

EKLUTNA, INC.  
Share Fractionalization Policy

The Eklutna, Inc. Share Fractionalization Policy consists of the following:

1. Lottery Process for Share Distributions To Avoid Further Fractionalization of Shares When Stock is Distributed Under a Will;
2. Lottery Process for Share Distributions To Avoid Further Fractionalization of Shares When Stock is Distributed Under Intestacy;
3. Frequently Asked Questions Regarding Fractional Shares;
4. Instructions to Heirs Regarding Distribution of Remaining Shares;
5. Unanimous Agreement of Heirs (example);
6. Definitions; and
7. Intestate Succession Flow Chart (From Shareholder Relations Manual).

This policy was adopted by the Board of Directors of Eklutna, Inc. at a duly noticed meeting held on June 13, 2013. See Resolution No. 2013-04. The parts of this policy listed above may only be amended by action of the Eklutna, Inc. Board of Directors.

## **EKLUTNA, INC.—FRACTIONALIZATION OF SHARES**

### **Process for Share Distributions To Avoid Further Fractionalization of Shares When Stock is Distributed Under a Will**

#### **EXPLANATION**

If the deceased shareholder:

- (i) leaves a will containing a directive that would further fractionalize the shares owned by the deceased shareholder, or
- (ii) leaves a will containing a directive instructing the Corporation to distribute Remaining Shares (as defined below) and Fractional Shares in accordance with the Corporation's lottery process,

then the Corporation shall advise the devisees that Board Resolution 2013-04 prohibiting further fractionalization of shares applies. The Corporation shall advise the devisees of the number of shares at issue (using the process set forth in Part I below) and, if applicable, of the devisees' right to provide the Corporation with a unanimous written agreement that allocates the shares at issue in a manner that does not create additional fractional shares or that the deceased shareholder has left instructions for a lottery to be performed. If the devisees have not provided the Corporation with such a written agreement before the expiration of the time period specified (when applicable) or if the deceased shareholder's will directs the Corporation to hold a lottery, the Corporation shall conduct a lottery to distribute the shares at issue in accordance with the process described in Part III below.

#### **PROCESS**

##### **I. Determine the number of shares subject to agreement or to the lottery.**

(A) In accordance with the terms of the shareholder's will and the corporation's normal shareholder estate procedures, determine the number of shares left to each devisee under the shareholder's will. If the number of shares owned by the deceased shareholder can be evenly distributed so no additional fractional shares are created, then no further steps need to be taken under this policy. Each individual may receive the shares devised to him/her. See examples (1) and (2) below. Alternatively, determine whether the shareholder's will includes specific provisions regarding the distribution of fractional shares and Remaining Shares pursuant the Resolution 2013-04. See examples (3) and (4) below. Otherwise, continue to Part I(B).

(1) Stock: 100.00 shares. Shareholder's will leaves  $\frac{1}{2}$  of stock to wife,  $\frac{1}{4}$  to son and  $\frac{1}{4}$  to daughter. This results in 50 shares for the wife, 25 for the son and 25 for the daughter. Stock may be distributed in accordance with the provisions of the will. No agreement or lottery is needed.

(2) Stock: 100.25 shares. Shareholder's will leaves 40 shares to wife, 20 shares to oldest son, 20 shares to second son, and 20.25 shares to daughter. No additional fractional shares are created. No existing fractional share is further divided. Stock may be distributed in accordance with the provisions of the will.

(3) Stock: 72.47 shares. Shareholder's will provides for distribution "equally to my four children with any Fractional Shares and Remaining Shares (as such terms are defined in Eklutna's Share Fractionalization Policy) to be distributed by lottery." Under these facts, 18 shares shall be distributed to each child (for a total of 72), and the remaining .47 shares shall be distributed to one child under the lottery process described in Part III.

(4) Stock: 100.8 shares. Shareholder's will leaves shares "equally to my three children with any Fractional Shares and Remaining Shares (as such terms are defined in Eklutna's Share Fractionalization Policy) to be distributed in a manner that reduces existing fractions held by my named devisees to the maximum extent possible, with the balance of my shares distributed in accordance with Eklutna's Share Fractionalization Policy." At the time of the Shareholder's death, Child A owns 20.2 shares, Child B owns 10.7 shares and Child C does not own any shares. Initially, 33 shares are distributed to each child. The remaining 1.8 are distributed as follows: Child A receives .8 ( $20.2 + 33 + .8 = 54$ ), Child B receives .3 ( $10.7 + 33 + .3 = 44$ ), and Child C receives 33 shares. The .7 shares left after the distribution of the .3 and the .8 to Child A and Child B are then distributed under Parts II and III below.

(B) If the division does not produce the result described in Part I(A), determine whether any of the following apply:

(1) The provisions of the will divide existing fractional shares into smaller fractions. For example, the shareholder owned 3.75 shares and left them equally to his/her three children. This would result in 1.25 shares each. Even though this is an equal allocation, it changes the one fractional share (.75 shares) owned by the decedent into three fractional shares (each .25 shares). This is a further fractionalization that is not allowed under the terms of Resolution 2013-04. The .75 share is subject to the lottery if the devisees do not provide the corporation with a signed agreement that distributes the stock without creating fractional shares in addition to the .75 share or in a manner that does not increase the number of persons who own fractional shares.

(a) Note that under certain circumstances, there may be whole shares as well as fractional shares that will be subject to the lottery if the devisees do not agree upon a distribution. For example, assume the shareholder owned 50.75 shares and left them equally to his/her 3 children.  $50 \div 3 = 16$  shares for each devisee with 2 whole shares remaining. 48 of

the shares (16 x 3) may be distributed, but the 2 Remaining Shares<sup>1</sup> and the fractional .75 share owned by the shareholder would be subject to the lottery if the devisees do not submit a valid, written agreement.

(b) To make the allocation as fair as possible, all shares allocated to a group will be subject to a separate lottery within that group. For example, assume the deceased shareholder owned 31.5 shares to be distributed 50% to his/her surviving spouse and 50% to his/her two children. 31.5 divided by 2 = 15 shares for the spouse and 15 shares for the issue with 1.5 shares remaining. The spouse would be given an initial allocation of 15 shares and the children would be initially allocated 15 shares. If the spouse and two children do not provide Eklutna with a written agreement, the 1 Remaining Share and the .5 share would be distributed by lottery but the eligible candidates would be described as “spouse” and “children”. If the spouse received the 1 Remaining Share in the lottery, then the .5 share would be distributed to the children. The next step is to divide the 15.5 shares allocated to the children. In our example, each child would receive 7 shares of the 15.5 allocated to “children” after the first lottery. If the children do not submit a written agreement regarding the distribution of the 1.5 shares, there would be a lottery to decide which child received 1 share (thus receiving 8 total shares) and which child received .5 shares (thus receiving 7.5 shares).

(2) The provisions of the will create fractional shares even though the deceased shareholder owned only whole shares or distributed his existing fractional share without dividing it. For example, the shareholder owned 100.5 shares, left his brother the .5 share and left the other 100 equally to his/her three children. 100 divided by 3 people = 33.333 shares for each devisee. The .333 shares that each devisee would receive under the will are fractional shares that are not allowed under Resolution 2013-04. The corporation can distribute the .5 share to the brother and it can distribute 33 shares to each child. However, the 1 Remaining Share is subject to the lottery if the three children do not submit a valid, written agreement.

