

Message from the Board of Directors



On The Hunt...

The Eyak Corporation

Anchorage P: 907-334-6971 F: 907-334-6973

Cordova P: 907-424-7161 F: 907-424-5161

Dear Shareholders,

We hope you and your families are safe and healthy during these challenging times. We are pleased to report that TEC's Board and staff are all doing ok.

For the past ten years, the June newsletter has celebrated the Annual Shareholders' Meeting, with photos, recaps, and frequently asked questions from the meeting. Unfortunately, in light of the COVID-19 pandemic and associated federal, state, and municipal guidelines and mandates, in March TEC made the prudent decision to postpone this year's annual meeting until further notice. Many of the attendees at our annual meetings are Elders, whom are at higher-risk of complications from COVID-19. The Board feels strongly that TEC must do our part to keep our Elders, Shareholders, staff, and our communities healthy.

In April, Alaska Senate Bill 241 was signed into law, authorizing "electronic" meetings of shareholders in addition to in-person meetings. After the bill was passed several other Alaska Native Corporations opted to hold electronic meetings this summer/fall. These electronic meetings are also referred to as "webcasts" and "virtual" meetings.

During its meeting on May 15, TEC's Board discussed rescheduling this year's annual meeting in light of the uncertainties associated with COVID-19 and the Board's interest in holding the meeting without further delay. Through a resolution, the Board authorized the 46th Annual Shareholders' Meeting be held electronically. **The annual meeting will be held on Saturday, August 22**, and the business to be transacted at the meeting will be the election of directors and to hear reports for fiscal year 2019.

Although the meeting will be virtual, we hope for a very large Shareholder presence online. Our Communications Committee is working with our staff, vendors, and colleagues with other Alaska Native Corporations with the goal of a productive meeting we all can be proud of. We anticipate mailing the proxy materials and annual report to Shareholders on or about June 30.

During challenging times, it is very important to be thankful for one's blessings. The Board is grateful for the tremendous support we have received from our Shareholders.

June 2020

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Management Report, by Rod Worl

In previous Shareholder newsletters, I have provided spotlights on Eyak's investments, including Alaska Glacier Products, Baxter Senior Living, Heather's Choice, the fire watch project, and Native American Bank. In this report, it is my pleasure to discuss Eyak's operations during COVID-19.

All of our Government contracts are still active, despite COVID-19. We are grateful for the dedication of our subsidiary employees in fulfilling mission-critical work for our Government clients.

Our Anchorage and Cordova staff have been working primarily from home. We are closely monitoring updates from the Alaska Department of Health and Social Services to make sure our decisions on reopening our offices are based on the best available data. The health and safety of our Shareholders and our employees is our top priority. The recent spike in the number of positive COVID-19 cases shows that the virus is still with us.

Despite our offices being physically closed, our staff are hard at work and will continue to serve Shareholders and the public via phone and the internet. They can be reached at 907-334-6971 (Anchorage office), 907-424-7161 (Cordova office), or at info@eyakcorp.com.

Resilience is a word often used to describe The Eyak Corporation. We have had more than our share of bumps in the road and yet continue to move forward. We are grateful for your support every step of the way.

