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Calista Corporation



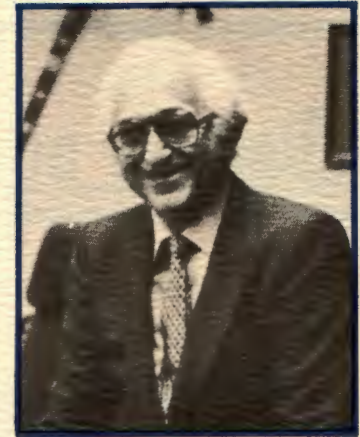
**1981
ANNUAL REPORT**

ANNUAL MEETING

The eighth annual meeting of Calista Corporation shareholders will be on Saturday, April 24, 1982 at 1 p.m. local time at the KVNA building in Bethel, Alaska.



Nelson Angapak



Alex Raider

Chairman and President's Letter to Shareholders

Dear Shareholder:

We are proud in our first joint statement to you to report on a gratifying and dramatic turnaround in the company's fortunes.

Although losses for the fiscal year ended June 30, 1981 of \$4,398,406 were substantial, a major improvement was nonetheless recorded over the prior year. These losses were incurred prior to the arrival of our new president. For the six months ended December 31, 1981, representing the first six months of our new president's term, we reduced our losses to \$238,550, which is close to breakeven. This is also the first time in the history of the company that we enjoyed an increase in working capital from operations. From a negative of \$1,065,562 for the year ended June 30, 1981 to a positive of \$976,356 for the period ended December 31, 1981. If it was possible for us to add back the charges of depreciation and amortization for the period ended December 31, 1981 we would have shown a profit of \$651,380. This is a major accomplishment over such a short period of time and a harbinger of better things to come. This was primarily accomplished by the sale of ESCA-Tech, R&R Travel and Pier 48, Inc., subsidiaries which were major contributors to our losses. In addition the profitability of our hotel was substantially improved, new financial systems and controls were instituted and management at all levels was strengthened.

We now have a management committed to improving the value of your shareholdings both over the short and longer term. It is also structured to be in a position to react promptly and be of service to the multitude of needs of Calista shareholders, village corporations and non-profit arms.

The present is exciting, the future looks excellent and you can expect good news throughout 1982. A new marketing program has been instituted for Settler's Bay which should begin to bear fruit this summer. We have been paying particularly close attention to the Sheraton Anchorage, which represents the company's most substantial investment, in an effort to accelerate breakeven operations. The hotel is now enjoying excellent occupancy, strong convention and banquet sales and is well on its way, we believe, to earning a positive return on shareholders investment.

On January 19, 1982, the Calista Sea sank off Kupreanoff Point, north of Shumagin Island, near Ivanoff Bay. We suffered no loss of crew and are adequately insured. Calista Fisheries, Inc., will be making plans for a continued involvement in Western Alaska fisheries.

The Calista/Amoco Exploration contract, as originally executed, was unfairly advantageous to Amoco. Upon learning that Amoco had failed to renew in timely fashion, as specifically required by the terms and conditions of the contract, Calista management refused to renew the old contract as demanded by Amoco. On or about October 20, 1981 Calista initiated a lawsuit in Federal Court seeking to affirm its position by way of Declaratory Judgement that the old contract was no longer in effect. Attorneys for Calista are confident that our legal position will prevail. Resolution of this matter will enable Calista management to plan a successful natural resources program for the company maximizing shareholders values in our most precious asset, our land.

Management has successfully initiated an effort to unify our non-profit arms, basically AVCP, Inc., and our village corporations. They are grateful for our cooperation and service. We have, in addition, brought forth an excellent communication program with our shareholders and a public relations program to introduce the new image of Calista to the public, that is, "People Working Together for the Future." We sincerely want you to be proud to be a "Calista Shareholder." We intend as soon as permissible to create a fund for direct investment into our own region, giving our shareholders priority for business opportunities and employment.

To accomplish all this we need a unification of effort and commitment to our policies, a unity that will guarantee us the strength to be successful for the present and future. We require and request the help and understanding of all to accomplish our goals.

We take this opportunity to thank you for your patience, understanding and support, without which we cannot succeed. We also express appreciation to the Board of Directors of the Calista Corporation and conscientious staff for their dedication, hard work and contributions in order to accomplish this successful turnaround.

Nelson Angapak
Chairman

Alex Raider
President

Calista BOARD OF DIRECTORS



CALISTA BOARD MEMBERS WORKING TOGETHER FOR THE FUTURE

James Charlie Sr., seated from left, Louis Bunyan, Ray Christiansen, Earl Roy Chase, Ivan M. Ivan, Martin B. Moore, Chairman Nelson Angapak and Vice Chairman Nora Guinn. Standing from left, Phillip Guy, Eddie Hoffman, Lester Wilde, treasurer and Johnny Hawk, secretary. Glenn Fredericks is not pictured.

EXECUTIVE OFFICERS



CALISTA EXECUTIVE OFFICERS WORKING TOGETHER FOR THE FUTURE

Richard Romer, from left, vice president of real estate; Phillip Hendrickson, vice president of village affairs, Matthew Nicolai, vice president of operations; Alex Raider, president; Nelson Angapak, executive vice president; Korwin Hewitt, controller and Frank Cowden, vice president of Calista Fisheries, Inc.

LAND AND RESOURCES REPORT - LAND CONVEYANCE STATUS

1981 was a fair year in regards to land conveyances to the village corporations located within the boundaries of Calista Corporation. Bureau of Land Management conveyed 269,314 acres of surface estate to three of our village corporations, bringing the total of land conveyed to our villages to 1,202,047 acres. It has been the practice of Bureau of Land Management to convey approximately 85% of the village corporation land entitlements; thus, even those village corporations who have received conveyances still have more land coming to them.

Land conveyance correspondence from Bureau of Land Management has been received by thirty-three (33) individual village corporations, eleven (11) have received Interim Conveyance (IC), nine (9) have received Decisions for Interim Conveyance (DIC) and thirteen (13) have received Draft Decision to Issue Conveyance (DDIC).

One of the main factors responsible for the delay of land in 1981 conveyances in the Calista Region has been the State of Alaska. The State has protested the navigability decisions of the Bureau of Land Management on all of the village corpora-

tions who have received conveyance documents. The lands then subject to conveyance to village corporations would be held in abeyance until the State's concerns are resolved.

In 1981, Calista Land and Natural Resources Department's main objective was to concentrate its efforts on land conveyances to village corporations. We feel that any land conveyance to the village corporations located within our boundaries must be as free as they can be of any third-party encumbrances as what affects the surface acreage also affects the subsurface acreage.

Even though the statutory mandate of subsection 14(c) (5) of ANCSA expired on December 18, 1981, it is the intent of Calista Corporation to provide assistance and advice on land related matters to the village corporations located within our boundaries.

The management team of Calista Corporation feels that a close working relationship between Calista and village corporations located within our boundaries will lead to land management of corporate lands such that the benefits derived from these lands to our shareholders will be maximized.

AUDIT COMMITTEE REPORT

To The Shareholders of Calista Corporation:

The Audit Committee has been designated to insure that the Company's accounts are properly maintained and adequately verified by the Company's public accountants. The Audit Committee is also authorized to review and approve major changes in Calista Corporation's accounting policies, and to report to the full board of directors.

We firmly believe that Calista management and the public accountants have kept us informed of the accounting and financial aspects of the Company. The Audit Committee has approved the adequacy of Calista Corporation's system of internal controls and the quality and depth of the staffing of the Company's accounting and financial departments. We wish to report that nothing of any adverse nature has come to our attention.

The Audit Committee wishes to thank all those involved in the audit for their assistance and cooperation in our effort to fulfill our responsibilities.

Audit Committee:

Nora Guinn
Phillip Guy
Johnny T. Hawk
Martin Ivan
Lester Wild

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

IN PRINCIPAL AREAS
OF THE WORLD

The Shareholders and Board
of Directors
Calista Corporation
Anchorage, Alaska

We have examined the consolidated balance sheets of Calista Corporation and its subsidiaries as of December 31, 1981, June 30, 1981 and 1980, and the related consolidated statements of operations, capital and changes in financial position for the periods then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The outcome of certain matters and their effect on the accompanying consolidated financial statements are presently uncertain. These matters are:

- . The Company's interest in the distribution of revenues under Section 7(i) of the Alaska Native Claims Settlement Act (ANCSA) as described in Notes 1 and 8.
- . The realization of the investment in a real estate development project as described in Note 5.

