

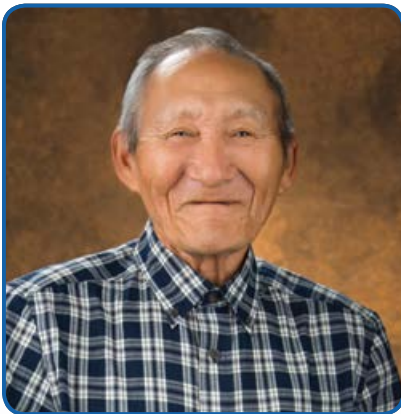


KUSILVAK NEWS

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VOLUME 1, ISSUE 3

SHAREHOLDER SPOTLIGHT **HARRY WILDE, SR.**



by **Brenda Brown**

Often times we hear people ask, "What's in a name?" In this Shareholder's Spotlight, we learn about one Azachorok shareholder who not only exemplifies the meaning of his name, but also has an important message for younger generations.

Harry Wilde, Sr., whose Eskimo name 'Qapaguli' means "Good at Doing Things," has lived up to his name and more over the past 86 years of his life. His epic journey through life began in Hooper Bay on July 6, 1929, when he was born to Oscar and Grace Wilde.

Harry, along with his brothers and sisters, Lester, Nancy (Parrett), Jessie (Johnson), and Margaret (Huntsman) stayed in Hooper Bay for a few years until the Wilde's moved to Scammon Bay. When Harry was a teenager, the family moved to Mountain Village by taking a canoe from the Bering Sea to the Lower Yukon River.

One of Harry's most vivid childhood memories is when his dad taught him how to hunt and fish with a bow and arrow along with his longtime best friend (liluk), Andrew Brown, Sr. Later on, Andrew would accompany Harry to his first job working on the Alaska Railroad.

It was during this employment that Harry would leave his first permanent mark on Alaska - helping to build the railroad system between Fairbanks and Seward. After working on the railroad, when Harry returned to Mountain Village, he worked seasonally in the commercial fishing industry as a fish collector and as the Captain of the Queen Mary.

While in Mountain Village, Harry met the love of his life, Priscilla Andrewyuk, whose Eskimo name "Kipaq" means 'Twist'. Grandpa Wilson married the couple at the Covenant Church. Harry and Pricilla were blessed with eight children: Laura, Monroe, Clara, Harry, Jr., Irene, Jack, John, and Clayton. Harry is now a grandparent with many grandsons and granddaughters, as well as great-great grandchildren.

Throughout his years in Mountain Village, Harry remained very active in subsistence hunting, trapping, and fishing to provide native food for his family. It was during this time that he teamed up again with Andrew to modernize Mountain Village with housing, water, sewer, electricity, and road developments. As part of his efforts, Harry served on the Azachorok Board of Directors and the Mountain Village City Council, later becoming both Chairman of the Board and Mayor.

Harry says at his age, it's difficult to remember specific stories, but what stands out in his mind, is how dramatically technology and the climate has changed over his lifetime.

Wilde has this advice for younger generations: "Do your best in your duties and responsibilities as a parent and what jobs you have to make a positive difference in the community"—something Harry has exemplified by being "Good at Doing Things," just like his Eskimo name, "Qapaguil."

ANNUAL MEETING SCHEDULED FOR JUNE 11, 2016

Don't forget to send in your proxies. They must be received by June 8 at 5pm to be entered into the Grand Prize drawing for \$1,000!

NEWSLETTER CONTENTS

| | |
|--------------------------|----------|
| SHAREHOLDER SPOTLIGHT | 1 |
| CHAIRMAN'S MESSAGE | 2 |
| VICE CHAIRWOMAN'S REPORT | 3 |

BOARD OF DIRECTORS

LOREN PETERSON
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Vice-Chairwoman

