Alaska Supreme Court reinstates fraud verdict against Ellsworth

AIC, CIRI, Nabors reputations’ vindicated in ruling ending 7-year legal battle

The Alaska Supreme Court ruled in favor of Alaska Interstate Construction (AIC) and subsidiaries of CIRI and Nabors Drilling on Feb. 10, in a lawsuit filed in 2005 against John Ellsworth and an Ellsworth-owned entity, Pacific Diversified Investments Inc. (PDI).

In 1998, CIRI and Nabors restructured AIC so that each company was a 40-percent owner, and John Ellsworth became a 20-percent owner who was responsible for managing the day-to-day operations of the company. CIRI and Nabors discovered that Ellsworth had committed fraud and other misconduct while operating AIC. In Ellsworth’s final days at AIC, he shredded more than 6,000 pounds of AIC-related documents in an attempt to destroy evidence of his misdeeds.

AIC, CIRI and Nabors filed suit against Ellsworth on May 16, 2005. The lawsuit asserted that Ellsworth stole millions of dollars from AIC, primarily through fraudulent billing for aircraft services.

An Alaska superior court jury agreed with plaintiffs AIC, CIRI and Nabors, and on Oct. 8, 2007, returned a verdict of almost $8 million against Ellsworth and PDI. The jury also determined the purchase price CIRI and Nabors owed Ellsworth for his 20-percent ownership interest in AIC. However, after the trial, the judge vacated a portion of the jury’s verdict under the Unfair Trade Practices Act, which would have entitled CIRI, AIC and Nabors to an additional $15 million award.

AIC, CIRI and Nabors appealed that decision and other issues, including the correct purchase price of Ellsworth’s interest to the Alaska Supreme Court. Ellsworth and PDI cross-appealed, challenging other rulings of the trial court. The jury’s fraud verdict against Ellsworth was not appealed.

On Friday, Feb. 10, the Alaska Supreme Court issued its decision on the appeals. The opinion was highly favorable to AIC, CIRI and Nabors. The decision affirmed earlier jury findings that Ellsworth committed “multiple acts of fraudulent conduct” against AIC, CIRI and Nabors, including “fraud by non-disclosure, fraud by affirmative misrepresentation, conversion, breach of fiduciary duty and breach of the covenant of good faith and fair dealing.” The Supreme Court reinstated the unfair trade practices verdict, which assuming no further appeal, eventually vanished.

Alaska Supreme Court, continued on page 5

CIRI partners invest in large-scale wind energy Outside

Capistrano Wind Partners created to acquire and operate a portfolio of wind projects

CIRI partnered with Edison Mission Energy, a subsidiary of Edison Mission Group (EMG), Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) to form Capistrano Wind Partners LLC, a partnership that will acquire and operate large-scale wind energy projects nationwide.

“CIRI is excited to team with such strong development and financial partners as Edison Mission Group and TIAA-CREF,” said Stig Colberg, CIRI chief financial officer. “This transaction promises a reliable preferred return on CIRI’s investment while solidly establishing CIRI as a financier of sustainable, domestic energy infrastructure that will decrease our nation’s reliance on imported energy. CIRI looks forward to working with our new partners to pursue current and future opportunities for investment in utility-scale wind power generation.”

Capistrano Wind Partners will invest in a diversified portfolio of high-quality wind projects in several states that will be acquired from EMG, who will develop the projects. All wind projects in the portfolio will have long-term power sales agreements in place with electric utilities and will be operational at the time of acquisition. Upon its formation, Capistrano Wind Partners acquired the Mountain Wind I and Mountain Wind II wind farms in Wyoming, with a combined generation capacity of 141 megawatts, and the Cedro Hill wind farm in Texas, with generation capacity of 150 megawatts, all of which are already in commercial operation. The partnership expects to make additional acquisitions later in 2012 and in 2013.
A word from the president

Accomplishments, smooth transition and bright future

By: Margie Brown, CIRI president and CEO

Dear Fellow Shareholders:

More than seven years ago I wrote my first message to you. A month earlier, I had been selected by CIRI’s Board of Directors to serve as the Company’s next President and CEO. In my message, I described my plan for my first 100 days on the job: first, absorb the condition of the Company; second, familiarize myself with the talented pool of employees I would supervise; and third, chart a course forward. At that time, internal political strife had taken a toll on the Company. But CIRI’s underpinnings were strong, its mission clear. And although I was not selected from the then-current ranks of CIRI’s employees, I had deep knowledge of the Company. As you may recall, I previously managed the Company’s land and resources division for nearly 20 years. In many respects, I grew up with the Company, having started my employment as a young woman nearly fresh out of college.

