 13,381	$ 1,298	$ (169)	$ 14,510
Private equity	9,479	1,604	2,458	13,541
Real assets	18,095	(2,149)	793	16,739
Real estate	19,617	3,719	782	24,118
Total	$ 60,572	$ 4,472	$ 3,864	$ 68,908

❖ Dollars are in thousands. Years ended December 31.

5. Receivables

Receivables consist of the following:

	2014	2013
Accounts receivable, less allowance for doubtful accounts of $413 and $2,706 at December 31, 2014 and 2013, respectively		
Billed	$ 13,297	$ 16,820
Unbilled, including costs and estimated earnings in excess of billings	4,405	6,398
Other	204	1,479
Less accounts receivable reclassified to assets held for sale	(3,751)	(3,544)
Total receivables	**$ 14,155**	$ 21,153

❖ Dollars are in thousands. Years ended December 31.

Unbilled amounts are comprised principally of revenue recognized on contracts for which billings had not been presented to the customer until subsequent to year-end and amounts not billable at the balance sheet date related to indirect cost rate variances. Sealaska has billings in excess of costs totaling $1.7 million and $10.2 million in 2014 and 2013, respectively. These amounts are recorded within accrued liabilities. Costs and estimates on active construction contracts consist of the following at December 31, 2014 and 2013:

	2014	2013
Costs incurred to date	$ 212,214	$ 265,919
Profit to date, including loss accruals	14,955	(1,947)
Revenue earned to date	227,169	263,972
Billing to date	226,316	267,742
Costs in excess of billings (Billings in excess of cost)	**$ 853**	$ (3,770)

❖ Dollars are in thousands. Years ended December 31.

These costs and estimated earnings are included in the accompanying consolidated balance sheets under the following captions at December 31, 2014 and 2013:

	2014	2013
Accounts receivable	$ 1,690	$ 2,281
Other accrued expenses	(837)	(6,051)
Costs in excess of billings (Billings in excess of cost)	**$ 853**	$ (3,770)

❖ Dollars are in thousands. Years ended December 31.

6. Inventories

Inventories consist of the following:

	2014	2013
Timber—finished goods	$ 610	$ 3,390
Other	292	1,001
Total inventories	**$ 902**	$ 4,391

❖ Dollars are in thousands. Years ended December 31.

7. Property and Equipment

Property and equipment consist of the following:

	2014	2013
Buildings, leaseholds and improvements	$ 16,964	$ 16,108
Equipment and furnishings	20,240	22,889
Logging roads, yards and camps	200,347	196,362
Reforestation and silviculture costs	16,004	15,877
Total property and equipment	**253,555**	251,236
Less accumulated depreciation	(229,057)	(223,908)
Construction in progress	—	906
Land	17,393	17,390
Less property reclassified to assets held for sale	(504)	(442)
Net property and equipment	**$ 41,387**	$ 45,182

❖ Dollars are in thousands. Years ended December 31.

Land held for development as commercial, recreational, or residential property totaling $15.5 million at December 31, 2014 and 2013 is included in the caption “Land” above.

8. Timber, Timberland and Mineral Resources

As of December 31, 2014, Sealaska has received approximately 290,800 acres of land under the provisions of ANCSA, as described in note 3. Also described in note 3, Sealaska will receive 70,075 acres in 2015 as part of its final entitlement under ANCSA. As allowed under U.S. generally accepted accounting principles for assets contributed to a new or existing business, Sealaska has not recorded the land and natural resources assets contributed under ANCSA at their estimated fair value and continue to carry these assets at zero value in the financial statements, as it represents a nonmonetary exchange with the federal government. However, these assets have significant economic value to Sealaska.

Sealaska incurs costs related to the selection of ANCSA land and related resources and related to the potential exchanges of such property. In 2013, the Corporation concluded that due to indeterminate timing and benefit of the passage of the land selection bill necessary for Sealaska to obtain additional surface estate in the Tongass National Forest, a one-time charge of $9.6 million to remove the costs previously capitalized related to these land selection efforts was recorded.

