THE EYAK CORPORATION
Discussion on Descendant Enrollment

Introduction

For many years, there has been discussion among shareholders of The Eyak Corporation ("Eyak") on whether to issue stock to descendants of original shareholders. In 2011, Eyak's Board of Directors approved the creation of a Descendant Issues Committee to research and provide recommendations on the issue of descendant enrollment. Since that time, the committee has put significant effort into studying and deliberating on the issue. The committee and Eyak's Board have sought shareholder input on descendant enrollment through shareholder surveys, informational meetings, newsletter articles, and one-on-one conversations.

This newsletter supplement provides a summary of those efforts to date, including:

- Background information on Alaska Native Claims Settlement Act (ANCSA) and the amendments to ANCSA that authorize descendant enrollment;
- Information on how other Alaska Native Corporations (ANCs) have addressed descendant enrollment;
- Pros and cons on descendant enrollment;
- Answers to shareholder frequently asked questions; and
- A glossary of terms

It is important to remember that just because we are exploring the idea does not mean that enrollment is being opened. Opening enrollment must be approved by a shareholder vote, and a vote on this issue is not scheduled at this time. We look forward to continuing educational outreach efforts and answering your questions on descendant enrollment.

Background

The Alaska Native Claims Settlement Act of 1971 established Alaska Native Corporations and provided that Alaska Natives born on or before December 18, 1971 could enroll into a regional and village corporation. These shareholders are referred to as "original shareholders". The only way shares could change ownership was through inheritance when an original shareholder passed on.

In 1987, at the request of the Alaska Federation of Natives and others, Congress amended ANCSA to allow each Alaska Native Corporation the opportunity to offer new shares of stock to the descendants of its original shareholders. The amendments also provided that shares could be transferred by gifting, which meant shareholders could give some or all of their shares to their brothers, sisters, children, nieces, nephews, grandchildren and great-grandchildren. The 1987 amendments went into effect in 1991 and are referred to as the "1991 Amendments."

Descendant Enrollment in Other Alaska Native Corporations

At least 12 other Alaska Native Corporations have opened enrollment to descendants born after 1971. The majority of those corporations issue 100 shares of life estate stock, at birth, to lineal descendants of original shareholders who have at least ¼ Alaska Native blood quantum. However, to reduce dividend dilution, some corporations have issued less than 100 shares of stock. Another way corporations have reduced dividend dilution is to limit eligibility to individuals who are 18 years of age or older.

Some Alaska Native Corporations have moved very quickly from exploring descendant enrollment to a shareholder vote while other ANCs have followed a more deliberate timeline. A few ANCs have explored descendant enrollment and made the decision not to bring the matter to shareholders for a vote.

Eyak Efforts to Date

In 2011, Eyak's Board approved the creation of a Descendant Issues Committee. Since that time, the committee has taken the following actions on the issue of descendant enrollment:
• Created a New Member Enrollment Plan;
• Drafted articles for the shareholder newsletter on descendant enrollment;
• Prepared questions on descendant enrollment for the 2013 and 2017 shareholder surveys;
• Reviewed other Alaska Native Corporation (ANC) materials and processes on descendant enrollment;
• Researched and reviewed descendant enrollment options;
• Reviewed a demographic study that quantified the number of potential new shareholders;
• Made recommendations to TEC's Board on descendant enrollment; and
• Drafted preliminary budget estimates for bringing the issue to the shareholders for a vote

In addition, Eyak has discussed descendant enrollment at shareholder events including the annual meetings of the shareholders in Anchorage and the shareholder informational meetings in Cordova and Seattle.

Shareholder Feedback on Descendant Enrollment

Eyak has received significant feedback from shareholders on descendant enrollment. The 2017 shareholder survey asked whether the shareholder was "very supportive, supportive, opposed, or very opposed to [Eyak] enrolling shareholder descendants born after 1971 and making new stock available to them?" Fifty-seven percent of Eyak's shareholders completed the survey, and answered the question on descendant enrollment as follows:
• 27% were very supportive of descendant enrollment
• 17% were supportive of descendant enrollment
• 17% were opposed to descendant enrollment
• 18% were very opposed to descendant enrollment and
• 21% didn't know whether they were supportive or opposed to descendant enrollment

Thus, 44% of the respondents were supportive or very supportive of descendant enrollment and 35% of respondents were opposed or very opposed. That 21% of respondents did not know whether they supported or opposed descendant enrollment made it clear to the committee and Eyak's Board that shareholders need more information to make an informed decision on descendant enrollment.

