

SITNASUAK NATIVE CORPORATION VENTURE

SPIRITUALITY • COMMITMENT TO FAMILY • LOVE OF CHILDREN • RESPECT FOR ELDERLY • RESPECTING OTHERS • HARD WORK • REVERENCE TOWARD NATURE • COOPERATION • SHARING
HONESTY • OBEDIENCE • PATIENCE • HUMOR • HUMILITY • RESPONSIBILITY • PRIDE IN CULTURE • AVOIDANCE OF CONFLICT • OPEN COMMUNICATION • SPEAKING OUR TRADITIONAL LANGUAGE

Greetings!

This special edition of the Venture is to inform shareholders of the outcome of the Special Meeting of Shareholders that was held in response to a request made by petitioners. The requested meeting failed to obtain a quorum, and no business was conducted at the meeting. However, prior to the Special Meeting, the Board of Directors instructed that both subject matters that were to be taken up at the Special Meeting would be included on the proxy associated with the Annual Meeting of Shareholders. This meeting will be held in Nome on June 4, 2016.

We look forward to seeing as many of you as possible who are able to make it to Nome for this important Annual Meeting, and we encourage your participation. We understand that the 2,000 plus shareholders residing outside of Nome may find it difficult to participate. Therefore, we hope to hear from you either through phone calls, letters or email.

Finally, we are proud to report on our continued support of Nome Public Schools, which we generously supported with nearly \$200,000 in tax credit qualifying donations in 2015.

On January 7, 2016 Sitnasuak Native Corporation held a Special Meeting of Shareholders at the Alaska Native Heritage Center in Anchorage, Alaska. Sitnasuak received a petition to hold a Special Meeting of Shareholders signed by more than ten percent of the shares outstanding and entitled to vote.

The petition requested the meeting to discuss the following:

1. Eliminating discretionary proxy voting for director elections, and
2. Requiring that all eligible candidates be included on the board solicited proxy

The Sitnasuak Bylaws (Art. II, Sec. 2) provide that the Chairman shall call a special meeting at the request of not less than ten percent of the outstanding shares. According to the Sitnasuak Bylaws (Art. II, Sec. 2), "Only such business shall be transacted at a special meeting as may be stated or indicated in the Notice of such meeting." A Notice was sent out to shareholders of record on December 18, 2015.

The Board of Directors considered the locale where the greatest number of shareholders normally reside in designating a meeting place according to Bylaws (Art. II Sec. 3). The majority of shareholders (774) resided in the Municipality of Anchorage during the time the petition was received, which was chosen as the location of the meeting.

During the Special Meeting of Shareholders both Action Items 1 and 2 were further explained by Attorney, Brian Duffy of Havelock & Duffy as detailed below:

ACTION ITEM 1: Shall the Corporation amend the Amended and Restated Articles of Incorporation to replace the statement in Art. VIII that states, "Cumulative voting shall apply in all board elections" with the statement that states, "Cumulative voting shall apply in all board elections, except that no shareholder shall have the right to appoint a proxy holder with discretion to allocate their votes."

ACTION ITEM 1 NOTE: The proposed amendment would need to be approved by the Board of Directors before it could become effective. The Board has not approved this amendment. If shareholders approve the amendment, the Board will be required to address the question at the next Board meeting.

[Continued on page 2]

[Continued from page 1]

ACTION ITEM 1 VOTING STANDARDS: Approval of an amendment to the Amended and Restated Articles of Incorporation to eliminate the use of discretionary proxies during board elections requires the affirmative vote of at least two-thirds of the shares entitled to vote, and the amendment will not be effective if the votes cast against the amendment would be sufficient to elect a director if voted cumulatively at an election of the entire board. See [AS 10.06.504(d) and AS 10.06.420(d)].

ACTION ITEM 2: Shall the Corporation amend the Bylaws to include as Art. II, Sec. 18, a provision that states, “All eligible candidates shall be included on the board solicited proxy.”

ACTION ITEM 2 NOTE: If the amendment passes, the Board of Directors may adopt a policy or a bylaw provision to further define candidate eligibility.