Within those first 100 days, it became evident that three things needed attention. We needed to devise and implement a plan to exit our investments in Lake Las Vegas. We needed to reach a settlement with the IRS over the Company’s resource valuations and in the process be able to eliminate the note of materiality in our financial reports. And we needed to refresh our view of the businesses we owned and business segments that we should be targeting for acquisition.

We accomplished the first two goals within the first two years. With those issues behind us, we turned our attention beyond problem solving to strategic planning. How exciting it was to do this, to imagine again what CIRI could become, how we could make investments that would allow the Company to grow. Our most recent investments in energy development, real estate, environmental services, construction services and marine services have added to our long-standing investments in tourism and oilfield services and will provide benefits to CIRI shareholders for years to come.

I made several commitments to the CIRI Board in late 2004. First, I promised to give the Board at least five years of service in the position. It was viewed, rightly so, that it would take time to accomplish what we thought needed to be done. Second, I promised fairness in my dealings with them, as individuals and as the governing body of CIRI, a promise that I have strived to achieve throughout my tenure. Third, I made a commitment to build a strong, vibrant executive team -- a deep bench to use a sports analogy -- that would provide a measure of comfort and would allow for a smooth transition in future succession events.

The five years of my original commitment sped by remarkably quickly. I have been fortunate to have been granted two extensions beyond my first contract term. I have enjoyed my work beyond measure, working for CIRI shareholders and the CIRI Board and alongside my colleagues. Much has been accomplished toward the goals that I first identified seven years ago. CIRI is a well-functioning company with a talented work force. We have solved problems and made strategic investments. We have done this while adhering to our goal to provide a steady stream of dividends to CIRI shareholders while balancing their current needs with the needs of the Company and conserving resources for future growth so that dividends can be provided to current shareholders as well as future generations of CIRI shareholders. And in spite of the financial calamity that befell the nation and global economies a few short years ago, we emerged a stronger, more vibrant company.

It is then with a certain sense of accomplishment I announce to you, the CIRI shareholders, my intention to step aside as president and CEO early next year as I complete eight years in the position. I have been involved in leading this company in one position or another for more than 35 years, and it is from this perspective that I know it is time for new leadership to step to the helm of our great company.

My decision comes as no surprise to the CIRI Board of Directors, as I have been working with them since last fall on a recruitment and transition plan. In these discussions, I reminded the Board of my fourth promise to them upon my hiring, which was to work with them to provide for as smooth and seamless a transition as possible as they select my successor. The CIRI Board and I remain committed to see this admittedly delicate task accomplished in this way.

My commitment to CIRI is life-long, and I eagerly look forward to ways to continue to contribute to CIRI’s success. I will be eternally grateful for the support and respect that you, the CIRI shareholders, have shown me and for the guidance that I have received from the CIRI Board. While my decision to step aside has a lot to do with the nature of corporate governance and the Company’s natural progression, it is deeply personal as well. I am often asked what about my job I enjoy the most. It is my association with my fellow employees, without whose support achieving any measure of success would not be possible. I will miss my daily interaction with them.

I will be working hard throughout the rest of my term on business as usual. We have accomplished so much already in this last year of my service, but we have so much more to do: a wind farm to build, new investments to make, new businesses to incorporate into the CIRI family of companies and plenty of work within our existing lines of business.

In the past I have assured you that CIRI’s best days lie ahead. I remain confident that this is the case now.

