EXPANDING
Our Reach

2018 Annual Report

PIĻĠUSIVUT
Our Values

Ukpiqqutiqaġniq Annaurriptiŋun
Spirituality

Qiksiksrautiqaġniqput Avanmun
Respect for Each Other

Iñuuniaġniqput Iñupiaguvluta
Our Culture as Iñupiat

Qutchiksuakun Savagniq
High Performance

Qaunaksriñiqput
Stewardship

Savaaptigun Paannaġiignivut
Our Business Relationships

Atisiñiaġniq
Resolution of Conflict

Ịlumun Atuumaniŋit Piļġusivut
Integrity

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REVENUES
(in thousands)

2018 $3,396,783
2017 $2,697,862
2016 $2,371,164
2015 $2,515,377
2014 $2,665,295

5-Year Financial Summary

Years ended December 31 (in thousands other than Shares Outstanding and Dividends Paid per Share)

	2018	2017	2016	2015	2014
Revenues	3,396,783	2,697,862	2,371,164	2,515,377	2,665,295
Adjusted EBITDA[1]	280,294	204,216	178,010	225,242	185,067
Total Assets	2,898,437	2,463,597	2,151,857	1,790,881	1,794,942
Debt and Lines of Credit	339,277	334,173	300,152	4,538	8,438
ASRC Shareholders' Equity	1,867,047	1,620,909	1,379,472	1,370,859	1,295,094
Shares Outstanding	1,391,950	1,363,650	1,331,750	1,306,800	1,277,500
Dividends Paid Per Share	70.00	55.00	48.00	60.00	57.50

1 — Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) adjusted for non-cash impairment charges, insurance settlements and earnout reserve adjustments.

OUR MISSION

Actively manage our businesses, our lands and resources, our investments and our relationships to enhance Iñupiaq culture and economic freedom – with continuity, responsibility and integrity.

2018 - 2023 STRATEGIC PLAN

ULTIMATE GOAL:

ASRC's ultimate goal is to provide the greatest amount of benefit to the greatest number of shareholders.

FINANCE:

The Corporation's measure of success throughout this period will be to become one of the 100 largest private companies in the nation. This will require doubling our financial footprint to reach $5 billion in revenues, with continued progression in durable earnings and dividends to our shareholders. We will strive to reach these new heights through acquisitive growth in the Lower 48, a renewed emphasis on organic growth, a long-term commitment to our home markets in Alaska, proactive risk management and leadership development and retention.

SHAREHOLDER AND EMPLOYEE DEVELOPMENT:

Continued progress in providing training and workforce development will empower shareholders and employees to reach their full potential.

COMMUNITY ECONOMIC DEVELOPMENT:

Since inception, we have been committed to promoting economic growth and stability across the Arctic Slope region. We will continue to engage with stakeholders to promote capacity building.

OUR STRENGTHS:

We leverage our strengths to effectively navigate our operating environments. These strengths include a unique business model, financial strength, strong leadership, alignment on direction, operational excellence, a growing repertoire of skills, capital utilization and our Iñupiaq values.

THE STRENGTH OF OUR SUBSIDIARIES:

We leverage our subsidiaries' strengths to define unique, instrumental roles that collectively position us for future growth and success.

CHAIRMAN & PRESIDENT'S MESSAGE

We are proud to share our 2018 annual report, which presents the operational and financial results for the year. We are pleased to report record financial results and to have continued support for projects that have a direct positive impact on the communities on the North Slope. Our Company has embarked on a journey to move beyond being the largest, most successful locally-owned and operated business in Alaska - and instead to compare ourselves against and eventually compete with some of the largest privately-held companies in the United States. We celebrate 2018 as a significant step in that direction.

Our financial performance exceeded our expectations in 2018 allowing us to increase the declared dividend by $10 to $70 per share for the year. For the first time in the Company's history, we surpassed $3 billion in revenues, with actual results of nearly $3.4 billion. Adjusted EBITDA surpassed $280 million in 2018, another record, exceeding the previous high by 24 percent. These results come from a variety of positive impacts spread across our portfolio of companies, including organic and acquisitive growth in our businesses, demonstrating the benefit of our planned diversification efforts. Our Government Contract Services segment organically grew revenues and Adjusted EBITDA by over 12 percent through targeted business development initiatives. In 2018 Petro Star sold a record amount of fuel, over 350 million gallons, and began distributing gasoline for the first time. The Industrial Services segment more than doubled its revenue over the prior year as a result of acquisitions. In January of 2019 the board of directors declared its intention to distribute a $70 per share dividend for 2019 based on our current financial expectations. These results demonstrate ASRC's commitment to providing continued meaningful returns to our shareholders.

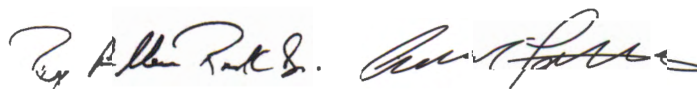
We are closely monitoring developments in the state of Alaska's budget proposal and engaging with key individuals to ensure our representatives hear our voice, as we believe the proposed budget would have devastating impacts on all Alaskans, but particularly to those living on the North Slope. As we take a stand on the budget proposal, we also plan to be proactive in fighting additional taxes on oil production that would destabilize the region and harm our interests.

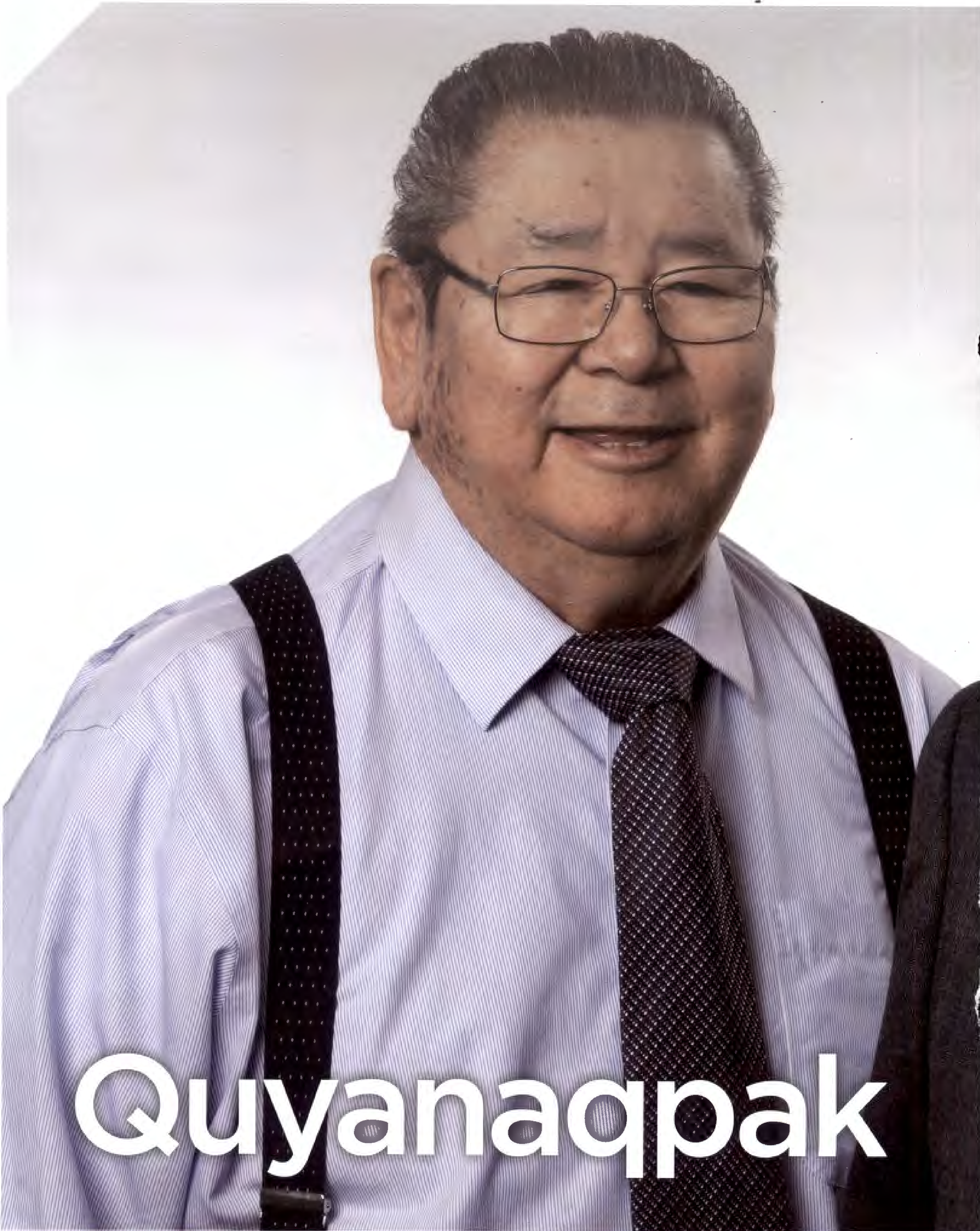
This past year, ASRC's Community Economic Development (CED) program was refined to better align its efforts with our 2018-2023 Strategic Plan. The CED program completed over 100 projects in support of the main components of the program: economic development, capacity building and social investment. It is an honor to partner with our communities by hosting projects, training and activities throughout our region. During the past year, we hosted a technology camp that taught our children computer coding skills. Our Iñupiaq Arts Festival was also a great success, with artists strengthening their business and art skills. The release of the Traditional Uses of North Slope Plants book was a success, sharing our elders' knowledge of our Arctic plants with our broader community. We partnered with Arctic Slope Community Foundation and other entities to complete infrastructure projects, including an upgrade to the electrical, plumbing and heating systems in several of the community centers in our villages. We also joined with other organizations to deliver much-needed enhancements to our Search and Rescue services.

CED will continue to engage with communities, promoting capacity building and economic development to strengthen and sustain our communities. Our way of life and our heritage is of paramount importance to ASRC, and we are committed to improving our communities in an attempt to ensure they are economically stable and thriving. Our communities are fortified by the health of its residents and their engagement promoting and perpetuating Iñupiaq values.

Over the last several years, the Corporation's focus has been on building long-term sustainable earnings that support growing dividends to our shareholders. To this end, our primary strategy is diversifying our revenues by investing in key business opportunities in the Lower 48. We believe this will continue to serve us well, given current challenges to Alaska's business markets and economy. Over the past several years we have made acquisitions to expand the services provided by our Government Contract Services segment. We have also expanded our Industrial Services segment, completing 10 acquisitions in this line of business. ASRC has been the largest locally-owned and operated company in Alaska for the previous 24 years, but we continue to move the Company forward. Our 2018–2023 Strategic Plan includes an ambitious growth goal to earn a spot as one of the top 100 largest private companies in the nation. The Strategic Plan details our path to continue to expand our footprint through value-based acquisitions that contribute to our total portfolio and provide additional sustainable benefits to our shareholders.

Our early leaders created the foundation for success, despite significant obstacles. We are blessed to have the benefits of their wisdom and foresight and continue to rely on the values and lessons they have taught us. We will undoubtedly meet challenges - but, just as the Iñupiaq people have confronted and overcome obstacles for thousands of years, ASRC has persevered through many trials since inception. We know that we can go so much further when we work together, and with the support that we have from our people there are no limits to what ASRC can accomplish.

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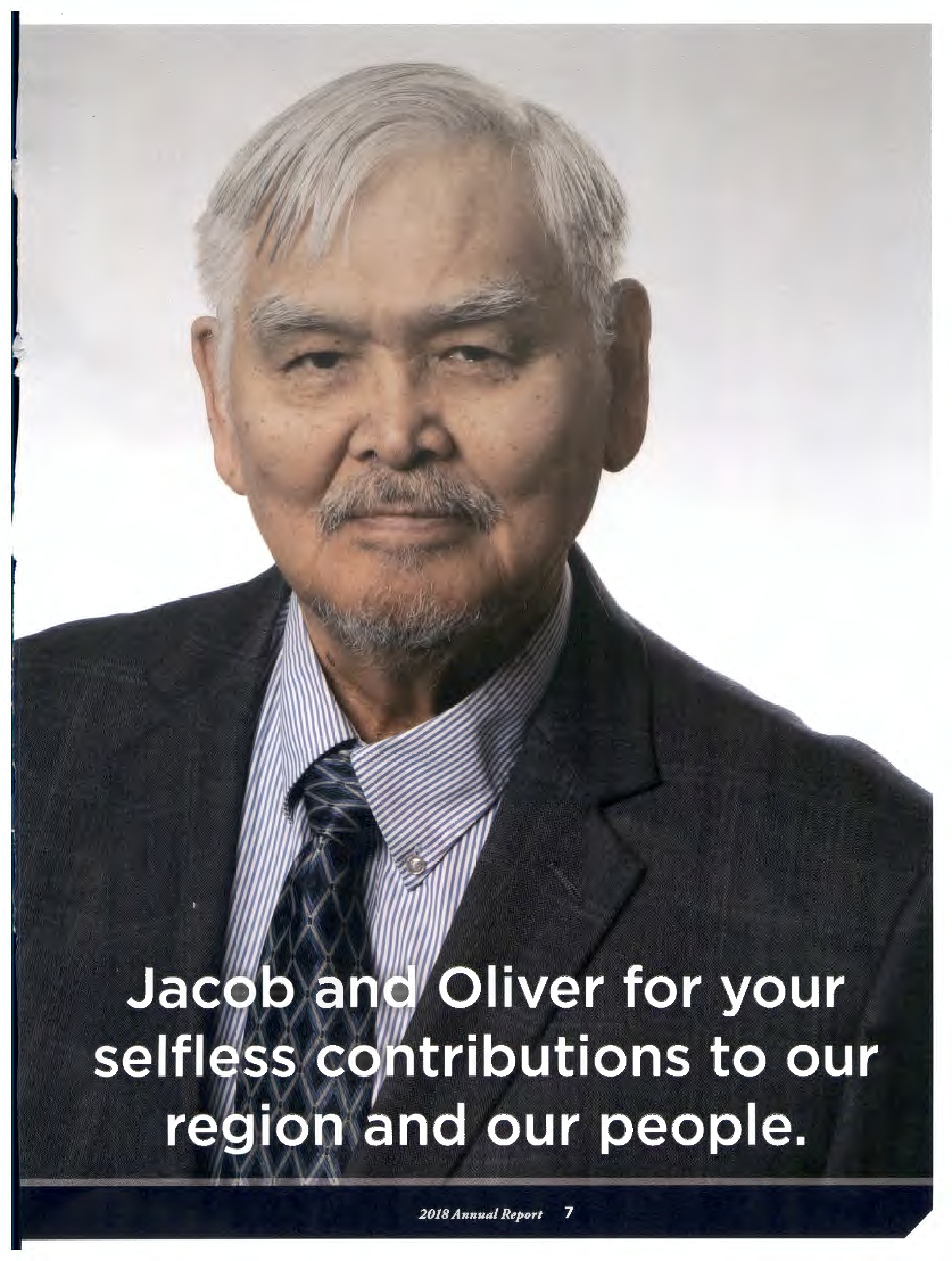
Jacob and Oliver for your selfless contributions to our region and our people.

BOARD OF DIRECTORS

CRAWFORD PATKOTAK
Chairman
Utqiaġvik

GEORGE SIELAK
Vice Chairman
Nuiqsut

REX A. ROCK SR.
President & CEO
Pt. Hope

JOHN HOPSON JR.
1st Vice President
Wainwright

PAUL BODFISH SR.
2nd Vice President
Atqasuk

GLEN EDWIN SOLOMON
3rd Vice President
Kaktovik

PATSY AAMODT
Treasurer
At-Large

MARY ELLEN AHMAOGAK
Corporate Secretary
At-Large

JACOB ADAMS SR.
Director
Utqiaġvik

OLIVER LEAVITT
Director
Utqiaġvik

AVAIYAK BURNELL
Director
Utqiaġvik

LILLIAN S. STONE
Director
Anaktuvuk Pass

IDA OLEMAUN
Director
Utqiaġvik

JEFF C. KINNEEVEAUK
Director
At-Large

JULIUS M. REXFORD
Director
Pt. Lay

Not pictured: John Hopson Jr. and Lillian S. Stone

EXECUTIVE MANAGEMENT

REX A. ROCK SR.
President & CEO

CRAWFORD PATKOTAK
Exec. Vice President
Stakeholder Engagement

RICHARD GLENN
Exec. Vice President
External Affairs

BUTCH LINCOLN
Exec. Vice President
Chief Operating Officer

CHARLIE KOZAK
Exec. Vice President
Chief Financial Officer

TERESA IMM
Exec. Vice President
Regional & Resource Development

MATT WALDRON
Exec. Vice President
General Counsel

SAM HILL
Sr. Vice President
Human Resources

COLLEEN ABAD
Sr. Vice President
Chief Administration Officer

MARY ELLEN AHMAOGAK
Corporate Secretary

OUR BUSINESSES

The business segments and certain subsidiaries mentioned in this report:

GOVERNMENT CONTRACT SERVICES

ASRC Federal Holding Company, LLC (ASRC Federal)

PETROLEUM REFINING AND MARKETING

Petro Star Inc. (Petro Star)

ENERGY SUPPORT SERVICES

ASRC Energy Services, LLC (AES)

INDUSTRIAL SERVICES

ASRC Industrial Services, LLC (AIS)

CONSTRUCTION

ASRC Construction Holding Company, LLC (ACHC)

RESOURCE DEVELOPMENT

Natural Resources

OTHER BUSINESSES

Alaska Growth Capital BIDCO, Inc. (AGC), Eskimos, Inc. (EI), Tundra Tours, Inc. (TTI)

CORPORATE OVERVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statements in this Management Discussion and Analysis ("MD&A") that are not historical facts are forward-looking statements based on current information and expectations of future events. These forward-looking statements are subject to assumptions, risks and uncertainties that could change at any time and could cause actual results to differ materially from those expressed or implied by such statements. We, therefore, caution against placing substantial reliance on the forward-looking statements contained in this MD&A. All forward-looking statements included in this MD&A are made only as of the date of this MD&A, and we assume no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

Corporate Overview

	2018	2017	2016
Revenues	3,396,783,000	2,697,862,000	2,371,164,000
Adjusted EBITDA[1]	280,294,000	204,216,000	178,010,000
Cash provided by operating activities	295,939,000	163,499,000	191,613,000
Dividends declared	96,843,000	74,511,000	63,589,000
Dividends paid per share	70.00	55.00	48.00
Shares outstanding	1,391,950	1,363,650	1,331,750
Average shareholder hire	482	485	484

1 — Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) adjusted for non-cash impairment charges, insurance settlements and earnout reserve adjustments.

