

2007

WESTERN ALASKA COMMUNITY DEVELOPMENT QUOTA PROGRAM



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Supporting the Advancement of Bering Sea Communities

ELIGIBLE COMMUNITIES AND CDQ ENTITIES

Western Alaska Community Development Quota Program



ABOUT THE COMMUNITY DEVELOPMENT QUOTA PROGRAM

For sixty-five villages along the Bering Sea coast of western Alaska, the Community Development Quota (CDQ) Program has ignited new opportunities and renewed hope for the future. This innovative federal community and economic development program provides eligible communities with a ten percent share of the Bering Sea Aleutian Island (BSAI) commercial fisheries. In turn, residents of western Alaska, through six nonprofit CDQ entities or community coalitions, have worked for more than fifteen years to implement the program in an effort to overcome the geographic isolation, reliance on subsistence activities, the high cost of living, and lack of economic opportunities that make this region one of the most economically-challenged in the United States.

The CDQ Program began in December 1992. Its purpose is to encourage fisheries-related economic development. Since its inception, it has generated more than \$204 million in wages, education and training benefits, and has helped fund fisheries investments such as docks, harbors and seafood processing facilities for the 25,000 residents who call these communities home. In addition to building fisheries-based economies and helping alleviate poverty, the CDQ Program offers residents of western Alaska practical skills and tools for actively participating in the commercial fisheries so that local residents have control over their futures.

Sustainability is a guiding principle of the CDQ program. Revenues derived from the BSAI commercial fisheries make it possible to invest in community, human and economic capital. This balanced investment portfolio ensures that the eligible communities will have the right mix of resources and assets to achieve future sustainability.

Today, there are encouraging signs of new beginnings—increased economic opportunities, community enhancements, new local jobs, and education and training programs that will benefit current residents and future generations. This report highlights just some of the successes realized through the CDQ Program, tells the stories of some of the people who have helped create that success, and illustrates how community and economic development benefits are giving them reasons for optimism and a new quality of life.

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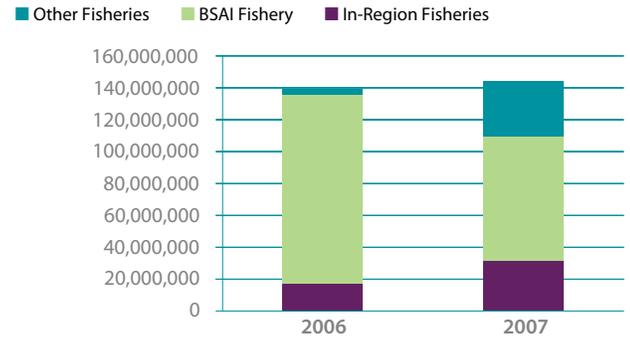


CDQ PROGRAM: A MODEL FOR SUSTAINABLE COMMUNITIES

Investments in Economic Capital

In 2007, fisheries and fisheries-related investments by the six CDQ entities totaled more than \$140 million. These investments ranged from construction of shore-based seafood processing plants and building new fishing vessels to purchasing limited access privileges in the BSAI fishery and acquiring equity positions in existing fisheries businesses. Revenue from the CDQ program makes it possible to establish and stabilize in-region fisheries investments, which would otherwise not be possible. The six CDQ entities have designed a variety of local programs to maintain and enhance the artisanal fishing fleet including permit brokerages, loan programs, fishery cooperatives, and local buying stations.

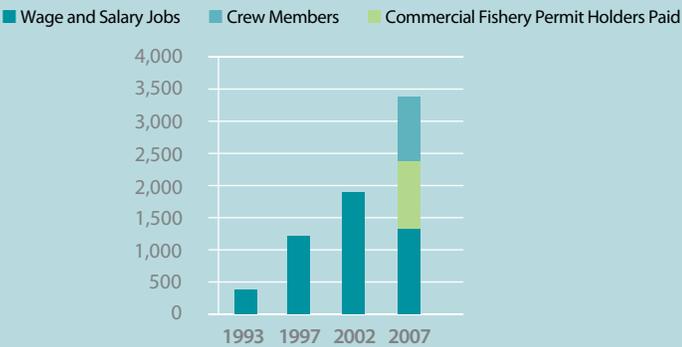
Aggregated Fisheries Investments



Investments in Human Capital

Job-linked training programs help to prepare western Alaska residents for employment with the CDQ entities and elsewhere in the communities. Through these targeted training opportunities, western Alaska residents are able to participate more fully in the developing cash economy. In 2007, the six CDQ entities provided more than \$1.2 million in training funding. CDQs also provide scholarships so that residents can access post-secondary education opportunities and prepare for professional and managerial jobs that are necessary to operate successful fisheries businesses. More than 600 scholarships totaling nearly \$1.5 million were awarded to eligible residents in 2007. By developing the capacity of residents to more fully participate in emerging and future job opportunities, the CDQ entities are investing in a specialized and trained workforce that is ideally-suited for a fisheries-based economy.