With deep respect and gratitude,

Margie Brown

CIRI Board of Directors

Charles G. Anderson, Aletut, Chair
Roy M. Huldnorf, Yup’ik, Chair Emeritus
Patrick M. Marrs, Aletut, Vice Chair
Thomas R. Huldnorf, Yup’ik, Secretary
Michael R. Boling, Athabascan, Treasurer
Douglas W. Pjes, Tingit, Assistant Secretary
Penni L. Carty, Aletut, Assistant Treasurer
Hallie L. Biselt, Athabascan
Rolf A. Dugg, Yup’ik
Erik L. Frostad, Athabascan
Jeffrey A. Gonnason, Haida
Robert E. Harris, Impup
Katrina M. (Dolchuk) Jacuk, Aletut
Ted S. Krato Sr., Athabascan
Louis “Lou” Nagy Jr., Yup’ik

CIRI Board undertakes President and CEO recruitment and transition

Succession planning is one of the most important duties of the CIRI Board of Directors. Last September, the Board began succession planning discussions after President and CEO Margie Brown’s announcement of her plan to retire in early 2013, after eight years in the position.

Working with a timeline it has developed, the Board is in the process of identifying qualified candidates, both within CIRI and from outside the Company. The Board intends to evaluate candidates for the position of President and CEO carefully and to provide for a smooth and orderly transition following the selection.

CIRI shareholders can learn more about qualifications for the president and CEO position and the Board’s selection process by visiting http://www.ciri.com/content/shareholders and clicking on the “President and CEO recruitment and transition” link for additional information.
CIRI Spotlight: Kristel Komakhuk

CIRI shareholder honored with 2012 Top Forty Under 40 Award

Kristel Komakhuk was honored as a 2012 Top Forty Under 40 recipient on March 8, at Anchorage’s Denaina Civic and Convention Center. Each year, the Alaska Journal of Commerce honors up-and-coming Alaskan leaders who are under 40 years old and demonstrate professional excellence and a commitment to their community.

Komakhuk, who holds a bachelor’s degree from the University of Alaska Anchorage in business management with an emphasis in marketing, is development director at First Alaskans Institute, where she helps manage development and fundraising strategies. She also recently became involved in the operations of the newly acquired First Alaskans Magazine, which is now owned by First Alaskans Institute.

Her family is from Nome and Tatitlek. She grew up in Anchorage and is Alutiiq and Inupiaq. After her 19-year-old brother died by suicide in 2010, Komakhuk found courage to make it a personal goal to work toward raising awareness about suicide and suicide prevention.

“I don’t want others to have to endure the pain that my family experienced,” said Komakhuk. “While there are many organizations working toward reducing suicide in Alaska, I believe that there can never be too much work done or awareness of suicide prevention in our state.”

Komakhuk recently joined the board of the newly formed American Foundation for Suicide Prevention, Alaska Chapter, where she passionately works to raise awareness about suicide and suicide prevention. Other community activities keep Komakhuk extra busy as well.

She serves on the board of the Tatitlek Corp. and Chugach Support Services Inc., a subsidiary at Chugach Alaska Corp. She is an active member of the Alaska Native Professional Association and the Association of Fundraising Professionals. On top of it all, Komakhuk is the mother of an elementary-school-age son, Alex. Her hobbies include outdoor activities, traveling, enjoying live music, exercising, reading, and spending time with her son, her dog, Henry, and her family.

Her goal is to look back on her life with great happiness, a life that includes her maternal grandparents, Minnie Komakhuk and Miranda Barnes, have instilled strength in her.

Komakhuk invites CIRI shareholders and the public to join her on the Out of the Darkness Community Walk on Saturday, May 12, beginning at the west end of the Delaney Park Strip at 9 a.m. The walk will raise funds to benefit the American Foundation for Suicide Prevention and aims to help raise awareness of depression and suicide. Learn more about the walk by visiting www.afsp.org.
CIRI to distribute resource revenue payments April 2
Payment will be $15.1740 per share

CIRI will distribute resource revenue payments to its at-large shareholders in the amount of $15.1740 per share, or $1,517.40 if you own 100 shares on Monday, April 2. Section 7(i) of the Alaska Native Claims Settlement Act (ANCSA) requires each regional corporation to share 70 percent of its net resource revenues received from ANCSA lands with the other regional corporations. Under section 7(j) of ANCSA, the percentage of the 70 percent pool that a regional corporation receives is divided equally between itself and the village corporation and at-large shareholders in its region. The directors of each village corporation determine whether to distribute the 7(j) amounts it receives to its shareholders. Additional information on resource revenue payments can be found by visiting www.ciri.com/content/shareholders/ResourceRevenueDistributions.aspx.

