

HB

251

(File 1)

HB251 (L&C)

The version passed by the House eliminated most of the contentious language that was originally proposed.

The only section of the House version that appears to be controversial is section (n). If you decide to take up this measure, you may want to resolve this problem with one of the following conceptual solutions.

1. Much of the concerns being expressed is from village corporations; consequently, amending section (n) by exempting non-reporting corporations (499 shareholders or less) would eliminate their concerns.
2. The "removal for cause" language could be eliminated from section (n) and in its place a 25% petition standard for recalls could be included.
3. A combination of suggestions 1 and 2.
4. Delete section (n).

There are several other more complicated ways to deal with this section; however, these solutions are the most simplistic and easily understood/implemented.

CS FOR HOUSE BILL NO. 251(L&C)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MOSES, MacLean, Williams

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the meetings, shareholder proposals, and removal of directors
 2 of Native corporations."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * Section 1. AS 10.06.960 is amended by adding new subsections to read:

5 (1) Notwithstanding AS 10.06.405 and 10.06.465(c), special meetings of the
 6 shareholders of a corporation organized under the act may only be called by

7 (1) the board;

8 (2) the chair of the board;

9 (3) the president;

10 (4) a petition or other request of the holders of not less than 15 percent
 11 of all the shares entitled to vote at the meeting, if the corporation has 500 or more
 12 shareholders;

13 (5) a petition or other request of the holders of not less than 25 percent
 14 of all the shares entitled to vote at the meeting if the corporation does not have 500

1 or more shareholders; or

2 (6) other persons as may be authorized in the articles of incorporation
3 or the bylaws.

4 (m) In addition to the other requirements of this chapter, a written notice of
5 a petition or other request for a special meeting of shareholders under (l) of this
6 section shall be filed with the corporation before a person solicits support for the
7 petition or request. The notice must state in detail the purpose of the special meeting
8 and include a copy of the petition or request ~~and all materials to be used in connection~~
9 ~~with the solicitation.~~ ^{and consent with the other rights of the Shareholders} A petition or request bearing the original signatures of the
10 holders of the requisite number of shares supporting the petition or request shall be
11 filed with the corporation ~~within 180 days after the filing.~~ ^{new #4} [If a petition or request
12 covered by this section does not comply with this subsection, the petition or request
13 is invalid.]

14 (n) The provisions of AS 10.06.460 do not apply to a corporation organized
15 under the act, if the corporation has adopted articles that provide for classification of
16 directors under AS 10.06.455, or if the corporation is allowed by sec. 57, ch. 82, SLA
17 1989, to provide in its bylaws for the classification of directors.

18 (o) A corporation that is organized under the act is not required to consider or
19 to submit to a vote of the shareholders a shareholder proposal that deals substantially
20 with the same subject matter as a proposal that was submitted to a vote of the
21 shareholders within the preceding ^{one} ~~two~~ years.

22 * Sec. 2. AS 45.55.990 is amended by adding a new paragraph to read:

23 (14) "proxy" includes a petition or other request for a special meeting
24 of shareholders under AS 10.06.960(m) and material distributed in connection with the
25 petition or request or with the solicitation of support for the petition or request.

9-LS0662M
Bannister
4/17/95

CS FOR HOUSE BILL NO. 251(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES MOSES, MacLean, Williams

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the meetings, shareholder proposals, and removal of directors
2 of Native corporations."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * Section 1. AS 10.06.480(a) is amended to read:

5 (a) In addition to other liabilities, a director is liable in the following
6 circumstances unless the director complies with the standard provided in
7 AS 10.06.450(b) for the performance of the duties of directors:

8 (1) A director who votes for or assents to a distribution to the
9 corporation's shareholders contrary to the provisions of AS 10.06.358, 10.06.360,
10 10.06.363, or 10.06.365 or contrary to a restriction in the articles of incorporation, is
11 liable to the corporation, jointly and severally with all other directors voting for or
12 assenting to the distribution, for the amount of the distribution that is paid or the value
13 of the assets that are distributed in excess of the amount of the distribution that could
14 have been paid or distributed without violation of AS 10.06.405 - 10.06.438,

1 10.06.960(1), or the restrictions of the articles of incorporation.

2 (2) A director who votes for or assents to a distribution to the
3 corporation's shareholders during the liquidation of the corporation without the
4 payment and discharge of, or making adequate provision for, all known debts,
5 obligations, and liabilities of the corporation is liable to the corporation, jointly and
6 severally with all other directors voting for or assenting to distribution, for the value
7 of the assets that are distributed, to the extent that the debts, obligations, and liabilities
8 of the corporation are not thereafter paid and discharged.

9 (3) A director who votes for or assents to a loan of assets of the
10 corporation to an officer or employee or a loan secured by the corporation's shares
11 contrary to the provisions of AS 10.06.485 or contrary to a restriction in the articles
12 of incorporation, is liable to the corporation, jointly and severally with all other
13 directors voting for or assenting to the loan, for the amount of the loan that is in
14 excess of a loan that could have been extended without a violation of AS 10.06.485
15 or the restriction in the articles of incorporation.

16 * Sec. 2. AS 10.06.960 is amended by adding new subsections to read:

17 (1) Notwithstanding AS 10.06.405 and 10.06.465(c), special meetings of the
18 shareholders of a corporation organized under the act may only be called by

19 (1) the board;

20 (2) the chair of the board;

21 (3) the president;

22 (4) a petition or other request of the holders of not less than one-tenth
23 of all the shares entitled to vote at the meeting, if the corporation has 500 or more
24 shareholders;

25 (5) a petition or other request of the holders of not less than one-quarter
26 of all the shares entitled to vote at the meeting if the corporation does not have 500
27 or more shareholders; or

28 (6) other persons as may be authorized in the articles of incorporation
29 or the bylaws.

30 (m) In addition to the other requirements of this chapter and AS 45.55 for
31 special meetings, and subject to the penalties in AS 45.55.920 - 45.55.925, a written

1 notice of a petition or other request for a special meeting of shareholders under (l) of
2 this section shall be filed with the corporation before a person solicits support for the
3 petition or request. The notice must state in detail the purpose of the special meeting
4 and include a copy of the petition or request and all materials to be used in connection
5 with the solicitation. A petition or request bearing the original signatures of the
6 holders of the requisite number of shares supporting the petition or request shall be
7 filed with the corporation within 90 days after the filing. If a petition or request
8 covered by this section does not comply with this subsection and AS 45.55.160, the
9 petition or request is invalid.

10 (n) The provisions of AS 10.06.460 do not apply to a corporation organized
11 under the act, if the corporation has adopted articles that provide for classification of
12 directors under AS 10.06.455, or if the corporation is allowed by sec. 57, ch. 82, SLA
13 1989, to provide in its bylaws for the classification of directors.

14 (o) A corporation that is organized under the act is not required to consider or
15 to submit to a vote of the shareholders a shareholder proposal that deals substantially
16 with the same subject matter as a proposal that was submitted to a vote of the
17 shareholders within the preceding year.

18 * Sec. 3. AS 45.55.920(b) is amended to read:

19 (b) The administrator may issue an order against an applicant, registered
20 person, or other person who knowingly or intentionally violates this chapter, [OR] a
21 regulation or order of the administrator under this chapter, or AS 10.07.560(m),
22 imposing a civil penalty of not more than \$2,500 for a single violation, or not more
23 than \$25,000 for multiple violations, in a single proceeding or a series of related
24 proceedings.

25 * Sec. 4. AS 45.55.920(d) is amended to read:

26 (d) Before issuing an order under (a)(1), (b), [OR] (c), or (e)(1) of this section,
27 the administrator shall give reasonable notice of and an opportunity for a hearing.
28 However, the administrator may issue a temporary order under (a)(1) or (e)(1) of this
29 section pending the hearing, which remains in effect until 10 days after the hearing is
30 held and which becomes final if the person to whom notice is addressed does not
31 request a hearing within 15 days after the receipt of notice.

1 * Sec. 5. AS 45.55.920 is amended by adding a new subsection to read:

2 (e) If the administrator is informed that a person has engaged or is about to
3 engage in an act or practice in violation of AS 10.06.960(m), AS 45.55.139, or
4 45.55.160, and if the act or practice relates to a regular or special meeting of the
5 shareholders of a Native corporation, the administrator shall

6 (1) issue an order

7 (A) directing the person to cease and desist from continuing the
8 act or practice; and

9 (B) voiding a proxy obtained in violation of AS 10.06.960(m),
10 AS 45.55.139, or 45.55.160; or

11 (2) bring an action in the superior court to enjoin the acts or practice,
12 to void a proxy obtained in violation of AS 10.06.960(m), AS 45.55.139, or 45.55.160,
13 or to enforce compliance with AS 10.06.960(m), AS 45.55.139, or 45.55.160, and,
14 upon a proper showing, the appropriate remedy shall be granted.

15 * Sec. 6. AS 45.55 is amended by adding a new section to read:

16 Sec. 45.55.933. CIVIL ACTION FOR CERTAIN VIOLATIONS. A Native
17 corporation, a shareholder of a Native corporation, or both, may bring a civil action
18 in superior court against a person who violates AS 10.06.960(m), AS 45.55.139, or
19 45.55.160, if the violation relates to a regular or special meeting of the shareholders
20 of the Native corporation. In the action, the Native corporation, shareholder, or both,
21 may recover damages from the violator, void a proxy, or enjoin the violator from
22 continuing the violation or committing additional violations. A shareholder may bring
23 the action as a derivative action under AS 10.06.435.

24 * Sec. 7. AS 45.55.990 is amended by adding new paragraphs to read:

25 (14) "Native corporation" means a corporation organized under 43
26 U.S.C. 1601 - 1641 (Alaska Native Claims Settlement Act);

27 (15) "proxy" includes a petition or other request for a special meeting
28 of shareholders under AS 10.06.960(m) and material distributed in connection with the
29 petition or request or with the solicitation of support for the petition or request.

9-LS0662AG ✓
Bannister
3/24/95

CS FOR HOUSE BILL NO. 251()

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MOSES, MacLean, Williams

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4 * Section 1. AS 10.06.480(a) is amended to read:

5 (a) In addition to other liabilities, a director is liable in the following
6 circumstances unless the director complies with the standard provided in
7 AS 10.06.450(b) for the performance of the duties of directors:

8 (1) A director who votes for or assents to a distribution to the
9 corporation's shareholders contrary to the provisions of AS 10.06.358, 10.06.360,
10 10.06.363, or 10.06.365 or contrary to a restriction in the articles of incorporation, is
11 liable to the corporation, jointly and severally with all other directors voting for or
12 assenting to the distribution, for the amount of the distribution that is paid or the value
13 of the assets that are distributed in excess of the amount of the distribution that could
14 have been paid or distributed without violation of AS 10.06.405 - 10.06.438,

1 10.06.960(1), or the restrictions of the articles of incorporation.

2 (2) A director who votes for or assents to a distribution to the
3 corporation's shareholders during the liquidation of the corporation without the
4 payment and discharge of, or making adequate provision for, all known debts,
5 obligations, and liabilities of the corporation is liable to the corporation, jointly and
6 severally with all other directors voting for or assenting to distribution, for the value
7 of the assets that are distributed, to the extent that the debts, obligations, and liabilities
8 of the corporation are not thereafter paid and discharged.

9 (3) A director who votes for or assents to a loan of assets of the
10 corporation to an officer or employee or a loan secured by the corporation's shares
11 contrary to the provisions of AS 10.06.485 or contrary to a restriction in the articles
12 of incorporation, is liable to the corporation, jointly and severally with all other
13 directors voting for or assenting to the loan, for the amount of the loan that is in
14 excess of a loan that could have been extended without a violation of AS 10.06.485
15 or the restriction in the articles of incorporation.

16 * Sec. 2. AS 10.06.960 is amended by adding new subsections to read:

17 (l) Notwithstanding AS 10.06.405 and 10.06.465(c), special meetings of the
18 shareholders of a corporation organized under the Act may only be called by the board,
19 the chair of the board, the president, the holders of not less than one-quarter of all the
20 shares entitled to vote at the meeting, or other persons as may be authorized in the
21 articles of incorporation or the bylaws.

22 (m) In addition to the other requirements of this chapter and AS 45.55 for
23 special meetings, and subject to the penalties in AS 45.55.920 - 45.55.925, a written
24 notice of a petition or other request for a special meeting of shareholders under (l) of
25 this section shall be filed with the corporation before a person solicits support for the
26 petition or request. The notice must state in detail the purpose of the special meeting
27 and include a copy of the petition or request and all materials to be used in connection
28 with the solicitation. A petition or request bearing the original signatures of the
29 holders of the requisite number of shares supporting the petition or request shall be
30 filed with the corporation within 90 days after the filing. If a petition or request
31 covered by this section does not comply with this subsection and AS 45.55.160, the

1 petition or request is invalid.

2 (n) The provisions of AS 10.06.460 do not apply to a corporation organized
3 under the act, if the corporation has adopted articles that provide for classification of
4 directors under AS 10.06.455, or if the corporation is allowed by sec. 57, ch. 82, SLA
5 1989, to provide in its bylaws for the classification of directors.

6 (o) A corporation that is organized under the act is not required to consider or
7 to submit to a vote of the shareholders a shareholder proposal that deals substantially
8 with the same subject matter as a proposal that was submitted to a vote of the
9 shareholders within the preceding two years.

10 * Sec. 3. AS 45.55.920(b) is amended to read:

11 (b) The administrator may issue an order against an applicant, registered
12 person, or other person who knowingly or intentionally violates this chapter, [OR] a
13 regulation or order of the administrator under this chapter, or AS 10.07.960(m),
14 imposing a civil penalty of not more than \$2,500 for a single violation, or not more
15 than \$25,000 for multiple violations, in a single proceeding or a series of related
16 proceedings.

17 * Sec. 4. AS 45.55.920(d) is amended to read:

18 (d) Before issuing an order under (a)(1), (b), [OR] (c), or (e)(1) of this section,
19 the administrator shall give reasonable notice of and an opportunity for a hearing.
20 However, the administrator may issue a temporary order under (a)(1) or (e)(1) of this
21 section pending the hearing, which remains in effect until 10 days after the hearing is
22 held and which becomes final if the person to whom notice is addressed does not
23 request a hearing within 15 days after the receipt of notice.

24 * Sec. 5. AS 45.55.920 is amended by adding a new subsection to read:

25 (e) If the administrator is informed that a person has engaged or is about to
26 engage in an act or practice in violation of AS 10.06.960(m), AS 45.55.139, or
27 45.55.160, and if the act or practice relates to a regular or special meeting of the
28 shareholders of a Native corporation, the administrator shall

29 (1) issue an order

30 (A) directing the person to cease and desist from continuing the
31 act or practice; and

1 (B) voiding a proxy obtained in violation of AS 10.06.960(m),
2 AS 45.55.139, or 45.55.160; or

3 (2) bring an action in the superior court to enjoin the acts or practice,
4 to void a proxy obtained in violation of AS 10.06.960(m), AS 45.55.139, or 45.55.160,
5 or to enforce compliance with AS 10.06.960(m), AS 45.55.139, or 45.55.160, and,
6 upon a proper showing, the appropriate remedy shall be granted.

7 * Sec. 6. AS 45.55.925(a) is amended to read:

8 (a) In addition to the civil penalties assessed under AS 45.55.920, a person
9 who wilfully violates a provision of this chapter except AS 45.55.160, [OR] who
10 wilfully violates a regulation or order under this chapter, [OR] who wilfully violates
11 AS 45.55.160 knowing the statement made to be false or misleading in a material
12 respect or the omission to be misleading by any material respect, or who wilfully
13 violates AS 10.06.960(m), upon conviction, is punishable by a fine of not more than
14 \$5,000, or by imprisonment for not less than one year nor more than five years, or
15 both. Upon conviction of an individual for a felony under this chapter, imprisonment
16 for not less than one year is mandatory. However, an individual may not be
17 imprisoned for the violation of a regulation or order if the individual proves that the
18 individual had no knowledge of the regulation or order. An indictment or information
19 may not be returned under this chapter more than five years after the alleged violation.

20 * Sec. 7. AS 45.55 is amended by adding a new section to read:

21 Sec. 45.55.933. CIVIL ACTION FOR CERTAIN VIOLATIONS. A Native
22 corporation, a shareholder of a Native corporation, or both, may bring a civil action
23 in superior court against a person who violates AS 10.06.960(m), AS 45.55.139, or
24 45.55.160, if the violation relates to a regular or special meeting of the shareholders
25 of the Native corporation. In the action, the Native corporation, shareholder, or both,
26 may recover damages from the violator, void a proxy, or enjoin the violator from
27 continuing the violation or committing additional violations. A shareholder may bring
28 the action as a derivative action under AS 10.06.435.

29 * Sec. 8. AS 45.55.990 is amended by adding new paragraphs to read:

30 (14) "Native corporation" means a corporation organized under 43
31 U.S.C. 1601 - 1641 (Alaska Native Claims Settlement Act);

1
2
3

(15) "proxy" includes a petition or other request for a special meeting of shareholders under AS 10.06.960(m) and material distributed in connection with the petition or request or with the solicitation of support for the petition or request.

Alaska State Legislature
Representative Carl E. Moses

CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL COMMITTEE FISHERIES

MEMBER FINANCE SUBCOMMITTEES ON
DEPT. OF FISH AND GAME
DEPT. OF PUBLIC SAFETY



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FAX (907) 258-8468

MEMORANDUM

DATE: March 16, 1995

TO: Rep. Pete Kott, Chairman
House Labor & Commerce Committee

FROM: Rep. Carl E. Moses, Chairman *CEM*
House Rules Committee

SUBJ: Request for Scheduling - HB 251

I respectfully request a Labor & Commerce Committee hearing on HB 251, the bill to address activities of dissident shareholders of Native corporations.

My staff will provide support material for your members' committee files. Please contact Tim Benintendi of my staff at 3764 as needed.

CEM/lb/m16

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. HB 251

Revision Date: _____
Title: An Act relating to Native Corporations
Sponsor: Representative Moses
Requestor: Representative Moses

Department Affected: Commerce and Economic Development
BRU: Banking, Securities and Corporations
Component: Banking, Securities and Corporations
COMPONENT SERIAL NO. 1233

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL	6.0	6.0	6.0	6.0	6.0	6.0
CONTRACTUAL	11.0	11.0	11.0	11.0	11.0	11.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	17.0	17.0	17.0	17.0	17.0	17.0

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ()	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	17.0	17.0	17.0	17.0	17.0	17.0
1006 GF/MHTIA						
Other						
TOTAL	17.0	17.0	17.0	17.0	17.0	17.0

Estimate of current year (FY 95) cost: \$ 0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

If the proposed amendments are adopted, the division expects to incur additional expenses for investigations, orders, and resultant hearings. These expenses include related increases in postage, phones, travel, and professional services.

Postage and phones are estimated at \$3,000; travel at \$6,000 (six trips per year to Anchorage and/or Fairbanks at \$1,000 per trip) and professional services contracted through RSA to other department agencies for hearings at \$8,000 (four hearings at \$2,000 each).

Prepared by: Willis F. Kirkpatrick, Director
Division: Banking, Securities and Corporations

Phone: 465-2521
Date: 3-24-75

Approved by Commissioner: William L. Hensley
Agency: Commerce and Economic Development

Date: _____

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FISCAL NOTE

REQUEST:

Revision Date: 4-26-95 Affected Agency: Commerce and Economic Development
 Title: An Act Relating to Native Corporations BRU: Banking, Securities and Corporations
 Sponsor: Rep. Moses Components: Banking, Securities and Corporations
 Requestor: House Labor and Commerce

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 2000	FY 2001
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (THOUSANDS OF DOLLARS)


General Fund						
Federal Fund						
Other						
TOTAL	0	0	0	0	0	0

POSITIONS:

Full-Time	0	0	0	0	0	0
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

Estimated FY 95 Impact: 0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Prepared By:  Date: 4-28-95
 Division: House Labor and Commerce Committee, Chair Phone: 465-4954

Approved By: _____ Date: _____
 Agency: _____

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 OFFICE OF MANAGEMENT AND BUDGET
 AGENCY(IES)

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. CSHB251 (L & C)

Revision Date: _____
 Title: Native Corporations

 Sponsor: Representative Moses
 Requestor: Representative Kott

Department Affected: Commerce and Economic Development
 BRU: Banking, Securities and Corporations
 Component: Banking, Securities and Corporations

 COMPONENT SERIAL NO. 1233

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ()	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 95) cost: \$ 0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

Disputes arising with respect to the requisite signatures, time frames, or repetitive issues will be subject to judicial resolution under private rights of action, thus the department has submitted a zero fiscal note, believing that we will not be involved in any dispute resolution on these issues.

Prepared by: Willis F. Kirkpatrick, Director *Willis F. Kirkpatrick*
 Division: Banking, Securities and Corporations
 Approved by Commissioner: William L. Hensley *William L. Hensley*
 Agency: Commerce and Economic Development

Phone: 465-2521
 Date: 4/28/95
 Date: 4/28/95

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**DIVISION OF LEGAL SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 16, 1995

SUBJECT: Sectional Summary of HB 251 (Work Order No. 9-LS0662\C)

TO: Representative Carl Moses
Attn: Tim

FROM: Theresa Bannister *TB*
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1 adds a cross-reference to a new subsection created by the bill and dealing with the calling of special meetings of Native corporations.

Section 2 adds new subsections to the section on Native corporations in the state's corporations code.

Sec. 10.06.960(l) increases the fraction (from one-tenth to one-quarter) of shareholders required for calling a special meeting of a Native corporation by shareholders.

Sec. 10.06.960(m) establishes requirements for requests for special shareholder meetings of Native corporations. These requirements include giving notice to the corporation (including a copy of the request and of the solicitation materials), filing the request with the signatures of the requisite number of supporting shareholders, and setting a deadline for filing the signatures. Invalidates the request if it does not comply with the subsection and with the state securities act section that prohibits misleading statements.

Sec. 10.06.960(n) removes certain Native corporations from the application of the corporation code section that addresses the removal of directors without cause. To qualify, the corporation must have adopted articles that provide for classification of directors.

Sec. 10.06.960(o) allows a Native corporation to refuse to consider or submit a shareholder proposal to a shareholder vote if a proposal that dealt substantially with the same subject matter was submitted to a shareholder vote within the preceding two years.

Representative Carl Moses

March 16, 1995

Page 2

Section 3 amends the section of the state's securities act that relates to orders, injunctions and civil penalties. Adds to the subsection on orders a cross-reference to the new subsection regulating requests for special shareholder meetings of Native corporations. Allows the administrator to issue an order for a knowing or intentional violation of that new subsection.

Section 4 amends the securities act section that relates to orders, injunctions, and civil penalties. Adds a cross-reference to a new subsection directing the administrator to take certain enforcement action relating to Native corporations.

Section 5 adds a new subsection to the securities act section that relates to orders, injunctions, and civil penalties. Directs the administrator to take certain listed action if informed that a person will violate or is violating certain laws, and if the violation relates to a regular or special shareholder meeting of a Native corporation. These laws are the corporations code subsection regulating requests for special shareholder meetings of Native corporations, the securities act section on filings, and the securities act section on misleading statements.

Section 6 amends the securities act section on criminal penalties to include a person who wilfully violates the corporations code subsection regulating requests for Native corporation special shareholder meetings.

Section 7 adds a new section to the state's securities act. The new section allows a Native corporation, a shareholder of the corporation, or both, to bring a civil action for a violation of certain laws if the violation relates to a regular or special meeting of the corporation's shareholders. Provides for the recovery of damages, the voiding of a proxy, and an injunction against additional violations.

Section 8 adds definitions of "Native corporation" and "proxy" to the state's securities act.

If I may be of further assistance, please advise.

TLB:pl:glc
95-059.plm

Alaska State Legislature

Representative Carl E. Moses

CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL COMMITTEE ON FISHERIES

MEMBER FINANCE SUBCOMMITTEES ON
DEPT. OF FISH AND GAME
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SPONSOR SUMMARY

House Bill 251

HB 251 addresses issues relating to special meetings and proxy rules of Alaska Native corporations. Most of these proposed changes in statute are concerned with activities surrounding petition drives for special shareholder meetings.

Given the inalienable nature of stock holdings in Native corporations, some protections must be afforded against precipitous changes in management, and repetitive attempts at reviving failed bids to change corporate policy. The objective of HB 251 is to establish a balance between the needs of shareholders to responsibly petition for change, and management's needs to pursue the objectives of the corporation without undue attention to continual and repetitive actions of shareholder groups.

The main provisions of the bill are to require certain procedures for the filing of shareholder proposals; to establish penalties for knowingly making false or misleading statements; to offer some relief from frequent proxy fights; and to introduce some protection for the management and financial resources of the corporations.

Section 1 of HB 251 cross-references new sub-section (I) of Section 2 to the provisions of AS 10.06.405 regarding meetings of corporations.

Section 2 (I) increases the percentage of represented shares of corporate stock which can be voted at a special meeting, from ten percent to twenty-five percent. This effectively increases the number of shareholders needed to call a special meeting. It brings state law into conformance with provisions in the Alaska Native Claims Settlement Act (ANCSA), which recognized early on, the potential

expense and disruption imposed upon Native corporations by the requirement that special shareholder meetings and votes be held in response to shareholder petitions.

Section 2 (m) requires written notification (filing) of an impending petition by a shareholders group, to the corporation, including the purpose of a desired special meeting, a copy of the petition, and copies of all materials to be used in connection with the solicitation. This section calls for the final submittal of a petition bearing original signatures by 90 days after the initial filing.

Section 2 (n) institutes removal-for-cause options for directors of Alaska Native corporations if they have in their Articles of Incorporation or their By-laws, provisions for the classification of directors, that is, board members with staggered terms. This provision would make removal attempts more deliberate, and add a degree of protection against dramatic changes on the board, in view of the possible turnover of a third of the board each year. In the balance between corporate stability and management responsiveness to shareholders, this is a useful component.

Section 2 (o) gives an option to Native corporation boards to refuse to submit for a vote, a shareholder proposal which deals substantially with the same subject matter as a proposal submitted to a vote within the preceding two years. This would reduce the frequency of repetitive challenges on the same issue. In enacting ANCSA, Congress tried to balance the shareholders' right to petition against the potential distraction and expense of repeated proxy fights, and concluded that even fundamental issues affecting shareholders need only be addressed every two years.

Section 3 makes civil penalties applicable to violations of the new regulations in Section 2 (m), relating to requests for special shareholder meetings of Native corporations. It provides for the administrator (CED commissioner or the designee), to issue orders for such violations.

Section 4 adds the provisions of Section 5 (e) (1) of this bill to that which the administrator may consider prior to issuing an order or notice of an opportunity for a hearing.

Section 5 provides for actions on the part of the administrator in the event violations occur, or are about to occur, relative to reg-

ular or special shareholder meetings. These actions include the issuance of an order which may either direct the offending party to cease and desist, or which may void a proxy obtained in violation. The administrator may also bring action in Superior Court to halt the violation.

Section 6 applies criminal penalties to persons who willfully violate the new provisions of Section 2 (m) above, relating to requests for special shareholder meetings of Native corporations. Currently, those who issue false or misleading information regarding petitions, do so with relative impunity.

Section 7 would add a new section to the securities act, providing for a Native corporation or a shareholder, or both, to bring civil action for violations of Section 2 (m) above. This would allow for recovery of damages, voiding of a proxy, and/or an injunction against continued or additional violations.

Section 8 defines "NATIVE CORPORATION" and "PROXY" for the state's securities act.

Unique conditions exist for Native corporations in Alaska. Shareholders who lose confidence in management simply cannot sell their shares and walk away, as can be done by dissatisfied shareholders of other corporations. This acutely inspires both consideration for shareholders' rights, and concern for the stability and success of the corporation. The provisions of HB 251 stand to strengthen the process by which responsible challenges to management are conducted.

If there are questions, please contact Tim Benintendi of my office at 465-3764.

And lastly, I would like to restore administrative flexibility by changing "shall" to "may" on line 25, page 3.

If there are questions, please contact Tim Benintendi of my office at 3764.

CEM/tb/m13

HOUSE BILL NO. 501

1 "An Act relating to Native corporations; and providing for an effective
date."

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 * Section 1. AS 10.06 is amended by adding a new section to read:

4 Sec. 10.06.959. NATIVE CORPORATION SHAREHOLDER VOTES ON

5 PETITION OR DEMAND. (a) When this chapter or another law, including 43
U.S.C.

6 1629b, entitles shareholders of a corporation to petition or otherwise
demand to bring

7 a matter to the shareholders for a vote, the procedure for securing the
approval of the

8 requisite number of shareholders to present the petition must comply with
this section.

9 if the corporation is organized under 43 U.S.C. 1601 - 1629e (Alaska Native
Claims

10 Settlement Act).

11 (b) Before undertaking to obtain shareholder signatures for a petition,
the

12 sponsor of the petition shall first apply in writing to the secretary of
the corporation

13 at the corporation's registered office for a petition form to begin the
undertaking. The

14 application must identify the petition sought to be made to the
corporation, the name

1 and address of every sponsor of the petition, the source of any actual,
proposed, or

2 anticipated funding or contribution of goods or services to the petition
solicitation

3 effort in excess of \$500 in the aggregate, and the name and address of a
contact person

4 and an alternate contact person to whom all correspondence relating to the
petition

5 may be sent.

6 (c) If the secretary determines that an application for a petition form
meets the

7 requirements of (b) of this section, the secretary shall issue a petition
form to the

8 contact person designated in the application and to each sponsor who
appears in person

9 in the secretary's office or whose mailing address is provided to the
secretary.

10 (d) The petition form issued by the secretary under (c) of this section
must

11 contain

12 (1) the subject matter of the petition, including, in the case of a
petition

13 to remove a director, the name of the director to be removed, the date the
director's

14 current term expires, and the sponsor's nominee, if any, to serve the
unexpired portion

15 of the director's term;

16 (2) a statement whether the subject matter of the petition is intended
17 to be binding or nonbinding on the corporation and, if the subject matter
involves

18 amending the articles or bylaws of the corporation, the proposed language
of the

19 amendment;

20 (3) the date the petition form is issued by the secretary;

21 (4) a notice that the subject matter of the petition is to be voted on
at

22 an annual or a special meeting of shareholders;

23 (5) spaces for each signature on the petition, the printed name of the
24 signer, the number of shares held by the signer in the corporation, the
date of the

25 signature, and the residence and mailing addresses of the signer;

26 (6) a statement, prepared by the secretary, of the total number of
shares

27 that must be represented by signatures on the petition to entitle the
subject matter of

28 the petition to be considered at a meeting of shareholders;

29 (7) a space for indicating the number of signatures on the petition;

30 (8) a statement, with spaces for the sponsor's sworn signature and date
31 of signing, that the sponsor personally circulated the petition, that all
signatures were

1 made in the presence of the sponsor, and that the sponsor believes the
signatures to be

2 those of the persons whose names they propose to be.

3 (e) A petition containing the minimum number of signatures required by
this

4 chapter, another law, or the corporation's articles or bylaws, to entitle
the subject

5 matter of the petition to be considered at a meeting of shareholders may be
filed with

6 the secretary within 60 days after the secretary mails a copy of the
petition form to the

7 contact person designated for the sponsor, as provided in (c) of this
section, or within

8 five business days after the sponsor has obtained signatures representing
the minimum

9 number of shares specified by the secretary under (d)(6) of this section,
whichever

10 event is later.

11 (f) The petition statement required by (d)(8) of this section shall be
completed

12 and signed by a sponsor on each petition form. Signatures on a petition
form must be

13 in ink or indelible pencil, and must be legible or accompanied by a legible
printed

14 name. Copies of the signed petition forms shall be assembled and submitted
to the

15 secretary as a single instrument. The signatures on the petition must be
valid and

16 represent the minimum number of shares required by this chapter, another
provision

17 of law, or the articles or bylaws of the corporation, to entitle the
subject matter of the

18 petition to be presented to and voted upon at a meeting of shareholders.

19 (g) The petition forms shall be filed with the secretary within the time
period,

20 if any, required by this chapter or by the articles or bylaws of the
corporation before

21 the next shareholder meeting.

22 (h) Within 10 days after the date an executed petition form is submitted
to the

23 secretary for verification, the secretary shall verify the validity of the
signatures on the

24 petition. If the valid signatures do not meet the minimum number specified
by (d)(6)

25 of this section, the secretary shall notify by certified mail the contact
person designated

26 under (b) of this section of each signature that the secretary determines
to be invalid.

27 The notification must specify the nature of the invalidity.

28 (i) The secretary shall determine that a signature is invalid if the
signer has

29 withdrawn the signature by written notice filed with the secretary before
the petition

30 is verified by the secretary, if the signature is illegible and not
accompanied by a

31 legible printed name, if the signature consists of an "X" or similar
designation and is

1 not accompanied by the signatures of two witnesses other than a sponsor of
the

2 petition, and if the secretary determines on basis of substantial
objective evidence

3 that the signature is not a legally authorized and binding signature.

4 (j) Petition forms that do not contain valid signatures representing the

5 minimum number of shares specified by (d)(6) of this section may be
supplemented

6 with additional signatures obtained and submitted to the secretary before
the 11th day

7 after the day when the secretary furnishes the notice of the invalidity of
the signatures

8 to the contact person if

9 (1) the petition forms contain signatures representing the minimum

10 number of shares specified in (d)(6) of this section, including both valid
and invalid

11 signatures; and

12 (2) the supplementary petition is filed within the minimum period of

13 time required by this chapter, another law, or the articles or bylaws of

the corporation.

- 14 (k) The secretary shall reject a petition that does not contain valid signatures
- 15 representing the minimum number of shares specified in (d)(6) of this section unless
- 16 supplemented under (j) of this section. Within 10 days after a supplementary submittal
- 17 under (j) of this section, the secretary shall verify the supplemental signatures if the
- 18 secretary determines that they are valid. If, after the petitions have been supplemented
- 19 once under (j) of this section, the petitions still do not contain valid signatures
- 20 representing the minimum number of shares specified by (d)(6) of this section, the
- 21 secretary shall reject the petition in writing and notify the contact person by certified
- 22 mail of the rejection.
- 23 (l) If the secretary rejects the petition, the sponsors of the petition may file a
- 24 protest with the commissioner within seven days after receipt of the notice of rejection.
- 25 The commissioner shall hold a hearing and decide the protest. If the commissioner
- 26 upholds the protest, the subject matter of the petition shall be considered at the next
- 27 shareholders' meeting of the corporation, if a shareholders' meeting is to be held more
- 28 than 60 days following the commissioner's upholding the protest. If the next
- 29 shareholders' meeting is to be held within 60 days of the action of the commissioner,
- 30 the corporation may, instead of considering the subject matter at the meeting, call a
- 31 special meeting of the shareholders to be held within 120 days of the date of action
- 1 of the commissioner, and the subject matter shall be considered at the meeting.
- 2 (m) It, within 60 days after the secretary makes the petition form available

3 under (c) of this section, the sponsor of the petition does not present to
the corporation

4 signatures representing the minimum number of shares required by this
chapter,

5 another law, or the articles or bylaws of the corporation, to entitle the
subject matter

6 to be presented to the shareholders for a vote, a person may not undertake
to secure

7 signatures for a petition with respect to the same subject matter until a
year has

8 elapsed from the date the application is filed with the corporation under
(b) of this

9 section.

10 (n) If the petition is verified under (h) or (k) of this section, or if
the

11 commissioner sustains a protest under (l) of this section, the corporation
shall place the

12 subject matter of the petition on the agenda of the next succeeding annual
meeting of

13 shareholders, or call and conduct a special meeting of shareholders, as
required under

14 this chapter, another law, or the articles or bylaws of the corporation.
If the

15 corporation fails or refuses to call a special meeting as required by this
subsection, the

16 sponsors of the petition may call the special meeting or petition the
superior court

17 under AS 10.06.407__ to order the corporation to call the special meeting,
and unless

18 otherwise ordered by the superior court, the special meeting shall be
conducted by the

19 corporation.

20 (o) If the subject matter of a petition is presented to and voted on at
an annual

21 or special meeting and is rejected, and if the proponents of the petition
do not receive

22 votes representing a majority of the outstanding voting shares of the
corporation, a

23 person may not undertake to secure signatures for a petition for

consideration of the

24 same subject matter at an annual or special meeting of shareholders until
after the

25 second annual meeting that follows the meeting that voted on and rejected
the subject

26 matter.

27 (p) A petition under this section for a shareholder vote is a proxy
solicitation

28 under AS 45.55.139(b). Every document or statement that is distributed to a

29 shareholder with the intention of influencing the shareholder's vote on the
matter that

30 is the subject of the petition is a proxy solicitation and must be filed
with the secretary

31 and with the commissioner under AS 45.55.139(b).

1 (q) A sponsor of a petition under this section shall disclose to the
secretary and

2 the commissioner a change in the information disclosed under (d) of this
section within

3 five business days of the change. A sponsor shall also disclose to the
secretary and

4 the commissioner, within five business days of receipt, a contribution of
money, goods,

5 or services with a value of more than \$500 in the aggregate from a single
source.

6 (r) A sponsor of a petition under this chapter may not knowingly
misrepresent

7 the number of signatures obtained. A knowing misrepresentation is an untrue

8 statement of a material fact under AS 45.55.160.

9 (s) This section does not limit the ability of a corporation to provide
in its

10 articles or bylaws that in order for a petition to be considered at an
annual or special

11 meeting of shareholders, the petition or proposal must be filed with the
corporation

12 within a minimum period of time, not exceeding 90 days, before the date of
the

13 meeting.

14 (t) In this section,

15 (1) "corporation" means a corporation organized under 43 U.S.C. 1601
16 - 1629e (Alaska Native Claims Settlement Act);

17 (2) "petition" means a petition or other demand by shareholders to
18 bring a matter to the shareholders for a vote;

19 (3) "secretary" means the secretary of the corporation.

20 * Sec. 2. AS 10.06.950 is amended by adding new subsections to read:

21 (j) Notwithstanding AS 10.06.228, a corporation organized under the act
may

22 not amend or repeal a bylaw that is properly adopted or amended by the
shareholders

23 unless the amendment or repeal is approved by the shareholders.

24 (k) Notwithstanding AS 10.06.230(c), if a corporation was organized
under the

25 act before July 1, 1989, the board of the corporation may adopt a bylaw
that specifies

26 or changes a fixed number of directors or the maximum or minimum number of

27 directors, or that changes the board from a fixed to a variable board or
from a variable

28 to a fixed board.

29 (1) Notwithstanding AS 10.06.405(c) and 10.06.465(c), a corporation that
is

30 organized under the act may not hold a special meeting of shareholders
unless

31 (1) the meeting is called by the board of directors or by a person

1 authorized by the corporation's articles or bylaws to call the meeting; or

2 (2) the holders of at least 10 percent of all the votes entitled to be
cast

3 on an issue proposed to be considered at the proposed special meeting sign,
date, and

4 deliver to the corporation's secretary a written demand for the meeting;
the demand

5 must describe a lawful purpose for holding the meeting; if not otherwise
established

6 by this chapter, the record date for determining the shareholders entitled
to demand a

7 special meeting is the date when the demand is delivered to the

corporation's secretary;

8 in this paragraph, "lawful purpose" does not include presenting for a
shareholder vote

9 an issue that is improper or that the shareholders may not decide under
this chapter.

10 (m) Notwithstanding AS 10.06.460(a), if a corporation is organized under
the

11 act, the shareholders may not demand the removal of a director without
reason unless

12 the secretary of the corporation verifies a petition for the removal under

13 AS 10.06.959(h) or (k) for shareholders representing at least 25 percent of
the number

14 of votes cast at the last regular election of directors held before the
issuance date of

15 the petition, or the commissioner upholds a protest for the petition under

16 AS 10.06.959(l), and written or printed notice of intention to seek removal
under this

17 subsection is delivered either personally or by mail to each shareholder of
record

18 entitled to vote at the meeting. If notice of intention to seek removal
under this

19 subsection is

20 (1) delivered to the president or secretary of the corporation at least
75

21 days before the date of the annual meeting, it must be included on the
notice stating

22 the place, day, and hour of the annual meeting without cost to the
shareholder seeking

23 removal; or

24 (2) not timely under (1) of this subsection, the shareholders seeking

25 removal may, at the expense of those shareholders, deliver either
personally or by mail

26 the notice required by this subsection at any time up to 20 days before the
date set for

27 the annual meeting at which the shareholders seek removal under this
subsection; if

28 mailed, notice is considered delivered when deposited with postage prepaid
in the

29 United States mail addressed to the shareholder at the address appearing on
the stock

30 transfer books of the corporation.

31 (n) In addition to the causes for removal stated under AS 10.06.463, if
the

1 corporation is organized under the act, the superior court may remove a
director from

2 office under AS 10.06.463 if the director fails to meet the qualifications
to serve as a

3 director of the corporation, as those qualifications may be established
under

4 AS 10.06.230(e) (4) by the corporation's bylaws, and may bar the removed
director

5 from reelection for period established by the court.

6 (o) Notwithstanding AS 10.06.470(a), if a corporation is organized under
the

7 act, a regular or special meeting of the corporation's board or a committee
of the board

8 may not be called unless it is called by the chair of the board, the
president, a

9 vice-president, the secretary, or one-quarter of the directors.

10 * Sec. 3. AS 10.06 is amended by adding a new section to read:

11 Sec. 10.06.962. COURT ORDERED MEETING OF NATIVE

12 CORPORATION. (a) If a corporation is organized under 43 U.S.C. 1601 -
1629e

13 (Alaska Native Claims Settlement Act), the superior court of the judicial
district where

14 a corporation's registered office is located may order the corporation to
hold a meeting

15 if an application for the meeting is made to the court by a shareholder of
the

16 corporation who

17 (1) is entitled to participate in an annual meeting if an annual meeting

18 is not held within the earlier of six months after the end of the
corporation's fiscal year

19 or 15 months after its last annual meeting; or

20 (2) signed a special meeting demand that is valid under this chapter if

21 (A) notice of the special meeting is not given within 30 days
22 after the date the demand is delivered to the secretary of the corporation;
23 or

24 (B) the special meeting is not held in accordance with the
25 notice.

26 (b) In an order under (a) of this section, the court may fix the time
27 and place

28 of the meeting, determine the shares entitled to participate in the
29 meeting, set a record

30 date for determining the shareholders who are entitled to notice of and to
31 vote at the

meeting, establish the form and content of the meeting notice, fix the
quorum required

for specific matters to be considered at the meeting, direct that the votes
represented

at the meeting constitute a quorum for action on the matters to be
considered at the

meeting, and enter other orders necessary to accomplish the purpose of the
meeting.

1 * Sec. 4. AS 45.55.139 is amended to read:

2 Sec. 45.55.139. REPORTS OF CORPORATIONS. _Except as provided under

3 (b) of this section, a_ A copy of all annual reports, proxies, consents or
4 authorizations, proxy statements_,_ and other materials relating to proxy
solicitations

5 distributed, published_,_ or made available by any person to at least 30
Alaska resident

6 shareholders of a corporation _that_ WHICH has total assets exceeding
_ \$1,000,000 and

7 a class of equity security held of record by 500 or more persons and _that_
WHICH

8 is exempted from the registration requirements of AS 45.55.070 by AS
45.55.138, shall

9 be filed with the administrator concurrently with its distribution to
shareholders.

