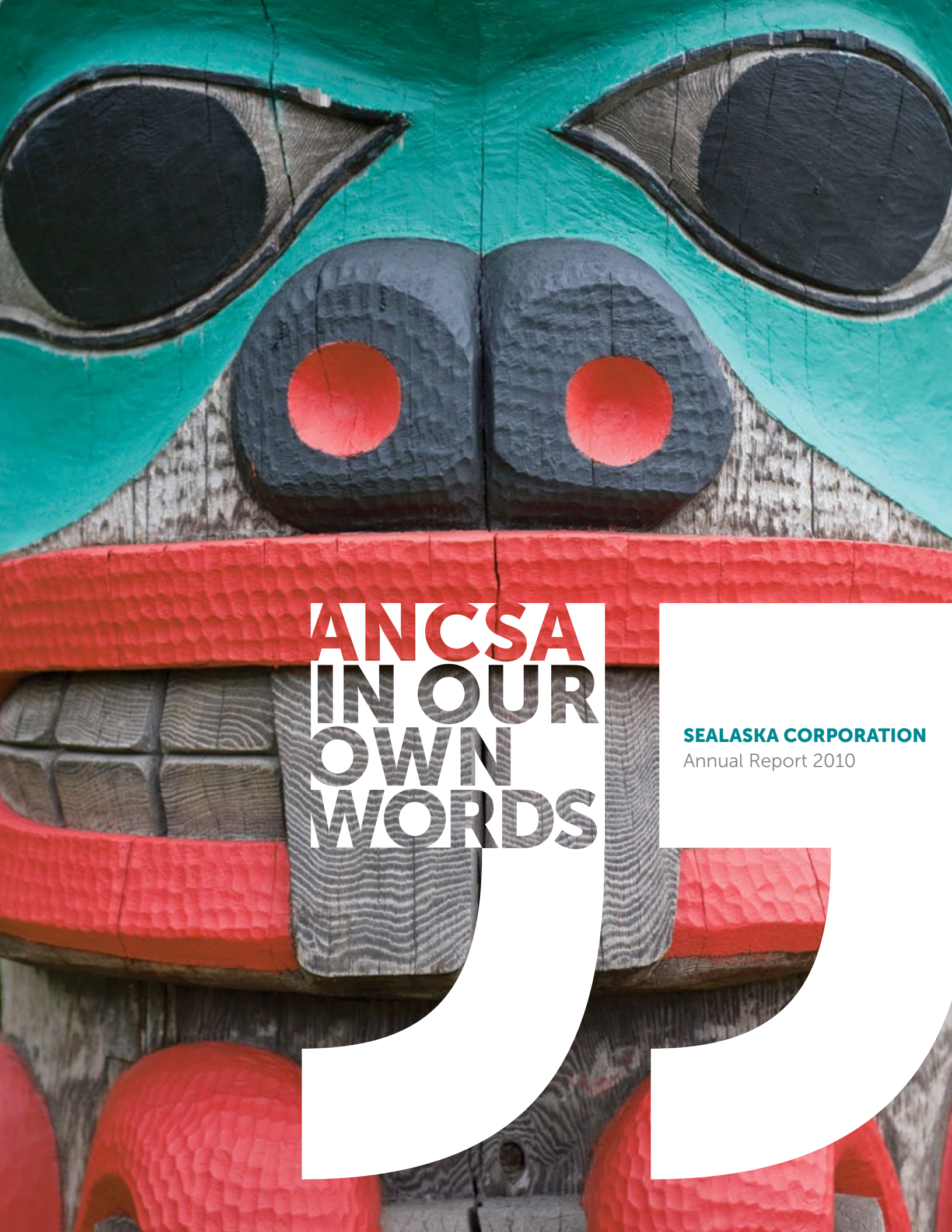
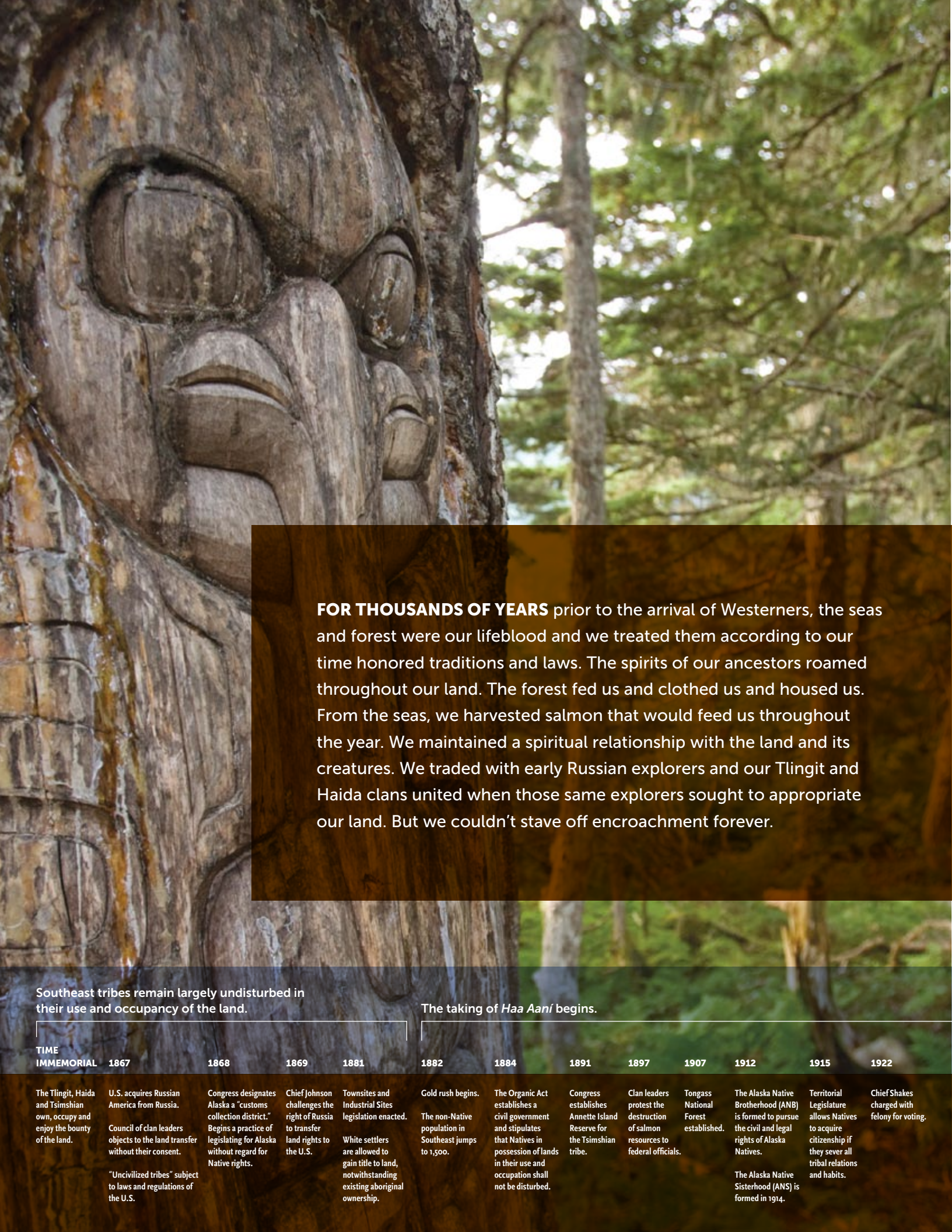


ANCSA IN OUR OWN WORDS

SEALASKA CORPORATION

Annual Report 2010



FOR THOUSANDS OF YEARS prior to the arrival of Westerners, the seas and forest were our lifeblood and we treated them according to our time honored traditions and laws. The spirits of our ancestors roamed throughout our land. The forest fed us and clothed us and housed us. From the seas, we harvested salmon that would feed us throughout the year. We maintained a spiritual relationship with the land and its creatures. We traded with early Russian explorers and our Tlingit and Haida clans united when those same explorers sought to appropriate our land. But we couldn't stave off encroachment forever.

Southeast tribes remain largely undisturbed in their use and occupancy of the land.

The taking of *Haa Aaní* begins.

TIME IMMEMORIAL

The Tlingit, Haida and Tsimshian own, occupy and enjoy the bounty of the land.

1867

U.S. acquires Russian America from Russia.

Council of clan leaders objects to the land transfer without their consent.

"Uncivilized tribes" subject to laws and regulations of the U.S.

1868

Congress designates Alaska a "customs collection district." Begins a practice of legislating for Alaska without regard for Native rights.

1869

Chief Johnson challenges the right of Russia to transfer land rights to the U.S.

1881

Townsites and Industrial Sites legislation enacted.

White settlers are allowed to gain title to land, notwithstanding existing aboriginal ownership.

1882

Gold rush begins.

The non-Native population in Southeast jumps to 1,500.

1884

The Organic Act establishes a civil government and stipulates that Natives in possession of lands in their use and occupation shall not be disturbed.

1891

Congress establishes Annette Island Reserve for the Tsimshian tribe.

1897

Clan leaders protest the destruction of salmon resources to federal officials.

1907

Tongass National Forest established.

1912

The Alaska Native Brotherhood (ANB) is formed to pursue the civil and legal rights of Alaska Natives.

The Alaska Native Sisterhood (ANS) is formed in 1914.

1915

Territorial Legislature allows Natives to acquire citizenship if they sever all tribal relations and habits.

1922

Chief Shakes charged with felony for voting.

AFTER RUSSIAN AMERICA WAS "SOLD" TO THE UNITED STATES IN 1867, some of us wanted to go to war to drive out the Americans. That changed in 1869, when America displayed her mighty strength by destroying the Kake winter village in retaliation for the killing of two white traders. In 1880, after a long and courageous struggle, Chilkat Clan leaders allowed miners to pass through Chilkat territory to prospect, leading to more and more white traders. Eventually, our land was taken from us and our way of life deemed obsolete. Congress enacted a series of laws granting others access to our land without consideration of our rights. Thus began the nearly 75-year struggle for *Haa Aaní* (Tlingit for "Our Land") and the long path to passage of the Alaska Native Claims Settlement Act.

This year we honor that struggle by commemorating the 40th anniversary of the act. We tell the story of this epic journey in our own words as Tlingit and Haida people whose connection to the land of Southeast Alaska goes back thousands of years. As you read this report, we are taking the last steps of this journey, making the final push toward our destiny. *Haa Aaní,* the Southeast Alaska Native Land Entitlement Finalization and Jobs Protection Act now before Congress, would complete Sealaska's final land conveyances and fulfill the promise the U.S. government made to our people 40 years ago.

HONORING THE PATH TO ANCSA

The fight for ANCSA becomes part of the national agenda.

1924
First Native representative is elected to the territorial Legislature. William L. Paul Sr. makes history.

1929
ANB passes a resolution to sue the U.S. for the creation of the Tongass National Forest and Glacier Bay National Park without the permission of the indigenous people of Southeast Alaska.

1935
Tlingit and Haida become a federally recognized tribe. Allows tribe to file suit for loss of land in Southeast.

1939
Central Council of Tlingit and Haida Indian Tribes of Alaska is founded to pursue the claim in court.

1959
Alaska becomes a state. U.S. disclaims all rights to land held by Indians, Eskimos and Aleuts.

U.S. Court of Claims rules that Tlingits and Haidas were the original owners of Southeast and entitled to compensation for land taken from them.

1962
Tee Hit Ton Supreme Court decision strips Alaska Natives of all land rights.

1966
Alaska Federation of Natives is founded to secure Native rights.

Native villages are united under 12 regional organizations to protect the land for future generations.

1967
After decades of struggle, the first Native land claims settlement bill is introduced in Congress.

1968
Interior Secretary Stewart Udall freezes all land transfers until Native land claims are settled.

The move halts all drilling for oil and pushes Native land ownership to the national forefront.

1971
Alaska Native Claims Settlement Act is signed into law.

Sealaska gains rights to 375,000 acres in Southeast Alaska.

PRESENT
Southeast Alaska Native Land Entitlement Finalization and Jobs Protection Act goes before Congress.

Sealaska Corporation seeks conveyance of the final 85,000 acres as promised under ANCSA.

LETTER TO OUR TRIBAL MEMBER SHAREHOLDERS

This year is the 40th anniversary of the Alaska Native Claims Settlement Act (ANCSA). This historic legislation returned a small portion of our land that was unjustly taken, beginning in 1867 when Russian America was "sold" to the United States. Almost 40 years have gone by and the United States still has not fulfilled your final land entitlement through Sealaska. As we move forward with our land legislation, we also draw inspiration from our past leaders as they fought for our land; for *Haa Aaní*.