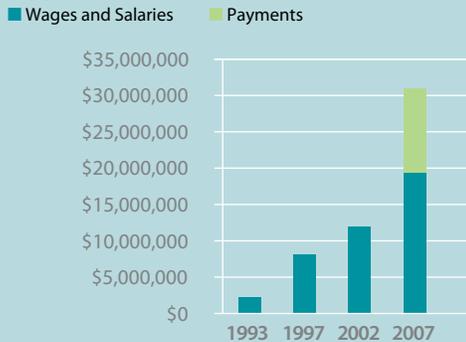
Aggregated Employment and Fishery Workforce ¹



Aggregated Training and Scholarship Opportunities ²



Aggregated Wages, Salaries and Payments to Fishers



Aggregated Training and Scholarship Expenditures ²



1) Total jobs for 2006 and 2007 reflect two methodological changes: wage and salary jobs are reported based on unique social security numbers of employees rather than on the number of jobs for which an individual may have been hired; the fishery workforce supported by the CDQ program (based on ex-vessel payments to permit holders) are included for the first time. 2) Training and scholarship opportunities and expenditures were reported in aggregate prior to 2007.

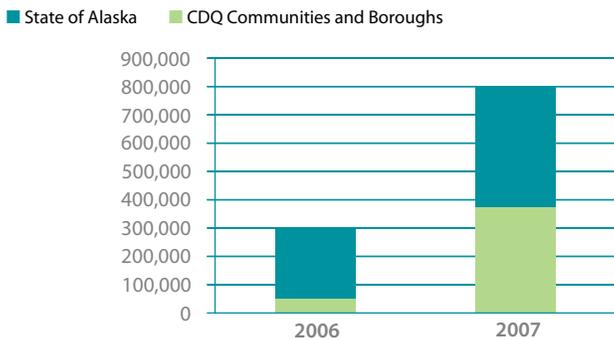


Investments in Community Capital

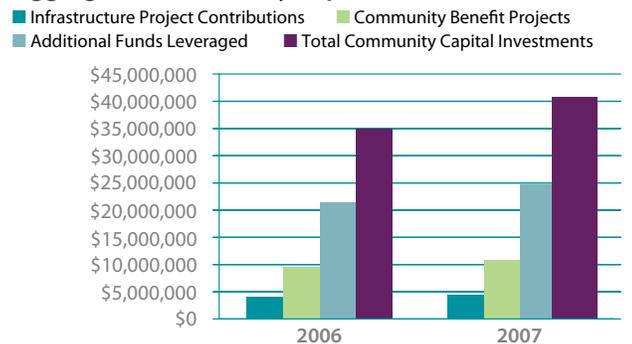
Through the CDQ program, the six CDQ entities invest in community capital through contributions to infrastructure projects such as docks and clinics. Without these contributions, developing the infrastructure of eligible communities might not otherwise be possible. Most communities have limited infrastructure to begin with and lack the tax base to fund infrastructure development. CDQ entities also provide funding for community benefit projects such as community dividends and K-12 educational enrichment programs. These investments in the capacity of eligible communities provide the necessary community capital to ensure more sustainable communities. In 2007, the six CDQs combined invested more than \$15 million in community capital, which leveraged another \$24 million in investment by other organizations.

The increased economic activity generated by the CDQ program benefits local and state governments. Both the CDQ entities and the local fishing fleet pay local and state fish taxes, local sales taxes, and various dock and wharfage fees associated with fishing activity. CDQ shore-based investments also generate tax revenues and other fees to local and state government. By expanding the local tax base, the CDQ program is helping to create more viable and capable local governance within the eligible communities.

Aggregated Fees and Taxes Paid to State and Local Government



Aggregated Community Capital Investments





ALEUTIAN PRIBILOF ISLAND COMMUNITY DEVELOPMENT ASSOCIATION

APICDA
Haginaa Kidul - Helping to Grow



APICDA Region



Bering Pacific Seafood Plant Gives False Pass New Hope

When the residents of False Pass learned that a multi-million dollar fish processing plant was going to be built in this tiny village of 54, talk of jobs and other economic benefits spread. Even more encouraging, says Plant Manager Ken Smith, was that throughout the community "I noticed there was hope."

Originally from False Pass, 47-year-old Smith left home many years ago because he couldn't make a living there. When the Aleutian Pribilof Island Community Development Association (APICDA) made the decision to build the Bering Pacific Seafood (BPS) fish processing plant, he says he finally had a reason to return. Besides employing locals, for the first time in decades it would mean the community could look forward to other economic benefits such as increased air and barge traffic and a healthier tax base from fees and city taxes that would be paid to False Pass.

Today, Smith is one of 15 Western Alaska locals and residents who APICDA has hired to fill these new jobs. For the first year or two, processing will be limited to the peak seasons, but once the volume increases and the plant gets closer to operating at its full capacity, even more locals will need to be hired. Hopefully, he says, these additional workers will also be people who are returning to the village they once felt forced to leave.

