

# **AKI Settlement Trust Review**

**AKI Shareholder Permanent Fund**

**Akhiok-Kaguyak, Inc.**



# Purpose of the Beneficiary Informational Meetings

- The Board of Trustees needs your input to help inform them as to whether to propose any changes to the Trust and if so, what type of change, during the Trust Review Period.
- Therefore, the Board is holding a series of informational meetings to gather information and to allow Trust Beneficiaries the opportunity to ask questions and provide comments about the Trust and the changes that are possible.

# Schedule of Meeting Dates

- The Board of Trustees has set the following schedule for Beneficiary Information Meetings:
  - May 27, 2017 – Kodiak (following AKI shareholder meeting)
  - June 3, 2017 – Anchorage
  - June 10, 2017 – Seattle
  - June 17, 2017 – Akhiok
- Beneficiaries are encouraged to participate and provide comments on this process!
- If you cannot attend, please provide written comments to the Board no later than June 15, 2017.



# **The AKI Settlement Trust**

# Purpose of the Trust

- The Trust was established in 1995 as a Settlement Trust pursuant to the Alaska Native Claims Settlement Act (ANCSA).
- The purpose of the Trust is to **“to promote the health education, and welfare of the Trust Beneficiaries and preserve the heritage and culture of Alaska Natives.”**
- Since inception, the Trust has paid semi-annual and annual dividends to the Trust Beneficiaries for these purposes.

# Periodic Trust Review

- The Trust provides for a **periodic review** of how dividends are distributed.
- The current “**Trust Review Period**” started March 17, 2017 and will end September 17, 2017.
- During this period, the Board of Trustees may change how dividends are distributed in accordance with the Trust Agreement.
- The next trust review will occur in 15 years, in 2032.

# Who Are the Board of Trustees

- The Board of Trustees are the same persons as your duly elected AKI Board of Directors:
  - Pauline O'Brien, Chair
  - Robert Simeonoff, Jr., Vice Chair
  - Cheryl Eluska, Secretary
  - Ernie Berestoff, Treasurer
  - Gary Rozelle, Sr., Trustee
  - Fred Coyle, Jr., Trustee
  - Ralph Eluska Sr., Trustee

# Trustee's Roles & Responsibilities

- The Trustees operate collectively as a Board of Trustees.
  - Only decisions made by an absolute majority of the Board, not individually, can constitute an act or decision of the Trustees in the exercise of their Trust powers.
- The Board manages the affairs of the Trust, including directing and managing all Trust responsibilities, managing and investing Trust assets, and authorizing distributions from the Trust to the Beneficiaries.

# Trustee's Roles & Responsibilities

- The Trustees are authorized “to do all things appropriate or necessary for the orderly management and administration of the Trust.”
- In doing so, the Trustees have a “**fiduciary responsibility**” to the Trust Beneficiaries.
  - A fiduciary responsibility is a high standard of care.
  - It means that the Board has a duty to manage the Trust in the best interests of the Beneficiaries, not for themselves individually.

# Who are the Trust Beneficiaries?

- The Beneficiaries of the AKI Permanent Settlement Trust are the same people who are shareholders of Ahkiok-Kaguyak, Inc.

The slide features a white background with decorative wavy lines. A thick yellow line curves across the top and middle, while a dark brown line curves along the bottom. The text is centered in a dark brown, bold font.

**Changes Permitted to  
Trust Distributions During the  
Trust Review Period**

# What changes are possible during the Trust Review Period?

- During the Trust Review Period, the Trust only permits certain changes to be made to Trust distributions.
  - These changes include modifying the distribution percentage, authorizing a distribution from the Trust principal, or to terminate the Trust entirely. (Discussed more in following slides.)
- To make any change, the Board must first vote to make a permitted change. If the Board approves a change, then the Board's action must be approved by affirmative vote of at least two-thirds of voting-class Beneficiaries.
  - Alternatively, the Board may choose to not make any change. If the Board decides not to make a change, no vote of the Beneficiaries is required.

# What changes are possible during the Trust Review Period?

**OPTION 1:** Terminate the Trust and distribute all principal and accumulated or accrued income to the Beneficiaries.

**OPTION 2:** Modify the distribution provisions to permit any portion of the Trust principal to be distributed, whether on a recurring basis or a single lump sum.