(a) Note that under certain circumstances, there may be more than 1 share subject to the lottery. For example, assume the shareholder owned 100 shares and left them equally to his 7 children. This would result in each devisee receiving 14.285 shares, which is prohibited under Resolution 2013-04. 98 of the shares (14 shares x 7 heirs) may be distributed, but the 2 Remaining Shares are subject to the lottery if the devisees do not submit a valid written agreement.

(b) Note that special circumstances may apply if one of the heirs is deceased but left living issue. This would occur, for example, if one of the children is dead, but has three living children (each a grandchild of the deceased shareholder). The terms of the will must be reviewed to

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<sup>1</sup> See DEFINITIONS.

determine the shareholder's intent with regard to what the grandchildren should receive, if anything. See Part III(B)(11) of this document for further instructions.

(c) Note that it would be necessary to have an agreement or perform a lottery if the deceased has more heirs than shares. For example, a shareholder may own 3 shares and leave them equally to her five children. The policy would not allow Eklutna to issue partial shares to each child so the children would be asked to submit an agreement that doesn't increase the number of persons who own fractional shares. If they do not submit a valid agreement, a lottery would be held and three of children would end up with one share each while two of the children would end up with nothing.

(C) If I(B)(1) *or* I(B)(2) applies, each devisee shall receive the number of whole shares calculated in accordance with the rules set forth in Part I(B), and the devisees with an interest in the Remaining Shares shall be given sixty (60) days to submit a unanimous written agreement regarding the distribution of the Remaining Shares that complies with the requirements of Resolution 2013-04. If these heirs do not respond in a timely manner, a lottery will be conducted under the procedure set forth in Part III, below, to decide who will receive the Remaining Shares and any fractional shares that were not properly devised.

## **II. Request For Heirs to Provide Unanimous Written Agreement.**

When it is appropriate for the heirs to be asked to supply a unanimous written agreement, the Corporation shall send a written notice to each heir it determines has an interest in the Remaining Shares and fractional shares asking them to provide a unanimous written agreement specifying how the stock will be distributed in compliance with the requirements of Resolution 2013-04. The notice shall identify the (i) heirs who have an interest, (ii) the number of shares, including fractional shares, to be distributed, (iii) the deadline for providing the unanimous written agreement to Eklutna, Inc., and (iv) a sample form of agreement. A sample form of notice with instructions and a sample agreement are included with the materials adopted pursuant to Resolution 2013-04. Shareholders may provide a different form of unanimous agreement if it contains all of the required information and signatures and the distribution provisions do not violate Eklutna, Inc.'s policies against share fractionalization.

Eklutna will also accept agreements that divide Remaining Shares into smaller fractional shares when the distribution proposed in the agreement does not increase the number of shareholders owning fractional shares. In the example given under Part I(A)(4), above where the shareholder had 100.8 shares, Child A, Child B and Child C could submit an agreement regarding the 1.8 Remaining Shares and fractional share that distributes .8 to Child A, .3 to Child B and requires a lottery of the .7 Remaining Shares. Three people owned fractional shares before (the decedent, Child A and Child B), so any agreement that only allows no more than three people to own fractional shares afterward will be accepted.

### III. Lottery Process

(A) If the heirs do not provide a valid written agreement, the first step in the lottery process is to determine the order in which devisees will receive shares. The entire lottery process will be overseen by one of the corporation's attorneys or in the presence of a similar impartial observer. Every person whose name will be written on the pieces of paper described in III(A)(2) (or who is part of a group described in III(A)(2)) will be invited to attend the lottery and will be allowed to bring one guest. Invitations will be mailed to the last known address of such persons at least ten calendar days prior to the date scheduled for the lottery. Invitations will include the date, place and time for the lottery.

(1) Count the number of devisees entitled to receive the shares at issue. In some instances, this may be less than all of the devisees. Under the example set forth in Part I(B)(1)(a), all three children named in the will would be counted. However, under the example set forth in Part I(B)(2), the shareholder's three children would be counted but the shareholder's brother, who is not entitled to receive any portion of the 1 Remaining Share, would not be counted.

(2) Write the name of each devisee (or group if the circumstances described in Part I(B)(1)(b) apply) named in the deceased shareholder's will who is entitled to receive the shares being distributed by lottery on a square of paper cut into a 3 inch by 3 inch square. Make sure each square of paper is of equal weight and color.

(3) Place all of the pieces of paper in an opaque container. Do not fold, spindle, mutilate or otherwise do anything to the pieces of paper that would make them separately identifiable.

(4) Have a different individual from the person who conducted steps (1) through (3) of this Part III(A) draw one paper from the container without looking into the container.

(5) Write "First" next to the name written on the first piece of paper drawn.

(6) Continue drawing pieces of paper until they are gone. After each piece of paper is drawn, write its drawing order next to the name. For example, write "second" on the second piece drawn, "third" on the third piece drawn and so on until all pieces of paper have been drawn from the box.

(B) The next step is to distribute the shares.

(1) Count the number of Remaining Shares in accordance with the process set forth in Part I(B).

(2) Determine whether the shareholder owned a fractional share that needs to be distributed through the lottery under Part I(B).

(3) Create 3 inch by 3 inch squares of paper equal to the number of Remaining Shares plus one additional square for the fractional share, if any. For example, if the calculations under Part I(B) would result in 16 shares for each of the 3 heirs named with 2.75 shares left over, you would create 3 squares of paper. Be sure that each piece of paper is identical in weight and color. If you have more pieces of paper for this process than you created under Part III(A), above, you probably made a mistake and should re-verify your calculations.

(4) For each whole share identified in Part III(B)(1), above, write “one share” on a piece of paper.

(5) If the deceased shareholder owned a fractional share, write the amount of the fractional share on the remaining piece of paper.

(6) Place all of the papers in an opaque container.

(7) Have a different individual from the person who conducted steps (1) through (6) of this Part III(B) draw one paper from the container without looking into the container. On the first piece of paper drawn, write the name of the devisee (or group) who received the designation “first” under the process set forth in Part III(A)(5).

(8) Repeat step 7, writing on the second piece of paper that is drawn the name of the devisee (or group) who was designated as “second” under the process set forth in Part III(A)(6).

(9) Continue repeating step 7 writing the name of the devisees (or groups) designated as “third,” “fourth,” and so on as the pieces of paper with share amounts written on them are drawn until all of the pieces of paper created in Part III(B)(3) have been drawn and have a name written on them.

(10) It is possible that you will have more devisees (or groups) than you have shares and that some devisees will not receive any shares through the lottery process.

(11) It may be necessary to conduct a second lottery if the deceased shareholder’s will provides for descendants of a deceased devisee to receive shares and such shares cannot be divided among those descendants without creating fractional shares or further dividing existing fractional shares. However, the descendants of such deceased devisee shall be given the opportunity to come to an agreement before the second lottery is held.

(a) For example, assume the shareholder owned 100 shares and left them equally to his 7 children, one of whom is dead but who has living children. This would result in each devisee receiving 14.285 shares, which is prohibited under Resolution 2013-04. 98 of the shares (14 shares x 7 heirs) may be distributed, but the 2 Remaining Shares go through the lottery process. Assume that under the first lottery process, the deceased child receives one of the shares under the lottery process. This means that the descendants of the deceased child would receive 15 shares (14 + 1). If the deceased child had 3 three children, then each would receive 5 shares. But if the deceased child had 2 children, they would each receive 7 shares with one leftover. If these two children cannot agree as to which one of them should receive the 1 Remaining Share, then each one would receive 7 shares and the 1 Remaining Share would be subject to a second lottery process in order to determine which child receives it.

