



LETTER FROM THE BOARD CHAIR

Aarigaa, taikuu! Hello, fellow Shareholders,

On behalf of the Board of Directors and staff, we hope 2016 brings you a happy, healthy and prosperous year.

This is an exciting time for KIC. The Board has been very busy working to improve the financial well-being of the Corporation. Most recently, we revisited our long-term initiatives and strategic plans. As a Board, we felt this was needed to ensure we are going in the right direction. While pursuing growth in business opportunities is essential, as a Board, we always remain mindful that our Iñupiaq way of life must continue and thrive.



*Calvin Schaeffer
Chair, KIC Board of Directors*

The current Board also reviewed other priorities and initiatives, including:

- The need to clean up our Kotzebue properties and engage in a general strategy to promote a healthier community. As an Alaska Native corporation, we are dedicated to utilizing our resources to serve our Shareholders in the best way possible.
- Continuing to work and expand in the 8(a) government-contracting sector with our subsidiaries. Our 8(a) revenues continue to grow, and our prediction for 2016 will see even more increases in revenue generated by those ventures.
- Strengthening relationships with other entities in the region. KIC is engaged in the Tri-Lateral Committee between the Native Village of Kotzebue and the City of Kotzebue. This committee has helped the community move forward and secure funding on projects in and around Kotzebue. Along with this, we are strengthening the relationship with our regional Native corporation, NANA, which is very important and integral – as we look down the road for our children, who will become the next generation of leaders.

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THE MIDNIGHT SUN

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KIC, SUBSIDIARIES WELCOME NEW MANAGERS

FOUR VETERAN MANAGERS JOIN THE KIC FAMILY



Heidi Anderson
Human Resource Manager, KIC

Heidi Anderson

Originally from Southern California, Heidi lives in Virginia with her husband, Dave. She has a daughter, Alexandra, 23.

Heidi attended the University of Richmond and holds the Professional in Human Resources (PHR) and Society of Human Resources Management Certified Professional (SHRM-CP) certifications, which demonstrate mastery of the technical and operational aspects of HR practices and U.S. laws and regulations.

Heidi has worked as a human-resource professional for Alaska Native corporations (ANC) and their joint ventures for the past 14 years. While working with ANCs, Heidi has helped to achieve the companies' financial goals and provide more value for Shareholders.

In her spare time, she enjoys kayaking, traveling, shopping, the beach, the outdoors and spending time with her family.

Stephanie King

Stephanie King is our new proposal manager working out of the McLean, Virginia, offices. She has over eight years of experience writing and managing proposals in the federal environment.

Having worked for small and large organizations over her career, she brings a breadth of knowledge and experience that will enable KIC to build the foundation of its proposal capabilities.

Stephanie grew up in the D.C. area and has traveled extensively around the world and the U.S., but has not yet made it up to Alaska. In her spare time, she enjoys practicing yoga and drawing. Stephanie has a bachelor's degree in psychology from Radford University.



Stephanie King
Proposal Manager, KIC

James Popwell

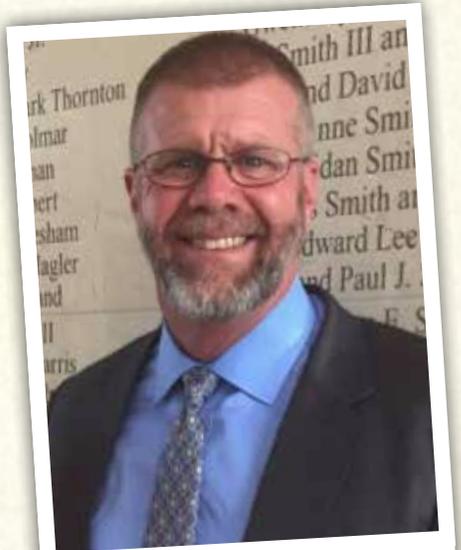
James Popwell, our director of operations for Midnight Sun Technologies, brings nearly 12 years of international career experience to this venture. He has managed contracts in the Balkans, Africa, Bosnia, Iraq and Afghanistan.

