

MESSAGE TO SHAREHOLDERS

FROM THE PRESIDENT & CEO

Dear Shareholders,

I am pleased to report on the strong progress that our Company has made during its 45th year of existence. Fiscal year 2017 was the 13th consecutive year that BSNC achieved positive financial results. Our government services business line continues to provide the largest percentage of BSNC's total income, although the recent purchase of Alaska Industrial Hardware helped meet the Board's goal of diversifying our revenue sources. BSNC's total 2017 revenues increased to \$357.9 million, while net operating profits increased from \$9.9 million to \$14.9 million. Although operating income increased, net earnings decreased in 2017 from \$14 million to \$12.3 million because of a one-time gain in 2016 on the reclamation of the Rock Creek Mine. Despite this, Shareholders' Equity grew from \$95.5 million to an unprecedented \$105.3 million.

Fiscal year 2017 saw the 10th consecutive year the Company has distributed dividends to our shareholders and BSNC's highest dividend payout to date at \$3.50 per share, totaling \$2.2 million. We also distributed a special Elders' dividend of \$500 per qualifying Elder, totaling \$445,500. In 2017, BSNC provided \$169,500 in bereavement assistance to shareholders and their families to help offset the cost of funeral expenses. Many shareholders and their families have expressed gratitude for these payments, which we are pleased to continue to provide.

BSNC continues to grow its commitment to providing meaningful benefits to our shareholders and descendants through employment opportunities. Our paid Summer Internship Program continues to be highly regarded among Alaska's Native Corporations for the quality and breadth of training provided to our young emerging leaders. The program has served as an excellent tool for recruiting highly-qualified shareholders and descendants to join our growing Company, while educating interns about the Alaska Native Claims Settlement Act (ANCSA) and how their own work bridges our Alaska Native cultures with the corporate business model.

Today, our Company is well-positioned to invest in capacity-building through its support of regional nonprofits. Our significant charitable investments help ensure that each successive generation of shareholders and descendants have the knowledge and skills they need to help solve some of our Region's greatest issues and challenges. In fiscal year 2017, BSNC donated \$886,838 to nonprofit organizations, with 38% going toward scholarships for shareholders and descendants who wish to attain their educational and vocational goals, and 25% going to Native nonprofits. Another 37% was donated to other nonprofits that serve Alaskans and Alaska Native people including organizations such as Beans Café, which feeds the homeless and hungry, and the Bering Sea Women's Group, a shelter whose mission is to provide a safe haven for women and children who are victims of domestic violence, sexual assault, or other

violent crimes while promoting a safe, healthy, and violence-free community in Nome, Alaska.

Your Company's staff, Executive Management and Board of Directors are focused on working together to successfully execute BSNC's strategic plan to diversify revenues, enhance shareholder opportunities and grow net income. BSNC has in recent years overcome significant financial challenges by utilizing federal contracting opportunities to achieve financial stability. We have used proceeds from government contracting to diversify our revenue base, and provide both shareholder employment opportunities and

scholarship funds that allow our shareholders and descendants to achieve their goals and succeed. We will continue to look for opportunities to grow and diversify, and thus enhance shareholder value.

I am privileged to lead BSNC, and thank you for your continued support.

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Gail R. Schubert
President and CEO

DEAR SHAREHOLDERS

FROM THE CHAIRMAN OF THE BOARD

Greetings,

It gives me great pleasure to introduce your Company's 2017 Business Report. The thematic focus of this year's report, which is success stories of shareholders and descendants who have benefited from BSNC's support of in-region nonprofits or the Bering Straits Foundation, coincides well with our celebration of the 45th Anniversary of BSNC. Looking back, I remember the hard-fought efforts of your Board of Directors and executive management team to acquire and protect the land base BSNC received under ANCSA.

Fiscal year 2017 was, again, a good year for the company. I am pleased to see a continued growth in Shareholders' Equity. BSNC achieved the \$100 million mark in Shareholders' Equity, which is a testament to BSNC's commitment to improving the value of our company for the benefit of all our shareholders. On behalf of BSNC's Board of Directors, I extend my appreciation to BSNC's management team and staff for their dedication in carrying forth BSNC's commitment to its shareholders.

