



Kavilco Incorporated

# KAVILCO NEWS

Volume 1, Issue 4

November 2006

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## Dividend Declaration

I am pleased to announce that on November 3, 2006, the Board of Directors declared a cash dividend of



Louis A. Thompson.  
President/CEO

**\$75.75 per share.** This dividend was paid to shareholders of record as of November 6, 2006. This is about **\$2.00 higher** than last year's dividend.

Management and the Board of Directors are constantly monitoring the financial arena to better our returns.

The dividend was payable on November 20, 2006. Your dividend check is enclosed with this newsletter unless you have direct deposit.

## HISTORICAL DISTRIBUTION FACTS:

After the 1960 timber sale to ITT Rayonier, Kavilco had a net worth of \$22,812,918.

As of 2006, Kavilco has made \$41,366,580 in dividend payments.

**We distributed more than the entire net worth** of Kavilco, which has an audited asset base of \$37,679,013.

In 1990, shareholders elected to have Kavilco become a registered investment company, which is exempt from the 40% federal income tax. This means we have **saved \$10,065,900** in corporate taxes. The tax savings are passed on to the shareholder. Since 1990, a person owning 100 shares is **\$83,883 richer** because we are an investment company. An added benefit of being an 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 represented by 53% of our shareholders, either in person or by proxy. Erma Lawrence opened the meeting with a prayer.

During our 33rd meeting, the announced dividend was \$75.75, about \$2.00 higher than last year's; paid to shareholders of record as of November 6, 2006 and payable on November 20, 2006.

This year we signed a lease for a small parcel of land near Kasaan Mountain to **Alaska Power & Telephone (AP&T)** to be used for cellular and broadband service to the Kasaan area. Construction has already begun on developing the site with completion to occur this coming spring 2007.

Also this fall, **Full Metal Minerals** out of Vancouver, British Columbia, has begun work on their mining claims on the Mt. Andrews site located halfway from Kasaan to Grindall Point on Kasaan Peninsula. The company is leasing Kavilco's double-wide trailer and shop on a year-round basis. They plan to be back to work in March 2007. The scope of their work includes leasing and exploration work on Kavilco's mining claims purchased from Rayonier.

**MRV Architects**, a Juneau architectural firm, is doing a preliminary evaluation on the repairs and cost estimates for restoring Chief Son-I-Hat's Whale House. Funding for this phase was provided by the Kasaan Haida Heritage Foundation. The preliminary estimate for restoring the Whale House is about \$2 million. We continue to research grants and other forms of funding to achieve a complete restoration for this important example of a Kaigani Haida community house.

Kavilco has been asked if we would be interested in selling some of our **second-growth timber** in the Polk Inlet area. This area has some timber that is around 100 years old. There was no timber market during the time that Rayonier had the timber harvest contract. Today we may have an opportunity in the current timber market to sell. We will be researching this soon. If a timber harvest

were to occur, it could have an impact on **increasing future dividends** to the shareholders.

**Election Results.** On the proxy ballot this year were **John Campbell, Kenneth Gordon** and

**Louis Jones, Sr.** All three incumbent Directors were re-elected with no opposition.

Also on the ballot was the ratification of the selection of **Moss Adams LLP** as Kavilco's independent public accountants. Votes for: 5,351; against 70; abstain 538.


At the organizational meeting of the Board of Directors following the Annual Meeting all of the incumbent officers were re-elected.

### Kavilco's Officers are:

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

Please feel free to contact me at the Field Office in Kasaan, 907-542-2214, or toll free at our Seattle office, 800-786-9574.

Sincerely,



Louis A. Thompson  
 President/CEO

"Today we may have an opportunity in the timber market..."



## CFO's Report

Mr. Burns started his discussion where he left off at the last Annual Meeting. The portfolio strategy centered on the diametrically opposed economic forces of inflation (bond prices go down) and economic slowdown (bond prices go up). At the beginning of the year, various governmental indexes would lead one to believe that inflationary pressures were brewing in our economy. Bond investors acted on the news and drove down bond prices. However, our analysis of the economic situation downplayed inflation, but pointed to a mid-year slowdown. Accordingly, **we invested \$10.7 million in long-dated Treasury bonds.**

The inflationary psychology lasted longer than we anticipated. By the end of June, we were sitting on some substantial unrealized losses. Throughout the summer, news on housing and other economic indicators started pointing to an economic slowdown. Bond investors seized on this information and drove bond prices up. We took advantage of the situation and sold all of our Treasury bond positions for a **\$156,244 capital gain.**

**"We have been considering modeling our portfolio after the Alaska Permanent Fund."**

**So, what does the future hold?** There continues to be considerable debate about the path of U.S. growth over the coming year. Optimists (stock investors) argue that the worst of the housing decline is now in the past, and that continued strength in consumer spending will ensure growth throughout 2007. On the other hand, pessimists (usually bond investors) believe that recession risks are still high, as signaled by the inverted yield curve (short-term interest rates higher than long rates) and the probability of further significant weakness in housing. We feel that we may have an answer to this debate early next year.

We have been considering modeling our portfolio after the Alaska Permanent Fund. This would involve **more exposure to global stocks and bonds.** In addition, there would be a substantial increase in equity investments. We have just started on this endeavor and the economy will play a major role in determining our portfolio strategy.



## Kavilco.com

It is important for Kavilco to have your most current shareholder contact information and to know who will receive your shares after your death. Kavilco's website, **kavilco.com**, has frequently requested **affidavits and forms** in PDF files. You must have Adobe Acrobat 6.0 or better to view the forms and/or print. You may download a freeware copy from the website.

In an effort to keep communication clear and consistent with our shareholders, Kavilco has added a **"Frequently Asked Questions"** page which answers many shareholder questions and provides links to find additional information. Please call the shareholder toll free number **1-800-786-9574** if you have additional questions or need a form that is not available on the website.

**Kavilco Incorporated**

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**We're on the web!**  
[www.kavilco.com](http://www.kavilco.com)

The Kavilco Incorporated name was created with much thought. KA came from Kasaan, VIL represents the Indian Village of Kasaan and CO represents the Company.

The Kavilco plaque reads "Hale Alaska Indian Descendants All," which stands for HAIDA. Also on the plaque is a picture of mountains, long house, totem and water. The mountains represent future revenues, as well as the hunting areas. The long house and totem represent the past. The blue water is the fishing area around the Village of Kasaan from which our ancestors gathered their food and made a living.

Kavilco's mission statement is to honor the vision and unselfish actions of our Kasaan Haida ancestors and elders; the goals of Kavilco Incorporated are to provide dividends and to preserve the assets for all generations.

# Annual Auction Raises \$3,300!



Louis Jones, Sr. and Jeane Breinig display the funds raised during the raffle and auction.

**Annual Dinner & Auction**

The 33rd Annual Dinner and Auction was a huge success. Generous Kavilco shareholders and their invited guests enjoyed the dinner at the Cape Fox Lodge where Kasaan Haida Heritage Foundation (KHHF) held its yearly fundraising raffle.



A few of the beautiful donated auction items. All photos courtesy of Laird Jones.

Due to the active bidding by generous dinner attendees, KHHF was able to raise **\$3,300!**



Erma Lawrence (left) with Melissa Hunter (center) and Jennifer Hadden (right). Dr. Lawrence knitted the hat which was won by Laird Jones who gave it to his great-niece.

**Háw'aa** to our generous donors. A more detailed list of donations and prizewinners will be in the March 2007 Newsletter along with recognition to all who assisted with the raffle and auction to help make it a success.