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To: Maserculiq Shareholders and Residents of Marshall
From: Maserculiq, Incorporated Board of Directors
Subject: Ice Machine
Date: July 28, 2016

Recently there have been a lot of very emotional, inflammatory and inaccurate accusations being made by a few residents of the community in their attempt to blame the Corporation for the lack of ice for fishers in the community. Unfortunately, truth and honesty seem to have gone by the wayside. This letter is an attempt to provide all residents with the facts surrounding this issue.

In 2010, Maserculiq owned four ice machines down at the Fish Plant.

In 2010, Maserculiq operated one ice machine furnishing ice to local fishermen based on representations from KwikPak that they would reimburse Maserculiq for the costs incurred in operating that plant. That reimbursement was never made.

Based on that experience, Maserculiq determined that we would not again operate the ice machine. Our CEO was instructed to attempt to find someone who was willing to operate the ice machine. It was our feeling at that time that the City of Marshall was the appropriate entity to operate the ice machine, since the City represents everyone who resides there.

In June, 2011 our CEO wrote to Mayor Vassily Sergie:

We recognize that many area residents depend on the ice plant to make their fish marketable. If the City wishes to operate the plant this year for the convenience of the residents of Marshall, we will make it available to you. For your information, it looks like we spent about \$3,000.00 on labor last year to operate the plant. I do not have figures available on our fuel costs.

The City replied in a letter to Maserculiq in which they declined to take over operation of the ice machine.

In 2011, Boreal tendered ice from St. Mary's for the use of local fishermen.

In February, 2012, Boreal contacted Maserculiq and asked if they could purchase two of our four ice machines. Boreal stated at that time that their ice capacity in St. Mary's was limited, and that the purchase of our machines would give them plenty of ice for fishers, including those from Marshall. Negotiations took a couple of months, but an agreement was reached in April, 2012 for the sale of two of the ice machines. Later that month, the agreement was expanded to include the purchase of a third ice machine. Those machines were moved to St. Mary's by Boreal.

In 2012, Boreal serviced and operated the remaining Marshall ice machine at their expense, providing ice to local fishers.

In 2013, Boreal attempted to operate the remaining ice machine in Marshall, but was unable to do so because the water line supplying the machine was apparently damaged during construction at the Sewage Lagoon site. As a result, Boreal supplied ice to MLL fishermen by tender from St. Marys' during 2013.

In July, 2013 Boreal contacted Maserculiq and asked if we would sell them the remaining ice machine in Marshall. The board discussed this issue at their August, 2013 meeting. After considerable discussion, the board was concerned that selling the remaining ice machine would expose local fishermen to the possibility that KwikPak/Boreal would decide that tendering ice to Marshall was too expensive and leave local fishers without ice. We felt this was a very real possibility as KwikPak/Boreal had stated that fish from Marshall fishers and Russian Mission fishers is the most expensive fish they purchase because of the distance they have to travel. In addition, both Marshall and Russian Mission are outside of the CDQ zone, and so there is no obligation on the part of KwikPak/Boreal to buy fish from these villages.

As a result, the Board asked the CEO to contact the tribes in Marshall and ask them to apply for BIA or other grant funding to operate and maintain the ice machines, perhaps as part of a job training program.

In August, 2013 the CEO met with Nick Andrew, Jr., Tribal Administrator for the TC, in Marshall and discussed this issue. Mr. Andrew stated at that time that he understood the need for someone to operate and maintain the ice machine and generator, and agreed to contact the BIA and see what might be available. Our CEO provided him with the information we had on the cost of operating the ice plant.

Nothing further was ever heard from Mr. Andrew or from the TC on this matter, and the Corporation took the absence of a reply as a statement of no interest.

In September, 2013 our CEO contacted Mr. Gabe Evan, who was the Tribal Administrator for the Ohogamiut Tribe. The CEO proposed that Ohogamiut pursue BIA or other grant funding to train someone to operate and maintain the ice machines at the fish plant, and then to operate the ice machine for the benefit of local fishermen. Maserculiq agreed to make the ice machines available to Ohogamiut for this purpose at no cost to the tribe. In October, 2013 Mr. Evan stated that he was pursuing grants, but had not yet found one.

Nothing further was heard from Mr. Evan or Ohogamiut on this matter.

In April, 2014 Boreal again inquired about purchasing the remaining ice machine in Marshall. They were told by the Maserculiq CEO that the sale of the ice machine was probably an option, but that any sale would be conditioned on the agreement by Kwikpak/Boreal to supply ice to Marshall fishers.

In 2014, Boreal operated the ice machine early in the fishing season. Then the generator driving the ice machine developed a series of electrical problems and then a governor problem.

Local fishermen tried to get Maserculiq to pay for the cost of a new governor, about \$3,500. We declined to do so, because our legal counsel advised us that spending money to repair the machine would be using corporate resources to benefit a small group of our shareholders, and therefore it would not be permissible under Alaska law.