Chanlyut House opens
Program doubles its capacity to make greater impact

Cook Inlet Tribal Council (CITC) has opened a new residence called Chanlyut House for participants of Chanlyut, the council’s two-year residential, vocational and educational program for men working to overcome the challenges of addiction, homelessness and/or reentering society after incarceration. The new 7,000-square-foot residential facility expands the current program capacity from 20 to 50 and provides space to accommodate future growth while supporting the goals of the Chanlyut program and its business-training schools.

Program participants work for room and board, while Chanlyut provides a structured, yet self-governed path that stresses personal growth through hard work, commitment to change and taking personal responsibility for one’s actions. Chanlyut is modeled after San Francisco’s successful Delancey Street organization and builds upon Alaska Native values.

Chanlyut is a Dena’ina Athabascan word meaning “new beginnings.” The Chanlyut program relies on community donations for residential furnishings, participants’ clothing and items for business-training schools. Professional services such as teaching and tutoring, dental services and health care are needed as well. Please contact CITC Development Director Kelly Hurd at (907) 793-3272 or khurd@citci.org, or visit www.citci.org to learn more about making a contribution. Learn more about Chanlyut at www.chanlyut.com.

North Wind president named a Woman of the Year

The Idaho Business Review named North Wind President and CEO Sylvia Medina a 2012 Woman of the Year. Medina was honored along with other Women of the Year recipients on Feb. 21 at an awards event in Boise, Idaho, for her dedication to supporting youth and education programs, the arts, environmental conservation efforts and her local community.

Medina recently led a successful effort to open a community dog park and is leading the effort to help raise more than $3 million dollars to build a state-of-the-art animal shelter in Idaho Falls, Idaho. Medina serves as president of the Snake River Animal Shelter and as a board member of the Idaho State University Foundation, Holy Rosary School, Women Impacting Public Policy, Green Kids Inc. and the Institute for the Economic Empowerment of Women.

North Wind was formed by Medina in 1997, and is now a wholly owned CIRI subsidiary and a small business leader in environmental cleanup and restoration, waste management, engineering, project management and construction services for government and large industrial and resource development sites nationwide and internationally. North Wind also offers natural and cultural resource consulting, geographic information services, information technology and related services.

In January, North Wind was invited to serve on the Idaho Governor’s Nuclear Energy Leadership Commission. In early February, North Wind won a $2.6 million contract for a remedial investigation and feasibility study at the Fort Morrow/Port Heiden site in Alaska, a former World War II military site. The site is located on the Alaska Peninsula, approximately 430 miles southwest of Anchorage. Stay informed of North Wind news and employment opportunities by visiting www.northwindgrp.com.
CIRI Board halts share fractionalization

Shareholders encouraged to consider whether their stock wills require updating

An ever increasing number of shareholders own fractional or small shares of CIRI stock. Between September 1999 and September 2011, there was a 142 percent increase in the number of shareholders with one share or less.

The increase in shareholders owning fractional shares is due primarily to shareholders passing away without a valid will on file for their CIRI shares, or who pass away without updating their wills after gifting some of their CIRI shares away or after a beneficiary named in the will dies. Fractional shares create a disproportionate increase in administrative cost and burden to your Company. The cost to send newsletters and other mailings to someone who owns less than one share is the same as sending those same items to shareholders with a larger number of shares. But the owners of fractional or small shares often fail to keep a current mailing address on file, vote in CIRI elections or cash their dividend checks.

Without action, fractional share interests would continue to get smaller over time, while the number of fractional shares and the associated administrative costs would increase. Fortunately, Alaska law not only authorizes corporations to institute requirements that limit the transfer and issuance of its stock to whole shares, but by statute encourages the issuance of whole shares. The majority of the ANCSA regional corporations have never allowed—or passed resolutions to disallow—fractional shares. At its October 2011 meeting, the CIRI Board of Directors passed a resolution to do the same.

The resolution approved by the Board established a policy effective June 1, 2012 to freeze CIRI’s existing fractional shares by:

1) prohibiting fractional shares from being further divided; and 2) prohibiting single shares from being split.