10 * Sec. 5. AS 45.55.139 is amended by adding a new subsection to read:

11 (b) If the proxy solicitation is for a corporation that is organized
under 43

12 U.S.C. 1601 - 1629e (Alaska Native Claims Settlement Act), a copy of all

annual

- 13 reports, proxies, consents or authorizations, proxy statements, and other materials
- 14 relating to proxy solicitations distributed, published, or made available by any person
- 15 to at least 150 Alaska resident shareholders of a corporation that has total assets
- 16 exceeding \$5,000,000 or a class of equity security held of record by 500 or more
- 17 persons and that is exempted from the registration requirements of AS 45.55.070 by
- 18 AS 45.55.138, shall be filed with the administrator concurrently with its distribution
- 19 to shareholders. A filing under this subsection shall be supplemented as often as the
- 20 contents of the filing change materially.
- 21 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

of this chapter and the violation falls within the provisions of AS 45.55.060, 45.55.120, 45.55.920 and 45.55.925. (§ 16 ch 86 SLA 1972)

Revisor's notes. — Formerly AS 45.55.195. Renumbered in 1994.

Sec. 45.55.920. Orders, injunctions, and civil penalties. (a) If it appears to the administrator that a person has engaged or is about to engage in an act or practice in violation of a provision of this chapter or regulation or order under this chapter, the administrator may

(1) in the public interest or for the protection of investors, issue an order

(A) directing the person to cease and desist from continuing the act or practice;

(B) directing the person, for a period not to exceed three years, to file the annual reports, proxies, consents or authorizations, proxy statements, or other materials relating to proxy solicitations required under AS 45.55.139 with the administrator for examination and review 10 working days before a distribution to shareholders; and

(C) voiding the proxies obtained by a person required to file under AS 45.55.139, including their future exercise or actions resulting from their past exercise, if the proxies were solicited by means of an untrue or misleading statement prohibited under AS 45.55.160; or

(2) bring an action in the superior court to enjoin the acts or practices and to enforce compliance with this chapter or regulation or order under this chapter, and upon a proper showing, the appropriate remedy must be granted and a receiver or conservator may be appointed for the defendant or the defendant's assets; the court may not require the administrator to post a bond.

(b) The administrator may issue an order against an applicant, registered person, or other person who knowingly or intentionally violates this chapter or a regulation or order of the administrator under this chapter, imposing a civil penalty of not more than \$2,500 for a single violation, or not more than \$25,000 for multiple violations, in a single proceeding or a series of related proceedings.

(c) For violations not covered by (b) of this section, the administrator may issue an order against an applicant, registered person, or other person who violates this chapter or a regulation or order of the

administrator under this chapter, imposing a civil penalty of not more than \$500 for a single violation, or not more than \$5,000 for multiple violations, in a single proceeding or a series of related proceedings.

(d) Before issuing an order under (a)(1), (b), or (c) of this section, the administrator shall give reasonable notice of and an opportunity for a hearing. However, the administrator may issue a temporary order under (a)(1) of this section pending the hearing, which remains in effect until 10 days after the hearing is held and which becomes final if the person to whom notice is addressed does not request a hearing within 15 days after the receipt of notice. (§ 308 ch 193 SLA 1959; am § 1 ch 126 SLA 1968; am § 1 ch 65 SLA 1981; am § 107 ch 16 SLA 1982; am § 2 ch 87 SLA 1988)

Sec. 45.55.130. [Renumbered as AS 45.55.990.]

Sec. 45.55.138. Application to Alaska Native Claims Settlement Act corporations. The initial issue of stock of a corporation organized under Alaska law pursuant to 43 U.S.C. 1601 — 1628 (Alaska Native Claims Settlement Act) is not a sale of a security under AS 45.55.070 and 45.55.130(10). (§ 6 ch 70 SLA 1972)

Cross references. — For purpose of 70, SLA 1972 in the Temporary and Special Acts. — For purpose of 70, SLA 1972 in the Temporary and Special Acts. — For purpose of 70, SLA 1972 in the Temporary and Special Acts. — For purpose of 70, SLA 1972 in the Temporary and Special Acts.

Sec. 45.55.139. Reports of corporations. A copy of all annual reports, proxies, consents or authorizations, proxy statements and other materials relating to proxy solicitations distributed, published or made available by any person to at least 30 Alaska resident shareholders of a corporation that has total assets exceeding \$1,000,000 and a class of equity security held of record by 500 or more persons and which is exempted from the registration requirements of AS 45.55.070 by AS 45.55.158, shall be filed with the administrator concurrently with its distribution to shareholders. (§ 1 ch 58 SLA 1977)

NOTES TO DECISIONS

Construction of common law prohibition of materially false and misleading statements. — For case construing common law prohibition of materially false and misleading statements in proxy solicitations. See *Brown v. Ward*, 593 P.2d 247 (Alaska 1979).

Sec. 45.55.140. [Renumbered as AS 45.55.900.]

Sec. 45.55.150. Filing of sales and advertising literature. The administrator may by regulation or order require the filing of a prospectus, pamphlet, circular, form letter, advertisement, or other sales literature, or advertising communication addressed or intended for distribution to prospective investors, including clients or prospective clients of an investment adviser. (§ 303 ch 198 SLA 1959; am § 12 ch 105 SLA 1961; am § 14 ch 86 SLA 1972)

Sec. 45.55.160. Misleading filings. A person may not, in a document filed with the administrator or in a proceeding under this chapter, make or cause to be made an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. (§ 304 ch 198 SLA 1959; am § 15 ch 86 SLA 1972)

CS FOR HOUSE BILL NO. 251(L&C)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 4/28/95
Referred: Rules

Sponsor(s): REPRESENTATIVES MOSES, MacLean, Williams, Kott

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the meetings, shareholder proposals, and removal of directors
2 of Native corporations."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 10.06.960 is amended by adding new subsections to read:

*Meeting & Shareholder
file vacant
Shareholder*

5 (1) Notwithstanding AS 10.06.405 and 10.06.465(c), special meetings of the
6 shareholders of a corporation organized under the act may only be called by

7 (1) the board;

8 (2) the chair of the board;

9 (3) the president;

*currently
10%*

10 (4) a petition or other request of the holders of not less than 15 percent
11 of all the shares entitled to vote at the meeting, if the corporation has 500 or more
12 shareholders;

*currently
10%*

13 (5) a petition or other request of the holders of not less than 25 percent
14 of all the shares entitled to vote at the meeting if the corporation does not have 500

1 or more shareholders; or

2 (6) other persons as may be authorized in the articles of incorporation
3 or the bylaws.

4 (m) In addition to the other requirements of this chapter, a written notice of
5 a petition or other request for a special meeting of shareholders under (l) of this
6 section shall be filed with the corporation before a person solicits support for the
7 petition or request. The notice must state in detail the purpose of the special meeting
8 and include a copy of the petition or request and all materials to be used in connection
9 with the solicitation concurrent with the distribution of the petition or request to
10 shareholders. A petition or request bearing the original signatures of the holders of the
11 requisite number of shares supporting the petition or request shall be filed with the
12 corporation within 180 days after the filing.

*Required as
by circumstances*

13 (n) The provisions of AS 10.06.460 do not apply to a corporation organized
14 under the act, if the corporation has adopted articles that provide for classification of
15 directors under AS 10.06.455, or if the corporation is allowed by sec. 57, ch. 82, SLA
16 1989, to provide in its bylaws for the classification of directors.

17 (o) A corporation that is organized under the act is not required to consider or
18 to submit to a vote of the shareholders a shareholder proposal that deals substantially
19 with the same subject matter as a proposal that was submitted to a vote of the
20 shareholders within the preceding year.

21 * Sec. 2. AS 45.55.990 is amended by adding a new paragraph to read:

22 (14) "proxy" includes a petition or other request for a special meeting
23 of shareholders under AS 10.06.960(m) and material distributed in connection with the
24 petition or request or with the solicitation of support for the petition or request.

SENATE BILL NO. 337

1 "An Act relating to the voting of shares in Native corporations."

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 * Section 1. AS 10.06.960 is amended by adding new subsections to read:

4 (j) Notwithstanding AS 10.06.420(d), 10.06.453(e), 10.06.455(b), and

5 10.06.460(a)(2), if a corporation was organized under the act and under
former

6 AS 10.05 before July 1, 1989, and if the corporation's bylaws, as the
bylaws existed

7 on June 30, 1989, provided for noncumulative voting by its shareholders, the
8 corporation may continue to operate without cumulative voting.

9 (k) Notwithstanding other provisions of this chapter to the contrary, a
10 governmental agency or entity may not exercise the voting privileges of the
stock of

11 a corporation organized under the act.

12 * Sec. 2. Section 10, ch. 166, SLA 1988, is amended by adding a new
subsection to read:

13 (d) Notwithstanding (a) of this section and AS 10.06.420(d),
10.06.453(e),

14 10.06.455(b), and 10.06.460(a)(2), an amendment to the articles of
incorporation of a

1 corporation organized under 43 U.S.C. 1601 - 1629e (Alaska Native Claims
Settlement

2 Act) and incorporated under former AS 10.05.005 to add a provision
prohibiting

3 cumulative voting may be adopted by the affirmative vote of a majority of
the shares

4 represented at a regular or special meeting at which a quorum is present in
person or

5 by proxy.

6 * Sec. 3. Section 58, ch. 82, SLA 1989, is amended to read:

7 Sec. 58. APPLICABILITY OF CUMULATIVE VOTING PROVISIONS TO

8 CERTAIN CORPORATIONS. Notwithstanding AS 10.06.420(d) and
10.06.460(a)(2),

9 and except as provided in AS 10.06.960(j), if a corporation is organized
under former

10 AS 10.05 and if the corporation's bylaws, as the bylaws exist immediately before

11 July 1, 1989, contain a provision that complies with former AS 10.05 and prohibits

12 cumulative voting, the corporation may continue to operate without cumulative voting

13 until July 1, 1994.

CSHB 251 (L&C): "An act relating to the meetings, shareholder proposals, and removal of directors of Native Corporations"

The department supports the primary intent of the proposed legislation as expressed by the bill's sponsors. Both the curtailment of disruptive, frivolous, and repetitive petition practices and the preservation of basic redress rights of 70,000 Alaska Native Settlement Act (ANCSA) shareholders are the paramount issues. While the department supports the overall concept of reducing disruptive repetitive petitioning practices, the provisions of section (n) need to be revisited as the ultimate bar to petition removal of directors by a majority of shareholders appears to be an unintended result and one that the department does not support.

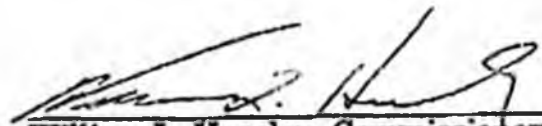
CSHB 251 requires that a meaningful number of shareholders be sought in any petition effort, either proposing advisory resolutions or seeking special meetings. Petitioners in corporations having 500 or more shareholders will need the support of 15% of the shareholders, and for those entities having less than 500 shareholders, 25% will be required. Establishment of these thresholds will help to eliminate frivolous petitions and will ensure that the issues presented are important to a fair number of shareholders. The corporation must be put on notice as to the particulars of the petition effort at the onset of the campaign, and solicitation materials must be filed with the corporation concurrent with their distribution to shareholders. This enables the corporation to monitor the activity and respond to allegations while also minimizing the risk of misinformation to shareholders. An overall time limit of 180 days is imposed to gather the requisite signatures so that the process does not drag on ad infinitum. For corporations having one million in assets and a class of shareholders of 500 or more, these materials will likewise be filed with the division under the terms and conditions of AS 45.55.139. Corporations under these size specifications are not required to file with the division, and CSHB 251 will impose a new requirement with respect to filing petitions and solicitation material with corporate offices which will not be duplicated by state filings.

A further provision of the bill designed to curb repetitive petitions will enable the corporation to decline to consider a shareholder proposal if substantially the same issue has been brought before the shareholders within the preceding year. Disputes arising with respect to the requisite signatures, time frames, or repetitive issues on filings with corporate offices will be subject to judicial resolution under private rights of action. The department, therefore, has submitted a zero fiscal note, believing that we will not be involved in any dispute resolution on these issues. It is expected that one party or the other will have to initiate litigation to effect enforcement of its relative position.

Section (n) of the bill which excuses corporations having adopted classification of directors (staggered terms) from the provisions of the existing corporate code allowing for "removal without cause" continues to be a concern to the department. This provision (which was not included in our suggested amendments) will result in what may be an unintended burden on shareholders. The Alaska Corporate Code has no provision for removal

**POSITION PAPER
CSHB 251 (L&C)
PAGE 2**

of directors for cause through a petition or special meeting process. In the absence of the "without cause" provision of the code, the remedy is "for cause" only and is statutorily limited to court action. Thus, shareholders will not be able to petition the removal of directors by vote for cause, but rather will need to establish cause under judicial standards. The department believes that the imposition of this standard solely may not have been intended, but the resultant court implications are a concern in that shareholders facing these costs may be effectively barred from initiating a removal action.



William L. Hensley, Commissioner
Date: 4/28/95

DRAFT

CSHB 251 (L&C) "An act relating to the meetings, shareholder proposals, and removal of directors of Native Corporations"

SUPPLEMENT TO POSITION PAPER DATED APRIL 28, 1995

The Department of Commerce and Economic Development, (department), has been asked to review and express its position on CSHB 251 (L&C) in the event that Section (n) of the bill is amended out. Section (n) exempts native corporation from the Alaska Corporation Code, AS 10.06 460, providing for removal of directors without cause. This exemption from Section 460 would result in a requirement that a court act to determine the existence of "cause" for the removal of any directors. 460 is also the section providing that a shareholder may request a recall resolution be placed on the ballot of an annual meeting. Both of these rights are of significant importance to shareholders.

There is a strong basis that congress, in forming native corporations under Alaska law, intended shareholders should have a strong voice in their corporation. At inception each registered native was issued 100 shares of stock evidencing their individual equity ownership. No director, employee or officer of a corporation was issued any more or less stock than any other shareholder nor was their equity value any different than that of any other shareholder. It is also clear that congress did not intend to establish a trust type structure where an isolated sheltered board would solely determine the destiny of all shareholders. It therefore must be concluded that if a majority percentage of the shareholders want a change in the board of directors it should occur. It is and should be the shareholders who determine who sits on these ANCSA boards. It is interesting to note that while Section AS 10.06.605(a) (current law) provides that 2/3 of the shares entitled to vote can voluntarily dissolve their entire corporation, with section "n", in place, no percentage, not even 100 percent could recall their directors without a substantial finding of cause.

If Section (n) becomes law, not only would native shareholders be unable to sell his or her inalienable shares but would also be severely restrained in the only redress remaining to them, the board removal processes assured under 10.06.460.

It is the opinion of the department that absent Section 10.06.960 (n), there exists sufficient alternate standards in CSHB 251 to reduce frivolous repetitive recall efforts that have been represented to cause a burden on corporate activity.

1. Section (1) provides that petitions for special meetings and/or recalls requires 15 percent of all shares entitled to vote for corporations of 500 or more shareholders and 25 percent for those under 500 shareholders. While the increase is not punitive it still compels a greater effort in time and expense to garner the minimum numbers and is indicative of meaningful concern.

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Page 1

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2. Section (m) not only requires a notice to be filed with the corporation, disclosing "all materials to be used" but also sets a time limit of 180 day for completion of the overall effort.

3. Section (o) limits shareholder proposals to once a year and precludes repetitive petitions on the same issues.

These three refinements will act to curtail disruptive, frivolous and repetitive petition practices and yet provide the essential element of representation for the shareholders, who are after all the actual owners of these corporations.

There is concern by some about allowing shareholders to request that a recall resolution be placed on the annual meeting agenda. In the past twenty years this provision in the corporate code has not presented a problem and the present sol? incidence at Sealaska Corporation does not establish a problem trend. As in any agenda item, management will have a statement in the proxy expressing its position. This may be a minor expense and unless there are widely known reasons for board recall the event will certainly be academic. If the subject of recall begs to be aired at a shareholder meeting, this would undoubtedly be the least threatening avenue to allow the minority to have a voice in the proceedings. Moreover, even if dissident shareholders require a recall resolution be presented yearly at the annual meeting that in itself will insure that the question will not arise again until at least the next annual meeting.

It is therefore the position of the department that the intent of the legislation to reduce disruptive, frivolous and repetitive recall practice would be accomplished without the provisions of Section "n" of CSHB 251 (L&B).

Attached is a table of comparison of ANCSA corporation, and Alaska corporations highlighting the variances.

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Page 2

DRAFT**ALASKA CORPORATION CODE****AS 10.06**

SUBJECT	ANCSA CORPORATIONS	ALL OTHER CORPORATIONS
Number of shareholders required to petition for a special meeting.	500 or more shareholders 15% Less than 500 shareholders 25%	10%
Amount of time required to secure signatures and present petitions.	180 days	NO TIME LIMIT
Prefile petition & material with corporation.	Prefile, with corporation, petition and all materials to be used in a solicitation	NO FILING OF ANY KIND REQUIRED
Provisions of <u>AS 10.06.460</u> (1) Removal of directors. (2) Inclusion of recall resolution at annual meeting	(1) Shareholders could <u>NOT</u> remove directors without a finding of CAUSE (2) Shareholder could <u>NOT</u> submit a recall resolution to be considered at the annual meeting. <u>[It is the position of the department that these provision are excessive and must be eliminated.]</u>	(1) DIRECTORS CAN BE REMOVED WITHOUT CAUSE (2) A shareholder can submit a recall resolution to be considered at the annual meeting.
Limit on subject matter to be submitted to a vote.	Corporation is not required to consider a subject that has been submitted to a vote within the preceding year.	NO LIMITATION
Another major difference with ANCSA stock but not part of CSHB 251		
Character of shareholder's stock.	ANCSA stock is inalienable and can not be sold, pledged, or otherwise encumbered.	NO STATUTORY RESTRICTIONS

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Page 3

RECEIVED
MAY 12 1995
Ans'd.....

CSHB 251 (L&C)
TABLE OF CORPORATE VARIANCES

ALASKA CORPORATION CODE
AS 10.06

SUBJECT	ANCSA CORPORATIONS	ALL OTHER CORPORATIONS
Number of shareholders required to petition for a special meeting.	500 or more shareholders 15% Less than 500 shareholders 25%	10%
Amount of time required to secure signatures and present petitions.	180 days	NO TIME LIMIT
Prefile petition & material with corporation.	Prefile, with corporation, petition and all materials to be used in a solicitation	NO FILING OF ANY KIND REQUIRED
Provisions of AS 10.06.460 (1) Removal of directors. (2) Inclusion of recall resolution at annual meeting	(1) Shareholders could <u>NOT</u> remove directors without a finding of CAUSE (2) Shareholder could <u>NOT</u> submit a recall resolution to be considered at the annual meeting. <u>[It is the position of the department that these provision are excessive and must be eliminated.]</u>	(1) DIRECTORS CAN BE REMOVED WITHOUT CAUSE (2) A shareholder can submit a recall resolution to be considered at the annual meeting.
Limit on subject matter to be submitted to a vote.	Corporation is not required to consider a subject that has been submitted to a vote within the preceding year.	NO LIMITATION
Another major difference with ANCSA stock but not part of CSHB 251		
Character of shareholder's stock.	ANCSA stock is inalienable and can not be sold, pledged, or otherwise encumbered.	NO STATUTORY RESTRICTIONS

Prepared by the DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT May 10, 1995

Post-It™ brand fax transmittal memo 7671 # of pages >

To <i>Re HB 251</i>	From <i>Kirkpatrick</i>
Co.	Co.
Dept.	Phone #
Fax #	Fax #

ALASKA

DEPARTMENT OF COMMERCE
AND ECONOMIC DEVELOPMENT

TONY KNOWLES, GOVERNOR

RECEIVED
MAY 12 1995
Ans'd.....

TELECOPIER TRANSMITTAL SHEET

Division of Banking, Securities and Corporations
P.O. Box 110807 (9th Floor State Office Bldg.)
Juneau, Alaska 99811-0807

Sharp FO-6100
(Automatic)
(907) 465-2549

DELIVER TO: Sandy N FROM: Willis K.

Our division has been a regulator over Native proxy
 matters for about 20 years - As such don't be surprised
 if both Shareholders and Management don't like
 us very much. (some what like police and domestic violence)

Number of pages INCLUDING transmittal sheet: _____ DATE: _____

OPERATOR: Willis TIME: _____

IF TELECOPY DOES NOT TRANSMIT PROPERLY, PLEASE CALL (907) 465-2521 IMMEDIATELY.

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING, SECURITIES AND CORPORATIONS
P.O. BOX 110807
JUNEAU, ALASKA 99811-0807
(907) 465-2521

**ALASKA NATIVE CLAIMS SETTLEMENT ACT
STATUTES AND REGULATIONS**

AS 45.55.138.139 - ANCSA CORPORATIONS.

3 AAC 08.305 - 3 AAC 08.365. Proxy Regulations.

Microfiche annual reports through 1987 for the 13 regional corporations are available from the University of Alaska, Anchorage, Arctic Environmental Information and Data Center, 707 A Street, Anchorage, Alaska 99501, 907/279-4523. Single corporation, \$35.00; all corporations, \$300.00.

Bahr, et al. v. Ward, 3AN-78-3037, Superior Court, Anchorage, 8/24/79 (unpublished). Non-Board proxy solicitations were false and misleading and failure to disclose source of funding for solicitation mailings was material.

Beasley v. Goldbelt, Inc., 1JU-91-587 (Consolidated Case), Superior Court, Juneau, 3-14-91. Re: AS 10.06.450(d). The question as to whether directors, shareholders, or candidates for board of directors have a right prior to election to obtain specific information from the management proxy, including the number of his/her "directed" votes was not ripe for review. Shareholders and directors are entitled to review corporate financial information which is in books and records of corporation and are entitled to review employment contracts and proposed land trade records.

Brown, et al. v. Ward, 593 P.2d 247 (Ak. 1979), [78-'81 T.B.] Blue Sky L. Rep. (CCH) ¶71,495; 20 ALR 4th 1272 (Annotation, pg. 1287). Court adopted materiality standard of T.S.C. Industries, Inc. v. Northway, Inc., 426 U.S. 438, 499, 48 L.Ed. 757, 766 (1976) for proxy solicitations.

Nooy v. Ukpeavik Inupiat Corp., 683 P.2d 260 (AK 1984). An ANCSA shareholder may be challenged for cause from sitting on a jury hearing a contract dispute between the corporation and an outside contractor.

Olsen, et al. v. Afomak Native Corporation, et al., [82-'84 T.B.] Blue Sky L. Rep. (CCH) ¶71,807 (1983). Superior Court, Third Judicial District. Proxy solicitation by management in connection with merger required timber asset valuation. Cited as to "materiality" Long, Blue Sky Law, 8.04[2](b) n. 8, pg. 8.37 (10-91).

Shareholders of Cook Inlet Region, et al. In the Matter of [78-'81 T.B.] Blue Sky L. Rep. (CCH) ¶71,451 (1978). Administrative Opinion. Respondents ordered to cease and desist from using a particular proxy solicitation and to submit proxy solicitations to the administrator for review prior to use.

Shareholders of Cook Inlet Region, et al. In the Matter of [78-'81 T.B.] Blue Sky L. Rep. (CCH) ¶71,455 (1978). Administrative Opinion. Parties agreed that proxy solicitation material would be submitted prior to use and its suitability would be ruled on within three days.

The Alaska Native Claims Settlement Act: An Illusion in the Quest for Native Self-Determination, 66 Or. L.R. 195 (1987), 23 pgs.

Price, A Moment in History: The Alaska Native Claims Settlement Act, 8 U.C.L.A. - Alaska Law Review 89 (Spring 1979)

Branson, Square Pegs in Round Holes: Alaska Native Claims Settlement Corporations Under Corporate Law, 8 U.C.L.A. - Alaska Law Review 103 (Spring 1979).

Waggaman, State Regulation of Proxies in Alaska Native Corporations, 12 UCLA-Alaska Law Review 69 (1982-1983).

<u>TOPIC</u>	<u>REGULATIONS/STATUTES</u>	<u>PAGE</u>	<u>PAGE/CCH#</u>
Board Solicitations	3 AAC 08.345		
Definitions	3 AAC 08.365		
Non-Board Solicitations	3 AAC 08.355		

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF BANKING, SECURITIES AND CORPORATIONS

TONY KNOWLES, GOVERNOR

P.O. BOX 110807
JUNEAU, ALASKA 99811-0807
Banking & Securities (907) 465-2521
Corporation Section (907) 465-2530

ANCHORAGE
Corporation Information (907) 563-2161
TDD: (907) 465-5437

April 19, 1995

The Honorable Pete Kott
House of Representatives
State Capitol
Juneau, AK 99801-1182

Dear Representative Kott:

Re: Division Draft Revisions to CS for
HB 251 as Requested

Willis Kirkpatrick, Director of the Division of Banking, Securities and Corporations, has reviewed proposed CSHB 251 with the staff and has asked that we prepare this correspondence and the enclosed proposed draft amended CSHB 251 for consideration by you and members of the Committee.

We have made an effort to digest the concerns and practical considerations expressed by the sponsors of HB 251. Both the curtailment of disruptive, frivolous, and repetitive petition practices and preservation of basic redress rights of 70,000 plus Alaska Native Settlement Act (ANCSA) shareholders are paramount. We recognize the considerable testimony already presented on the proposed legislation, and have attempted to identify and condense the language to some basic elements that will impact the problem without impeding legitimate shareholder curative processes.

Our proposed Committee Substitute focuses primarily on the threshold requirements for signatures on petitions and distinguishes between corporate entities having fewer than 500 shareholders and those having 500 or more shareholders. The required percentage of outstanding shares required to call special meetings in the former would be 25 percent, and be reduced to 15 percent in the latter. The threshold would be raised for ANCSA Corporate entities, and would require more meaningful effort and participation by shareholders seeking special meetings for whatever purpose.

The only other amendment that we would suggest is to adopt the proposed language that allows a corporation to reject a particular proposal if offered more than once annually. In such a manner, the Corporations are protected from addressing issues repeatedly in any given year while shareholders are guaranteed the right to petition for any particular issue at least once annually as they see fit under the existing Corporate code. We would not seek any other amendments to either the Alaska Corporate Code, Alaska Statute (AS) 10.06 (ACC), or the Alaska Securities Act AS 45.55 (ASA).

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To CH 251	From Kirkpatrick	
Co.	Co.	
Dept.	Phone #	
Fax #	Fax #	

The Honorable Pete Kott

-2-

April 19, 1995

We believe that these two elements are central to the issue of limiting frivolous petitions and curtailing disruptive processes while providing for essential Corporate governance. Elimination of all other amendments will simplify the administrative process, and avoid the necessity of submitting a fiscal note with the proposed legislation.

The division remains at the Committee's disposal to discuss these suggestions or any other recommendations effecting proposed HB 251, and we appreciate the opportunity to be heard on this matter.

Sincerely yours,



Lawrence P. Carroll
Acting Director
Division of Banking, Securities
and Corporations

LPC/go329.bsc

041795a

Enclosure

cc: William L. Hensley, Commissioner
Department of Commerce and
Economic Development

The Honorable Eileen MacLean
House of Representatives

The Honorable Carl E. Moses
House of Representatives

The Honorable Bill Williams
House of Representatives

CIRI
Sealaska

CSHB 251 ()
Section Analysis

Section 1

This section amends AS 10.06.480(a)(1) which holds directors liable for voting for or assenting to distributions to shareholders in excess of the amounts that could be made without violating sections of the Alaska Corporations Code (ACC) dealing with shareholders. This amendment adds reference to special meetings called pursuant to the new subsections added by Section 2 of this bill.

Section 2

This section amends AS 10.06.960 (Corporations organized under Alaska Native Claims Settlement Act) by adding two new subsections. The first subsection requires petitions for special meetings to contain signatures of 15% of all shares entitled to vote at the meeting if the corporation has 500 or more shareholders. Petitions for corporations with 499 or fewer shareholders would have to contain 25% of all shares entitled to vote at the meeting. The reasons for requiring a smaller percentage of shares for larger corporations are: (1) it would be prohibitively expensive to conduct a petition solicitation for large corporations with many shareholders, often including those living outside of Alaska, (2) a smaller percentage of a much larger number of shareholders equals a larger actual number of shareholders of the larger corporation signing petitions, and (3) the shareholders of small corporations often are geographically nearby, making it relatively easier to obtain signatures on a petition.

The second subsection limits to once within a 12-month period the requirement of corporations to submit to a vote shareholder proposals which deal with substantially the same subject matter. This prevents the disruption and expense of calling special meetings or otherwise voting on proposals which have already been dealt with during the previous 12 months. This subsection also addresses the time frame for solicitation of petitions for a special meeting, which was proposed in an earlier version of this bill. Specifically, this subsection makes moot any need to place additional restrictions on the time frame for solicitation, since the question can only come up once in a 12-month period. With the limitation on the ability to bring the same question before the shareholders, there is no further need to place a time limitation on the solicitation itself.

Section 3

This section adds two new paragraphs to the definition section of the Alaska Securities Act (ASA), AS 45.55.990. The first paragraph adds the definition of proxy, which conforms to the definition of proxy currently in related regulations, with the addition of defining the word "signed."

The second paragraph adds the definition of "consents or authorizations" found at AS 45.55.139, to include petitions and related materials. While we have always required petitions to be filed with us for corporations with more than 500 shareholders, this definition will clarify current practice for everyone.

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING, SECURITIES AND CORPORATIONS
SUGGESTED DRAFT REVISIONS

CS FOR HOUSE BILL NO. 251()

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MOSES, MacLean, Williams

A BILL

FOR AN ACT ENTITLED

"An Act relating to the meetings, shareholder proposals, and removal of directors of Native Corporations."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*Section 1. AS 10.06.480(a) is amended to read:

(a) In addition to other liabilities, a director is liable in the following circumstances unless the director complies with the standard provided in AS 10.06.450(b) for the performance of the duties of directors:

(1) A director who votes for or assents to a distribution to the corporation's shareholders contrary to the provisions of AS 10.06.358, AS 10.06.360, AS 10.06.363, or AS 10.06.365 or contrary to a restriction in the articles of incorporation, is liable to the corporation, jointly and severally with all other directors voting for or assenting to the distribution, for the amount of the distribution that is paid or the value of the assets that are distributed in excess of the amount of the distribution that could have been paid or distributed without violation of AS 10.06.405 - AS 10.06.438, AS 10.06.960(1), or the restrictions of the articles of incorporation.

**DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING, SECURITIES AND CORPORATIONS
SUGGESTED DRAFT REVISIONS**

(2) A director who votes for or assents to a distribution to the corporation's shareholders during the liquidation of the corporation without the payment and discharge of, or making adequate provision for, all known debts, obligations, and liabilities of the corporation is liable to the corporation, jointly and severally with all other directors voting for or assenting to distribution, for the value of the assets that are distributed, to the extent that the debts, obligations, and liabilities of the corporation are not thereafter paid and discharged.

(3) A director who votes for or assents to a loan of assets of the corporation to an officer or employee or a loan secured by the corporation's shares contrary to the provisions of AS 10.06.485 or contrary to a restriction in the articles of incorporation, is liable to the corporation, jointly and severally with all other directors voting for or assenting to the loan, for the amount of the loan that is in excess of a loan that could have been extended without a violation of AS 10.06.485 or the restriction in the articles of incorporation.

***Sec.2.** AS 10.06.960 is amended by adding new subsections to read:

(1) Notwithstanding AS 10.06.405 and AS 10.06.465(c), special meetings of the shareholders of a corporation organized under the Act may only be called by the board, the chair of the board, the president, a petition of the holders of not less than fifteen percent (15%) of all the shares entitled to vote at the meeting if the corporation has five hundred (500) or more shareholders, a petition of the holders of not less than twenty-five percent (25%) of all the shares entitled to vote at the meeting if the corporation has fewer than five hundred (500) shareholders, or other persons as may be authorized in the articles of incorporation or the bylaws.

**DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING, SECURITIES AND CORPORATIONS
SUGGESTED DRAFT REVISIONS**

(m) A corporation that is organized under the Act is not required to consider or submit to a vote of the shareholders a shareholder proposal that deals substantially with the same subject matter as a proposal that was submitted to a vote of, and voted upon by, the shareholders within the previous twelve (12) consecutive months preceding receipt of the proposal or the signed petitions calling for a vote on the proposal at a meeting.

* **Sec. 3.** AS 45.55.990 is amended by adding new paragraphs to read:

(14) "proxy" means a written authorization which may take the form of a consent, revocation of authority, or failure to act or dissent, signed by a shareholder or his attorney-in-fact and giving another person power to vote with respect to the shares of the shareholder; "signed" for the purpose of this paragraph means the placing of the shareholder's name on the proxy by manual signature by the shareholder or the shareholder's attorney-in-fact;

(15) "consents or authorizations" include a petition or other request for a special meeting of shareholders under AS 10.06.960(1) and material distributed in connection with the petition or request or with the solicitation of support for the petition or request;

LPC/gm 2/29/95
041995a

FISCAL NOTE

**DCED Work Draft
BILL NO. CSHB251**

**STATE OF ALASKA
1995 LEGISLATIVE SESSION**

Revision Date: _____
 Title: Native Corporations
 Sponsor: Representative Moses
 Requestor: _____

Department Affected: Commerce and Economic Development
 BRU: Banking, Securities and Corporations
 Component: Banking, Securities and Corporations
 COMPONENT SERIAL NO. 1233

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
-----------------------------	---	---	---	---	---	---

CHANGE IN REVENUES ()	0	0	0	0	0	0
-------------------------------	---	---	---	---	---	---

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 95) cost: \$ 0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Willis F. Kirkpatrick, Director
 Division: Banking, Securities and Corporations

Phone: 465-2521
 Date: _____

Approved by Commissioner: William L. Hensley
 Agency: Commerce and Economic Development

Date: _____

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MEMORANDUM

State of Alaska

TO: Willis F. Kirkpatrick
Director
Division of Banking, Securities and Corporations

DATE: May 8, 1995

FILE NO:

TELEPHONE NO: 907-465-2521

FROM: Lawrence P. Carroll
Senior Securities Examiner
Division of Banking, Securities and
Corporations
Department of Commerce and
Economic Development

SUBJECT: Kito Amendments CSHB 251

DRAFT

RECEIVED

MAY 12 1995

Ans'd.....

Per our discussion I have reviewed the faxed material from Julie Petro which included proposed amendments to CSHB 251 as passed by the House. The amendment package principally revises Section (n) which deals with the shareholders ability to remove directors. This proposal while improving CSHB 251 as passed by the house still falls short of restoring full shareholder rights enjoyed by the stockholders of any other Alaska Corporation. The operative provisions of AS 10.06.460 that would allow shareholders the right to petition removal for 'no cause' would still be suspended for all ANCSA shareholders as would their ability to have any type of recall resolution put on the management proxy for the annual meeting. The amendment is an attempt to allow shareholders the ability to 'petition' a "for cause" removal of one or more directors without the necessity of instituting suit to effect the removal. The narrowly described grounds for removal create a difference without distinction as there is little doubt that the Corporate boards subject to these petitions will routinely turn them down for insufficient grounds resulting in the necessity of shareholders to seek a court remedy anyway. Any scheme that places the burden of cause on ANCSA shareholders is inherently unfair and the resultant disparity of standards will effectively silence the dissent. Historically while no shareholders group has attained the simple majority of outstanding shares to remove a board some have come close and a strong effective message was sent to management that change was in order.

If one looks at the 'grounds' for removal enumerated in the amendment its clear that if such malfeasance existed on the part of a particular board member it would be incumbent on the remaining members of the board to take steps to affect the members removal sans shareholder petition. If in fact the described grounds were actually prevalent in a majority of the board no amount of petitioning by shareholders would ever result in such a board allowing the question to be put to a vote unless ordered by a court, who could an should order direct removal with no vote given the proper showing of evidence. Either way any type of 'for cause' provision will result in shareholders having to wind up in court which is an effective barrier when they are confronted with the costs and well financed opposition they will no doubt encounter.

The amendments the Division submitted in the House Labor and Commerce Committee hearings on this legislation seek the removal of section (n) in its entirety to insure a level playing field for shareholders of ANCSA corporations.

SAM
Kito ?

CSHB 251

Proposed Amendments

The attached proposed amendments to CSHB 251 amend AS 10.06.960(m), (n), and (o), all of which concern shareholders' resolutions. The proposed amendment permits petitions for removal as under current law, but only on the grounds of misconduct in office, incompetence, failure to perform prescribed duties, or failure to meet the qualifications to serve as a director. Except for the failure to meet the corporation's qualifications as a director, these grounds are identical to those allowed under AS 29.26.250 for recalling local officials. The grounds must be stated with particularity, as is the case with municipal recall petitions. The primary change is to section .960(n), which has been the subject of considerable discussion. The House Labor and Commerce Committee substitute, like the original version of the bill, would have eliminated removal of directors by shareholder vote in most Native corporations, requiring shareholders to file suit to remove directors on a narrow range of grounds. These amendments would restore the shareholders' right to vote on removal.

The voting standard for removal in the proposed amendment is identical to current law (AS 10.06.460(a)(2)); it protects the seats of minority directors by preventing removal as long as they have enough support from shareholders to get them elected through cumulative voting.

The proposed amendments to CSHB 251 are intended to balance the shareholders' rights to control their corporation with the legitimate needs of the corporation for stability and to be free from burdensome, repetitive, and frivolous removal demands.

(m) In addition to the other requirements of this chapter, a written notice of a petition or other request for a special meeting of shareholders under (l) of this section shall be filed with the corporation before a person solicits support for the petition or request. The notice must state in detail the purpose of the special meeting and, if the meeting is requested or petitioned for the purpose of removal of one or more of the directors, the grounds for removal, stated with particularity, and include a copy of the petition or request and all materials to be used in connection with the solicitation concurrent with the distribution of the petition or request to shareholders. A petition or request bearing the original signatures of the holders of the requisite number of shares supporting the petition or request shall be filed with the corporation within 180 days after the filing.

(n) Notwithstanding the [THE] provisions of AS 10.06.460, upon petition of the shareholders pursuant to AS 10.06.960(l), any or all of the directors may be removed by a vote of the outstanding voting shares at an annual or special meeting of shareholders. Grounds for removal are misconduct in office, incompetence, failure to perform prescribed duties, or failure to meet the qualifications to serve as a director of the corporation, as those qualifications may be established under AS 10.06.230(e)(4) by the corporation's bylaws [DO NOT APPLY TO A CORPORATION ORGANIZED UNDER THE ACT, IF THE CORPORATION HAS ADOPTED ARTICLES THAT PROVIDE FOR CLASSIFICATION OF DIRECTORS UNDER AS 10.06.455, OR IF THE CORPORATION IS ALLOWED BY SEC. 57, CH. 82, SLA 1989, TO PROVIDE IN ITS BYLAWS FOR THE CLASSIFICATION OF DIRECTORS]. Unless cumulative voting rights under As 10.06.420(d) have been eliminated by the articles of incorporation, a director may not be removed, unless the entire board is removed, if

the votes cast against removal would be sufficient to elect a director if voted cumulatively at an election at which the same total number of votes were cast.

(o) A corporation that is organized under the act is not required to consider or to submit to a vote of the shareholders a shareholder proposal that deals substantially with the same subject matter as a proposal that was submitted to a vote of the shareholders within the preceding year.

CS FOR HOUSE BILL NO. 251()
IN THE LEGISLATURE FOR THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE _____ COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MOSES, MacLean, Williams

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the meetings, shareholder proposals, and removal of directors of Native**
2 **corporations."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1. AS 10.06.960 is amended by adding new subsections to read:**

5 **(1) Notwithstanding AS 10.06.405 and 10.06.465(c), special meetings of the**
6 **shareholders of a corporation organized under the act may only be called by**

7 **(1) the board;**

8 **(2) the chair of the board;**

9 **(3) the president;**

10 **(4) a petition or other request of the holders of not less than 15 percent**
11 **of all the shares entitled to vote at the meeting, if the corporation has 500 or more**
12 **shareholders;**

1 (5) a petition or other request of the holders of not less than 25 percent
2 of all the shares entitled to vote at the meeting if the corporation does not have 500 or
3 more shareholders; or

4 (6) other persons as may be authorized in the articles of incorporation or
5 the bylaws.

6 (m) In addition to the other requirements of this chapter, a written notice of a
7 petition or other request for a special meeting of shareholders under (l) of this section
8 shall be filed with the corporation before a person solicits support for the petition or
9 request. The notice must state in detail the purpose of the special meeting and, if the
10 meeting is requested or petitioned for the purpose of removal of one or more of the
11 directors, the grounds for removal, stated with particularity, and include a copy of the
12 petition or request and all materials to be used in connection with the solicitation
13 concurrent with the distribution of the petition or request to shareholders. A petition or
14 request bearing the original signatures of the holders of the requisite number of shares
15 supporting the petition or request shall be filed with the corporation within 180 days after
16 the filing.

17 (n) Notwithstanding the provisions of AS 10.06.460, upon petition of the
18 shareholders pursuant to AS 10.06.960(l), any or all of the directors may be removed by
19 a vote of the outstanding voting shares at an annual or special meeting of shareholders.
20 Grounds for removal are misconduct in office, incompetence, failure to perform prescribed
21 duties, or failure to meet the qualifications to serve as a director of the corporation, as
22 those qualifications may be established under AS 10.06.230(e)(4) by the corporation's
23 bylaws. Unless cumulative voting rights under AS 10.06.420(d) have been eliminated by

1 the articles of incorporation, a director may not be removed, unless the entire board is
2 removed, if the votes cast against removal would be sufficient to elect a director if voted
3 cumulatively at an election at which the same total number of votes were cast.

4 (o) A corporation that is organized under the act is not required to consider or to
5 submit to a vote of the shareholders a shareholder proposal that deals substantially with
6 the same subject matter as a proposal that was submitted to a vote of the shareholders
7 within the preceding year.

April 19, 1995

The Honorable Pete Kott
House of Representatives
State Capitol
Juneau, AK 99801-1182

STATE OF ALASKA
DEPARTMENT OF COMMERCE
AND ECONOMIC DEVELOPMENT
BANKING AND SECURITIES
P O BOX 110807
JUNEAU AK 99811-0807
PHONE (907) 465-2521

Dear Representative Kott:

Re: Division Draft Revisions to CS for
HB 251 as Requested

Willis Kirkpatrick, Director of the Division of Banking, Securities and Corporations, has reviewed proposed CSHB 251 with the staff and has asked that we prepare this correspondence and the enclosed proposed draft amended CSHB 251 for consideration by you and members of the Committee.

We have made an effort to digest the concerns and practical considerations expressed by the sponsors of HB 251. Both the curtailment of **disruptive, frivolous, and repetitive** petition practices and preservation of basic redress rights of 70,000 plus Alaska Native Settlement Act (ANCSA) shareholders are paramount. We recognize the considerable testimony already presented on the proposed legislation, and have attempted to identify and condense the language to some basic elements that will impact the problem without impeding legitimate shareholder curative processes.

