

FINANCIAL ANALYSIS
OF
ANCSA REGIONAL CORPORATIONS
1975 - 1977

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INTRODUCTION

Measuring the financial performance of any corporation is a complex undertaking. It is virtually impossible to consider all the many factors which influence performance achievement and hence corporate effectiveness.

All modern corporations aspire to accomplish across a growing range of goals. Single minded attention to the attainment of maximum profit is less common today than multiple goal agendas which certainly include profit as a leading, but not omnipresent criteria for management decisions.

A rigorous measurement of effectiveness requires attention to the multiple goal agenda of ANCSA corporations. Goals constitute the targets towards which management is supposed to focus corporate resources. Any analysis which reviews financial performance alone is accordingly somewhat short sighted and certainly too narrowly circumscribed. The goals of the twelve regional corporations reviewed below differ in significant respects. The management personnel involved with the corporations also differ widely in background, experience and philosophy. These factors, coupled with the relative newness of the corporations and the complex nature of founding legislation, combine to introduce an element of caution to performance evaluation.

ANCSA corporations, like any business, must reach and sustain sufficient levels of profitability to safeguard and effectively manage corporate assets. But ANCSA corporations also aspire with varying intensity, to enhance the employment opportunities and the economic breadth of the rural areas where their shareholders reside. Some ANCSA corporations also strive to strengthen indigenous management talent and to extend Native control into the management decision processes which influence the social and political features of rural living conditions.

Nevertheless, attention to and achievement of satisfactory financial performance is a precondition to the long-term existence of ANCSA corporations and the self-determination motive forces which guide management. ANCSA corporations will have received their financial entitlement under the Act by 1983. Strategic plans for investment spending designed to generate sufficient cashflow to sustain operations beyond the mid-1980's, should now be in place within the corporations.

Benchmarks for financial performance form an important part of strategic planning and performance measurement. Such benchmarks can be developed through comparative analysis and analysis across time. Hence, the material below begins with a review of ANCSA regional corporation financial performance over the 1975-1977 three year period and in comparison with the average performance of the twelve corporations. Most of the corporations were in a "pre-operational" status until the 1974-1975 period. Thus, the three years ending in 1977 should suggest the outlines of corporate investment strategies and the initial performance thereof.

The analysis continues with a detailed examination of changes in owners equity since the initiation of the corporations. Bering Straits Native Corporation (BSNC) is not included in the 1977 totals reported in the analysis. BSNC has essentially been in technical insolvency since early 1977. The financial statements for the eighteen month period ending December 1977 reflect a net loss of \$21,429,372, principally due to discontinuance of previous operations. Bristol Bay Native Corporation (BBNC) and Cook Inlet Region Inc (CIRI) reported sizable extraordinary items in 1977. These non-reoccurring items have not been removed prior to the analysis but appear in notes to the analytical tables. Of all the regional corporations, Ahtna, Inc. alone interprets section 7(j) of ANCSA to require regional corporations to share 50% of all net income with village corporations. Hence, the profitability and equity capital

analysis below understates Ahtna achievement by nearly one-half. Ahtna performance is recalculated in the notes to the analytical data presented. Finally, future ANCSA receivables have been removed from total assets and contributed capital prior to the analysis. Additionally, any ANCSA land which appears in the financial statements has been removed to enhance comparability.

Financial performance and corporate strategy 1975-1977

Table I shows that the regional corporations (excluding BSNC) have invested roughly \$113 million into long-term assets since their initial founding. Buildings, camps and hotels together account for about 65% of that total, with construction and building materials ranking third, and fishing fourth.

Table I

General Investment Allocations - ('000)
ANCSA Regional Corporations

| | | |
|-----------------------------------|---------------|-------|
| Construction & Building Materials | \$ 14,898 | (13%) |
| Camp & Hotels | 44,322 | (39%) |
| Banking | 6,207 | (5%) |
| Fishing | 12,659 | (11%) |
| Transportation & Freight | 5,183 | (5%) |
| Office & Other Rental Buildings | <u>29,709</u> | (26%) |
| | \$ 112,978 | |

NOTE: Approximation only. Taken from 1977 annual statements for eleven corporations (excludes BSNC).

Nearly one-half of the camp and hotel investment is represented by the BBNC acquisition of the Anchorage Westward Hotel. Doyon's Pioneer Inn in Hawaii; Ahtna Development Corporation's Ahtna Lodge in Glennallen; Nana's Kotzebue hotel and Prudhoe Bay camp facilities; the Calista Corporation's Settlers Bay and the initial construction expenditure on the Anchorage Sheraton; and, CIRI's Inlet Inns properties account for the balance of spending in this leading category.

The office and other rental properties category is dominated by CIRI, Sealaska and Nana. Smaller amounts are represented by ASRC, Doyon, Koniag and Chugach investment into office facilities. This category will increase considerably with the completion of the Sealaska plaza.

The construction and building materials investment category is primary composed of Sealaska's Alaska Brick Co. Smaller investments exist in Nana Construction; ASRC's general partnership with Alaska General; Calista's CAL-MAR; and Ahtna's construction subsidiary.

The Aleut Corporation and BBNC are the leading investors in the fishing industry. Calista's Prospectors Inc. is also included in the category. Investment into freighting and transportation is about equally divided between Sealaska and the Aleut Corporation.

The total long-term asset investments of the eleven regional corporations amounted to \$139 million at the close of their respective 1977 fiscal periods. Thus, Table I represents about 80% of the aggregate fixed investment commitment.

By the close of their respective 1977 fiscal year, the eleven corporations had received about \$129 million in settlement funds. Total

assets amounted to \$233 million. Hence, some \$103 million in asset growth had been financed through borrowing. Long-term borrowing for the eleven regions increased 132.5% from 1975 to 1976, and 64.2% from 1976 to 1977, whereas average asset expansion occurred at 44.2% and 39.5% respectively.

Table II
Asset and Debt Growth Ratios

| | <u>1975/1976</u> | | <u>1976/1977</u> | |
|----------|---------------------|-------------------|---------------------|-------------------|
| | <u>Total Assets</u> | <u>Total Debt</u> | <u>Total Assets</u> | <u>Total Debt</u> |
| Ahtna | 81.3 | 237.0 | 12.5 | 9.8 |
| Aleut | 35.6 | 95.2 | 45.5 | 88.6 |
| ASRC | 8.3 | 74.5 | 57.4 | 69.8 |
| BSNC | 344.3 | 2373.6 | - | - |
| BBNC | 266.9 | 5119.2 | 15.8 | - 6.8 |
| Calista | 40.5 | 281.6 | 148.3 | 458.3 |
| Chugach | 22.8 | 44.8 | - 3.1 | -14.9 |
| CIRI | 7.2 | 12.2 | 40.3 | 49.3 |
| Doyon | 20.1 | 8.1 | 13.4 | 30.7 |
| Koniag | 54.0 | 119.1 | 16.4 | 13.4 |
| Nana | 69.6 | 118.7 | 2.0 | - 7.6 |
| Sealaska | 22.4 | -23.5 | 47.1 | 2574.4 |
| Average | 44.2 | 132.5 | 39.5 | 64.2 |

NOTE: (1) All averages exclude BSNC
(2) See tables I, II and III in the statistical appendices for more specific financial data.

