



# Chitina Native Corporation

## Newsletter

### A Word from the President

Happy Holidays and Seasons Greetings to you and your family. I hope this newsletter finds you doing well and enjoying time with those you love.

Going into the Holiday season, It is an exciting, and busy time for Chitina Native Corporation. Some of our programs that I am most excited about include, our efforts towards developing and expanding tourism in the Wrangell-St. Elias Park, proposed growth for Wrangell View RV Park and our inclusion into the USDA Farm Service Program. Recently, the Chitina Electric, Inc./AMES 1 Joint venture was able to secure some construction contracts with the Army Core of Engineers through the SBA 8(a) program . This was no easy task and there were many hurdles that needed to be made, but today, we find ourselves with some long term contracts and a new customer to support.

The SBA 8(a) program is a Business Development Program, meant to support socially and economically disadvantaged entities. This program levels the playing field for small disadvantaged companies looking to grow their capabilities. We have committed to grow Chitina Electric Inc., and soon Chitina Diversified Services, in this program and look forward to what the future will bring.



Anne Thomas  
President

### A Message from the CEO

For this fall CNC newsletter, we are happy to report forward movement on some projects we have diligently been working on. Following our theme for strategic planning, Preparing for growth, we want to keep you informed on some initiatives that we are excited about. From the development of the Carbon Credit program, Chitina Diversified Services receiving its 8(a) certification, forward movement on the proposed Settlement Trust and of course the recent 8(a) contract wins by Chitina Electric, Inc.

It is important to understand that all of these opportunities require resources, whether they be operating cash or specialized people who bring certain skills. We have to diligently manage those resources as we navigate the timing of these opportunities.

It has, indeed, been an exciting year for Chitina Native Corporation. Having worked for Chitina Native Corporation for almost two years, I can reflect and say Thank you for your continued support and I wish each of you a happy and healthy holiday season.



Ed Herndon  
CEO

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### Board of Directors

- Anne Thomas, President
- Arleen Lenard, Vice President
- Jason Hart, Secretary/Treasurer
- Danna Finnesand, Board Member
- Jason Nesslage, Board Member
- Martin Finnesand, Honorary Elder



## CNC subsidiaries attend Society of Military Engineers event.

Chitina Native Corporation has invested in marketing its subsidiaries and most recently attended the annual small business conference event in New Orleans, LA. sponsored by the Society of American Military Engineers (SAME). This event allows small businesses to showcase and market their qualifications to top contracting agencies, within the Department of Defense for multiple regions. Chitina Electric, Inc. and Chitina Diversified Services are wholly-owned subsidiary of Chitina Native Corporation, specializing in power generation, distribution, operation and maintenance, professional services, administrative management with a focus on general & specialty construction.



**Chitina Electric, Inc.**  
A Subsidiary of Chitina Native Corporation. Gateway to the Wrangell - St. Elias National Park™

## Government Contract Wins

It's been a strong year for the Chitina Electric, Inc./ AMES 1 Joint Venture. Recent successes include two construction awards with the Army Core of Engineers, further diversifying our efforts into the federal market place. "We are pleased with these wins and are planning on ramping up our operations to support" said Martin Finnesand President of Chitina Electric, Inc.

## Chitina Diversified Services receives its 8(a) certification

Chitina Native Corporation is pleased to announce that its newest subsidiary Chitina Diversified Services (CDS) has been certified as a participant in the Small Business Administration 8(a) Business Development program. CDS can now pursue federal government contracts leveraging opportunities set aside for 8(a) companies as well as sole source contracts.

## Revised Chitina Native Corporation Land Policy

During the fall meeting of the Board of Directors a new land policy was approved. Chitina Native Corporations overall goal is to protect and preserve our lands and resources for present and future generations. This directive is carried out through the land committee. Some of the updates include changes to the land access, trespass policy and Land Fish site program to include revised rules around leasing and permitting.

If you are currently using or planning to access Chitina Native Corporation lands please call ahead to confirm that your aware of any applicable policy changes.

## O'Brien Creek update



Members of the CNC Board met with employees of the United States Department of Agriculture (USDA) this past summer to discuss access O'Brien Creek. With the 2018 spring melt came the redirection and washout of O'Brien Creek, hindering access to corporate lands and valuable acreage for subsistence use and dip netters. USDA offers certain programs that may be of assistance to CNC's long range goals for the O'Brien Creek area and the entire day was spent in discussions. The ultimate goal is to find a long term fix that would allow safe access to the area.

