February 5, 2013

KONIAG
INCORPORATED

Mr. Joseph D. Darnell
Deputy Regional Solicitor, Alaska
Office of the Solicitor, Alaska Region
4230 University Drive, Suite 300
Anchorage, Alaska 99508-4650

Ms. Jennifer Schorr
Assistant Attorney General
Environmental Section
Office of the Attorney General
1031 W. 4th Ave, Suite 200
Anchorage, Alaska 99501

Re: Proposal of Koniag, Inc. for the EVOS Trustee Council
Modification of Existing Master Agreement and Conservation Easement

Dear Mr. Darnell and Ms. Schorr;

I am enclosing a copy of the proposal of Koniag Inc. for the modification of the existing Master Agreement and Conservation Agreement. The cover proposal discusses the issues giving rise to Koniag suggestion that a Stewardship Fund be establish to enable the obligations of the Service to be met. Also enclosed is Attachment A to the Proposal which provides suggested language for amending the existing agreements. This language covers both the Stewardship Fund proposal as well as the operational matters which have been agreed to. We have also provided a brief description of the proposed change following each section.

If there are any questions regarding the provisions or the proposal, please feel free to contact me and if I am not available, please contact Charlie Powers at 907 486-2530.

We appreciate you taking the time to review our concerns.

Yours truly,

Koniag Inc.

William Anderson, Jr.
President/CEO

Enc: as indicated

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ATTACHMENT A

PROPOSED AMENDMENTS TO MASTER AGREEMENT AND CONSERVATION EASEMENT

Changes to the existing agreement are redlined.

MASTER AGREEMENT

Section 1 (5)

Change name of subsection to

"Establishment of Special Account, Stewardship Fund and Payments to Koniag

Section (5)(b) Effective October 15, 2002, or following the 3(b) Closing, whichever occurs later, the United States, through the Trustee Council, will cause to be established and fund a special account in the amount of $29,800,000 (Twenty-nine million, eight hundred thousand and no/100 dollars) ("Special Account"), unless Koniag elects to exchange certain lands with the Service as provided in Section 20 hereof, in which event the deposit shall be $29,550,000 (Twenty-nine million five hundred and fifty thousand and no/100 dollars). The Special Account shall be established by the United States and the State, acting through the Trustee Council or its successors in function (the "Governments"), with the State of Alaska investment system in accordance with the authority provided by Congress in Section 350 of P.L. 106-113, 113 Stat.1501 (1999) and the requirements of this Agreement. The Governments will manage the Special Account and are solely responsible for its investment. Notwithstanding the foregoing, the Governments shall (i) consult with Koniag concerning the investment strategy for the Special Account over the life of this Agreement and (ii) establish an initial investment target of a projected average annual return of 5.75% above inflation when considered over a ten year period, unless after consultation with Koniag, the Governments determine that such investment targets would be imprudent and would require an investment strategy relying on undue risk of principal of these joint governmental funds or the distributions to the Stewardship Fund result in a lower return. The Governments shall provide Koniag a financial report on the Special Account at least quarterly, which report shall identify the investments held therein, their value and all transactions made with respect to the Special Account during the reporting period. Such reports shall be provided within thirty (30) days of the close of the reporting period.

Section (5)(f) Effective upon the execution of the Fourth Amendment to the Master Agreement, a Stewardship Fund shall be established to pay for certain activities mandated by the Agreement and by the Conservation Easement to be performed by the United States. These activities include (i) the maintenance of the permitting system for the public use of the Conservation Property, (ii) the enforcement of the permitting system and other rules regarding the use of the Conservation Property, (iii) the provision of employment and training opportunities for local residents pursuant to Section 10 hereof and the outreach to the school district to and other agencies, (iv) the identification and protection of

archeological sites, the construction and maintenance of a cabin at the outlet of Karluk Lake for use by the Alaska State Department of Fish and Game ("ADF&G") and the maintenance and protection of the Conservation Values of the Conservation Property, including the hardening of the campsites and trails pursuant to Section 5(b) of the Conservation Easement.

Upon the establishment of the Stewardship Fund the sum of $725,000 shall be transferred to it from the Special Account, and a like amount shall be transferred to the Stewardship Fund from the Special Account on or before the 10th day of January each year thereafter during the balance of the term of this Agreement. The Stewardship Fund shall be managed by the State of Alaska in the same manner as it manages the Special Account. The Service shall oversee the payment of funds from the Stewardship Fund for the purposes and in the amounts of the budget approved by the Management Group, in accordance with this Section and the Conservation Easement. The funds from the Stewardship Fund shall not be used to augment or supplement the operational budgets of ADF&G or the Grantee unless such activities are included in this subsection 5(f), or subsidize the commercial activities of Grantor.