In the pages that follow, we will revisit the long and challenging path to ANCSA as told through the words of our ancestors. With an eye toward future generations, they struggled for *Haa Aaní* and ultimately won recognition for indigenous land rights—an achievement that has resounded through the generations.

It is the sacrifice of our Elders that we commemorate today—and we honor their struggle every day through diverse operations that support and sustain our culture, strengthen our communities and strive to make a difference in the lives of our tribal member shareholders.

Sealaska is weathering the challenges of a weak economy and the lingering effects of the recession. We are well-positioned to capture new opportunities and strengthen our existing operations. We are doing this partly through the efforts of our new subsidiary, Haa Aaní, LLC, which is focused on bringing new and sustainable industries to our Southeast communities to help transform and expand economic opportunity within the region.

Throughout 2010 we provided ongoing attention to the preservation and stewardship of our land and natural resources, and made a reinvigorated push to fulfill the promise of ANCSA. As a leader in the development of modern and traditional land management practices, we are committed to creating sustainable forests that provide continuing sources of fiber, fish and wildlife, and logs for cultural uses. Sealaska is managing its lands for the benefit of today's generation and future generations of tribal member shareholders.

Sealaska is also gaining important recognition from Fortune 100 companies, such as Procter & Gamble, and major governmental entities, including the U.S. Navy and the Department of State. As president and CEO of Sealaska, it has been a privilege to serve on the Procter & Gamble Supplier Diversity Council. We have received significant recognition from the National Minority Supplier Development Council and we are especially proud of the work of our subsidiary, Security Alliance, which was named the 2010 Small Business Prime Contractor for the U.S. Department of State. We are encouraged by our growing national recognition and we take pride in Sealaska Corporation as an institution, as a steward of *Haa Aaní* and as the thread that connects our people.

Our land, our tribal member shareholders, our communities and our businesses remain precious to us and it is with a sense of hope that we look ahead to the next 40 years.

As we celebrate the 40th anniversary of ANCSA, we acknowledge those who came before us—their perseverance, their courage and their commitment to ensuring the success of our people, both now and in the future.

This is their story. Your story. Our story.
In our own words.

Chris E. McNeil Jr.
President and Chief Executive Officer

Albert M. Kookesh
Board Chair

IN PURSUIT OF *HAA AANÍ*

Land legislation bills go before Congress

IN 1971 THE ALASKA NATIVE CLAIMS SETTLEMENT ACT (ANCSA) was signed into law, guaranteeing the return of up to 375,000 acres to Southeast Alaska's Tlingit, Haida and Tsimshian peoples through Sealaska Corporation. In 2010 we continued our work for *Haa Aaní*, pushing Congress to fulfill the promise it made to our people 40 years ago.

Sealaska named its important land legislation *Haa Aaní* to reflect the deep spiritual relationship we have with our land. At its heart, the land legislation is about fairness by recognizing Native peoples' rights, jobs and conservation.

Our land in Southeast Alaska is the very lifeblood of our culture and our way of life, and it remains the most potent link to our heritage. The land is also the basis for our continued economic and cultural well-being, providing jobs in rural communities that are being devastated by outmigration, suffering from some of the highest unemployment rates in the state and facing a predicted double-digit population decline.

Striking a balance between conservation and the economic realities of the region has been a major focus for Sealaska. *Haa Aaní* would allow us to select lands that are less environmentally sensitive than the lands currently available to us. It would also protect roadless and conservation areas, and old-growth forest, while providing Sealaska with Native "futures" sites that offer unique cultural, historical and wilderness experiences, as well as opportunities to explore renewable energy initiatives.

"One day I asked my old grandfather how long since the *Koak-lannas* had been getting fish from these streams.

The old man looked at me and said, '**ASK THOSE ROCKS. THEY KNOW BECAUSE THEY ARE THE ONLY ROCKS THAT WERE HERE BEFORE THE HAIDAS.'**"

—SAMUEL C. DAVIS, Haida

Tlingit family in Sitka, 1878

Howkan Haida village, circa 1880s

"Russian America" is sold to the United States.

1867 to 1884

Before 1867 we dealt with Russian fur traders as equals. We were sovereigns of our lands since time immemorial. When our land was "sold" to the United States, Sitka Tlingits responded by destroying the army stockade in 1877. Chief Anahootz proclaimed: "We are glad to say that after so many years hard fight we get our country back again."

But the white settlers were here to stay as salmon canneries were established in 1878 and gold was discovered in Juneau in 1880. In 1884 the Organic Act made Alaska a district with a governor. Although the act promised protection for lands "used and occupied" by Natives, it was passed to regulate miners' claims. From the beginning, Native land claims and claims to our land's resources were intertwined.

HAA AANÍ, LLC

Creating sustainable economies

SEALASKA'S NEW SUBSIDIARY, HAA AANÍ, LLC, is built upon the special cultural and spiritual relationship we have with our Southeast Alaska homeland. It is an enterprise dedicated to creating sustainable communities throughout our region and to enhance the social, economic and cultural lives of all Sealaska tribal member shareholders, no matter where they live.

In the last decade, declines in our sources of personal income and the recent recession have greatly affected Southeast Alaska and the economic vitality of our communities. More and more of our tribal member shareholders are being forced to leave their home communities in search of life-sustaining jobs elsewhere. In response to this devastating trend, Sealaska created Haa Aaní, LLC in 2009 to focus our global business contacts and management expertise to create new, innovative and sustainable economic development opportunities that provide jobs and align with community lifestyles, allowing tribal member shareholders to stay in their communities.

We have continued to build on the successes of 2009 to spur economic development in our region. Haa Aaní, LLC increased tribal member shareholder employment through an oyster cultivation program in 2010, establishing oyster farms owned and run by shareholders. The company also increased shareholder employment through Alaska Coastal Aggregates, a supplier of construction aggregate materials.

Further, we are partnering with Kake Tribal Corporation to refurbish and operate an existing fish processing facility in Kake, Alaska. This venture is expected to operate in 2011 and create upwards of 35 new employment opportunities.

In addition to these operations, Haa Aaní, LLC continued to advance renewable energy initiatives and smaller, local ventures. Investments were made in biomass-to-energy production, and hydroelectric and tidal energy initiatives. Collaboration with local industries is contributing to the economic health of our communities.

As we look to the future, we are committed to advancing new and creative initiatives that will build on and expand Sealaska's economic presence in the region and maintain positive momentum in our rural communities.

Image of founders and early members of ANB. Front row, left to right: James Watson, Frank Mercer, Herbert Murchison, Chester Worthington, Peter Simpson (grand president), Paul Liberty, Edward Marsden, Haines DeWitt, Mark Jacobs Sr. and Charlie Newton. Middle row, left to right: John Willard, John Johnson, Seward Kunz, Stephen Nicholas, Donald Austin, George McKay, Cyrus Peck Sr., Eli Katinook, Charlie Daniels, Don Cameron, Ralph Young, Rudolph Walton, William Jackson and Frank Price. Back row, left to right: James Gordon, Andrew Hope, George Bartlett, Thomas Williams, John Williams, George Lewis and Sergius Williams.

"The purpose of this organization shall be to assist and encourage the Native... to oppose, to discourage, and to overcome the narrow injustices of race prejudice, to commemorate the fine qualities of the Native Races of North America, to preserve their history, lore, art, and virtues..."

Excerpts from the preamble of the Alaska Native Brotherhood's constitution, 1912

Several ANS members, left to right: Esther Clark, Amy Nelson, Dorothy Thornton, unidentified, Emma Olsen, Dorothy Wallace, unidentified.

The Alaska Native Brotherhood is founded to advance Native self-determination.

1885 to 1912

The turn of the century was a time of change as we began the journey to acquire citizenship. In 1912 Alaska became a territory with its capital in Juneau and a two-house Legislature. That same year, a Tsimshian and nine Tlingits from Sitka, Angoon, Juneau and Klawock founded the Alaska Native Brotherhood (ANB). It was the first Native advocacy group in the territory and the union. Within three years the Alaska Native Sisterhood (ANS) was established, and within a decade chapters, or camps, existed throughout Southeast. While the focus of the ANB and ANS changed over the years, their overarching missions were to pursue the legal and civil rights of our people, to further Native self-determination and to promote recognition and respect for the indigenous way of life.

SEALASKA TIMBER

Managing our lands for the future

AS A PRIMARY TIMBER PRODUCER IN SOUTHEAST ALASKA, Sealaska Timber Corporation (STC) is a leader in responsible timber development and continues to demonstrate growth and resilience. With strong markets throughout Asia, particularly in China and Korea, STC exceeded income forecasts, undertook a substantial second-growth harvesting program and completed a second successful year of representing Haida Corporation timber operations and marketing.

In 2010 the company launched a second-growth harvest and marketing program that represented more than 20 percent of its sales—an STC first. The innovative program spawned by STC and its selective logging partner, Columbia Helicopters, provided cost-effective second-growth timber from Grace Harbor to our international customer base. The STC second-growth harvesting experience is proving that it is possible to economically harvest second-growth timber. This pioneering program creates new perspectives on log-export markets and new manufacturing opportunities, and should have broad application on public lands.

The combination of these programs contributed to sales of just under 70 million board feet during the year, the highest since 2006.

Caring for our land is part and parcel of what we do every day. Through our natural resources efforts, we have an active silviculture program that promotes sustainable forest management. Since 1992 we have invested $17.6 million in the program, basal pruned 1,230 acres of forestland (a practice of removing lower branches to enhance growth and increase air circulation), and pre-commercially thinned 38,500 acres, which allows sun to reach the forest floor, enhancing availability of food for wildlife and allowing trees to reach maturity more quickly. Since 1992 we have also hand-planted 8,320 acres with 1.6 million seedlings to optimize forest regeneration after harvest.

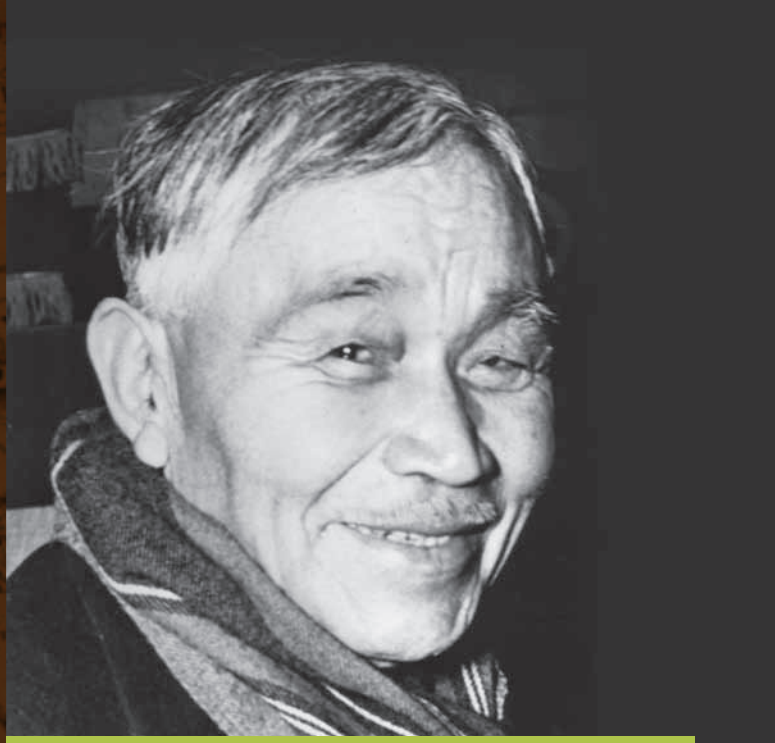
As a regional economic force in Southeast Alaska, STC will continue to pursue forward-thinking initiatives that enhance the continuity and viability of the company and ensure the well-being of our Southeast communities.

Peter Simpson: "Willie, who owns this land?" William Paul (after a long pause): "We do."

PETER SIMPSON: "THEN FIGHT FOR IT."

CONVERSATION DURING THE 1925 ANB CONVENTION

Recorded in Frederick Paul's biography of his father, entitled *Then Fight For It.*



PETER SIMPSON
Tsimshian, Killerwhale Clan, ANB Grand President, 1913–1916

WILLIAM PAUL SR.
Tlingit, Raven moiety and *Teeyhittaan* Clan, first Alaska Native elected to the Alaska House of Representatives

The Central Council of Tlingit and Haida Indians takes on the legal battle for *Haa Aaní.*

1913 to 1934

The first conference devoted to Native land rights was held in July 1915. Native people asked no more than to claim the lands we had used since the beginning of time, lands to which we were given no claim under the Western concept of ownership. In 1923 Samuel C. Davis, Haida and past ANB grand camp president, summed it up: "But now a great shadow hangs over the Tlingit and Haidas in this great land of Alaska, it's the shadow of the white man's greed."