In our opinion, subject to the effects of such adjustments which might have been required had the ultimate outcome of the matters discussed in the preceding paragraph been known, the aforementioned financial statements present fairly the consolidated financial position of Calista Corporation and subsidiaries at December 31, 1981, June 30, 1981 and 1980, and the consolidated results of their operations and changes in financial position for the periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Anchorage, Alaska
February 26, 1982

CALISTA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 1981	June 30,	
		1981	1980 (Note 15)
Current:			
Cash:			
Demand deposits	\$ 613,849	\$ 646,334	\$ 587,543
Temporary investments	153,886	1,225,526	554,829
Investments, restricted (Note 9)	4,759,000	4,761,093	4,859,986
Investments in common trust funds (Note 2)	16,720,783	16,200,561	18,626,364
Receivables, less allowance of \$102,772, \$73,294 and \$92,742 (Notes 3, 4 and 9)	1,329,761	1,339,283	1,255,644
Current portion of ANCSA monies receivable (Note 1)		585,578	2,545,000
Prepaid expenses and deposits	475,924	472,194	341,989
Total current assets	24,053,203	25,230,569	28,771,355
Investments and other assets:			
Land and improvements under development (Notes 1, 5 and 9)	10,233,094	10,323,433	11,006,207
Land held for investment, at cost	941,744	941,744	941,744
Investments, restricted (Note 9)	2,500,000	2,500,000	5,406,149
Other investments (Note 6)	77,041	77,006	73,775
Long-term receivables, less allowances of \$157,095, \$158,576 and \$269,304	539,090	572,426	536,792
Real estate contracts receivable less allowances of \$305,072, \$271,606 and \$52,300 (Notes 1, 4 and 9)	1,657,671	1,642,425	1,112,972
ANCSA monies receivable, less current portion (Note 1)			2,545,000
Deferred charges and other assets	569,439	665,128	1,060,068
Property and equipment, less accumulated depreciation (Notes 1, 7 and 9)	45,143,184	45,578,639	46,802,094
Assets in amounts to be determined (Notes 1 and 8)			
	\$85,714,466	\$87,531,370	\$98,256,156

The accompanying notes are a part of the consolidated financial statements.

LIABILITIES	December 31, <u>1981</u>	June 30, <u>1981</u> <u>1980</u>	
Current:			
Current portion of long-term debt (Note 9)	\$ 5,494,844	\$ 5,528,206	\$ 6,581,807
Accounts payable	958,019	1,644,145	844,132
Natural resource revenues subject to distribution (Note 8)	92,988	328,886	553,680
Accrued expenses	<u>632,086</u>	<u>816,659</u>	<u>1,174,116</u>
Total current liabilities	7,177,937	8,317,896	9,153,735
Long-term debt, less current portion (Note 9)	25,119,606	25,552,189	31,146,430
Real estate contract deposits	<u>7,100</u>	<u>12,912</u>	<u>157,184</u>
Total liabilities	<u>32,304,643</u>	<u>33,882,997</u>	<u>40,457,349</u>
Commitments and contingencies (Notes 5 and 10)			
CAPITAL			
Common stock (Notes 1 and 11):			
Class A, par value \$.01, 3,000,000 shares authorized, 1,297,300 shares issued and outstanding at December 31 and June 30, 1981 and 1,297,600 at June 30, 1980	12,973	12,973	12,976
Class B, par value \$.01, 1,000,000 shares authorized, 33,500 shares issued and outstanding	335	335	335
Contributed capital (Note 1)	80,133,408	80,133,408	79,885,433
Accumulated deficit	<u>(26,736,893)</u>	<u>(26,498,343)</u>	<u>(22,099,937)</u>
Total capital	<u>53,409,823</u>	<u>53,648,373</u>	<u>57,798,807</u>
	<u>\$85,714,466</u>	<u>\$87,531,370</u>	<u>\$98,256,156</u>

CALISTA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITAL

for the six months ended December 31, 1981 and
for the years ended June 30, 1981 and 1980

	<u>Common Stock</u>		<u>Contributed</u>	<u>Accumulated</u>
	<u>Class A</u>	<u>Class B</u>	<u>Capital</u>	<u>Deficit</u>
Balance, July 1, 1979	\$12,943	\$321	\$80,169,006	\$(14,847,836)
Loss for year				(7,252,101)
Increase in outstanding shares resulting from changes in enrollment	33	14	(47)	
Reduction in contributed capital resulting from changes in enrollment			(283,526)	
Balance, June 30, 1980	12,976	335	79,885,433	(22,099,937)
Loss for year				(4,398,406)
Decrease in outstanding shares resulting from changes in enrollment	(3)		3	
Increase in contributed capital resulting from final dis- tribution from ANCSA and changes in enrollment			247,972	
Balance, June 30, 1981	12,973	335	80,133,408	(26,498,343)
Loss for six month period				(238,550)
Balance, December 31, 1981	<u>\$12,973</u>	<u>\$335</u>	<u>\$80,133,408</u>	<u>\$(26,736,893)</u>

The accompanying notes are a part of the consolidated financial statements.

CALISTA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>Six Months Ended</u> <u>December 31, 1981</u>	<u>Year Ended June 30,</u> <u>1981</u>	<u>1980</u>
Revenues:			
Hotel operations	\$6,230,069	\$ 9,871,573	\$ 4,870,069
Commercial fishing	581,844	726,688	697,951
Retail land sales	297,436	974,721	
Restaurant	131,572	217,649	83,447
Interest	1,890,014	3,800,840	401,515
Natural resource	46,983	211,356	222,645
Other	144,888	236,437	128,685
	<u>9,322,806</u>	<u>16,039,264</u>	<u>6,404,312</u>
Costs and expenses:			
Direct, including depreciation:			
Hotel operations	4,805,458	8,623,232	5,868,622
Commercial fishing	318,100	776,249	597,667
Retail land sales, including selling expenses	334,987	1,071,287	
Restaurant	242,010	449,700	277,713
Other	44,454	104,799	92,479
General and administrative	2,477,398	4,938,806	3,375,495
Interest	1,317,502	3,049,491	2,800,695
	<u>9,539,909</u>	<u>19,013,564</u>	<u>13,012,671</u>
Loss from continuing operations	217,103	2,974,300	6,608,359
Loss from discontinued operations (Note 14)	<u>21,447</u>	<u>1,424,106</u>	<u>643,742</u>
Net loss	<u>\$ 238,550</u>	<u>\$ 4,398,406</u>	<u>\$ 7,252,101</u>
Loss per share:			
Continuing operations	\$.16	\$ 2.23	\$ 4.97
Discontinued operations	<u>.02</u>	<u>1.07</u>	<u>.48</u>
Net loss per share	<u>\$.18</u>	<u>\$ 3.30</u>	<u>\$ 5.45</u>

The accompanying notes are a part of the
consolidated financial statements.

CALISTA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	<u>Six Months Ended</u> <u>December 31, 1981</u>	<u>Year Ended June 30,</u> <u>1980</u> <u>(Note 15)</u>	
Sources (uses) of working capital:			
Continuing operations:			
Loss from continuing operations	\$ (217,103)	\$ (2,974,300)	\$ (6,608,359)
Charges (credits) not affecting working capital:			
Depreciation	792,068	1,584,866	1,362,263
Amortization of preoperating costs	89,625	175,689	
Cost of improved land sold	292,989	956,746	
Other	<u>31,987</u>	<u>270,292</u>	<u>(147,700)</u>
Working capital provided from (used in) continuing operations	<u>989,566</u>	<u>13,293</u>	<u>(5,393,796)</u>
Discontinued operations:			
Loss from discontinued operations	(21,447)	(1,424,106)	(643,742)
Charges not affecting working capital:			
Depreciation and amortization	8,237	32,578	65,223
Write-off of deferred charges		<u>312,583</u>	
Working capital used in discontinued operations	<u>(13,210)</u>	<u>(1,078,945)</u>	<u>(578,519)</u>
Working capital provided from (used in) operations	976,356	(1,065,652)	(5,972,315)
Receipts and current maturities of ANCSA monies receivable		2,545,000	28,433,847
Increase (decrease) in ANCSA monies receivable and capital from enrollment adjustments		247,975	(283,573)
Receipts and current maturities of:			
Real estate contracts	244,273	223,294	166,813
Other long-term receivables	34,815	45,816	20,544
Disposal of property and equipment	105,708	124,069	342,783
Proceeds from long-term debt	156,202		4,051,995
Other		<u>(3,237)</u>	<u>24,404</u>
Total sources	<u>1,517,354</u>	<u>2,117,265</u>	<u>26,784,498</u>

The accompanying notes are a part of the consolidated financial statements.

