

THE IMPACT OF SEALASKA CORPORATION ON THE SOUTHEAST ALASKA ECONOMY

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Juneau
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FINAL REPORT

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Executive Summary

The purpose of this study is to measure the economic impact of Sealaska Corporation and its subsidiary operations on Southeast Alaska in 2007. This report presents region-wide data and impacts, as well as data for Prince of Wales Island overall, Hydaburg, Hoonah, and Kake.

Sealaska-Related Spending and Employment in Southeast

- Sealaska Corporation, Sealaska Timber Corporation, and Sealaska Heritage Institute spent \$41 million in 2007 in support of corporate and timber-related operations in Southeast Alaska. This spending included payroll and the purchase of goods and services, including timber harvest-related contracts. Spending was spread throughout the Southeast region. Approximately 350 businesses and organizations in 19 Southeast communities received spending from Sealaska-related activities.
- Region-wide, Sealaska and its contractors directly employed approximately 421 full and part-time workers in 2007. These workers earned an estimated \$16 million in payroll.
- Sealaska and its contractor employment combined make the corporation one of the largest for-profit private sector employers in Southeast Alaska.
- Including direct and indirect employment and payroll, Sealaska-related employment totaled nearly 580 workers and approximately \$22 million in payroll in Southeast Alaska in 2007.

Other Sealaska-Related Benefits in Southeast

Sealaska Corporation has a mission broader than paying dividends to shareholders. In addition to generating dividends, Sealaska's mission includes cultural preservation, shareholder education and shareholder hire. Sealaska Corporation provides the seed money for the Sealaska Heritage Institute, which sponsors and supports numerous Native culture programs across Southeast Alaska. Using money set aside by Sealaska Corporation, Sealaska Heritage Institute awarded \$600,000 in scholarships in 2007.

Role of Sealaska in Southeast Communities

Sealaska logging activity and, in particular, ship loading activity, represent important sources of cash to many village residents. A total of 129 Prince of Wales Island residents earned some income from ship-loading in 2007. Though these jobs are part-time, they are an important source of cash income. This income and other Sealaska-related economic activity on Prince of Wales Island are increasingly important in light of the steady decline in the Island's economy and population, which has dropped 15 percent since 2000.

Hydaburg

- In Hydaburg, approximately 70 local residents earned income from Sealaska-related ship-loading and logging activity. Sealaska-related personal income in Hydaburg was approximately \$1.1 million in 2007, about 15 percent of the community's total personal income of \$7 million. Hydaburg continues to struggle economically and is Southeast Alaska's poorest community, in terms of per capita income.

Craig, Klawock and the Prince of Wales (POW) Island Economy

- Sealaska is the single largest source of employment on POW Island. Sealaska-related activity contributed approximately 270 jobs to the POW Island economy in 2007. This includes both full-time and part-time employment in Sealaska logging-related activity. (This count includes employment for residents of Hydaburg as well as other POW communities.)
- Sealaska accounted for approximately \$4 million in personal income to residents of Prince of Wales Island in 2007.
- Sealaska contracts related to logging in the POW area totaled \$19 million in 2007.
- In addition to logging contracts, Sealaska spent \$1 million in 2007 with 28 POW businesses and organizations located in Craig, Hydaburg, and Klawock.

The Prince of Wales Island economy has been in decline in recent years. All of the larger communities on the Island have seen population declines, including Craig (down 21 percent since 2000), Klawock (down 13 percent) and Thorne Bay (down 16 percent). In the absence of Sealaska timber harvests, the decline would have been much more severe. Future Sealaska timber harvests will be key in mitigating further economic decline on Prince of Wales Island.

Kake and Hoonah

- The impact of Sealaska activity in Kake and Hoonah has declined significantly since 2003 (the date of the last McDowell Group community impact study). In Kake, approximately 30 workers earned income from Sealaska-related forest industry activity in 2007 compared to 130 local residents in 2003. Hoonah had 15 Sealaska-related jobs in 2007 compared to 150 in 2003.
- Hoonah's economy has adjusted reasonably well to the decline in Sealaska timber harvest activity, due to increasing economic activity in other sectors of the economy (particularly tourism). While local employment has declined (according to Alaska Department of Labor data), Hoonah's population in 2007 was 852 residents, about equal to the 2003 population of 850.
- Kake's economy continues to struggle with economic decline. The community's population in 2007 totaled 535 residents, 21 percent below the 2003 population of 679 and 31 percent below Kake's peak population of 775 residents in 1998. The decline in Sealaska timber harvest-related activity is only one of several factors that have affected the local economy.

**Summary of Economic Impacts of Sealaska Corporation
on Southeast Alaska, 2007**

Total Southeast Regional Impacts	
Direct employment (peak)	421
Direct + indirect employment (peak)	580
Direct payroll	\$16 million
Direct + indirect payroll	\$22 million
Total direct Sealaska payroll and spending in Southeast	\$41 million
Number of Southeast businesses and organizations receiving Sealaska dollars	350
Number of Southeast communities receiving Sealaska dollars	19
Dividends to Southeast shareholders	\$9.4 million
Local Area Impacts*	
Craig/Klawock and Other POW Island Impacts	
Sealaska-related employment	270
Sealaska-related payroll	\$10 million
Sealaska-related income to POW residents	\$4 million
Hydaburg Impacts	
Sealaska-related employment	70
Sealaska-related income to Hydaburg residents	\$1.1 million
Percentage of total personal income	15%
Hoonah and Kake Impacts	
Sealaska-related employment in Hoonah	15
Sealaska-related employment in Kake	30

*Note: Individual area totals do not include all indirect impacts of Sealaska activity. The numbers in this table are based on the best available data and should be considered estimates.

Introduction

Sealaska Corporation is a Native-owned corporation founded in 1971 as one of the 13 regional Native corporations under the Alaska Native Claims Settlement Act (ANCSA). The corporation's mission is to manage corporate assets to provide economic, social, and cultural benefits to its shareholders. Sealaska is the largest private landholder in the Southeast Alaska, and represents over 19,000 Tlingit, Haida, and Tsimshian shareholders, roughly 40 percent of whom live in Southeast Alaska.

