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THE VISION

Reset & Rebuild

A Message From the Kootznoowoo, Inc. Chairwoman – Melissa M. Kookesh

Seasons Greetings! I know many of the Shareholders have been wanting information about what is going on at Kootznoowoo, Inc. and the direction the corporation is taking. It has been a busy year and a half of developing enough information to provide you with a meaningful and a well thought out update.

I also ask you to “Bear” with me as this Newsletter will be quite lengthy and that is because of all that we have been dealing with since the last report to you. I couldn’t think of a way to shorten it and still give you worthwhile information.

I was elected to the Board of Directors in June of 2016 along with our Vice Chairman Edwell John, Jr. and Corporate Secretary H. Jean Hogue. We joined Directors Albert Howard and Ella Bennett and more recently Treasurer Frank Jack III and Director Sharon Love who continue on the Board to this day.

We all knew that things needed to change at Kootznoowoo, Inc. and after 5 or 6 months of study it became very clear that the corporation needed to hit the “Reset” button and then “Rebuild” itself into the profitable enterprise it was intended to be.

What we found in arriving at those conclusions was a company that was beset by what might be called Legacy issues. By that I mean that many of the challenges facing the corporation stemmed from business decisions or situations that went back many, many years and spanned multiple management regime’s and, try as management did to correct things, the fixes were usually only band aids or reactionary efforts and did not address the underlying fundamental problems. Some of the situations or challenges are also as a function of the dramatic downsizing the corporation went through when the logging program ended. This left minimal management and staff to try and address the challenges.

In February of this year your Executive Committee, having fully grasped the fact that professional help would be necessary, reached out to a firm called



Rapid Deployment and they are in the business of providing Interim Executives for situations like ours. We were blessed by the fact that they were able to connect us to Mr. Hal Dreyer who has been helping us under contract since April of this year. Mr. Dreyer's prior career spanned 38 years in Alaska running several companies and performing projects literally in every corner of the State. His extensive background and knowledge have helped us quickly arrive at some realities facing the corporation and he has provided probable solutions for most.

The Rapid Deployment – Interim Executive Contract

The purpose of the agreement, as stated in the Scope of Work, was to have the assigned Executive “evaluate current conditions: operations, financials, marketing, cash position, staff, and contracts to assess the state of the company.”

A Report of Findings & Suggestions was presented to the Executive Committee in late April and is summarized below:

- The corporate structure with all the subsidiaries and related entities seems overly complex for what has become a relatively small company.
- The corporation needs to have Policies and Procedures adopted and systematically implemented to prevent the problems that have developed in the past.
- The corporate Bylaws need to be modified to better fit with the new direction that Kootznoowoo will most likely be taking.
- The corporation needs a General Manager that has demonstrated experience and proper skill sets to properly manage the existing and future operations of the company.
- In general, it appears that many or most of the agreements and business relationships entered into, and presently operational with the corporation, do not favor Kootznoowoo and need to be changed where possible to at least get on even ground if not better.
- And, of the highest importance, the corporation must “reinvent” itself to find profitable ventures of which there are none now. Of the assets reviewed, it appears the highest probability for generating profitable, positive cash flow is by aggressively marketing the 8a status.

The report goes on in detail about the various components of Kootznoowoo, Inc, including the subsidiary companies and operations.

The Rapid Deployment contract for Hal Dreyer's services has been extended 5 times since that first engagement so he could help the Executive Committee and your Board determine how to remedy various challenges and implement profitable ventures. Mr. Dreyer has reported to the Executive Committee and the Board on numerous occasions since the April report and much of it was arriving at the “realities” of the various situations so prudent and meaningful decisions could be made about where to go with each challenge.

What follows is a summary of every issue that Kootznoowoo, Inc. management, which presently includes Mr. Dreyer as Interim Chief Executive, has tackled along with the present actions being taken to turn things around:

KPlaza Renovation

The Juneau commercial building owned by Chatham Properties, LLC, a Kootznoowoo, Inc. subsidiary, that houses the Kootznoowoo, Inc. main offices along with various tenants including Canton Asian Bistro, Juno Froyo, S.E. Alaska Real-estate, Creative Sources, TIDES, Meridian and Juneau Hydro-power has had problems for many years.