	<u>Six Months Ended</u> <u>December 31, 1981</u>	<u>Year Ended June 30,</u>	
		<u>1981</u>	<u>1980</u> <u>(Note 15)</u>
Uses of working capital:			
Payments and current maturities of long-term debt, less \$4,406,149 in year 1981 from restricted investments	\$ 588,785	\$ 1,188,092	\$ 6,569,486
Purchase of property and equipment	464,798	528,169	5,434,196
Increase in investments, restricted		1,500,000	5,406,149
Increase in long-term receivables		83,839	
Recognition of real estate contracts receivable	292,985	972,053	
Decrease (increase) in real estate contract deposits	5,812	144,272	(24,647)
Additions to real estate development costs	202,649	306,248	429,766
Increase (decrease) in deferred charges and other assets	(268)	99,539	654,987
Total uses	<u>1,554,761</u>	<u>4,822,212</u>	<u>18,469,937</u>
Increase (decrease) in working capital	<u>\$ (37,407)</u>	<u>\$ (2,704,947)</u>	<u>\$ 8,314,561</u>
Changes in components of working capital:			
Increase (decrease) in current assets:			
Cash	\$ (1,104,125)	\$ 729,488	\$ (224,803)
Investments, restricted	(2,093)	(98,893)	3,626,324
Investments in common trust funds	520,222	(2,425,803)	18,017,445
Receivables	(9,522)	83,639	(551,534)
Current portion of ANCSA monies receivable	(585,578)	(1,959,422)	(10,455,000)
Prepaid expenses and deposits	3,730	130,205	149,216
	<u>(1,177,366)</u>	<u>(3,540,786)</u>	<u>10,561,648</u>
(Increase) decrease in current liabilities:			
Current portion of long-term debt	33,362	1,053,601	(3,092,287)
Accounts payable	686,126	(800,013)	1,110,084
Natural resource revenue subject to distribution	235,898	224,794	95,069
Accrued expenses	184,573	357,457	(359,953)
	<u>1,139,959</u>	<u>835,839</u>	<u>(2,247,087)</u>
Increase (decrease) in working capital	<u>\$ (37,407)</u>	<u>\$ (2,704,947)</u>	<u>\$ 8,314,561</u>

1. Incorporation and Significant Accounting Policies,
Continued:

In addition to the monies received, the Company estimates it will acquire subsurface rights to approximately 6,800,000 acres of land; the surface rights being owned by the village corporations of the region (6,600,000 acres) and the Company (200,000 acres). As of December 31, 1981, the Company has received interim conveyances to approximately 1,202,000 acres of subsurface rights.

Because of the significant amount of land and subsurface rights and the lack of comparable market data, it is not practical to determine the value of the lands and the subsurface rights in the foreseeable future through independent appraisals or by other means subject to verification. Because of this, the Company has adopted the accounting policy that the value of the land and subsurface rights conveyed under ANCSA will not be recorded unless the value can be determined by independent appraisals, or by other means subject to verification, at the date of conveyance.

The value of land and subsurface rights, and revenues which will ultimately be realized therefrom, are considered by management to be material to the financial statements. Amounts ultimately recorded for surface and subsurface rights will increase contributed capital.

Significant Accounting Policies:

Following is a summary of significant accounting policies adopted by the Company:

Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The operations of the Company are as follows:

Continuing Operations

Bayport Mobile Home Park, a division of the Company, operates a mobile home park in Valdez, Alaska.

The Sheraton Anchorage Hotel, a division of the Company, operates a hotel complex.

Settlers Bay Properties, Inc., a 100 percent owned subsidiary, is engaged in retail land development and sales.

Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Incorporation and Significant Accounting Policies:

Calista Corporation, a regional native corporation, was incorporated June 1, 1972, under provisions of the Alaska Native Claims Settlement Act (ANCSA).

The Company changed its fiscal year-end from June 30 to December 31 in 1981.

Alaska Native Claims Settlement Act:

ANCSA entitles Alaska Natives to approximately 44 million acres of land and monies totaling \$962,500,000. The monies, \$462,500,000 from the federal government and \$500,000,000 from royalties and lease sales of minerals owned by the State of Alaska and the federal government in Alaska, were deposited periodically with the United States Treasury in the Alaska Native Fund in accordance with Section 6 of ANCSA.

Under ANCSA, Alaska was divided into twelve regional areas, each represented by a regional corporation. Further, a thirteenth regional corporation was established for Alaska Natives residing outside Alaska. Each regional area has, in turn, a number of village corporations also established by ANCSA.

Enrollees in regional and village corporations became shareholders and are required to be Alaska Natives as defined in ANCSA. Monies provided by Section 6 of ANCSA were distributed from the Alaska Native Fund to the regional corporations from 1974 through December 1981 based on enrollment percentages. Land provided by ANCSA has been allocated to regional areas based on a formula which includes both enrollment and land area. All subsurface rights in the land vest with the regional corporations, while surface rights are allocated between regional and village corporations.

Section 7(i) of ANCSA requires that 70 percent of revenues derived by each regional corporation from timber resources and subsurface rights be divided annually among the twelve Alaska regional corporations in proportion to the number of shareholders in each region (see Note 8).

Section 7(j) of ANCSA requires each regional corporation to distribute not less than 50 percent of all funds received under Section 6 from the Alaska Native Fund and under Section 7(i) to village corporations in its region and to its at-large shareholders (those shareholders not also shareholders in a village corporation) (see Note 8).

Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

1. Incorporation and Significant Accounting Policies,
Continued:

Consolidation, Continued

Continuing Operations, Continued

Calista Fisheries, Inc. (formerly Prospector, Inc.), a 100 percent owned subsidiary, is engaged in commercial fishing.

Cal-Mar Company (Calista Construction), a 100 percent owned subsidiary, is inactive.

Discontinued Operations (Note 14)

ESCA-Tech Corporation, a 100 percent owned subsidiary, engaged in geophysical consulting services was sold as of April 1, 1981.

Hawaiian Travel Center, Inc., dba R & R Travel Agency, a 100 percent owned subsidiary, engaged in travel consulting services was sold in October 1981.

Pier 48, Inc., a 100 percent owned subsidiary, a potential tourism facility and shopping center development was abandoned in November 1981.

Receipts From Alaska Native Fund

Receipts (and estimated future receipts) of monies from the Alaska Native Fund under provisions of ANCSA have been recorded as contributed capital. As of December 31, 1981, the Company had received all of its share of the Alaska Native Fund.

Amounts distributed to the Company from the Alaska Native Fund, and held for subsequent distribution to shareholders and village corporations, are not included as assets or liabilities in the consolidated financial statements (see Note 2).

Real Estate Development and Sales

Real estate development land and improvements are stated at cost. Interest and property taxes, applicable to land being developed, are capitalized. Land and improvement costs (including the cost of amenities not expected to be recovered) are allocated to homesites by acreage, cost and relative sales value methods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

1. Incorporation and Significant Accounting Policies,
Continued:

Real Estate Development and Sales, Continued

Revenue from retail land sales is recorded on the accrual method which requires deferral of sales recognition until aggregate payments, including interest, equal or exceed 10 percent of the contract sales price, and the period of cancellation with refund has expired. Prior to recognition as sales, all collections are recorded as deposits.

Contracts are generally receivable over a period of ten years and bear interest at 9 percent. Contracts receivable on retail land sales recognized during the periods ended June 30, 1980 and 1981 and December 31, 1981 have been discounted to yield an effective interest rate of 15 percent. Titles to homesites sold under contracts for deed pass to the purchasers when the contracts are paid in full. Contracts are generally due in monthly installments and include the right to prepay without penalty.

Estimated losses on future cancellations of contracts receivable on retail land sales are provided for by current charges to operations based on prior loss and collection experience.

Commission expense is charged to operations when contracts qualify as sales. Other selling and general and administrative expenses are charged to operations as incurred.

Land Selection Costs

Costs related to selection of land under ANCSA are charged to operations as incurred.

Deferred Charges

Preoperating and start-up costs related to opening of the hotel have been deferred and are being amortized by the straight-line method over five years.

Depreciation

Depreciation is provided by the straight-line method over the estimated useful lives of the related assets.

Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

1. Incorporation and Significant Accounting Policies,
Continued:

Investment Tax Credits

Investment tax credits will be accounted for by the flow-through method when realized as credits to taxes payable.

Service Contract Revenues

The Company records revenue from geophysical consulting contracts on the percentage-of-completion method based on the proportion of costs incurred to total estimated contract costs. Provision is made currently for estimated future losses on uncompleted contracts, if any.

2. Investments in Common Trust Funds:

Investments in common trust funds consist of the Company's financial interest in the net assets of common trust funds formed for the benefit of the Company, its shareholders, and the village corporations in the Calista region. The net assets of the trust funds at December 31, 1981 were as follows:

	<u>Carrying Value, Which Approximates Market</u>
Bank and bank holding company obligations	\$20,857,266
Corporate obligations	1,683,862
U.S. Government agency	22,923
Accrued interest	<u>386,793</u>
	22,950,844
Amounts held on account for village corporations and shareholders	<u>(6,230,061)</u>
Company share	<u>\$16,720,783</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

3. Receivables:

Receivables consist of the following at December 31, 1981:

Trade accounts receivable, principally from hotel operations	\$1,140,489
Current portion of real estate contracts receivable (Note 4)	211,091
Current portion of long-term notes receivable	41,691
Miscellaneous receivables	<u>39,262</u>
	1,432,533
Unamortized valuation discount on real estate contracts	(31,500)
Allowance for doubtful accounts	<u>(71,272)</u>
	<u>\$1,329,761</u>

4. Real Estate Contracts Receivable:

At December 31, 1981, interest rates on contracts receivable on sales of homesites were primarily at 9% with payment terms generally on a monthly basis for ten years.

The scheduled principal collections on contracts receivable are as follows:

<u>Year of Collection Ending December 31,</u>	<u>Amount</u>
1982 (See Note 3)	<u>\$ 211,091</u>
1983	\$ 230,890
1984	252,553
1985	276,243
1986	302,158
Thereafter	<u>900,899</u>
	1,962,743
Allowance for contract cancellation	(90,000)
Unamortized valuation discount net of \$31,500 current portion	<u>(215,072)</u>
	<u>\$1,657,671</u>

Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

4. Real Estate Contracts Receivable, Continued:

Balances of delinquent contracts receivable at December 31, 1981 amounted to \$235,972.