It is clear from the data that the growth and leverage (use of debt) policies of the corporations differ widely. Perhaps it is more the case that such policies are in the making. Some corporations have in recent months gone beyond the collateral values of acquired assets and

pledged future ANCSA receipts.* In general, the aggregate long-term assets of the companies in 1977 (\$139 million) should have provided sufficient collateral value for borrowing at that point (\$103 million). The ease and lower cost of borrowing against future receipts and, to a lesser extent the low collateral value of some assets, probably accounts for this type of borrowing.

The danger is of course that some corporations will excessively lever their earnings from investments and be unable to support fixed payment schedules when ANCSA payments are completed in 1983. The ability of any borrower to finance growth through additional debt depends upon the profitability of assets thus acquired. While it is premature in most cases to conclude that the corporations have acquired unproductive or marginally productive assets, the asset activity and profitability ratios in Table III are not encouraging.

*The rules for assignment of future receipts were published in the Federal Register Vol. 43, No. 91 (Wednesday, May 10, 1978) pp. 2003-6. The Secretarial Authority to recognize such assignments was granted in P.L. 95-178, November 15, 1977.

Table III

Regional Corporation Leverage, Activity, and Profitability Ranking1975 - 1976 - 1977

| | <u>Leverage</u> | | | <u>Activity</u> | | | <u>Profitability</u> | | |
|----------|-----------------|-------------|-------------|-----------------|-------------|-------------|----------------------|-------------|-------------|
| | <u>1975</u> | <u>1976</u> | <u>1977</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> |
| Ahtna | 7 (.23) | 7 (.43) | 6 (.42) | 3 (.32) | 7 (.16) | 4 (.38) | 1 (1.91) | 2 (.60) | 4 (.58) |
| Aleut | 3 (.32) | 5 (.47) | 1 (.60) | 11 (.06) | 6 (.20) | 8 (.19) | 10 (-1.06) | 8 (-2.29) | 8 (-1.45) |
| ASRC | 5 (.29) | 6 (.46) | 5 (.50) | 4 (.22) | 5 (.29) | 3 (.70) | 12 (-1.95) | 11 (-6.36) | 2 (3.66) |
| BSNC | 8 (.15) | 1 (.84) | - | 7 (.11) | 2 (.56) | - | 8 (-.62) | 12 (-8.22) | - |
| BBNC | 11 (.05) | 2 (.68) | 3 (.55) | 6 (.14) | 4 (.33) | 1 (1.27) | 5 (.11) | 6 (-1.58) | 1 (5.71) |
| Calista | 10 (.09) | 9 (.25) | 2 (.57) | 10 (.07) | 9 (.06) | 8 (.19) | 11 (-1.69) | 10 (-2.57) | 9 (-1.71) |
| Chugach | 4 (.30) | 8 (.35) | 8 (.31) | 1 (.56) | 3 (.44) | 7 (.20) | 7 (.01) | 7 (-2.26) | 10 (-2.37) |
| CIRI | 1 (.48) | 4 (.50) | 4 (.54) | 5 (.15) | 7 (.16) | 9 (.17) | 3 (.41) | 5 (-.84) | 3 (.86) |
| Doyon | 9 (.10) | 10 (.09) | 10 (.10) | 8 (.10) | 7 (.16) | 10 (.16) | 4 (.23) | 1 (1.08) | 6 (.24) |
| Koniag | 6 (.25) | 8 (.35) | 7 (.34) | 7 (.11) | 8 (.15) | 6 (.28) | 9 (-.87) | 9 (-2.32) | 7 (-1.30) |
| Nana | 2 (.43) | 3 (.55) | 5 (.50) | 2 (.44) | 1 (.99) | 2 (1.10) | 2 (.66) | 3 (.01) | 5 (.29) |
| Sealaska | 12 (.02) | 11 (.01) | 9 (.23) | 9 (.08) | 10 (.05) | 5 (.31) | 6 (.09) | 4 (-.04) | 5 (.29) |
| Average | .23 | .46 | .44 | .17 | .35 | .48 | \$ -.32 | \$-1.70 | \$.33 |

NOTES: (See Table III in the appendix for derivation and specific data.)

1. Leverage is ranked directly, that is the corporation employing the greatest use of debt is assigned a rank of 1 and so on. Leverage is calculated here by dividing total debt by total assets.
2. Activity is ranked directly, with the most active firm being assigned a rank of 1 and so on, activity is calculated by dividing gross income by total assets.
3. Profitability is based upon per share return. The greatest profitability receives a rank of 1, and so on.
4. The averages shown include BSNC for 1975 and 1976, but exclude that firm for the 1977 period.

The data in Table III are integral and can be interpreted as follows. To use Calista as an example, in 1975 this firm debt financed 9% of total assets; employed \$1.00 of assets to produce \$.07 gross revenue; and, lost \$1.69 per share outstanding. By 1977, the firm financed 57% of total assets with borrowed funds; used \$1.00 in asset value to produce \$.19 in gross revenue; and, lost \$1.71 per share.

Bristol Bay Native Corporation (BBNC) in contrast, increased its use of borrowed capital to 55% of total assets in 1977; used \$1.00 in assets to produce \$1.27 in gross revenue; and produced net income of \$5.71 per share. (Per share earnings without extraordinary gains would have been \$1.13).

The corporations have invested into a variety of categories and thus it is difficult to develop a meaningful norm for leverage or activity. Some types of investments (i.e., public utilities) produce a rather dependable earnings stream which can be levered more heavily than other investments (i.e., construction equipment). Likewise, asset turnover activity differs widely from industry to industry, as does profitability over time. It is certainly possible however to conclude that the corporations have greatly increased their use of borrowed capital over the three years; have as yet not managed to effectively employ their assets to produce gross revenues; and have performed unevenly in their efforts to achieve efficiency and hence profitability. Only two corporations (Nana and BBNC) have apparently achieved effective asset utilization. Three corporations (Ahtna, Doyon, Nana) have been profitable for the past three years. Three others have been profitable for two of the past three years (BBNC, CIRI, Sealaska).

Assessing the sustainability of profitable operations is difficult but necessary. For example, Ahtna, Inc. is heavily dependent upon

pipeline contracts for its revenues. Failure to continue as a pipeline contractor would severely retard the stability and growth of this company. Several of the corporations are as yet dependent upon one or two major industries or profit centers. (See Table II - Sources of Revenue - Appendix). The future viability of profit even for those firms which seem to have achieved profitable levels, may depend upon successful implementation of a strategy for diversification of investment spending. BBNC, began broadening its investment portfolio with the acquisition of the Anchorage Westward. Nana has reduced its reliance on construction revenues through its aggressive posture in the leisure industry. In contrast, ASRC and CIRI profits in 1977 depended upon short-term natural resource bonus and lease payments, which, at least for CIRI, are non-reoccurring.

In short, the regional corporations have begun to lever future earnings streams. Investment spending to generate these future earnings has occurred in the leisure, rental, construction, renewable resource, and services areas. It is yet too early to conclude that these investments will generate sufficient earnings to cover operations, the fixed charges attending the use of debt, and provide a reasonable return to the owner. Early financial reports are not encouraging.

Changes in Equity Capital

Corporations obtain their funds from two sources: they borrow funds, that is go into debt; and, they use the funds provided by the owners. These two sources taken together are the total capital available for investment spending and to cover operations.