In fact the challenges with this building are an excellent example of what I referred to as legacy problems at the outset of this Newsletter. In reviewing Minutes from prior Board meetings, going back years and years, it became apparent that the problems with this building have been going on and getting worse for a very long period of time. And they are not the kind of problems that fix themselves, in fact, they get worse.

So, the *CHALLENGES* are:

- The lease occupancy hovers around 75-80% of the available space, which because the building has no mortgage would normally be Ok – but for:
- The Roof Top Units (RTU's) have reached the end of their useful life and are constantly on the verge of complete failure and, of course, they are extremely inefficient and, therefore, costly to operate.
- The roof is in a similar situation having reached the end of its useful life requiring constant patching of leaks. In much the same way as the RTU's being inefficient, the roof is also inefficient in the sense that the "R" value is diminished significantly causing excessive heat loss.
- The electrical system is outdated, including the lighting in the building, and needs to be brought up to code and the lighting changed out to more efficient LED lights to bring down the power requirements.
- And last, but not least, is the drainage system. It now appears that the problems with the drainage system go back 10-12 years and those problems are the constant blockage of the sewer drains either in the building or outside of the building where the pipe runs to the City sewer. Although it hasn't been tracked, it is probably reasonable to say that there has been a major backup requiring expensive plumber help almost monthly – not to mention the cost of cleanup.
- So the net result of the costs of the problems as offset by the lease revenue is that at the present time (and the 2017 building financials will support this) the maintenance and repair alone is running 50% of the total dollars brought in from the rents
- If this continues, gets worse or if there is a catastrophic failure of the RTU's or roof, then the building will require cash injections from Kootznoowoo, Inc. to keep it open.

And Management's *FIXES* are:

- The architectural firm of Jenson Yorba Lott, Inc, along with their mechanical and electrical sub tier consultants, has been retained to put together a comprehensive Package of Renovations for the building.

- The Package will include both the engineer's estimate of the costs of Renovations and an estimate of anticipated fuel, electric and general maintenance costs savings.

Managements estimate of the savings can be seen in the table below:

So, looking at the numbers above and assuming the retrofit of the KPlaza comes in at \$600,000.00 and the Corpo-

Category of Cost	Prior Costs 2016/2017	After Renovation	Comments
Electricity	\$36,000.00	\$24,000.00	Electric costs are up, some of which is increased demand due to Froyo which will be recovered with a special billing to them. But overall electric use can be reduced significantly by changing out all the lighting to LED and having to use less power with the new, more efficient, Roof Top Units (RTU's)
Oil	\$30,000.00	\$16,000.00	The fuel oil costs vary based upon winter conditions primarily. Some improvements to the control systems has shown a decrease in fuel consumption, but with the new and efficient RTU's it is estimated that a savings of about 45% can be achieved
Repairs & Maintenance	\$180,000.00	\$48,000.00	The amount being spent on Repairs & Maintenance are way out of proportion when weighted against revenue and the size of the building. This number, after renovation should run 15-20% of lease revenue
Total	\$232,000.00	\$88,000.00	Using these projections of cost reductions, there would be savings of \$144,000 annually, \$12,000.00 monthly

ration financed the entire amount at a blended rate of say 5% (to allow for some commercial rate borrowing, some grant funds and some low interest rate funds) and paid it over 15 years, the monthly payment would be approximately \$4,800.00 per month. So instead of bleeding money, the property might generate \$7,000 or so positive cash flow.

- With the Package complete, the intent is to reach out to the local banks to source a mortgage to finance the work, hopefully along with grant funding and then put the project out to bid for competitive pricing. The goal is to have this work underway in the Spring of 2018
- As for the drainage issue, Matt Bell who is handling our maintenance and repair at the building, had the plumber run a camera down the drain line the last time there was a backup. What they found was a pipe full of water which, given that drain lines by design are supposed to be at a downgradient, means there is a sag in the line and it appears to be under the intersection next to the building. Further investigation turned up the fact that the intersection was repaved about 10-12 years ago – right at the same time that the problem started. So Matt and our architect/engineer team are working with the City to determine if perhaps that construction effort somehow damaged the line and has been causing all the problems since.