Revenue from retail land sales consisted of the following:

	<u>Six Months Ended December 31, 1981</u>	<u>Year Ended June 30, 1981</u>
Gross homesite sales	\$361,900	\$1,191,208
Interest valuation discount	<u>(64,464)</u>	<u>(216,487)</u>
Retail land sales	<u>\$297,436</u>	<u>\$ 974,721</u>

5. Land and Improvements Under Development:

At December 31, 1981, the Company's wholly-owned subsidiary, Settlers Bay Properties, Inc., held 1,200 acres of land under development near Wasilla, Alaska, with aggregate land and improvement costs as follows:

Improved land held for sale	\$ 5,337,214
Land being improved	3,322,235
Unimproved land	<u>1,573,645</u>
	<u>\$10,233,094</u>

Development costs, including interest and taxes incurred in connection with the initial phase of the project, were capitalized until June 30, 1977, when the initial phase was substantially completed and offered for sale. Interest and taxes applicable to the initial phase charged to current operations were as follows: \$237,870, six months ended December 31, 1981; \$515,916, year ended June 30, 1981; and \$571,002, year ended June 30, 1980.

Unexpended costs of required land improvements for additional common amenities allocable to the initial phase of the project amounted to approximately \$505,000 at December 31, 1981 (including \$160,500 applicable to homesites sold).

The second phase of the project is in the preliminary development stage and estimated cost of completion is \$3,300,000. At December 31, 1981, no homesites in this phase had been sold. The timing of such future expenditures is not presently known.

Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. Land and Improvements Under Development, Continued:

Interest and taxes applicable to the second phase of the project were capitalized as follows: \$121,378, six months ended December 31, 1981; \$262,979, year ended June 30, 1981; and \$273,980, year ended June 30, 1980.

Management has developed a new marketing plan to improve profitability of retail land sales, which have not covered costs including selling expenses in the past. However, the ultimate realization of the Company's investment in land and improvements under development is not assured.

6. Other Investments:

Other investments are stated at cost and consist of the following at December 31, 1981:

Art collection	\$45,954
Alaska Consolidated Shipping, Inc.	11,742
Totem Broadcasting	13,000
ARNAC	5,345
ACS, Ltd., a partnership	<u>1,000</u>
	<u>\$77,041</u>

7. Property and Equipment:

Property and equipment is stated at cost and consists of the following at December 31, 1981:

	<u>Operating</u>	<u>Rental</u>	<u>Total</u>
Buildings	\$38,603,574		\$38,603,574
Land improvements	144,141	\$478,842	622,983
Fishing vessel and equipment (Note 16)	1,399,596		1,399,596
Furniture and equipment	<u>6,613,829</u>		<u>6,613,829</u>
	46,761,140	478,842	47,239,982
Less accumulated depreciation	<u>(4,373,049)</u>	<u>(148,973)</u>	<u>(4,522,022)</u>
	42,388,091	329,869	42,717,960
Land	<u>2,363,352</u>	<u>61,872</u>	<u>2,425,224</u>
	<u>\$44,751,443</u>	<u>\$391,741</u>	<u>\$45,143,184</u>

Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. Property and Equipment, Continued:

Included in the cost of buildings is capitalized interest and taxes of \$3,313,496 applicable to construction of the hotel (\$922,598 during the year ended June 30, 1980).

8. Natural Resource Revenues, Subject To Distribution:

Several of the regional corporations have received income which may qualify as Section 7(i) income and have made related distributions. The question of what constitutes Section 7(i) income is being litigated and it is not possible to determine how much additional revenue may be due the Company. Management believes such income could be significant and would have a material affect on the Company's financial statements.

The Company has received natural resource revenues from oil exploration projects which also may be subject to Section 7(i) distribution. Management believes that expenses incurred by the Company related to these revenues are sufficient to offset any distributions which may otherwise be required under Sections 7(i) or 7(j). The allowability of these expenses as deductions are, however, subject to court determination.

At December 31, 1981, the Company has a liability of \$92,988, including interest, as a distribution payable under Section 7(j) for amounts received under Section 7(i) from other regional corporations.

9. Long-term Debt:

Long-term debt consists of the following at December 31, 1981:

	<u>Current</u>	<u>Long-term</u>
Note payable to a bank due June 1982; interest at 9 percent payable quarterly; collateralized by investments in restricted funds	\$4,400,000	
Note payable to a financial institution in monthly installments of \$111,679 to August 1987, including interest at 10.8 percent; collateralized by real estate held for resale and real estate contracts receivable	748,298	\$ 5,066,641

Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

9. Long-term Debt, Continued

	<u>Current</u>	<u>Long-term</u>
Note payable to a bank in monthly installments of \$175,070 to October 2004, including interest at 8.72 percent to October 1986 and 9.845 percent thereafter; 90 percent guaranteed by the United States Bureau of Indian Affairs; collateralized by deed of trust on hotel property	\$ 179,889	\$18,830,364
Other notes payable and capitalized equipment leases with various interest rates and maturity dates; collateralized by certain equipment and real property	<u>166,657</u>	<u>1,222,601</u>
	<u>\$5,494,844</u>	<u>\$25,119,606</u>

The terms of the note collateralized by hotel property include various covenants, the most restrictive of which requires investments in restricted funds for property taxes and potential operating deficits and requires that the Company obtain the lender's prior approval before investing in any project which, individually or in the aggregate, exceeds \$100,000.

Restricted fund investments at December 31, 1981 were principally in short-term bank obligations.

10. Contingencies:

The Company is involved in legal actions in several jurisdictions. The amounts of liability in these actions were not determinable at December 31, 1981, but in the opinion of management the ultimate liability, if any, that may result will not materially affect the Company's financial position.

11. Common Stock:

One hundred shares of the Company's common stock has been issued to each qualified Native person enrolled in the region encompassed by Calista Corporation as follows:

Class A shares to Alaska Natives who are shareholders in one of the village corporations in the Calista region.

Class B shares to Alaska Natives who are not shareholders in one of the village corporations in the Calista region.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

11. Common Stock, Continued:

Until December 1991, stock dividends paid or other stock rights are restricted, and the stock may not be sold, pledged, assigned or otherwise alienated except in certain circumstances by court decree or by death. Further, the stock carries voting rights only if the holder is an eligible Alaska Native.

12. Income and Property Taxes:

Real property interests received under ANCSA and monies received under Section 6 of ANCSA are not subject to any form of federal, state or local taxation at the time of receipt.

Real property interests received under ANCSA which are not developed or leased to third parties are exempt from state and local property taxes until 1992.

Income derived from real property interests, investments, and operations are subject to applicable federal and state taxes.

At December 31, 1981, loss carryforwards of approximately \$22,650,000 are available to offset future taxable income for financial reporting purposes. Such carryforwards for federal income tax reporting purposes are approximately \$21,100,000 and to the extent not used will expire as follows:

December 31, 1990	\$ 535,000
1991	370,000
1992	2,675,000
1993	615,000
1994	7,515,000
1995	7,940,000
1996	1,450,000

The difference between the loss carryforwards for financial reporting and income tax purposes results principally from costs and expenses associated with hotel construction and land development which were capitalized for tax, and from differences in the timing of recognition of retail land sales, and interest, bad debts and abandonment deductions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

13. Transactions and Litigation With Affiliated Persons:

On December 1, 1981, litigation with International Designers, Inc. (IDI), a company controlled by the wife of a former Calista director, relating to design services and furnishings for the Company's hotel project was settled by mutual release and the lawsuit was dismissed at a cost to the Company of \$154,000. This amount has been capitalized as part of the cost of property and equipment.

14. Discontinued Operations:

During the year ended June 30, 1981, management and the Board of Directors developed and adopted plans to dispose of the following subsidiaries: ESCA-Tech Corporation; Hawaiian Travel Center, Inc.; and Pier 48, Inc. Operating results of the discontinued operations have been classified in the consolidated statements of operations as "loss from discontinued operations" and include the following losses by company:

<u>Company</u>	<u>Six Months Ended December 31, 1981</u>	<u>Years Ended June 30,</u>	
		<u>1981</u>	<u>1980</u>
From operations:			
ESCA-Tech		\$821,204	\$311,854
Hawaiian Travel Center	\$21,447	40,986	120,273
Pier 48		206,564	211,615
From disposal:			
Pier 48		355,352	
Loss from discontinued operations	<u>\$21,447</u>	<u>\$1,424,106</u>	<u>\$643,742</u>

Combined revenues of the discontinued operations were \$137,745 for the six month period ended December 31, 1981, \$1,971,633 for the year June 30, 1981 and \$3,576,615 for the year June 30, 1980.

The common stock of ESCA-Tech was sold as of April 1, 1981 for \$75,000 which equaled stockholder equity at that date. In connection with the sale, the Company indemnified the buyer against loss on all uncompleted contracts and in management's opinion adequate provision has been made for all probable losses. Included in the June 30, 1980 consolidated balance sheet are current assets of \$500,500 and current liabilities of \$533,700 relating to ESCA-Tech. Noncurrent assets and liabilities were minor.

Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

14. Discontinued Operations, Continued:

The travel agency licenses and equipment of Hawaiian Travel Center were sold in October 1981 with the anticipated closing date being March 15, 1982. The sale is subject to regulatory approval.

Pier 48 was abandoned in November 1981.

15. Reclassifications:

Certain financial statement accounts for 1980 have been reclassified and restated to conform to 1981 presentation; current assets and working capital at June 30, 1980 were reduced by \$5,406,149 to reclassify the restricted investments between current and noncurrent. There was no affect on net loss for 1980 as previously reported.

16. Subsequent Event:

The fishing vessel Calista Sea which was the principal asset of Calista Fisheries, Inc. sank January 19, 1982. Management is of the opinion the vessel is not salvageable and the loss will be fully recovered from insurance proceeds. The vessel and related equipment had a depreciated cost basis of \$670,794 at December 31, 1981.

CALISTA CORPORATION BOARD OF DIRECTORS

Nelson Angapak, Chairman
Nora Guinn, Vice Chairman
Johnny Hawk, Secretary
Lester Wilde, Treasurer
Earl Roy Chase
Eddie Hoffman
James Charlie, Sr.
Martin B. Moore
Phillip Guy
Raymond C. Christiansen
Glenn Fredericks
Ivan Martin Ivan
Louis Bunyan

EXECUTIVE OFFICERS OF CALISTA CORPORATION

Alex Raider, President
Nelson Angapak, Executive Vice President
Matthew Nicolai, Vice President Operations
Richard Romer, Vice President of Real Estate
Phillip S. Hendrickson, Vice President of Village Affairs
Frank Cowden, Vice President of Calista Fisheries, Inc.
Darrel Rexwinkel, Vice President of Finance

**“PEOPLE WORKING TOGETHER
FOR THE FUTURE”**

Calista Corporation - 516 Denali St. - Anchorage, AK 99501



KOOTZNOOWOO HERITAGE FOUNDATION, LTD.

P.O. Box 182 • ANGOON, ALASKA 99820 • PHONE: 907-788-3571

December 3, 1982

Mr. C. William Verity, Jr.
Chairman
President's Task Force on
Private Sector Initiatives
734 Jackson Place, N.W.
Washington, D.C. 20500

Dear Mr. Verity:

This letter accompanies the booklet, In Commemoration, which tells the story about the destruction of Angoon a century ago, and the efforts of our people today to restore the village. Angoon is the only community located on Admiralty Island, a part of the rain forest of Southeast Alaska

Admiralty is comprised of more than a million acres of land, with interconnecting bays, rivers and lakes. Forested with Sitka Spruce and Western Hemlock, these wild lands rise to snow crested mountain peaks. The island has been set aside as a National Monument.

Because of the unique position of our village, in what we like to call the "banana belt" of Southeast Alaska, we feel we have an opportunity to use our rich cultural and natural resources to benefit our people, both socially and economically. The Kootznoowoo Heritage Foundation has just signed a contract to have a tourism and recreation study completed on the potential for Admiralty Island. We want to develop our resources in such a way that our people can continue to preserve the human and cultural values we hold sacred.

This information is provided to you as a part of the materials presented on the economic development of Alaska's Native corporations. We appreciate your interest. We would be happy to provide any additional information you might require.

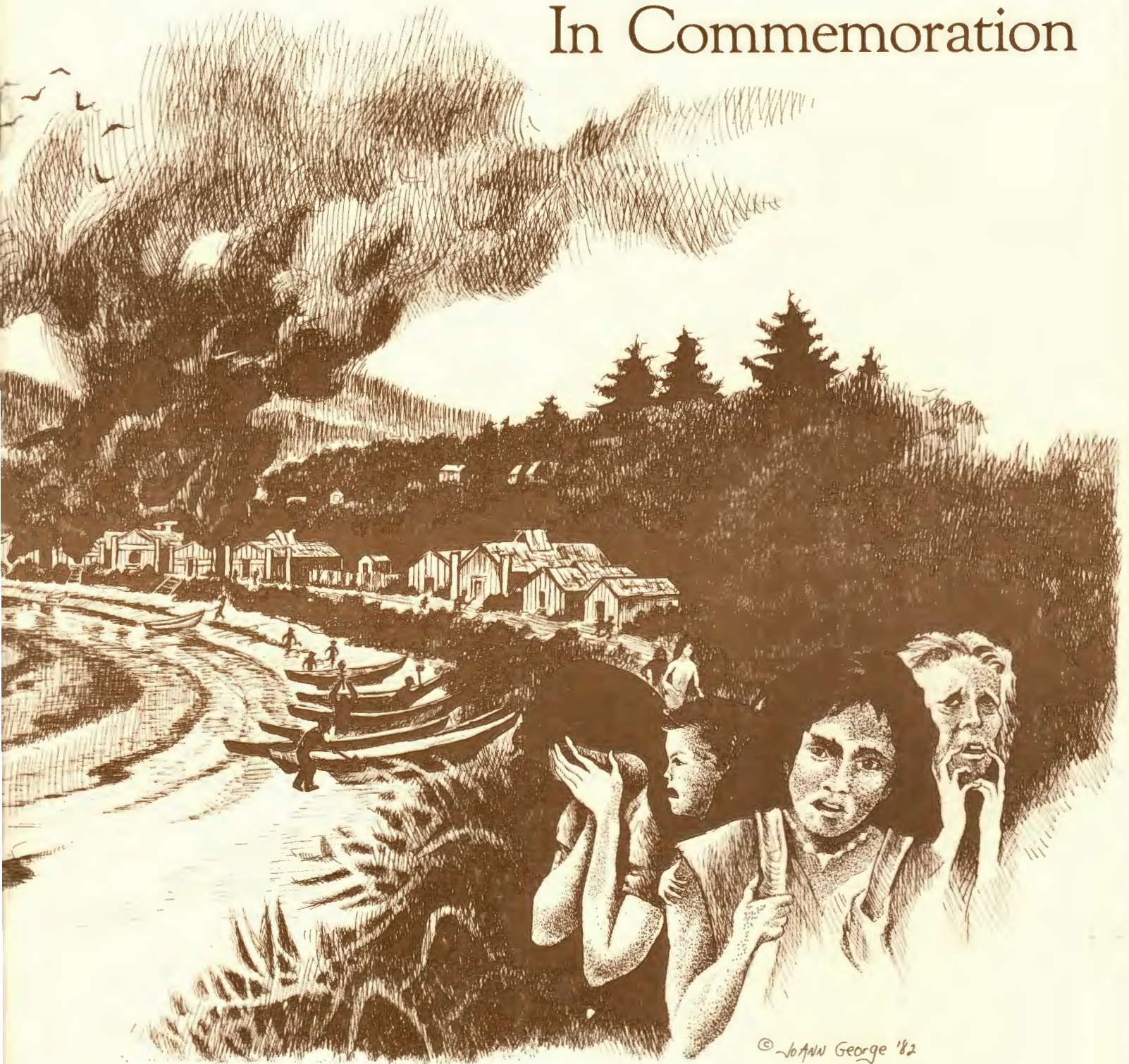
With kind regards.

Sincerely,

Cyril George
President

xc: Task Force Members

In Commemoration



© John George '82

The cover picture is an original by Jo Ann George of Angoon, one of a series by the artist, commissioned by the Kootznoowoo Heritage Foundation to commemorate the bombardment and burning of Angoon.

The 100th Anniversary Commemoration
October 24, 25, 26, 1982
Of
The Bombardment and Burning of Angoon
October 26, 1882

The Kootznoowoo Heritage Foundation of Angoon began in April to plan for the 100th anniversary commemoration of the bombardment and burning of Angoon.

The Board of Directors wanted this commemoration to be a memorial to Tith Klane, the Angoon medicine man who was killed just prior to military assault on our village, to the six children who died of suffocation, to all those who suffered as a result of the attack, and finally to our Tlingit culture which sustained our people and provided them strength to rebuild.

The commemoration projects the Foundation has outlined will continue through the decade of the 1980s, just as our ancestors worked through the 1880s to restore the ruined village.

The program we have undertaken on behalf of the people of Angoon and with the direction of our clan leaders and other village elders includes: restoration of the tribal houses, reconstruction of a community house, and development of a collection of cultural art and artifacts for the new museum/cultural center. We also plan to have a history published of the U.S. military shelling and burning of Angoon, written from the viewpoint of the people of Angoon.



Governor Jay Hammond signs proclamation for "Tlingit Remembrance Day," October 26, with Cyril George of the Kootznooowoo Heritage Foundation as witness.



Matthew Fred, Sr. (left) discusses the clan house restoration project with William Nelson (center) and Paul James. Both Nelson and James are caretakers of the Dog Salmon clan houses.

During the commemoration we will dedicate the new Angoon Historical and Cultural Arts Museum, and we will erect and dedicate three totem poles — Raven, Beaver and Bear. The Raven and Beaver poles represent the original and predominant clan of Angoon and the Bear represents one of the clans of the children of Angoon.

