



KARLUK AND LARSEN BAY: LAND ISSUES EXPLAINED

Koniag Shareholders sometimes hear or read references to Karluk and Larsen Bay lands. In hopes of providing Shareholders with useful history and straightforward, factual information, Koniag has developed a series of articles to run in this and subsequent newsletters.

Part 1, below, is an overview of ANCSA and the merger of ANCSA corporations in our region. Part 2 will explain how lands originally selected by Karluk and Larsen Bay figured in the proposed land exchanges and conservation easement. Part 3 will explain some of the outcomes of the 1980 merger related to the tribal councils in Karluk and Larsen Bay.



HOW NATIVE CORPORATIONS CAME TO BE

When people talk about Karluk and Larsen Bay lands, they are referring to the merger in 1980 of the Karluk and Larsen Bay village corporations with Koniag. Because of the merger, Koniag owns land that had been selected by the village corporations.

The corporations were created under the Alaska Native Claims Settlement Act (ANCSA), a federal law that settled the land claims of Alaska Natives through a combination of land and money. The money was payment to compensate for lands lost. Half of the 44 million acres was distributed among villages. Another 16 million acres were divided among six regions with large land bases but small populations. The remaining 6 million acres went to urban Native groups, including Kodiak, as well as former reserves and other special purposes.

ANCSA called for creation of village corporations and 12 Alaska regional corporations. In all but the earliest land claims bills introduced in Congress, business corporations were favored as the vehicles for the settlement.

Each Native village in Alaska that met certain requirements was eligible to form a corporation and receive a portion of the settlement. More than 200 village corporations were eventually certified.



ANCSA CORPORATIONS IN THE KONIAG REGION

In the Koniag region, nine villages were found to be eligible to have village corporations and participate in the benefits of ANCSA. These nine village corporations were entitled to about 900,000 acres altogether. Koniag's original share of the settlement was \$23 million, 800 acres of land and the subsurface estate of lands allocated to the village corporations in the region.

Most village corporations selected land for its subsistence value or land with known or expected economic value, such as timber or mineral resources, fisheries and tourism. Each village corporation made its own selections, but there were limits.

One of these limits proved particularly relevant to land selections in our region. Village corporations within or next to a national refuge could select no more than approximately 69,000 acres (three townships) of refuge land. The remaining land due them had to be selected from other areas designated by the government. These remaining lands are called "deficiency" lands.

Refuge lands carried another limitation, too, in that regional corporations were not conveyed any subsurface estate on lands in the refuge. Instead, the regions were allowed to select subsurface rights on other lands set aside by the federal government.

In the Koniag region, much of the land was not available for selection because it was within the Kodiak National Wildlife Refuge. Koniag and almost all of its eligible village corporations received deficiency selection rights – surface rights for the village corporations and the subsurface estate for Koniag – on the Alaska Peninsula across from Kodiak Island.



CORPORATIONS VOTE TO MERGE

In the 1970s and 1980s, quite a few village corporations voted to merge with each other or with their regional corporation. There were different reasons for merging. The land-selection process could be cumbersome and opportunities for financial stability and economic growth could be limited. Some village corporations had heavy debts.

In 1980, shareholders in six village corporations voted to merge with Koniag. At the time, such mergers had to be

approved by two-thirds of the outstanding shares of each corporation involved in the merger. When the corporations merged, all the assets and debts were moved to Koniag.

The merger of one of the six village corporations was not completed because it was challenged by a shareholder and the court halted it until the other legal issues were resolved. The merger of the five other village corporations with Koniag was filed with the state and took effect. However, three of them sued and eventually the merger with those three was set aside under a settlement agreement with Koniag. Larsen Bay and Karluk did not contest the merger, so their merger into Koniag was completed and their lands and debts were transferred to Koniag.

The debts were significant. Most people don't realize that Koniag spent a significant amount of its funds to pay off the debts of Karluk and Larsen Bay.

As part of the merger, the stock of the village corporation was cancelled and the shareholders were issued shares of Koniag Class B (at-large) common stock, in addition to the Koniag Class A stock they already owned. Owners of at-large stock are entitled to distributions from 7(i) revenues. Section 7(i) is a provision of ANCSA. It requires regional corporations to share revenues from development of their subsurface and timber resources.

As part of the merger, the village IRAs of Karluk and Larsen Bay received 10 acres per enrollee and \$190 per shareholder. The Karluk Tribal Council received 1,860 acres and \$35,340. The Larsen Bay Tribal Council received 2,030 acres and \$38,240.

How the tribal councils dealt with the lands will be the focus of Part 3 of this series.

The lands around the Karluk and Sturgeon rivers came to Koniag as the result of the merger. Karluk and Larsen Bay also received deficiency lands on the Alaska Peninsula, which were subsequently exchanged for an interest in the Afognak Joint Venture (AJV). Those AJV interests were also transferred to Koniag under the merger.

Next issue: Part 2 will explain how lands originally selected by Karluk and Larsen Bay figured in the proposed land exchanges and conservation easement. ■