

Totem Times

MARCH 2015



**IN THIS ISSUE:
A BRIGHTER HORIZON**

From the BOARD

By Chuck Denny, Chairman

Dear Shareholder,

It sure is nice to see spring buds popping up out of the dirt and from ends of tree branches.

Have you seen the colorful crocus flowers by the front door of our Cape Fox Lodge? They are a bright cheerful reminder that Easter is soon.

Our Board of Directors' met for two very full days the 16th and 17th in Saxman. It was good to get the updates on all our businesses and preliminary news on 2014 financials. A number of professionals gave us technical briefings and presentations to absorb and we thank everyone for their hard work. Several people had not been to Saxman before so we showed them around our community and gave them a lesson in our culture. They mentioned how much they enjoyed our lodge which continues to be a source of pride for us.

The business challenges continue and our executive team has been particularly busy with those. We continue working together on turn-around efforts in hopes of seeing improved revenue and profits sometime soon. On behalf of myself and the rest of the Board of Directors', may everyone be thankful for our Easter blessings.



New CFO Has Joined The Cape Fox Team

A Chief Financial Officer has been recruited and hired for Cape Fox Corporation! We are excited to have completed the process and hired Mr. Rob Hemmen out of Anchorage.



Rob is a Certified Public Accountant and has a Masters degree in Taxation. He has overseen finance and accounting functions for several Alaska native corporations, as well as, healthcare, construction, and commercial businesses.

He has traveled and worked around the world in such far-away places as Bahrain and Saudi Arabia, and our own Alaska Aleutians in the Far West. Rob started January 5th

and has hit the job running, moving to Manassas and working late into the evenings most nights trying to get our finance division caught up in work, responding to audits, and producing financial reports. We are very appreciative of his hard work, sense of humor, and transparency. Rob's motto is, "I FISH, therefore I am," so he will fit in quite well when he stops by in the southeast. Please welcome Rob.



New Hire Julie Isom



Ms. Julie Isom is our new Cape Fox Corporation Executive Office Manager & Board Secretary. Ms. Isom worked for Senator Stedman's Ketchikan office for the past eight years. Prior to that she lived on Prince of Wales Island for twenty years raising her two children. While there, Julie served two terms as Mayor for City of Thorne Bay and interim city administrator. She worked for Southeast Island School District for nineteen years and as the Executive Assistant to the Superintendent.

Julie has lived in Ketchikan for six years now and says she "can't imagine living anywhere else." She is very active and involved in our community as: a Rotarian, Big Sister for Big Brother's & Big Sisters, volunteer for American Cancer Society, Ketchikan Hospital Foundation and the Women Who Rock on Prince of Wales Island. Julie says "I enjoy hunting, hiking, and traveling, especially to see my two grandsons. I feel honored to be working for Cape Fox Corporation. I've met lots of great people so far, and looking forward to being part of a team that makes such a positive difference in our community."

Eugene Trout Scholarship

The deadline for scholarship applicants has now passed. We are pleased to report that CFC received six scholarship applications this year. We look forward to soon hearing names of the individuals to receive Eugene Trout Scholarship awards which will help them meet their educational and training aspirations.



From CFC's President

Kathy Milton - CFC Board President

In our last newsletter, I shared that the CFC Team is working hard and focusing on a turnaround so our businesses perform more profitably. For many shareholders, a "turnaround" is an unfamiliar term, so I will try to describe it since some of you have asked.

A turnaround is a term used to describe comprehensive business changes and efforts required to improve company finances when a company has been performing poorly for some time. There can be a number of different reasons, signs, and triggers that cause the need for a turnaround. Turnarounds typically stem from: a change in a company's direction, revenue shortfalls, inability to cover costs, declining stock price, litigation losses, poor management, outdated products to sell, and competitive changes needed to gain work. In our case CFC, has been hit by a number of litigation and business losses that require a hard look at how we can quickly "turnaround" these contingencies.

Turnaround actions can range widely from: liquidation (closure to cut losses), asset sales, dramatic and sudden business and management changes, reducing staff, to wait & see approaches. The manner and timing for each turnaround is different because every company has distinct issues to address. Fortunately, we are NOT at an extreme end because we recognized need for changes in advance and are making steady progress to improve and make our companies more profitable.

- 1st steps in a turnaround are when a company's Board of Directors and management identify and acknowledge there are some problems.
- 2nd the company's leaders then make or consider making changes in company management.
- 3rd is the progressive process of developing and carrying out problem-solving efforts to make changes that will result in a more successful company.

Turnarounds are difficult, often unpleasant, and can be painful at times. They require long hours, top to bottom overhaul, and difficult business decisions. Turnarounds are often emotional because they affect jobs, lives, and daily routines. However, turnarounds should not be taken personally because they're based on hard facts, numbers, and technical methods of restructuring business to make a company successful for its owners. In our case, the owners are all of us as CFC shareholders.