This MD&A of the consolidated financial position and results of operations as of and for the year ended December 31, 2018, which we refer to throughout as "2018", is intended to enable Arctic Slope Regional Corporation shareholders to better understand the financial position and results of operations of the Corporation, and to provide additional information to shareholders regarding the Corporation's activities. This MD&A includes the results of ASRC's operating segments, which are consolidated with ASRC's financial results for financial reporting purposes. These statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2018 at the end of the Annual Report. When we refer to "us," "our," the "Corporation," the "Company," "ASRC" or similar language, we are referring to Arctic Slope Regional Corporation and its subsidiaries collectively.

In an effort to provide our shareholders with additional information regarding the Corporation's results as determined by Generally Accepted Accounting Principles ("GAAP"), the Corporation also discloses certain non-GAAP financial measures. Management utilizes these non-GAAP financial measures to assess recurring performance and believes these measures provide useful information to shareholders regarding baseline operating results. Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") and EBITDA adjusted for special one-time items (such as insurance settlements and earnout reserve adjustments) and non-cash impairment charges ("Adjusted EBITDA") are non-GAAP financial measures commonly used by public and privately held companies similar to ASRC. ASRC's management uses Adjusted EBITDA because excluding specific impacts to ASRC's financial statements that do not impact actual cash on hand (non-cash charges) and special one-time items that do not reflect ordinary impacts to cash is useful in understanding how much cash is being generated by ASRC's operations to fund

capital investment, service debt and pay dividends. For instance, ASRC has tax attributes that largely result in ASRC paying minimal federal taxes. Additionally, for financial statements purposes, ASRC amortizes (or expenses over time) a significant portion of the purchase price of acquisitions. While these adjustments significantly impact net income, they do not affect cash flow and our ability to pay dividends.

The Corporation had a strong 2018, with record revenue and Adjusted EBITDA as well as the second highest dividend payout since the Corporation's formation. Despite areas of volatility within our lines of business, the Corporation's diversified earnings strategy allowed ASRC to pay dividends of $70 per share.

ASRC has six primary lines of business, with operations throughout Alaska and the Lower 48:

- Government Contract Services
- Petroleum Refining and Marketing
- Energy Support Services
- Industrial Services
- Construction
- Resource Development

In addition to our core operating segments, ASRC owns additional entities that provide benefits to our shareholders. On the North Slope of Alaska, our subsidiaries Eskimos, Inc. ("EI") and Tundra Tours, Inc. ("TTI") provide services including fuel distribution and operation of the Top of the World Hotel. Alaska Growth Capital BIDCO, Inc. ("AGC") provides loans to underserved borrowers throughout Alaska and across the North Slope. Finally, ASRC's wholly-owned subsidiary ASRC Capital, LLC ("ASRC Capital") holds the Corporation's alternative investment portfolio. This portfolio includes multiple investments in private equity and similar funds, which make investments in the industries of power generation, real estate, distressed debt, technology and industrials. As this portfolio matures, we believe it will provide additional financial returns and diversification.

The Corporation's 2018-2023 Strategic Plan reinforces our commitment to providing the greatest benefit to the greatest number of shareholders. During 2018 our average shareholder employment of 482 was down slightly from 2017's average of 485 as the lingering economic issues in Alaska combined with a slow recovery of the oil and gas sector limited our operations in the state. Given the significant market challenges to growing business in Alaska and the corresponding impact on our ability to create shareholder employment, we believe growing a sustainable annual dividend is the greatest benefit that we can provide to our shareholders.

ASRC continued its efforts to expand operations into lines of business that will help diversify earnings and allow for sustainable dividends to our shareholders. In 2017 we deployed over $100 million in several smaller deals aimed at advancing our ASRC Industrial Services, LLC ("AIS") investment strategy, our Petroleum Refining and Marketing footprint, and other strategic investments. The development of our 2018-2023 Strategic Plan provided a focused path to continue capital deployment in specific areas of our business. During 2018 ASRC deployed over $200 million primarily through acquisitions at AIS, continued buildout in our Petroleum Refining and Marketing segment and other strategic investments. In February 2018 we acquired M.S. Holdings, Inc. ("Mavo"), followed by the purchase of F.D. Thomas, Inc. ("FDT") in April 2018. In June 2018 we acquired Hudspeth & Associates, Inc. ("Hudspeth"), and in October 2018 we finalized the acquisition of Brad Cole Construction Company, Inc. ("BCC"). All of these companies became subsidiaries of AIS and are discussed later in this document.

Our 2018-2023 Strategic Plan lays out aggressive goals for financial and operating success and we believe our performance in 2018 provides a strong foundation to achieve these goals. As we have cautioned in past reports, the Corporation's performance should not be viewed in one-year increments. Sustainable performance is measured over a multi-year period. We are proud to report record financial performance in 2018, but there are many risks that we face, including the current political and economic environment in Alaska as well as our exposure to oil and gas market forces that are largely out of our control. We believe our significant investments and acquisitions in our core segments have provided growth opportunities with reduced exposure to the Alaska market, while recognizing the important continued contributions of our Alaska subsidiaries. We believe these investments will continue to provide benefits to our shareholders for years to come.

The following pages discuss management's view of the 2018 results and outlook for 2019.

OUTLOOK FOR 2019

As we carry on with our 2018-2023 Strategic Plan, we expect some of the challenges we have encountered to continue in 2019. We expect the Alaska economic conditions to linger in 2019. Oil prices in the first few months have decreased from 2018's average; further decreases would negatively impact levels of activity on the North Slope. Rapid fluctuations in commodity prices similar to those at the end of 2018 can negatively impact our Petroleum Refining and Marketing segment which generally performs well in stable price environments. We expect these challenges will affect our Alaska-based businesses in 2019.

We believe the diversification efforts made over the last few years will improve the quality and predictability of our earnings given the growth of our Lower 48 business and the reduced relative exposure to the Alaska energy sector. We expect to continue to make investments in our Lower 48-based Industrial Services segment to acquire companies that will integrate with our existing services and provide sustainable cash flows. We will also explore potential investments in our Government Contract Services segment while continuing to reinvest in our Alaska-based segments strategically. Concurrently, we intend to grow our existing businesses and integrate our recent acquisitions, leveraging our scale and improving processes to ensure appropriate value is delivered to our shareholders.

Consolidated Results (in millions)

	2018	2017	2016
Revenues from contracting, sales and services	**$ 3,396.8**	**$ 2,697.9**	**$ 2,371.2**
Operating expenses:			
Costs of contracting, sales and services	3,044.4	2,397.0	2,088.3
Administration and general costs	210.4	178.3	158.8
Amortization of goodwill and intangibles	59.7	54.4	39.6
Selling and business development costs	31.8	34.4	35.2
Impairment charges, net	1.1	—	0.3
Operating income	49.4	33.8	49.0
Earnings from unconsolidated affiliates	12.8	9.1	2.0
Natural resources, net of 7(i) obligation and expenses	84.9	43.9	27.9
Interest and marketable securities earnings	0.2	1.5	0.4
Interest expense, net of capitalized interest	(13.1)	(14.1)	(2.2)
Insurance gains and settlements, and other income, net	8.9	5.0	4.1
Income before income taxes and noncontrolling interest	143.2	79.2	81.2
Income tax (expense) benefit	(76.4)	68.6	(30.2)
Net income	66.7	147.8	51.0
Less: net income attributable to noncontrolling interest	(4.0)	(2.9)	(7.5)
Net income attributable to ASRC shareholders	**$ 62.7**	**$ 144.9**	**$ 43.5**

Reconciliation of Adjusted EBITDA to Net Income Attributable to ASRC Shareholders (in millions)

	2018	2017	2016
Net income attributable to ASRC shareholders	$ 62.7	$ 144.9	$ 43.5
Interest and marketable securities earnings	(0.2)	(1.5)	(0.4)
Interest expense, net of capitalized interest	13.1	14.1	2.2
Income tax expense (benefit)	76.4	(68.6)	30.2
Goodwill and intangibles amortization	59.7	54.4	39.6
Depreciation	62.0	56.9	52.3
EBITDA	$ 273.8	$ 200.2	$ 167.4
Insurance gains and settlements	(1.8)	—	(0.5)
Non-cash impairment charges	11.3	4.0	11.1
Acquisition earnout adjustments	(3.0)	—	—
Adjusted EBITDA	**$ 280.3**	**$ 204.2**	**$ 178.0**

OPERATING RESULTS

Revenues

Our 2018 consolidated revenues of $3.4 billion increased by $698.9 million or 26 percent as compared to 2017. The increase was primarily the result of:

- Increased revenue at our Industrial Services segment as a result of acquisitions, which added a combined $238.3 million in revenues in 2018 as compared to 2017
- The impact of higher current oil prices on our Petroleum Refining and Marketing segment's product prices combined with an increased volume of products sold to our customers
- Increased revenue at our Government Contract Services segment primarily from new contract wins in this segment
- An increase in contracted work in the Energy Support Services segment as a result of several large non-recurring projects
- Higher levels of activity on existing projects and new contracts at our Construction segment

The increase in revenues in 2017 as compared to 2016 is primarily due to:

- Increased revenue at our Government Contract Services segment primarily from the acquisition of Vistronix Intelligence & Technology Solutions, LLC ("Vistronix") in late 2016, which added $107.8 million in revenues during 2017, as well as the increase in new business contracts in this segment
- The impact of higher current oil prices on our Petroleum Refining and Marketing segment's product prices combined with an increased volume of products sold to our customers
- Increased revenue at our Industrial Services segment primarily from the 2016 acquisition of Restoration Services, Inc. ("RSI") and the 2017 acquisitions of Finite Holdings, LLC ("Finite") and US Coatings, Inc. ("USC"), which added a combined $56.8 million in revenues in 2017 as compared to 2016
- The acquisition of Builders Choice, Inc. ("BCI") in late 2016 provided an additional $31.5 million of revenues in 2017 for our Construction segment
- These favorable variances were partially offset by a continued decrease in contracted work in the Energy Support Services segment which declined $45.7 million in 2017 as a result of the economic conditions in the Alaska oil and gas market

Adjusted EBITDA

We ended 2018 with $280.3 million of Adjusted EBITDA, an increase of $76.1 million over the prior year. Our Adjusted EBITDA calculations remove certain non-recurring charges or gains (i.e., non-cash impairments, earnout reserve adjustments, and insurance settlements) to assess year-over-year cash performance more accurately. These adjustments, which increased Adjusted EBITDA by $6.5 million in 2018, consisted of:

- An $8.8 million impairment of our investment in Trilogy International Partners, LLC ("Trilogy")
- A $1.1 million impairment due to the sale of our interest in an oil and gas property
- The destruction of a piece of equipment at a refinery in our Petroleum Refining and Marketing segment resulting in a $0.4 million impairment
- A net gain of $0.7 million due to the impairment of a facility in our Industrial Services segment that was lost in a fire, offset by insurance proceeds
- A $3.0 million gain due to an adjustment of the earnout reserve of an acquired company at our Industrial Services segment

The increase in Adjusted EBITDA in 2018 as compared to 2017 was primarily the result of:

- Earnings recognized from a bonus payment received from granting major oil companies the exclusive right to conduct exploratory activity and acquire oil and gas leases on certain ASRC lands
- An increase in the average price of crude oil and higher redetermination barrels in our Resource Development segment
- Acquisitions of companies in our Industrial Services segment which added a combined $16.7 million more than in 2017
- Higher earnings at our Energy Support Services segment due to increased revenue noted above
- New business wins and contract growth at our Government Contract Services segment
- The overall increase in Adjusted EBITDA in 2018 as compared to 2017 was partially offset by lower margins in our Petroleum Refining and Marketing segment causing a decrease of $18.1 million

Adjusted EBITDA was $204.2 million in 2017, a $26.2 million increase over 2016. The increase in Adjusted EBITDA in 2017 as compared to 2016 was primarily the result of:

- Acquisitions of companies in our Government Contract Services, Industrial Services and Construction segments; the acquisitions of Vistronix, RSI, Finite, USC and BCI added a combined $15.3 million
- Earnings from our Resource Development segment improved by $16.0 million due to the increase in the average price of crude oil over the prior year
- Higher margins and more volume in our Petroleum Refining and Marketing segment caused an increase of $10.5 million in 2017 as compared to 2016
- The following negative factors partially offset the overall increase in Adjusted EBITDA in 2017 as compared to 2016:
    - Earnings decreased by $5.4 million in 2017 from our Energy Support Services segment as a result of the reduced revenue described previously
    - Lower loan volume at Alaska Growth Capital caused a $4.3 million decline in 2017 as compared to the prior year

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OPERATING SEGMENT REVIEW

GOVERNMENT CONTRACT SERVICES

ASRC Federal Holding Company, LLC ("ASRC Federal") and its subsidiaries deliver engineering, information technology, infrastructure support, professional and technical services and solutions to civil, intelligence and defense agencies throughout the United States. ASRC Federal provides services through three operating groups: Engineering, Aerospace and Mission Systems, Infrastructure Support and Professional Services, and Information Systems and Technology.

ASRC Federal's enterprise strategy is *Customer-Focused, Operationally Excellent*. This strategy reflects the commitment of management and the workforce within this segment to build long-term, mission-focused customer relationships by delivering creative, tailored solutions at competitive prices.

Our Government Contract Services segment has been impacted by an intensely competitive environment. Award protests and delays have eroded margins and significant merger and acquisition activity within the sector has created a challenging investment backdrop. In light of these factors, we believe it is critical to ASRC Federal's long-term success that the company remains flexible, and positions itself to be able to quickly react to the changing environment in the government services industry.

During 2018 ASRC Federal's capture rate, the amount of revenue won versus the amount that was bid, increased by 17 percentage points versus 2017, and we were awarded multiple new multi-year programs, mainly in our Infrastructure Support and Professional Services, and our Information Systems and Technology operating groups. We believe these awards reflect the positive impact of ASRC Federal's investment in business development capabilities and provide a solid foundation for continued success in this segment.

Results of Operations (in millions)

	2018	2017	2016
Revenues	$ 1,396.0	$ 1,232.7	$ 1,048.6
EBITDA	$ 93.5	$ 83.2	$ 74.0
Non-cash impairment charges, insurance settlements, and earnout adjustments	–	–	–
Adjusted EBITDA	$ 93.5	$ 83.2	$ 74.0

The increase in revenues in 2018 compared to 2017 is due to new contract wins in this segment as well as growth in existing contracts.

The increase in revenues as discussed above had a positive impact on Adjusted EBITDA in 2018 compared to 2017. Offsetting some of this positive increase is the level of competition and award protests on recompete work, resulting in lower margins and increased bid and proposal costs for new business.

Going forward we expect the competitive environment to remain the same or intensify, which we anticipate will result in fewer opportunities and fiercer competition. For this reason, we expect contracts subject to recompete will be more difficult to retain, and margins on new awards will likely be less than our historical averages. However, we remain encouraged by the overall business climate, including targeted growth in certain government sectors where we believe our presence is strong and a pro-small business philosophy. We are committed to growing this segment organically and through selective acquisitions, which we

believe will contribute to diversifying our customer base, expanding our capabilities and increasing our operating margins in certain areas.

PETROLEUM REFINING AND MARKETING

Petro Star is the only Alaskan-owned refining and fuel marketing company. Petro Star's two refineries, located in North Pole, Alaska and Valdez, Alaska, draw their crude supply from the Trans Alaska Pipeline System ("TAPS") and produce highway, off-road and marine diesel, jet fuel, home heating oil and asphalt base oil. The North Pole refinery ("NPR") supplies fuel to the U.S. military operations at Eielson Air Force Base and the local electric utility and provides heating oil to communities throughout Interior Alaska. The Valdez refinery produces ultra-low sulfur diesel, which is used as marine fuel, as highway diesel and in the mining industry. It also supplies jet fuel to commercial cargo carriers at Ted Stevens Anchorage International Airport and the U.S. military at Joint Base Elmendorf-Richardson. Through its operations in Dutch Harbor, Alaska, Petro Star supplies fuel and services to the largest commercial fishery in the United States. In addition to its refining and distribution assets, Petro Star also operates fueling stations, convenience stores, and heating oil and lubricant distributorships.

During 2018 we continued making investments in our distribution infrastructure to leverage the facilities that have been acquired at the Port of Alaska in 2017. These investments expand Petro Star's business opportunities in the Southcentral and Interior Alaska fuel markets while diversifying and complementing this segment's product offerings, geographic scope and logistical efficiencies. These investments are expected to reduce the volatility and increase the quality of this segment's earnings.

Petro Star continues to operate in a volatile earnings environment, as its financial results are largely linked to commodity prices and refining margins. Prices and margins are subject to global market factors beyond our control and have experienced significant volatility over the past several years. Alaska North Slope crude, which Petro Star uses to produce its refined products, is generally more expensive than West Texas Intermediate and other crude oils of comparable or higher quality. Petro Star's competitors, both West Coast and foreign refiners, use these less expensive crude oils to produce the same products as Petro Star, resulting in smaller net margins on the majority of Petro Star's sales.

Results of Operations (in millions)

	2018	2017	2016
Revenues	$ 884.9	$ 668.0	$ 556.4
EBITDA	50.6	69.1	58.6
Non-cash impairment charges, insurance settlements, and earnout adjustments	0.4	–	–
Adjusted EBITDA	$ 51.0	$ 69.1	$ 58.6

Petro Star sold a record 356 million gallons during 2018, the highest annual sales amount in the company's history. The increase of 26 million gallons during the year combined with higher sales prices drove revenues higher in 2018 compared to 2017.

Commodity prices impact Petro Star's financial results and refining margins, which we believe are mostly outside of our control. Adjusted EBITDA declined in 2018 as compared to 2017 as a result of high commodity prices and lower refining margins.

The unpredictability of commodity prices, as well as tariff and Quality Bank charges, are expected to result in continued volatility in Petro Star's earnings. Accordingly, Petro Star intends to actively manage its inventory, diversify its revenue streams and investigate other opportunities for reducing the volatility of its earnings.

ENERGY SUPPORT SERVICES

ASRC Energy Services ("AES") performs an array of oilfield engineering, operations, maintenance, construction, fabrication, regulatory, permitting and other services to some of the world's largest integrated oil and gas companies throughout Alaska and the Gulf of Mexico. With approximately 2,300 Alaska employees, AES provides more jobs in Alaska than any other

segment and is the state's largest oilfield services company. AES takes pride in operating safely and reliably. The *Commitment Based Safety* program has been rolled out across AES, and we believe it differentiates AES from its competitors.