He recently spent two years in Kabul, Afghanistan, as the project manager for International Development Solutions on the Department of State (DoS) Worldwide Protective Service (WPS) contract. Prior to this, he was employed by DynCorp International as project manager for the DoS WPS contract in Erbil, Iraq. In both instances, he managed more than 600 employees, comprised of U.S., foreign national and local national employees. Each task order was worth more than \$100 million a year and involved major construction projects.

His expertise lies in overseeing all operational and administrative aspects of a contract. Working for DynCorp, he supported the international narcotics and law enforcement missions/contracts to Haiti, Israel, Sudan and Liberia.

James worked for 16 years in law enforcement as a police officer, SWAT and narcotics investigator. Prior to that, he served in the U.S. Marines. He is a 1992 graduate of Auburn University with a BS in criminal justice.

He and wife Dina have three children, two grandchildren and one more on the way.



James Popwell
Director of Operations,
Midnight Sun Technologies

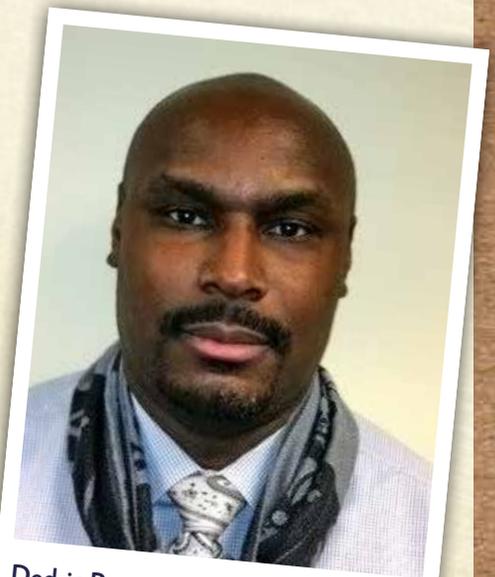
Dedric Rogers

Dedric is no stranger to 8(a) and joint-venture contracting. Among his many accomplishments, he served for nine years at Chenega/NJVC as senior manager of contracts, overseeing hundreds of millions of dollars in defense, civilian and intel community contracts, including the NJVC mega-contract with National Geospatial-Intelligence Agency.

NJVC was a joint venture between Chenega and Arctic Slope Regional Corp. that resulted in the largest ANC 8(a)-directed award contract in the history of 8(a) contracting.

He then went on to support CTSC LLC on a U.S. Customs and Border Protection contract worth \$475 million, the largest civilian award made to a small and disadvantaged firm in 50 years.

Dedric is a graduate of Coppin State and received his master's in government contracting and procurement at George Washington University. In his spare time, Dedric loves to travel and attend sporting events.



Dedric Rogers
Senior Manager, Contracts, KIC

LETTER FROM THE BOARD CHAIR

CONTINUED FROM COVER

- Implementing stronger financial controls. We believe this will increase the profitability and revenue stream available to KIC and, by extension, to its Shareholders. These controls will also help KIC link all of its business interests – from the Kotzebue NAPA/ACE store to its East Coast subsidiary options – enabling us to keep tighter controls on the day-to-day functions of all KIC interests. This enables us to better access KIC financial data to better manage the Corporation across all levels.

KIC is constantly looking for ways to improve opportunities and healthy living options for all Shareholders. One of the main components of our focus is the annual KIC dividend. We realize that many of our

Shareholders live on fixed incomes and count on stable and renewable sources of income throughout the year, so we continue to work very hard to ensure that KIC dividends continue and grow over time. While Alaska is facing tough economic times, KIC continues to see growth across our 8(a) subsidiaries: combined with secure financial controls, a good land base, steady dividends and improved facilities management, the opportunities are limitless.

I would also like to recognize all the KIC Scholarship recipients who reached educational milestones last year. KIC remains committed to helping our Shareholders and Descendants continue their educational endeavors for the future. Congratulations!

– Calvin Schaeffer
Chair, KIC Board of Directors

KIC OFFICES ON THE MOVE

KIC has new digs in Anchorage and Virginia.

