

Between Worlds - Working to Heal Old Wounds

Working to Heal Old Wounds

by SVEND HOLST

Calista Corp. tries to overcome shareholders' mistrust.

The Yup'ik word \"calista\" translates to \"the workers\" in English.

Calista at a glance

ANCSA land entitlement*:

6.52 million acres

ANCSA land conveyed so far:

4.12 million acres

Money from ANCSA:

\$80.1 million

Businesses, partnerships, investments:

Bilista Contractors Inc., Bista Expediting Services Inc., Calista Information Systems Inc., Iliksta Ventures Inc., Alaska Newspapers Inc., Fairbanks Title Agency, Title Agency of Juneau, Stewart Title Company of Kenai Inc., Alaska Warehouse Equipment and Supply Inc., Pacific Northwest Title of Alaska Inc., Tunista Properties Inc., Yulista Management Services Inc., Ookichista Drilling Services Inc., Chiulista Camp Services Inc., WAVE, Nunalista Sand and Gravel JV, Calista Corp./Agra Earth and Environmental JV, Chiulista/Global Services JV, Nordic-Calista Well Servicing JV, investment portfolio.

Net Corporate Profits/Losses

per fiscal year

1973 \$n/a 1974 \$(1,059,959) 1975 \$(2,268,430) 1976 \$(3,407,392) 1977 \$(2,261,870) 1978 \$(4,628,893) 1979 \$(642,896) 1980 \$(7,252,101) 1981** \$(4,398,406)
\$(238,550) 1982 \$1,573,050 1983 \$2,267,440 1984 \$(4,281,142) 1985 \$(7,536,417) 1986 \$(8,444,968) 1987 \$(20,611,085) 1988 \$(11,288,576) 1989 \$179,695 1990 \$1,804,930 1991 \$4,296,369 1992 \$121,738 1993 \$(1,930,648) 1994

\$2,943,122 1995 \$614,354 1996 \$1,800,981 1997 \$2,440,232

Shareholder Dividends

per 100 shares

1973 \$0 1974 \$0 1975 \$0 1976 \$0 1977 \$0 1978 \$0 1979 \$0 1980 \$0 1981 \$0
1982 \$0 1983 \$20 1984 \$30 1985 \$0 1986 \$0 1987 \$0 1988 \$0 1989 \$0 1990 \$0 1991
\$0 1992 \$0 1993 \$0 1994 \$0 1995 \$0 1996 \$0 1997 \$0 Dollar amounts not adjusted
for inflation.

Number of jobs provided by corporation and its subsidiaries:

23***

Number of corporation jobs held by shareholders:

15

Total shareholders:

13,306

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

**FY change. First amount is for FY ending June 30, 1981; second amount is for
FY ending Dec. 31, 1981.

*** No figures available on jobs offered by Calista subsidiaries.

ALL NUMBERS COMPILED IN LATE 1998.

For the Yup'ik of southwest Alaska, Calista Corp. has meant disappointment in both languages. During the last quarter century, the Native regional corporation has lost tens of millions of dollars.

Today, the corporation is trying to overcome its reputation and improve the quality of life for people in the vast, flat delta fed by the Yukon and Kuskokwim rivers, according to Matthew Nicolai, Calista's president. He hears the critical voices the corporation's history has fueled.

In August, Nicolai took a few guests on an evening fishing trip aboard a 24-foot boat. When the trip was over, two young shareholders jeered at Nicolai from their truck at Bethel's small harbor.

They told him he's got it easy.

"In order to change attitudes caused by the past of Calista, I had to bring in villages, by involving the village people, involving the village leadership," he said. "I don't think about the past. I've learned from those mistakes. I don't want to talk about it. I'm looking forward."

Martin Moore, a fisherman and retired Calista board member, rests on the banks of the Yukon River after cleaning fish at the village of Emmonak: "We may not make any money, but, damn it, we will employ shareholders."

PHOTO BY BRIAN WALLACE Nicolai took over the top Calista post in 1994 after 23 years with the corporation. He uses the word "optimistic" a lot when talking about Calista. Things will get better, he said, for the corporation and shareholders. But the corporation has a long way to go before it will clear the hurdle of shareholder pessimism.

The 24-foot boat, for example, is a subject of rumors. Nicolai has heard people say the boat, bought as a lobbying tool, cost \$200,000. He said the boat is worth the \$30,000 it actually cost, having been used to ferry legislators and cabinet members on fishing trips on the Kuskokwim River.

Ruth "Wally" Richardson, 53, who spent more than a decade on the board of Bethel's village corporation, calls the boat "The Dividend," a slap at the corporation's failure to send checks to its more than 13,000 Native shareholders.

For eight months, in the late 1980s, Richardson served on Calista's board of directors. She was critical of the direction the corporation took then and isn't pleased with the path Nicolai's leading Calista down now.

Most shareholders, she said, are unhappy with their corporation, which has issued just two dividend checks - \$20 in 1983 and \$30 in 1984 to average shareholders.

Exacerbating Calista's credibility problem are long-standing political divisions among Bethel and the 56 villages in the region, and between village corporations and Calista.