Any cost of timber, timberland, and mineral resources carried in the accompanying consolidated balance sheets and related depletion expense is attributable to timber that Sealaska, from time to time, purchases from others. In accordance with ASC Subtopic 360-10, an annual impairment analysis is performed. In 2012, Sealaska determined the fair value of these assets to be less than their carrying amount and, accordingly, recorded impairment of $459,000 to capitalized roads included in property and equipment included in the natural resources segment.

Sealaska has asset retirement obligations (AROs) arising from regulatory requirements to perform certain asset retirement activities at the time that certain road systems are maintained or rehabilitated. The liability was initially measured at fair value and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's remaining useful life.

The following table presents the activity included in other accrued expenses for the AROs for the years ended December 31, 2014 and 2013:

	2014	2013
Balance at beginning of the year	$ 789	$ 809
Additional obligations incurred	—	368
Obligations settled in current period	(275)	(423)
Accretion expense	33	35
Balance at end of year	**$ 547**	$ 789

❖ Dollars are in thousands. Years ended December 31.

9. Goodwill and Intangible Assets

The following table provides the gross carrying value for each major class of intangible asset by segment as of December 31, 2014 and 2013:

Goodwill	Services	Manufacturing	Total
Balance, January 1, 2013	$ 15,026	$ 1,605	$ 16,631
Sale of Kánaak plants	—	(1,605)	(1,605)
Impairment expense	(10,024)	—	(10,024)
Balance, December 31, 2013	5,002	—	5,002
Amortization expense	(500)	—	(500)
Balance, December 31, 2014	$ 4,502	$ —	$ 4,502

❖ Dollars are in thousands.

As of December 31, 2014, total goodwill amortization is $500,000. During 2014, no triggering events were identified that would require an impairment test. See note 1(l).

During 2013, prior to the adoption of ASU 2014-02, as part of the initial process to find a buyer for Security Alliance, Sealaska obtained market participant information that indicated that it is likely to receive less than the carrying value of its ownership in the entity. Additionally, Kingston Environmental Services, Inc. (KES) experienced contractual losses that indicated future operations would require additional effort to attain the outcome of prior periods. The estimated undiscounted future cash flows generated by the service segment was less than the carrying amount of equity within the segment resulting in impairment charges of $3.6 million and $6.4 million at Security Alliance and KES, respectively, in 2013.

10. Long-Term Debt

Long-term debt consists of the following:

	2014	2013
Note payable to a bank under an unsecured revolving term loan with variable interest rate pricing that was 2.70% at December 31, 2014, with the note expiring April 2015	**$ 18,510**	$ —
Note payable to a bank under an unsecured revolving term loan with variable interest rate pricing that was 1.41% at December 31, 2013, with the note expiring October 2014	**—**	3,510
Note payable to a bank under an unsecured revolving term loan with a fixed interest rate, and variable credit spread that was 2.35% at December 31, 2013, with the note expiring October 2014	**—**	15,000
Other debt	**64**	111
Less debt reclassified to noncurrent liabilities held for sale	**(64)**	(111)
Total long-term debt	**18,510**	18,510
Less current portion	**(18,510)**	(18,510)
Total long-term debt less current portion	**—**	—

❖ Dollars are in thousands. Years ended December 31.

Sealaska's $60 million unsecured revolving term loan has various affirmative and negative covenants that are typical within loan agreements. Sealaska was in compliance with all covenants at December 31, 2014. The full amount of the debt is recorded as a current liability. Interest expense totaled $457,000 in 2014, $791,000 in 2013, and $1.1 million in 2012.

11. Joint Venture Line of Credit

During 2011, Sealaska committed to operate a seafood processing plant in Kake, Alaska through a joint venture with Kake Tribal Corporation (KTC). From 2011 to 2013, Haa Aaní, LLC provided $2.4 million in funding to Rocky Pass Seafoods (RPS) on behalf of KTC. This amount was recorded as a payable by RPS to KTC and Haa Aaní, LLC recorded a note receivable from KTC. Subsequently, Haa Aaní, LLC has established a $1.7 million reserve on the amounts owed from KTC. In 2014, Haa Aaní, LLC sold the assets of the Rocky Pass Seafoods, LLC. See note 2(a).

