

Between Worlds - Out of an Impossible Hole

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The 13th Regional Corp. started out with a streak of bad luck and mismanagement. The current president has faith that things can only improve.

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Maybe a name without the number 13 in it would have been a better idea.

13th Regional at a glance

ANCSA land entitlement*:

n/a

Money from ANCSA:

\$54 million

Mail Boxes Etc., "More than Bows & Arrows," Vancouver office building, N. Kennedy Co., investment portfolio.

Net Corporate Profits/Losses

per fiscal year

1975
\$0
1976
\$(816,770)
1977
\$(592,634)
1978
\$(1,637,020)
1979
\$(2,482,839)
1980
\$*(8,567,607)
1981
\$(7,715,082)
1982
\$3,202,412
1983
\$(4,380,847)
1984
\$(216,396)
1985
\$(542,517)
1986
\$265,348
1987
\$4,827,962
1988
\$52,310
1989
\$(674,006)
1990
\$(870,608)
1991
\$(502,211)
1992
\$(158,332)
1993
\$128,740

1994
\$(244,925)/font>
1995
\$147,646
1996

\$362,425
1997
\$815,738

Shareholder Dividends

per 100 shares

1975
\$0
1976
\$0
1977
\$0
1978
\$0
1979
\$0
1980
\$0
1981
\$0
1982
\$0
1983
\$0
1984
\$0
1985
\$0
1986
\$0
1987
\$0
1988
\$0
1989
\$11
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:

8

Number of corporation jobs held by shareholders:

3

Total shareholders:

5,569

* FY change (9 months)

ALL NUMBERS COMPILED IN LATE 1998.

The 13th Regional Corp., set up for Alaska Natives living out of the state, hasn't had a lot of good luck.

"We couldn't think of a name, so we decided to use The 13th Regional Corporation until we came up with a name we could agree on," said Dennis Small, the first president of the corporation. "It stayed."

The 13th was the last regional Native corporation to be formed following the Alaska Native Claims Settlement Act. The corporation survived an early bout with bankruptcy, and now, with an unpaid president, is trying to overcome the bad reputation it earned through financial miscues, apparent mismanagement and misfortune.

For the 5,500-shareholder Seattle-based corporation, even good luck looks bad.

When the 13th's 338-foot fish processing boat, the Al-Ind-Esk-A Sea, caught fire and sank in 1982, a pending liquidation of the corporation was avoided because the boat was insured for \$14 million. The corporation had bought the boat for \$125,000 and had spent another \$7.5 million restoring it.

Norman L. Ream, president of the 13th Regional Corporation, stands at one of the corporation's ventures, a franchise of Mail Boxes Etc. located in the Seattle, Wash., area. The corporation's headquarters are in Seattle.

PHOTO BY BRIAN WALLACE

The only regional corporation that didn't get Alaska land with the Alaska Native Claims Settlement Act, the 13th has had other scrapes with annihilation, according to Kurt Engelstad, 61, who was president before the Al-Ind-Esk-A Sea went down.

"When I became responsible for the company, it was \$14 million in debt and had assets of \$3 million," he said. "My strategy was to do whatever it took. My goal was to regain everything that was lost by those before us."

Unlike the other regional Native corporations, the 13th was formed by court order in 1975 after a federal judge reversed a Bureau of Indian Affairs decision that there weren't enough shareholders enrolled with the 13th to justify its existence. Under the order, the corporation wasn't granted Alaska land, was excluded from sharing in the profits of the other corporations and was ordered to immediately distribute half of its \$52 million settlement money it received.

The corporation still can't say exactly what happened to the remaining \$27 million of land claims the corporation kept - records are incomplete. Present management and past management both say mismanagement by administrators or the board of directors was to blame for the 13th's early losses.

Lawyers looked into the corporation's books. They determined that there may have been enough evidence of dubious activity to pursue lawsuits but proceeding with litigation would have cost more than would be recouped, Engelstad said.

When Engelstad took over as president, the corporation was owned, for all practical purposes, by a Minnesota bank that held most of the 13th's debt.

Engelstad pleaded with other banks and tried to take advantage of any money-making opportunity. When old fighter planes were found on land the corporation bought at a former air force base at Cold Bay, on the tip of the Alaska Peninsula, the 13th and a partner dug them up and sold the parts to collectors.

"It was just doing what we could until something happened," Engelstad said.

The corporation was informally bankrupt already. He and the corporate board made it official, which allowed the corporation to sell its net operating losses to other businesses looking for tax write-offs. By 1988, the decision had helped earn \$5.3 million.

The next year, Engelstad invited the 13th's creditors to a luncheon at Seattle's

Olympic Hotel. He handed each of them a check, paying off the last of the corporation's outstanding debts.

"We crawled out of an impossible hole," he said.

The first president, 56-year-old Small, said the hole was dug with shovels of impatience. A bad year for crab fishing caused a panic within the company, leading to losses of millions.

"The main problem is, most people don't understand credit," he said. "We bought a lot of ships. We bought a lot of material. People got excited and stopped things and it fell apart.

"Everybody did what they thought was right. Who can tell when the fish come in? The board can't tell."

Two years after Small left the 13th, he watched on television as the corporation's processing boat burned. "I was sitting there watching TV and seeing the Al-Ind-Esk-A burning, and I had mixed feelings because I knew it was insured," he said.

The media noted the coincidence, but an investigation showed the fire was an accident.

Newspapers had other stories to write about the 13th.

The vice president at the First Bank of St. Paul was sent to prison in connection with the loans he arranged for Transalaska Fisheries Corp., a 13th subsidiary. He was found guilty of 25 counts of making improper loans in 1979 and 1980 in what was characterized by the press at the time as the worst example of bank fraud in Minnesota's history.

The 13th Native Regional Corp. almost wasn't. It was incorporated in 1975, a year after a federal judge reversed a Bureau of Indian Affairs decision that there weren't enough Natives enrolled for the corporation to be born. It differs from the other regional corporations in other ways:

The 13th was not granted any Alaska land.

It had to immediately distribute half of the \$52 million of ANCSA money it received to its shareholders.

The 13th does not receive money from other regional Native corporations through ANCSA's profit-sharing provision.