Founded a decade later in 1935, the Central Council of the Tlingit and Haida Indian Tribes of Alaska evolved out of the struggle of our people to retain our way of life. The Central Council was established to pursue a land suit on behalf of the tribes, the suit that opened the door to ANCSA.

SERVICE BUSINESSES

Capitalizing on strong growth

SEALASKA ENVIRONMENTAL SERVICES (SES)—OUR 2010 SUBSIDIARY OF THE YEAR—exemplifies Sealaska's commitment to excellence in environmental management. SES operates throughout the Western United States and in 10 countries overseas, offering environmental consulting, engineering, remediation and construction management services. Tribal members comprise almost 40 percent of the SES workforce.

Though competition was stiff in 2010 due to an increase in contractors operating in the federal marketplace, and a decline in commercial demand since the beginning of the recession, SES consistently has won a greater share of task orders on all contracts relative to our competition.

Currently certified in the U.S. Small Business Administration's 8(a) program, SES successfully competes for and performs on government contracts, and takes advantage of the greater subcontracting opportunities that are available with large, federal prime contractors.

FOR COLORADO-BASED MANAGED BUSINESS SOLUTIONS (MBS), 2010 WAS A YEAR OF KEY GROWTH. Notably, MBS sold the Tribal Member Shareholder Management System (SMS) software it designed for Sealaska to other Alaska Native Corporations, including Huna Totem and Arctic Slope Regional Corporation. The MBS SMS software provides comprehensive management of shareholder records, stock certificate history, dividend distribution management and other vital shareholder information.

MBS also had solid growth in its federal government business. The company continues to leverage its strong partnership with Hewlett-Packard (HP) highlighted this year by its selection by HP into the Mentor-Protégé program administered by the Department of Homeland Security.

In February, MBS gained national recognition for being a "Top 500 Diversity Owned Business" by DiversityBusiness.com. On a local level, MBS was ranked in the "Top 50 Diversity Owned Businesses in Colorado" and "Top 50 Privately Held Businesses in Colorado."

"We have decided that the real reason why our possessions are being taken from us is that we are human beings, and not wolves or bears. The men from Washington have set aside many millions of acres on which wolves and bears may not be disturbed, and nobody objects to that. **PERHAPS IF WE WERE WOLVES OR BEARS WE COULD HAVE JUST AS MUCH PROTECTION. BUT WE ARE ONLY HUMAN BEINGS.** There are no closed seasons when it comes to skinning Alaska Natives."

—AMY HALLINGSTAD
Excerpt from a letter to the executive secretary of NCAI, late 1940s

AMY HALLINGSTAD
Tlingit, Eagle moiety, *Tsaagweidi* Clan, Equal Rights Advocate

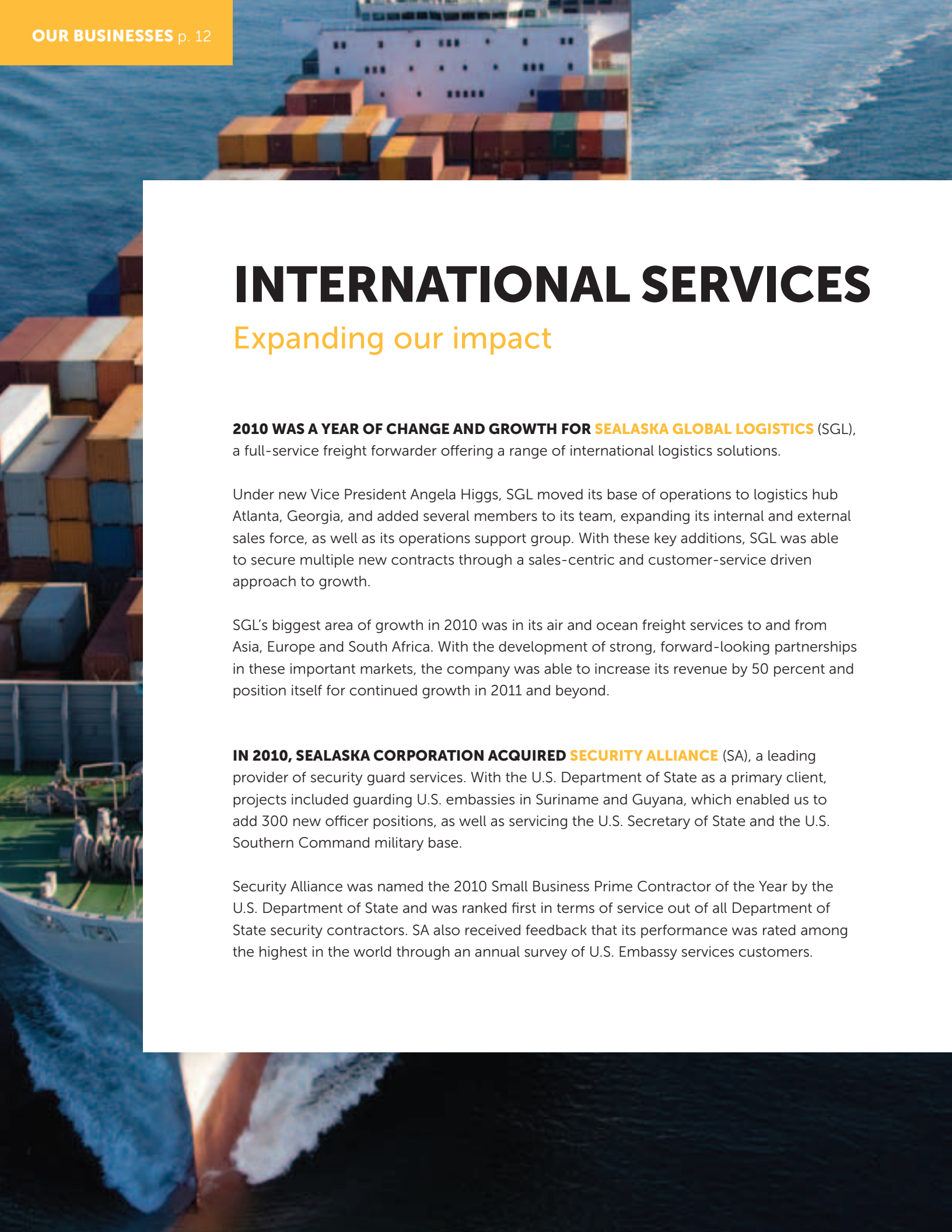
Left to right: Walter Shadesty, unidentified, Tom Ukas, unidentified, in front of Chief Shakes' house, 1940

The Anti-Discrimination Act sets the stage for Native land claims.

1935 to 1945

The Jim Crow era hit Alaska Natives hard. Though our children were not allowed to attend public schools, we nevertheless were required to pay taxes to support them. And, mirroring the injustices taking place across the rest of the country, we also suffered the indignity of racist signs such as "No Natives Allowed" and "No Dogs or Natives" at public accommodations in Juneau and elsewhere.

World War II, however, made no distinction between Native and non-Native. Our men were called to fight to protect the very freedoms their families were denied. In 1941 Elizabeth and Roy Peratrovich of Juneau wrote a letter to Ernest Gruening, governor of Alaska, reminding him of these facts and pushing for the passage of an anti-discrimination act. That act was finally passed in 1945, the first anti-discrimination law in the United States since the Civil War.



INTERNATIONAL SERVICES

Expanding our impact

2010 WAS A YEAR OF CHANGE AND GROWTH FOR SEALASKA GLOBAL LOGISTICS (SGL), a full-service freight forwarder offering a range of international logistics solutions.

Under new Vice President Angela Higgs, SGL moved its base of operations to logistics hub Atlanta, Georgia, and added several members to its team, expanding its internal and external sales force, as well as its operations support group. With these key additions, SGL was able to secure multiple new contracts through a sales-centric and customer-service driven approach to growth.

SGL's biggest area of growth in 2010 was in its air and ocean freight services to and from Asia, Europe and South Africa. With the development of strong, forward-looking partnerships in these important markets, the company was able to increase its revenue by 50 percent and position itself for continued growth in 2011 and beyond.

IN 2010, SEALASKA CORPORATION ACQUIRED SECURITY ALLIANCE (SA), a leading provider of security guard services. With the U.S. Department of State as a primary client, projects included guarding U.S. embassies in Suriname and Guyana, which enabled us to add 300 new officer positions, as well as servicing the U.S. Secretary of State and the U.S. Southern Command military base.

Security Alliance was named the 2010 Small Business Prime Contractor of the Year by the U.S. Department of State and was ranked first in terms of service out of all Department of State security contractors. SA also received feedback that its performance was rated among the highest in the world through an annual survey of U.S. Embassy services customers.

Members from the Juneau community gathered at the Thunderbird House, circa 1950. Front row, left to right: Edward Kunz Sr., Cecilia Kunz, unidentified, Willie Peters, Frank Shorty and Nellie Willard. Back row, left to right: Joe Johnson, Alice Nelson, Priscilla Corpuz, Dorothy James Coronell, Peter Williams, Albert Johnson, Jimmie John, Henry Anderson, Bessie Visaya, Walter Soboleff Sr., Johnny Wise and Jessie Collier Wilson.

"Were it not for the Tongass National Forest Proclamation, the Southeastern Indians would still own Southeastern Alaska, disregarding actual patents issued by the United States, which certainly must be regarded as 'a taking' by the United States."

—FREDERICK PAUL, ATTORNEY

The "Tlingit Haida" decision establishes tribal ownership of lands.

1946 to 1961

Alaska achieved statehood in 1959. That same year, our people achieved a great victory. The U.S. Court of Claims, in a case that came to be known as the "Tlingit Haida" decision, ruled that the tribe was entitled to compensation for land that was taken from it. The court ruled that we had occupied and owned the entire area of Southeast Alaska at the time the state was purchased in 1867, yet it was to be another nine years before the court placed a value on the 16 million acres taken by the government.

CONSTRUCTION

Cultivating new opportunities

ONE OF SEALASKA CORPORATION'S NEW SERVICE VENTURES IN 2009, SEALASKA CONSTRUCTORS, had a banner year in 2010. Sealaska Constructors is a turn-key construction solution for the federal government—providing design-build, general construction, civil and infrastructure, and environmental remediation services.

Sealaska Constructors was the prime contractor for Whiteman Air Force Base, for which it completed the new Beddown area for the MQ-1 Predator drone. The Predator drone global command center provides real-time actionable intelligence, strike, interdiction and close-air support, and special missions to deployed war fighters, making it one of the most important defense programs in the United States. In recognition of the outstanding work done for this program, the Sealaska Constructors operations manager for the Midwest region was awarded a "Commanders Coin." This award of excellence is typically reserved for Army Corps personnel. It is rarely awarded to civilians and is considered a great honor.

Additionally, Sealaska Constructors hired seven tribal member shareholders to reclaim and restore a Northern California site for the National Park Service and the Yurok Tribe—transforming a hazardous materials site into a place of natural beauty.

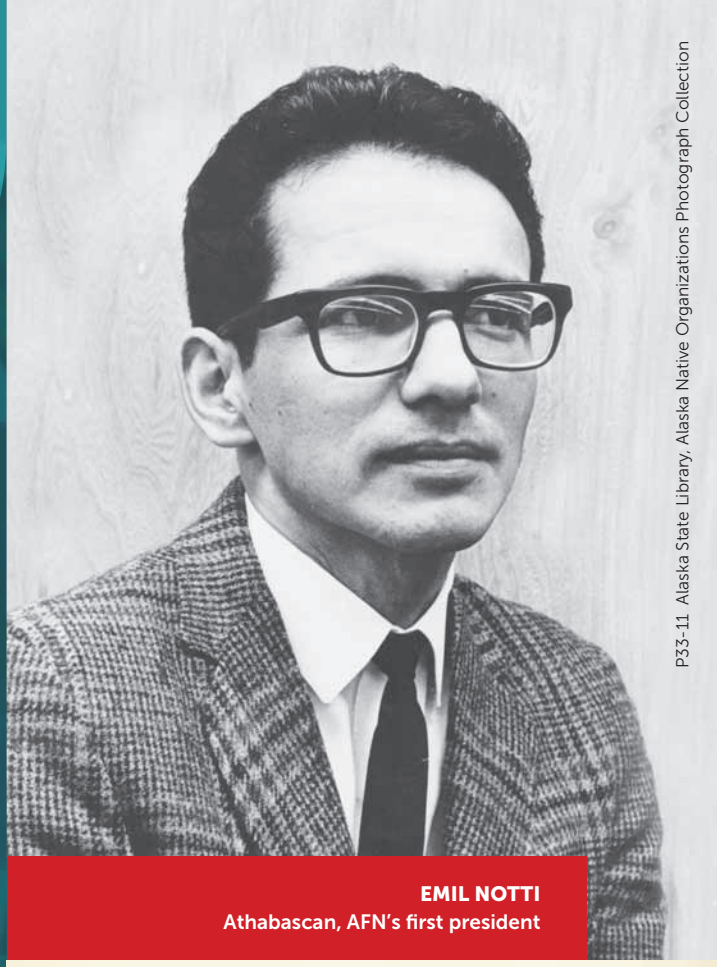
SYNERGY SYSTEMS IS A WHOLLY OWNED SUBSIDIARY specializing in the design and build of complex, highly sophisticated healthcare, commercial and industrial projects.