JOHN AGWIAK
Secretary/Treasurer

HOWARD PETERSON
Director

ROBERT BEANS SR.
Director

FRANCIS HESS
Director

FELIX HESS
Director

A MESSAGE FROM THE CHAIRMAN & C.E.O. **LOREN PETERSON**



It has been a year that I have served as your Chairman for the Azachorok Board of Directors, and in hindsight, we are in a much better position. Our corporation has made many some adjustments, but now we are completely re-organized in our operations. As for Azachorok Contract Services, LLC (ACS), which was recently approved by the SBA for acquisition and merger of ACS with the assets of AMC Defense Technologies, Inc. (AMCDT), which was purchased from the California

company, Accurate Machine Computers Defense Technology. While this is great news and it hopefully will dramatically increase the revenue of ACS, we are still facing major challenges. AMCDT was successful in the past and made millions of dollars, but this last year, it did not do so well. In fact, ACS lost money this past year. AMCDT is now going to be merged with ACS, and this process can take a lot of time although we hope to have this

process completed this fall. What this could mean is that ACS will have the capability to go after 8(a) contracts with the federal government, although ACS only has four more years left with the program. A good analogy is that the 8(a) program is similar to affirmative action for small minority or disadvantage businesses. Alaska Native Corporation-owned companies like ACS are eligible for entering into 8(a) programs.

Here's what would have been the ideal strategy for entering in the program.

1. Identify a company that would qualify for the program but that has not yet received its 8(a) certificate
2. Work with SBA for approval of a merger before purchasing the new company, not afterwards
3. Have an independent firm evaluate the company to determine its value
4. Work with legal counsel to protect the corporation from liabilities in acquisition

This way we would be able to maximize the 9 years we have in the program before we have to graduate. Our predecessors acquired the certificate without a solid plan for the type of business to apply the program to. It wasn't until the 3rd year the former Chairman, former

As for AMCDT, there have been some lessons learned. Former manager and consultant Matthew Nicolai was successful in bringing to ACS the opportunity to purchase AMCDT, but some problems arose. Former management, assisted by Mr. Nicolai, failed to obtain an independent valuation of AMCDT to determine the financial value. As was learned in the auditing process and in preparation for the annual report, Azachorok, Inc., spent 1,078,748 in goodwill, meaning we over spent or lost 1.1 million dollars in overpayment of the company. We recently learned that Azachorok, Inc. may now be liable for the back taxes of AMCDT going back to 2012. This could mean hundreds of thousands of dollars in additional costs to Azachorok.

Despite these problems and challenges, the Board of Directors and I have been planning strategies on how to improve our situation and succeed. This next year should be a productive year, and my intentions are for our company to work hard to utilize the 8(a) certificate for the few remaining years as we build and grow Azachorok. I believe we can learn from the mistakes of the past and be better prepared for future opportunities and expansions in our business.

I look forward to seeing shareholders and friends at the Annual Meeting next month on June 11th.

Sincerely,

Loren Peterson
Chairman & C.E.O.

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DESCENDANT
MIKE WILLIAMS JR.
SPONSORED BY CALISTA
FIVE-TIME IDITAROD FINISHER

SHAREHOLDER
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North Star Market

We are an **Alaska Native** owned grocery store that is new and innovative with our test store in **Kotzebue, Alaska**. We are developing a model to transform rural Alaska grocery store operations into an Alaska based business that partners with **local communities**. We hope to be in your community in the near future.

VICE CHAIRWOMAN'S REPORT

JOYCE BROWN



I hope everyone is doing well and enjoying the spring season. It has been an exciting and challenging year. This year's election could change things dramatically, so I hope everyone will take advantage of the benefits of voting. This year, we incorporated an Early Bird drawing as an incentive to voting. Actually, we incorporated a lot of changes in this year's ballot, and, consequently, this year's election will be a little different. We are switching to what is called cumulative voting. It is what has been stated in our bylaws

since inception. It is a relief to know that we are now compliant with ANCSA regulations now that we've grown to over 500 shareholders and have more than a million dollars in assets.

Here is some background on the Director removal matter and other matters that we are asking the shareholders to vote upon at the annual meeting:

This ballot measure asks shareholders whether to remove current director Felix Hess from the Azachorok Board of Directors. This past year, we updated the Code of Ethics for the Board of Directors. That code calls for board members to act in a manner which reflects favorably upon Azachorok, to work with fellow directors in a spirit of harmony and cooperation, and to graciously abide by and uphold decisions reached by the majority of the Board of Directors.