"Pros and Cons" of Descendant Enrollment

Eyak recognizes that there are many pros and many cons of descendant enrollment. Here is a list of the most common pros and cons we have heard from our shareholders and shareholders with other ANCs:

Pros

• Enrolling descendants gives them a means to be a part of their Corporation and connect with their Alaska Native culture;

• Having more shareholders contributes to the strength of the Corporation;

• More shareholders will have a say in the Corporation's future through voting rights and eligibility to serve on the Board of Directors;

• As our shareholders age, younger shareholders will take their places in leadership positions; and

• It is not fair to exclude from ANCSA benefits persons born after December 18, 1971.

Cons

• Issuing new shares dilutes the value of existing shares and will decrease the dividends and voting strength of current shares;

• Educating, enrolling and maintaining records for new shareholders will be an increased cost burden on the Corporation;

• Descendant enrollment will increase administrative costs of the Corporation (mailing costs; check printing costs; etc.);

•Adding descendants as shareholders is not fair to existing shareholders who do not have descendants; and

• Descendant enrollment is unnecessary because current shareholders can gift shares to descendants.

Frequently Asked Questions

Q. Why is the Board exploring descendant enrollment?
A. Several years ago, shareholders asked the Board to look into descendant enrollment.

Q. Where can I look for more information on descendant enrollment?
A. There are several sources of information on descendant enrollment, including:
• ANCSA, 43 U.S.C. 1606(g) and 1607(c);
• Alaska Natives and American Laws (Third Edition) by David Case and David Voluck, pages 190-93;
• Update on ANC Descendant Enrollment by Sarah Curtis, December 10, 2014; and
• Materials prepared by Alaska Native Corporations that have opened enrollment (or explored opening enrollment), including: Ahtna; Aleut; Calista; Doyon; Nana; and Sealaska

Q. Is a shareholder vote required for descendant enrollment to occur?
A. Yes.

Q. Is descendant enrollment on the ballot for next year's Annual Meeting?
A. No, descendant enrollment is not on the ballot for next year's Annual Meeting.

Q. Who ultimately decides whether descendant enrollment occurs?
A. TEC's voting shareholders.

Q. What would the voting standard be?
A. An affirmative vote of shares that represent a majority of the shares present or represented by proxy at the annual meeting.

Q. What is the anticipated financial cost to implement descendant enrollment, if shareholders vote to open the rolls?
A. We estimate an initial cost of approximately $100,000 to prepare the proxy materials, bring the matter to a vote, and enroll lineal descents of original shareholders. We further anticipate an increase in the number of shareholders will result in increased administrative costs. Some of those costs include: hiring more staff, printing and mailing more copies of the shareholder newsletters and annual reports, and maintaining more shareholder records.

Q. Is Eyak Management pushing descendant enrollment?
A. No, Eyak Management is not pushing descendant enrollment. Management recognizes that descendant enrollment is a decision that ultimately will be decided by Eyak's voting shareholders. Management is aware of both "pros" and "cons" of descendant enrollment.

Q. How many new shareholders would be enrolled if descendant enrollment takes place?
A. Eyak does not know the number at this time. The number of new shareholders will depend on how the enrollment was structured. For example, Eyak could limit eligibility to lineal descendants who are at least 18 years of age. It could also limit the time period for enrollment.

Q. What is dividend dilution?
A. Dividend dilution is the amount of decrease in dividends a current shareholder would receive if new shares are issued. For example, say a corporation has $4.00 to pay dividends. If there are four people enrolled to the corporation, they would each receive $1.00. [4x$1.00=$4.00]. If you add one shareholder, you have to split the same $4.00 into five shares resulting in each receiving $0.80 per share. [5x$0.80=$4.00]. The difference between a $1.00 dividend and an $0.80 dividend is called "dilution."