Cyril George, Chairman

Charlie Jim, Sr., Vice Chairman

Royal DeAsis, Secretary/Treasurer

Richard George, Member

Matthew Fred, Sr., Member

Board of Directors

STATE OF ALASKA



Executive Proclamation

by

Jay Hammond, Governor

On October 26, 1882, the Tlingit Indian village of Angoon was shelled and burned by the United States military forces. This occurred 15 years after the purchase of Alaska from Russia, before a civil government was established in the territory. The attack was said to have been the result of a cultural misunderstanding.

The people of Angoon lost six children, their tribal houses, ceremonial hats, bowls and woven blankets, their canoes, and storehouses of winter food. In addition to those losses, the villagers were stripped of their pride and dignity—a wound inflicted on the soul of a people. Angoon elders say it took them five years for their ancestors to recover to a point that they could begin to rebuild their village.

The attack, repudiated on the floor of the U.S. Congress in May 1884, as the "greatest outrage ever committed in the United States upon any Indian tribe," made a case pointing out the need for establishing a civil government in Alaska.

On this October 24, 25, and 26, the people of Angoon will commemorate the 100th anniversary of this sad event in Alaska's history. The commemoration will be a memorial to those who suffered and died as a result of the attack, and it will be a tribute to the Tlingit culture which survived that assault.

NOW, THEREFORE, I, Jay S. Hammond, Governor of the State of Alaska, do hereby proclaim the day of October 26, 1982, as:

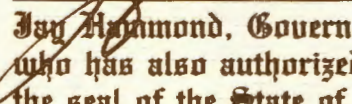
TLINGIT REMEMBRANCE DAY

in Alaska, and direct that all flags on State office buildings be flown at half mast as a reminder that cultural misunderstandings diminish all of us spiritually, and I urge that all Alaskans join with the people of Angoon in affirming the pride and strength of the Tlingit Indian culture which enriches all of Alaska.

Dated: September 8, 1982



Done by —


Jay Hammond, Governor
who has also authorized
the seal of the State of
Alaska to be affixed to
this proclamation.

State of Alaska



THE LEGISLATURE

COMMEMORATING - THE 100TH ANNIVERSARY OF THE BOMBARDMENT OF ANGOON

The 12th Alaska Legislature wishes to join the city of Angoon in the somber commemoration of the 100th anniversary of the bombardment, burning and looting of the village of Angoon by U.S. Military forces.

Village elders in Angoon speak with great emotion of the... "dark memory of the day we paid for a crime that was not committed." The year of 1882 was both a very sad and very significant time in Angoon's history. It centered around the white man's misunderstanding of Tlingit custom regarding death. According to Indian tradition no work could be performed until interment except for those chores related to preparation for the ceremony. In compensation for the death of a villager, the responsible party must meet certain demands.

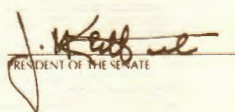
One hundred years ago on October 26, a Tlingit shaman employed as a crewman on a whaling boat was accidentally killed. In compensation, the Indians demanded some 200 blankets. Rejecting the Indian's demands, Commander E.C. Merriman, of the U.S. Navy, with personnel from the Navy, the Marines and the Revenue Service, forerunner of the Coast Guard, arrived on the scene - complete with mounted howitzer and gatling gun. Without justification and in violation of the law, they deliberately shelled and set fire to the village of Angoon and a neighboring camp. Several children died from suffocation and due to the destruction of winter food supplies, clothing and shelter, the villagers endured great hardships the following winter.

Although it is impossible to ever fully compensate the villagers for the suffering, loss of life, property, pride and dignity experienced by the Angoon Indians, in 1973 the U.S. in an out of court settlement awarded the village of Angoon \$90,000 as restitution.

In commemoration of this tragic event the Legislature expresses its sorrow and deepest sympathies to the people of Angoon. It is our hope that a lesson will have been gained from this tragedy and a greater intercultural understanding will have resulted. On behalf of the Legislature we offer our sincere wishes to the people of Angoon for a bright and promising future devoid of such misunderstandings and a meaningful commemoration this coming October 26.




SPEAKER OF THE HOUSE


PRESIDENT OF THE SENATE

Date: April 15, 1982

Requested by: Senator Eliason and Representatives Haugen and Grussendorf

On Clan Crests . . .

An Historical Perspective

There was a big gap in our culture when our history kind of slid away from us. When the school teachers and missionaries came to Alaska, they said it was a sin — it was not right to talk Tlingit and to make totem poles. This was not true. The totem pole relates to our history. . .

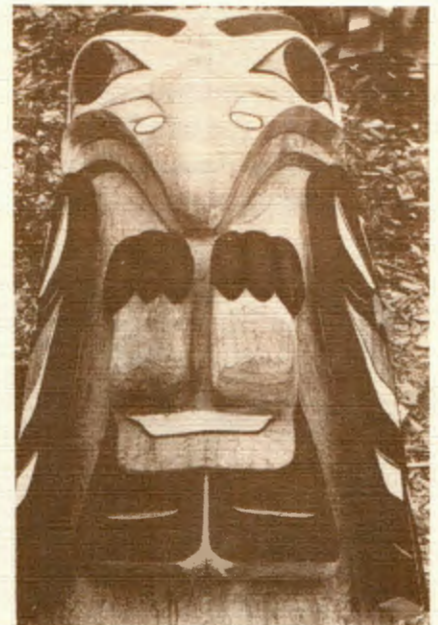
You can never put any other tribe on the totem pole you are making, because our tradition relates to our own history. If you do, you insult the next tribe, because you don't have the authority or the right to represent them. That's the law of our people.

Joe Bennett, Sr.

The Raven is the head of the tribe. The history of the Raven goes all the way back. . .we don't even know when it started. Raven created the rivers and gave them names. He the stars and brought the world light. Raven could transform himself into different life forms.

It's hard to believe those older people could tell a story almost relating to the Bible. Even the scientists were looking into the facts of how they knew about all these things relating to the Bible. That's how deep it is. There is no man alive today who can tell you where the Raven started.

Joe Bennett, Sr.



Raven figure on pole carved for the commemoration.

The Raven Beaver Fort was built when the Ganax adi/ Deiciton moved to Angoon from Sha Ki wastin Aan. It is not known how many centuries ago this occurred.

A Raven Post was on one side of the entry to the fort and a Beaver Post on the other side, with the gate hinged to them. They were also referred to as the anchor of the fort, a definition to the term, "the end rock."

When the use of the fort was no longer required, a new Raven house was built. The Raven Beaver fort posts were brought down from the fort and were placed on each side of the door of the new house, the Raven on the right and the Beaver on the left.

Matthew Fred, Sr.

The Beaver holds a significant place in Angoon's history. The Beaver led the people to the site where the village was built a long time ago.

This story is told by many of the elders. Two brothers were out hunting and saw a Beaver swimming. They decided to follow him. They followed the Beaver to the end of his trail which brought them to the point of land between Chatham Strait and Kootznahoo Inlet. The beach was protected and there were young trees there. The two brothers went back to their village, which was located at Killisnoo on the beach, and told the people about the place they had seen.

The people living at Killisnoo and others living at different places on the island, "moved together to make one village," according to an account by the late Billy Jones. "It was a pleasing place," he said.

The people of Angoon then took the Beaver as their crest to honor him for leading them to the site.



The Killer Whale House in the 1890s with the Brown Bear Pole in the left of the photograph.

Photo courtesy of the Alaska Historical Library, Vincent Soboleff collection

The Brown Bear Clan originated at Junax, near Ketchikan. The clan migrated north and stopped at Mount Edgecumbe. Some members of the clan intermarried and moved to Angoon, while others migrated up to Yakutat. A Brown Bear pole was erected after the Brown Bear house was constructed in Angoon. A second pole was carved and taken to Killisnoo where clan members were living. The pole burned in 1928 when Killisnoo was destroyed by fire. The third pole was burned when the Bear House in Angoon was destroyed by fire a year ago. The new pole is the fourth pole representing the Bear Clan.

Minnie Johnson

Angoon Account of Bombardment Challenges Military Reports

Assistant Navy Secretary John S. Herrington, (left foreground) meets with a delegation of the Kootznoowoo Heritage Foundation in Washington, D.C. to discuss the Navy-led attack on Angoon in 1882. Bill Wolforth from Congressman Don Young's staff is on his right. The delegation, headed by Charlie Jim, Sr., seated on the couch with his wife Jennie, and Royal DeAsis (right), requested an official apology from the Navy to the people of Angoon for the unjustified attack on the village, and that a ship be named in honor of Angoon as a demonstration of respect for the people. The only response has been a letter from Herrington dated September 14, in which he said: "The destruction of Angoon should never have happened, and it was an unfortunate event in our history."



Accounts of the bombardment and burning of Angoon on October 26, 1882 have been presented, for the most part, from information provided by the military personnel involved in the attack and a Sitka customs agent who accompanied the attack force. Their official reports, justifying the action, to the heads of the Navy Department and Treasury Department and subsequently to the U.S. Congress, have provided the historical context in which the story has been reported.