Sealaska's economic activity in Southeast Alaska is generated by its headquarters, its operations subsidiary Sealaska Timber Corporation (STC), and Sealaska Heritage Institute. Sealaska Corporation's cultural and educational mission is administered by Sealaska Heritage Institute, which sponsors and supports numerous Native language and culture programs across Southeast Alaska, including the biennial cultural event, Celebration. Additionally, Sealaska Heritage Institute awards scholarships each year from funds set aside by Sealaska Corporation to Alaska Native who are Sealaska shareholders or shareholder descendants.

The purpose of this study is to measure the economic impact of Sealaska Corporation and its subsidiary operations on the Southeast Alaska economy in 2007. Sealaska Timber Corporation, through a number of contracting companies, harvests and exports logs primarily from Prince of Wales Island areas. Communities specifically affected by logging and ship-loading activity include Hydaburg, Klawock, Craig, and the Prince of Wales economy in general. In the past, Hoonah and Kake have also benefitted from STC timber harvests, but currently, activity in these communities is limited to silviculture-related work. Juneau, as headquarters to Sealaska Corporation and Sealaska Heritage Institute (SHI), benefits from administrative and managerial jobs located in the city.

This analysis includes the employment and personal income effects of Sealaska operations in Southeast overall. Sealaska Corporation, Sealaska Timber Corporation, and Sealaska Heritage Institute provided detailed data on spending and employment in Southeast communities. Additionally, STC provided data on recent timber harvest activity in the region. Key Sealaska contractors were contacted to collect information about the residency of their employees working on Sealaska contracts. This, along with data from the Alaska Department of Labor and Workforce Development (ADOL), the US Bureau of Economic Analysis (BEA), and the US Census Bureau, provided the data used in this analysis.

Personal income is a strong indicator of economic impact in a community or region. However, little data exists on personal income in small communities in Alaska. The most current measure of per capita income for communities such as Hoonah, Kake, and Hydaburg is the 2000 Census. More recent data is available from the BEA for larger geographic areas, such as boroughs or census areas; however, this data does not accurately reflect many of the small communities within these areas.

Given the lack of particularly relevant and timely data, the study team relied on a mix of data to estimate personal income for these communities, including: current employment data and wage rate data (ADOL, 2007); census area level income source data (US Census Bureau, 2000 Census and BEA, 2005); as well as other income data from the Commercial Fisheries Entry Commission (CFEC), based on the value of residents' commercial seafood harvest over the last several years.

Sealaska's Economic Impact in Southeast Alaska

This economic impact analysis focuses on the quantifiable impact of Sealaska Corporation business activity, primarily timber harvesting, on Southeast communities in 2007. Impact measures include spending on payroll and on goods and services in Southeast Alaska, as well as local jobs directly related to Sealaska's activities.

In this section, spending and employment data are provided for Sealaska Corporation headquarters and the Sealaska Heritage Institute, both located in Juneau, and Sealaska Timber Corporation (STC), headquartered in Ketchikan and with employees in Hoonah, Hydaburg, and Craig.

Spending and employment data reveal important economic impacts, but do not provide a complete picture of the corporation's impact on the Southeast region or its communities. Each year Sealaska Heritage Institute awards a number of scholarships to shareholders and shareholder descendents. While the dollar value of scholarships awarded in 2007 is included in this analysis, the long term economic benefits of these investments (such as recipients of educational funding returning to Southeast Alaska with degrees and vocational certificates) are beyond the scope of this report. Sealaska Corporation's shareholder intern program and shareholder hire policy have likewise provided educational and career opportunities that may not otherwise have been available to many Southeast residents. There are also impacts from dividends paid to shareholders. In 2007, Sealaska Corporation paid \$9.4 million to shareholders in Southeast communities, an average of \$500 per shareholder.

Sealaska-Related Spending in Southeast Alaska

Sealaska Corporation headquarters, the Sealaska Heritage Institute, and Sealaska Timber Corporation spent a combined \$41 million in payroll and the purchase of goods and services in Southeast Alaska in 2007. Approximately 350 businesses and non-profit organizations in 19 Southeast communities received Sealaska-related spending in 2007. These businesses include logging and towing contractors, marine service centers, air carriers, and non-profit organizations, among others.

Sealaska Corporation Headquarters Spending

In 2007, Sealaska Corporation headquarters spent approximately \$8.6 million on the purchase of goods and services in Southeast communities, nearly double the amount spent in 2003. Sealaska Corporation spending increased significantly in Kake, from \$66,000 to roughly \$1.6 million between 2003 and 2007, and in Klawock, from \$86,000 to \$900,000 over the same period. These spending increases are largely attributable to the growth of Sealaska's silviculture activities in these areas or, in some cases, a shift from silviculture contractors based in other communities to contractors based in Kake or Klawock. Sealaska's spending in Craig and Hoonah decreased considerably between 2003 and 2007, mostly explained by the decline in silviculture activities with contractors based in those communities.

**Sealaska Corporation Headquarters Spending
in Southeast Alaska, by Community, 2003 and 2007**

Community	2003	2007
Juneau	\$3,314,062	\$4,055,405
Craig	713,244	387,596
Hoonah	158,076	65,742
Hydaburg	136,893	561,927
Ketchikan	102,902	468,929
Angoon	90,959	24,114
Klawock	86,141	860,198
Kake	65,981	1,570,723
Sitka	58,202	48,561
Yakutat	49,858	317,048
Haines	23,225	231,092
All Other Southeast	4,115	12,916
Total Southeast Spending	\$4,803,659	\$8,604,250

Source: Spending data provided by Sealaska Corporation.