(12) For record-keeping purposes, staple each piece of paper containing a devisee's name to the corresponding piece of paper containing the size of the share to which (s)he is entitled under the lottery. Place all of the pieces of paper in an envelope and put the envelope in the deceased shareholder's file. If you used a worksheet, also place your worksheet in the deceased shareholder's file.

(13) Have the person who prepared the pieces of paper, the person who drew the pieces of paper, and the impartial observer sign the attached Certificate of Performance of Lottery attesting to the performance of their functions. The original certificate should be placed in the deceased shareholder's file.

(14) Issue stock to the devisees in accordance with the Corporation's normal stock issuance process. Be sure to include whole shares determined under Part I(B) as well as the amounts distributed under the lottery process. A copy of the signed certificate should be sent to each heir.



CERTIFICATE OF PERFORMANCE OF LOTTERY

STATE OF ALASKA )
) ss
THIRD JUDICIAL DISTRICT )

We, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, being first duly sworn on our oath, hereby affirm that on \_\_\_\_\_, 201\_\_ we conducted a lottery for the \_\_\_\_ Remaining Shares and fractional shares of \_\_\_\_\_, decedent, in accordance with all requirements of the Share Fractionalization Policy of Eklutna, Inc. adopted pursuant to Resolution 2013-4. In accordance with such policies:

(1) \_\_\_\_\_ prepared the pieces of paper containing the names of the heirs and groups eligible to participate and \_\_\_\_\_ drew the pieces of paper from a container in the following order:
First: \_\_\_\_\_
Second: \_\_\_\_\_
Third: \_\_\_\_\_

(2) \_\_\_\_\_ prepared the pieces of paper containing the number of Remaining Shares and fractional shares and \_\_\_\_\_ drew the pieces of paper from a container in the following order:
First: \_\_\_\_ Remaining Shares[fractional shares]
Second: \_\_\_\_ Remaining Shares[fractional shares]
Third: \_\_\_\_ Remaining Shares[fractional shares]

(3) \_\_\_\_\_, who is not an employee, officer or director of Eklutna, Inc., acted as the impartial observer of the lottery process described herein.

(4) The final results of the lottery of the \_\_\_\_ shares owned by \_\_\_\_\_ are:
Name \_\_\_\_\_ Number of Remaining Shares/Fractional Shares

DATED THIS \_\_\_\_ day of \_\_\_\_\_, 201\_\_.

By: \_\_\_\_\_ By: \_\_\_\_\_
Name: \_\_\_\_\_ Name: \_\_\_\_\_

By: \_\_\_\_\_
Name: \_\_\_\_\_

SUBSCRIBED AND SWORN TO before me this \_\_\_\_ day of \_\_\_\_\_, 201\_\_.

Notary Public in and for the State of Alaska
My commission expires: \_\_\_\_\_

## **EKLUTNA, INC.—FRACTIONALIZATION OF SHARES**

### **Lottery Process for Share Distributions To Avoid Further Fractionalization of Shares When Stock is Distributed Under Intestacy**

#### **EXPLANATION:**

If the deceased shareholder does not leave a will that identifies how his/her shares of stock are to be distributed, the Corporation shall determine whether the rules of intestacy<sup>1</sup> would further fractionalize the shares owned by the deceased shareholder (using the procedure set forth in Part I below). If further fractionalization will occur, the Corporation shall advise the heirs that Board Resolution 2013-04 prohibits further fractionalization of shares. The Corporation shall advise the heirs of the number of shares at issue (using the process set forth in Part I below) and of the heirs' right to provide the Corporation with a unanimous written agreement that allocates the shares at issue in a manner that does not create additional fractional shares or that does not increase the number of shareholders who own fractional shares. If the heirs do not provide the Corporation with a valid written agreement within the time period specified, the Corporation shall conduct a lottery to distribute the shares at issue in accordance with the process described in Part III below.

#### **PROCESS:**

##### **I. Determine the number of shares subject to agreement of the heirs or the lottery.**

A. Locate the Intestate Succession flow chart and, starting from the top, begin answering the yes or no questions therein.

B. When you reach a point in that process where the shares are split between two or more groups of people and/or individuals, please:

1. Determine the number of individuals or groups entitled to receive shares.

a. For example, if the deceased shareholder left a surviving spouse and surviving issue, 50% of the shares go to the spouse and 50% to the issue. In this case, one individual (the spouse) and one group (the issue) are entitled to receive shares.

b. Alternatively, there may be a number of individuals entitled to receive shares. For example, when the flow chart calls for distribution among the surviving issue of the decedent by representation, identify each of the deceased shareholder's children. If at least one child is living, then count all of the decedent's living and dead children. From that total,

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<sup>1</sup> See DEFINITIONS.

subtract any children who died without leaving issue (grandchildren, great grandchildren, etc. of the decedent). The result is the number of individuals entitled to receive shares. If none of the decedent's children are living, then count all of the decedent's living and dead grandchildren, and from that total, subtract any deceased grandchildren who died without leaving issue. The result is the number of individuals entitled to receive shares.

i. For example, assume the deceased shareholder died without a living spouse. He had 8 children, five of whom are alive on the day he died. One of the three deceased children died at the age of five without, of course, leaving any issue. The second deceased child has three living children. The third deceased child has one living child. For purposes of this step, there would be seven individuals entitled to receive shares (the five living children plus the two deceased children who died before the shareholder, but have living children).

ii. Dead individuals in a generation are counted for this purpose if they had surviving issue because any shares that would be distributed to deceased individuals in a particular generation will be distributed among those individuals' issue in subsequent generations. However, if a deceased individual did not leave any surviving issue, that individual should not be counted. In the example above, you did not count the child who died at the age of 5 because s/he died before having children.

iii. This generational analysis and count also applies when the flow chart calls for distribution among the issue of parents or grandparents.

c. There may also be situations where all of a shareholder's children predecease the shareholder, but there are multiple grandchildren. Using the example set forth in I.B.1.b.i above, assume all eight of the decedent's children died before she/he died, some of those children died leaving 3 children of their own, some died leaving 2 children and some died leaving one child for a total of 15 grandchildren all of whom are living. The number of individuals entitled to receive shares is thus 15.

i. If at least one of the grandchildren in this example is also dead, but has living children (great-grandchildren of the decedent), then you still divide by 15. But if one grandchild died before the decedent and did not leave any living issue, then you would subtract that one deceased grandchild from the total, leaving 14 individuals entitled to inherit shares in this example.

2. Divide the number of groups or individuals entitled to receive shares by the number of shares available for distribution among those groups and/or individuals.

a. In the example set forth in I.B.1.b.i, above, if the deceased shareholder had 100 shares, you would divide 100 by 7 (5 living children plus the two deceased children that have living children).

b. In the example set forth in I.B.1.c above, if the shareholder had 100 shares and all grandchildren are alive, you would divide 100 by 15. Because all of the decedent's children are dead, under Alaska law the grandchildren share equally. If one grandchild died without leaving any issue, then you would divide by 14. If one grandchild died but left issue (great grandchildren of the deceased shareholder), then you divide by 15 so that the deceased grandchild's share can be given to his/her issue.

