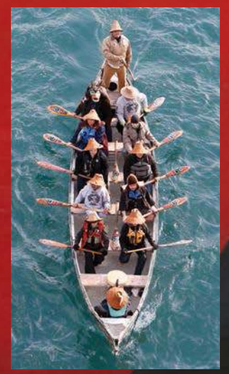
2015 Sealaska Annual Report

STABILITY IN MOTION



Wayne Price skippers the North Tide Canoe, a traditional dugout canoe. In this image the paddlers arrive at Sandy Beach for the 2014 Canoe Journey to Celebration.



PICTURED ON THE COVER:
The One People Canoe Society led by skipper and shareholder Doug Chilton was photographed this winter in the Gastineau Channel near downtown Juneau.







Stability in Motion

As a complex maritime culture, we created great wealth by using our canoes to trade, fish, hunt, travel and engage in commerce along our waterways. Our canoes were practical tools for prosperity, but also valuable symbols of our ability to come together as a society. Our ancestors built dugout canoes to be stable when in motion. Sealaska can be viewed the same way, when we are making progress we are a stable company. Take a look inside to see who is helping Sealaska move forward.

NARRATIVE
Pages 2–19

In this section, take a look at financial highlights and long-term views of Sealaska's financial performance, learn where we are in our strategic plan and read about how Sealaska is evolving our businesses. Sealaska is achieving success with our team who contribute to improvements and work toward growing the vision of Sealaska.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
Pages 24–30

Sealaska's leadership has been successful in implementing a strategic plan put in to place at the end of 2012, exiting businesses that do not align with our values, improving and integrating core business functions and planning strategic investments for our businesses.

FINANCIALS AND FOOTNOTES
Pages 31–63

Sealaska's independent audit is performed by KPMG, LLP. KPMG audits the consolidated financial statements of Sealaska and its subsidiaries.

Sealaska by the Numbers

$109.4 million	Revenue in 2015
$12.0 million	Net Income in 2015
$32.6 million	Amount donated to perpetuate Tlingit, Haida, Tsimshian culture (donated to Sealaska Heritage Institute since inception)
155	Number of accredited post-secondary educational institutions receiving 2015 scholarship monies
5,118	Number of Sealaska descendants and Leftouts enrolled since July 2007
3,095	Number of Elders issued Class E "Elder" stock since 2007
42	Number of entities receiving free carving materials in 2015
$622,000	Value of 822 logs donated by Sealaska for cultural projects (1998-2015)
35	Number of years the Sealaska intern program has been operating
1.6%	Total acreage of traditional homelands owned by Sealaska
168	Number of active Sealaska Government Services projects in 2015
$358,000	2015 corporate contributions and sponsorships

Financial Performance 2008–2015

Forecast 2016-2019

Sealaska has three sources of income:

- Businesses
- Investments
- Natural resource profit sharing under ANCSA Section 7(i)

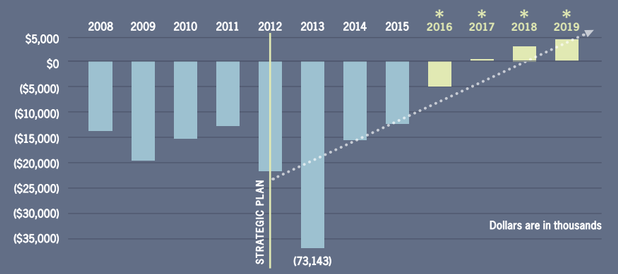
The short-term goal of our strategic plan is for profits from our businesses to more than cover all of our costs, resulting in two important benefits for Sealaska:

- Independence from the volatility of the investment market or ANCSA Section 7(i) income
- The ability to use ANCSA Section 7(i) income and investment fund income for business growth and to provide additional benefits to our people, preserve our culture and protect our homelands

For more detailed information, please see Management's Discussion and Analysis (MD&A) starting on page 25.

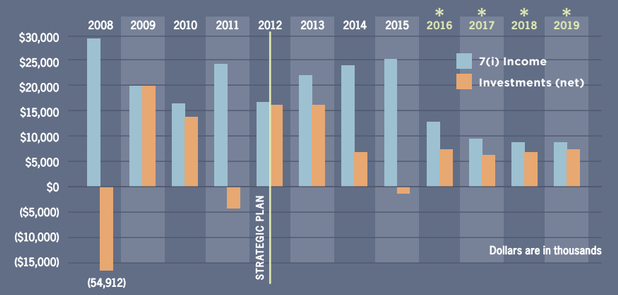
NET INCOME BEFORE ANSCA SECTION 7(I) AND INVESTMENT INCOME

Since we adopted the strategic plan, we have seen steady improvements in profitability before ANCSA Section 7(i) and investment income. We are on track to achieve our short-term financial goal that profit from our businesses more than covers all our costs, including those from community and cultural related activities, within two years.



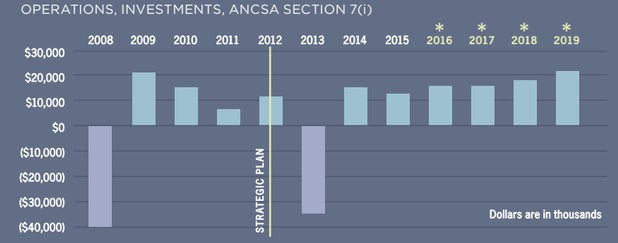
INCOME FROM INVESTMENTS AND ANCSA SECTION 7(I)

Historically, Sealaska was the largest contributor to the ANCSA Section 7(i) pool, contributing over $300 million. That has shifted over the years as ANCSA Section 7(i) sharing from other regions has provided Sealaska with a significant, yet variable income source. Our investments have been a strong source of income as well despite facing a rough market environment in 2015.



INCOME FROM ALL THREE SOURCES:

OPERATIONS, INVESTMENTS, ANCSA SECTION 7(i)



* Please refer to forward-looking statement on page 30



Chair Joe Nelson (left) and President and CEO Anthony Mallott (right)

Dear Shareholders,

We are happy to report that in 2015 we continued to execute our strategic plan creating positive improvements in 2015 and setting up for greater improvements in 2016 and 2017. As a result, we have achieved an additional $3.2 million of net income before ANCSA Section 7(i) and investment income, compared to 2014. We are well on our way to meeting our short-term priority of profitability before ANCSA Section 7(i) and investment income.

Employees from across the company are contributing to these improvements every day. Sealaska's next generation of businesses will be more relevant to our history and culture. Through a team-based approach and a focus on creating value throughout Sealaska, our progress has been stable. We are moving forward on the path of growing sustainable operations that will increase shareholder opportunities and benefits.

Operate Within Relevant Industries
Sealaska is applying the alignment that Tlingit, Haida and Tsimshian people have with our environment that has sustained us for thousands of years. We are evolving our businesses to participate in global solutions to protect the environment, including the practice of sustainable resource management. The relevance of our businesses will increase as the world population grows, and the effects of climate change increase. This combination of focusing our business on being relevant to our history as well as global society allows us to bring value and make long-term commitments to these important industries. Commitment to relevant industries will allow us to build passion and give heart to our businesses, which can create valuable long-term benefits.

Improve Existing Businesses
Sealaska Government Services (SGS) is evolving to become a provider of water resource and maritime services. In 2016, SGS plans to be halfway to meeting its $10 million net income goal. This will be accomplished through continued organic growth and investment within SGS industries. SGS accomplished operational improvement in 2015, but more importantly set the stage for greater improvement in 2016 by creating a large backlog in awarded contracts. We expect this additional workload to more than double SGS's net income of $2.0 million realized in 2015.

The SGS success has been driven by our team-based management approach and an integration effort that allows for strong coordination across all our lines of business and departmental functions. We are replicating this integration and collaboration within Sealaska's natural resource efforts. We will increase economic opportunities in Southeast Alaska through internal alignment and prioritization of efforts and will take a balanced approach to land management that seeks to sustain a small-scale timber harvesting effort and also increase opportunity from the 65 percent of our lands that have not been clearcut, such as through carbon projects and other natural product harvesting.

Value Based Investment in Our Businesses
Sealaska is using a rigorous and intentional investment process to build a natural foods business group. The acquisition process has been highlighted as a key strategic initiative that not only helps us achieve our short-term financial goals, but also provides a source of long-term strength. That strength comes from a process focused on finding businesses and management partners that are aligned with our values and can immediately make a positive financial difference to Sealaska.

Building relevant and sustainable businesses aided by a value based investment process will help us to grow in a way that allows us to achieve our mission of strengthening people, culture and homelands.

As our business grows we would like our shareholder's help to advance our purpose. For example, whether shareholders would like us to add dollars to the scholarship program, greater resources for language revitalization, increased education, Elder or cultural programs, or if they have other thoughts. We are both excited to start these conversations and to hear your ideas.



Joe Nelson
Board Chair



Anthony Mallott
President and Chief Executive Officer



Sealaska directors at the February 5, 2016, board meeting

Strategic Plan Update

Sealaska's board of directors and management evaluate the company's strategic plan each year. Since 2012, we have been focused on our short-term goal, that profit from our businesses more than cover all our costs including cultural and community related activities. We have made steady progress, and are on track to reach our goal of profitability before ANCSA Section 7(i) and investment income in two years. Beyond achieving our significant short-term goal, our long-term success will be created by following the broad strategy outlined below.