It has not always been an easy road but I am proud of the dedication and resilience I have witnessed. The vision to persevere and return tangible benefits to our

shareholders and descendants has helped build a company that holds true to its mission. Looking forward, we are entering into a period of change in our region with the potential for increased vessel traffic through the Bering Strait and environmental challenges for our communities. With these changes, it is good to have the security of our ANCSA land and resource base, and the financial stability we have worked so hard to achieve, as we progress.

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Henry Ivanoff
Chairman of the Board

COMPANY PROFILE

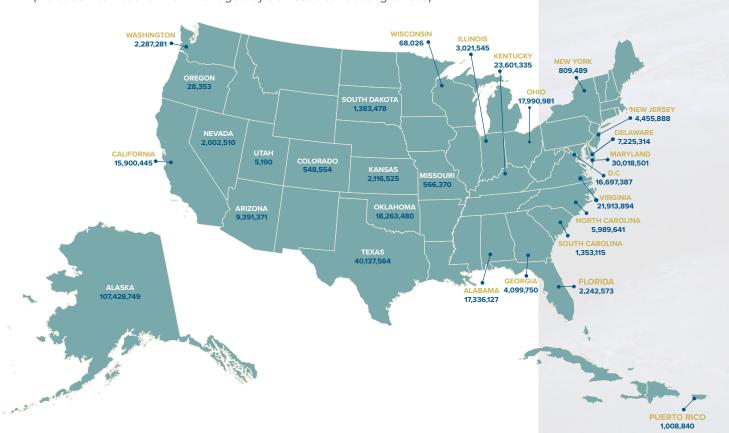
Bering Straits Native Corporation (BSNC) was formed in 1972 as the Alaska Native Claims Settlement Act (ANCSA) regional corporation for the Bering Straits and Norton Sound region. The corporation actively pursues responsible development of resources and other business opportunities. Through its subsidiaries, BSNC serves the federal government and commercial customers.

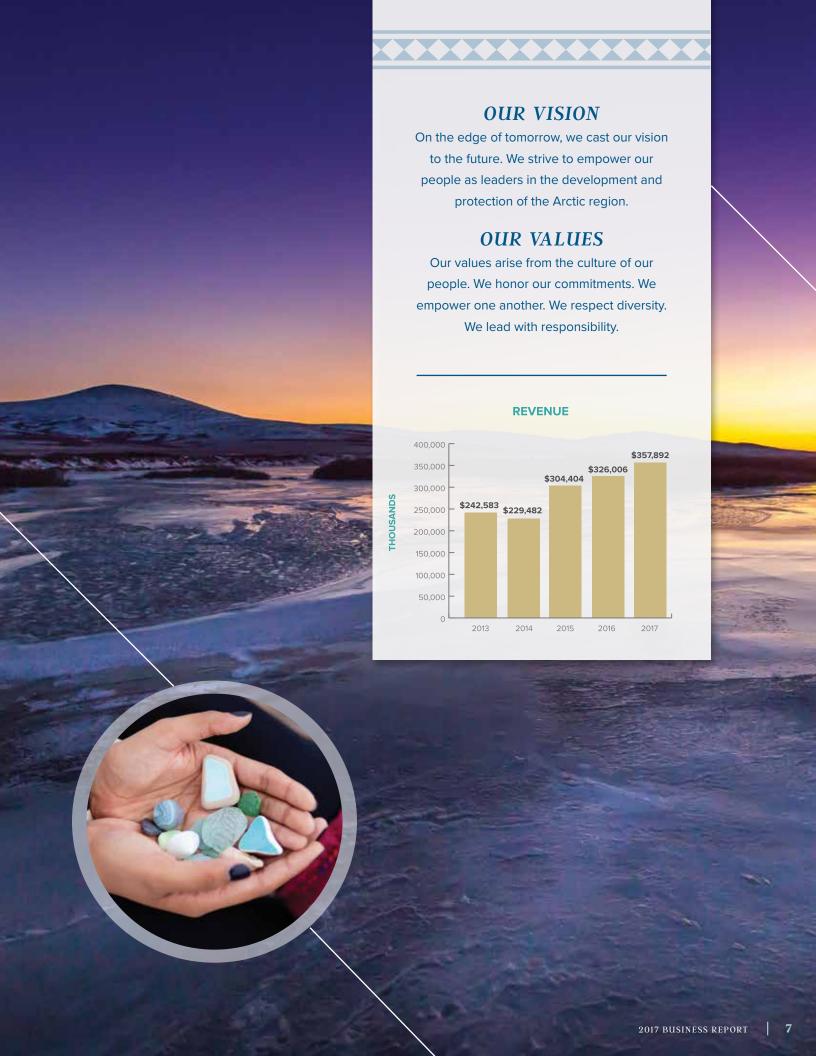
The BSNC region is located in Northwest Alaska and is home to three culturally distinct people: Inupiat, Siberian Yupik and Central Yup'ik. BSNC is owned by more than 7,700 Alaska Native shareholders. BSNC owns and manages the subsurface estate of the region's 17 village corporations (approximately 2 million acres), as well as the surface and subsurface estates of an additional 145,000 acres.