ANCSA regional corporations receive their initial equity capital (owner's funds) in the form of settlement payments under the Act. The

purpose of making investments is in the final analysis to cause equity capital to grow, that is to increase the owners interest in the business. Another name for equity capital is net worth. A company which has positive net income will take all or a portion of that income in a given year into retained earnings, thus increasing the owner's equity. On the other hand, a company which suffers a net loss from operations in a given year will "pay" for that loss through a reduction in owners capital.

ANCSA settlement payments which are kept by the regional corporations are taken into "contributed capital". Accordingly, we should expect to see some growth in equity capital, if only through settlement payments. Corporations which have experienced chronic net losses will show "retained deficits" on their balance sheets. Those firms which have achieved profitable operations will show "retained surplus" or positive "retained earnings". Equity capital is the net total of contributed capital plus retained earnings (or minus retained deficits).

Table IV contrasts the total settlement payments for each regional corporation, with the equity capital shown on its balance sheets for that particular year. (See Table IV).

A corporation which has "held its own" in current dollars would show a ratio of equity to receipts of 1.00. That is to say, such a corporation has not utilized contributed capital to cover period losses. It has earned sufficient revenue from its investments, to avoid "dipping into" capital to finance period spending.

A corporation which has an equity/receipt ratio of less than 1.00 has been using capital to finance period spending. The net worth of the company to the owners has declined.

Table IV

Capital/Receipt Ratios
(in current dollars)

| Corporation | 1975 | | | 1976 | | | 1977 | | |
|--------------|-------------------|-----------------|-------|-------------------|-----------------|-------|-------------------|-----------------|-------|
| | ANCSA Receipts | Total Equity | Ratio | ANCSA Receipts | Total Equity | Ratio | ANCSA Receipts | Total Equity | Ratio |
| Ahtna (6) | \$ 1,328 | \$ 1,411 | 1.06 | \$ 1,757 | \$ 1,890 | 1.08 | \$ 1,970 | \$ 2,165 | 1.10 |
| Aleut | 4,114 | 3,286 | .80 | 5,321 | 3,523 | .66 | 5,928 | 3,693 | .62 |
| ASRC | 4,795 | 5,119 | 1.07 | 6,357 | 4,186 | .66 | 7,118 | 6,148 | .86 |
| BSNC | 8,503 | 7,634 | .90 | 10,966 | 6,543 | .60 | - | - | - |
| BBNC (4) | 6,781 | 6,509 | .96 | 8,907 | 7,915 | .89 | 9,967 | 13,041 | 1.31 |
| Calista | 17,352 | 12,585 | .73 | 22,876 | 14,579 | .64 | 25,521 | 20,947 | .82 |
| Chugach | 2,568 | 2,263 | .88 | 3,291 | 2,564 | .78 | 3,658 | 2,651 | .72 |
| CIRI (5) | 9,945 | 11,190 | 1.13 | 11,342 | 11,482 | 1.01 | 12,748 | 15,040 | 1.18 |
| Doyon | 14,654 | 14,161 | .97 | 16,991 | 17,187 | 1.01 | 18,787 | 19,194 | 1.02 |
| Koniag | 4,098 | 3,369 | .82 | 5,370 | 4,469 | .83 | 6,000 | 5,277 | .88 |
| Nana | 9,039 | 9,083 | 1.00 | 11,972 | 12,075 | 1.01 | 13,413 | 13,742 | 1.02 |
| Sealaska | 20,309 | 19,715 | .97 | 20,492 | 24,329 | 1.19 | 23,534 | 27,805 | 1.18 |
| Totals (3) | \$103,486 | \$ 96,325 | .93 | \$125,642 | \$110,742 | .88 | \$128,644 | \$129,703 | 1.01 |

NOTES:

- (1) All dollar figures are in thousands.
- (2) Equity capital growth (or erosion) ratio is found by dividing total equity capital shown on the balance sheet by corporate ANCSA payments received to that point in time by each company.
- (3) Totals for 1975 and 1976 include BSNC.
- (4) If BBNC capital accounts are reduced by the 1977 extraordinary insurance related gains, total equity would be approximately \$10,625. The capital/receipt ratio would then be 1.07.
- (5) If CIRI capital accounts are reduced by \$844 in land and the \$519 net income retained in 1977 (on the theory that the \$2,100 natural resource revenue should not have all been taken to income), total equity would be about \$13,677. The capital/receipt ratio would then be 1.07.
- (6) If Ahtna capital accounts are increased by \$247 set aside through 1977 under section 7(j) for the villages, total equity would be \$2,412. The capital/receipt ratio would then be 1.22.

A corporation whose equity/receipt ratio is greater than 1.00 has increased the owners interest in the business beyond the simple current dollar sum of ANCSA payments. Growth in real terms would depend upon the rate of price inflation which has occurred over the measurement period. The values in Table IV are in current dollars.

The data in Table IV overstate performance somewhat in that ANCSA receipts shown there do not reflect an opportunity rate of profit. Presumably, ANCSA receipts in say 1972 should have increased by 1975 by some minimum opportunity rate of return, perhaps the average yield over that period available on U.S. Treasury Bills. Calculation of opportunity profits would submit corporate performance to a minimum level of expectation. For example, Ahtna, Inc. shows ANCSA receipts in 1975 at \$1,328,000 and equity capital of \$1,411,000. The resultant ratio is 1.06. If an opportunity rate of return of 5% is applied to ANCSA payments beginning when actually received up to the June 30, 1975 financial statement, ANCSA "opportunity" receipts total \$1,426,000, not the simple sum of \$1,328,000. The resultant ratio of capital to receipts in 1975 is .99. This indicates that management for that corporation has not increased owner's capital as much as the owners would have received had they simply put the funds in tax exempt securities yielding 5%.

Table V depicts the capital/receipt ratios for each company assuming a nominal 5% after tax opportunity rate of return on ANCSA receipts from the time of distribution to the date of the appropriate annual statement. Interest payments are assumed to accumulate through reinvestment and are compounded quarterly. (See Table V).

Under this more demanding assessment of performance, only CIRI and BBNC show positive yields. Both of these corporations had sizable extraordinary items in their 1977 income statements, hence, the sustaining

