

QUESTIONS AND ANSWERS ABOUT SHAREHOLDER RESOLUTION 2019-01: ESTABLISHING THE CHOGGIUNG, LIMITED SETTLEMENT TRUST, AN ANCSA SETTLEMENT TRUST

The Choggiung Board of Directors recommends shareholders vote to approve establishing the Choggiung, Limited Settlement Trust to promote the health, education, and welfare of the Trust beneficiaries, including Choggiung's shareholders, and preserve the heritage and culture of Natives.

A settlement trust is a trust organized under the Alaska Native Claims Settlement Act (ANCSA) and Alaska law to provide certain benefits to the shareholders of an Alaska Native Corporation, Natives and descendants of Natives. Choggiung will contribute assets to the trust to be managed separate from Choggiung's businesses. Once assets are contributed to the Trust, they cannot return to Choggiung.

What has happened so far?

Choggiung's Board of Directors adopted a resolution to approve creating the Choggiung, Limited Settlement Trust and to place a resolution before the shareholders to seek their approval to establish the Trust.

Who are the beneficiaries of the Trust?

Beneficiaries of the Trust are Choggiung shareholders, Natives and descendants of Natives who are beneficiaries under a benefit program.

What benefits would be provided through the Trust?

The Trust would make monetary distributions to beneficiaries based on the number of Choggiung shares they own. The Trust would also provide benefits in connection with support of educational and vocational activities. The Trust Agreement is written with flexibility to allow for new benefit programs to be developed in the future, such as programs for elder benefits, health and welfare, bereavement benefits and land preservation.

How is the Trust managed?

The Trust will be managed by a Board of Trustees, appointed by the Choggiung Board of Directors. The trustees will have access to Choggiung's administrative resources, as well as professional investment advisors and money managers, to help accomplish the purpose of the Trust.

What are advantages to establishing the Trust?

There are a variety of advantages to establishing the Trust. The most important advantages are:

- ✓ providing benefits to beneficiaries that are predictable and sustainable over the long term
- ✓ protection from risks and claims arising from Choggiung's business operations
- ✓ tax advantages to both shareholders and Choggiung

What are the tax benefits to Choggiung shareholders?

Under current law, distribution of income from the Trust will be tax-free to beneficiaries indefinitely. Beneficiaries may have to pay state income tax if they live outside of Alaska.

What are the tax benefits to Choggiung?

Under current law, income earned by a settlement trust is taxed at the federal rate of 0% for long term capital gains and 10% for ordinary income, while income and capital gains earned by Choggiung are taxed at a combined federal and state rate of approximately 28%. This produces a significant tax savings on income earned by the Trust versus income earned by Choggiung. In addition, contributions to the Trust can be deducted by Choggiung, reducing Choggiung's income tax liability, and increasing financial resources available to fund shareholder benefits and support corporate operations and growth.

How long will the Trust last?

The Trust is intended to last forever.

Are Trust benefits transferrable?

A shareholder cannot transfer their right to receive benefits under the Distribution Program, but when a shareholder dies or gifts their shares, the shareholder's right to receive benefits under the Distribution Program will be automatically transferred with transfer of the shareholder's Choggiung shares.

What is the relationship between Choggiung and the Trust?

Choggiung and the Trust will be closely affiliated, but will be separate legal entities. Choggiung will contribute assets to the Trust, the Board of Directors will appoint the Trustees, some directors will serve as Trustees, and Choggiung Shareholders will be the primary beneficiaries.

Will Shareholders have to approve establishing the Trust?

Yes. To establish the Choggiung, Limited Settlement Trust, a majority of the voting shares present in person or represented by proxy at the Special Meeting of Shareholders at which a quorum is present must vote in favor of creating the Trust.

This matter will be voted on at a Special Meeting of Shareholders on January 5, 2019 in Dillingham, Alaska.

Additional information about the Choggiung, Limited Settlement Trust is provided in the Proxy Statement for the Special Meeting. If you have questions regarding this please contact our office at 907-842-5218.