Chatham Properties, LLC – Genesis Information Technology Services

Chatham Properties, LLC is the Kootznoowoo, Inc. subsidiary that owns KPlaza. Several years ago Chatham was used to establish the SBA 8(a) and received its certification. The use of Chatham for this purpose made sense at the time because one of the SBA requirements is that you show a 2 year track record of being in business. However, since that certification several things have occurred that we are in the process of realigning to put things where they should be.

So, the *CHALLENGES* are:

- Keith Comstock, who is the manager of the SBA 8(a) effort, created a Division or d/b/a of Chatham referred to as Genesis Information Technology Solutions (GITS).
- The Chatham 8(a) and GITS have taken on and successfully completed several projects since certification and GITS, for which the accounting is kept separate from Chatham/KPlaza, has generated some profit.
- When Chatham/KPlaza needed money for repairs and renovations of KPlaza, previous management entered into an arrangement where those costs were essentially advanced from GITS via the use of a debit card and the amount ran up to approximately \$70,000.00.
- Running in parallel with this was an arrangement made by GITS with the owner of Canton Asian Bistro whereby all of Canton's credit card sales would be run through a GITS credit card machine and account.
- The foregoing was accomplished, so we are told, to insure that Canton paid their rent on time by having GITS being in control of significant amounts of Canton's money.
- The problem with that is twofold. First, the monthly credit card charges often exceeded \$90,000.00 and the rent is about \$12,000.00 per month, way out of balance. The second problem is that revenue shows up as just that on Chatham's GITS books – revenue, when in fact it was just a pass through with no mark up.
- Which leads to the intertwining problem of having all of that non-8(a) revenue, whether it be the Canton/credit card pass through or the building activity itself, accounted for within the same entity.
- Extraordinarily confusing and potentially impactful to the 8(a) potential (which is growing) if, for example, we are subjected to a Defense Contractor Audit Agency (DCAA) review which is routinely done to certify General & Administrative, Overhead and Profit percentages for projects under negotiation.

And Management's *FIXES* are:

- GITS agreed to stop the credit card service it was providing to Canton such that Canton would stand on its own in terms of paying the rent and doing so on time. They have been doing that.
- Instead of "repaying" GITS for the funds advance amounting to about \$70,000, the Parties involved in that arrangement signed a Reconciliation Memo such that the advanced amounts are

treated as “distributions” from the subsidiary to Chatham so we don’t have to come up with the cash to repay it.

- As of January 1, 2018, the KPlaza building will be moved into a newly formed LLC call, simply, KPlaza, LLC so that all financial activities will be separated and handled independently. This will help with both the potential DCAA audit situation and the upcoming finance package for the renovation of the KPlaza.

Kootznoowoo Business Management Services, LLC

Kootznoowoo Business Management Services, LLC (KBMS) is a subsidiary of Kootznoowoo, Inc. established to serve as the centralized service center, called Shared Services, for additional 8(a) companies to be formed as subsidiaries of KBMS and managed by Keith Comstock.

The *STATUS and TASKS* related to KBMS:

- One subsidiary has been formed call American Energetics, LLC whose purpose is to bring Danish technology to the United States and Canada that provides what is called District Heating.
- This European technology, which has been operational there for many years, uses high temperature water circulated around to buildings in insulated pipes in a “district” to provide heat. This is somewhat similar to the heating systems on some military bases and some cities, the difference being that they presently use steam as the means to transfer heat.
- One such system is proposed for Juneau and Mr. Comstock is working towards getting that underway in 2018
- In December 2015 Kootznoowoo management and two Directors created an agreement called KBMS Executive Services Agreement whereby Keith Comstock would become the manager of KBMS and the 8(a) aspects of Chatham Properties, LLC.
- This agreement provided Mr. Comstock with no salary or budget to work with, but did, and does, provide him with 30% of the profits generated from the contracts performed by GITS and KBMS.