12. Income Taxes

Income tax expense related to continuing operations was the following:

	2014	2013	2012
Current income tax benefit (expense)			
Federal	**$ —**	$ (349)	$ (55)
State	**54**	(40)	(26)
Total	**$ 54**	(389)	$ (81)
Deferred income tax benefit (expense)			
Federal	**328**	248	(26)
State	**40**	55	(2)
Total	**368**	303	(28)
Income tax benefit (expense)	**$ 422**	$ (86)	$ (109)

❖ Dollars are in thousands. Years ended December 31.

The provision for income taxes from continuing operations differ from the "expected" amount (computed by applying the U.S. federal corporate tax rate of 35 percent to earnings before taxes) as follows:

	2014	2013	2012
Computed "expected" tax benefit (expense)	**$ (5,161)**	$ 12,147	$ (4,038)
State income tax, net of federal tax benefit	**46**	(79)	(70)
Change in valuation allowance	**8,664**	(16,753)	2,856
Net expiration (use) of net operating losses and charitable contribution carryforward	**(786)**	(49)	1,988
Addition of ANCSA assets	**78**	8,120	106
Impairment of nondeductible goodwill	**—**	(2,234)	—
Other	**(2,419)**	(1,238)	(951)
	$ 422	$ (86)	$ (109)

❖ Dollars are in thousands. Years ended December 31.

Net deferred tax assets and liabilities include the following:

	2014	2013
Deferred tax assets		
Net operating loss and charitable contribution carryforwards	$ 140,140	$ 141,972
ANCSA resource basis difference	197,305	201,588
Property and equipment	16,433	16,342
Other	17,747	20,945
Total gross deferred tax assets	371,625	380,847
Valuation allowance	(335,752)	(344,416)
Net deferred tax asset	35,873	36,431
Deferred tax liabilities—investment unrealized gains	(10,796)	(11,722)
Less current portion	(749)	(749)
Total long-term deferred tax asset	$ 24,328	$ 23,960

❖ Dollars are in thousands. Years ended December 31.

Sealaska has recorded a net deferred tax asset of $25.1 million, which primarily reflects (a) estimated future benefit of $338.4 million federal and $244.9 million state, which expire in varying amounts from 2018 to 2033 and (b) basis differences for significant natural resources received pursuant to ANCSA, which have no carrying value in the accompanying consolidated financial statements but which have substantial basis for domestic tax reporting purposes. A valuation allowance has been established, reducing the maximum possible benefit of these carryforwards to management's estimate of the benefit likely to be realized. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, management believes it is more likely than not that all of the recorded net deferred tax assets will be realized. Net deferred tax assets considered realizable are adjusted annually dependent on management's estimate of future earnings. An increase or decrease in management's estimate of the total taxable income that will be generated during the carryforward period will have a corresponding increase or decrease in net deferred tax assets considered realizable.

During the periods presented above and prior periods, tax depletion arising from Sealaska's ANCSA resources has offset all other federal and state taxable income and Sealaska has not paid federal or state income taxes except those taxes related to the activities of certain controlled subsidiaries operating outside Alaska. Sealaska will need to earn approximately $60 million in taxable income within the United States of America to utilize its estimated realizable deferred tax asset related to state and federal tax jurisdictions prior to the expiration of its federal and state net operating losses in 2033.

13. Other Noncurrent Liabilities

Other noncurrent liabilities consist of the following:

	2014	2013
The Elders' Settlement Trust distribution payable	$ 8,208	$ 8,157
Shareholders' distribution payable	1,831	1,534
Endowments payable	3,167	2,912
Voluntary retirement deferrals	3,008	2,764
Total	$ 16,214	$ 15,367

❖ Dollars are in thousands. Years ended December 31.