**OPTION 3:** Specify or otherwise modify the Distribution Percentage; or

**OPTION 4:** Make no change.



# **AKI Trust Review Period Change Scenarios**

# OPTION 1 SCENARIO:

## Terminate the Trust

### 100% Principal Distribution:

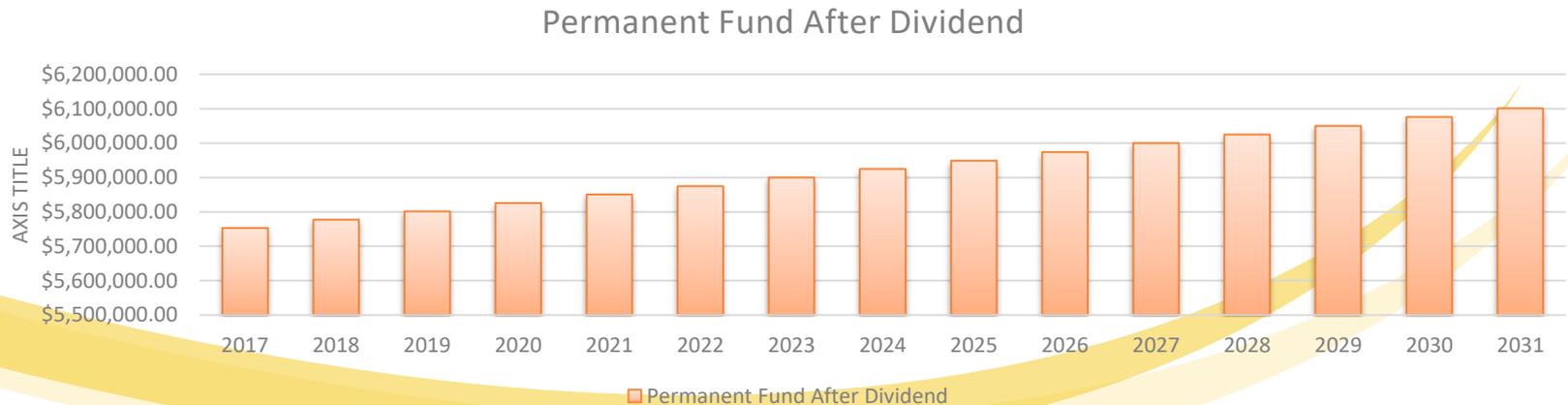
16875 shares		100 % Distribution
Assumptions		
Starting Balance		\$6,228,660.10
Approximate Distribution per share		\$ 370/share
<b>ANNUAL DIVIDENDS AFTER CHANGE APPROVED:</b>		<b>ZERO</b>

**Disclaimer:** This estimate is provided for discussion purposes only and is not a guarantee of performance or distribution.

# OPTION 2 SCENARIO:

## Distribution from Trust Principal

One-time distribution of \$500,000 from the Trust principal, then continue with investor-recommended distribution percentage

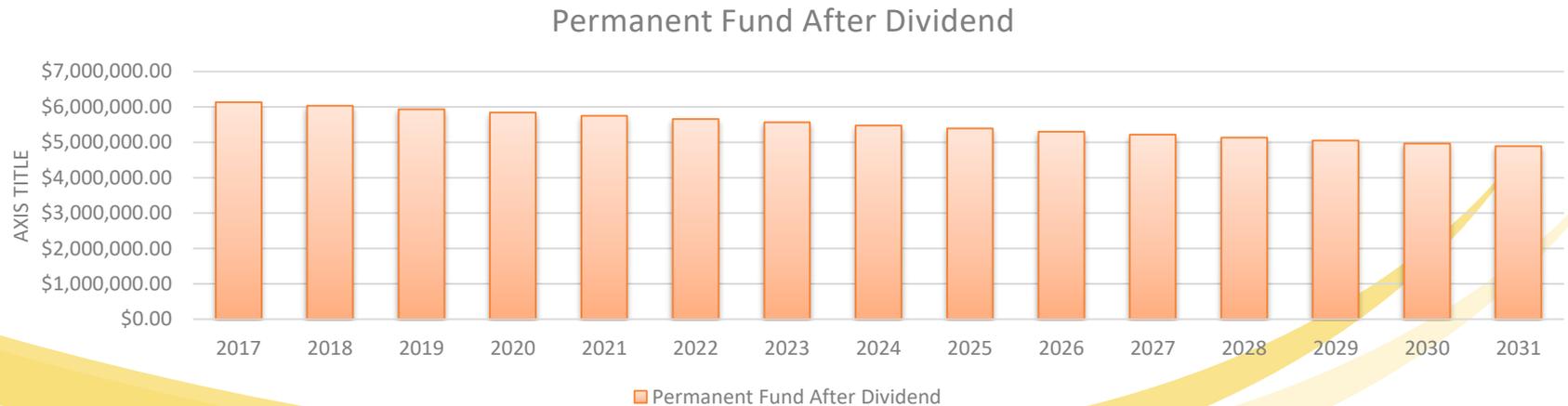


The initial distribution of \$500,000 would be approximately \$29.63/share;  
Annual Distribution would be approximately \$8.40-10.72/share;  
Semi Annual approximately \$4.20-5.36/share.

**Disclaimer:** This estimate is provided for discussion purposes only and is not a guarantee of performance or distribution.