Although only two years into the general contracting business, Synergy Systems has already been awarded significant contracts with the U.S. Army Corps of Engineers, the Naval Facilities Engineering Command and many private entities. One of the company's major projects was to convert the Sealaska Corporation headquarters in Juneau from an oil boiler system to renewable wood-pellet heating.

This is Synergy's seventh year in the U.S. Small Business Administration's 8(a) program. In 2011 the company must achieve a minimum of 25 percent of its revenue from non-8(a) sources. Synergy Systems is also certified as a minority-owned business enterprise by the National Minority Supplier Development Council.

"We had 300 people show up. It was exciting, but we didn't know each other...With these open meetings, people started trusting each other; they all had a say and they were all treated with respect. **EVEN IF WE HAD GREAT DIFFERENCES OF OPINION, WE ARRIVED AT A POSITION, ISSUE BY ISSUE...** and marched on to Congress."

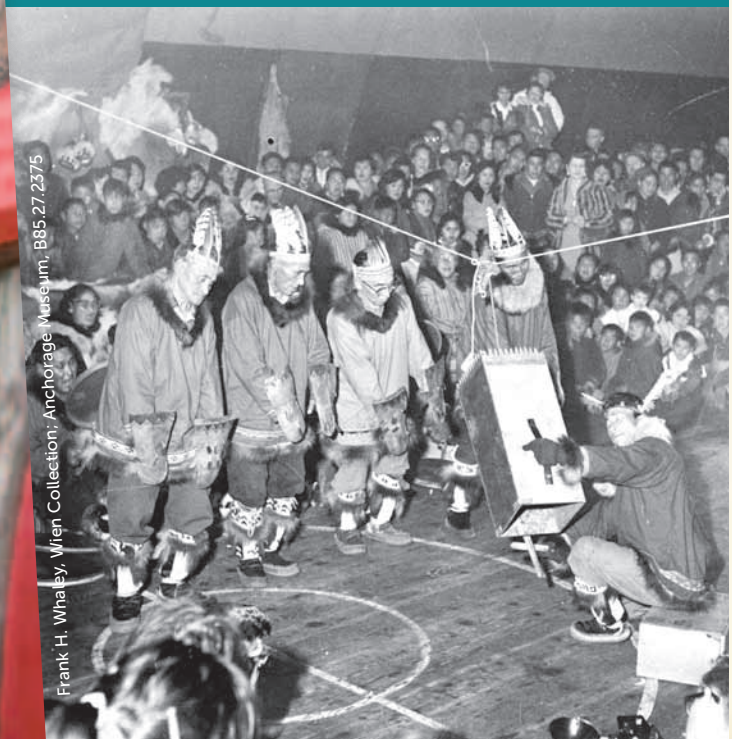
—EMIL NOTTI
Describing the first gathering of the Alaska Federation of Natives



P33-11 Alaska State Library, Alaska Native Organizations Photograph Collection

EMIL NOTTI
Athabascan, AFN's first president

Dancers performing at an AFN convention in the 1960s.



Frank H. Whaley, Wien Collection, Anchorage Museum, B85.27.2375

The Alaska Federation of Natives unites tribes.

1962 to 1966

In 1966 it was clear that we would never win the battle for *Haa Aaní* unless we united as one people under one banner. Founded that year to bring together all Alaskan tribes, the Alaska Federation of Natives succeeded in hosting a three-day conference that attracted more than 200 villages and 300 people. United for the first time to address our common destiny, our people spent those three days working tirelessly to map out a plan for *Haa Aaní*, and, from 1966 to 1971, AFN worked unflaggingly to achieve passage of a just and fair land settlement.

NYPRO KÁNAAK

Leveraging new opportunities

SEALASKA'S MANUFACTURING JOINT VENTURES REMAIN DURABLE and recession-resistant thanks to new consumer products, pioneering solutions and emerging markets.

Nypro Kánaak is a joint venture between Sealaska and plastics design and manufacturing company, Nypro, Inc. It is Sealaska's primary manufacturing operation with plants in Alabama, Iowa and Guadalajara, Mexico. Its primary market concentration is consumer packaging, but it also serves the electronics, telecommunications and healthcare industries.

2010 marked the rollout of a very large in-mold label packaging program for one of the world's largest food companies. The leading-edge label technology offers markedly better resolution and display options. Nypro Kánaak prides itself in being the sole supplier for this product out of the Iowa plant.

Nypro Kánaak is also on the forefront of safety and environmental standards. On the heels of our 2009 ISO 14000 certification—which serves as an industry standard to reduce pollution and waste—our plants continue to improve their environmental performance. In 2010 Nypro Kánaak Guadalajara received the top company award in safety and Nypro Kánaak Alabama earned a safety turn-around award.

With industry-leading customers like Procter & Gamble, Kraft, Clorox and SC Johnson, Nypro Kánaak is positioned for strong growth even in this challenging economic climate.

Left to right: Pete Huberth, Robert Sanderson Sr., Marlene Johnson, Judson Brown and Steve Jacoby work on land maps.

"The time for a just and equitable settlement is NOW. The issue can no longer be deferred and the Natives will not be ignored. **THE ALASKA NATIVES SEEK JUSTICE AND NOT CHARITY.** They do not ask to be GIVEN lands, but they ask for the right to retain a portion of that which belongs to them. They do not ask to be GIVEN money or compensation; but they ask as a matter of justice, that compensation be paid to them in return for their agreement to extinguish their aboriginal claims to vast portions of this State."

—JOHN BORBRIDGE JR.
From speech on October 3, 1969

The discovery of oil at Prudhoe Bay creates economic urgency.

1967 to 1970

In the end, as in the beginning, the struggle for *Haa Aaní* was about resources. Oil had been discovered at Prudhoe Bay, and Big Oil was eager to lay a pipeline to get the oil to market. But Interior Secretary Stewart Udall had a different idea: He froze all land transfers in 1968, refusing to unlock them until Native land claims were settled. The decision effectively halted all oil drilling and catapulted Native land ownership to the forefront of the national stage.

SEALASKA HERITAGE INSTITUTE

Promoting and protecting our cultures

SEALASKA ELDERS ESTABLISHED SEALASKA HERITAGE INSTITUTE (SHI) in 1980 to administer programs aimed at preserving the cultures of the Tlingit, Haida and Tsimshian people. The corporation continues to be the primary source of funding for SHI—a model of how commercial and business ventures contribute to cultural preservation. By providing the resources to develop and sustain new programs, we fulfill our mission to help maintain the culture and vitality of Southeast Alaska communities.

This year, Sealaska's annual report is all about *Haa Aaní*. Our land, our customs and our languages are sacred, and Sealaska Heritage Institute is dedicated to preserving our Tlingit, Haida and Tsimshian cultures, languages, art and history.

Our biennial Celebration helps to keep the spirit of our cultures alive, and the 2010 Celebration drew thousands of people who came together to perform their clan songs and dances, and a lecture series we hosted on Native topics attracted 350 people.

Last year was also a year of firsts: SHI published the most comprehensive dictionaries ever produced for the Tlingit, Haida and Tsimshian languages. The dictionaries, to which many fluent speakers contributed, include English-to-Native and Native-to-English sections. SHI also published the first ever Alaskan Haida phrasebook, which was written by the late Dr. Erma Lawrence.

By focusing on the future, we ensure that our traditions are passed down through the generations. Once again we sponsored youth leadership camps for students to learn their Native languages and customs, and to improve their academic skills. We also distributed roughly 400 scholarships to youth across the region.

Perhaps most exciting of all, we secured $2 million from the Alaska State Legislature to move forward with our new center. At long last, our people will have a center dedicated to the perpetuation and enhancement of our cultures.

As it has been for thousands of years—and as it will continue to be—this is our land. *Haa Aaní*.

Photo credit: Corbis

Left to right: Alaska Federation of Natives President Donald R. Wright, President Richard Nixon, Interior Secretary Rogers Morton and Senator Ted Stevens

"To me [ANCSA] just expresses the notion that we're a **VERY RESILIENT, RESOURCEFUL AND CAPABLE PEOPLE**, and it shows that the ANCSA corporations and the ANCSA institution is, more than anything else, a tool for a part in the determination of our future."

—BYRON MALLOTT
Sealaska board member

President Nixon signs the Alaska Native Claims Settlement Act into law.

1971

By the time President Richard Nixon signed the Alaska Native Claims Settlement Act (ANCSA) into law in 1971, the tumultuous journey to *Haa Aaní* had spanned nearly three quarters of a century. Perseverance and a belief in the righteousness of our cause led our people to victory. We were to be reunited with the land at long last.

When ANCSA was introduced, AFN held a special convention to consider the proposed legislation. Two days later, it endorsed the settlement. Advised of the endorsement by special telephone arrangement, President Nixon uttered the words that our people had been fighting for decades to hear: "I want you to be among the first to know that I have just signed the Alaska Native Claims Settlement Act."

Photo credit: Getty Images

TOGETHER WE RISE

True then and still true today

WHEN OUR PEOPLE UNITE WE ARE A POWERFUL AND INFLUENTIAL FORCE. Early in her public service in the Alaska State Legislature, and later in the United States Senate, Sen. Lisa Murkowski voiced her support for Native people—our cultures, our values and our way of life. In 2010 Sen. Murkowski mounted and won a write-in campaign for the United States Senate after she lost in the primary election. The Native vote—our vote—was widely deemed to be the deciding factor in her historic victory.

Our Elders fought so that we might have the right to vote. We honor them every time we fill out a ballot and go to the polls, and we pay tribute to their sacrifices whenever we unite as one people.

By coming together and raising our voices in a common cause, we not only helped Sen. Murkowski triumph, we also propelled our people to victory. Our issues, our concerns and our causes now have representation at the highest levels of government—and we did it together.

1971 Kake totem reinstated.

In 1926 an overzealous missionary convinced tribal leaders in Kake that their village totem poles were pagan objects that should be destroyed. The decision came hard but the villagers put their totems to the torch. Years later, another more experienced missionary agreed that totems were not pagan, that the decision of 1926 was wrong. It was suggested a new totem be carved. Since the totem represented all existing clans in both Haida and Tlingit, a statewide potlatch for all peoples was set up for the raising ceremony. On October 1, 1971, 800 visitors witnessed the raising of the world's tallest, authentic totem. The dancing and singing during the following days let the world know that a 45-year-old mistake had finally been rectified and that Kake again had a village totem.

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Angoon, Alaska
Chair

BYRON I. MALLOTT
Yakutat, Alaska

ROSITA F. WORL
Juneau, Alaska
Vice Chair

CLARENCE JACKSON SR.
Kake, Alaska

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TODD ANTIOQUIA
Director of Corporate Communications

NATHAN MCCOWAN
Operations Controller

MARK SHIRLEY
Internal Auditor

GAIL CHENEY
Director of Human Resources

ROB JOHNSON
Information Technology Manager

RON WOLFE
Natural Resources Manager

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

	2006	2007	2008	2009	2010
Total revenues	$ 169,887	$ 193,977	$ 119,840	$ 196,017	**$ 223,823**
Net income (loss) attributable to Sealaska	41,159	30,037	(40,851)	20,285	**15,154**
Total assets	328,486	360,944	333,892	339,336	**361,151**
Sealaska's shareholders' equity	256,155	273,652	224,960	240,469	**247,933**
Long-term bank debt	14,218	21,923	37,074	34,905	**31,216**
Short-term bank debt	1,736	2,914	2,253	1,949	**1,172**
Current ratio	3.65	2.75	2.68	3.02	**2.36**
Bank debt/equity ratio	0.06	0.09	0.17	0.15	**0.13**
Shareholders' equity attributable to Sealaska per share	162.61	165.08	123.98	112.72	**113.52**
Net income (loss) attributable to Sealaska per share	26.13	20.38	(22.66)	11.82	**8.08**
Dividends per share	$ 6.02	$ 7.61	$ 4.32	$ 2.15	**$ 3.56**
Cumulative distributions to shareholders and Village Corporations since inception	356,839	383,597	409,926	445,795	**463,460**
Cumulative Section 7(i) payments	$ 308,721	$ 315,455	$ 315,499	$ 316,942	**$ 317,188**

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

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

The following summarizes Sealaska's far-reaching enterprises in 2010, from cultural preservation to new business ventures.