Operate within Relevant Industries + Improve Existing Businesses + Value Based Investment in Our Businesses = Sustainable Growing Businesses

1. OPERATE WITHIN RELEVANT INDUSTRIES

We have aligned our businesses into three groupings: Natural Resources, Natural Foods and Sealaska Government Services (our services business that is evolving to have a focus on water, energy and maritime services). The industries our businesses will operate in fit our values and address critical issues faced by our region and the world. Investing in our businesses and focusing on sustainability and growth will strengthen our commitment to these important industries.

2. IMPROVE EXISTING BUSINESSES

We are making values based decisions to revitalize the businesses we have. By collaboratively managing our government service businesses under one holding company in 2015, we reduced our costs and have more work than ever before. We are now using this proven model to organize our natural resource efforts under one holding company (Haa Aaní) in 2016. Strong alignment allows for a coordinated and collaborative approach to both finding cost efficiencies and creating greater value for these businesses.

3. VALUE BASED INVESTMENT IN OUR BUSINESSES

We are taking the capital earned from selling businesses that did not fit with our values and deploying it into our businesses allowing for further growth in our focus areas of food, water, energy services, and natural resources. We have developed a valuable investment process over the past few years allowing us to review hundreds of acquisition opportunities and we are currently in the final stages of several acquisitions, with others in the works.

Success in these three areas will lead to sustainable businesses and financial growth, which will in turn allow us to further achieve our purpose of strengthening our people, culture and homelands.

Teams Working Together

Sealaska Government Services (SGS) is the holding company that contains our federal service businesses. SGS provides management and administrative functions such as accounting, human resources and general business development services. This streamlined approach to management allows our businesses to focus on providing technical and operational services to our clients while SGS provides general and administrative functions common to each business. Through better economies of scale and quick and lean communication this model saves time and money, making SGS and Sealaska more effective and efficient.

Sealaska's values guided SGS to refocus its business services on critical issues including food, water and energy. SGS consolidated its services into three primary groups—environmental, construction management and information technology/data. These services can improve water quality and access, increase food security, or improve energy generation and transmission. These strategic niche areas are examples of how Sealaska is positioning itself for future growth.

SGS highlights from 2015 include:

Water-Based Services:
The US Army Corps of Engineers and Sealaska Constructors (SeaCon)

- SeaCon is working on a contract with the Army Corps of Engineers to build a 4,000-ft levee to restore the salmon habitat in the Qwuloolt Estuary in Washington state. The Tulalip Tribes, the Army Corps and many community partners have been working on this project for more than two decades.
- SeaCon completed a National Park Service contract to demolish several boulders in Glines Canyon, below the former Elwha Dam in Washington state. With the boulders gone, salmon can swim freely upstream, which improves the overall ecosystem of the river. The Elwha River once had one of the largest Chinook runs in the US and the restoration of this salmon and trout habitat has key significance for Native people.

Data Management and Analytics:
Bureau of Indian Affairs and Managed Business Solutions (MBS)

- MBS won a competitive, five-year, $50 million contract to provide geospatial mapping development and support services—editing, storing, analyzing and displaying geographic information—to help tribes make real-time decisions to sustainably manage their Native lands.



Sealaska Government Services team members: Kent Rasmussen, vice president; Sonja Jones, proposal manager; Derik Frederiksen, vice president; Bob Wysocki, Sealaska Constructors/Sealaska Construction Solutions general manager



Haa Aaní has been integral to the Sustainable Southeast Partnership (SSP) recognized by President Obama during his visit to Alaska this past year. Program Director and Sealaska shareholder Alana Peterson plays a vital role in the success of this partnership. SSP focuses on food security, economic development, and energy and natural resource management.

Partnering for Economic Benefit

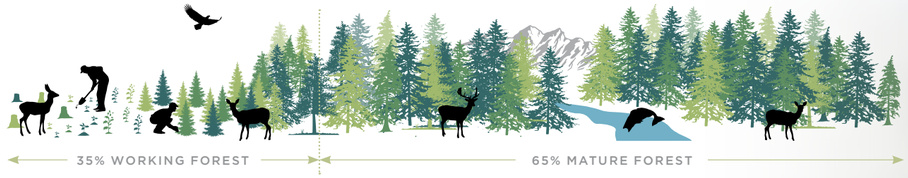
Economic development in the region requires entities like Sealaska to partner with other organizations to move the needle for healthy viable communities.

Path to Prosperity
The Haa Aaní Community Development Fund Inc. (CDFI) and The Nature Conservancy partner for entrepreneurial opportunity through the Path to Prosperity (P2P) business plan competition, which has just completed its third full year. In October 2015, the International Economic Development Council (IEDC) honored P2P with a top award. Since inception, 105 original P2P applications were submitted. The applications represent 18 communities and 12 industries. Just over half of the applications were from rural communities. Nearly 33 percent of the finalists were shareholders, spouses and descendants. Sealaska's presence in P2P increases opportunities for our traditional communities and shareholders to participate in the program.

Community Development Fund Inc. (CDFI)
Through the CDFI, economic and capital opportunities are available for entrepreneurs and small businesses in the region. The CDFI partners with those that share our mission of community resiliency, including, U.S. Department of the Treasury, Community Development Financial Institutions Fund (CDFI Fund), USDA Rural Development and Intermediary Relending Program, The Nature Conservancy, Rasmuson Foundation and the Gordon and Betty Moore Foundation. We are confident the CDFI is positioned to be a strong partner to small businesses in Southeast Alaska.

Lands Provide Sustainable Energy
Sealaska partnered with Hoonah, Alaska, entities for a sustainable hydro energy source. The Gartina Falls Hydro Facility built by Inside Passage Electric Cooperative (IPEC) sits on Sealaska land. This small diversion dam will supply up to 30 percent of Hoonah's current energy needs.

Advocacy for Economic Opportunity
Tlingit, Haida and Tsimshian people have regained some of our traditional homelands promised by the federal government. Sealaska's board and management understand there is still work to do and we reaffirm our commitment to the five landless communities and Native veterans in Southeast Alaska. Finalizing each of these priorities can have meaningful impacts to the region.



Balanced Land Management

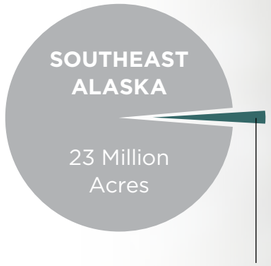
Sealaska has advanced Haa Aaní, LLC's purpose and commitment to the region by aligning our natural resource and economic development efforts. Haa Aaní is now a holding company that includes our land management department, Sealaska Timber, Alaska Coastal Aggregates, and community economic development. This new structure allows us to better achieve our goal of creating meaningful financial benefit to Sealaska and meaningful opportunities for our communities, by taking a coordinated and balanced approach to land management.

A balanced land management approach will offer current benefits and continue to provide opportunities for generations to come. Of Sealaska's 362,000 acres, we will utilize 35 percent in perpetuity as a working forest. As a working forest, we will harvest timber using the best scientific based land management. Sealaska's working forest cycle grows healthy forests, maintains wildlife habitat, maintains 400–600 natural resource jobs and creates millions in regional payroll.

Sealaska will utilize the remaining 65 percent of our total land base for other land-use opportunities such as development of a carbon project, wetland mitigation, natural product harvest, community and cultural use, and light and selective harvest.

2015 was an extraordinary transition year that achieved profitability and set the foundation for 2016 as a new start. When our lands bill passed in the eleventh hour, Sealaska Timber had to achieve permitting and planning for 2015 operations, executing two years of work in one.

Our long-term sustainable plan, built upon a history of experience, science and business development, exemplifies the Native value of *Haa Shuká*—taking action for benefits today and for future generations. A small-scale timber harvest along with new land management opportunities will help Sealaska maximize the financial, cultural and community value of our land.



Sealaska owns 1.6% of the traditional Tlingit, Haida and Tsimshian homelands



With a stable timber program, long-term careers protecting and managing the forest are available for the future. Bob Girt, former Sealaska engineer, is now focusing on awareness through his community liaison specialist position.

Upholding Our Culture

Sealaska exists to fulfill our purpose to strengthen our people, culture and homelands. Our way of life, land, languages, culture and Native values are our reason for existence and what make us who we are. We are committed to perpetuating and enhancing these every day, through our corporate activities and through Sealaska Heritage Institute (SHI), founded by Sealaska in 1980.

Sealaska's investment in our communities through SHI will never waver and we are proud of our return on this investment. In 2015, Sealaska contributed $1.5 million in both cash donations and in-kind services to SHI. As a result, SHI was able to leverage this money to generate $4.8 million, an incredible resource for enhancing cultural programs and operations.