From the corporation's point of view, Mr. Hess has failed to meet these obligations by repeatedly violating our ethics code numerous times this past year. In response to a petition submitted to the corporation containing approximately 100 signatures, which requested the board to take action on the unethical campaigning by Mr. Hess, the Board of Directors found that Mr. Hess breached his ethical duties by misusing corporate funds for his personal travel for the purpose of campaigning for re-election to the Board of Directors. This misuse of corporate funds provided Felix Hess with an unfair advantage over other candidates. In his actions, Mr. Hess has breached his duty of loyalty to the shareholders and his duty of care to the corporation.

Other violations by Mr. Hess include accessing records and electronic files without submitting an appropriate advance request to any elected officer or employee of the corporation as well as entering the Anchorage offices of the Small Business Administration (SBA) in December 2015 to access confidential forms submitted by fellow Azachorok directors and suggesting to the SBA that the forms submitted by fellow directors were inaccurate.

Mr. Hess also has been sanctioned by the corporation for unauthorized travel in August 2015, when he called a special meeting of the Board of Directions without providing adequate advance notice to fellow directors to ensure the presence of a quorum.

Mr. Hess has also repeated exhibited unwarranted hostility and made unwarranted accusations during meetings with the corporation's professional consultants, contrary to the obligation to avoid using the position of director to coerce or intimidate any contractor of the corporation.

Finally, the corporation recently sanctioned Mr. Hess for spreading false and misleading statements to shareholders in efforts to undermine corporate leadership at this year's election.

Here are the questions that have been submitted by the Board of Directors to be voted upon by the shareholders:

Should Director Felix Hess be removed from the Azachorok Board of Directors without cause?

If this measure passes, Director Felix Hess will be removed from the Board of Directors without cause. In order for Felix to be removed, the corporation would need enough "Yes" votes that constitute what is equivalent to electing a board of director. This is typically about 75% of the vote but the ratio is dependent the amount of shares total share cast to support or reject this ballot measure.

Should Azachorok amend its bylaws to prohibit immediate family members from serving on the Board of Directors at the same time?

If passed, immediate family members would not be allowed to run for a seat on the board unless the current immediate family member's term expires prior to the election date and the director is not standing for re-election. For purposes of this section, an "immediate family member" means: father/mother, son/daughter, brother/sister, grandfather/grandmother, grandson/granddaughter." With more than 500 shareholders, the corporation needs to make sure there is a broad representation of shareholders on the board. We have a growing community with several families and we have large enough population with over 500 shareholders that we are considering further broadening representation at the board level. With more diverse voices, more opportunities and issues will be brought to our attention - which will result in better outcomes for our community.

ANNUAL MEETING SET FOR JUNE 11.

Don't forget to send in your proxies for a chance to win \$1,000. They must be received by June 8 at 5pm.

Advisory Vote: Should the Board of Directors reduce the Board of Directors from seven members to five members in 2017?

Low oil prices and other factors temporarily put us in a situation where our revenues are currently declining and not expected to recover in the immediate future. As a result, we are looking for ways to reduce spending without affecting daily corporate operations. The Board of Directors stipends and travel combined are high expenses, with approximately \$50,000 per year going towards stipends and related costs. One proposal is to reduce the number of Board members from seven to five starting in 2017.

The smaller board would still have a small ratio of one director for every 100 shareholders. However, the corporation would be able to sharply reduce overhead and travel fees. Less members may also lead to better governance by creating a chance to rebuild respect, trust and candor between board members and increase accountability for individual directors when it comes to executing fiduciary duties.

A "yes" vote on this measure does not automatically mean the number of board members will be reduced. Instead, a "yes" vote on this measure allows the Board of Directors to put the question on a ballot for shareholders to decide next year.

We hope the shareholders understand that we are offering your input in the direction in the corporation by asking these matters. It is a way for us to be democratic in our processes as we grow.

Warm Regards,

Joyce Brown
Vice Chairman

P.S. Shareholders can also vote or change their votes at the Annual Meeting on June 11 at the Mtn. Village Community Hall.



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MISSION STATEMENT

Azachorok Incorporated is a for-profit ANCSA Village corporation that invests in sustainable business opportunities for the benefit of shareholders while preserving traditional subsistence culture and values.

FEATURED PHOTOS

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Azachorok Lobbyists, from Left to Right: Consultant Emil Notti, Chairman & CEO Loren Peterson, Lt. Governor Bryan Mallot, Chairwoman Joyce Brown, and General Manager Brenda Brown.