For a year, Calista simply didn't pay the region's village corporations money due them from a revenue sharing provision in the Alaska Native Claims Settlement Act. A settlement, in 1987, led to a continuing arrangement by which Key Bank, rather than Calista, splits up and distributes the money.

"I don't think we'll ever trust Calista over that," said Richardson, who also served a stint as Bethel's mayor.

Despite such negative sentiments, Calista has done better lately, putting together five profitable fiscal years in a row.

The \$8 million of net profits since 1994, however, has recovered only about 10 percent of what Calista lost since its 1972 incorporation. The corporation is \$60 million away from recouping the \$80 million of Native claims settlement money it had at its inception. Lost money will have to be made back before the corporation can send shareholders any more dividends, Nicolai said.

Those shareholders may have had an inkling their corporation was having serious problems when they read their 1987 annual report. Rather than the glossy productions of years past, the report was printed on newsprint and told of a net loss for the year of \$20.6 million. A Calista subsidiary's construction equipment was being repossessed, and the biggest investment of the corporation, the Anchorage Sheraton, was on the brink of default.

Lenders who financed the \$45 million construction wanted their money back. A foreclosure sale on the hotel was announced, but avoided.

Calista lost millions, and teetered on bankruptcy, largely because of debt from the construction of the Sheraton. The Bureau of Indian Affairs, which had guaranteed part of Calista's loan, paid a record \$15.9 million to make up the corporation's debt.

"There was a big debate about building a hotel, about getting people to work at the hotel: 'We may not make any money, but, damn it, we will employ shareholders'..." said Martin Moore, who was on the corporation's board of directors back then. "Basically, our hope of employing young shareholders was a flop."

Calista's decision to build the 15-story, 410-room hotel in Anchorage was an effort to make a difference in the lives of shareholders, he said. The board of directors thought more than 400 shareholders might get a job at the hotel.

Matthew Nicolai, president of Calista: "I don't think about the past. I've learned from those mistakes."

PHOTO BY BRIAN WALLACE But rather than help shareholders, the Sheraton fiasco eroded shareholder enthusiasm for Calista. It bothers Moore that shareholders disrespect the corporation. The motivation, he said, was positive.

Moore is glad to be out of the politics of the settlement act. "I'd rather be out in the country than arguing for something that doesn't change very much.

"ANCSA didn't create any employment for the people here," he said. "The people are receiving no benefits from the settlement act. Zero balance."

Other investments, in fishing, construction, real estate development and an imitation crab processing plant, also performed poorly.

Today, resource development is a top priority for the corporation. The question is whether or not there is oil or natural gas under Calista's land.

There is gold, but it's tough to get at. North of the town of Crooked Creek, Placer Dome Inc., a Canadian mining company, has explored for the more than 6.7 million ounces of gold thought to be in the ground. The price of gold, which currently can't support the mine, will go up eventually.

It always has in the past, Nicolai said.

Even without a working mine, Placer Dome employs more than 50 people at the site. One hundred fifty-five shareholders now work at Calista-owned businesses.

The corporation is also involved in something new to the delta - Western Alaska Village Enterprises.

Known as WAVE, the company is a partnership between Calista and 11 village corporations. Calista bought into the company with \$429,000 in 1997, and the company has been expanding operations quickly.

WAVE is currently focusing on building up WAVE Wholesale, which in late 1998 delivered an average of about 40 tons of groceries and other goods daily to 124 Alaska villages. A year earlier, WAVE shipped products to just 14 villages.

The WAVE umbrella will grow to cover other areas, such as insurance, fuel distribution, telecommunications and tourism aimed at promoting economic development in the region, Nicolai said.

Brian Henry, president and CEO of Akiachak Ltd., the village corporation for its namesake town of 569, said WAVE is about unity, economic development and keeping delta money circulating within the delta villages.

"WAVE is an organization that has many organizations," he said. "It has lowered retail prices for many products in the community."

As an example of how his corporation benefits from the Native cooperative, Henry

pointed to the company's insurance, which dropped \$10,000 when purchased through WAVE.

"I'm supporting it 100 percent," he said. "It's more or less bringing back local control."

While Calista has a lot to overcome, the region has a lot to hold on to. The delta is noted for strong ties to its aboriginal past.

In many villages, Yup'ik is used more than English, and for corporation leaders, such as Henry, being fluent in both languages is a necessity.

With Yup'ik, Henry can explain what the corporation is doing for elders, even though there's no Yup'ik word for "corporation."

With English, he figures out regulations and competes in the corporate arena.

"When it comes to vocabulary, there are some words that don't transfer to Yup'ik," he said. "Switching languages, sometimes, is necessary."

Calista owns Alaska Newspapers Inc., a chain of rural newspapers. That, along with mining, drilling rigs and WAVE are keys to Calista's immediate future. But the corporation is also exploring computer consulting and land appraisal and a long list of other investments.

Fred Phillips, a Calista board member for a decade, said that with the new generation of leaders who seem willing to work with the corporation, times are changing at Calista.

"We're starting to work together as a group," he said.