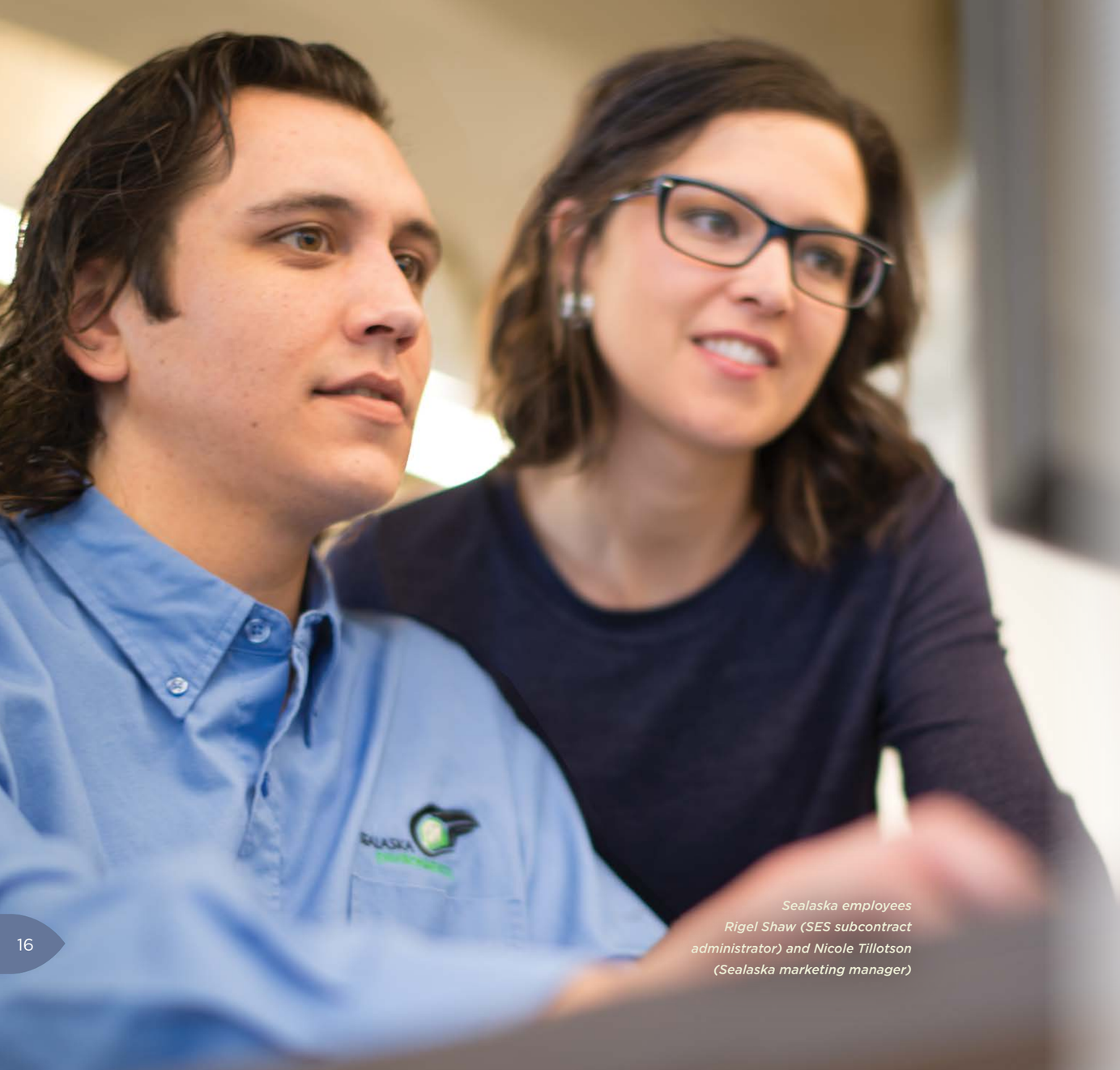
Through our investment in and partnership with SHI, Sealaska provides ongoing services as well as cultural and educational benefits to our common constituents. In 2015 more than 6,000 people were reached through in-person programs. One successful program, the "Voices on the Land," was created to continue our efforts of perpetuating our endangered languages. This series improves literacy skills and increases the use of the Tlingit language through performing arts and digital storytelling in six Juneau schools. Online curriculum, books and materials are also available for social studies, math and Native languages.

In June of 2016 we host Celebration, the long-awaited and largest gathering for Tlingit, Haida and Tsimshian people. Sealaska is the largest financial contributor to Celebration, investing $125,000 as well as in-kind services toward each biennial occurrence of the event since its inception in 1982.

The Celebration theme for this year is *Haa Shuká:* Weaving Traditional Knowledge into Our Future. In addition to the toddler regalia review and Black Seaweed contest, this year marks the debut of a new juried art show for youth. By coming together, we recognize and celebrate our beautiful cultures and pass the learning and pride on to the next generations.



One of the participants in the Toddler Regalia Review during Celebration 2014



Sealaska employees Rigel Shaw (SES subcontract administrator) and Nicole Tillotson (Sealaska marketing manager)









Strategic Decision Making

We are committed to building and growing businesses that are relevant to our history and culture. In order to achieve this, we created a rigorous and intentional investment process that is valuable to Sealaska in both the short and long-term and was designed based on lessons learned from our past experiences.

The following key filters guide us in our decision-making to ensure any investment activity reflects our values, fits into our business and is relevant to our region and shareholders.

Key filters:

- Current cash flow and net income
- Growth opportunities in food, energy and water
- Regional to shareholder base—Alaska or the Pacific Northwest
- Potential for shareholder employment
- Alignment with our core Native values

Our investment process will allow us to grow our three business groupings: Natural Resources, Natural Foods and Sealaska Government Services.

This strategy will deepen our skills and presence in the areas of food, water, energy and land management to be relevant to our shareholders and society.

Our ability to strategically acquire businesses comes from our strong financial base. Sealaska's steady liquidity along with our access to investment capital allows us to make investments that align with our values for the long term.

The information above speaks to Sealaska's business investments. In addition to our business investments, the successful Marjorie V. Young Shareholder Permanent Fund provides dependable dividends; along with the Investment and Growth fund the balance at the end of 2015 was $153 million. For information on Sealaska's investment funds, please see page 28.

Proven Path of Shareholder Benefits

Unlike typical for-profit companies, Sealaska considers and plans for shareholder benefits. A typical corporation benefits its shareholders in two ways: (1) by increasing stock value; (2) distribution payments.

Sealaska provides a range of benefits to our shareholder base. Every dollar we make benefits shareholders. The board and management are mandated by ANCSA to create strong and sustainable operations to advance our purpose of strengthening people, culture and homelands.

Sealaska is built by and for its Native shareholders for the benefit of current and future generations.

Workforce Development
We view our shareholder talent as our key to success. As of January 2016, Sealaska and its businesses have 132 active employees.

With a sustainable timber program, Sealaska is looking for and ready to train shareholders and their families for careers within the forest.

Sealaska supports learning activities such as Latseen leadership camps in Juneau, Alaska, or Sockeye science camp in Seattle, Washington.

As shareholders and descendants graduate from high school, they may be eligible for yearly scholarships or summer internships at Sealaska headquarters and businesses.

Valuable experience can also be gained by serving as a board youth advisor.

Benefits Beyond Dividends
Sealaska joined the Hoonah Native Forest Partnership (HNFP), a science-based, community forest approach to watershed planning with a focus on workforce development. Several shareholder jobs have been created, including an internship for Michaela Demmert this summer in the Sealaska office.

The Elders Settlement Trust continues to provide monetary benefit to our Elders as they reach age 65. Since inception, the trust has paid out more than $11 million to our Elders. Since 1998 Sealaska has donated more than 800 logs to regional clans, Native organizations and communities. These donations support and advance cultural projects and uphold our purpose to strengthen people, culture and homelands.

Sealaska is a thought leader in the Alaska Native community and at home in Southeast Alaska. Our leadership advocates for many issues important to shareholders, from landless claims to language recognition and subsistence issues.



David Russell-Jensen UAS legislative intern and Sealaska scholarship recipient (left), and Scholarship Administrator Carmaleeda Estrada (right)

Board of Directors



JOSEPH G. NELSON
Juneau, Alaska
Chair



JACQUELINE PATA
Fairfax, Virginia
Vice Chair



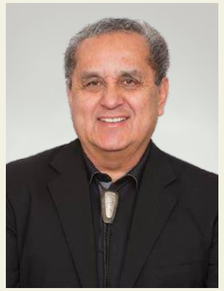
PATRICK M. ANDERSON
Anchorage, Alaska



BARBARA CADIENTE-NELSON
Juneau, Alaska



SIDNEY C. EDENSHAW
Hydaburg, Alaska



ALBERT M. KOOKESH
Angoon, Alaska



J. TATE LONDON
Bothell, Washington



JODI M. MITCHELL
Juneau, Alaska



RICHARD RINEHART JR.
Bothell, Washington



ROSS SOBOLEFF
Juneau, Alaska



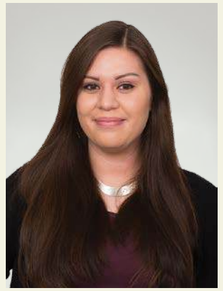
BILL THOMAS
Haines, Alaska



EDWARD K. THOMAS
Kingston, Washington



ROSITA F. WORL
Juneau, Alaska



BARBARA DUDE
Juneau, Alaska
Youth Advisor



CLARENCE JACKSON
Director Emeritus

Management



ANTHONY MALLOTT
President and
Chief Executive Officer



JAELEEN ARAUJO
Vice President General Counsel
and Corporate Secretary



TERRY DOWNES
Chief Operating Officer



DOUG MORRIS
Vice President and
Chief Financial Officer



BILL BENNETT
General Manager,
Alaska Coastal Aggregates



ED DAVIS
Director, Haa Aaní
Economic Development



DERIK FREDERIKSEN
Vice President,
Sealaska Government Services



LESLIE FROST
Chief Financial Officer,
Sealaska Government Services



SONJA L. JONES
Proposal Manager,
Sealaska Government Services



DAVID KOSTOROWSKI
General Manager,
Sealaska Technical Services



RICH MAINWARING
General Manager,
Managed Business Solutions



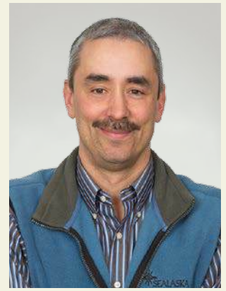
PETER McCORMICK
General Manager,
Sealaska Environmental Services