Welcoming New Shareholders

Aaliyah Tiedeman

Taylor Tiedeman

Willow Tiedeman



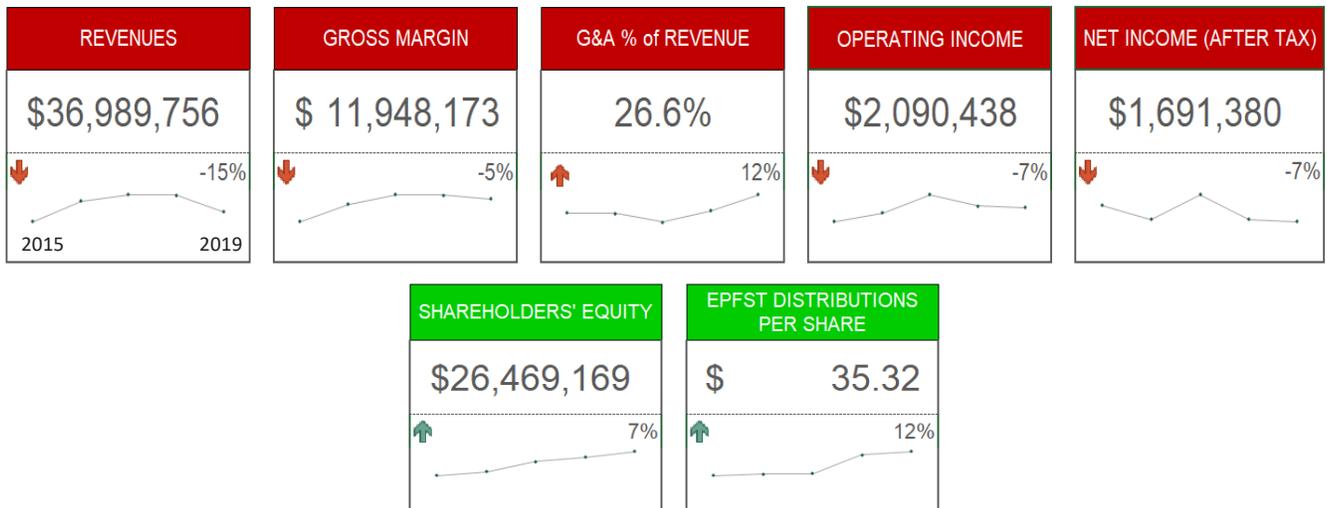
2019 Financial Summary

While we are working to put the finishing touches on the 2019 Annual Report, this page will provide a brief summary of the 2019 financial activity. Revenues and operating profits were below prior year levels; however, fiscal year 2019 remained a profitable year for TEC. The decrease in operating revenues resulting from the conclusion of several government contracts contributed to the increase in general and administrative expenses (G&A) as a percent of revenue.

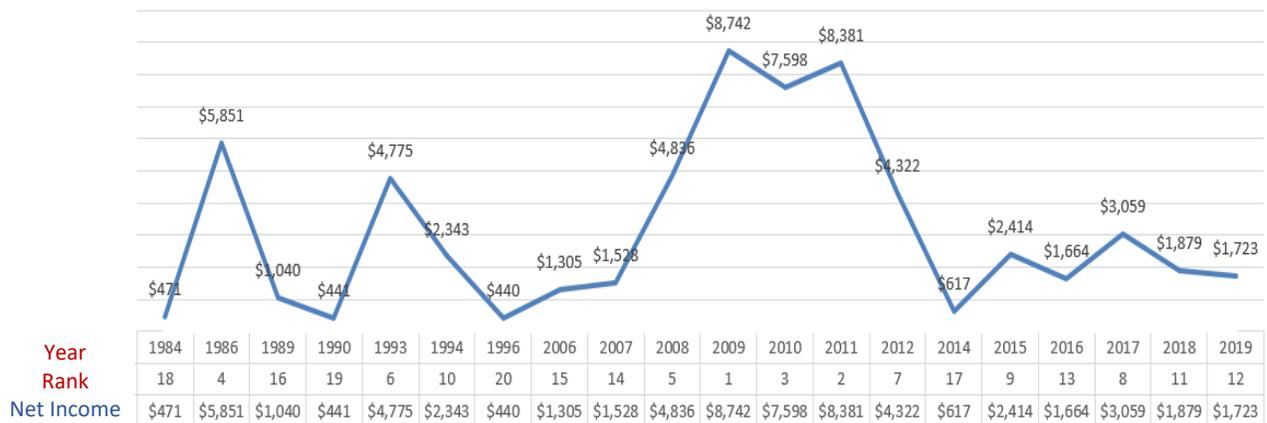
TEC had operating income of \$2.1 million and net income (after tax) of \$1.7 million. Operating income includes activities such as government contracting and land leases. After tax net income is the income from operations after accounting for taxes. 2019 saw a reduction in after tax net income of 7 percent from the prior year but remains within the top 15 highest years when comparing TEC's net income.

Even with the reductions in several key measurement areas as shown in the figures below, TEC remains profitable and continues to grow Shareholders' equity while providing contributions to the EPFST for an increased distribution in 2019.

Five Year Financial Dashboard



Net Income History – Top 20 Years (In Thousands)





Chairman's Message



Dear Shareholders,

For perhaps the first time in your corporation's history, in May the Board held a regular quarterly meeting electronically, through WebEx. Although it was different to see my fellow directors and management in small squares on my computer screen, the meeting went remarkably well.

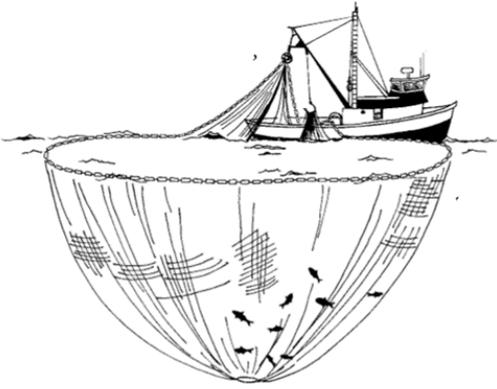
During our meeting, the Board:

- Considered the Management Operations and Financial Updates from our CEO Rod Worl and Vice President of Finance Sue Jolin;
- Approved recommendations from the Communications Committee;
- Received an update from the Land Committee;
- After extended discussion, rescheduled the 46th Annual Shareholders' Meeting on August 22nd (to be held electronically)
- Requested the Communications Committee research electronic options for the annual meeting;
- Received a public relations update; and
- Approved a motion authorizing management to explore intertidal energy options.

