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PRESIDENT'S LETTER



Will Anderson
President/CEO

When preparing to go out on a hunting trip, every hunter knows there are no guarantees. Even the most experienced hunter can go to the right location, at the right time of year and still come back empty-handed. Hunting takes persistence, careful planning, and sometimes just a bit of good luck. But a skilled hunter doesn't give up after a failed trip, but instead tries a different location, perhaps at a better time, or may even decide to go after different game.

When game is scarce, there are times when a hunter must change their strategy.

We have more or less the same situation in business. There are many contracting opportunities in the world and your Board and management team work hard to pursue the right opportunities that minimize risk and create the best chance of making KIC successful. We develop and refine a strategy that we expect will result in growth and increased benefits for our shareholders. But there are times when taking the right actions at the right time fails to produce the results we expect.

Early in 2015, KIC was asked to submit a proposal to perform work at a Department of Defense facility in Georgia. In August of 2015, KIC received notice of award and we began preparing for a contract that would more than double the size of the company, both in terms of revenue and the number of employees. We were notified that KIC would receive a "direct award" sole source contract with the understanding that work would begin in late 2015 or early 2016 following a brief period of final negotiation on pricing and terms.

With the promise of being awarded work that would dramatically increase the size and scale of the company, management began a careful process of building a team, and adding infrastructure

NEW EMPLOYEE PROFILE

IT MANAGER CLARK "BUD" GUDMUNDSON (QUAQSRII)

Clark "Bud" Gudmundson (Quaqsrii) was named by the late Della Keats. Raised in Kotzebue, he has a complex, important job at our Native corporation. Clark is KIC's IT manager, responsible for overseeing and maintaining the computer and information-technology (IT) systems for KIC and all of our subsidiary companies across the country. In other words, he's the guy who keeps our entire corporation up and running.

Clark has a somewhat surprising background for someone who works on the cutting edge of modern technology: he's a diesel mechanic who spent 10 years at Red Dog Mine as a heavy-equipment operator. So how did a young man from Kotzebue go from diesel mechanic to head of IT for a nationwide family of companies?

Well, it's a bit of a love story. While growing up in Kotzebue, he met a pretty girl named Danielle in second grade. Years later, as adults, they fell in love and got married. So Clark looked for a career that would enable him to stay at home with Danielle and her children. He landed a ground-level job at the hospital in Kotzebue.

"I spent my first six years in IT at Maniilaq," Clark tells us. "I started pulling cable and hooking up computers at the help desk and

PRESIDENT'S LETTER cont. from cover

that would allow us to manage a large, new contract. We hired additional staff with expertise in disciplines like contract administration and human-resource management so we would be fully prepared. Unfortunately, the negotiations did not progress as we had hoped. The date for starting work on the new contract was repeatedly shifted and, after more than a year and a half of effort, KIC received notice in January of 2017 the government had decided to withdraw the contract offer and instead make an award through a competitive bidding process to the lowest priced, technically qualified contractor.

By building on our recent successes with current federal clients, we can develop existing relationships and grow the organization while minimizing risk.

Naturally, we were all disappointed with the outcome. Fortunately, the board approved a 2017 budget that did not include any revenues from the opportunity in Georgia. Management made a number of dramatic cost-cutting changes late in 2016 and we built a plan for 2017 that shifted our strategy toward smaller contracting

opportunities. While the contract in Georgia was big – about \$120 million over five years – we made the wise decision to regroup, scale back and work to become more competitive on mid-sized contracts in the \$3 - \$5 million range, with a greater focus on our existing customer base. By building on our recent successes with current federal clients, we can develop existing relationships and grow the organization while minimizing risk.

We “right-sized” our current staffing levels and expenses to remain profitable without the contract in Georgia and we positioned our family of subsidiary companies for a new approach to contracting that is already proving to be successful. One of KIC’s subsidiaries just completed a challenging project for the Food and Drug Administration that is leading to more work with this agency. Our existing customers are already familiar with KIC, so when we pursue a contract with one of those agencies, we’re a “known entity” with an outstanding reputation for reliability and great work.

