

## SENATE COMMITTEE IS PROBING FIRM IN UP MINORITY PROGRAM AIDED COMPANY

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WASHINGTON -- A U.S. Senate committee is investigating a troubled Upper Peninsula defense contractor that got into a lucrative federal program for minorities despite indications that the company was controlled by a wealthy white Michigan businessman.

The company, **Kinross** Manufacturing Corp. (KMC), located near Sault Ste. Marie, already is the target of a federal grand jury **probe** to determine, among other things, if the cash-strapped company sold defective munitions to the government.

The Small Business Administration is considering whether to expel the company from the Section 8(a) minority program that has provided KMC with millions of dollars worth of non-competitive Pentagon contracts.

The latest investigation is being conducted by the Special Committee on Investigations of the Senate Select Committee on Indian Affairs, according to Senate documents obtained by the Free Press.

Kenneth Ballen, chief counsel of the committee, could not be reached Friday for comment.

KMC President Gerry Blanchard, reached Friday night at his home in Sault Ste. Marie, said he wasn't aware of the Senate **probe**.

"It's news to me," Blanchard said. "Doesn't anything ever go away? I'm not going to comment on any of that."

The Senate investigation of KMC is part of an ongoing review of federal policies affecting American Indians, according to letters the committee sent Monday to the Small Business Administration.

A committee aide, speaking on condition of anonymity, said the investigation initially focused on Blanchard's role in a 1984 Indian housing controversy. At the time, Blanchard, the great-great-grandson of a Chippewa Indian, was an executive of a politically influential Washington consulting firm.

But the **probe** recently was broadened to include the formation of KMC after investigators learned of an Oct. 31 Free Press article. The article described how the now-defunct consulting firm, Gnau, Carter, Jacobsen & Associates, helped set up the company, install Blanchard as 51 percent owner, and obtain SBA rule waivers to get KMC into the minority contracting program. The consulting firm also lined up millionaire Republican John McGoff, of Williamston, who owns 39 percent of KMC. McGoff's involvement persuaded lenders to bankroll KMC and McGoff's periodic infusions of cash have kept the company afloat, according to federal documents. McGoff has not responded to repeated Free Press requests for an interview.

The letters the Senate sent to the SBA on Monday asked the SBA to provide documents and reports that would shed light on how KMC got into the minority contracting program and what role Blanchard's consulting firm, McGoff and SBA officials played.

During its four-year existence, KMC has produced practice rifle grenades, marine flares and other munitions at the old Kincheloe Air Force Base, 20 miles south of Sault Ste. Marie.

In 1984, the General Accounting Office of Congress investigated Blanchard's role in soliciting business from several U.S. Indian housing authorities on behalf of Gnau, Carter, Jacobsen. Blanchard allegedly boasted that the firm, through its ties with the Reagan administration, could obtain Indian housing construction grants from the Department of Housing and Urban Development.

Brenda Welsh, executive director of Keweenaw Bay Housing Authority in Michigan, told the Washington Post in 1984 that after retaining Blanchard's company, her authority was awarded money for 15 housing units.

Welsh said Blanchard had told her that "if it wasn't for him, we wouldn't be getting this money." Welsh, reached Friday, hung up on a Free Press reporter. But an official of a tribe in Minnesota said Senate investigators were trying to locate her predecessor, whom Blanchard had contacted about a HUD grant in 1984.

Blanchard told the Washington Post in 1984 that tribal housing officials misunderstood what he had told them and that he did nothing wrong. On Friday, Blanchard said the GAO never announced its findings, an indication that it found nothing improper.

He also has denied any wrongdoing in regard to KMC. Blanchard said he actively participated in KMC's formation, that McGoff doesn't run his company, and that he never knowingly shipped defective munitions to the government.

CUTLINE:

Gerry Blanchard

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