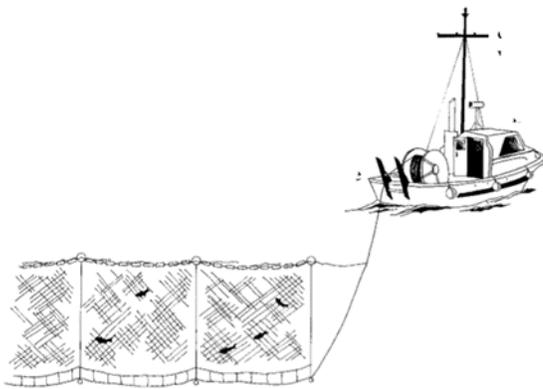
I want to thank the Board and management for putting in the extra work before the meeting to ensure the meeting went smoothly.

This will likely be my last Chairman's Message. My current three-year term is coming to a close and, after 13 years on the Board, I am stepping aside to allow other Shareholders to step up. It has been an honor and a privilege to serve as Chairman these past five years and to reconnect with so many of you at TEC Shareholder informational meetings and other events. I will continue to be an engaged Shareholder and I encourage all Shareholders to be active participants in the corporation.

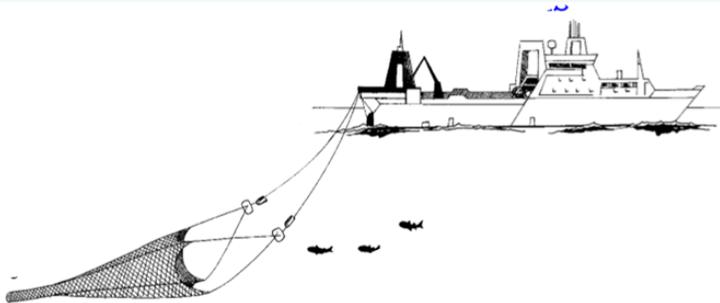
Kid's Corner



Purse Seining: a seine that can be drawn into the shape of a bag using the line along the bottom of the net like the drawstring of a purse.



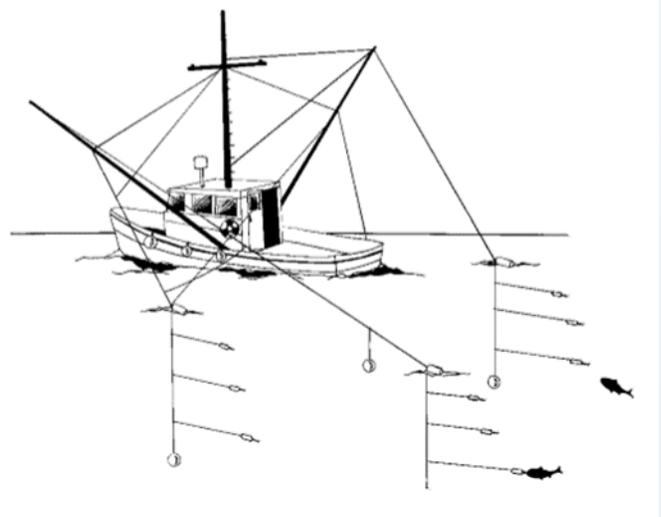
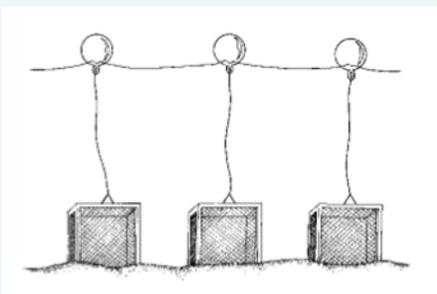
Gillnetting: a flat net suspended vertically in the water with mesh that allows the head of a fish to pass but entangles the gills upon withdrawal.



Trawler: a person or boat who fishes by trawling.

Troller: An engine-powered fishing boat, used for moving slowly while fishing lines drag behind, sometimes able to sail in shallow water.

Crab Pot Line



Congratulations to Our 2020 Graduates!