Q. What is voting dilution?
A. If enrollment is opened, descendants of original shareholders would receive new shares and they would be able to vote those shares in Eyak elections. This would reduce voting strength of original shareholders, and they would have decreased control in decisions that are voted on at Eyak.

We Want to Hear from You

Do you have questions about descendant enrollment? Is there something that you would like to see included in the booklet that is not included here? Please let us know by emailing shareholder@eyakcorp.com; by submitting a comment on TEC's website (www.eyak-corporation.com); by regular mail; or by calling our Anchorage or Cordova offices. Please remember that this is a shareholder decision. Your participation is vital and important to us. Thank you.

Glossary of Terms

Alaska Native Blood Quantum
This is a person's fraction of Alaska Native blood.

ANCSA
The Alaska Native Claims Settlement Act, which Congress enacted effective December 18, 1971. Amendments were made to ANCSA in 1988 and are called the "1991 Amendments" for addressing many conditions that would have become effective in 1991. These amendments permit Native corporations to issue shares to descendants of shareholders, to Elders, and to Leftouts.

ANCSA Section 7(i)
The section of ANCSA that dictates revenue sharing on monies from sub-surface and natural resources among ANCSA Regional Corporations.

ANCSA Section 7(j)
The section of ANCSA that dictates payments to Village Corporations and individual shareholders out of Section 7(i) monies received by Regional Corporations.

Class A Stock
These are existing shares of The Eyak Corporation.

Class D Stock
This is the designation The Eyak Corporation will use for newly issued DESCENDANT stock, if the shareholders approve a binding resolution in support of Descendant Enrollment. This will be voting, life estate stock.

Dilution
The impact on dividends and voting strength of original shares that would result from the issuance of Class D stock.

Gifted Shares
Shares that a shareholder has gifted, while the shareholder is still alive, to a child, grandchild, great-grandchild, brother, sister, niece or nephew. If the recipient has any amount of Alaska Native blood quantum, the shares remain voting shares. If the recipient is non-Native, the shares become nonvoting shares. If the nonvoting shares revert to Native ownership, they become voting shares again.

Inherited Shares
Original shares that have passed to an heir or heirs upon the death of the original shareholder, by will or testamentary disposition, or according to the Alaska statutes governing intestate succession.

Leftouts
Alaska Natives who were eligible to enroll in The Eyak Corporation during the original open enrollment but did not enroll.

Life Estate Stock
Shares that cease to exist upon the death of the owner of the shares. They extinguish entirely, without compensation, and no further voting or distribution rights are recognized. Life estate stock cannot be gifted or passed by inheritance.

Lineal Descendant
A person who is the child, grandchild, great-grandchild, etc. of an original shareholder of The Eyak Corporation. A lineal descendant must be able to trace a direct ancestor (parent, grandparent, great-grandparent, etc.) as an original TEC shareholder.

New Native
Another term for shareholder descendant. This term is generally preferred to "Afterborn," which is a third term for shareholder descendant.

Nonvoting Stock
This is a class of stock that does not carry voting rights.

Original Shareholder
A shareholder who received stock in The Eyak Corporation pursuant to original issue under ANCSA. There were 326 original shareholders of The Eyak Corporation. Shareholders who own stock only through gifting, inheritance, or court order are not original shareholders.

Quorum
The minimum number of shares that must be present in person or by proxy to validate an election. This number is usually 50% plus one of the total eligible voting shares of the Corporation.

Shareholder Descendant
A person who is, by blood or adoption, the child, grandchild, great-grandchild, etc. of an original shareholder of The Eyak Corporation.

Simple Majority
The voting standard that allows a resolution to pass with 50% plus one share of all shares present at a meeting in person or by proxy; this is the standard that would be used for the resolution on descendant enrollment.

Super Majority
The voting standard that allows a resolution to pass only if it has the support of a majority of all the eligible voting shares of the Corporation. This standard is more difficult to attain.