Table V

Capital/Receipt Ratios
(opportunity return)
(in current dollars)

| Corporation | 1975 | | | 1976 | | | 1977 | | |
|-------------|----------------|--------------|-------|----------------|--------------|-------|----------------|--------------|-------|
| | ANCSA Receipts | Total Equity | Ratio | ANCSA Receipts | Total Equity | Ratio | ANCSA Receipts | Total Equity | Ratio |
| Ahtna (1) | \$ 1,426 | \$ 1,411 | .99 | \$ 1,943 | \$ 1,890 | .97 | \$ 2,263 | \$ 2,165 | .96 |
| Aleut | 4,392 | 3,286 | .75 | 5,869 | 3,523 | .60 | 6,798 | 3,693 | .54 |
| ASRC | 5,117 | 5,119 | 1.00 | 6,995 | 4,186 | .60 | 8,141 | 6,148 | .76 |
| BSNC | 9,069 | 7,634 | .84 | 12,087 | 6,543 | .54 | - | - | - |
| BBNC (1) | 7,235 | 6,509 | .90 | 9,687 | 7,915 | .82 | 11,267 | 13,041 | 1.16 |
| Calista | 18,582 | 12,585 | .68 | 25,244 | 14,579 | .58 | 29,275 | 20,947 | .72 |
| Chugach | 2,747 | 2,263 | .82 | 3,637 | 2,564 | .70 | 4,203 | 2,651 | .63 |
| CIRI (1) | 10,693 | 11,190 | 1.05 | 12,657 | 11,482 | .91 | 14,723 | 15,040 | 1.02 |
| Doyon | 15,754 | 14,161 | .90 | 18,692 | 17,187 | .92 | 21,440 | 19,194 | .90 |
| Koniag | 4,373 | 3,369 | .77 | 5,916 | 4,469 | .76 | 6,871 | 5,277 | .77 |
| Nana | 9,644 | 9,083 | .94 | 13,172 | 12,075 | .92 | 15,338 | 13,742 | .90 |
| Sealaska | 21,624 | 19,715 | .91 | 28,773 | 24,329 | .85 | 33,358 | 27,805 | .83 |
| Totals | \$110,656 | \$96,325 | .87 | \$144,672 | \$110,742 | .77 | \$153,677 | \$129,703 | .84 |

NOTES:

(1) Restating 1977 capital accounts for BBNC, CIRI and Ahtna (see notes to Table IV) produces the following ratios: Ahtna 1.07; BBNC .94; CIRI .93.

character of this growth in net worth is questionable. When the data are adjusted to reflect actual performance by Ahtna, this small company is the only firm to achieve a yield greater than the 5% opportunity rate of return.

The data clearly show that (with the exception of Ahtna) ANCSA corporations have not as yet produced an addition to net worth equal to additions achievable from a passively managed portfolio of financial assets yielding 5% after taxes. Some corporations perform better than others of course. Nana, Doyon and Ahtna indicate rather stable performance over the three year period.

Figure I depicts in graphic form the capital/receipt ratios from Table IV (those without the opportunity yield minimum). The chart emphasizes the dramatic fluctuations in performance over the three year period, particularly for certain corporations. (See Figure I).

Conclusions

It is not difficult to identify reasons for the lackluster performance of regional corporations efforts to build upon initial capital. The first five years have been spent working through the Act, seeking to understand its terms and requirements. Considerable money and effort has been expended in preserving the land estate, and in achieving conveyance of that land estate from federal agencies ill prepared to deal with ANCSA implementation. Furthermore, much of the commercial activity of certain corporations, though costly now, will not yield results until much later. Mineral agreements and land development schemes are examples of these long-term investments.

But it is also true that the past few years have been very vigorous economically within the State. The Trans-Alaska Pipeline Construction,

Prudhoe Bay development, and banner fishing harvests have stimulated a high degree of activity sufficient in scope for these new corporations to find early profit opportunities. Federal legislation requiring minority participation in many areas is tailor made for ANCSA corporations with the imagination and drive to seize the opportunity. The fact that some corporations have taken these avenues of commercial entry reflects poorly upon the management of those that have not. Certainly the costs of implementation have been high. But this in itself does not explain the 30 to 40% reduction in capital evidenced in some corporate reports. Poor stewardship of resources and failure to embrace opportunity, is quite evident.

Normally, a new business with a potential for growth will experience much of that potential rather early in its life. But ANCSA corporations have very different origins than "normal" businesses. These differing origins have had rather profound effect upon ANCSA corporate financial performance.

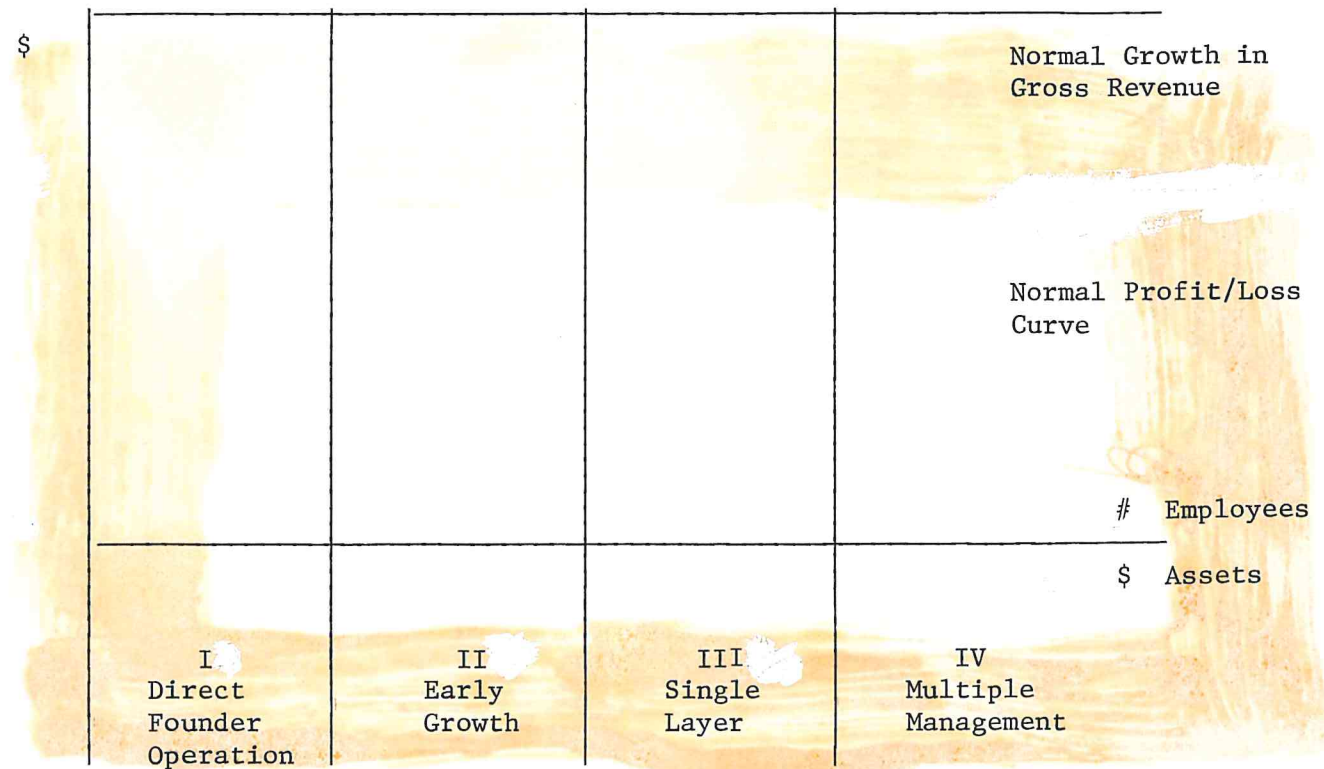
Normally, a business is formed around an individual innovator's idea or product. The founder (and/or company founders) directs the operation of the business in its initial years. The founder is personally involved in supervision of employees; in purchasing; in marketing; and, often finances operations personally. The "identity" of the business is intertwined with that of the founder and his product or service.

If the product finds adequate markets, the business will often grow rather quickly; experience working capital shortages; grow beyond the ability of the founder to personally finance and operate the entire business. Tasks will be delegated. Perhaps an accountant will be hired to keep the books, and a salesmen to market the product or service.