While 2016 proved to be a difficult year for KIC, the new year is looking much stronger. I hope you enjoy this edition of The Midnight Sun. It’s a very exciting time for KIC. Have a great, safe spring!

NEW EMPLOYEE PROFILE cont. from cover

worked my way up to system administration, then on to project management and, eventually, managing my own IT department. I was really fortunate. The chief information officer at the time, Eugene Smith, had a great attitude of emphasizing local hire, and he had a very good training budget.”



Today, Clark is modernizing all IT systems throughout KIC’s family of subsidiaries. “I’m working through several project plans, getting all of the IT services more up-to-date from a hardware and software perspective,” he says.

KIC and our subsidiary companies are all the same platform across the board, which means the software services are hosted at a server farm in Anchorage; but we do

have several stub servers in Kotzebue and Virginia for user authentication and data replication.

“The work these companies do is a really big mix,” Clark says. “The majority of our East Coast operations is contracting on military bases, anything from construction to landscaping. The Anchorage offices are administrative. Our financial services are hosted in Anchorage, as is IT – meaning me – and our corporate offices are in Kotzebue. In addition, we have 110 rental units in Kotzebue, and equipment and vehicle rental. So all those services are hosted by us.”

...his career allows him to be a great family man and mentor to young people.

So does Clark’s love story have a happy ending? It sure does. Not only is he a valuable asset to KIC, his career allows him to be a great family man and mentor to young people.

In his off-time, Clark enjoys anything outdoors he can do with Danielle and the kids, such as riding four-wheelers, dirt bikes and snow machines. He also coaches wrestling and football, as well as being involved with other youth activities. Clark is currently the wrestling coach for Mears Middle School, where his youngest son attends eighth grade, and he helps with the Ski-Jumping Club, both in Anchorage.



"We're looking forward to creating more opportunities for the fishing fleet and the residents of Kotzebue."

– Roger Stiles



EXCITING NEWS FOR KOTZEBUE FISHING COMMUNITY: E&E Foods introducing floating processor

It's always been difficult for commercial fishermen to make a living in Kotzebue because the limited cargo space on airplanes serving the region restricts the amount of fish they can sell. But starting this summer, Seattle-based E&E Foods will anchor a floating processor offshore that will have capacity of nearly two million round pounds. It has the added benefit of eliminating the need for fishermen to make the long round-trip from fishing far offshore to land-based buying station and back again.

Roger Stiles, E&E Foods business manager for Southcentral Alaska, tells us, "This was an opportunity to get involved in a great fishery and provide a service Kotzebue's fishermen haven't had, the opportunity to fish the whole season with extended hours."

Having the floating processor offshore means there will be minimal limitations on how much product fishermen can catch and sell. Roger says, "Where now they might get four to six hours a day, once the floater is there, they could possibly fish up to 14 hours a day, depending on what Fish and Game will allow."

There will be two phases to E&E Foods' operation: From the opening of the season, the company will operate one buying station onshore, which will buy fresh fish to be flown out and processed in its Kenai facility. Then, in late July – no later than August 1 – the company will anchor its floating processor, named the Cape Greig, about 15 miles northwest of Kotzebue.

In addition, the company will have a tender boat, named the Sea Bird, anchored alongside the Cape Greig. Both the Sea Bird and Cape Greig have two cranes and can offload two boats simultaneously, for a total of four boats that can be offloading fish at the same time.

The shore-based buying station will remain open all season, so once the floating processor and tender arrive, fishermen will have three options for selling their catch: the traditional method of selling on the beach, or remaining offshore and selling to the Cape Greig or selling to the Sea Bird.

The Sea Bird has capacity to hold up to 150,000 pounds of fish for transport to the shore-based buying station and/or the Cape Greig. The Cape Greig has the ability to process

and freeze up to 200,000 pounds of round salmon per day.