Statements of Angoon Tlingits, one an eye witness to the destruction of Angoon, and by others who were told of the attack by survivors, conflict with accounts by the white men on a number of important points. Anthropologist Dr. Frederica de Laguna recorded the statements in 1949 and 1950 of Billy Jones, who was 13 at the time of the bombardment, and other Angoon Tlingits who were told the story in the oral tradition.

When the Tlingit and Haida Central Council, on behalf of the Angoon villagers, pressed the bombardment case before the Indian Claims Commission, Attorney I.S. Weissbrodt noted, "The primary purpose of the Angoon people in filing and prosecuting the claim against the government was to make forever clear in history that the bombardment and burning was a grievous wrong against them."

The eminent anthropologist, Dr. Phillip Drucker, who has written extensively about the Indians of the Northwest Coast, was hired as an expert witness.

He examined historical records and conducted interviews with Angoon people in preparing an 84-page report to present at the trial. In it he stated: "The accounts by white Americans seem, on first perusal, clear and straight-forward. However, when they are carefully analyzed it becomes obvious that they contain significant contradictions which affect the interpretation of the incident. The statements by the Indians emphasize certain matters which were of more interest to them, and contradict certain statements in the white versions."

Drucker said, "The aim of this report, therefore, will be to make a detailed comparison of the two sets of descriptions of the incident, in such a way as to account for the discrepancies and to produce a more logical, unbiased description of the whole incident as it actually occurred."

However, nine days before the trial was to begin on June 18, 1973, the Government attorneys offered to settle the case out of court. The law enacted by Congress permitting the suit, narrowly restricted the scope of damages Angoon could claim. The law permitted damages only for tribal and clan property destroyed as the result of the shelling and burning, and only then at the 1882 value of the property. They could not sue for loss of life, loss of property owned by individual villages, nor for the loss of pride and dignity due to the assault on the village.

The Angoon Indians considered withdrawing the case and seeking a new law from Congress that would permit them to seek recovery for pain and suffering as well as compensation for losses at present day values. However, because of the antiquity of the case and the difficulty in proving it more than ninety years later, the Angoon people, on the advice of their attorneys, agreed to the government's \$90,000 settlement offer. Their attorneys noted: "The United States has finally — after 90 years — acknowledged its responsibility for the wrongful shelling and burning of the Tlingit Indian village..."

It was a grim victory for the people of Angoon. In reaching the out of court settlement, the government effectively closed the case. Angoon's story remained untold. And the official version of the military accounts remained unchallenged.



The people of Angoon in 1882 before the Bombardment.

Photo by Richard Maynard, courtesy of the British Columbia Provincial Museum, Victoria, B.C.

In undertaking the 100th anniversary commemoration of the destruction of Angoon, the Kootznoowoo Heritage Foundation decided to insure that Angoon's account of the incident is told as a part of Alaska's and the nation's history. Accounts have been presented through the nation's media, through the Congressional Record, and a book is now being written.

Angoon elders, at a meeting in May, agreed that the eye witness account of the late Billy Jones should be the basis of the Angoon story, in reconstructing what did happen at Angoon a century ago.

"They Left Us Homeless On The Beach"

"They left us homeless on the beach," said Billy Jones, who was 13 years old when Angoon was bombarded and burned by U.S. military forces a century ago.

His story is etched in the memories of most Angoon elders. It also was recorded on tape¹ and in written reports² before his death, by anthropologist, Dr. Frederica de Laguna.

Jones, whose Tlingit name was Languc-'u, said when the attack on Angoon occurred that bleak October day, he was "observing everything that took place," and remembered it well when he recorded his account in 1949 and again in 1950. He said his people showed no anger, only sorrow for "the day we paid for a crime that was not committed."

The villagers were on the beach putting up the fall run of herring when the huge black ship steamed into Kootznahoo Inlet, puffing black smoke into the leaden sky.

Jones was helping his mother cook the oil out of the fish. They and the other villagers stopped their work to watch the ship.

Soon, white men were sent ashore in small boats and took two of the Indian leaders back to the ship with them. There was shouting, but Billy Jones could not understand what was said. He asked, "What do they want?" but no one seemed to know. There was excitement and confusion. The white men, dressed in military uniforms, returned and began gathering all the Indian canoes together.

Still it was not clear what the men from the ship intended to do. Then they began smashing the canoes. The ship loomed, menacingly, offshore throughout the day and night, taking more of the villagers on board, until finally nine Indians were captives.



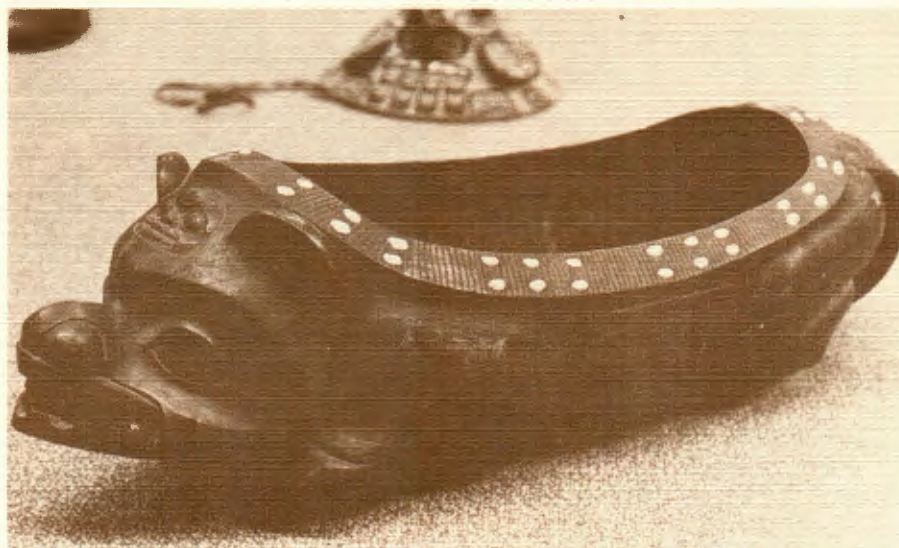
Young Billy Jones in foreground.
Photo/ Alaska Historical Library

The next morning the big ship maneuvered into Chatham Strait, facing the village's staunch row of tribal houses, built along the beach crescent, just beyond the lap of high tide.

There, like death waiting to claim its victims, the dark ship crouched. On the signal of heavy black smoke billowing from the camp in a nearby bay, where the villagers storehouses of winter foods were kept, the big ship's guns ripped into action.

The awesome vessel was soon joined by another gunboat, which had set fire to the storehouses. They kept up a relentless pounding of the houses, hewn from the giant spruce that forested the land. Slowly each tribal house, a nation unto itself, with a history reaching back in time and legend to the Great Flood, moaned and sagged to the earth.

The shells beat down until each house had fallen in an aching heap upon itself. Then the white men, carrying guns and coal oil, rowed ashore in the small boats. They searched the ruins of the houses, taking ceremonial hats and large wooden bowls, carved with the emblems of the clans; woven Indian blankets, furs and other valuable articles, before setting fire to the rubble. When the villagers tried to rescue their tribal symbols — objects of their cultural identity — they were stopped by guns and threats of prison. Even so, a few things were saved, including a Beaver potlatch dish of inestimable value.



Beaver Potlatch Dish.

Billy Jones watched the destruction of his village, of the houses that sheltered the clans and the spirits of a millennium of their ancestors. Powerless to do anything to stop the disaster, he watched from the bluff overlooking the narrow neck of land between the two bodies of water, where the Beaver had led his people.

When it was over, Billy Jones' mother told him six children were dead, suffocated by the smoke. She asked, "Do you understand what is happening?" He said, "Yes, I understand."

When the winter came, Jones said, "The people of Angoon nearly starved to death, all of them. How much we suffered." They made

temporary shelters and went out each day at low tide to search for food — shellfish, gumboots, and sometimes parts of fish killed by sea lions. It took five long years for the people to begin to recover.

An examination of the events which surrounded the full scale military assault on Angoon, led by Navy Commander E.C. Merriman, caused Dr. Philip Drucker, the eminent anthropologist to conclude that the basis for the military intervention was unfounded to begin with.

The Northwest Trading Company had established a herring and whale reduction plant to process oil at Killisnoo, a few miles south of Angoon.

Billy Jones' uncle, Tith Klane, a medicine man of noble blood in the Tlingit culture, was employed as a crewman on one of the company's whaling boats. On October 22, during an attempt to take a whale, a harpoon gun exploded prematurely. Fragments struck Tith Klane, fatally wounding him. Other Indian crewmen took the boat ashore with the body of the medicine man.

The Indian Council met and decided to hold the boat in which the accident occurred, and another of the whaling boats operating with it, until the burial of the medicine man had taken place. This was "only to respect the man that was killed," Jones said.

"The white people at Killisnoo got scared and sent word to Sitka that the Indians were preparing for war." Jones said, "This was not true. They only wanted the boat quiet for two days until they buried him. He was an important man."

Tribal laws forbade the use of sharp instruments or the equipment which had caused the death, during the period of mourning. Tlingit custom also required payment for the death of an Indian by the party responsible, something akin to workmen's compensation today. The council requested 200 blankets from the company in compensation for Tith Klane's death.