AES' operations outside Alaska consisted of ASRC Energy Services Omega, LLC ("Omega"), and Arctic Pipe Inspection Inc. of Houston, a subsidiary of Arctic Pipe Holdings, LLC (collectively "API"). Omega is based in New Iberia, Louisiana, and provides onshore and offshore construction, fabrication and technical services to oil and gas companies operating in the Gulf of Mexico. Effective January 1, 2018, Omega became a subsidiary of AIS. API operates primarily in Houston, Texas, performing electromagnetic, ultrasonic weld line and other inspection services to pipe and tubing distributors, as well as producers. Effective January 1, 2019, API also became a subsidiary of AIS. We believe these transfers better align our Energy Support Services and Industrial Services segments by geography and markets.

Results of Operations (in millions)

	2018	2017	2016
Revenues	$ 469.5	$ 419.9	$ 444.8
EBITDA	$ 44.6	$ 28.4	$ 32.4
Non-cash impairment charges, insurance settlements, and earnout adjustments	–	–	–
Adjusted EBITDA	$ 44.6	$ 28.4	$ 32.4

Note: Prior year results have been reclassified to conform to the 2018 presentation due to transfers between segments

The increase in revenues and Adjusted EBITDA in 2018 as compared to 2017 is due to higher levels of activity by our major customers including two major pipeline projects.

Our customers in this segment have shown their ability to rapidly scale back operations in the face of adverse economic conditions or uncertainty. We have taken steps since the downturn in 2017 to reduce costs and close or repurpose challenged business units across this segment. We continue to foster new relationships and leverage existing ones to further our reach into this industry while retaining our ability to respond to market shifts. Given the current state of Alaska's political environment in regards to the state's budget, we believe a cautious outlook on this segment's future is prudent.

INDUSTRIAL SERVICES

ASRC Industrial Services (AIS) is based in Concord, California, and is the parent company of a group of businesses that offer complementary services in its three operating groups: Construction Maintenance and Repair ("CMR"), Remediation and Response Services ("RRS") and Environmental Engineering and Professional Services ("EEPS"). These operating groups take advantage of shared corporate infrastructure while benefiting from diversified service offerings and a broad geographic reach. The expectation is for AIS to serve as a vehicle to pursue acquisitions within these groups and ultimately contribute meaningful long-term diversification to ASRC's consolidated portfolio.

During 2018 AIS added FDT, a provider of waterproofing, roofing, infrastructure restoration, specialty painting and coatings services to its CMR operating group. FDT and its wholly owned subsidiary D. Zelinsky and Sons are headquartered in Medford, Oregon and serve markets including federal agencies, health care, transportation, sports and entertainment and new commercial construction throughout the West Coast.

Mavo was acquired and placed into the RRS operating group in 2018, serving as the platform to build this group. Mavo is an environmental and specialty services contractor headquartered in Minneapolis, Minnesota with operations throughout the Upper Midwest. After Mavo, AIS acquired Hudspeth and BCC during 2018 and integrated them within the RRS operating group. Hudspeth provides environmental remediation and construction services in the Rocky Mountain region from its offices in Denver, Colorado. BCC, based in Atlanta, Georgia, performs site development, infrastructure improvement and heavy civil construction services for complex construction projects throughout the Gulf Coast and the southeastern United States.

On January 28, 2019, AIS acquired Niles Construction Services ("NCS") and National Environmental Group ("NEG"). Headquartered in Flint, Michigan, NCS is an industrial and commercial painting contractor, and NEG is a full-service environmental remediation company specializing in asbestos and lead abatement, waste disposal and site decontamination. NEG and NCS serve the manufacturing, government and commercial markets in the Upper Midwest.

Also on January 28, 2019, AIS acquired K2 Industrial Services, Inc. ("K2"). K2 is a large industrial services provider based in Houston, Texas with a national footprint focused on industrial cleaning, coatings, insulation and scaffolding.

As previously mentioned, Omega was transferred to AIS effective January 1, 2018, to better align geographic and customer reach within these segments.

Results of Operations (in millions)

	2018	2017	2016
Revenues	$ 465.6	$ 218.2	$ 210.0
EBITDA	$ 28.4	$ 12.7	$ 9.1
Non-cash impairment charges, insurance settlements, and earnout adjustments	(3.7)	–	–
Adjusted EBITDA	$ 24.7	$ 12.7	$ 9.1

Note: Prior year results have been reclassified to conform to the 2018 presentation due to transfers between segments

The increase in revenues in 2018 compared to 2017 is due to the 2018 acquisitions previously mentioned and to a lesser extent, acquisitions made mid-year in 2017. These acquired companies provided an additional $238.3 million in combined revenue in 2018 versus their contribution in 2017.

Adjusted EBITDA increased as a result of the previously mentioned acquisitions, which provided an additional $16.7 million in combined Adjusted EBITDA. Diligence and acquisition costs supporting the growth at AIS were $2.1 million higher in 2018, slightly offsetting these gains.

We believe this segment provides an attractive opportunity to make investments in new businesses. We feel the acquisitions made thus far are increasing this segment's services across new markets and will facilitate growth and long-term value for ASRC. We are committed to continuing to invest in this segment to facilitate meaningful and stable earnings in the future while continuing to further diversify our portfolio.

CONSTRUCTION

ACHC and its family of companies perform vertical, civil, design-build and general construction services for federal, state and local government agencies as well as commercial clients primarily in Alaska. ACHC also provides services at specific federal installations in the continental United States.

Results of Operations (in millions)

	2018	2017	2016
Revenues	$ 149.8	$ 126.2	$ 105.0
EBITDA	10.4	9.8	11.5
Non-cash impairment charges, insurance settlements, and earnout adjustments	–	–	–
Adjusted EBITDA	$ 10.4	$ 9.8	$ 11.5

The increase in revenues in 2018 compared to 2017 is primarily due to a full year of operation at Clear Camp, a 320-room temporary construction camp, built and operated by ACHC to support a significant construction project at Clear Air Force Station. Also contributing to the increase is additional work on several multi-year contracts.

Adjusted EBITDA in 2018 was up slightly as compared to 2017 as a result of the revenue impacts mentioned above, but offset somewhat by the challenges experienced at two specific fixed price contracts during the year.

During 2018 ACHC won several large multi-year contracts that we believe will provide further growth in this segment. We remain focused on improving this segment's backlog in this highly competitive environment through increased efficiency and improved processes while seeking to be a value-added partner to our customers.

RESOURCE DEVELOPMENT

As a result of our land entitlement under the Alaska Native Claims Settlement Act ("ANCSA"), ASRC owns nearly 5 million acres on the North Slope of Alaska. In most cases, ASRC's subsurface holdings were primarily selected for their natural resource potential.

ASRC has a significant royalty position in the Colville River Unit ("CRU"), home of the Alpine oil field, one of the largest oil fields on the North Slope. Alpine field production peaked in 2009, but CRU satellite developments have helped slow the rate of decline. These satellites, such as CD-5 and Greater Mooses Tooth 1 ("GMT1"), now account for a significant part of the oil production at the Alpine site. The CD-5 drill site is located to tap both the Nanuq Kuparuk and the Alpine Participating Areas. GMT1 achieved first oil production in October of 2018 after five years of permitting and development. Following first production of GMT1, the producer announced funding approval to develop GMT2 with construction activities beginning in late 2018. These projects represent a significant new investment for the North Slope with potential for additional royalties, and will likely create future jobs for our shareholders during the construction phase.

With the signing into law of the *Tax Cuts and Jobs Act* by President Trump in December of 2017, the non-wilderness section of the Arctic National Wildlife Refuge's ("ANWR") Coastal Plain, known as the 1002 Area, was opened to natural resource development. As a result of this action, ASRC received a net contractual payment of $22.5 million from an existing agreement granting major oil companies the exclusive right to conduct exploratory activity and acquire oil and gas leases on ASRC lands within ANWR.

Results of Operations (in millions)

	2018	2017	2016
Gross natural resources earnings, net of 7(i) obligations	$ 90.2	$ 48.4	$ 32.8
7(i) earnings from other regions, net of 7(j) obligations	8.5	4.7	2.3
General and administrative offset	(13.8)	(9.2)	(7.2)
Natural resources earnings, net of obligations and expenses	$ 84.9	$ 43.9	$ 27.9

Our recurring natural resources earnings, net of 7(i) obligations and expenses, are primarily the result of our interests in the Alpine and related satellite oil fields. Field production, equity re-determinations and true-ups, as well as commodity prices, are the main factors that impact the earnings of this segment. As discussed below, each component has made a significant impact on earnings in each of the last three years. Also positively impacting our natural resources earnings in 2018 was the one-time contractual payment mentioned previously and higher payments from other regions slightly offset by lower sand and gravel sales compared to 2017.

	2018	2017	2016
ASRC Royalty Barrels	3,113,140	2,597,588	2,699,827
Average price per barrel, net of deductions	$ 61.03	$ 43.39	$ 31.71

Equity re-determinations and true-ups result in changes in the allocation of production and can have a positive or negative impact on earnings. In 2017 the Company completed a re-determination of the Alpine Participating Areas, which resulted in total under-allocation of approximately 3.6 million barrels, representing the estimated barrels ASRC should have received based on the adjustment. The Company began receiving these additional true-up barrels in mid-2017, and they are scheduled to be paid to ASRC through 2019. A re-determination of the Nanuq Kuparuk Participating Area was completed in 2018 and will reduce ASRC's allocation of production by approximately 663,000 barrels spread over the next three years. In 2018, 2017 and 2016 we received an additional 1,355,860, 703,509 and 963,471 barrels, respectively, from equity re-determinations, at current oil prices. The next re-determinations are for Alpine and Qannik and are scheduled for 2019 and 2020, respectively.

Alaska North Slope prices rebounded in 2018, as compared to 2017 before declining again in the latter part of the year. Our average royalty price per barrel, net of deductions increased to $61.03 in 2018 from $43.39 in 2017. Given the unpredictability of spot prices and inherent risks of bringing new fields into production, we expect earnings volatility in this sector to continue.

OTHER OPERATIONS

ASRC's other operations include three businesses focused on supporting economic development on the North Slope.

Utqiaġvik (Barrow)-based companies EI and TTI are two of ASRC's first business ventures. EI primarily serves as a fuel and automotive parts distributor to remote locations across the North Slope and operates a power sports retail store in Utqiaġvik. TTI owns and operates the Top of the World Hotel, the Niġġivikput restaurant as well as tour programs around Utqiaġvik.

AGC is a lending organization serving small businesses throughout Alaska and the northwestern United States. As an eight-time Alaska Small Business Administration Community Lender of the Year, and a certified Community Development Financial Institution ("CDFI"), AGC is a proven leader in expanding economic opportunity in underserved areas of Alaska and throughout its market. During 2018 AGC was awarded a grant from the Native American CDFI Assistance Program to support financing activities and financial literacy services. In addition to its core lending products, AGC administers and funds the North Slope Marketplace, which provides critical funds and consulting services for North Slope entrepreneurs, supporting ASRC's goal of facilitating economic development in our region.

Results of Operations (in millions)

	2018	2017	2016
Revenues	$ 44.3	$ 44.0	$ 43.6
EBITDA	$ 3.7	$ 3.7	$ 7.4
Non-cash impairment charges, insurance settlements, and earnout adjustments	$ —	$ —	$ —
Adjusted EBITDA	$ 3.7	$ 3.7	$ 7.4

Revenues increased slightly in 2018 as compared to 2017 as a result of higher occupancy at the Top of the World Hotel and EI's work on the North Slope Borough's Community Wide Access Trails project. These gains were slightly offset by decreased loan volume at AGC. Adjusted EBITDA was flat in 2018 as a result of losses recorded on loans originated at AGC in prior years offset by better performance at TTI. Adjusted EBITDA declined in 2017 as compared to 2016 due primarily to decreased loan volume and loan losses at AGC.

OTHER KEY METRICS

Selling, General and Administration Costs (in millions)

	2018	2017	2016
Gross administration and general costs	$ 224.2	$ 187.5	$ 166.0
General and administration offset	(13.8)	(9.2)	(7.2)
Administration and general costs, net	$ 210.4	$ 178.3	$ 158.8
Selling and business development costs	31.8	34.4	35.2
Total selling, general and administration costs, net	$ 242.2	$ 212.7	$ 194.0

Total selling, general and administration costs ("SG&A"), net increased 14 percent in 2018, which compares favorably with the 26 percent growth in revenue during the same period. SG&A comparison from one year to the next may not be indicative of SG&A trends, particularly in years of high acquisition activity (including the analysis of potential acquisition targets) because the SG&A relating to a new or potential acquisition may be included in one year but not the other. Growth and acquisitions also bring incremental SG&A costs to an organization; they could include transaction-related due diligence costs, personnel costs, lease expense and depreciation of fixed assets. SG&A is also impacted by the amount of general and administration "offset" we are allowed to deduct from 7(i)-related resource development earnings we distribute to other Alaska Native corporations.

The increase in administration and general costs ("G&A") in 2018 as compared to 2017 was primarily due to acquisitive growth with the acquisitions at AIS adding $23.5 million of G&A in 2018. Cost savings initiatives employed within several of the Corporation's operating segments slightly offset the increase in 2017.

We intend to continue monitoring and improving SG&A cost productivity by focusing on investments that drive economic returns and challenging how we manage our internal costs. We also plan to leverage existing infrastructure and processes across our portfolio of businesses to drive efficiencies throughout the business.

Amortization of Goodwill and Intangibles (in millions)

	2018	2017	2016
Amortization of goodwill and intangibles	$ 59.7	$ 54.4	$ 39.6

The increase in goodwill and intangible amortization in 2018 as compared to 2017 is a result of a full year of expense from the 2017 acquisitions as well as additional amortization expense for the purchase of Mavo, FDT, Hudspeth and BCC in 2018.

Earnings from Unconsolidated Affiliates (in millions)

	2018	2017	2016
Earnings from unconsolidated affiliates, gross	$ 21.6	$ 13.1	$ 12.8
Non-cash impairment charges	(8.8)	(4.0)	(10.8)
Earnings from unconsolidated affiliates, net	$ 12.8	$ 9.1	$ 2.0

In addition to growing and diversifying our portfolio through acquisitions of operating companies, the Corporation, through its wholly-owned subsidiary, ASRC Capital LLC, holds an alternative investment portfolio that is expected to provide long-term diversification to the Corporation's consolidated portfolio. Alternative investments are investment vehicles used by the Corporation to invest in various industries through fund managers. Industries in which we invest include financial markets, energy, technology, telecommunications, real estate and various other industries, as well as distressed debt. Investments in alternative investments total $90.4 million as of December 31, 2018, with another $30.5 million of commitments that had yet to be funded.

The Corporation also holds minority interests in operating joint ventures within Alaska's North Slope upstream and midstream oil and gas sectors, as well as within our Government Contract Services and Construction segments.

The increase in our earnings from unconsolidated affiliates in 2018 as compared to 2017 relates to a $2.0 million increase in earnings from our alternative investments and a $1.0 million increase in earnings associated with the sale of a portion of our interest in Badami, an oil field on the North Slope, about 35 miles east of Prudhoe Bay. The increase in the alternative investments earnings is due primarily to gains across nearly all of our investments, offset by an impairment of an investment in Trilogy.

Trilogy, which ASRC invested in during 2010, was aimed at growth in four distinct international cellular services sectors. In 2017, Trilogy was acquired by a Special Purchase Acquisition Company ("SPAC"), and as a result, ASRC Capital received the right to exchange its equity interest in Trilogy for shares in the SPAC. An impairment of $10.2 million was recorded on December 31, 2016, to align with the value of the purchase price at acquisition. During 2017 the per-share price of the SPAC continued to decline and the Company recorded an additional $4.0 million impairment. In 2018 the Company exercised its right to exchange its equity interest and recorded an impairment of $8.8 million to reflect the market value at that time.

At the beginning of 2018 ASRC adopted an accounting standard related to the carrying value of its investments. Before adoption of the standard, we recorded the majority of our alternative investments under the cost method. Effective January 1, 2018, these investments are reported at fair value. The impact of this standard is the recognition of unrealized gains in the carrying value and earnings from these investments.

Income Tax Expense (in millions)

	2018	2017	2016
Current income tax expense	$ 1.1	$ 0.8	$ 0.6
Deferred income tax expense (benefit)	75.3	(69.4)	29.6
Total income tax expense (benefit)	$ 76.4	$ (68.6)	$ 30.2

Total tax expense is comprised of current and deferred U.S. federal, state and local corporate income tax expense. Current tax expense represents expected taxes owed, based on our current year tax return filings plus or minus any prior year tax adjustments. Deferred tax expense represents the current year utilization of deferred tax assets, net of deferred tax liabilities and in 2017 includes impacts from changes in tax regulations described below. Net usage consists primarily of natural resource depletion, utilization of net operating loss carryforwards and other temporary differences. On December 22, 2017, the *Tax Cuts and Jobs Act* ("HR1") was signed into law causing substantial changes to the Company's income tax expense but no impact on the amount of cash taxes paid.

Current tax expense:

We continue to recognize minimal current tax expense, primarily related to various separate state filing jurisdictions in the Lower 48. Current tax expense primarily reflects obligations to state taxing jurisdictions resulting from our Lower 48 operations, where the Corporation's depletion and net operating loss carryovers cannot be utilized to offset certain state taxable income. Our resource depletion and net operating loss carryforwards continue to minimize our U.S. federal tax liability and a large portion of state income taxes in consolidated reporting jurisdictions, resulting in a relatively low current tax expense or cash payment to the taxing authorities.

Deferred tax expense:

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amount in the financial statements, which will result in taxable or deductible amounts in the future. Deferred tax expense also arises from adjustments to the deferred tax rates used in the estimate of future taxability. Because of these impacts, as well as tax law changes, our deferred tax expense may fluctuate greatly from year to year.

In 2018 we recorded a deferred tax expense of $75.3 million compared to a deferred tax benefit of $69.4 million in 2017.