The corporation is headquartered in the historic city of Nome, Alaska, operates a primary business office in Anchorage, Alaska, and has site locations in Alaska, across the United States and internationally.

REVENUE BY STATE

(includes international work managed by domestic contracting offices)









SHAPING our FUTURE

BRIDGING GENERATIONAL KNOWLEDGE

In 2016, BSNC shareholder and Bering Straits Foundation recipient Hattie Keller founded Inuusiq, Inc. and opened an Inupiaq immersion preschool in Shishmaref, Alaska with three other BSNC shareholders: Kuunaq Marjorie Tahbone, Kiminiaq Madelyn (Maddy) Alvanna-Stimpfle and Uttumina Rachael Bauman. Inuusiq means "life" or "our way of life" in Inupiaq.

"Growing up I felt lost as if there was piece of me missing," said Hattie.

"It's a sadness from within. I felt resentment to my mom and grandma for not teaching my language and culture. I didn't even know how to cut a fish or kupshuk a seal. It wasn't until I learned our history and realized my grandma was protecting me from the harsh punishment her generation endured by missionaries and she wanted better for her grandchildren..."

"Our Inuit way of life and the traditional values with daily living are what we need to renormalize with our future generations. We all are the future. If you know how to speak your language, then volunteer at school or if you're too old, start writing down all our knowledge to be passed down. The only way we will reclaim our lost generations is by working together."

Hattie serves as the Inupiaq Director for Kawerak, Inc.'s Language Revitalization program. This year she will graduate with an associate's degree in Tribal Management and will continue working toward earning her bachelor's and master's degree in Rural Development.

"Thankfully, as a shareholder, I have participated in the Bering Straits Foundation scholarship program. With BSF's scholarship program I have been able to successfully attend school without the hardships of seeking student loans for tuition, book fees and other daily expenses."

BSNC shareholders and Bering Straits Foundation recipients Megan Alvanna-Stimpfle and Maddy Alvanna-Stimpfle are two sisters making a big impact in the region. Megan and Maddy are of King Island Inupiaq heritage, and were born and raised in Nome, Alaska.

Maddy Alvanna-Stimpfle is a second grade teacher in Nome. She earned her bachelor's degree in Early Childhood Education with a minor in Alaska Native Studies from the University of Alaska Anchorage. She is a new council member for King Island Native Community, and since 2014 has served on the Inuit Circumpolar Council's Education Steering Committee, which advocates for positive change in Inuit education, and is a board member of Inuusiq, Inc.

Megan is the former Chief of the King Island Native Community. She holds a Master's degree in Applied Economics from Johns Hopkins University and a Bachelor of Science degree in Economics from George Mason University.

"I love that our region is culturally strong and culturally diverse," said Megan. "Our communities are alive with our way of life. We come from a place of strength. Strength of identity. I am inspired to continue doing work in our region, because I love the Bering Strait.

It is the beginning of the continental divide that goes all the way to the southern tip of Mexico; it is where Russia and the United States are neighbors. If you look at a globe, the Bering Strait is in the center of two continents that include Asia and America... The ice is constantly flowing, and that is why you can't walk across the Bering Strait to Russia. We're a place of constant movement, constant change and our communities are at the center of it all."

Megan formerly served as a legislative assistant for Senator Lisa Murkowski in Washington D.C. and was responsible for policies addressing infrastructure and sanitation, housing, health delivery, public safety and justice, land management, as well as fish and wildlife management for Alaska Native and rural Alaskans. She assisted in organizing the Arctic Imperative Summit to bring Arctic and coastal Alaskan issues to the forefront of American policy, and delivered the 2016 Alaska Federation of Natives keynote address.