If there is a positive balance in the Stewardship Fund at the end of the fiscal year, such balance will be used to fund (i) the continued study of the archaeological sites on the Conservation Property and the cataloging and storage of artifacts obtained as the result of such studies and (ii) the rental of facilities on Camp Island for environmental and habitat studies. Any funds remaining in the Stewardship Fund upon the termination of this Agreement shall be transferred to the Special Account and shall be distributed in the same manner as the funds in the Special Account. If at any time during the second term of this Agreement the funding is not transferred to the Stewardship Fund, Grantor in its sole discretion may elect to terminate this Agreement pursuant to Section 9(a) of this Agreement.

It is the intent that the Stewardship Fund be used to cover the cost of fulfilling the obligations of the United States and the Service under the Master Agreement and the Conservation Easement. Some of those obligations are presently being performed by Koniag and others are simply not being performed. The Agreement grants the Service the authority to contract with Koniag to perform the obligations the Service has been required to perform. While Koniag would prefer for the Service to fulfill its obligations and enforce the rules of the Refuge on the Conservation Property, it has been advised that the funds derived from the Stewardship Fund cannot be used to supplement the budget of the Service, even to perform its obligations under an approved and executed agreement with the Service.

Section 5(g)

~~(f)~~ So long as the Conservation Easement and the Camp Island Limited Development Easement are in effect, no funds in the Special Account may be withdrawn there from, unless such withdrawal is pursuant to subsections (5)(c) ~~and~~ (5)(d) and 5(f) hereof or related to the payment of third party costs incurred in the closing of a sale of the lands made pursuant to an election to sell under subsections 4(a) or 4(b) hereof (e.g., hazardous material surveys and closing costs). The funds in such Special Account may

not otherwise be transferred to another account without the prior written consent of ~~Koniag~~Grantor.

The new Section 5(g) is the former Section 5(f).

Section 10

Subject to the availability of appropriations and applicable laws, Grantee and State shall work with Grantor to identify and provide opportunities for internships and professional development programs in natural resource management which focuses on the Conservation Property. [Balance of present Section 10]

CONSERVATION EASEMENT

Section 1(e)

…to provide for establishment of a management group comprised of representatives of the Parties ("Management Group") to consider issues related to the management of the Conservation Property and to oversee of the activities performed by the Parties pursuant to the terms of this Easement.~~,~~

The role of the Management Group has been expanded from the original Easement. As is later provided in the Easement, instead of merely meeting to discuss the Conservation Property the Management Group will have an oversight and decision making function with respect to activities on the Conservation Property which are required to be performed by the Master Agreement and this Easement.

Section 3(a)

Section 3. Prohibited Uses by Grantor. During the term of this Easement and except as provided in Section 7 hereof, or with the prior written consent of Grantee, Grantor shall not:

(a) sell or lease the Conservation Property to any person other than the Grantee. This prohibition includes the five existing cabins owned by the Grantor ("Existing Cabins") ,and described as follows: four cabins located at the Portage site along the Karluk River and one cabin located at the outlet of Karluk Lake into the Karluk River; notwithstanding the foregoing, Grantor may lease such cabins for terms of less than twelve months, or grant a concession, the term of which concession may exceed twelve months, for their lease and management should Grantor choose to retain cabin management in accordance with Section 6 hereof. Notwithstanding any provision of

this Section 3, Grantor shall have the right to construct a second cabin at the outlet of the Karluk Lake ("New Outlet Cabin") to be used as provided in Section 6(e)hereof; ~~;~~

This language clarifies that Grantor has the right to construct an additional cabin which will be used primarily for research and the AFD&G's smolt program.

Section 4

(a) Grantee, acting through the employees and agents of the U.S. Fish and Wildlife Service (hereafter the "Service"), and the State, acting through the employees and agents of the Alaska Department of Fish and Game (hereafter "ADF&G"), shall have unlimited access to the Conservation Property for any purpose consistent with this Easement, including access to permit their respective personnel to conduct population surveys and research on fish and wildlife resources, document salmon escapement or any other activity related to fish, wildlife and management of the Conservation Property in accordance with the terms hereof; provided however, nothing herein shall grant to Grantee or the State the right to use the Existing ~~cabins~~ Cabins on the Conservation Property should the management rights to such cabins be held by Grantor. The Service and ADF&G shall fully and timely inform, Grantor of their intended activities on the Conservation Property prior to exercising this right of access to such property.

Section 5

(a) Except as provided otherwise in Subsection 5(b), Grantee shall cooperate with Grantor and shall be primarily responsible, within authorized Refuge staffing levels, for providing, at approximately the same level as it provides on fee owned Refuge lands of comparable usage and character, enforcement of applicable laws and regulations and the terms of this Easement, and management of public - use of the Conservation Property. Except to the extent application of the Kodiak NWR regulations is inconsistent with the rights explicitly reserved to the Grantor in this easement, the Parties intend that this instrument shall provide to the United States a property interest in the Conservation Property sufficient for it to apply and enforce on such Conservation Property all regulations pertaining to third-party use of the Kodiak NWR which are necessary for Grantee to perform its obligations hereunder. With respect to the ~~above-referenced downstream lands~~Conservation Property, Grantor and Grantee shall enter into a cooperative management agreement pursuant to Section 304(f) of ANILCA (hereinafter, "Cooperative Management Agreement") prior to the issuance of visitor use permits by Grantee ~~and any use of such downstream lands as provided by Section 5(d) hereof~~. The Cooperative Management Agreement shall provide that Grantor shall perform all of the obligations of Grantee under the Master Agreement and the Easement for which funds from the Stewardship Fund are available to pay the costs, if Grantee is unable to secure an increase in its budget to cover such costs. Grantee shall assign and delegate to Grantor all of its authority and rights to perform such obligations to the extent such authority and rights are assignable. Grantor may

