

Koniag may seek bankruptcy

The Associated Press

Koniak Inc. could become the first of the 13 regional Native corporations to seek protection under the federal bankruptcy code, according to the chairman of the Kodiak-based corporation.

"We are seriously considering the possibility of a Chapter 11 reorganization," Harry Carter told about 80 shareholders at a meeting this week. "It appears to be one of the only options open to us. It would stay major litigation that we are experiencing and the corporation would be allowed to operate and move forward under the guidance and protection of a federal judge."

Carter said any reorganization plan must be approved by a federal judge, shareholders and creditors.

The resignation of J.F. Morse as president of Koniag

also was announced, effective May 31.

"We knew the corporation was in serious trouble a year ago," said Joe Llanos, one of three Koniak board members who resigned last March to protest Morse's management policies, "and that's when we started pressing for a change in management."

"I can't say I was surprised to hear that Morse resigned," Llanos said. "If the management had just admitted a year ago that they were in trouble, there might have been a better way out. Our older and younger shareholders stand to lose very heavily on this, and that is a bad thing."

Morse, who moved from Kodiak to Seattle last year, refused to comment on his resignation. He did not attend the shareholders meeting.

Morse was vice president

and a director of Pacific Island Navigation, a Seattle-based barge service, before joining Koniag. He previously worked for several paper companies in the Northwest.

Koniak has been snarled in a series of lawsuits stemming from its merger with several village corporations on the island in December 1980. Dis-

gruntled villagers charged that Koniag failed to disclose the true value of village holdings when setting terms of the merger.

Ron Zener, vice president and controller of Koniag, says legal fees have cost the corporation at least half a million dollars. It also has tied up the contested land, which no long-

er can be used as collateral for loans.

"The litigation has prevented us from employing the financial assets we own, and that in turn has affected the way we have to handle our other investment," Zener said.

Poor fishing seasons and investment in a stalled Arizona oil refinery have worsened the situation, he said.