Sealaska Heritage Institute Spending

In 2007, the Sealaska Heritage Institute spent a total of approximately \$1.6 million the purchase of goods and services. This includes spending on scholarships awarded to Sealaska shareholders and shareholder descendents. Data on spending by location was unavailable at the time of this report, but if the proportion spent in Southeast is assumed to be similar to that in 2003, it is estimated that the Heritage Institute spent roughly \$980,000 in Southeast communities in 2007. Nearly \$600,000 of the spending in 2007 went to scholarships awarded to Sealaska shareholders or shareholder descendents living around the country, including Southeast communities.

Sealaska Heritage Institute Spending, 2003 and 2007

Region	2003	2007*
Total Spending	\$790,478	\$1,591,618
Spending in Southeast	\$484,923	\$980,000*

Source: Spending data provided by Sealaska Heritage Institute.

*Note: The 2007 figure for Heritage Institute spending in Southeast Alaska is a McDowell Group estimate; actual regional spending data were not available from Heritage Institute or Sealaska Corporation at the time of this report.

Sealaska Timber Corporation Spending

Sealaska Timber Corporation spent \$25 million on the purchase of goods and services in support of Southeast logging activity in 2007, a 33 percent decline in spending since 2003. Most of STC's spending goes to logging, stevedoring, and towing contractors operating in the Prince of Wales Island areas. The following table show STC's direct spending by community in 2003 and 2007.

**Sealaska Timber Corporation Spending
in Southeast Alaska, by Community*, 2003 and 2007**

Community	2003	2007
POW Island	\$17,304,188	\$9,509,940
Ketchikan**	10,750,651	13,594,407
Kake	4,568,216	3,824
Hoonah	4,352,508	782,729
Juneau	209,931	19,310
All Other Southeast	155,107	1,114,891
Unassigned Southeast	242,494	0
Total Spending in Southeast	\$37,583,095	\$25,025,101

Source: Vendor data provided by STC.

*Note: Spending attributed to location of contractor or vendor headquarters.

**Note: Ketchikan spending includes STC contracts for logging and related activity located on POW Island.

Sealaska-Related Employment and Payroll

Sealaska Corporation employment and its contractor employment combined continue to make the corporation one of the largest for-profit private sector employers in Southeast Alaska. In terms of peak employment, Sealaska accounts for more jobs than Alaska Airlines or Greens Creek Mining Company, two of the region's other large for-profit private employers.

Sealaska Corporation headquarters employment in Juneau averaged 45 workers in 2007, with a total payroll of \$3.9 million. Sealaska Heritage Institute employment in Juneau averaged 22 workers, with a total payroll of \$1.4 million for the year. STC directly employed an average of 17 workers in Southeast Alaska in 2007, including ten in Ketchikan, three in Craig, three in Hoonah, and one in Kake. These jobs accounted for \$1.1 million in total annual payroll.

**Sealaska Corporation, Sealaska Timber Corporation, and Sealaska Heritage Institute,
Payroll in Southeast Alaska, 2003 and 2007**

	2003	2007
Sealaska Corporation Headquarters	\$2,219,800	\$3,888,800
Sealaska Heritage Institute	741,540	1,350,400
Sealaska Timber Corporation Headquarters	1,962,190	1,088,000
Total Sealaska Payroll in Southeast Alaska	\$4,923,530	\$6,327,200

Source: Payroll data provided by Sealaska Corporation, Sealaska Heritage Institute, and STC.

Region-wide, Sealaska Corporation, Sealaska Heritage Institute, Sealaska Timber Corporation, and STC contractors employed approximately 421 full-time and part-time workers in 2007 in Southeast Alaska. Annual average employment was 303 workers. This represents a 42 percent decline in the total number of employees (peak monthly employment) from 2003 to 2007 and a 27 percent decline in annual average employment during the same time period. Sealaska-related employment created an estimated \$16 million in payroll to Southeast Alaska workers.

Sealaska-Related Employment in Southeast Alaska, 2003 and 2007

	2003		2007	
	Annual Average Employment	Peak Monthly Employment	Annual Average Employment	Peak Monthly Employment
Sealaska Corporation Headquarters	38	44	45	50
Sealaska Heritage Institute	17	22	22	24
Sealaska Timber Corporation Headquarters	29	30	16	17
Sealaska Timber Corporation Contractors	330	635	220	330
Total Sealaska-Related Direct Employment in Southeast Alaska	415	730	303	421

Source: ADOL, unpublished statewide employer data and STC vendor employment data supplied by STC.

Sealaska Timber Corporation contracts created an estimated 330 jobs in Southeast Alaska in 2007, down from approximately 635 jobs in 2003. This decrease reflects the decline in Sealaska's logging activity in the region in recent years. While payroll data is not available for these contractors, it is estimated that STC contractor jobs accounted for roughly \$10 million in total payroll in 2007, nearly two-thirds of total Sealaska-related payroll in Southeast Alaska that year.

**Sealaska Timber Corporation Contractor Employment
in Southeast Alaska, 2003 and 2007**

Community	2003	2007
Kake	130	30
Hoonah	150	10
Hydaburg	85	70
Craig/Klawock/Other POW	250	200
All Other Southeast	20	20
Total Southeast Employees	635	330

Source: McDowell Group estimates based on vendor employment data supplied by STC and ADOL data.

Sealaska's direct spending on payroll and the purchase of goods and services creates additional economic activity in the local economy, referred to as the multiplier effect. Including direct and indirect employment and payroll, Sealaska-related employment totals approximately 580 workers and \$22 million in payroll in Southeast Alaska, based on McDowell Group estimates.