In 2018 the deferred tax expense represented the value of tax deductions used to offset taxable income in current year tax returns. In addition, the deferred tax expense includes a change in the blended effective state tax apportionment rates. The 2017 deferred tax benefit includes the net benefit recorded from the changes in deferred tax rates by HR1. The most significant difference brought about by HR1 is the replacement of graduated corporate tax rates with a flat 21 percent tax rate which impacted the Corporation's income tax provision in 2017. The Company valued its deferred tax assets based on a 15 percent tax rate before HR1, and at 21 percent after passage. This change in rate is reflected as a benefit in the year the change was made and is the primary cause for the deferred tax benefit in 2017.

The net deferred tax asset recorded at December 31, 2018, and 2017 is $716.9 million and $536.6 million, respectively. The net deferred tax asset represents the amount of future tax deductions, net of future tax liabilities, expected to be realized in the future, multiplied by the expected effective tax rate. The increase in the net value of the deferred tax assets is primarily due to the addition of basis for the GMT1 field during 2018.

Key Balance Sheet Data (in millions)

	2018	2017
Cash and cash equivalents	$ 88.2	$ 64.3
Receivables billed and unbilled, net	628.7	443.9
Inventories	94.7	98.0
Other current assets	28.8	40.3
Total current assets	**840.4**	**646.5**
Property, plant and equipment, net	582.8	559.2
Goodwill, intangible and other assets, net	484.1	460.9
Investments and advances, net	242.6	228.7
Deferred tax assets	716.9	536.6
Other long-term assets	31.5	31.7
Total assets	**$ 2,898.4**	**$ 2,463.6**
Accounts payable and accrued liabilities	$ 524.5	$ 343.6
Other current liabilities	31.9	26.7
Total current liabilities	**556.3**	**370.3**
Long-term liabilities	468.7	466.3
Total liabilities	**1,025.0**	**836.6**
ASRC shareholders' equity	1,867.0	1,620.9
Noncontrolling interest	6.4	6.1
Total shareholders' equity	**1,873.4**	**1,627.0**
Total liabilities and shareholders' equity	**$ 2,898.4**	**$ 2,463.6**

The changes to the key balance sheet financial statement line items are primarily due to working capital changes and investment activity as discussed throughout this MD&A. A few noteworthy items include:

- Cash and cash equivalents increased in 2018 as compared to 2017 mainly due to cash provided by operations plus the additional funded debt exceeding acquisitive activity, further reinvestments in capital assets and dividends
- Receivables billed and unbilled increased as a result of higher billings and slower collection of receivables combined with the addition of receivables from acquired companies
- Other current assets decreased in 2018 primarily as a result of funds owed to us due to our exit from one of our alternative investments that were receivable at the end of 2017 and paid to us in early January 2018
- Deferred tax assets increased significantly in 2018 as a result of the previously discussed additional basis as a result of GMT1 coming online in 2018
- Accounts payable increased in 2018 compared to 2017 due to the timing of payments, and higher balances due to growth in the Company including acquisitions made, which added $30.6 million in accounts payable in 2018
- The increase in shareholders' equity in 2018 as compared to 2017 is a result of contributions to capital due to the additional tax basis from GMT1, slightly offset by dividends declared exceeding net income

Liquidity (in millions)

	2018	2017
Available funds:		
Cash and cash equivalents	$ 88.2	$ 64.3
Short- and long-term investment securities	2.4	—
Less restricted cash balances	—	—
Total available funds	$ 90.6	$ 64.3
Available line of credit:		
Total line of credit	$ 350.0	$ 350.0
Less:		
Outstanding borrowings	(40.0)	(35.0)
Outstanding letters of credit	(14.3)	(14.6)
Total available line of credit	$ 295.7	$ 300.4
Total liquidity	$ 386.3	$ 364.7

To meet our short- and long-term liquidity requirements, we look to a variety of funding sources, both internal and external. Our primary source of liquidity is cash generated from operating activities. At the end of the year, we had a $350 million revolving line of credit. After year-end, ASRC renewed and upsized our revolving line of credit to $700 million, simultaneously extending the maturity for five years.

Cash and cash equivalents increased to $88.2 million in 2018 from $64.3 million in 2017. Cash generated from operating activities and additional funded debt exceeded the cash spent on investing activities through acquisitions, capital purchases, and dividends, resulting in a net increase in total available funds in 2018.

We expect the cash generated from operations, coupled with access to external sources of funds, will be sufficient to meet our operating and capital needs, growth strategy and other liquidity requirements in the near-term. We will continue to actively monitor our future anticipated cash requirements, including future investments as part of the strategy and initiatives from our 2018-2023 Strategic Plan. The following discusses the most significant cash sources and uses.

Summary Cash Flow Data (in millions)

	2018	2017	2016
Net cash provided by operating activities	$ 295.9	$ 163.5	$ 191.6
Net cash used in investing activities	(176.4)	(108.7)	(430.5)
Net cash provided by (used in) financing activities	(95.6)	(44.5)	224.6
Net increase (decrease) in cash and cash equivalents	$ 23.9	$ 10.3	$ (14.3)
Cash and cash equivalents January 1,	64.3	54.0	68.3
Cash and cash equivalents December 31,	$ 88.2	$ 64.3	$ 54.0

Operating activities

The operating activity section of the cash flow statement reconciles net income to the amount of cash provided by operating transactions. Operating activities provided more cash in 2018 as compared to 2017. Our primary source of operating cash flow was net income of $66.7 million, adjusted for non-cash depreciation and amortization, deferred taxes, the change in working capital and non-cash impairments. Our working capital was a net cash inflow of $22.8 million, as compared to a $29.5 million net cash outflow in 2017, which was primarily a result of higher accounts payable in 2018 as a compared to 2017.

Investing activities

Investing activities include acquisition and divestiture activities, capital expenditures and loan activity as well as the purchase and sale of our investments in unconsolidated affiliates and marketable securities. Investment-related activities utilized more cash in 2018 as compared to 2017 due to increased acquisitive activity. Significant uses of cash include the acquisitions of Mavo, FDT, Hudspeth and BCC as well as capital expenditures for the construction of facilities in our Petroleum Refining and Marketing segment and the purchase of equipment in our Industrial Services segment.

Financing activities

Financing activities include cash paid for dividends, borrowings and repayments of debt and distributions to noncontrolling interests. Financing activities utilized more cash in 2018 as compared to 2017. Net borrowings were lower during 2018 due to the additional cash available from operations. The Corporation also declared and paid a higher dividend in 2018, compared to 2017.

Capital Structure (in millions)

	2018	2017
Debt and other financing sources[1]:		
Long-term debt	$ 339.3	$ 334.2
Capital leases	—	—
Total debt and other financing sources	$ 339.3	$ 334.2
ASRC shareholders' equity	$ 1,867.0	$ 1,620.9
Total capital[2]	$ 2,206.3	$ 1,955.1
Debt-to-equity ratio	18.2%	20.6%
Debt-to-adjusted EBITDA[3]	1.23	1.67

1 — Refer to Note 9 to the Consolidated Financial Statements
2 — Total Capital equals consolidated debt plus ASRC shareholders' equity
3 — Calculated per debt covenant requirements

Our total capital structure consists of the original contribution received by the Corporation under ANCSA on behalf of its shareholders, funds provided by debt and other financing arrangements and accumulated earnings that have not been paid out in dividends. The overall increase in total capital in 2018 over 2017 is due to the previously discussed increase in shareholders' equity.

We will continue to monitor our debt-to-equity, debt-to-Adjusted EBITDA and other key ratios, as we believe maintaining the right balance of leverage and liquidity will enable us to meet our financial obligations and take advantage of strategic opportunities in the future. We have complied with all covenants relating to all debt and financing sources as of December 31, 2018. We manage our capital and liquidity position with the intention of maintaining a prudent capital structure that is expected to facilitate continued access to flexible borrowing arrangements at favorable costs and rates.

ASRC shareholders' equity does not include the value of lands conveyed as a result of ANCSA, which could be significant. Consistent with most Alaska Native corporations, ASRC did not record a value for such lands due to the inability to establish the value of those lands at the time of conveyance, especially considering the time and expense of obtaining appraisals. Consequently, we do not record the offsetting depletion expense as natural resources are extracted from our ANCSA lands. However, as discussed previously, the Corporation does establish a tax basis at the date of first commercial use, as required by the tax law. This tax basis is initially recorded as a deferred tax asset, with a corresponding increase to contributed capital. The tax basis is then depleted as the field is produced.

Dividends

	2018	2017	2016
Dividends declared	$ 96,843,000	$ 74,511,000	$ 63,589,000
Dividends paid per share	$ 70.00	$ 55.00	$ 48.00

Dividends paid per share of $70 in 2018 increased as compared to 2017 due to the growth in earnings and the success of the Company's diversification initiatives. In January 2019, the board of directors declared quarterly per share dividends of $12, $16, $12 and $30, totaling $70 per share, to be distributed throughout the calendar year. The declaration of this dividend reflects the board's continued confidence in our ability to generate cash flows to support our growth strategy while providing meaningful returns to our shareholders. The 2019 declared dividend is based on current projected earnings, liquidity, capital structure and cash flow requirements and will be reevaluated later in the year based on earnings and available liquidity at the time. The record dates for the 2019 dividends are February 22, 2019, April 17, 2019, August 2, 2019, and November 13, 2019, respectively.

INTERNAL CONTROL

Management is responsible for the information and representations contained in this report, as well as establishing and maintaining adequate internal control over financial reporting. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America that we consider appropriate in the circumstances and include some amounts based on our best estimates and judgments. Other financial information in this report is consistent with these financial statements. Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management evaluates the effectiveness of our internal control over financial reporting. We are committed to ensuring all operating segments are continuously monitoring the effectiveness of their established internal control framework, identifying areas for improvement and implementing those improvements. Management believes our internal control over financial reporting is effective.

Our accounting systems include controls designed to reasonably ensure compliance with laws and regulations, to see assets are safeguarded from unauthorized use or disposition and to provide for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. These systems are supplemented by the selection and training of qualified financial personnel and an organizational structure providing for appropriate segregation of duties.

The Internal Audit Department reviews the results of its work with the Audit Committee of the board of directors. The Audit Committee is responsible for the appointment of an independent certified public accounting firm. Audit Committee members review the scope and results of the annual examination, the effectiveness of the accounting control system, and other matters relating to the financial affairs of the Corporation as they deem appropriate with the independent certified public accounting firm, management, and internal audit staff. The internal auditors and the independent certified public accounting firm have full access to the Audit Committee, with and without the presence of management, to discuss any appropriate matters.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives or detecting fraud because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and may be subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, we have designed safeguards into the process to reduce, though not eliminate, this risk.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
Arctic Slope Regional Corporation

We have audited the accompanying consolidated financial statements of Arctic Slope Regional Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income and comprehensive income, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Arctic Slope Regional Corporation and Subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As discussed in Note 1*(e)* to the consolidated financial statements, the Corporation adopted new accounting guidance in 2018 related to accounting for investments in equity securities. Our opinion is not modified with respect to this matter.

Anchorage, Alaska
February 28, 2019

Consolidated Balance Sheets

Years ended December 31, 2018 and 2017 (In thousands, except for per share amounts)

	2018	2017
Assets		
Current Assets:		
Cash and cash equivalents	$ 88,235	64,315
Investments in marketable securities	2,388	—
Receivables, net	399,905	258,778
Costs and earnings in excess of billings on uncompleted contracts	228,751	185,063
Inventories	94,705	98,049
Prepaid expenses and other current assets	22,651	35,252
Assets held for sale	1,032	1,910
Elders' Trust investments	2,771	3,179
Total current assets	840,438	646,546
Property, plant and equipment, net of accumulated depreciation	582,836	559,191
Investments and advances, net	242,606	228,744
Loan portfolio, net of allowance for loan losses of $4,035 and $3,411 at December 31, 2018 and 2017, respectively	31,535	31,610
Goodwill, net	395,087	366,517
Intangible and other assets, net	88,991	94,354
Deferred tax assets	716,944	536,635
Total assets	$ 2,898,437	2,463,597
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 524,461	343,606
Billings in excess of costs and earnings on uncompleted contracts	31,878	26,726
Total current liabilities	556,339	370,332
Other accrued obligations	129,382	132,047
Line-of-credit	40,000	35,000
Long-term debt	299,277	299,173
Total liabilities	1,024,998	836,552
Shareholders' equity:		
Common stock, no par	—	—
Paid in capital	5	5
Contributions to capital	939,600	672,379
Accumulated other comprehensive loss	(313)	(1,065)
Retained earnings	927,755	949,590
Total ASRC shareholders' equity	1,867,047	1,620,909
Noncontrolling interest	6,392	6,136
Total shareholders' equity	1,873,439	1,627,045
Commitments and contingencies		
Total liabilities and shareholders' equity	$ 2,898,437	2,463,597

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

Years ended December 31, 2018, 2017, and 2016 (In thousands, except for per share amounts)

		2018	2017	2016
Revenues:				
Government contract services	$	1,395,987	1,230,507	1,045,595
Energy, industrial and construction services		1,070,676	754,890	726,113
Petroleum refining and marketing		884,949	668,025	556,358
Other operations		45,171	44,440	43,098
Total revenues		3,396,783	2,697,862	2,371,164
Operating expenses:				
Government contract services		1,223,854	1,070,583	898,627
Energy, industrial and construction services		940,483	679,899	662,406
Petroleum refining and marketing		843,650	608,898	493,834
Other operations		36,424	37,566	33,397
Amortization of goodwill and intangibles		59,691	54,426	39,591
Impairment charges, net		1,071	—	275
Administration and general costs		210,374	178,305	158,773
Selling and business development costs		31,830	34,410	35,245
Total operating expenses		3,347,377	2,664,087	2,322,148
Operating income		49,406	33,775	49,016
Earnings from unconsolidated affiliates		12,808	9,098	2,029
Natural resources, net of 7(i) obligation and expenses		84,934	43,900	27,866
Interest and marketable securities earnings		248	1,496	374
Interest expense, net of capitalized interest		(13,141)	(14,120)	(2,150)
Other income (loss), net		8,921	5,059	4,023
Income before income taxes and noncontrolling interest		143,176	79,208	81,158
Income tax (expense) benefit		(76,441)	68,581	(30,151)
Net income		66,735	147,789	51,007
Less: net income attributable to noncontrolling interest		(3,996)	(2,892)	(7,486)
Net income attributable to ASRC shareholders		62,739	144,897	43,521
Other comprehensive income, net of tax:				
Unrealized holding gains on available-for-sale securities		—	—	10
Change in unfunded status of postretirement benefits		752	296	(154)
Other comprehensive income (loss)		752	296	(144)
Net comprehensive income attributable to ASRC shareholders	$	63,491	145,193	43,377

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income

Years ended December 31, 2018, 2017, and 2016 (In thousands, except for per share amounts)

	Common stock	Paid-in capital	Contributions to capital	Accumulated other comprehensive loss	Retained earnings	Total ASRC shareholders' equity	Noncontrolling interest	Total shareholders' equity
Balances at January 1, 2016	$ —	5	472,086	(1,217)	899,985	1,370,859	6,416	1,377,275
Net income attributable to ASRC shareholders	—	—	—	—	43,521	43,521	—	43,521
Net income attributable to noncontrolling interest	—	—	—	—	—	—	7,486	7,486
Change in net unrealized holding losses on available-for-sale securities, net of tax	—	—	—	10	—	10	—	10
Change in unfunded status of postretirement benefits, net of tax	—	—	—	(154)	—	(154)	—	(154)
Comprehensive income						43,377	7,486	50,863
Tax benefit from ANCSA	—	—	29,212	—	—	29,212	—	29,212
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(6,715)	(6,715)
Dividends declared and distributions:								
Regular dividend, $48.00 per share	—	—	—	—	(63,589)	(63,589)	—	(63,589)
Elders' Trust distributions	—	—	—	—	(387)	(387)	—	(387)
Balances at December 31, 2016	—	5	501,298	(1,361)	879,530	1,379,472	7,187	1,386,659
Net income attributable to ASRC shareholders	—	—	—	—	144,897	144,897	—	144,897
Net income attributable to noncontrolling interest	—	—	—	—	—	—	2,892	2,892
Change in unfunded status of postretirement benefits, net of tax	—	—	—	296	—	296	—	296
Comprehensive income						145,193	2,892	148,085
Tax benefit from ANCSA	—	—	171,081	—	—	171,081	—	171,081
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(3,943)	(3,943)
Dividends declared and distributions:								
Regular dividend, $55.00 per share	—	—	—	—	(74,511)	(74,511)	—	(74,511)
Elders' Trust distributions	—	—	—	—	(326)	(326)	—	(326)
Balances at December 31, 2017 - As reported	—	5	672,379	(1,065)	949,590	1,620,909	6,136	1,627,045
Impact of change in accounting principle, net of tax	—	—	—	—	12,567	12,567	—	12,567
Balance at January 1, 2018 - As adjusted	—	5	672,379	(1,065)	962,157	1,633,476	6,136	1,639,612
Net income attributable to ASRC shareholders	—	—	—	—	62,739	62,739	—	62,739
Net income attributable to noncontrolling interest	—	—	—	—	—	—	3,996	3,996
Change in unfunded status of postretirement benefits, net of tax	—	—	—	752	—	752	—	752
Comprehensive income						63,491	3,996	67,487
Tax benefit from ANCSA	—	—	267,221	—	—	267,221	—	267,221
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(3,740)	(3,740)
Dividends declared and distributions:								
Regular dividend, $70.00 per share	—	—	—	—	(96,843)	(96,843)	—	(96,843)
Elders' Trust distributions	—	—	—	—	(298)	(298)	—	(298)
Balances at December 31, 2018	$ —	5	939,600	(313)	927,755	1,867,047	6,392	1,873,439

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2018, 2017, and 2016 (In thousands, except for per share amounts)

		2018	2017	2016
Cash flows from operating activities:				
Net income	$	66,735	147,789	51,007
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		121,787	111,880	91,912
Deferred tax (benefit) expense		75,301	(69,392)	29,563
Reserves, valuations and accruals		(677)	1,097	754
Gain on disposal of assets, net		(673)	(2,150)	(858)
Gain on sale of loans		(1,070)	(1,870)	(5,290)
Impairment charges		10,902	4,023	11,100
Property insurance gains		(1,817)	—	(450)
Gain on sale of marketable securities		18	198	314
Distributions in excess of earnings of unconsolidated affiliates		10,186	1,661	959
Change in investment securities valuation		(7,539)	(206)	(90)
Changes in assets and liabilities providing (using) cash:				
Receivables		(92,180)	17,814	16,426
Costs and earnings in excess of billings on uncompleted contracts		(28,684)	(24,005)	(14,094)
Inventories		4,275	(27,696)	1,247
Prepaid expenses and other current assets		14,451	(4,249)	(619)
Other assets		24	(9,059)	(5,145)
Accounts payable and accrued liabilities and other accrued obligations		128,225	16,928	18,967
Billings in excess of costs and earnings on uncompleted contracts		(3,325)	736	(4,090)
Net cash provided by operating activities		295,939	163,499	191,613
Cash flows from investing activities:				
Proceeds from disposals of property and equipment		6,040	2,474	3,127
Purchases and construction of property and equipment		(73,579)	(79,262)	(122,789)
Proceeds from insurance claims		1,817	1,199	450
Investments in marketable securities		(37)	—	(699)
Proceeds from sale of marketable securities		—	137	3,295
Loan repayments, net		485	7,092	4,841
Acquisition of subsidiaries, net of cash acquired		(99,240)	(22,716)	(246,635)
Investments in and advances to unconsolidated affiliates, net		(28,514)	(29,164)	(94,932)
Proceeds from other investing activities		16,614	11,544	22,882
Net cash utilized in investing activities		(176,414)	(108,696)	(430,460)
Cash flows from financing activities:				
Borrowings under revolving lines of credit		263,000	233,000	425,000
Repayments of revolving lines of credit		(258,000)	(198,000)	(425,000)
Proceeds from long term debt		—	—	300,000
Debt issuance costs		—	(5)	(932)
Repayments of capital lease obligations		—	(1,085)	(3,457)
Distributions to noncontrolling interests		(3,740)	(3,943)	(6,715)
Dividends and Elders' Trust distributions		(96,865)	(74,483)	(64,303)
Net cash provided by (utilized in) financing activities		(95,605)	(44,516)	224,593
Net increase (decrease) in cash and cash equivalents		23,920	10,287	(14,254)
Cash and cash equivalents at beginning of year		64,315	54,028	68,282
Cash and cash equivalents at end of year	$	88,235	64,315	54,028
Supplemental disclosures:				
Cash paid for interest, net of amounts capitalized	$	12,689	12,052	623
Cash paid for taxes, net		652	658	740
Purchases and construction of property and equipment in accounts payable		631	877	1,127
Dividends declared but not paid		2,083	1,807	1,452
Liabilities assumed through acquisitions		63,935	12,090	37,402
Property and equipment sold in exchange of note receivable		—	522	—

See accompanying notes to the consolidated financial statements.