Roger Stiles has been working with Kotzebue's fishing community for many years. He served as general manager for Great Pacific Seafoods for 27 years. When Great Pacific went out of business, Roger moved to E&E Foods, where he was able to use his deep experience in Arctic Alaska to advocate for the floating processor.

"Because of the limitations of air-cargo capacity in the region, many fishermen struggle to make enough money to make it worthwhile," Roger says. "But this floating processor can help reduce their fuel costs and allow them to have much higher production and work on a volume basis."

E&E Foods considers our local Arctic keta (chum salmon) to be a very high-quality product, and the company markets both fresh and frozen keta it purchases in Kotzebue all over the world.

"We're looking forward to creating more opportunities for the fishing fleet and the residents of Kotzebue," Roger says. "We hope to create more jobs and contribute to building a stronger economy for the whole area."

For more information, go to eefoods.com.



HIGHLIGHTS

Land-based buying station

Where: Kotzebue

Opens: Day 1 of the fishing season

Buys fish: On the beach

Floating processor

Name: Cape Greig

Where: 15 miles NW of Kotzebue

Opens: Late July, no later than Aug 1

Buys fish: Offshore

Tender ship

Name: Sea Bird

Where: 15 miles NW of Kotzebue

Opens: Late July, no later than Aug 1

Buys fish: Offshore

MIDNIGHT SUNS PULL OFF IMPRESSIVE FEAT IN D.C.



KIC's D.C.-area subsidiary Midnight Sun Technologies LLC (Midnight Sun or MST) recently completed a major building renovation for the General Services Administration on behalf of the U.S. Food and Drug Administration (FDA).

The 11,000-square-foot project included high-end architectural and technical upgrades to the FDA's Great Room on its White Oak Campus in Silver Springs, Maryland. It was originated as a design/build contract by another 8(a) company, but that contractor fell out of compliance and could not complete the work. Midnight Sun was brought in to deliver the project after the design portion had been completed, but the construction start date was behind schedule. The project integrates a complete replacement of all audio-visual components, with theater lighting and architectural enhancements to bring the FDA's only public space into a "state-of-the-art" condition. MST's contract required that the entire project be completed under very accelerated time constraints of only three months.

"This was not the typical sort of project you would normally see at MST," says Midnight Sun Global Services president Elizabeth Koski. "Midnight Sun Technologies has two key service lines: integrated facilities management and information technology (IT). But given the significant audio/video/IT component of the project and our collective KIC construction experience, this was a great opportunity, so we took on the challenge."

Tackling a large job on a short timeframe, she depended on Project Manager Robert Farkas, Assistant Project Manager Mark Berman and a group of local subcontractors, including Slye Digital Media Systems, EdgeKraft Acoustical Panel Company and T&B Electric, to bring it all together. In addition, Eleanor Davis and a team from Alaska Universal Services (AUS) provided drywall and general laborers to the effort.

"Our subs have just been amazing," says Elizabeth. "When the first contractors were unable to perform the work, our team came in, put multiple crews on and worked long hours. They were instrumental in turning this thing around. There's no way this project would be the success it is without them."

The results may be even more impressive than the process. MST constructed an elegant facility to host small or large



From left to right: Mark Berman, assistant project manager; Robert Farkas, project manager; Warren Hughes, superintendent for B3, our primary subcontractor; and Elizabeth Koski

gatherings that include complex audio/video presentations, often to introduce new pharmaceutical drugs and scientific break-throughs.

"Virtually everything is automated," Elizabeth explains. "Advanced AV equipment, theater lighting, audio system. There's a Press Room, a Green Room for guest speakers and, at the heart of it all, the Control Room, where all of the independent systems can be controlled at one console. MST integrated the FDA's central server-based, room-scheduling system so each room has an iPad display showing what is going on in that room. It's a very nice place."

Valued at \$4.99 million, it's a very good contract for KIC. The fact that the work was completed successfully in just three months, including the Christmas and New Year holiday season, is a great testament to Midnight Sun and the entire KIC team that came together to fulfill a contract for one of our nation's largest and most important government agencies.