3. Determine whether the number of shares available can be evenly divided so that no further fractionalization occurs and each group or individual, can receive an equal number of whole shares.

a. For example, assume the deceased shareholder owned 3.75 shares that must be distributed among three issue.  $3.75$  divided by  $3 = 1.25$  shares each. Even though this is an equal allocation, it changes the .75 shares owned by the deceased shareholder into three .25 shares. This is a further fractionalization that is not allowed by Resolution 2013-04. The .75 share is subject to the lottery if the heirs do not provide Eklutna, Inc. with a valid written agreement.

i. Note that under certain circumstances, there may be whole shares as well as fractional shares that will be subject to the lottery if the heirs do not agree upon a distribution. For example, assume the deceased shareholder owned 31.5 shares to be distributed 50% to his/her surviving spouse and 50% to his/her issue.  $31.5$  divided by  $2 = 15$  shares for the spouse and 15 shares for the issue with 1.5 shares remaining. The 1 Remaining Share<sup>2</sup> and the .5 Fractional Share would be subject to the lottery if the heirs do not come to a written agreement.

ii. To make the allocation as fair as possible, all shares allocated to a group will be subject to a separate lottery within that group. In the example given in I.B.3.a.i, above, the spouse would be given 15 shares and the children would be given 15 shares. The 1 share and the .5 share would be distributed by lottery but the eligible candidates would be described as "spouse" and "children".

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<sup>2</sup> See DEFINITIONS.

If the spouse received 1 share in the lottery, then the .5 share would be distributed to the children. The next step is to divide the 15.5 shares allocated to the children. In our example, if there are two children, each child would receive 7 shares of the 15.5 allocated to “children” after the first lottery. If the children do not submit a valid written agreement regarding the distribution of the 1.5 shares, there would be a lottery to decide which child received 1 share and which child received .5 shares.

b. The lottery process is also used to avoid creating fractional shares when the deceased shareholder owned only whole shares. For example, assume the shareholder owned 100 shares to be distributed equally to his three issue.  $100 \div 3 = 33.333$  shares for each issue. The .333 shares are fractional shares that are prohibited under Resolution 2013-04. Instead, each issue would receive 33 shares and the 1 Remaining Share would be subject to the lottery if the issue do not reach a written agreement.

i. Note that under certain circumstances, there may be more than 1 whole share subject to the lottery. See the example given above for a deceased shareholder who owned 100 shares to be distributed among 7 issue.  $100 \div 7 = 14.285$  shares, which is prohibited under Resolution 2013-04. This means 98 of the shares ( $14 \text{ shares} \times 7 \text{ issue}$ ) may be distributed, but the 2 Remaining Shares are subject to the lottery if the issue do not provide Eklutna with a valid written agreement.

ii. Note that it would be necessary to have an agreement or perform a lottery if the deceased has more heirs than shares. For example, an unmarried shareholder may own 3 shares at the time of her death and have five children. The policy would not allow Eklutna to issue partial shares to each child so the children would be asked to submit an agreement that doesn't increase the number of persons who own fractional shares. If they do not submit a valid agreement, a lottery would be held and three of children would end up with one share each while two of the children would end up with nothing.

4. If the number of shares can be evenly divided without further fractionalization, each individual or group shall receive their shares. If a group of people received shares, distribute the shares within the group following the same framework of instructions. If any deceased individuals receive shares, all shares that would be given to individuals in the same generational level who left living issue are combined and distributed to their issue as follows:

a. Here is an example of how this step is applied. Assume the

same facts as I.B.1.b.i, but the deceased shareholder owns only 98 shares. The five living children will each receive 14 shares, which distributes 70 of the shares. The child who died at age 5 is not counted. The two deceased children who died but have living children will each be allocated 14 shares, for a total of 28 shares. However, because these children are dead, you must continue the distribution process. You divide the 28 shares owned by the two deceased children by the number of their living children (these are grandchildren of the deceased shareholder). In our example, one deceased child had three children and one had one child, so there are a total of 4 grandchildren, and they are treated equally. This means each grandchild would receive 7 shares. This does not create fractional shares, and no lottery is necessary at any point. This is the method for distribution by representation required under state law (see AS 13.12.106).

5. If the division produces further fractionalization, each group or individual shall receive as many whole shares as can be evenly distributed. Any Remaining Shares and/or any fractional share shall be distributed under the lottery if the issue do not provide Eklutna with a valid written agreement. All shares that would be given to any deceased individuals, including any shares allocated to them through the lottery, shall be combined and distributed to their issue in accordance with the procedure described in step 4, above.

a. Note that you may need to conduct a separate lottery at more than one generational level before all shares have been distributed in a manner that does not create additional fractional shares.

b. If a group of individuals receives shares, continue following the flow chart to determine how those shares will be distributed among the members of that group.

c. Here is how it would work using the example originally given in I.B.1.b.i of a deceased shareholder with 100 shares, 8 children (3 of whom predeceased the shareholder) and four grandchildren that survived two of the deceased children. The 5 living children each receive 14 shares. The two predeceased children that have living children are allocated 14 shares each. The two Remaining Shares are then subject to a lottery (using the process in Part III, below) involving the 5 living children and the two deceased children. Assume that under the lottery, one of the living children receives one share and one of the deceased children is allocated one share, so these two children each have 15 shares. The 15 shares of the one deceased child are combined with the 14 shares of the other deceased child, giving you a total of 29 shares. The four grandchildren each receive 7 shares, and the last share is subject to a lottery involving only the four grandchildren. After that lottery, one of those grandchildren will have 8 shares and the other three grandchildren

will have 7 shares.

## **II. Request For Heirs to Provide Unanimous Written Agreement.**

When the Corporation determines there are Remaining Shares and/or fractional shares, the Corporation shall send a written notice to each heir it determines has an interest in the Remaining Shares and any fractional shares asking them to provide a unanimous written agreement specifying how the Remaining Shares and any fractional shares shall be distributed. The notice shall identify the (i) heirs who have an interest, (ii) the number of shares, including fractional shares, to be distributed, (iii) the deadline for providing the unanimous written agreement to Eklutna, Inc., and (iv) a sample form of agreement. A sample form of notice with instructions and a sample agreement are included with the materials adopted pursuant to Resolution 2013-04. Shareholders may provide a different form of unanimous agreement if it contains all of the required information and signatures and the distribution provisions do not violate Eklutna, Inc.'s policies against share fractionalization.

Eklutna will also accept agreements that divide Remaining Shares into smaller fractional shares when the distribution proposed in the agreement does not increase the number of shareholders owning fractional shares. For example, assume a shareholder owns 100.8 shares of stock at his death. He did not have a will and was unmarried, so under the laws of intestacy, his three children would inherit equally. At the time of distribution, Child A owns 20.2 shares, Child B owns 10.7 shares and Child C does not own any shares. Initially, 33 shares are distributed to each child. Child A, Child B and Child C could submit an agreement that distributes .8 to Child A, .3 to Child B and requires a lottery of the .7 Remaining Shares. Three people owned fractional shares before (the decedent, Child A and Child B), so any agreement that only allows no more than three people to own fractional shares afterward will be accepted.

## **III. Lottery Process**

A. When Remaining Shares and/or fractional shares for an intestate shareholder have to be distributed pursuant to the lottery, it will be conducted in accordance with the process described in this Section III. The process will be overseen by one of the corporation's attorneys or in the presence of a similar impartial observer. Every person whose name will be written on the pieces of paper described in 1 (or who is part of a group described in 1) will be invited to attend the lottery and will be allowed to bring one guest. Invitations will be mailed to the last known address of such persons at least ten calendar days prior to the date scheduled for the lottery. Invitations will include the date, place and time for the lottery.