The past few months for me has involved rolling-up sleeves, daily work in the trenches, checking facts & figures carefully, and trying to stay strong and focused on company operations. It's not glamorous, that's for sure. Since our Corporation has businesses across the country, it's required extensive travel between the East Coast and Ketchikan to address our nation-wide business operations.

Frankly, there have been a lot of sleepless nights with worry. But thankfully our Board has begun pulling together, and we're making progress. There are some good signs beginning to show! Everyone must work together as the whole team is needed to be successful. Thank you for your support, kind calls, prayers, and patience.

Gunalcheesh!



Legislative Issues & Actions

Federal: On March 16th Subsistence Field Hearings were held in Saxman. Cape Fox Board of Directors' participated and provided personal testimony on the importance of the community having and retaining Subsistence rights and coverage. Thank you CFC Directors'.

State: The Alaska State Legislature is in session and besides many budget cuts underway, there are numerous other bills in play that may be of interest. Here are a few:

- Senate Bill (SB) 6 and House Bill (HB) 19 would repeal Daylight Savings Time (DST) in Alaska. It would allow Alaska to stay on standard time throughout the year. The State Chamber and many Businesses Oppose SB 6 and HB 19. The reason is it puts our AK businesses at a disadvantage for Southeast Tour Operations, and for Federal Operations on the east coast would mean a logistical issue of getting up at 3am to be on calls.

- HB 87 is an act relating to sale of timber on state land and an effective date. It helps meet demand for wood biomass fiber for energy due to the increased due to high fuel oil costs. SB32 is a similar version that allows flexibility in State offerings at appraised fair market value rather than competitive bid to give reliable supply of material to mills. DNR in this version is given flexibility to respond to timber supply and markets.

- HB 149 is an act allowing amendment of articles of incorporation of Native corporations to establish a lower quorum requirement for shareholder meetings. The bill is sponsored by Representative Pruitt at request of Doyon native regional corporation. Some groups have been having great difficulty gaining quorum for their annual shareholder meetings due to large population, remote villages, etc.

- SB75 an act allowing federally recognized tribal governments to receive contributions from permanent fund dividends. Individuals could specify dividend contributions to charity or educational groups.



Top: The Alaska State Legislature building located at the corner of 120 East 4th Street and Main Street, Juneau, Alaska.
Bottom: The great Seal of Alaska.



East to West - Ketchikan travels....

Recently Human Resources Manager, Teresa Cline visited Ketchikan to assist our local employees. During her visit, she managed to track down the Alaska State Troopers Ketchikan Post for a photo opportunity to show off to her east coast friends. Thank you Teresa for your visit!



Annual Picnic

In planning ahead, we hope to have the Cape Fox Annual Shareholders' picnic the 3rd weekend of July which is the 18th timeframe this year. Based on several requests from elders' who would like to attend but cannot travel by boat, we are looking at potentially Ward Lake as the site this year. Keep your eyes and ears out for more news as the date gets closer.



Rate Change, Year Round Discount for Shareholders

Cape Fox Lodge has updated the system. It will now automatically discount hotel rooms for the benefit of Shareholders at a 35% discount all year round. This is a slight increase in rate for standard one bed king room from last year of about \$3.67 in Winter Season, and a significant discount during the Summer Season. Instead of blocking out the rate in Summer, the lodge will now be leaving it open year round for Shareholder convenience. Shareholders 35% discount will now apply to all room types all the year round.

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Tours Beginning Soon!

Alaska Marine Highway Ferry at Ketchikan's shipyard. Soon the summer tour ships will be docked along the city shoreline.



Our Cape Fox Lodge

James Montgomery - General Manager

2014 was an exciting year for the Lodge with many challenges and many successes. We engaged a new General Manager and implemented a new rate structure geared towards enhancing the bottom line. Quite a few accounts that had outstanding balances in excess of \$70K have now been brought current, and we have contracted several new accounts that promise substantial bookings in this coming year.

2015 has dawned with many opportunities at Cape Fox and we embrace the new changes that have occurred in the Corporation and Company. We are very excited about the future as it stretches out before us. This quarter has already shown some exciting changes. While we started slow, to date this quarter we are already up over last year and ahead of budget in revenue for Rooms and Food & Beverage.



We had our new laundry equipment installed and it has cut laundry costs; a new kitchen dishwasher has also cut costs due to efficiency in not having to use propane for a booster pump, as well as in the time savings by being able to wash 2 racks at a time. While payroll hours were cut during the slow season, we diligently maintained a majority of our staff by letting them work



multiple departments in efforts to keep everyone employed that we legally could. A new elevator was ordered and is on schedule for delivery May 1st. Summer bookings are already ahead of last year and we may actually be able to exceed budget if everything continues as planned.