Our proposed Committee Substitute focuses primarily on the threshold requirements for signatures on petitions and distinguishes between corporate entities having fewer than 500 shareholders and those having 500 or more shareholders. The required percentage of outstanding shares required to call special meetings in the former would be 25 percent, and be reduced to 15 percent in the latter. The threshold would be raised for ANCSA Corporate entities, and would require more meaningful effort and participation by shareholders seeking special meetings for whatever purpose.

The only other amendment that we would suggest is to adopt the proposed language that allows a corporation to reject a particular proposal if offered more than once annually. In such a manner, the Corporations are protected from addressing issues repeatedly in any given year while shareholders are guaranteed the right to petition for any particular issue at least once annually as they see fit under the existing Corporate code. We would not seek any other amendments to either the Alaska Corporate Code, Alaska Statute (AS) 10.06 (ACC), or the Alaska Securities Act AS 45.55 (ASA).

We believe that these two elements are central to the issue of limiting frivolous petitions and curtailing disruptive processes while providing for essential Corporate governance. Elimination of all other amendments will simplify the administrative process, and avoid the necessity of submitting a fiscal note with the proposed legislation.

The division remains at the Committee's disposal to discuss these suggestions or any other recommendations effecting proposed HB 251, and we appreciate the opportunity to be heard on this matter.

Sincerely yours,

Lawrence P. Carroll
Acting Director
Division of Banking, Securities
and Corporations

LPC/go329.bsc

041795a

Enclosure

cc: William L. Hensley, Commissioner
Department of Commerce and
Economic Development

The Honorable Eileen MacLean
House of Representatives

The Honorable Carl E. Moses
House of Representatives

The Honorable Bill Williams
House of Representatives

CIRI
Sealaska

FISCAL NOTE

DCED Work Draft
BILL NO. CSHB251

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Revision Date: _____
Title: Native Corporations
Sponsor: Representative Moses
Requestor: _____

Department Affected: Commerce and Economic Development
BRU: Banking, Securities and Corporations
Component: Banking, Securities and Corporations
COMPONENT SERIAL NO. 1233

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
-----------------------------	---	---	---	---	---	---

CHANGE IN REVENUES ()	0	0	0	0	0	0
-------------------------------	---	---	---	---	---	---

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GFMHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 95) cost: \$ 0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: William E. Kirkpatrick, Director
Division: Banking, Securities and Corporations

Phone: 465-2521
Date: _____

Approved by Commissioner: William L. Hensley
Agency: Commerce and Economic Development

Date: _____

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DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING, SECURITIES AND CORPORATIONS
SUGGESTED DRAFT REVISIONS

CS FOR HOUSE BILL NO. 251()

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MOSES, MacLean, Williams

A BILL

FOR AN ACT ENTITLED

"An Act relating to the meetings, shareholder proposals, and removal of directors of Native Corporations."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*Section 1. AS 10.06.480(a) is amended to read:

(a) In addition to other liabilities, a director is liable in the following circumstances unless the director complies with the standard provided in AS 10.06.450(b) for the performance of the duties of directors:

(1) A director who votes for or assents to a distribution to the corporation's shareholders contrary to the provisions of AS 10.06.358, AS 10.06.360, AS 10.06.363, or AS 10.06.365 or contrary to a restriction in the articles of incorporation, is liable to the corporation, jointly and severally with all other directors voting for or assenting to the distribution, for the amount of the distribution that is paid or the value of the assets that are distributed in excess of the amount of the distribution that could have been paid or distributed without violation of AS 10.06.405 - AS 10.06.438, ~~AS 10.06.360(1)~~, or the restrictions of the articles of incorporation.

**DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING, SECURITIES AND CORPORATIONS
SUGGESTED DRAFT REVISIONS**

(2) A director who votes for or assents to a distribution to the corporation's shareholders during the liquidation of the corporation without the payment and discharge of, or making adequate provision for, all known debts, obligations, and liabilities of the corporation is liable to the corporation, jointly and severally with all other directors voting for or assenting to distribution, for the value of the assets that are distributed, to the extent that the debts, obligations, and liabilities of the corporation are not thereafter paid and discharged.

(3) A director who votes for or assents to a loan of assets of the corporation to an officer or employee or a loan secured by the corporation's shares contrary to the provisions of AS 10.06.485 or contrary to a restriction in the articles of incorporation, is liable to the corporation, jointly and severally with all other directors voting for or assenting to the loan, for the amount of the loan that is in excess of a loan that could have been extended without a violation of AS 10.06.485 or the restriction in the articles of incorporation.

***Sec.2.** AS 10.06.960 is amended by adding new subsections to read:

(1) Notwithstanding AS 10.06.405 and AS 10.06.465(c), special meetings of the shareholders of a corporation organized under the Act may only be called by the board, the chair of the board, the president, a petition of the holders of not less than fifteen percent (15%) of all the shares entitled to vote at the meeting if the corporation has five hundred (500) or more shareholders, a petition of the holders of not less than twenty-five percent (25%) of all the shares entitled to vote at the meeting if the corporation has fewer than five hundred (500) shareholders, or other persons as may be authorized in the articles of incorporation or the bylaws.

**DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING, SECURITIES AND CORPORATIONS
SUGGESTED DRAFT REVISIONS**

(m) A corporation that is organized under the Act is not required to consider or submit to a vote of the shareholders a shareholder proposal that deals substantially with the same subject matter as a proposal that was submitted to a vote of, and voted upon by, the shareholders within the previous twelve (12) consecutive months preceding receipt of the proposal or the signed petitions calling for a vote on the proposal at a meeting.

* **Sec. 3.** AS 45.55.990 is amended by adding new paragraphs to read:

(14) "proxy" means a written authorization which may take the form of a consent, revocation of authority, or failure to act or dissent, signed by a shareholder or his attorney-in-fact and giving another person power to vote with respect to the shares of the shareholder; "signed" for the purpose of this paragraph means the placing of the shareholder's name on the proxy by manual signature by the shareholder or the shareholder's attorney-in-fact;

(15) "consents or authorizations" include a petition or other request for a special meeting of shareholders under AS 10.06.960(1) and material distributed in connection with the petition or request or with the solicitation of support for the petition or request;

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041796a

CSHB 251 ()
Section Analysis

Section 1

This section amends AS 10.06.480(a)(1) which holds directors liable for voting for or assenting to distributions to shareholders in excess of the amounts that could be made without violating sections of the Alaska Corporations Code (ACC) dealing with shareholders. This amendment adds reference to special meetings called pursuant to the new subsections added by Section 2 of this bill.

Section 2

This section amends AS 10.06.960 (Corporations organized under Alaska Native Claims Settlement Act) by adding two new subsections. The first subsection requires petitions for special meetings to contain signatures of 15% of all shares entitled to vote at the meeting if the corporation has 500 or more shareholders. Petitions for corporations with 499 or fewer shareholders would have to contain 25% of all shares entitled to vote at the meeting. The reasons for requiring a smaller percentage of shares for larger corporations are: (1) it would be prohibitively expensive to conduct a petition solicitation for large corporations with many shareholders, often including those living outside of Alaska, (2) a smaller percentage of a much larger number of shareholders equals a larger actual number of shareholders of the larger corporation signing petitions, and (3) the shareholders of small corporations often are geographically nearby, making it relatively easier to obtain signatures on a petition.

The second subsection limits to once within a 12-month period the requirement of corporations to submit to a vote shareholder proposals which deal with substantially the same subject matter. This prevents the disruption and expense of calling special meetings, or otherwise, voting on proposals which have already been dealt with during the previous 12 months. This subsection also addresses the time frame for solicitation of petitions for a special meeting, which was proposed in an earlier version of this bill. Specifically, this subsection makes moot any need to place additional restrictions on the time frame for solicitation, since the question can only come up once in a 12-month period. With the limitation on the ability to bring the same question before the shareholders, there is no further need to place a time limitation on the solicitation itself.

Section 3

This section adds two new paragraphs to the definition section of the Alaska Securities Act (ASA), AS 45.55.990. The first paragraph adds the definition of proxy, which conforms to the definition of proxy currently in related regulations, with the addition of defining the word "signed."

The second paragraph adds the definition of "consents or authorizations" found at AS 45.55.139, to include petitions and related materials. While we have always required petitions to be filed with us for corporations with more than 500 shareholders, this definition will clarify current practice for everyone.



Official Business

Alaska State Legislature

Chairman - International Trade & Tourism

REPRESENTATIVE
BEVERLY MASEK

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State Capitol
Juneau, AK 99801-1182
(907) 465-2679

COMMITTEES
Vice-Chairman Transportation
Member
Labor & Commerce

MEMORANDUM

TO: MEMBERS OF HOUSE LABOR & COMMERCE
FROM: REP. BEVERLY MASEK
DATE: May 1, 1995
RE: CSHB 251

After being tabled CSHB 251 was amended and moved from Committee. While I respect the right of the Committee to take such action, I am disappointed in the manner in which it occurred.

Evidently those members in support of moving the bill were contacted, however I was not notified CSHB 251 was coming up for action. Neither was I given a copy of amendments or the CS. The dozens of local representatives of the shareholders opposed to this bill were not notified or given copies either. Banking and Securities was given less than 20 minutes notice of the intent to address the bill. At least they were notified.

I have reviewed the changes and while they make the bill less restrictive in minor ways, the major threat to shareholders remains in the body of the bill. By leaving subsection (n) in CSHB 251, the Committee indicated through non-objection, either their ignorance or approval of a policy change which, in effect eliminates the ability of shareholders to remove their corporate directors. (see attached Banking and Securities documents). Under Subsection (n), shareholders may not remove a director without cause. As you know the legal standards for cause are very narrow.

It is for precisely this reason the legislature in 1988, enacted AS 10.06.460: to give shareholders the ability to vote out of office those officers with whom they are unhappy.

The only statute addressing cause (AS 10.06.463) requires court removal. Obtaining standing and the necessary expense for this remaining remedy will be next to impossible for shareholders. Therefore what the Committee has done is leave in place for all other corporations the ability to vote out officers but, they have taken away the provision for Native Corporations. These shareholders, unlike other corporate shareholders, cannot sell their stock. I am one of those shareholders so I know their situation. Not only are we locked into our corporation, the Labor and Commerce Committee has thrown away the key to change.

I intend to make all these points on the floor if CSHB 251 should get there. I also intend to take exception to the technical procedures used by the Committee in resurrecting the bill and adopting amendments. The tape of the proceedings is very confusing and at least some motions were improperly stated. I am also told at least one member was there who wished not to be shown as present and may not have signed the Committee report.

To say I am disappointed in how all this came about may be an understatement. I am both incensed and embarrassed that a legislative process claiming to be open to the public would use such irresponsible tactics. It is apparent to me the Chair did not want those opposed to this bill present to give testimony on the CS nor, did he want anyone to know what he was about to do until just before he did it.

I have apologized to the shareholders and encouraged them to not give up on trying to use the system to protect their rights.

cc: Speaker Phillips
Majority Leader Vezey
Representative Moses

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF BANKING, SECURITIES AND CORPORATIONS

April 27, 1995

The Honorable Beverly Masek
House of Representatives
State Capitol
Juneau, AK 99801-1182

Dear Representative Masek:

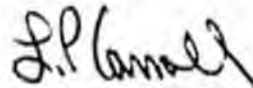
Re: Response to Information Request CSHB 251

Pursuant to your April 26, 1995, memorandum requesting additional information on CSHB 251, we enclose, herewith, as requested, a copy of the original executed fiscal note submitted March 24, 1995, in conjunction with CSHB 251. In addition, we furnish a copy of our transmittal letter of April 19, 1995, together with the division's draft recommendations and accompanying draft fiscal note. Finally, we also enclose a zero fiscal note dated April 28, 1995, as requested by the House Labor and Commerce Committee in response to CSHB 251(L&C) as amended, and passed out of the Committee on April 27, 1995.

You have also requested an analysis on the effect of CSHB 251(L&C) on the ability of shareholders to petition for the recall of directors, and whether such ability is unique with respect to other Alaska Corporate entities. Section "N," of proposed CSHB 251, excuses ANCSA Corporations, who have adopted staggered terms of office for their directors (most have), from the provisions of Alaska Statute (AS) 10.06.460, providing among other things for the recall of directors without cause. The ultimate result of this provision is that for these corporations' directors may be removed then, for cause only. The only provision for removal for cause is found at AS 10.06.463, and provides for court removal. Thus, shareholders seeking removal will need to bring Court action and meet judicial standards to affect removal of one or more directors. The inability to petition and recall a board with a majority vote will be unique to ANCSA corporations only.

We trust that this information is responsive to your request, and that you will not hesitate to contact this office if we may offer any further information or assistance.

Very truly yours,



Lawrence P. Carroll
Senior Securities Examiner

LPC/go349.bsc
042795a

Enclosures: Draft transmittal of April 19, 1995
Original Fiscal Note of March 24, 1995
New Zero Fiscal Note of April 28, 1995

RECEIVED
APR 27 1995
TONY KNOWLES, GOVERNOR

P.O. BOX 110807
JUNEAU, ALASKA 99811-0807
Banking & Securities (907) 465-2521
Corporation Section (907) 465-2530

ANCHORAGE
Corporation Information (907) 563-2161
TDD: (907) 465-5437

**THE DUAL POLITICAL STATUS
OF ALASKA NATIVES
UNDER U.S. POLICY**

by
Thomas A. Morehouse
Professor of Political Science
Institute of Social and Economic Research
University of Alaska Anchorage

Supported by
The Henry M. Jackson Foundation

Anchorage, Alaska

March 1992


This publication is printed on recycled paper.

ACKNOWLEDGMENTS

David Case, Lee Gorsuch, Gerald McBeath, and George Irvin provided valuable comments on previous drafts of this paper. I am solely responsible, however, for interpretation, conclusions, and any remaining errors.

Thomas Morehouse

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INTRODUCTION

Alaska Natives hold a complex, dual political status, as both U.S. citizens and aboriginal Americans. Just what that dual status entails is uncertain and controversial. But it is clearly a tool Alaska Natives can use to help change policy and increase self-determination.

This paper examines the political status of Alaska Natives. One objective of the paper is to show why Alaska Natives can claim both special status under federal Indian law and policy as well as equal status with all other citizens under federal and state law. Another objective is to explain why Natives' special status is so intensely disputed, particularly by Alaska state government and some of the non-Native interests it represents. A third objective is to explore the consequences of dual status for current policies and programs affecting Alaska Natives: tribal status and powers, village and regional governance, village services, and subsistence. The concluding section of the paper describes issues related to those policies and programs, and raises specific questions that could help guide policymakers.

Courts, legislators, and executives disagree about the rights, status, and powers of Alaska Natives. The Alaska Supreme Court has said that, except for the Metlakatla Indian Community, there are no Native tribes in Alaska possessing inherent powers of self-government or tribal sovereignty (*Native Village of Stevens v. Alaska Management and Planning* 1988). The U.S. Ninth Circuit Court of Appeals, on the other hand, says that most of Alaska's Native villages may be tribes with inherent governmental powers (*Native Village of Noatak v. Hoffman* 1990; *Native Village of Tyonek v. Puckett* 1992).

The U.S. Congress, in the Alaska National Interest Lands Conservation Act of 1980, said that Natives and other rural residents of Alaska should have a "subsistence preference" for harvesting fish and wildlife when these resources are in short supply. The Alaska Legislature, in 1990, disagreed. After the Alaska Supreme Court decided that a preference based on rural residence was unconstitutional, the legislature refused to place a rural preference amendment to the state constitution on the election ballot.

In 1990, Governor Steve Cowper issued an administrative order directing that Alaska's villages should be treated as tribes with certain sovereign governmental powers, limited mainly to control of their internal affairs (State of Alaska 1990). Contradicting the Alaska Supreme Court, he included powers that the court had explicitly denied existed. Then, in 1991, Cowper's successor, Governor Walter Hickel, revoked Cowper's administrative order with an order of his own, declaring that "Alaska is one country, one people. The State of Alaska opposes expansion of tribal governmental powers and the creation of 'Indian Country' in Alaska" (State of Alaska 1991).

Which of these conflicting positions authoritatively describes the current political status of Alaska's approximately 200 Native villages? Paradoxically, they all do. In questions of Indian policy in the United States, history and politics have conspired with the legal system to defy consistent, straightforward answers. Moreover, Alaska Natives represent an unusually complicated case in the larger context of American Indian policy.

The complexities of Indian policy arise not just from the convolutions of the American political and legal systems or the creative imaginations of lawyers. It is primarily the body of American Indian law itself, as it has evolved during two centuries, that provides the basis for contradictory opinions about the political status of Alaska Natives and Native Americans generally. Indian law is not unique in this regard; American law abounds in contradictions. Yet, Indian law represents an extremely volatile case. This is so because contemporary Indian law is the product of many abrupt and dramatic changes in the relationship between America's aboriginal peoples and the Euro-Americans who took the continent away from them.

EVOLUTION OF U.S. INDIAN POLICY

Native Americans were originally independent, self-sufficient tribal peoples. European colonial and then U.S. government authorities recognized many tribes as politically independent nations. Based on their different territorial interests and relationships with the major combatants, Indian tribes took different sides in the wars between the colonial powers and in the war for American independence. Tribes were also strong defenders of their territories, especially during the early years of European settlement (Jennings 1975; Josephy 1976). In part because tribes for a time had the physical power to resist invading settlers (in the west, well into the nineteenth century), colonial and U.S. authorities dealt with them "government-to-government." Another rationale for attributing sovereign governmental status to the Indian tribes was provided in early American legal doctrine.

At the foundation of American Indian law lies the "Marshall trilogy" (Wilkinson 1987:24; Smith and Kancewick 1990:474-476; Berger 1985:121-124). Chief Justice John Marshall wrote three decisions for the U.S. Supreme Court in the 1820s and 1830s that established the principles of aboriginal land title, the federal trust responsibility, and inherent governmental powers of Indian tribes. These decisions continue to shape American Indian law and policy today (Case 1984:3-6).

The first decision was *Johnson v. McIntosh* in 1823. In this case, Marshall held that although tribes might sell or otherwise transfer Indian lands to non-Indians, the courts would recognize only those transfers made to the federal government. In the absence of such recognized conveyances, the occupying tribes retained "aboriginal title" to their lands. This was a title subject to disposition only by the federal government.

Marshall based his argument for aboriginal title on the "rule of discovery," an international legal principle derived from the historical practices of European "discovering nations." In order to control competition among themselves, those nations agreed to recognize each others' "first discovery" claims on various parts of the western hemisphere. Although the Indian tribes of course were not parties to the Europeans' agreements, the legal theory was that the tribes held rights of first possession, and that these rights could be transferred, changed, or extinguished only by the affected discovering nation. This remains the basic limitation distinguishing "aboriginal" title from conventional forms of land ownership today.

The second decision of the Marshall court was *Cherokee Nation v. Georgia* in 1831. This case arose because the State of Georgia asserted jurisdiction over the Cherokees and seized lands reserved to the tribe by treaties with the United States. Marshall's decision focused on the nature of the relationship of Indians to the U.S. government. He wrote that although Indian tribes could not properly be considered "foreign nations," they should be deemed "domestic dependent nations.... Their relation to the United States resembles that of a ward to his guardian.... They look to our government for protection; rely upon its kindness and power; appeal to it for relief to their wants; and address the president as their great father." Again drawing on international law and practice, Marshall laid down the principle of the trust relationship—the legal and moral responsibility of the federal government to protect the vital interests of "dependent sovereign" tribes.

Chief Justice Marshall made his third and most comprehensive statement about the political status of Indian tribes in the case of *Worcester v. Georgia* in 1832. This decision recognized inherent powers of Indian self-government. Samuel Worcester was a politically active missionary on the side of the Cherokees in their struggle with the State of Georgia over control of their lands. Desiring to put a stop to Worcester's activities, state officials arrested him, found

him guilty of residing on Cherokee land without a permit or an oath of loyalty to the state, and sentenced him to four years at hard labor. The Marshall court ruled that Georgia's law was "repugnant to the constitution, treaties, and laws of the United States" because it interfered with the federal government's exclusive relationship with the Cherokee tribe, a relationship guaranteed by the supremacy and commerce clauses of the U.S. constitution.

Marshall's *Worcester* opinion reviewed the discovery rule and aboriginal title, the history of contact with the Indian tribes, and the trust relationship between the tribes and the U.S. government. He noted that the U.S. constitution gave Congress exclusive power to make treaties and to regulate commerce with the Indian tribes, and that constitutional treaties and acts were the supreme law of the land. Having established the principle of federal supremacy in Indian affairs, he went on to the question of tribal sovereignty:

The Indian nations had always been considered as distinct, independent political communities, retaining their original natural rights, as the undisputed possessors of the soil, from time immemorial, with the single exception of that imposed by irresistible power....The very fact of repeated treaties with [the Indians recognized their entitlement to self-government]; and the settled doctrine of the law of nations is that a weaker power does not surrender its independence—its right to self government, by associating with a stronger, and taking its protection.

The tribes, in other words, retained "dependent" sovereignty—their original powers as separate nations—except as these powers were limited by the tribes' association with the United States. "Sovereignty," therefore, is not an absolute. It is rather a dynamic and relative condition of self-government, and it is subject to redefinition and adjustment as relationships between tribes and the U.S. government change (Case 1984:435).

The Marshall Court laid down the principles of aboriginal title, federal trust, and inherent powers, but the real political status of the Indian tribes would be more directly determined by the overwhelming force of superior power. Upon hearing of the *Worcester* decision, President Andrew Jackson, who had risen in national politics partly on his reputation as an Indian fighter, reportedly said "John Marshall has made his judgment, now let him enforce it." Whether Jackson actually said this or not, the statement accurately shows where he stood on the issues of Indian sovereignty and the federal trust responsibility (Prucha 1985:14-16). The State of Georgia in fact rejected Marshall's decision in the *Worcester* case, and the Reverend Worcester served out his sentence.

Marshall's decisions established the basic rules, but political action and the use of force determined the outcomes. In nineteenth century America, the combined ideologies of capitalism, Christianity, racial and cultural superiority, and Manifest Destiny provided justifications for the guile and the force used to suppress and often destroy the Indian tribes.

After the Civil War, the last of the western tribes were conquered, subdued, and forced onto ever smaller reservations. Now all of the tribes were under federal control. Because of the defenseless condition to which most of them had been reduced, they were under federal protection as well. Although still termed "government-to-government," the relationships between federal authorities and tribes had degenerated to that of a superior power attending to defeated and demoralized subjects. Federal troops put down the last of the organized Indian resistance by the end of the century.

Around this time, many tribes lost most of what was left of their reservation lands under the notorious allotment policy authorized by the Dawes Act of 1887. This act was finally to solve the "Indian problem" by breaking up the reservations and distributing tribal lands to individual Indians who, as private land owners, would eventually enter the mainstream society and economy (Dippie 1982:161-176). Between 1887 and 1934, when the Indian Reorganization Act ended the discredited allotment program, Indian landholdings fell from 138 million to 48 million acres, a loss of 90 million acres or two-thirds of all Indian lands.

By the end of the nineteenth century, assimilation policy had generally replaced physical force as the principal means of controlling the tribes. Bureau of Indian Affairs boarding schools were the main assimilative institutions and BIA superintendents the reigning powers on the reservations. "Industrial education" was to provide young Indians with skills needed to enter the bottom ranks of a rapidly industrializing society, and Native languages and religions were to be eradicated. Like the waves of European immigrants flowing into the country at about the same time, Indians were to be "Americanized." It was not until the Indian Citizenship Act of 1924, however, that Indians (including Alaska Natives) who had not previously been made citizens under specific treaties and statutes were granted United States citizenship.

Franklin Roosevelt's New Deal in the 1930s included a new deal for Indians. Social and economic conditions on the reservations, which had continued to deteriorate, were documented by the Brookings Institution in the Meriam Report of 1928. John Collier, the new head of the Bureau of Indian Affairs, was determined to change all this, and he had the President's support (Dippie 1982:297-321).

At the urging of the Roosevelt Administration, Congress passed the Indian Reorganization Act of 1934 (which was fully extended to Alaska in 1936). The act ended the break-up of reservations and allotment of lands, which Collier had previously suspended by administrative order. It also provided new protections for trust lands, encouraged tribes to adopt constitutions for self-government, and authorized federally-chartered corporations and funds to support tribal economic development.

A number of tribes, understandably distrustful of federal authorities, rejected the IRA as a continuation of BIA paternalism and assimilation in a new form, but more of them accepted the new program (Dippie 1982:318-319). Overall, the IRA probably did more to reinforce the idea of Indian self-government through formal recognition of tribal powers than it did to improve social and economic conditions on the reservations (Gross 1989:20; Wilkinson 1987:68).

Another reversal of federal Indian policy occurred after World War II. Arguing that Indians should be "freed" of all federal supports and controls, in 1953 Congressional opponents of the reservation system, the trust relationship, and special status for Indians won passage of House Concurrent Resolution 108 (Gross 1989:21-23). The resolution called for an end to the trust relationship and the "termination" of tribes. Under the new termination policy, tribal lands once again were to be broken up and transferred to private groups and individuals. All special federal programs for tribes and individual Indians were to be eliminated. State government powers were to be imposed on all Indians and their reservations. Also in 1953, Public Law 280 extended state criminal and civil jurisdiction over "Indian country"—generally, Indian reservations—in specified states. (In 1958 this law was extended to Alaska.)

P.L. 280, not federal termination of tribes, may be the most important legacy of the termination policy of the 1950s. Congress passed legislation terminating more than 100 tribes or tribal groups, but many of them have since been restored to tribal status and the trust relationship (Gross 1989:22-23). The termination policy itself was terminated. Congress abandoned HCR 180 (though the resolution was never officially rescinded), and yet another new federal policy, "self-determination," emerged in the late 1960s and the 1970s.

The self-determination era of federal Indian policy has emphasized powers of tribal self-government in a number of Congressional acts, presidential pronouncements, and judicial decisions (Gross 1989). In 1968, Congress passed the Indian Civil Rights Act, requiring tribal governments to observe the principles of the Bill of Rights, and amending P.L. 280, prohibiting further extensions of state jurisdiction in "Indian country" without tribal consent.

The legislative centerpiece of the new policy was the Indian Self-Determination and Education Assistance Act of 1975, Congress's clearest rejection of termination policy. This act (referred to as "638" because it was enacted as Public Law 93-638) reaffirms the trust relationship and special federal programs for Indians. These programs generally were expanded during the 1970s. Most important, the Self-Determination Act also encourages tribes to take over the planning and administration of Indian programs under contracts with federal agencies.

In 1978, Congress passed the Indian Child Welfare Act, which strengthens tribal control over adoption and guardianship of Indian children. Other legislation in the 1970s, when Indian self-determination policy reached its high point, included measures to support Indian economic development, health care, and educational programs.

All of this legislation explicitly included Alaska Native villages as "tribes"—for the specific purposes of these legislative acts. This qualification is important because it implies that Congress, which is the ultimate authority in Indian affairs, has not spoken unequivocally or unconditionally about the tribal status and powers of Alaska Natives (State of Alaska 1986:57ff.).

More generally, this is also a reminder that federal Indian policy—a cumulative product of changing times and different legislative, executive, and judicial arenas—has never pointed clearly in any one direction, whether toward separatism, assimilation, or self-determination.

Congress was the main arena of Indian policymaking in the 1970s. In the 1980s, the federal judiciary became relatively more important as Congressional activism receded. As a "political" institution, Congress can define broad problems and goals, such as "Indian self-determination," and adopt general courses of action. Courts, on the other hand, typically focus on specific problems laid before them, and, although there are many exceptions to the rule, they generally like to avoid venturing too far from established law and precedent in their decisions.

In a policy area like Indian law, where many different and inconsistent statutes have been enacted over the years, court decisions, too, will give conflicting answers to questions about tribal status and powers. These include questions about changes in aboriginal land title, the extent of Indian hunting and fishing rights, the relative jurisdictions of tribal and state courts, and limits of tribal and state tax powers, among many others. Thus, when the initiative in Indian policy passed from Congress to the courts in the 1980s, policymaking tended to become relatively more disjointed and piecemeal, and the inconsistencies and conflicts in Indian law were highlighted once again.

University of Colorado law professor Charles Wilkinson describes this evolution of federal Indian policy in the following way:

Inevitably, Indian policy has been cyclic. This is due in part to the sheer length of time during which it has been made. Even more fundamentally, federal Indian policy has always been the product of the tension between two conflicting forces—separatism and assimilation—and Congress has never made a final choice as to which of the two it will pursue. Thus the laws are not only numerous; they are also conflicting, born of the explicit regimen and implicit tone of the eras in which they were enacted (Wilkinson 1987:13).

The current policy of self-determination says that tribes are to some extent sovereign as well as dependent. It says that all Native Americans, including Alaska Natives, are equal citizens under the law and, at the same time, it says that they are a distinct group of Americans with special political status under a unique set of laws. The law says that Native Americans can have collective, aboriginal title to tribal land and special rights to hunt and fish but, like other Americans, they can also have individual and corporate ownership of private land and resources. The law further says that, like Americans generally, Native Americans have access to federal programs, but that they also have additional, exclusive rights to programs enacted especially for Indians.

Self-determination policy gives Native Americans choices about all these matters and, in doing so, the policy often sounds unsure and ambivalent. Further, despite the broad range of choices legally provided, Native American tribal communities have derived limited benefits from these choices.

The contemporary record of Indian policy is one of ambiguity and contradiction. Yet, this record also indicates that federal courts have preserved the special political status of Indian tribes, or what Wilkinson refers to as a "measured separatism." He attributes this record ultimately to the commitment judges have to the rule of law and their belief that "real promises" were made in old treaties that the U.S. Senate approved and made into "real laws" (Wilkinson 1987: 121).

It is a remarkable fact of American political and legal history that, despite Andrew Jackson and all the opposition and contradiction, John Marshall's Indian law principles have survived. Originally derived from the legal doctrines and moral philosophy of the late eighteenth and early nineteenth centuries, the principles of aboriginal title, the trust relationship, and inherent governmental powers continue to be reinterpreted and applied by the Congress, courts, and executive today. The preservation of these principles can be attributed not only to the moral and legal sensibilities of judges, but to the American tradition of minority rights.

Although denied or substantially qualified at different times in different policymaking arenas, Marshall's principles continue to distinguish the special status of Native Americans from the formally equal status they share with all other Americans. There is no question, however, that these two statuses are in tension with one another, and that they continue to be a matter of sharp legal and political conflict. Nowhere is this more apparent than in Alaska.

FEDERAL INDIAN POLICY IN ALASKA

The case of the Alaska Natives is both similar to and different from that of Native Americans elsewhere. It is similar in that Alaska Natives, as the original inhabitants of the region, could claim aboriginal rights, a trust relationship, and inherent governmental powers (Case 1984; Price 1982; Smith and Kancewick 1990; Berger 1985). It is different primarily in that, until recent times in most of Alaska, there was little or no pressure on Natives to surrender their lands, including their traditional hunting and fishing grounds. (A major exception was the Russian occupation of southern coastal and Aleutian regions before the American purchase.) Thus, Alaska Natives, unlike most other Native American tribes, were not conquered by Euro-Americans, did not sign one-sided treaties, and were not forced onto reservations.

Alaska Natives' "dependent sovereignty," or inherent governmental power, was not documented in treaties or institutionalized on reservations (although many special purpose reservations were created in Alaska; see discussion below). Ironically, the absence in Alaska of these traditional instruments of Indian subordination and control has tended to undermine rather than reinforce the tribal status and powers of Alaska Natives.

This issue has two interrelated but analytically distinct parts: tribal status and tribal powers. As a practical matter, there may be less at stake in the question of whether Alaska Native communities are formally recognized as "tribes" than in the question of what tribal powers they may have. Although the record is contradictory (see, for example, the majority and minority opinions of the Alaska Supreme Court in the *Stevens Village* case), Congress has referred to Alaska Natives as "tribes" in Indian legislation beginning in the early years after the Alaska Purchase. Alaska Natives' status as tribes, though often qualified, has many times been affirmed in executive and judicial actions (Case 1984; Smith and Kancewick 1990).

The more significant issue is what specific tribal powers Alaska Native communities possess. The actual extent of their powers depends on such questions as their individual histories and capabilities; the significance of the power to their tribal existence and well-being; the state's interest in the matter; and what federal laws may or may not say about the power in question (State of Alaska 1986: 145-147; Case 1984:472-473). Such tribal powers are likely to be determined on a case-by-case basis. It is as if the exercise of powers establishes tribal status, rather than the other way around.

If Alaska Native tribal communities were within reservation "Indian country," their governmental powers would presumably be greatest (Cohen 1982:472-473). Despite the absence of reservations in Alaska, Native communities may still claim independent governmental powers: federal courts have held that Native allotments and "dependent Indian communities" may also be Indian country (Case 1984:457-458). The problem lies in determining the extent and applicability of these more elusive (dependent Indian communities) or limited (allotments) forms of Indian country in Alaska and elsewhere (State of Alaska 1986:121ff.).

Given the ambiguities and contradictions in the record and the peculiarities of the case of the Alaska Natives, the questions of tribal status, sovereign powers, and Indian country are more in dispute in Alaska than elsewhere. With one exception, the Alaska Native Claims Settlement Act of 1971 abolished all the reservations and reserves previously existing in Alaska. To date only the Metlakatla Indian community's tribal status and powers have been recognized by state as well as federal courts as being the same as those of tribes on reservations in the Lower 48 states.

Yet, even in the case of Lower 48 reservations and treaties, disputes continue over the nature and extent of tribal powers—for example, access to fish and game, water rights, law enforcement, taxation, and gaming operations. Relationships between tribal and state powers are continually being disputed, redefined, and adjusted, whether covered by treaty provisions or not.

In Alaska, the political conflict extends beyond definitions of specific powers to the fundamental issue of whether Native communities have any special powers or rights at all. This more basic issue underlies the current conflict over Alaska Native subsistence. Thus, many Alaskans see the subsistence issue as a fundamental ideological conflict between equality and special privilege, and they assert that, whatever the law may say, Natives' rights to fish and game are no different from those of anyone else. It is the clash of absolutist positions that makes the issue so difficult to define and resolve politically.

The question of the status and powers of Alaska Natives ultimately needs to be reviewed in historical perspective. One of the more salient facts in modern Alaska Native history is that Natives came under U.S. rule during the post-Civil War assimilation era of federal Indian policy, when American Indian tribes had been reduced to a condition of almost complete dependency. As viewed by federal authorities and no doubt by popular opinion, Indians had to be trained, educated, and morally uplifted—"civilized"—so that they might eventually be absorbed into mainstream society (Prucha 1985:28-54). This attitude carried over into the federal government's relationships with its new Native wards in Alaska.

The first agents of the U.S. government in Alaska were not teachers and missionaries, however, but military officers (Price 1990:23-42). After the Civil War, their mission was to control and pacify Indians on what was left of the American frontier. On the far edges of that frontier, in Alaska, the military could try to assure relative peace and order, but they were equipped to do little else to "civilize" the Natives. Whatever their attitudes toward Natives (and some were quite hostile), the military's responsibility was to enforce federal customs and Indian liquor laws, preserve order, and protect non-Native traders and settlers (State of Alaska 1986:74ff.).

From the Alaska Purchase until the early 1900s, many statutes, court decisions, and administrative rulings stated directly or indirectly that Alaska Natives were subject to the same federal and territorial laws that applied to non-Natives (State of Alaska 1986: 71ff.). At the same time, Congress, courts, and administrators also recognized the unique interests and needs of Natives and made many special provisions for them. These special provisions culminated in 1936 amendments to the Indian Reorganization Act which, according to Case (1984:10), "were apparently intended to place Alaska Native land ownership and governmental authority on the same footing as that of other Native American reservations."

Alaska Natives had experienced devastating problems by the end of the nineteenth century: cultural disruption that came with western occupation, trade, religion, and schools; degradation and collapse of subsistence economies following importation of new technologies and commercial harvests; and spread of demoralization, hunger, disease, and death. Sheldon Jackson introduced reindeer herding to Alaska in the 1890s in part as a means of warding off starvation among Natives (Case 1984:208-210; Jenness 1962: 35-37). By then, large numbers of Natives had died from new diseases, primarily smallpox and influenza, brought by outsiders.

At the time of contact with the Russians in the 1740s, the estimated population of Alaska's aboriginal peoples was 75,000. By the end of the nineteenth century, their numbers had been reduced to about 25,000 (Rogers 1962:61). The largest declines occurred among the Aleuts and Eskimos of the coastal regions. Only in recent years has the size of the Native population returned to the level where it was two and a half centuries ago.

Sheldon Jackson also established missionary schools, which later came under the control of the U.S. Commissioner of Education. At the end of the century, the commissioner described his agency's mission in Alaska, vowing to avoid mistakes made on Indian reservations elsewhere: The agency would "provide such education as to prepare the natives to take up the industries and modes of life established in the States by our white population, and by all means not to try to continue the tribal life after the manner of the Indians in the western states and territories" (Chance 1987:92-93).

In 1905, however, the Nelson Act established separate systems of public schools, one for "white children and children of mixed blood who lead a civilized life," and the other for "uncivilized Alaska Natives." The Native schools were patterned after the Indian reservation and boarding schools established in other territories and states.

Other special "Indian" measures were extended to Alaska Natives during a period in which the overall objective of federal policy was assimilation. Both the 1884 and 1912 Alaska Organic Acts contained provisions protecting Native land rights (though legal dispute continues even today about whether these were intended to protect "aboriginal title"). As early as 1870, Congress exempted Natives from a general prohibition on harvesting fur seals. Several other exemptions from fish and game laws and international treaties followed, including Native hunting provisions in the Migratory Bird Treaty Act of 1916. Earlier, in 1902, Congress had exempted Native subsistence hunting from regulation under the Alaska Game Act (Smith and Kancewick 1990:506; State of Alaska 1986:15).

Native land reserves were another area in which Congress and the executive made special provisions for Alaska Natives (Case 1984: 83-111). Congress made reindeer herding an exclusively Native activity with the Alaska Reindeer Act of 1937. Through such special measures, Congress and the executive were treating Alaska Natives in much the same way they dealt with Indian tribes elsewhere.

Officially, federal assimilation and allotment policies ended with the coming of Indian reorganization in the 1930s. In Alaska, allotments allowed individual Natives to own land, but they were not based on the breaking up of reservations as they were in the Lower 48 states. (Alaska Natives were eligible to apply for allotments until ANCSA was passed in 1971.) Many Native villages—about 70 as of recent years—adopted IRA constitutions. Indicating separate status and possible assertions of Indian country, these constitutions were opposed by Alaska's political leaders (as they generally still are today). Some of the most intense controversies of the pre-statehood years centered on the creation of IRA reservations, which could potentially provide the territorial bases for Indian country and assertions of Native sovereignty (State of Alaska 1986:118-119; Naske and Slotnick 1987:191).

Before the IRA, over 150 special Native reserves had been created in Alaska by executive order. (Metlakatla was established under unique circumstances by an act of Congress in 1891 [Price 1990: 78-83]). The main purposes of these special reserves were to support reindeer herding, schools, and vocational education. Some of the reserves

encompassed extensive areas for subsistence activities. Only six reserves were established under the IRA in Alaska, and they helped to secure Native hunting and fishing rights in such villages as Venetie, Hydaburg, and Karluk (Case 1984:10-12, 99-107).

IRA reserves provoked fierce battles between territorial leaders and the Secretary of the Interior over control of Alaska lands and resources. Ernest Gruening, who was governor of the territory from 1939 to 1953, viewed reservations as barriers to the future development of Alaska and the progress of its people. Writing for the statehood cause in the early 1950s, Gruening vehemently opposed Secretary of the Interior Harold Ickes's "arbitrary and disingenuous efforts to impose his reactionary concepts [i.e., IRA and other reservations] on the people of Alaska." Gruening believed that the "people of Alaska" eventually would prevail:

While it was probable that the considerable damage that [Ickes] had inflicted on orderly democratic progress and to a growingly harmonious interracial relationship in Alaska would, for a time, persist, it was clear that, in fairness to all the people of Alaska, the flames into which an issue unresolved for seventy years had been needlessly fanned should be promptly extinguished. The issue needed to be resolved particularly in justice to the native people who had been led to believe that they had valid claims to extensive land or to compensation for it.... Congress could, if it would, provide to have that basic issue determined promptly, fairly—and finally (Gruening 1954:381).

Alaska leaders' opposition, which was reinforced by federal termination policy, blocked all but a few IRA reservations (State of Alaska 1986:118-121). Also under the termination policy, Congress extended P.L. 280 to Alaska, giving the state broad powers over criminal matters, and more limited powers in civil matters, in Native communities that might qualify as Indian country.

In 1957, a federal court had determined that the village of Tyonek, an executive-order reserve created in 1915 for education, subsistence, and related purposes, was Indian country. As such, the court declared that the tribal government, not the Territory of Alaska, had jurisdiction to try a criminal case in the village (Case 1984:14). Congress responded by making Alaska a P.L. 280 state in 1958, which brought Tyonek and all Native villages under state criminal jurisdiction (State of Alaska 1986:139-141).

Later, however, in 1971, Congress granted concurrent criminal jurisdiction to Metlakatla's tribal government at the request of both the state and the tribal government. The state found it impractical and too costly, because of the difficulties of travel and communication, to meet the village's law enforcement needs (Case 1984:456).

The ambivalent historical record of American Indian policy had already been extended to Alaska by the end of the territorial period. Thus, in his dispute with Secretary Ickes, Ernest Gruening was able to cite court decisions to support his condemnation of reservations and related claims of aboriginal title. One federal court, for instance, had held that the 1867 Treaty of Cession had extinguished aboriginal title, which was a legal basis for reservations (Miller v. U.S. 1947). Also, at about the time Gruening was writing his statehood book, another federal district court blocked an attempt by the Hydaburg IRA reservation to take over fish traps owned by a national food processing company. In this instance, the court held that the reservation had been created illegally (*U.S. v. Libby, McNeill and Libby* 1952).

Yet, for virtually every judicial or executive decision cited on one side of a case, there was another decision that could be cited in opposition. For example, an important case at the time was the land claims of the Tlingits and Haidas, which were based on aboriginal title. As noted above, a federal court had ruled that the Treaty of Cession extinguished aboriginal title, but later the U.S. Supreme Court disapproved this decision (*Tee-Hit-Ton v. U.S.* 1955). Subsequently, in a major decision in 1959, the Court of Claims awarded the Tlingits and Haidas a monetary settlement for the loss of their aboriginal lands (Case 1984:65-68).

The ambiguity of the law sometimes made it possible to use the same judicial or executive authority (such as the Treaty of Cession, and the 1884 and 1912 organic acts) to support opposing sides of a dispute.

Gruening and other Alaska political leaders achieved the goal of statehood, but aboriginal land claims were not resolved as they had hoped. In fact, statehood added substantial momentum to the Native land claims movement.

In the early 1960s, the state began selecting lands from the public domain in fulfillment of its land entitlement under the Alaska Statehood Act. This and related threats to aboriginal land rights caused Native leaders throughout the state to organize regional associations to protest state selections and to intensify their pursuit of a Congressional settlement. Both the statehood act and the Alaska Constitution included provisions (similar to those in the Treaty of Cession and the Alaska organic acts) disclaiming state rights to Native lands and looking to Congress to resolve aboriginal claims.