And Management’s *ASSIGNMENTS* are:

- Monitor and assist Mr. Comstock where necessary
- Develop additional 8(a) subsidiaries as opportunities arise through aggressive marketing efforts (discussed in more detail in the Small Business 8(a) Program section).
- Restructure the KBMS Executive Services Agreement to better align with the new direction of the Corporation (Draft of Reorganization of KBMS to be presented to Board at the December 1, 2017 meeting)

Small Business Administration 8(a) Opportunities

As Mr. Dreyer pointed out in his “Report of Findings & Suggestions”, the only realistic way for Kootznoowoo, Inc. to start generating positive cash flow is through profitable contracts we can undertake

with our 8(a) status.

Since Chatham Properties, LLC received its 8(a) status, Mr. Comstock has been able to perform several million dollars worth of work from contracts in various parts of the U.S. and is presently completing work for the General Services Administration (GSA) in Juneau.

The distribution discussed in previous section amounting to about \$70,000 was possible as a result of these contracts.

But, the *CHALLENGE* moving forward is:

- Chatham and GITS must have more aggressive marketing to win contracts of enough value to spin off that significant cash flow that we see in our “Vision” for the company.
- For the larger ANC’s this is typically done by establishing Marketing & Sales division with, at a minimum, a Manager experienced in Federal sales, two or more sales representatives and two to three support personnel – again, all at the minimum. This often requires a multi-million dollar budget and we simple don’t have that nor could we risk it if we had it because, by its very nature, the successful award of Federal contracts can be very unpredictable.

The *SOLUTION* to this:

- Mr. Dreyer has brought in 3 associates that he has experience with to help Mr. Comstock win contracts.
- These associates work via a Business Development Agreement (BDA) basis which is approved by the Small Business Administration. These agreements provide the associate a percentage of project profits but the associates receive no retainer, salary or expense coverage – making the BDA a no cost way to get more exposure in the market place and win contracts.

The *RESULTS* to date:

- Chatham Properties has been awarded a project to perform roof repairs at that National Institute of Standards and Testing (NIST) in Boulder, CO. This project was completed and accepted and we expect a favorable CPARS ranking from this project. CPARS being Contractor Performance Assessment Reports System, which is how the Federal Government procurement process evaluates quality of the contractors work and then makes recommendations for future awards based upon that.
- Additionally we have negotiations underway for the following projects for the following Federal agencies:

General Services Administration – Denver Area
U.S. Forest Service – Albuquerque, NM
USDA – APHIS – Maryland
Health & Human Services - DC
More at NIST

For competitive and non-disclosure reasons we can only provide the list of agencies we are working

with. Once these contracts become real we will provide details so you can monitor the progress of our 8(a) initiative.

Favorite Bay, LLC – Newport IX Building

Our building in Albuquerque, New Mexico called Newport IX, which is owned by Favorite Bay, LLC, a subsidiary of our Admiralty Properties, LLC., appears to be well managed by Bruce Marvick and Lisa Fray of Building Interests, Inc.

But even though it is well managed, it basically is not profitable. Some months it makes a few thousand dollars and then other months it loses money due to repairs and maintenance issues that arise.

The *CHALLENGE* with this property is:

- The market for commercial office space in the Albuquerque is very depressed with several vacant buildings even around our Newport IX.
- The building is at about 80% occupancy which is actually great compared to other properties but, because we mortgaged the building several years ago (balance approximately \$1.6 million and monthly payments of \$12,000.00), there is no way to generate positive cash flow without increasing the occupancy.

Management's hopeful *FIXES* to this:

- Working with our BDA associates, we are negotiating with several Federal agencies in the Albuquerque area on projects that would be undertaken through our 8(a) company, Chatham Properties, LLC d/b/a GITS.
- These contracts are for staffing of certain functions, like with the U.S. Forest Service, that will require office space.
- Our goal is to win one or more contracts that will allow Chatham/GITS to become a tenant of Favorite Bay in the Newport IX building and, in turn, increase occupancy and generate positive cash flow.
- We also have initiated a monthly report process that measures performance against the projected budgets provided to us by Building Interests, Inc.. This process of monitoring Budget vs Actual on a monthly, versus annual basis, both focuses the building managers on paying close attention to detail and allows Kootznoowoo management to monitor and catch problems in a timely manner.