KENT RASMUSSEN
Vice President,
Sealaska Government Services



DUANE WOODRUFF
Vice President,
Sealaska Timber Corporation



BOB WYSOCKI
General Manager,
Sealaska Construction Solutions
and Sealaska Constructors

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

	2011	2012	2013	2014	2015
Net income (loss) attributable to Sealaska	$ 6,791	$ 11,318	$ (35,086)	$ 14,881	**$ 12,012**
Total assets	368,664	386,302	319,851	311,988	**301,735**
Sealaska shareholders' equity	249,778	256,141	216,357	228,238	**234,583**
Long-term bank debt	28,288	30,460	—	—	**3,000**
Short-term bank debt	1,275	386	18,510	18,510	**—**
Current ratio	2.30	2.10	1.47	1.73	**2.68**
Bank debt/equity ratio	0.12	0.12	0.09	0.08	**0.01**
Shareholders' equity attributable to Sealaska per share	112.40	113.62	94.81	98.96	**100.59**
Net income (loss) attributable to Sealaska per share	3.08	5.06	(15.47)	6.48	**5.18**
Dividends per share	$ 2.24	$ 2.21	$ 2.25	$ 1.36	**$ 2.60**
Cumulative distributions to shareholders and Village corporations since inception	$ 487,411	$ 514,366	$ 538,162	$ 564,676	**$ 595,126**

❖ 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 is the Southeast Alaska regional corporation established under the Alaska Native Claims Settlement Act (ANCSA) of 1972. Sealaska is one of 13 regional Native corporations established under ANCSA. More than 21,500 Tlingit, Haida, Tsimshian, and Unangax (Aleut) shareholders own Sealaska. At December 31, 2015, Sealaska had 21,858 shareholders. The number of common stock shares outstanding at December 31, 2015 was 2,331,976.

Under ANCSA, Sealaska owns the fee title to approximately 362,000 acres of traditional homelands; and approximately 300,000 additional acres of subsurface land in Southeast Alaska.

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

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

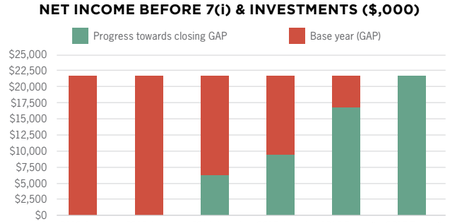
STRATEGIC AND OPERATING PLAN

Sealaska's long-term viability will be secured through the successful implementation of the Strategic Plan that was approved in 2012. Since then, our key focus areas are:

- Exit businesses that do not align with our values
- Improve results of existing businesses that do align with our values
- Make strategic investments
- Achieve an efficient, versatile corporate support and cost structure

The Sealaska board and executive management team are aware that passive investments and ANCSA 7(i) sharing will always experience some volatility and they are committed to achieving profitability before 7(i) sharing and investments. Without improved business performance, our financial results will continue to be dictated by factors and markets that are not in our control. Following is a chart that shows the progress that has occurred toward achieving the goal of creating positive net income before 7(i) sharing and investments since adoption of the 2012 Strategic Plan. In the year 2012 Sealaska had a $21.7 million loss without 7(i) sharing and investment earnings. This is represented by the red color on the bars in the chart. In 2015 the loss was $12.2 million which is a $9.5 million improvement. This is represented by the green color on the bars in the chart. The chart also includes the targeted progress through 2016 and 2017. The target is to completely eliminate the losses before 7(i) sharing and investments in 2017.

NET INCOME BEFORE 7(i) & INVESTMENTS ($,000)



*Please see Forward-Looking Statements on page 30

For 2016 we have carried forward cost efficiencies and expect continued improvements in Natural Resources and Government Services.

- Government Services is focused on performing on the largest backlog of business it has ever had, which sets the segment up for increased profitability in 2016. Business development efforts and operating efficiency improvements continue across the platform.
- Natural Resource income will benefit from harvest on the new lands as we transition out of the start-up phase.
- The acquisition process has a number of opportunities that when finalized are expected to add to our business performance within the 2016 and 2017 results.
- Investment income is planned to show improvement over 2016, but will continue to face risk across markets.
- ANCSA Section 7(i) revenue is expected to be $10 million less in 2016 due to low commodity prices for zinc and oil.

Achieving the 2016 target will require diligent progress toward the initiatives established in 2012, and require that Sealaska continue to build on the cultural transformation that will create long-term success.

FINANCIAL OVERVIEW

Sealaska's consolidated continuing operations produced revenues of $109.4 million in 2015, down from $121.6 million in 2014. Net income is $12.0 million, down from the net income of $14.9 million in 2014. Volatile markets in 2015 resulted in an approximate $6.9 million decline in investment gain. The operational improvements at Sealaska contributed to the $12.0 million net income despite the volatility of the passive investment income portfolio. Total Sealaska Shareholders' Equity at December 31, 2015 of $234.6 million is up from $228.2 million at December 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2015, Sealaska had cash on hand and current investment securities of $66.8 million. An additional $107.4 million was held in long-term investments, including the Marjorie V. Young Shareholder Permanent Fund, venture capital funds and private equity funds.

Liquidity	**2015**	**2014**
Available funds		
Cash, cash equivalents and current investments	**$ 66.8**	$ 74.0
Total available funds	**66.8**	74.0
Available line of credit and revolving loan		
Total line of credit and revolving loan	**60.0**	60.0
Less: Outstanding balances	**(3.0)**	(18.5)
Total available line of credit and revolving loan	**57.0**	41.5
Total liquidity	**$ 123.8**	$ 115.5

❖ Dollars are in millions. Years ended December 31.

Working Capital	**2015**	**2014**
Current assets	**$ 90.6**	$ 94.8
Current liabilities	**33.8**	55.5
Working capital	**$ 56.8**	$ 39.3
Current ratio	**2.68**	1.71

❖ Dollars are in millions. Years ended December 31.

I. Results of Operations

A. NATURAL RESOURCES

In 2015, 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 $29.1 million in FY2015, down from $33.4 million in 2014, and produced costs and expenses of $28.4 million in 2015, down from the costs and expenses of $35.0 million in 2014.

STC has successfully managed the harvest, marketing and shipping of round logs to customers throughout Asia, the Middle East and North America since 1980. After the passage of the Lands Bill in late 2014, STC was able to continue to harvest timber and maintain its customer base. The passage of the bill has also enabled STC to remain a dominant supplier of Southeast Alaska timber into worldwide markets. With a long-term supply now in place, STC is also expanding its customer base and creating new markets to meet the changing needs and desires of its consumer.

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 2015 achieved the goals in the forest stewardship plan. Each acre harvested is reforested and tended to ensure the sustainability of Sealaska's resources. Work continues 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. Protecting and managing sacred sites and historic properties is a key function and recent passage of the Land Bill has allowed for the opportunity to gain ownership of up to 76 new sites. The department has more fully developed a forestry services business line with village and urban corporations as the primary clients. In addition, partnerships and working relationships with other corporations, tribes and rural communities have been strengthened by executing cooperative on the ground projects.

Sealaska has advanced Haa Aaní's purpose and commitment to the region by aligning our natural resource and economic development activity efforts. Haa Aaní is now a holding company that includes STC and ACA and takes a balanced approach to land management.

B. SERVICES

For 2015, 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 $80.2 million in 2015, down from $81.2 million in 2014, and incurred costs and expenses of $76.5 million in 2015 down from $77.8 million in 2014.

The services businesses continued to grow profitability in 2015 and made a profit of $3.8 million, despite sales being slightly reduced, as we continue to reduce costs and focus on higher value added work. Year-on-year operating profits improved from 2014. We continue to focus on our strengths in our core markets, which are water and maritime services including environmental monitoring, niche construction and data analytics. We built a strong backlog in 2015 and as a result we are forecasting good sales and profit growth in 2016.

In 2013, Sealaska decided to exit guard services and logistics businesses. Sealaska Global Logistics, LLC was sold in 2013. Security Alliance, LLC performed well in 2015 and Sealaska is actively marketing this company for sale. 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 $296,000 in 2015, up from $154,000 in 2014, and incurred costs and expenses of $480,000 in 2015, down from the costs and expenses of $604,000 in 2014.