State land selections as well as all other major land transactions in Alaska were stopped by Secretary of the Interior Stewart Udall's "land freeze," beginning in 1966, pending settlement of Native claims. The final impetus to the settlement was the discovery of vast petroleum deposits at Prudhoe Bay in 1968. Transport of the oil required construction of a pipeline across lands claimed by Natives, and the economic stakes were much too great to permit a long delay of the project. This supplied the incentive—to the state, the oil companies, and Congress—for agreement with Native leaders on the terms of a settlement act compensating Alaska Natives for extinguishment of aboriginal title.

In some respects, the Alaska Native Claims Settlement Act of 1971 was an Alaska Native "treaty" or "treaty substitute" with the U.S. government (Wilkinson 1987:8). Like traditional Indian treaties, in return for grants of limited, designated lands and other benefits to Natives, ANCSA extinguished aboriginal title to much more extensive lands traditionally used and occupied by them. In other respects, ANCSA clearly is not like a traditional treaty. Congress deliberately wrote ANCSA to exclude the traditional features of treaties: reservations and BIA trust responsibility for the land and monetary benefits of the settlement. Moreover, Alaska Natives were not signatories to ANCSA, as would have been the case in an agreement.

ANCSA is an equivocal product of overlapping termination and self-determination eras of federal Indian policy. It speaks the language of self-determination, but it does so with a distinct accent of termination and assimilation. While ANCSA granted Alaska Natives full control of unprecedented amounts of money and land, it assigned this control not to tribal governments but to state-chartered Native corporations. Further, ANCSA extinguished not only aboriginal land title but aboriginal hunting and fishing rights as well (Section 4 [b]).

Although ANCSA extinguished aboriginal hunting and fishing rights, the conference committee responsible for the act "expect[ed] both the Secretary [of the Interior] and the State to take any action necessary to protect the subsistence needs of the Natives" (U.S. Senate 1971:37). Such action could include withdrawing lands for subsistence uses and closing them to non-residents when resources were scarce.

Finding that Native subsistence was not adequately protected and that neither the state nor the secretary had responded adequately, Congress later included provisions for subsistence hunting and fishing preference rights in the Alaska National Interest Lands Conservation Act of 1980 (ANILCA). These rights were to be assigned to all eligible "rural residents," however, and not exclusively to Natives. Congress thus avoided the issue of "special privileges" for Natives, to which the state strongly objected, and struck a political compromise. But Congress also made clear that its primary concern was to protect the subsistence activities of Alaska Natives, invoking "its constitutional authority over Native affairs and its constitutional authority under the property clause and the commerce clause...." (ANILCA, section 801 [4]).

The federal courts generally support the special political status of Native Americans, including Alaska Natives. This does not mean, however, that complexity, ambiguity, and contradiction have been eliminated from Indian law and policy, as the Alaska case continues to demonstrate. Even where policies appear consistent, there almost always is room for disputes about the meaning and application of the policies. This is because critical factors affecting the meaning and application of policies—contexts and questions, needs and demands, and values, expectations, and interests—are always changing.

These conditions give rise to *political* questions and conflicts. Usually, only limited parts of such questions and conflicts are susceptible to being resolved at a given time by a relatively straightforward statute, court decision, or executive action. Further, the sheer diversity of Alaska Native village conditions, like the diversity of Indian reservations and communities in the Lower 48, compounds the problem of devising comprehensive statutory, judicial, or administrative solutions (Wilkinson 1987: 7-9).

Despite their historical failure and disrepute, treaties and reservations elsewhere have provided the basis for clearer answers to questions about the status and powers of Indian tribes. A significant consequence of their absence from Alaska is that the political status of Alaska Natives is more in question than is the status of reservation Indians elsewhere. The question of special status involves extreme ideological and group conflict, particularly when it concerns competition for scarce resources, like fish and wildlife in Alaska. Political leaders either try to avoid such an issue or, if it cannot be avoided, they will try to deal with it indirectly or ambiguously. The result is more unsettled and ambiguous policy.

This is not to argue that Alaska Natives should have had treaties and reservations in the Lower 48 style, or that ANCSA should not have been enacted. Depending on timing and circumstance, Alaska Natives could have done much worse than they have under ANCSA. We simply have no way of knowing "what might have been"; the political uncertainties involved in such speculation are much too great.

From the Marshall trilogy on down, American Indian policy ultimately has been shaped by assumptions about what is the right thing to do as well as by what is considered to be legally sound, socially desirable, and politically possible. Like people generally, legislators, executives, and judges often disagree about such matters. This suggests that there is no single, simple, "correct" solution to the issue of Alaska Natives' special political status under American Indian laws. The issue instead breaks down into more specific and concrete questions about Native status and powers, and it involves alternative, often conflicting proposals for Alaska Native policies and programs.

POLICY ISSUES

This section briefly explores issues of tribal status and powers, village and regional governance, village services, and subsistence. For each, we first state the main issues, then summarize effects of the Alaska Native Claims Settlement Act and related federal and state policies, and finally pose specific questions that could help inform policy.

TRIBAL STATUS AND POWERS

Are Alaska Native communities "tribes?" If so, what inherent powers of self-government do they have?

ANCSA did not focus on or directly affect the tribal status or powers of Alaska Native communities. ANCSA dealt primarily with the question of aboriginal title. Eligibility of Natives for special federal programs continued under the trust relationship. Congress recognizes Alaska Natives as tribes for the purposes of these programs, and it has also included them under many other Indian laws, such as the Indian Self-Determination Act.

Further, in determining that it was necessary to extinguish aboriginal title ("if any," says ANCSA in section 1(b)) in order to settle land claims, Congress implied that some 200 Native villages may be tribes in the fullest legal sense, since only such tribes can have aboriginal title. Whatever one makes of this implication, extinguishing aboriginal title does not extinguish tribal status.

On the other hand, ANCSA raised more questions about tribal powers. Most important, the act undermined the tribal powers of Native communities by assigning land title to state-chartered corporations rather than to tribal (IRA or traditional) governments. Consequently, tribal governments were separated from the land base that might otherwise be considered the territorial jurisdiction of Indian country, where tribal powers are greatest.

None of these actions constitutes denial of tribal government status or powers of Alaska Natives. However, they do show that, at least for purposes of ANCSA, Congress intended that Alaska Natives establish and operate corporate institutions under state law instead of Native institutions under the trust responsibilities of the Bureau of Indian Affairs.

Congress has the ultimate power to recognize tribes or to withdraw recognition from them. Although Congress has recognized Alaska Native tribes for many different purposes since the Treaty of Cession, it has not declared unambiguously that Alaska Native tribes exist for all purposes, and it is unlikely to do so now. Such a move would be strongly opposed by the State of Alaska as well as by other states also having to deal with tribes lacking treaties and reservations. Moreover, even in the current era of Indian self-determination, Congress is reluctant to make broad pronouncements about the separate political status and powers of tribes in Alaska or elsewhere, because it remains a very sensitive and contentious political issue 160 years after the Marshall trilogy.

In the case of Alaska Natives, tribal status is something of an abstraction that becomes real and concrete in the form of a build-up of specific tribal powers. Native communities themselves can expand their tribal powers, one-by-one, as IRA or traditional governments under specific federal and state laws and through court action. By developing their powers incrementally, and increasing their capabilities to exercise them, Native communities enhance their tribal status. This, in fact, is the principal way tribal governments have actually developed in Alaska after ANCSA.

There are many examples of this "building-block" approach to strengthening tribal status. Some villages have increased their control over the importation of alcohol under both federal and state liquor control laws. Others have expanded their access to fish and wildlife under court decisions supporting special subsistence harvests for Natives. Native IRA and traditional villages, as well as Native regional non-profit organizations, contract with federal and state agencies for the administration of services and funds.

QUESTIONS FOR POLICYMAKERS:

What have individual Native IRA and traditional village governments done to strengthen their tribal powers, function-by-function, under existing federal and state laws and judicial decisions, and have these actions produced desired results?

What is the specific relationship of tribal land ownership to the question of recognizing "Indian country" in Alaska?

What is the effect on "Indian country" status of transfers of ANCSA lands to tribal governments under federal law? under state law?

What likely impacts would establishment of "Indian country" have on a village's or region's further economic and political development?

VILLAGE AND REGIONAL GOVERNANCE

Should there be exclusively Native local or regional governments? What forms might they take? How would the rights of non-Native residents be protected?

This issue is closely related to the question of tribal status and powers. ANCSA designated state-chartered corporations, not IRA or traditional Native governments, to control the land and money provided in exchange for the extinguishment of aboriginal title. In addition, section 14(c)(3) of ANCSA encouraged incorporation of municipal governments (cities or, possibly, boroughs) by requiring that certain village lands be transferred to state-chartered municipalities rather than to tribal governments.

Many Native communities oppose incorporating as cities or boroughs for different reasons. Some perceive that municipal forms, powers, and procedures are too complex and not suited to rural, Native village, or regional conditions. Some believe there is no need for another form of government in communities that already have several local and regional institutions. Those forms include IRA governments, traditional councils, and village corporations at the local level, and regional corporations, non-profit organizations, and special service authorities at the regional level. Some places also fear that municipal governments, which must be open to participation by all local residents, may be taken over by non-Natives, even when they constitute a minority of voters.

On the other hand, the state government has promoted incorporation of cities and boroughs in rural Alaska because they are familiar institutions subject to state standards, including equal protection and participation of all residents (State of Alaska 1986:24). In the *Noatak* case, for example, the state Department of Law opposed special grants of state funds to tribal governments because state lawyers determined that these governments were "racially exclusive." (In taking this position, the state set aside the question of tribal governments' special political status, focusing instead on their "racial" constituencies.)

→ The non-Natives are racially "exclusive" - they racially excluded our Native people from our country by killing - "excluding" them.

Many Native villages have incorporated as cities, and some Native regions have incorporated as boroughs. Village municipalities are not strong organizations, however, and a number of them have been superseded by tribal governments, village corporations, or regional organizations. Yet others have preserved their direct links to state funding agencies and have served local needs. Boroughs have also been incorporated to serve the interests and needs of the Inupiat of the North Slope and of the northwest regions. These Native-controlled boroughs have exercised important powers of taxation and land use control over the North Slope oil fields and NANA regional corporation's Red Dog zinc mine.

Incorporation of boroughs and the continuing development of Native regional non-profit organizations suggest that many Natives recognize the limitations on individual village capacities, and the need to pool economic and political resources at the regional level.

The authority to recognize tribal governments lies at the federal level, but the state can choose either to assist tribal governments or to provide benefits only to municipalities. While the state prefers to work with municipalities, it nonetheless provides financial aid and services to Native village tribal governments and regional non-profits on condition that state interests and the rights of non-Natives are protected (State of Alaska 1986:28ff.). In such cases tribal governments and Native organizations agree to abide by equal protection standards and to waive "sovereign immunity" for the purpose of participating in state programs.

QUESTIONS FOR POLICYMAKERS:

Are there alternative models of "successful" village and regional governance?

What is the range of government options available at the village level, and what is the existing pattern of village governance structures? What range and pattern exist at the regional level?

Can tribal and other Native-controlled structures fulfill the functions of boroughs and municipalities?

Under what terms and conditions can boroughs and cities usefully co-exist with Native governments?

In what main ways does the state now cooperate with Native governments and vice-versa? Could these be expanded or should they be lessened?

What forms of recognition does the state extend to Native governments at village and regional levels? Should these be expanded or reduced?

How have regional non-profits adapted to their post-ANCSA roles as service agencies and quasi-governments, and how has the state adapted to the roles of the regional non-profits?

VILLAGE SERVICES

Should high-cost village services and facilities be subsidized? Who should pay? Can Native villages be both economically dependent and self-governing?

ANCSA continued Alaska Native eligibility for special federal programs. However, section 2(c) of the act directed the Secretary of the Interior to conduct a study of all federal programs for Native people and make recommendations to Congress for the operation and management of these programs. The Secretary did conduct a

comprehensive survey of Native programs but did not submit recommendations. Nonetheless, Congress generally expanded Native programs in the 1970s and, although rates of funding slowed or were reduced in the 1980s, overall levels of support have been maintained.

State funding for Alaska local government has followed a pattern similar to that of Native program funding at the federal level. The decline in state revenues caused by the fall of oil prices in the mid-1980s was felt primarily in capital budgets, not operating budgets. Together, federal and state programs for Native and non-Native communities in rural Alaska sustain a major share of the local economies. Government employment, cash payments, and services accounted for as much as half of the personal income and two-thirds of the economic base of village economies in the mid-1980s. This is why economists often refer to the "transfer economies" of Native villages. In many villages, state and federal government transfers play a vital role in filling the gaps left by the erosion of the subsistence economy and the absence of a market economy.

Janie Leask, then president of the Alaska Federation of Natives (AFN), commented before the U.S. Senate Select Committee on Indian Affairs in 1989 that "despite substantial improvements in health, standard of living, economic opportunity, and institutional services, an increasing number of Alaska Natives now face greater risks and declining opportunities." She went on to describe the dilemma confronting Native villagers who depend on government support for their survival:

Most Alaska Natives live in communities in which the local economies cannot provide a life-sustaining standard of living without substantial ongoing public subsidies. And public policies intended to assist Native individuals, families, and communities, have created and perpetuated dependence rather than self-sufficiency (U.S. Senate 1989:13)

In many villages provision of increased state funding from surplus oil wealth has aggravated the dependency problem. Operation and maintenance costs associated with the schools, community halls, public utilities, and other facilities made possible by state oil revenues are probably beyond the financial capabilities of many villages, without continuing assistance. State and federal programs provide essential benefits, but they also perpetuate dependence.

QUESTIONS FOR POLICYMAKERS:

What are the current types and levels of federal funding for Native programs in Alaska and of state funding for rural communities?

What are the prospective levels of rural need, costs, and funding during the next decade?

Does the tribal or municipal status of Native communities affect their access to federal and state funds and, if so, how?

What special arrangements does the state make with Native governments and organizations as conditions of state funding?

What organizational arrangements are used for the administration of federal "P.L. 638" programs?

How effective are these state and federal arrangements, and what changes are needed?

SUBSISTENCE

Is "subsistence" more than hunting and fishing for basic economic sustenance? Is subsistence a fundamental element of Native culture and a Native "right"? If so, is it protected by Congress?

ANCSA extinguished aboriginal hunting and fishing rights, but Congress established rural Native (and other rural resident) subsistence rights on federal lands in Alaska under the 1980 Alaska National Interest Lands Conservation Act. The State of Alaska, in order to retain management authority on all Alaska lands, at that time agreed to apply the same subsistence rules on state lands.

Thus, ANCSA extinguished aboriginal hunting and fishing rights, and ANILCA created a new set of "statutory rights." Although subsistence preference was extended to all rural residents as a political compromise, Congress's primary concern was to protect "Native physical, economic, traditional, and cultural existence" (ANILCA, section 801 (1)).

Majority interests represented in state government view "subsistence" primarily as hunting and fishing for sustenance and recreation, an activity conducted by Natives and non-Natives alike. In this view, there is no distinctive connection to Native culture or traditions. Natives (and many non-Natives), on the other hand, see subsistence as a vital element of Native culture and a special Native right. They point out that Congress, despite having extinguished aboriginal hunting and fishing rights in ANCSA, also indicated in the Conference Committee report that it did not intend to abolish or restrict the practice of Native subsistence. In fact, finding that Native subsistence was in jeopardy after ANCSA, Congress "restored" subsistence as a Native (and rural resident) "civil right" in Title VIII of ANILCA.

The Alaska Supreme Court in 1989 (*McDowell v. Collingsworth*), ruled the state's rural preference subsistence law unconstitutional under the "common use" and other provisions of the Alaska Constitution's article on natural resources. Restoring the rural preference would require a constitutional amendment. A proposal to place an amendment before the voters failed by one vote in the Alaska Legislature in 1990.

The current stalemate over subsistence will not be broken without a significant shift in the political alignments involved. As in the case of the broader questions of tribal status and powers, Congress is reluctant to choose between state and Native positions, particularly where basic interests of strong, well-organized groups are affected. Additionally, in this case, the ANILCA subsistence provisions remain in force on federal lands (but not in navigable-water fisheries, which remain under state jurisdiction). These factors tend to work against further federal action to resolve the subsistence issue, and it appears that the issue will need to be resolved at the state level.

QUESTIONS FOR POLICYMAKERS:

What precisely is the constitutional-legal basis for a rural resident subsistence preference under federal law? under state law?

What is the constitutional relationship between federal and state levels of authority over Native subsistence?

Are there federal constitutional grounds (under Indian law doctrine) for Congress to authorize a Native subsistence preference?

Given ANCSA's extinguishment of aboriginal hunting and fishing rights, can traditional "use and occupancy" doctrine be used in defining Native subsistence rights on federal lands? on state lands?

How effective is Native participation in the state system of fish and game regulation? Should changes be made in the management system to strengthen Native participation?

CONCLUSION

Charles Wilkinson (1987:103) remarks that "the Founding Fathers almost certainly assumed that tribes would simply die out under the combined weight of capitalism, Christianity, and military power." He notes how right the Founding Fathers were about the constitutional structures and processes of government, but how wrong they were about the survival of Indian tribes. This belief in the withering away of the tribes persisted through the nineteenth century and into the twentieth. It is still held by some people even now.

Although often with great reluctance, American politics and law accommodated the existence of the tribes, inventing and applying the doctrines of aboriginal rights, the trust relationship, and inherent powers. In most of the country, these doctrines were institutionalized in treaties and reservations that did as much to mark successive reductions in tribal power as to protect what was left of it. Nonetheless, the Indian tribes had a foothold in the American political system, and they refused to withdraw. Successive Congresses, courts, and executives have, as Wilkinson observes, continued "squarely to acknowledge this third source of sovereignty in the United States" (1987:103-104). Particularly during the late twentieth century, there has been a resurgence of political consciousness and action among the American Indian tribes.

Alaska Natives were the last of the Native Americans to feel the weight of capitalism, Christianity, and superior power on their cultures. They did not, for the most part, need to be conquered because there was plenty of land in Alaska and relatively few takers. After the early Russian occupation, Natives' contact with outsiders was mostly peaceful, and they made room for missionaries, traders, miners, fishermen, government agents, adventurers, and settlers. Alaska Natives were "conquered" by this process and by an invasion of politics and bureaucracy. The rules governing land ownership and claims on resources changed virtually beneath their feet, often without their knowledge or their understanding of the implications. In Alaska, too, non-Natives probably shared a widespread belief that the Native peoples would (and should) gradually wither away through assimilation.

By statehood, it was clear that Alaska Natives would lose their lands, resources, and cultures by default if something was not done. What followed was the land claims movement and Alaska Native Claims Settlement Act. ANCSA, however, underscored the equal and potentially assimilated status of Alaska Natives, not their special status, which was not as clearly set forth in federal law and policy for them as it was for Native Americans elsewhere. Yet, over the years Congress, courts, and executives built an incremental, often contradictory record of special provisions for Alaska Natives. In recognizing many specific tribal powers, this complex record supports recognition of their special tribal status, too.

Given the ambiguity of the record and the political resistance in Alaska to abstract and threatening claims to "sovereignty," Alaska Natives have increasingly turned to practical political and social action to strengthen their special status and their distinctive cultural identities. It seems increasingly clear that the issue of Alaska Natives' special status is ultimately a political question, not a legal one, and that their political status depends less on what federal policymakers say about it than on what Natives themselves choose to do.

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**THE DUAL POLITICAL STATUS
OF ALASKA NATIVES
UNDER U.S. POLICY**

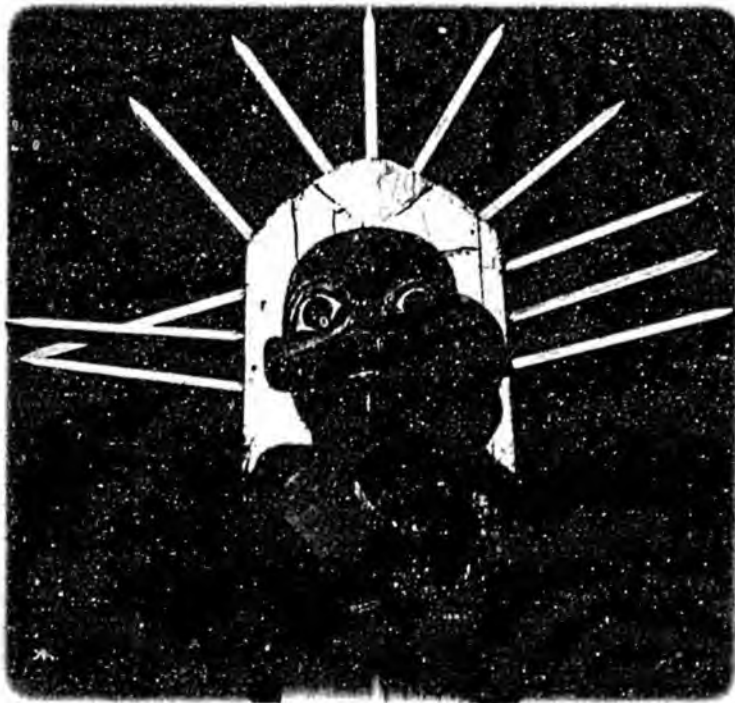


INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

UNIVERSITY OF ALASKA ANCHORAGE



1994 ANNUAL REPORT



 *Sealaska*
CORPORATION



DEDICATION



This 1994 Annual Report is dedicated to L. Embert Demmert of Seattle, who is retiring from the Sealaska board this year. The Board of Directors and management of Sealaska Corporation joins Sealaska shareholders in saying "thank you" to Mr. Demmert for his dedication and leadership.

Mr. Demmert is a retired educator and commercial fisherman who began his service to the Sealaska board in 1985. In recent years he has taught the Tlingit language to others and has served as Chairman of the Shareholder Communications Committee, as Vice Chairman of the Finance Committee, and as a Trustee of the Sealaska Heritage Foundation.

We wish him well with his future plans.



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ANNUAL SHAREHOLDERS' MEETING

Sealaska Corporation will be holding its 21st Annual Meeting of Shareholders in Klawock, on Prince of Wales Island. The meeting will start at 10 a.m. October 1 at the Klawock City Gym.

ABOUT THE CHILDREN'S DRAWINGS

In April, Sealaska conducted an artwork contest for children 10 years of age or younger, with the winners' artwork to be published in this annual report. The themes of the contest were: *What does being Native mean to you?*, *What is your favorite Native symbol?*, and *Sealaska operations*.

We received several entries representing a broad variety of topics including village life, subsistence activities, culture, totems, land, timber harvesting and other subjects.

The artwork featured in this annual report is that of the contest winners: Samuel Hamilton, age 9; Kyle Anderson, Jr., age 9; Jeannette Brown, age 8; and Lani Jimenez, age 9.

Congratulations to the winners, and thank you to everyone else who submitted artwork. We hope you all keep drawing, and encourage you to participate in future contests.

COVER PHOTO:
TOTEM AT KLAWOCK TOTEM PARK



*ur timber remains one of our most valuable assets.
We continue to venture into other timber operations to increase
the use of our available timber supply.*

*Trees are
important to us.
We make lots
of things
from trees.*



Samuel Hamilton

Age 9

Olivehurst, California

Son of Richard and
Debra Hamilton

Haida name:
Skiliiwaangs

Raven Clan



ONS OPERATIONS OPERATIONS OPERATI

STC is a significant Alaska business. It is the state's largest exporter of round logs, and it is well known for its timber harvesting business. Less widely known is that STC is an important source of sawn cants and milled lumber, primarily for East Asia, and of pulp for domestic markets.

Our investment portfolio is a good performer for us, as well. It recorded another positive year for us, and it did so even though the stock and bond markets, in general, turned in their worst performances in several years.

In the future, we will continue to develop our extensive subsurface land holdings. The mining industry is one where development of an operating mine may take decades. Even so, Sealaska may have mining operations under way before the end of the 1990s.

Also on the horizon are the expected fruits of the business acquisition efforts launched by the board of directors. The tourism industry is one possible direction targeted. Among the many advantages offered by tourism are the long-term nature of the business and the appeal to tourists of our arts, crafts, culture and land.





*O*ur history is carved in the landscape of Southeast Alaska. Through the land claims, our grandparents' dream was fulfilled ... their children and grandchildren have this land to hold, now and forever.

*My favorite
Native symbol is
the Love Birds,
the Eagle and
the Raven.*



Kyle Anderson, Jr.

Age 9

Kake, Alaska

Son of Kyle and Candi
Anderson

Tlingit name: Lgein

Tsimshian name: Naash

Raven Clan

policies, guide all aspects of our timber harvesting activities and provide strict requirements to protect water quality and fish and wildlife habitat.

- Our forest management program focuses strongly on planting and thinning trees to optimize future productivity. Natural new growth works to our advantage on many of our forest lands, while hand planting is used to replace trees in selected areas, particularly where water quality or aesthetic appearance is important. Thinning of new growth increases tree growth and shortens the time in which a second harvest will occur.
- We continuously undertake and cooperate in forest management, stream and ecosystem studies to ensure our forest practices protect water quality and fish habitats, and maintain healthy, productive forests. Based upon these studies, we can change our forest practices to ensure productive forest lands for fish, wildlife and timber.
- Since 1974, Sealaska has sought to locate and survey Native historic and cemetery sites throughout Southeast Alaska and, ultimately, to gain conveyance of them from the federal government. This effort has helped us save permanent and seasonal villages, forts, burial grounds, petroglyphs and pictographs.



OUR LAND OUR LAND OUR LAND



Our land is the strongest tangible tie with our past

Our history is carved in the landscape of Southeast Alaska. From time immemorial, our people have lived along the forested shorelines of the North Pacific and its inland waterways. Our languages, our traditions, and our culture are rooted here.

Modern society has taken its toll on our existence, but we have never given in. This was particularly so when our long struggle resulted in the 1971 passage of ANCSA — the Alaska Native Claims Settlement Act.

Many Native leaders fought for years to reach that goal. They succeeded in convincing Congress to recognize our aboriginal rights to our land, making it possible for us to keep part of that land and to be compensated for the rest.

A dream was fulfilled

ANCSA was shaped around our historic concept that land was owned collectively by the clan. ANCSA also fulfilled our grandparents' dreams that our children and grandchildren would have this land to hold — now and forever.

This is why the following major segment of Sealaska's mission statement is so important: "Retain

Our history is carved in the landscape of Southeast Alaska. Through our grandparents' dream was fulfilled and our grandchildren have this land



*Our past is woven closely into our lives today.
More than 1,200 shareholders and family members were
drawn to the Celebration biennial dance gathering to
celebrate our culture, our heritage, our identity.*

Tlingit people are special to me because of my grandma Katherine Mills ... I am proud of my culture. I am proud to learn Tlingit words.



Jeannette Brown

Age 8

Hoonah, Alaska

**Daughter of
Greg and Judy Brown**

Tlingit name: Yakwxwaan Tl'áa

Raven Clan



T CULTURE SUPPORT CULTURE SUPPORT C

Foundation's programs are broad Sealaska's support for the Foundation, an independent non-profit organization, also helps make possible scholarships, language and cultural studies and related books and tapes, the creation of tribal archives, the Naa Kahidi Theater, and many other programs.

It should also be noted that Sealaska has continued its efforts to speak out for its shareholders and for all Alaska Natives on cultural, social and economic issues of importance. We do this through our own voice and through our support of, and involvement in, the Alaska Native Brotherhood, Alaska Federation of Natives and other organizations.

We have persevered for more than two decades. Our progress has not always been easy. But we have a corporate instrument we are using to help our people and protect our land. It is giving us an important means for perpetuating our heritage, our culture, and our identity, just as it is helping to build our economic and social status. Ultimately, the responsibility lies with each of us individually, so Sealaska is not the only answer for us. But it is an important one, and it is one we can draw on as we go forward individually and as a people.





Cultural values are at the heart of our philosophy

We are Tlingits, Haidas and Tsimshians, and, for a great many of us, our past is woven closely into our lives today. Our past is rich with tradition, and it often sustains us, just as we hope it will sustain countless future generations.

In the formation of our corporation, we recognized the special meaning of our heritage. In our corporate philosophy, we included words rarely used in such statements by traditional American businesses. Underlined here, the importance of those words is clear: "... to support and preserve the economic, cultural and social values of its shareholders ..."

Some of our people have never lost sight of their cultural ties. Language, music, arts, crafts and dance have always been important to them. Yet the danger exists that the values and the ways of the past could erode and disappear.

*Our past is woven close
More than 1,200 shareholders
drawn to the Celebration
celebrate our culture, o*

We are on a unique path

To help keep the tangible reflections of our heritage alive, Sealaska set out on its unique path to use a portion of its business revenue to protect our values.

For example, it is unlikely that many events in this century have underscored the Native heritage of Southeast Alaska more powerfully than Celebration. Every other year since its start in 1982, the biennial Celebration has been an occasion to draw together thousands of Alaska Native people.

Celebration '94 in Juneau was an event in which Sealaska's contributions were evident in many ways, including direct financial support; continuing support over the years to Celebration's organizer, the Sealaska Heritage Foundation; and shareholder involvement in everything from planning to participating and observing.

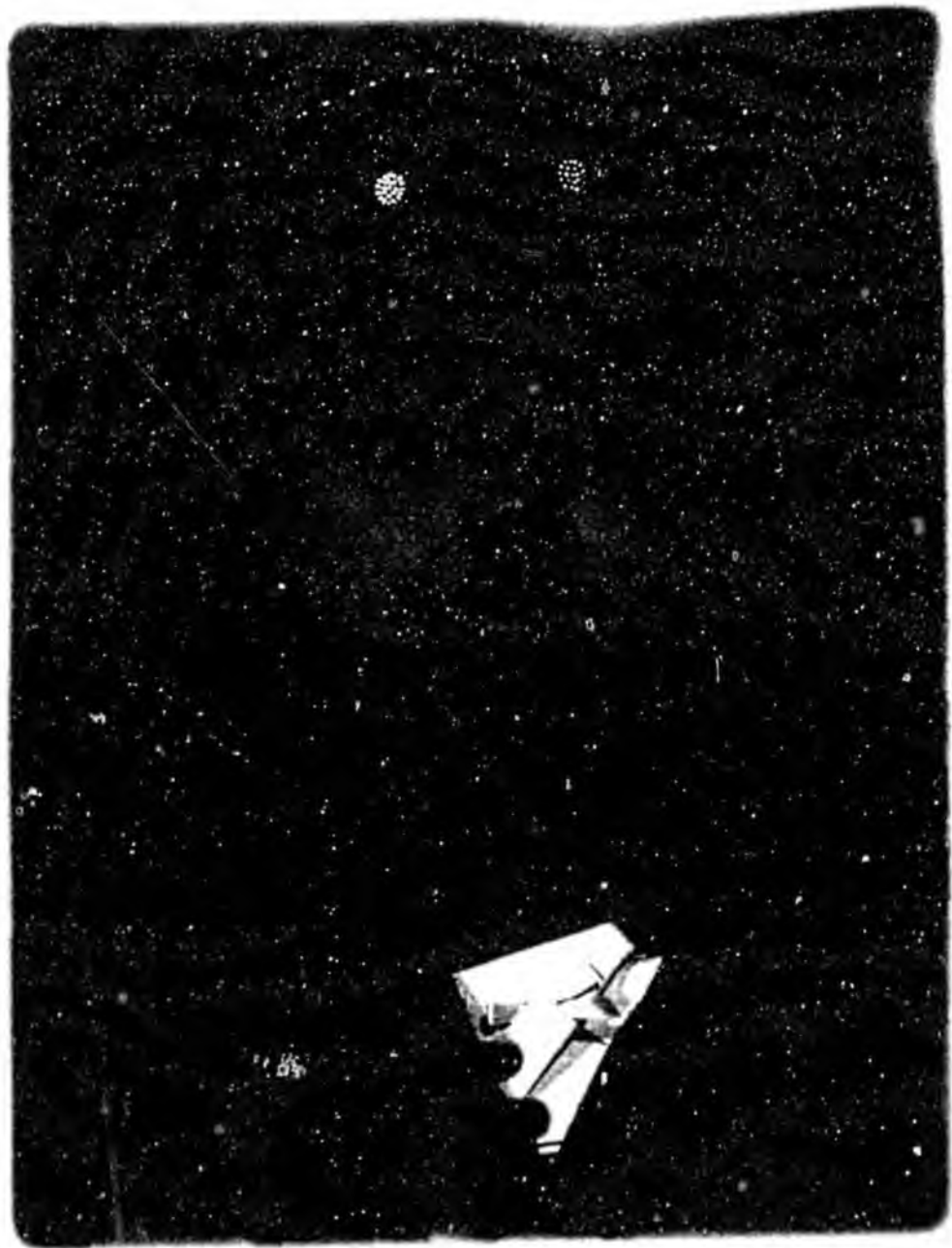
Foundation's programs are broad

Sealaska's support for the Foundation, an independent non-profit organization, also helps make possible scholarships, language and cultural studies and related books and tapes, the creation of tribal archives, the Naa Kahidi Theater, and many other programs.

It should also be noted that Sealaska has continued its efforts to speak out for its shareholders and for all Alaska Natives on cultural, social and economic issues of importance. We do this through our own voice and through our support of, and involvement in, the Alaska Native Brotherhood, Alaska Federation of Natives and other organizations.

We have persevered for more than two decades. Our progress has not always been easy. But we have a corporate instrument we are using to help our people and protect our land. It is giving us an important means for perpetuating our heritage, our culture, and our identity, just as it is helping to build our economic and social status. Ultimately, the responsibility lies with each of us individually, so Sealaska is not the only answer for us. But it is an important one, and it is one we can draw on as we go forward individually and as a people.





W *hat shall we do about our children and grandchildren? Shareholders will decide whether or not they want to enroll "New Natives" in the corporation in a special vote next spring.*

*Being Native means
my mom can come to my
school and teach
about the Haidas.*



Lani Jimenez

Age 9

Seattle, Washington

Daughter of John and
Jeanne Jimenez

Haida name: Gudaxiigans

Double Fin Killer
Whale/Raven Clan



- The number of Sealaska shareholders will increase by about 65 percent if stock is issued to New Natives.

- Shareholder comments ranged across the board — from giving New Natives stock, to providing lesser benefits or doing nothing.



At meetings held earlier this year in shareholder communities many important points were raised. More shareholder education will be done in fall workshops, at the October annual meeting, and in the *Sealaska Shareholder* and special mailings.

Resolution will be written

Sealaska's board of directors will then draft resolutions for shareholders to vote on next spring. The ballot measures will cover New Natives and leftouts and must deal with basic questions such as these:

- Should New Natives and leftouts be enrolled in the corporation?
- If the answer is "yes," should Settlement Common Stock be issued, or should another stock type that is fully alienable or partially restricted be issued? Or should benefits to New Natives take some other direction?

The ultimate decision will be up to the shareholders.



What shall we do about grandchildren? Shareholders not they want to enroll the corporation in a spe

Shareholders will decide on New Natives and leftouts

Congress set the basic rules for Native corporations in ANCSA, the Alaska Native Claims Settlement Act. When ANCSA became law on December 18, 1971, it said that Alaska Natives born on or before that day were eligible to become shareholders of the new corporations. Anyone born after that day was not eligible for the original enrollment — and it is these young people who we now call New Natives.

For many years, inheritance of Native corporation stock was the only way a young person could become a shareholder. Then, in 1987, the "1991 Amendments" were passed by Congress. The Amendments made it possible for a living shareholder to give stock to a living child, grandchild, great-grandchild niece, or nephew. Further amendments later made it possible to gift to siblings.

New possibility opened

The new amendments went a step further by stating that Native corporations could issue stock to New Natives, if existing shareholders voted to approve such a measure.

In 1989, Sealaska's shareholders were polled in an advisory vote on this issue and were split evenly between "yes" and "no".

Next spring, the question of New Natives will be on the ballot again. This time it will be a binding vote to decide if shareholders want to issue Sealaska Corporation stock to New Natives.

Information program under way

Between now and then, an extensive education program is providing shareholders with information about the pros and cons of issuing such stock to descendants who meet three conditions: A birth date after December 18, 1971; at least one-quarter Alaska Native blood; and U.S. citizenship.

Shareholders also will be asked to decide if "leftouts" should be enrolled in the corporation. These are the 200 or so people who were eligible for the original ANCSA enrollment, but who were left out for such reasons as being away in military service or unaware at the time of the original enrollment.

Impact measured

As a first step toward the 1995 vote, Sealaska asked an independent research firm to find out more about New Natives and how shareholders feel about them. These highlights emerged:

- There are an estimated 10,000 New Natives. In comparison, there are approximately 15,500 current Sealaska shareholders.

- The number of Sealaska shareholders will increase by about 65 percent if stock is issued to New Natives.
- Shareholder comments ranged across the board — from giving New Natives stock, to providing lesser benefits or doing nothing.

At meetings held earlier this year in shareholder communities many important points were raised. More shareholder education will be done in fall workshops, at the October annual meeting, and in the *Sealaska Shareholder* and special mailings.



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- If the answer is "yes," should Settlement Common Stock be issued, or should another stock type that is fully alienable or partially restricted be issued? Or should benefits to New Natives take some other direction?

The ultimate decision will be up to the shareholders.

Dear Shareholder,

We are pleased to report to you that your corporation accomplished its 10th consecutive year of profitability for the fiscal year ended March 31, 1994.

Net earnings for your company totaled \$22.8 million from total revenues of approximately \$227 million. This excellent performance is largely attributable to historically high timber prices for Sealaska's export timber in our predominantly Asian markets.

The second major contributor to net earnings came from profits generated by Sealaska's diversified investment portfolio. The portfolio grew to \$238 million, up from \$216 million, even though the bond and equity markets during the year were volatile. An additional net amount of \$15 million was also added to the investment and growth component of the portfolio. This was done in anticipation of acquiring new and diverse businesses that will increase shareholders' equity and dividends into the future.

Overall shareholders' equity increased again, growing 8.1 percent. Dividends totaling \$7.0 million were paid to shareholders during the year, bringing the total amount paid to \$82 million since the company's start.

In 1994, we also saw Sealaska reach an amicable settlement agreement with Kake Tribal Corporation over a lawsuit stemming from timber stumpage purchases.

In addition to the major business issues affecting your company in 1994, Sealaska continued its strong program of supporting shareholder advocacy in areas such as subsistence, education and cultural activities. Strong support also continues for the landless villages within the Sealaska region as they work to achieve recognition by the U.S. Congress.

An educational effort was launched to consider whether or not to include "New Natives" — those born after the original enrollment in 1971 — as shareholders in the corporation. Continuing our efforts to work and interact with shareholders, in the next several months we will examine with you the pros and cons of possible enrollment.

Other ongoing activities include our active investment into mineral exploration on Sealaska's subsurface estate. Reconnaissance programs were conducted by both Sealaska and major mining companies on portions of Sealaska's land. This will continue into this fiscal year, and will develop and strengthen our overall natural resource production program.

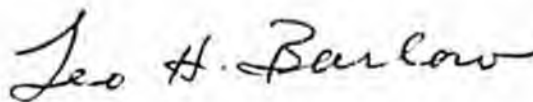
As many of you know, Sealaska, like many other ANCSA corporations, is being audited by the Internal Revenue Service on its net operating loss (NOL) transactions. Unlike other Southeast Native urban and village corporations, the size and complexity of Sealaska's transactions is making our audit process much slower. This has been the case with most regional corporations having similar NOL transactions. Your board and management are concentrating their efforts to bring this process to conclusion in an expeditious fashion that does not harm the long-term fiscal health of the company. It is our goal to keep shareholders continually updated on the progress of the audit as it occurs. We are hopeful a resolution will be reached this year.

A significant challenge facing Sealaska this year is our effort to reduce the amount of 7(i) liability as mandated under the ANCSA resource revenue sharing agreement among regional corporations. As directed by the board of directors, management is working to supplement the cash flow from our ANCSA timber with new revenue streams from acquisitions. Shareholders can expect to hear more about this in the coming twelve months.

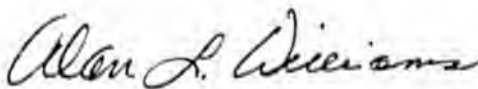
As we enter 1995, timber will continue to play a primary role in Sealaska's business. Our wholly owned subsidiary, Sealaska Timber Corporation (STC), projects another profitable year with continued high prices for Sealaska's timber resource. STC also will work to expand its diversification efforts with the sawn lumber operations now under way.

Looking forward to this fiscal year, new and exciting opportunities lie before us. Clearly, the economic success of the past ten years, coupled with a strong board and management team, will allow us to launch a stronger and stable future as we move ahead. One thing is certain — the strength of our future largely depends on you, the shareholder, to constantly remind us of our mission and goals that must be achieved for the long term success we all envision.

Sincerely,



Leo H. Barlow
President & CEO



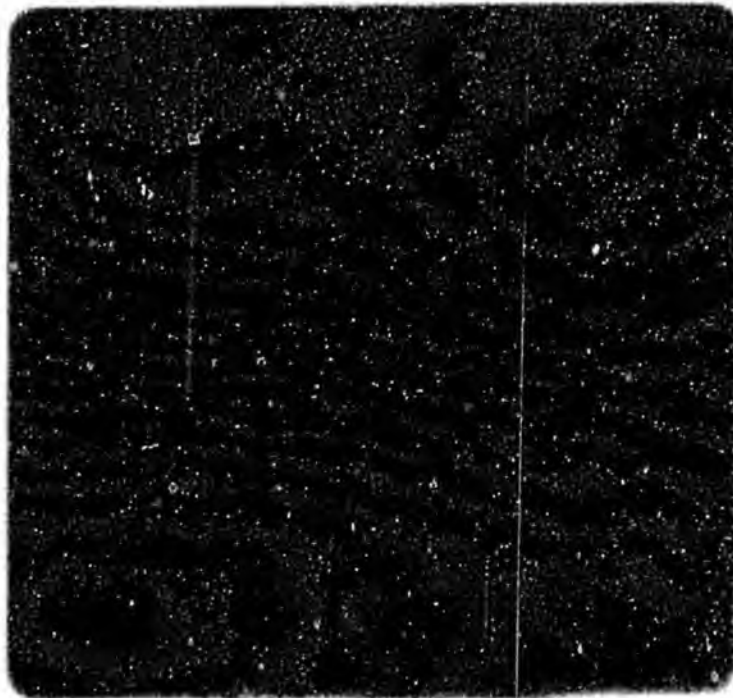
Alan L. Williams
Chairman of the Board



CORPORATE PHILOSOPHY

Sealaska Corporation's origin is in the culture and tribal land base of Southeast Alaska, the Alaska Native Brotherhood, and the Alaska Native Claims Settlement Act.

Sealaska's Corporate Philosophy is to support and preserve the economic, cultural and social values of its shareholders through excellence in management and profitability and to preserve its special status as an ANCSA corporation and as a tribe.



MISSION STATEMENT

In keeping with the Corporate Philosophy, Sealaska's Mission is to:

- Maximize return for dividends and shareholder benefits by increasing corporate equity value.
- Maintain regional Native control and ownership of Sealaska Corporation.
- Retain control and ownership of Sealaska's ANCSA lands in perpetuity for the original shareholders, their heirs, and their descendants.