(1) OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) OPERATIONS

Business activities of Arctic Slope Regional Corporation and its subsidiaries (the Corporation or ASRC) include petroleum refining and marketing, energy, industrial and construction services, government contract services, natural resource development, commercial lending, and tourism. The Corporation and its subsidiaries operate throughout the United States. The Corporation also participates in various partnerships, joint ventures and other business activities.

(B) PRINCIPLES OF CONSOLIDATION

Consolidation decisions are based on the voting rights, risks and rewards associated with our interest in an entity. In general, we consolidate majority owned, controlled subsidiaries. Entities that are determined to be variable interest entities (VIEs), as defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 810- *Consolidation*, will be consolidated if the Corporation is considered the primary beneficiary, as defined, of that entity. The Corporation determines if it is the primary beneficiary by assessing whether it has the power to direct the activities that most significantly impact the VIE's economic performance as well as assessing whether or not it has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The equity method is used to account for investments in affiliates in which the Corporation exerts significant influence but not a controlling financial interest. The threshold for exerting significant influence is often when our ownership interest is greater than 20%, however ownership levels of as little as 3% may also qualify in certain circumstances, such as with our private equity fund investments. All significant intercompany transactions and balances have been eliminated in consolidation.

(C) USE OF ESTIMATES

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates include those for the allowance for doubtful accounts, loan loss allowance, asset retirement obligations, useful lives of property and equipment and the related accumulated depreciation and amortization, fair value of investments, fair value of long-lived assets including goodwill and intangible assets, costs to complete and anticipated future losses on uncompleted contracts, realization of deferred income taxes and reserves for the ultimate cost of the settlement of litigation, claims and self-insurance.

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 additional loss, due to such changed circumstances, will occur or to reasonably estimate the amount or range of any potential additional loss.

(D) CASH AND CASH EQUIVALENTS

The Corporation considers all highly liquid investments, maintained as part of the Corporation's cash management activities, with original maturities of less than three months from their date of purchase to be cash equivalents. Similar investments held in the Elders' Trust portfolio (Trust) (see Note 5), the Supplemental Executive Retirement Plan or the Deferred Compensation Plan (see Note 11) are not included in cash and cash equivalents.

(E) INVESTMENTS

Investments include investments in both debt and equity securities, and are accounted for in accordance with ASC Topic 320- *Investments - Debt Securities* and ASC Topic 321- *Investments - Equity Securities*. The Corporation has reported all short and long-term investments in marketable securities at fair value, with unrealized holding gains and losses on these securities included in earnings. The specific identification method is used to compute the realized gains and losses on debt and equity securities.

In January 2018, ASRC adopted ASU 2016-01, *Financial Instruments- Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). The amendments in this accounting standard update, among other things, require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The amendments also provide an option for entities that choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes. Additionally, the amendment simplifies the impairment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment.

The Corporation uses net asset value (NAV) to determine the fair value of its investments in certain private equity funds which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. A fund's NAV represents the sum of all of its assets (the value of its holdings in cash, shares, bonds, financial derivatives and other securities) less any liabilities, all divided by the number of shares outstanding and is an indication of the fair value of a single share of the fund. Prior to the adoption of ASU 2016-01 the Corporation accounted for these investments under the cost method. The Corporation adopted ASU 2016-01 in 2018 using a modified retrospective transition approach as prescribed by the standard. This approach required the Corporation to apply a cumulative-effect adjustment to the Consolidated Balance sheets as of the beginning of the fiscal year in which the standard was adopted. The impact of adopting the standard was an increase to Investments and advances, net, of $17,288, representing the difference between cost and fair market value as of January 1, 2018. The future tax obligation as a result of the increase in value is reflected as a decrease of $4,721 to the Corporation's deferred tax assets. During 2018, $7,388 of market value appreciation was recorded in Earnings from unconsolidated affiliates and $12,567 was reflected as a cumulative-effect adjustment to Retained earnings, net of tax.

(F) TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are recorded at the invoiced amount and generally do not bear interest. The allowance for doubtful accounts is the Corporation's best estimate of the amount of probable credit losses inherent in the Corporation's existing accounts receivable. The Corporation determines the allowance based on historical write-off experience by industry and national economic data. The Corporation reviews its allowance for doubtful accounts at least quarterly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. All other balances are reviewed on a pooled basis by industry. Account balances are charged off against the allowance after all reasonable means of collection have been exhausted and the potential for recovery is considered remote. The Corporation does not have any off-balance-sheet credit exposure related to its customers (see Note 6).

(G) INVENTORIES

Inventories, consisting of petroleum products, contracting supplies, and lumber products are valued at the lower of cost (first-in, first-out and average cost methods) or market.

(H) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Useful lives are periodically evaluated, and depreciation is modified prospectively based on changes in estimated useful lives.

At times the Corporation leases equipment and buildings under capital lease agreements. The assets and liabilities under capital leases are initially recorded at the lower of the present value of the minimum lease payments or the fair value of the assets at the inception of the lease. The assets are amortized over the lesser of their related lease terms or the estimated productive lives. Amortization of assets under capital leases is included in depreciation and amortization expense.

(I) OIL AND GAS EXPLORATION COSTS

Oil and gas exploration and production activities are accounted for under the successful-efforts method of accounting. Costs incurred in connection with the drilling and equipping of exploratory wells are capitalized as incurred. If proven reserves are not found, such costs are charged to expense. Other exploration costs are expensed as incurred. All costs related to development wells, including related production equipment and lease acquisition costs, are capitalized when incurred. Unproved properties are evaluated annually, or as conditions warrant, to determine any impairment in carrying value. Depreciation, depletion and amortization are provided under the units of production method on a field basis.

(J) LONG-LIVED ASSETS

Long-lived assets, such as property, plant and equipment; equity method investments; oil and gas exploration costs; and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset 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 from the use and eventual disposition of the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(K) GOODWILL AND INTANGIBLE ASSETS

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Corporation follows the private accounting alternative governed by FASB ASC Subtopic 350-20-35, and amortizes goodwill on a straight-line basis over 10 years, or less than 10 years if the Corporation demonstrates that another useful life is more appropriate. As part of this election, the Corporation has made an accounting policy decision to test goodwill for impairment at the entity level. Goodwill must be tested for impairment when a triggering event occurs that indicates that the fair value of an entity may be below its carrying amount. The goodwill impairment amount, if any, represents the excess of the entity's carrying amount over its fair value, limited to the carrying amount of goodwill of the entity.

The Corporation follows the private accounting alternative governed by FASB ASC Subtopic 805-20-25. As part of this election the Corporation does not recognize acquired intangible assets pertaining to non-compete agreements and customer relationships separately from goodwill, except for customer-related intangible assets that can be separately sold or licensed independently from other assets of the business.

Intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually and if a triggering event occurs between annual tests, in accordance with ASC Topic 350. At December 31, 2018 and 2017, indefinite life intangibles consist primarily of trademarks and trade names.

ASC Topic 350 requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC Topic 360- *Property, Plant, and Equipment*. At December 31, 2018 and 2017, amortizable intangible assets consist primarily of customer relationships, non-compete agreements and acquired contract backlogs.

(L) LANDS RECEIVED UNDER THE ACT

The fair value of all land and subsurface estate received and to be received pursuant to the Alaska Native Claims Settlement Act (as amended, ANCSA or the Act) is not readily determinable. Accordingly, no value has been attributed to these lands in the accompanying Consolidated Financial Statements. Land selection costs are expensed as incurred.

The Corporation has patent or interim conveyance of title to the surface and subsurface estate of approximately 5,000,000 acres.

(M) ASSET RETIREMENT OBLIGATIONS

We accrue for asset retirement obligations in the period in which the obligations are incurred and a reasonable estimate of fair value can be made. When the related liability is initially recorded, we capitalize the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its settlement value and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we recognize a gain or loss for any difference between the settlement amount and the liability recorded. As of December 31, 2018 and 2017, we have recorded asset retirement obligations related to our exploration and pipeline operations which are included in Other accrued obligations in the Consolidated Financial Statements of $6,670 and $7,185, respectively. We cannot estimate the fair value of the majority of our asset retirement obligations, primarily because we cannot reasonably estimate settlement dates or costs associated with the retirement of these assets. Such obligations will be recognized in the period in which sufficient information exists to determine a reasonable estimate.

The Corporation's retirement obligations primarily include (i) hazardous materials disposal, site restoration, and removal or dismantlement requirements associated with the closure of our refining and terminal facilities, (ii) hazardous materials disposal and other removal requirements associated with the demolition of certain tanks or other equipment, and (iii) removal of tanks at our owned or leased retail sites at or near the time of closure. We believe that these assets have undeterminable lives due to our performance of scheduled maintenance projects, normal repair and improvements based on technological advances. We have rarely, if ever, retired similar assets in the past; and industry practice for similar assets has historically been to extend the economic lives through regular repair and maintenance and technological advances. Also, we have not historically incurred significant retirement obligations for hazardous materials disposal or other removal costs associated with our scheduled maintenance projects or asset retirements.

(N) REVENUE RECOGNITION

Revenue is primarily earned from the following sources: sales of refined products, service contracts and construction contracts. Revenue is recognized and earned when all the following criteria are satisfied with regard to a specific transaction: persuasive evidence of a sales arrangement exists; the price is fixed or determinable; cash collection is reasonably assured; and product delivery has occurred or services have been rendered.

The Corporation generates revenue from three different types of contractual arrangements: fixed- price contracts, cost-plus-fee contracts and time-and-materials contracts.

The percentage-of-completion method of accounting is used for determining revenue to be recognized for fixed-price construction and consulting contracts based on the estimate of the percentage of completion of individual contracts. As some of the contracts extend over one or more accounting periods, revisions in cost and earnings estimates are reflected in the period during which the facts requiring the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period in which the losses are determined.

Revenues from cost-plus-fee contracts are recognized on the basis of allowable costs incurred during the period plus the fee earned.

Revenues from time-and-materials contracts are recognized based on allowable labor hours incurred and contract billing rates.

If allowable contract costs and estimated earnings exceed related billings on any uncompleted contract, the difference is shown as a current asset. If billings exceed related contract costs and estimated earnings on any uncompleted contract, the difference is shown as a current liability. Certain contract revenues are subject to audit by customers. Any resulting contract audit adjustments are reflected in the period when audit issues are determined to have sufficient merit to justify recognition. Claims are included in revenues upon receipt of cash. Some contracts include provisions for award fees. Award fees, as well as unapproved change orders, are included in revenues when their realization is reasonably assured.

Revenue from natural resource royalties is recognized on the cash sales method and recorded when royalties are received. Adjustments to royalties received are recorded in the period during which the facts requiring the adjustment become known.

(O) CAPITALIZATION OF INTEREST

The Corporation capitalizes interest cost on borrowings incurred during the new construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. Rates used are based on the average interest rate on borrowings. A reconciliation of total interest cost to Interest expense as reported in the Consolidated Financial Statements for the years ended December 31, is as follows:

		2018	2017	2016
Interest cost capitalized	$	364	222	1,812
Interest cost charged to expense		13,141	14,120	2,150
Total interest cost	$	13,505	14,342	3,962

(P) INCOME TAXES

The Corporation records the tax benefit for ANCSA land, along with ASRC's interest therein, and the resources and rights associated therewith, as contributed capital ("resource-related tax attributes"). These resources are part of the original settlement by the Corporation's shareholders under ANCSA. A valuation allowance required upon the initial recognition of specific resource-related tax attributes is recorded as a reduction of Contributions to capital in the Consolidated Financial Statements. Subsequent revisions to an initial valuation allowance due to the ongoing measurement of the tax basis of existing assets contributed under the Act or the initial recognition of additional resource-related tax attributes are recorded as adjustments to the related capital contributions. Reduction or elimination of the initial valuation allowance associated with amounts originally recorded through capital that result from a change in the expected earnings of the Corporation will also be recorded through capital. Any increase in the valuation allowance due to a change in the expected earnings affecting the utilization of the resource-related tax attributes is considered part of operational activities and included in deferred income tax expense in the Consolidated Financial Statements. See Note 10 for further discussion of income taxes.

(Q) CONCENTRATION

A significant portion of the Corporation's business activity is with customers associated with or dependent upon the U.S. government contracting agencies. During the years ended December 31, 2018, 2017 and 2016, U.S. government contracts provided an aggregate of approximately 49%, 53% and 50%, respectively, of the Corporation's total revenues. Any improvement, decline or disruption in U.S. government spending could have a significant positive or negative effect on the liquidity, results of operations and financial condition of the Corporation. Changes in the Small Business Administration (SBA) 8(a) program could also have a significant positive or negative impact on the liquidity, results of operations and financial condition of the Corporation. In addition, during the years ended December 31, 2018, 2017 and 2016, approximately 46%, 47% and 47%, respectively, of the Corporation's total revenues were earned in the State of Alaska. Any improvement or decline

in the fiscal situation of the State could have a positive or negative effect on the liquidity, results of operations and financial condition of the Corporation.

(R) SELF-INSURANCE

The Corporation utilizes third-party insurance subject to varying retention levels, or self-insurance. Such self-insurance relates to losses and liabilities primarily associated with health insurance and workers' compensation claims. Losses are accrued based upon the Corporation's estimates of the aggregate liability for the claims incurred using certain actuarial assumptions followed in the insurance industry and the Corporation's experience. At December 31, 2018 and 2017, the estimated liability for claims incurred but not reported was $23,580 and $26,522, respectively.

(S) COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies, including environmental remediation costs, costs arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the liability assessment and/or remediation can be reasonably estimated. Recoveries for environmental remediation costs from third parties, which are probable of realization, are separately recorded and are not offset against the related environmental liability, in accordance with ASC Topic 210 - *Balance Sheet*.

(T) RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU 2016-02, *Leases*. The new guidance requires lessees to recognize lease assets and liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. The new guidance is effective for the Corporation's fiscal year beginning January 1, 2020. In July 2018, the FASB issued ASU 2018-11, which provided an optional transition method to recognize a cumulative-effect adjustment to the opening balance of Retained earnings in the period of adoption. The qualitative and quantitative effects of this standard on the Corporation's future financial statements have not yet been determined.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should also disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Subsequent to the issuance of ASU 2014 09, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients*. These ASUs do not change the core principle of the guidance stated in ASU 2014-09, instead these amendments are intended to clarify and improve operability of certain topics included within the revenue standard. These ASUs will have the same effective date and transition requirements as ASU 2014-09.

The new standard is effective for the Corporation's fiscal year beginning January 1, 2019. The Corporation is completing an assessment of the impact of ASU 2014-09 and other related ASUs, and our preliminary conclusion is that the impact of adoption will not be significant to the Corporation's financial statements, accounting policies or processes, however the standard will require enhanced disclosure regarding revenue recognition. We plan to transition into reporting under the standard using the cumulative effect-adjustment method in which an adjustment will be made to the opening balance of Retained earnings in the period of adoption.

(U) RECLASSIFICATIONS

Certain reclassifications have been made to the 2017 and 2016 Consolidated Financial Statements to conform to the 2018 presentation.

(2) ALASKA NATIVE CLAIMS SETTLEMENT ACT AND AMENDMENTS

The Corporation was created pursuant to the Act. The Act created thirteen regional and numerous village corporations and sets forth, among other things, certain responsibilities and provides for distribution of certain benefits to those entities and their shareholders.

(A) SHAREHOLDERS

Under the terms of the Act, Natives (as defined in the Act) initially enrolled in the Corporation each received 100 shares of the Corporation's stock. This stock may not be sold, pledged, assigned or otherwise alienated, except in certain circumstances by gift, court decree or inheritance upon death. These stock restrictions were originally designed to expire on December 18, 1991. Provisions of the Alaska Native Claims Settlement Act Amendments (Amendments) provide for the extension of the alienation restrictions indefinitely or, upon the affirmative vote of the shareholders, until a specific date or event. The Corporation's alienation restrictions remain in place, and its stock carries voting rights only if the holder is an eligible Native or a descendant of a Native.