Sealaska's Impacts in Local Economies

Hoonah

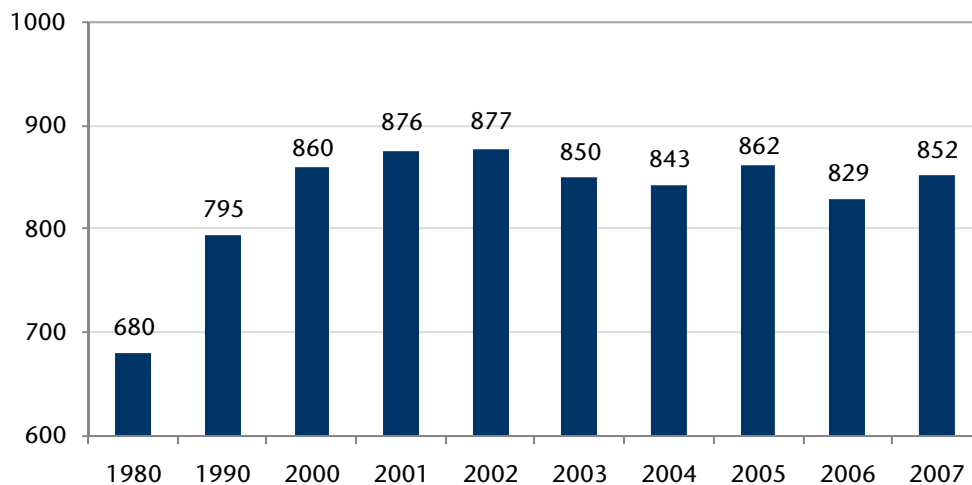
Timber harvests in the Hoonah area have declined significantly in recent years. Sealaska Timber Corporation contractors harvested approximately 1.8 million board feet (mmbf) in 2007 compared to 17 mmbf in 2003. Sealaska activity in Hoonah in 2007 was limited to small scale logging (Casey's Logging was STC's only logging contractor in the Hoonah area) and silviculture.

Population

With 852 residents in 2007, the Chichagof Island community has maintained a fairly steady population since 2000. Between 1990 and 2000, Hoonah's population increased by roughly 7 percent (57 residents) and since 2000, declined only 1 percent (eight residents). Hoonah's economy is based on commercial fishing and seafood processing, local government, tourism, and, although decreasing, timber industry activity.

The nearby Whitestone Logging Camp is no longer populated. The last year the camp had a notable population (60) was in 2003; in 2005, ADOL reported a population of three. Whitestone Logging Camp is not included in the Hoonah population graph below.

Hoonah Population, 1980, 1990, and 2000-2007



Source: ADOL

Employment

Hoonah's leading employer is Point Sophia Development Company, operating just outside the community. Whitestone Logging, the number one employer in 2003, is no longer active in Hoonah. Local government entities, including Hoonah City Schools, the City of Hoonah, and the Hoonah Indian Association, provide many of the wage and salary jobs located directly in the community.

Top Ten Employers in Hoonah, 2007
Non-Agricultural Employment

Employers	Annual Average Employment	Peak Monthly Employment
Point Sophia Development Co.	72	155
Hoonah City Schools	54	77
US Forest Service (Department of Agriculture)	47	61
City of Hoonah	25	27
Hoonah Indian Association	24	28
Hoonah Cold Storage	23	58
Wards Cove Packing Co., Inc.	18	21
Icy Straits Lumber & Milling, Inc.	15	19
Catholic Community Services, Inc.	12	15
The Office Bar	6	9
All Other Employers (36)	83	146
Total Employment	379	616

Source: ADOL, unpublished statewide employer data

ADOL employment figures indicate that the number of jobs in Hoonah has fluctuated in recent years, but was stable between 2006 and 2007. Annual average employment decreased from 417 in 2003 to 379 in 2007. The principal reason for this decline is the loss of Whitestone Logging and Southeast Stevedoring jobs. The loss has been offset to some degree by growth in other sectors, particularly tourism.

Employment in Hoonah, 2003-2007
Non-Agricultural Employment

Year	Annual Average Employment
2003	417
2004	403
2005	431
2006	382
2007	379

Source: ADOL, unpublished statewide employer data.

Commercial Fishing

Commercial fishing activity is an important source of income for Hoonah residents and much of the activity is not captured in ADOL data. Since 2000, Hoonah residents have harvested between two million and three million pounds of seafood annually, with an ex-vessel value (estimated gross earnings) of between \$2 million and \$3 million. However, the harvest and earnings in 2006 were significantly higher than that in previous years.

Commercial Fishing Activity in Hoonah, 2000-2006

Year	Fishermen Who Fished	Permits Fished	Pounds Landed	Est. Gross Earnings
2000	66	106	1,958,834	1,969,411
2001	65	100	2,672,322	2,534,972
2002	55	81	2,429,658	2,140,935
2003	57	87	3,027,157	2,843,567
2004	57	84	2,268,400	2,274,001
2005	61	85	2,659,362	2,456,287
2006	57	80	3,366,360	3,559,648

Source: Commercial Fishing Entry Commission, Permit and Fishing Activity by Community, 2000-2006.

Personal Income

One approach to measuring the impact of a business or industry in a local economy is to examine its relative contribution to personal income. Based on data from the Bureau of Economic Analysis and the US Census Bureau, McDowell Group estimates that personal income in Hoonah totaled approximately \$20 million in 2007.

In 2003, Sealaska-related timber harvest activity directly or indirectly accounted for one-fifth of personal income dollars flowing into Hoonah, or approximately \$2.8 million. Sealaska shareholder dividends added another \$300,000. In 2007, Sealaska-related employment in the Hoonah area was limited to a total of approximately 15 workers, including three STC employees, four to five contract logging jobs, and the balance focused on silviculture activities. These workers earned approximately half a million dollars in payroll. Sealaska also contributed \$385,000 in dividends to Hoonah residents in 2007. In total, Sealaska accounted for approximately \$900,000 in personal income, or about 5 percent of the community's personal income.

Commercial fishing and seafood processing accounted for an estimated \$3.5 million in annual personal income. Over the 2000-2006 period, local commercial fishermen harvested fish with total annual ex-vessel values ranging from of \$2 to \$3.6 million. It is important to note that ex-vessel value represents gross income to fishermen. Net income, or personal income, is the amount of money left over after all expenses have been paid. According to preliminary Commercial Fisheries Entry Commission data, 57 Hoonah resident permit holders fished 80 different permits during 2006. Seafood processing employees earned about \$1 million in 2007.