14. Retirement Plans

Sealaska has a 401(k) plan for virtually all employees meeting certain eligibility requirements. Participants may contribute up to 25 percent of their eligible compensation to the plan, subject to the limits of Section 401(k) of the Internal Revenue Code. Sealaska matches 100 percent of the participant's contribution up to 4 percent of their eligible compensation. All participants are immediately vested in the preceding contributions. Contributions to the plan are based upon employees' total yearly contributions and base pay. Total approved contributions to the plans were $707,000, $1.6 million, and $1.3 million, in 2014, 2013 and 2012, respectively.

15. Description of the Business and Segment Information

Sealaska, together with the subsidiaries through which the Corporation's businesses are conducted, is a diversified Alaska Native Corporation with operations in the following business segments: natural resources, manufacturing, services, investments, and gaming.

Description of the Business

(A) NATURAL RESOURCES

The natural resources division is responsible for the land management and land stewardship functions of all Sealaska lands. Sealaska Timber Corporation is responsible for the harvesting of timber and marketing of logs into the highest value export and domestic markets. Management activities include collection of escrow receipts, cadastral survey of ANCSA lands, maintenance of land records, and other activities vital to land ownership. Alaska Coastal Aggregates, LLC markets and manages approximately 568,000 acres of the Corporation's subsurface estate. Haa Aaní, LLC is an enterprise dedicated to creating sustainable communities throughout Southeast Alaska and to enhance the social, economic, and cultural lives of all Sealaska shareholders.

(B) MANUFACTURING

The manufacturing division was comprised of a contract manufacturer of injection molded components. The contract manufacturer specializes in high quality plastics, injection molded products, and value-added manufacturing services in partnership with customers in the consumer/industrial, electronics/telecommunications, healthcare, and automotive industries. Secondary value-added services included product design, engineering, tooling, automated molding, and some secondary value-added services including shielding, painting, decorating, graphics, and assembly.

Substantially all of the manufacturing division's revenue was derived from activities and customers in the United States of America with the exception of the operation of a facility in Mexico.

The manufacturing segment of Sealaska was discontinued in 2013 and the financial results are reported in discontinued operations for the three years presented in the consolidated statement of operations.

(C) SERVICES

The services segment provides environmental construction and remediation, environmental assessments, consulting and engineering services, custom build construction, construction management services, and security services to federal government agencies, private and commercial clients through wholly owned subsidiaries: Sealaska Environmental Services, LLC, Kingston Environmental Services, Inc., Sealaska Constructors, LLC, Sealaska Government Services, LLC, Sealaska Technical Services, LLC, Sealaska Construction Solutions, LLC, Synergy Systems, Inc., and Security Alliance, LLC. The services segment provides services in the disciplines of information technology (IT) strategy and consulting, business intelligence, application services, infrastructure management, managed services and data processing through the subsidiary Managed Business Solutions, LLC. The services segment expanded in 2010 with the controlling acquisition of Security Alliance. Through Security Alliance, the services segment provides an array of guard and private investigation services.

Security Alliance within the services segment is an investment held for sale and the financial results are reported in discontinued operations for the three years presented in the consolidated statements of operations.

(D) INVESTMENTS

Sealaska's securities portfolio consists of two separate investment accounts that are managed to achieve different objectives: the Marjorie V. Young Shareholder Permanent Fund is managed long-term with the objective of shareholder dividends, and the Investment and Growth Fund is managed shorter term and is used for operational needs and new investments. Sealaska investments follow a disciplined investment philosophy by building off existing strengths, exercising patience and selectivity in making investments, adding investments that will achieve consistency in growth and earnings, and being prepared to exit investments or potential investments if upside opportunities arise or if problems change expected returns, and by seeking strong and strategic partnerships, distributing risk and benefit and establishing a new platform for companies for future growth.

(E) GAMING

The gaming segment consists of an investment in a gaming venture with the Cloverdale Rancheria of Pomo Indians in Cloverdale, California. Through its wholly owned subsidiary End-to-End Enterprises, Sealaska owns land for a new casino and resort facility.