"Given all the challenges and compressed timeline, it's amazing the way everyone came together as a team and allowed this work to be completed so efficiently," says KIC President Will Anderson. "KIC shareholders can be very proud of what their company accomplished."

As a result of the team's success, GSA awarded Midnight Sun a follow-on contract for another construction project.

In the end, this FDA job is a terrific example of KIC subsidiary companies working together, collaborating with each other and sharing the profits. In other words, a very Inupiaq way of doing business.



Simple Pico De Gallo

Ingredients:

4 Roma Tomatoes, chopped, seeds removed
1/2 sweet onion, chopped
1-2 packages Arctic Greens cilantro, chopped
1 tsp salt
1 TBS fresh-squeezed Lime juice

Mix well, let sit on the counter for about 15 minutes before serving. Eat with chips, on scrambled eggs, etc.



Recipe provided by
Maija Katak Lukin



Fairly
Recipe
Call out!

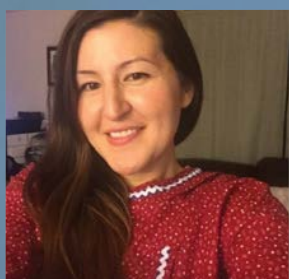


Post your favorite recipe using Arctic Greens vegetables or herbs on our Facebook page and it could be published in the next KIC newsletter! So, come on, all you great chefs – tell us what you love to cook at home.



// STUDENT SPOTLIGHT //

STEFANIE ARMSTRONG PURSUES A MASTER'S IN ENGINEERING



KIC Shareholder Ayyaiyak Stefanie Armstrong knows how much work it takes to pursue higher education - homework, writing papers, learning copious amounts of information. But the part many people underestimate is the work it takes behind

the scenes: the scholarship process.

Stefanie started college a little later than a typical freshman and, through life experience, learned she needed to treat applying for scholarships like a part-time job, setting aside spring breaks, long weekends and evenings for the task. One scholarship Stefanie found invaluable was KIC's. As the daughter of a KIC Shareholder, she met the requirements to apply.

"KIC's support of my education was instrumental in my success," she tells us.

In 2009, Stefanie and her family moved from Kotzebue to Anchorage with plans for her to attend school part-time and work full-time. After a year, her employers requested she stop going to school to commit to a heavier travel load, making it impossible for her to attend classes at night. But, knowing the value of education, she was unwilling to do so. She and her husband made the choice together; after all, it was going to take a commitment from both of them. Realizing she was no longer going to work for the first time in 10 years, she needed a plan and was concerned

about being able to afford going to school without a job. Scholarships, like the ones she received from KIC, were the answer.

Seeking her master's degree in engineering science management, Stefanie hopes to soon manage a program for an engineering organization and eventually become a board member for one of her Native corporations.

She plans to pass on her knowledge and expertise on the benefits of education to her children...

She experienced engineering firsthand in Kotzebue during her internship, where she completed energy audits for local communities and went on a geotechnical survey at a mine in the region, living in a tent for 10 days. She currently works on water/waste-water projects throughout Alaska.

Stefanie has a son who will graduate high school soon, and a daughter in middle school. She plans to pass on her knowledge and expertise on the benefits of education to her children, and the importance of applying for scholarships.

Congratulations, Stefanie! You're an inspiration to all shareholders.

THE GO-TO REPAIR SHOP FOR SNOW MACHINES: KIC'S ARCTIC CIRCLE POWERSPORTS

The snow machine store on 2nd Avenue has become a real bright spot in the KIC family of companies – it's also become a valuable resource for people in the region. Not only does Arctic Circle Powersports sell machines, it also provides a service shop that brings in customers from surrounding communities.



Just a few years ago, if people had a broken machine, they had to fly it or its engine to Anchorage for service. Having a first-rate repair shop right here in Kotzebue has made a huge difference for people, saving them the cost of transportation and getting them back on their machines faster.