DETAILED FINANCIAL INFORMATION

Five-Year Summary of Selected Financial Data A capsule look at important financial information since 1990	Page 14
Management's Discussion and Analysis A discussion of data in the financial tables and a comparison with previous years	15
Consolidated Financial Statements A detailed financial picture of Sealaska	22
Notes to Consolidated Financial Statements Notes about the financial tables	28
Report of Independent Accountants The summary opinion of the firm that examined Sealaska's financial information	39

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

<i>(In thousands of dollars, except per share amounts and ratios)</i>	1994	1993	1992	1991	1990
			(as restated)		
Total revenues	\$227,174	\$167,023	\$128,205	\$129,046	\$108,893
Earnings from continuing operations	22,749	22,260	22,757	16,651	19,814
Net earnings	22,749	21,900	22,257	31,030	16,813
Total assets	320,520	282,897	272,888	262,956	277,154
Shareholders' equity	208,773	193,057	174,310	166,632	172,774
Long-term debt	3,900	5,223	6,467	7,979	18,579
Short-term bank debt	9,300	12,790	4,800	6,500	43,919
Current ratio	2.32	2.71	2.48	1.97	1.11
Debt/equity ratio	0.33	0.24	0.23	0.31	0.60
Shareholders' equity per share	132.39	122.42	110.53	105.66	109.56
Net earnings per share	14.43	13.89	14.11	19.68	10.66
Book value per 100 shares	\$ 13,239	\$ 12,242	\$ 11,053	\$ 10,566	\$ 10,956

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year 1994 highlights

- Sealaska had its 10th consecutive year of profitability, reporting a net income of \$2,749,000.
- Gross revenues of \$227,174,000 were the highest ever recorded for Sealaska's continuing operations.
- As the largest exporter of round logs in Alaska, Sealaska had timber earnings before Section 7(i) revenue sharing of \$53,006,000 — our most profitable year ever for timber.
- Section 7(i) revenue sharing from Sealaska's Alaska Native Claims Settlement Act (ANCSA) timber of \$35,788,000 is the highest amount paid out by any Native corporation. Sealaska has paid out \$138,000,000 to other regional corporations since inception.
- Sealaska's investment portfolio grew to \$238,335,000 from \$215,925,000 during the year.
- Shareholders' equity grew 8.1 percent.
- Shareholders received dividends totaling \$7,011,000 (\$227 and \$218 per 100 shares in December 1993 and June 1994, respectively) on fiscal year 1994 earnings.
- Urban and at-large shareholders also received \$3,357,000 (\$255 and \$39 per 100 shares from Sealaska and other regional corporations, respectively, in June 1994) from natural resource revenue sharing among regional corporations.
- Sealaska Elders' Settlement Trust distributed \$275,000 during the year to eligible shareholders reaching their 65th birthday.
- Exploration of the mineral potential by the corporation's own geologic reconnaissance team and by several major mining companies continued on portions of Sealaska's 600,000 acres of subsurface lands.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF CONSOLIDATED OPERATIONS

Revenues

Revenues of \$227,174,000 increased 36 percent and 77 percent from fiscal year 1993 and 1992, respectively.

Sales from timber harvests of \$112,147,000 increased 44 percent and 55 percent from fiscal year 1993 and 1992, respectively. Sales from the purchase and resale of timber of \$107,682,000 increased 38 percent and 178 percent from fiscal year 1993 and 1992, respectively. Approximately 66 percent of the increase from fiscal year 1993 was due to price increases, 26 percent due to volume increases and 8 percent due to changes in quality and species mix.



Export timber sales represented approximately 95 percent of total sales in fiscal year 1994, compared to 81 percent in fiscal year 1993 and 88 percent in fiscal year 1992. Sales to Japan accounted for approximately 77 percent of total fiscal year 1994 sales, compared to 67 percent for fiscal year 1993. Three major customers of Sealaska Timber Corporation accounted for approximately 48 percent of total sales in fiscal year 1994, compared to 61 percent and 60 percent in fiscal year 1993 and 1992, respectively.

Investment and interest income of \$7,345,000 decreased 34 percent and 57 percent from fiscal year 1993 and 1992, respectively. This was reflective of the decline in investment securities markets during this period, especially February and March 1994. Short-term fixed income securities, of which Sealaska allocates at least 30 percent of the investment portfolio, earned an average of 3.5 percent in fiscal year 1994, a decrease from 6 percent average earnings in fiscal year 1992.

Costs of products and services



The average cost of products and services to net sales of approximately 71 percent for the year decreased from 76 percent for fiscal year 1993 and 73 percent for fiscal year 1992. This was primarily due to higher export ANCSA timber prices which averaged \$965 per thousand board feet compared to \$727 and \$659 for fiscal year 1993 and 1992, respectively.

Natural resource revenue sharing

The portion of Sealaska revenue distributable to other ANCSA corporations of \$35,788,000 for the year is the highest amount ever for any single year of operations. This is partially due to higher ANCSA timber volumes, but primarily due to the high export timber prices experienced during the year.

Income taxes

As stated in Note 10, Sealaska retroactively adopted a new accounting standard, SFAS 109, Accounting for Income Taxes, during the year. This resulted in tax benefits of \$3,000,000 for fiscal year 1994, \$3,000,000 for fiscal year 1993 and \$1,000,000 for fiscal year 1992.

The resulting deferred tax asset of \$30,000,000 at March 31, 1994 represents the estimated benefit of not paying federal and state income taxes on projected operating income over the next three years. Sealaska will not pay income taxes because of depletion from ANCSA timber harvested.

Earnings per share

Earnings have been fairly consistent over the last three years at \$14.43 per share for fiscal year 1994, compared to \$13.89 and \$14.11 per share for fiscal year 1993 and 1992, respectively. Although export timber prices increased, the investment securities portfolio earnings decreased.

ANALYSIS OF FINANCIAL POSITION

Assets

Total assets increased 13 percent to \$320,520,000 from the prior fiscal year end. As disclosed in Note 7 to the financial statements, the value of Sealaska's ANCSA assets, although they have significant economic value to Sealaska, are not included in this amount. Major line item changes were from the following:

- Investment securities increased approximately \$20,000,000 from timber and investment security earnings.
- Amounts payable under ANCSA Sections 7(i) and 7(j) increased approximately \$20,000,000 from fiscal year 1993. This was due to the higher ANCSA timber sales volume and timber prices than in fiscal year 1993. This amount is paid out three months after fiscal year end.
- Shareholders' equity increased 8 percent to \$208,773,000 from fiscal year 1993. The increase was from earnings of \$22,749,000, offset by the dividends of \$7,033,000 paid out during the year.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and capital resources

Sealaska has a current investment securities portfolio in excess of \$110,000,000 and unused lines of credit at year-end of \$22,700,000. The corporation has adequate short-term capital resources to cover short-term cash needs.

Sealaska's current ratio at year-end of 2.32 (current assets divided by current liabilities) decreased slightly from 2.71 the prior year. This decrease was primarily due to the Section 7(i) revenue sharing for fiscal year 1994 which represents a \$20,000,000 increase in both current assets and current liabilities from fiscal year 1993. Net working capital (current assets less current liabilities) of \$79,739,000 increased from \$66,723,000 the prior year.

Sealaska has no long-term capital commitments at this time. Sealaska expects to have adequate capital available for long-term uses such as acquisition of new businesses. The strategic plan acquisition process is progressing, which would use available funds from the current investment securities portfolio and leveraging Sealaska's financial position through long-term debt. Of the total \$238,335,000, approximately \$99,000,000 of investment securities are not available for current use pending resolution of the IRS examination of Sealaska's NOL sales.

Sealaska generated positive cash flows of \$20,184,000 in fiscal year 1994, compared to \$25,628,000 and negative cash flow of \$1,849,000 in fiscal year 1993 and 1992, respectively. This was primarily from earnings from the timber operations and investment portfolio.

FACTORS AFFECTING CORE BUSINESS PERFORMANCE

Export timber prices

Sealaska's results of operations are significantly affected by business conditions and pricing of round logs in the Japanese market. It is not unusual for export log prices to swing from season to season based upon the exchange rate of the yen to the U.S. dollar, U.S. government regulations and court decisions that affect timber supply, and general business and political conditions in Japan.

Each \$1 average change in price per thousand board feet will impact the bottom line by an estimated \$100,000, prior to natural resource revenue sharing.

Export timber quality

Normal business operations for Sealaska include timber harvests in several areas each year. As areas are closed down, new areas are opened. As a result of the volumes harvested from various locations, the quality and species mix of the timber varies. This results in differing amounts of revenue generated for the same volume of timber.



Interest rates and equity prices

Approximately 11 percent of Sealaska's \$238,335,000 investment portfolio is invested in international investment securities. The remaining 89 percent is invested in U.S. fixed income and equity securities.

Interest rate movements influence investment allocation decisions and affect overall investment earnings. A change of 1 percent in interest rates on notes and bonds could impact Sealaska's earnings by as much as \$3,500,000 in gains or losses.

Earnings from equity securities, which usually comprise approximately 21 percent of the investment portfolio, are very sensitive to changes in equity prices. A change of 1 percent change in average stock prices could impact earnings by as much as \$500,000 in gains or losses.

ANALYSIS OF CORE BUSINESS OPERATIONS

Timber

Fiscal year 1994 was the 13th year of timber harvesting and marketing operations for Sealaska Timber Corporation (STC). During this year, 109 million board feet of timber was harvested. A total of 261 million board feet of timber was marketed, including timber from the ANCSA operations, purchase and resale activities and logs marketed for others.

STC generated earnings and revenues as follows:

	Earnings	Revenues	Return on revenues
Fiscal year 1994	\$20,761,000	\$215,419,000	10 percent
Fiscal year 1993	\$18,611,000	\$154,539,000	12 percent
Fiscal year 1992	\$16,480,000	\$110,042,000	15 percent

Although earnings and revenues increased, return on revenues decreased due to the growth in timber purchase and resale activity. This activity has lower margins than ANCSA timber sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Timber (Cont.)

Timber volumes sold by major category compared to prior years were as follows:

<i>(Thousands of board feet)</i>	ANCSA	Purchase and resale	Marketed for others	Other	Total
Fiscal year 1994	109,648	92,042	49,093	10,044	260,827
Fiscal year 1993	86,721	78,529	38,399	27,818	231,467
Fiscal year 1992	100,859	57,494	27,171	18,951	204,475

STC volumes show an increase in purchase and resale activity. This is reflective of the strategic direction STC has taken to continue to grow while maintaining ANCSA harvesting volumes.

Harvest of ANCSA timber in fiscal year 1994 was conducted in Southeast Alaska in the areas of Hoonah, Hydaburg, Klawock and east Prince of Wales Island on approximately 5,000 acres of land.

Purchase and resale of timber activities include the purchase of logs from private landowners in the Pacific Northwest, Southcentral and Southeast Alaska and sales into the export market, either in conjunction with or separate from ANCSA timber.

Investment Portfolio

The investment portfolio had earnings as follows:

	Year-end balance	Earnings	Average return
Fiscal year 1994	\$238,335,000	\$ 7,345,000	3.2 percent
Fiscal year 1993	\$215,925,000	\$11,067,000	5.5 percent
Fiscal year 1992	\$188,540,000	\$16,944,000	9.2 percent

The lower returns on the investment portfolio in fiscal year 1994 are due to the general performance of the investment securities markets. Short-term fixed income securities earned just over 3 percent for fiscal year 1994, down from an average return of 6 percent in fiscal year 1992.

Earnings on long-term fixed income investments earned higher rates than short-term fixed income securities until February 4, 1994, when the Federal Reserve increased short-term interest rates for the first time since 1989. Sealaska usually allocates approximately 50 percent of its investment portfolio to intermediate (3 to 5 year maturities) fixed income securities. This type of security lost approximately 4 percent of its value during the last two months of fiscal year 1994 due to declines in the domestic bond market. Sealaska earned approximately 2 percent on this investment allocation during fiscal year 1994.

The equity markets, sensitive to changes in interest rates, performed substantially below historical levels. The Standard and Poor's 500 earned just over 1.4 percent for fiscal year 1994, primarily due to declines in the U.S. equity markets in February and March 1994. Sealaska earned approximately 8.5 percent on this investment allocation during fiscal year 1994.

Sealaska's board, in an effort to reduce the price and earnings volatility of Sealaska's investment portfolio, diversified into international investment securities in January 1994 with an allocation of approximately \$20,000,000.



OUTLOOK

IRS audits

Sealaska expects to move to the IRS appeals level for the audit years 1982 to 1988 during the second quarter of fiscal year 1995. The IRS examination of the 1989 to 1990 audit is expected to continue and be completed during the third quarter of fiscal year 1995.

Timber

The export prices of timber sold in Japan and Korea are expected to remain at late fiscal year 1994 prices. STC expects fiscal year 1995 earnings to remain at comparable levels to fiscal year 1994 earnings. Resource management will continue to be an integral part of the overall operating plan.

Investment Portfolio

Earnings from the investment portfolio for the first half of fiscal year 1995 are expected to continue to perform below historical levels. However, interest rates should stabilize at higher levels by year end. Uncertainty in the investment securities markets continues as market watchers have differing expectations of the Federal Reserve again raising interest rates in the near term. Until the markets have stabilized, Sealaska will remain in a defensive position.

Minerals

Sealaska will continue to explore the potential for mineral extraction of its 600,000 acres of ANCSA subsurface estate through its own efforts and those of major mining companies.

Business acquisitions

The board and management will continue to assess businesses to acquire. While an acquisition is not expected this year, they will continue with the process.

CONSOLIDATED BALANCE SHEETS

<i>(In thousands of dollars)</i>	March 31, 1994	March 31, 1993
		<i>(as restated)</i> <i>(Notes 1 and 11)</i>
ASSETS		
<i>Current assets:</i>		
Cash	\$ 475	\$ 503
Investment securities (Note 4)	110,769	90,557
Receivables (Notes 5 and 8)		
Trade	5,870	5,110
Other	6,617	754
Inventories (Note 8)	13,819	8,457
Prepaid and other current assets	2,423	428
	139,973	105,809
<i>Investment securities (Note 4):</i>		
Permanent Fund	72,133	70,979
Endowment Funds	4,319	3,979
Elders' Settlement Trust	4,277	4,070
Other	46,837	46,340
	127,566	125,368
<i>Property and equipment, at cost (Notes 6, 8 and 9)</i>	83,788	82,756
<i>Less - Accumulated depreciation and amortization</i>	(62,112)	(60,143)
	21,676	22,613
<i>Timber, timberland and mineral resources received pursuant to ANCSA (Notes 2 and 7)</i>	—	—
<i>Deferred taxes (Note 10)</i>	30,000	27,000
<i>Other assets</i>	1,305	2,107
TOTAL ASSETS	\$320,520	\$282,897

(Continued)

See accompanying notes to consolidated financial statements.

<i>(In thousands of dollars)</i>	March 31, 1994	March 31, 1993 (as restated) (Notes 1 and 10)
LIABILITIES AND SHAREHOLDERS' EQUITY		
<i>Current liabilities:</i>		
Notes payable (Note 8)	\$ 9,300	\$ 12,790
Current installments of long-term debt (Note 9)	1,419	1,323
Accounts payable	11,528	6,347
Amounts payable under ANCSA Sections 7(i) and 7(j) (Note 2)	34,533	14,038
Other accrued expenses	3,454	4,588
	60,234	39,086
<i>Long-term debt, less current installments (Note 9)</i>	2,481	3,900
<i>Other noncurrent liabilities (Note 4)</i>	6,207	4,029
<i>Deferred income (Note 10)</i>	42,825	42,825
<i>Shareholders' equity (Note 2):</i>		
Common stock, no par or stated value- Authorized 2,000,000 shares; issued 1,577,000 shares		
Contributed capital	93,162	93,162
Retained earnings	115,611	99,895
	208,773	193,057
<i>Commitments and contingencies (Notes 2, 10 and 12)</i>	—	—
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$320,520	\$282,897

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

*(In thousands of dollars,
except per share amounts)*
Years ended

	March 31, 1994	March 31, 1993	March 31, 1992
	(as restated, Notes 1 and 10)		
Revenues:			
Net sales	\$219,829	\$155,956	\$111,261
Investment and interest income	7,345	11,067	16,944
	227,174	167,023	128,205
Costs and expenses:			
Costs of products and services	155,464	119,180	80,800
Selling, general and administrative	12,342	11,888	14,711
Interest	510	855	1,420
Other, net	3,932	2,355	1,439
	172,248	134,278	98,370
Earnings from continuing operations before natural resource revenue sharing and income taxes			
Natural resource revenue sharing (Note 2)	54,926	32,745	29,835
	(35,177)	(13,485)	(8,078)
Earnings from continuing operations before income taxes			
Income tax benefit (Note 10)	19,749	19,760	21,757
	3,000	3,000	1,000
Earnings from continuing operations			
	22,749	22,260	22,757
Loss from discontinued operations (Note 3)			
		(360)	(500)
Net earnings			
	\$ 22,749	\$ 21,900	\$ 22,257
Earnings per share of common stock:			
Earnings from continuing operations	\$ 14.43	\$ 14.12	\$ 14.43
Earnings (loss) from discontinued operations		(.23)	(.32)
Net earnings			
	\$ 14.43	\$ 13.89	\$ 14.11
Dividends (Note 13)			
	\$ 4.46	\$ 2.00	\$ 5.00

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>(In thousands of dollars)</i>	Shares of common stock	Contributed capital	Retained earnings	Total shareholders' equity
Balance at March 31, 1991	1,577,000	\$93,162	\$ 50,470	\$143,632
Cumulative effect of change in method of accounting for income taxes (Note 10)			23,000	23,000
Restated balances at March 31, 1991	1,577,000	93,162	73,470	166,632
Net earnings for the year ended March 31, 1992			22,257	22,257
Elders' Settlement Trust established (Note 4)			(6,697)	(6,697)
Dividends to shareholders			(7,882)	(7,882)
Balance at March 31, 1992	1,577,000	93,162	81,148	174,310
Net earnings for the year ended March 31, 1993			21,900	21,900
Dividends to shareholders			(3,153)	(3,153)
Balance at March 31, 1993	1,577,000	93,162	99,895	193,057
Net earnings for the year ended March 31, 1994			22,749	22,749
Dividends to shareholders			(7,033)	(7,033)
Balance at March 31, 1994	1,577,000	\$93,162	\$115,611	\$208,773

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In thousands of dollars)</i> Years ended	March 31, 1994	March 31, 1993	March 31, 1992
	<i>(as restated, Notes 1 and 10)</i>		
<i>Cash flows from operating activities:</i>			
Net income	\$ 22,749	\$21,900	\$22,257
Adjustments to reconcile net income to net cash provided by operating activities-			
depreciation, amortization and depletion	7,963	9,622	8,658
(Increase) decrease in receivables	(6,752)	(321)	8,984
Increase in inventories	(5,362)	(1,405)	(2,152)
Increase in deferred taxes	(3,000)	(3,000)	(1,000)
Increase (decrease) in accounts payable	5,182	741	(2,353)
Increase (decrease) in amounts payable under ANCSA Sections 7(i) and 7(j)	20,495	4,387	(7,850)
Decrease in other accrued expenses	(1,201)	(2,429)	(809)
Increase (decrease) in other noncurrent liabilities	2,178	(2,409)	3,747
Other	(678)	(213)	764
Net cash provided by operating activities	41,574	26,873	30,246
<i>Cash flows from financing activities:</i>			
Dividends to shareholders	(7,033)	(3,153)	(7,882)
Repayments of long-term debt	(1,323)	(1,245)	(1,512)
Elders' Settlement Trust established			(6,697)
Increase (decrease) in notes payable	(3,490)	7,990	(1,700)
Net cash provided by (used in) financing activities	(11,846)	3,592	(17,791)

(Continued)

See accompanying notes to consolidated financial statements.

(In thousands of dollars)

Years ended	March 31, 1994	March 31, 1993	March 31, 1992
			(as restated, Notes 1 and 10)
<i>Cash flows from investing activities:</i>			
Proceeds from disposition of property and equipment	\$ 2,065	\$ 6	\$ 2,807
Proceeds from sales of discontinued operations		6,000	
Increase in restricted assets	(2,198)	(1,682)	(9,549)
Capital expenditures	(9,411)	(9,161)	(7,562)
Net cash provided by (used in) investing activities	(9,544)	(4,837)	(14,304)
Net increase (decrease) in cash and cash equivalents	20,184	25,628	(1,849)
Cash and cash equivalents at beginning of year	91,060	65,432	67,281
Cash and cash equivalents at end of year	\$111,244	\$91,060	\$65,432
<i>Supplemental disclosure of cash flow information:</i>			
Cash paid during the year for interest	\$ 510	\$ 934	\$ 1,484
Cash paid during the year for income taxes		\$ 2,376	

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements include the accounts of Sealaska Corporation (Sealaska) and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Income taxes

On April 1, 1993, Sealaska prospectively adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), Accounting for Income Taxes. The income tax provisions and related deferred tax assets have been restated for years ended March 31, 1993 and 1992. Under SFAS 109, the deferred tax asset is calculated by computing the estimated tax benefit for the next three years which arises from the net operating loss generated by depletion of the ANCSA timber for tax purposes for which the value for book purposes is zero (Note 2). The change in the deferred tax asset is included in the determination of earnings.

Investment securities

On April 1, 1993, Sealaska adopted Statement of Financial Accounting Standards No. 115 (SFAS 115), Accounting for Certain Investments in Debt and Equity Securities. Under SFAS 115, Sealaska's investments securities (Note 4) are classified as trading securities and are recorded at fair value. Fair value is based upon market prices. Previously, investment securities were stated at the lower of cost or market. The excess of cost over market, relating to marketable securities included in Sealaska's investment portfolio, was included in the determination of earnings. Gain or loss on the sale of marketable securities is determined on a specific identification basis.

Sealaska has designated certain investments for long-term uses, and therefore classifies these amounts as non-current.

Sealaska's investment trading activities include the use of futures contracts to manage market price exposure. Realized and unrealized gains and losses are included in investment income.

Inventories

Inventories consist of logs held for sale and are stated at the lower of average cost or estimated net realizable value.

Depreciation, amortization and depletion

Depreciation and amortization of property and equipment are provided primarily by the straight-line method for the expected useful lives of the assets as follows:

Buildings, leaseholds and improvements	5 to 45 years
Equipment and furnishings	3 to 10 years

Costs of logging roads, yards and camps are amortized as timber is harvested, based upon the estimated volume of timber to be removed.

Depletion of purchased timber is provided based on amounts harvested in relation to volume purchased. As described in Note 7, timber and mineral resources received under the provisions of the Alaska Native Claims Settlement Act (Note 2) are carried at zero value and no depletion expense is recorded when such resources are harvested or extracted. For tax purposes, depletion is reported based upon the higher of the estimated fair value of a specific timber block or mineral deposit as of the date of conveyance or first commercial development.

Earnings per share

Earnings per share information in the consolidated financial statements is based on shares outstanding as of March 31, 1994.

Cash

Sealaska maintains zero balance checking accounts and resulting bank overdrafts are included as accounts payable.

For purposes of the statement of cash flows, Sealaska considers all current investment securities to be cash equivalents.

Restatements and reclassification of prior year amounts

The income tax provision and related deferred tax assets have been restated for the years ended March 31, 1993 and 1992 for adoption of SFAS 109 (Note 10). Certain amounts in the consolidated financial statements for the years ended March 31, 1993 have been reclassified to conform with the manner of presentation used for the year ended March 31, 1994.

NOTE 2—ALASKA NATIVE CLAIMS SETTLEMENT ACT

Sealaska was incorporated in 1972 as a regional Native corporation pursuant to the provisions of the Alaska Native Claims Settlement Act (ANCSA). Sections 7(i) and 7(j) of ANCSA are significant to the consolidated financial statements and are further described herein.

Under the provisions of ANCSA, Sealaska has received or expects to receive conveyance of approximately 340,000 acres of land in the Tongass National Forest in Southeast Alaska of which it will own the surface and subsurface estate. At March 31, 1994, Sealaska has received conveyance of approximately 247,000 acres. ANCSA also provides for selection of land in Alaska by the village and urban corporations formed thereunder, the subsurface estate of which accrues to the related regional corporations. It is anticipated that the village and urban

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2—(CONT.)

corporations in Sealaska's region will receive conveyance to 289,000 acres of land within the Tongass National Forest of which Sealaska will own the subsurface estate. Of the approximately 289,000 acres, conveyance has been received of approximately 265,000 acres. As described in Note 7, the land and related surface and subsurface resources received under ANCSA are carried at zero value in the accompanying consolidated financial statements.

Section 7(i) of ANCSA requires that each Alaska regional corporation that received revenue or value from certain resources conveyed pursuant to ANCSA distribute 70 percent of net revenues to twelve of the thirteen regional corporations, including the distributing corporation. Sealaska and the other regional corporations have entered into a Section 7(i) Settlement Agreement which establishes specific definitions and methods for calculating shareable revenues. Revenues received by Sealaska from the timber resources and subsurface estate obtained through ANCSA are subject to the revenue sharing provisions of Section 7(i).

Distributions to Sealaska from other regional corporations under the provisions of Section 7(i), after reductions for distributions required by Section 7(j) of ANCSA, are recorded as income in the fiscal year the amounts become determinable and collection is reasonably assured.

Section 7(j) of ANCSA requires that not less than 50 percent of monies received by Sealaska from other regional corporations under Section 7(i) must be distributed to village corporations, shareholders of urban corporations and at-large shareholders. Required distributions to village corporations, shareholders of urban corporations and at-large shareholders are based on the ratio of the total number of Sealaska shares owned by shareholders of village corporations, by shareholders of urban corporations and by at-large shareholders.

A summary of the composition of natural resource revenue sharing expense as presented in the accompanying consolidated statements of operations is as follows:

<i>(In thousands of dollars)</i>			
Years ended	March 31, 1994	March 31, 1993	March 31, 1992
Revenue from other regional corporations, net of Section 7(j)	\$ 611	\$ 582	\$ 1,225
Portion of Sealaska revenue distributable to other ANCSA corporations	(35,788)	(14,067)	(9,303)
	\$(35,177)	\$(13,485)	\$(8,078)

NOTE 3—DISCONTINUED OPERATIONS

In March 1989, Sealaska adopted a plan to discontinue operation of its building materials segment, comprising Alaska Aggregate Corporation (ALAGCO) and Fairbanks Sand & Gravel (FS&G), effective October 1989. During the year ended March 31, 1993, Sealaska sold the stock of FS&G and the assets of ALAGCO.

The operating results of the building materials segments for the years ended March 31, 1993 and 1992 are presented in the accompanying consolidated statements of operations as a component of earnings (loss) from discontinued operations. Losses on disposal of discontinued operations for the years ended March 31, 1993 and 1992 relate primarily to additional losses on the disposition of assets and discontinuation costs for the building materials segment.

NOTE 4—INVESTMENT SECURITIES

Investment securities consist of the following:

<i>(In thousands of dollars)</i>	March 31, 1994	March 31, 1993	
	Carrying & fair value amount	Carrying amount	Fair value
Domestic			
Money market funds	\$ 106,985	\$ 14,031	\$ 14,031
Certificates of deposit	4,140	12,211	12,211
Commercial paper	536	2,200	2,185
Govt. bonds & notes	71,021	97,728	97,820
Corporate bonds & notes	20,759	38,832	39,232
Common stock	6,902	40,317	40,515
Mutual funds		8,863	8,963
Other	2,100	1,743	1,743
International			
Cash & cash equivalents	7,099		
Debt securities	9,506		
Equity securities	9,287		
Total	238,335	215,925	\$216,700
<i>Less: current portion</i>	<i>(110,769)</i>	<i>(90,557)</i>	
Noncurrent investment securities	\$ 127,566	\$ 125,368	

In a September 19, 1987 advisory vote, the majority of shareholders voted to establish a Permanent Fund with no less than 50 percent of the NOL sales proceeds. Accordingly, the Sealaska board of directors has designated certain amounts arising from net operating loss (NOL) transactions (Note 10) and related

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4—(CONT.)

investment earnings for long-term uses (Permanent Fund) and, accordingly, they are not available for current operations.

Additionally, endowments have been established for which the earnings accrue to the benefit of the Sealaska Heritage Foundation scholarship program and the Alaska Native Brotherhood. Further, investment securities relating to deferred NOL income (Note 10) are classified as noncurrent assets.

On November 2, 1991, the majority of shareholders voted to establish an Elders' Settlement Trust. Accordingly, and pursuant to ANCSA, during the year ended March 31, 1992, the Sealaska Board of Directors established an Elders' Settlement Trust for the benefit of Sealaska shareholders. Trustees of the Trust are Sealaska directors. A liability was established for future one-time distributions which will be made from the Trust to shareholders when they reach age 65. The amount distributed during the years ended March 31, 1994 and 1993 was \$275,000 and \$233,000, respectively.

Pursuant to the agreements governing the NOL transactions, at March 31, 1994 and 1993, \$99,233,000 and \$96,137,000, respectively, investment securities were held in restricted interest bearing escrow trusts. Subsequent to March 31, 1994, \$10,500,000 was released from escrow.

During the years ended March 31, 1994 and 1993, Sealaska realized net gains of \$1,190,000 and \$3,000,000, respectively, on the sales of securities, including gains and losses on futures contracts. Financial markets declined significantly in the last quarter of fiscal year 1994. Sealaska had unrealized net gains (losses) of (\$3,785,000) and \$775,000 at March 31, 1994 and 1993, respectively, which included losses on open futures contracts.

To reduce its exposure to fluctuations in securities values, Sealaska's trading activities include the use of financial instruments with off-balance-sheet risk. These financial instruments are bond, note, S&P 500 and currency futures contracts and involve elements of credit and market price risk in excess of the amount recognized in the statement of financial position. The notional amounts of those instruments reflect the extent of involvement Sealaska has in particular classes of financial instruments.

For futures contracts, the notional amounts do not represent the financial exposure to credit loss at March 31, 1994. The financial amounts potentially subject to credit loss are much smaller. Sealaska controls the credit risk of its futures contracts through guidelines set by management. Unless noted otherwise, Sealaska does not require collateral or other security to support financial instruments with credit risk.

At March 31, 1994, the notional amount of the outstanding bond and note contracts was approximately \$37,192,000.

At March 31, 1994, Sealaska had currency futures contracts maturing between April 5, 1994 and June 15, 1994 to purchase \$35,468,000 and sell \$35,659,000 in various currencies to hedge the currency risk for its international investment securities.

Futures contracts are contracts for delayed delivery or receipt of securities or money market instruments in which the seller or buyer agrees to make delivery or take receipt at a specified future date of a specified instrument, at a specified price or yield. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in securities values.

NOTE 5—RECEIVABLES

Receivables consist of the following:

<i>(In thousands of dollars)</i>	March 31, 1994	March 31, 1993
Trade accounts receivable	\$ 5,870	\$5,110
Amounts receivable from other Alaska regional corporations under ANCSA Section 7(i)	705	375
Receivable from ANCSA village corporation	4,583	
Other, less allowance for doubtful accounts of \$470,000 and \$324,000 in 1994 and 1993, respectively	1,329	379
Total receivables	\$12,487	\$5,864

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6—PROPERTY AND EQUIPMENT

The cost of property and equipment consists of the following:

<i>(In thousands of dollars)</i>	March 31, 1994	March 31, 1993
Land, non-ANCSA (Note 7)	\$ 5,645	\$ 6,189
Buildings, leaseholds and improvements	8,419	8,395
Equipment and furnishings	6,653	5,881
Logging roads, yards and camps	63,071	62,291
	<hr/>	<hr/>
	\$83,788	\$87,756

Land held for development as recreational or residential property aggregating \$3,290,000 is included in the caption "Land" above.

NOTE 7—TIMBER

As of March 31, 1994, Sealaska has received approximately 247,000 acres of land under the provisions of ANCSA as described in Note 2. Under generally accepted accounting principles, specifically Accounting Principles Board Opinion No. 29, assets received in nonmonetary transactions are recorded at their estimated fair value at the transaction date unless the fair value is not determinable within reasonable limits due to major uncertainties, in which case the assets received are recorded, and remain, at a value of zero. It was not practical for Sealaska to determine the estimated fair value of the resources received on the date of receipt within reasonable limits for financial reporting purposes. Accordingly, Sealaska carries assets received under ANCSA at zero value. However, these assets have significant economic value to Sealaska.

Because timber received under ANCSA is carried at a zero value, there is no charge to operations for depletion when such timber is harvested and sold. However, the direct costs of harvesting are reported as costs of products and services in the accompanying statements of operations. Through March 31, 1994, Sealaska has harvested the timber on approximately 38,000 acres of land received under ANCSA yielding approximately 983,000,000 board feet of timber. Estimates of the remaining volume and value of harvestable standing timber received under ANCSA vary based upon assumed fluctuations in future log market conditions. For economic and cultural reasons it is probable that not all of the lands will be harvested.

A summary of the volume of ANCSA timber sold and related revenue during years ended March 31, is as follows:

<i>(In thousands of dollars)</i>	Board feet	Revenue
Fiscal year 1994	109,648	\$91,038
Fiscal year 1993	86,721	\$51,833
Fiscal year 1992	100,859	\$56,423

NOTE 8—NOTES PAYABLE

Notes payable consist of the following:

<i>(In thousands of dollars)</i>	March 31, 1994	March 31, 1993
Note payable to bank under a line of credit totaling \$10,000,000 at March 31, 1994, unsecured with interest at the prime rate less .25 of 1% and expiring October 31, 1994		\$ 6,700
Note payable to bank under a line of credit totaling \$10,000,000 at March 31, 1994 secured by certain log trade receivables and inventories with interest at the prime rate plus .25 of 1%, and expiring September 30, 1994	\$8,300	6,090
Note payable to bank under a revolving line of credit of \$12,000,000 secured by the remaining log trade accounts receivable, inventories and logging roads with interest at the prime rate and expiring April 1, 1995	500	
	\$9,300	\$12,790

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9—LONG-TERM DEBT

Long-term obligations consist of the following:

<i>(In thousands of dollars)</i>	March 31, 1994	March 31, 1993
Deed of trust loan with a bank, payable in monthly installments of \$37,000 plus interest at prime plus .65 of 1%, maturing in the year 2000. The loan is secured by Sealaska's headquarters facility and contains certain financial ratio covenants	\$2,742	\$3,187
Other notes and contracts payable	1,158	2,036
	3,900	5,223
Less: Current installments	(1,419)	(1,323)
	<u>\$2,481</u>	<u>\$3,900</u>

The carrying value of long-term debt approximates fair market value.

Principal maturities of long-term obligations over the next five years ending March 31 are as follows (in thousands):

1995	\$1,419
1996	621
1997	449
1998	448
1999	445
Thereafter	518
	<u>\$3,900</u>

NOTE 10—INCOME TAXES

During the years ended March 31, 1989, 1988, and 1987, Sealaska entered into agreements with unrelated non-ANCSA corporations to share in the tax benefits available from utilization of Sealaska's accumulated federal net operating losses (NOLs) and investment tax credits. These tax benefit sharing arrangements were authorized by the Tax Reform Acts of 1984 and 1986 to specifically benefit ANCSA corporations that had been unable to utilize the substantial tax attributes they had accumulated.

Sealaska received compensation equal to approximately 80 percent of tax benefits sold. A portion, or in some instances all, of Sealaska's compensation is held in interest-bearing escrow accounts or trusts until the tax returns for the years involved are examined by the Internal Revenue Service (IRS), and either adjustments to the returns are statutorily barred or certain other events occur (a final determination).

The entire proceeds from certain NOL sales in the amount of \$45,214,000 are required to be held in escrow accounts until a final determination is made by the IRS with respect to the tax return reflecting the NOL utilization and have been recorded as deferred income. The proceeds from all other NOL sales have been recognized as income, as has the interest income earned on all NOL compensation proceeds.

The IRS is currently examining Sealaska's income tax returns for the years 1982 to 1990, inclusive. As a result of the examination of the returns for 1987 and 1988, several audit adjustments were proposed which would substantially reduce the tax basis of Sealaska's timber and related depletion deductions. Sealaska filed an extensive protest with the IRS appeals office and the IRS subsequently withdrew the proposed adjustments and returned the case to the IRS examination function for additional review. During fiscal year 1994, Sealaska, the IRS and a purchaser of NOLs reached an agreement which formally recognized the 1987 sale of approximately \$83,000,000 of NOLs. In addition, Sealaska has reached a tentative agreement with the IRS that recognizes NOL sales of approximately \$40,000,000 and \$20,000,000 in the 1987 and 1988 tax years, respectively. The ultimate outcome of the IRS examination is not determinable at this time, but is expected to impact Sealaska's net operating loss carryforward. Upon resolution of this matter, it is believed that there will not be a material impact on Sealaska's financial position. Under the terms of the NOL sales agreements, Sealaska would be required to pay interest at federal statutory rates to the NOL purchasers with respect to any tax benefit disallowed.

On April 1, 1993, Sealaska retroactively adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), Accounting for Income Taxes. The impact of adoption of the standard is recognition of a non-current asset, "Deferred Taxes," of \$23,000,000 at March 31, 1991 and income tax benefit of \$3,000,000, \$3,000,000, and \$1,000,000 for the years ended March 31, 1994, 1993, and 1992, respectively. The deferred tax asset of \$30,000,000 at March 31, 1994 arises from the net operating loss generated by depletion of ANCSA timber. There is no current tax liability due to tax depletion of ANCSA timber in excess of book depletion.

At March 31, 1994, Sealaska had net operating tax loss carryforwards of approximately \$326,000,000, principally expiring in 2004 to 2009, available to offset future taxable income. As described above, resolution of the IRS examination is expected to impact the amount of the carryforward.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11—RETIREMENT PLAN

Sealaska maintains a money purchase pension plan for all corporate headquarters employees and certain subsidiaries' full-time participating employees who are at least 21 years old. Contributions are funded on a quarterly basis and are accrued based on a maximum percentage of the covered payroll for the year, less any forfeitures applicable to employees no longer employed. The maximum contribution percentage is 10 percent of the covered payroll, and participants vest over a seven-year period.

NOTE 12—CONTINGENCIES

Sealaska and its subsidiaries are parties to several legal actions. Management believes Sealaska and its subsidiaries have meritorious claims or defenses and that the ultimate resolution of these matters will not have an adverse material effect on the financial condition of Sealaska.

NOTE 13—DIVIDENDS

Subsequent to March 31, 1994, Sealaska's Board of Directors declared a dividend of \$2.18 per share, totaling \$3,432,000, to be paid June 29, 1994. This amount represents the remaining dividend amount for fiscal year 1994, bringing the total fiscal year 1994 dividend to \$7,011,000 or \$4.45 per share. A dividend of \$2.27 per share was paid to shareholders December 1993 as an advance payment for fiscal year 1994.

In addition to dividends, natural resource revenue sharing distributions will be made to urban and at-large shareholders in the amount of \$3,357,000 or \$2.94 per share on June 29, 1994. Sealaska accounts for \$2,915,000 of this amount and \$442,000 is from other ANCSA regional corporations.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Sealaska Corporation

We have audited the accompanying consolidated balance sheets of Sealaska Corporation and its subsidiaries as of March 31, 1994 and 1993, and the related consolidated statements of operations, of shareholders' equity and of cash flows for each of the three years ended March 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

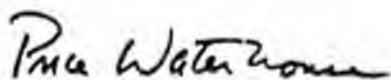
We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Notes 2 and 7, the Company has received or is entitled to receive surface and subsurface rights to certain lands in Alaska. The fair value of these lands and related natural resources is not reasonably determinable and, accordingly, is not included in the accompanying financial statements.

In our opinion, the consolidated financial statements audited by us present fairly, in all materials respects, the financial position of Sealaska Corporation and its subsidiaries at March 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years ended March 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Note 10, the Company's federal income tax returns for the years 1982 to 1990 inclusive are being examined by the Internal Revenue Service pursuant to its net operating loss sales. The ultimate outcome of this examination is not determinable at this time.

As discussed in Notes 1 and 10, during the year ended March 31, 1994 the Company retroactively adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes.



Price Waterhouse
Seattle, Washington
May 27, 1994

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ABOUT THIS REPORT

This report chronicles a year of success for CIRI as the corporation emerges from leaner economic times well positioned for the future. CIRI has the tested leadership and financial strength to move forward with confidence. This confidence comes not only from the size and strength of our corporation, but also from the energy and pride we draw from our rich and varied Alaska Native heritage. To emphasize the importance of CIRI's heritage in our business achievements, the following pages display images of present-day business activities over backgrounds of traditional crafts and tools. The front cover and this page combine a contemporary bird mask by Sylvester Ayeek with a portrait of Rebecca Williams in traditional Alutiq attire.



Cook Inlet Region, Inc. (CIRI) is one of the 12 regional corporations established by Congress under terms of the Alaska Native Claims Settlement Act (ANCSA) of 1971. CIRI is owned by approximately 6,700 Native shareholders, of predominantly Athabaskan, Eskimo and Aleut descent. A majority of the company's shareholders are women.

The principal lines of business of CIRI (together with its subsidiaries, the company) are natural resource development, real estate and broadcast radio and television. The company also owns a substantial interest in two drilling rigs and an oilfield service company which operates in Alaska on the Kenai Peninsula and the North Slope, the nation's largest oil province.

CIRI owns and manages 924,000 acres of surface estate and 6 million acres of subsurface estate in Alaska. The company holds various royalty and working interests in several producing and prospective oil and gas fields, as well as significant coal, timber and mineral properties in Alaska. The company also owns more than two dozen real estate properties throughout the United States.

The company owns WTKH-TV, the New Haven, Connecticut ABC affiliate, and is the managing general partner of WSNV-TV, the Nashville, Tennessee, NBC affiliate. The company also is the managing general partner of radio stations WFGC-AM/1 Man Washington, DC, KBXX-FM in Houston, Texas, and KUBI-FM in Seattle, Washington.

The primary emphases of the company's strategy for growth is continued development of its natural resource holdings and selective investment in the broadcast, real estate and oilfield service industries.

The company has its headquarters in Anchorage, Alaska.

TO THE SHAREHOLDERS

Sound decisions made in previous years and a rebounding U.S. economy helped lead to another profitable and successful year for our corporation in 1993. A highly advantageous financial restructuring of our broadcast properties was completed, and arrangements were made to further reduce risks and increase returns in other areas of our operations. The company's net income of \$25.3 million for 1993 represented an 8.1% increase over 1992.

Other important measures of CIRI's financial health also marked 1993 as a year of solid achievement. Cash inflows and cash reserves increased significantly over the previous year.

Our strong financial condition is a result of our prudent management and the success of our operations. The company's strong performance in 1993 is a testament to the hard work and dedication of our employees and the support of our shareholders. We are pleased to report that our financial condition is strong and our future prospects are bright.

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corporation as required by Section 7(f) of ANCSA.

Even more important than 1993 dividends is the longer range positioning of the company.

Our strengthened financial condition translates into security for the next generation of CIRI.

shareholders and the generations that follow. As custodians of the assets and resources of our land

settlement, we have a special responsibility to pass along to our children a corporation that is in sound financial condition. We are pleased and

proud that 1993 operations further improved the long-term strength of our corporation.