In accordance with the terms of the Act, the Corporation originally issued two classes of stock with the classes differing only in terms of Section 7(j) Distributions (as defined below) to be received by the shareholders. Natives (as defined in ANCSA) who were enrolled in village corporations in the Arctic Slope Region in 1971 received Class A Settlement Common Stock. Natives of the Arctic Slope Region who were not enrolled in village corporations in 1971 received Class B Settlement Common Stock.

At a special meeting of shareholders held in 1989, the Corporation was authorized to issue additional classes of stock without consideration. Class C Settlement Common Stock is issuable only to (i) children of shareholders enrolled directly into ASRC (those who did not receive their stock through gift or inheritance), (ii) born after December 18, 1971, and (iii) with at least ¼ Alaskan Native blood. Class D Other Stock is issuable only to (i) children of shareholders enrolled directly into ASRC (those who did not receive their stock through gift or inheritance) and (ii) with less than ¼ Alaskan Native blood. Class E Settlement Common Stock is issuable only to Natives who were eligible for enrollment pursuant to the Act as original Class A or B shareholders, but who were not enrolled. Class C and D shares are life estate only; otherwise Class C and D shares, along with Class E shares, are fully participating. All classes of stock are subject to certain voting restrictions and restraints on alienation under the Act.

Shares authorized and outstanding are as follows at December 31:

	Shares authorized	Shares outstanding	
		2018	2017
Class A	1,000,000	353,650	353,650
Class B	500,000	19,500	19,500
Class C	1,000,000	862,900	841,700
Class D	300,000	155,000	147,900
Class E	10,000	900	900

(B) ALASKA NATIVE FUND

The Act established the Alaska Native Fund (Fund) for cash distributions to the regional corporations. In the 1970s, the Corporation received its full entitlement from the Fund of $22,535. This amount was recorded as a contribution to capital.

(C) DISTRIBUTABLE UNDER THE ACT

The Act established twelve regional corporations for resident Alaska Natives. Under Section 7(i) of the Act, 70% of net revenues received by each of these twelve regional corporations from certain timber and subsurface resources conveyed to

it is divided annually among all twelve regional corporations in proportion to the number of Alaska Natives originally enrolled to each. In accordance with Section 7(j) of the Act, one half of what each regional corporation receives must be redistributed (Section 7(j) Distributions) to village corporations within its region and to its originally enrolled shareholders who are not also shareholders of a village corporation.

(3) ACQUISITIONS

The Corporation accounted for the transactions below using the acquisition method of accounting in accordance with applicable U.S. GAAP whereby the total purchase price was preliminarily allocated to tangible and intangible assets acquired and liabilities assumed based on respective fair values. The following tables summarize the values of the assets acquired and liabilities assumed at the date of acquisition:

		2018				
		MAVO	Hudspeth	FDT	BCC	**Total**
Assets						
Current assets	$	15,522	10,708	25,215	16,041	**67,486**
Property, plant and equipment		3,201	1,937	4,317	14,569	**24,024**
Goodwill, intangible, and other assets, net		20,711	15,323	27,201	15,839	**79,074**
Total assets		39,434	27,968	56,733	46,449	**170,584**
Liabilities						
Current liabilities		5,946	9,363	13,388	12,412	**41,109**
Deferred tax liabilities		1,964	105	2,345	1,862	**6,276**
Total liabilities		7,910	9,468	15,733	14,274	**47,385**
Net purchase price	$	31,524	18,500	41,000	32,175	**123,199**

		2017				2016			
		Finite	USC	**Total**		RSI	Vistronix	BCI	**Total**
Assets									
Current assets	$	6,972	1,958	**8,930**	$	4,672	22,448	15,580	**42,700**
Property, plant and equipment		822	216	**1,038**		567	1,688	7,455	**9,710**
Goodwill, intangible and other assets, net		8,584	16,050	**24,634**		48,769	174,262	9,442	**232,473**
Deferred tax assets		—	26	**26**		—	—	—	**—**
Total assets		16,378	18,250	**34,628**		54,008	198,398	32,477	**284,883**
Liabilities									
Current liabilities		2,600	681	**3,281**		4,373	17,612	12,417	**34,402**
Other liabilities		5,889	1,950	**7,839**		—	—	3,000	**3,000**
Deferred tax liabilities		996	—	**996**		60	—	786	**846**
Total liabilities		9,485	2,631	**12,116**		4,433	17,612	16,203	**38,248**
Net purchase price	**$**	6,893	15,619	**22,512**	**$**	49,575	180,786	16,274	**246,635**

During 2018, the Corporation recorded adjustments related to acquisitions that took place in 2017. Adjustments to acquired working capital resulted in goodwill increasing by $367 at Finite and $230 at USC. Additionally, in 2018 AIS reduced the estimate of contingent consideration payable related to the acquisition of Finite, resulting in $3,000 of income that is reported in Other income (loss), net in the Consolidated Statements of Income and Comprehensive Income. Estimated contingent consideration payable related to acquisitions in years prior to 2018 totals $1,000 as of December 31, 2018.

Acquisitions for the year ended December 31, 2018 included:

(A) MAVO SYSTEMS

In February 2018, ASRC Industrial Services, LLC (AIS), a subsidiary of the Corporation, acquired 100% of the outstanding stock of Mavo Systems Holdings, Inc. (Mavo) for $31,524. Additional consideration included the purchase of $1,975 in excess working capital. On the closing date, $5,511 of the purchase price was retained by AIS as indemnity and guarantee holdbacks. Mavo is an environmental and specialty services contractor based in White Bear Lake, Minnesota serving customers across the upper Midwest. The results of Mavo have been consolidated since the acquisition date, resulting in an increase in revenues of $63,589 and operating income of $1,252, which includes depreciation and amortization expense of $2,267. The Corporation recognized goodwill of $20,711 as a result of the acquisition.

(B) HUDSPETH

In June 2018, AIS acquired 100% of the outstanding stock of Hudspeth & Associates, Inc. (Hudspeth) for $13,000. Additional consideration included the purchase of $493 in excess working capital and up to $5,500 of contingent consideration based on financial performance during the first five calendar years post close, beginning January 1, 2019. On the closing date, $1,425 of the purchase price was retained by AIS as an indemnity holdback and $200 for additional adjustments. Hudspeth is an environmental services and demolition contractor based in Englewood, Colorado. Hudspeth serves customers throughout the Rocky Mountain region. The results of Hudspeth have been consolidated since the acquisition date, resulting in an increase in revenues of $17,313 and operating income of $1,360, which includes depreciation and amortization expense of $1,080. The Corporation recognized a provisional estimate for goodwill of $15,323. The Corporation has yet to finalize its measurement period adjustments related to accounts receivable at December 31, 2018.

(C) F.D. THOMAS

In April 2018, AIS acquired 100% of the outstanding stock of F.D. Thomas, Inc. (FDT) for $41,000. Additional consideration included the purchase of $4,266 in excess working capital. On the closing date, $4,100 of the purchase price was retained by AIS as an indemnity holdback and $250 for additional adjustments. FDT is a specialty painting and coatings contractor based in Medford, Oregon. FDT serves customers nationwide. The results of FDT have been consolidated since the acquisition date, resulting in an increase in revenues of $96,675 and operating income of $6,241, which includes depreciation and amortization expense of $2,823. The Corporation recognized goodwill of $27,201 as a result of the acquisition.

(D) BRAD COLE CONSTRUCTION

In October 2018, AIS acquired 100% of the outstanding stock of Brad Cole Construction Company, Inc. (BCC) for $15,925. Total consideration was adjusted for an estimated working capital shortfall of $158 and an estimated $16,250 of a potential $24,000 in contingent consideration. The contingent consideration is based on a future contract award and on financial performance during the first four calendar years post close, beginning January 1, 2019. On the closing date, $1,600 of the purchase price was retained by AIS as an indemnity holdback and $250 for additional adjustments. BCC is an environmental and specialty services contractor based in Carrollton, Georgia. BCC serves customers throughout the Southeast United States. The results of BCC have been consolidated since the acquisition date, resulting in an increase in revenues of $12,361 and operating losses of $736, which includes depreciation and amortization expense of $1,213. The Corporation has recognized a provisional estimate for goodwill of $15,839. Accounting standards provide for a measurement period after the acquisition date for the acquirer to retrospectively adjust the business combination accounting for information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. At December 31, 2018 management had yet to finalize the working capital adjustments; additionally a significant amount of contingent consideration is dependent upon BCC securing a

customer contract within a year of the acquisition date. The Corporation will make measurement period adjustments against goodwill over the course of 2019 as more information becomes known about the collectability of accounts receivable, the profitability of acquired customer contracts, and the contract-related contingent consideration.

(4) GOODWILL AND INTANGIBLE ASSETS

The following is a detail of goodwill activity:

		2018	2017
Balance as of January 1,	$	366,517	388,013
Plus: Acquisitions		79,671	23,501
Less: Amortization expense		(51,101)	(44,997)
Balance as of December 31,	$	395,087	366,517

During 2018 and 2017 the Corporation did not identify any triggering events at the entity level indicating the fair value of the Corporation was below its carrying amount.

The following table summarizes future amortization expense of goodwill for the years ended December 31:

2019	$	53,397
2020		53,397
2021		53,397
2022		53,397
2023		53,397
Thereafter		128,102
	$	395,087

The following is a detail of the activity for intangible assets:

		2018	2017
Balance as of January 1,	$	54,232	63,859
Less: Abandonments		—	(198)
Less: Amortization expense		(8,590)	(9,429)
Balance as of December 31,	$	45,642	54,232

Included in the table above as of December 31, 2018 and 2017 are indefinite life intangibles totaling $11,960.

The following table summarizes future amortization expense of intangible assets for the years ended December 31:

2019	$	8,571
2020		8,571
2021		4,772
2022		2,358
2023		2,358
Thereafter		7,052
	$	33,682

(5) ELDERS' TRUST

The Corporation's board of directors established a Revocable Trust from which to make monthly payments to shareholders 65 years of age on or before December 31, 2004. During the years ended December 31, 2018, 2017 and 2016, payments totaling $298, $326 and $387, respectively, were made to the Elder shareholders of the Corporation. These payments have been recorded as distributions of retained earnings in the Consolidated Financial Statements. The terms of the Trust may be amended or revoked by the board of directors at any time. Investments held in the Trust were valued at $2,771 and $3,179 at December 31, 2018 and 2017, respectively. There were no contributions to the Trust in 2018, 2017 or 2016.

(6) RECEIVABLES

Receivables are composed of the following at December 31:

		2018	2017
Trade accounts receivable	$	363,431	266,432
Retainage		19,031	1,917
Other		31,558	2,867
		414,020	271,216
Less allowance for doubtful accounts		(14,115)	(12,438)
	$	399,905	258,778

(7) PROPERTY, PLANT AND EQUIPMENT

The Corporation's investment in property, plant and equipment is composed of the following at December 31:

	Depreciable lives		2018	2017
Land	—	$	40,106	38,349
Buildings	40 years		591,936	552,288
Plant and equipment	3 - 15 years		452,693	398,244
			1,084,735	988,881
Less accumulated depreciation			(542,326)	(471,244)
			542,409	517,637
Construction in progress			40,427	41,554
		$	582,836	559,191

Depreciation and amortization expense related to property, plant and equipment was $61,992, $56,827 and $52,318, for the years ended December 31, 2018, 2017 and 2016, respectively.

A subsidiary of the Corporation has a 100% working interest in the Placer Unit, comprised of eight State of Alaska oil and gas leases. The subsidiary met all the necessary obligations and received permits to drill an appraisal well, Placer #3, in 2016 to test the extent of the Placer #1 discovery made in 2006. At December 31, 2016 the well had been completed and was determined to be capable of producing oil in paying quantities. In 2018 and 2017 the subsidiary continued to perform development engineering and reservoir modeling and analysis on the unit. The well has been temporarily suspended and can be returned to production once infrastructure and pipelines are available. Through December 31, 2018 the Corporation spent $21,907 for this drilling program. The program qualifies for tax credits under the State of Alaska exploration credit program. The Corporation has recorded $8,477 and $7,661 as credits for work performed at December 31, 2018 and 2017, respectively. The credits will be paid when funds have been appropriated by the State of Alaska and have been recorded as a long-term receivable.

The Corporation qualifies for tax credits under the State of Alaska in-State refinery program. The Corporation has recorded $31,895 and $26,821 as credits for work performed at December 31, 2018 and 2017, respectively. The credits will be paid when funds have been appropriated by the State of Alaska and have been recorded as a long-term receivable.

(8) INVESTMENTS AND ADVANCES, NET

Components of investments and advances include the following at December 31:

		2018	2017
Unconsolidated affiliates			
Investments and advances using the equity method	$	100,121	110,984
Investments and advances carried at cost		—	66,308
Investments and advances carried at NAV		90,405	—
Retirement, deferred compensation and other invested assets		52,080	51,452
	$	242,606	228,744

(A) INVESTMENTS AND ADVANCES USING THE EQUITY METHOD

The Corporation has interest in various affiliates and joint ventures. The companies, the businesses in which they are engaged, the percentage of ownership and investment amount were as follows at December 31:

	Line of Business	Percentage Ownership	2018	2017
ATA Aerospace, LLC	Contracting	49.00 %	$ 5,465	3,855
UIC-ASRC SKW ESKIMOS, LLC	Construction	50.00	2,068	2,171
ASKW-Davis, LLC	Construction	30.00	1,431	676
Unit-ASRC Construction, LLC	Construction	50.00	1,600	1,462
EDGE Principal Investments II, LP	Real Estate	8.33	5,580	10,914
Pirlo Energy Holdings	Energy	11.58	63,914	63,933
QSH Parent Holdco, LLC	Telecom	3.00	4,599	5,308
Alpine Transportation Company	Energy	15.00	8,068	8,782
Badami	Energy	25.00	7,154	3,510
Liberty	Energy	—	—	10,106
Other	Varies	Varies	242	267
			$ 100,121	110,984

Aggregate summary combined financial information for significant investments carried on the equity method as of and for the years ended December 31 is as follows:

	2018	2017
Current assets	$ 98,676	101,189
Other assets	1,114,999	1,234,144
Total assets	$ 1,213,675	1,335,333
Current liabilities	$ 70,144	74,056
Other liabilities	412,659	426,248
Total liabilities	482,803	500,304
Equity	730,872	835,029
Total liabilities and equity	$ 1,213,675	1,335,333

	2018	2017	2016
Income	$ 364,590	356,667	144,543
Costs and expenses	320,231	317,054	141,192
Net income	$ 44,359	39,613	3,351

In June 2015 the Corporation purchased an undivided 10% working interest in the Liberty Project located in the Beaufort Sea. Under the terms of the agreement the Corporation paid $10,106. The agreement provided the Corporation the option to reevaluate its investment at any time prior to the time of Final Investment Decision which occurred when the Environmental Impact Statement and the Development and Production Plan were approved. In October 2018 the Corporation exercised its option and received proceeds of $10,106 in exchange for the full working interest. During the period that the investment

was held, the Corporation paid $1,071 of leasehold operating expenses that were not recovered at the time of sale and were subsequently impaired.

(B) INVESTMENTS AND ADVANCES CARRIED AT COST

As disclosed in note 1(e), the Corporation adopted ASU 2016-01 - *Financial Instruments- Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* in 2018. Prior to the adoption of the standard, the Corporation had accounted for the majority of its private equity fund investments under the cost method. The investments, the businesses in which they are engaged, the percentage ownership, and the investment amounts were as follows at December 31, 2017:

	Line of Business	Percentage Ownership	Amount
TPG Institutional Credit Partners II	Financing	2.65 %	$ 4,078
Edge Principal Investments III	Real Estate	2.50	5,480
TPG Partners VII	Consumer Retail	0.25	8,857
TPG Opportunities Partners III	Consumer Retail	0.08	10,305
Bain Capital Fund XI	Industrials	0.06	18,437
Silver Lake Partners IV	Technologies	0.01	7,798
Trilogy International Partners	Telecommunications	2.00	10,774
Riverstone Global Energy and Power III	Energy	0.26	579
			$ 66,308

In 2018 and 2017, the Corporation recorded impairments of $8,777 and $4,023, respectively, in earnings from unconsolidated affiliates, to align with the estimated fair value of Trilogy International Partners (Trilogy). In 2018, the Corporation converted its ownership in Trilogy into common shares which are actively traded on a Canadian securities exchange. At December 31, 2018, the retained investment is reported as Investments in Marketable securities in the Consolidated Financial Statements.

(C) INVESTMENTS AND ADVANCES AT NAV

Effective January 1, 2018 the Corporation adopted ASU 2016-01 which requires that its equity investments be reported at fair value. Prior to January 1, 2018, the investments in the table above at (8)(b) were the only investments within the scope of ASU 2016-01 that were not carried at fair value. The investments reported at NAV consist of private equity investment funds that in most cases can not be redeemed with the investees. The Corporation receives distributions through the liquidation of the underlying assets of the investees and the schedule below indicates the estimated period of time over which the underlying assets are expected to be liquidated by the investees.

The investment vehicles, business in which they are engaged, estimated liquidation period, and investment amount were as follows at December 31, 2018:

	Line of Business	Estimated Liquidation Period	Amount
TPG Institutional Credit Partners II	Financing	1 to 4 years	$ 7,365
Edge Principal Investments III	Real Estate	1 to 7 years	9,388
TPG Partners VII	Consumer Retail	1 to 6 years	20,489
TPG Opportunities Partners III	Consumer Retail	1 to 4 years	15,001
Bain Capital Fund XI	Industrials	1 to 5 years	24,158
Silver Lake Partners IV	Technologies	1 to 5 years	13,086
Riverstone Global Energy and Power III	Energy	1 year	918
			$ 90,405

The changes in investments using NAV, reported as Investments and advances, net, on the consolidated balance sheets are as follows December 31:

Investments reported via cost method at December 31, 2017	$ 66,308
Fair value adjustment upon adoption of ASU 2016-01	17,288
Investments as of January 1, 2018	83,596
Purchases and additional investments	16,260
Return of capital	(6,065)
Impairments and transfers	(10,774)
Unrealized gains included in investment earnings	7,388
Investments as of December 31, 2018	$ 90,405

Aggregate unfunded commitments to invest in the above funds totaled $30,521 at December 31, 2018. These commitments are expected to be called through 2022.

(9) REVOLVING LINE-OF-CREDIT AND LONG-TERM DEBT

The Corporation had a revolving line-of-credit of $350,000 at December 31, 2018 and 2017. The availability under the line is reduced by undrawn but outstanding letters of credit of $14,254 and $14,612 at December 31, 2018 and 2017, respectively. On February 15, 2019 the Corporation expanded its revolving line-of-credit to $700,000 and extended the maturity through February 2024. Borrowings can be based on either prime or the London Interbank Offering Rate (LIBOR) plus an applicable margin based on the Corporation's debt ratio. At December 31, 2018 and 2017 there was $40,000 and $35,000 borrowed against the line at interest rates of 3.8% and 2.8%, respectively.