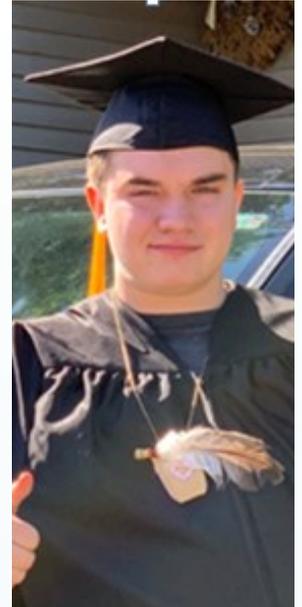
Isaiah Brockert



Seana Essex



Kaiden Graves



Dayon Durick Jr.



Ailie Johnson



James Reilly



Emilia Nagel

Alaska Native Corporations and Alaska Native Tribes

Alaska Native Corporations (ANCs) and Alaska Native Tribes (Tribes) are both alike and different, holding similar social missions with different methods of delivering benefits. One of the most important shared goals is to serve Alaska Native people and communities. Tribes represent Alaska Natives as sovereign governments separate from the United States. They are predominately supported through federal funding. Tribes provide cultural, education, health, infrastructure, and justice services to their Tribal members. ANCs have a legally mandated responsibility to provide for the social, economic and cultural well-being of their Shareholders through business success.

Tribes have existed for about 10,000 years. The Alaska Native Claims Settlement Act (ANCSA), which established ANCs, is celebrating its 50th anniversary in 2021. ANCSA transferred millions of acres of aboriginal lands and dollars to ANCs. In Alaska, ANCs own land and Tribes, for the most part, do not.

Today in Alaska, there are 12 regional corporations, about 200 village ANCs, and 228 federally recognized Tribes.

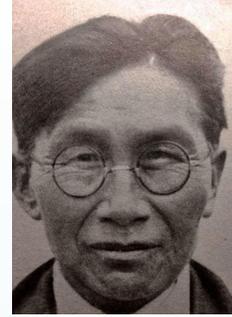
While Shareholders and Tribal members are overlapping groups, not all Tribal members are Shareholders, and not all Shareholders are Tribal members. Owning stock in an ANC makes one a shareholder of that ANC, while each Tribe decides who its members are. Tribal members can serve on the council that runs a Tribe, much like how Shareholders can serve as directors on the board that runs an ANC.

	<u>Tribes</u>	<u>ANC's</u>
Age:	About 10,000 years	About 50 years
Number:	228 federally recognized	12 regional, about 200 village
Form:	Government, separate from US	Business, under US and Alaska law
Run by:	Council	Board of Directors
Representing:	Members	Shareholders
Determined by:	Tribal discretion	Stock ownership
Providing:	Community and cultural services	Contracting, dividends, jobs
	Consultation on federal projects	Land and resource management

Editor's Note: The article above was researched and drafted by John (Matt) Longacre, who served as a legal extern with Eyak this spring. Matt made several valuable contributions to the corporation and our Shareholders during his time with us, on corporate governance, land, and legal matters. We are confident Matt has a bright future in Alaska's legal community and we wish him the best of luck.

Winners of the Photo Contest

Thank you again to everyone who provided an exceptional batch of entries in our photo contest! We always love sharing photos of our Eyak community, and especially now when we can't gather in person. Congratulations to the contest winners who each won \$50: Jack Farrell, Bernice Feathers, Herb Jensen, Rockele Jones, Sherman Powell, and Pam Smith.



Remembrance

Beverly Allen

Benna Hughey

Frederick Tiedeman

Update on The Eyak Foundation, by Brooke Mallory



It is my pleasure to provide this update on The Eyak Foundation. The Foundation's Trustees met by teleconference on April 29. During that meeting, the Trustees:

- Received a Management report from Heidi Van Gilder;
- Reviewed the financials with Sue Jolin, including a discussion of COVID-19 related impacts;
- Discussed criteria for vocational scholarships;
- Discussed recognition of graduates and requested staff under take efforts to recognize graduates; and
- Discussed updates to the Foundation's website.

The Foundation also celebrated a very generous cash donation from Trustee Martin D. Parsons. In light of COVID-19's impacts on our fundraising efforts, 2020 will likely be a lean year, so Martin's donation this year is greatly appreciated.

As in prior years, Shareholders voting in this year's Annual Meeting will have the option of donating their \$25 proxy incentive payments to The Eyak Foundation. Last year, thirty-eight Shareholders donated those payments, in an amount totaling \$950.

For more information on The Eyak Foundation, please visit our website: www.eyakfoundation.org and/or contact Heidi Van Gilder at (907) 334-6971 ext. 1.