Subsequent growth in the business frequently requires additional layers of management. First a single layer, where the founder/president now delegates tasks through others and entrusts operational decisions to supervision by others. At this point, the founder must learn different methods of management. Management by the "feel" of actually doing, is replaced by management "through channels". Finally, multiple layers of management become necessary. At this point a general manager, executive vice-president, and others actually direct the efforts of operational managers. The founder-president is by now concentrating the bulk of his attention upon long-term planning and external relations.

The "normal" growth pattern described above implies increased specialization of function; increased delegation of authority; a willingness of management to learn new methods of control; and development of new methods of keeping informed. Such growth also frequently requires increased reliance upon external assistance from attorneys, accountants and specialized consultants.

The normal corporate growth curve resembles an "S" as is depicted below.



The most profitable period for the normal business is often during early growth, and before the increased cost of management drives overhead up and profit margins down. As the business matures, profit levels often stabilize, management becomes entrenched, and asset growth is more carefully programmed.

ANCSA corporations began by an Act of Congress. There were political "founders", but there were no originating innovators with business products or services to be marketed. The initial years were spent trying to understand the founding legislation, rather than moving the operation from the garage into the plant.

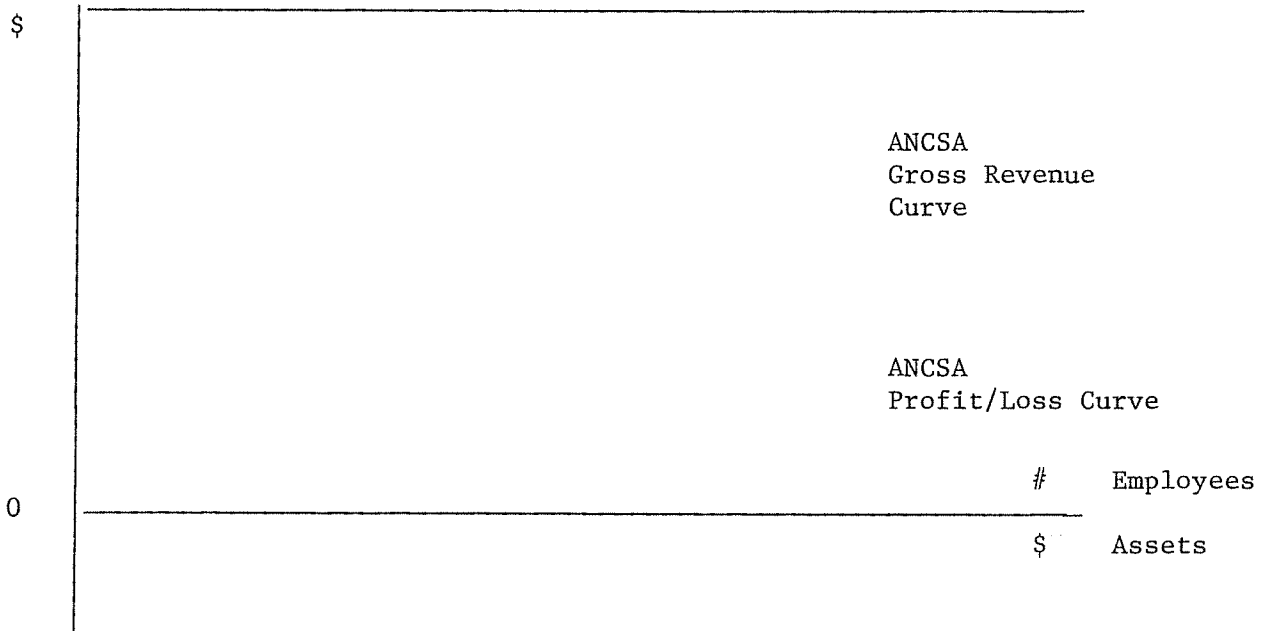
ANCSA corporations began with heavy reliance upon external assistance. Attorneys and accountants were needed simply to interpret the legislation and to conform to agency expectations.

ANCSA corporations also developed complex multi-layered organizations very quickly. Departmental organization developed around shareholder relations, land selection, accounting, legal and political relations. Business operations were departmentalized or sometimes delegated to a subsidiary governed by a separate board of director. External assistance was required to set-up these complex management systems and later to operate them.

ANCSA corporation suffered (some apparantly still do) from an initial "identity crises". It was not clear what business a given corporation would enter; what goals it would seek to fulfill. Investment spending programs were reactive, often stimulated by proposals which "walked in the door" unsolicited. ANCSA Corporations were rich in liquid funds at a time (1973-1975) when many corporate treasurers were scrambling for liquidity. Hence, the corporations were the focus of

much attention from a broad range of investment promoters.

An ANCSA corporation growth curve might be depicted as shown below.



The ANCSA growth curves shows a more protracted period of loss. The high overhead costs in the early years coupled with the aimlessness of investment spending would seem also to deny most ANCSA corporations the high profitability of the early growth segment of the normal business growth curve. Finally, the "flat S" ANCSA profit curve speculates that, when profitability is achieved, it will be beneath the normal curves potential. The rationale for this includes an expected continued reluctance of ANCSA management to trim unnecessary personnel; costs of training; costs of external assistance still required to comply with founding legislation; and, the cost of preserving a land estate which is economically non-productive.

Significant mineral development could modify the flatness of the profit curve. But such development must be significant and come within

the next few years to make a real difference. The uncertainties facing mineral development on Native lands mount, as competing interest groups jockey about seeking to control access and to limit development on lands adjacent to government properties. The subsistence oriented policies of certain corporations also sheds some doubt on the early realization of revenue from mineral endowment. These factors argue against financial relief from mineral development before the mid-1980's.

In sum, the financial performance of ANCSA regional corporations over the first five years indicate that most of the corporations have not produced returns to their shareholders equal to an opportunity yield of 5% per annum after taxes. The high costs associated with corporate "start-up" and the lack of a coherent investment strategy seem to have retarded potential performance in these early years. A significant erosion in owner's capital has occurred in several instances. The prospects for a dramatic improvement in future performance hinges upon mineral development which at this point seems unlikely to occur with the speed and the scale required.

The corporations have, in essence, five more years to achieve self-sustaining operations. That is operations which generate sufficient revenue to cover costs and provide a surplus for growth in capital, as well as a reserves for contingencies. While performance over the past few years is only an imperfect guide to the future, it would seem that about one-half of the twelve corporations are gaining grounds in this "race to maturity" (Ahtna, BBNC, CIRI, Doyon, Nana). While there may exist underlying strengths among the other corporations, these have not as yet shown themselves in financial results.

