

Sealaska responds to newspaper

To the *Anchorage Daily News*:

The June 21, 1987, feature article in the Sunday Business Section titled "Paper Losses - Tax amendment provides boon to Native Logging" contains inaccurate and misleading information. The article shows a lack of understanding of a very complex subject and is an unfair representation of Native corporations and the Native community.

I personally find repugnant your implication that Native corporations are selling something they did not earn or pay for, that is, "paper losses." Alaska Natives paid a very dear price for their land and resources when they agreed to extinguish their aboriginal land claim in Alaska. Your casual reference to "paper losses" without consideration of the price paid by Alaska Natives is insensitive and demonstrates a lack of understanding of the topic.

The "paper losses" are viewed by Sealaska Corp. as *real losses* to the net asset value of the corporation. The initial value of timber, at the time of conveyance to Native corporations, was high. Unfortunately, by the time the corporations were able to begin actual harvest, the timber market had collapsed. The effect was to leave many Native corporations debt-ridden and forced to harvest timber to meet debt service obligations.

The indebtedness of Native corporations occurred in large part because the conveyance of land from the federal government occurred at a snail's pace, causing Native corporations to incur high administrative costs and precluding these corporations from realizing the optimum value for their timber. The sale of NOLs now enables the corporations to recover at least some of these lost revenues.

Ironically, the government delay in conveying land is directly responsible for the current high market interest and value of timber NOLs. If the government had conveyed the land in a more timely manner, the value of timber would have been significantly higher, decreasing any potential NOL value.

Your article implies that the sale of NOLs by Alaska Native corporations is a unique concept that enables a select group to deny the treasury tax revenues. The sale of NOLs is not a new concept. Prior to the 1986 Tax Reform Act, all U.S. corporations were* allowed to utilize NOLs, although through various financial transaction options.

The 1986 Tax Reform Act still allows Native corporations to sell

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—Byron I. Mallott

NOLs until 1991. Other U.S. corporations are also receiving special tax considerations under this act. Thus, Alaska Native corporations, as good businessmen, are taking advantage of the specific section in the Tax Reform Act similar to other U.S. corporations.

The ability of Alaska Native corporations to sell NOLs is advantageous to Alaska's economy, a major point missed by your article. NOLs bring new revenue into Alaska and are helping insolvent companies become solvent, thereby avoiding the economic trauma of bankruptcy on the local economy and employment. The distribution of dividends from NOL sales is a significant direct cash infusion into the state's economy, softening the current state recession.

The theme of the article is that the opportunity to sell NOLs creates an incentive for Native corporations "to quickly log or sell off their remaining timber." In your interview with Mr. Ross Soboleff, you did not ask a question critical to the theme of your article — "Does Sealaska intend to quickly log or sell off our timber to capture NOLs?"

Without posing this question, your article implies that Sealaska, along with other corporations, is rapidly depleting timber resources without regard to the environment.

Sealaska is not liquidating its timber resources to achieve maximum NOL return. Our 1987 and future harvest objectives show a modest increase over previous years. This increase is as much in response to market as NOL opportunities. Sealaska's timber harvest plan is based on a strategic objective that ensures Sealaska will be a long-term participant in the Alaska timber industry.

The article's emphasis on the environmental impacts to habitat from sales of NOLs has limited relationship to the theme of the article. In absence