



cook inlet land exchange 30-year anniversary



October
1976-2006

CIRI leaders fought for fair settlement

Interior offered glaciers and mountain tops

The Cook Inlet Land Exchange was one of the largest land exchange transactions in the history of the United States. It is a complicated three-way exchange of huge proportion that addressed the needs of its signatories: the federal government, the State of Alaska and CIRI. The land exchange was codified first in Public Law 94-204 on Jan. 2, 1976, and then in its clarified form in Public Law 94-456 on Oct. 4, 1976. Since 1976, CIRI pressed for and secured subsequent federal legislation that modified (and greatly improved) the terms of the settlement.

The terms of the Cook Inlet Land Exchange are spelled out in an agreement whose lengthy title reflects its importance to the parties. Officially titled the Terms and Conditions for Land Consolidation and Management in the Cook Inlet Area, the land exchange agreement is often referred to in shorthand as the "T&C" or the Terms and Conditions.

For the federal government, the T&C fulfilled its need to accommodate CIRI's entitlement under the Alaska Native Claims Settlement Act (ANCSA) in a way that ANCSA intended. For the State, it meant protecting the State's interests and gaining additional lands outside of its Statehood Act entitlement. In its report to the state Legislature, the Federal-State Land Use Planning Commission for Alaska declared, "The negotiated approach embodied in this proposal represents a far better means by which the federal government might meet its obligations to Cook Inlet region."



Carl Marrs, CIRI land department manager, and Roy Huhndorf, CIRI President, study land selection maps in 1978.



ARCO personnel prepare for helicopter-supported seismic tests on CIRI lands in the Kenai National Wildlife Refuge in this 1981 photo.

For CIRI, the benefits of the T&C would be profound. The T&C formed the basis of CIRI's future financial success. Without a settlement, CIRI would have received about 1.25 million acres of mountainous and remote lands within the region. As a result of the settlement, CIRI was able to creatively direct its selections to resource-rich lands in the region and ultimately won the right to bid on a variety of federal properties in other parts of the United States. The benefits of CIRI's selections laid the foundation for the new corporation's unprecedented financial success, especially as rights to oil and gas royalties were secured. Besides benefits to CIRI, a number of other Native corporations were able to remain solvent as millions of dollars of CIRI's resource revenues were shared throughout Alaska.

Land and cash were the basis of the Alaska Native Claims Settlement Act, but there was not enough suitable land available for CIRI to meet its ANCSA entitlement of approximately 1.25 million acres of surface estate and 2.25 million acres of subsurface estate within the region.

From the outset, difficulties became apparent. By 1971 (when ANCSA was passed) most of the good quality lowlands of southcentral Alaska were already in state or private hands, or in the case of federal lands, they were tied up in federal withdrawals including the Kenai National Moose Range and military installations. CIRI leaders believed that the secretary of the interior would set aside what low-lying lands were left for conveyance to CIRI.

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Key actors
recount history ...
in their own
words

Lawrence "Lonnie"
E. Heiner, Resource
Associates of Alaska, Inc.

"Our firm was contacted when CIRI got its first round of land withdrawals to find out whether the lands that were withdrawn for selection were worth anything. In a way we were CIRI's first land department. Our initial finding was that CIRI was being offered mountain tops and glaciers . . . If CIRI had settled for what it was offered, it would be a very poor corporation today.



"Our thinking of what would make up a good settlement evolved over time, and we eventually came to a point where we knew there weren't enough lands within CIRI's regional boundaries to make a good settlement. That's when we went outside the region . . . The entire exchange was very, very complex . . . It's the absolute basis for CIRI's well-being today."

Key actors recount history . . . in their own words

Roy Huhndorf, former CIRI President and CEO

"CIRI was poor at the time. Our potential was unknown. We were largely urban, and we were non-homogenous in terms of ethnicity. It was a sort of melting pot of Native people from all over the state . . . What we were faced with after I became president was first and foremost, making a land settlement with the Department of the Interior and with the state of Alaska . . . In those early days, shortly after 1971 . . . it seemed almost as though the Department of the Interior was trying to undo by administrative fiat what Congress had done in the law.