Statistical Appendices

- Table I: Investment Summary 1977
- Table II: Sources of Revenue 1977
- Table III: A 3-Year Financial Summary
(4 pages)

Table I

INVESTMENT SUMMARY 1977
 (Percentage of Total Assets)
ANCSA REGIONAL CORPORATIONS
 (Selected Accounts)

| | Current Assets | | | | Long-Term Assets | | | | |
|----------|----------------|--------------------------|--------------------|-----------------------------|---------------------------------|--------------------------------------|-------------------|--------------------------|--------------|
| | <u>Cash</u> | <u>Market Securities</u> | <u>Inventories</u> | <u>Total Current Assets</u> | <u>Property & Equipment</u> | <u>Joint Ventures (Construction)</u> | <u>Bank Stock</u> | <u>Market Securities</u> | <u>Other</u> |
| Ahtna | 18 | 08 | 1 | 31 | 41 | 18 | 3 | 6 | 1 |
| Aleut | 5 | 3 | | 12 | 59 | | | | 29 |
| ASRC | 5 | | 4 | 16 | 48 | 11 | | | 25 |
| BBNC | 3 | 1 | 32 | 54 (34) | 24 (57) | | 2 (1) | | 20 (8) |
| Calista | 27 | 2 | | 32 | 48 | | 1 | | 19 |
| Chugach | 1 | 32 | | 48 | 17 | 8 | 2 | | 27 |
| CIRI | 6 | | | 19 | 66 | | | | 13 |
| Doyon | 4 | 61 | | 68 | 29 | 3 | 3 | | |
| Koniag | 1 | 3 | 13 | 24 | 48 | | | | 28 |
| Nana | 1 | 11 | 4 | 32 | 52 | | 2 | 11 | 3 |
| Sealaska | | 32 | 4 | 44 | 45 | | | | 11 |

Notes: All figures are expressed as a percent of TOTAL ASSETS. No value is given ANCSA Land.
 Ahtna: Lodge investment - 36% Total Assets; Aleut: Fishing and Freighting - 51% of Total Assets and Gravel Rights - 16% of Total Assets;
 ASRC: Buildings account for 34% of Total Assets; BBNC: Bracketed figures show effect of Westward acquisition; Koniag: Rental Apt/Offices are 34% of Total Assets; Sealaska: Building Products Acquisition - 17% of Total Assets.

Table II

SOURCES OF REVENUE 1977
(Percentage)
ANCSA REGIONAL CORPORATIONS

| | <u>Natural Resource Income</u> | <u>Other Region 7(i)</u> | <u>Dividends & Interest</u> | <u>Engineering & Construction</u> | <u>Camps & Hotels</u> | <u>Fishing</u> | <u>Merch. Sales</u> | <u>Freighting</u> | <u>Rental</u> | <u>Other</u> |
|----------|--|----------------------------------|-------------------------------------|---|-------------------------------|----------------|-------------------------|-------------------|---------------|--------------|
| Ahtna | | 1 | 7 | 47 | 42 | | | | | 3 |
| Aleut | | 2 | 8 | | | 63 | | 19 | 4 | 4 |
| ASRC | 72 | 1 | 1 | 8 | 9 | | | | | 9 |
| BBNC | | 1 | | | | 96 | | | | 3 |
| Calista | 5 | 2 | 4 | 42 | | 9 | | | | 38 |
| Chugach | 3 | 3 | 3 | 39 | | | | | 29 | 13 |
| CIRI | 38 | | 3 | | 39 | | | | 19 | 1 |
| Doyon | 18 | | 31 | 26 | | | | | 13 | 12 |
| Koniag | | 2 | 1 | | | | 78 | | 15 | 4 |
| Nana | | | 3 | 58 | 20 | | | | | 19 |
| Sealaska | | 1 | 3 | | | | 60 | 24 | | 2 |

Notes: All figures are percentage of GROSS REVENUES
 Calista "Other" includes: Retail Land Sales 25% of Gross Income; Geophysical Consulting 4%; Restaurant Sales 3%.
 Nana "Other" includes: Fuel Sales 14%. Doyon: Engineering and Survey Fees and Gross Revenues are adjusted for minority interest.

Table III

A 3-YEAR FINANCIAL SUMMARYANCSA REGIONAL CORPORATIONS

| | Ahtna, Inc. | | | Aleut Corp. | | | Arctic Slope | | |
|-----------------------------------|-------------|--------------------|---------|-------------|--------------------|----------|--------------|--------------------|----------|
| | 1977 | 1976 (June 30-) | 1975 | 1977 | 1976 (June 30-) | 1975 | 1977 | 1976 (June 30-) | 1975 |
| I. Balance Sheet Items ('000) | | | | | | | | | |
| Current Assets | 1,355 | 1,579 | 1,171 | 1,168 | 703 | 1,027 | 3,068 | 1,824 | 1,954 |
| Cash & Savings | 212 | 346 | 691 | 517 | 253 | 114 | 30 | 42 | 268 |
| Investments | 931 | 643 | 317 | 288 | 258 | 531 | -- | 447 | 120 |
| Long-term Assets | 2,584 | 1,760 | 487 | 8,410 | 5,882 | 3,828 | 9,150 | 5,937 | 5,214 |
| Investments | 99 | 99 | - | - | 1,174 | 53 | - | - | - |
| Joint-ventures | 684 | 376 | 175 | - | - | - | - | 880 | 890 |
| Property & Equipment (net) | 1,524 | 1,200 | 193 | 5,629 | 4,481 | 2,970 | 5,898 | 2,944 | 1,915 |
| Total Assets | 3,755 | 3,339 | 1,842 | 9,578 | 6,585 | 4,855 | 12,218 | 7,761 | 7,168 |
| Liabilities & Equity Capital | | | | | | | | | |
| Current Liabilities | 269 | 577 | 278 | 794 | 716 | 524 | 2,807 | 3,206 | 1,794 |
| Long-term Liabilities | 614 | 544 | 56 | 4,984 | 2,347 | 1,045 | 3,263 | 369 | 140 |
| Total Liabilities (debt capital) | 1,591 | 1,449 | 430 | 5,778 | 3,063 | 1,569 | 6,070 | 3,575 | 2,049 |
| Contributed Capital | 2,000 | 1,787 | 1,371 | 5,643 | 5,027 | 4,090 | 6,889 | 6,322 | 4,835 |
| Retained Earnings (deficit) | 165 | 104 | 40 | (1,950) | (1,505) | (803) | (746) | (2,136) | 278 |
| Total Equity Capital | 2,165 | 1,890 | 1,411 | 3,693 | 3,523 | 3,286 | 6,148 | 4,186 | 5,119 |
| II. Income Statement Items ('000) | | | | | | | | | |
| Gross Income | 1,437 | 522 | 593 | 1,821 | 1,285 | 280 | 8,581 | 2,266 | 1,599 |
| Expenses | 1,285 | 405 | 295 | 2,321 | 1,988 | 637 | 6,118 | 4,951 | 3,585 |
| Net Operating Income (loss) | 152 | 117 | 298 | (500) | (702) | (357) | 2,790 | (2,587) | (1,986) |
| Taxes (Credit) | 90 | 3 | 21 | - | - | - | 1,400 | (173) | - |
| Net Income (deficit) | 61 | 64 | 202 | (445) | (702) | (357) | 1,390 | (2,414) | (763) |
| III. Analysis | | | | | | | | | |
| Shares Outstanding (no.) | 105,900 | 105,900 | 105,900 | 306,200 | 306,400 | 336,200 | 379,500 | 379,700 | 391,000 |
| Debt ratio | .42 | .43 | .23 | .60 | .47 | .32 | .50 | .46 | .29 |
| Asset Turnover | .38 | .16 | .32 | .19 | .20 | .06 | .70 | .29 | .22 |
| Return on Assets | .02 | .02 | .11 | - | - | - | .11 | - | - |
| Return (loss) per share | \$.58 | \$.60 | \$1.91 | \$(1.45) | \$(2.29) | \$(1.06) | \$3.66 | \$(6.36) | \$(1.95) |