subcontract the performance of some or all of the obligations of Grantee assigned to Grantor hereunder ~~for Grantee or~~to enforce the terms of the visitor use permits issued hereunder which are applicable to ~~such downstream lands~~the Conservation property, ~~the limitations on the use of the downstream lands as provided herein~~ and such other provisions as may be agreed to by Grantor and Grantee.

Section 5(a) is modified in order to enable Grantor to perform the obligations of Grantee in enforcing the permit system and the rules and regulations of the Refuge on the Conservation Property if the Service cannot accept the funds from the Stewardship Fund. If the Service is not able to enforce the rules and permit system and if Grantor can't be authorized to enforce the permit system and rules, then Grantor loses a major incentive for continuing with the easement.

(b) As a condition of this Easement, Grantee shall establish, maintain and enforce a permit system, for the public use of the Conservation Property. Permits may ~~determined pursuant to Subsection 5(c), which~~ impose~~s~~ specific limits on the level and location of public use, excluding subsistence uses reserved in Section 7(d) hereof, permitted on the following portions of the Conservation Property: (i) lands within a one half mile band of land on either side of the Karluk River and (ii) lands within one half mile of the shoreline of Karluk Lake. Such limits shall be determined pursuant to Subsection 5(c) hereof and shall be designed to reasonably minimize the impact of such public use on the fish, wildlife and habitat; ensure quality of the individual visitor experience; and provide for sustainable high quality fish, wildlife and wildlands recreation. In establishing such limits, Grantee shall consider whether the impact of public use may be reduced to satisfactory levels by the implementation of habitat protection measures such as hardened campsites as provided in Subsection 5(i) hereof and the education of visitors in methods to reduce impacts on the habitat. If such measures would be effective, consistent with the habitat protection purposes of this Easement, ~~and of reasonable cost and Grantee is able to secure the necessary funds,~~ Grantee shall implement such measures prior to restricting public access. Private and revenue producing visitor service public use limits will be considered simultaneously and in the aggregate. When limits on public use are reached, Grantee shall balance the allocation between public use by guided and unguided parties in a manner which considers both the projected demand and the historical use patterns on the Conservation Property as well as on Refuge lands, and which achieves the purposes of this Easement. Notwithstanding the foregoing, (i) the allocation of use for guided parties shall not be reduced to less than 40 percent of the total number of user days authorized, except that if the number of applicants for permits for guided use is less than 40 percent of the total number of user days authorized, the unused days may be allocated to unguided users, and (ii) the allocation of use for unguided parties shall not be reduced to less than 40 percent of the total number of user days authorized, except that if the number of applicants for permits for unguided use is less than 40 percent of the total number of user days authorized, the unused days may be allocated to guided users. In establishing such limits and the allocation thereof, the Grantee shall consult with and give due consideration to the comments of the Grantor and ADF&G.

The changes to 5(b) clarify that the permit system is applicable to all of the Conservation Property but that the imposition of limits on the level and location of public use only applies

to the designated lands along the Karluk River and Karluk Lake. This provision is intended to give the Parties the right to limit the number of permits issued should other fish runs such as the fall steelhead run attract such visitor use as to damage the resource and the land.

Section 5(d)

(d) For the interim period from October 15, 2002, until completion and implementation of the study required in Subsection 5(c), visitor use (not including guides or administrative personnel), other than subsistence use reserved in Section 7(d), in the area identified in Section 5(b)(i) for the period June 10-July 15, shall be limited to a maximum of seventy (70) scheduled visitors on any day. An individual shall be a "scheduled visitor" only on those days during the period on which the individual is authorized to visit the area by the permit issued to him. Should an individual be prevented by weather conditions from visiting the area on the days authorized by the permit, then the individual may visit the area on other days during the period, provided that the sum of the days which the individual visits the area which are not authorized by the individual's permit does not exceed the number of authorized days which the individual was prevented from visiting by weather. The individual shall not be counted as a "scheduled visitor" on such weather caused makeup days or on days beyond that specified in the permit when the individual is unable to depart the permit area due to the weather. Limits outside the period June 10-July 15 are not prescribed herein during this interim period. Grantee may adjust visitor use numbers and prescribe limits and dates during other periods of high visitor use, in consultation with Grantor and ADF&G to achieve the purpose of the Easement and to minimize the impact of the non-subsistence use as provided in subsection 5(b) hereof. Notwithstanding the foregoing, until the study is completed, Grantee may on an emergency basis impose additional use limits, not to exceed that particular season, or to make emergency closures of a portion of this area, on the same basis as on Refuge lands. Permits issued pursuant to this Section shall include the authorization for non-commercial users floating the Karluk River to camp for one night on Koniag lands downstream from the Refuge boundary at campsites designated by the Parties and allow use of, Koniag lands immediately adjacent to the river by such users in. route to the takeout as may be reasonably necessary to facilitate the recreation use of the river by such users, including, but not limited to, fishing from the bank. No right to hunt on the Koniag lands downstream of the Refuge is authorized pursuant to this provision.

