

13th Regional Corp. under investigation

The Associated Press

SEATTLE — A multimillion-dollar legacy for Alaska Natives who left the state has vanished and years of investigation have failed to show where the money went, a newspaper has reported.

The 13th Regional Corp., founded nine years ago under the 1971 Alaska Native Land Claims Settlement Act, has reported staggering losses, including some potentially linked to criminal activity.

An official at First Bank St. Paul in Minnesota has been charged with misapplying almost \$14 million to the benefit of Transalaska Fisher-

ies Corp. a subsidiary of the Native corporation.

Richard A. Dougherty, 41, who until late 1980 was the bank's vice president of international banking, has been called the largest bank fraud prosecution in Minnesota history.

A copyright report on the 13th Corp. was published Sunday by the Seattle Times.

Dougherty says he received no personal gain, and the bank managed to recover most of the money through insurance payments after Transalaska's principal asset, a fish processing boat, burned and sank off Everett, Wash.,

in 1982.

Still unanswered is the question of how the 13th Corp. became such a mess.

The 1971 law resolved land claims by Alaskan Eskimos, Indians and Aleuts by providing some \$960 million and 44 million acres of land in Alaska. Some of the money was paid directly to shareholders in the regional corporations set up under the settlement; the rest was handled through investments by the corporations.

The 13th Corp. was the only regional corporation that did not receive land.

The 13th Corp. received

more than \$27 million from its creation on Dec. 31, 1975, to the last federal payments in 1982.

"It's all gone — I think it's all gone, the capital," said Kurt Engelstad, a Portland, Ore., lawyer who has been corporation president since 1982.

"I couldn't give you chapter and verse," said Engelstad. "Most of the funds lost were simply expended on bad business deals."

One was the Al-Ind-Esk-A Sea, a processor ship into which Transalaska poured \$7.5 million, financed by First Bank.

Government lawyers say Dougherty falsified records and failed to record millions of dollars worth of transactions involving Transalaska.

He has refused to discuss the case except to deny he got any of the money and to admit making "an error in judgement."

Trial is set for June 4.

Other bad deals by the 13th include loans of more than \$500,000 to a Seattle leather-furniture store that went broke and \$56,000 in loans to former California Lt. Gov. Mervyn M. Dymally's son Mark to buy houses.

Meanwhile, the 13th maintained plush offices, spent \$450,000 annually on salaries and a total of \$208,000 on furniture.

Outraged stockholders called for a federal investigation when the losses emerged but have yet to learn where the money went.

Over a six-year period, each shareholder received about \$6,500 in direct payments through the settlement act, Engelstad said.

Engelstad said the corporation's management during the loss period was replaced, but the \$27 million in federal payments and \$17 million borrowed from First Bank is about all gone.