Shared services, accounting, IT, payroll and HR has moved into two suites at 1225 International Airport Road in Anchorage. Larry Daniels, vice president of Alaska operations, said the neighborhood offers access to the Campbell Creek greenbelt and a few popular restaurants.

Also on the move is KIC's Virginia arm, which anticipates an early April move into an office complex in Vienna. Companies that will be relocating include KIC, KIC Facilities Management, Alaska Universal Services, KIC Development and Aqiwo-MST LLC JV.



KIC Virginia office location



Sealskin painting in KIC's Anchorage office



KIC Anchorage, Alaska, office location

KIC IMPROVING SHAREHOLDER COMMUNICATIONS AND SERVICES

KIC is looking for a new shareholder relations manager to help the company provide better service in the form of more accurate record-keeping, improved communication and increased employment opportunities for Shareholders.

“This new position is key to elevating the importance of our relationship with our Shareholders,” said Will Anderson, KIC President.

Earlier this year, the KIC Board of Directors adopted a budget for 2016 with a number of significant changes. Most of these changes are a reflection of KIC’s increasing ability to operate within the government contracting sector.

The Company added a new HR manager position to handle all of the new employees that come along with new government contracts. A proposal manager position was added to allow KIC to aggressively and effectively pursue new contracts. A contracts manager was hired to ensure we remain in compliance with every term and condition of every contract. A procurement manager position will soon be hired to handle all of the purchasing required under several new contracts that KIC will soon be starting.

But the Board didn’t want to leave Shareholders out of the picture. They wanted Shareholders to remain the focus of every decision, so the new shareholder relations manager will be tasked with several key initiatives.

One of the top priorities for the position will be to improve communication. This includes listening to, and advocating for, our Shareholders. KIC Shareholders need to be fully aware, and prepared for upcoming employment and educational opportunities. For example, we expect there to be numerous local Kotzebue jobs when construction begins on the road to Cape Blossom. The new shareholder relations manager can help interested Shareholders find necessary training or certifications so they are ready to be hired once construction starts. And with the

way the Corporation is quickly changing, it is more important than ever for our Shareholders to have the support they need to pursue jobs within KIC, and elsewhere. The shareholder relations manager will also advocate for and help Shareholders with their resume and developing good interviewing skills.

Both the Board and management are very optimistic about the future. But as we achieve a number of important goals, the Company needs to do a better job of communicating our successes. The shareholder relations manager will be a large part of that effort.

The KIC Board also wants to be certain we are doing a good job of listening to our Shareholders’ concerns. Important topics like opening enrollment for those born after 1971 and the use of KIC lands by Shareholders, continue to be discussed by shareholders. So the shareholder relations manager will also be responsible for developing an effective way to get feedback on these and other important issues — likely in the form of a Shareholder survey.

Administrative tasks are a critical part of KIC’s success. For example, it is important to have current contact information on file, and that well-documented procedures are followed when changing someone’s address in the computer system. Distributing dividends, newsletters and scholarship information are important parts of KIC’s relationship with its Shareholders, so having current contact information increases the likelihood that things sent in the mail will arrive in a timely manner. The shareholder relations manager will be tasked with proactively seeking current contact information and establishing sound policies and procedures.

KIC is growing and gaining strength as a corporation. We want to ensure it remains responsive and helpful to the people it serves. The new shareholder relations manager position will help KIC achieve that goal.

For more information on the position or how to apply for it, visit www.kikitagruk.com, or call 442-3165.

Aerial view of WAAF 104 and WAAF 105, historic military office buildings at Wheeler Army Airfield in Hawaii. Both buildings are being retrofitted with new roofs by Alaska Universal Services.



KIC SUBSIDIARY RETROFITTING HISTORIC HAWAII BUILDINGS

When KIC subsidiary Alaska Universal Services LLC (AUS) won a contract to upgrade two legacy office buildings on a military base in Hawaii, it took on much more than a standard roofing job. Called “WAAF 104” and “WAAF 105,” the properties’ generic names belie their historical significance. The buildings are historic properties built in the early 1920s that survived the Japanese attacks of Dec. 7, 1941.