Frequently Asked Questions

- Q. Will Eyak's Shareholder events (Cordova cemetery cleanup; Anchorage picnic; etc.) be held this year?
- A. Due to COVID-19, we have canceled the Cordova cemetery cleanup (normally held in June) and Anchorage Shareholder picnic (normally held in July). In addition, we do not anticipate holding in-person Shareholder informational meetings in Cordova and Seattle in 2020. We encourage Shareholders and Descendants to attend the 46th Annual Shareholders' Meeting, which will be held via webcast on August 22.
- Q. Why doesn't Eyak just postpone the annual meeting until next year?
- A. There are several reasons why we are not postponing the annual meeting until next year. Eyak's Bylaws and the Alaska Corporations Code each require an annual meeting be held every year. In addition, Eyak directors are elected to serve three-year terms, so postponing the annual meeting until next year would result in three current directors serving four-year terms.
- Q. Will there be extra costs associated with an electronic annual meeting?
- A. We anticipate there will be extra costs associated with an electronic annual meeting. However, an electronic meeting will very likely end up costing less than an in-person annual meeting because we will not be renting a venue for the meeting or catering the event.
- Q. How much did the lawsuit against the corporation cost in attorney's fees?
- A. Approximately \$90,000, which equates to \$276 per 100 shares. In addition, Eyak staff devoted hundreds of hours of time to defend the corporation. Mr. Borer has recently appealed the Superior Court's decision to the Alaska Supreme Court. This will require the corporation to incur significant additional attorney fees. Money spent defending the appeal is money that will no longer be available for Shareholder benefits.
- Q. Are the pleadings and orders from the lawsuit available to the public?
- A. Yes, the pleadings and court orders can be accessed at the Anchorage courthouse. The corporation also has copies of the pleadings and orders and will provide them upon Shareholder request.
- Q. Where can I find the Eyak Board Code of Conduct?
- A. The Board's Code of Conduct can be found on Eyak's website at <http://www.eyakcorporation.com/shareholders/forms>
- Q. What percentage of Shareholders have updated stock wills on file?
- A. Approximately 50 percent. We encourage Shareholders to complete stock wills. It is a quick, free, and effective way to make sure your shares stay with your family. Stock will forms can be found on Eyak's website at <http://www.eyakcorporation.com/shareholders/forms>
- Q. Has the deadline passed for me to run for the Board at this year's annual meeting?
- A. Yes; March 20 was the deadline to submit the paperwork to run for the Board this year. We encourage you to consider running for the Board next year.



- August 22, Annual Meeting (Electronically)

On The Hunt...

For Culturally-Relevant Articles

Several shareholders have requested we include more culturally-relevant articles in these news-letters. Do you have a favorite salmon recipe, a historical photo, or other culturally significant information you'd like to share with your Eyak Corporation family? Please submit ideas to

info@eyakcorp.com for possible inclusion in future newsletters.



Board of Directors



- Martin Parsons, Chairman
- Nancy Barnes, President
- Brooke Mallory, Vice Chair
- Jerry O'Brien Jr., Vice President
- Rikki Addy, Treasurer
- Roxanne Dolfi, Secretary
- Todd Lilleness, Director
- Jim McDaniel, Director
- Jim Ujioka, Director

Alaska Staff

						
Rod Worl	Brennan Cain	Sue Jolin	Peggy Fisher	Heidi Van Gilder	Angela Butler	Tiffany Beedle
Chief Executive Officer	VP & General Counsel	VP of Finance	Senior Accountant	Office & Shareholder Relations	GM Cordova Operations	Project Manager and Operations Assistant
Ext 1	Ext 5	Ext 7	Ext 3	Ext 1		

We Would Love To Hear From You, by Rikki Addy



As Chair of the Communications Committee, I am excited to discuss why we have included the self-addressed postage prepaid envelope in this newsletter. As we gear up for our first-ever virtual annual meeting, we encourage you to submit questions ahead of time for the Board and Management to answer during the annual meeting. The attached prepaid envelope makes it easier for you to ask those questions.

Along with those questions (or instead of those questions) we would greatly appreciate any feedback you may have on your corporation. Please let us know your thoughts on what we're doing well and where we're falling short. The Board and Management are strong believers in continuous improvement, and your feedback helps us in that process.

We would appreciate your feedback on other topics too, including the following:

- Ideas for the Kid's Corner page in the Shareholder newsletter;
- Favorite recipes for us to share in the newsletter;
- Recommendations for Shareholder of the Year and Young Shareholder/Descendant of the year;
- Report cards for future report card raffles;
- Hard copies of old photos, for Throwback Thursday Facebook posts;
- Poems (like the one submitted last year by Lloyd Montgomery);
- Proud parent stories; and
- Recommendations for the Shareholder Advisory Committee to research.

