

UBA may pay \$4.6 million in law suit

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The United Bank of Alaska may end up paying as much as \$4.5 million in damages and interest from a law suit in which the Supreme Court ruled against the bank.

The suit was filed in 1978 by a Bristol Bay man who charged that UBA first promised then cut off a major loan to develop an airplane purchase and renovation business. The withdrawal of the loan caused a financial loss to him, he said.

The Alaska Supreme Court recently issued several rulings in appeals on the case which was first decided in 1980. Those rulings ordered that the case be returned to a lower court for damages to be assessed. Those damages have the potential to reach \$2.5 million which, if interest is tacked on, may amount to \$4.6 million according to UBA President Eugene Erskine.

Erskine said the bank still has a few matters that can be argued but, he said as of now, UBA is preparing to pay the full \$4.6 million.

Erskine said the bank isn't happy about paying the damages but they will not "break the bank" because of recent good profits. Because of the potential damages, UBA has revised its earnings estimate to an estimated \$1 million in profits.

The case which cost UBA so much was filed by Lester Risley, chief executive officer and principal shareholder of

Native Alaskan Reclamation and Pest Control, Inc., which operated airplanes for fire prevention in for state and federal governments.

In 1977, Resley was granted a UBA loan to buy 11 Grumman TS2A military airplanes which were located in Japan. He intended to refurbish them and ultimately bring them to Alaska for sale.

His bid for the planes was accepted by the U.S. government in 1978 and, because of the acceptance, UBA agreed to loan him \$200,000 at 12 percent interest. Interest in six of the 11 planes and all NAR-Pc

inventory was assigned to back the loan.

Under the agreement with the government, Risley would forfeit all interest in the planes unless he removed them from their location in Japan by March of 1978. Risley intended to move them to Taiwan for work then fly them to Alaska.

Risley ran into problems, however, when he found that the planes had numerous parts "cannibalized" from them and needed more work for their removal and they were not ready for moving until May.

In June, however, UBA upper management changed and Risley

was told that UBA changed its decision and wouldn't grant the loan.

Risley was unable to obtain the needed financing anywhere else and he forfeited the planes and \$20,000 to the government. Then, five months later he was given a second chance to buy the planes, was again unable to get financing and lost an additional \$29,518. Most of the planes were sold as scrap to Japan.

UBA was ruled against in several matters and presented one witnesses at the trial who said the overall plan wouldn't have made any money at all.

The main loss was from the amount that the trial court ruled that Risley had lost in potential earnings. The trial court found that Risley lost \$2,385,605 in potential earnings and the Supreme Court agreed. UBA had contended that Risley was being unfairly compensated but the Supreme Court disagreed.

Other damages charged to UBA come from interest in the loans, interest on the potential earnings and losses from the deposit.

No hearing date has been set on a request to reconsider the ruling.