

2005 Annual Report to Shareholders

33rd Annual Shareholders Meeting

Dear ONC Shareholder:

Following is an annual review of your Corporation's activities during the year 2005.

We also look forward to your participation at ONC's upcoming 33rd Annual Meeting of Shareholders to be held on Friday, September 22, 2006 beginning at 10:00 a.m. at the Ouzinkie Tribal Cultural Center.

A Potluck will follow the Annual Meeting at the Tribal Cultural Center at 4:00 p.m. There will be door prizes and shareholder cash drawings.

Shareholders Distributions

ONC has paid shareholders quarterly dividends at \$7.50 per share for 2005, and a Christmas dividend of \$3 per share.

The 2006 dividends are also being paid at \$7.50 per share each quarter.

If you are interested in having federal tax voluntarily withheld from your dividends, or if you have a change in your current tax status, please notify ONC office in writing at least thirty days prior to the scheduled distribution date to ensure accurate withholding.

Shareholder Cash Drawings

Only those shareholders that have voted either by proxy or in person will be eligible for the following cash drawings at this years potluck.

- One Grand Prize - \$2,000
- One First Prize - \$1,000
- Two Second Prizes - \$500
- Ten Third Prizes - \$100

President's Report

Investments in Securities. The value of ONC's securities portfolio of stocks and bonds at FY 2005 year end was nearly \$4.8 million. The return on investments in securities in 2005 and 2004 was 4.97% and 9.72%, respectively.

Investments in Timber. ONC sold approximately 14.7 million board feet of timber in 2005 in a timber sale contract managed by Koncor Forest Products Company. The timber volume sold in 2004 was approximately 34 million board feet, so 2005 harvest production decreased considerably. The buyer of the timber is Trans-Pac Alaska, LLP of Vancouver, B.C. Whitestone Logging Co. had been contracted to harvest the timber for Trans-Pac, but Trans-Pac decided to buy out Whitestone in mid-2006. ONC views this positively, because Trans-Pac is better capitalized to purchase and maintain the equipment needed to keep harvest production up at satisfactory levels. As a result, ONC is now more confident that timber harvest production volume, and therefore sales, will increase. Koncor continues to report no improvements in timber prices.

Investments in Recreation & Entertainment. The O'Mally Ice Arena, LLC swung back to profitability in 2005 after posting a loss in 2004. The 2004 loss was caused by the elimination of a

complex interest rate swap feature, a one-time event, when the loan on this facility was refinanced. The **O'Malley Gardens, LLC** posted another gain in profitability over the previous year. The **Katmai Wilderness Lodge, LLC** posted a profit in 2005, as bookings were up 52% over 2004. In 2005, ONC continued receiving distributions from the **Polaris Gaming Group, LLC**, which receives a portion of the earnings of the Angel of the Winds Casino, which PGG developed for the Stillaguamish Tribe in Washington state. In 2005, **Ouzinkie Log Cabins, Inc.** with 5 cabins on Afognak Island and 1 cabin on Kodiak Island produced minimal rental income.

Investments in Real Estate. After opening in mid-October 2004 at a cost of \$8.2 million, the new **Roseville Building** in Roseville, California was 97% leased by the end of July 2005. In March 2006, the Roseville Building was sold for \$12.4 million yielding ONC a very attractive return on investment. The 2 new office buildings that are presently under construction in **San Juan Capistrano**, California are expected to open September 2006. As of this writing, none of the 28 lots in the new **Kenai Cottages** subdivision have been sold yet, however, earnest money negotiations are underway with 2 potential buyers. Except for possibly 1 model home, Kenai Cottages will not be financing the construction of any homes on the lots, just the construction of roads and utilities. Started in July 2005, construction was completed in July 2006 on a new office building called the **Platinum Building** in Anchorage, which is located on land adjacent to the O'Malley Ice Arena and O'Malley Gardens. The land was purchased by ONC and its partners in the O'Malley Gardens 6 years ago at a price of about half its current appraised value. The building has about 15,000 sq. ft. of class A office space, 95% of which is leased as of this writing. In 2005, the ONC board decided to invest in **Wasilla Center Development, LLC**, which purchased 12.68 acres of prime commercial land in fast-growing Wasilla. Although there are no specific plans for the property at this time, Wasilla Center Development may sell some or all of the property, or it may develop commercial buildings on the property for lease income and appreciation potential.