Hoonah's visitor industry has grown substantially since 2003. The Icy Strait Point cruise ship destination is now a major seasonal employer in the community, with peak season employment of 155 during the summer of 2007. Icy Strait Point, along with employment with other visitor-affected businesses in Hoonah, generated an estimated \$2.5 million in personal income in 2007.

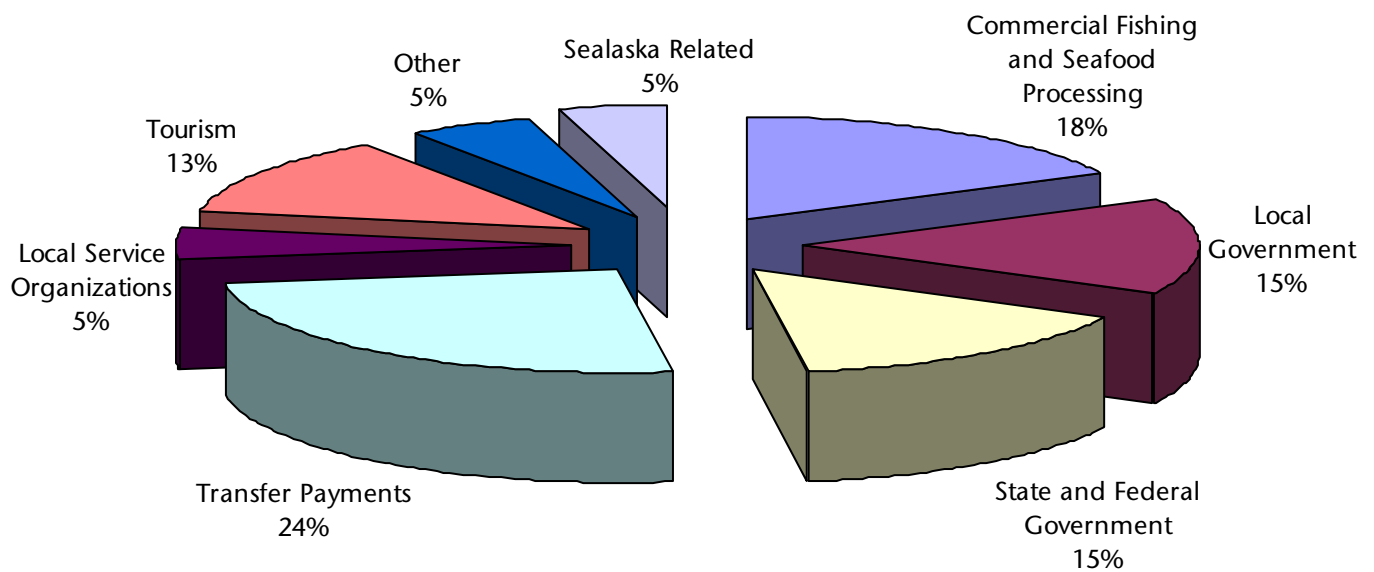
Local government, including the school district, is an important source of personal income in most rural communities, including Hoonah. Local government accounted for an estimated \$3 million in personal income for Hoonah residents in 2007. State and federal government sources of personal income include jobs with the Alaska departments of Public Safety, Fish and Game, and Transportation, as well as the U.S. Department of Agriculture, Forest Service, and totaled \$3 million in personal income in 2007.

Local service organizations include Hoonah Indian Association, Catholic Community Services, Alaska Native Brotherhood, and the local electric cooperative. Together these organizations accounted for approximately \$1 million in personal income in 2007.

Transfer payments accounted for one-fifth of all personal income for Hoonah residents, or approximately \$5 million. Transfer payments include all payments from governments to individuals, such as Permanent Fund dividends, social security payments, welfare payments, and other government transfers.

The "Other" category of personal income includes all other sources, in particular income generated from other private sector commercial activity such as construction, retail sales, and transportation services. The total estimated personal income from this category was \$1 million in 2007.

Sources of Personal Income in Hoonah, 2007
Total Personal Income: \$20 million



Source: McDowell Group estimates.

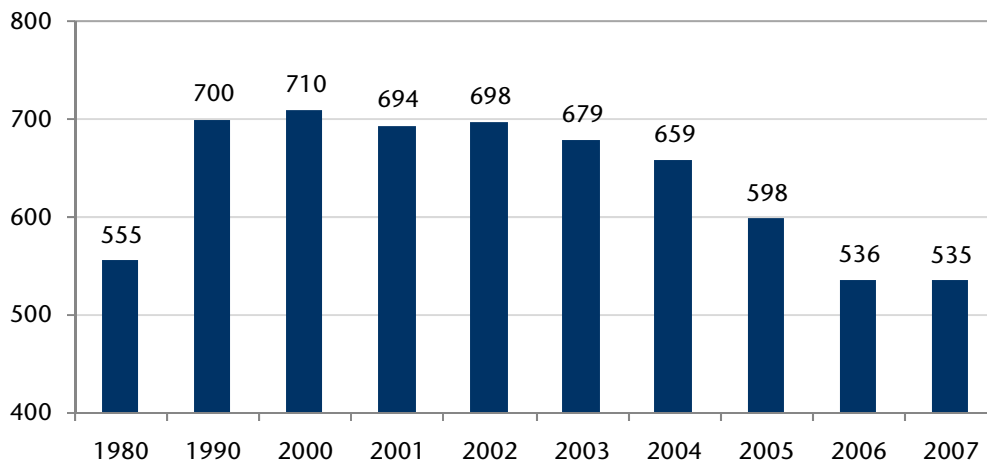
Kake

In the past, Sealaska Timber Corporation timber harvests have played an important role in the Kake economy. However, in 2007 STC did not harvest any timber in the Kake area, compared to 15 mmbf in 2006. An increase in silviculture activities in the area has offset a small portion of the logging related employment decline.

