



# KAVILCO NEWS

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## Inside this issue:

Portfolio	2
Bylaws Amendment	2
In Kasaan	3
Financial Statements	4

## 37th Annual Meeting of Shareholders



Board of Directors L to R: John Campbell, Secretary, Louis Jones, Sr., Vice President, Louis A. Thompson, President/CEO, Marie Miller, Melanie Locklear, Kenneth Gordon, Jeane Breinig at the 2008 Annual Meeting. Photo courtesy of Laird A. Jones.

The 37th Annual Meeting of Shareholders is scheduled for Saturday, **November 6, 2010** at **Cape Fox Lodge** in Ketchikan, Alaska.

Registration will take place from 11:00 a.m. to noon in the **Shaa Hit Room**. The meeting will begin at 1:00 p.m. and end at 3:00 p.m. The primary items of business are the approval of the Corporation'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 2009 Annual Report and Proxy Statement will be mailed in October. We urge you to attend the Annual Meeting if possible. Attendance at our shareholder meetings helps maintain good communications and understanding. **Your vote is important!** Even if you are unable to attend the Annual Meeting we hope you will vote your proxy as soon as possible.

The **Annual Dinner and Auction** will also be held in the Shaa Hit Room at Cape Fox Lodge. Doors will open at 5:30 p.m.

**Congratulations to Louis A. Thompson on his 35th Anniversary as Kavilco's President.** Through the diligence of Mr. Thompson, Willard L. Jones, Robert I. Olsen, Rosemarie Ramiskey and Robert R. Young, Kavilco was incorporated in 1973. Mr. Thompson served as interim Board President in 1972 and was elected President of the Corporation in 1973. He was hired by the Corporation as Field Operations Manager in 1975. Kavilco thanks him for 35 years of dedicated service. **Háw' aa Mr. Thompson!**



President/CEO Louis A. Thompson and Annette at the 2005 Annual Dinner. Photo courtesy of Laird A. Jones.

# Economy and Portfolio

The key to our economic recovery is the trend in job growth. Without an improved labor market, the pace of economic growth will remain lackluster with a lingering threat of deflation. Employment trends have improved but at a glacial pace. The number of long-term unemployed continues to climb to new highs, with 46% being without a job for at least 27 weeks. If the pace of job gains does not pick up, then consumer incomes and spending cannot grow and the housing sector cannot revive.

Historically, housing has led us out of post WWII recessions. Housing continues to be a drag on our economy. There are eight million loans in some state of delinquency, default or foreclosure. There are 100,000 to 125,000 new notices of default sent out monthly. Federal pressure on banks to modify terms of housing loans to take the pressure off of delinquencies and foreclosures is running at a 70% default rate. As far as the future goes, according to the Mortgage Bankers Association, mortgage applications purchase index fell to a new cyclical low in the latest week of June. Housing is still a long way from moving into a health recovery.

There has been much debate over the likelihood of a double dip recession. Some respected analysts give us a 50-50 chance that we will slip back into a recession in 2011 as the economy softens and a

**“The key to our economic recovery is the trend in job growth.”**

large tax increase (from the expiring Bush tax cuts) expires. Double dips are rare. However, the Treasury market and money supply figures are signaling deflationary environment and slower economic growth.

Our portfolio is made up of twenty-four equity positions and thirty-eight corporate bond positions. We have never had this many securities in our portfolio. At each meeting, the Board reviews the portfolio and makes recommendations. We've

been very fortunate in the face of the economic malaise that our bond portfolio has held up quite well. However, we do have one position that we are closely monitoring.

As you are well aware of, the BP oil spill has had a disastrous impact on the Gulf of Mexico. The deep water drilling rig that blew up was owned by Transocean Inc., a company that we have \$1,477,590 invested in bonds that mature in April, 2018. The Board reviewed various analytical reports on the situation. BP leased the deep drilling rig from Transocean and ran the drilling operation. BP made numerous decisions that weakened its control over the well in the event of a blowout and assumed all liability for the spill. The Board realizes there will be lawsuits filed against Transocean but they should not materially impact the company's ability to make interest and principal payments on its debts.

## Amendment to Kavalco's Bylaws

Kavalco's Board of Directors approved an amendment to our Bylaws regarding advance notice of shareholder proposals and director nominations during our May 7 and 8, 2010 Board Meeting. The amendment provides for greater clarity regarding the process for conducting contested elections for directors.

Kavalco, as an investment company registered with the U.S. Securities and Exchange Commission, is subject to many of the proxy solicitation rules applicable to large public companies and the complexity of these rules require legal consultation. Shareholders interested in running for the Board are encouraged to contact Kavalco management for the new requirements.

## Kavilco Incorporated

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**Kavilco**  
**INCORPORATED**

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. The plaque has 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

**ARRA Silviculture Agreement.** Shaan Seet Incorporated (SSI) has been awarded an American Recovery and Reinvestment Act (ARRA) contract by the State of Alaska to improve forest health on approximately 60 acres of Kavilco lands by conducting precommercial thinning. The Agreement is in force from June through December 2010. SSI is responsible for all costs associated with the Agreement.

**Alaska Coastal Aggregates Agreement.** An Access Agreement has been reached between Kavilco and Alaska Coastal Aggregates, LLC (ACA). ACA wishes to conduct exploratory excavation on the Subsurface Estate owned by Sealaska Corporation on Sandy

Point with the intent of locating and delineating the presence of rock, sand and gravel suitable for construction. The Agreement is for limited access and exploration only. The term of the Agreement is from June through December 2010. A one-time payment of \$500.00 will be paid to Kavilco.

**Whale House (Naay I'waans).** On June 6, 2010, members of Kavilco, KHFF and OVK participated in a teleconference call to determine the general approach of grant writing for the Whale House restoration project, specifically, whether the project will be constructed using conventional or traditional methods. It was determined and approved later by the Board of

Directors that future grant requests will have a chance for higher funding if approached from a cultural standpoint. However, a combination of conventional construction which is useful for longevity, and traditional construction for cultural and historic value will be used with the emphasis on tradition and culture in future grant writing.

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  
President/CEO