



KAVILCO NEWS

Happy Holidays!

November 2005

Dividend Declaration



I am pleased to announce that on November 4, 2005, the Board of Directors declared a cash dividend of \$73.70

per share. This dividend will be paid to shareholders of record as of November 7, 2005. The dividend is payable on November 18, 2005. Your dividend check is enclosed with this newsletter unless you have direct deposit.

Historical Distribution Facts

- After the 1980 timber sale to ITT Rayonier, Kavilco had a net worth (assets/liabilities) of \$22,812,918.
- As of 2005, Kavilco has made \$40,301,631 in dividend payments. We **distributed more than the entire net worth** of Kavilco, which has an audited asset base to \$38,402,776.
- Since 1980 shareholders with 100 shares have received a total of \$335,847.
- Fifteen and a half years ago shareholders elected to have Kavilco become a registered investment company, which is exempt from the 40% federal income tax. This means we avoided paying \$9,639,960 in taxes. It is hard to imagine that, since then, a person owning 100 shares is **\$212,881** richer because we are an investment company. An added benefit of being a registered investment company is that Kavilco is subject to SEC regulations protecting shareholders.

Highlights of the Annual Meeting

PRESIDENT'S REPORT

This year's **Annual Meeting** was attended by 60% of our shareholders, represented



*Louis A. Thompson, President.
Photo courtesy of Laird A. Jones.*

either in person or by proxy. Erma Lawrence opened the meeting with a prayer. A statement was given on the economic condition of our investment opportunities

and its impact on Kavilco's financial portfolio relating to the dividend for this year. The announced dividend was \$73.70 per share, paid to shareholders of record as of November 7, 2005 and payable on November 18, 2005. Hopefully in the coming year the economy will make a positive turn that will be a help to our financial portfolio.

This coming year we are hoping to work out a lease with **Full Metal Minerals**, a mining company from Vancouver, British Columbia. The lease will be on two mining claims that Kavilco purchased from Rayonier. It will cover exploration work that could eventually become an active mining program. A similar lease has been offered to Sealaska on 1,200 acres of their land on the Kasaan Peninsula. At this point, Sealaska is still looking over the agreement, but hopefully something will come about soon. Full Metal Minerals is

willing to spend about \$1.5 million this coming spring 2006, which could generate other property leases for Kavilco.

Three incumbent members were nominated for the Board of Directors and nominations were closed by the shareholders. Election of all incumbents was by unanimous consent of the shareholders.

Chief Financial Officer, **Scott Burns**, gave a detailed overview on the economic challenge that we face in order to keep the best return, in the form of dividends, for the future. I would like to commend him for his dedicated efforts.

I would like to thank the shareholders for their continued support of the Board of Directors and management. It seems that all the shareholders have a very good understanding of our economic times and hopefully the future will again be brighter.

Everyone enjoyed the dinner at the Cape Fox Lodge, as well as the Kasaan Haida Heritage program that followed. The raffle and visiting with friends and relatives was a lot of fun.

CFO'S REPORT

Mr. Burns started his discussion where he left off last year. He stated that in 2004, interest rates were at a 40-year low. In order to compensate for these low rates, short-term investments were made in Treasury bills and commercial paper. These investments exceeded what we would normally receive in our money market funds. We were anticipating a run-up in long-term interest rates; however, global investors have been purchasing Treasury bonds, thus keeping a lid on long rates.

Our **strategy** during this unprecedented economic period is two-fold. First, we have invested in bonds that have a variable interest rate. They have a higher yield than our money market fund. The second part of the strategy requires trading of long-dated

Treasury bonds. A change in interest rates of .01% has a major impact on the value of the underlying security. Based upon our technical indicators and various economic trends, we received a buy signal in early July. At one point we were sitting on some substantial unrealized losses. However, due to some negative economic news, the unrealized losses soon disappeared and we were able to sell the bonds at a \$173,474 gain in September.

The biggest threat to our portfolio appears to be the housing bubble that the Fed created in response to the stock market crash of 2000. When housing prices start to fall back to normalcy, our economy may be subject to another bout of deflation. The goal is to have our portfolio well hedged before housing and related industries start to fall on hard times.

SHAREHOLDER COMMENTS:

Jeane Breinig introduced Kasaan Haida Heritage Foundation Media Specialist, **Frederick O. Olsen, Jr.** and announced that Freddy's videotaped clips of Inga Olsen and Willard Jones would be shown at the Annual Meeting dinner.

Mary Jones gave a bit of history on Kasaan Haida Heritage Foundation and the relationship to Alaskan Native Brotherhood fundraising. She also gave thanks to **Kenny Gordon** for assisting in an accident involving her husband, Willard Jones.



Willard and Mary Jones. Photo courtesy of Laird A. Jones.

Election Results

On the proxy ballot this year were Jeane Breinig, Ramona Hamar and Marie K. Miller. All three were re-elected with no opposition.



Jeane Breinig, Marie K. Miller and Ramona Hamar.
Photo courtesy of Laird A. Jones.

Also on the ballot was the ratification of the selection of Anderson ZurMuehlen & Co., P.C. as Kavilco's independent public accountants. Votes for: 6,029; against: 39; abstain: 1,023.

At the organizational meeting of the Board of Directors following the Annual Meeting all of the incumbent officers were re-elected. Kavalco's Officers are:

Louis Thompson, President
Louis Jones, Sr., Vice President
John Campbell, Secretary
Scott Burns, Chief Financial Officer.

Direct Deposit

You can have your dividends deposited directly into your bank account. With Direct Deposit your money is credited to your bank account on the distribution date. This eliminates the risk of lost or stolen checks, and it will also eliminate delays caused by relying on the



mail. There is no cost to sign up or receive direct deposit.

You may request an "Authorization for Direct Deposit of Dividends" form by calling Kavalco at 1-800-786-9574 or visit our website (Shareholder Information/Affidavits & Forms). The completed form MUST be returned to Kavalco no later than February 15, 2006 for the Spring dividend. This means that Kavalco must have the form in their business office by that date.

Kavalco's custodial bank will charge a \$35.00 handling fee if a Direct Deposit is ever rejected, and Kavalco will pass that fee on to the shareholder. Therefore it is important that you notify Kavalco IN WRITING if there is any change to your account.

Visit Our Website at:

www.kavilco.com

You can print out the following forms: Direct Deposit, Gifting, Change of Address and Voluntary IRS Withholding by going to Shareholder Information/Affidavits & Forms.

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

Annual Meeting



Inga Olsen, Fred Olsen, Sr. and Fred Olsen, Jr.



Mary Jones with Director Kenny Gordon.



Herschel Ford receives a proxy drawing check from CFO Scott Burns.

Dinner & Auction



Going...going...Louis Jones, Sr., and Jeane Breinig.



Haida drum donated by Caroline Hendrixson.



Haida singers from L to R: Shareholders Della Coburn, Jeane Breinig, Erma Lawrence and Julie Coburn.

Photos courtesy of Laird A. Jones. Haida singers photo courtesy of Fred Olsen, Jr.