"It's harder and harder to find service these days because everything on these machines is technical," says Powersports

General Manager Steve Kiefer. "Just like when you have a problem with your car, you have to hook it up to electronics to troubleshoot. So having a place here in town that can do that has made life easier for a lot of people."

Powersports has only been open for three years, but Steve attributes its success to a strong family of employees, including the support team at KIC Logistics, which oversees the store.

Office Manager Alison Ralston will celebrate her 20th year with KIC this fall, and Steve says, "It's great to have employees stay with the company that long. Alison always does the best job she can and works very hard to serve our community."

The winter season is not over yet, and Steve expects the store's stock of snow machines to sell out before break-up. As the summer season begins, Powersports will shift its emphasis to selling four-wheelers.

But no matter how much daylight we have, it's never a bad time to bring your snow machine into the service department to get it ready for next year.

KIC WEBSITE WINS AWARD

KIC's new website recently won a Pinnacle Award for design from the Alaska chapter of the American Marketing Association.

Our beautiful, new landing page features a photo of caribou and seals taken in front of Kotzebue by our very own Will Anderson. The photo was also the artistic inspiration for KIC's newly redesigned logo.

KIC's new site makes it very easy for shareholders to get to the resources we need and easy for our current and potential business partners to access important information about our corporation and subsidiaries.

If you haven't logged onto the site in a while, it's worth a visit. You can find it here: kikiktagruk.com



LOCAL RACERS COMPETE IN IDITAROD 2017

Three Kotzebue residents competed in this year's Iditarod sled dog race, including 2011 winner John Baker, his girlfriend, Katherine Keith, and Paul Hanson. Congrats to all!



Paul Hanson

©Photo 2017 Daniel Lent shultzphoto.com



John Baker

©Photo 2017 Kristie Lent shultzphoto.com



Katherine Keith

©Photo 2017 Daniel Lent shultzphoto.com

AUS HAS GREAT LEADERSHIP

As reported in our last issue of The Midnight Sun, KIC subsidiary Alaska Universal Services LLC (AUS) is one of our strongest subsidiaries, finishing 2016 with a total of \$15 million in newly awarded contracts. The company's good health is thanks in large part to its general manager, Eleanor Davis.

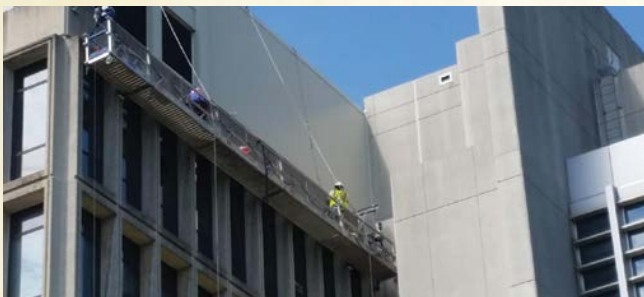
In the six years she's been at the helm of AUS, Eleanor has grown the company's revenues from about \$60,000 per year to approximately \$12 million. With the new contracts, the company continues to grow from there. That's impressive performance by anyone's measure.

So who is the woman guiding KIC's major East Coast subsidiary?

Eleanor was born in New Orleans, Louisiana, where she went to college for business and graduated at the top of her class.

...it's encouraging to know that we have a leader representing our shareholders who embodies the ancient values we cherish.

She began her working life at Hookfin Pest Control in New Orleans, where she spent nine years as executive assistant. But her career as a leader started in earnest when she joined construction firm MAC Inc. For five years, she learned the business, working closely with contractors, engineers and city officials. For two years, she helped set up small businesses through the U.S. Housing and Urban Development, a federal agency.



Her work for MAC Inc. frequently took Eleanor on business trips to Washington, D.C., where she acted as project manager on multiple projects. While in D.C., Eleanor met representatives of KIC, who were impressed enough with the young woman to offer her a job.

Fortunately for us, she accepted.

As project manager for KIC Development (KICD), Eleanor assisted in winning major contracts, including a \$30 million contract with National Institutes of Health. When KICD



graduated from the 8(a) program, Eleanor was given the opportunity to lead AUS as its general manager.