The superintendent of the whaling company, J.M. Vanderbilt, refused payment of the compensation and ordered the Indians to return to work. They instead continued their mourning customs — painting their faces with coal tar and tallow as a sign of sorrow and respect, and preparing for the burial ceremony.

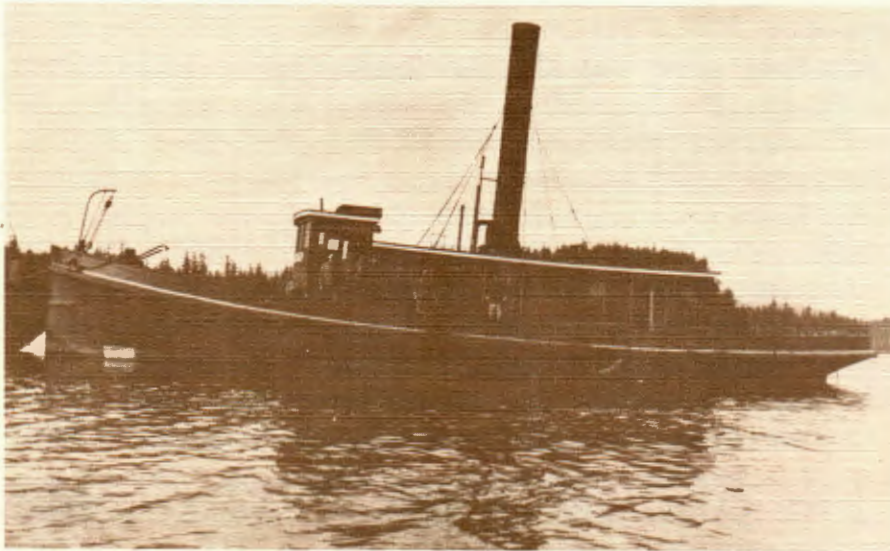
Vanderbilt took the company's tug boat, the "Favorite," to Sitka to seek help from the Naval commander, E.C. Merriman, then the top American official in Alaska. The Northwest Trading Company official reported that the Indians were uprising and threatening the lives and property of whites.

He said two white men had been taken hostage by the Indians and were threatened with death unless compensation was paid for the death of their medicine man.

Merriman had issued an order that the Indians were to end their custom of requiring compensation when the death of a tribesman occurred, although the two previous Naval Commanders had accepted the practice and followed tribal law in making the payments.

Merriman, on receiving Vanderbilt's report, immediately gathered a force comprised of personnel from the Navy, the Marine Corps and the Revenue Marine Service, forerunner of the U.S. Coast Guard. He accepted the offer of the Revenue Cutter, "Corwin," then in port in Sitka, for use in the flotilla in place of the "Adams," the Naval vessel he commanded. He believed the *Adams'* draft was too deep to navigate Kootznahoo Inlet off Angoon.

Merriman pressed the civilian tug, "Favorite" into service by mounting a gatling gun and a howitzer aboard it, and with his own large steam launch in tow, the attack force headed for the supposed trouble spot.



The tugboat, "Favorite," on which Commander Merriman had mounted a howitzer and a gatling gun for use in the attack on Angoon.

Photo courtesy of the Alaska Historical Library, Vincent Soboleff collection

Merriman's forces arrived in Kootznahoo Inlet behind Angoon on October 25. Ostensibly, his purpose was to free hostages and property held by the Indians. To demonstrate his intention to end the Tlingit custom of demanding compensation for a death, he made a counter demand to the Indians for 400 blankets, payable to him by noon the following day or suffer the destruction of their village.

It is questionable whether Merriman's order was understood, as he did not bring an interpreter with him and the villagers understood little English. The next day when only 81 blankets had been delivered to him by his deadline, Merriman made good his threat and launched the attack.

The Angoon villagers have consistently denied that white men were ever taken hostage. In his analysis, Dr. Drucker points out the inconsistencies in the various official reports, and notes that "the most logical conclusion is that **there were no white captives held** at the time Merriman began his program of punishing the Indians, that is, immediately on his arrival at the campsites in Kootznahoo Inlet."

He points out that rescue of the white men reported to have been captured "was the prime mission of Merriman's expedition. . ." But neither Merriman nor the customs agent, William Governor Morris, who accompanied the attack force, "even mentions what should have been the climax of the expedition's achievements, the rescue of the white captives, if there actually was such rescue."

Drucker stated: "Since the topic is of such importance, and is so obviously avoided, it becomes necessary to test the hypothesis that there were **no** white prisoners at all, as the Indian sources maintain."

These major inconsistencies in the official reports of the attack are among many Drucker points out, including Merriman's statement that tribal houses "sufficient to shelter" the Indians for the winter were intentionally saved.

The Angoon Indians maintain that the entire village was destroyed. Only a few canoes, belonging to villagers who were away hunting at the time of the bombardment, escaped destruction. These canoes provided limited transportation for food gathering, although inadequate for the number of people then dependent on them.

Canoes on the beach at Angoon, years after the destruction of the village in which all the canoes were gathered together and smashed.

Photo courtesy of the Alaska Historical Library, Vincent Soboleff collection



There was never an official investigation of the incident at Angoon. The reports of the officers who perpetrated the assault and the customs agent who accompanied the force have stood as the government's record. Even so, the reports themselves were enough in 1884 to convince Representative James H. Budd of California that a law establishing a civil government in Alaska was necessary.

During a House debate on the Alaska legislation on May 13, 1884, Bud said:

It has been asked, "What laws are enforced there now and how?" The laws have been the changeable wills of United States officers, and enforced in such manner as to them appear proper. In their hands, strange as it may seem, have been the powers of taking life, liberty, and property without the restraint or forms of law. At least they have done so, and I have yet to learn that any one has been either censured or removed for his action.

Budd then recounted a *San Francisco Chronicle* account of the events at Angoon and the commander's demand of 400 blankets as punishment.

"The Indians did not comply with this peremptory order of this royal dictator. I understand they did not have the blankets. The commander of this United States vessel was a law unto himself, and in the morning he, a United States officer, judge, jury and sheriff, fulfilled his threat and shelled the Indian village."

The account of the people of Angoon of the bombardment and burning of the village will present proceedings from the court case they filed with the Indian Claims Commission, the evidence developed and the decree in the case. Their attorneys noted, "The case will stand as a permanent record of the successful struggle and efforts of the Angoon people to remove any tarnish on their pride and dignity and thereby to vindicate themselves."



Angoon in 1882 before the bombardment.

Courtesy of the British Columbia Provincial Museum, Victoria, B.C.



Rebuilt Tribal Houses of Angoon in 1888.

Courtesy of the British Columbia Provincial Museum, Victoria, B.C.

Angoon Captures National Attention

Articles chronicling the destruction of Angoon and plans for the 100th anniversary commemoration of the incident, have been published in newspapers throughout the country. The Associated Press and United Press International distributed stories. Staff written accounts appeared in *The Washington Post*, the *Chicago Sun-Times*, the *Virginian-Pilot*, the *Seattle Times* and *Post Intelligencer*, *The Oregonian* and the *Juneau Empire*, among others.

Sen. Frank Murkowski of Alaska submitted a statement to the Congressional Record of June 17 about the shelling and burning of Angoon, on behalf of the people of Angoon.

In a June 22, 1982 editorial titled "Taking Pride," the *Juneau Empire* captured the essence of the centennial commemoration of the bombardment and burning of Angoon. It is reprinted here.

Taking Pride

We hear a lot these days about pride. People are told to have pride in themselves, their families, their cities, their states and their nations.

For most of us, however, pride is personal. If it exists, it does not go beyond an occasional deep feeling that surfaces at an awkward moment.

Usually, that feeling results more in embarrassment than anything.

Sometimes, however, pride leads to great ideas and even greater goals. Such is the case with the people of Angoon. As members of the only village on Admiralty Island, they have steadfastly held onto their heritage, preferring the old ways to the massive injections of outside culture others have chosen.

In remembering their culture and history, the Angoon people could not overlook the bombardment of their village 100 years ago. The U.S. Navy opened fire on Angoon over a misunderstanding, according to the Angoon people.

Misunderstanding or no, the village paid the price, in deaths of their people and in destruction of their property.

That is where pride enters. One hundred years after the attack on Angoon, the village sought a formal apology from the U.S. Navy. Three members recently traveled to Washington, D.C., only to be turned away without complete satisfaction.

The U.S. Navy, it seems, cannot face up to its errors. but the people of Angoon remain undaunted. Through the Kootznoowoo Heritage Foundation, they are rebuilding a portion of the village the Navy helped to destroy. The foundation is spearheading the effort to restore the tribal houses and the community house. With a written history, a documentary film and other culturally important activities, the people of that village are hoping to make it unique among Alaksa villages. This October, the effort will climax with a ceremony remembering the bombardment.

The people of Angoon are using their pride to motivate them to aim for great goals. As they are demonstrating, that pride will not only help them to better understand their culture, but it will help all of us, Alaskans and visitors alike, to understand it.

The people of Angoon are to be applauded for their outstanding effort.

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