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.

D. INVESTMENTS

For 2015, 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 incurred investment losses of $516,000 in 2015, down from investment gains of $6.4 million in 2014, and incurred costs and expenses of $270,000 in 2015, down from $461,000 in 2014. Despite the downturn of the investment market in late 2015, Sealaska's investment portfolio outperformed the target benchmark.

The combined balance of the MVY Shareholder Permanent Fund and the I&G Fund was $160.9 million at the start of the year, and ended 2015 with a combined balance of $152.7 million invested in stocks, bonds, real estate and private equity investments. Of these investments, $45.3 million and $48.7 million were held as current assets in 2015 and 2014, 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. Sealaska utilizes an institutional investment consultant and the services of several external investment managers.

1. Marjorie V. Young Shareholder Permanent Fund

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.

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 2015, 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 $294,000 in 2015, down from $501,000 in 2014, and incurred costs and expenses of $1.5 million in 2015, down from $1.8 million in 2014.

II. Shareholder Benefits and Services

A. SEALASKA HERITAGE INSTITUTE

Clan leaders, traditional scholars and Elders conceived Sealaska Heritage Institute (SHI) at the first Sealaska Elder's Conference in 1980. Sealaska formally established SHI with the mission of perpetuating and enhancing the Tlingit, Haida and Tsimshian cultures of Southeast Alaska, and to promote cross cultural understanding.

In 2015, Sealaska contributed $1.5 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 $4.7 million in grants, revenue and sales and provided direct service to over 10,000 individuals through its programs and activities.

The return on Sealaska's yearly financial contribution is Native language, culture and arts education curricula professional development for teachers and artists; the Sealaska scholarship program; and research and published material on Native history and culture and public policy issues affecting Alaska Natives.

The cornerstone of Sealaska's investment in SHI is the opening of the Walter Soboleff building. The building houses its archival and ethnographic collection; and its market of Native art. Its programs and museum exhibitions serve as an education center for Native people, the general public and visitors to Alaska.

In addition, STC contributed $338,000 toward scholarships, and Sealaska contributed $196,000 for a total of $534,000. Sealaska's contribution comes from the scholarship endowment set up in 1989, which has contributed $8.1 million to SHI's scholarship program since inception.

B. HAA AANÍ COMMUNITY DEVELOPMENT FUND, INC. (CDFI)

The CDFI is an Emerging Native CDFI and achieved nonprofit 501(c)(3) status in 2013. The CDFI raised capital funding of $2 million in 2015 and deployed six loans in the region supporting 42 jobs. The CDFI provides access to capital for entrepreneurs in the form of loans and technical services in Southeast Alaska. The CDFI achieved significant milestones in 2015: 1) The CDFI's Path to Prosperity (P2P) Program received the International Economic Development Council's Silver Award for Business Retention and Expansion Category, and completed its third season with 115 total applicants from 18 different communities focused on 12 different industries. The winners of P2P support more than 25 jobs throughout Southeast Alaska. 2) The CDFI received a U.S. Treasury CDFI Fund Technical Assistance Award of $144,000 which will build capacity. The CDFI was one of 14 CDFI's in the U.S. and the only Alaska CDFI to receive the award. 3) The CDFI received the USDA's Intermediary Relending Program (IRP) Award of $1 million, which allows the CDFI to expand loan programs into rural communities. This is largest, and one of three IRP programs in Alaska. In 2016, the CDFI will build its loan portfolio from its funding sources, expand capacity by bringing on a community lender, develop workforce development programs to build capacity in the Southeast Alaska region, and rebrand the organization to align with its strategic direction.

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 6.25 percent in order for the trust to meet the estimated benefit payments. Since the trust's inception, more than $11.5 million in benefits have been provided.

D. DISTRIBUTIONS

Since its inception in 1972, Sealaska has distributed $595.1 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 three years.

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 Sealaska'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. See also the 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, 2015 and 2014, 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, 2015 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, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

April 15, 2016
Anchorage, Alaska

Consolidated Balance Sheets

Assets (As of December 31, 2015 and 2014)	2015	2014
Current assets:		
Cash and cash equivalents	$ 21,524	$ 25,314
Investments (note 4)	45,283	48,658
Receivables, net (note 5)	13,984	14,155
Inventories (note 6)	3,306	902
Prepaid expenses and other current assets	1,491	929
Deferred tax asset (note 12)	—	749
Current assets held for sale (notes 2 and 16)	5,017	4,065
Total current assets	90,605	94,772
Investments (note 4):		
Marjorie V. Young Shareholder Permanent Fund	98,720	102,060
Investment and growth long-term	8,663	10,144
Endowment funds	6,034	6,243
Elders' Settlement Trust	8,632	9,312
Other	14,958	14,195
Total investments	137,007	141,954
Property and equipment, at cost (note 7)	272,548	269,574
Less accumulated depreciation	(231,910)	(228,187)
Total property and equipment, net	40,638	41,387
Notes receivable	775	860
Other assets	2,432	2,626
Goodwill, net (note 9)	4,002	4,502
Deferred tax asset (note 12)	25,077	24,328
Noncurrent assets held for sale (notes 2 and 16)	1,199	1,559
Total assets	$ 301,735	$ 311,988

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

Liabilities and Shareholders' Equity (As of December 31, 2015 and 2014)	2015	2014
Current liabilities:		
Current portion of long-term debt (note 10)	$ —	$ 18,510
Accounts payable	6,221	6,012
Amounts payable under ANCSA Sections 7(i) and 7(j) (note 3)	12,949	13,640
Other accrued expenses	13,376	11,232
Anticipated future losses on contracts	—	5,059
Current liabilities held for sale (notes 2 and 16)	1,225	1,017
Total current liabilities	33,771	55,470
Noncurrent liabilities:		
Amounts payable under ANCSA Sections 7(i) and 7(j) (note 3)	11,823	10,222
Long-term debt, less current portion (note 10)	3,000	—
Other noncurrent liabilities (note 13)	16,460	16,214
Noncurrent liabilities held for sale (notes 2 and 16)	87	64
Total liabilities	65,141	81,970
Shareholders' equity		
Common stock, no par or stated value. Issued and outstanding 2,331,976 and 2,306,276 shares, in 2015 and 2014, respectively	—	—
Contributed capital	93,162	93,162
Retained earnings	141,421	135,076
Total Sealaska's shareholders' equity	234,583	228,238
Noncontrolling interest	2,011	1,780
Total shareholders' equity	236,594	230,018
Commitments and contingencies (notes 4, 8, 14, and 17)		
Total liabilities and shareholders' equity	$ 301,735	$ 311,988

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

Consolidated Statements of Operations

Years Ended December 31, 2015, 2014, and 2013	2015	2014	2013
Revenues:			
Natural resources (note 8)	$ 29,138	$ 33,352	$ 45,412
Investments (note 4)	(516)	6,399	16,502
Services	80,228	81,183	102,116
Gaming	296	154	374
Corporate and other income	294	501	439
Total revenues	109,440	121,589	164,843
Costs and expenses:			
Natural resources (note 8)	28,377	35,039	65,970
Investments	270	461	514
Services	76,459	77,794	134,153
Gaming	480	604	741
Corporate and other expenses	1,500	1,829	2,596
Selling, general, and administrative	11,608	13,107	13,222
Total cost and expenses	118,694	128,834	217,196
Loss from operations	(9,254)	(7,245)	(52,353)
Other, net	(2,140)	(2,416)	(4,315)
Loss from continuing operations before natural resources revenue sharing and income taxes	(11,394)	(9,661)	(56,668)
Net natural resource revenue sharing under ANCSA Sections 7(i) and 7(j) (note 3)	25,017	24,409	21,962
Income (loss) from continuing operations before income taxes and discontinued operations	13,623	14,748	(34,706)
Income tax benefit (expense) (note 12)	(292)	422	(86)
Income (loss) from continuing operations before discontinued operations	13,331	15,170	(34,792)
Discontinued operations, net of tax (notes 2 and 16)	383	145	1510
Net income (loss)	13,714	15,315	(33,282)
Less net income attributable to the noncontrolling interest	1,702	434	1,804
Net income (loss) attributable to Sealaska	$ 12,012	$ 14,881	$ (35,086)
Per share of common stock			
Income (loss) from continuing operations before discontinued operations	$ 5.75	$ 6.61	$ (15.34)
Discontinued operations (notes 2 and 16)	0.17	0.06	0.67
Net income (loss)	$ 5.92	$ 6.67	$ (14.67)
Net income (loss) attributable to Sealaska	$ 5.18	$ 6.48	$ (15.47)

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

Consolidated Statements of Shareholders' Equity

Years Ended December 31, 2015, 2014, and 2013	Contributed capital	Retained earnings	Noncontrolling interest	Total shareholders' equity
Balance at January 1, 2013	$ 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
Net income	—	12,012	1,702	13,714
Dividends to shareholders	—	(5,667)	—	(5,667)
Distributions to noncontrolling interest	—	—	(1,471)	(1,471)
Balance at December 31, 2015	**$ 93,162**	**$ 141,421**	**2,011**	**236,594**