Table III

A 3-YEAR FINANCIAL SUMMARY

ANCSA REGIONAL CORPORATIONS

| | Bering Straits | | | Bristol Bay | | | Calista | | |
|-----------------------------------|------------------|--------------------|---------|------------------|-----------------------------|------------------|-----------|--------------------|-----------|
| | 1977 (18 mon) | 1976 (June 30-) | 1975 | 1977 (Mr 31-) | 1976 (9 mon) (Mr 31-) | 1975 (Jn 30-) | 1977 | 1976 (June 30-) | 1975 |
| I. Balance Sheet Items ('000) | | | | | | | | | |
| | (Dec 31-) | | | | | | | | |
| Current Assets | 8,515 | 14,796 | 5,802 | 15,751 | 14,386 | 6,154 | 21,531 | 5,286 | 8,630 |
| Cash and Savings | 1,176 | 1,355 | 89 | 1,326 | 2,841 | 61 | 12,949 | 1,985 | 24 |
| Investments | 741 | 333 | 4,804 | | | 5,960 | 1,055 | 2,782 | 8,287 |
| Long-term Assets | 18,486 | 25,116 | 3,181 | 13,300 | 10,700 | 684 | 26,894 | 14,214 | 5,245 |
| Investments | - | - | - | 2,754 | 607 | 310 | - | - | - |
| Joint ventures | - | - | - | - | - | - | - | - | - |
| Property & Equipment (net) | - | 8,520 | 764 | 6,887 | 7,737 | 315 | 12,040 | 2,834 | 1,320 |
| Total Assets | 27,001 | 39,912 | 8,983 | 29,051 | 25,086 | 6,838 | 48,425 | 19,500 | 13,875 |
| Liabilities & Equity Capital | | | | | | | | | |
| Current Liabilities | 21,797 | 16,652 | 889 | 9,239 | 10,006 | 315 | 17,302 | 1,691 | 729 |
| Long-term Liabilities | 15,616 | 14,103 | 392 | 4,805 | 7,054 | 14 | 10,175 | 3,053 | 561 |
| Total Liabilities (debt capital) | 37,413 | 33,369 | 1,349 | 16,010 | 17,171 | 329 | 27,477 | 4,922 | 1,290 |
| Contributed Capital | 16,434 | 11,950 | 8,474 | 11,274 | 9,162 | 6,919 | 30,523 | 21,893 | 16,479 |
| Retained Earnings (deficit) | (26,846) | (5,407) | (841) | 1,767 | (1,246) | (410) | (9,576) | (7,314) | (3,907) |
| Total Equity Capital | (10,412) | 6,543 | 7,634 | 13,041 | 7,915 | 6,509 | 20,947 | 14,579 | 12,585 |
| II. Income Statement Items ('000) | | | | | | | | | |
| Gross Income | 17,619 | 22,176 | 1,024 | 36,864 | 8,213 | 987 | 9,241 | 1,140 | 969 |
| Expenses | 23,496 | 23,742 | 1,369 | 35,562 | 9,184 | 929 | 11,503 | 4,547 | 3,238 |
| Net Operating Income (loss) | (5,877) | (1,566) | (345) | 1,301 | (971) | 59 | (2,262) | (3,407) | (2,268) |
| Taxes (Credit) | - | - | - | (705) | (135) | - | - | - | - |
| Net Income (deficit) | (21,439) | (4,566) | (345) | 3,013 | (836) | 59 | (2,262) | (3,407) | (2,268) |
| III. Analysis | | | | | | | | | |
| Shares Outstanding (no.) | 627,100 | 555,600 | 555,600 | 528,000 | 528,000 | 528,000 | 1,319,700 | 1,326,500 | 1,345,500 |
| Debt ratio | - | .84 | .15 | .55 | .68 | .05 | .57 | .25 | .09 |
| Asset Turnover | - | .56 | .11 | 1.27 | .33 | .14 | .19 | .06 | .07 |
| Return on Assets | - | - | - | .10 | - | .01 | - | - | - |
| Return (loss) per share | \$(34.19) | \$(8.22) | \$(.62) | \$5.71 | \$(1.58) | \$.11 | \$(1.71) | \$(2.57) | \$(1.69) |

Table III

A 3-YEAR FINANCIAL SUMMARY

ANCSA REGIONAL CORPORATIONS

| | Chugach | | | Cook Inlet | | | Doyon, Ltd. | | |
|-----------------------------------|----------|--------------------|---------|------------|-------------------|---------|-------------|-------------------------------|-------------------|
| | 1977 | 1976 (June 30-) | 1975 | 1977 | 1976 (Dec 31-) | 1975 | 1977 | 1976 (10 mon) (Oct 31-) | 1975 (Dec 31-) |
| I. Balance Sheet Items ('000) | | | | | | | | | |
| Current Assets | 1,834 | 1,954 | 2,317 | 6,201 | 2,526 | 6,630 | 14,651 | 14,940 | 10,729 |
| Cash & Savings | 38 | 120 | 265 | 3,790 | 1,066 | 4,846 | 812 | 215 | 57 |
| Investments | 1,246 | 1,644 | 1,766 | - | - | - | 12,992 | 12,959 | 10,438 |
| Long-term Assets | 2,005 | 2,006 | 909 | 26,239 | 20,603 | 14,945 | 6,746 | 3,933 | 4,992 |
| Investments | 313 | 301 | - | 655 | 618 | 618 | 609 | 609 | 609 |
| Joint-ventures | - | - | - | - | 390 | 914 | 2,563 | - | 1,238 |
| Property & Equipment (net) | 659 | 744 | 614 | 21,310 | 15,728 | 11,242 | 3,559 | 3,299 | 3,099 |
| Total Assets | 3,839 | 3,960 | 3,226 | 32,440 | 23,129 | 21,575 | 21,397 | 18,873 | 15,721 |
| Liabilities & Equity Capital | | | | | | | | | |
| Current Liabilities | 427 | 402 | 432 | 1,807 | 1,246 | 1,337 | 2,110 | 1,686 | 1,560 |
| Long-term Liabilities | 760 | 994 | 532 | 15,592 | 9,816 | 9,019 | 93 | - | - |
| Total Liabilities (debt capital) | 1,187 | 1,396 | 964 | 17,399 | 11,656 | 10,385 | 2,203 | 1,686 | 1,560 |
| Contributed Capital | 3,799 | 3,268 | 2,544 | 15,390 | 12,351 | 11,557 | 18,519 | 16,723 | 14,651 |
| Retained Earnings (deficit) | (1,158) | (704) | (281) | (350) | (869) | (367) | 675 | 464 | (490) |
| Total Equity Capital | 2,651 | 2,564 | 2,263 | 15,040 | 11,482 | 11,190 | 19,194 | 17,187 | 14,161 |
| II. Income Statement Items ('000) | | | | | | | | | |
| Gross Income | 772 | 1,729 | 1,810 | 5,486 | 3,797 | 3,183 | 3,322 | 3,046 | 1,560 |
| Expenses | 1,189 | 2,197 | 1,750 | 4,967 | 4,298 | 2,924 | 2,908 | 1,695 | 1,137 |
| Net Operating Income (loss) | (417) | (467) | 60 | 519 | (502) | 259 | 415 | 1,351 | 423 |
| Taxes (Credit) | - | - | - | (207) | - | - | 136 | 652 | 210 |
| Net Income (deficit) | (444) | (423) | 2 | 519 | (502) | 259 | 210 | 954 | 423 |
| III. Analysis | | | | | | | | | |
| Shares Outstanding (no.) | 187,200 | 187,200 | 187,200 | 605,200 | 599,400 | 627,300 | 890,500 | 880,500 | 924,600 |
| Debt ratio | .31 | .35 | .30 | .54 | .50 | .48 | .10 | .09 | .10 |
| Asset Turnover | .20 | .44 | .56 | .17 | .16 | .15 | .16 | .16 | .10 |
| Return on Assets | - | - | nil | .02 | - | .01 | .01 | .05 | .01 |
| Return (loss) per share | \$(2.37) | \$(2.26) | \$.01 | \$.86 | \$(.84) | \$.41 | \$.24 | \$1.08 | \$.23 |

