

Bering Straits files chapter 11 to protect land

by Jim Benedetto
Tundra Times Editor

Bering Straits Native Corporation on Wednesday became the first regional Native corporation to file for reorganization under Chapter 11 of the

federal bankruptcy code.

Bering Straits has been no stranger to financial woe; the beleaguered corporation has reportedly lost over \$50 million since its inception in 1972.

The purpose for filing Chapter 11, according to a prepared statement

released by Bering Straits last week, "is to protect BSNC's ANCSA assets and lands as well as the income they generate in order to protect the future interests of BSNC shareholders...

"Without taking today's action in filing for reorganization the lands and assets could have been taken and BSNC shareholders would never have benefited from ANCSA," the statement said.

Bering Straits President Henry Ivanoff described some of the reasons for seeking protections under Chapter 11. "In the earlier days, I think they just diversified too quickly; invested too quickly in mobile homes, real estate, construction, banking, transportation and resource development. Some of these companies did fairly well, but in most cases they were just money losers... they didn't make any money, and the parent company guaranteed much of their actions. I think that's where the problem lies," Ivanoff told the *Tundra Times*.

In more recent years, said Ivanoff, the corporation was forced to devote nearly all of its resources to its survival. Assets were going almost entirely toward debt repayment, and it just

couldn't go on. Ivanoff told the *Tundra Times* that Chapter 11 was an option that perhaps should have been pursued a year or two earlier.

Charlie Johnson, past president of BSNC, also cited the incompatibility of the corporate structure with Alaska's Native people, and the lack of training or preparation of any kind for those in management roles early on.

"When you're a new corporation such as Bering Straits was, and you're attempting to utilize management that has little or no experience in these type of things... that's a different situation," Johnson said.

Bering Straits is seeking protection at this time as a result of two unrelated incidents involving two major creditors.

Fifteen village corporations in the Bering Straits region are owed \$13.2 million, ANCSA money which was to have been held in trust by Bering Straits, but which became entangled in other debts the corporation incurred as a result of several failed ventures.

Under the terms of a 1981 agree-

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Bering Straits President Henry Ivanoff

photo by Laura Cosell

Bering Straits

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ment, the corporation agreed to pay back the trust monies by March 1, 1986, and pledged the subsurface rights to village lands as collateral for the debt.

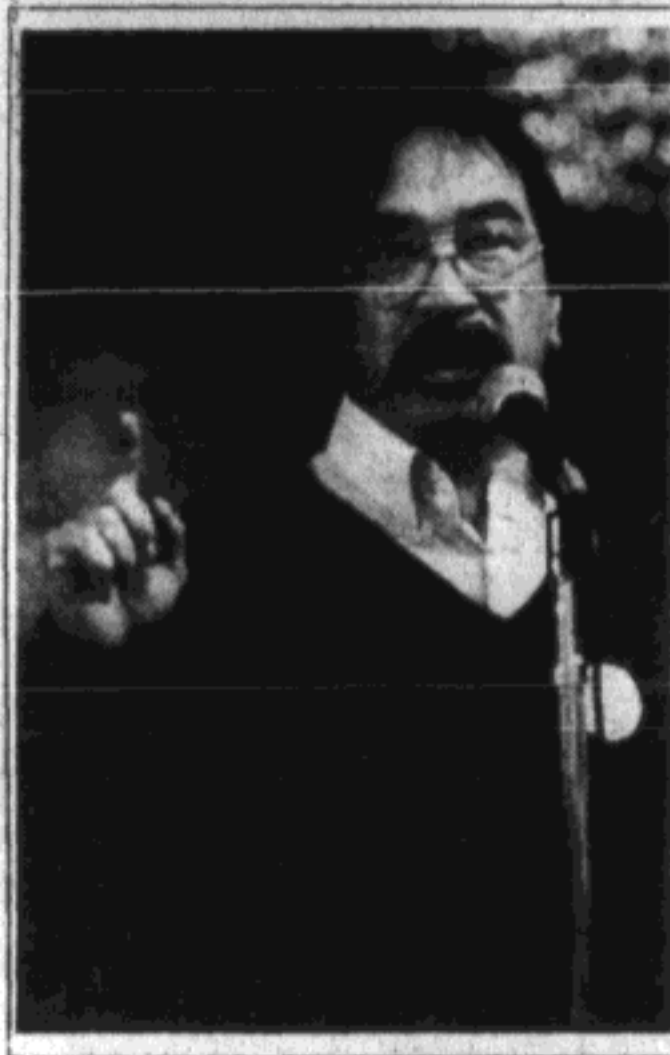
The other incident that forced Bering Straits' hand at this time was a summary judgement by a state judge in Fairbanks which would require Bering Straits to pay over \$3 million, the remainder of an amount owed to a group of investors on 112,000 shares of Alaska Bank of the North stock purchased by Bering Straits in 1975 and 1977. Bering Straits executives have charged that guarantees of the book value of the stock turned out to be empty, and that certain provisions of the repayment amount to a violation of the state's usury laws. Bering Straits executives claim that these facts were not given due consideration by the Fairbanks judge, and are pressing for the case to be remanded for trial.