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

Consolidated Statements of Cash Flows

Years Ended December 31, 2015, 2014, and 2013	2015	2014	2013
Cash flows from operating activities:			
Net income (loss)	**$ 13,714**	$ 15,315	$ (33,282)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and depletion	**4,970**	6,250	10,035
Amortization	**500**	647	—
Bad debt expense	**(195)**	(351)	2,125
Deferred taxes (benefit)	**—**	(368)	303
(Gain) loss on disposal of property and equipment	**(45)**	(3,922)	1,375
(Gain) loss on sale of subsidiaries	**—**	319	(3,689)
Loss on impairment of goodwill	**—**	—	10,024
Deferral of prior grant proceeds into property basis	**—**	—	5,153
Write-off of land selection and development costs	**—**	—	11,590
Loss on impairment of investment	**—**	—	122
Unrealized (gain) loss on investments	**6,906**	2,317	(8,146)
Elders trust liability (benefit)	**512**	49	(107)
Anticipated future losses on contracts	**(5,059)**	982	12,659
Change in assets and liabilities and provided (used) cash, net of effects acquisitions and disposals:			
Receivables	**366**	7,349	2,687
Inventories	**(2,404)**	3,421	(1,320)
Prepaid expenses and other current assets	**(562)**	1,307	113
Net purchase of investments	**(3,508)**	(1,352)	(1,827)
Accounts payable	**209**	(2,803)	(6,299)
Other accrued expenses	**2,144**	(17,239)	3,641
Amounts payable under ANCSA Sections 7(i) and 7(j)	**910**	(137)	8,352
Other, net	**525**	(280)	2,247
Assets and liabilities held for sale	**(361)**	(726)	(203)
Net cash provided by operating activities	**$ 18,622**	$ 10,778	$ 15,553

❖ Dollars are in thousands.

See accompanying notes to consolidated financial statements.

Years Ended December 31, 2015, 2014, and 2013	2015	2014	2013
Cash flows from investing activities:			
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	**(4231)**	(1,302)	(8,250)
Proceeds from sale of land and equipment	**55**	2,162	520
Repayment of notes receivable	**—**	—	79
Proceeds from sale of investments	**7,926**	3,734	—
Purchases of investments	**(3,514)**	(19,181)	(3,180)
Net cash provided by (used in) investing activities	**236**	(14,587)	(171)
Cash flows from financing activities:			
Additional investments in consolidated subsidiaries	**—**	—	(1,422)
Dividends to shareholders	**(5,667)**	(3,000)	(5,105)
Borrowings on long-term debt	**3,000**	—	—
Repayment on long-term debt	**(18,510)**	—	(9,872)
Distribution to noncontrolling interests	**(1,471)**	(734)	(866)
Net cash used in financing activities	**(22,648)**	(3,734)	(17,265)
Net decrease in cash and cash equivalents	**(3,790)**	(7,543)	(1,883)
Cash and cash equivalents at beginning of year	**25,314**	32,857	34,740
Cash and cash equivalents at end of year	**$ 21,524**	$ 25,314	$ 32,857
Supplemental cash flow disclosures:			
Cash paid during the year for interest	**$ 205**	$ 457	$ 596
Cash paid during the year for income taxes	**308**	97	120
Supplemental schedule of non-cash investing and financing activities:			
Note issued to purchase of additional interest in consolidated subsidiaries	**$ —**	$ —	$ 300
Increase in shareholders' distributions payable	**361**	348	464
Note Receivable for the sale of Rocky Pass Seafoods	**—**	861	—
Conversion of Note Receivable to Investments for Green Earth Greens	**—**	500	—
Conveyance of ANCSA land in 2015 (note 3)	**—**	—	—

❖ 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 water and energy 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) RECLASSIFICATIONS

In order to make the consolidated financial statements comparable with the 2015 presentation, certain reclassifications have been made to the 2014 and 2013 figures.

(C) 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 collectibility 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.

(D) 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 collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Writeoffs for 2015, 2014, and 2013 were $1,000, $0, and $463,000, respectively. The Corporation does not have any off-balance sheet credit exposure related to its customers.

(E) 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.

(F) 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% 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, as Sealaska does not exercise significant influence over these investees.

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%.

(G) 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.

(H) DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES 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, 2015 and 2014, there was no goodwill attributable to assets held for sale. The Corporation elected to present assets held for sale as both current and noncurrent amounts and to not present separately in the consolidated statements of cash flows the information related to discontinued operations.

In April 2014, the FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures 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.

(I) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost.

Depreciation and amortization of property, equipment, and leasehold improvements are provided primarily on the straightline 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**

(J) 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.

(K) 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.

(L) 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.

(M) 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.

The Corporation has elected to amortize goodwill on a straightline basis over 10 years. Goodwill must be tested for impairment when a triggering event occurs that indicates that the fair value of a reporting unit may be below its carrying amount. The goodwill impairment amount, if any, represents the excess of the reporting unit's carrying amount over its fair value, limited to the carrying amount of goodwill of the reporting unit. The Corporation has made an accounting policy decision to test goodwill impairment at the Corporation's consolidated 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 straightline method.

(N) OTHER EXPENSE

The Company has reported $2.1 million, $2.4 million, and $4.3 million in other expense for the years ended December 31, 2015, 2014, and 2013, respectively. Within these amounts are charitable contributions of $1.5 million, $1.7 million, and $3.8 million for the years ended December 31, 2015, 2014, and 2013, respectively. Also included within these amounts is an increase adjustment to the elder's liability of $512,000 and $49,000 for the years ended December 31, 2015 and 2014, respectively, and a decrease adjustment of $107,000 for the year ended December 31, 2013. Remaining amounts related to other net miscellaneous expense of $88,000, $651,000, and $607,000 for the years ended December 31, 2015, 2014, and 2013, respectively.

(O) 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, when 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.

(P) ANCSA SECTION 7(i) ACCOUNTING

Property and Equipment: 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 straightline 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 consolidated balance sheets.

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 consolidated balance sheets and the associated revenues are recognized as described in note 1(c).

(Q) 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.

(R) 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, 2015 and 2014 was 2,331,976 and 2,306,276, 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. 10,900 shares of Class E stock, 14,800 shares of Class D stock, and 0 shares of Class L stock were issued in 2015. 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.

(S) FAIR VALUE

ASC Topic 820, Fair Value Measurement, establishes a framework for fair value measurement in the consolidated 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 marketbased 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 that 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, using Level 3 inputs and an income valuation technique, Sealaska performed an impairment assessment of certain long-lived assets and goodwill, resulting in goodwill impairment of $10 million. During 2015 and 2014, an impairment assessment of long-lived assets and goodwill was not considered necessary, as no triggering events were identified.

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.

(T) 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 consolidated 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 implemented the provisions of ASU 2013-11 as of January 1, 2015 with a prospective application.

In November 2015, the FASB issued ASU No. 2015-07, *Balance Sheet Classification of Deferred Taxes.* ASU 2015-17 requires entities with a classified balance sheet to present all deferred tax asset and liabilities as noncurrent. Classifying all deferred taxes as noncurrent may simplify Corporation's processes because it will not need to separately identify the net current and net noncurrent deferred tax asset or liability in each jurisdiction and allocate valuation allowances. The new standard is effective for the Corporation for annual reporting periods beginning after December 15, 2016. The new standard can be applied either prospectively or retrospectively. The Corporation implemented the provisions of ASU 2015-17 as of January 1, 2015, with a prospective application.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers.* 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 consolidated 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, 2018. The Corporation will implement the provisions of ASU 2014-09 as of January 1, 2019. The Corporation has not yet determined the impact of the new standard on its current policies for revenue recognition.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 changes requirements for reporting leases. This ASU increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheets and disclosing key information about the lease arrangements. Under the ASU, all leases create an asset and a liability and lessees will now be required to recognize those assets and liabilities that arise from the leases. A lessee should recognize on the consolidated balance sheets a liability to make lease payments and a right-of-use asset representing its right to the underlying asset for the lease term. The accounting applied by the lessor is largely unchanged by the ASU. The new standard is effective for the Corporation for annual reporting periods beginning after December 15, 2019. The Corporation will implement the provisions of ASU 2016-02 as of January 1, 2020. The Corporation has not yet determined the impact of the new standard on its current policies for leases.

(U) FOREIGN CURRENCY TRANSACTIONS
The consolidated 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.

(V) USE OF ESTIMATES
The preparation of consolidated 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 consolidated 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 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 $1,000,000 non interest bearing note receivable at its discounted value of $861,000 secured by an assignment with security interest in Kake Tribal Corporation's interest in 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% 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%. The $1.4 million purchase price exceeded the book value of the noncontrolling interest by approximately $12,000 and represents additional paidin 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 asset held for sale at December 31, 2015. Prior year's services revenues and income (loss) from discontinuing operations were $21.8 million and $145,000, respectively, in 2014 and $21.3 million and $(603,000), respectively, in 2013. 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.

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 had 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. In 2014, the Southeast Alaska Native Land Entitlement Finalization and Jobs Act was passed. This resulted in the conveyance of approximately 70,075 acres of land in March 2015 to fulfill Sealaska's total entitlement of ANCSA lands during 2015 of 362,000 acres.