1. Write the name of each heir (or group if the circumstances described in Part I.B.3.a.ii apply) entitled to receive a share under Part I on a square of paper cut into a 3 inch by 3 inch square. Make sure each square of paper is of equal weight and color. For example, if the deceased shareholder had three issue entitled to receive shares, you will have three squares of paper with one name on

each. In the example where a shareholder owns 31.5 shares left  $\frac{1}{2}$  to his spouse and  $\frac{1}{2}$  to his two children, you would write “spouse” on one piece of paper and “children” on the other.

2. Place all of the pieces of paper in an opaque container. Do not fold, spindle, mutilate or otherwise do anything to the pieces of paper that would make them separately identifiable by touch.

3. Have a different individual from the person who conducted steps (1) and (2) of this step (A) draw one paper from the container without looking into the container.

4. Write “First” next to the person’s (or group) name on the first piece of paper drawn.

5. Continue drawing pieces of paper until they are gone. After each piece of paper is drawn, write its drawing order next to the person’s name. For example, write “second” on the second piece drawn, “third” on the third piece drawn and so on until all pieces of paper have been drawn from the box.

B. The next step is to distribute the shares.

1. Count the number of Remaining Shares identified under Part I (see steps (B)(3)-(5) of Part I for guidance).

2. Determine whether the shareholder owned a fractional share that needs to be distributed through the lottery (see steps (B)(3)-(5) of Part I for guidance).

3. Create 3 inch by 3 inch squares of paper equal to the number of Remaining Shares plus one additional square for the fractional share, if any. For example, if the calculations under step (B)(3) of Part I would result in 2.75 shares left over, you would create 3 squares of paper (1 for each of the 2 Remaining Shares and 1 for the .75 share). Be sure that each piece of paper is identical in weight and color. If you have more pieces of paper for this process than you created under (A) of this Part III, above, you probably made a mistake and should re-verify your calculations.

4. For each whole share identified in step (B)(1) of this Part III, above, write “one share” on a piece of paper.

5. If the deceased shareholder owned a fractional share that needs to be distributed, write the amount of the fractional share on the remaining piece of paper.

6. Place all of the papers in an opaque container. Do not fold, spindle, mutilate or otherwise do anything to the pieces of paper that would make them



separately identifiable by touch.

7. Have a different individual from the person who conducted steps (1) through (6) of this section (B) draw one paper from the container without looking into the container. On the first piece of paper drawn, write the name of the heir (or group) who received the designation “first” under the process set forth in step (A)(5) of this Part III.

8. Repeat step 7 writing on the second piece of paper drawn the name of the heir who is designated as “second” under the process set forth in step (A)(6) of this Part III.

9. Continue repeating step 7 writing the name of the heirs designated as “third,” “fourth,” and so on as the pieces of paper with share amounts written on them are drawn until all of the pieces of paper created in step (B)(3) of this Part III have been drawn and have a name written on them.

10. It is possible that you will have more heirs that you have shares and that some heirs will receive nothing.

11. If a second lottery is necessary to avoid the creation of additional fractional shares, request a valid written agreement from the heirs who would be entitled to receive the shares at issue. If these heirs do not submit a written agreement before the deadline, conduct a second lottery. Assume in the example of a shareholder owning 31.5 shares, the spouse receives the whole share in the lottery (total of 16) and the two children are to share 15.5 shares. The two children would be told they will each receive 7 whole shares and will be asked to submit a valid written agreement indicating how to distribute the 1 Remaining Share and the .5 fractional share. However, if the children do not submit this agreement before the deadline, then Eklutna should hold a second lottery. Using the process described above, write each child’s name on separate pieces of paper, hold the drawing, then write 1 share and .5 shares on separate pieces of paper, and hold the drawing. The result will be one child receiving 8 shares and one child receiving 7.5 shares.

12. For record-keeping purposes, staple each piece of paper containing an heir’s name to the corresponding piece of paper containing the Remaining Share or fractional share (s)he receives under the lottery. Place all of the pieces of paper in an envelope and put the envelope in the deceased shareholder’s file. If you used a worksheet, also place your worksheet in the deceased shareholder’s file.

13. Have the person who prepared the pieces of paper, the person who drew the pieces of paper, and the impartial observer sign the attached Certificate of Performance of Lottery attesting to the performance of their functions. The original certificate should be placed in the deceased shareholder’s file.

14. Issue stock to the heirs in accordance with the Corporation's normal stock issuance process. Be sure to include whole shares determined under Part I as well as the amounts distributed under the lottery process when preparing the stock certificates. A copy of the signed certificate should be sent to each heir.

CERTIFICATE OF PERFORMANCE OF LOTTERY

STATE OF ALASKA )
) ss
THIRD JUDICIAL DISTRICT )

We, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, being first duly sworn on our oath, hereby affirm that on \_\_\_\_\_, 201\_\_ we conducted a lottery for the \_\_\_\_ Remaining Shares and fractional shares of \_\_\_\_\_, decedent, in accordance with all requirements of the Share Fractionalization Policy of Eklutna, Inc. adopted pursuant to Resolution 2013-4. In accordance with such policies:

(1) \_\_\_\_\_ prepared the pieces of paper containing the names of the heirs and groups eligible to participate and \_\_\_\_\_ drew the pieces of paper from a container in the following order:
First: \_\_\_\_\_
Second: \_\_\_\_\_
Third: \_\_\_\_\_

(2) \_\_\_\_\_ prepared the pieces of paper containing the number of Remaining Shares and fractional shares and \_\_\_\_\_ drew the pieces of paper from a container in the following order:
First: \_\_\_\_ Remaining Shares[fractional shares]
Second: \_\_\_\_ Remaining Shares[fractional shares]
Third: \_\_\_\_ Remaining Shares[fractional shares]

(3) \_\_\_\_\_, who is not an employee, officer or director of Eklutna, Inc., acted as the impartial observer of the lottery process described herein.

(4) The final results of the lottery of the \_\_\_\_ shares owned by \_\_\_\_\_ are:

Name \_\_\_\_\_ Number of Remaining Shares/Fractional Shares

(complete)

DATED THIS \_\_\_\_ day of \_\_\_\_\_, 201\_\_.

By: \_\_\_\_\_ By: \_\_\_\_\_
Name: \_\_\_\_\_ Name: \_\_\_\_\_

By: \_\_\_\_\_
Name: \_\_\_\_\_

SUBSCRIBED AND SWORN TO before me this \_\_\_\_ day of \_\_\_\_\_, 201\_\_.

Notary Public in and for the State of Alaska
My commission expires: \_\_\_\_\_

## **EKLUTNA, INC. – FRACTIONALIZATION OF SHARES**

### **Frequently Asked Questions Regarding Fractional Shares**

1. What are fractional shares?

A fractional share is a portion of a share of stock that is less than a whole share. It is typically described by use of percentages or fractions. For example, a fractional share may be described as ½ of a share or .5 share.

2. How are fractional shares created?

Fractional shares are created when a current shareholder transfers equal portions of his or her stock to more than one individual even though the number of shares he or she owns cannot be evenly divided among those individuals. For instance, if a shareholder owns 10 shares of stock and transfers those shares to his 3 children, to be divided equally, before the adoption of Resolution No. 2013-04 containing Eklutna's Policy on Share Fractionalization, each child would have received approximately 3.333 shares. Each .333 owned by each child is a fractional share because it is less than one whole share of stock.