Segment Reporting Net Income Reconciliation

	2014	2013	2012
Net income (loss) from continuing operations before income taxes			
Natural resources	$ (1,687)	$ (20,558)	$ 1,443
Investments	5,889	16,095	16,155
Services	3,389	(32,037)	(4,161)
Gaming	(450)	(367)	(353)
Corporate and other	(1,328)	(2,157)	(1,080)
Total segment net earnings (loss)	5,813	(39,024)	12,004
Net revenue (expense) not allocable to a segment			
Natural resources revenue sharing under ANCSA Sections 7(i) and 7(j)	24,409	21,962	16,870
Selling, general and administrative expense	(13,107)	(13,222)	(15,849)
Other, net	(2,367)	(4,422)	(1,489)
Income (loss) from continuing operations before income taxes and discontinued operations	14,748	(34,706)	11,536
Income tax benefit (expense)	422	(86)	(109)
Income from continuing operations before discontinued operations	15,170	(34,792)	11,427
Discontinued operations, net of tax	145	1,510	1,977
Net income (loss)	15,315	(33,282)	13,404
Less net income attributable to noncontrolling interest	434	1,804	2,086
Net income (loss) attributable to Sealaska	$ 14,881	$ (35,086)	$ 11,318

❖ Dollars are in thousands. Years ended December 31.

	2014	2013	2012
Total assets by operating segment			
Natural resources	$ 12,063	$ 15,224	$ 14,619
Manufacturing	—	—	37,641
Investments	190,612	175,074	117,225
Services	14,434	26,578	24,561
Gaming, net of intercompany	14	24	(226)
Corporate and other	89,241	97,321	192,482
Assets held for sale	5,624	5,630	—
Total assets	**$ 311,988**	$ 319,851	$ 386,302
Capital expenditures by segment			
Natural resources	443	5,973	6,158
Manufacturing	—	—	4,487
Services	518	629	3,825
Gaming	—	—	80
Corporate and other	341	1,648	4,515
Total capital expenditures	**$ 1,302**	$ 8,250	$ 19,065
Depreciation, impairment and amortization by segment			
Natural resources	5,152	7,501	7,087
Manufacturing	—	—	2,227
Services	766	11,420	1,991
Corporate and other	979	991	1,405
Total depreciation, impairment and amortization	**$ 6,897**	$ 19,912	$ 12,710

❖ Dollars are in thousands. Years ended December 31.

16. Discontinued Operations and Assets Held for Sale

Sealaska reports components as held for sale when management has approved or received approval to sell the business component and is committed to a formal plan, the business component is available for immediate sale, the component is being actively marketed, the sale is anticipated to occur during the next 12 months, and certain other specified criteria are met. A component classified as held for sale is recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the component exceeds its estimated fair value, a loss is recognized. Assets and liabilities related to a component classified as held for sale are segregated in the consolidated balance sheet in the period in which the business is classified as held for sale and are not reclassified in prior periods presented.

The following table summarizes the components of assets and liabilities held for sale on the consolidated balance sheets as of December 31:

Assets	2014	2013
Current assets		
Cash and cash equivalents	$ 314	$ 203
Receivables, net	3,751	3,544
Current assets held for sale	**$ 4,065**	$ 3,747
Property and equipment, at cost	1,374	1,103
Less accumulated depreciation	(870)	(661)
Total property and equipment, net	**$ 504**	$ 442
Other assets	229	324
Intangible assets	826	1,117
Noncurrent assets held for sale	**1,559**	1,883
Total assets held for sale	**$ 5,624**	$ 5,630
Liabilities		
Current liabilities		
Line of credit	$ —	$ 495
Accounts payable	137	16
Other accrued expenses	880	1,191
Current liabilities held for sale	**$ 1,017**	$ 1,702
Long-term debt, less current portion	64	111
Total liabilities held for sale	**$ 1,081**	$ 1,813

❖ Dollars are in thousands. Years ended December 31.