Extensive financial details are offered in the Corporation's consolidated balance sheets (page 33) and the notes to consolidated financial statements that begin on page 39.

All tribal member shareholders and other interested parties are welcome to review more information at **www.sealaska.com.**

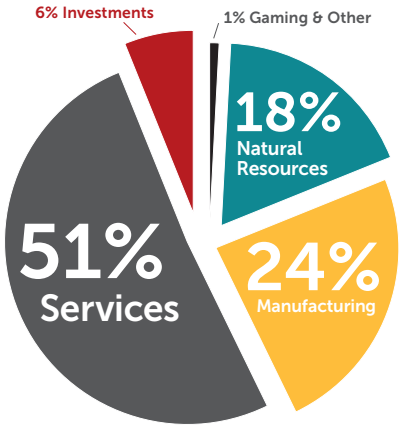
CORPORATE OVERVIEW

Sealaska Corporation was formed in 1972 as one of the 13 Regional Native Corporations created as a result of the Alaska Native Claims Settlement Act (ANCSA). Sealaska received an initial sum of money and the right to select approximately 375,000 acres of land in Southeast Alaska. Sealaska currently has more than 20,000 tribal member shareholders descended from the three Alaska Native groups of Southeast Alaska: the Tlingit, Haida and Tsimshian.

Sealaska Corporation operates as a managed holding company with subsidiaries with offices throughout the United States and in several foreign countries, including Mexico, Canada and Europe. These subsidiaries operate in the following business segments:

- Natural Resources
- Manufacturing
- Services
- Gaming

REVENUE BY BUSINESS SECTOR



In addition to these active sources of income, Sealaska also generates income from the following passive sources:

- Investment income from internally managed portfolio funds
- Natural resource ANCSA Section 7(i) revenue sharing from other Regional Corporations

FINANCIAL OVERVIEW

Sealaska's consolidated continuing operations produced revenues of $223.82 million in 2010, up from $196.02 million in 2009 and net income attributable to Sealaska Corporation of $15.15 million, down from net income attributable to Sealaska Corporation of $20.29 million in 2009. Sealaska's total assets at December 31, 2010 of $361.15 million grew 6.43 percent from $339.34 million at December 31, 2009.

SHAREHOLDERS' EQUITY

The shareholders' equity of Sealaska is the amount remaining from Sealaska's assets after deducting the amounts that Sealaska owes to all other parties. Shareholders' equity rises when Sealaska records net income and decreases when dividends are paid to our tribal member shareholders. Sealaska recorded $15.15 million of net income in 2010, and also declared dividends of $7.69 million. Shareholders' equity before noncontrolling interest at the end of 2009 was $240.47 million and rose 3.1 percent to $247.93 million at the end of 2010.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2010, the Corporation had cash on hand and current investment securities of $57.67 million. An additional $98.74 million was held in other investments, including the Marjorie V. Young Shareholder Permanent Fund, venture capital funds and private equity funds.

Liquidity	2010	2009
Available funds		
Cash, cash equivalents and current investments	$ 57.7	$ 80.1
Less restricted balances	—	—
Total available funds	57.7	80.1
Available line of credit and revolving loan		
Total line of credit and revolving loan	61.5	66.5
Less outstanding balances	(26.3)	(23.0)
Less outstanding letters of credit	—	—
Total available line of credit and revolving loan	35.2	43.5
Total liquidity	$ 92.9	$ 123.6

❖ Dollars are in millions. Years ended December 31.

Working Capital	2010	2009
Current assets	$ 123.1	$ 117.6
Current liabilities	52.1	39.0
Working capital	$ 71.0	$ 78.6
Current ratio	2.36	3.02

❖ Dollars are in millions. Years ended December 31.

I. RESULTS OF OPERATIONS

A. Natural Resources

In 2010, Sealaska's natural resources business segment was comprised of three wholly owned subsidiaries as well as the Natural Resources Department within Corporate headquarters. Those subsidiaries were: Sealaska Timber Corporation (STC), Sealaska Global Logistics, LLC and Alaska Coastal Aggregates, LLC. Late in 2010 Alaska Coastal Aggregates was transferred to Haa Aani, LLC as part of the initiative to expand Southeast Alaska business development.

The natural resources business segment produced revenues of $41.22 million in FY2010, down from $44.47 million in 2009, and produced income of $4.5 million in 2010 after a loss of $505,000 in 2009.

Timber prices were favorable and contributed to a strong performance for STC in 2010. Sealaska Global Logistics had a weak year and underwent a complete transformation of the management team in the latter part of the year.

B. Manufacturing

For 2010, Sealaska's manufacturing business segment continuing operations included three Nypro Kánaak facilities: Nypro Kánaak Alabama, Nypro Kánaak Iowa and Nypro Kánaak Guadalajara.

The manufacturing business segment produced revenues of $54.33 million in 2010, up from $45.24 million in 2009, and income of $728,000 in 2010, down from income of $2.17 million in 2009. Sealaska Corporation announced the shutdown of Olympic Fabrication, LLC in 2010, and this shutdown contributed to a goodwill impairment in this business segment, which was a large portion in the decline of net income from the prior year. As a result of the shut-down, Olympic Fabrication incurred a loss of $1.98 million in 2010, and is now reported in the Discontinued Operations line of the Consolidated Statements of Operations.

In 2010, Sealaska's manufacturing businesses grew, despite a weak economy, as orders from large customers increased, including such customers as Procter & Gamble and Kraft. Using this uptick in demand, the manufacturing business segment was able to maintain positive income by effectively controlling costs, and is expected to improve profitability in the future as the economy strengthens further.

C. Services

For 2010, Sealaska's services business segment include wholly owned subsidiaries Sealaska Environmental Services, LLC, Kingston Environmental, LLC, Kingston Environmental Services, Inc., Sealaska Constructors, LLC, Synergy Systems, Inc. and majority-owned subsidiaries Managed Business Solutions, LLC, MBS Systems, LLC and Security Alliance of Florida, LLC.

The services business segment produced revenues of $112.32 million in 2010, up from $84.50 million in 2009, and produced income of $3.06 million in 2010 after a loss of $2.11 million in 2009.

The recovery from the global economic recession did not produce strong demand from non-governmental clients in the services business segment for 2010, but activity from governmental sources did show strong growth over the same period. We believe that income from the services business segment will improve in 2011 due to cost control measures, and that demand from key clients will increase. Sealaska purchased a majority ownership in Security Alliance of Florida, LLC in 2010, a multifaceted security services company, in order to capitalize on the growing demand within the federal government and large companies for customized security solutions.

D. Gaming

For 2010, Sealaska's gaming business segment included its wholly owned subsidiary End-to-End Enterprises, LLC, (E2E) which has partnered with the Cloverdale Rancheria of Pomo Indians of California (the Tribe) to develop a gaming casino and resort facility in Cloverdale, California.

The gaming business segment produced revenues of $207,000 in 2010, down from $470,000 in 2009, and a loss of $4.68 million in 2010 after a loss of $2.76 million in 2009.

Outcomes for the gaming business segment have depended, and will continue to depend, on the speed by which regulatory approvals occur for the project, as well as the state of the financing market in the future for these types of investments. Since signing the Cloverdale Rancheria development and loan agreements, Sealaska has seen the economic and political landscape change in many ways. These changes in original agreement assumptions include availability of financing, administrative delays by the U.S. Department of Interior and Bureau of Indian Affairs, several court cases and threatened federal legislation, all of which negatively affect project feasibility. E2E has advised the Tribe that the original agreements do not contemplate the current situation. E2E therefore served voluntary notice of no-recourse termination of the existing agreements. E2E continues to engage with the Tribe to revise a strategy that will lead to a successful opening of a gaming facility.

E. Investments

For 2010, 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 produced revenues of $14.44 million in 2010, down from $20.65 million in 2009, and income of $13.92 million in 2010 down from income of $20.12 million in 2009.

The combined balance of the MVY Permanent Fund and the I&G Fund was $152.52 million at the start of the year, and ended 2010 with a combined balance of $134.42 million invested in stocks, bonds, real estate and private equity investments.

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

1. Marjorie V. Young Shareholder Permanent Fund

Renamed as a tribute to longtime Sealaska leader and retired director Marjorie V. Young, Sealaska's MVY Shareholder Permanent Fund was created in 1987 to provide tribal member 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 of the total portfolio and will make changes whenever possible to lessen risk—if doing so does not inordinately affect long-term expected returns. Sealaska utilizes the services of several external investment managers.

2. Investment and Growth Fund

The I&G Fund is managed with a short-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.

F. Corporate and Other Income

For 2010, Sealaska's Corporate and other income included the revenue generating departments at the Corporate headquarters besides the Natural Resources Department, such as Real Estate and Diversity Solutions.

The Corporate and other income business segment produced revenues of $1.31 million in 2010, up from $681,000 in 2009, and a loss of $1.83 million in 2010 after a loss of $1.54 million in 2009.

II. TRIBAL MEMBER SHAREHOLDER BENEFITS AND SERVICES

A. Sealaska Heritage Institute

Established in 1980, Sealaska Heritage Institute (SHI) is Sealaska's regional nonprofit organization whose mission is to perpetuate and enhance the Tlingit, Haida and Tsimshian cultures of Southeast Alaska. Founded for the Native people of Southeast Alaska, SHI develops Native language and culture programs, manages the Sealaska scholarship program and coordinates repatriation of cultural and human objects and other Native programs.

In 2010, Sealaska contributed $1.17 million in cash and in-kind services to support the operations of SHI. Using Sealaska donations as leverage, SHI raised an additional $1.43 million in grants, revenue and sales.

SHI distributed more than $298,000 in scholarships in 2010.

B. Elders' Settlement Trust

The Elders' Settlement Trust (EST) is a grantor trust created to provide a special economic benefit to original tribal member 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 12). The EST, which is governed by a board of trustees, assumes a long-term annualized rate of return of seven percent in order for the trust to meet the estimated benefit payments.

C. Distributions

Since its inception in 1972, Sealaska has distributed $463.46 million in dividends and ANCSA Section 7(j) payments to tribal member shareholders and Village Corporations. The financial impact on future dividends of continued enrollment of descendants and Leftouts, and of the additional shares issued to Elders, depends upon the number of eligible applicants who enroll and original tribal member shareholders reaching the age of 65. Having more tribal member shareholders and more existing stock will mean that dividends will be paid to a larger number of individuals and may result in smaller dividends to original tribal member 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 original tribal member shareholders 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 shares are canceled.

D. Shareholder Relations

At year's end Sealaska had 20,765 tribal member shareholders. The Shareholder Relations Department manages tribal member shareholders' records, stock transfers due to gifting or estate settlement, shareholder distributions, and processing EST payments. The Shareholder Relations Department is also responsible for the processing of applications and the issuance of Class D and Class L stock, following a 2007 vote by Sealaska tribal member shareholders to open enrollment to eligible applicants. The department also issues new Class E Elders stock to original shareholders at the age of 65, following a 2009 vote by shareholders to provide this benefit. The number of common stock shares outstanding at December 31, 2010 was 2,183,976.

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

The Corporation'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 Corporation management to make estimates, judgments and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. The Corporation 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 Corporation, Sealaska continually evaluates the accounting policies and estimates used to prepare the consolidated financial statements, and working with independent auditors and the Sealaska Board of Directors, adjusts financial statements to accurately represent the financial condition of the Corporation. See notes to consolidated financial statements.

V. ADDITIONAL INFORMATION

Sealaska continues to publish more concise discussion and analysis of its operations by our management team in the annual report. This streamlined format, introduced in 2010, enhances readability and is significantly shorter. Therefore, paper and production costs are reduced. This format aligns with important lean and green strategies for the corporation. Additional operational information is available at www.sealaska.com. If you have a detailed financial question related to data previously reported in the longer format, please contact the Sealaska corporate controller at 907.586.1512.