"The Board had delegated to a special land committee of the Board powers to approve the details of the Terms and Conditions. And, of course, the umbrella we had to work under was the broad charge given by the Board not to go below a certain bottom-line. And I think we were faithful to that charge. In turn, I headed up the team in the final sprint home. I want to hasten to say that George Miller and Andy Johnson were involved early on. George struggled with it for the first two years, and Andy Johnson struggled with it for two and a half years or so. And then I became president in 1975.

"I think one lesson is that time does not help Native people. Had we not moved quickly, CIRI would not have gotten the settlement it got back in the '70's. If we were to do that today, it wouldn't happen . . . Time marches on, and I think you have to seize the moment."

A word from the president
CIRI's "moment in time" built its strong foundation

By: Margie Brown, CIRI president and CEO



Margie Brown

Thirty years have passed since agreement was reached on an unprecedented three-way land exchange between CIRI and the state and federal governments. Three decades ago this month President Gerald Ford signed into law the hard-bargained Cook Inlet Land Exchange. The fact that CIRI leaders and their federal and state counterparts had gotten to this point at all is a testament to perseverance. For CIRI, it was a moment of time like no other and certainly like none today.

Since there had never been anything like ANCSA before in our nation's history, they (CIRI's leaders) had no road map for how to proceed.

As I write today, it's difficult to express just how pivotal this land exchange was to CIRI's history. The Alaska Native Claims Settlement Act of 1971 held the promise that Alaska Native people would retain lands of like and similar character to lands traditionally used. In CIRI's case, however, ANCSA could easily have been an empty promise because others already had claimed so much of the suitable land within the Cook Inlet region. What we would receive would be mostly mountain tops and glaciers.

Like all Alaska Native corporations at the time, CIRI's early leaders were young, inexperienced business men and women. Since there had never been anything like ANCSA before in our nation's history, they had no road map for how to proceed. In fact, it was a time of great uncertainty for CIRI and for all the nascent Alaska Native corporations. And yet, those early-day CIRI leaders knew that without adjustment to the land CIRI was to receive, survival as a corporation would be difficult. Their tenacity held fast, even in the face of early defeats in court. The Cook Inlet Land Exchange was an incredible accomplishment that addressed the competing land needs within the region. I doubt that such an agreement could be reached today.

The Cook Inlet Land Exchange had been negotiated by the time I arrived at CIRI in November 1976. However, the work had not yet begun on getting what was promised CIRI in the deal because of last minute challenges to the Alaska and United States Supreme Courts. That work eventually began in earnest in March 1978 and played out largely over the course of the next two decades. As one of those charged early on with implementing the Cook Inlet Land Exchange, my colleagues and I took what had been given to us in the negotiations and improved upon it dramatically. And we did so in creative ways that the first negotiators had not imagined and in ways that others are still trying to emulate.

When I became CIRI's president I made a vow to myself that I would not live in CIRI's past history, and for the most part I am succeeding in that. However, this special insert is unashamedly a nod to the past. I believe the CIRI Land Exchange and its implementation set the tone for our future business endeavors and became a standard for how

Our personal challenge is to approach our work with courage and creativity like that demonstrated 30 years ago.

we should conduct business on behalf of our shareholders. It inspired many of CIRI's teams, at both the Board and management level, to be courageous, tenacious and most of all creative when wrestling to secure or protect CIRI's business interests. The CIRI Land Exchange and its implementation remains a shining milestone in our past. I carry the lessons learned from this experience with me to this day.

CIRI is more than 30 years old and we still face challenges. That is to be expected. Our personal challenge is to approach our work with courage and creativity like that demonstrated 30 years ago. If we are responsible and live up to the examples of the past, CIRI will serve the interests of shareholders now and into the future.

Timeline

October 1971 - March 1978



December 18, 1971

Congress enacts ANCSA. Alaska Natives retain 44 million acres of land and are granted \$962 million.