Hood Bay, LLC – Nashville, TN Property

Our remaining property in Nashville, TN, that was owned by Hood Bay, LLC, a subsidiary of our Admiralty Properties, LLC, had been listed for sale for some time. In April of this year we received a full price offer of \$269,000.00.

The sale closed and funds transferred to Admiralty Properties, LLC, in the amount of \$244,332.65 on June 29, 2017, which represents the net of closing costs, realtor fees, etc.

The CHALLENGE & FIX with this transaction:

- As we moved through the closing process, the attorney’s handling the transaction reported to us that Hood Bay, LLC had been DISSOLVED for lack of Filing Annual Reports and paying the Annual Fees for 15 years.
- Management filled out 15 years’ worth of Annual Reports and sent the State of Tennessee a check in the amount of approximately \$4,800 so the property transaction would close.
- Since there is no more activity or assets within Hood Bay, LLC, we will be dissolving the LLC so we don’t incur further filing fees or costs.

Thayer Creek Hydro Project

The Thayer Creek Hydro project is going quite well and has moved to a point in its development where we can actually see, and reasonably predict, that the project will be built and will result in economical power for the Angoon community. This relief in power costs will not occur at the outset of power coming from the hydro, but over time as demand increases, the rate payers should begin to see a benefit in overall reduction in energy costs.

The details of where the project stands at this time and the path forward will be discussed at a Community Outreach meeting in Angoon on the evening of November 30, 2017.

For those shareholders that can’t attend in person, copies of the Power Point presentation to be given by Mark Matousek or Orenco Hydropower will be available by contacting our main office.

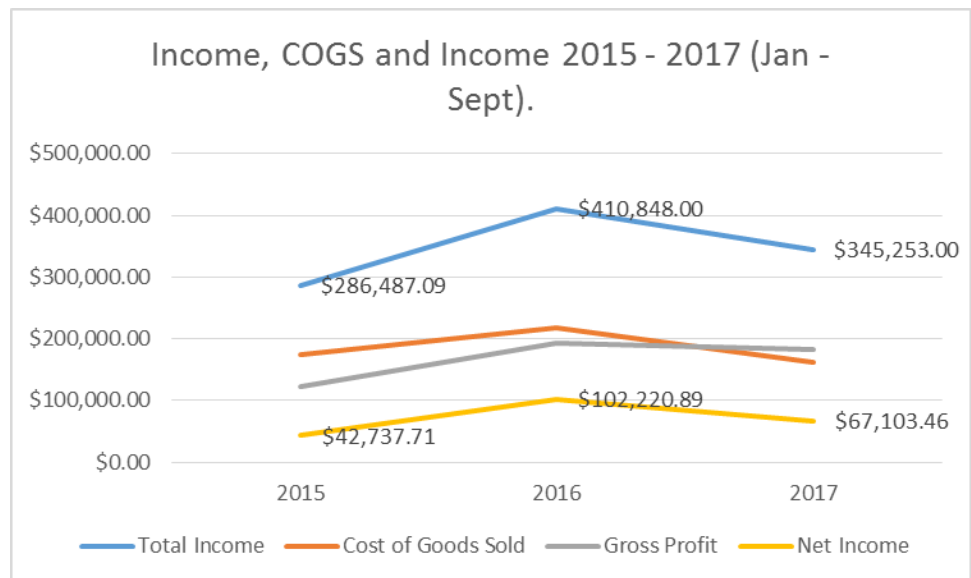
Fortress of the Bears, LLC – Pack Creek Tours

Our jointly owned company with Alaska Seaplanes called Fortress of the Bears, LLC, operating as Pack Creek Tours, did well this 2017 season but not as well as forecasted.