"This is what inspires me to continue to be involved in both our communities, and in public affairs," said Megan. "We have so much work to do. With the work of Hattie to expand immersion schools, and Maddy in the classroom building our future community leaders, I know we're in good hands. The youth of our region constantly impress me."







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I believe we must work to define a political agenda that preserves and protects our ability to hunt and fish, as well as manage and access the resources of our traditional lands and the ocean. We must have the political strength to ensure our children are learning in their own languages. We must have an Inuit political agenda that is just that: Inuit. Our way of life must be definitively protected within the law, not at the whim of regulations, nor multiple jurisdictions of management bodies, and a multitude of federal and state statutes."

- MEGAN ALVANNA-STIMPFLE

SOURCES OF STRENGTH

BSNC descendant and Bering Straits Foundation recipient
Jessie Paniptchuk works as a Certified Nursing Assistant at
Norton Sound Health Corporation (NSHC) in Nome. Originally
from Shaktoolik, Jessie's favorite memories of high school were
traveling and meeting new people during sports and academic
events across the region. One of those places she visited was
the Northwestern Alaska Career and Technical Center (NACTEC),
a regional vocational training center located in Nome that is
substantially funded by BSNC.

In 2009, Paniptchuk attended NACTEC for Junior High Career Exploration. From there, she attended multiple trainings including two Emergency Trauma Technician sessions and Driver's Education classes where she received her driver's permit and later her driver's license.

When she saw that a Certified Nursing Assistant session was being offered, she leapt at the opportunity. Jessie is motivated in her work as a nursing assistant because she believes in the importance of caring for Elders.







WEAVING A GIFT OF INDIGENOUS KNOWLEDGE

Tom and BeeJay Gray have subsisted together in White Mountain and the surrounding areas in the Bering Strait region for more than thirty years. Both are shareholders of BSNC and their families are from the Fish and Niukluk River area.

Their business, Alaskan
Northwest Adventures,
has allowed them to strike a
balance between the need
to support themselves and to
follow traditional yearly cycles
of subsistence endeavors.

We've done cultural camps with kids and they're like sponges — they just soak up everything. You get to see a little bit of your work grow in their minds."

Tom and BeeJay's lodge has been an important gathering place to many people. The Grays hold culture camps for local youth and hope the important cultural practices and ideals are passed to the younger generations. They also set nets for beluga along the coastal margin, an ancient practice that has seen a recent revival. Tom catches and releases some beluga after placing a tracking collar or transmitter on them, so that biologists may better understand the movements and health of the local stocks.

As entrepreneurs, Tom and BeeJay have the freedom, flexibility and time to do what they love which is living a life deeply rooted in subsistence. The two are very faithful to their culture, and work hard to instill traditional knowledge and values and to ensure that fish and game are available to current and future generations to lead the same way of life of living off of the land and sea.

"Every summer we go cut fish—that's our whole world.

Every summer since we've been married we've spent at camp. Every summer." - Tom Gray

MELDING TRADITIONS WITH MODERN MEDICINE

BSNC shareholder and Bering Straits Foundation recipient Dr. Christina V. (Anagick) Darby is a renowned sleep medicine doctor. Dr. Darby, who has family roots in Unalakleet but grew up in Anchorage, recently returned to Anchorage to start a brand new sleep clinic at the Alaska Native Medical Center (ANMC), the same hospital where she was born.

"I have been very grateful and fortunate to have received financial support through my training in the form of scholarships from the Bering Straits Foundation. This has helped enable my journey in becoming a medical professional now serving my home state."

The Bering Straits Foundation helped Dr. Darby attended Stanford as an undergraduate, the University of Washington for medical school, an internship in internal medicine at the University of Hawaii, Honolulu, followed by a residency in neurology at the University of Arizona, and finally back to Stanford to complete a fellowship in sleep medicine.







ADVOCATING FOR OUR LANDS AND SEAS

BSNC descendant and Bering Straits Foundation recipient Esau Sinnok is easily one of the most recognizable and active young environmentalists in Alaska today. Originally of Shishmaref, Esau is currently attending the University of Alaska Fairbanks where he is pursuing a degree in Tribal Management and Alaska Native Studies with the intention of continuing advocacy for his community.