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS
SEALASKA CORPORATION:

We have audited the accompanying consolidated balance sheets of Sealaska Corporation and subsidiaries (the Corporation) as of December 31, 2010 and 2009, 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, 2010. These financial statements are the responsibility of the Corporation's management. 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Sealaska Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Anchorage, Alaska
April 18, 2011

CONSOLIDATED BALANCE SHEETS

Assets (As of December 31, 2010 and 2009)	2010	2009
Current assets		
Cash and cash equivalents	$ 21,989	$ 20,465
Investments (note 4)	35,680	59,642
Receivables, net (note 5)	53,385	27,546
Inventories (note 6)	5,746	6,671
Prepaid expenses and other current assets	5,190	1,878
Deferred tax asset (note 11)	1,091	1,406
Total current assets	123,081	117,608
Investments (note 4)		
Marjorie V. Young Shareholder Permanent Fund	86,189	79,718
Investment & Growth long-term	12,547	13,163
Endowment funds	5,245	4,807
Elders' Settlement Trust	9,689	8,731
Other	2,986	2,606
Total investments	116,656	109,025
Property and equipment, at cost: (notes 7 and 10)	280,605	273,516
Less accumulated depreciation	(211,030)	(209,096)
Total property and equipment, net	69,575	64,420
Notes receivable	50	810
Other assets	2,166	2,248
Intangible assets (note 9)	3,179	1,714
Goodwill (note 9)	16,496	13,815
Deferred tax asset (note 11)	29,948	29,696
Total assets	$ 361,151	$ 339,336

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

Liabilities and Shareholders' Equity (As of December 31, 2010 and 2009)	2010	2009
Current liabilities		
Line of credit	$ —	$ 1,244
Current portion of long-term debt (note 10)	1,172	1,949
Accounts payable	22,909	14,712
Amounts payable under ANCSA Sections 7(i) and 7(j) (note 3)	9,562	3,922
Other accrued expenses	18,452	17,227
Total current liabilities	52,095	39,054
Noncurrent liabilities		
Amounts payable under ANCSA Sections 7(i) and 7(j) (note 3)	3,819	2,804
Long-term debt, less current portion (note 10)	31,216	34,905
Other noncurrent liabilities (note 12)	12,902	12,151
Total liabilities	100,032	88,914
Shareholders' equity		
Common stock, no par or stated value Issued and outstanding 2,183,976 and 2,133,376 shares, in 2010 and 2009 respectively		
Contributed capital	93,162	93,162
Retained earnings	154,771	147,307
Total Sealaska's shareholders' equity	247,933	240,469
Noncontrolling interest	13,186	9,953
Total shareholders' equity	261,119	250,422
Commitments and contingencies (notes 4, 8, 11, 13 & 15)		
Total liabilities and shareholders' equity	$ 361,151	$ 339,336

❖ Dollars are in thousands.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2010, 2009 and 2008	2010	2009	2008
Revenues			
Natural resources (note 8)	$ 41,218	$ 44,473	$ 44,007
Manufacturing	54,334	45,240	61,464
Investments (note 4)	14,439	20,651	(54,330)
Services	112,319	84,502	55,063
Gaming	207	470	12,766
Corporate and other income	1,306	681	870
Total revenues	223,823	196,017	119,840
Cost and expenses			
Natural resources (note 8)	36,723	44,978	40,676
Manufacturing	53,606	43,070	59,177
Investments	516	523	582
Services	109,256	86,613	54,678
Gaming (note 15)	4,882	3,226	5,286
Corporate and other expenses	3,131	2,222	2,489
Selling, general and administrative	14,494	14,688	16,435
Total cost and expenses	222,608	195,320	179,323
Income (loss) from operations	1,215	697	(59,483)
Other, net	1,820	(1,240)	(474)
Income (loss) from continuing operations before natural resources revenue sharing and income taxes	3,035	(543)	(59,957)
Net natural resource revenue sharing under ANCSA Sections 7(i) and 7(j) (note 3)	16,537	19,836	27,795
Income (loss) from continuing operations before income taxes	19,572	19,293	(32,162)
Income tax benefit (expense) (note 11)	312	4,779	(2,420)
Income (loss) from continuing operations	19,884	24,072	(34,582)
Discontinued operations, net of tax (note 2)	(2,436)	(300)	(5,235)
Net income (loss)	17,448	23,772	(39,817)
Less: Net income attributable to the noncontrolling interest	2,294	3,487	1,034
Net income (loss) attributable to Sealaska Corporation	$ 15,154	$ 20,285	$ (40,851)
Per share of common stock			
Income from continuing operations	$ 9.21	$ 11.96	$ (19.89)
Discontinued operations (note 2)	$ (1.13)	$ (0.14)	$ (2.77)
Net income (loss)	$ 8.08	$ 11.82	$ (22.66)

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2010, 2009 and 2008	Contributed capital	Retained earnings	Noncontrolling interest	Total shareholders' equity
Balance at January 1, 2008	$ 93,162	$ 180,490	$ 7,307	$ 280,959
Net income (loss)	—	(40,851)	1,034	(39,817)
Dividends to shareholders	—	(7,841)	—	(7,841)
Distributions to noncontrolling interest	—	—	(469)	(469)
Contributions by noncontrolling interest	—	—	444	444
Balance at December 31, 2008	$ 93,162	$ 131,798	$ 8,316	$ 233,276
Net income	—	20,285	3,487	23,772
Dividends to shareholders	—	(4,776)	—	(4,776)
Distributions to noncontrolling interest	—	—	(1,693)	(1,693)
Purchase of noncontrolling interest	—	—	(157)	(157)
Balance at December 31, 2009	$ 93,162	$ 147,307	$ 9,953	$ 250,422
Net income	—	15,154	2,294	17,448
Dividends to shareholders	—	(7,690)	—	(7,690)
Distributions to noncontrolling interest	—	—	(1,471)	(1,471)
Purchase of noncontrolling interest	—	—	2,410	2,410
Balance at December 31, 2010	**$ 93,162**	**$ 154,771**	**$ 13,186**	**$ 261,119**

❖ Dollars are in thousands.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2010, 2009 and 2008	2010	2009	2008
Cash flows from operating activities			
Net income (loss)	$ 17,448	$ 23,772	$ (39,817)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation, amortization and depletion	7,759	8,683	9,066
Deferred income tax expense (benefit)	63	(5,101)	666
Gain on disposal of fixed assets	—	(35)	(162)
Gain on debt forgiveness	(2,950)	—	—
Loss on impairment of assets	4,302	3,509	3,082
Unrealized (gain) loss on investments	(7,241)	(17,730)	55,163
Net proceeds from (purchase of) investments	23,572	(12,742)	3,963
Decrease (increase) in assets, net of effects of acquisition			
Receivables	(23,828)	25,981	(31,430)
Inventories	925	3,315	(1,546)
Prepaid expenses and other current assets	(2,934)	2,146	(1,253)
Increase (decrease) in liabilities, net of effects of acquisition			
Accounts payable	6,990	(249)	(927)
Other accrued expenses	761	1,576	1,397
Amounts payable under ANCSA Sections 7(i) and 7(j)	6,655	(11,939)	5,256
Other, net	833	2,616	415
Net cash provided by operating activities	**$ 32,355**	$ 23,802	$ 3,873

❖ Dollars are in thousands.

See accompanying notes to consolidated financial statements.

Years ended December 31, 2010, 2009 and 2008	2010	2009	2008
Cash flows from investing activities			
Capital expenditures	$ (14,994)	$ (10,362)	$ (17,882)
Acquisitions, net of cash acquired	(4,315)	—	(530)
Proceeds from sale of land and equipment	—	185	—
Repayment of notes receivable	760	226	245
Net cash used in investing activities	**(18,549)**	(9,951)	(18,167)
Cash flows from financing activities			
Dividends to shareholders	(7,690)	(4,776)	(7,841)
Borrowings (repayments) on short-term debt	(1,244)	195	(661)
Borrowings on long-term debt	5,518	—	21,802
Repayments on long-term debt	(7,395)	(2,473)	(6,651)
Capital contributions by noncontrolling interests	—	—	444
Distribution to noncontrolling interests	(1,471)	(1,693)	(469)
Net cash provided by (used in) financing activities	**(12,282)**	(8,747)	6,624
Net increase (decrease) in cash and cash equivalents	1,524	5,104	(7,670)
Cash and cash equivalents at beginning of year	20,465	15,361	23,031
Cash and cash equivalents at end of year	**21,989**	20,465	15,361
Supplemental cash flow disclosures			
Cash paid during the year for interest	1,532	1,477	2,597
Cash paid during the year for income taxes	$ 123	$ 322	$ 2,454

❖ 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 Company) is a Regional Alaska Native Corporation formed under the Alaska Native Claims Settlement Act (ANCSA). Sealaska's five primary continuing business activities relate to the development, production and sale of natural resources; the manufacture and sale of plastics, parts and products; services related to environmental remediation, information technology and construction; gaming and the management of its investment portfolio. ANCSA is further described in note 3.

Sealaska consolidated subsidiaries are: Alaska Coastal Aggregates, LLC, Sealaska Global Logistics, LLC, Sealaska Timber Corporation, Sealaska Wood Products Solutions, LLC, Synergy Systems, Inc., Sealaska Constructors, LLC, Kingston Environmental, LLC, Kingston Environmental Services, Inc., Nypro Kánaak Guadalajara SA de CV, Nypro Kánaak Iowa, Nypro Kánaak Alabama, Olympic Fabrication, LLC, Sealaska Environmental Services, LLC, Managed Business Solutions Systems, LLC, Managed Business Solutions, LLC, Security Alliance of Florida, LLC, End-to-End Enterprises, LLC and Amonos, LLC.

Basis of Presentation and Significant Accounting Policies

The Consolidated Financial Statements include the accounts of Sealaska and its wholly and majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(A) REVENUE RECOGNITION AND RECEIVABLES

Revenue is recognized when earned, and the risks of ownership have been transferred to the buyer, which is generally upon shipment to the customer. Receivables are recorded when invoiced and do not bear interest. Allowance for doubtful accounts is recorded based upon Sealaska's collection experience with credit losses in existing outstanding receivables.

Revenues on long term service contracts are recognized ratably over the term of the contract as services are performed or based on the specific terms of the contracts. Unbilled revenue represents uncompleted tasks that will be billed at the time of completion in subsequent years. Revenue from claims are recognized when the amounts are received or the related contract modification is approved by the customer.

(B) CASH AND CASH EQUIVALENTS

Sealaska maintains zero balance checking accounts, and resulting book overdrafts of $1.1 million and $1.6 million are included in cash and cash equivalents at December 31, 2010 and 2009, respectively. 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.

(C) 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 earnings. 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 Company as a practical expedient to estimating fair value as these funds do not have readily determinable fair market values. Sealaska accounts for certain noncontrolling interests, less than 50 percent ownership and control, in privately held corporations, LLCs and partnerships (the "investee") using the equity method of accounting. Under the equity method, Sealaska's original investment in the investee is recorded at

cost and subsequently adjusted for changes in the net assets of the investee. The carrying amount of the investment is periodically increased (decreased) by the proportionate share in the earnings (losses) of the investee.

(D) 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.

(E) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost.

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

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

(F) 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 are capitalized as an element of property, plant and equipment and amortized 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.

(G) 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. 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.

(H) 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. Assets to be disposed of would be separately presented on the balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

(I) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the future economic benefits arising from other assets acquired in a purchase combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually in accordance with the provisions of the ASC Topic 350, *Intangibles—Goodwill and Other*. The goodwill

impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with ASC 805, *Business Combinations*. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

Other intangible assets consist of customer relationships and backlog. Customer relationships are amortized over their estimated useful lives, typically between seven to eight years using the straight line method. Backlog is amortized as work is performed.

(J) ALASKA NATIVE CLAIMS SETTLEMENT ASSETS

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

(K) ANCSA SECTION 7(I) ACCOUNTING

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

Roads and Yards: In section 7(i) accounting, ANCSA roads are segregated into three categories: mainline, secondary and spur. Mainline and secondary roads are amortized based on units of production and the useful life of 10 and three years, respectively. Spur roads are expensed in the year they are placed into service. The book treatment is addressed in the 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 market under current assets on the balance sheet.

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

(L) 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 11 for further discussion of income taxes.

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

(M) INCOME (LOSS) PER SHARE

Income (loss) 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, 2010 and 2009 is 2,183,976 and 2,133,376,

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. On June 23, 2007, Sealaska's tribal member 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. The number of shares outstanding was adjusted again in 2009 to reflect revisions in the number of enrolled tribal member shareholders due to the passage of the life estate stock for Elders' resolution at the June 2009 annual meeting. 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 tribal member shareholders of Sealaska who have reached the age of 65 years or older, and meet certain other requirements. 10,000 shares of Class E stock, 40,400 shares of Class D stock, and 200 shares of Class L stock were issued in 2010. 191,600 shares of Class E stock, 52,800 shares of Class D stock, and 200 shares of Class L stock were issued in 2009. 147,200 shares of Class D stock and 1,500 shares of Class L stock were issued in 2008.