In the pages that follow, you will find details about our 1993 operations. We urge you to read them, and we hope that they will give you the same sense of pride and excitement that we experienced as the year progressed. A few of the highlights are:

Real estate experienced a particularly strong year, generating improved income and cash flows from our growing list of commercial, industrial and residential properties in and outside of Alaska. Our partnership interest in Peak Oilfield Service Company performed particularly well this year. Income and distributions from the partnership increased substantially from the prior year. CTRI's oil and gas operations, despite declining reserves, exceeded projections made at the beginning of the year.

In the area of implementing CTRI's land settlement, significant steps were taken toward closing out CTRI's federal property Treasury Account, which represents nearly 50% of our ANCSA entitlement. In addition, talks with federal agencies were intensified, with the goal of completing conveyance of the remainder of our land entitlement and that of our village corporations in the near future.

During the year, the corporation also made significant contributions toward its broader goal of meeting the educational and human service needs of our shareholder. CTRI's non-profit affiliates continued to assist shareholders through a wide array of programs that provide health care, housing, educational and employment support and cultural enrichment. Another CTRI initiative, the Alaska Native Justice Center, will be working to solve the problem of continued discrimination against Native people in the justice system and in

other areas of society.

Looking to the future, we are proud that we have been able to take part in the building of a strong, successful corporation. Over the past two decades, CTRI has faced unique and unrelenting challenges to attaining its land entitlement and other related goals. Despite these obstacles, we have chalked up a remarkable record of achievement—thanks to the innovative and diligent work of our staff and board of directors, as well as the perseverance of our shareholders.

When our children and our children's children look back on CTRI's first 21 years, they will see that their corporation has indeed come far. We pledge to continue our work so that CTRI will remain a source of economic, social and cultural strength for our shareholders far into the 21st century.



Roy M. Huhndorf

ROY M. HUHNDORF, PRESIDENT

John N. Colberg

JOHN N. COLBERG, CHAIRMAN

Lands

In 1993 the company undertook a number of initiatives designed to help complete close-out of CIRC's land entitlement. We began serious negotiations with the Bureau of Land Management to speed conveyance of lands on the west side of Cook Inlet. These conveyances will allow for reconveyances to the villages and a final determination of CIRC's entitlement status. In addition we initiated the process for conveyance of transportation and port site easements for development of CIRC's Johnson Tract mineral property, which is under lease to Westmin Resources, Ltd.

In August CIRC completed a sale to the State of Alaska of its 19,307 acres of subsurface estate within Kachemak Bay State Park. Earlier in the year CIRC and Seldovia Native Association (SNA) had jointly negotiated a sales agreement with the state which provided the basis for a state legislative appropriation to cover the purchase cost. In 1979 CIRC and SNA had completed a land exchange with the state that had added approximately 10,000 acres to the park. The 1993 purchase concluded the state's 18-year effort to reconstitute the park by acquiring CIRC and SNA interests.

Also in 1993 the company signed an agreement with Tyonek Native Corporation that formally settled disputes about the use of sand and gravel from lands where the surface estate is owned by Tyonek and the subsurface by CIRC. Similar sand and gravel agreements remain in effect for Eklutna, Ninilchik, Salamatos and Seldovia.

In 1993 Circle DE Pacific Corporation completed its first full year of timber harvest operations on CIRC land in the southern Kenai Peninsula. State-of-the-art techniques have been used to harvest selectively 2,500 acres of spruce bark beetle infested timber, and to ship 60,000 tons of premium quality wood to market from the Port of Denali.

Energy & Minerals

CIRC and its wholly owned subsidiary, CIRC Production Company, hold various active working interests and royalty positions in the Endicott Field on Alaska's North Slope, and in the Kenai Unit, Cannery Loop Unit and other fields on the Kenai Peninsula, one of the state's most prolific oil and gas regions. CIRC is one of the largest private landowners on the Kenai Peninsula. Production levels on the company's oil and gas properties were somewhat lower in 1993, a trend that naturally continues as fields age. The company's strategy is to stimulate



MOUNTAIN OF TOP GRADE WOOD CHIPS HARVESTED FROM BEETLE INFESTED TIMBER ON CIRI LAND AWAITS SHIPMENT TO PACIFIC RIM MARKETS FROM THE DOCK IN HOMER.

SUBSTANTIAL FIELD EXPLORATION WORK FURTHER DELINEATES THE MINERAL RESOURCES ON CIRI LANDS.



RESERVE INCREASES HAVE BEEN REPORTED AND THE LIFE OF THE FIELD EXTENDED AT ENDICOTT ON THE NORTH SLOPE, WHERE CIRI HAS A SMALL WORKING INTEREST.

development of new reserves through leasing and drilling activities.

One significant area of activity in 1993 was the negotiation of an exploration and option to lease agreement with Union Texas Petroleum Alaska Corporation for some 340,000 acres on the Kenai Peninsula. The agreement was executed in early 1994. In addition, in 1993 the company completed preparations for reworking its West Fork gas field wells. This work was successfully completed in early 1994, leading to increased production from the wells. The company also consolidated its North Slope land position in the Alpenglow prospect, which lies approximately 20 miles southeast of Prudhoe Bay.

CIRI's wholly owned mining subsidiary, North Pacific Mining Corporation, continued its efforts for marketing properties within CIRI's extensive mineral estate. Under an exploration agreement with Lone Star Exploration, which terminated in 1993, an extensive drilling program was completed on the Illinois Creek gold property located south of Galena, Alaska. The drilling expanded the proven and probable oxide gold reserves to more than 500,000 ounces. At CIRI's Johnson River gold and base metal property located on the west side of Cook Inlet, diamond drilling was completed in 1993 by Westmin Resources Ltd., the new leasehold operator, to confirm ore reserves. Additional work is scheduled there for 1994.

OILFIELD SERVICES

The consolidation of Prudhoe Bay operations by major North Slope producers and the ongoing restructuring within the Alaska oil industry have created a new concept in partnership/alliancing between the oilfield service sector and the major oil companies. The company is a major participant in this newly developed market concept through its 50% equity ownership in Peak Oilfield Service Company, which has been selected as one of the significant partnership/alliancing service companies.

Despite an anticipated shrinkage of contracting work on the North Slope, the company increased its ownership in Peak from 26% to 50% in 1991 in the belief that excellent opportunities existed for good performers in oilfield services. That decision produced immediate positive results when Peak was designated as one of the few "partnering" firms on the North Slope and expanded its operations to the Kenai Peninsula. In 1993 Peak again performed well as the financial effects of expansion were further realized. Efforts continue to explore the feasibility of entering the construction and oilfield service industries in the 48 contiguous states, South America and Russia.

In addition to its ownership interest in Peak, the company owns interests in two drilling rigs located on the North Slope. Rig 141 completed contract work for ARCO in 1993 and is presently under contract with Amstarco Energy for 1994 drilling. The company also owns a 20% interest in Rig 217, which is currently engaged in a platform offshore from the North Slope.



"DOUBLE-TRUCK" SYSTEM, UTILIZING TWO TRUCKS DRIVEN SIDE BY SIDE WHILE TOWING LOWBOY TRAILERS, TRANSPORTS LARGE CRANE OWNED BY PEAK OILFIELD SERVICE COMPANY.

PEAK'S WELDING FABRICATION SHOP, LOCATED AT ITS BASE CAMP IN DEADHORSE AT PRUGH BAY, ALLOWS IN-HOUSE CONSTRUCTION OF PIPE SPOOLS.



PEAK UTILIZES SNOW BLOWERS TO MAINTAIN ICE ROADS, AIRPORT RUNWAYS, AND GRAVEL ROADS AND PADS FOR SEVERAL CLIENTS ON THE NORTH SLOPE.

RE *Real Estate* TE

In 1993 the company virtually completed its federal entitlement property acquisition efforts and shifted its focus toward the management and development of its substantial real estate portfolio. This fundamental shift resulted from the successful deployment of nearly all of the remainder of the CIRC Treasury Account, established as part of the 1976 Cook Inlet Land Exchange to fulfill a portion of CIRC's ANCSA land entitlement. Nearly all of the company's real estate holdings in the lower 48 states, as well as its commercial real estate holdings in Alaska, were acquired utilizing the Treasury Account.

Two significant acquisitions utilizing the Treasury Account were apartment complexes in Poway, California, and Santa Fe, New Mexico. These acquisitions, which closed in early 1994, bring CIRC's multi-family portfolio to 2,123 units in eight complexes located in five Sunbelt states. In addition the company acquired a 28,500 square foot office building in Anchorage, bringing its Anchorage commercial portfolio to more than 270,000 square feet. These office buildings are currently 98% leased.

The company generated \$1.3 million in cash from the sale of raw land in California and Louisiana and entered into a contract, expected to close in 1994, to sell a raw parcel in Miami, Florida for \$6 million.

Cook Inlet Region of Virginia, a wholly owned subsidiary, completed its second

phase of nine townhomes at the Ford's Landing project in Alexandria, Virginia. Ten townhomes were sold in 1993, bringing the total constructed and sold to date to 14, with one remaining in inventory. CIRC Land Development Company, also a wholly owned subsidiary, completed its work for its 46-acre Kenai Industrial Park on Oahu, Hawaii.

In all, 1993 was a particularly successful year for the company's real estate segment in terms of converting the Treasury Account to operating assets and in terms of cash flow generated by those assets.

PALMS SURROUND 112,000 SQUARE FOOT INDUSTRIAL WAREHOUSE LOCATED NEAR SKY HARBOR AIRPORT IN PHOENIX, A PROJECT ACQUIRED BY CIRI IN 1991.



SITE WORK IS NOW COMPLETE ON THE COMPANY'S 46-ACRE KENAI INDUSTRIAL PARK ON OAHU, HAWAII.

NEWLY ACQUIRED APARTMENT BUILDING IN SANTA FE, NEW MEXICO ADDS 160 RESIDENTIAL UNITS TO CIRI'S SUBSTANTIAL REAL ESTATE PORTFOLIO.



BROADCASTING

In 1993 the company successfully completed efforts to restore strong levels of operating cash flow for its television and radio properties. The company maintained its high operating margins and took advantage of rising values in radio by entering into sales agreements for its three remaining radio stations.

Cook Inlet Communications Corp., owner of WTNH-TV, the ABC affiliate in New Haven, Connecticut, successfully restructured approximately \$129 million of public and private debt. The restructuring reduced the station's financial leverage and increased the company's equity ownership from 80% to nearly 100%. The station, operating in the nation's 25th largest market, regained its number one rating in news and generated a 30% increase in operating cash flow.

Cook Inlet Television Partners (CITP), owner of WSMV-TV, the NBC affiliate in Nashville, Tennessee, increased operating cash flow by 22% in 1993. Through increased efficiency, new programming and the strong growth in advertising revenues in local markets, WSMV-TV maintained its number one rating in news, which is strong by national standards. WSMV-TV, operating in the nation's 23rd largest market, also captured a number of national journalism awards.

Cook Inlet Radio Partners (CIRP), in which the company owns a 50% partnership interest, generated substantially increased operating cash flow from its three radio properties. This performance, plus the continuing effect of

Federal Communications Commission rules permitting the ownership of two FM radio stations in one market, allowed CIRP to command favorable prices for the sale of its stations. In October 1993 an agreement was signed to sell WPGC-AM/FM in Washington, D.C. for \$60 million. Sales agreements signed in early 1994 are to bring \$21 million for KBCX-FM in Honolulu, the nation's 10th largest market, and \$18.1 million for KUBE-FM in Seattle, the nation's 13th largest market.

The company plans to capitalize on status as one of the nation's premier minority broadcasters to diversify its television operations, make selective investments in radio, and expand into cable television and personal communication services.

As a result of the restructuring and the reduction of financial leverage in the television business, the company is well positioned to continue to invest in



WTNH-TV, THE ABC AFFILIATE IN NEW HAVEN, CONNECTICUT, OPERATES IN THE NATION'S 25TH LARGEST MARKET.

GIRI PLANS TO CAPITALIZE ON ITS STRENGTH AS ONE OF THE NATION'S PREMIER MINORITY BROADCASTERS TO MAKE SELECTIVE NEW INVESTMENTS IN RADIO.



IN 1993 WTNH-TV REGAINED ITS NUMBER ONE RATING IN NEWS AND GENERATED A 30% INCREASE IN OPERATING CASH FLOW.



SHAREHOLDER SERVICES

CIRI's mission extends beyond taking care of the corporation's bottom line. Improving the lives of CIRI shareholders and their families is the goal of the many programs administered by the CIRI non-profit corporations, which operate under delegation of CIRI's tribal authority. In 1993 these non-profits continued to offer a broad and expanding range of services.

Southcentral Foundation, which provides a wide variety of health care and dental services, opened a facility in 1993 for the Clubhouse Program to help meet the needs of those who are experiencing severe and persistent mental illness. The psychiatric rehabilitation program offers a supportive and nurturing environment focusing on peer, family and community support. Southcentral Foundation also was awarded a contract to provide national Community Health Representative training in Anchorage. Healthy Start funds were awarded to expand the current home visits provided by the Community Health Representative to include parents who need help with parenting skills such as coping with a newborn. Also in 1993 orthodontics and optometry services were expanded.

Cook Inlet Housing Authority, which provides a range of low-cost housing services, secured final funding in 1993 to build 75 elderly low-rent units in Anchorage. Groundbreaking is scheduled for the spring of 1994. Under the Anchorage Mutual Help Acquisition Program, 40 homes were purchased and are being renovated and occupied by home buyers.

Cook Inlet Tribal Council, which provides a variety of job placement, training and other services, prepared to initiate a new program in 1993 called TAPP, the Technical and Academic Preparation Program. TAPP opened in early 1994 to enhance Alaska Native students' ability to earn an associate degree or a two-year certificate from the University of Alaska, Anchorage. Participants will receive help in such areas as adjusting to the city and college environment, ongoing academic and personal counseling and acquisition of basic communication and math skills.

Cook Inlet Tribal Council's Tribal Employment Rights Office coordinated the hiring of Alaska Native construction trade workers for the new Alaska Native Health Center placement hospital project under construction in Anchorage. Additional jobs for Native hire were sought for the project, with Alaska Native and American Indian worker participation exceeding 75%. In addition the Family Services Department added a general assistance program which provides a temporary source of financial assistance to meet essential needs when no other source exists.

The CIRI Foundation, which provides educational scholarships and grants, as

FATHER SIMEON OSKOLKOFF PREPARES FOR A CEREMONY IN HOMER THAT BLESSED THE FRAGMENTARY HUMAN REMAINS RETURNED FROM A MUSEUM IN PENNSYLVANIA AND SUBSEQUENTLY REBURIED ON YUKON ISLAND IN KACHEMAK BAY.



CHILDREN ENJOY NATIVE ART PROJECTS AT THE CIRI FRIENDSHIP POTLATCH ORGANIZED BY THE CIRI FOUNDATION.

COOK INLET TRIBAL COUNCIL COORDINATES THE HIRING OF SKILLED ALASKA NATIVE CONSTRUCTION TRADE WORKERS FOR THE NEW ALASKA NATIVE MEDICAL CENTER IN ANCHORAGE.



SHAREHOLDER SERVICES

CONTINUED

well as support to cultural programs, awarded more than 336 scholarships and grants totaling more than \$300,000 in 1993. In addition more than 100 Native high school students were sponsored on a career field trip held in Anchorage by the Foundation in conjunction with a statewide Alaska Native Youth Leadership Conference. The Foundation also organized two major heritage programs: Alaska Native dance groups which performed daily at the Anchorage Museum over the summer, and the CIRI Friendship Potlatch held last fall.

CIRI has been one of the primary sponsors of the Alaska Native Heritage Park, a proposed Native cultural and educational center. This project moved forward in 1993 after a setback a year earlier. CIRI made available a new site for the center, a 26-acre parcel in Anchorage. Construction is anticipated to begin in the spring of 1995.

Koahmic Broadcast Corporation, a Native-operated community public radio station, was launched in 1992 by The CIRI Foundation. In 1993 Koahmic received Federal Communications Commission approval of its construction permit and was awarded a \$236,212 federal grant for capital equipment. The station anticipates

being on the air by late 1994.

Also in 1993 the Foundation helped lead CIRI's first repatriation of human remains stemming from passage of the Native American Graves Protection and Repatriation Act of 1990. The fragmentary remains of 82 prehistoric Chugach Alutiiqs were returned to Yukon Island in Kachemak Bay. The reburial service was a cooperative effort with the villages of Port Graham and Nanwalek (previously known as English Bay), Seldovia Native Association and the Chugach Alaska Corporation.



Charles G. Anderson



Costa E. Papp



Debbie Lullenswiler

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Gerald G. Brown



Peter D. Hovson



B. Agnes Brown



William D. English



Allan R. Chase Sr.



William C. Prosser



Leo Stephan



Clare Swan



Robert N. Woodhead

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Stephen C. Hillard
VICE PRESIDENT, COOK INLET
COMMUNICATIONS



(BACK ROW LEFT TO RIGHT) STEPHEN C. HILLARD, CRAIG A. FLOERCHINGER; (THIRD ROW) GERALD G. BOOTH, BARBARA A. DONATELLI, CARL H. MARRS; (SECOND ROW) KIRK S. MCGEE, MARGARET L. BROWN, MARK W. KROLOFF; (FRONT ROW) JOHN MONFOR, ROY M. HUHDORF

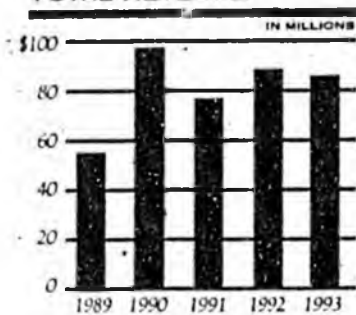
SUBSIDIARIES

CIRI CONSTRUCTION COMPANY
CIRI DRILLING COMPANY
CIRI LAND DEVELOPMENT COMPANY
CIRI PRODUCTION COMPANY
CIRI TRANSPORTATION COMPANY
PEAK ALASKA VENTURES, INC.
CIRI LAND EXCHANGE, INC.
COOK INLET REGION OF VIRGINIA, INC.
COOK INLET REGION OF GEORGIA, INC.
COOK INLET REGION OF ARIZONA, INC.
NORTH PACIFIC MINING CORPORATION
COOK INLET CORPORATION
COOK INLET INVESTMENT MANAGEMENT, INC.
COOK INLET ENERGY SUPPLY CORPORATION

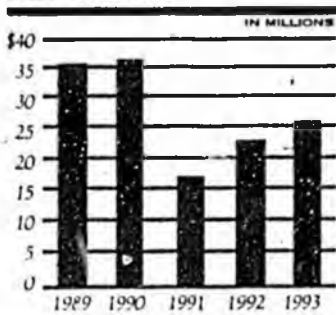
FINANCIAL HIGHLIGHTS

Five Year Summary

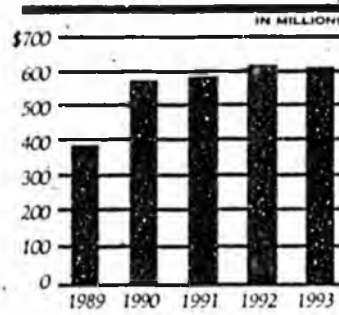
TOTAL REVENUE



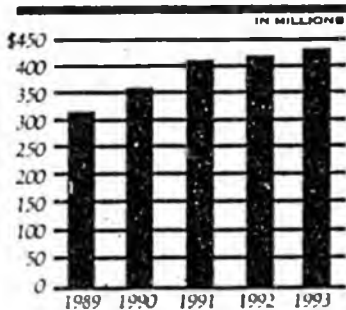
NET INCOME



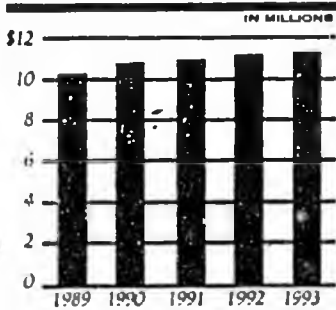
TOTAL ASSETS



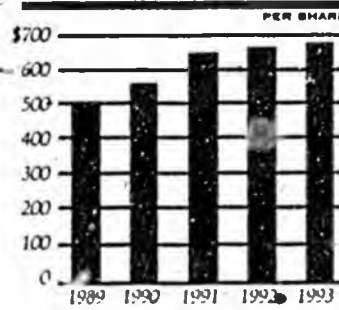
TOTAL SHAREHOLDERS' EQUITY



DIVIDENDS PAID



SHAREHOLDERS' EQUITY PER SHARE



Total revenue	1,100
Net income	27
Total assets	620
Total shareholders' equity	430
Dividends paid	11
Consolidated dividends paid per share	1.10
Consolidated sales TGI and TGI equipment	1,075
Shareholders' equity per share	67

COOK INLET REGION, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

December 31, 1993 and 1992

Assets	1993	1992
	(In Thousands)	
Current assets:		
Cash and equivalents	\$ 14,526	6,760
Investment securities	18,534	10,189
Receivables:		
Resource revenues	7,756	8,049
Broadcast revenues	8,261	6,198
Real estate revenues	163	2,453
Management fees	173	3,947
Other	1,276	3,702
Total receivables	<u>17,629</u>	<u>24,349</u>
Film contract rights	2,223	2,579
Prepaid expenses and other	1,272	981
Properties held for sale	11,690	16,252
Total current assets	<u>65,874</u>	<u>61,110</u>
Natural resource investments	42,332	45,293
Investment in affiliates	47,711	52,939
Property and equipment, at cost	220,383	208,788
Less accumulated depreciation and amortization	20,523	16,617
Net property and equipment	<u>199,860</u>	<u>192,171</u>
Other assets:		
Investment securities	4,841	3,603
Restricted cash and investment securities	93,008	90,605
Notes and other receivables, less current installments	5,554	4,772
Management fees receivable	1,437	1,393
Non-current film contract rights	2,329	1,034
Broadcast intangible assets, net	119,213	139,709
Other	18,694	16,059
Total other assets	<u>245,076</u>	<u>257,175</u>
	<u>\$ 600,853</u>	<u>608,688</u>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

COOK INLET REGION, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

<i>Liabilities and Shareholders' Equity</i>	1993	1992
	<i>(In Thousands)</i>	
<i>Current liabilities:</i>		
Current installments of long-term debt	955	6,477
Accounts payable	3,896	2,775
Accrued liabilities	9,368	8,246
Current installments of film contracts	2,080	3,064
Due to other regions, at-large shareholders and village corporations	5,424	5,113
Other	881	3,321
Total current liabilities	<u>22,604</u>	<u>28,996</u>
Accrued liabilities	962	752
Film contracts, excluding current installments	2,431	902
Long-term debt, less current installments	113,405	128,503
Long-term liability to other regions, at-large shareholders and village corporations	23,368	2,605
Minority interest in subsidiaries	2,618	6,120
<i>Shareholders' equity:</i>		
Common stock of no par value		
Paid-in capital	209,230	209,793
Retained earnings	<u>226,235</u>	<u>212,017</u>
Total shareholders' equity	435,465	421,810
Commitments and contingencies		
	 <u>600,853</u>	 <u>608,688</u>

COOK INLET REGION, INC. AND SUBSIDIARIES
Consolidated Statements of Income

<i>Years ended December 31, 1993, 1992 and 1991</i>	<i>1993</i>	<i>1992</i>	<i>1991</i>
	<i>(In Thousands, Except Income Per Share)</i>		
<i>Revenues:</i>			
<i>Natural resources:</i>			
Royalty production	\$ 6,382	6,542	7,430
Working interest production	10,866	14,311	13,376
Other	3,907	1,256	1,577
	<u>21,155</u>	<u>22,109</u>	<u>22,383</u>
Less amount distributable to others	(5,343)	(5,924)	(4,634)
Net natural resource revenues	<u>15,812</u>	<u>16,185</u>	<u>17,749</u>
Broadcast, net of commissions	32,406	28,875	32,537
Share of earnings (loss) of unconsolidated broadcast affiliates	-	13,054	(9,207)
Land and real estate	16,709	10,594	4,903
Construction, equipment and oilfield services	5,559	2,533	2,900
Investment securities	6,437	9,507	11,041
Other significant items	9,182	8,328	18,272
Total revenues	<u>86,105</u>	<u>89,076</u>	<u>78,195</u>
<i>Expenses:</i>			
Natural resources	11,631	10,815	9,788
Broadcast	22,545	23,992	23,281
Land and real estate	12,826	10,496	6,417
General and administrative and shareholder relations	5,969	7,770	7,372
Other	1,475	487	891
Total expenses	<u>54,446</u>	<u>53,560</u>	<u>47,749</u>
Operating income	<u>31,659</u>	<u>35,516</u>	<u>30,446</u>
<i>Other (income) expense:</i>			
Interest income	(431)	(488)	(780)
Interest expense	13,451	14,063	15,602
Minority interest in loss of broadcast subsidiary	(909)	(1,716)	(646)
Support to The CIRI Foundation	171	236	120
Other	329	(27)	(858)
	<u>12,611</u>	<u>12,068</u>	<u>13,438</u>
Net income before extraordinary gain	19,048	23,448	17,008
Extraordinary gain on repurchase of broadcast debt	6,301	-	-
Net income	<u>\$ 25,349</u>	<u>23,448</u>	<u>17,008</u>
<i>Earnings per share of common stock:</i>			
Net income before extraordinary gain	\$ 30.33	37.34	27.08
Extraordinary gain	10.03	-	-
Net income	<u>\$ 40.36</u>	<u>37.34</u>	<u>27.08</u>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

COOK INLET REGION, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity.

<i>Years ended December 31, 1993, 1992 and 1991</i>	<u>1993</u>	<u>1992</u>	<u>1991</u>
	(In Thousands)		
Paid-in capital at beginning of year	\$ 209,793	209,793	159,695
Federal properties received			50,098
Other	(563)		
Paid-in capital at end of year	<u>209,230</u>	<u>209,793</u>	<u>209,793</u>
Retained earnings at beginning of year	212,017	199,833	193,995
Net income	25,349	23,448	17,008
Cash dividends - \$18.00, \$17.93 and \$17.78 per share in 1993, 1992 and 1991, respectively	(11,306)	(11,264)	(11,170)
Other	175		
Retained earnings at end of year	<u>226,235</u>	<u>212,017</u>	<u>199,833</u>
	<u>\$ 435,465</u>	<u>421,810</u>	<u>409,626</u>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

COOK INLET REGION, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

Years ended December 31, 1993, 1992 and 1991	1993	1992	1991
	(In Thousands)		
<i>Cash flows from operating activities:</i>			
Net income	\$ 25,349	23,448	17,008
<i>Reconciliation of net income to net cash provided by operating activities:</i>			
Extraordinary gain on debt repurchase	(6,301)	-	-
Undistributed (earnings) loss of affiliates	46	(13,834)	22,746
Depreciation, depletion and amortization	16,141	18,687	17,166
(Gain) loss on sales of investment securities	(1,652)	373	(2,183)
Gain on settlement of claims	(8,958)	(3,392)	(39,400)
Write-downs of long-term assets for economic impairment	-	250	4,288
Accretion of discount on long-term debt	3,493	7,758	7,259
Minority interest in losses of unconsolidated affiliates	(218)	(1,889)	(646)
Other	31	375	624
Changes in operating assets and liabilities	5,076	(15,141)	15,490
Net cash provided by operations	33,007	16,635	42,352
<i>Cash flows from investing activities:</i>			
Net (purchases) sales of investment securities	(6,730)	18,293	12,230
Proceeds from disposals of operating property and equipment	82	20	185
Cash invested in operating property and equipment	(2,263)	(3,274)	(699)
Cash invested in natural resource activities	(1,222)	(8,009)	(6,856)
Cash invested in affiliates	-	(895)	(19,128)
Distributions from affiliates	4,776	-	2,459
Net cash provided (used) in investing activities	(5,357)	6,135	(11,809)
<i>Cash flows from financing activities:</i>			
Principal payments on long-term debt	(42,992)	(17,805)	(11,368)
Purchase of outstanding debt securities	-	(6,765)	(5,337)
Payments of film contract rights	(3,372)	(4,903)	(5,007)
Proceeds from issuance of long-term debt	38,174	16,641	3,963
Dividends paid	(11,306)	(11,264)	(11,170)
Other	(388)	207	-
Net cash used in financing activities	(19,884)	(23,889)	(28,919)
Net increase (decrease) in cash	7,766	(1,119)	1,624
Cash at beginning of year	6,760	7,879	6,255
Cash at end of year	\$ 14,526	6,760	7,879

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

COOK INLET REGION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Cook Inlet Region, Inc. and its subsidiaries (Company). Significant intercompany balances and transactions have been eliminated in consolidation.

Property Selection Rights

Federal surplus, excess, and other properties received pursuant to the Alaska Native Claims Settlement Act, as amended (ANCSA), were recorded as an addition to property and paid-in capital at fair value, either as agreed to between the Company and the federal government or as determined by a successful bid of acre-equivalent values (note 2).

Fair value of the surface and subsurface estate received pursuant to ANCSA, other than such federal properties, was not determinable within reasonable limits at the time of conveyance and therefore no value has been recorded in the accompanying consolidated financial statements for these assets.

The Company's basis in surface and subsurface estate for financial statement purposes may differ from the basis for income tax reporting purposes.

Depreciation

Depreciation of buildings and furniture and fixtures is provided over the estimated useful lives of the respective assets using the straight-line method.

Depletion and Amortization

Because the fair value of lands received pursuant to ANCSA, other than federal properties, has not been recorded, the accompanying consolidated financial statements do not reflect depletion as a charge against production revenues from lands received pursuant to ANCSA.

Lease acquisitions, exploratory drilling costs and development costs are capitalized and are depleted or amortized over estimated useful lives by application of the units-of-production method. In arriving at rates under the units-of-production method, the quantities of recoverable reserves are established based on estimates made by the unit operators' geologists and engineers. Exploratory drilling costs are charged to expense if and when a well is determined to be unsuccessful.

The cost of film contract rights is capitalized and the corresponding liability is established at the time film contracts are executed, although the programs may not currently be available for broadcast. These costs are charged to expense based upon the usage of the films under methods which generally result in straight-line amortization.

Land Selection Costs

Costs associated with selection of surface and subsurface estate have been expensed as incurred.

Income Per Share

Income per share is based upon the aggregate number of Class A shares outstanding (628,000 shares).

Investment Securities

Marketable equity securities are stated at the lower of cost or market value. Aggregate net unrealized losses are included in income if related to current assets and in shareholders' equity if related to non-current assets. Fixed income securities are stated at cost unless there is a permanent impairment of value, in which case the adjustment to market value is included in income.

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 115 (SFAS 115), Accounting for Certain Investments in Debt and Equity Securities.

COOK INLET REGION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

SFAS No. 115 will be implemented in 1994. The Company anticipates that implementation of SFAS No. 115 will not have a material effect on the results of operations of the Company.

Current investment securities are recorded at the lower of cost or market value at December 31, 1993 and 1992. The carrying value of non-current investment securities approximates market value at December 31, 1993.

Investments

Investments in unconsolidated partnerships are accounted for using the equity method of accounting. Cost in excess of the net carrying value of assets acquired is amortized using the straight-line method for periods from 25 to 40 years.

Investments in participating interests in oil and gas leases are carried at cost, including capitalized interest, until production occurs, at which time the investment balance is amortized over the estimated recoverable reserves.

Reclassifications

Certain reclassifications have been made to the 1992 and 1991 consolidated financial statements to make them comparable with the 1993 presentation.

(2) ALASKA NATIVE CLAIMS SETTLEMENT ACT

The Company was incorporated June 8, 1972, as a Regional Corporation pursuant to the provisions of ANCSA. The Company has received its total proportionate share of the monetary entitlement under ANCSA in the amount of \$34,363,000 and has recorded this amount as paid-in capital.

ANCSA also provides that the Company, in partial fulfillment of its ANCSA entitlement, is to receive 1,260,000 acres of surface estate and 2,285,000 acres of subsurface estate. As of December 31, 1993, after adjustment to reflect federal property acquisitions as explained below, the Company has received conveyance of approximately 924,000 acres of its surface entitlement and 1,608,000 acres of its subsurface entitlement. A substantial portion of the remaining unfulfilled entitlement has been filled by acquisitions of federal properties.

As a result of certain amendments to ANCSA, authority exists whereby the Company may fulfill a portion of its land entitlement by means of acquisition of federal surplus, excess, and other properties. Through various mechanisms, up to 138,240 acres of In-region entitlement can be converted to a fixed-dollar value and utilized for acquiring in-state properties through a conveyance process (conveyance account), and all but 161,280 acres of out-of-region entitlement can be converted to a fixed-dollar value for acquiring both in-state and out-of-state properties through a bid-purchase process (bid-purchase account). Properties acquired through the conveyance process are charged against the conveyance account at the fair value of the properties at the date of conveyance. Properties acquired through the bid-purchase process are charged against the bid-purchase account at the accepted bid or purchase amount. The conveyance account is adjusted periodically for inflation while the bid-purchase account is not adjusted.

As of December 31, 1993 pursuant to these provisions, the Company had received and recorded land and improvements of \$209,769,000 which represents the fair value of the properties at the date of conveyance.

COOK INLET REGION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Common Stock

Under provisions of ANCSA, each qualified Alaska Native enrolled to the Company was entitled to receive 100 shares of Class A voting stock. Issuance of the Village Series of stock was restricted to qualified persons who were residents of one of the village corporations in the region; the Non-village Series of stock was issued to non-village residents. The stock carries voting rights only if the holder is an eligible Alaska Native or descendant of a Native as defined in ANCSA.

ANCSA and the Company's Articles of Incorporation provide that the Class A stock cannot be sold, pledged, assigned or otherwise alienated, except in certain circumstances pursuant to court decree or upon death. The Articles and ANCSA permit transfer during a shareholder's life of the Company's currently outstanding stock to a child, grandchild, great-grandchild, niece, nephew, or (if the holder has reached the age of majority as defined by the laws of the State of Alaska) brother or sister of a shareholder if such relative is a Native or a descendant of a Native as defined in ANCSA. 1,500,000 shares of Village and 1,500,000 shares of Non-village Class A stock were authorized of which 628,000 were issued and outstanding at December 31, 1993. The Company's current outstanding stock will remain subject to these restrictions unless, pursuant to specified procedures, a decision is made by shareholders to eliminate the restrictions. None of the 2,000,000 shares of Village and 2,000,000 shares of Non-village Class B stock authorized by the Company's Articles of Incorporation had been issued at December 31, 1993.

(3) MANDATORY DISTRIBUTIONS PURSUANT TO ANCSA

Distributions to Other Regional Corporations

Under Section 7(k) of ANCSA as provided in the Section 7(i) Settlement Agreement (Settlement Agreement) entered into by the twelve Alaska Regional Corporations, 70% of net revenues received by a Regional Corporation from timber resources and resources from subsurface estate conveyed to it under ANCSA (less certain deductions) is to be divided annually by the receiving Regional Corporation among all twelve Alaska Regional Corporations, including itself, in proportion to the number of Alaska Natives enrolled to each Regional Corporation.

Included in restricted cash and investment securities is \$4,442,000 and \$4,182,000 at December 31, 1993 and 1992, respectively, which represent resource payments which are subject to the escrow provisions of the Settlement Agreement.

Distributions to Village Corporations and At-large Shareholders

Section 7(j) of ANCSA requires that 50% of the 70% allocation established by Section 7(i) of ANCSA and received by the Regional Corporation must be distributed to village corporations and at-large shareholders within the region. The amount distributed to village corporations and at-large shareholders is apportioned among them based on the proportion of the Company's Village Series stock owned by village shareholders compared to the Company's Non-village stock owned by at-large shareholders.

COOK INLET REGION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS SUPPLEMENTAL DISCLOSURES
Changes in operating assets and liabilities consist of:

	<i>Years ended December 31,</i>		
	1993	1992	1991
	<i>(In Thousands)</i>		
(Increase) decrease in resource revenue receivables	\$ 418	(528)	997
Decrease in broadcast revenues receivable	2,370	998	713
(Increase) decrease in real estate receivables	314	743	(114)
(Increase) decrease in other receivables	129	2,695	(3,828)
Increase in prepaid expenses and other current assets	(292)	(287)	(383)
(Increase) decrease in properties held for sale or development:			
Capital expenditures	(2,647)	(9,927)	(5,994)
Proceeds from sales	6,780	1,821	22,117
(Gains) losses on sales	(919)	282	(162)
Unrealized loss on properties held for sale	-	984	4,027
(Increase) decrease in restricted cash and investment securities	(3,351)	(9,752)	24,487
Increase in other assets	(1,335)	(34)	(241)
Increase in accounts payable and accrued liabilities	1,534	1,072	2,438
Increase (decrease) in liabilities to other regions, at-large shareholders and village corporations	2,075	(3,208)	(28,567)
	<u>\$ 5,076</u>	<u>(15,141)</u>	<u>15,490</u>

For purposes of the consolidated statements of cash flows, acquisitions and dispositions of all highly liquid investments purchased with a maturity of three months or less are shown net and are included in investment securities.

Interest paid, net of amounts capitalized, was \$3,622,000, \$5,965,000 and \$8,136,000 during 1993, 1992 and 1991, respectively.

Non-cash investing activities include federal properties received pursuant to ANCSA in the amount of \$50,098,000 in 1991.

Interest expense includes accretion of discount on long-term debt of \$3,493,000, \$7,758,000 and \$7,259,000 in 1993, 1992 and 1991, respectively.

COOK INLET REGION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(5) DISCLOSURES ABOUT FAIR MARKET VALUE OF FINANCIAL INSTRUMENTS

Cash and Current Receivables and Payables

The carrying amount approximates fair value due to the short maturity of these instruments.

Investment Securities and Restricted Cash and Investment Securities

The fair value of investment securities and restricted cash and investment securities is based on quoted market prices for these or similar investments.

Long-Term Notes Receivable

The fair value of the Company's long-term notes receivable is estimated based on discounting cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the notes.

Long-Term Debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Non-Current Film Contracts

The fair value of non-current film contracts is estimated based on discounting expected cash flows over the term of the contracts using estimated market discount rates.

The estimated fair values of the Company's financial instruments are summarized as follows:

	At December 31, 1993	
	Carrying Amount	Estimated Fair Value
	(In Thousands)	
Long-term notes receivable	\$ 5,554	5,653
Restricted cash and investment securities:		
Escrowed pursuant to 7(i) settlement agreement (note 3) -	4,442	4,442
Escrowed to secure indemnification under		
tax sharing agreements (note 12)	87,098	87,842
Other	1,468	1,468
Non-current film contract obligations	2,431	2,186
Long-term debt	113,405	113,470

COOK INLET REGION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(6) INVESTMENTS

The Company has investments in common stock, partnerships and joint ventures related to television and radio broadcasting, real estate development, oil and gas exploration, construction, equipment and oilfield service activities. The following is a summary of these investments at December 31:

	1993	1992
	(In Thousands)	
Investments in producing oil and gas leases, net of accumulated amortization and depletion of \$27,322,000 in 1993 and \$22,993,000 in 1992	\$ 27,944	30,630
Investments in oil and gas leases held for development	2,522	2,504
	<u>30,466</u>	<u>33,134</u>
Natural resource projects, at cost	11,866	12,159
	<u>\$ 42,332</u>	<u>45,293</u>
Investments reported using the equity method of accounting:		
Broadcast	32,233	34,907
Construction, equipment and oilfield services	15,478	17,998
Real estate -		34
	<u>\$ 47,711</u>	<u>52,939</u>

The following is a summary of financial information of unconsolidated investees accounted for using the equity method:

COMBINED BALANCE SHEETS
December 31, 1993 and 1992
(Unaudited, In Thousands)

	1993		1992		Real Estate
	Broadcast	Const/Equip Oilfield Serv	Broadcast	Const/Equip Oilfield Serv	
Assets:					
Current assets	\$ 15,090	13,876	121,502	15,884	11
Noncurrent assets	125,668	16,691	134,317	15,796	3,086
	<u>\$ 140,758</u>	<u>30,567</u>	<u>255,819</u>	<u>31,680</u>	<u>3,097</u>
Liabilities and partners' equity:					
Current liabilities	\$ 7,660	6,201	30,943	4,650	614
Noncurrent liabilities	90,857	4,490	179,608	2,917	2,506
Partners' equity	42,241	19,876	45,268	24,113	(23)
	<u>\$ 140,758</u>	<u>30,567</u>	<u>255,819</u>	<u>31,680</u>	<u>3,097</u>
Partners' equity allocable to the Company	\$ 32,233	11,048	34,907	13,150	34
Cost in excess of net book value of assets acquired, less accumulated amortization		4,430		4,848	
Cook Inlet Region, Inc. investment	\$ 32,233	15,478	34,907	17,998	34

COOK INLET REGION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

COMBINED STATEMENTS OF INCOME
Years ended December 31, 1993, 1992 and 1991
(Unaudited, In Thousands)

	1993	1992	1991
Revenues:			
Broadcast	\$ 50,142	100,285	61,160
Construction, equipment and oilfield services	74,120	64,588	58,960
Real estate			
Total revenues	124,262	164,873	120,120
Expenses:			
Broadcast	47,752	74,674	106,582
Construction, equipment and oilfield services	63,034	59,332	53,283
Real estate		294	284
Total expenses	110,786	134,300	160,149
Net income (loss)	\$ 13,476	30,573	(40,029)
Net income (loss) allocable to Cook Inlet Region, Inc.:			
Broadcast		13,054	(22,613)
Construction, equipment and oilfield services	5,562	2,533	2,040
Real estate		(150)	(128)
	\$ 5,562	15,437	(20,701)

The Company has agreements with its broadcast affiliate partners which allocate annual profits and losses disproportionately among the Company and its partners.

The long-term debt of the unconsolidated investees is without recourse to the Company.