Sinnok has been passionate about sharing the effects of climate change ever since he lost his uncle through thin ocean ice – ice that was once known to be thick during that time of year. His other motivators are the people of Shishmaref and the Bering Straits region.

My family. My friends. My home.
Everyone in Shishmaref and the region inspire me to do all this environmental work I am doing. I am attending college at UAF to help my people. I want to give back to my community and the Bering Straits region because without everyone I met in my life, I would not be where I am today. I hope to one day run for District T to help the people and create a sustainable future for the next seven generations and beyond."

Esau has traveled around the world to advocate for his village and others threatened by climate change in western Alaska. In 2016, Esau was one of ten people selected by the White House as a Champion of Change for Climate Equity. The White House selected these individuals for their work empowering low-income and underserved communities to prepare for and adapt to climate change. He was the youngest Champion of Change and the only Alaskan to be recognized by the White House.





BSNC is helping prepare tomorrow's leaders for the workforce by providing paid internships and professional development training to qualified shareholder or descendant students each summer. Shareholders and descendants gain valuable work experience and skills by working with staff in Nome and Anchorage.



From left is Tamaira Tocktoo (Accounting and Business Development), Allaryce Agloinga (Shareholder Relations), Ethan Moats (Human Resources), Patrick Czyz (Operations), Aaron Tolen (Alaska Industrial Hardware) and Lynn Kinney (Business Development). Not pictured are James "Nilson" Mixsooke who is interning at BSNC's subsidiary The Aurora Inn & Suites and Isaiah Santana-Albright who is interning in the Nome Land Department.





BSNC supported the following organizations in fiscal year 2017:

AFN
Alaska Correctional Ministries
Alaska Legal Services Corporation
Alaska Native Heritage Center
Alaska Pacific University
Alaska Run for Women
Alaska School Activities
Association
Anchorage Chamber of Commerce

Anchorage Chamber of Comr Anchorage Mayor's Ball Anchorage Rotary Club Arctic Access Arctic Encounters

AWAIC Bean's Café Bering Sea Women's Group

Bering Straits School District Boys and Girls Club BSSD Activities Office

Calista Education and Culture

Carry The Cure

Catholic Social Services

City of Nome

Commonwealth North

Congregation Beth Shalom

Cook Inlet Tribal Council

Covenant Church Sewing

Covenant Youth of Alaska

Diomede Dance Group First Alaskans Institute

Food Bank of Alaska

Fraternal Order of Alaska

State Troopers

Future Lady Buccaneers

Great Alaska Council

Healthy Alaska Natives Foundation

Institute of the North
Inuit Circumpolar Council
KNOM Radio Mission

Koahnic Broadcast Corporation

NACA

NACTEC

Native Student Union

Nome Arts Council

Nome Community Center

Nome Emergency Shelter

Nome Kennel Club

Nome Public Schools

Running Free Alaska Straw

for Dogs

Sealaska Heritage Foundation

Serve Alaska

The Bering Straits Foundation

The Children's Lunchbox

YWCA Alaska

Our employees made a difference by supporting the following organizations in fiscal year 2017:

Access Alaska

Alaska Armed Services YMCA

and Access Alaska

Alaska Center for the

Performing Arts

Alaska Native Heritage Center

Alaska Native Justice Center

Alaska Retirement

Management Board

Alaska Run for Women

Anchorage Friends of Pets

Anchorage Animal Control Shelter

Anchorage Community

Concert Band

Anchorage Economic

Development Corporation

Anchorage Mayor's Charity Ball

Anchorage Rotary

American Society of

Safety Engineers

Arctic Air Walkers

Bean's Café

Cops for Community

Covenant House

Dragon's Last Ride

(Northwest Sarcoma Foundation)