Section 5(i)

(i) Camping on and overnight unguided visitor use of the Conservation Property along the banks of the Karluk River and Karluk Lake shall be limited to hardened campsites in the areas where there are sensitive habitats and resources, including archeological sites. These sensitive areas, including the archeological sites, shall be identified by a survey of the Karluk River and Karluk Lake areas, which shall be conducted by Grantor, Grantee and ADF&G during the fall of 2013. Upon the completion of the survey the Management Group shall determine the sensitive areas

in which camping can occur only in hardened campsites. The Management Group shall also determine the sites for the hardened campsites. No campsite shall be located in an area which would result in possible damage to an archeological site. Other lands within the Conservation Property will remain available for overnight camping subject to the provisions of Section 5(b)(ii);

Designated hardened campsites shall also be located in areas near popular fishing locations, but not in such close proximity as to interfere with the access of other visitors to such locations. The Management Group shall determine the specific sites of each campsite and the number of campsites necessary to adequately serve the unguided visiting public.

The Management Group may revise its determinations regarding hardened campsites when it determines that based upon current information such action is required to protect Conservation Property and to meet the needs of the unguided visitors.

Designated hardened campsites shall be developed in keeping with the provisions of Section 4(f)(iii) and, at a minimum consist of an area of leveled ground, and a wooden frame construction latrine. Annual vegetation will be controlled through mechanical means to ensure good visibility in the general area of the campsites. The Management Group shall determine any additional improvements for such campsites as may be required or as are in compliance with current technology. The number of visitors allowed to occupy campsites for overnight use shall be set by the Management Group based upon its judgment as to what is appropriate for the specific area. The length of stay for any person at any and all campsites shall not exceed three (3) nights. The campsites shall be available only for use by unguided visitors and shall be managed on a first to arrive, first to occupy basis.

Grantee is responsible for maintenance and upkeep of the designated campsites, and for determining the required maintenance and upkeep schedules based on visitor use. Grantee may contract with Grantor to perform such services, the cost for which will be paid by the Stewardship Fund. Grantee in cooperation with Grantor shall be primarily responsible for adopting and publicizing the use guidelines for campsites and for enforcing them.

This Section 5(i) is a new section to deal with hardening campsites not present in the prior draft.

Section 5(j)

(j) Nothing herein shall limit the ability of the Grantee to assign its obligations hereunder for Grantor to perform such obligations.

This is a new section which clarifies the authority of the Grantee to contract with Grantor for Grantor to perform Grantees' obligations. This provision is necessary to address the problem of the Grantee not being able to perform its obligations because of the lack of funding.

Section 5(k)

(k) Consistent with the requirements of Section 5 hereof, Grantee in close cooperation with Grantor shall implement a public online permit system for unguided use of the Conservation Property. Such permits shall be readily available to the public and the information collected in issuing the permits shall be safe from ~~a~~fraud or misuse. The State may review the development and implementation of the online unguided permit system for compliance with all requirements of Section 5 hereof. Grantor shall provide reports on the operation of the permit system to Grantee and State on an annual basis, or as requested. These reports shall contain no sensitive information but will contain details on the number of permits issued, associated visitor use statistics, and other details as required. The permits shall be subject to the authority of Grantee to condition the unguided access permits as necessary to protect natural resources and provide quality visitor experience opportunities.

Section 6

(a) Grantor reserves the right to manage the five Existing Cabins identified in Section 3(a) hereof and any associated outbuildings. Grantor will remove or replace the two Existing Cabins on the east side of the Portage within twenty-four (24) months of the commencement date of this Easement. The two Existing Cabins may be replaced at either the existing location or mutually agreeable sites as long as they are upgraded to meet the standards set forth in this subsection. At Grantor's option and expense, the more northerly of the two cabins may be converted for storage use only, in which event and for so long as such structure is used solely for storage, such structure shall be an "out-building" and not included in the total number of cabins which may be maintained by Grantor under this Section. All costs for such removal, relocation, or replacement of the cabins are the sole responsibility of Grantor. All cabins shall be managed and maintained by Grantor in a clean, weather tight condition to a standard equal to that at which the public use cabins on the Kodiak National Wildlife Refuge are maintained. Grantor, in consultation with the Kodiak Refuge, will develop and implement a plan. for the protection of habitat in the immediate vicinity of the cabins to minimize habitat impacts from cabin use. Such levels of protection shall be consistent with that provided at Refuge cabins. Upon completion of replacement, relocation or upon other mutual agreement, the two cabins on the east side of the Portage will be integrated into the Refuge cabin management program at the request of the Grantor in the same manner as provided in Subsections 6(c) and 6(d) for the management of the other cabins of Grantor. Notwithstanding any provision of this Agreement, Grantor shall have the right to convert the cabin knows as the "Guard Cabin" from public use to management use pursuant to which it will be occupied only personnel of Grantor or its subsidiaries or contractors for operations and when not so used, it will be available for use by personnel of the Service of the ADF&G. Upon such conversion, Grantor shall have the right to replace such cabin with a new cabin for public use at a different site. The parties acknowledge that Grantor also owns a cabin located in the Thumb River drainage, which cabin is not included in the five cabins identified in Section 3(a)

