



# KAVILCO NEWS

APRIL 2001

## Dividend Declaration

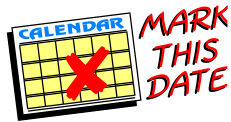
I am pleased to announce that on March 23, 2001, the Board of Directors declared a cash dividend of \$29.00 per share. This dividend will be paid to shareholders of record as of March 26, 2001. The dividend is payable on April 5, 2001. Enclosed is payment reflecting the number of shares you own.

This dividend represents undistributed earnings from 2000. 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 \$2,900. If Kavilco was not a RIC and had to pay income tax, your dividend after tax would be \$1,740. Therefore, you receive an additional \$1,160 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 4<sup>th</sup> Annual Totem House and Cemetery Clean-up Day, in Kasaan, on Saturday, **July 7, 2001**.

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 airlines are:

- **Pro Mech Airlines –**  
**(907) 225-3845 or**  
**1 –800-860-3845**
- **Pacific Airways, Inc**  
**(907) 225-3500**



## PORTFOLIO



A year ago we discussed the impact rising interest rates and oil prices would have on the economy. It was our opinion that any slowdown in the economy would severely impact the mania in the technology sector of the stock market. As stated in our March, 2000 newsletter "Most of the time-though not always- markets relying on speculative momentum like this fizzle rather than implode".

One year later the NASDAQ index is down a staggering 63%. The information technology sector was the driving force for this major collapse. Except for the Dow Jones Industrial index, all the other indexes

## Portfolio continued

have declined by more than 20%, and that qualifies as a bear market. It has been estimated that over \$4 trillion of that stockholder wealth has evaporated. Now the investing public is well aware that there is risk associated with investing in the stock market.

Over three years ago we spotted the mania-like conditions forming in the stock market. Accordingly, we avoided the mob mentality that reached its peak during the first quarter of last year. As a matter of fact, we made over \$54,000 trading stocks and bonds last year while most stock mutual funds posted major losses.



The economic future is clouded. Is the current economic slowdown a garden-variety inventory correction, which is readily treatable, or a more dangerous "New Economy" slowdown marked by massive overcapacity that could take years to work off? It is possible that the three interest rate reductions by the Federal Reserve will be the tonic for the current economic malaise. However, the asset bubble or new-technology boom is a whole different animal and so are the causes of its demise.

This expansion has been more like pre-war cycles or like that in Japan in the 1980's: that is, driven by credit. The absence of rising inflation has allowed the expansion to go on longer, but at the cost of a greater accumulation of debt. Britain and Sweden had similar credit and asset-price booms in the late 1980s. The liquidation of excesses was accompanied by severe recession.

The international picture isn't much brighter. Both Asia and Europe are confronted with their own set of economic problems that are aggravated by America's economic slowdown. With so many economic problems on the horizon we have adopted a defensive strategy. We have over \$23.6 million in corporate obligations. Our concern is that none of the 23 companies we have investments in encounter any financial difficulties that would impact their ability to pay principal and interest on their debt obligations.

## How are we doing?



The Anchorage Daily News recently published a two-part analysis on Native Corporations in Southeast Alaska. Although the crux of the study centers on logging, there is a brief discussion on corporate finances. We have attached a copy of the economic profiles of Southeast Native Corporations. We have taken the liberty to compute the "earnings per 100 shares" as a way to compare our performance with our fellow corporations, and we outlined our company information.

Your Board of Directors and Corporate staff have worked very hard to insure Kavalco will be profitable. Yes, we look good when we compare ourselves to the other Southeast corporations. However, as discussed under the portfolio section of this newsletter, our task to insure future profits will be quite daunting.

## IN KASAAN

Kavalco is in the process of purchasing approximately eighty-nine (89) acres of mining claim property from Rayonier. This acreage has

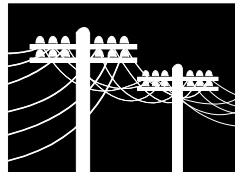


## Kasaan continued

already been logged, and lies within our ownership. Rayonier's contract with Kavalco only lasts until December 31, 2001, but they do have an option to extend the contract at a cost of \$50,000.

The Kasaan sawmill leased by Jim Ensley is in full swing with all available local men being employed. The logs processed in this operation are sent to Japan and other foreign countries as well as to processors in the lower 48 states. The logs are shipped by small barge to Ketchikan, then disbursed from there.

Hydropower is coming to Kasaan from Black Bear Creek located in the center of Prince of Wales Island. Alaska Power and Telephone is the company that is developing the system. Power poles and transmission lines are already installed to the existing powerhouse in Kasaan. Electricity will be run through the existing lines to the community. AP&T is also in the process of purchasing the facilities from Tlingit & Haida Regional Electrical Authority. Kavalco will be transferring the lease to the site from THREA to AP&T.



A schoolhouse that was used for a logging camp is being moved here to Kasaan and put on school property. The building is three rooms and about forty (40) feet by sixty (60) feet. The City of Kasaan is in the process of clearing the site by tearing down a covered playground that was started in 1979.

Julia Coburn completed hip surgery and is in the recovery process and will soon be returning to her home in Kasaan. The surgery was done in Seattle.



## MEMORIAL

### *Marjorie E. Sinclair*

Marjorie E. Sinclair passed away on February 6, 2001 at the age of 90 after a long illness. She was born in Kasaan on December 12, 1910 to Mr. & Mrs. Nicholas L. Baronovich. She attended school in Ellensburg and went to Whitworth College in Spokane, Washington. After graduating she taught school in Alaska for 30 years with the Bureau of Indian Affairs. During her retirement she was a regular attendee at the Kavalco Annual meetings, including the one held last November. She is survived by her brother Edwin Baronovich and her sister Erma Lawrence.




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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