Long-term debt of the Corporation is secured primarily by guarantees of certain subsidiaries and consisted of the following at December 31:

		2018	2017
Senior Notes payable due December 2024 bearing interest at a fixed rate of 3.46% annually	$	135,000	135,000
Senior Notes payable due December 2026 bearing interest at a fixed rate of 3.62% annually		165,000	165,000
		300,000	300,000
Less unamortized debt issuance costs		(723)	(827)
	$	299,277	299,173

Principal amounts become due and payable on the expiration of the notes.

The long-term debt and line of credit are subject to certain affirmative and negative covenants, including a maximum debt ratio, minimum fixed charge ratio, among others. The Corporation was in compliance with all covenants at December 31, 2018 and 2017.

(10) INCOME TAXES

The income tax provision from continuing operations includes the following for the years ended December 31:

		2018	2017	2016
Current income tax expense:				
Federal	$	—	—	—
State		(1,140)	(811)	(588)
		(1,140)	(811)	(588)
Deferred income tax benefit (expense):				
Federal		(37,661)	91,088	(15,234)
State		(37,640)	(21,696)	(14,329)
		(75,301)	69,392	(29,563)
Income tax benefit (expense)	$	(76,441)	68,581	(30,151)

On December 22, 2017, the Tax Cuts and Jobs Act - H.R. 1 (Tax Act) was signed by the President of the United States. The legislation includes substantial changes to the taxation of businesses in all industries, including the Corporation. Overall, it provides a change in the statutory C Corporation tax rate to 21%, repeal of the corporate alternative minimum tax, immediate expensing of capital investment, repeal of the Section 199 manufacturing deduction, limitation of the deduction of net interest expense, and a multitude of other changes to the corporate tax rules.

The most significant change from the Tax Act impacting the Corporation is replacing the graduated corporate tax rates of 15-35% with a flat rate of 21%. This change in tax rate impacted the Corporation's current tax provision beginning in 2018 and impacted its calculation of deferred taxes at the date of enactment.

The Corporation annually evaluates its expected effective tax rate based on currently enacted laws and changes in state apportionment. The provision for income taxes differs from the "expected" amount attributable to continuing operations (computed by applying the U.S. federal corporate tax rate of 21% for 2018 and 15% for 2016-2017 to income before income taxes and non-controlling interest), with the "expected" amount as follows for the years ended December 31:

		2018	2017	2016
Computed "expected" tax expense	$	(29,226)	(11,447)	(11,051)
State income tax expense, net of federal tax		(10,752)	(7,469)	(8,242)
Change in blended effective rate		(29,750)	98,445	(2,756)
Nondeductible items		(1,077)	159	(679)
Nondeductible goodwill amortization		(6,663)	(3,982)	(3,116)
Unrealized charitable contribution deductions		(1,597)	(949)	(583)
Unrealized state net operating losses		1,774	(4,654)	(2,671)
Other, net		850	(1,522)	(1,053)
	$	(76,441)	68,581	(30,151)

The following is a detail of the contributions to capital related to ANCSA resources for the years ended December 31:

		2018	2017	2016
Balance at January 1,	$	649,844	478,763	449,551
Change in gross tax benefit from ANCSA resources recorded as contribution to capital		267,221	155,198	–
Change in valuation allowance from ANCSA resources recorded as contributions to capital		–	15,883	29,212
Net tax benefit from ANCSA contributed to capital	$	917,065	649,844	478,763

The following is a detail of valuation allowance activity for the years ended December 31:

		2018	2017	2016
Change in valuation allowance from State net operating loss	$	(1,774)	4,654	2,671
Change in valuation allowance from State and Federal Charitable Contributions		1,597	949	583
Change in valuation allowance from conversion of foreign tax credit to net operating loss		–	–	(12,592)
Change in valuation allowance from federal rate change		–	(2,344)	–
Change in valuation allowance from ANCSA resources recorded as contributions to capital		–	(15,883)	(29,212)
Net decrease in valuation allowance	$	(177)	(12,624)	(38,550)

Net deferred tax assets include the following at December 31:

	2018	2017
Net operating loss and charitable contributions carryforwards	$ 194,756	198,916
Land, resource and fixed asset basis difference	571,325	383,797
Other deductible temporary differences	63,135	67,509
Total gross deferred tax assets	829,216	650,222
Less valuation allowance	(39,897)	(40,074)
	789,319	610,148
Deferred income tax liabilities	(72,375)	(73,513)
Net deferred tax assets	$ 716,944	536,635

Section 21(c) of the Act, as originally enacted, provided that the tax basis of land conveyed under ANCSA was equal to the fair value of the land at the date of conveyance. Section 1408 of the Alaska National Interest Lands and Conservation Act (ANILCA) amended the Act's Section 21(c) to provide that land with a mine, well, other natural deposit or block of timber will have a basis not less than the fair value at the date of "first commercial development." Except for lands that have been commercially developed, the fair value of all lands and interest therein received and to be received pursuant to ANCSA is not readily determinable; therefore, the Corporation has not recorded the value of its ANCSA lands and interests therein for purposes of the Consolidated Financial Statements, nor has it established tax basis for such lands not commercially developed. The Corporation establishes tax basis in its natural resources and surface estate on the date of first commercial development. Due to the unique tax attributes of the Act for natural resource lands and the revenue sharing requirements of Section 7(i), the tax basis of these lands, when developed, will most likely be significantly greater than their consolidated financial statement basis, resulting in substantial deferred tax assets.

At December 31, 2018, the Corporation recorded a net deferred tax asset of $716,944. The net deferred tax asset reflects: (i) the estimated future tax benefits of federal and state net operating loss carryforwards (NOL) of $604,601 and $950,778, respectively; (ii) future tax benefits of $2,111,392 arising from the difference between the tax basis in oilfields on the North Slope of Alaska and the fields' financial statement carrying values of zero, as well as other temporary differences.

The Corporation owns certain interests in oilfields located on the North Slope of Alaska. Previously, the Corporation has adjusted the tax basis of multiple fields to reflect the Corporation's current estimated valuation based on additional information obtained, field expansions and development of satellite fields. The adjustments to tax basis impact NOL carryovers, as the carryovers directly relate to oil reserve depletion deductions reported on the Corporation's income tax returns. The Corporation added $978,600 of tax basis for the Greater Moose's Tooth Unit (GMT-1) field during the year ended December 31, 2018. The Corporation added $644,400 of tax basis for the Alpine CD-5 expansion during the year ended December 31, 2017. The Corporation did not add tax basis for new fields during the year ended December 31, 2016.

A valuation allowance previously had been established against land resource assets, charitable contributions and certain state net operating losses, reducing the possible benefit of the total deferred tax assets to the Corporation's best estimate of the benefit that was more likely than not to be realized. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards and utilization of the basis differences. Given the Corporation's continued profitability, integration of recent acquisitions, continued reinvestment and other items, management concluded that releasing the valuation allowance related to the land resource assets was appropriate for the year ended December 31, 2017. The Corporation believes it is more likely than not that the recorded net deferred tax assets will be realized. Net deferred tax assets considered realizable are adjusted annually dependent on the Corporation's estimate of future earnings.

The Corporation files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. These jurisdictions may assess additional tax liabilities against us. The Corporation is currently under audit by the State of Alaska for tax years 2014-2016. Developments in an audit, investigation, or other tax controversy could have a material effect on our operating results or cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods. We regularly assess the likelihood of an adverse outcome resulting from these proceedings to determine the adequacy of our tax accruals. Although we believe our tax estimates are reasonable, the final outcome of audits, investigations, and any other tax controversies could be materially different from our historical tax accruals.

The Corporation is not subject to U.S. federal income tax examinations by tax authorities for years prior to 2015.

The Corporation accounts for income tax uncertainties using a threshold of "more-likely-than-not" in accordance with the provisions of ASC Topic 740 - *Income Taxes*. In applying this threshold, the Corporation has reviewed all of its previous tax filings and positions and concluded no accrual for uncertain positions is necessary at December 31, 2018 or 2017, respectively.

The Corporation has no liabilities for unrecognized tax benefits at December 31, 2018 and 2017, respectively. The Corporation recognizes penalties and interest accrued related to unrecognized tax benefits in income tax expense. The Corporation has no liabilities for interest and penalties at December 31, 2018 and 2017, respectively.

(11) DEFERRED COMPENSATION, RETIREMENT AND OTHER POSTRETIREMENT BENEFITS

(A) 401(K) PLAN

The Corporation has a qualified defined contribution 401(k) retirement plan covering substantially all non-union employees. The Corporation matches employee contributions to the plan up to 4% of eligible compensation, subject to statutory limits. Employer contributions totaling $28,566, $22,374 and $21,698 are included in expenses for the years ended December 31, 2018, 2017 and 2016, respectively.

(B) OTHER POSTRETIREMENT BENEFITS

In 2000, the Corporation adopted a retiree medical insurance plan for certain retired board members, executives and their spouses. The plan generally provides health benefits to board members who retire with ten or more years of service. Retired employees share in the cost of health care benefits. Benefits expected to be paid in each of the next five years and thereafter are considered to be inconsequential to the Consolidated Financial Statements.

The actuarially determined benefit obligation of $8,054 was recorded, but was unfunded at December 31, 2018. A discount rate of 3.45% and an assumed health care cost trend rate of 6.25% the first year, 5.75% the second year, and ranging from to 4.25% to 6.25% in subsequent years were used in measuring the benefit obligation.

The actuarially determined benefit obligation of $8,489 was recorded, but was unfunded at December 31, 2017. A discount rate of 3.85% and an assumed health care cost trend rate of 6.75% the first year, 6.25% the second year, and ranging from to 4.25% to 10.00% in subsequent years were used in measuring the benefit obligation.

(C) MULTIEMPLOYER PENSION PLANS

Certain union employees participate in multiemployer noncontributory defined benefit pension plans (MEPP).

The risks of participating in these multiemployer plans are different from single-employer plans in the following respects:

(1) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

(2) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

(3) If the Corporation chooses to stop participating in some of its multiemployer plans, the Corporation may be required to pay those plans an amount based on the underfunded status of the plan, referred to as the withdrawal liability.

The following table lists all MEPPs to which the Corporation's contributions exceeded $1,000 in 2018. Additionally, this table also lists all MEPPs to which the Corporation contributed in 2018 in excess of $500 for MEPPs in the critical status, "red zone", and $500 in the endangered status, "orange or yellow zones" as defined by the Pension Protection Act (PPA). The "EIN Number" column provides the Employer Identification Number (EIN). Unless otherwise noted, the most recent PPA zone status available in 2018, 2017 and 2016 is for the plan's previous year-end. The zone status is based on information that the Corporation received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "RP Status" column indicates plans for which a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreements to which the plans are subject. The Corporation's contributions to various plans increased as a result of acquisitions made in 2018.

Pension Fund	Plan Year End	EIN Number	Pension Protection Act Zone Status		RP Status	Contributions			Surcharge Imposed	Expiration Date of the Current Collective Bargaining Agreement
			2018	2017		2018	2017	2016		
Alaska Electrical Pension Fund	Dec. 31	92-6005171	Green	Green	No	$ 1,213	1,353	1,765	No	Multiple
Alaska Laborers - Employers Trust Fund	June 30	91-6028298	Yellow	Yellow	Yes	3,551*	3,357*	3,271*	No	Multiple
Locals 302 and 612 of the International Union of Operating Engineers Trust Fund	Dec.31	91-6028571	Green	Green	No	4,821	4,994	4,178	No	Multiple
Alaska Plumbing and Pipefitting Industry Pension Fund	Dec. 31	52-6103810	Yellow	Yellow	No	3,322*	2,842*	3,179*	No	Multiple
Alaska Teamster - Employer Pension Trust	June 30	92-6003463	Red	Red	Implemented	4,538*	4,387*	4,222*	Yes	Multiple
Other funds						5,245	181	91		
						$ 22,690	17,114	16,706		

* During the indicated years the Corporation's contributions exceeded 5% of that Plan's contributions.

Contributions above were included in expenses for the years ended December 31, 2018, 2017 and 2016. The Corporation's collective bargaining agreements do not have any provisions for any minimum contributions.

(D) MULTIEMPLOYER HEALTH AND WELFARE PLANS

Certain union employees participate in multiemployer health and welfare plans that provide substantially all union workers covered by the collective bargaining agreement with health care and other welfare benefits during their working lives and after retirement. The risks of the Corporation's participation in these plans are similar to the risks discussed in Note 11(c) above. Amounts included in expenses and contributed to the health and welfare plans for benefits were $19,636, $14,447 and $15,221 for the years ended December 31, 2018, 2017 and 2016, respectively.

(E) ASRC SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

The Supplemental Executive Retirement Plan is a nonqualified retirement plan that covers certain former senior executives of the Corporation. The plan is intended to provide a monthly benefit beginning at age 60 based on a formula utilizing average earnings and years of service. Prior to 2003, the Corporation funded its actuarially determined contribution requirement through the purchase of annuity contracts from an insurance company. The Corporation froze the plan as of December 31, 2004 with regard to new participants allowed into the plan and any future contributions. At December 31, 2018 and 2017, other accrued obligations and accounts payable and accrued liabilities include the liability of $4,310 and $4,427, respectively, and investments and advances, net, include invested assets for the plan of $3,789 and $4,365, respectively. The participants have no claim superior to that of general creditors of the Corporation.

(F) DEFERRED COMPENSATION PLAN

The Corporation has a deferred compensation plan for eligible participants. During 2014 the Corporation amended and restated the plan, mainly regarding eligibility of participants and allowability to designate new elective deferrals for specific future distribution date. The plan permits accumulation of retirement income through a nonqualified deferred compensation plan. Elective deferrals are credited to the participant's account to the extent specified in compensation reduction agreements in effect for that year. Amounts credited to the participant's account have no claim superior to that of general creditors of the Corporation for amounts credited to the plan. At December 31, 2018 and 2017, other accrued obligations and accounts payable and accrued liabilities include the plan's liability of $50,785 and $49,235, respectively, and investments and advances, net, include the plan's assets in the amounts of $48,291 and $47,087, respectively. At December 31, 2018 and 2017, included in plan assets is the net surrender value of company owned life insurance of $4,126 and $32,384 with a face value of $72,800 and $107,840, respectively.

(G) LONG-TERM INCENTIVE PLAN

The Corporation has a long-term incentive plan (LTIP) for eligible executives. The performance period is a rolling series of three-year periods, in each case beginning January 1. The target LTIP award value is based on a percentage of the participant's annual salary on the last day of each year of the three-year period. The participant will receive a percentage of the LTIP award value as outlined in the LTIP document, depending on the overall LTIP performance results for the plan period. Unless otherwise required by an employment agreement, if a participant's employment with the Corporation terminates prior to the end of a plan period under the LTIP for reasons other than retirement, death, or total and permanent disability, the participant shall forfeit the right to any LTIP award for that and all future performance periods. The Corporation has accrued $25,264 and $23,841 at December 31, 2018 and 2017, respectively.

(12) SURETY BONDS

The Corporation, as a condition for entering into some of its construction contracts and crude supply agreements, has outstanding purchased surety bonds at December 31, 2018 and 2017. The Corporation maintains an active surety relationship with Liberty Mutual Surety, a recognized national provider, and believes its bonding capacity is sufficient to meet all operational needs.

(13) FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

ASC Topic 820- *Fair Value Measurements and Disclosures* 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. The Corporation 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. In situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Corporation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Corporation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

FAIR VALUE HIERARCHY

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

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

INVESTMENTS AT NET ASSET VALUE

As disclosed in Note 8*(c)*, the Corporation uses NAV as a practical expedient to determine the fair value of some of our private equity investments. These investments were valued at $90,405 at December 31, 2018. Prior to 2018 these investments were accounted for using the cost method and thus were not reported at fair value. Investments measured using NAV are not subject to the fair value hierarchy disclosure requirements and are thus not included in the schedule below.

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at December 31:

	2018			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments:				
Investments in marketable securities	$ 2,388	2,388	—	—
Elders' Trust investments	2,771	1,463	1,308	—
Retirement, and deferred compensation assets	52,080	47,954	4,126	—
Investments at fair value	$ 57,239	51,805	5,434	—

	2017			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments:				
Elders' Trust investments	$ 3,179	1,823	1,356	—
Retirement, and deferred compensation assets	51,452	19,068	32,384	—
Investments at fair value	$ 54,631	20,891	33,740	—

Investments in marketable securities, Elders' Trust investments, retirement and deferred compensation assets include primarily publicly traded equities and U.S. government agency, municipal, corporate, commercial paper, foreign government bonds, and mortgage backed securities. The Corporation obtains quoted market prices for identical securities to determine fair value of its investments in equity securities within the Elders' Trust and retirement, and deferred compensation portfolio. Accordingly, these investments are classified as Level 1 within the fair value hierarchy. Commercial paper and fixed income securities within the Elders' Trust portfolio are valued based primarily on a market approach using quoted prices from similar securities and observed market movements and accordingly these securities are classified as Level 2 within the fair value hierarchy. A portion of the Corporation's deferred compensation plan assets are made up of corporate owned life insurance contracts. The Corporation estimates the fair value of these contracts by multiplying the individual unit values of underlying publicly traded mutual funds by the number of units held. Accordingly, these contracts are classified as Level 2 within the fair value hierarchy.

The Corporation made no transfers of assets between levels within the fair value hierarchy during 2018 or 2017. The following table presents the carrying amounts and estimated fair values of the Corporation's financial instruments at December 31, 2018 and 2017. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

		2018		2017	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Cash and cash equivalents	$	88,235	88,235	64,315	64,315
Investments in marketable securities		2,388	2,388	—	—
Elders' trust investments		2,771	2,771	3,179	3,179
Loan portfolio, net		31,535	31,535	31,610	31,610
Retirement and deferred compensation assets		52,080	52,080	51,452	51,452
Retirement and deferred compensation obligations		55,095	55,095	53,662	53,662

The carrying amounts shown in the table are included in the Consolidated Financial Statements under the indicated captions, with the exception of retirement and deferred compensation assets which are included in Investments and advances, net and the retirement and deferred compensation obligations which are included in other Accrued obligations and Accounts payable and accrued liabilities.