The Board also felt that trying to keep an old generator and old ice machine running would be a bottomless financial pit, particularly since we had no one in Marshall with the skills to maintain and repair the ice machine or the generator. And in addition, Maserculiq derived no direct economic benefit from the operation of the ice machine.

In April, 2015 the Maserculiq CEO sent an email to Boreal noting that Boreal had “expressed interest in April, 2014 in buying the remaining ice plant. (We) had sent you a response indicating that the board would probably sell, but that it would be conditioned upon an agreement to provide ice to Marshall fishermen. That is probably still an option. The machine could either remain in Marshall or be moved to St. Mary’s.” No response was received.

Over the winter of 2014-2015, Boreal apparently had the generator governor rebuilt, and attempted to use it to run the ice machine in 2015. A decision was finally made that the generator was beyond economic repair. The Corporation offered to allow Boreal the use of the standby generator used at the old school. Unfortunately, while that generator was large enough for the ice machine, it produced only single phase power and the ice machine requires three phase power. Boreal eventually brought in their own generator and operated the ice plant for the 2015 season.

Boreal again operated the ice plant in 2016 until July 9, 2016. On that day, we received an email from the manager of Marshall Enterprises:

“I just got off the phone with Randy Crawford and he informed me that unless Kwikpak gets support from Maserculiq or someone else they are pulling the plug on Marshall fishermen and today will be the last day they buy fish from Marshall. Commercial fishing is responsible for the big jump in fuel sales at the store, without it people would not buy fuel. They get fuel using purchase orders from Kwikpak and the fishermen that buy fuel with cash only have it because of commercial fishing.

“Some of the support they are asking for is buying fuel for the generator at barge cost, or at least discounted fuel. They also asked that someone else pay the laborer that runs the ice machine. Our ice machine also needs a new compressor and the cost would be around \$10k.”

On that same date, Maserculiq received an email from Boreal:

“As you know, we cannot buy fish that are not iced. The Marshall ice machine broke several times last year. Then the generator that drives it failed. I shipped up my generator, serviced the ice machine using \$3,000 in parts plus several days labor. Then the compressor failed. This year I donated my \$10,000 compressor, eight days of labor, refrigerant and parts. Now the unit has broken a major refrigeration pipe. To bring the Ice Machine up to where it should be would cost about \$15,000 plus labor.

“Through all of this Marshall has contributed virtually nothing. Between Kwik'pak and Boreal we have paid and paid.

“ . . .

“With great regrets at this point, today, July 9, will be the last day we will be buying fish above Pilot Village. Any fish not FLAKE iced and bled, will be rejected.”

Discerning readers will notice some substantial differences between what Mr. Crawford told the manager of Marshall Enterprises and what he said in his email to the Corporation.

Also on July 9, 2016, Mr. Andrew Jr. began posting on Facebook, asserting a failure on behalf of the Corporation to protect the interests of Marshall fishers. Mr. Andrew Jr. also apparently gave an interview to KYUK sometime between July 9 and July 13, and continued posting materials on Facebook. Mr. Andrew Jr. did not contact the Corporation until July 14, when he delivered a letter to the Corporation offices in Marshall. He has not had any further contact with the Corporation since that date other than joining a few other fishermen in speaking to the board on July 19, 2016.

It is interesting to note that one of the people now making wild accusations against the Corporation, its CEO and its Board of Directors is the same person who was asked in August, 2013 to seek grant funding to train someone in the operation and maintenance of the ice machine. And he apparently did nothing with the opportunity.

It is also clear that Maserculiq has always acted to protect the livelihood of local fishers, and that it has done all that it reasonably can to ensure that Marshall fishers have a source of ice for their fishery.

We are continuing our efforts to find someone willing and able to operate the ice machine. Despite their earlier refusal to operate the ice machine, we continue to believe that the City is the entity that

should step up, since the City represents all residents, regardless of tribal affiliation and regardless of whether they are native or non-native. The City has the ability to operate the ice machine and treat it as a public utility. The City could choose to charge fishers for ice, or it could choose to just charge fishers from other villages for ice. The City of Marshall has funds available to pay for any needed repairs, as they have over \$1,000,000 in the bank. To encourage the City to perform its proper municipal function, Maserculiq will offer to donate the Fish Plant property, including the buildings and the ice machine, to the City of Marshall.

If the City continues to refuse to serve the needs of City residents, the Maserculiq board will offer the Fish Plant property to one or both of the tribes in Marshall.

We think that it is very important that everyone in Marshall know the facts, and know the actions that the Corporation has taken to try to protect the Marshall fishers. It is also important that you know what the other Marshall entities, tribal and municipal, have done and have not done, to protect the Marshall fishers.

Sincerely,

Dolores Hunter, Chairman

Zena Disney, Vice-Chairman

Lena Sergie, Secretary/Treasurer

George Owletuck, Board Member

George Wright, Board Member

Russell E. Weller, Jr., Chief Executive Officer