The operating results of entities that were sold during the year or qualify as held for sale are reported as discontinued operations in the current and prior periods presented. Results of discontinued operations are summarized as follows for the years ended December 31:

	2014	2013	2012
Natural resources	$ —	$ 1,204	$ 5,302
Manufacturing	—	43,464	76,481
Services	21,771	21,343	18,919
Revenue	**21,771**	66,011	100,702
Operating expenses			
Cost of goods sold	**17,780**	54,684	87,698
Selling, general and administrative	**3,299**	7,362	9,863
Other, net	**523**	5,794	232
Total operating expenses	**21,602**	67,840	97,793
Net income (loss) before gain on sale and income taxes	**169**	(1,829)	2,909
Income tax benefit (expense)	**(24)**	258	(932)
Gain on sale	—	3,081	—
Earnings from discontinued operations	**$ 145**	$ 1,510	$ 1,977

❖ Dollars are in thousands. Years ended December 31.

17. Commitments and Contingencies

Management is not aware of or party to any legal action that would have a material adverse effect on the consolidated financial condition, results of operations, or cash flows of Sealaska. Sealaska, in its normal course of activities, is exposed to regulatory and environmental matters. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on Sealaska's financial condition, results of operations, or liquidity.

Sealaska is currently leasing facilities, manufacturing equipment, and office equipment from a variety of vendors. Minimum annual rental commitments on operating leases at December 31 are as follows:

2015	$ 703
2016	464
2017	391
2018	317
2019	120
Thereafter	4
Total	**$ 1,999**

❖ Dollars are in thousands.

During 2014, Sealaska converted a loan of $500,000 for working capital needs made in 2012 to additional Series B Preferred Stock at the mutual agreement of the majority owners of Green Earth Greens, Inc. and Sealaska. This purchase of 3.7 million shares of Series B Preferred Stock increases Sealaska's ownership percentage of Green Earth Greens, Inc. to 2.75 percent.

18. Related Party Transactions

The services segment performs services on construction type contracts for other subsidiaries within the services segment in the normal course of business. These intercompany transactions are eliminated upon consolidation.

19. Sequestration

In 2014, the United States government initiated current and future spending cuts to reduce the federal government's budget deficit through 2021. There continues to be much uncertainty regarding how sequestration will be implemented. There are many variables in how the law could be applied that make it difficult to determine the specific impacts. However, the Corporation expects that sequestration, as currently provided for under the Budget Control Act, will result in lower revenue, profits, and cash flows in future periods.

20. Subsequent Events

Sealaska has evaluated subsequent events from the consolidated balance sheet date through April 15, 2015, the date at which the financial statements were available to be issued, and determined there are no subsequent events that require disclosure.

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synergy_systems

THANK YOU!

Gunalchéesh ~ Háw'aa ~ T'oyaxsism

Sealaska is grateful to all who helped us secure our final lands over many years. This is a historical moment for Tlingit, Haida and Tsimshian people—a long overdue promise by the federal government is now fulfilled.

ANCSA CORPORATIONS
Cape Fox Corporation
Haida Corporation
Huna Totem Corporation
Kake Tribal Corporation
Klawock Heenya Corporation
Kootznoowoo, Inc.
Shee Atika, Inc.

TRIBAL GOVERNMENTS/ORGANIZATIONS
Affiliated Tribes of Northwest Indians
All Indian Pueblo Council
Bois Forte Band of Chippewa
Cachil Dehe Band of Wintun Indians of the Colusa Indian Community
Central Council, Tlingit & Haida
The Confederated Tribes of the Grand Ronde Community of Oregon
Confederated Tribes and Bands of the Yakama Nation
Confederated Tribes of Siletz Indians Tribal Council
Confederated Tribes of the Umatilla Indian
Coquille Indian Tribe
Council of Traditional Scholars
Craig Community Association
Hydaburg Cooperative Association
Intertribal Timber Council
Jamestown S'Klallam Tribe
Kalispel Tribe of Indians
Ketchikan Indian Community
The Klamath Tribes
Klawock Cooperative Association
Klawock Tlingit & Haida Community Council
National Congress of American Indians
Organized Village of Kasaan
Organized Village of Saxman
Petersburg Indian Association
Pueblo of Pojoaque
Pueblo of Sandia
Quileute Tribal Council
Sitka Tribe of Alaska
Skokomish Indian Tribe
Tenakee Springs Indian Community
Wrangell Cooperative Association