The carrying amounts of Cash and cash equivalents, Receivables, net, Accounts payable and accrued liabilities and other short-term monetary assets and liabilities are considered a reasonable estimate of their fair value due to their short term nature. The fair value of the Corporation's loan portfolio approximates the carrying amount as the portfolio is made up primarily of variable rate loans. These values represent a general approximation of possible value and may never actually be realized.

(14) COMMITMENTS AND CONTINGENCIES

(A) OPERATING LEASES

The Corporation has obligations under non-cancelable operating leases for facilities and equipment. Lease expense, net of subleases, for the years ended December 31, 2018, 2017 and 2016 was $30,458, $26,756 and $22,550, respectively.

Some leases contain provisions for future rent increases, rent free periods or periods in which rent payments are reduced. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent obligation, which is included in accounts payable and accrued liabilities in the accompanying balance sheet.

Future minimum lease payments through 2037, net of annual subleases of approximately, $978 in 2019, $985 in 2020, $1,013 in 2021, and $885 in 2022 are as follows:

Years ending December 31,

2019	$	28,088
2020		26,996
2021		24,831
2022		22,812
2023		19,662
Thereafter		147,096
	$	269,485

The Corporation has noncancelable service contract agreements for operation of certain leased equipment. Total expenses under such contracts for the years ended December 31, 2018, 2017 and 2016 were approximately $7,669, $5,875 and $4,753, respectively. Future commitments under these contracts are as follows:

Years ending December 31,		
2019	$	7,704
2020		10,485
2021		11,082
2022		11,202
2023		11,324
Thereafter		58,866
	$	110,663

(B) LETTERS OF CREDIT

At December 31, 2018 and 2017, the Corporation had $14,254 and $14,612 outstanding in undrawn letters of credit securing various payment obligations, respectively.

(C) SATELLITE RE-DETERMINATIONS AND ALPINE TRUE-UP PROVISION FROM THE COLVILLE RIVER UNIT AGREEMENT

In December 2018, a re-determination with an effective date of January 1, 2019 was completed on the Nanuq Kuparuk Participating Area, satellite field of the Colville River Unit. The results will decrease ASRC's future allocation of production based upon a revised division of interest reflecting actual results from the first 12 years of production in this participating area. Actual production from unit tracts in which ASRC has an interest was lower as a percentage of total production from the Nanuq Kuparuk participating areas than was estimated during the last true-up re-determination. Starting in January 2019 and continuing through December 2021, ASRC's allocation of production will be reduced by 662,782 barrels at current oil prices, representing the overpayment of the estimated barrels ASRC received from 2015 through 2018 based on this re-determination.

In May 2017, a re-determination with an effective date of June 1, 2017 was completed on the Alpine Participating Area for changes in allocation of production based upon a revised division of interest reflecting actual results from the first 16 years of production in this participating area. Actual production from unit tracts in which ASRC has an interest was higher as a percentage of total production from the participating area than was estimated based on prior re-determinations and true-ups. Pursuant to the Colville River Unit Agreement, the amount of ASRC's allocations was increased. ASRC's total under-allocation based on the re-determination was 3,572,550 barrels, representing the estimated barrels ASRC should have received based on the adjustment. During 2018 and 2017, ASRC received payment for royalty on 1,355,860 and 703,509 barrels, respectively, at current oil prices. ASRC anticipates the remaining 1,513,181 barrels to be paid back at current prices over the next year.

The next re-determinations for the satellite fields within the Unit are scheduled to be effective in 2019 for Alpine and 2020 for Qannik.

(D) CLAIMS AND DISPUTES

The Corporation is party to legal, regulatory, compliance and personnel matters and is subject to operating risks associated with its businesses. At this time, the Corporation does not believe these matters will have a material effect on the Corporation's financial condition, results of operations or liquidity.

The Corporation's contracts with the U.S. government and with some commercial customers provide that contract costs (including indirect costs) are subject to audit and adjustment. For all such contacts, revenues have been recorded based

on amounts expected to be realized upon final settlement. At this time, the Corporation believes that any adjustments that could arise as a result of these audits would be inconsequential to the Corporation's financial condition, results of operations or liquidity.

In addition, the Corporation is involved in various disputes and claims arising in the ordinary course of business. Some of these matters are in the early stages; thus, the Corporation's legal counsel is unable to provide opinions as to the outcome or quantify the potential liability. The Corporation intends to vigorously defend against these matters.

(E) TAPS TARIFF PROCEEDINGS

Alaska refineries that are located along the Trans Alaska Pipeline System (TAPS), including those owned and operated by a subsidiary of the Corporation, draw their crude oil supply from TAPS, remove certain fractions for crude to be made into product, and return the remainder to TAPS. Under current contracts, TAPS rates directly affect the subsidiary's crude price: reductions in interstate rates increase the price, and reductions in intra-state rates decrease the price. TAPS rates for a period beginning mid-2009 were litigated in concurrent proceedings before the Federal Energy Regulatory Commission (FERC) (interstate rates) and the Regulatory Commission of Alaska (RCA) (intra-state rates).

Interstate TAPS tariffs for periods subsequent to mid-2009 have been collected subject to refund and are currently the subject of phased proceedings before the FERC, concurrently with the proceedings concerning intra-state tariffs before the RCA. On February 27, 2014, the FERC Administrative Law Judge issued an Initial Decision concerning 2009 and 2010 interstate rates. On November 20, 2015, FERC issued an Order on the Initial Decision affirming the Initial Decision in part and directing the Carriers to file revised rates consistent with collecting a portion of the strategic reconfiguration project, less the costs associated with Pump Station 1, plus a litigation surcharge for a 6-year period from mid- 2009 until mid-2015. The carriers filed revised rates in compliance with the Order on Initial Decision on January 15, 2016. All of the carriers filed petitions to review the FERC's Order on Initial Decision to the DC Circuit Court of Appeals and reserved their rights on appeal with regard to the revised rates. On December 15, 2017, the parties filed a Settlement Agreement resolving all outstanding issues pending before FERC involving challenges to the interstate rates through December 31, 2015, as well as petitions for review with the DC Circuit. The parties also filed a second agreement establishing a variable tariff methodology (VTM) that established rate ceilings for interstate TAPS rates for the period beginning January 1, 2016 through an initial term ending June 30, 2021. Both the Settlement Agreement and VTM were accepted by the FERC in 2018 having the effect of increasing crude oil prices for the Corporation's petroleum and refining subsidiary, retroactively to mid-2009. At December 31, 2018 and 2017, the Corporation had recorded accrued liabilities equivalent to its best estimates of the potential impact of the tariff settlement noted above of $58,614 and $32,853, respectively.

In 2016, the RCA issued an order in accordance with the FERC order concerning 2009 and 2010 interstate rates that incorporated the FERC record and opinion into the RCA record. The Carriers were directed to file revised intrastate rates consistent with collecting a portion of the strategic reconfiguration project, less the costs associated with Pump Station 1, plus a litigation surcharge for a 6-year period between 2009 and 2014. The Carriers subsequently filed an appeal of the RCA order. On December 15, 2017, the parties filed a Stipulation Agreement resolving all of the outstanding issues pending before the RCA involving challenges to the intrastate rates through December 31, 2019, as well as petitions for review with the Supreme Court of Alaska. The Stipulation Agreement was accepted by the RCA in 2018 having the effect of a limited offset of the impact of reductions of interstate rates for periods after mid-2010. At December 31, 2018 and 2017, the Corporation had recorded accrued receivables equivalent to its best estimates of the potential impact of the tariff settlement noted above of $25,519 and $0, respectively.

(F) CRUDE SUPPLY CONTRACTS

The Corporation has a crude supply contract with the State of Alaska to purchase Alaska North Slope crude to be used in the ordinary course of the Corporation's business. The current contract expires in November 2021 and has a combined daily purchase minimum and maximum average retained barrel volume, at current market prices, of 13,200 and 16,500, respectively. Supply volumes with the State of Alaska will gradually decrease in subsequent contract years to a maximum of 10,500 barrels per day from December 2020 to November 2021.

The Corporation has an Alaska North Slope crude contract with another supplier effective through December 31, 2019. The contract provides for automatic renewal periods of one year each, continuing thereafter until terminated by either party upon giving no less than nine months written notice of cancellation. The contract has a combined daily purchase minimum and maximum average retained barrel volume, at current market prices, of 8,500 and 11,500 respectively.

(15) SUBSEQUENT EVENTS

On January 22, 2019 the Corporation's board of directors declared four per share dividends of $12.00, $16.00, $12.00 and $30.00, totaling $70.00 per share. The record dates for the dividends are February 22, 2019, April 17, 2019, August 2, 2019, and November 13, 2019, respectively.

In January 2019, AIS closed on three separate business acquisitions. K2 Industrial Services (K2) was purchased for $70,233, Niles Construction Services, Inc. (NCS) for $4,875, and National Environmental Group, LLC (NEG) for $14,625. K2 is headquartered in Houston, Texas and provides industrial cleaning and multi-craft services in the West, Midwest, and Gulf South through its wholly owned subsidiaries. NEG and NCS are both headquartered in Flint, Michigan, and provide environmental remediation, painting and coating services in the Midwest.

The Corporation performs an evaluation of all events and transactions occurring subsequent to the balance sheet date in order to determine whether any events or transactions require recognition or disclosure in the Consolidated Financial Statements. The Corporation evaluated subsequent events through February 28, 2019, the date at which the Consolidated Financial Statements were available to be issued.

GROVE

GLOSSARY

8(A)

Section 8(a) of the U.S. Small Business Act (SBA). Congress recognized the need for economic revitalization in Native America, and through legislation recognized Alaska Native corporations as socially disadvantaged businesses.

ADJUSTED EBITDA

EBITDA before non-cash impairment charges and insurance settlements.

ADMINISTRATION AND GENERAL COSTS (G&A)

Costs related to conducting business as a whole (stock, human resources, legal, accounting, insurance, shareholder communications, contributions, facilities, board of directors' expenses, etc.).

ALTERNATIVE INVESTMENTS

Investment vehicles used by ASRC to invest in various industries through fund managers.

ANCSA

Alaska Native Claims Settlement Act.

ASC

Accounting Standards Codification.

ASSET

Everything of value that the Corporation owns and can use as it conducts business (i.e., cash, receivables, equipment, inventory, buildings, etc.).

BIDCO

A state-licensed business and economic development corporation. Alaska Growth Capital is the only BIDCO in Alaska.

BILLINGS IN EXCESS OF COSTS (PRE-BILLED)

Costs that have been billed in advance of costs incurred or spent.

CONSOLIDATED BALANCE SHEETS

The summary of assets, liabilities and equity.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Shows cash on hand, annual increases or decreases in cash on hand, and explains where the money is coming from and how the money is being spent.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Net income is the sum of operating revenues and other income, less annual operating/non-operating expenses, interest expense and tax expense. This is the primary earnings measure for a Corporation and is contained in its own separate financial statement.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

Reflects the book value of the Corporation created over time. This shows the earnings that remain in the Corporation after dividends and Elders' Trust distributions have been made.

COSTS AND EARNINGS IN EXCESS OF BILLINGS (UNBILLED)

Costs that have been spent but have not yet been billed to the customer.

COSTS OF CONTRACTING, SALES AND SERVICES

Costs directly related to the specific project or service being provided.

CURRENT TAX EXPENSE

Mandatory tax paid to governments.

DEFERRED TAX BENEFIT

A non-cash benefit from future tax savings. Amount allocated during the period to cover tax liabilities paid today but related to the future.

DEFERRED TAX EXPENSE

A non-cash expense that provides a source of free cash flow. Amount allocated during the period to cover tax liabilities that have not yet been paid.

DEPLETION

A tax deduction equal to the total value of a resource, deducted in increments over the life of the resource.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

The performance measure used to measure current operational profitability and cash flow. ASRC uses EBITDA as one measure to evaluate its businesses' operational performance.

EARNINGS FROM UNCONSOLIDATED AFFILIATES, INTEREST AND INVESTMENT EARNINGS

The Corporation's share of income from investments and business interests it owns but does not operate.

FASB

Financial Accounting Standards Board.

GAAP

Generally accepted accounting principles.

GROSS DEFERRED TAX ASSET

The future tax value or (savings) that will result in deductible amounts in future years. The primary example for Alaska Native Corporations is: tax basis in subsurface mineral rights granted as part of the Alaska Native Claims Settlement Act. An example for ASRC is its interest in the Alpine Oil Field.

INTEREST EXPENSE

The cost of borrowing money to finance the business operations, growth and investment.

LIABILITY

Everything the Corporation owes; debt or other obligations stated in terms of money (i.e., payables, loans, taxes due).

LIQUID OR LIQUIDITY

Cash assets or assets that can be quickly converted to cash. Cash in bank accounts, short-term investments, and available lines of credit are considered liquid. Property, businesses, and inventory are not considered liquid because they would take time to convert to cash by selling them.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The MD&A provides additional information to support the financial statements. It includes "forward-looking" information that could not be learned just from studying the financial statements.

NET DEFERRED TAX ASSET

The net value of the gross tax asset less the valuation allowance; or the net value of a deferred tax asset that is expected to be used, based on current income projections.

NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS

Income that is due to (allocable to) noncontrolling partners of the Corporation. In this case, the Corporation operates the businesses on behalf of the partners.

OPERATING EXPENSES

Costs required to generate revenues including costs of contracting, sales and services, G&A, selling and business development costs and amortization of goodwill and intangibles.

ORGANIC GROWTH

This is the process of business expansion due to increased output, sales, or both, as opposed to mergers or acquisitions.

PRE-TAX NET INCOME

Net income, before either current or deferred tax (expense) benefit, reported on the Corporation's consolidated financial statements in accordance with GAAP.

REVENUES

Gross income earned from operating owned businesses, before operating expenses and G&A.

SELLING AND BUSINESS DEVELOPMENT COSTS

Costs related to marketing or distributing the services or products a company produces.

SHAREHOLDERS' EQUITY

The initial funds contributed to the Corporation under terms of ANCSA, plus the Corporation's income that has not been paid out in dividends or Elders' Trust payments. The difference between total assets and total liabilities.

TAXABLE NET INCOME

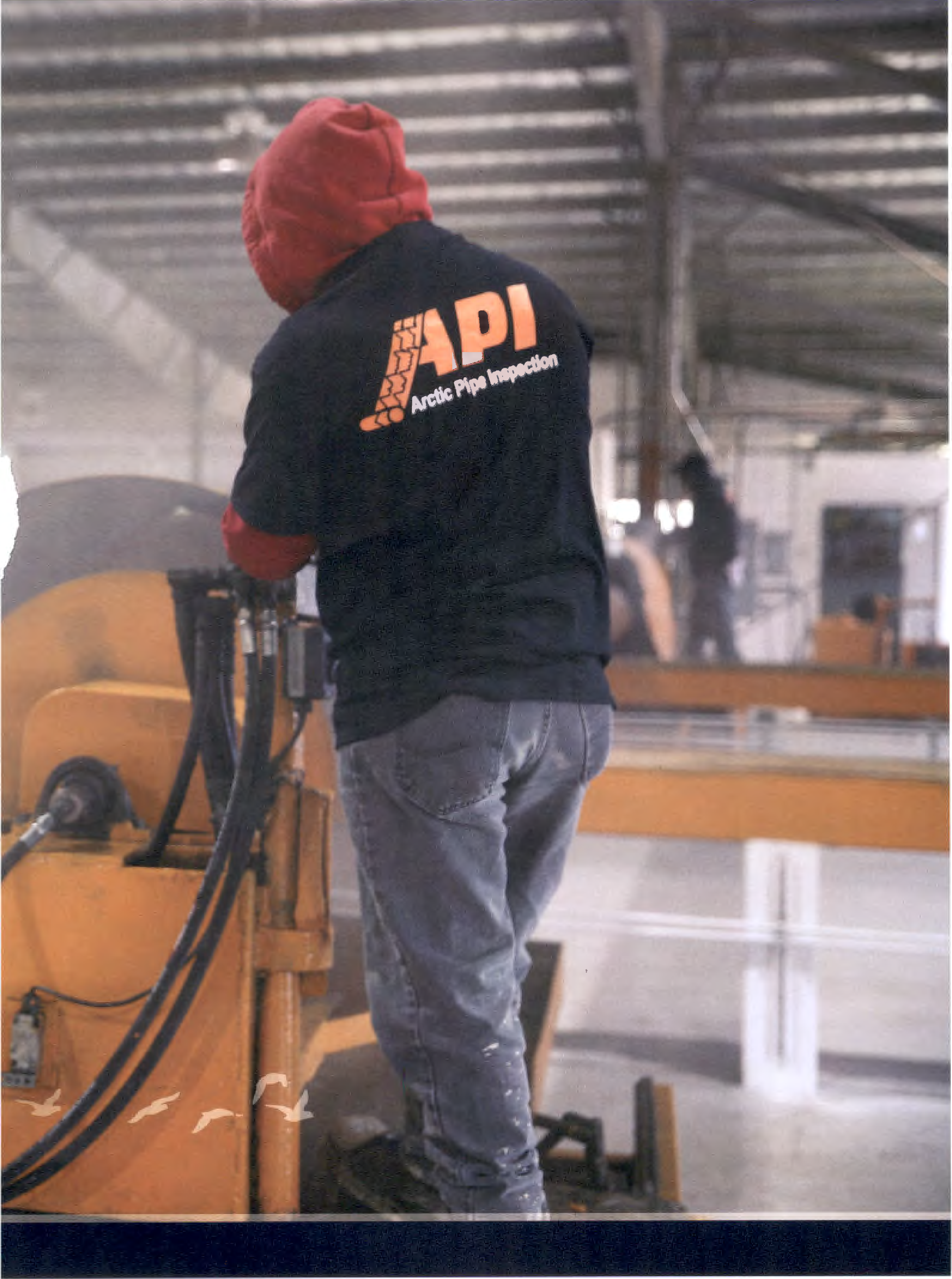
The net income resulting from adding or subtracting the temporary, timing, and permanent differences to the pre-tax net income reported in the financial statements.

UNQUALIFIED AUDIT OPINION

Auditor's opinion given, without any reservations, in support of a financial statement. Such an opinion states that the auditor feels the company generally followed all accounting rules appropriately and that the financial reports are an accurate representation of the company's financial condition.

VALUATION ALLOWANCE

A reserve established to recognize the portion of future tax deductions that will not be used because projected taxable income is not expected to be high enough to use all of the deductions.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