March 11, 1972

Representatives of Cook Inlet region Natives write to the interior secretary requesting him to withdraw about 300 townships (6.9 million acres) in the Cook Inlet region from which Native land selections will be made, including lands:

- In the Kenai National Moose Range
- Around and north of Lake Clark
- The coastal area of the western shore of Cook Inlet
- The area north of Willow to Hurricane Gulch
- The Lake Chelatna area west of Talkeetna in the Collinsville area
- The Lake George area
- Lower Kenai Peninsula.

CIRI acquired Camp Lonely on the North Slope as federal surplus property in 1984.



March 24, 1972

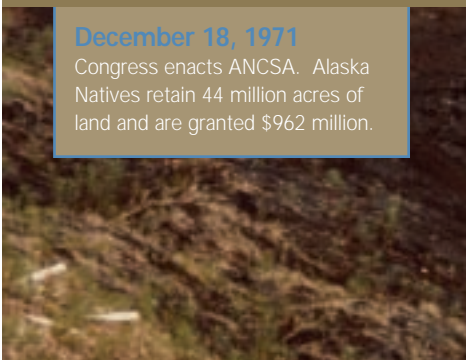
Cook Inlet region Natives object to withdrawals for the new corporation because they are "mountainous and often glacial character" and not in keeping with ANCSA requirements.

April 10, 1972

The State sues the interior secretary, (Alaska v. Morton), claiming the secretary wrongfully disregarded portions of the State's sections, including selections in the Cook Inlet region.

June 8, 1972

CIRI incorporated.



Implementing the T&C: Tenacity and creativity pay off

Tenacity and creativity were the hallmarks that put the Cook Inlet Land Exchange into action. And the individuals who worked to implement the agreement obtained unexpected results that led to huge benefits for CIRI.

The agreement setting out terms for the three-way land exchange was called the Terms and Conditions for Land Consolidation and Management in the Cook Inlet area, known as the "T&C." It is a complex agreement that sets out conditions that needed to be met before CIRI could begin selecting lands. Those conditions were met in March of 1978. In some cases, conveyances proceeded quickly, with the first conveyance of state lands, about 300,000 acres from the Beluga pool, being completed within eight months.

"It was a living document that benefited from the fact that there were fresh eyes looking at it."

There was no easy road map for implementing the T&C. Since some of the selections had to be done with the State of Alaska (instead of from federal lands) even the basic selection procedures had to be negotiated with the State. Ultimately, CIRI's entitlement was fulfilled in very unexpected and beneficial ways. Among key selections were lands in the Kenai pool, which brought in gas royalties. For CIRI, getting oil and gas revenues was a blessing because it provided an ongoing royalty revenue stream very early in its history.

As a result of creativity and skill on the part of CIRI staff and attorneys, CIRI was later able to get back royalties, in some cases back to 1971. Royalty prices that the producers were paying were far below market rate, so CIRI pursued litigation with these producers. CIRI substantially increased its royalty rates, in some cases more than tripling their value.

The team that implemented the T&C used the original agreement to benefit CIRI by:

- Securing oil and gas royalties no one had anticipated
- Negotiating for state lands that were originally thought to be unavailable
- Converting out-of-region selections into a Treasury account in order to acquire federal properties throughout the United States

As explained by CIRI President and CEO Margie Brown, who was instrumental in implementing the T&C: "It was a living document that benefited from the fact that there were fresh eyes looking at it. There was a lot of energy and creativity put into the implementation by a group of people who were not at the negotiating table when the T&C were struck. Kirk McGee and I often get credit for the implementation of the T&C, but George Kriste (former CIRI executive vice president), Steve Hillard (former vice president of resources), Frank Klett (former senior vice president) and others also deserve recognition for their significant and creative efforts on behalf of CIRI."

Key actors recount history . . . in their own words

**Monroe Price,
CIRI's legal
advisor**



"In 1973, the secretary of the Interior had withdrawn lands for Cook Inlet Region Inc., that were mostly mountain tops and glaciers. I remember very well Andy Johnson, who was the president at the time, putting together a notebook that showed the withdrawals in the Cook Inlet region and showed how the birthright of CIRI was poor indeed. It was as if the settlement was all for naught . . . How could it develop assets for generations yet unborn based on this paltry birthright that the secretary was providing to it?"