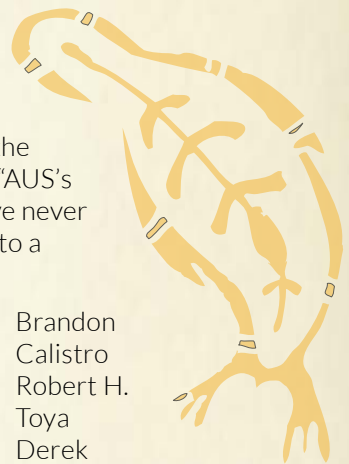
One reason Eleanor has been so successful with growing AUS is that, in addition to her rock-solid professionalism, she believes in treating customers with old-fashioned, Southern hospitality. Keep in mind that, in her industry, "customers" refers to federal agencies and government employees. Eleanor's charm and responsiveness stand out in D.C., which is known for frustrating bureaucracies and service lacking in personal attention.

Eleanor has proven that, even when dealing with government agencies, treating people with courtesy and respect and giving them timely, responsive service make a real difference. Even though AUS is operating very far from our home, it's encouraging to know that we have a leader representing our shareholders who embodies the ancient values we cherish.

The AUS team

Eleanor credits her team for the company's success. She says, "AUS's employees are priceless. I have never met anyone more committed to a company than my group."

Erich	Carlos R.	Brandon
Andy	Carlos V.	Calistro
Gene	Nelson S.	Robert H.
Steven	Nelson V.	Toya
Robert P.	Jose	Derek
Corey	Alfred	Gustavo
Jared	Chris	Joshua
Alroy	Adrian	Matt
Shane	Alberto	Julio
Edgar	Robert	Lee
Debra	Gary	Freddy



GET READY FOR QATNUT!

Qatnut is coming to Kotzebue in July! This year, Native Village of Kotzebue is hosting, but KIC is coordinating the dancing. We are looking forward to a fun and festive event!

If you want to sell your artwork or other goods at Qatnut, now is the time to start getting ready.

Qatnut is an ancient tradition. For generations, people from around the region, and even across the sea, traveled to Kotzebue to meet and dance and trade goods. It's a lot of fun for all ages, with LOTS of traditional dancing. Bring your whole family!

Qatnut Kotzebue Trade Fair
July 7, 2017

Kikiktagruk Inupiat Corporation (KIC)
P.O. Box 1050
373A 2nd Avenue
Kotzebue, Alaska 99752



For past issues of the
Midnight Sun log onto >>

kikiktagruk.com

NEXT SCHOLARSHIP DEADLINE IS AUGUST 10

Here's a few of the schools KIC scholarship recipients have attended:

University of Alaska Anchorage
Brigham Young University Law **DelMar College**
Charter College Alaska Technical Center
Alaska Technical Center University of Alaska Fairbanks
Alaska Pacific University DeAnza College
Chukchi **AVTEC**



RENTING FROM KIC? CHECK OUT BUILDIUM.COM

KIC now uses a great web-based, property-management software program that allows our tenants to see monthly statements, balance due and more. It also has an online application, if you're seeking housing.

It's a real step up from the old system and makes pretty much everything easier. Check it out here:

<http://KikiktagrukInupiaCorporation1.managebuilding.com>

UPDATE YOUR RECORDS FOR A CHANCE TO WIN

KIC is working to update and maintain records of shareholder documentation, such as Stock Wills and copies of IDs. As a fun way to help encourage participation, we are conducting a monthly drawing of \$100 for all shareholders who have submitted any of the following:

- Completed Stock Will
- Copy of identification
- Copy of birth certificate
- Copy of tribal verification
- Completed W-9

Please contact the Kotzebue office with any questions through email at info@kikiktagruk.com or by phone at 442-3165

Recent winners of the monthly \$100 cash prizes are:
December 2016 – Rachel Adams
February 2017 – Marjorie Ahyakak-Wilson