The following are comments from Dan Kirkwood, our Pack Creek Tours General Manager in his report to the Board for 2017:

Overview

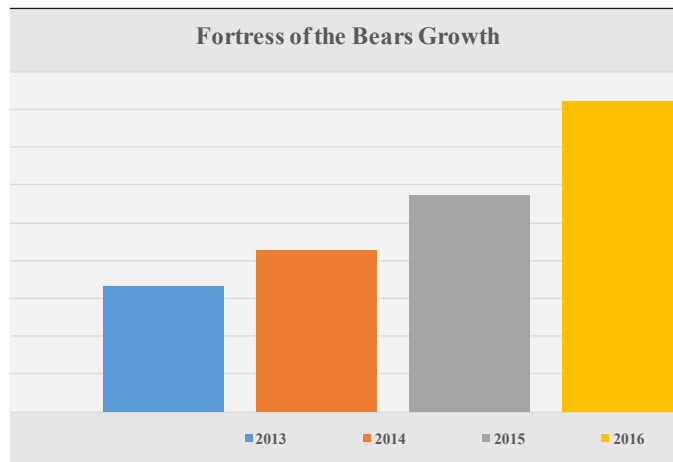
The 2017 season has been a year of transition. We had a profitable season and continued to operate successful tours while transitioning and adding personnel capacity. In addition to this being my first season as General Manager, we also brought on a Logistics Manager and expanded our guide pool. We successfully increased our



yacht charters and decreased discounts and commissions by 63%. However, lower than expected bookings, particularly in the shoulder seasons, and weather cancellations brought our net profit down compared to 2016. Our net profit is \$67,230 at the end of September 2017.

As a result of this successful year, Kootznoowoo, Inc. should receive its first distribution from Fortress of the Bears since its inception. This is amazing as they had predicted new record revenue in 2016 as they marked a significant expansion beyond Pack Creek into additional tour opportunities on Chichagoff Island which are proving popular.

As always, for the upcoming 2018 summer season, the company is seeking applicants for bear guide positions as well a Juneau-based seasonal logistics manager. Kootznoowoo shareholders are strongly encouraged to apply. For more information on the positions and to apply, contact General Manager Dan Kirkwood at dan@packcreekbeartours.com.



Administrative & Accounting Matters

Management has been tackling and dealing with a number of challenges in both the administrative side of the corporation as well as the accounting department this past year.

The discovery of some of these issues was the impetus to “hit the Reset button” I discussed at the beginning of this newsletter.

- Sharon Love Claim
- Recall (Removal) BOD
- Auditors Letter to the Governing Board
- Past due taxes going back 3 years
- Payment of 15 years of filing fees in Tennessee

Dividend Policy

The new policy which was adopted by the Kootznoowoo, Incorporated Board of Directors at the 2015 December meeting has many benefits such as sustainability for the Corporation, making long-term planning possible by management, dividends to shareholders, strengthening the corporation’s liquidity and net worth and allowing for the future growth of the Corporation. These benefits will ultimately benefit the shareholders and future shareholders by generating greater earnings and increased dividends.

One key factor that will have an effect on 7(j) revenues is that we must plan for its anticipated decline in the revenues received from other regional corporations that rely on oil, minerals into the future.

Please keep in mind this is for “Kootznoowoo Inc. dividends.” The dividends from the Kootznoowoo Permanent Fund Settlement Trust (KPFST) are not affected by this new policy. KPFST is a separate company that is managed by its own Board of Trustees. Dividends from KPFST are distributed every February, June, and October 1st.

The Board of Directors decision to not distribute 7(j) for December 2016:

- 20% for operations and 80% for Admiralty Investment

Businesses

Kootznoowoo, Inc's website is the perfect spot for shareholders to advertise their business. Please send submit a brief summary about your business, contact information and a website link if applicable.

Job Bank

We are accepting resumes, job applications for future temporary jobs. We from time to time hire "temps" for clerical jobs, repair & maintenance jobs at both our Juneau and Angoon buildings. If you are a shareholder or descendant of a shareholder, please submit your resume and/or a job

Events

Please submit announcements that you would like to share, a recent wedding, graduation, birth of a child or grandchild. Submit for inclusion in our Spring 2018 newsletter.

application which we have available to our Juneau office.

