



November 18, 2011

Dear Shareholder,

Huna Totem Corporation (“HTC”) would like to update you on the positive impacts Icy Strait Point (“ISP”), your largest investment, has had on HTC, our shareholders, and the community of Hoonah, as well as future development objectives. Due to our ancestral ties to Hoonah, we are pleased at being able to pursue our mission as *a for-profit Alaska Native Claims Settlement Act Corporation ... to provide economic benefits to our current and future generations of shareholders through profitable business growth, to own and control our lands in perpetuity, and to encourage and perpetuate the cultural values of our Native people* in a way that has benefitted not just current shareholders and their descendants, but the entire community of Hoonah.

Since 1996, HTC has invested more than \$35 million developing ISP into Alaska’s only 100% native-owned private cruise ship destination. Through this commitment, and the hard work of our dedicated employees, most of whom are shareholders or descendants, tourism has become a major economic contributor to Hoonah; providing jobs, supporting local businesses, and strengthening the City’s finances. As a result, Hoonah has largely avoided the economic and population declines affecting many rural Southeast Alaska communities. It is clear that ISP’s success is Hoonah’s success.

### FAQ’s

#### **Q. How many cruise ships and passengers visited ISP & Hoonah in 2011?**

A. From the 73 calls on ISP by 7 different cruise lines, 132,100 passengers came ashore in 2011. These numbers represent 14% of Alaska cruise volume. Of those that came ashore, an estimated 26,000 visited Hoonah by shuttle or on foot.

#### **Q. How many of your employees are local residents?**

A. Unlike most tourism businesses, ISP hires locally; 140 out of 163 employees in 2011 were local residents. ISP is Hoonah’s largest employer, representing 20-28% of total employment (30% of private payroll).

#### **Q. How does ISP help local businesses?**

A. Visitors patronize local whale watching, charter fishing, and brown bear viewing excursions. Local restaurants, grocery, and liquor stores also receive additional business from these patrons as well as cruise line crew members. Local businesses lease retail shops on site and ISP contracts with local businesses for several of its excursions such as kayaking, stream fishing, and charter fishing. In addition, ISP spent \$961,300 with 25 different local businesses/organizations in 2011.

#### **Q. How does ISP help the City of Hoonah?**

A. ISP helps the City of Hoonah in multiple ways. Since 2003, Hoonah sales tax revenues have more than doubled. ISP has paid nearly \$1.5 million in sales tax to the City of Hoonah. ISP’s sales tax payments represented 60% of sales taxes & 30% of total revenues in 2009. Sales taxes support Hoonah City Schools, City employee salaries and other City expenses. The City has also received almost \$2.8



million in State head taxes because of cruise ship visitors to ISP. The City receives increased sales tax payments from local business sales to ship crew and guests as well as from ISP staff spending their paychecks locally. In addition to this revenue, ISP and HTC were instrumental during 2011 in securing over \$18 million in State grants for Hoonah projects; \$17 million for the cruise ship dock and \$1.2 million to complete the boat haul out after cost over runs left it uncompleted.

**Q. What are your plans for the future of ISP?**

A. Securing \$17 million (\$22,000 for each Hoonah resident), interest free, for the construction of a cruise ship dock represents an exciting new chapter in ISP and HTC's relationship with the City of Hoonah.

**Q. How does a dock benefit the community?**

A. Currently, cruise ships need to tender their passengers ashore, which is time consuming and inconvenient for both the ships and passengers. It also limits the number of crew members that may come ashore. A properly designed, located & operated pier will keep ISP competitive among other Southeast Alaska cruise ship destinations, most of which already have piers. In the process, this will preserve over 100 jobs, more than \$2.2 million in payroll and over \$1.1 million in annual City revenue.

Properly located and operated, the cruise ship pier will lead to more jobs, more local spending, and more revenue to the City. Even if the pier did not lead to more ship calls, which is highly unlikely, it would generate over 35 additional jobs, \$480,000 in additional payroll, and nearly \$100,000 in additional sales taxes to the City. More passengers from each ship will disembark, they will stay ashore longer, spend more, and the crew members, who were unable to come ashore on tenders before, will now be able to spend time at ISP and Hoonah.

Even more exciting, a properly designed, located and operated pier is the best way of attracting additional cruise ships and passengers. One additional ship is estimated to generate nearly \$300,000 in additional City revenue, and \$217, 000 in additional local spending each season.

**Q. Is the dock design, location, and operational plan really that important? Isn't any dock better than tendering?**

A. Absolutely not, while tendering is not optimal, ISP currently has a relatively short, easy tender. To swap this for a pier that requires passengers to make an extended walk or disembark in a crowded parking lot where they must board a bus, will not improve the passengers' experience. If additional fees are imposed to pay for dock operations and/or expansion, existing ships will continue to tender. It will also be very difficult for ISP to convince additional ships and new cruise lines, like Disney, to come to Hoonah. Cruise line executives have consistently been very clear on this point. While some have dismissed statements made by cruise line executives on this matter their concerns are perfectly understandable. The cruise lines are in business to satisfy shareholders and must ensure their customers are happy and keep costs under control to remain profitable. Because of the debt borrowed to develop ISP, it is already a more expensive stop than many other Alaska destinations. In spite of this, ISP has been able to attract ships because of the unique guest experience, which is very different than downtown Juneau or Skagway.



A poorly located or operated pier will be unused, leaving the City with a huge ongoing liability for operating & maintenance costs; properly located & operated it will get more ships to ISP, get more passengers (and crew members) off of every ship, and maximize their time ashore; thereby maximizing the benefit to the entire community. It will provide more jobs and wages, support existing & new local businesses, and generate even greater revenues for the City.

While we have unfortunately lost some time on this project, which now seems unlikely to be completed for the 2013 season, your management team and Board are continuing our efforts to work with the City in order to provide the maximum benefit to our shareholders and the community of Hoonah.

**Q. What should I do if I have additional questions about ISP or the dock?**

A. Your management team has the most current & complete information on both ISP and the dock and would be happy to answer any questions. During the winter season both HTC and ISP staff members may be contacted through HTC's headquarters (907) 523-3670 or toll free (800) 428-8298, or by email at [shareholders@hunatotem.com](mailto:shareholders@hunatotem.com). Board members are also always interested in hearing from shareholders on this or any other topic.

Sincerely,

Russell A. Dick  
Chairman

Lawrence R. Gaffaney  
President & Chief Executive Officer



**HUNA TOTEM CORPORATION**

9301 Glacier Highway, Suite 200  
Juneau, Alaska 99801

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