

## Between Worlds - From Nomads to Shareholders

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Doyon Ltd. owns 12.5 million acres of Alaska wilderness and is looking for ways to develop it.

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Doyon Ltd. is the largest private landowner in the state. But owning millions of acres in the middle of Alaska didn't necessarily make it rich.

Doyon at a glance

ANCSA land entitlement\*:  
12.5 million acres

ANCSA land conveyed so far:  
9.8 million acres

Money from ANCSA:  
\$54.4 million

Businesses, partnerships, investments:  
Doyon Drilling Inc., Doyon Properties Inc., Doyon Universal Services  
J.V., Doyon Services Inc. (owns Kantishna Roadhouse), investment portfolio.

Net Corporate Profits/Losses  
per fiscal year

1973  
\$(634,938)

1974

\$(38,310)

1975  
\$423,115

1976  
\$954,074

1977  
\$210,805

1978  
\$479,601

1979  
\$1,026,011

1980  
\$445,089

1981  
\$1,581,925

1982  
\$666,948

1983  
\$(21,279,584)

1984  
\$(7,574,865)

1985  
\$1,032,060

1986  
\$1,711,431

1987  
\$8,762,808

1988  
\$77,523,568

1989  
\$11,356,185

1990  
\$10,358,431

1991\*\*  
\$7,602,369

1992  
\$6,520,335

1993  
\$6,907,821

1994  
\$6,882,321

1995  
\$9,436,059

1996  
\$9,913,079

1997  
\$16,397,884

Shareholder Dividends  
per 100 shares

1973  
\$0

1974  
\$0

1975  
\$0

1976  
\$0

1977  
\$0

1978  
\$0

1979  
\$0

1980  
\$100

1981  
\$0

1982  
\$0

1983  
\$0

1984  
\$0

1985  
\$0

1986  
\$0

1987  
\$0

1988  
\$600

1989  
\$125

1990  
\$135

1991  
\$150

1992  
\$1,000

1993  
\$160

1994\*\*  
\$185

1995  
\$1,220

1996  
\$314

1997  
\$422

Dollar amounts not adjusted for inflation.

Number of jobs provided by corporation and its subsidiaries:  
About 740

Number of corporation jobs held by shareholders:  
About 270

Total shareholders:  
14,000

\* These figures include land to which the corporation has partial title.

ALL NUMBERS COMPILED IN LATE 1998.

In fact, the Fairbanks-based corporation makes most of its money elsewhere - in the stock and bond markets of distant cities and in oil fields more than 400 miles to the north at Prudhoe Bay.

"We didn't find a gold mine or silver mine or strike oil to create wealth yet out of our own asset base," Doyon President and CEO Morris Thompson said.

But the company keeps looking. The land - most of it hundreds of miles from the road system and thousands of miles from markets - is still vastly unexplored.

Doyon is the regional Native corporation for Interior Alaska, a place where making a living has always been tough.

Unlike coastal Natives who had access to rich food supplies from both land and sea, the Athabaskan Indians of the Interior had to search longer and harder to feed their families.

Workers on Doyon Drilling Inc.'s rig No. 9 in Prudhoe Bay use an "iron roughneck" to assemble a drill bit. From left to right, they are shareholders Frank Carlo, Jeremiah Vanderpool and John Ambrose.

PHOTO BY BRIAN WALLACE

"We covered a lot of territory," said Benedict Jones, an elder from Koyukuk.

The village of 125 he lives in was probably not even established until after gold was discovered in the early 1900s.

"Before that, there was camps here and there all the way up the Koyukuk River. And in the summer they'd come back out to the Yukon (River) for salmon fishing."

That nomadic history is one reason Doyon has so much land. The Alaska Native Claims Settlement Act allocated land using a complex formula based on what the Natives in a region had traditionally used. Because Interior Natives had to use so much land, they were allotted more land than any other group.

Doyon is entitled to 9 million acres and subsurface rights to another 3.5 million acres of village corporation land, said Jim Mery, senior vice president of lands and natural resources.

The bulk of its land is in areas near the villages, as required by the

settlement act, but about a quarter of it is more remote, land chosen specifically for its potential mineral deposits.

The company has been looking for a gold mine - or something similarly valuable - since the 1970s. Doyon leaders thought they'd found that in the late 1970s with a deposit of asbestos southwest of Eagle.

"It was a world-class deposit - both in size and grade," Mery said. "That project was actually moving into development. That was something people were optimistic about."

The mood changed as research began to show asbestos exposure is linked to cancer. Demand for the fire-resistant material dropped dramatically before Doyon could bring any to market.

Outside investors took the biggest hit on that disappointment, but Doyon also lost about \$5 million one of its subsidiaries had spent trying to develop the project.

The loss didn't come at a good time.

Around the same period, the early 1980s, Doyon officials realized they'd have to write off most of the \$18 million the company had sunk into a proposed refinery. Doyon had purchased land and a dismantled refinery it planned to rebuild in Fairbanks, but falling oil prices and a jittery lender helped doom that project.

Doyon's construction subsidiary was also losing money.