The Cape Fox Lodge is slowly returning back to the glory it once held in the minds of all in Ketchikan. While we have a ways to go, we can see the light at the end of the tunnel!

Thanks To Our Teams' First Quarter Contract Wins!

Concentric Methods

Harold Mitchell - President

Concentric Methods (CM) has received a National Institute of Health contract on 2/11/15 for Safety Engineering, Support and Owner Advocacy Services. The Mechanical and Industrial Safety Engineering reviews, Site Assessments, Audits, Biomedical Lab Certification, and Occupational Health & Safety work is for 3 years is worth \$9.7M.



CM won a Navy Administrative Support award 3/23/2015 to provide administrative services for Naval Hospital at Beaufort in South Carolina. It will provide full healthcare services to Navy and Marine Corps staff, family, and retirees at the hospital and two Health Clinics.



The contract will include 27 jobs, will operate for 4.5 years, and is worth \$6M.

CM also received an Occupational Medical Services contract modification for add-on services with the National Institute of Health to provide additional healthcare services in Bethesda that began on January 1, 2015. Specifically, CM provides physical therapist services and added a Deputy Program Manager to the contract. The modification is \$1.6M over 4.5 years.



CF Facilities Services

Joseph Hunt - President

Cape Fox Facilities Services (CFFS) is a start-up company busy submitting proposals in an effort to win work and gain some valuable past performance. CFFS provides Administrative and Logistics Support, Construction and Base Operational Support, and Safety Training.

NAVAR

Joseph Hunt - President

NAVAR recently won a contract award with the Navy. It is for providing Identification Card operations in Europe that will start on 4/1/15. The contract is for \$2.3M over 5 years and will provide about 6 full time jobs. NAVAR is also preparing and supporting a major conference to be held shortly that they were awarded on another contract late last year.



CF Federal Integrators

Fernando Pereira - President

Cape Fox Federal Integrators (CFFI) has been awarded a Marine Corps contract to provide basic and advanced motorcycle and off-road vehicle safety training classes. This contract requires CFFI to perform work in multiple locations across the United States. The contract is for \$7M over 5 years.



CF Professional Services

Harold Mitchell - President

Cape Fox Professional Services (CFPS) is an example of a successful turn-around thanks to Harold's strong leadership skills! After several years of losses, CFPS now provides CFC positive returns. Harold's team reduced general and administrative costs from 22% to 11%. And, based on preliminary numbers is showing a 4% net income/profit to CFC.



Cape Fox Lodge

James Montgomery - General Managers

Cape Fox Lodge is ahead of Hotel bookings and Food & Beverage services over the same time period as last year! The Alaska Governor's Inaugural Ball held in early March in Ketchikan was sold out and a big hit.



The Cape Fox Lodge has also been selected as the site for the State Chamber of Commerce annual meetings in June.

www.capefoxlodge.com



CAPE FOX TOURS

Cape Fox Tours

Frank Seludo and Linda Williams - Co-Managers

Cape Fox Tours' Frank Seludo and Linda Williams, co-managers, have started summer season preparations earlier this year. 2014 fall flooding shop damage has been repaired and they are getting the shop & tours ready for the 1st tour ships. Last season Saxman gift shop was very successful and we hope to grow tours even more since it provides opportunities locally at home.

Cape Fox is currently hiring Tour positions; as well as, a Driver Guide (requires current CDL & health certificate). Apply Now!

www.capefoxtours.com

Hydropower and Lands

While in Juneau recently Kathy Milton was able to meet with some State legislators and agency representatives to share ideas on the Mahoney hydropower project. There is renewed interest and the CFC Board wants to preserve the ability to use opportunities of tribal status, lands, and existing permit if possible. Chris McNeil former Sealaska CEO has a background in these matters, and he has been retained by CFC to assist and help out on things like this and remaining land selection matters currently before us. Several Board members participated in updates a few months back with the City of Saxman and others. We will keep you posted as we learn more.

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Left: President Katherine Milton visiting with CFC elder and shareholder Elizabeth Denny. Right: Alaska's Governor Bill Walker and Byron Mallet at an Resource Development Council meeting in Juneau late January that President Katherine Milton attended.

Departing for New Adventures

Long time Cape Fox Corporation employee David Landis will be leaving us and heading to new adventures on May 8th. We would like to thank David for his many years of dedicated service, leadership, and contributions to our Corporation. Since 2008, David served as Chief Ethics Officer and was instrumental in the development and management of the Cape Fox Ethics program. David has been a common face and voice at the Saxman office by providing support to our Shareholders, local company managers as well as assistance with our forestry grants. Last fall, David was elected Mayor of Ketchikan Gateway Borough. We wish David well and best of luck on his new journey!



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