



Ninilchik Natives Association, Inc.

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The Alaska Native Claims Settlement Act Amendments of 1987 added language to Section 7 (h) (1) of ANCSA permitting the Settlement Common Stock of Native corporations to be transferred "as an inter-vivos gift from a holder to his or her child, grandchild, great-grandchild, niece or nephew", 43 U.S.C. 1606 (h) (1) (c) (iii). The recipient of shares transferred by such a gift must be a Native or a descendant of a Native who is related to the giftor by blood or adoption and not simply by marriage. (Individuals that are legally adopted are considered the child of the adoptive parents and cannot receive inter-vivos of Ninilchik Native Association, Inc. stock from members of their former families.)

In considering any gift of shares, a shareholder must understand that a) the transfer is irrevocable; b) the transfer places all authority over the transferred stock in the hands of the recipient; c) voting rights for the transferred shares will rest with the recipient; and d) the recipient will receive all dividends for the transferred shares.

In addition, a shareholder should consider gift and estate tax consequences. While Ninilchik Native Association, Inc. cannot advise you on these tax matters, we believe we should point out in general terms what the issues may be so that you can seek advice from a lawyer or accountant if you believe such advice is needed in your circumstances.

Federal tax rules require that someone who makes a gift with a value in excess of \$10,000 (measured on the date of the gift) must file a gift tax return at the time they file their income tax return for the year in which the gift is made. Gifts to a single recipient of less than \$10,000 in a year are ignored.

The gift and estate tax rules further provide a tax credit of \$192,800 with respect to all gifts made during a taxpayer's lifetime and all amounts included in the taxpayer's estate at death. With current tax rates, this means that a taxpayer does not have to pay any gift or estate tax unless the sum of all amounts gifted by the taxpayer in excess of \$10,000 per year per recipient, and the amount included in the taxpayer's estate, is greater than \$600,000. If the amount does exceed \$600,000, the taxpayer's estate will have to file an estate tax return and pay estate tax. For these purposes, amounts given to your spouse, or transferred to your spouse upon death, do not count.

Because Ninilchik Native Association, Inc. stock has no market value, and because the task of valuing NNAI stock would be complex and extremely expensive, NNAI is unable to tell you how much your NNAI stock is worth. Thus, we cannot advise you whether a gift of any particular amount of stock would exceed \$10,000, nor can we advise you regarding the amount which you be added to your estate upon death as a result of any gift of stock which you choose to make.

While all of this may sound complicated, you should remember that as long as the value of your estate plus any gifts in excess of \$10,000 per year per recipient that you have made during your lifetime will be less than \$600,000, the difficult issue of valuing NNAI stock will not have to be faced by you or your heirs. You (or your tax advisor) may want to consider whether this will be the case and, particularly if you cannot be confident that you will be under the \$600,000 limit, you

may want to consider limiting your gift of NNAI stock to any single recipient in any year to a number of shares that you are confident is worth less than \$10,000.

If you wish to proceed with the transfer of your NNAI stock as an inter-vivos gift, please complete the Inter-Vivos Transferal of Shares affidavit. Be sure to provide the mailing address for each recipient and your relationship with each. **Note that your signature must be witnessed by a notary public.** In addition to the affidavit, a certified copy of the recipient's birth certificate (which establishes his/her relationship with you) is needed.

Once we have received your completed affidavit, each individual you designate to be a recipient of your stock will be contacted and required to complete an acceptance affidavit indicating their willingness to accept your shares as an inter-vivos gift.

If the recipient of your gift is a minor (under 18 years of age), NNAI is required to register the gifted shares in a custodian's name, as well as in the minor's name. In accordance with the Alaska Uniform Transfers to Minors Act, you are responsible for designating the minor's custodian. Persons eligible to act as a custodian include:

1. yourself
2. a guardian of the minor
3. an adult member of the minor's family
4. another adult person
5. a trust company

In completing your affidavit, please include the name and address of the person you nominate as the custodian for each minor recipient of your stock. That individual will be required to submit the required documents and acceptance affidavit on the minor's behalf.

Required documents include copy of Birth Certificate, CIB card or similar document, New Shareholder Information Sheet, NNAI Social Security Number Certification, and Acceptance of the Gift of Stock