The buildings are located on Wheeler Army Airfield — a primary target during the attacks because of the many P-36 Hawk and P-40 Warhawk fighter aircraft based there.

As part of the \$865,000 contract, AUS can’t do anything to change the outward appearance of either building — a challenge when the plan calls for installation of solar panels on the roof and other modern upgrades. And then there’s the roof itself.

“These are really well-built buildings that are very solid,” says Tim Murph, AUS’s Pacific Regional Manager. “They were built with roof slabs that are 14-inch-thick, hardened concrete. The buildings were built to be bomb-resistant and were made of hardened concrete because in those days they built them anticipating a potential attack.”

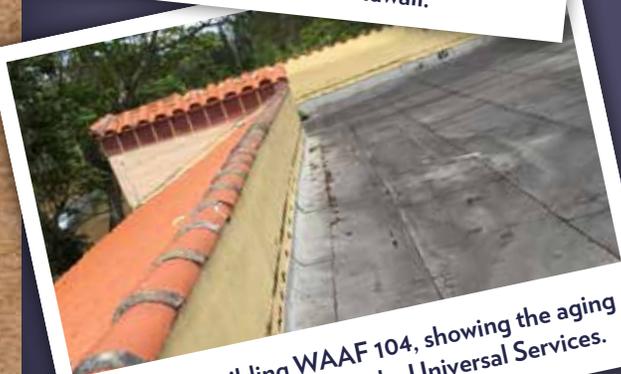
Work is expected to begin on the project in late March. When complete, the buildings will still look the same as they did after the 1941 attack, but each three-story office building will have new solar panels installed — hidden behind the building’s top façade — that will produce up to 36 kilowatts of electricity.

And when work is complete, Murph predicts that there will be many more projects available to AUS in Hawaii.

“There are a lot of legacy buildings on military facilities in Hawaii,” Murph said. “They have a high maintenance and upkeep cost. This kind of business will continue for a long time in the future.”



A hand-beveled skylight is being upgraded and replaced with new bullet-proof and structural glass at historic military properties in Hawaii.



The top of building WAAF 104, showing the aging roof being replaced by Alaska Universal Services.

ALASKA UNIVERSAL SERVICES REMODEL WASHINGTON BUILDING

Alaska Universal Services (AUS) is literally raising the roof at one of its projects in Washington, D.C. AUS is doing more than \$4.4 million in renovations for this fiscal year, with another \$4 million planned for next year.

The project, at the U.S. Department of Housing and Urban Development's Robert C. Weaver Federal Building, a 10-story office complex added to the National Register of Historic Places in 2008, involves code enhancements, and mechanical, electrical and flooring work. The intent of the effort is to consolidate HUD departments and bring them up to new HUD space-management standards, allowing HUD to realize significant budget and taxpayer savings.

