



KAVILCO NEWS

HAPPY HOLIDAYS!

NOVEMBER 2001

Dividend Declaration

I am pleased to announce that on November 9, 2001, the Board of Directors declared a cash dividend of \$132.00 per share. This dividend will be paid to shareholders of record as of November 13, 2001. The dividend is payable on November 27, 2001. For the first time ever, Kavilco will be making direct deposits for those shareholders that requested it. If you did not complete the direct deposit and return it by the November 1st deadline, your dividend check is enclosed with this newsletter.



Historical Distribution Facts

- After the 1980 timber sale to ITT Rayonier, Kavilco had a net worth (assets/liabilities) of \$22,812,918
- As of 2001, Kavilco has made \$34,663,431 in dividend payments. In 21 years we **distributed the entire net worth** of Kavilco, while we increased our net asset base to \$38,447,464.

The Investment Company

Has the investment company worked? The following analysis assumes a 40% tax rate for a regular corporation versus non-taxable distributions for an investment company. In other words, a regular corporation must reduce their income by 40% before dividend distributions are made.

Year	Kavilco (an investment company) Dividends not subject to 40% corporate tax	Regular Corporation Dividends after 40% tax rate
1990	\$5,000	\$3,000
1991	9,000	5,400
1992	8,000	4,800
1993	10,120	6,072
1994	10,403	6,242
1995	14,400	8,640
1996	16,064	9,638
1997	16,600	9,960
1998	16,300	9,780
1999	16,893	10,136
2000	15,200	9,120
2001	16,100	9,660
Total	\$154,080	\$92,448

Over the 12 year period, a person owning 100 shares is **\$61,632** (\$154,080 - \$92,448) richer as a result of Kavilco's shareholders electing to be an investment company.

This analysis does not include the extra protection the shareholders' have with the SEC regulations that Kavilco must adhere to, nor the fact that earnings would have decreased due to quarterly tax payments that regular corporations are subject to.



Highlights of the Annual Meeting

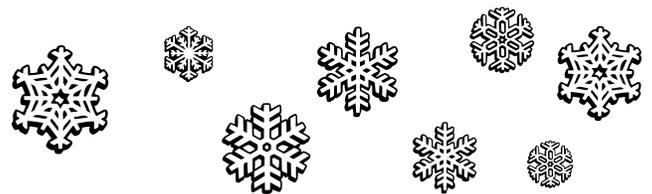
President's Report

- The ITT Rayonier timber contract will expire on December 31, 2001. Also, there is ongoing discussions with Rayonier over the purchase of a parcel of land located by the saw mill. The property has a mine on it.
- Chief Son-I-Hat's Whale House and Totems will be considered by the Alaska Historical Commission on November 14th for nomination to the National Register of Historic Places.
- Mapping of harvest units, dates of harvest, roads, and timber species should be completed by mid-2002 and made available to shareholders. Shareholder access to Kavilco's land for hunting and subsistence will not be affected by road closures other than convenience.
- Stumpage from Kasaan Island of \$112,286 has been received from the government. This income is included in the November distribution.

Shareholder Comments:

1. Della Coburn suggested that Kavalco consider economic development in Kasaan. Mr. Thompson discussed the fact that the population has dropped over ten years in Kasaan and the surrounding area, and the hopes of shareholders to develop a better economy to attract a population. Mr. Thompson pointed out that as long as the land is owned by absentee owners, no growth can occur.

2. Charlie White asked how Kavalco was investing its money. Scott Burns responded by saying future bond investments will be confined to consumer staples, energy and utilities. When the economy recovers, we will expand our review to other business sectors.
3. Herbert Lawrence commended Scott Burns, the corporation and board of directors on behalf of the Lawrence family for their work throughout the year. Mr. Burns thanked the Lawrence family for the support and friendship.
4. Charlie White asked about the development and maintenance property and water rights of Kavalco and if there was a 5 year plan. Louis Thompson responded by saying we do not have a written operating plan as such. Our plan is to make money to pay shareholder dividends.
5. Della Coburn commented that regardless of where Kavalco's course takes us, we have our lands and subsistence to sustain us as a people.
7. Erma Lawrence asked how land left by a deceased shareholder would legally be dispersed to surviving family. Louis Thompson responded by saying that each state has it's own laws addressing this issue. In Alaska assets without a Will have to be distributed to surviving heirs, 50% to spouse and 50% divided equally to children.





Election Results

On the proxy ballot this year were Louis A. Thompson, Laird Jones and Melanie Locklear. All three were re-elected with no opposition and gave acceptance speeches thanking the shareholders for their continued support.

The organizational meeting of the Board of Directors following the Annual Meeting also elected the same officers from the previous year. Louis Thompson was re-elected as President, Louis Jones, Sr. as Vice President, John Campbell as Secretary and Scott Burns as Chief Financial Officer.

Portfolio

The tragic events of September 11th have sent shock waves thorough the financial markets because the U.S. and global economies have been pushed into recession and the geopolitical environment is now fraught with risks. The markets have responded in a predictable way with sharp declines in equity prices and erosion in government and corporate bond yields.

A key question, but one that is very hard to answer, is whether the recession and equity bear market represent a cyclical episode or the start of a lasting economic and financial malaise. It will likely be well into next year before we get a clearer idea about how the economic and financial market cycle might play out. Until then, we will wait until stock valuations improve and keep a close eye on our bond portfolio as corporations are having a harder time making interest payments.

Shareholder News

New Lodge and Restaurant opens in Kasaan

Annette and Louis Thompson opened a lodge and restaurant in Kasaan late this

summer. They have been doing a brisk business in the restaurant since opening, serving breakfast, lunch and dinner to folks from all over the island. They have had many guests at the lodge ranging from hunters to government officials.

“This has long been a dream of Annette’s”, Mr. Thompson said. “I’m just the maintenance man.”



MEMORIAL

Henry M. Brouillette

Henry (Hank) Max Brouillette, Jr. died May 21, 2001 in Ketchikan. He was born April 22, 1941 in Juneau to Dorothy B. White and Henry Max Brouillette Sr. He served in the Air Force for five years. He worked as a logger, fisherman and retired from the Alaska Marine Highway System. He enjoyed his many years of retirement fishing, boating, hunting and socializing with



his many friends and family members.

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

