



KAVILCO NEWS

MARCH 2000

Dividend Declaration

I am pleased to announce that on March 10, 2000, the Board of Directors declared a cash dividend of \$22.00 per share. This dividend will be paid to shareholders of record as of March 14, 2000. The dividend is payable on March 24, 2000. Enclosed is payment reflecting the number of shares you own.

This dividend represents undistributed earnings from 1999. As you know a Registered Investment Company (RIC) must distribute at least 90% of their earnings to avoid being subject to a 40% Federal Income Tax rate. For shareholders with 100 shares your dividend is \$2,200. If Kavilco was not a RIC and had to pay income tax, your dividend after tax would be \$1,320. Therefore, you receive an additional \$880 because Kavilco does not have to pay Federal Income Tax. This is another testimony to the advantages of being a registered investment company.

IT'S TIME TO CLEAN

We have scheduled the 3rd Annual Totem House and Cemetery Clean-up Day, in Kasaan, on Saturday, **July 22, 2000**.

This community event is helping to reinstate the distinct culture that our ancestors were so proud of, and lived by. We will have a great day of community camaraderie and good food.



We encourage everyone to come to Kasaan and participate in this event.

The telephone number for the ferry terminal to get to Kasaan is:

- **Alaska Marine Ferry, Ketchikan (907) 225-6182**

The telephone numbers for local airline is:

- **Pro Mech Airlines – (907) 225-3845 or 1-800-860-3845**

Potlatch

Following the cleanup there will be a Potlatch held to honor the memory of Robert Young, Sr.

For those people who wish to spend the night, our facilities may be available for \$25 a night. Please call in advance to assure there is available space because this is our busiest time of the year.

Kasaan Haida Heritage Foundation



The Kasaan Haida Heritage Foundation was officially incorporated on April 14, 1999. The Foundation is actively pursuing a National Parks Service Heritage Grant to restore the Totem House and other grants to record oral histories of our elders, as well as to create an archive of records for our descendents. We would appreciate hearing from elders who would like to

participate in oral histories. If you are interested in participating, please call Kavilco's toll free number: 1-800-786-9574 and leave information with Charisse Dwyer, the Administrative Assistant at Kavilco. She will pass your information on to the Heritage Foundation Board members.

The Foundation has received \$1,600 in tax-deductible donations from our shareholders. Della Coburn was the first shareholder to make a donation, followed by Jeane Breinig and Kenneth Gordon. We encourage people to contribute, as they are able. This is an excellent way to reduce your tax liability to the U. S. government and to contribute to a worthy cause that will benefit your children, grandchildren, and great grandchildren. Donations can be mailed to:

Kasaan Haida Heritage Foundation
600 University St., Suite 3010
Seattle, WA 98101



PORTFOLIO

So far the stock market advances this year have been confined to the high tech and biotech sectors. While technology stocks have soared, the broad market has experienced one of its most serious declines in 40 years. This decline hints strongly that rising interest rates and oil prices will have a slowing effect on the economy in the weeks ahead. The big question now is how the perceived slowdown will impact the mania like conditions clearly prevalent in the high tech/biotech stock market bubble? Most of the time-though not always- speculative momentum markets like this fizzle rather than implode.

In the bond arena, we are in the process of re-investing the proceeds from Treasury

Bonds that matured last year and the beginning of this year. These securities had a yield to maturity of approximately 7.5%, which is currently unavailable in the Treasury bond market. Therefore we have had to look to the corporate bond market for yields in the 7.5% range. We are trading very cautiously in this area given the possibility of an economic slowdown. Accordingly, only companies with the strongest balance sheets and name recognition are considered for investment.

Inflation Proofing

During the Annual Meeting last November, Messrs. Willard Jones and Charles White asked the Board of Directors if they had a program where a portion of the net income of Kavilco was re-invested in the corporation as opposed to distributing all the net income out in the form of dividends to the shareholders. The Board is looking into retaining a small percentage of net income each year and over time this would eventually increase the size of our portfolio which will translate into higher dividends.



Taxability of Dividends



Shareholders have asked why Kavilco's dividends are taxable and Sealaska's are non taxable. To determine the taxability of a dividend, a corporation must look to current and accumulated earnings and profits to determine the status of a corporate distribution. In our case, dividends are

declared only from current earnings and, therefore, are taxable to you. Without reviewing Sealaska's Federal tax return we must assume that they don't have taxable earnings. It is our guess that earnings from various business investments are not enough to offset the depletion expense on harvested trees. Accordingly, Sealaska has a net operating loss. In this scenario, a dividend is non-taxable because it is a return on capital.

IN KASAAN

The Sawmill, run by Jim Ensley, has been operating for about a month now with a crew of eight persons. The logs are being cut to grade for a Japanese market. Jim Ensley purchases these logs from an U. S. Forest Service sale operated by Rayonier. The local labor force here in Kasaan is happy to see the mill operating since it gives the locals an employment opportunity.

Rayonier has not begun it's logging for this year yet. The logging plans for this year's operation is a harvest of about 7 to 8 million board feet of logs at this point. I'm sure that if the markets do change those figures could be increased. The logging contract between Kavilco and Rayonier has one more full year left after this season. Under the contract Rayonier has a right to request an extension at a cost of \$50,000 per year. At this time no request for an extension has been made.

INTRODUCING "THE WATCHMAN"

We have added a new feature to the front page of our newsletter. This is a photo of a small (approximately 6 inches tall) totem carved by Louis Jones, Sr. which is used as a gavel to open and close all of Kavilco's

Board meetings and the Annual Shareholder's meetings. The totem is called "The Watchman". It represents the spirits keeping an eye on the proceedings to make sure the right things get done.

The Watchman is carved from Alder wood and has eyes made from Abalone shell. Mr. Jones originally started it as the other end of a halibut hook. After changing his mind, he hollowed out the base and filled it with lead so that it would be weighted enough to stand upright and serve as a gavel.

Between meetings The Watchman is kept by the Board President wrapped in a piece of tanned deer hide.

As always, please feel free to call me at (907) 542-2214, or our Seattle office at 1-800-786-9574.

Sincerely,



Louis A. Thompson
President/CEO