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 284,000 subsurface 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% 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% 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%. 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 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 nearterm 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:

	2015	2014
Investment and growth, current:		
Common stock	$ 15,851	$ 16,372
Money market	5,840	4,689
Bonds and notes	23,534	27,541
Accrued interest, dividends and other	58	56
Total investment and growth	45,283	48,658
Marjorie V. Young Shareholder Permanent Fund:		
Common stock	39,438	41,909
Alternative investments	53,251	53,691
Government bonds and notes	5,436	5,644
Money market, accrued interest, dividends and other	595	816
Total Marjorie V. Young Shareholder Permanent Fund	98,720	102,060
Investment and growth	8,663	10,144
Endowment Fund	6,034	6,243
Elders' Settlement Trust	8,632	9,312
Other investments	14,958	14,195
Total investments	$ 182,290	$ 190,612

❖ 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 onetime 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 threeyear 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 2015, 2014, and 2013 was $547,000, $481,000, and $485,000, 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:

	2015	2014	2013
Unrealized gains (losses)	$ (6,906)	$ (2,317)	$ 8,146
Realized net gains, dividends and interest	6,390	8,716	8,356
Total investment earnings (loss)	**$ (516)**	$ 6,399	$ 16,502

❖ 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 $34.4 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, 2015			
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	$ 6,944	$ 6,944	$ —	$ —
Equity securities:				
Equity securities—domestic	33,686	33,686	—	—
Equity securities—international (developed)	15,747	15,747	—	—
Equity securities—emerging markets	5,856	5,856	—	—
Equity securities—Vanguard Mutual funds	12,768	12,768	—	—
Total equity securities	68,057	68,057	—	—
Debt securities:				
Government securities	17,907	16,715	1,192	—
Corporate securities	14,490	—	14,490	—
Asset- and mortgage-backed securities	1,992	—	1,992	—
Mutual funds	6,045	6,045	—	—
Total debt securities	40,434	22,760	17,674	—
Alternative investments:				
Hedge funds	12,785	—	—	12,785
Private equity	18,638	—	—	18,638
Real assets	12,247	—	—	12,247
Real estate	23,185	—	—	23,185
Total alternative investments	66,855	—		66,855
Total	$ 182,290	$ 97,761	$ 17,674	$ 66,855

❖ Dollars are in thousands. Years ended December 31.

	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.

The Company'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, 2015 or 2014.

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, 2015 and 2014:

Description	**January 1, 2015**	**Gain/(loss)**	**Net purchases (sales)**	**December 31, 2015**
Hedge funds	$ 14,510	$ (447)	$ (1,278)	$ 12,785
Private equity	13,541	756	4,341	18,638
Real assets	16,739	(3,631)	(861)	12,247
Real estate	24,118	3,212	(4,145)	23,185
Total	$ 68,908	$ (110)	$ (1,943)	$ 66,855

❖ Dollars are in thousands. Years ended December 31.

5. Receivables

Receivables consist of the following:

	2015	2014
Accounts receivable, less allowance for doubtful accounts of $413 and $413 at December 31, 2015 and 2014, respectively:		
Billed	$ 14,917	$ 13,297
Unbilled, including costs and estimated earnings in excess of billings	3,174	4,405
Other	271	204
Less accounts receivable reclassified to assets held for sale	(4,378)	(3,751)
Total receivables	**$ 13,984**	$ 14,155

❖ 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 $31.1 million and $0.8 million in 2015 and 2014, respectively. These amounts are recorded within accrued liabilities. Costs and estimates on active construction contracts consist of the following at December 31, 2015 and 2014:

	2015	2014
Costs incurred to date	$ 227,667	$ 212,214
Profit to date, including loss accruals	15,611	14,955
Revenue earned to date	243,278	227,169
Billing to date	241,508	226,316
Costs and estimated earnings in excess of billings	**$ 1,770**	$ 853

❖ 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, 2015 and 2014:

	2015	2014
Accounts receivable	$ 2,913	$ 1,690
Other accrued expenses	(1,143)	(837)
Costs and estimated earnings in excess of billings	**$ 1,770**	$ 853

❖ Dollars are in thousands. Years ended December 31.

6. Inventories

Inventories consist of the following:

	2015	2014
Timber—finished goods	$ 2,278	$ 610
Other	1,028	292
Total inventories	**$ 3,306**	$ 902

❖ Dollars are in thousands. Years ended December 31.

7. Property and Equipment

Property and equipment consist of the following:

	2015	2014
Buildings, leaseholds and improvements	$ 16,720	$ 16,964
Equipment and furnishings	20,198	20,240
Logging roads, yards and camps	203,399	200,347
Reforestation and silviculture costs	15,966	16,004
Total property and equipment	**256,283**	253,555
Less accumulated depreciation	(232,806)	(229,057)
Construction in progress	187	—
Land	17,393	17,393
Less property reclassified to assets held for sale	(419)	(504)
Net property and equipment	**$ 40,638**	$ 41,387

❖ 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, 2015 and 2014 is included in the caption “Land” above.

8. Timber, Timberland and Mineral Resources

As of December 31, 2015, Sealaska has received approximately 362,000 acres of land under the provisions of ANCSA, as described in note 3. 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 consolidated financial statements. 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 onetime 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.

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 related to the obligation. 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, 2015 and 2014:

	2015	2014
Balance at beginning of the year	$ 547	$ 789
Additional obligations incurred	—	—
Obligations settled in current period	(118)	(275)
Accretion expense	25	33
Balance at end of year	**$ 454**	$ 547

❖ Dollars are in thousands. Years ended December 31.

9. Goodwill and Intangible Assets

The following table presents the change in the carrying value of goodwill for the years ended December 31, 2015 and 2014:

	2015	2014
Balance as of January 1		
Gross goodwill	$ 22,819	$ 22,819
Accumulated amortization and impairment losses	(18,317)	(17,817)
Net goodwill as of January 1	**$ 4,502**	$ 5,002
Amortization expense	(500)	(500)
Balance as of December 31		
Gross goodwill	$ 22,819	$ 22,819
Accumulated amortization and impairment losses	(18,817)	(18,317)
Net goodwill as of December 31	**$ 4,002**	$ 4,502

❖ Dollars are in thousands. Years ended December 31.

During 2015 and 2014, no triggering events were identified that would require an impairment analysis of goodwill. See note 1(*m*).

10. Long-Term Debt

Long-term debt consists of the following:

	2015	2014
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 1.61% at December 31, 2015, with the note expiring June 2020	3,000	—
Other debt	87	64
Less debt reclassified to noncurrent liabilities held for sale	(87)	(64)
Total long-term debt	3,000	18,510
Less current portion	—	(18,510)
Total long-term debt less current portion	$ 3,000	$ —

❖ 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, 2015. Interest expense totaled $205,000 in 2015, $457,000 in 2014, and $791,000 in 2013.

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:

	2015	2014	2013
Current income tax benefit (expense):			
Federal	$ (250)	$ —	$ (349)
State	(42)	54	(40)
Total	$ (292)	$ 54	$ (389)
Deferred income tax benefit (expense):			
Federal	—	328	248
State	—	40	55
Total	—	368	303
Income tax benefit (expense)	$ (292)	$ 422	$ (86)

❖ 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% to earnings before taxes) as follows:

	2015	2014	2013
Computed "expected" tax benefit (expense)	$ (4,768)	$ (5,161)	$ 12,147
State income tax, net of federal tax benefit	(33)	46	(79)
Change in valuation allowance	9,135	8,664	(16,753)
Net expiration (use) of net operating losses and charitable contribution carryforward	(772)	(786)	(49)
Addition of ANCSA assets (tax basis)	62	78	8,120
Impairment of nondeductible goodwill	—	—	(2,234)
Other	(3,916)	(2,419)	(1,238)
	$ (292)	$ 422	$ (86)

❖ Dollars are in thousands. Years ended December 31.

Net deferred tax assets and liabilities include the following:

	2015	2014
Deferred tax assets:		
Net operating loss and charitable contribution carryforwards	$ 139,667	140,140
ANCSA resource basis difference	193,994	197,305
Property and equipment	17,533	16,433
Other	14,156	17,747
Total gross deferred tax assets	**365,350**	371,625
Valuation allowance	(326,617)	(335,752)
Net deferred tax asset	**38,733**	35,873
Deferred tax liabilities—investment unrealized gains	(13,656)	(10,796)
Less current portion	—	(749)
Total long-term deferred tax asset	$ 25,077	24,328

❖ 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 $337.4 million federal and $242.7 million state, which expire in varying amounts from 2018 to 2035 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 2035.

13. Other Noncurrent Liabilities

Other noncurrent liabilities consist of the following:

	2015	2014
The Elders' Settlement Trust distribution payable	$ 8,139	$ 8,208
Shareholders' distribution payable	2,261	1,831
Endowments payable	3,005	3,167
Voluntary retirement deferrals	3,055	3,008
Total	$ 16,460	$ 16,214

❖ 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% of their eligible compensation to the plan, subject to the limits of Section 401(k) of the Internal Revenue Code. Sealaska matches 100% of the participant's contribution up to 4% 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 $686,000, $707,000, and $1.6 million, in 2015, 2014, and 2013, respectively.