You can also use the self-addressed stamped envelope to update your stock will. Stock will forms are on Eyak's website at: <http://www.eyakcorporation.com/shareholders/forms>.

My hope is we have a 100% response rate to this request! If you prefer to discuss any of the above in person, please give us a call at (907)334-6971 (Anchorage office) or (907)424-7161 (Cordova office). We also welcome input and feedback via email at shareholder@eyakcorp.com.

**EYAK PERMANENT FUND
SETTLEMENT TRUST**

Audited Financial Statements

Years Ended December 31, 2019 and 2018

INDEPENDENT AUDITOR'S REPORT

The Trust Committee
The Eyak Permanent Fund Settlement Trust
Anchorage, Alaska

We have audited the accompanying financial statements of Eyak Permanent Fund Settlement Trust which comprise the balance sheet as of December 31, 2019 and 2018, and the related statements of income, changes in shareholder's equity and comprehensive income and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements - Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility - Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion - In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eyak Permanent Fund Settlement Trust, as of December 31, 2019 and 2018, and the results of its operations and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Foster and Company, LLC

Foster and Company, LLC
Wasilla, Alaska
March 23, 2020

**EYAK PERMANENT FUND
SETTLEMENT TRUST**
Balance Sheets
December 31, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Cash equivalents:		
Wells Fargo Checking	\$ 33,495	\$ 17,767
Wells Fargo Money Market	<u>80,231</u>	<u>167,003</u>
	113,726	184,770
Equity mutual funds:		
Vanguard 500 Index	6,974,539	5,575,951
Vanguard FTSE All-World except US	4,147,567	3,412,134
Fidelity Extended Market	<u>4,903,684</u>	<u>3,830,865</u>
	16,025,790	12,818,950
Fixed income mutual funds:		
Fidelity US Bond Index	<u>5,660,005</u>	<u>5,364,501</u>
	5,660,005	5,364,501
	<u>\$ 21,799,521</u>	<u>\$ 18,368,221</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts Payable	\$ 40,095	\$ 24,952
Income taxes payable	77,974	69,062
Deferred tax liability	<u>598,865</u>	<u>278,554</u>
	716,934	372,568
Shareholders' equity:		
Contributed capital	10,000,000	10,000,000
Retained earnings	5,692,797	5,488,666
Accumulated other comprehensive income:		
Net unrealized gain on securities	<u>5,389,790</u>	<u>2,506,987</u>
Total shareholders' equity	<u>21,082,587</u>	<u>17,995,653</u>
	<u>\$ 21,799,521</u>	<u>\$ 18,368,221</u>

See Notes to the Financial Statements and Independent Auditor's Report

**EYAK PERMANENT FUND
SETTLEMENT TRUST**
Statements of Income
December 31, 2019 and 2018

	2019	2018
Investment income:		
Contributions from The Eyak Corporation	\$ 712,885	\$ 663,234
Dividends	471,482	418,302
Interest	2,426	2,030
Capital gain distributions	136,405	159,055
Net realized gains/losses from security transactions	141,342	368,001
Total investment income	1,464,540	1,610,622
Investment fees and expenses:		
Management and custodian fees	9,980	9,830
General and administrative fees	9,956	9,503
Total investment expense	19,936	19,333
Net income before income taxes	1,444,604	1,591,289
Income tax expense	91,337	82,520
Net income	\$ 1,353,267	\$ 1,508,769

See Notes to the Financial Statements and Independent Auditor's Report

**EYAK PERMANENT FUND
SETTLEMENT TRUST**

Statements of Changes in Shareholder's Equity and Comprehensive Income
December 31, 2019 and 2018

	Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholder's Equity
Balance at December 31, 2017	\$ 10,000,000	5,010,325	4,384,085	19,394,410
Distribution of \$31.63 per unit on 32,600 shares outstanding	-	(1,031,138)	-	(1,031,138)
Adjustments for distributions	-	710	-	710
Comprehensive Income:				
Net income	-	1,508,769	-	1,508,769
Unrealized gain on securities available-for-sale, net of taxes of \$208,567 (note 6)	-	-	(1,877,098)	(1,877,098)
Total comprehensive income			2,506,987	(368,329)
Balance at December 31, 2018	\$ 10,000,000	5,488,666	2,506,987	17,995,653
Distribution of \$35.32 per unit on 32,600 shares outstanding	-	(1,151,432)	-	(1,151,432)
Adjustments for distributions	-	2,296	-	2,296
Comprehensive Income:				
Net income	-	1,353,267	-	1,353,267
Unrealized gain on securities available-for-sale, net of taxes of \$320,311 (note 6)	-	-	2,882,803	2,882,803
Total comprehensive income			2,882,803	4,236,070
Balance at December 31, 2019	\$ 10,000,000	5,692,797	5,389,790	21,082,587