ACTION ITEM 2 VOTING STANDARDS: Approval of an amendment to the Bylaws requires the affirmative vote of the outstanding shares entitled to vote at the Meeting. See [Bylaws Art. XII].

Following Duffy’s presentation was a 20 minute recess. During this time, President Mike Orr requested shareholders who were in attendance to complete voting. The meeting reconvened as Election Judge, Rod Hutchings of Sramek-Hightower announced quorum was not established. Therefore, Orr announced that the remainder of the meeting would be considered an informational meeting and that no action may be approved without quorum. Parliamentarian, Patrick Anderson provided a presentation on cumulative voting and quorum requirements, which is detailed below.

Pros and Cons of Cumulative Voting

BY PARLIAMENTARIAN PATRICK ANDERSON

Sitnasuak held a Special Meeting of Shareholders in early January, at the request of shareholders who object to using “Discretionary Proxies” at Annual Meetings of Shareholders.

A proxy is a legal document authorized by Alaska State Law for a shareholder to give permission to another person (proxy holder) to vote their shares of stock. A proxy can either be “directed” or “discretionary.” In a directed proxy, the shareholder tells their proxy holder how to vote. With a discretionary proxy, the shareholder allows the proxy holder to vote “in their discretion.”

Alaska State Law also allows for “Cumulative Voting.” This means a shareholder can give all of their votes to one candidate or distribute votes equally or unequally among any or all candidates. For a shareholder with 100 shares voting in an election to elect four board members, they can give as many as 400 votes to one candidate. With “Bloc” voting, they can only give 100 votes to a candidate.

Alaska Native Corporation shareholders have very little influence as an individual on an election or shareholder vote. For someone with 100 shares in a corporation with 2,700 shareholders (close to what Sitnasuak has), their total voting influence is .0034%, if every shareholder votes. Many shareholders don’t vote, so shareholders who do vote get a little more influence. Sitnasuak recognizes a quorum of 1/3. If 2,700 shareholders have 100 shares each, the number of shares used to calculate the quorum is 270,000, at least 89,991 shares (900 shareholders) must be present or represented by proxy at the meeting. With a minimum quorum, each shareholder

with 100 shares has total voting influence of .0111%, still a very small level.

Many shareholders believe that the Board of Directors use discretionary and cumulative voting to keep their power by reelecting themselves or others. While a discretionary proxy can have that result, it is also used by shareholders who believe they are in a minority to elect someone to voice their interests on the board. Robert’s Rules of Order states that, “A minority group, by coordinating its effort in voting for only one candidate who is a member of the group, may be able to secure the election of that candidate as a minority member of the board.”

However, electing a minority member to a board can be difficult. Most shareholders can only attend a meeting by proxy. This means that they won’t know which candidates running for a board will have enough votes to be elected. This happens when shareholders who vote directed proxies and others vote discretionary proxies. Directed votes can’t be changed. A candidate who does not get enough directed votes to win still uses up the directed vote. It can’t be transferred to another candidate.

I shared this example at the Special Meeting of Shareholders. If four candidates send out a proxy and receive 100 proxies back with a total of 40,000 votes, a directed or bloc vote proxy allows them to only vote up to 10,000 shares for each candidate. With a discretionary proxy, they could vote up to 40,000 shares for one proxy. 40,000 votes is usually enough votes for a candidate to win a board seat, although this is dependent on how many directed votes are cast and what the quorum is.

[Continued on page 3]

[Continued from page 2]

An Annual Meeting of Shareholders and election of directors cannot be predicted accurately. The number of shareholders voting, how many shares they have, who they vote for and how many votes are directed to individual candidates won't be known until the meeting day. Shareholders who are able to attend a meeting in person have the opportunity to change their votes and help a candidate who doesn't have enough proxy votes to potentially be elected to a board seat. That's also what a proxy holder can do with a discretionary proxy. If four candidates run together on one proxy, and only one has enough directed votes to give them a chance of winning a board seat, then a discretionary proxy can mean the difference between electing a minority candidate to the board, or not. Eliminating discretionary voting removes the possibility for this to happen.

Of course this means that the majority can also use discretion to assure election of a maximum number of majority directors. Shareholders who support minority candidates don't like this outcome, but it's just fair.