hereof. Grantor will remove such cabin within twenty four (24) months of the commencement date of this Easement and will not permit its use pending its removal.

(d) Irrespective of whether any of the five Existing ~~cabins~~ Cabins identified in Subsection 3(a) hereof and any associated out-buildings located upon the Conservation Property are included in the Refuge cabin management program, Grantor reserves the right to reconstruct, maintain and repair such cabins, associated out-buildings and footpaths, including the construction of either gravel footpaths or boardwalks, as are reasonably necessary for access to Grantor's facilities and consistent with the protection plan identified in Subsection 6(a). Reconstruction or relocation of any such cabin shall be limited to replacement structures of similar kind, the size of any of which replacement cabins shall not exceed 750 square feet for such replaced cabin and associated out-buildings and to the construction and maintenance of trails and footpaths for compatible fishing, hunting, ecotourism, recreation or similar purposes. ~~New~~ Any new sites for a cabin to replace an Existing Cabin, including those for new trails and footpaths, shall be selected in consultation with the Refuge Manager, and new construction will take place only after the new site is determined by the Refuge Manager to be compatible with the purposes of this Easement. Any site(s) may be abandoned and alternate sites established provided that:

(i) there shall never be more than five Existing Cabins or replacement cabins for human occupancy maintained at any one time;

(ii) the alternate site, including the trails and footpaths to be constructed, is determined by the Refuge Manager to be compatible with the purposes of this Easement; and

(iii) any abandoned site is promptly restored by the Grantor to a natural state to the satisfaction of the Refuge Manager prior to any occupancy of the replacement cabin.

These are conforming changes.

Section 6(e)

(e) Notwithstanding any provision herein to the contrary, in addition to the Existing Cabins, Grantor may construct a cabin at the outlet of Karluk Lake, which cabin will be the property of Grantor. Such cabin shall not be greater larger than 750 square feet and shall be constructed next to the Section 17(b) Easement away from the Karluk River at a location which is agreeable to Grantor and the State. The State shall have a preference right to use such cabin for its employees engaged in its smolt project which will be conducted in the Karluk River near the outlet of Karluk Lake. During its use of the cabin, the State shall maintain the area around the cabin and its smolt site, free from trash and maintain its equipment when not in use in designated areas. When not in use by the State for its smolt project, the cabin may be used by Grantor and Grantee for other programs or studies, including educational camps and programs for students, for archeological programs or for third party studies authorized by the Management Group to be conducted on the Conservation Property.

The cost of the construction and maintenance of the cabin shall be paid for by the Stewardship Fund.

This new section addresses the construction of a new cabin at the outlet for use by the state for its smolt program as well as for other uses.

Section 7

Section 7. Reserved Rights. In addition to any rights expressly reserved or granted to Grantor in Sections 5 and 6, Grantor shall have the following reserved rights:

(b) With respect to the Conservation Property, Grantor reserves the right to operate, or to grant a concession for the operation of~~, a~~ bear viewing programs at the following locations (i)~~only in~~ on the Thumb River drainage as such site and drainage are shown on the map attached hereto and incorporated herein by reference as Exhibit A, (ii) within one (1) mile of the outlet of Karluk Lake, and (iii) at such other locations on the Conservation Property, as agreed to by the Grantor and the Refuge manager, in consultation with ADF&G. A review of the programs will be conducted by Grantor and the Refuge Manager, in consultation with ADF&G, ~~which will~~ in order to agree on a ~~reach a mutually agreeable~~ plan of operations for the bear viewing programs prior to the commencement of the programs. ~~The bear viewing program will be operated on the Conservation Property from the site within the Thumb River drainage, as such site and drainage are shown on the map attached hereto and incorporated herein by reference as Exhibit A.~~ The sites and protocols of such programs may be changed only with the consent of the Refuge Manager, in consultation with ADF&G.~~.~~ The number of persons who are allowed to be at the bear viewing site at one time will be twelve (12) visitors plus guide staff; provided however, that such number may be exceeded upon occasion in order to accommodate representatives of Grantor, Grantee, or ADF&G and their official guests accompanied by such ‘representatives. Should the Refuge Manager make a finding based upon available information that such number of persons at ~~the~~ a bear viewing site is causing significant harm to the bear population on the Conservation Property or adjacent Refuge lands, or should Grantor request an increase in the number of visitors permitted at one time to be at ~~the~~ a viewing site, the Refuge Manager, in consultation with Grantor and ADF&G, shall conduct a study to determine the maximum number of persons that may be present at the viewing sites at any one time. All findings made hereunder shall be in writing, shall identify with particularity the information relied upon, and shall provide the factual basis for their conclusions, and should there be a finding of significant harm, the finding shall specify with particularity the nature and extent of the harm.