First Alaskans Institute

Food Bank of Alaska

Girl Scouts of Alaska

Golovin Bay Watershed Alliance

Great Alaska Council,

Boys Scouts of America

Nome - Golovin Snowmobile

Race

Nome Covenant Church

Nome Elementary

School Basketball

Nome Elementary School

Youth Wrestling

Nome Planning Commission

Nome Youth Softball

Northern Lights ABC School

Pacific Northern Academy

South High School Football

The Arc of Anchorage

YWCA Alaska

BOARD OF DIRECTORS



Henry Ivanoff Chairman



Lee Ryan *Vice Chairman*



Gail R. Schubert President & CEO



Roy Ashenfelter Secretary



Tim Towarak *Treasurer*



Fred Sagoonick Assistant Secretary



Jason Evans Assistant Treasurer



Eugene Asicksik Director



Ella Anagick Director



Robert (Bobby) Evans, *Director*



Charles W. Fagerstrom Director



Neal W. Foster Director



Louie Green, Jr. *Director*



Homer E. Hoogendorn *Director*



Steve Ivanoff Director

EXECUTIVE MANAGEMENT TEAM



From left is Chief Operating Officer Krystal Nelson, Vice President of Federal Programs Bill Mendenhall, Vice President of Nome Operations Larry Pederson, Executive Vice President Richard Foster, President and CEO Gail R. Schubert, Vice President of Information Technology Kevin Ivanoff, Senior Vice President/ Chief Financial Officer Laura Edmondson, Vice President of Media and External Affairs Matt Ganley, Vice President of Administration Peggy Hoogendorn, Vice President of Corporate Development Dan Graham, and Vice President and General Counsel Craig Richards.



SUMMARY OF SHAREHOLDER BENEFITS

Shareholder dividend (\$3.50 per share)	\$2.2 million
Special Elders' dividend	\$445,500
Bereavement benefits	\$169,500
Summer Internship Program	\$54,000

DIVIDENDS

BSNC issues shareholder dividends and special Elder dividends. BSNC has distributed \$20 million in dividends and special Elder dividends to shareholders since its inception.

SCHOLARSHIPS

BSNC provides substantial financial support to the Bering Straits Foundation (BSF). BSF helps BSNC shareholders and their lineal descendants attain their educational and vocational goals by offering scholarship, fellowship and mentorship opportunities.

For the 2016/2017 academic year, BSF awarded a total of \$273,000 in educational funding to BSNC shareholders and their descendants. Since its inception in 1991, BSF has provided more than \$2.6 million to BSNC shareholders and descendants for post-secondary education.

CAREER DEVELOPMENT

BSNC extends hiring preference to qualified shareholders, descendants and shareholder spouses. BSNC also is helping prepare tomorrow's leaders for the workforce by providing paid internships and professional development training to qualified shareholder or descendant students each summer.

BEREAVEMENT

BSNC provides bereavement benefits in the amount of \$1,500 to the families of an original Bering Straits shareholder, spouse of an original shareholder or lineal descendant of an original shareholder.

CAMPSITE PROGRAM

BSNC maintains a shareholder Campsite Program, which allows shareholders to select a campsite along the Kougarok Road, east and north of Salmon Lake.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the financial statements and related notes that appear elsewhere in this document. Statements contained in the MD&A may include management's expectations, strategies and projections. Any forward-looking statements may differ materially from actual future results.

THE CORPORATION

BSNC is a regional corporation formed pursuant to the Alaska Native Claims Settlement Act (ANCSA) of 1971. The company is owned more than 7,700 shareholders who are primarily of Alaska Native descent. The Bering Strait region encompasses the majority of Alaska's Seward Peninsula and the coastal lands of eastern Norton Sound.

BSNC wholly owns 22 subsidiary companies as well as second-tier subsidiaries and joint ventures operating across the United States and internationally. These companies provide services to both commercial and government clients in the following primary lines of business:

- Professional Services
- Base Operations Support and Logistics Services
- · Hardware Retail and Wholesale Distribution
- Construction

Other lines of business include natural resources, hotel operations, commercial and residential real estate, vehicle and equipment rental, trucking services and aviation. A number of BSNC companies participate in the U.S. Small Business Administration (SBA) 8(a) and HUBZone Programs, which provides federal contracting advantages to small and disadvantaged businesses.

These companies also compete for commercial and federal contracts outside of the 8(a) Program.

The Board of Directors remains committed to its strategic vision for the company which includes enhancing shareholder opportunities, diversifying revenue and increasing profitability. Enhancing shareholder opportunities is paramount to BNSC's mission of improving the quality of life for our people. We are proud that 38% of BSNC corporate office employees are shareholders, descendants or spouses, and BSNC remains committed to increasing employment opportunities, benefits, education, training and dividends that make a meaningful difference in the lives of our shareholders and descendants.