(N) FAIR VALUE

ASC 820, *Fair Value Measurements and Disclosures* establishes a framework for fair value measurements in the financial statements by providing a definition of fair value, provides guidance on the methods used to estimate fair value and expands disclosures about fair value measurements. On January 1, 2009 Sealaska applied ASC 820 to all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements. On January 1, 2008 Sealaska applied ASC 820 to assets and liabilities that are measured at fair value on a recurring basis.

Fair Value Measurements

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

Fair Value Hierarchy

ASC 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 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** inputs are unobservable inputs for the asset or liability.

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 Non-Recurring Basis

Sealaska follows the fair value measurement requirements related to non-financial assets and non-financial 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 non-financial long-lived assets measured at fair value for impairment assessment. During 2010 and 2009, using level three inputs and an income valuation technique, Sealaska performed an impairment assessment of certain long-lived assets and goodwill. In 2010, Sealaska recorded impairment of

$2,950,000 to land in the gaming segment, $195,000 to property and equipment for the Discontinued Operation Olympic Fabrication, which was formerly included in the manufacturing segment, and $1,153,000 to goodwill in the manufacturing segment. During 2009, using level three inputs and an income valuation technique, Sealaska performed an impairment assessment of certain long-lived assets and goodwill. Sealaska determined the fair value of these assets to be less than their carrying amount and accordingly recorded impairment of $585,000 to capitalized roads included in property and equipment on the balance sheets and impairment of $2,924,000 to goodwill in the services segment.

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 market value. The carrying value of debt approximates fair value as the debt bears interest that adjusts based upon market interest rates.

(O) FOREIGN CURRENCY TRANSLATION

The financial statements of Sealaska's foreign operations have been translated into U.S. dollars in accordance with ASC 830-10, *Foreign Currency Matters.* As the U.S. dollar is the functional currency of our 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.

(P) RECLASSIFICATIONS

Certain reclassifications have been made to the 2008 and 2009 balances to conform to the 2009 and 2010 presentation. The most significant reclassifications to 2008 and 2009 relate to reporting of discontinued operations for Olympic Fabrication.

(Q) USE OF ESTIMATES

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

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

(2) ACQUISITIONS AND DIVESTITURES OF SUBSIDIARIES

(A) SECURITY ALLIANCE OF FLORIDA, LLC

During 2010 Sealaska Corporation created Sealaska Security Holdings, LLC. In October 2010 Sealaska Security Holdings purchased 70 percent of Security Alliance of Florida, LLC (Security Alliance), for $5.7 million. Sealaska Security Holdings acquired tangible assets of $3.3 million, intangible assets of $2.1 million and total liabilities of $6.6 million. The purchase price allocation resulted in $3.6 million of goodwill which primarily represents the implied value of Security Alliance's organized workforce which cannot be separately recognized under generally accepted accounting principles. The fair value of non-controlling interest was $2.4 million at the date of acquisition by Sealaska Security Holdings. Determination of the fair value of the assets and liabilities used to allocate purchase price was based on the discounted cash flow method using estimated future earnings. Security Alliance is headquartered in Miami, Florida, and provides an array of guard and private investigation services in Florida, Georgia and Texas. The purchase agreement includes a conditional non-controlling interest redemption feature of an eight to nine percent additional purchase of Security Alliance if revenue targets are met at December 31, 2012. The goodwill is attributed to the services segment, and is deductible for tax purposes.

(B) KINGSTON ENVIRONMENTAL, LLC

In August 2009 Sealaska Corporation agreed to purchase the remaining 49 percent of Kingston Supply, LLC and Kingston Environmental Services, Inc. for $1. Sealaska also indemnified the sellers for existing lines of credit. In addition, the sellers have a right to 10 percent of net income per year from environmental services business if the resulting net income is less than $10 million or 15 percent of net income if net income is greater than $10 million. This right expires in three years and is projected to result in an additional acquisition cost of $158,000. This transaction results in Sealaska owning 100 percent of the two Kingston companies.

(C) OLYMPIC FABRICATION, LLC

In December 2010 the Sealaska Board of Directors voted to discontinue Olympic Fabrication, LLC.

Assets and liabilities of Olympic Fabrication at December 31, 2010 were:

	2010
Cash	$ 18
Acounts receivable (net)	582
Inventory	437
Prepaids and deposits	17
Property, plant and equipment (net)	223
Total assets	**$ 1,277**
Accounts payable	$ 463
Other payables	1,062
Long-term debt (including current portion)	3,889
Contributed capital	707
Accumulated deficit	(4,844)
Total liabilities and shareholders' deficit	**$ 1,277**

❖ Dollars are in thousands.

Operating results from Olympic Fabrication, which was formerly included in the manufacturing segment, are summarized as follows:

	2010	2009	2008
Sales	$ 4,388	$ 4,988	$ 5,934
Pretax loss	(1,988)	(236)	(819)
Income taxes	—	—	—
Net loss from discontinuted operations	**$ (1,988)**	$ (236)	$ (819)

❖ Dollars are in thousands. Years ended December 31.

Due to operational cessation within the manufacturing segment, Olympic Fabrication incurred total impairment losses of $199,000 in 2010.

(D) SYNERGY SYSTEMS, INC.

In December 2008 the Sealaska Board of Directors voted to discontinue Synergy Systems Inc.'s manufacturing operations. The legal entity was repurposed and now provides design-build construction and construction management services.

Assets and liabilities of the discontinued Synergy Systems manufacturing segment at December 31, 2010 and 2009, respectively were:

	2010	2009
Acounts receivable (net)	—	246
Total assets	**$ —**	$ 246
Accounts payable	$ 57	$ —
Other payables	528	532
Contributed capital	4,611	4,461
Accumulated deficit	(5,196)	(4,747)
Total liabilities and shareholders' deficit	**$ —**	$ 246

❖ Dollars are in thousands.

Due to operational cessation within the manufacturing segment, Synergy Systems, Inc. incurred total impairment losses of $3,152,000 in 2008.

Operating results from Synergy Systems, which was formerly included in the manufacturing segment, are summarized as follows:

	2010	2009	2008
Sales	$ —	$ 730	$ 7,062
Pretax loss	(448)	(60)	(4,382)
Income taxes	—	4	34
Net loss from discontinuted operations	**$ (448)**	$ (64)	$ (4,416)

❖ Dollars are in thousands. Years ended December 31.

(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 375,000 acres of land in the Tongass National Forest in Southeast Alaska, of which it will own the surface and subsurface estate. At December 31, 2010, Sealaska has received conveyance of approximately 290,800 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 to 286,400 acres of land formerly part of the Tongass National Forest of which Sealaska will own the subsurface estate. Of the approximate 286,400 acres, conveyance has been received of approximately 278,100 acres. As described in note 8, the land and related surface and subsurface resources received under ANCSA are carried at zero value in the accompanying consolidated financial statements.

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

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

(4) INVESTMENTS

Investments consist of the following:

	2010	2009
Investment and Growth		
Common stock	$ 19,864	$ 26,675
Money market	1,469	7,181
Bonds and notes	14,139	25,695
Accrued interest, dividends and other	208	91
Total Investment and Growth	**35,680**	59,642
Marjorie V. Young Shareholder Permanent Fund		
Common stock	40,652	34,953
Alternative investments	38,954	38,475
Government bonds and notes	6,058	5,604
Money market, accrued interest, dividends and other	525	686
Total Marjorie V. Young Shareholder Permanent Fund	**86,189**	79,718
Investment and Growth long-term portion		
Alternative investments	12,547	13,163
Endowment Fund	5,245	4,807
Elders' Settlement Trust	9,689	8,731
Other investments	2,986	2,606
Total Investments	**$ 152,336**	$ 168,667

❖ Dollars are in thousands. Years ended December 31.

Following a tribal member 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 were not available for current operations, unless 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 tribal member shareholders voted to establish an Elders' Settlement Trust (the Trust). Accordingly, and pursuant to ANCSA, the Sealaska Board of Directors established the Trust for the benefit of shareholders. Certain Sealaska directors are trustees of the Trust. A noncurrent liability was established for future one-time distributions that will be made from the Trust to shareholders who attain the age of 65 years. The amount distributed during 2010, 2009 and 2008 was $347,000, $309,000 and $363,000, respectively. As noted above with the Marjorie V. Young Shareholder Permanent Fund, the Endowment Funds, Elders' Settlement Trust and the Directors' Deferred Compensation Fund are not available to fund current operations, unless necessary.

Investment earnings consist of the following components:

	2010	2009	2008
Unrealized gains (losses)	$ 7,241	$ 17,730	$ (55,163)
Realized net gains, dividends and interest	7,198	2,921	833
Total investment earnings (loss)	**$ 14,439**	$ 20,651	$ (54,330)

❖ 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 $3.8 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 table presents assets that are measured at fair value on a recurring basis at December 31 using:

	2010	2009
Level 1: Quoted prices in active markets identical assets	$ 79,203	$ 78,548
Level 2: Significant other observable inputs	18,898	30,060
Level 3: Significant unobservable inputs	—	—
Total	$ 98,101	$ 108,608

❖ Dollars are in thousands. Years ended December 31.

Sealaska has no financial instruments that are recorded at fair value on a non-recurring basis at December 31, 2010 and 2009.

The following table presents quantitative disclosure about the fair value measurements for each class of assets:

	Fair Value at Reporting Date Using		
Description	**Totals**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Equity securities			
Equity securities—domestic	$ 36,424	$ 36,424	$ —
Equity securities—international (developed)	14,045	14,045	—
Equity securities—emerging markets	5,433	5,433	—
Equity securities—Westfield Large Cap Growth Fd (a)	4,614	—	4,614
Equity securities—Vanguard LifeStrategy Mod Growth Fd	16,731	16,731	—
Total equity securities	77,247	72,633	4,614
Debt securities			
Government securities	5,776	555	5,221
Corporate securities	8,159	—	8,159
Mortgage-backed securities	904	—	904
PIMCO Total Return Fd	6,015	6,015	—
Total debt securities	20,854	6,570	14,284
Total	$ 98,101	$ 79,203	$ 18,898

❖ Dollars are in thousands. Years ended December 31.

(a) This class includes an investment in the Westfield Large Cap Growth Fund (Westfield). Westfield invests primarily in domestic equity securities. The fair value of Westfield has been estimated using net asset value per share of the investments. Investments in Westfield can be redeemed monthly provided they receive 10 days notice. There is no unfunded commitment with respect to Westfield.

(5) RECEIVABLES

Receivables consist of the following:

	2010	2009
Trade accounts receivable, less allowance for doubtful accounts of $843 and $1,099 at December 31, 2010 and 2009, respectively	$ 17,754	$ 20,828
ANCSA Section 7(i) revenue sharing	18,661	—
Other	16,970	6,718
Total receivables	**$ 53,385**	$ 27,546

❖ Dollars are in thousands. Years ended December 31.

(6) INVENTORIES

Inventories consist of the following:

	2010	2009
Timber—finished goods	$ 2,174	$ 2,994
Plastics		
Raw materials	2,168	2,069
Work in process	400	737
Finished goods	1,004	871
Total inventories	**$ 5,746**	$ 6,671

❖ Dollars are in thousands. Years ended December 31.

(7) PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2010	2009
Buildings, leaseholds and improvements	$ 18,650	$ 16,544
Equipment and furnishings	33,290	33,275
Logging roads, yards and camps	179,873	176,215
Reforestation and silviculture costs	17,947	16,427
Total property and equipment	249,760	242,461
Less accumulated depreciation	(211,030)	(209,096)
Construction in progress	2,383	1,547
Land	28,462	29,508
Net property and equipment	$ 69,575	$ 64,420

❖ Dollars are in thousands. Years ended December 31.

Land held for development as commercial, recreational or residential property totaling $16.9 million and $19.6 million at December 31, 2010 and 2009, respectively, is included in the caption "Land" above. Sealaska Corporation and the Cloverdale Rancheria Tribe of Pomo Indians of California entered into a settlement agreement regarding the land purchased and held for casino development. The Company recorded an impairment expense on the land for $2.95 million, and a Gain on Debt Restructuring in an equal amount.

(8) TIMBER, TIMBERLAND AND MINERAL RESOURCES

As of December 31, 2010 Sealaska has received approximately 290,800 acres of land under the provisions of ANCSA, as described in note 3. Under U.S. generally accepted accounting principles, assets received in nonmonetary transactions are recorded at their estimated fair value at the transaction date unless the fair value is not determinable within reasonable limits due to major uncertainties, in which case the assets received are recorded, and remain, at a value of zero. It was not practical for Sealaska to determine the estimated fair value of the resources received on the date of receipt within reasonable limits for financial reporting purposes. Accordingly, Sealaska carries assets received under ANCSA at zero value. 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. These costs are capitalized as part of the basis in either the land or the related resources (such as timber). Costs attributable to resources will be amortized as the related resource is harvested or developed.