(7) PROPERTY AND EQUIPMENT

The following summarizes property and equipment by major function at December 31:

	1993	1992
	(In Thousands)	
Rental properties	\$ 107,558	88,709
Broadcast properties	16,691	15,802
Properties under development	22,397	34,925
Properties held for investment or development	51,761	47,723
Properties held for sale	25,976	30,225
Natural resource properties	2,117	2,135
Other	5,573	5,521
	232,073	225,040
Less properties held for sale, current	(11,690)	(16,252)
	\$ 220,383	208,788

COOK INLET REGION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(B) LONG-TERM DEBT

The following summarizes long-term debt at December 31:

	1993	1992
	(In Thousands)	
Land and Real Estate:		
Mortgage notes payable, due in monthly installments aggregating \$331,000 including interest with effective rates from 6% to 7.3%. Final payments due at various dates through May 2007.	\$ 41,532	13,766
Less unamortized discount	(198)	(232)
Total mortgage notes payable	41,334	13,534
Construction note payable, interest only payments at prime plus 1.5%* due monthly through November 1994, with a one year extension option after which time the note will convert to long-term financing. Principal borrowing limit is \$10,000,000.	7,897	5,724
Natural Resources		
Notes payable to bank, due in monthly installments of \$182,000 plus interest at prime minus 1/2%, LIBOR plus 3/4%, and 8.12% through April 1995.		2,986
Construction, Equipment and Oilfield Services		
Note payable to bank, minimum annual installments of \$600,000. Interest due monthly at prime plus 3/4%.	-	2,400
Broadcast		
Senior secured notes, interest only payments due semi-annually at 10-3/4%, principal due in September 1998 or annually to the extent of 50% of the station's excess cash flow, as defined.	65,129	
Note payable to bank, due June 30, 1993 including interest at 8%.	-	3,265
Zero coupon senior notes with yields to maturity ranging from 13% to 13.5%, due 1992 through 1994, net of \$12,000,000 held by the Company in 1992.		72,000
Less unamortized discount		(7,837)
Total zero coupon senior notes		64,163
13-7/8% subordinated debentures, semi-annual interest payments, principal due December 15, 1997, net of \$13,345,000 held by the Company in 1992.		16,655
Less unamortized discount		(35)
Total subordinated debentures		16,620
10-3/4% note payable, including deferred interest of \$1,288,000 in 1992, interest due quarterly at 8-1/4%, principal due December 2000.		26,288
Total long-term debt	114,360	134,980
Less current installments	955	6,477
Long-term debt, excluding current installments	\$ 113,405	128,503

COOK INLET REGION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

During 1993 the Company completed a restructuring and repurchase of debt related to Cook Inlet Communications Corporation, the Company's New Haven, Connecticut television station (WTNH). The restructure was implemented through a prepackaged Chapter 11 reorganization of WTNH concluded in September 1993. The restructure included the following elements:

- The Company acquired at a discount its 10-3/4% note payable which had an outstanding balance of \$26,445,000 and its 8% note payable to a bank which had an outstanding balance of \$3,265,000. The purchase of these notes at a discount resulted in a net extraordinary gain of \$6,301,000.
- Agreement was reached to restructure the outstanding debt with the holders of the 13% to 13.5% Zero Coupon Senior Notes and the holders of 13-7/8% subordinated debentures resulting in:
 - \$74,000,000 of new Senior Secured Notes at a reduced interest rate of 10-3/4% issued in settlement of \$87,828,000 of outstanding debt, including unpaid accrued interest. The deferred gain on restructuring is recorded as an offset to the Company's investment in broadcast related assets.
 - The restructure extended maturity of WTNH debt to September 1998.
 - The restructured debt is secured by the common stock of WTNH and is otherwise without recourse to the Company.
- CIRI and other consolidated subsidiaries converted their holdings of WTNH debt to 16% Preferred Stock of WTNH.
- The 20% minority interest owner of WTNH transferred its equity to the Company and forgave a management fee receivable from the Company of approximately \$3,228,000 and received, in exchange, \$2,618,000 of 16% Preferred Stock in WTNH.
- The Company currently owns 100% of the common stock and 93% of the outstanding Preferred Stock of WTNH.

Scheduled maturities of long-term debt at December 31, 1993, excluding unamortized discounts of \$198,000, are as follows:

Year ending December 31	Amount
	(In Thousands)
1994	\$ 955
1995	8,922
1996	1,099
1997	1,180
1998	100,423
Thereafter	1,781

Property and equipment and certain cash deposits are pledged to secure land and real estate long term debt. Land and the Company's share of related gas production are pledged to secure oil and gas development debt. The Company's partnership interest and share of distributions from the partnership are pledged to secure the construction, equipment and oilfield services debt. Interest costs of \$264,000 and \$341,000 were capitalized and included in participating interest in oil and gas leases and development properties for the years ended December 31, 1993 and 1992, respectively.

COOK INLET REGION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(9) INCOME TAXES

In February 1992, the Financial Accounting Standards Board issued SFAS 109, Accounting for Income Taxes. This Statement requires that the Company recognize income tax benefits for loss carryforwards, credit carryforwards and certain temporary differences for which tax benefits have not previously been recorded. A valuation allowance on deferred tax assets would then be provided when it is more likely than not that some part of the deferred tax asset will not be realized.

The Company has certain unresolved questions regarding the treatment under SFAS 109 of basis differences associated with the Company's ANCSA lands. Because of the unique tax attributes of ANCSA corporations, current interpretations of SFAS 109 could result in the Company recording net deferred tax assets, after valuation allowance, between zero and \$500,000,000. Management believes that implementation under the current interpretation of the statement would result in misleading financial statements and has delayed implementation pending resolution of these questions.

The Company and its subsidiaries file consolidated federal and state income tax returns. The actual tax expense included in other expenses for 1993, 1992 and 1991 differs from the "expected" tax expense (computed by applying the U.S. Federal corporate income tax rate of 34% to income before income taxes) as follows:

	1993	1992	1991
		(In Thousands)	
Computed "expected" income tax expense	\$ 8,618	7,972	5,782
State income tax, net of federal income tax benefit	1,151	(1,055)	(854)
Net permanent differences	(2,020)	(7,585)	(17,109)
Net operating loss carryforwards generated but not recognized	-	668	12,181
Alternative minimum tax	617	-	-
Utilization of tax loss carryforwards	(7,749)	-	-
Provision for income taxes	\$ 617	-	-

The Company has significant net operating loss carryforwards available for income tax reporting purposes and financial statement purposes. In 1993, the Company realized a benefit from utilization of net operating loss carryforwards.

The Company's consolidated federal income tax returns for 1984 through 1989 are currently being examined by the Internal Revenue Service (IRS). During 1991, the IRS proposed significant adjustments to the returns, chiefly related to the valuation for tax purposes of certain of the Company's non-producing natural resource properties. Management believes that all the Company's values are supported by appropriate independent valuations and is vigorously contesting the proposed IRS adjustments. The ultimate resolution of these proposed adjustments may result in a charge to earnings in the future. However, management believes any adjustments will not have a material adverse effect on the financial position of the Company.

COOK INLET REGION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(10) RENTAL ACTIVITIES

The Company owns office and industrial facilities which it leases to others under non-cancelable operating leases expiring at various times over the next five years. Minimum future rental revenues are as follows:

Year ending December 31	(In Thousands)
1994	\$ 3,944
1995	3,616
1996	2,873
1997	1,033
1998	<u>686</u>
	<u>\$ 12,152</u>

Apartment units are leased under short-term rental agreements, generally for periods of three to six months. Rental revenues related to the apartments totaled \$10,417,000, \$6,561,000 and \$803,000 in 1993, 1992 and 1991, respectively.

Following is a summary of rental properties at December 31, 1993 and 1992:

	1993	1992
	(In Thousands)	
Office and industrial facilities	\$ 51,172	32,951
Apartment complexes	56,386	55,758
	<u>107,558</u>	<u>88,709</u>
Less accumulated depreciation	(12,082)	(9,389)
	<u>\$ 95,476</u>	<u>79,320</u>

(11) BUSINESS SEGMENT INFORMATION

The operations of the Company are organized into principal segments including natural resources, broadcast, land and real estate, construction, equipment and oilfield services, and investment securities.

Natural resource operations include activities of the Company related to interests in subsurface estate of land received pursuant to ANCSA or otherwise acquired by the Company with revenues relating primarily to royalty payments from oil and gas production on the Company's lands, working interest production from the Company's natural resource investments and sales of subsurface estate. Land and real estate operations include activities of the Company related to the surface estate of land received pursuant to ANCSA or purchased by the Company; revenues include property rentals as well as revenues from the development and sale of real estate holdings. Construction, equipment and oilfield service operations include the Company's involvement in oil drilling, oilfield related real estate activity, oilfield services, and construction and equipment rental and maintenance. Broadcast operations represent the Company's involvement in television and radio broadcasting. The investment securities segment includes the Company's investment securities portfolios.

Intersegment sales are not material for business segments.

COOK INLET REGION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

<i>Information by business segment follows:</i>	1993	1992	1991
	(In Thousands)		
<i>Segment income (loss):</i>			
Natural resources, royalty production and other	\$ 3,032	2,261	2,541
Natural resources, working interest production	1,149	3,110	5,419
Broadcast	9,861	17,937	48
Land and real estate	3,883	98	(1,514)
Construction, equipment and oilfield services	4,347	2,322	2,749
Investment securities	6,174	9,230	10,303
	<u>28,446</u>	<u>34,958</u>	<u>19,546</u>
<i>Other significant items:</i>			
Natural resources	(75)	(1,439)	(3,500)
Broadcast	-	-	(13,406)
Land and real estate	9,604	2,408	34,641
Investment securities	-	(270)	-
Other	(347)	7,629	537
	<u>9,182</u>	<u>8,328</u>	<u>18,272</u>
<i>Corporate general and administrative expense</i>	<u>(5,969)</u>	<u>(7,770)</u>	<u>(7,372)</u>
<i>Operating income</i>	<u>31,659</u>	<u>35,516</u>	<u>30,446</u>
<i>Other, net:</i>			
Broadcast	(3,990)	(11,282)	(13,107)
Other	(2,320)	(786)	(331)
<i>Consolidated net income</i>	<u>\$ 25,349</u>	<u>23,448</u>	<u>17,003</u>
<i>Identifiable assets:</i>			
Natural resources	58,665	61,787	56,770
Broadcast	178,620	204,850	198,066
Land and real estate	223,843	219,292	206,456
Construction, equipment and oilfield services	19,004	21,575	20,415
Investment securities	119,827	99,801	111,859
Corporate and other	894	1,383	858
<i>Consolidated net assets</i>	<u>\$ 600,853</u>	<u>608,688</u>	<u>594,424</u>
<i>Capital expenditures:</i>			
Natural resources	1,277	8,047	6,957
Broadcast	821	2,161	10,147
Land and real estate	3,711	11,692	5,994
Construction, equipment and oilfield services	-	2	9,329
Corporate and other	323	203	251
<i>Consolidated capital expenditures</i>	<u>\$ 6,132</u>	<u>22,105</u>	<u>32,678</u>
<i>Depreciation, depletion and amortization:</i>			
Natural resources	4,351	5,444	4,780
Broadcast			
Film contract rights	2,978	4,751	4,574
Other	5,552	6,052	5,969
Land and real estate	2,538	1,520	848
Construction, equipment, and oilfield services	389	388	352
Corporate and other	333	532	643
<i>Consolidated depreciation, depletion and amortization</i>	<u>\$ 16,141</u>	<u>18,687</u>	<u>17,166</u>

COOK INLET REGION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(12) OTHER SIGNIFICANT ITEMS

The following schedule details amounts included in other significant items on the consolidated statements of income for the years ended December 31, 1993, 1992 and 1991:

	1993	1992	1991
	(In Thousands)		
Land entitlement settlement adjustments	\$ 9,604	3,393	39,400
Sale of income tax net operating losses, net of expenses	(347)	7,878	2,424
Write-off of unsuccessful oil and gas drilling costs	(75)	(1,439)	(3,500)
Write-down of assets to net realizable value	-	(1,504)	(4,815)
Write-off of investment in WSMV	-	-	(13,406)
Other	-	-	(1,831)
	<u>\$ 9,182</u>	<u>8,328</u>	<u>18,272</u>

During the three years ended December 31, 1993 the Company recorded income resulting from land entitlement settlement adjustments. The Company does not expect significant adjustments in the future.

In 1989 and 1988 the Company entered into agreements with other corporations to realize the current economic benefit of a portion of the Company's accumulated income tax net operating losses. In accordance with the agreements, a portion of the Company's anticipated share of the benefits is held in interest earning escrow accounts until certain contingencies are resolved. \$87,098,000 and \$86,423,000 related to these transactions are included in restricted cash and investment securities at December 31, 1993 and 1992, respectively.

In 1991, the Company wrote off its 50% investment in a Nashville, Tennessee broadcast television station. At that time, the Company's assessment of the broadcast industry in Nashville and the prospects of reaching agreement with lenders to the station regarding restructure of debt service requirements led to the write-off. Subsequent successful renegotiation of the terms of the station's debt combined with improved performance of the station cause management to believe that the Company will recover a portion of its investment.

(13) COMMITMENTS AND CONTINGENCIES

The Company is subject to various commitments and contingencies arising in the normal course of business. In the opinion of management, the ultimate outcome of such matters will not have a material effect on the financial position or results of operations of the Company.

INDEPENDENT AUDITORS' REPORT

The Board of Directors of Cook Inlet Region, Inc. has requested that we audit the consolidated financial statements of Cook Inlet Region, Inc. and its subsidiaries for the years ended December 31, 1993, 1992 and 1991. These consolidated financial statements are the responsibility of management and include the accounts and records of the Company and its subsidiaries. We are not responsible for preparing or auditing the accounts and records of the Company and its subsidiaries. We are not responsible for the accuracy or completeness of the information furnished to us by management. We are not responsible for the accuracy or completeness of the information furnished to us by management. We are not responsible for the accuracy or completeness of the information furnished to us by management.

We have audited the consolidated financial statements of Cook Inlet Region, Inc. and its subsidiaries for the years ended December 31, 1993, 1992 and 1991, in accordance with generally accepted auditing principles. In our opinion, except for the effect of the contingencies described in the preceding paragraphs, the consolidated financial statements present fairly the financial position of Cook Inlet Region, Inc. and its subsidiaries and the results of their operations and their cash flows for each of the years ended December 31, 1993, 1992 and 1991 in conformity with generally accepted accounting principles.

March 11, 1994
 Anchorage, Alaska
 KPMG Peat Marwick

THE COMPANY

Cook Inlet Region, Inc. (together with its subsidiaries, the "Company") is a regional corporation formed pursuant to the Alaska Native Claims Settlement Act of 1971 ("ANCSA"). The Company is owned by approximately 6,700 predominantly Aleut, Eskimo, and Athabaskan Indian shareholders.

ANCSA provided for the conveyance of approximately \$962 million and 44 million acres of land to twelve regional corporations, and with respect to a portion of the surface estate of such land, numerous village corporations within those regions, in settlement of Alaska Natives' aboriginal land claims. The Company's original share of this entitlement was \$34.3 million, and approximately 1.2 million acres of surface estate and 2.3 million acres of subsurface estate.

The Company is by far the largest private landowner in the Cook Inlet region, which is centered around Anchorage, Alaska's largest city, and which includes the Cook Inlet oil and gas basin. Most of the Company's Alaska land consists of large, rural tracts with little likelihood of surface commercial development in the near term. Subsurface estate in these lands, however, has proven very valuable. The Company owns royalty and working interests in producing oil and gas fields as well as other explored and unexplored oil and gas prospects. The Company's subsurface land ownership, combined with its substantial holdings of mining claims in Alaska, led to the creation and growth of its Natural Resources segment.

Since 1976, the Company has consolidated its original land entitlement through legislative action. Among these adjustments was the creation of an account with the United States government through which the Company could fulfill a portion of its land entitlement by acquiring properties disposed of by the federal government. This "Treasury Account" has been used by the Company to acquire approximately \$210 million of properties throughout the United States disposed of by federal agencies and instrumentalities. As of December 31, 1993, the Company had approximately \$12 million remaining in this account. Subsequent to December 31, 1993, the Company acquired two additional apartment properties, leaving about \$1 million in the Treasury Account to be used to acquire federal properties. Substantial real estate holdings acquired with the Treasury Account are the underpinning of the Company's Real Estate division.

Financial and income tax incentives designed to encourage minority ownership of broadcast stations provided the basis for the Company's substantial investment during the 1980s in its Broadcast division. The Company owns a 50% interest in three radio stations serving major metropolitan markets in the United States. In addition, the Company owns the ABC television affiliate serving New Haven/Hartford, Connecticut and a 50% interest in the NBC television affiliate in Nashville, Tennessee.

FINANCIAL CONDITION

Total Assets. At the end of 1993 the Company's assets totaled \$601 million, compared to \$609 million and \$594 million at the end

of 1992 and 1991, respectively. The following schedule summarizes total assets by business segment at the end of each of the last three years:

	1993	1992	1991
	(In Thousands)		
Natural resources	\$ 58,665	61,787	56,770
Broadcast	178,620	204,850	198,066
Land and real estate	223,843	219,292	206,456
Construction, equipment and oilfield services	19,004	21,575	20,415
Investment securities	119,827	99,801	111,859
Other	894	1,383	858
Total assets	\$ 600,853	608,688	594,424

Working Capital and Liquidity. Liquidity represents the Company's ability to meet its obligations as they come due and to take advantage of investment opportunities as they arise. The Company's liquidity is represented by the amount of cash, cash equivalents, marketable securities and other assets which can be converted to cash in a relatively short time period, net of liabilities which are due in the relative near-term. Among common measures of liquidity at a point in time are the amount of working capital, the ratio of current assets to current liabilities (working capital ratio) and the amount of cash and marketable securities held.

At the end of each of the last three years, the Company's working capital was as follows:

	1993	1992	1991
	(In Thousands)		
Current assets	\$ 65,874	61,110	79,485
Current liabilities	22,604	28,996	65,369
Working capital	\$ 43,270	32,114	14,116
Working capital ratio	2.9 to 1	2.1 to 1	1.2 to 1

Unrestricted cash, cash equivalents and marketable securities held by the Company for liquidity and investment purposes totaled \$37.9 million at the end of 1993, compared to \$20.5 million and \$40.1 million at the end of 1992 and 1991, respectively.

The Company's working capital and liquidity position improved substantially in 1993. In addition to cash generated from normal operations, the following factors contributed to improved working capital and liquidity:

- Cash distributions from operations in radio broadcasting and construction, equipment, and oilfield services totaled \$13.3 million in 1993.
- The Company's radio partnership sold three radio stations at the end of 1992 which paid off all debt in the partnership early in 1993.

- Management restrained capital expenditures and new investments in 1993. Cash expended for capital additions, net of sales, for 1993 totaled \$7 million, compared to \$11.2 million in 1992 and \$21.9 million in 1991, respectively.
- As part of a restructuring of the Company's Connecticut television station, the Company purchased \$32.7 million of outstanding debt at a discounted price of \$26.4 million in late 1992 and 1993. (See Broadcast division on page 38.) The debt repurchases were funded by borrowings, net of debt repayments, of \$28 million.

The Company has a policy of paying consistent cash dividends to shareholders. The Company's cash dividends exceeded \$11 million in each of the last three years.

RESULTS OF OPERATIONS

Net income for the year ended December 31, 1993 increased to \$25.3 million from 1992 net income of \$23.4 million and 1991 net income of \$17 million. Following is a summary of net income for the last three years with operating income detailed by business segment:

	1993	1992	1991
	(In Thousands)		
Operating income:			
Natural resources	\$ 4,181	5,371	7,960
Broadcast	9,861	17,937	48
Land and real estate	3,883	98	(1,514)
Construction, equipment and oilfield services	4,347	2,322	2,749
Investment securities	6,174	9,230	10,303
Operating income	28,446	34,958	19,546
Other significant items	9,182	8,328	18,272
General & administrative expenses	(5,969)	(7,770)	(7,372)
Other expenses, net	(12,611)	(12,068)	(13,438)
Repurchase of broadcast debt	6,301	-	-
Net income	\$ 25,349	23,448	17,008

The three year period was marked by very substantial improvement in the Company's Broadcast division resulting from management efforts to restructure station operations and financing. Over the three years, the Company's Real Estate division produced significant, steadily improving results as investments in income properties acquired with the Treasury Account came on line. These improvements were partially offset by declining oil and gas production in the Natural Resources division and lower income from investment securities caused by smaller average balances invested and lower interest rates.

NATURAL RESOURCES

The Cook Inlet area of Alaska has had significant oil and gas activity since the 1950s. The region contains numerous producing oil and natural gas fields and supports oil refining, fertilizer manufacturing and export facilities for oil and liquefied natural gas. The majority of the Company's vast subsurface land holdings are located in this region. The Company owns royalty and working interests in producing oil and gas fields in Cook Inlet as well as substantial acreage currently under exploration agreements and mineral leases. In addition, the Company owns a working interest in the Endicott oil field on the North Slope of Alaska.

Following is a summary of net operating income from the Company's oil and natural gas royalty and working interests for each of the last three years:

	1993	1992	1991
	(In Thousands)		
Royalty interests:			
Revenue	\$ 6,382	6,542	7,430
Expenses	(1,488)	(665)	(895)
Section 7(i) revenue sharing	(3,065)	(4,164)	(4,604)
	<u>1,829</u>	<u>1,713</u>	<u>1,931</u>
Working interests:			
Revenue	10,866	14,311	13,376
Operating expenses	(4,594)	(4,057)	(3,377)
Depletion, depreciation and amortization	(4,117)	(5,444)	(4,780)
Section 7(i) revenue sharing	(847)	(1,700)	200
	<u>1,308</u>	<u>3,110</u>	<u>5,419</u>
Oil and gas operating income	\$ 3,137	4,823	7,350

The above schedule shows that operating income from oil and gas royalty interests and working interests has declined steadily over the last three years. This results from declining production as reserves are depleted in the fields as well as lower than expected production from the Company's West Fork gas field, which was developed in 1991 and 1992.

Because the value of lands received under ANCSA was not determinable at the dates conveyed, the Company has recorded substantially no value for subsurface interests received. The Company's assets do not reflect a carrying value for such interests and, consequently, no depletion expense is reflected in the Company's income statement for oil, natural gas or other minerals extracted from lands received under ANCSA.

The Company also generates natural resource income from timber and mining sources and sales of subsurface lands, and receives distributions of 7(i) revenue sharing from other regional corporations. Operating income generated from these sources totaled \$1,044,000 \$548,000 and \$610,000 in 1993, 1992 and 1991, respectively.

ANCSA Sections 7(i) and 7(j). Natural resource revenues generated from subsurface estate and timber received by the Company as part of its ANCSA land entitlement are subject to certain revenue sharing obligations under ANCSA Section 7(i), as defined and clarified in that certain Section 7(i) Settlement Agreement entered into among the twelve regional corporations ("Section 7(i)"). In effect, Section 7(i) requires that approximately 60.3% of revenues generated from timber and subsurface resources on the Company's ANCSA lands, net of certain defined costs, be shared with the other 11 regional corporations. ANCSA Section 7(i) requires, in effect, that approximately 2.8% of such revenues and one half of all Section 7(i) receipts from other regional corporations be distributed to village corporations within the Company's region and "at-large" shareholders of the Company who are not members of such village corporations.

The Company accrues a liability for Section 7(i) and 7(j) distributions as the related timber and subsurface revenues are generated. The Company has recorded a long-term liability to other regions, at-large shareholders and village corporations to account for timing differences between recognition of revenues and expenses for financial statement purposes versus Section 7(i) purposes. Section 7(i) and 7(j) distributions payable within one year are reflected as a current liability in the Company's balance sheet. Section 7(i) and 7(j) expense charged against income in 1993 totaled \$5.3 million compared to \$5.9 million and \$4.6 million in 1992 and 1991, respectively.

The Company is entitled to receive Section 7(i) revenue sharing from the other 11 regional corporations. As noted above, one half of these receipts is subject to redistribution under Section 7(j). Receipts of Section 7(i) revenues from other regional corporations, net of Section 7(j) sharing with villages and at-large shareholders, totaled \$663,000, \$551,000 and \$933,000 in 1993, 1992 and 1991, respectively. The Company does not expect Section 7(i) revenues from other regions to be a material source of revenues in the short-term future.

BROADCASTING

The Company's investment in broadcasting consists of:

- A 50% ownership interest in Cook Inlet Radio Partners, L.P., a group of FM and AM radio stations located in major metropolitan markets in the United States ("Radio Group"). The Radio Group is accounted for using the equity method in the Company's financial statements. The Company's investment in the Radio Group is included in "Investments in affiliates" in the Company's balance sheet.
- All common stock and 93% of the preferred stock of Cook Inlet Communications Corporation, owner of WTNH, the ABC television affiliate serving in New Haven/Hartford, Connecticut. WTNH is consolidated in the Company's financial statements.

A 50% ownership interest in Cook Inlet Television Partners, L.P. ("CITP"), owner of WSMV, the NBC television affiliate located in Nashville, Tennessee. WSMV is accounted for using the equity method in the Company's financial statements. In 1991, the Company wrote off its investment in WSMV, recognizing a charge of \$13.4 million.

Performance of the Company's Broadcast division improved substantially in 1992 and 1993.

A nationwide recession which began in 1990 and persisted through much of 1992 caused a very substantial decline in advertising revenue throughout the broadcast industry in the United States. WTNH was particularly hard hit by the national recession as well as a severe and prolonged recession in the Connecticut economy driven by contractions in the defense and insurance industries. Operating cash flow of WTNH declined 25.4% from 1989 through 1992. Successful efforts by management to restructure the operations as well as the debt structure of WTNH, combined with some recovery in the national and Connecticut economies in 1993, increased the station's operating cash flow from \$12 million for 1992 to \$15.2 million for 1993. Operating cash flow in the Company's Nashville, Tennessee television station declined in 1990 and 1991 but through restructuring efforts and economic improvement began a recovery in 1992 which strengthened in 1993. The Company's Radio Group was less affected by the economic recession than television. Some decline in revenues occurred in 1990 and 1991 but operating cash flow from the Company's remaining stations grew dramatically in 1993.

Operating income and net income in the Company's Broadcast division for 1991 through 1993 were as follows:

	1993	1992	1991
	(In Thousands)		
Operating income	\$ 9,861	17,937	48
Net income (loss)	\$ 5,257	6,651	(27,112)

Income from the Broadcast division includes several significant transactions in the last three years.

- In 1993 the Company reached agreement with the holders of various outstanding debts related to WTNH to extend the maturity, lower the interest rate, forgive unpaid interest and accept discounts of the principal amounts owed. The Company converted outstanding debt of WTNH which was held by CIRI and certain other subsidiaries into preferred stock in the station and took ownership of the 20% of common stock previously held by minority interests. This restructure was concluded through a prepackaged Chapter 11 reorganization of WTNH. Included in 1993 net income are extraordinary gains of \$6.3 million resulting from the repurchase by the Company of certain debts at a discount (See Note 8 of the Consolidated Financial Statements).

- In late 1992 the Company sold its Boston, Atlanta and Chicago radio stations for \$100 million. The sale resulted in a gain recorded in the Company's 1992 financial statements of approximately \$13.3 million. In February 1993 the proceeds from this sale repaid all of the Radio Group's outstanding debt. The Radio Group now holds three FM and one AM radio stations which are debt-free. Each of these stations is also under a separate contract for sale, each of which is scheduled to close in 1994. In 1993 the Company took cash distributions from its Radio Group totaling \$5.9 million.
- In 1991 the Company wrote off its investment in WSMV recognizing a loss of \$13.4 million. At that time, the Company's assessment of the broadcast industry in Nashville and the prospects of reaching agreement with WSMV's lenders regarding a restructuring of debt service requirements led to this write-off. Subsequent successful renegotiation of the terms of WSMV's debt combined with a very significant recovery of the advertising market in Nashville substantially improved advertising revenues and operating cash flow in 1993. Management believes the Company will recover a portion of its investment in WSMV.

Management anticipates that the broadcast industry in the United States will undergo substantial changes in the next several years as the broadcast, cable, telephone and wireless communications businesses converge. In preparation for these changes, the Company has developed a business plan for its broadcast division which may include the following:

- The radio group has entered into agreement to sell its remaining stations in Washington, D.C., Houston, Texas and Seattle, Washington to various parties. The sale agreements are subject to approval of the Federal Communications Commission. Management currently expects the sale transactions to close in 1994, although the contingency of Federal Communications Commission approval may affect the sale of the Washington, D.C. stations.
- The Company is exploring reinvesting into a new geographically diverse group of radio stations.
- In order to reduce the relative amount of the Company's assets invested in broadcast television and to diversify its television investment geographically, the Company may explore opportunities for sale and/or merger of its interests in WTNH and WSMV.

- In order to diversify investment into areas which may benefit from changes expected in the communications industry, the Company is exploring investment opportunities in cable, telephone and personal communications licenses.

CONSTRUCTION, EQUIPMENT AND OILFIELD SERVICES

The Company, through affiliates and joint ventures, performs equipment maintenance, construction, oilfield services and oil and gas drilling in Alaska's North Slope oilfields and elsewhere. Operating income from these activities totaled \$4.3 million in 1993, \$2.3 million in 1992 and \$2.7 million in 1991. Cash distributions from joint ventures increased substantially and was a significant component of the Company's overall growth in cash flow from operations. Cash distributions from joint ventures totaled \$7.5 million in 1993, compared to \$800,000 in 1992 and \$4.1 million in 1991.

LAND AND REAL ESTATE

Under the terms of ANCSA, the Company was originally entitled to receive 1,260,000 acres of surface estate and 2,285,000 acres of subsurface estate. As of December 31, 1993, the Company had received approximately 924,000 acres of its surface entitlement and approximately 1.6 million acres of its subsurface entitlement. Because the value of lands received was not determinable at the dates conveyed, the Company has recorded substantially no value for these lands in its financial statements. Total assets of the Company do not reflect a substantial portion of the Company's land and resource holdings.

The Company obtained adjustments to its entitlement through legislation, which provided for exchanging and consolidating public and private lands and permitted a portion of the Company's entitlement to be fulfilled through acquisition of certain properties disposed of by the federal government, using a legislatively established account (the "Treasury Account"). Through 1993, the Company has acquired approximately \$10 million of federal properties through this mechanism. Approximately \$179 million of such acquisitions have been recorded as direct additions to paid-in capital.

The Company realized the results of additional land entitlement settlements in 1993, 1992 and 1991 of \$9.6 million, \$3.4 million and \$39.4 million, respectively and recorded revenue in these amounts. Included in other assets at December 31, 1993, is \$12 million representing land entitlement settlement amounts remaining to be exchanged for properties. Subsequent to December 31, 1993, the Company utilized \$11 million of this balance to acquire two additional apartment properties, leaving a remaining balance to be utilized of about \$1 million.

The Company began utilizing its Treasury Account in 1977. Until 1988 the Treasury Account could be used only to acquire surplus property disposed of by the General Services Administration. The number, type and quality of properties acquired during this period

Financial Condition and Results of Operations

varied widely and included a substantial amount of vacant land, with some office buildings, residential developments and industrial properties. Since 1988 the Company has been permitted to use the Treasury Account to acquire property from any agency or instrumentality of the United States and has acquired numerous high quality income properties from the Federal Deposit Insurance Corporation and the Resolution Trust Corporation.

Operating income grew substantially over the three year period ended December 31, 1993, as several income producing properties were acquired and came on line. The Company's investment in office buildings, apartment properties and commercial and industrial properties grew from approximately \$30 million at the beginning of 1991 to approximately \$95 million at the end of 1993. Income from operations of the Land and Real Estate segment over the three year period follows:

	1993	1992	1991
	(In Thousands)		
Operating Income	\$ 3,883	98	(1,514)

The Company holds a number of properties for sale which are reflected in the financial statements at net realizable value. Losses totaling \$1 million in 1992 and \$4 million in 1991 were recorded to reflect the net realizable value of properties classified as held for short-term sale. Real estate sales and collection of real estate notes receivable generated cash proceeds of \$6 million, \$2 million, and \$22.1 million in 1993, 1992 and 1991, respectively. The large amount of cash generated in 1991 resulted primarily from the sale of one property.

Following is a summary of real estate, net of accumulated depreciation, held by the Company at the end of each of the last three years:

	December 31,		
	1993	1992	1991
	(In Thousands)		
Income properties:			
Apartment projects	\$ 54,124	54,858	31,044
Office buildings	15,875	16,027	13,650
Commercial/industrial	25,477	8,435	4,768
	<u>95,476</u>	<u>79,320</u>	<u>49,462</u>
Properties under development:			
Residential	22,397	19,997	21,248
Commercial/industrial	-	14,927	8,716
	<u>22,397</u>	<u>34,924</u>	<u>29,964</u>
Properties held for development or investment			
	51,761	47,723	47,157
Properties held for sale:			
Within one year	11,690	16,252	19,043
After one year	14,286	13,973	14,734
	<u>25,976</u>	<u>30,225</u>	<u>33,777</u>
	<u>\$ 195,610</u>	<u>192,192</u>	<u>160,360</u>

INVESTMENT SECURITIES

As part of its ongoing liquidity management, the Company holds a substantial investment securities portfolio. In addition, the Company holds securities for long-term investment and pursuant to escrow agreements securing obligations under Section 7(i) and under certain tax sharing agreements. A summary of the Company's cash and investment securities portfolio at the end of each of the last three years follows:

	1993	1992	1991
	(In Thousands)		
As of December 31,			
Current assets:			
Cash and cash equivalents	\$ 14,526	6,760	7,879
Investment securities	18,534	10,189	24,308
Non-current assets:			
Investment securities	4,841	3,603	7,885
Restricted escrows	93,008	90,605	77,114
	<u>\$ 130,909</u>	<u>111,157</u>	<u>117,186</u>
For the year ended December 31,			
Investment securities revenues	\$ 6,437	9,507	11,041

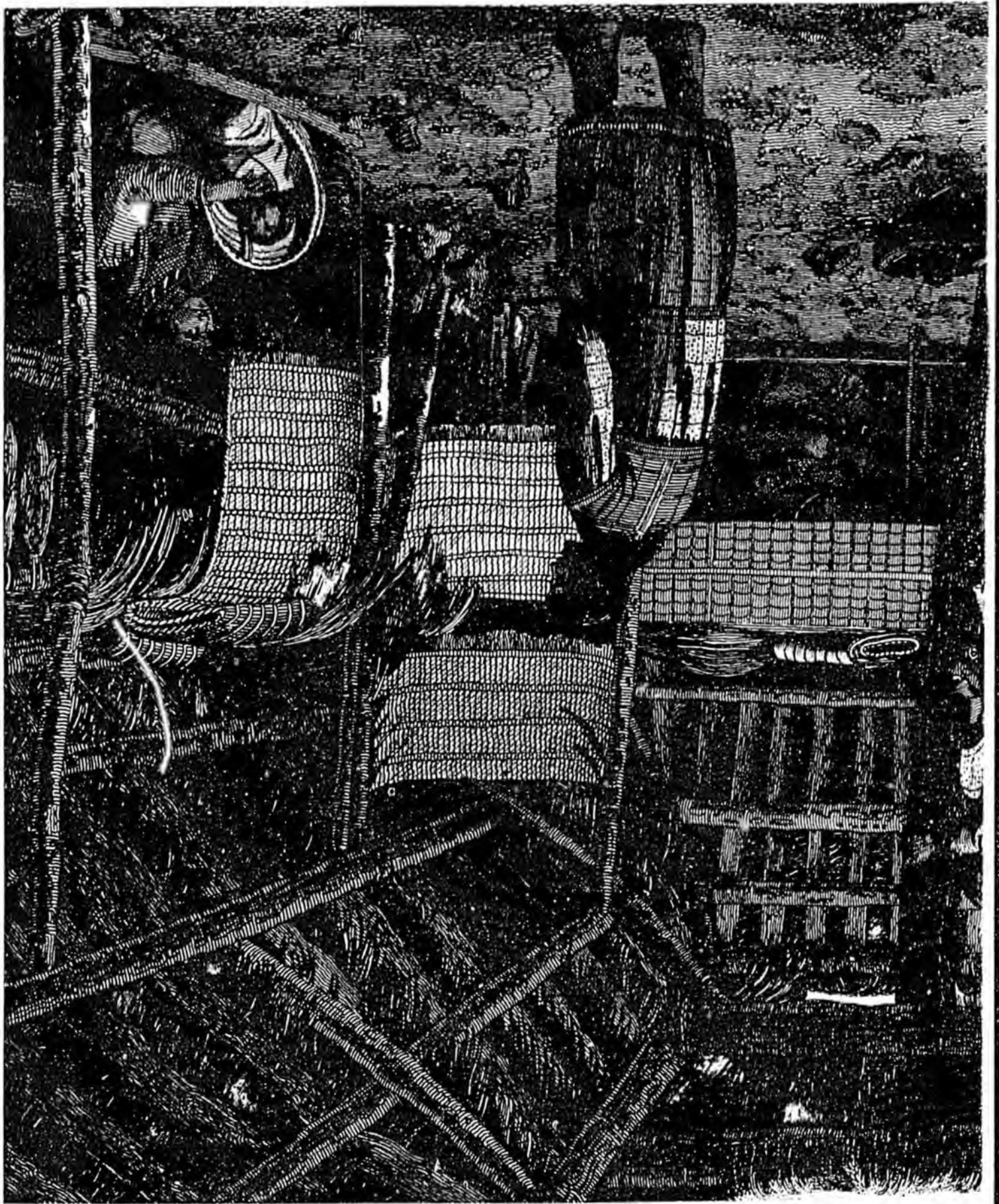
The above schedule illustrates a significant decline in unrestricted cash and investment securities held for liquidity and investment during 1992. Although the amount of unrestricted cash and investment securities increased \$17.3 million in 1993, the average balance held during the year was substantially less in 1993 than in 1992. This factor combined with very significant declines in interest rates in late 1992 and throughout 1993 resulted in the lower earnings from investment securities in 1993.

OTHER

The Company disposed of certain assets in 1987 and 1988 recognizing losses in its financial statements of approximately \$5 million. Because the tax basis of such assets, determined in accordance with ANCSA, was substantially higher than the book basis of the assets, the Company's income tax returns reflected a substantial tax loss on disposal. Under a provision of the 1986 Tax Reform Act, the Company was permitted for a limited time to realize the benefit of certain tax losses through a series of tax sharing agreements with other companies. Included in Other Significant Items on the Company's income statement are revenues of \$8.2 million in 1992 and \$3 million in 1991 related to these tax sharing agreements. At December 31, 1993, the Company's assets include approximately \$87 million of securities which are held in restricted escrow accounts pending final resolution of income tax examinations for the years 1986 through 1988.

The Company contributed \$171,000 in 1993, \$236,000 in 1992 and \$120,000 in 1991 to The CIRI Foundation, a non-profit educational and cultural foundation.

The Aleut Corporation 1994 Annual Report



Corporate Profile

The Aleut Corporation (the Corporation) was established in 1972 under the terms of the Alaska Native Claims Settlement Act (ANCSA). This legislation provided land settlements and cash settlements to the 13 ANCSA Regional corporations formed under this Act.

The Aleut Corporation received a settlement of \$19.5 million, and was entitled to 66,000 acres of surface lands and 1.572 million acres of subsurface estate. Voting shares

of stock were issued to 3,249 shareholders.

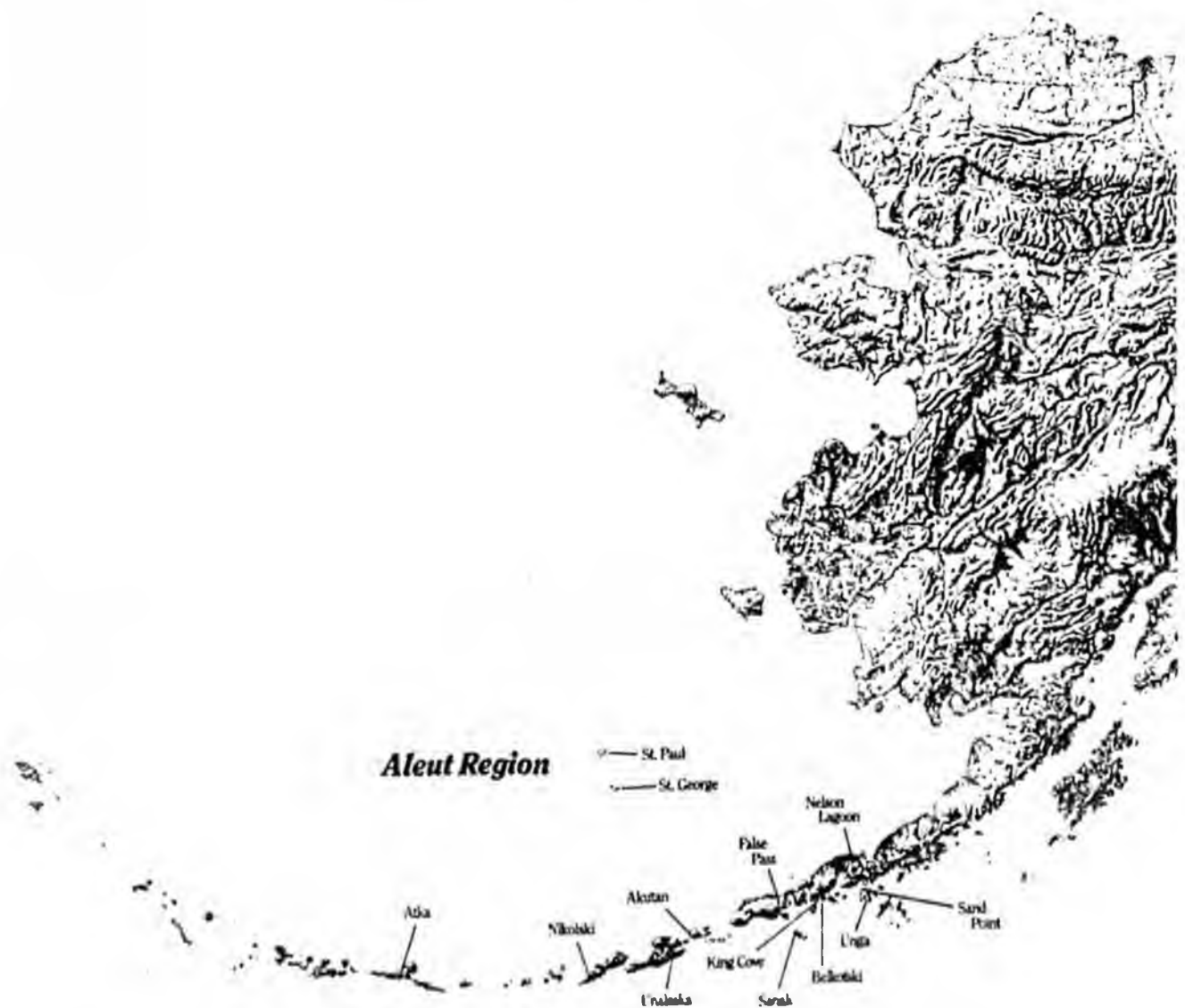
Most of the Corporation's ANCSA selections are on the Alaska Peninsula and Aleutian, Shumagin, and Pribilof Islands, situated between Port Moller on the Alaska Peninsula and the western tip of Atka Island. The Corporation owns the village site at Attu as well as numerous historical and cemetery sites between Atka and Attu islands.

The Aleut Corporation currently manages and sells sand,

gravel, and rock aggregates as part of its subsurface rights within the region.

The Corporation's primary areas of business are real estate, government operations and maintenance contracting, professional consulting services, construction, aggregate sales, and investments in oil and gas producing properties and marketable securities.

The Aleut Corporation is the sole owner of two subsidiaries, Baidarka Corporation and Space Mark, Inc.



Chairman's and President's Letter to Shareholders

This has been a year in which TAC has had a mixture of positive and negative things. I will go into the positive aspect of the Corporation activities after discussing the survival of TAC over the last 22 years.

Reflecting back on the years that TAC has been in existence, its survival as a viable corporation speaks well of the people who have been involved in the policy-making (Board of Directors) and the Management (staff) of TAC to meet the challenges of being a profit and non-profit corporation due to mandates of the Alaska Native Claim Settlement Act.

TAC has been successful, but most shareholders may not be aware that many of TAC's activities are non-income producing, such as the shareholder department. This is one department that does not produce any income, but needs to be kept current with the address changes and stock transfers, etc. In order to cut costs, we are now merging the duties of the shareholder department with the executive secretary and the accounting technician.