"Cook Inlet did in fact do something which I think was not true of any other Native corporation in Alaska. Instead of having the government define what assets would be the birthright of the corporation, Cook Inlet decided what would be its dowry and birthright and obtained the agreement of the U.S. Congress, the Alaska Legislature and several courts."



Frank Klett looks at test pit samples from Capps coal lease site northwest of Tyonek in the early 1980s.

Andy Johnson, president of Salamatof Native Association, and Margie Brown work on the Salamatof Village Settlement Agreement in 1980.



July 31-August 8, 1972
Secretary Morton personally tours Alaska.

September 1, 1972
Gov. Egan and Secretary Morton execute an agreement providing for land withdrawals for state selections for CIRI and the Cook Inlet village corporations without notifying CIRI or including CIRI in negotiations.

December 13, 1972

CIRI representatives meet with Interior officials to protest the fact that they are not being offered as much land as ANCSA calls for. Interior suggests that CIRI should ask for lands with economic potential instead of insisting on the letter of the law with respect to lands having like character as those where the villages are, and further suggests exploring the possibility of a three-way land trade. CIRI raises the possibility of a lawsuit.

February 23, 1973

CIRI Board authorizes an immediate lawsuit against the secretary of the interior.

March 14, 1973

CIRI v. Morton filed in U.S. District Court, seeking an additional 5.7 million acres in deficiency withdrawals.

April 18, 1974

State sues interior secretary, Alaska v. Morton, also known as "Alaska II."



Key actors recount history . . . in their own words

Margie Brown, former CIRC Senior Vice President

“When I started at CIRC in November 1976, everybody was anticipating that the land exchange would go forward, but nothing was happening while we were waiting for a final ruling from the courts. I spent much of 1977 getting prepared, absorbing the T&C document, which is a difficult thing to read much less understand, and working to get a command of the land status in the region. We were also preparing to deal with the federal surplus property provisions and the selections from the State of Alaska that no other region had had to go through.



Margie Brown is shown with land status maps in this late 1970s photo.

“We finally got the green light from Bureau of Land Management in early 1978. We immediately began the process of securing the lands that the T&C promised. The selections were not as easy as you would think. We ended up in a negotiation with the State on all selections from state land. We ended up doing fine in this process because we had taken the time to gain a better understanding of land status than anyone else involved.

“Once we acquired lands from the State, we proceeded to deal with the oil and gas royalties being produced from our newly acquired lands. It was immediately apparent that we were not being paid a fair royalty. This inequity led to litigation and eventually settlement with the producers, which increased the value of our royalties significantly.

“We worked hard to implement the T&C. I think we knew, without stating it, we were doing something that was very important to CIRC. In retrospect, I believe our implementation enabled CIRC to get into a financial position that allowed it to enter new lines of business. The negotiators of the T&C should get credit for bravely facing the situation and crafting the Cook Inlet Land Exchange. And those of us who implemented the agreement should also take pride in what we accomplished. The T&C provided the basis for a good deal for CIRC.”



In order to achieve a settlement, the CIRC Board of Directors assembled a land negotiating committee that included in 1977: Agnes Brown, Bob Rude, Debbie Fullenwider, Jerry Brown and Roy Huhndorf.



Roy Huhndorf, CIRC president, George Kriste, CIRC executive vice president and David Heatwole, Alaska exploration manager of Anaconda Copper Co., formalize an agreement between CIRC and Anaconda in which Anaconda agreed to identify lands for CIRC's out-of-region land selections. The selections took place in the early 1980s.



Tom Kelly, Margie Brown and George Kriste, CIRC executive vice president, at the signing of the oil and gas exploration agreement with Chugach Electric Association, January 1980.



June 14, 1974
CIRC and several of its village corporations seek to intervene in Alaska II, asking the court to undo the Sept. 1, 1972, agreement between Interior and the State.

December 14, 1974
CIRC President Andy Johnson tells the CIRC Board that negotiations with Interior have broken down and would be resolved only in court.

May 2, 1975
Judge Plummer issues final judgment against CIRC in CIRC v. Morton.