Based on the new policy, CIRI shares shall be allocated based on the following guidelines and processes:

Existing fractional shares: CIRI will make transfers of fractional shares that existed on June 1, 2012; however, such fractional shares of stock may not be further divided.

Thus, if a fractional share is to be transferred via a valid will, and if such transfer would not further divide the fractional share, the transfer will occur. However, if following the transfer instructions would result in further dividing the fractional share, the allocation of the entire fractional share shall instead be made to a single recipient based on the results of a random drawing conducted by CIRI from the persons named in the transfer instructions.

If the prior holder did not leave a valid will, then the allocation of the entire fractional share shall be made to a single recipient based on the results of a random drawing conducted by CIRI from the names of the spouse, if applicable, and of eligible recipients beginning with the generation closest to the deceased shareholder.

Disposition when there are less shares than heirs: A whole share of stock may not be further divided in order to make a transfer.

Instead, if the transfer is being made pursuant to a valid will with more named recipients than whole shares, the shares shall be allocated based on the results of a random drawing conducted by CIRI from the names of eligible recipients in the transfer instructions, such that whole shares are distributed to as many of the eligible recipients as possible without the creation of new fractional shares.

If the prior holder did not leave a valid will, one-half of the whole shares shall be distributed to the spouse (as required by law). The remainder of the whole shares shall be allocated based on the results of a random drawing conducted by CIRI from the names of eligible recipients beginning with the generation closest to the deceased shareholder, such that whole shares are distributed to as many of the eligible recipients as possible without the creation of new fractional shares. A second random drawing shall be conducted by CIRI from the names of the winners of the first drawing to determine the sole recipient of any fractional shares.

If the prior holder did not leave a valid will and there is no spouse, the same process is followed except that 100 percent of the shares are allocated based upon the drawing versus the remaining 50 percent.

Disproportionate allocation of shares (e.g., 100 shares and three heirs): If the transfer is being made pursuant to a valid will, regardless of the prior holder’s instructions, in instances where an allocation of shares would result in the creation of new fractional shares, CIRI shall instead allocate all fractional portions to a single recipient based on the results of a random drawing conducted by the Corporation from the names of eligible recipients.

CIRI dividend, Elders’ payment news

CIRI will mail or directly deposit its first quarter 2012 dividend of $8.48 per share on March 30. Shareholders who own 100 shares of stock will receive $848. Payments from the CIRI Elders’ Settlement Trust was mailed or directly deposited on March 9 in the amount of $450.

The deadline for signing up for direct deposit or changing an existing direct deposit instruction for the first quarter dividend was 3 p.m., March 19.

The deadline for shareholder address changes for the first quarter dividend was 3 p.m., March 21. For future mailing, address change forms can be downloaded from CIRI’s website and mailed to P.O. Box 93330, Anchorage, Alaska 99509-3330, or faxed to (907) 263-5186. Please call the Shareholder Relations Department at (907) 263-5191 or toll-free at (800) 764-2474 to confirm receipt of the fax. For information on dividend amounts, address changes, direct deposit or lost and missing dividends, visit CIRI’s website. Shareholders may also call CIRI’s dividend hotline at (907) 263-5100 or toll-free at (800) 764-2435.

Alaska Supreme Court

will entitle plaintiffs AIC, CIRI and Nabors to collect more than $21 million from Ellsworth and his companies.

“This decision vindicates AIC’s, CIRI’s and Nabors’ long-standing reputations as principled business partners and honest corporate citizens that deal in good faith with customers, owners and the public,” said Steve Percy, AIC president.

It will take months, possibly more than a year, for AIC, CIRI and Nabors to collect on their shares of the award. The Supreme Court remanded the case back to superior court to determine and rule on prejudgment interest. That process will involve the parties taking several months to file relevant motions, followed several months later by oral arguments. The court may then take up to six months to rule. After the final judgment is entered, it will take additional time and process to achieve collection. The amount actually collected will be split among AIC, CIRI and Nabors.

CIRI’s portion of the final judgment will be treated like other CIRI income. It will be accounted for at the end of the year and included in CIRI shareholders’ equity. CIRI’s Board policy is to pay an annual CIRI dividend to shareholders that is equal to 3.50 percent of the total shareholders’ equity, calculated on Dec. 31 of the prior year. This policy anticipates that the total annual dividend will be paid out in four quarterly installments, distributed at the end of March, June, September and in mid-December.