3. How does Eklutna, Inc.'s policy deal with fractional shares?

Now that Eklutna has adopted its Policy on Share Fractionalization, shareholders may only transfer whole shares or existing fractional shares. In the example given above, the corporation's policy would allow the three children to decide how to distribute the stock in a way that transfers only whole shares or does not increase the number of shareholders who own existing shares (including the person who died). But in this example if the children cannot agree, the Corporation's policy would use a lottery system that would result in two of the children each receiving three shares and one child receiving four shares. The Corporation will reject any instruction or agreement that does not comply with this policy including those that are received after the deadline.

4. Why does Eklutna, Inc. have a policy regarding fractional shares?

The policy on fractional shares protects the corporation and its current and future shareholders. It ensures that shareholders maintain an interest in the corporation and provides an incentive to participate and vote. A person with only a fraction of one share typically does not maintain that incentive. Also, the policy ensures that administration of stock ownership, dividends and voting do not become overly cumbersome and potentially expensive.

5. Is it common for a corporation to institute a policy to prevent fractional shares?

Yes. Other Native Corporations, both village and regional, have adopted similar policies. Also, many publicly traded corporations will cash out fractional shares rather than issue them.

6. Why doesn't Eklutna, Inc. repurchase fractional shares?

Eklutna, Inc. does not repurchase fractional shares because it is difficult to determine an appropriate purchase price for shares which cannot be sold. Publicly traded corporations repurchase fractional shares based on the market price of the stock listed on a stock exchange, but Eklutna, Inc. does not have that option. It would be unfair to shareholders to arbitrarily choose a price, and it would be impractical and expensive for Eklutna, Inc. to engage in a complicated corporate value analysis to determine an appropriate purchase price each time a fractional share is created.

7. What happens when a shareholder's will or intestate succession laws divide stock among devisees or heirs in a manner that conflicts with Eklutna, Inc.'s policy regarding fractional shares?

If the provisions of a shareholder's will or intestate succession<sup>1</sup> would create further fractionalization, Eklutna, Inc. will give the devisees or heirs an opportunity to decide among themselves how to divide the stock in a way that does not increase the number of shareholders who own fractional shares or in a way that does not cause further fractionalization. Every devisee or heir must consent to such an agreement before Eklutna, Inc. will accept it. If the devisees or heirs do not sign and deliver a written agreement to Eklutna before the deadline, the Corporation will issue the shares in accordance with its lottery system.

8. How does Eklutna, Inc.'s fractional share lottery system work?

The lottery comes into play any time both of the following events occur: (i) application of the deceased shareholder's will or the intestacy statute would result in a) the division of an existing partial share, or b) a distribution of shares that creates additional fractional shares; and (ii) the heirs or devisees do not provide Eklutna, Inc. with a timely signed agreement that distributes the stock in a manner that does not create additional fractional shares or does not increase the number of shareholders who own fractional shares (including the deceased shareholder).

Initially, the Corporation will determine whether the will or the laws of intestacy result in further fractionalization of shares. If so, then each individual entitled to receive shares will receive as many whole shares as possible under the will or laws of intestacy, and the remaining shares and/or any existing fractional share will be distributed in accordance with unanimous agreement of the individuals entitled to receive shares that complies with Eklutna's Resolution No. 2013-04, or through the lottery if those individuals cannot come to an acceptable agreement before the deadline.

9. Can the people who might receive shares under the lottery attend the lottery?

Yes. Every person whose name will be written on the pieces of paper described in the

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<sup>1</sup> Intestate succession is the State's system for distributing a person's property when s/he has not left a valid will explaining who is to receive the person's property.

lottery process (or who is part of a group that will be written on the pieces of paper created for the lottery process) will be invited to attend the lottery and will be allowed to bring one guest. Invitations will be mailed to the last known address of each person at least ten calendar days prior to the date scheduled for the lottery. Invitations will include the date, place and time for the lottery.

10. How can the heirs or devisees “not create additional fractional shares” or “not increase the number of shareholders who own fractional shares”?

This happens when the heirs or devisees already own fractional shares so they agree to distribute the stock in way that does not result in more people owning fractional shares. It means Eklutna looks not only at the Remaining Shares and fractional shares that the deceased shareholder owns but also at the number of shares each heir or devisee owns before the Remaining Shares are distributed. For example, the heirs could agree that a child who owned 31.3 shares before his parent died will receive .7 (plus some whole shares) so that this child no longer owns fractional shares. Here is an example:

**Example A (does not increase number of shareholders who own fractional shares):**

Deceased Shareholder owned 100 shares.

Left three children

No spouse

No will, or left will evenly dividing shares among children.

Children already own shares as follows:

Child A: 10.3

Child B: 11.2

Child C: 9

Each child receives an initial allocation of 33 shares, and the three children are asked to submit a unanimous written agreement regarding the last share. If the agreement provides for Child A to receive .7 shares and Child B to receive .3 shares, then resulting ownership is:

Child A:  $10.3 + 33 + .7 = 44$

Child B:  $11.2 + 33 + .3 = 44.5$

Child C:  $9 + 33 = 42$

This allowed because before the distribution, two children had fractional shares (Child A and Child B) and now only one child has fractional shares (Child B).

If the children submitted an agreement that distributed the one Remaining Share as .7 to Child A, .2 to Child B and .1 to Child C, it would also be allowed because two children had fractional shares before (Child A and Child B) and two children have fractional shares after (Child B and Child C). But an agreement that distributes the 1 Remaining Share as .33 to each child would **not** be allowed because it results in 3 people (Child A, Child B, and Child C) having fractional shares after the distribution when there were previously only two (Child A, and Child B).

**Example B (does not create additional fractional shares):**

Deceased Shareholder owns 100.3 shares; three children, no spouse, no will. Children already own stock identified in Example A.

Each child receives 33 shares, and they submit an agreement that gives 1 Remaining Share to Child A and .3 fractional shares to Child C. This would be allowed because it distributed the existing .3 shares the deceased owned to just one person. It did not divide the Remaining Share or the existing fractional share. In addition, there were three people with fractional shares before (deceased, Child A and Child B), and there are three people with fractional shares afterward (Child A, Child B and Child C).

11. What is the process for giving Remaining Shares or fractional shares back to Eklutna?

Heirs and devisees can also decide that they do not want to have unequal ownership between family members or do not want to own fractions. In Example A under Question 9, the heirs could instruct Eklutna to cancel the one share and distribute 33 shares to each heir. Because the stock can never be re-issued after it is given to Eklutna, this would eliminate the number of issued shares on Eklutna's records. When this done by one shareholder in the past, Eklutna adopted a resolution requiring its board to make contributions to the shareholder scholarship fund in an amount equal to the dividends declared on the stock that was given to Eklutna.

12. Can you give me some examples of how the lottery system works?

Six examples follow. However, it is important to note that these are just a few of the possible ways that the lottery system might arise.

**Example 1:**

Deceased Shareholder owned 100 shares.

Left three children

No spouse

No will, or left will evenly dividing shares among children.

Each child receives 33 shares and the last share is distributed in accordance with written instructions received from the three children if those instructions either do not increase the number of shareholders who own fractional shares or do not divide the last share into fractions. If the children do not provide valid written instructions before the deadline, there is a lottery to decide which child receives the final share. In the absence of a valid agreement, then under the lottery one child receives 34 shares, the other two children receive 33 shares.

**Example 2:**

Deceased Shareholder owned 5.25 shares.

Left three children.

No spouse.

No will, or left will evenly dividing shares among children.

Initially, each child receives 1 share. The 2 Remaining Shares and the fractional .25 share are distributed in accordance with written instructions received from the three children if that agreement is valid under Eklutna's policy. If the children do not provide a valid written agreement before the deadline, there is a lottery to decide which two children will each receive another whole share and which child receives only .25 of a share. In the absence of a valid agreement, under the lottery two children receive 2 shares each, and the third child receives 1.25 shares.