Testamentary / Wills

Kootznoowoo, Inc. staff encourages all of our shareholders to complete a testamentary and/or submit a will to Kootznoowoo's corporate office that details who you wish to inherit your Kootznoowoo, Inc. shares. Our testamentary for can be found on our website at

www.Kootznoowoo.com.

A common misconception is that the homesites are "linked" to the shares, that is not true. A will is needed to identify who you would to inherit your homesite, please seek the advice of an attorney for more information about this process.

Forms

Change of address, direct deposit, name change affidavits are available on our website. We encourage all shareholders to update their mailing address and email address with Kootznoowoo to ensure that you receive all correspondence sent to shareholders.

Direct Deposit

Kootznoowoo encourages all shareholders to sign up for direct deposit, please contact the staff if you would like a form to fill out, this form can also be found on our website.

Please contact the office at: (907) 790-2992 if you require additional assistance.

The Kootznoowoo, Incorporated Board of Directors would like to offer their deepest condolences to the families of the shareholders who have passed on. We continue to keep you in our thoughts and prayers.

Chief Executive Officer / General Manager Search

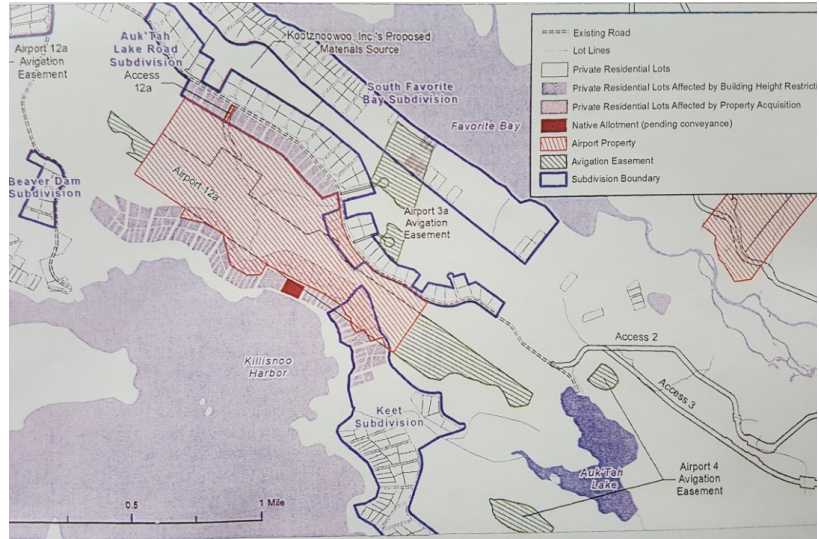
The Kootznoowoo, Incorporated Board of Directors has made it a priority to find a qualified Chief Executive Officer / General Manager to run our for-profit corporation. It is imperative that we find an experienced candidate who can take on the duties as a CEO/GM. For more information about this position and to submit your application please visit the AKHIRE Alaska's Staffing and Employment Agency at: www.akhire.com.

Angoon Airport Update

Many of the residents of Angoon are aware the Angoon Airport site has been chosen by the FAA and EIS. There were two options considered. The first option was called the “wilderness option,” and the second option is mostly located on Kootznoowoo land, city land, and some Shareholder Home Site lots. Both airstrips are the same size (135 + acres) and will cost about the same amount to build. Early in this NEPA analysis, Kootznoowoo committed support and resources to complete the project. The FAA designed option 12a with understanding that lands would be made available for completing the airport. The State of Alaska and FAA decided on 12a to physically locate the runway, we will know which homesite lots will be affected once they determine the final layout and design. Based on the information provided to the community and the Kootznoowoo Board of Directors, “the plan to complete design and have the project ready for construction bidding in 2019. Construction would begin no sooner than 2020.”

Learn more at:

<http://www.angoonairporteis.com/>



Kootznoowoo, Incorporated Newsletter

Kootznoowoo, Incorporated

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