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Native leaders were quick to respond to the news of Bering Straits' action. Janie Leask, president of the Alaska Federation of Natives, expressed hope that the corporation would soon be able to work out its troubles.

"I feel that it's unfortunate; I hope that Bering Straits will be able to successfully reorganize and be able to come out of it in the future in a much

stronger position. I think at the same time, that it illustrates the problems of a corporate structure and the Native land which is placed at risk — 2.2 million acres of Bering Straits' — and the retention of land as merely an asset of the corporation," Leask said.



Former Bering Straits President
Charlie Johnson

Tundra Times photo

Morris Thompson, president of Doyon, Limited, told the *Tundra Times* that, "Filing Chapter 11 is granting time for reorganization, and that's something many corporations

across the United States are seeking. We wish them well, and we know that they will come back to be strong and profitable. We wish their shareholders, directors and officers all our very best."

Roy Huhndorf, president of Cook Inlet Region, Inc., offered his assistance to Bering Straits.

"We regretted to read about the fact that Bering Straits had been forced into Chapter 11 reorganization. We understand, however, the circumstances gave them no choice. Since then, we have met with their representatives a couple of times, and we stand ready to help them in any way that we can, that is practical, in the future if our help is needed," Huhndorf said.

Byron Mallott, president of Sealaska, had this to say regarding Bering Straits' situation: "It's been obvious to all that Bering Straits has been struggling for years. As a matter of fact, when I was president of AFN (1977-78) we had specific conversations with officials at Bering Straits, at that time, about the possibility of Chapter 11. I think one of the surprising things is that they've been able to avoid it for so long.

"In Chapter 11 protection, the bankruptcy courts, Bering Straits can restructure their obligations and re-emerge in the near future as a viable regional corporation," said Mallot.

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Bering Straits, based in Nome, represents about 6,500 shareholders. The corporation lists assets of \$7.1

million and debts of \$20.6 million to 102 creditors. In addition, the corporation retains the rights to about 150,000 acres of land, and the subsurface rights to about 2.2 million acres in the Norton Sound area, much of it reportedly rich in tin, gold, tungsten, uranium and other minerals. Yet another asset, Bering Straits' future 7(i) monies from other regional corporations, complete the picture of that side of the balance sheet, and all but ensure that BSNC's financial worries will go no further than Chapter 11.

Spokesmen for Bering Straits emphasize that these resources will ultimately help Bering Straits to bounce back and become profitable.

"We've got a few things going to develop our mineral resources... It all depends on how the mining companies come into play... We have a lot of resources here to protect and develop, and I think that's going to help us a lot," said Bering Straits President Henry Ivanoff.

Knowledgeable observers point out that there are reasons for a hopeful outlook when considering Bering Straits' future: Not only do the corporation's assets (including lands, mineral resources, and future 7(i) monies) outweigh its liabilities, but all of the corporation's key creditors are involved in ongoing legal proceedings, which could change BSNC's circumstances appreciably.

"We're a Native corporation, but we're also a business," said board chairman Lonnie O'Connor, "when it makes business sense to do something, we do it."