15. Description of the Business and Segment Information

Sealaska, together with its 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 646,000 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) SERVICES

The services division 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 division 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 division expanded in 2010 with the controlling acquisition of Security Alliance. Through Security Alliance, the services division 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.

(C) 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.

(D) 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

	2015	2014	2013
Net income (loss) from continuing operations before income taxes:			
Natural resources	**$ 761**	$ (1,687)	$ (20,558)
Investments	**(786)**	5,938	15,988
Services	**3,769**	3,389	(32,037)
Gaming	**(184)**	(450)	(367)
Corporate and other	**(1,206)**	(1,328)	(2,157)
Total segment net earnings (loss)	**2,354**	5,862	(39,131)
Net revenue (expense) not allocable to a segment:			
Natural resources revenue sharing under ANCSA Sections 7(i) and 7(j)	**25,017**	24,409	21,962
Selling, general, and administrative expense	**(11,608)**	(13,107)	(13,222)
Other, net	**(2,140)**	(2,416)	(4,315)
Income (loss) from continuing operations before income taxes and discontinued operations	**13,623**	14,748	(34,706)
Income tax benefit (expense)	**(292)**	422	(86)
Income (loss) from continuing operations before discontinued operations	**13,331**	15,170	(34,792)
Discontinued operations, net of tax	**383**	145	1,510
Net income (loss)	**13,714**	15,315	(33,282)
Less net income attributable to noncontrolling interest	**1,702**	434	1,804
Net income (loss) attributable to Sealaska	**$ 12,012**	14,881	(35,086)

❖ Dollars are in thousands. Years ended December 31.

	2015	2014	2013
Total assets by operating segment:			
Natural resources	$ 28,603	$ 12,063	$ 15,224
Investments	182,290	190,612	175,074
Services	27,843	14,434	26,578
Gaming, net of intercompany	27	14	24
Corporate and other	56,756	89,241	97,321
Assets held for sale	6,216	5,624	5,630
Total assets	**$ 301,735**	$ 311,988	$ 319,851
Capital expenditures by segment:			
Natural resources	3,527	443	5,973
Services	302	518	629
Corporate and other	402	341	1,648
Total capital expenditures	**$ 4,231**	$ 1,302	$ 8,250
Depreciation, impairment, and amortization by segment:			
Natural resources	3,174	5,152	7,501
Services	1,380	766	11,420
Corporate and other	916	979	991
Total depreciation, impairment, and amortization	**$ 5,470**	$ 6,897	$ 19,912

❖ 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 sheets 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:	2015	2014
Current assets:		
Cash and cash equivalents	$ 639	$ 314
Receivables, net	4,378	3,751
Current assets held for sale	**$ 5,017**	$ 4,065
Property and equipment, at cost	1,315	1,374
Less accumulated depreciation	(896)	(870)
Total property and equipment, net	**$ 419**	$ 504
Other assets	246	229
Intangible assets	534	826
Noncurrent assets held for sale	**1,199**	1,559
Total assets held for sale	**$ 6,216**	$ 5,624
Liabilities:		
Current liabilities:		
Line of credit	$ —	$ —
Accounts payable	155	137
Other accrued expenses	1,070	880
Current liabilities held for sale	**$ 1,225**	$ 1,017
Long-term debt, less current portion	87	64
Total liabilities held for sale	**$ 1,312**	$ 1,081

❖ 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:

	2015	2014	2013
Natural resources	$ —	$ —	$ 1,204
Manufacturing	—	—	43,464
Services	25,401	21,771	21,343
Revenue	25,401	21,771	66,011
Operating expenses:			
Cost of goods sold	20,945	17,780	54,684
Selling, general, and administrative	3,644	3,299	7,362
Other, net	420	523	5,794
Total operating expenses	25,009	21,602	67,840
Net income (loss) before gain on sale and income taxes	392	169	(1,829)
Income tax benefit (expense)	(9)	(24)	258
Gain on sale	—	—	3,081
Earnings from discontinued operations	$ 383	$ 145	$ 1,510

❖ 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:

2016	$ 629
2017	615
2018	564
2019	390
2020	399
Thereafter	2,333
Total	**$ 4,930**

❖ Dollars are in thousands.

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. Subsequent Events

Sealaska has evaluated subsequent events from the consolidated balance sheet date through April 15, 2016 the date at which the consolidated financial statements were available to be issued, and determined there are no subsequent events that require disclosure.

Directory

SEALASKA CORPORATION

Corporate Headquarters
One Sealaska Plaza, Suite 400
Juneau, AK 99801
TEL: 907.586.1512
FAX: 907.586.2304
Shareholder toll-free line:
800.848.5921
www.sealaska.com

Seattle Office
1200 6th Ave, Suite 800
Seattle, WA 98101
TEL: 206.209.1719
FAX: 206.453.3479

Sealaska Heritage Institute
105 S. Seward St., Suite 201
Juneau, AK 99801
TEL: 907.463.4844
FAX: 907.586.9293
www.sealaskaheritage.org

OUTSIDE COUNSEL

Simpson, Tillinghast & Sorensen, P.C.
One Sealaska Plaza, Suite 300
Juneau, AK 99801

INDEPENDENT AUDITORS

KPMG, LLP
701 West 8th Ave., Suite 600
Anchorage, AK 99501

OUR BUSINESSES

HAA AANÍ

One Sealaska Plaza, Suite 400
Juneau, AK 99801
www.sealaska.com/page/haa-aani-llc

Alaska Coastal Aggregates
General Manager: Bill Bennett
One Sealaska Plaza, Suite 400
Juneau, AK 99801
bill.bennett@sealaska.com
www.sealaska.com/page/aggregates

Sealaska Timber Corporation
General Manager: Duane Woodruff
1900 1st Avenue, Suite 315
Ketchikan, AK 99901
duane.woodruff@sealaska.com
www.sealaskatimber.com

SEALASKA GOVERNMENT SERVICES, LLC

1200 6th Ave, Suite 800
Seattle, WA 98101
www.sealaska.com

Managed Business Solutions, LLC
General Manager: Rich Mainwaring
12325 Oracle Blvd., Suite 200
Colorado Springs, CO 80921
rich.mainwaring@mbshome.com
www.mbshome.com

Sealaska Construction Solutions, LLC
General Manager: Bob Wysocki
1200 6th Ave, Suite 800
Seattle, WA 98101
bob.wysocki@sealaska.com
www.sealaska.com

Sealaska Constructors, LLC
General Manager: Bob Wysocki
1200 6th Ave, Suite 800
Seattle, WA 98101
bob.wysocki@sealaska.com
www.sealaska.com

Sealaska Environmental Services, LLC
General Manager: Peter McCormick
P.O. Box 869
Poulsbo, WA 98370
peter.mccormick@sealaska.com
www.sealaska.com

Sealaska Technical Services, LLC
General Manager: Dave Kostorowski
3200 George Washington Way, Suite D
Richland, WA 99352
dave.kostorowski@sealaska.com
www.sealaska.com

Security Alliance, LLC
President and CEO: Bill Murphy
8323 NW 12th St., Suite 218
Doral, FL 33126-1840
billm@securityalliancegroup.com
www.securityalliancegroup.com

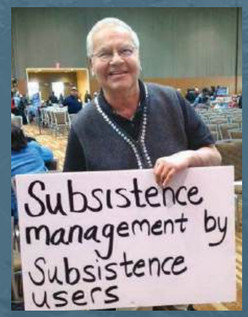
IN MEMORY

Remembering Sealaska Leaders Who Have Walked Into the Forest

ROBERT LOESCHER (1947–2015)

- Sealaska President and CEO 1997–2001
- Executive Vice President 1989
- Vice President 1986–1989
- Natural Resources 1979







Former Sealaska Directors (years served)

- Judson L. Brown 1974–1987
- Charles Carlson 1981–1993
- Niles Cesar 1987–1990
- Lawrence W. Dalton Sr. 1974–1978
- Robert “Jeff” David Sr. 1974–1979
- Joseph Demmert Jr. 1983–2005
- L. Embert Demmert Sr. 1985–1994
- Raymond Q. Demmert 1978–1992
- Murlin “ Mike” G. Everson 1978–1981
- Cyril W. George Sr. 1972–1974
- Louis J. Gloria 1979–1988
- Andrew John Hope Jr. 1974–1991
- Clarence M. Jackson Sr. 1972–2013 (Emeritus)
- Mark Jacobs Jr. 1972–1979
- Gordon James Sr. 1988–2004
- Leonard Kato 1972–1976
- Richard “Dick” Kito 1972–1983
- Roger J. Lang 1972–1987
- Charles Nelson Sr. 1972–1974
- Dr. Walter A. Soboleff 1980–1988
- Richard Stitt Sr. 1988–2004
- Dr. Alfred E. Widmark Sr. 1985–1988

VALUES IN ACTION
SEALASKA

www.sealaska.com

Photo credits: Linda Demmert, Bethany Goodrich, Eirik Johnson, Mark Kelley, Katarina Sostaric, Brian Wallace and the Traver Gallery.
© 2016 Sealaska Corporation. Produced by Morgan Howard Communications. Designed by Mark Tolleshaug. Printed by Visions, Inc.
Paper is certified by the Rainforest Alliance for FSC standards.

Please recycle

MIX
Paper from responsible sources
FSC® C010044