CIRI and AIC thank the Alaska Court system for its service in this lengthy and complex litigation, and commends members of the original trial jury for their careful consideration of the evidence and the Supreme Court for its careful consideration of the legal issues.

The public can view the opinion by visiting http://courts.alaska.gov/sp.htm and opening Supreme Court case No. S13478/23667.
In Memory

David William Arb, 44
David William Arb died Oct. 12, 2011, at home in Ocean Park, Wash. Mr. Arb was born in Portland, Ore. He is survived by his sisters, Karen Lee Ramney, Kathryn Christine Mattox and Vicki Allyn Arb.

John Cole, 58
John Cole died Dec. 13, 2011, at the Flagstaff Medical Center in Flagstaff, Ariz. Mr. Cole was born May 30, 1953, in Anchorage. He served in the U.S. Navy and later worked in the construction industry. He was a family centered man and was known for his generosity. He is survived by his mother, Sophie Bennett Niver; brother, Clifton Cole; and nephews, John David Cole and Michael Porter.

Donald Lee Gilbert, 60
Donald Lee Gilbert died Nov. 25, 2011, at home in Two Rivers, Wis. Mr. Gilbert was known for his generosity. He is survived by his mother, Sophie Bennett Niver; brother, Clifton Cole; and nephews, John David Cole and Michael Porter.

Inez Mary Hardcastle, 77
Inez Mary Hardcastle died Jan. 1 at home in University Place, Wash. Ms. Hardcastle was born Dec. 29, 1934, in Takotna, Alaska. She is survived by her husband of 48 years, Bob Hardcastle; daughters, Barbara Houser and Kari Monreal; sons, Stormy O’Brant, Rocky O’Brant and John Hardcastle; ten grandchildren and five great-grandchildren.

Condolences
Melinda Rae Layfield, 39

New share policy continued from page 5

In cases of intestate succession, where an allocation of shares would result in the creation of a new fractional share, CIRI shall instead allocate the fractional portion to a single recipient based on the results of a random drawing conducted by CIRI from the names of the spouse, if applicable, and of eligible recipients beginning with the generation closest to the prior holder.

Inter-vivos transfers: On or after June 1, 2012, CIRI may only make inter-vivos transfers of stock in whole share increments. Notwithstanding the foregoing, the holder of existing fractional shares shall be allowed to make an inter-vivos transfer of all of his or her fractional shares to one recipient, provided that at least one whole share of stock is transferred to that recipient at the same time the fractional share gift is made or the holder owns less than one share of stock and is transferring all of his or her fractional shares.

CIRI’s new policy was crafted such that, in cases of intestate succession, wherever possible, eligible beneficiaries of fractional shares or whole shares that would otherwise have been split will be limited to the generation closest to the deceased shareholder. This is consistent with Alaska’s intestacy laws and increases the likelihood of consolidating fractional shares with existing shareholdings and/or of distributing greater numbers of shares per recipient. The new policy also provides for random drawings to select a new recipient if a previously selected recipient either fails to respond within the required documentation or cannot be located within a reasonable amount of time, despite good faith efforts made by CIRI.

In light of the new policy, CIRI shareholders are encouraged to consider whether their stock wills need to be updated. Shareholder Relations staff will continue to be available to assist shareholders in completing stock wills at CIRI events, and shareholders may also visit the department to update their wills. Additionally, CIRI stock wills and instructions are available on the CIRI website at www.ciri.com and the forms may also be requested from Shareholder Relations.

Important note: Whether or not an individual is a CIRI shareholder has no bearing on his or her eligibility for services or programs offered through CIRI’s family of nonprofits. Direct lineal descendants of original CIRI shareholders are eligible to receive scholarships and grants from The CIRI Foundation regardless of whether or not they themselves are CIRI shareholders. Alaska Native individuals residing in the Cook Inlet region may establish eligibility for services and programs administered by the remaining CIRI-affiliated nonprofits via a Certificate Degree of Indian Blood issued by the Bureau of Indian Affairs.