BSNC must continue to grow and diversify its revenue in a profitable manner to realize the mission and vision set by the Board. In 2017 revenue grew another 10% to \$357.9 million; however, net operating income increased by 50% to nearly \$15 million, the highest amount in the past 8 years. Operating income includes all costs associated with running the company and excludes 7(i) revenue sharing from the other ANCSA corporations.

BSNC's reliance on federal contracting revenue decreased in 2017 to 76% of total revenue, primarily due to the acquisition of Alaska Industrial Hardware. In previous years, BSNC's federal contract revenue represented nearly 90% of the consolidated total. In addition to diversifying revenue sources, management remains focused on identifying new lines of business and customers to reduce our market concentration risk as well as fuel continued growth. Professional services such as environmental and security support are two expanding lines of business that generated nearly \$50 million in revenue in 2017.



RESULTS OF OPERATIONS

2017 represented BSNC's 13th consecutive year of growth with a record \$357.9 million in revenue. This increase was due to continued business line and customer expansion as well as recent acquisitions. BSNC has been deliberate in its approach to managing growth while maintaining profitability. Operating income of \$14.9 million was 4.2% of revenue, the highest percentage in a number of years. Despite this increased operating income, net income of \$12.3 million was less than last year because 2016 included a non-recurring gain on reclamation activity at the Rock Creek Mine in the amount of \$6.8 million.

KEY FINANCIAL HIGHLIGHTS FOR THE PAST FIVE YEARS ARE PRESENTED BELOW.

Fiscal Year Ending March 31	2017	2016	2015	2014	2013
Dollars (in thousands except for per share amounts)					
Revenues	\$ 357,892	326,006	304,404	229,482	242,583
Expense	342,960	316,068	292,931	222,941	238,007
Earnings from operations	14,932	9,938	11,473	6,541	4,576
Net earnings attributable to BSNC	12,300	14,058	12,468	8,138	6,364
Income per share	\$ 19.42	\$ 22.20	\$ 19.69	\$ 12.85	\$ 10.05
Total assets	198,985	199,957	165,687	154,523	143,891
BSNC shareholders' equity	105,292	95,523	83,923	73,980	67,982
Equity per share	\$ 166.26	\$ 150.83	\$ 132.52	\$ 116.82	\$ 107.35
Key Performance Indicators	2017	2016	2015	2014	2013
Current ratio	2.36	1.95	2.28	2.17	2.15
Earnings before interest, taxes,					
depreciation, and amortization	27,411	28,930	24,375	17,370	13,918
Cash from operating activities	16,626	9,683	7,679	21,797	11,679





Current ratio measures a company's ability to pay its current liabilities. The higher the current ratio, the more capable the company is of paying its obligations, as it has a larger proportion of asset value relative to the its liabilities. BSNC has continued to grow while maintaining its favorable current ratio.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) measures the earnings of the company before certain contractual or non-cash items. The acquisition of AIH caused a large increase in interest expense, depreciation expense, and amortization expense. EBITDA shows how earnings have grown despite these expenses.

Cash flows represent the amount of cash BSNC generated from operating activities. This cash is available to pay for debt service obligations, investments, acquisitions, capital assets and shareholder dividends.

INDUSTRY PERFORMANCE

Professional services are primarily comprised of government contracts related to information technology, security services, procurement, administrative support, environmental, janitorial, loan administration, tactical training and instruction, and other support services provided as an extension of government staffing. Revenues and earnings for the last 3 years are as follows:

	2017	2016	2015
Revenues (in thousands)	160,178	147,374	127,373
Net earnings before tax	12,731	10,829	9,527
Net earnings before tax %	8.0%	7.4%	7.5%

Professional services represent the largest portion of revenue and net earnings to BSNC. Revenues have steadily grown since 2015 and earnings from these lines of business represent 85.3% of total operating income. Information technology is the largest service provided with \$57 million in revenues. Security and environmental services continued to provide an opportunity for growth and diversification in 2017, comprising nearly \$50 million of BSNC's professional services business.