Population

Kake is a community of 535 residents (2007) located on northwest coast of Kupreanof Island. The community's population has declined steadily since 2000, when it had 710 residents. Kake's economy is based on commercial fishing and seafood processing, local government, tourism, and recently silviculture activities.

Kake Population, 1980, 1990, and 2000-2007



Source: ADOL

Employment

ADOL data illustrates the importance of local government and tribal services in terms of employment in Kake. The top three employers are the City of Kake, the Kake City School District, and the Organized Village of Kake. This indicates a shift from 2003, when all three top employers were private-sector companies. Currently, Kake Tribal Corporation is the community's largest private-sector employer, and the fourth largest employer overall.

Top Ten Employers in Kake, 2007
Non-Agricultural Employment

Employers	Annual Average Employment	Peak Monthly Employment
City of Kake	27	37
Kake City School District	25	33
Organized Village of Kake	25	28
Kake Tribal Corporation	23	36
Southeast Alaska Regional Health Consortium	14	15
SOS Value-Mart, Inc.	13	15
Gunnuk Creek Hatchery	13	19
CSC Tree Service, Inc.	10	36
Catholic Community Services, Inc.	5	6
LAB Flying Service, Inc.	5	6
All Other Employers (17)	33	59
Total Employment	193	290

Source: ADOL, unpublished statewide employer data.

Consistent with population trends, employment in Kake has declined dramatically in recent years. From an annual average employment of 311 jobs in 2003, the community's employment fell to 193 in 2007. Much of the decrease in employment since 2003 can be attributed to the cessation of Kake Tribal Logging and Timber operations in 2004 and Kake Foods in 2006. Together, these two companies averaged 108 jobs in 2003, according to ADOL.

Employment in Kake, 2003-2007
Non-Agricultural Employment

Year	Annual Average Employment
2003	311
2004	200
2005	197
2006	218
2007	193

Source: ADOL, unpublished statewide employer data.

Commercial Fishing

Similar to Hoonah, commercial fishing activity is an important source of income for Kake residents and much of the activity is not captured in ADOL data. While participation in commercial fisheries has declined significantly in recent decades, ex-vessel values have been fairly stable since 2000, with the exception of 2001 and 2006, when estimated gross earnings from commercial fishing increased to more than \$1 million.

Commercial Fishing Activity in Kake, 2000-2006

Year	Fishermen Who Fished	Permits Fished	Pounds Landed	Est. Gross Earnings
2000	28	45	1,080,533	890,473
2001	26	42	2,725,561	1,018,276
2002	26	43	2,880,472	816,637
2003	24	39	2,729,637	866,699
2004	30	43	1,290,479	883,110
2005	27	37	970,284	810,470
2006	25	38	1,216,054	1,067,021

Source: Commercial Fishing Entry Commission, Permit and Fishing Activity by Community, 2000-2006.

Personal Income

Based on data from the Bureau of Economic Analysis and the US Census Bureau, McDowell Group estimates that personal income in Kake totaled approximately \$11 million in 2007.

In 2003, Sealaska directly or indirectly accounted for about one-fifth of all personal income dollars flowing into Kake, or approximately \$2.5 million (including \$190,000 in dividends). In 2007, Sealaska-related employment in the Kake area was limited to roughly 30 jobs, all focused on silviculture activities. These workers earned approximately half a million dollars. Sealaska also contributed \$280,000 in dividends to Kake residents in 2007. In total, Sealaska accounted for approximately \$800,000 in personal income or about 7 percent.

Commercial fishing accounted for an estimated \$600,000 in annual personal income. During the 2000-2006 period, local commercial fishermen harvested fish with ex-vessel values ranging from \$800,000 to nearly \$1.1 million, according to Commercial Fisheries Entry Commission data. In 2006, 25 Kake resident permit holders fished 38 different permits.

Local government, including city offices and the Kake City School District, contributed \$2 million in personal income to community residents in 2007, approximately 18 percent of all local personal income.

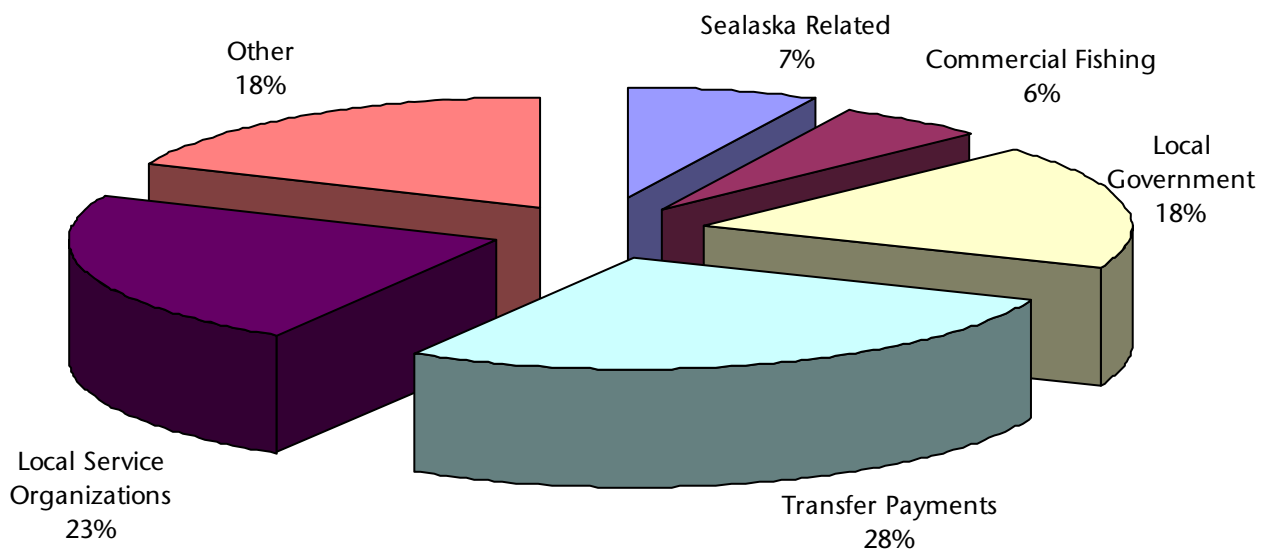
Local service organizations include Organized Village of Kake, Southeast Alaska Regional Health Consortium (SEARHC), the Rural Alaska Community Action Program, and other organizations providing services to local residents. Together these organizations accounted for approximately \$2.5 million in personal income, or 23 percent of total personal income in 2007.