Unlike the other regional corporations which have subsurface resources such as oil and gas, or trees for lumber, TAC has been able to survive by the investments made by the Board and Management. All the people who have worked for TAC have contributed to the survival of the Corporation along with the dedicated Board members. All these people with different backgrounds, cultures, educations and beliefs have been able to work together and have contributed to the survival of TAC. Yes, mistakes were made, but actions were taken to correct these mistakes and these same mistakes were used to create positive results. Many of the people who made contributions toward the survival of TAC are now gone; Lillie McGarvey, Barbara Jaehnig, Leonard Mack, and John Gundersen just to name a few. Many more were involved in getting the land claims settlement passed. All these people worked together for the common good of the Aleuts who are now the stockholders of TAC. To all these people we say thank you.

One of the negative factors was Baidarka Corporation activities. BC showed losses last year and will again this year. The Board took action in late summer to make changes in the corporate make-up of the subsidiaries. There were changes made in the make-up of the BC Board and Management. We are optimistic that the changes made will create positive results in the subsidiaries. The intent of the changes is to allow BC to bid more government contract related projects without the high risk of commercial construction. The loss from BC totaled \$1,098,000 for the year ended March 31, 1994.

Space Mark, Inc. was certified as an 8(a) business in 1992 and in February of this year Baidarka Corporation was also given 8(a) status. Baidarka has submitted their business plan to the Small Business Administration for approval. Once the plan is approved BC will be certified as an 8(a) business. This will allow BC to bid jobs on a more

competitive basis and to be eligible for set-asides in major construction projects.

Space Mark, Inc. has had a successful year. SMI has opened an office in the Aleut Plaza Building. A change in the management personnel was a positive one in that this is the first year that SMI has shown a profit of \$243,000.

The Board and Management have worked together to take corrective actions on the subsidiaries when they felt it was needed. The results of these actions have been very positive, especially concerning SMI.


Perhaps the most positive highlight of the year was the settlement of the TAC vs. St. George Tanaq Corporation lawsuit. On June 10th, representatives of both corporations attended a settlement conference and mutually agreed to resolve the case. The TAC vs. City of St. George portion of the case was tried in Superior Court on August 10th and as of the date of this report, the trial judge has not yet ruled on the various motions before the Court.

The Aleut Corporation Board of Directors held their Planning Session in February 1994. It was a comprehensive planning session. The Board critiqued itself as well as the management. They looked at the past and then finally to the future of the Corporation. They held another one-day session in May. The Board will approve the final Long-Term Plan at the August meeting.

In FY 1994 TAC invested in West McArthur River Well No. 2, a potential oil and gas producing well being drilled in the Cook Inlet area of Alaska by Stewart Petroleum Company. The well was successfully completed and is now producing a substantial total return and cash flow for the Corporation.

The commercial real estate holdings have consistently maintained a 96% occupancy rate and have provided a positive cash flow for the corporation which, in turn, has assisted in offsetting corporate administrative expenses. This year TAC reduced its own office space in order to provide more income by leasing the excess space to others.

The Aleut Corporation has taken positive action in cutting costs in the operations by combining office positions, reducing office space, and finalizing the Long-Term Plan for TAC.



Ron Philemonoff
Ron Philemonoff
Chairman of the Board



Alice Petrivelli
Alice Petrivelli
President

Business Activities

Space Mark, Inc.

Space Mark, Inc. (SMI) is a wholly-owned subsidiary that was acquired by the Corporation in FY 1991 for the purpose of entering into the industry of federal government operations and maintenance (O&M) contracting. Based in Colorado Springs, Colorado, SMI's primary business is now federal government O&M contracting. SMI also has a technical consulting service business within the field of federal government O&M contracting. SMI's O&M revenue in FY 1994 was from six federal contracts. This included ongoing contracts at the U.S. Air Force Academy in Colorado Springs, Colorado and the Los Angeles U.S. Air Force Base in California and the start-up of new O&M contracts at the Galena U.S. Air Force Base in Galena, Alaska, the Fort Richardson U.S. Army Post in Anchorage, Alaska and a NASA contract at the Vandenburg U.S. Air Force Base in California.

After a long and time consuming effort SMI was certified in FY 1993 by the U.S. Small Business Administration (SBA) to be an 8(a) Small Disadvantaged (Native) Business and eligible to be included in the SBA's 8(a) program. Such certification has advantages for companies which compete for federal contracts. SMI is attempting to take full advantage of its 8(a) status while it is eligible to be included in this 9 year program. SMI has developed an excellent reputation with the SBA, receiving both its "Administrators Award for Excellence" and its Region VIII "Prime Contractor of the Year" award for 1993.

Space Mark, Inc. reported a profit \$243,000 for the year ended March 31, 1994. This was SMI's first annual profit since it was acquired by the Corporation and developed into a federal government O&M contractor. Due to a combination of the expected financial impact from the new O&M contracts that were started up in the last half of FY 1994 and prospects for being awarded new O&M contracts next year SMI's management is very optimistic for improved financial results for FY 1995.

Baidarka Corporation

Baidarka Corporation (BC) is a wholly-owned subsidiary that was established in FY 1991 by the Corporation for the purpose of entering the construction industry

as a general contractor in Alaska with special emphasis in the Aleut region. BC reported a loss of \$(1,098,000) for the year ended March 31, 1994. Due to continued losses since inception by BC the Corporation has decided to alter the strategic direction of BC to utilize its 8(a) certification from the SBA. The Corporation expects to complete its remaining construction obligations by October 31, 1994. In the future BC will concentrate on bidding light construction and other government service contracts which may include environmental cleanup. The Board approved the business plan for BC which included the environmental, light construction and military service contracts.

Shareholder Permanent Fund

The Corporation established the shareholder permanent fund on April 1, 1992. The purpose of the fund is to accumulate investments in marketable securities to provide a future stable source of cash flow for dividends to be paid to shareholders. Funds transferred by the Corporation into the permanent fund have been restricted by the Board of Directors not to be available for other operating activities of the Corporation. The Board of Directors also established a policy to transfer one third of all future 7(i) receipts and natural resource sale receipts into the permanent fund. Additional funds may be transferred at the Board's discretion. The permanent fund will invest in both debt and equity marketable securities. Earnings of the fund will be reinvested until fund assets reach \$10,000,000. After which 50% of amount of earnings will be reinvested in the fund and 50% will be distributed to shareholders.

Oil & Gas Producing Properties

West McArthur River Well No. 2 - In FY 1994 the Corporation invested in a working interest in a potential oil & gas well being drilled in the Cook Inlet area of Alaska by Stewart Petroleum Company. The well was successfully completed and began limited production in January 1994. It is anticipated that this investment will provide a substantial total return and cash flow to the Corporation beginning in FY 1995. It is anticipated that well No.3 in the West McArthur River lease acreage will be drilled in FY 1995. The Corporation plans to participate in West McArthur River Well No. 3.

Real Estate

Aleut Plaza - The Aleut Plaza is a three story class A office building located in the midtown area of Anchorage. The Aleut Corporation occupies approximately 4,500 square feet of this 30,000 square foot building with the balance of the space leased to other tenants. The building and parking area occupy approximately two acres, leaving an additional 2 1/2 acres for future expansion.

Fairbanks Street - This commercial complex consists of an 18,000 square foot office building and a 6,000 square foot warehouse on a 2 1/2 acre industrial lot with an adjoining undeveloped 2 1/2 acre lot. The Aleut Corporation leases this entire complex to Prime Cable of Alaska.

Westcenter - Westcenter is a single story commercial complex located at 510 West Tudor Road. This building consists of 24,000 square feet of office space. The building is leased to First American Title, Norwest Financial, MicroAge Computers, and Advance Chiropractic.

840 K Street - This four story office building consists of 20,000 square feet of office space on the upper two levels. The two lower levels consist of covered parking for tenants of the building. The anchor tenant for this building is Ecology and Environment, Inc., which occupies the lower floor.

Aleutian Village - The Aleutian Village trailer court is located on 25 acres of land near the Valdez airport. The facility consists of 100 permanent spaces and is managed by R. Bell and Associates. All available spaces are occupied and there is room on-site to add fifty additional spaces.

Midtown Estates - Midtown Estates is a residential subdivision located between Palmer and Wasilla in the Matanuska Valley. The subdivision features a community water system, paved streets and a natural wooded setting. There are approximately 130 one half acre lots remaining to be sold.

Other Real Estate Held For Sale Or Development - The Aleut Corporation owns other tracts of raw land and developed lots in the Matanuska Valley, the Kenai Peninsula and the Anchorage area.

Future Investments - The Corporation plans to continue to investigate possible investments in real estate

that are conservative in nature and which will generate immediate positive cash flow.

Lands

Conveyances - The thirteen Aleut Region Village Corporations are in the process of finalizing the selection and prioritization of their ANCSA Section 12 (b) and 12 (a) lands. Once these lands are conveyed to the villages by the Bureau of Land Management, TAC will initiate the prioritization process for its own ANCSA Section 14 (h) (8) and 12 (a) (1) land Selections.

Resources

Quarry Operations - The Aleut Corporation has entered into a quarry operation agreement with a private contractor for purposes of operating the Ugadaga rock quarry in Unalaska. A professional and experienced quarry operator will facilitate the development and control of TAC's resources. Negotiations are also underway to implement private management of Kaminista Ridge rock quarry on St. Paul Island.

Subsurface Estate - The corporation continues to utilize the assistance of the Qawalangin Tribe of Unalaska, the Shumagin Corporation and the King Cove Corporation in the management of its subsurface resources in those respective areas. It is anticipated that FY 1995 will be a productive one with regard to income from the sale of corporate rock, sand and gravel aggregates.

FY 1989 Net Operating Loss Sale

In FY 1989 the Corporation sold 7,000 acres of land at Makushin Volcano on Unalaska Island. This acreage includes the site of the Makushin geothermal prospect which was intended to furnish electricity to Unalaska. The sale resulted in a tax loss which, in turn, was sold to a third party. The Corporation earned approximately \$1 million from this transaction in FY 1989 and could potentially earn significantly more in future income provided the ultimate outcome of an Internal Revenue Service (IRS) audit is favorable. However, the IRS has aggressively challenged the Corporation's treatment of this transaction for tax purposes and the ultimate outcome of the IRS audit cannot be determined at this time. Due to the large dollar amount involved in this transaction, the Corporation expended considerable staff time and money in FY 1991 and FY 1993 pursuing the successful resolution of this dispute.

**Independent Auditors' Report
of KPMG Peat Marwick, LLP**

*The Board of Directors and Shareholders
of The Aleut Corporation:*

We have audited the accompanying consolidated balance sheets of The Aleut Corporation and subsidiaries as of March 31, 1994 and 1993 and the related consolidated statements of loss, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Aleut Corporation and subsidiaries as of March 31, 1994 and 1993 and the results of their operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, during fiscal year 1994.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG Peat Marwick LLP

*June 17, 1994
Anchorage, Alaska*

Consolidated Balance Sheets

The Aleut Corporation and Subsidiaries

March 31, 1994 and 1993

	<u>1994</u>	<u>1993</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 440,000	\$ 936,000
Short-term investments	50,000	1,105,000
Receivables -		
Current portion of notes receivable	262,000	175,000
Trade accounts, net	1,787,000	892,000
Interest	14,000	44,000
Total receivables	<u>2,063,000</u>	<u>1,111,000</u>
Prepaid expenses and other	36,000	61,000
Costs and estimated earnings in excess of billings on uncompleted contracts	57,000	63,000
Total current assets	<u>2,646,000</u>	<u>3,276,000</u>
Shareholders' permanent fund - marketable securities	471,000	175,000
Property and equipment:		
Land and buildings held for lease	8,535,000	8,339,000
Equipment and furniture	780,000	636,000
Less accumulated depreciation	<u>(2,496,000)</u>	<u>(2,176,000)</u>
Net property and equipment	<u>6,819,000</u>	<u>6,799,000</u>
Oil and gas producing properties and equipment, net	<u>750,000</u>	<u>---</u>
Investments and other assets:		
Investment, restricted	1,000,000	1,000,000
Notes receivable, net of current portion	2,159,000	2,413,000
Real estate held for sale and development	1,547,000	1,699,000
Goodwill and other intangibles	57,000	89,000
Investment in 1984 Limited Partnership	300,000	300,000
Other	<u>135,000</u>	<u>131,000</u>
Total investments and other assets	<u>5,198,000</u>	<u>5,632,000</u>
Total assets	<u>\$ 15,884,000</u>	<u>\$ 15,882,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	\$ 206,000	\$ 75,000
Accounts payable	1,159,000	787,000
Accrued expenses	524,000	227,000
Billings in excess of costs and estimated earnings on uncompleted contracts	---	4,000
Total current liabilities	<u>1,889,000</u>	<u>1,093,000</u>
Long-term debt, net of current installments	<u>790,000</u>	<u>876,000</u>
Shareholders' equity:		
Common stock -		
Class A, no par value. Authorized 1,000,0000 shares; 236,100 issued and outstanding	---	---
Class B, no par value. Authorized 1,000,0000 shares; 88,800 issued and outstanding	---	---
Contributed capital	19,179,000	19,179,000
Deficit	<u>(5,974,000)</u>	<u>(5,266,000)</u>
Total shareholders' equity	<u>13,205,000</u>	<u>13,913,000</u>
Commitments and contingencies	---	---
Total liabilities and shareholders' equity	<u>\$ 15,884,000</u>	<u>\$ 15,882,000</u>

See accompanying notes to consolidated financial statements

Consolidated Statements of Loss

The Aleut Corporation and Subsidiaries
Years Ended March 31, 1994 and 1993

	<u>1994</u>	<u>1993</u>
Revenue:		
Operations and maintenance contracts	\$ 8,155,000	\$ 4,865,000
Earned construction contract revenues	3,015,000	2,327,000
Rental properties	1,504,000	1,431,000
Professional consulting services	331,600	490,000
Section 7(i)	460,000	362,000
Natural resource sales	390,000	236,000
Interest income	208,000	305,000
Sales of real estate held for investment	216,000	101,000
Oil and gas revenues	44,000	---
Other	2,000	44,000
Total revenue	<u>14,325,000</u>	<u>10,161,000</u>
Costs and expenses:		
Operations and maintenance contracts	7,880,000	4,926,000
Cost of earned construction contracts	3,481,000	2,160,000
Construction overhead	587,000	402,000
Rental properties -		
Direct costs	771,000	711,000
Interest expense	92,000	205,000
Depreciation	236,000	242,000
Professional consulting services	342,000	743,000
Natural resource sale direct costs -		
Gravel sale commissions	6,000	9,000
Legal and consulting	393,000	280,000
Cost of real estate sales -		
Book value of real estate sold	152,000	54,000
Commissions and closing costs	16,000	14,000
Amortization of oil and gas properties and equipment	10,000	---
Carrying cost of real estate held for sale	75,000	79,000
Provision for doubtful receivables	3,000	84,000
General and administrative	861,000	888,000
Charitable contributions -		
Aleut Foundation scholarships	40,000	---
Alaska Federation of Natives	26,000	26,000
Other	5,000	57,000
Expenses related to disposition of future income tax benefits -		
Trustee fees	29,000	29,000
Tax consultant costs	28,000	51,000
Total expenses	<u>15,033,000</u>	<u>10,960,000</u>
Loss before provision for income taxes	(708,000)	(799,000)
Provision for income taxes	---	---
Net loss	<u>\$ (708,000)</u>	<u>\$ (799,000)</u>
Net loss per share	<u>\$ (2.18)</u>	<u>\$ (2.46)</u>

See accompanying notes to consolidated financial statements

Consolidated Statements of Shareholders' Equity

The Aleut Corporation and Subsidiaries
Years Ended March 31, 1994 and 1993

	<u>Common Stock</u>		<u>Contributed Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Shareholders' Equity</u>
	<u>Class A</u>	<u>Class B</u>			
Balance at March 31, 1992	\$ ---	\$ ---	\$ 19,179,000	\$ (4,467,000)	\$ 14,712,000
Net loss	---	---	---	(799,000)	(799,000)
Balance at March 31, 1993	---	---	19,179,000	(5,266,000)	13,913,000
Net loss	---	---	---	(708,000)	(708,000)
Balance at March 31, 1994	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 19,179,000</u>	<u>\$ (5,974,000)</u>	<u>\$ 13,205,000</u>

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

The Aleut Corporation and Subsidiaries
Years Ended March 31, 1994 and 1993

	<u>1994</u>	<u>1993</u>
Cash flows from operating activities:		
Net loss	\$ (708,000)	\$ (799,000)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
(Increase) decrease in receivables	(698,000)	927,000
Increase (decrease) in accounts payable and other current liabilities	669,000	(322,000)
Decrease (increase) in costs in excess of billings on uncompleted contracts	6,000	(6,000)
(Decrease) in billings in excess of costs and estimated earnings on uncompleted contracts	(4,000)	(70,000)
Other	21,000	(14,000)
Depreciation and amortization	368,000	416,000
Net cash (used in) provided by operating activities	<u>(346,000)</u>	<u>132,000</u>
Cash flows from investing activities:		
Purchases of marketable securities	(296,000)	(1,244,000)
Proceeds from sale of marketable securities	1,055,000	2,661,000
Investment in oil and gas producing property and equipment	(760,000)	---
Capital expenditures	(340,000)	(122,000)
Proceeds from sale of real property, net	146,000	101,000
Net cash (used in) provided by investing activities	<u>(195,000)</u>	<u>1,396,000</u>
Cash flows from financing activities:		
Retirement of long-term debt	(75,000)	(1,211,000)
Borrowings	120,000	---
Net cash provided by (used in) financing activities	<u>45,000</u>	<u>(1,211,000)</u>
Net increase (decrease) in cash and cash equivalents	<u>(496,000)</u>	<u>317,000</u>
Cash and cash equivalents at beginning of year	<u>936,000</u>	<u>619,000</u>
Cash and cash equivalents at end of year	<u>\$ 440,000</u>	<u>\$ 936,000</u>
Supplemental disclosure of cash flow information - cash paid during the year for interest expense	<u>\$ 96,000</u>	<u>\$ 205,000</u>

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

The Aleut Corporation and Subsidiaries March 31, 1994 and 1993

(1) Summary of Significant Accounting Policies

Consolidation - The consolidated financial statements include the accounts of The Aleut Corporation (Company) and its subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Short-term Investments - Short-term investments in marketable equity securities are carried at the lower of cost or market value. Short-term investments in marketable debt instruments are carried at cost, which approximates market value.

Permanent Fund - Investments in marketable equity securities are carried at the lower of cost or market value. Investments in mutual funds are carried at market value. Investments in marketable debt instruments are carried at amortized cost.

Investment, Restricted - Investment, restricted represents an investment in a marketable debt instrument which is carried at cost. This investment has been used to collateralize a bank letter of credit required for obtaining construction bonding.

Property and Equipment - Property and equipment are initially stated at cost which includes interest on funds borrowed to finance the acquisition or construction of major projects. Write-downs are made on property and equipment when permanent impairments to the net realizable value of such assets occur. Provision is made for depreciation by the straight-line and accelerated methods over the estimated useful lives of the assets, computed based on the lower of cost or net realizable value. Major renewals and betterments are capitalized while maintenance and repairs are expensed.

Oil and Gas Properties and Equipment - Capitalized costs of the Company's investment in oil and gas properties and equipment are depreciated using the unit-of-production method on a property by property basis.

Goodwill and Other Intangibles - Goodwill and other intangible assets are stated at cost, net of accumulated amortization. Provision is made for amortization over the lesser of five years or the useful lives of the assets.

Income Recognition on Sale of Real Estate - Full profit recognition is accorded transactions for sales of real estate when specific requirements as to the buyer's initial and continuing investment have been met. Until those requirements are met, the installment or deposit methods of accounting are used.

Contributions to Capital - The Company recorded its share of cash contributions under the Alaska Native Claims Settlement Act (Act) as contributions to capital. The fair values of surface and subsurface estate received and to be received pursuant to the Act will be recorded as contributions to capital when such value is determined within reasonable limits. Revenues from Timber Resources and Subsurface Estate - Section 7(i) of the Act requires that 70% of the net revenues received from timber resources and subsurface estate patented to the 12 regional corporations be divided annually among these 12 regional corporations based on shareholder enrollment. The Company's share of distributions from other regional corporations is recorded as income when the amount thereof is reasonably determinable.

Subsurface estate revenues within the Aleut region include sales of sand, gravel and armor rock.

Method of Accounting for Contracts - For financial statement presentation and tax reporting purposes, the Company uses the percentage of completion method of accounting. Revenues earned and related costs are recorded based on the Company's engineering estimates of the physical percentage of completion of each project. However, profits are not recorded during the start-up phase of the contract which has been determined by the Company to approximate the initial 10% of construction. Anticipated losses on contracts are charged to earnings as soon as such losses can be estimated. Changes in estimated profits on contracts are reflected during the period in which the change in estimate was made. Construction overhead expenses are not allocated to contract costs.

The Company does not record claims for additional compensation on contracts until the contract has been revised to reflect the amount to be paid for the additional work performed. All costs related to work for which a contract revision has not been received are expensed as incurred. A provision for amounts claimed by sub-contractors is made if, in the opinion of management or counsel, the claim will ultimately result in additional nonreimbursable costs to the Company.

Company revenues from government sources totaled \$11,319,000 and \$5,743,000 for the years ended March 31, 1994 and 1993, respectively. Trade account receivables from government sources totaled \$1,552,000 and \$572,000 at March 31, 1994 and 1993, respectively.

Real Estate Held for Sale and Development - The Company has purchased several tracts of land. Certain of these tracts have been subdivided, developed and placed on the market for sale. Real estate held for sale and development is stated at the lower of cost or net realizable value. Net realizable value is calculated recognizing holding costs and deducting seller costs from estimated selling price.

Income Taxes - Funds and properties received under the provisions of the Act are not subject to federal and state income taxes. Income earned from funds and properties received under the Act is subject to federal and state income tax laws.

Effective April 1, 1993 the Company adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" issued by the Financial Accounting Standards Board. There was no cumulative effect of the change in the method of accounting for income taxes.

Net Income (Loss) Per Share - Net income (loss) per share is computed based upon the average number of Class A and Class B shares issued.

(2) Alaska Native Claims Settlement Act

The Aleut Corporation was incorporated pursuant to the Alaska Native Claims Settlement Act (Act), which resolved the Alaska Native land claims. Under the terms of the Act (and amendments), the Company was entitled to \$19,504,000, which it received in prior years, and the surface estate of 66,000 acres of land and 1,572,000 acres of subsurface estate. Until developed or leased or sold to third parties, lands conveyed to the Company pursuant to the Act are exempt from adverse possession and similar claims and real property taxes. Except to the extent such lands are expressly pledged as security for a loan or committed to a commercial transaction or to the extent necessary to enforce a judgment pursuant to Section 7(i) or 14 (e) of the Act, such lands are also exempt from judgments resulting from claims based on Title II or other laws affecting creditors' rights or judgments in any action to recover sums owed by the Company.

Under the provisions of the Act, until terminated by Amendment to the Articles of Incorporation, the Company stock, rights thereto, and rights to dividends or distributions declared with respect thereto may not be sold, subjected to a lien or judgment execution, assigned, treated as an asset under Title XI or any successor statute, any insolvency or moratorium law or other laws affecting creditors' rights, or otherwise alienated, except that the stock may be transferred (i) to a Native or a descendant of a Native in certain circumstances by court decree or inter vivos gift, or (ii) by Will or the laws of intestate succession. Until terminated by amendment to the Articles of Incorporation, the stock shall carry voting rights only if the holder thereof is an eligible Native or a descendant of a Native.

Shareholder - The Act provided for the issuance of 100 shares of common stock to each eligible Alaska Native as follows:

Class A shares to Alaska Natives enrolled pursuant to the Act in the Aleut region who are shareholders in one of the village corporations in the Aleut region.

Class B shares to Alaska Natives enrolled pursuant to the Act in the Aleut region but who are not shareholders in one of the village corporations in the Aleut region.

Individuals certified by the Department of Interior have been recorded as shareholders. Enrollment is now closed.

(3) Future Minimum Lease Rentals

At March 31, 1994 the Company has various properties leased to others under non-cancelable operating lease agreements. Future minimum rents under these lease agreements are as follows:

Year ending March 31,	1995	\$ 1,234,000
	1996	1,197,000
	1997	833,000
	1998	346,000
	1999	197,000
	Thereafter	13,000

(4) Notes Receivable

Notes receivable bearing interest from 6.5% to 12.0% with various repayment terms are comprised of the following at March 31:

	<u>1994</u>	<u>1993</u>
Notes secured by first and second deeds of trust	\$ 1,133,000	\$ 1,192,000
Notes secured by oil and gas production payment	1,239,000	1,250,000
Other notes	102,000	190,000
	<u>2,474,000</u>	<u>2,641,000</u>
Less:		
Current portion	(262,000)	(175,000)
Allowance for doubtful notes	(53,000)	(53,000)
Long-term portion, net	<u>\$ 2,159,000</u>	<u>\$ 2,413,000</u>

(5) Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings on uncompleted contracts at March 31, are summarized as follows:

	<u>1994</u>	<u>1993</u>
Costs and estimated earnings on uncompleted contracts	\$ 57,000	\$ 301,000
Estimated earnings thereon	—	28,000
	<u>57,000</u>	<u>329,000</u>
Less billings	—	(270,000)
	<u>\$ 57,000</u>	<u>\$ 59,000</u>

Included in accompanying balance sheets under the following captions:

	<u>1994</u>	<u>1993</u>
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 57,000	\$ 63,000
Billings in excess of costs and estimated earnings on uncompleted contracts	—	(4,000)
	<u>\$ 57,000</u>	<u>\$ 59,000</u>

(6) Shareholder Permanent Fund

The Company established the shareholder permanent fund on April 1, 1992. The purpose of the fund is to accumulate investments in marketable securities to provide a future stable source of cash flow for dividends to be paid to shareholders. Funds transferred by the Company into the shareholder permanent fund have been restricted by the Board of Directors not to be available for other operating activities of the Company. The Board of Directors also established a policy to transfer one third of all future Section 7(i) receipts and ANCSA natural resource sale receipts into the shareholder permanent fund. The shareholder permanent fund will invest in both debt and equity marketable securities. Earnings of the fund will be reinvested in the fund until assets reach \$10,000,000, after which 50% of future earnings will be reinvested in the fund and 50% will be distributed to shareholders. Cost of investments, individually and in aggregate approximates market at March 31, 1994 and 1993. The shareholder permanent fund was invested as follows at March 31:

	<u>1994</u>	<u>1993</u>
Money market accounts	\$ 83,000	\$ 88,000
Bonds	185,000	87,000
Mutual funds	203,000	---
	<u>\$ 471,000</u>	<u>\$ 175,000</u>

(7) Long-Term Debt

Long-term debt consists of the following at March 31:

	1994	1993
Note payable - bank, interest rate at 10.0%, interest and principal payable monthly, secured by Westcenter office building and lot	\$ 876,000	\$ 951,000
Note payable - bank line of credit, interest at bank prime plus 1%, interest payable monthly, interest and principal due December 31, 1994	120,000	-
Total long-term debt	996,000	951,000
Less current installments	(206,000)	(75,000)
Long-term debt, net of current installments	\$ 790,000	\$ 876,000

Principal payments required on long-term debt are as follows:

Year ending March 31,	1995	\$ 206,000
	1996	91,000
	1997	101,000
	1998	111,000
	1999	123,000
Remainder through 2002		364,000
		\$ 996,000

(8) General and Administrative Expenses

Other general and administrative expenses consist of the following for the year ended March 31:

	1994	1993
Payroll and related costs	\$ 579,000	\$ 582,000
Consultant fees	6,000	7,000
Audit and tax preparation	27,000	25,000
Directors' fees	23,000	23,000
Directors' travel	15,000	11,000
Directors' per diem	23,000	28,000
Depreciation	34,000	45,000
Travel and lodging	28,000	25,000
Shareholders' meetings and elections	31,000	44,000
Newsletter publication	4,000	5,000
Legal - corporate	10,000	19,000
Office, insurance and miscellaneous	81,000	74,000
	\$ 861,000	\$ 888,000

(9) Income Taxes

As discussed in note 1, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109 as of April 1, 1993. There was no current or deferred income tax expense (benefit) for 1994 and 1993. The actual income tax benefit for 1994 and 1993 differs from the "expected" tax expense for those years (computed by applying the U.S. Federal corporate rate of 34% to income before income taxes, discontinued operations and cumulative effect of a change in accounting principle) as follows:

	1994	1993
Computed "expected" income tax expense (benefit)	\$ (241,000)	\$ (272,000)
State taxes, net of federal effect	(42,000)	(48,000)
Net operating loss for which no benefit is currently realizable	---	410,000
Gravel depletion	(133,000)	(80,000)
Amortization of goodwill	7,000	7,000
Other	(27,000)	(17,000)
Change in valuation allowance	436,000	---
	\$ ---	---

The components of and changes in the deferred tax asset are as follows:

	<u>April 1, 1993</u>		<u>March 31, 1994</u>
Taxable income not recorded in the financial statements	\$ 645,000	\$ 127,000	\$ 772,000
Fixed assets	1,212,000	(49,000)	1,163,000
Real estate held for sale	2,185,000	(22,000)	2,163,000
Net operating loss carry-forward	8,273,000	361,000	8,634,000
Other	(72,000)	19,000	(53,000)
Net deferred tax assets	<u>12,243,000</u>	<u>436,000</u>	<u>12,679,000</u>
Valuation allowance	<u>(12,243,000)</u>	<u>(436,000)</u>	<u>(12,679,000)</u>
	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

A valuation allowance on a deferred tax asset is provided when in management's opinion it is more likely than not that some portion of the deferred tax asset will not be realized. The Company has net operating loss carry forwards available to offset future taxable income for federal and state purposes as follows:

Net operating loss carry-forwards, which if not utilized will expire March 31:	2004	\$ 16,878,000
	2005	2,987,000
	2006	15,000
	2007	6,000
	2008	797,000
	2009	901,000
		<u>\$ 21,584,000</u>

During 1989, the Company sold certain of its properties which were received pursuant to the Act, the tax basis of which had not previously been determined. Management engaged consultants to assist in the determination of the tax basis of the property. Subsequently, the Company entered into a tax-sharing agreement whereby tax losses generated by the sale of the properties, if any, up to a target amount were offset against the taxable earnings of another company in the 1989 consolidated income tax return. The Company's share of the resulting income tax savings could be as much as approximately \$8,160,000 if the tax basis of the properties sold approximates or exceeds the target amount. Pursuant to the agreement, the Company received \$1,000,000 which was non-refundable and has been previously included in income. The tax-sharing agreement required that the Company's remaining share of the tax savings in the amount of \$7,160,000 be placed into a trust account and to be paid to the Company when certain criteria and/or events have been achieved. The Company will recognize as income the remaining benefit from this transaction when the amounts are estimable within reasonable limits and realization is assured. The actual amount will be determined in connection with the resolution of the previously mentioned tax-sharing transaction. The Internal Revenue Service is examining the Company's tax returns for the years 1989 and 1990. While the ultimate outcome of this examination cannot be determined at this time, in the opinion of management, the examination should not result in any significant adjustment.

(10) The Aleut Corporation 401(k) Retirement Plan

Non-union employees of the Company, after one year of work service, are eligible to participate in The Aleut Corporation 401(k) Retirement Plan. Prior to January 1, 1993 provisions of the plan included an employer match of employee contributions up to 7% of their salary. Vesting by plan participants is immediate. Pension expense totaled \$60,000 in 1993.

(11) Commitments and Contingencies

Legal Actions - In the ordinary course of business, the Company may be involved in legal actions incidental to its operations. In the opinion of management the ultimate liability, if any, of such actions will not materially affect the Company's consolidated financial statements.

Operating Lease Commitments - The Company leases office space and equipment under various operating lease agreements. Future minimum lease payments under the terms of these leases are as follows:

Year ending March 31,	1995	\$ 75,000
	1996	14,000

Consolidating Balance Sheet

The Aleut Corporation and Subsidiaries
March 31, 1994

	The Aleut Corporation	Baidarka Corporation	Space Mark, Inc.	Consolidating Adjustments	Consolidated Balance
CURRENT ASSETS:					
Cash and cash equivalents	\$ 384,000	\$ 26,000	\$ 30,000	\$ ---	\$ 440,000
Short-term investments	50,000	---	---	---	50,000
Receivables:					
Current portion of notes receivable	262,000	---	---	---	262,000
Trade accounts	278,000	31,000	1,534,000	---	1,843,000
Allowance for bad debts	(56,000)	---	---	---	(56,000)
Interest	14,000	---	---	---	14,000
Total receivables	498,000	31,000	1,534,000	---	2,063,000
Prepaid expenses and other	---	---	36,000	---	36,000
Costs and estimated earnings in excess of billings on uncompleted contracts	---	57,000	---	---	57,000
Total current assets	932,000	114,000	1,600,000	---	2,646,000
SHAREHOLDER PERMANENT FUND	471,000	---	---	---	471,000
PROPERTY AND EQUIPMENT:					
Land and buildings held for lease	8,425,000	---	110,000	---	8,535,000
Equipment and furniture	409,000	120,000	251,000	---	780,000
Less accumulated depreciation and amortization	(2,302,000)	(32,000)	(162,000)	---	(2,496,000)
Total property and equipment	6,532,000	88,000	199,000	---	6,819,000
OIL AND GAS PROPERTIES, NET	750,000	---	---	---	750,000
INVESTMENTS AND OTHER ASSETS:					
Investment, restricted	1,000,000	---	---	---	1,000,000
Notes receivable, net of current portion	2,159,000	---	---	---	2,159,000
Real estate held for sale and development	1,547,000	---	---	---	1,547,000
Goodwill and other intangibles	---	---	57,000	---	57,000
Investment in Baidarka Corp. & Space Mark, Inc.	944,000	---	---	(944,000)	---
Investment in 1984 Limited Partnership	300,000	---	---	---	300,000
Art work and other	130,000	---	5,000	---	135,000
Total investments and other assets	6,080,000	---	62,000	(944,000)	5,198,000
Total assets	\$ 14,765,000	\$ 202,000	\$ 1,861,000	\$ (944,000)	\$ 15,884,000
CURRENT LIABILITIES:					
Current installments of long-term debt	\$ 86,000	\$ ---	\$ 120,000	\$ ---	\$ 206,000
Accounts payable	586,000	5,000	568,000	---	1,159,000
Accrued expenses	98,000	19,000	407,000	---	524,000
Billings in excess of costs and estimated earnings on completed contracts	---	---	---	---	---
Total current liabilities	770,000	24,000	1,095,000	---	1,889,000
LONG-TERM DEBT:					
Notes payable, net of current installments	790,000	---	---	---	790,000
SHAREHOLDERS' EQUITY:					
Contributed capital	19,179,000	2,436,000	1,405,000	(3,841,000)	19,179,000
Deficit	(5,974,000)	(2,258,000)	(639,000)	2,897,000	(5,974,000)
Total shareholders equity	13,205,000	178,000	766,000	(944,000)	13,205,000
Total liabilities and shareholders' equity	\$ 14,765,000	\$ 202,000	\$ 1,861,000	\$ (944,000)	\$ 15,884,000

Consolidating Statement of Income (Loss)

The Aleut Corporation and Subsidiaries Year Ended March 31, 1994

	The Aleut Corporation	Baidarka Corporation	Space Mark, Inc.	Consolidating Adjustments	Consolidated Balance
REVENUE:					
Operations and maintenance contracts	\$ ---	\$ ---	\$ 8,155,000	\$ ---	\$ 8,155,000
Earned construction contract revenues	---	3,015,000	---	---	3,015,000
Rental properties	1,519,000	---	---	(15,000)	1,504,000
Professional consulting services	---	---	331,000	---	331,000
Section 7(i)	460,000	---	---	---	460,000
Natural resource sales	390,000	---	---	---	390,000
Interest income	202,000	---	6,000	---	208,000
Sales of real estate held for investment	216,000	---	---	---	216,000
Other	---	2,000	---	---	2,000
Oil & gas revenue	44,000	---	---	---	44,000
Intercompany	59,000	---	---	(59,000)	---
Total revenue	2,890,000	3,017,000	8,492,000	(74,000)	14,325,000
COSTS AND EXPENSES:					
Operations and maintenance contracts	---	---	7,907,000	(27,000)	7,880,000
Cost of earned construction contract revenues	---	3,481,000	---	---	3,481,000
Construction overhead	---	634,000	---	(47,000)	587,000
Rental properties-					
Direct costs	771,000	---	---	---	771,000
Interest expense	92,000	---	---	---	92,000
Depreciation	236,000	---	---	---	236,000
Total rental properties	1,099,000	---	---	---	1,099,000
Professional consulting services	---	---	342,000	---	342,000
Natural resource sales direct costs-					
Gravel sale commissions	6,000	---	---	---	6,000
Legal and consulting	393,000	---	---	---	393,000
Total natural resource costs	399,000	---	---	---	399,000
Cost of real estate sales-					
Book value of real estate sold	152,000	---	---	---	152,000
Commissions and closing costs	16,000	---	---	---	16,000
Total cost of real estate sales	168,000	---	---	---	168,000
Amortization of oil and gas					
properties and equipment	10,000	---	---	---	10,000
Carrying costs of real estate held for sale	75,000	---	---	---	75,000
Provision for doubtful receivables	3,000	---	---	---	3,000
General and administrative-					
Payroll and related	579,000	---	---	---	579,000
Consultant fees	6,000	---	---	---	6,000
Audit and tax preparation	27,000	---	---	---	27,000
Directors' fees	23,000	---	---	---	23,000
Directors' travel	15,000	---	---	---	15,000
Directors' per diem	23,000	---	---	---	23,000
Depreciation	34,000	---	---	---	34,000
Travel and lodging	28,000	---	---	---	28,000
Shareholders' meetings and elections	31,000	---	---	---	31,000
Newsletter publication	4,000	---	---	---	4,000
Legal-corporate	10,000	---	---	---	10,000
Office, insurance and miscellaneous	81,000	---	---	---	81,000
Total general and administrative	861,000	---	---	---	861,000

STATEMENT CONTINUED ON NEXT PAGE.

Consolidating Statements of Income (Loss) - continued

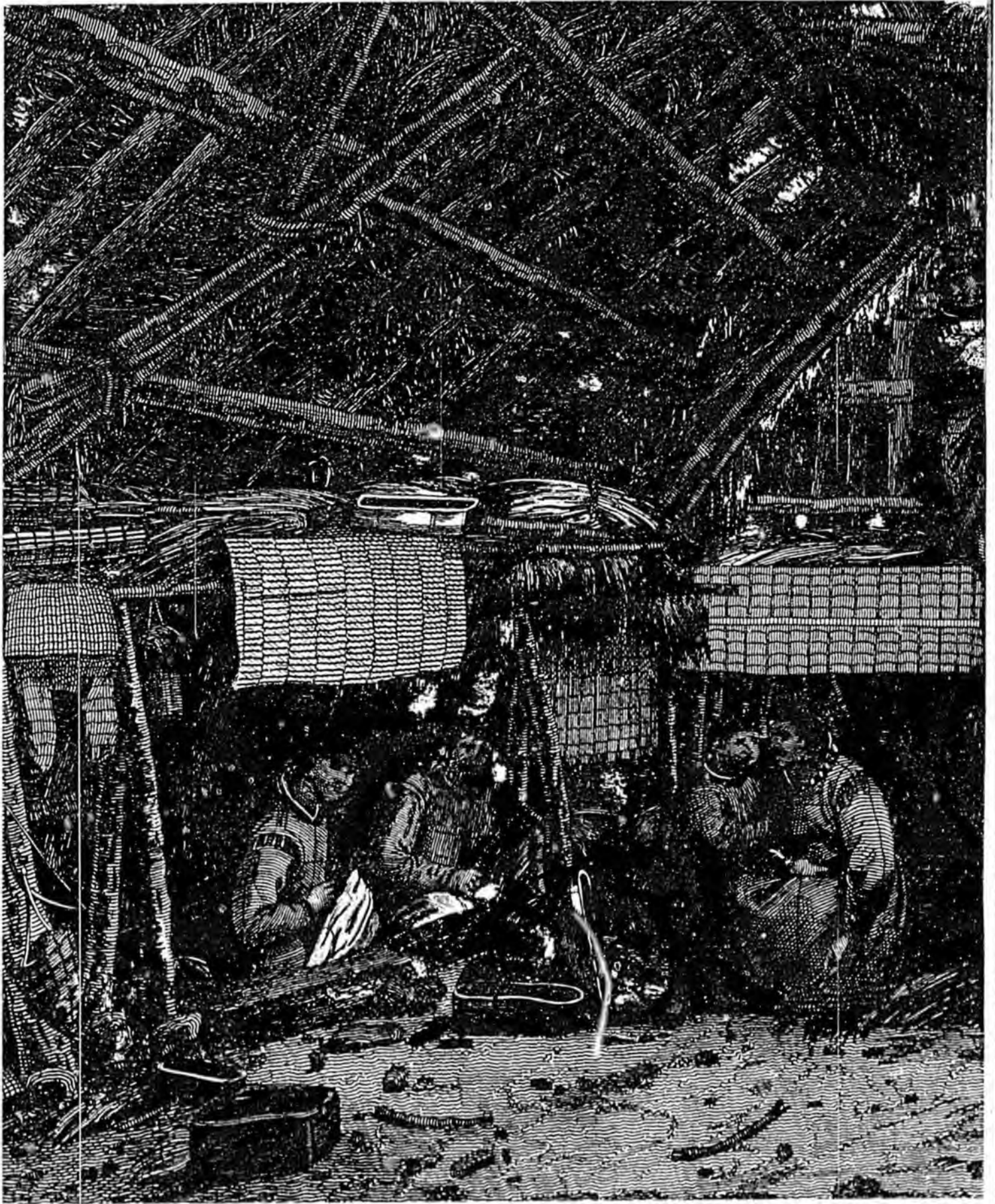
The Aleut Corporation and Subsidiaries Year Ended March 31, 1994

Statement Continued From Previous Page	The Aleut Corporation	Baidarka Corporation	Space Mark, Inc.	Consolidating Adjustments	Consolidated Balance
Charitable contributions-					
Scholarships	40,000	---	---	---	40,000
Alaska Federation of Natives	26,000	---	---	---	26,000
Other	5,000	---	---	---	5,000
Total charitable contributions	71,000	---	---	---	71,000
Disposition of future income tax benefits, net of related expenses-					
Trustee fees	29,000	---	---	---	29,000
Tax consultant costs	28,000	---	---	---	28,000
Total disposition of future income tax benefits, net of related expenses	57,000	---	---	---	57,000
Total costs and expenses	2,743,000	4,115,000	8,249,000	(74,000)	15,033,000
PROVISION FOR INCOME TAXES	---	---	---	---	---
UNCONSOLIDATED INCOME (LOSS)	147,000	(1,098,000)	243,000	---	(708,000)
INCOME (LOSS) OF SUBSIDIARIES	(855,000)	---	---	855,000	---
CONSOLIDATED NET INCOME (LOSS)	\$ (708,000)	\$ (1,098,000)	\$ 243,000	\$ 855,000	\$ (708,000)



The **Aleut Corporation**

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The INSIDE of a HOUSE in OONALASHKA