Crowson convicted on 19 counts in Sealaska fraud case

by Chuck Kleeschulte
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Sealaska Corporation officials have expressed satisfaction following the February 24 conviction of a Seattle businessman on 19 counts of racketeering, fraud and conspiracy stemming from dealings with one of Sealaska's former subsidiaries.

"It sends a clear message that people can't expect to be able to steal from Alaska Native corporations, or from Alaskans in general, and expect to get away with it," said Byron Mallott, president of the Corporation.

R. Michael Crowson was convicted by U.S. District Court jury in Anchorage of defrauding Sealaska's former tug and barge subsidiary, Pacific Western Lines and subsequently Sealaska itself of more than $3 million through an elaborate bribery kickback scheme.

The verdict, which resulted from the use of a federal racketeering statute for the first time in Alaska, nearly ends criminal prosecutions in the complex case, although at least two seperate civil cases remain.

Crowson, a 42-year-old Seattle financier, was to return to federal court last week for a hearing on whether he should be freed on bail or whether he will remain in jail awaiting sentencing. He was charged in part under the Racketeering-Influenced and Corrupt Organized Crime Act (RICO) and under that act alone faces a maximum sentence of 20 years in prison and a $250,000 fine.

Assistant U.S. Attorney Deborah Smith said the government will argue Crowson should not be granted bail but remain in jail, given the danger that Crowson will flee to escape imprisonment.

Besides violating the Racketeering Act, he was convicted of conspiracy to violate the Racketeering act, six counts of mail fraud, ten counts of wire fraud and conspiracy to impede the Internal Revenue Service.

During the trial Crowson also was accused of trying to bribe a fellow defendant in the case — Thomas Mar-

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Fraud conviction

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shall, former president of Sealaska's Alaska Brick Company subsidiary — not to testify against him. Marshall is one of three defendants who have already pleaded guilty to various crimes in conjunction with the scheme. At the time, the barge line was a subsidiary of Alaska Brick, later reporting directly to Sealaska's Board of Directors.

Marshall pleaded guilty to violating the Racketeering Statute and impeading the IRS investigation. He is awaiting sentencing of from two to ten years in prison.

Besides Marshall, John M. Day, an Idaho businessman, previously pleaded guilty to impeding an IRS investigation of the case and accepted a plea-bargain conviction of a two-year jail term, all but six months suspended. His sentence still awaits formal imposition by a federal judge.

Day also will make restitution of all the money he received for his part in the fraud.

Kenneth Fry, the former general manager of Pacific Western Lines, early on pleaded guilty to mail fraud in the case. He is still awaiting sentencing and faces one to five years in prison.

Smith said federal prosecuters still are asking the court to make Crowson forfeit about $2.3 million in money and property — about $2 million in cash — that he illegally obtained from Sealaska as a result of the scam. Smith said that that money could be directed by the court to Sealaska to help make up for some of the corporation's losses.

Crowson, in federal indictments first handed down in August 1985, but reissued last December, was accused of offering more than $1 million in bribes to Marshall and Fry in return for them steering $9.5 million in barge construction, container and shipping equipment contracts to companies owned by Crowson, or to dummy corporations set up by Crowson.

As part of the scam, Crowson allegedly also received $1.3 million in kickbacks from Washington State and Korean subcontractors, which actually built the equipment turned over the Pacific Western Lines.

Sealaska's board, at Marshall's direction, then unknowingly paid inflated prices to the subcontractors for the work, which helped fund the kickbacks.

While the criminal proceedings are winding down, the civil proceedings in the case are just warming up.

Sealaska's board in 1982 first noted problems with its barge operation and hired private investigators to conduct an in-house review of its subsidiary.

Sealaska charged that the contract had been obtained through fraudulent means and thus was void. Crowson, however, had used the contract to obtain a $20.2 million loan from Seattle-First National Bank, which promptly became involved in the case.

Sea-First then sued Sealaska for breaking the contract claiming what now amounts to about $14 million in damages. Sealaska since has counter-sued Sea-First seeking about $5 million to $6 million in damages.

The Native corporation last December folded the barge line and liquidated its assets, selling many of them to Alaska Marine Lines.