# OPTION 3 SCENARIO: Modify Distribution Percentage

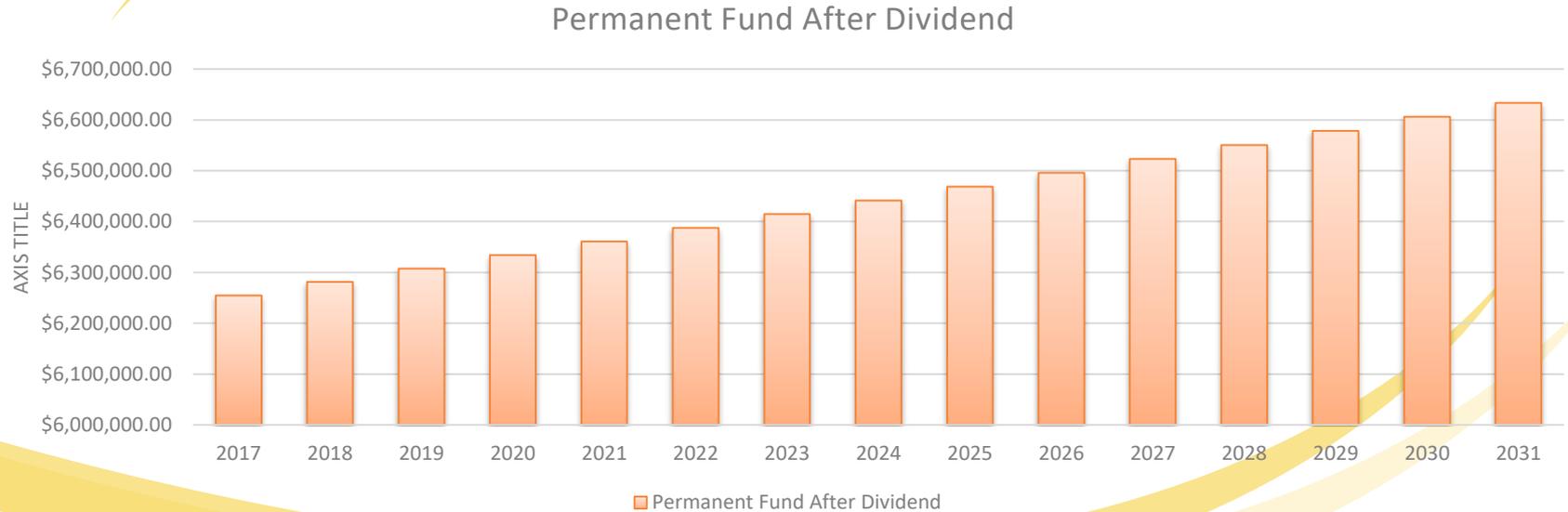
Example: Change current distribution percentage to 5%



At this percentage, the Annual Distribution would be approximately \$19.12 or \$9.56/share Semi-Annually with no growth and by 2031 the corpus threshold will be reached.

**Disclaimer:** This estimate is provided for discussion purposes only and is not a guarantee of performance or distribution.

# OPTION 4 Scenario: No Change



- The current distribution percentage ranges between 2.39% and 3.05%
- Annual Distribution would be approximately 9.14 – 11.71/share,
- Semi Annual approximately 4.57 – 5.83/share.

**Disclaimer:** This estimate is provided for discussion purposes only and is not a guarantee of performance or distribution.

# Pro's and Cons of Changing Trust Distributions

- Please see the handout entitled “Pro's and Cons”
- There are many advantages and disadvantages to changing the rate of Trust distributions under any of the options available.
- The Board is interested in your opinion as it weighs these pro's and cons.