Public access to the Conservation Property within the Thumb River drainage, except through Koniag or its authorized concessioners, is closed. Grantee shall also use its best efforts to reach an agreement with Grantor, in consultation with the State, to close access or otherwise restrict activities on adjacent Refuge lands which would significantly impact the Conservation Values~~;~~.

The change to this section permits the Grantor to conduct bear viewing at a second viewing site as well as at such other locations as the Refuge Manager may agree.

Section 7(e)

(e) Grantor further reserves ~~The~~ the right to conduct operations on the Conservation Property to locate, protect, excavate and remove, all historic and prehistoric archeological and cultural artifacts, including but not limited to human remains, funerary Objects, other artifacts located in, on or below the Conservation Property ("Artifacts"), for duration, and to visit, survey, excavate, stabilize, restore and protect culturally significant sites and the right to maintain semi-permanent seasonal camps to engage in such activities. The siting of such seasonal camps shall be subject to the approval of the Refuge Manager to minimize impacts on brown bears and other fish and wildlife. Such approval shall not be unreasonably withheld. If the approval of a site is withheld, the Refuge Manager shall identify at least two other sites in the vicinity of the rejected site, which other sites would be acceptable. Nothing in this Easement shall preclude the right of Grantor to receive compensation from persons conducting such activities.

Section 9

Section 9. Management Group. The ~~There shall be a management~~ Management ~~group~~ Group shall be comprised of one representative selected by each of the Grantor, Grantee, and the ADF&G. The Management Group will meet at least ~~semi-annually~~three times during each year to discuss issues related to the management of their respective interests in the Conservation Property under the terms of this Easement, including, but not limited to the management of wildlife and fisheries. If possible, the meetings shall be held in the fall, winter and spring. A meeting of the Management Group may be called at any time by one or more members of the Management Group. ~~Such~~ While meetings of the Group are to be held in Kodiak, the group shall also offer to the respective tribal councils to meet at least once a year in the villages of Karluk or Larsen Bay to receive the comments and concerns of the members of such communities. Such village meetings may be combined with other meetings between the Grantor and the village. All actions taken by the Management Group shall be by unanimous vote of its Members.

The Management Group shall perform the duties assigned to it pursuant to Section 5(f) of the Master Agreement and the Easement, including the implementation of the Stewardship Fund program and the approval of projects or required activities submitted for funding. The Management Group shall review ongoing projects and activities on the Conservation Property or on adjacent lands which could affect the Conservation Property, as well as proposed new projects and activities, and their respective impact on the Conservation Property or other projects and activities which are either ongoing or proposed. The Management Group shall also discuss matters of common concern, including what impacts current or proposed actions, whether by a member of the Management Group or a third party, may have on wildlife and fisheries resources and habitat.

The Management Group may also consider proposal for projects or studies occurring on or adjacent to the Conservation property; reports by the parties on concluded or ongoing projects; proposed internship or professional training opportunities; and trends in wildlife and fisheries population dynamics that relate to the Conservation Property.

CAMP ISLAND LIMITED DEVELOPMENT EASEMENT

Section 5(b)(ii)

(ii) Activities on the Protected Property shall be limited to those which are fish, wildlife and wildlands oriented or related to archeological and cultural sites. Motorized vehicles may not be used at, based at, or supported from, the Protected Property except to the extent reasonably necessary for the construction and operation of the lodge and related facilities by the employees, agents or contractors of the lodge. No jetskis, airboats or similar type of personal watercraft may be used or based at or supported from the Protected Property. Helicopters shall be allowed only for the transportation of people in medical emergencies and of building materials, equipment, appliances and other property not reasonably transportable by fixed wing aircraft. Nothing in the foregoing is intended to limit the use of two (2) passenger motorboats each with a ~~combined~~ horsepower capacity of ~~less~~ not more than ~~100~~300, or pontoon equipped or amphibious airplanes to transport people to and from the Protected Property and the Conservation Property or to engage in fish, wildlife and wildlands orientated activities.

This change reflects the agreement of the parties to increasing the allowable horsepower of passenger motorboats on Karluk Lake.

KONIAG, INC.