*(Anne Thomas, Arleen Lenard and Martin Finnesand of CNC discuss the need for safe access to CNC lands with Bruce Cain (Ahtna) and employees of the USDA.)*

## CNC Shareholder Settlement Trust information

This is the second installment of information regarding the proposed Chitina Shareholder Trust. The Spring newsletter addressed some of the basic information but it is the CNC Board of directors intent to ensure long-term sustainable benefits to its shareholders through the proposed trust.

As of today your CNC board has passed a resolution in support of creating a settlement trust, subject to the vote of the shareholders. We have set a timeline and expect to present the Chitina Shareholder Trust at the 2019 Chitina Native Corporation annual meeting, tentatively set for June 8, 2019.

The "Settlement Trust Improvement Act of 2017" has provided an opportunity for CNC to benefit our shareholders, and realize some increased tax savings. This act also allows ANC's to place assets in a settlement trust on an effectively pre-tax basis (because of tax deduction). The resulting tax savings could help to fund trust benefits, which can include shareholder distributions. *"The use of a Settlement Trust to provide benefits and distributions rather than the Native Corporation is a far superior approach in most cases."* said Bruce Edwards Esq.

A good example of how the settlement trust works;

### What do recipients actually keep from \$1 Million of Corporate Earnings distributed by CNC vs. the Trust?

(Graph courtesy of Sorensen & Edwards)

	Directly from CNC	Indirectly through Shareholder Trust
<b>Assumed Income</b>	\$1,000,000	\$1,000,000
<b>Entity Tax (assumes no NOLs or other carryovers)</b>	(280,000) (@ 28%)	(100,000) (@ 10%)
<b>Available for Distribution</b>	\$ 720,000	\$ 900,000
<b>Tax to Shareholders vs. Beneficiaries</b>	(54,000) (7.5%)	(0)
<b>Kept by Shareholders or Beneficiaries</b>	\$ 666,000 (66%)	\$900,000 (90%)

#### Main Points

- The trust is taxed at 10% on ordinary income and 0% tax on capital gains and dividends received from the trust.
- 0% tax to trust beneficiaries (shareholders)
- This allows more benefits to be kept where they belong, with the beneficiaries (shareholders).

## Latest Stories (Continued)

**To recap with some of details of the proposed Settlement Trust;**

1. **Why is CNC considering creating a settlement trust?** Recent changes to those laws governing Alaska Native Settlement trust have created very favorable terms for shareholders and the corporation. The CNC Board has determined that the creation of a Shareholder Trust is a great way to pursue long term sustainable shareholder benefits.
2. **What is a Settlement Trust?** A Settlement Trust is a trust organized under the provisions of the Alaska Native Claim Settlement Act (ANCSA) and Alaska law to provide certain benefits to the shareholders of a specific Native corporation.
3. **Why use a Settlement Trust?** A Settlement Trust is used to promote the "health, education and welfare of its beneficiaries and preserve the heritage and culture of Natives." There are many benefits that could be provided from Educational Scholarships, Dividends, Funeral benefits and others as defined by the directors of the trust.
4. **Who are the Beneficiaries of the Trust?** CNC Shareholders
5. **How long may a Settlement Trust last?** There is no limit on how long a Settlement Trust may last:
6. **How would Dividends or other benefits be determined?** Dividends and other distributions would be determined by the trustees in the same fashion as the directors for CNC currently determine dividends. Policies

**Please call (907) 823-2223 or email [chitina\\_native@cvinternet.net](mailto:chitina_native@cvinternet.net) with any questions or comments regarding the proposed CNC Shareholder Trust.**

## Tsedi Na' Foundation

This past year the Tsedi Na Foundation hosted its annual cultural heritage event. During this event, youth participate to do hands on crafts, learn traditional words and meanings of the Ahtna language, native dance and songs. Tsedi Na' (Chitina) was formed in February 2010 as a Non Profit of the Chitina Native Corporation with a focus on cultural preservation and education for our Shareholders. The Tsedi Na' Foundation receives scholarship funding from Chitina Native Corporation and will continue to host yearly culture camps the first weekend of August in Chitina.

### Chitina Native Corporation

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