

Questions And Answers About the UIC SHAREHOLDER TRUST

UIC's Board has developed a settlement trust to provide various benefits to UIC's shareholders and members of their immediate families as well as other Alaska Natives and descendants of Natives. This UIC SHAREHOLDER TRUST (the "Trust") will be voted on by UIC's shareholders at the 2020 Virtual Annual Meeting of UIC's shareholders to be held online on October 24, 2020. Specifically, shareholders will vote "YES" or "NO" on the following Shareholder Resolution 2020-01: ***Shall the UIC SHAREHOLDER TRUST shall be established as an ANCSA Settlement Trust effective October 24, 2020?***

1. Exactly what is a settlement trust? A settlement trust is a legal entity, separate from UIC, organized under ANCSA to promote the health, education, and welfare of the Trust's beneficiaries and to preserve the heritage and culture of Alaska Natives, including UIC's shareholders. Under laws passed by Congress in 2017, Settlement Trusts permit Alaska Native Corporations to better provide long-term benefits for future generations. Because Settlement Trusts can provide significant benefits for UIC and its shareholders, the Board of Directors would like to recommend taking full advantage of the new tax incentives to establish a settlement trust for providing benefits that are both tax-free to the recipient shareholders and tax deductible to UIC.

2. Who is a Beneficiary of the Trust? Every UIC shareholder will become a Beneficiary of the Trust. Upon approval of the Trust, each shareholder will automatically own the same number of Trust Units in the Trust as that shareholder owns UIC shares (*e.g.*, if you own 100 UIC shares, you will own 100 Trust Units). To the extent the shareholder's UIC shares are voting, that shareholder's Trust Units will also be voting. When UIC shares are transferred (*e.g.*, upon a gift of shares or death of a shareholder), the Trust Units linked to those shares will also automatically transfer to the same person receiving the shares.

3. What Benefits may be provided through the Trust?

- **The Cash Distribution Benefit:** Shareholders as Beneficiaries of the Trust will receive a Cash Distribution Benefit from the Trust instead of receiving a dividend payment directly from UIC. Like a dividend based on the number of UIC shares owned, the Cash Distribution Benefit payment will be based upon the number of Trust Units each Beneficiary holds. Unlike the dividend, however, Cash Distribution Benefits should provide additional tax advantages to shareholders because such benefits are normally not taxable and not reported on individual tax returns.

In the future, if funds are available and if so decided by the Trustees, the Trust Agreement also authorizes providing several other possible types of benefits to Beneficiaries holding voting UIC Stock. The potential benefits below would not be based upon the specific Trust Units a person owns, and each type would have its own specific eligibility requirements:

- **The Education Benefit:** A Beneficiary or lineal descendant who satisfies other eligibility requirements established by the Trustees may receive educational funds from the Trust. The UIC Foundation will also continue to provide educational benefits after the Trust is established, but this benefit would allow additional flexibility to UIC for assisting educational goals.
- **The Bereavement Benefit:** Upon the death of any Beneficiary and upon satisfying other requirements established by the Trustees, this benefit may be paid to any entity or person (whether or not such person is a Beneficiary). UIC presently provides a funeral assistance policy, but this benefit would allow additional flexibility to UIC to assist in times of bereavement.
- **The Homesite Lot Benefit:** To the extent UIC contributes land it received under ANCSA to the Trust and if so decided by Trustees, land may be provided to a Beneficiary (or to a lineal descendant of a Beneficiary) who is a legal Alaska resident of the Native Village of Barrow. The Homesite Lot Benefit is limited by ANCSA to 1.5 acres. UIC presently has Homesite Lot and Land Use programs, but this benefit would provide additional flexibility to UIC to the extent permitted by law.

- **The Elder Benefit:** Beneficiaries who are Natives or descendants of a Native over 65-years-old and who satisfy the eligibility requirements established by the Trustees would be eligible for benefit payments.

The Trust Agreement authorization also expressly includes expenditures and distributions to provide medical related benefits, Barrow community donations (Barrow festivals or Native community groups), whaling captain benefits, marine freight subsidies/donations, fuel/utility subsidies/donations, rental car subsidies/donations and hardship benefits and donations. If a distributed benefit remains unclaimed for three years, it is forfeited and returned to the Trust's general asset unlike unclaimed UIC distributions, which are held indefinitely.

Finally, the Trust Agreement authorizes the Trustees to provide other additional types and forms of benefits to eligible individuals or eligible groups, beyond those expressly listed in the Trust Agreement, to promote the health, education, and welfare of or to preserve the heritage and culture of Alaska Natives. Such other benefits may be provided to a Beneficiary holding UIC Stock with voting rights under ANCSA.

4. What Are the Tax Benefits from the Trust? Shareholders as Beneficiaries receive an important tax break because benefits paid by the Trust (including Cash Distribution Benefits) are normally not taxable and not reported on individual tax returns. Contributions to the Trust are tax-deductible, and the Trust will also make a special tax election which allows the Trust itself to be taxed at rates of 10% on ordinary income such as interest income and 0% on capital gains and dividends. By comparison, UIC is taxed presently at rates of about 28% on all its income and gains (ignoring Net Operating Losses and other special tax benefits). The Trust's lower tax rates will therefore also result in significant tax savings compared to the taxes UIC must pay.

5. Who will manage the Trust? When an UIC Director is elected or appointed, that person automatically becomes a Trustee who continues to serve with other directors as Trustees for as long as he or she is a director.

6. What will be contributed to the Trust? The Board intends to transfer sufficient assets to the Trust from time to time to achieve the Trust's purposes, with a primary, present focus on funding the Cash Distribution Benefit. Because UIC's future financial status (including its future profits) is unknown and will depend on a wide variety of factors such as the actual cash flow from UIC's business operations, exact contributions to be made to the Trust are not certain at this time. Because assets placed in the Trust cannot go back to UIC, the present Board also intends to retain sufficient assets in UIC, so that UIC can conduct its operations and pay all its debts and obligations following any and all Trust contributions.

7. What is the Shareholder Voting Process to establish the Trust? A majority of UIC shares represented (or by proxy) at a meeting for which quorum is present must vote to approve Shareholder Resolution 2020-01 to establish the Trust as an ANCSA Settlement Trust. Each share will have one vote. As set out in the proxy materials for the 2020 Annual Meeting, cumulative voting will not apply to the settlement trust vote (although it will apply to the election of Directors).

8. How long will the Trust last? The Trust can last forever, but the Trust Agreement also permits it to be amended or terminated in various ways: (1) by the Trustees, for technical amendments (*i.e.*, to clarify intent or correct errors within the Trust Agreement); (2) by the Trustees in superior court, for amendments or termination in the event of a Material Adverse Effect on the Trust; (3) by the Trustees in conjunction with the Beneficiaries at any time, for amendments or termination. Most modifications require approval by a majority of Trustees and a majority of the Trust Units with voting rights; any decision to terminate the Trust requires approval of a two-thirds majority of Trustees and a two-thirds majority of the Trust Units with voting rights.

9. Do any other Alaska Native Corporations have Settlement Trusts? Yes – in the past few years, a number of regional village corporations have successfully established settlement trusts under ANCSA.

** Other information, including the Trust Agreement itself, is available at: <https://uicalaska.com/uic-shareholder-trust/>. The Trust Agreement more completely and accurately describes the Trust than can be provided in these limited questions and answers, which have been included to aid your understanding, in addition to the enclosed Proxy Statement. In the event of any conflict, the Trust Agreement will control over these Q&As and the Proxy Statement.*