In 2007, transfer payments accounted for approximately one-quarter of all personal income for Kake residents, or about \$3.0 million. Again, transfer payments include all payments from governments to individuals, such as Permanent Fund dividends, social security payments, welfare payments, and other government transfers.

The "Other" category of personal income includes all other sources, in particular income generated from other private sector commercial activity such as construction, retail sales, and transportation services. It also includes state and federal government, which employ a small number of Kake residents. The total estimated personal income from this category was \$2 million in 2007.

Sources of Personal Income in Kake, 2007

Total Personal Income: \$11 million



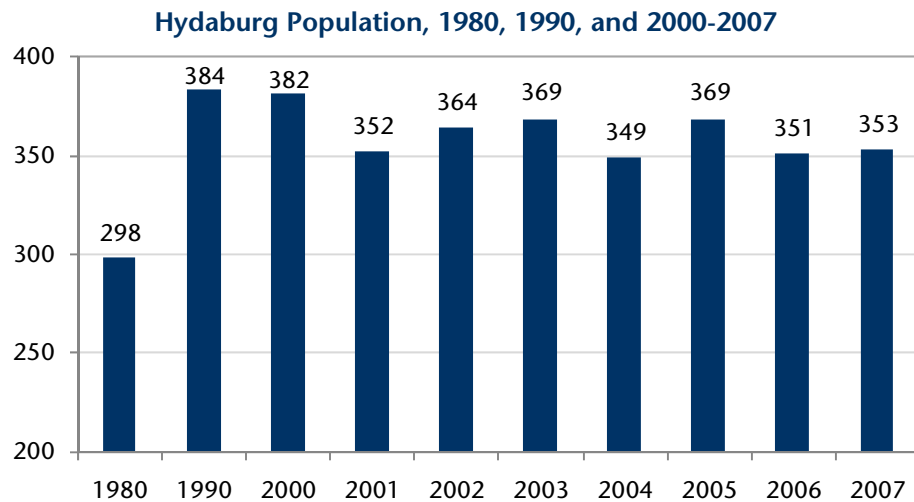
Source: McDowell Group estimates.

Hydaburg

Of Sealaska Timber Corporation's harvest areas, the Hydaburg area continues to yield the most timber; however, it too has seen substantial harvest declines in recent years. In 2007, STC harvested 31 mmbf in the Hydaburg area, down from 81 mmbf in 2004.

Population

Located in the southern part of Prince of Wales Island, Hydaburg has maintained a fairly stable population since 1990, ranging between 350 and 385 residents. In 2007, the community had a population of 353. Hydaburg's economy is based on commercial fishing activity, timber harvesting, and local government.



Source: ADOL

Employment

Like other remote villages in Southeast, Hydaburg's local school district and tribal council provide a significant number of jobs within the community. Southeast Stevedoring is the top private sector employer in the community, providing one-fifth of the annual average employment in 2007. Southeast Stevedoring reported having 60 Hydaburg residents on their payroll in 2007.

Top Ten Employers in Hydaburg, 2007
Non-Agricultural Employment

Employers	Annual Average Employment	Peak Monthly Employment
Hydaburg City School District	19	24
Hydaburg Cooperative Assoc. (IRA)	17	20
Southeast Stevedoring	15	33
Southeast Alaska Regional Health Consortium	11	13
Haida Corporation	7	10
City of Hydaburg	4	5
Catholic Community Services, Inc.	2	3
Grants Towing, Inc.	2	3
US Postal Service	2	2
Rural Alaska Community Action Program	1	1
All Other Employers (2)	1	3
Total Employment	80	117

Source: ADOL, unpublished statewide employer data.

Between 2005 and 2007, employment in Hydaburg has remained stable. A couple of the community's top employers, namely the Hydaburg Cooperative Association and Southeast Stevedoring added a few jobs during that time.

Employment in Hydaburg, 2003-2007
Non-Agricultural Employment

Year	Annual Average Employment
2003	73
2004	71
2005	77
2006	80
2007	80

Source: ADOL, unpublished statewide employer data.

Commercial Fishing

Participation in commercial fishing activity in Hydaburg has followed a declining trend similar to that in other small coastal communities in Southeast Alaska. However, estimated gross earnings from commercial fishing in the community have been increasing in recent years and reached a high of 800,000 in 2006. Between 2000 and 2006, local commercial fishermen harvested fish with an average annual ex-vessel value of approximately \$600,000, according to Commercial Fisheries Entry Commission data.

Commercial Fishing Activity in Hydaburg, 2000-2006

Year	Fishermen Who Fished	Permits Fished	Pounds Landed	Est. Gross Earnings
2000	21	31	934,741	510,161
2001	21	36	1,317,315	543,303
2002	18	31	936,243	368,737
2003	23	35	894,144	511,539
2004	21	34	1,189,482	643,253
2005	23	37	1,346,739	620,792
2006	22	40	965,068	832,459

Source: Commercial Fishing Entry Commission, Permit and Fishing Activity by Community, 2000-2006.

Personal Income

Based on McDowell Group estimates, Hydaburg's personal income totaled approximately \$5 million in 2007. The community typically has among the lowest per capita income rates in the state. At the time of the census, per capita income in Hydaburg was \$11,401, about half the Alaska average.