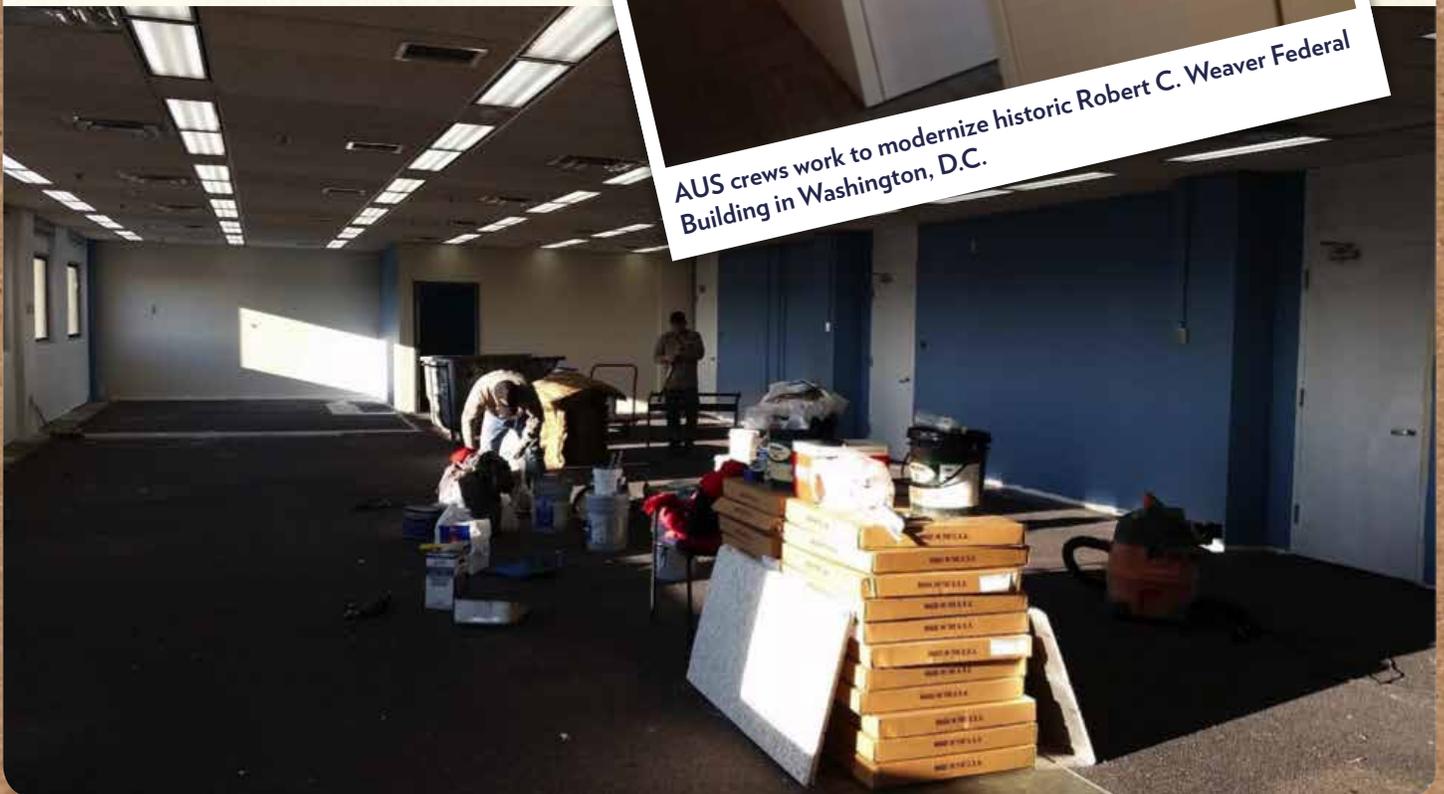
Additional work is being done by AUS and its subcontractors on the building's IT network and telecom connectivity. The 12-person AUS crew is also being tasked with general

carpentry and painting tasks as it raises ceilings, replaces flooring and expands existing rooms within the Weaver building. Experience completing a similar contract at a National Institute of Health building prepared AUS for its latest contract.

"We are definitely making a name for ourselves," said AUS General Manager Eleanor Davis.



AUS crews work to modernize historic Robert C. Weaver Federal Building in Washington, D.C.



WE NEED YOUR ADDRESS

Planning a move? Update your address by emailing Julie Sampson at jsampson@kikiktagruk.com.



UPCOMING EVENTS

DATE	EVENTS
March 16	Finance Committee Meeting
March 17	Regular Board Meeting
April 27	Finance Committee Meeting
April 28	Regular Board Meeting
May 25	Finance Committee Meeting
May 26	Regular Board Meeting

DID YOU KNOW?

The KIC Board of Directors typically meets on the fourth Thursday of every month. Shareholders are always welcome to attend, and there are two opportunities on the agenda at each board meeting for Shareholders to make comments. Members of the Board always appreciate hearing your thoughts and concerns. Attending the Board meeting also allows Shareholders to listen to reports by the management team and hear first-hand about all the projects and contract opportunities on the horizon.

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