See Notes to the Financial Statements and Independent Auditor's Report

**EYAK PERMANENT FUND
SETTLEMENT TRUST**
Statements of Cash Flows
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities:		
Net income	\$ 1,353,267	\$ 1,508,769
Reconciliation of net income to net cash provided by operating activities		
Increase (Decrease) in accounts payable	15,143	18,352
Increase (Decrease) in income taxes payable	8,912	64,425
Net cash provided by operating activities	<u>1,377,322</u>	<u>1,591,546</u>
Investing activities:		
Proceeds from sale of investments	586,405	1,039,055
Purchase of investments	<u>(885,635)</u>	<u>(1,844,413)</u>
Net cash provided by (used in) investing activities	<u>(299,230)</u>	<u>(805,358)</u>
Financing activities:		
Recapture of prior year forfeited dividends	2,296	710
Distributions from trust	<u>(1,151,432)</u>	<u>(1,031,138)</u>
Net cash provided by (used in) financing activities	<u>(1,149,136)</u>	<u>(1,030,428)</u>
Net increase (decrease) in cash and cash equivalents	<u>(71,044)</u>	<u>(244,240)</u>
Cash and cash equivalents, beginning of year	<u>184,770</u>	<u>429,010</u>
Cash and cash equivalents, end of year	<u>\$ 113,726</u>	<u>\$ 184,770</u>
Supplementary disclosure of cash activities:		
Income taxes paid	<u>\$ 82,425</u>	<u>\$ 18,095</u>

See Notes to the Financial Statements and Independent Auditor's Report

EYAK PERMANENT FUND SETTLEMENT TRUST

Notes to the Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

The Eyak Permanent Fund Settlement Trust (Trust) was established on October 10, 1998. The Trust was established to preserve a portion of the proceeds from the sale and easement of the Eyak Corporation (Corporation) land to the Exxon Valdez Oil Spill Trustee Council and provide future income to the shareholders of the Corporation. Under the terms of the agreement, the Corporation received payments totaling \$45,000,000 over four years, of which \$10,000,000 was restricted by the Corporation's shareholders for the establishment of the Trust. Shareholders of the Corporation own units in the Trust equal to the shares they hold in the Corporation. The Trust has 32,600 units outstanding as of December 31, 2019, and 2018.

(b) Accounting Method

The accompanying financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(c) Management Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and revenues and expenses for the reporting period. Actual results could differ from those estimates.

(d) Cash Equivalents

Cash equivalents consist of cash and money market instruments with original maturities of less than 90 days. Cash equivalents are stated at cost, which approximates fair value.

(e) Marketable Securities

Securities are classified as available-for-sale as it is management's intent to hold the securities for an indefinite period of time for appreciation and income or utilize them for liquidity purposes. Investments are stated at fair value with unrealized holding gains and losses, net of related tax effect, excluded from earnings and reported as a separate component of other comprehensive income. Gains and losses on sales of securities are computed using the specific identification method of determining the cost of securities sold. A professional custodian holds all Trust investments. The Trust funds are invested as directed by the Trustees of the Trust as set forth in the Trust documents.

(f) Comprehensive Income

Comprehensive income consists of net income and unrealized gains and losses on securities, net of taxes, and is presented in the statement of changes in shareholders' equity and comprehensive income.

EYAK PERMANENT FUND SETTLEMENT TRUST

Notes to the Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, **continued**

(g) Expenses

Custodian and related professional expenses are deducted directly from Trust funds.

(h) Income Taxes

Under settlement trust tax regulations effective January 1, 2001, settlement trusts are taxed at the presumed rate of their beneficiaries, which is 10%. Settlement trusts do not take a deduction for distributions to beneficiaries and the beneficiaries are not subject to tax on their settlement trust distributions.

Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of change in tax rates is recognized in income in the period that includes enactment date.