May 2, 1975
Tentative agreement is reached for a possible three-way land exchange. CIRC agrees to ask Congress to delay acting on CIRC's proposed legislation.

May 13, 1975
CIRC appeals Judge Plummer's decision in CIRC v. Morton to the 9th Circuit Court of Appeals.

May 24, 1975
CIRC Board of Directors elects new officers. Roy Huhndorf is elected CIRC's president.

Fairbanks Post Office, acquired as federal surplus property in 1979, was converted to office condominiums.



CIRI's first major conveyance of state lands was about 300,000 acres from the Beluga pool. To mark the importance of the occasion, a ceremony was held in January 1979. Michael Smith, at left, represented the State of Alaska at the ceremony. Robert Arnold, center, represented the Bureau of Land Management, and Roy Huhndorf, right, represented CIRI.



Key actors recount history . . . in their own words

Frank Klett, former CIRI Senior Vice President

“ . . . I think the Cook Inlet Land Exchange ended up in ways negotiators did not anticipate. Two things happened for CIRI – they got land, but it also opened the gates of creativity. It was the collective creativity of CIRI people that made the exchange something.”



“I came to CIRI shortly after CIRI had negotiated the Terms and Conditions (T&C). I was most involved in the surplus property provisions. This provision was changed many times over the years, but always at its core was the ability to acquire federal properties outside of Alaska. Also, since the exchange was taking quite a while to implement, I suggested using a concept that adjusted the settlement using the Consumer Price Index. This kept CIRI from being penalized for the time it was taking to fulfill its entitlement.”

“I recall the first surplus property sale was housing for personnel at the former radar station in Cambria, California. We knew we overpaid, but we were the high bidder on purpose in order to acquire it . . . The first sale was strategically important to us. Luckily, we also made a couple bucks on the Cambria property.”

“When we began to work on CIRI's out-of-region entitlements, CIRI was behind the other region and village corporations in making those out-of region selections. We were looking at whatever was left. It wasn't pretty. But just about that time, the military said it was going to start selling properties – some incredibly valuable properties – so we got a provision that converted our out-of region and existing federal surplus property entitlements into a treasury account that would be good outside of Alaska. Our money then would be good for acquiring military property. By 1988 or 1989, we had assembled some pretty interesting properties, and a few dogs. Then the big savings and loan crisis started and Resolution Trust Corporation was established and we went, ‘Holy cow, our account should be good for these properties, too.’ . . . That's how CIRI ended up with \$250 million in properties across the country.”

They directed CIRI's land issues through the years

Larry Oskolkoff
1974-76, Land Manager

Carl Marrs
1976-78, Land Department Manager
1989-1992, Senior Vice President

Margie Brown
1978-81, Land Manager
1981-83, Vice President, Land
1993-1995, Senior Vice President

Frank Klett
1983-86, Vice President, Administration and Planning

Steve Hillard
1986-1988, Vice President, Resources

Kirk McGee
1989-1991, Vice President, Real Estate Projects
1992-2005, Vice President, Real Estate

Keith Sanders
2005-present, Senior Vice President, Land and Legal Affairs



July 18, 1975

Representatives of CIRI, the State and Interior reach fundamental agreement on three-way land exchange.

November 11, 1975

A “discussion draft” of the three-way land exchange agreement is prepared, incorporating revisions made after public hearings and written testimony.

December 10, 1975

CIRI, the State and Interior execute the “Terms and Conditions for Land Consolidation and Management in the Cook Inlet Area” (T&C).

March 5-6, 1976

CIRI President Huhndorf testifies to the Joint Federal-State Land Use Planning Commission, recounting that 1974 had been one of the most difficult periods in CIRI's history because CIRI was asked to abandon its valid land claims and put the region's claims in the context of the general public interest.

March 11, 1976

Gov. Hammond signs law approving and authorizing the State to exchange land under the T&C.

June 28, 1976

Judge Occhipinti rules state law signed by Hammond is unconstitutional and enjoins the State from exchanging lands under the T&C, in a suit brought by J.R. Lewis and Harold H. Galliett, Jr.



Cannery Loop #4 well near Kenai, on lands acquired from the State in 1980, being drilled for oil and gas in 1987.