Investments in Services. **ChemTrack, LLC** swung to profitability in 2005 after posting a loss in 2004. The 2004 loss is attributable to having received its 8(a) certification from the SBA several months after the new federal budget cycle began. However, as of this writing, ChemTrack has had limited success in bidding projects for 2006. In 2005, ONC purchased a 10% ownership in **Kenai Cable Company, LLC**, which contracted Alcatel of France to install approximately 370 miles of fiber optic cable connecting Kodiak Island with the Alaska mainland. Installation is expected to be complete and the system operational by about mid-December 2006. In 2005, ONC purchased a 51% interest in **International Logistics Support Corporation, LLC** located in Payson, Arizona. ILSC specializes in repairing "trailing edge technology" products such as flight data recorders and bubble memories that Original Equipment Manufacturers (OEMs) no longer manufacture or service but are still in use. Recently, ILSC formed a new Division called Defense Training Services (DTS) and was awarded a 90-day \$2.1 million contract from the U.S. Marine Corps. ONC believes that **ILSC-DTS** has significant potential for growth in the government contracting arena, and ILSC-DTS is already pursuing other opportunities it believes will result in additional contracts in 2006.

Chairman and President's Letter

Dear ONC Shareholder:

Ouzinkie Native Corporation earned a profit of \$29,387 for 2005, down considerably from 2004 and attributable primarily to a decline in the volume of timber sold. Timber sales revenues in 2005 were approximately \$900,000 versus approximately \$2.3 million in 2004. With Trans-Pac Alaska LLP's buyout of Whitestone Logging Co. in mid-2006, ONC expects the volume of its timber sales to Trans-Pac to rebound in the 2nd half of 2006.

Also contributing to the decline in 2005 profit was the approximately \$600,000 decline in income from securities (stocks and bonds). In part, because of the relatively low returns on securities in 2005 and 2004, i.e. 4.97% and 9.72%, respectively, the ONC board of directors made investments in opportunities with prospects for higher and more stable returns. During 2005, ONC invested \$1.5 million in Kodiak Kenai Cable Company, \$325,000 in Kenai Cottages, \$275,000 in the Platinum Building, \$250,000 in International Logistics Support Corporation and \$123,000 in Wasilla Center Development. In 2005, ONC also posted a cash bond of about \$514,000 for an environmental remediation contract awarded to ChemTrack, which will be returned to ONC in 2006 by the bonding company.

Kodiak Kenai Cable Company (KKCC) has a contract to begin providing broadband capacity to GCI when the system becomes operational in about mid-December 2006. This contract is structured such that ONC may receive a substantial portion of its \$1.5 million investment back during KKCC's second year of operation. Also, KKCC has negotiations underway for providing broadband capacity to AT&T. In turn, AT&T may sub-lease broadband capacity to ACS.

International Logistics Support Corporation (ILSC) was profitable before ONC bought a 51% ownership in the company in 2005 and continues to be profitable. With ILSC's recent formation of a new Division to provide Defense Training Services, ONC believes this company will flourish as a government contractor. ILSC has SBA 8(a) certification, so it is able to take advantage of contracting preferences with the federal government.

Best regards,

Jackie Muller, Sr. - Chairman of the Board
Michael G. O'Connor - President & CEO

2005 Scholarship Awards - \$16,000.00

Scholarships were awarded to the following shareholders and shareholder descendants:

Alfred Reft - University of Hawaii - 1000.00
Theodore Squartsoff Jr. - Colorado Mountain College - 1000.00
Jon Panamarioff - University of Alaska, Southeast - 2,000.00
Amber Jenkins - University of Nevada, Reno - 1,000.00
Darin Pestrikoff - University of Alaska, Anchorage - 2,000.00
Danielle Santillana - Career Academy - 2,000.00
Fred Chernikoff III - Charter College - 1,000.00
Lovett Panamarioff - University of Alaska, Kodiak - 1,000.00
Lorie Laporta - Winona State University - 1,000.00
Nathan Benjamin - University of Oregon - 1,000.00
Patrick Pestrikoff - University of Alaska, Anchorage - 1,000.00
Ralph Skonberg Jr. - Central Arizona College - 1,000.00
Teresa Squartsoff - Colorado Mountain College - 1,000.00