# What is Required to Change the Trust?

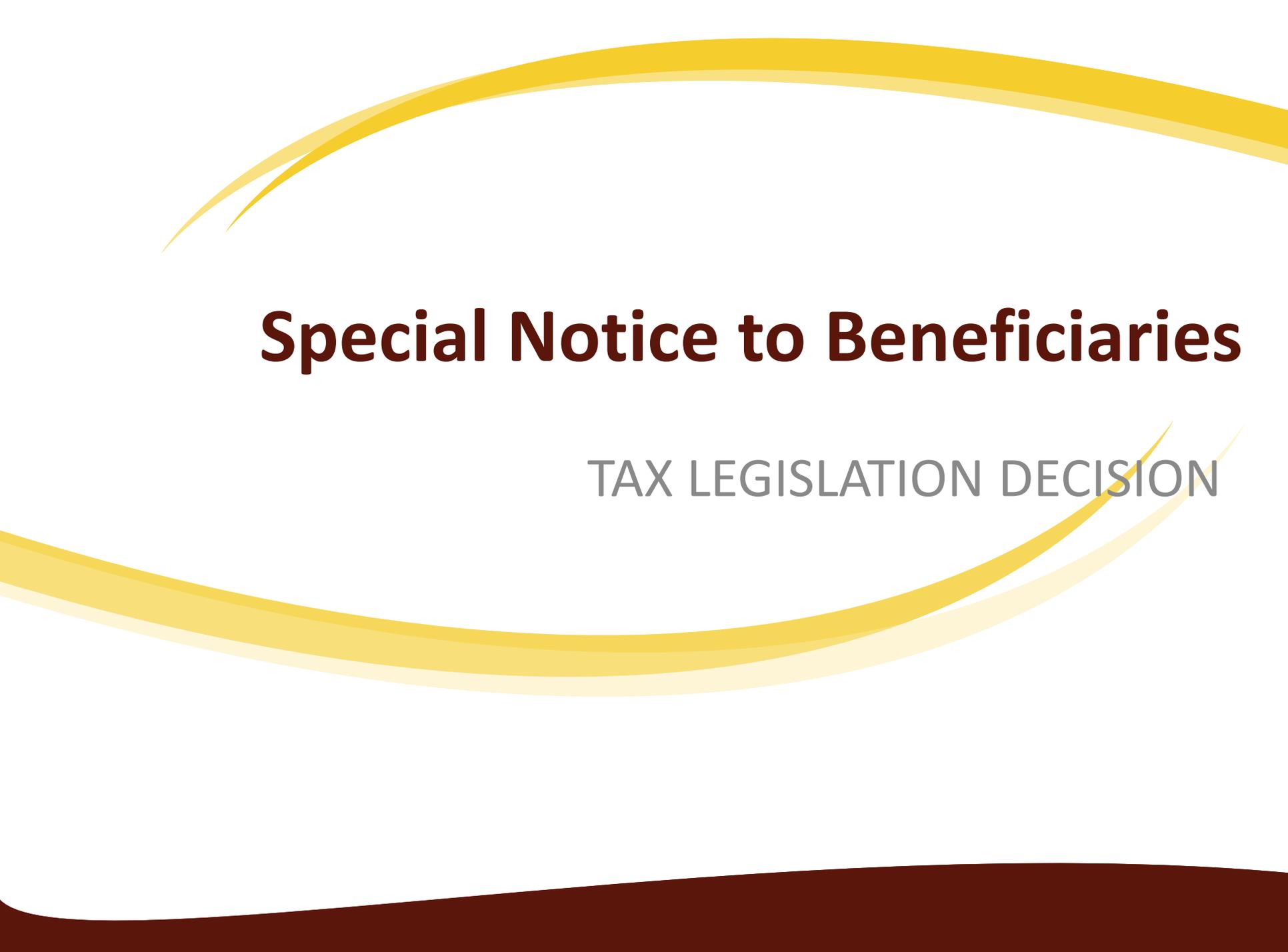
- The Trustees must vote to approve a change of the options allowed. This must be decided during the current Trust Review Period, which ends September 17, 2017
- Any proposed change of Option 1, 2 or 3 must be approved by 2/3rds of the Class A shares through a mail-in ballot during the review period. Any vote that is required must be completed before the end of the Trust Review Period.
- If the Trustees decide to make no change (Option 4), then no vote of the Beneficiaries is required.

# What if a Change Proposed by the Trustees is not Approved?

- If the Trustees approve a change for either Option 1, 2 or 3, then that decision must be approved by an affirmative vote of at least two-thirds of Class A Trust Units.
- If less than a two-thirds affirmative vote is received, then the Board's proposal fails and that change cannot take effect. The Trust will continue to operate in its current form until the next "Trust Review Period", fifteen years from now.

# What Happens to Trust Distributions During the Trust Review Period?

- Status quo
  - Trust distributions are to continue under the current distribution plan unless and until a change is approved by the Board and ratified by the Beneficiaries holding Class A Unit Shares.



# **Special Notice to Beneficiaries**

TAX LEGISLATION DECISION

# Taxes

## Will Beneficiaries have to pay taxes on the Distribution made by the Trust?

Probably not. We estimate that under current tax law and the current available data, no tax will be due. However, tax liability is dependent on the earning of the trust and earning and profits of Akhiok-Kaguyak Inc. and could change.

However, if you received your shares through gift or inheritance, some or all of the distribution may be taxable.

**Please consult with your personal tax advisor.**

**This presentation cannot be relied on as a substitute for legal or tax advice.**

The slide features decorative curved lines in yellow and brown. A thick yellow line arches across the top, while a thinner yellow line follows a similar path below it. At the bottom, a solid brown curved shape frames the page.

# **QUESTIONS/COMMENTS?**

Thank you for your participation!

**Please provide written comments to the Board of Trustees no later than June 15, 2017.**