**Example 3:**

Deceased Shareholder owned 5 shares

Left six children

No spouse

No will, or left will evenly dividing shares among children

If the six children submit a valid written agreement that complies with Resolution 2013-04, Eklutna will respect that. If not, then each of the five shares will be distributed through the lottery process, one at a time. Ultimately, five children receive 1 share each, the sixth child receives no shares.

**Example 4:**

Deceased Shareholder owned 31.5 shares

Left 2 children and a spouse

No will, or left will giving  $\frac{1}{2}$  to spouse and  $\frac{1}{2}$  to children

Initial distribution will be for spouse to receive 15 shares and for the two children to be allocated a total of 15 shares. These three people will then be asked to submit a written agreement designating who will receive 1 share and who will receive the .5 share. If they do not submit a valid written agreement prior to the deadline, a lottery will be held. The lottery will first allocate the 1 Remaining Share to either the spouse or the children and the half share to either the spouse or the children. If the spouse receives the half share (total of 15.5 shares), the children will receive 8 shares each (15 plus the one share



divided by two). If the spouse receives the 1 Remaining Share (total of 16 shares), then the children will each receive an initial allocation of 7 shares, and, if they do not provide a valid agreement to Eklutna, a second lottery will be held to determine which child receives 8 shares and which child receives 7.5 shares (total of 15.5 to the children). While this process does not eliminate the .5 existing shares, it also does not create any new fractional shares.

**Example 5:**

Deceased Shareholder owned 100 shares.

Left six children; no spouse

Five living children

One deceased child, who left 2 children (grandchildren of the deceased Shareholder)

No will, or left will evenly dividing shares among children

Each of the 5 living child receives an initial allocation of 16 shares (100 shares ÷ 6 children). This distributes 80 of the shares. Each grandchild of the deceased Shareholder receives an initial allocation of 8 shares (the 16 shares of their deceased parent are divided evenly between them). This distributes 16 more of the shares. That means 96 of the shares have been allocated, and there are 4 Remaining Shares. If the five children and 2 grandchildren do not provide a valid written agreement before the deadline, then an initial lottery will distribute the 4 Remaining Shares, one at a time, to determine which heir receives one. The two grandchildren are referred to collectively in the lottery as “grandchildren” because they have a joint interest. If the “grandchildren” receive a Remaining Share in the initial lottery, they will be given a chance to submit an agreement regarding the distribution of the one Remaining Share. If they do not timely submit a valid agreement, a second lottery will determine which of the two grandchildren of the deceased Shareholder will receive the 1 Remaining Share.

Ultimately, two of the possible outcomes are:

Potential Outcome 1:

Four living children receive 17 shares each because their names were drawn in the lottery, the living other child receives 16 shares.

Each grandchild of the deceased Shareholder receives 8 shares (the 16 shares of the deceased child are divided evenly between them).

TOTAL:  $(4 \times 17) + 16 + 8 + 8 = 100$

Potential Outcome 2:

Three living children receive 17 shares because their names were drawn in the lottery; Two living children receive 16 shares.

One of the grandchildren receives 9 shares and the other receives 8 because the deceased child’s name was drawn in the first lottery and that grandchild’s name was drawn in the second lottery.

TOTAL:  $(3 \times 17) + 16 + 16 + 9 + 8 = 100$

**Example 6:**

Deceased Shareholder owned 103 shares.

Left six children

Three living

One deceased, no children

One deceased, who left 2 children (grandchildren of the deceased shareholder)

One deceased, who left 1 child (grandchild of the deceased shareholder)

No spouse

No will, or left will evenly dividing shares among children

Each of the 3 living child will receive 20 shares ( $103 \text{ shares} \div 5 \text{ children} = 20$  with three left over shares). We do not set aside a share for the child who died without any children. This allocates 60 of the shares. Then 20 shares are set aside for each deceased child who has living issue. Because there are two deceased children who have living children (grandchildren of the deceased), this allocates 40 more of the shares.

The three living children and the three grandchildren are asked to provide a written agreement identifying who should receive the remaining 3 shares. If a valid written agreement is not received before the deadline, then the first lottery will distribute the 3 shares, one at a time, to determine which heir receives one. Each family of grandchildren is included separately in this lottery to represent the interests of the deceased children that flow through to the grandchildren. Here are two possible outcomes:

Potential Outcome 1:

Three living children receive 21 shares each because their names are drawn in the first lottery;

Each grandchild of the deceased Shareholder receives an initial allocation of 13 shares (the 40 shares of the two deceased child are divided evenly between them with one share leftover). This allocates 39 of the 40 shares.

The three grandchildren are asked to provide a written agreement regarding the 1 Remaining Share (of the 40 allocated to the grandchildren), but if they do not agree, then there is a lottery to give the last share to one grandchild.

TOTAL:  $(3 \times 21) + 13 + 13 + 14 = 103$

Potential Outcome 2:

One of the three living children receives 21 shares and two receive 20;

Each deceased child's family is drawn in the lottery, allocating 42 shares to the grandchildren. The grandchildren are not asked for an agreement because there are no Remaining Shares since 42 is evenly divided by 3, so each grandchild receives 14 shares.

TOTAL:  $21 + (2 \times 20) + 14 + 14 + 14 = 103$

**Instructions to Heirs Regarding Distribution of Remaining Shares**

**TO:** [insert names of all heirs entitled to receive Instructions]  
**FROM:** Eklutna, Inc. Shareholder Relations Department  
**DATE:** \_\_\_\_\_<sup>1</sup>  
**RE:** Instructions for distribution of \_\_\_ share of stock owned by \_\_\_\_\_, Deceased

You are each an heir of \_\_\_\_\_, deceased, and under [this person’s will][the laws of intestacy] Eklutna has determined that the heirs shall receive an initial distribution of \_\_\_\_\_ whole shares of stock owned by \_\_\_\_\_ at [his/her] death as follows:

Name of Heir	Number of Whole Shares
<b>TOTAL</b>	

Pursuant to Resolution No. 2013-04, Eklutna, Inc.’s policies do not allow for the further fractionalization of shares of stock to occur. Because \_\_\_\_\_, the decedent, owned \_\_\_ shares of stock, there are \_\_\_ shares that must be distributed under Eklutna’s policies related to share fractionalization. The policies allow heirs to submit a UNANIMOUS WRITTEN Agreement indicating their wishes regarding the distribution of those shares that would otherwise result in fractional shares of stock. You are hereby instructed to complete the attached form, have it signed by every person listed on the form, and return it to Eklutna, Inc.’s offices **no later than 5:00 p.m. on \_\_\_\_\_, 20\_\_.**<sup>2</sup> Failure to return the fully signed form with all portions completed prior to the deadline or returning a completed form with distributions that violate Resolution No. 2013-04 will result in the \_\_\_ shares of stock identified above being distributed under the lottery process set forth in Eklutna, Inc.’s policies. A copy of Eklutna’s lottery process to distribute [under a will][under intestacy]<sup>3</sup> is enclosed along with a copy of some frequently asked questions and answers. The frequently asked questions and answers will help you understand what type of agreement will be accepted.

If you have any questions, please do not hesitate to contact me.

Sincerely,

EKLUTNA, INC.

