

FOCUS ON THE

future

BUILT TO GROW *ONC SETTLEMENT TRUST*

Dear *ONC* Shareholder,

The *ONC* Board of Directors would like to establish a “Settlement Trust” for Ouzinkie. This is a type of investment that has many advantages to both the corporation and its shareholders.

To establish this sort of trust, however, the shareholders must vote to authorize its creation. Here’s what you need to know about the trust, what it is, and what it is not.

- ◆ **A Settlement Trust is a one way street.** Assets (money, stocks, buildings, land, etc.) can be placed into the trust, but it can never be taken out except in the form of dividends to shareholders.
- ◆ **Trust Dividends are Tax-Free to Shareholders**
- ◆ **Settlement Trusts take a LONG time to build.** We estimate that *ONC* will need over twenty years to put enough money into a Settlement Trust before it has enough income to generate dividends. So, if you’re a young shareholder, this is an investment that will pay off in your later life. If you’re an elder, this is an investment that will benefit your children, grandchildren and future generations of Ouzinkie.
- ◆ **Settlement Trusts are very conservative.** They take very low risks, and as a result, they return small profits. For example, an average stock portfolio with a “moderate” risk profile might return 6% per year. Settlement Trusts usually earn 2%-3% per year. So, a million dollars in the stock market earns you \$60,000 a year, while the Settlement Trust earns you \$20,000-\$30,000 per year. However, you have far less risk of losing what you’ve invested in a Settlement Trust.

A few things that you might be asking:

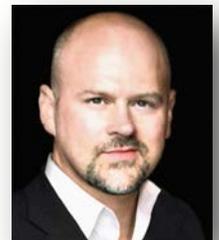
- ◆ **Will investing in a Settlement Trust mean my current dividends will be cut?:** No. The Board of Directors has adopted a ten year plan that addresses all *ONC* financial goals for the next decade. Dividends are planned at current or increased levels for the future. Investment in the Settlement trust will be moderate and gradual.
- ◆ **Will a Settlement Trust mean that my regular dividends will be tax free?:** No. Until we have sufficient money built up in the trust to make distributions (which we estimate will take approximately 20 years), dividends will be paid as they are now, and will be taxable as they are now.
- ◆ **Why do this now?:** This is something we all wish we had done twenty years ago. As stewards of *ONC*, the Board of Directors wants to work towards benefits for present and future shareholders. A little bit invested every year for the next twenty years will have huge benefits for future generations of *ONC* shareholders.
- ◆ **I have more questions, how do I learn more?:** *ONC* will be holding a series of meetings throughout the year to provide Shareholders with additional information on the Settlement trust and provide the opportunity for questions.

Thanks for taking the time to learn about this important future benefit for Ouzinkie Shareholders. I look forward to telling you more about Settlement Trusts and answering your questions in the upcoming Settlement Trust Workshops.

Regards,



Dave Stephens
President & CEO
Ouzinkie Native Corporation



PROPOSAL DETAILS:EXECUTIVE SUMMARY

By BOB HUME, *ONC CORPORATE COUNCIL*



Ouzinkie Native Corporation is asking its shareholders to approve creating the “Ouzinkie Native Corporation Permanent Distribution Fund Trust”. The trust would be a settlement trust under ANCSA.

From time to time ONC will contribute assets (money, stock, real estate, etc.) to the trust. No decisions have been made as to what assets will be contributed, or when contributions will be made.

Among other things, ONC will need to make sure that each contribution does not materially impact ONC.

The trust will be managed by the ONC Board of Directors acting as “trustees.” The trust will invest the assets contributed by ONC in low risk, passive investments.

All shareholders of ONC will be beneficiaries of the trust. The beneficial interest cannot be transferred without transferring the associated ONC shares.

The purpose of the trust is to make monetary distributions to the shareholder-beneficiaries.

Distributions will be proportional to the number of ONC shares owned. As the trust starts earning income, it will set aside funds to inflation-proof the trust assets and to cover investment losses.

The trustees will develop policies to distribute the rest of the income to the shareholder-beneficiaries in a way that is predictable and sustainable. For example, the trust may distribute a percentage of the average net income earned over several years. The goal is to enable the trust to grow and increase its earnings while making distributions that shareholders can count on each year.

In addition to receiving distributions from the trust, shareholders also will receive distributions from ONC from earnings it realizes from its business operations. These distributions may go down over time as ONC contributes more assets to the trust, but should be balanced by increasing distributions from the trust.