PROPOSED MODIFICATIONS TO

AGREEMENT FOR PROTECTION OF CERTAIN LANDS AND RESOURCES

AND

KARLUK RIVER CONSERVATION EASEMENT

February 4, 2013

As part of the habitat restoration program conducted by the EVOS Trustee Council, in 2002, Koniag entered into an Agreement ("Master Agreement") with the State of Alaska ("State") and the Department of the Interior ("DOI") under which Koniag granted a Conservation Easement ("Easement") on approximately 57,000 acres of land which had once been part of the Kodiak National Wildlife Refuge ("Conservation Lands"). The Conservation Lands were conveyed pursuant to the provisions of ANCSA. They include the Karluk River, Karluk Lake and the Sturgeon River areas. The Conservation Lands were acknowledged by the Council in its Resolution 01-08 to have "exceptional habitat value" for promoting the recovery of natural resources, species of fish and wildlife injured by EVOS, and human services dependent on the health of these natural resources. Because of their habitat value, these lands also have the greatest ability to restore or enhance human services impacted by EVOS, though they receive some of the most intensive use by the public. Under the Easement, Koniag agreed to forego any further development of the Conservation Lands, except for a facility to be located on Camp Island.

The Master Agreement had an initial term of ten years, and is now up for renewal by Koniag for another ten year term. The Agreement also granted to Koniag the right to require the Conservation Lands to be purchased by DOI using the then balance of a Special Account, which account was initially funded by the EVOS Trustee Council with $29,550,000 which the Council was then willing to pay for Koniag's lands. Koniag receives an annual payment from the Special Account in consideration for its granting the non-development Easement.

One of the primary reasons Koniag entered into the Agreement was to address the overuse of the Karluk River ("River") and the damage which was being done to the Conservation Lands by the people using the River. Koniag's agreement to grant the easement on the Conservation Lands was conditioned upon the Easement providing for the creation of a permit system for users of the Karluk River and Lake which would limit their use during the period of the most intensive use of the lands. This system provides that no more than 70 non-local subsistence users could be on the River during any one day during these high use periods. Under the Easement, the Fish and Wildlife Service ("Service") has the responsibility for implementing

and enforcing the system. In conjunction with the application of the permit system and the terms of the Easement, Koniag agreed to allow the permitted users to camp overnight on the Conservation Lands, as well as on certain designated areas on other Koniag lands along the River.

During the initial term of the Easement, the Service has not met its obligations. There have been numerous problems with the implementation of the permit system by the Service. As the result of an agreement with the Service, the permit system is presently being implemented by Koniag at Koniag's own expense. There has been virtually no enforcement by the Service of the system or the rules for the use of the River by the permit holders. Enforcement is critical to the implementation of the system and the protection of the Conservation Lands. During the high use period a Service employee may be in the area for only one or two days. This is not enough time to establish a presence much less to monitor the conduct of the permit holders. There are also no limitations on where people may camp when they are on the River. In the past, optimal campsites and fishing areas were overused, and it is anticipated that this problem will occur again when the sport fisheries rebound. Since there is no maintenance of these areas, the sites as well as the experience of being on the River will again be in danger of deteriorating rapidly. Koniag is proposing designating certain areas for camping and hardening them to protect the lands.

Koniag is also very concerned about the effect that indiscriminate camping has on the archaeological resources. During the past several years, Koniag has independently funded archaeological studies of the area which were conducted by the Alutiiq Museum. These studies have revealed that the River and Lake areas were the site of an extensive Alutiiq Sugpiaq community of over 2,000 people prior to Russian contact. Without protection, many of these unique resources are being damaged.

The Easement also provides for the Service to make a good faith effort to provide opportunities for employment and training for the residents of Karluk and Larsen Bay, the two villages closest to the lands subject to the Easement, to encourage their employment with the Refuge or Refuge based businesses. Neither the internship program nor training opportunities directed to the residents of these villages have been implemented. The Service has had internship programs for the Refuge each year for the past three years. Out of the 24 positions available, only one was filled by a descendent of a Koniag Shareholder, and none went to a resident of either village.

One of the most serious problems created by insufficient funding for the management of the Conservation Property is inadequate monitoring of injured resources and a lack of programs to restore services The 2010 Update of Injured Resources and Services ("2010 IRS"), indicates that of the resources for which Conservation Lands have a high value for restoration, seven of the fourteen named resources are either not recovering or have a limited recovery. These include:

black oystercatchers – have a high rate of nest failure and continued exposure to oil (p. 24, 2010 IRS);

harlequin ducks – the negative effects in the oiled areas have abated but the recovery objective is not fully realized (p. 21, 2010 IRS);

intertidal community – has not fully recovered from the effects of the spill (p.22, 2010 IRS);

marbled murrelets – status remain unknown because of a lack of data –"recovery from an acute loss will likely take many years" (p. 25-26, 2010 IRS);

Kittlitz's murrelets – status remain unknown because of a lack of data – "recovery from an acute loss is likely to be slow" (p. 24-25, 2010 IRS);

Pacific herring – population is continued to be suppressed; it has not met the recovery objective (p.29, 2010 IRS);

pigeon guillemots – has not recovered from the effects of the spill; its population is declining (p. 29-30, 2010 IRS).

overlooked injured resources – other resources not mentioned in the 1994 EVOS Recovery Plan, which include Chinook salmon and habitat degradation resulting from recreation and tourism.