"Literally Doyon was on thin ice," said board member Mike Irwin. The corporation was down to about \$2 million cash out of the original \$54.5 million it had received in the 1970s under ANCSA.

A bright spot during that time was Doyon Drilling, a subsidiary started in 1982 with Nugget Drilling Co., a company with experience in the Canadian Arctic.

The new drilling company started out with one contract and one rig 16 years ago, and now has five rigs, \$20 million pieces of equipment that include five to six floors of work space.

"We kind of got our foot in the door in '82 and earned our way in ever since," Thompson said. In 1993, Doyon bought out its partner and is now sole owner of Doyon Drilling Inc.

Legal trouble will cut into Doyon Drilling's recent profits. The company will pay a \$1 million fine because supervisors on one of the rigs had employees dump



hazardous waste down oil well shafts in 1995. Another \$2 million will be spent training employees and creating an environmental compliance program.

But the drilling subsidiary has generally been a steady performer. It brought in profits of about \$2 million a year during the lean years of the mid-1980s, and last year it made \$9.4 million for the corporation. More important than Doyon Drilling as a revenue source in the late 1980s was the sale of net operating losses. Federal law then allowed Native corporations to sell their losses to companies that wanted to use them for tax write-offs.

Doyon wound up with more cash than it had started with under the Alaska land claims settlement - \$76.6 million from the tax loss sales. The loss in value of the asbestos deposit, which had caused consternation a few years earlier, generated the bulk of the tax loss proceeds - about 90 percent of it, Thompson said.

The downside of the tax loss sales was that they spawned a dissident movement among shareholders.

In the mid-'90s a group of shareholders began calling for a \$50 per share one-time payout - or \$5,000 for the typical shareholder - from the operating loss sales.

A boat races over the Yukon River near Galena. The river is the lifeline of the region for transportation and subsistence.

PHOTO BY BRIAN WALLACE

Over several years the company gave the average shareholder \$2,500 in special dividends based on the tax loss windfall, but corporate officials said a distribution double that size would have liquidated more than 40 percent of Doyon's assets.

Elaine Long, chairwoman of the dissident group, Doyon Concerned Shareholders Committee, said Doyon still hasn't shared enough from the operating loss sales.

"I think the majority of the shareholders are not satisfied with it," she said.

Critics also complain that Doyon, like other regional corporations, hasn't done enough to provide jobs for rural shareholders and to develop the economies of villages.

"The corporations aren't investing in their own villages," said Gary Moore, planning and development director for Tanana Chiefs Conference, a tribal consortium for Interior Alaska.

Most of the corporation's investments are in businesses outside the villages - North Slope drilling and food service, a subdivision and office buildings in Fairbanks, the Kantishna Roadhouse, a lodge near Denali National Park.

"All those are probably very good investments," Moore said. "They contribute nothing to creating self-sufficiency in any of the villages."

Doyon officials say they've tried to provide jobs for shareholders, and in some respects they've succeeded.

Eighty percent of the employees in the corporate office are shareholders; including all subsidiaries, 36 percent of the 750 jobs are held by shareholders.

Doyon Drilling has been an important source of those jobs. All the "roustabouts," or entry-level rig laborers, are shareholders because to get such a job one must go through a Doyon training program, and only shareholders are admitted.

Jeremiah Vanderpool, 22, left a mining job outside McGrath to come to Prudhoe Bay to toil in the vast, noisy maze of pipes and metal that is a drilling rig.

"My older brother works up here too," he said. "Most Doyon shareholders know about the opportunity to work for their company up here."

The jobs aren't that plentiful, though. Of about 100 to 150 who apply, only 12 to 18 are chosen to go through the class, according to Robin Renfro, vice president of shareholder relations and administration.

And for those positions, like most Doyon jobs, rural shareholders have to leave home, at least temporarily.

"We kind of got our foot in the door in '82 and earned our way in ever

since,\" says Doyon CEO Morris Thompson.

PHOTO BY BRIAN WALLACE

CEO Thompson acknowledges Doyon hasn't done enough to help villages with economic development.

\"I think that's fair criticism,\" he said. \"We don't have enough resource projects yet on Doyon land to offer those opportunities.

\"I'd love to say I have six projects coming up in six parts of our region that are going to create some long-term development\" without disturbing subsistence use, he said.

The company continues to hunt for underground wealth, collecting some \$120 million worth of geological data over the years, Mery said. Boxes of rocks - drilling core samples - fill a 4,000-square-foot warehouse in Fairbanks, and an extensive library at Doyon headquarters contains a multitude of maps, computer files and other geological information.

There have been some interesting finds on Doyon land, but with properties so remote, it will take a big find to recoup the costs of development.

For instance, a million ounces of gold lie in the ground at Vinasale, about 20 miles south of McGrath - and about 250 miles from the road system.

\"Were this thing in Nevada, it would be mined right now,\" Mery said.

He continues to be hopeful, however.

\"We have several areas that we're getting some fairly intense exploration on right now that we're optimistic about,\" he said.

In the meantime the land provides for shareholders in the way it always has - with caribou, moose, berries, roots and other precious resources.