Key actors recount history . . . in their own words

Kirk McGee, former CIRC Vice President, Real Estate



"I went to work for CIRC in August of 1976. I had been flying small planes for a living and had flown some CIRC folks around Lake Clark and the west side. I

wanted to put my degree to work doing something else so I went in and talked to Carl Marrs and he hired me. At the time, the Cook Inlet Land Exchange (T&C) was still tied up in court.

"The T&C provided the framework for where CIRC would receive its entitlement. Most of the federal lands were specified – like the Johnson mineral tract and the subsurface in the Kenai National Wildlife Refuge. The approximately 500,000 acres of state of Alaska lands were not. They were to come from six state land "pools." Here CIRC was competing with the boroughs (that also had land entitlements) and other state agencies (that wanted to keep certain lands in state ownership).

"We were fortunate that we had the best land status and knew the country better than anyone else. The State also did some things that completely changed what was anticipated. In one instance, the Legislature changed the status of the Mental Health and school lands back to general grant lands, opening them for our selections. We were first in with our selections and wound up getting a large amount of lands that had been off limits for years because of borough selections. The state agencies did not always have the best coordination so we wound up getting some very valuable oil and gas lands in places like the Kenai Gas Field. These provided CIRC with a lot of money early on.

"Those early days were quite exciting and a lot of fun. There are numerous good stories about how we acquired certain properties, and I am very proud to have worked with a lot of smart and dedicated people fulfilling CIRC's entitlement."

CIRC's land issues continued from page 1

This was not the case, however, and in March 1972, the secretary ignored the law giving Alaska Native people priority and instead gave the State of Alaska and the federal agencies the last remaining lowlands similar in character to those which had been used historically by the Native people.

CIRC protested the secretary's action, and after failing to achieve any progress filed suit in March 1973. The suit proceeded in U.S. District Court for the next two years and ended in February 1975 with the ruling by Judge Raymond Plummer in favor of the secretary. Plummer essentially ruled that even though the lands were not similar in character, or close to the villages as required by the law, the mountainous and glacial land set aside probably had much mineral wealth and therefore the Native people received value and were justly compensated.

CIRC immediately appealed, but in the meantime participated in negotiations with the Department of the Interior, Congress and eventually the State of Alaska. In order to achieve a settlement, the CIRC Board assembled a land negotiating committee of the Board that included Robert Rude, Roy Huhndorf, Agnes Brown, Jerry Brown and Debbie Fullenwider.

By December 1975, the CIRC Board approved a settlement in concept and instructed its negotiating committee to finalize details with the federal and state governments. President Ford signed federal legislation to make the settlement a reality on Jan. 2, 1976, and on March 11, 1976, Gov.

Hammond signed related state legislation. On Oct. 4, 1976, President Ford signed legislation into law ratifying the T&C, as clarified by the parties in August of that year.

While CIRC leaders were fighting a desperate battle for survival, they never gave up their insistence on fairness. They were pressured by government officials to accept much less than ANCSA promised, but they did not cave in and ultimately succeeded in their negotiations. Bringing the settlement to its full potential became the job of those who came onto the scene shortly thereafter and who were charged with implementing the agreement.



CIRC acquired Fire Island (foreground) near Anchorage in 1982 as federal surplus property.



CIRC

special edition

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The hard-rock mineral prospect, Johnson Tract near Mt. Iliamna, being drilled in 1982.

January 18, 1977

Alaska Supreme Court reverses Superior Court in the Galliett case and upholds the validity of the T&C.

June 29, 1977

U.S. Supreme Court dismisses the appeal from the Alaska Supreme Court's decision, thereby allowing the state's ratification of the T&C to become final and irrevocable.

August 31, 1976

T&C is clarified by the federal and state governments and CIRC.

October 4, 1976

President Ford signs P.L. 94-456 into law, ratifying the T&C as clarified.



Kirk McGee and Carl Marrs study CIRC land selection maps in 1978.

March 20, 1978

Interior's regional solicitor formally notifies the local Bureau of Land Management director that the conditions precedent have been met and implementation of the T&C may actually begin.