



2020 Community Meeting Q & A

Due to COVID-19 Sealaska was not able to hold community meetings this year. We held a virtual community meeting on May 20, 2020 from inside Shuka Hit (ancestors house) inside the Walter Soboleff Building. During community meetings there was an opportunity for Q & A. Below are written questions regarding business investments.

You can view the video from the Q & A from the community meeting at MySealaska.com/FAQs/CommunityMeetingQA.

Business Investments

1. Will Sealaska invest in casinos or hotels in Alaska or Lower 48?

According to Sealaska's corporate bylaws, the only restrictions on investments we have is a restriction not to invest in alcohol related businesses. Our investments focus on companies that fit our values and are within the land, food and water/environmental service industries.

2. What profit margin does Sealaska look for in investments? What is considered?

When considering acquisition opportunities, we weigh the amount of the investment required against the amount of profit the business will generate. We focus most of our attention on the cash flow generating capacity of a business — cash flow that equates to a 15 percent return is our preference.

Profit margin and cultural values are key to our investment strategy, but we also look for companies that fit and enhance our current business portfolio. One reason we recently acquired CS Marine, for example, is because the company's ability to perform construction work on and under water complements our growing ocean-sciences businesses.

3. Will Sealaska venture into the marijuana industry?

According to Sealaska's corporate bylaws, the only restrictions on investments we have is a restriction not to invest in alcohol related businesses. Our investments focus on companies that fit our values and are within the land, food and water/environmental service industries. An investment in the marijuana industry does not fit within those values.

ANCSA Sections 7(i) and (j)

1. Does Sealaska provide ANCSA Section 7(i) detail in the annual report?

We report a line item within our income statement indicating our ANCSA Section 7(i) income, "Net natural resource revenue sharing under ANCSA sections 7(i) and 7(j)." We

also have information on 7(i) within section 2 of “Notes to Consolidated Financial Statements.” We have reported through the years that the majority of the 7(i) income we receive is from NANA and ASRC, but that Sealaska is also paying into 7(i) revenue sharing through our timber harvest.

As of April 2019, Sealaska has contributed \$314M into the ANCSA revenue sharing pool. Since 1982, Sealaska has directed \$91.5M in ANCSA Section 7(j) payments to village corporations and \$266M to urban and At-Large shareholders.

2. How will the current oil prices impact profitability?

If oil prices stay low, Sealaska could see less ANCSA Section 7(i) income in coming years.

3. What portion of ANCSA Section 7 (i) income retained by Sealaska contribute to administrative expenses?

Sealaska has three significant income sources: operational, investment and ANCSA Section 7(i) income. Any and all of these sources offset our administrative costs, shareholder benefit program expenses and dividends. As our businesses increase operational income’s contribution to our overall company profit, a greater portion of ANCSA Section 7(i) income remains to grow our investments in programs like scholarships and Elder benefits for shareholders.

Natural Resources

1. Sealaska disclosed a contingent liability with the carbon offset project. Are these amounts included in the current liabilities and are the amounts payable under ANCSA Sections 7(i) and 7(j)?

No, we do not have a liability accrued on our balance sheet. In accordance with the ANCSA Settlement Agreement with the other regional corporations, we have placed the \$41.6 million into an escrow account pending the outcome of arbitration. *See page 38 of the 2019 annual report.*

2. Has Sealaska entered arbitration regarding the shareability of the carbon credit offsets? When will Sealaska know the outcome of the liability related to the carbon credit project?

Yes, we have entered arbitration on the shareability of carbon credit income and will not likely know the outcome until 2021. We cannot give much detail on this issue, as it is a pending legal matter.

3. How many acres of old growth land do you have left to harvest on Sealaska land? Is most of this land located on the southern Tongass?

Sealaska owns 363,000 acres of surface land. Approximately 175,000 acres contain old growth forests that are included in our carbon offset projects. There are some allowances to harvest timber on carbon lands. Sealaska has no current plans to commercially harvest those lands.

Sealaska also has approximately 20,000 acres of old growth forests *not* in the carbon offset project. The 20,000 acres are in the Prince of Wales area. Whether and when to perform a commercial timber harvest on these lands depends on an analysis of many factors.

4. How is the pandemic and China tariffs affecting Sealaska?

Sealaska has worked hard to withstand the China tariffs within our timber and seafood businesses. In 2019, we reported greater income and revenue from both our timber and seafood businesses indicating that the tariffs have not disrupted our businesses. We are currently working to manage the effect of the COVID-19 crisis on all of our businesses. We prioritize employee safety and comfort and have managed to work remotely and keep our businesses operating safely under many increased safety regulations and processes. As of now, all of our businesses are still operating and are profitable, but COVID-19 still offers risks. If we face any significant disruptions to our businesses from COVID-19 or the tariffs, we will report to shareholders.

5. Why are no shareholders getting hired on our land at the logging camps on Prince of Wales Island?

Sealaska Timber Company has a 50 percent shareholder hire. We work to help post job openings within our communities and have held forestry workforce development trainings to support shareholders who may want to work within our natural resource businesses. We will continue to work with our contractors who manage much of the work within our timber business to hire shareholders. Historically we have good success hiring a high percentage of shareholders for longshoreman jobs, but a lower percentage of shareholders at camp jobs. This may indicate less willingness to work in remote camps.

Miscellaneous

1. Shee Atiká announced that they sold a majority of their land back to the federal government. Why didn't Sealaska purchase Shee Atiká's land base?

Sealaska was never offered the opportunity to purchase the property. By the time we were aware of the potential sale, there was already an agreement in place between Shee Atiká, Inc. and the federal government. Sealaska did have conversations with Shee Atiká as they were finalizing the sale with the federal government to address some concerns, as we continue to own the subsurface below the former Shee Atiká lands. We agree that keeping ANCSA lands whole is a priority and would be willing to work with any village corporation that had reason to divest of ANCSA land.

2. How does Sealaska plan to address tourism downfalls for 2020 amid the COVID-19 pandemic?

Sealaska does not have any businesses within the tourism industry, but we do work with partners within the industry. We want to be helpful to our communities and partners affected by limited tourism in 2020 and look to make investments in the tourism industry in the future if the investments fit our investment filters.

3. What is the role of the CEO?

The chief executive officer (CEO) works closely with the board and the executive management team to set the strategic direction and vision for Sealaska. Management oversight to create an exciting and aspirational vision for Sealaska is witnessing great success. We utilize a team-based decision-making structure that will help us make progress toward our strategic goals. The CEO and our broad management team has

achieved a restructuring of our business investments and is building a values-based organization where employees are valued, while creating a long-term vision of our business focus on ocean health that has all helped create strong financial success. The CEO also manages the investment portfolios of Sealaska and works closely with the board to create positive shareholder benefits and programs from our financial success.

4. What is the policy for officer compensation? How does ANCSA Section 7(i) or carbon credit income play?

Sealaska is experiencing record-breaking financial growth this year with \$77.8 million in net income and total revenue of \$700 million. Both are the largest ever in Sealaska's history. The Sealaska board compensation committee works diligently to develop at-risk, performance-based compensation packages for executives that is industry competitive and sets aggressive revenue, income and EBITDA goals. Incentive compensation is only paid if aggressive goals are met, and serves to retain a strong and productive management team. Shareholder benefits have also significantly increased with the financial success (increased dividends, new burial benefit, increased scholarships, new fund for language revitalization, etc.). The board utilizes third party consultants to review all compensation plans for effectiveness and to assure the plans are within industry standards.