Unlike distributions received from ONC, distributions received from the trust generally will be tax-free. In addition, the trust will pay tax on its earnings at only 10%, instead of the 40% rate applicable to ONC income. This reduced tax burden should enable the trust assets to grow faster.

The trust will last forever, as a permanent fund. Future ONC shareholders will automatically become beneficiaries of the trust. Former ONC shareholders will no longer be beneficiaries. It will be difficult, but not impossible, to change or terminate the trust. ONC hopes that over time, as ONC makes contributions to the trust and the trust invests those contributions, the trust will grow to a sufficient size so that it will be able to make regular, meaningful distributions to the shareholder-beneficiaries. Initially, however, it is anticipated that the ONC contributions will be modest and trust earnings will be limited, so initial trust distributions will be delayed or will be small. Most shareholder benefits initially will continue to come through ONC rather than the trust.

The ONC board of directors has approved creating the trust. The ONC shareholders also have to approve creating the trust. A majority vote at a meeting at which a quorum is present is sufficient to approve creating the trust.

A more complete description of the trust, as well as discussion of advantages, disadvantages and risks associated with the trust, are in the proxy statement. Shareholders are strongly encouraged to read the proxy statement, as well as the trust agreement and bylaws that create the settlement trust. ONC also will hold three shareholder informational meetings in Anchorage, Kodiak and Seattle to discuss and explain the trust and answer shareholder questions.

Frequently Asked Questions



► What are shareholders being asked to do?

ONC is asking shareholders to approve the establishment of a Shareholder Trust. You will receive the proposed trust in the packet with your Annual Report and Proxy Statement in August. Shareholders will vote for the trust at the same time they vote for director candidates at the Annual Meeting on October 9, 2015 in Ouzinkie.

► What will shareholders be asked?

Shareholders will be asked to vote “yes” or “no” to the following Shareholder Resolution: “Resolved that the Ouzinkie Native Corporation Permanent Distribution Fund Trust, a Permanent Trust under ANCSA will be established as an ANCSA Settlement Trust as described in the Trust Agreement dated May 1, 2015. A “yes” vote means that you support creating a Settlement Trust for ONC.

► How many votes does a Trust proposal need to be adopted?

A majority of the shares voted at the 2015 Annual Meeting must approve the settlement trust for it to be established.

► How is the proposed ONC trust similar to the Alaska Permanent Fund?

It is similar in that the assets placed in the trust are intended to be ‘permanent’ and any shareholder distributions would come from the income from the fund rather than the principle.

It is unlike the Alaska PFD as distributions to shareholders will not have to pay federal income taxes on distributions.

► Why won't shareholders have to pay federal taxes on distributions from the trust?

It is a special kind of trust just for Alaska Native Corporations. Congress acknowledged that ANCSA corporations have a unique responsibilities to their shareholders, and allowed for federal tax free distributions when the trust’s intent is to promote the ‘health, education, and welfare of beneficiaries, and to preserve the heritage and culture of Alaska Natives.’”

► How many other ANCSA corporations have Settlement Trusts?

Although we aren’t sure of the exact number, there are dozens known to exist. Ahtna Regional Corporation, Afognak Native Corporation, the Eyak Corporation, NANA Regional Corporation, Old Harbor Native Corporation, and Tyonek Native Corporation are just a few of the corporations that have created settlement trusts for their shareholders.

► If the Trust is created, what will shareholders have to do to become trust beneficiaries?

Nothing! The trust is ‘stapled’ to the number of shares each person has in ONC stock. Interest in the trust is connected with one’s shareholder status. Shares transferred or inherited will automatically include interest in the Trust.

► How will Trustees be selected?

ONC’s directors are the Trust Trustees. ONC Shareholders elect the Trustees when they elect ONC’s Board of Directors. When a person is elected to the Board of Directors, the person automatically becomes a Trustee.

SAVE THE DATE

SHAREHOLDER TRUST WORKSHOP SCHEDULE

Ouzinkie Trust Workshop	June 4	Cultural Center	12:00 pm
Kodiak Trust Workshop	June 5	Koniag Building	6:00 pm
Anchorage Trust Workshop	August 8	Sheraton Anchorage	12:00 pm
Seattle Trust Workshop	September 5	DoubleTree Suites Seattle	12:00 pm
Annual Meeting, Ouzinkie	October 9	Cultural Center	10:00 am



Ouzinkie
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