It is important to note that shareholders who can attend a meeting in person, have an advantage if discretionary proxies are eliminated. This is due to the fact that being present at a meeting allows one to change their vote as late as the closing of the polls. While a discretionary proxy doesn't let the shareholder make the decision on who to vote for, their proxy holder can use their best judgment and change their vote up to the time polls close as well.

While discretionary voting is controversial, if it is applied fairly, it has benefits for all shareholders.



Sitnasuak Native Corporation is pleased to announce a donation of \$94,940 to Nome Public Schools in support of its Literacy Improvement Plan and Art Attacks Program.

Sitnasuak has long supported the Nome community through the means of charitable contributions towards education initiatives. The Sitnasuak Board of Directors approved the donation to Nome Public Schools at their quarterly board meeting this past December.

“As a parent of four children who either are attending or have graduated from Nome Public Schools, I realize the value of these programs and the benefit they have for our youth. I encourage other parents to also get involved with Nome Public Schools to understand how we can improve the educational experience for our children. The Board of Directors of Sitnasuak Native Corporation appreciates this opportunity to show our commitment to the community of Nome,” said Board Chairman, Robert (Bobby) Evans.

Nome Public Schools will use \$90,250 to support its Literacy Improvement Plan by integrating the two Scholastic Phonics Inventory programs, Read 180 and System 44 into its curriculum. The System 44 Program is a foundational reading program designed for challenged readers in Grades 3 – 12. The Systems 44 Program has been proven to help students master the reading skills required for success with the new standards, college, and career through explicit instructions in phonics, comprehension, and writing, using a personalized learning progression driven by technology. The Read 180 Program is a comprehensive system of curriculum, instruction, assessment, and professional development proven to raise reading achievement for struggling readers in Grades 4 – 12.

Nome Public Schools will use \$4,690 to fund its Arts Attacks Program. Although there are many studies and evidence of the value the Arts contribute to the educational process, there has been a large decline of the Arts in schools across Alaska. The Art Attacks Program will supplement this loss by teaching all students at Nome Elementary School the elements and principles of art and drawing in a developmental and sequential way, as well as to study the art of other artists, cultures, and historical periods. The emphasis of this program is on motivation and self-expression. Students will utilize the process of visualizing, synthesizing and expressing through a wide variety of media.

“With this incredible donation to the Read 180 reading program in our junior high, we will be better equipped to identify and target our struggling readers. We are confident this will help get students back on track academically for future success in high school and beyond. The Art Attacks program is another investment that allows us to introduce art lessons back into elementary. When many schools are worrying about raising test scores, we need to give kids more arts, not less. We would not be able to make such great things happen without Sitnasuak's support!” said Nome Public School Superintendent, Shawn Arnold.

NOME PUBLIC SCHOOLS SUPERINTENDENT SHAWN ARNOLDS (PICTURED SECOND TOP LEFT) AND SCHOOL BOARD MEMBERS ARE PRESENTED WITH A DONATION CHECK OF \$94,940 PRESENTED BY SITNASUAK NATIVE CORPORATION BOARD CHAIRMAN ROBERT (BOBBY) EVANS (PICTURED TOP MIDDLE).



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Where Sitnasuak shareholders live



How to submit a questionnaire and proposal for the 2016 Annual Meeting

Are you interested in running for a seat on Sitnasuak Native Corporation's Board? Would you like to be involved in the decision making process for our corporation?

WHO: Sitnasuak Native Corporation shareholders. **WHAT:** 2016 Sitnasuak Board Election and Proxy Solicitation

WHEN: Deadline for submission of shareholder questionnaire or proposal for the election is 5:00 pm, March 4, 2016.

WHERE: Please come into one of our corporate offices or contact the Shareholder Department to request the proper forms. Both forms are available for download on our website at www.snc.org/forms/. **HOW:** The following documents are to be notarized and submitted to Sitnasuak's Nome or Anchorage office before the deadline stated above.

What to submit for Questionnaire for Candidacy

- Letter of Intent
- Questionnaire for Candidates

What to submit for Shareholder Proposal

- Shareholder Proposal Form
- Fifty (50) Shareholder Signatures