To date, Koniag has incurred the majority of the costs associated with stewardship of these injured resources present on the Conservation Property.

Human services were also injured by EVOS, and the categories of subsistence, recreation and tourism, and commercial fishing were the services most impacted on the Conservation Property. Though commercial fishing is considered to be a "recovering resource" from initial injury, the economies of Karluk and Larsen Bay have not recovered from pre-EVOS strength and now persist solely on a subsistence economy. Because commercial fishing opportunities were initially dramatically reduced for sockeye and pink salmon, and remain significantly reduced for Pacific herring, other economic and professional opportunities can be established, such as through natural resources management. Vitality of Kodiak west-side commercial salmon fishing is reliant on the health of the Karluk Basin. The 2010 IRS states that though the ability to differentiate the impacts of EVOS from other natural or anthropogenic perturbations becomes more difficult, this does not negate the responsibility of the Trustee Council to pursue restoration of spill-affected resources and services. The Agreement recognized the presence of professional development opportunities in natural resource sciences, however adequate funding was never made available to establish a training or internship program. To do so now is more timely than ever, as ecosystem health becomes increasingly more important in determining the future of human communities and subsistence lifestyles dependent on natural resources.

Without being able to take the affirmative action to protect the habitat of injured species, the Conservation Easement is having an opposite result than its goal. While it precludes Koniag from conducting any development on the Conservation Lands or from limiting the use of its lands by the public, the Easement has opened all of Koniag's Conservation Lands to the general public without restriction and without any sanitary facilities and without any enforcement of the rules of use which are to be applied to the public. Instead of the archeological sites being protected from abuse, they have been opened to unregulated use as a camp ground.

Under the Master Agreement, at the end of the initial ten year term Koniag has the option of continuing the Master Agreement and the related Easements for another ten years, or selling the Conservation Lands, or terminating the Master Agreement and the Easements. Koniag is willing to renew the Master Agreement and Conservation Easements for at least another ten years and perhaps even longer if changes are made to correct the issues which have arisen during the initial ten year period. The lack of funding is the primary reason for a number of these problems.

The Service has assumed the responsibility for one of the most heavily used remote areas on the Kodiak Archipelago, but without any increase in its budget to cover the cost of providing the necessary services. Given the national concern about federal spending, it is highly unlikely that the Refuge's appropriations will be increased. Thus, the challenge to the terms of the Easement being carried out is a financial one. The Council acknowledged in its Resolution approving the Koniag Master Agreement that the protection of habitat in the spill area often requires efforts above and beyond that in the existing laws and regulations if there is to be recovery of the injured resources and human services dependent on these resources.

In order for the terms of the Conservation Easement to be carried out, either the budget of the Service must be increased or an additional funding sources must be found. In light of this, Koniag is proposing that instead of relying upon federal funding to provide for the performance of the Service's obligations, that the Special Account be treated as an endowment to a limited extent. A limited amount of the earnings of the income on the Special Account would be distributed each year to a special Stewardship Fund to pay for the services which are an integral part of the Easement and for which no appropriations have been approved. This approach would continue the cooperative joint management of the Conservation Easement by all three parties.

According to the 2010 IRS, the Trustee Council is directing funds towards research to provide information crucial to long-term restoration of impacted resources, and management of impacted human services. Koniag's initial proposal was that the Stewardship Funds would be used to fund the costs of the Service meeting its obligations. However, Konaig has been advised that even though these obligations do not arise from any statutory duty of the Service but directly arise from the injury which gave rise to the payment of the funds, the Service is precluded from

accepting the funds. Thus Koniag is proposing that it will perform the Service's obligations, either directly or through a subcontractor. The Service nevertheless would administer the funds from the Stewardship Fund, pursuant to the budgets for the services which have been approved by the Management Group, which is comprised of representatives of the Service, ADF&G, and Koniag.

Attached as Attachment A are the changes to the Master Agreement and Conservation Easement which Koniag is proposing, as well as a discussion of each.

Koniag is not willing to continue the Conservation Easement on its lands unless it has the assurance that the commitments made in the Conservation Easement and Master Agreement will be honored without qualification. Without the creation of the Stewardship Fund to fund these obligations to protect the Conservation Lands and without the approval of the Management Group to authorize the necessary expenditures, Koniag has no confidence that the commitments of the Easement will be kept. Conservation Lands have great cultural significance to Koniag and the Alutiiq Sugpiaq people who are its shareholders. They were the center of the Sugpiaq community on Kodiak. Koniag has an obligation to protect them.

It is Koniag's desire is to extend the existing Conservation Easement with the changes that it has proposed. Like the Trustee Council, Koniag is in favor of an ecosystem approach to avoid the potential of overlooking critical injured resources not listed in the restoration plan, and the easement is an excellent first step in realizing this goal through cooperative management and partnership between private business, the State of Alaska and the Federal government to protect unique habitat and culturally significant lands. Koniag is hopeful that the Trustee Council will see the benefit to continuing the Conservation Easement and to securing the funding to satisfy the obligations of the Easement from a Stewardship Fund.