Base Operations Support (BOS) and logistics are

primarily contracts with the federal government. Services performed under BOS contracts include facility operations and maintenance, utilities services and other base support services. Logistic services include warehousing and storage, supply and process improvements for base realignment and closure activities. Revenues and earnings for the last 3 years are as follows:

	2017	2016	2015
Revenues (in thousands)	99,530	99,326	138,835
Net earnings	1,481	-4,575	2,726
Net earnings before tax %	1.5%	-4.6%	2.0%

BOS and logistics contracts have historically maintained low margins due to the highly competitive federal contacting environment. This work has been critical to growth while supporting corporate administration and shareholder programs. It accounted for 28% of last year's total revenue and net earnings dramatically improved to a positive 1.5% of revenue. As previously communicated, the negative performance in 2016 was primarily due to costs associated with settlement of litigation with the Department of Justice which was finalized in 2017 with no admission of liability on the part of BSNC or its subsidiary. Additional process improvements and contract restructuring were made to increase the profitability of this business line.

Hardware retail and wholesale distribution operations are through the wholly owned subsidiary Alaska Industrial Hardware (AIH), which BSNC acquired on August 5, 2015. AIH operates 8 retail locations across Alaska as well as wholesale operations under General Hardware Distributors. Revenues and net earnings for the last 3 years are as follows:

	2017	2016	2015
Revenues (in thousands)	55,428	36,658	-
Net earnings	952	1,584	-
Net earnings before tax %	1.72%	4.32%	0%

Revenues for 2017 represent an entire year of business versus only 8 months of activity in 2016 subsequent to the date of acquisition. Economic conditions in Alaska have caused a decline in sales of 9.6% this year, which





is reflective of statewide industry trends. The decrease in profitability is primarily due to implementation of the BSNC allocation which supports corporate administration overhead and shareholder programs. AIH is collaborating with the BSNC family of subsidiaries to explore business expansion opportunities throughout the country.

Construction contracts include full-service general contracting, construction management, electrical, demolition and renovations. Revenues and net earnings for the last 3 years are as follows:

	2017	2016	2015
Revenues (in thousands)	33,270	28,050	32,322
Net earnings	513	1,424	-1,862
Net earnings before tax %	1.54%	5.08%	-5.20%

Revenues for 2017 increased by 19% over 2016.

Performance of this business line improved dramatically between 2015 and 2016 due to strategic changes in bidding, project oversight and management. The net earnings in 2017 are more reflective of expectations for this business line in the future due to the highly competitive nature of construction.

INVESTMENTS

Marketable securities which are not current assets represent the BSNC Permanent Fund equity investments. The Board of Directors considers these funds as dedicated for production of dividends and not available for operating activities. The Permanent Fund increased slightly to \$2.3 million in 2017. BSNC holds other marketable securities with a value of \$3.6 million as of March 31, 2017. Total investments earnings increased from a loss of \$166,742 in 2016 to a gain of \$775,915 in 2017.

Equity investments are those in which BSNC holds minority, non-controlling interest in various limited liability companies and a joint venture. BSNC recorded a loss of \$1.4 million from equity investments primarily related to recording its proportional share of the JL-LFGTE, LLC loss. The loss is due to depreciation and amortization expenses, and is not indicative of cash flow or return on capital invested. BSNC received distributions in the amount of \$316,225 from JL-LFGTE in 2017.

General and administrative expenses reported in the consolidated statement of operations include those for BSNC, its wholly owned subsidiaries and joint ventures which were required to be consolidated. A substantial portion of these expenses are incurred at the BSNC corporate office and allocated to subsidiaries. General and administrative expenses increased in 2017 from \$22.4 million to \$24.6 million due to growth in operations, but remained constant at 6.9% of total revenue.



Financing activities include current and long-term debt associated with the acquisition of real property and equipment. The notes mature between 2017 and 2037 and accrue interest between 3% and 5%. Long-term debt and total assets increased in 2016 with the acquisition of AIH.

Resource revenues from other regions are received by BSNC from other corporations pursuant to Section 7(i) of ANCSA. 7(i) revenue has fluctuated for various reasons but mostly as a result of changes in prices and production of minerals, oil and gas. Resource revenue is always subject to pricing pressures, production and demand for natural resources. In 2017, the 7(i) distribution increased from \$6.7 million to \$7.9 million. This represents the net amount retained by BSNC after meeting its obligation to share 50 percent of the 7(i) revenues with its member village corporations and at-large shareholders pursuant to ANCSA. BSNC is also obligated to share its natural resource revenue with other Alaska Native regional corporations after deducting allowable expenses as provided by the 7(i) Settlement Agreement. As of March 31, 2017, BSNC has made no 7(i) distributions.

NET INCOME

