



Kavilco Incorporated

KAVILCO NEWS

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Informational Shareholder Meeting to be Held in Seattle on September 15, 2007

The Board voted to hold an **Informational Shareholder Meeting** in Seattle to accommodate our shareholders who can't attend the Annual Meeting in Ketchikan. However, all Kavilco shareholders are welcome and invited to attend. Primary items of business will be Kavilco shareholder meeting information, estate settlement and other shareholder issues.

DATE: Saturday, September 15, 2007

PLACE: Seattle Airport Marriott, 3201 S. 176th Street, Seattle, Washington
Phone: 206-241-2000

TIME: 1:00 to 3:00 p.m.

Lunch will be provided before the meeting at noon.

34th Annual Meeting of Shareholders

The 34th Annual Shareholders' Meeting is scheduled for **Saturday, November 3, 2007**. The meeting will be held at the **Ted Ferry Civic Center** in Ketchikan, Alaska.

Registration will take place from 11:00 a.m. to noon. The meeting will be held from 1:00 p.m. to 3:00 p.m. The primary items of business are approval of Kavilco's independent public accountants and the election of Directors. Directors whose terms expire this year are Laird A. Jones, Melanie Locklear and Louis A. Thompson. Your 2006 Annual Report and proxy statement will be mailed in October. **Your vote is important!**

Even if you can't attend the meeting, we hope you will vote your proxy.

The Cape Fox Lodge will host the banquet and auction after the meeting. Doors will open at 5:30 p.m.



Mary and Willard Jones enjoying the banquet at last year's Annual Meeting.

Portfolio



In the March newsletter I discussed the housing situation. Although the discussion centered on the increase in unsold homes, the real issue is mortgages. The amount of mortgage debt created over the past

six years ballooned to the point that it equals all the mortgage debt created over the past 50 years.

Trillions of dollars were lent to people who were unable to repay their loans.

Foreclosures recently soared 90% compared to a year ago. This may be just the tip of the iceberg because lenders say 15 million more homes may end up being foreclosed on.

Given the foregoing, there is little doubt that new home construction and existing home sales, along with values, will be subject to a major downward adjustment. But what about the investors who purchased bonds from institutions that underwrote the subprime mortgages? Investment banks bundled the subprime and conventional mortgages with high-yield bonds and loans into Collateral Debt Obligations (CDO). The CDOs received the highest bond ratings and yielded twice as much as a comparable corporate bond. The problem is when the subprime

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mortgages default; the entire CDO can become worthless. Investors have been abandoning the CDO market in favor of U.S. Treasury bonds (flight to quality) which has caused interest rates to fall. Although interest rates shot up in early June on speculation that the Fed was not going to reduce interest rates this year, our highly speculative 30-year Treasury bond strategy is predicated on falling interest rates and patience.

At our January Board Meeting we established a new investment policy and strategies for equities.

We have set aside \$2 million for equity investments with most of our investments in the oil and gas sector. We are also concentrating on global investments because Asia and Europe’s economies are doing better than ours. So far our stock

strategy has shown promise; however, we have a tight rein on the stock portfolio and have established various criteria for selling a stock. This has special relevance given the foregoing discussion on housing and the negative impact it will have on our economy.



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** available 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.

❧ IN MEMORIAM ❧

Willard Lear Jones

Willard Lear Jones, age 76, died on April 5, 2007, in Ketchikan, Alaska. He was born on May 30, 1930, in Kasaan. His Haida name was Naastao of the Raven-Brown Bear Killer Whale clan of Táas 'Láanas.

He attended schools in Kasaan, Richmond Beach, Washington, Sheldon Jackson Junior and Senior High School in Sitka, and Oakland City College in California. He lived in Kasaan, Sitka, Metlakatla, Big Delta, Oakland, California, and Ketchikan.

He married Mary Elizabeth Baines on March 15, 1951 in Sitka.

Mr. Jones was a commercial fisherman, diesel mechanic, high school teacher and college diesel instructor. A Sealaska and Kivilco shareholder, he was Kivilco's first Chairman of the Board and a Board Director for 21 years. He served in the U.S. Army during the Korean Conflict.

He was active in Sitka Alaska Native Brotherhood Camp #1 and Ketchikan ANB Camp #14. In addition, he was also active as a Tlingit and Haida



member, a Ketchikan School Board member, served on the national American Indian Travel Commission, and was a member of the Presbyterian Church.

He was preceded in death by his parents, Anna (Frank) and Louis Lear Jones; and siblings, Ray, Henry, George, Melinda and Leah Jones, and Catherine Kerstetter.

He is survived by his wife Mary (Baines) Jones; daughter, Eleanor L. Hadden (husband Ronald), and their children, Kristopher L. Hadden (wife Sara), and Jennifer L. Hadden (husband Morgan), and their daughter Melissa K. Hunter; son, Laird A. Jones (wife Francine), and their son, Justin L. Jones; sister, Julia J. Coburn of Kasaan; godson, Daniel Berg; and numerous nieces and nephews.

Mr. Jones was a Native artisan, but his main interest and concern was his hopes of decreasing Native student dropout rates.

A memorial service was held at the Ted Ferry Civic Center on April 9, 2007.

Harriet Amelia McAllister

Harriet Amelia McAllister, 88, died June 1, 2007, in Ketchikan, Alaska. She was born July 10, 1918, in Kasaan. She married Alton G. McAllister in Ketchikan, and was a homemaker and mother of seven children.

She was involved in the Salvation Army, Alaska Native Sisterhood Camp 15 and was past president of Tlingit and Haida. She was a lifetime member of the Fraternal Order of Eagles Auxiliary.

Mrs. McAllister enjoyed Native arts and crafts, reading and subsistence gathering.

She was preceded in death by her husband; brother, David "Son-I-Hat" Peele; and sons, Louie, Ivan and Harry.

She is survived by her son, John R. McAllister, Sr.; daughters, Katherine McAllister, Glenda Gillen (husband Tom), and Helen Benge (husband Gilbert); 18 grandchildren; nine great-grandchildren; and seven great-great-grandchildren.

A memorial service was held at the Saxman Community Hall on June 4, 2007.

Kavilco Incorporated

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Kavilco
INCORPORATED

We're on the web!

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.

In Kasaan

Broadband update. Kavilco's lease of land to Alaska Power & Telephone (APT) on Kasaan Mountain for broadband service

is scheduled to be in operation by August 2007. The photo below shows construction of the tower and supporting structures

as of June 2007. This will bring broadband Internet service to our community and an improved telephone system.



Full Metal Minerals. Rob McLeod gave the Kasaan community an update on the Mt. Andrews exploration project for future mining opportunities.

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

Sincerely,

Louis A. Thompson

Louis A. Thompson
President/CEO