NOTE 2 – FAIR VALUE

The Trust values certain investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The fair value of investments as of December 31, 2019 and 2018 is as follows:

2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Domestic equity mutual funds	\$ 16,025,790	-	-	16,025,790
Fixed income mutual funds	5,660,005	-	-	5,660,005
	<u>\$ 21,685,795</u>	<u>-</u>	<u>-</u>	<u>21,685,795</u>

EYAK PERMANENT FUND SETTLEMENT TRUST

Notes to the Financial Statements

NOTE 2 – FAIR VALUE, continued

2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Domestic equity mutual funds	\$ 12,818,950	-	-	12,818,950
Fixed income mutual funds	5,364,501	-	-	5,364,501
	<u>\$ 18,183,452</u>	<u>-</u>	<u>-</u>	<u>18,183,452</u>

NOTE 3 – INVESTMENTS

Investments are classified as available-for-sale as of December 31, 2019 and 2018 and consist of the following:

2019	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Domestic equity mutual funds:				
Vanguard 500 Index	\$ 3,281,138	3,693,401	-	6,974,539
Vanguard FTSE All-World ex-US	3,555,278	592,289	-	4,147,567
Fidelity Extended Market Index	3,277,719	1,625,965	-	4,903,684
	<u>10,114,135</u>	<u>5,911,655</u>	<u>-</u>	<u>16,025,790</u>
Fixed income mutual funds:				
Fidelity US Bond Index	5,583,005	77,000	-	5,660,005
	<u>\$ 15,697,140</u>	<u>5,988,655</u>	<u>-</u>	<u>21,685,795</u>
2018	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Domestic equity mutual funds:				
Vanguard 500 Index	\$ 3,304,906	2,271,045	-	5,575,951
Vanguard FTSE All-World ex-US	3,430,445	-	18,311	3,412,134
Fidelity Extended Market Index	3,073,938	756,927	-	3,830,865
	<u>9,809,289</u>	<u>3,027,972</u>	<u>18,311</u>	<u>12,818,950</u>
Fixed income mutual funds:				
Fidelity US Bond Index	5,588,620	-	224,119	5,364,501
	<u>\$ 15,397,909</u>	<u>3,027,972</u>	<u>242,430</u>	<u>18,183,451</u>

There were gross realized gains in the amount of \$277,747 during 2019 and there were gross realized gains in the amount of \$527,056 during 2018.

EYAK PERMANENT FUND SETTLEMENT TRUST

Notes to the Financial Statements

NOTE 4 – INCOME TAXES

Income tax expense for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Federal expense (benefit):		
Current	\$ 91,337	82,520
Deferred	-	-
	\$ 91,337	82,520

Legislation effective January 1, 2001, changed the tax rate for the Trust from 39.6% to 10%. Actual tax expense differs from the “expected” tax expense, calculated at the federal statutory rate applicable to trusts of 10%, as follows:

	2019	2018
Calculated expected tax expense	\$ 144,460	159,129
Effect of preferential rate on qualified dividends And long-term capital gains	(53,123)	(76,609)
	\$ 91,337	82,520

The tax effect of temporary differences that gave rise to deferred tax assets as of and for the years ended December 31, are as follows:

	December 31, 2017	Deferred expense	December 31, 2018	Deferred expense	December 31, 2019
Deferred tax asset (liability):					
Unrealized (gain) loss on available-for-sale securities	\$ (487,121)	208,567	(278,554)	320,311	(598,865)
	(487,121)		(278,554)		(598,865)
Amounts attributable to gain on available-for-sale securities shown as part of accumulated other comprehensive income		(208,567)		(320,311)	
Deferred tax expense		-		-	

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management considers projected future taxable income and tax planning strategies in making this assessment. Management believes it is more likely than not that the Trust will realize the benefits of these deferred tax assets. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

EYAK PERMANENT FUND SETTLEMENT TRUST

Notes to the Financial Statements

NOTE 5 – DISTRIBUTIONS

The Trust agreement calls for distributions to be paid equal to 55% of annual net income before income taxes of the Trust. A distribution was paid to shareholders in 2019 based on 55% of 2018 net income before income taxes of \$928,055, or \$510,190. An additional Corporation distribution was paid equal to 90% of contributions from The Eyak Corporation of \$712,885, or \$641,242. There was also \$2,296 in adjustments for distributions. As there were 32,600 shares outstanding, the combined dividend amounted to \$35.32 per share.

NOTE 6 – COMPREHENSIVE INCOME

During the years ended December 31, 2019 and 2018, the related tax effects allocated to other comprehensive income are as follows:

	Before Tax Amount	Tax (Expense) Benefit	Net Change
2019 Net unrealized holding losses Arising during the year	<u>3,203,114</u>	<u>(320,311)</u>	<u>2,882,803</u>
2018 Net unrealized holding gains Arising during the year	<u>(2,085,664)</u>	<u>208,567</u>	<u>(1,877,098)</u>

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 23, 2020, that date which the financial statements were available for issue. No events were identified that would require disclosure according to generally acceptable accounting principles.



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The Eyak Corporation Mission

The Eyak Corporation will return financial benefits to present and future shareholders through the development of economic opportunities and growth of our assets while protecting the ownership of our ANCSA lands and Native cultural heritage.

Contact Us

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