Table III

A 3-YEAR FINANCIAL SUMMARY

ANCSA REGIONAL CORPORATIONS

| | Koniag, Inc. | | | Nana | | | Sealaska | | |
|-----------------------------------|--------------|--------------------|---------|---------|--------------------|---------|------------------|-----------------------------|------------------|
| | 1977 | 1976 (June 30-) | 1975 | 1977 | 1976 (June 30-) | 1975 | 1977 (Mr 31-) | 1976 (9 mon) (Mr 31-) | 1975 (Jn 30-) |
| I. Balance Sheet Items ('000) | | | | | | | | | |
| Current Assets | 3,353 | 3,274 | 2,404 | 8,924 | 12,811 | 1,622 | 15,807 | 22,950 | 19,018 |
| Cash & Savings | 94 | 241 | 36 | 220 | 569 | 69 | 175 | 77 | 6 |
| Investments | 175 | 782 | 2,085 | 3,008 | 2,372 | - | 11,570 | 21,995 | 18,506 |
| Long-term Assets | 4,668 | 3,616 | 2,071 | 18,554 | 14,124 | 14,256 | 20,449 | 1,695 | 1,110 |
| Investments | - | - | - | 3,063 | 3,743 | 7,185 | - | - | - |
| Joint-ventures | - | - | - | - | - | - | - | - | - |
| Property & Equipment (net) | 3,199 | 2,680 | 767 | 14,299 | 9,998 | 4,847 | 16,156 | 895 | - |
| Total Assets | 8,022 | 6,890 | 4,475 | 27,478 | 26,935 | 15,878 | 36,256 | 24,645 | 20,128 |
| Liabilities & Equity Capital | | | | | | | | | |
| Current Liabilities | 1,940 | 1,929 | 235 | 10,067 | 10,081 | 2,259 | 3,440 | 316 | 413 |
| Long-term Liabilities | 805 | 477 | 289 | 3,668 | 4,738 | 2,475 | 4,758 | - | - |
| Total Liabilities (debt capital) | 2,745 | 2,421 | 1,105 | 13,736 | 14,861 | 6,795 | 8,451 | 316 | 413 |
| Contributed Capital | 7,130 | 5,898 | 4,073 | 13,665 | 12,204 | 9,223 | 28,024 | 24,981 | 20,309 |
| Retained Earnings (deficit) | (1,853) | (1,429) | (705) | 78 | (129) | (140) | (219) | (652) | (594) |
| Total Equity Capital | 5,277 | 4,469 | 3,369 | 13,742 | 12,075 | 9,083 | 27,805 | 24,329 | 19,715 |
| II. Income Statement Items ('000) | | | | | | | | | |
| Gross Income | 2,284 | 1,038 | 495 | 30,161 | 26,611 | 6,916 | 11,258 | 1,313 | 1,579 |
| Expenses | 2,709 | 1,776 | 787 | 30,064 | 26,495 | 6,344 | 12,022 | 1,371 | 1,424 |
| Net Operating Income (loss) | (424) | (738) | (293) | 97 | 116 | 572 | (765) | (58) | 155 |
| Taxes (Credit) | - | - | - | (116) | 65 | 96 | - | - | - |
| Net Income (deficit) | (424) | (725) | (289) | 207 | 10 | 477 | 433 | (58) | 155 |
| III. Analysis | | | | | | | | | |
| Shares Outstanding (no.) | 326,800 | 312,100 | 334,000 | 725,300 | 725,200 | 725,200 | 1,497,756 | 1,495,416 | 1,634,000 |
| Debt ratio | .34 | .35 | .25 | .50 | .55 | .43 | .23 | .01 | .02 |
| Asset Turnover | .28 | .15 | .11 | 1.10 | .99 | .44 | .31 | .05 | .08 |
| Return on Assets | - | - | - | .01 | nil | .03 | .01 | - | .01 |
| Return (loss) per share | \$(1.30) | \$(2.32) | \$(.87) | \$(.29) | \$.01 | \$.66 | \$.29 | \$(.04) | \$.09 |

Notes:

(1) The above data are taken from the published annual financial reports of each regional Corporation.

(2) The Annual reports of three corporations reflect future ANCSA receipts in long-term assets and contributed capital. These amounts have been removed to enhance comparability of the data. (BSNC \$32,000; CIRI \$18,731; Koniag \$12,289).

(3) Some corporations show rather sizable extraordinary items on their income statements. These are listed below.

| <u>Corporation</u> | <u>Year</u> | <u>Extraordinary Entry</u> |
|--------------------|-------------|--|
| Sealaska | 1977 | changes in accounting and investment credits \$ 1,197 |
| Bristol Bay | 1977 | extraordinary gain \$ 1,766 tax benefits \$ 600 |
| Bering Straits | 1976 | loss from discontinued operations \$ 3,000 |
| | 1977 | loss from discontinued operations \$15,563 |
| Doyon | 1976 | loss carry forward \$ 255 |
| | 1975 | loss carry forward \$ 210 |
| Aleut | 1977 | net extraordinary gains \$ 55 |
| ASRC | 1977 | lease and lease option \$ 6,140 |
| Cook Inlet | 1977 | lease option \$ 2,000 |

(4) Definition of ratios:

Debt ratio = $\frac{\text{total debt}}{\text{total assets}}$

Asset turnover = $\frac{\text{gross income}}{\text{total assets}}$

Return on Assets = $\frac{\text{net income}}{\text{total assets}}$

Return loss per share = $\frac{\text{net income (loss)}}{\text{shares outstanding}}$

Notes: (cont.)

The debt ratio shows the extent to which management has used debt capital to finance asset acquisitions. A debt ratio of .50, for example, indicates that one-half of asset book values are financed by debt capital.

The asset turnover ratio suggests how actively management has employed assets to generate gross income. Only one corporation has managed to use a dollar of assets to generate more than a dollar of gross income - but this corporation had large extraordinary entries for that year.

The net return on assets ratio reflects management's success at preserving asset productivity through effective cost control. High levels of gross income can be lost through ineffective management of direct costs.

Return per share outstanding is the basic measure of corporate financial performance. If ANCSA shares were marketable, it would be this measure that most analysts would compute in their effort to price the shares of a given corporation.