In 2003, Sealaska timber harvests accounted for one-quarter of all personal income in Hydaburg. Southeast Stevedoring was the largest Sealaska-related source of employment, contributing about \$600,000 in personal income to the community during that year. Corporate dividends contributed another \$190,000 in income to residents. In 2007, Sealaska-related personal income to Hydaburg residents totaled approximately \$700,000, including just under \$500,000 from Southeast Stevedoring employment. Dividends paid to Sealaska shareholders in 2007 contributed another \$200,000.

Commercial fishing accounted for an estimated \$500,000 in annual personal income for the 22 Hydaburg resident permit holders who fished 40 different permits.

Local government, including the school district, accounted for an estimated \$1 million in personal income in Hydaburg.

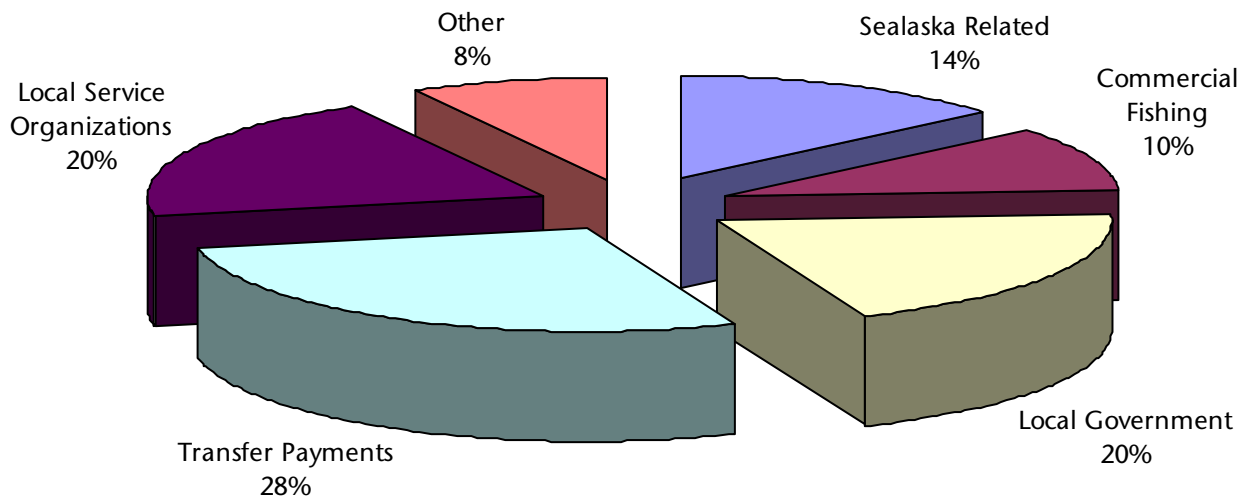
Local service organizations, including Southeast Alaska Regional Health Consortium, the Rural Alaska Community Action Program, and the Hydaburg Cooperative Association IRA, accounted for an additional \$1 million in personal income.

Transfer payments accounted for just over one-quarter of all personal income for Hydaburg residents in 2007, or about \$1.4 million. Again, transfer payments include all payments from governments to individuals, such as Permanent Fund dividends, social security payments, welfare payments, and other government transfers.

The “Other” category of personal income includes all other sources, including Haida Corporation, other local businesses, and US Postal Service positions. The total estimated personal income from this category was roughly \$400,000.

Sources of Personal Income in Hydaburg, 2007

Total Personal Income: \$5 million



Source: McDowell Group estimates.

Craig, Klawock and the Prince of Wales Island Economy

Since 2000, the population of POW has declined 15 percent, primarily due to reduced timber harvests, and a range of other economic factors. The Island's population was 4,581 in 2000 and 3,893 in 2007, a loss of 688 residents.

POW Island Population, by Community, 2000, 2006 and 2007

Community	2000	2006	2007	% Change 2000-2007
POW Island	4,581	3,991	3,893	-15%
Craig	1,725	1,407	1,359	-21%
Klawock	854	780	743	-13%
Thorne Bay	557	481	467	-16%
Hydaburg	382	351	353	-8%

Source: ADOL

The POW Island economy is a mix of timber industry, commercial fishing, government, and tourism related employment. Local government (including school district employment) continues to be a mainstay of the POW economy; three of the four top employers were local government entities in 2007. Other key employers include Alaska Commercial Company, the US Forest Service, Viking Lumber, and Southeast Regional Health Consortium. While depressed ex-vessel salmon prices caused the region's fishing industry to slow in the earlier part of the decade, prices have rebounded to some extent in recent years. The ex-vessel value of POW's 2006 harvest was 55 percent higher than its 2000 harvest.

Top Ten Employers on Prince of Wales Island, 2007
Non-Agricultural Employment

Employers	Annual Average Employment	Peak Monthly Employment
Craig City School District	83	96
Alaska Commercial Company	82	103
City of Craig	63	70
Southeast Island School District	56	76
US Forest Service (Department of Agriculture)	49	58
Klawock City School District	37	46
Viking Lumber Company, Inc.	36	38
Southeast Alaska Regional Health Consortium	33	36
Alaska Power & Telephone Co.	31	34
City of Klawock	28	31
All Other Employers (142)	691	1,174
Total Employment	1,187	1,762

Source: ADOL, unpublished statewide employer data.

Though Sealaska's timber harvests on POW Island have declined from 65 mmbf in 2003 to 48 mmbf in 2007, the corporation remains a strong component in the POW economy. Sealaska-related timber harvests are collectively the largest source of employment on the island. In 2007, Sealaska-related employment on POW Island totaled approximately 270 full and part-time jobs and \$10 million in payroll, compared to 335 full and part-time jobs and \$12 million in annual payroll in 2003. In 2007, Sealaska and STC spent \$20 million on POW-related activity, including spending with 28 local businesses. This compares to \$25 million in total spending in 2003.

Sealaska directly or indirectly accounted for \$4 million in personal income for POW residents in 2007, representing 4 percent of the Island's total personal income of approximately \$92 million.