[Name], Shareholder Relations Department

<sup>1</sup> This should be the date the instructions will be mailed to the heirs.  
<sup>2</sup> This date should be exactly sixty (60) days after the date of mailing set forth above.  
<sup>3</sup> Eklutna staff will select the proper reference and include the correct information.

UNANIMOUS AGREEMENT OF HEIRS<sup>1</sup>

The undersigned constitute all of the heirs of \_\_\_\_\_, deceased, who are entitled under [such person's will][the laws of intestacy]<sup>2</sup> to receive some portion of the \_\_\_\_\_<sup>3</sup> shares of Eklutna, Inc. stock [he/she] owned. We have read and understand Resolution 2013-04 and Eklutna's policies regarding Share Fractionalization. To comply with Eklutna, Inc.'s policies and avoid further fractionalization of stock of Eklutna, Inc., we hereby instruct Eklutna, Inc. to distribute these shares as follows:

Name of Heir <sup>4</sup>	Currently Owns Fractional Shares? Yes/No <sup>5</sup>	Number of Remaining Shares and/or fractional shares Received	Will Own Fractional Shares if Agreement is Accepted?
Lottery			
Gifted to Eklutna, Inc.			
<b>TOTAL</b>	NA		NA

We hereby affirm that the distribution set forth above does not increase the number of shareholders owning fractional shares. We understand that Eklutna will reject this agreement if it does not comply with the requirements of Eklutna's Share Fractionalization Policy adopted pursuant to Resolution 2013-04. DATED and agreed to as of the last date of signature below.

By: \_\_\_\_\_  
 Typed Name: [ \_\_\_\_\_ ]  
 Date: \_\_\_\_\_

STATE OF \_\_\_\_\_ )<sup>6</sup>  
 ) ss.  
 \_\_\_\_\_ )

The foregoing instrument was acknowledged before me on \_\_\_\_\_, 20\_\_, by \_\_\_\_\_.

\_\_\_\_\_  
 Notary Public in and for the State of \_\_\_\_\_  
 My commission expires: \_\_\_\_\_

THIS FORM MUST BE COMPLETED, SIGNED BY EVERY PERSON LISTED ABOVE, AND

<sup>1</sup> To be prepared by Eklutna, Inc. staff. All footnotes will be deleted before this document is sent to shareholders for completion.  
<sup>2</sup> Eklutna staff will select the appropriate reference and delete the other reference.  
<sup>3</sup> This number should equal the total at the bottom of the third column of the table. Eklutna staff will fill in the total at the bottom of the third column of the table but leaves the rest of column 3 and all of column 4 blank.  
<sup>4</sup> Eklutna staff will fill out the names section, add lines if necessary, and delete any extra lines. There will be only as many lines in this table as there are heirs plus one line titled "Lottery" and one line titled "Gifted to Eklutna, Inc."  
<sup>5</sup> Eklutna staff will write "yes" or "no" for each heir listed.  
<sup>6</sup> Notary block to be customized for state where heir will sign; each person listed in the "Name of Heir" section of the table must have a separate signature line and notary block.

RETURNED TO EKLUTNA, INC.'S OFFICES NO LATER THAN 5:00 P.M. ON \_\_\_\_\_,  
201\_\_.<sup>7</sup> AGREEMENTS RECEIVED AFTER THAT DATE WILL BE REJECTED. COUNTERPART  
ORIGINALS MAY BE ALLOWED. DOCUMENTS CONTAINING WHITEOUT OR STRIKE THROUGH  
MAY BE REJECTED AT EKLUTNA'S DISCRETION. AGREEMENTS THAT VIOLATE RESOLUTION  
2013-04 WILL BE REJECTED. YOU ARE CAUTIONED TO CONTACT EKLUTNA STAFF FOR  
ASSISTANCE IF YOU HAVE ANY QUESTIONS REGARDING THIS FORM OR HOW REMAINING  
SHARES AND FRACTIONAL SHARES MAY BE ALLOCATED BY AGREEMENT.

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<sup>7</sup> This date should be sixty days after the date the instructions are mailed.

## EKLUTNA, INC. -FRACTIONALIZATION OF SHARES

### Definitions

The term “**decedent**” means the Eklutna shareholder who died.

The term “**devisee**” means an individual to whom a deceased shareholder left any or all of his shares under the terms of his/her will.

The term “**fractional share**” means a portion of a share, referred to either as a fraction or a percentage, such as ½ of a share or .335 shares.

The term “**heir**” means a person, including the surviving spouse, who is entitled to the deceased shareholder’s shares under the laws of intestacy, including issue, as such term is defined herein.

The term “**issue**” means a person’s children, grandchildren, and so forth in time. In other words, the line of people who are born from an individual and those who are born from them and so forth. The term includes:

1. Any persons related by blood, regardless of the marital status of his/her natural parents and regardless of any relinquishment or termination of parental rights<sup>1</sup>;
2. Persons of half blood<sup>2</sup>;
3. Unborn children that are in gestation at the time of the deceased shareholder’s death and who live more than 120 hours after birth<sup>3</sup>; and
4. Adopted individuals and their issue who would be entitled to inherit if they were related by blood to their adopted parents<sup>4</sup>.

The term “**Laws of Intestacy**” means the laws of the State of Alaska explaining what happens to someone’s property when s/he dies without a will describing how s/he would like it to be

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<sup>1</sup> Under Alaska’s intestacy statute, an individual is treated as the child of his/her natural parents regardless of their marital status. AS § 13.12.114. Under ANCSA, relinquishment or termination of parental rights does not affect the child’s right to receive a gift of stock. 43 U.S.C. § 1606(h)(1)(C)(iii). Eklutna, Inc. adopts the same rules for the purpose of its lottery.

<sup>2</sup> Relatives of half blood are treated as if they are of whole blood under Alaska’s intestacy statute. AS § 13.12.107.

<sup>3</sup> Under Alaska’s intestacy statute, an individual in gestation at a particular time is treated as living at that time if the baby lives 120 hours or more after birth. AS § 13.12.108. Eklutna would need to ask about pregnancies in certain circumstances, and it may need to delay a lottery until at least five days after the birth occurs to determine whether the child should be included in the lottery.

<sup>4</sup> Under Alaska’s intestacy statute, an adopted individual is treated as the child of the individual’s adopting parent(s) and not of the individual’s natural parents, but adoption of a child by the spouse of either natural parent does not affect: a) the relationship between the child and that natural parent, or b) the right of the child or a descendant of the child to inherit from or through the other natural parent. In either a) or b), however, inheritance is precluded (not allowed) unless the natural parent has openly treated the child as his/her child and has not refused to support the child. AS § 13.12.114.

distributed. Intestacy laws of Alaska control the distribution of corporations formed pursuant to ANCSA regardless of where the heirs or decedent lived.

The term “**Remaining Share**” refers to any whole share that is left over after the number of shares available to a certain group of people has been divided by the number of people entitled to receive those shares. For example:

- Assume a shareholder owned 50 shares and left them equally to his/her 3 children.  $50 \div 3 = 16$  shares for each child with 2 whole shares remaining. The 2 whole shares are “Remaining Shares;”
- Assume a shareholder owned 100 shares and did not leave a will, but the intestacy rules provide for all of his/her shares to be distributed to his 3 siblings.  $100 \div 3$  people = 33 shares for each sibling with 1 whole share remaining. The 1 whole share is a “Remaining Share.”

**Form 4.5**  
**INTESTATE SUCCESSION-- ANCSA Settlement Common Stock**  
 According to AS 13.12.102 - .107 and 43 U.S.C. 1606(h)(2)