MUNICIPAL GOVERNMENTS
City of Angoon
City of Barrow
City of Coffman Cove
City of Kake
City of Kasaan
City of Ketchikan
City of Klawock
City & Borough of Wrangell
Ketchikan Gateway Borough

REGIONAL ORGANIZATIONS
ANB/ANS Grand Camp
Boys and Girls Club of Kake
Greater Ketchikan Chamber of Commerce
SEARHC
SE Alaska Native Economic Futures Coalition
Southeast Conference

STATEWIDE ORGANIZATIONS
Alaska Federation of Natives
Alaska Forest Association
Alaska Miners Association
Alaska State Chamber of Commerce
Alaska Village Initiatives
ANCSA Regional Presidents & CEOs
Resource Development Council

PUBLIC OFFICIALS
Alaska State Senator Bettye Davis
Alaska State Rep. Kyle Johansen
State Board of Equalization Member, First District, Betty Yee
U.S. Senator Mark Begich
U.S. Senator Lisa Murkowski
U.S. Representative Don Young

BUSINESSES
3R Products and Services
A&A Lighting
Advanced Janitorial Services
Air Excursions, LLC
Alaska Electric Light & Power Co.
Alaska Home Services
Alaska Litho, Inc.
Alaska Native Electrical Contractors
Alaska Power & Telephone Co.
Alaska Ship & Drydock (Vigor Alaska, LLC)
Alaskan & Proud Markets
American Marketing Solutions
Azure Blue Ketchikan Division
Baxter, Bruce and Sullivan, P.C.
Beachcomber Bed & Breakfast
Bootlegger
Boyer Towing Inc.
Brian Wallace Photography
Bunton Engineering, LLC
Cape Fox Hotel Corp.
Capital City Windows
Carlin Air
Carlton Smith Co., LLC
Casey's Logging Company
Channel Construction Inc.
Chilton Silver and Gold
Columbia Helicopters
Commercial Signs & Printing
Competitive Edge Office Systems
CSC Tree Service
Cutting Edge Development Inc.
Diamond Hills Realty
Droson Company
Durette Construction Co, Inc.
Elgee Rehfeld Mertz, LLC
Employers Pro Advantage
Evergreen Taxi
Family Air Tours, LLC
Fluetsch Financial Services, LLC
Fog Woman Coffee
Foreign Auto Repair
Forest Industry Consulting
Gallery of the North
Gifts and Graphics
Grant's Towing, Inc.
Greer Solutions
H&L Salvage Inc.
Harbor Plumbing & Heating, Inc.
Higher Ground Pursuit Consulting Svcs
Hill Enterprises
Hyak Mining Company, Inc.
Icy Straits Lumber & Milling Inc
Inside Passage Electric Cooperative
Janet's Professional Housecleaning
Johnson and Son, LLC
Johnson Construction & Supply
Ketchikan Daily News
Kupreanof Flying Service
Last Frontier Forestry & Tree Service
Mallott's General Store
MGM Properties, LLC
Misty Fjords Air & Outfitting, LLC
Morgan Howard Productions
Northern Communications
Olson Marine, Inc.
Orca Properties, LLC
Pacific Airways Inc.
The Plumbing & Heating Company
Printing Trade Co
R&M Engineering, Inc. (Juneau)
Rasmussen Wire Rope and Rigging
Reyes Enterprise Tree Thinning
Ruth Ann's, LLC
RVS Communications
Seawind Aviation, Inc.
Shelter Cove Lodge
Simpson, Tillinghast, Sorensen & Sheehan, PC
Sisco Stylz Full Service
Skookum Sales & Service (Recycling)
Southeast Diesel & Electric
Southeast Stevedoring Corporation
Sportsman's Cove Lodge
Stories & Legends, Inc.
Tongass Cutting, LLC
Tonsgard Logging
Tracy's Heavy Equipment & Welding Repair
True North Video Productions, LLC
Tyler Rental, Inc.
Verda's Cakes and Things
Viking Lounge
Viking Lumber Company, Inc.
WKW Reforestation
The Word Lady
Yamaha Corporation of America

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