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. During 2008 management revised its estimates regarding the remaining future harvest volumes of certain timber areas. This change required that an impairment analysis be performed in accordance with ASC 360, *Property, Plant and Equipment.* The estimated undiscounted future cash flows generated by the roads in these timber areas were less than the carrying value.

The carrying value of these roads was reduced to fair market value resulting in an impairment charge of $585,000 for the year ended December 31, 2008, recorded in natural resources costs of goods sold on the income statement. Management estimated fair value of the roads using discounted anticipated net future cash flows.

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

	2010	2009
Balance at beginning of the year	$ 1,136	$ 1,053
Additional obligations incurred	—	651
Obligations settled in current period	(330)	(620)
Changes in estimates, including timing	12	—
Accretion expense	78	52
Balance at end of year	**896**	1,136

❖ Dollars are in thousands. Years ended December 31.

(9) GOODWILL AND INTANGIBLE ASSETS

The following table provides the gross carrying value for each major class of intangible asset by segment:

	Services	Manufacturing	Total
Balance, January 1, 2009	$ 13,981	$ 2,758	$ 16,739
Impairment expense	(2,924)	—	(2,924)
Balance, December 31, 2009	11,057	2,758	13,815
Additional purchase—Kingston	193	—	193
Additional purchase—Security Alliance	3,641	—	3,641
Impairment expense	—	(1,153)	(1,153)
Balance, December 31, 2010	$ 14,891	$ 1,605	$ 16,496

❖ Dollars are in thousands. As of December 31, 2010 and 2009.

Aggregate other intangible assets consist of the following:

Amortizing intangible assets—customer relationships within services segment	Total
Balance, January 1, 2009	$ 2,240
Amortization	(526)
Balance, December 31, 2009	1,714
Additional purchase—Security Alliance	2,040
Amortization	(575)
Balance, December 31, 2010	$ 3,179

❖ Dollars are in thousands. Customer relationships are amortized over 7-8 years from the date of acquisition.

Amortization expense for intangible assets was $575,000 and $526,000 for the years ended December 31, 2010 and 2009, respectively. Estimated amortization expense for the next five years:

2011	$ 818,000
2012	597,000
2013	438,000
2014-2015	291,000

❖ Dollars are in thousands. Years ended December 31.

In 2008, in accordance with the provisions of ASC 350, *Intangibles—Goodwill and Other*, goodwill was reviewed for impairment. The review determined that an indication of impairment existed for the reporting unit and therefore, Sealaska recorded an impairment loss of $790,000 for the customer relationship of Kingston. In 2009 impairment was required for the goodwill in the Information Technology reporting unit of the services segment of $2.9 million. In 2010 impairment was required for the goodwill in the Kánaak reporting unit of the manufacturing segment of $1.2 million. Accumulated impairment of intangibles and goodwill was $4.9 million at December 31, 2010.

(10) LONG-TERM DEBT

Long-term debt consists of the following:

	2010	2009
Note payable to a bank under an unsecured revolving term loan with variable interest rate pricing that was 2.35 percent at December 31, 2010, with the note expiring October 2014	$ 11,302	$ 21,802
Note payable to a bank under an unsecured revolving term loan with variable interest rate pricing that was 3.20 percent at December 31, 2010, with the note expiring October 2014	15,000	—
Mortgage payable, collateralized by land and building, with interest at the prime rate minus 0.5 percent (2.75 percent at December 31, 2010), due August 2011	552	1,360
Note payable by Amonos, LLC to Pacific Gulf, LLC; collateralized by land; interest at 3 percent; principal due September 2012	1,000	8,250
Note payable by Amonos, LLC to an individual; collateralized by land; interest at 7 percent—interest only through August 2010; principal due September 2012	975	975
Note payable by Kánaak Alabama to Nypro, Inc., an affiliated partner with Sealaska Corporation with interest at 5 percent	1,179	2,124
Other debt	2,380	2,343
Total long-term debt	32,388	36,854
Less current portion	(1,172)	(1,949)
Total long-term debt less current portion	31,216	34,905

❖ Dollars are in thousands. Years ended December 31.

Scheduled principal maturities of long-term debt are as follows:

2011	1,172
2012	2,050
2013	55
2014	26,302
2015	—
Thereafter	2,809
Total	$ 32,388

❖ 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, 2010. Interest expense totaled $1.5 million in 2010, $1.5 million in 2009 and $2.6 million in 2008.

Sealaska has the following line of credit available at December 31, 2010:

Amount	Amount Outstanding	Interest Rate	Collateral
$1,500,000	—	Prime + 0.25%	Business assets of the borrower

The line of credit is as follows: NKA $1.5 million at Wachovia Bank.

(11) INCOME TAXES

Income tax expense related to continuing operations was the following:

	2010	2009	2008
Current income tax expense (benefit)			
Federal	$ (319)	$ 57	$ 745
State	(56)	199	723
Foreign	—	66	286
Total	$ (375)	322	$ 1,754
Deferred income tax expense (benefit)			
Federal	(138)	762	566
State	225	134	100
Foreign	(24)	(5,997)	—
Total	63	(5,101)	666
Income tax expense (benefit)	$ (312)	$ (4,779)	$ 2,420

❖ Dollars are in thousands. Years ended December 31.

The income tax expense from discontinued operations was $0, $4,000 and $34,000 for the years ending December 31, 2010, 2009 and 2008, respectively.

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

	2010	2009	2008
Computed "expected" tax expense (benefit)	$ 6,959	$ 6,670	$ (11,392)
State income tax, net of federal tax	1,082	1,412	(2,137)
Change in valuation allowance	(741)	(38,948)	(1,741)
Expiration of net operating losses	(6,606)	25,898	18,104
Addition of ANCSA assets	(131)	(140)	(132)
Discontinued operations	—	(4)	(35)
Other	(875)	333	(247)
	$ (312)	$ (4,779)	$ 2,420

❖ Dollars are in thousands. Years ended December 31.

Net deferred tax assets and liabilities include the following:

	2010	2009
Deferred tax assets		
Net operating loss carryforwards	$ 135,185	$ 131,061
Land resource basis difference	206,040	222,571
Fixed assets	12,276	13,400
Other	11,113	11,024
Total gross deferred tax assets	364,614	378,056
Deferred tax liabilities—investment unrealized losses (gains)	(4,401)	(17,039)
Valuation allowance	(329,174)	(329,915)
Net deferred tax asset	31,039	31,102
Less current portion	(1,091)	(1,406)
Total long-term deferred tax asset	$ 29,948	$ 29,696

❖ Dollars are in thousands. Years ended December 31.

Sealaska has recorded a net deferred tax asset of $31 million, which primarily reflects (a) estimated future benefit of $322 million federal, $266 million state and $20 million foreign net operating loss (NOL) carryforwards which expire in varying amounts from 2011 to 2030 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 and basis differences. 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 2009 Sealaska released $5,997,000 of valuation allowance in Mexico because management believes that its Mexico operations have overcome its history of losses and will be able to fully utilize its deferred tax assets.

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 $61 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 2030. Sealaska will also need to earn approximately $17.6 million in taxable income in Mexico prior to the expiration of its net operating losses in 2019.

(12) OTHER NONCURRENT LIABILITIES

The liability portion of the Elders' Settlement Trust and Endowment Settlement Trust are included in other noncurrent liabilities on the Consolidated Balance Sheets. Balances of other noncurrent liabilities are:

	2010	2009
Elders' distribution payable	$ 7,785	$ 7,633
Shareholders' distribution payable	750	924
Endowments payable	2,246	1,809
Voluntary retirement deferrals	1,821	1,485
Charitable contribution payable	300	300
Total	$ 12,902	$ 12,151

❖ Dollars are in thousands. Years ended December 31.

(13) RETIREMENT PLANS

Sealaska has a 401(k) plan for virtually all employees meeting certain eligibility requirements. Participants may contribute up to 25 percent of their eligible compensation to the plan, subject to the limits of Section 401(k) of the Internal Revenue Code. Sealaska matches 100 percent of the participant's contribution up to four percent of their eligible compensation. All participants are immediately vested in the preceding contributions. Sealaska may contribute six percent of the participant's eligible compensation to the plan and these contributions are vested over a five year period. Contributions to the plan are based upon employees' total yearly contributions and base pay. Total approved contributions to the plans were $1,394,000, $1,109,000, $1,020,000, in 2010, 2009 and 2008, respectively.

(14) DESCRIPTION OF THE BUSINESS AND SEGMENT INFORMATION

Sealaska, together with the subsidiaries through which the Company'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

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, and maintenance of lands records and other activities vital to land ownership.

MANUFACTURING

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

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

SERVICES

The services division provides environmental construction and remediation, environmental assessments, consulting and engineering services, custom build construction and 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. and Synergy Systems, Inc. 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 97 percent owned subsidiary Managed Business Solutions, LLC. The services division expanded in 2010 through the 70 percent owned Security Alliance, LLC.

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 investment, 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.

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 is working to develop a new casino and resort facility. The End-to-End subsidiary has purchased land for the casino development.

	2010	2009	2008
Net income (loss) from continuing operations before income taxes			
Natural resources	$ 4,495	$ (505)	$ 3,331
Manufacturing	728	2,170	2,287
Investments	13,923	20,128	(54,912)
Services	3,063	(2,111)	385
Gaming	(4,675)	(2,756)	7,480
Corporate and other	(1,825)	(1,541)	(1,619)
Total segment net earnings (loss)	15,709	15,385	(43,048)
Net revenue (expense) not allocable to a segment			
Natural resource revenue sharing under Sections 7(i) and 7(j)	16,537	19,836	27,795
Selling, general and administrative expense	(14,494)	(14,688)	(16,435)
Other, net	1,820	(1,240)	(474)
Income (loss) before taxes	19,572	19,293	(32,162)
Income tax benefit (expense)	312	4,779	(2,420)
Income (loss) from continuing operations	19,884	24,072	(34,582)
Discontinued operations, net of tax	(2,436)	(300)	(5,235)
Net income (loss)	17,448	23,772	(39,817)
Less: Net income attributable to noncontrolling interest	2,294	3,487	1,034
Net income (loss) attributable to Sealaska	$ 15,154	$ 20,285	$ (40,851)

❖ Dollars are in thousands. Years ended December 31.

	2010	2009	2008
Total assets by operating segment			
Natural resources	$ 7,755	$ 6,415	$ 10,411
Manufacturing	27,532	26,616	19,626
Investments	152,336	168,667	138,195
Services	21,262	11,200	11,836
Gaming	(2,231)	6,567	4,850
Corporate and other	154,497	119,871	148,974
Total assets	**$ 361,151**	$ 339,336	$ 333,892
Capital expenditures by segment			
Natural resources	7,190	6,034	3,458
Manufacturing	4,022	2,065	3,036
Services	1,098	881	947
Gaming	405	226	7,218
Corporate and other	2,279	1,156	3,223
Total capital expenditures	**$ 14,994**	$ 10,362	$ 17,882
Depreciation, impairment and amortization by segment			
Natural resources	4,382	5,551	4,792
Manufacturing	2,984	1,632	3,664
Services	1,433	3,709	2,675
Gaming	2,950	—	—
Corporate and other	312	1,300	1,017
Total depreciation, impairment and amortization	**$ 12,061**	$ 12,192	$ 12,148

❖ Dollars are in thousands. Years ended December 31.

(15) 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, and manufacturing and office equipment, from a variety of vendors. Minimum annual rental commitments on operating leases at December 31 are as follows:

2011	3,092
2012	2,344
2013	2,131
2014	1,319
2015	1,129
Thereafter	3,162
Total	**$ 13,177**

❖ Dollars are in thousands.

These leases primarily relate to Kánaak. The facility lease payments are subject to an annual increase based on changes in the cost of living, as reflected by the Consumer Price Index. Kánaak has options to renew, at substantially similar terms, the facility leases for an additional two to 10 years.

During October 2006, Sealaska committed to advance capital and acquire property for the Cloverdale Rancheria Tribe of Pomo Indians of California to develop a new casino near the city of Cloverdale in Sonoma County, California. Sealaska is expensing the advances and capitalizing the property purchases, and will continue this practice until critical project milestones are reached. Sealaska's commitment to the prospective casino project is $34.7 million, which includes preconstruction expenses and land purchases. All principal and interest payments are deferred until the receipt of project financing.

(16) SUBSEQUENT EVENTS

Sealaska has evaluated subsequent events from the balance sheet date through April 18, 2011, the date at which the financial statements were available to be issued, and determined there are no subsequent events which require disclosure.

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A NATIVE CORPORATION
SEALASKA

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