The Aleut name for False Pass is Isanax, which means "the pass." Shallow waters and the narrow channel are behind the name, though it is in fact a major thoroughway between the North Pacific and the Bering Sea for all except the largest vessels. Since it was established in the early 1900s, False Pass grew around the first seafood cannery that was built in 1917 and drew many Alaska Natives from Aleutian Chain communities for the coveted processing jobs. It was eventually purchased by Peter Pan Seafoods and dominated the economy of the town from the 1950s until 1981 when it burned to the ground.

City, Locals Benefit

The False Pass tax base was already shrinking when Peter Pan completely pulled out of the village a few years ago, closing the fuel farm business and those buildings that remained. With that closure, what little tax revenue the village was collecting was gone. The new plant was critical for the community to survive. To make that happen, APICDA made the decision to subsidize BPS with Pollock revenues from the CDQ program until the operation is self-sustaining.

Photos clockwise: Bering Pacific Seafoods tender vessels; Aerial view of Bering Pacific Seafoods; Panoramic view of Bering Pacific Seafoods in False Pass; Product awaiting "box up"; Reds on the rack; The first red salmon of the season; Ramping up for the salmon season.

False Pass Mayor Tom Hoblet says city coffers first felt the economic boost from the new plant during construction when APICDA rented equipment from the city. Now he looks forward to future benefits. "Once they start putting out some product, it will certainly benefit the whole community," he says.

The state-of-the-art facility was designed to process about two million pounds of raw product a year, including sockeye, chum and silver salmon, Pacific cod, sablefish, halibut and ikura, salmon eggs preserved in salt that are a high-priced delicacy.

Joe Kyle, APICDA COO, says that while developing the business plan for the plant APICDA held meetings with local fishermen to discuss production requirements and also met with marketing specialists to estimate potential sales. "Every strategic decision we made along the way was in full consultation with local fishermen in False Pass, letting them drive what the plant is going to buy, produce and sell," Kyle says.

From these first planning sessions, there were certainties that everyone agreed would guide the development of BPS: respecting existing relationships with other processors, planning production around shoulder seasons, and focusing on species other processors do not buy, such as silver salmon. "We want to be a small, community friendly operation that makes a profit and provides a market for local fishermen who need another place to deliver their fish," Kyle says, adding that providing opportunities for local fishermen and hiring from the community first was the No. 1 priority, along with identifying those in the community who are likely candidates for training.

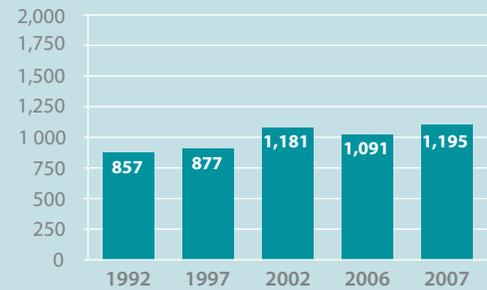
"It is a community-owned, -based and -operated facility, kind of a mom-and-pop plant," Kyle says. "We will source the product we need to operate successfully from wherever we need to, but we are not actively talking to fishermen from far away places. We hope our primary customers will be Alaska Peninsula fishermen. We will take on additional volume from outside fishermen as necessary and when we have developed the expertise to exhaust our supply from locals."

Construction crews broke ground in 2005 and from the very beginning, Kyle says, the local directive was "let's take our time and build it right." The one-building operation is 13,800 square feet. In addition to the core processing area that has head and gut, filleting and pin bone removal equipment, the plant includes an administrative office, mechanical room, break room, restrooms and a laundry facility. Cold storage holds up to 250,000 pounds, a blast freezer for IFQ product can accommodate 50,000 pounds per day and there is also a large plate freezer for other product forms.

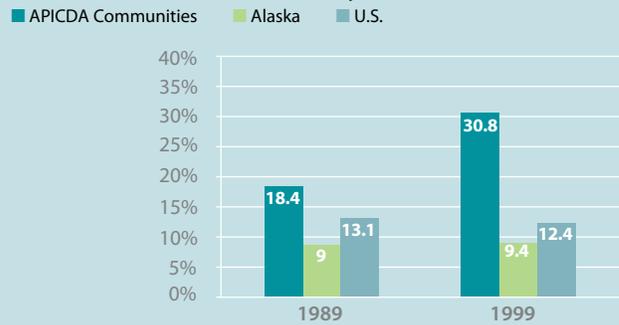
During the first year, it is estimated that the plant will process 500,000 pounds each of salmon and Pacific cod, 150,000 pounds of halibut, and 50,000 pounds of black cod. Because BPS is a smaller operation and does not have the cost burden of much overtime, Smith says, it is able to pay higher wages than other facilities in the region.

"It's going to benefit everyone—the city will benefit from taxes and dock fees, the revenue it produces will stay in False Pass, and for the local people there will be jobs," Smith says.

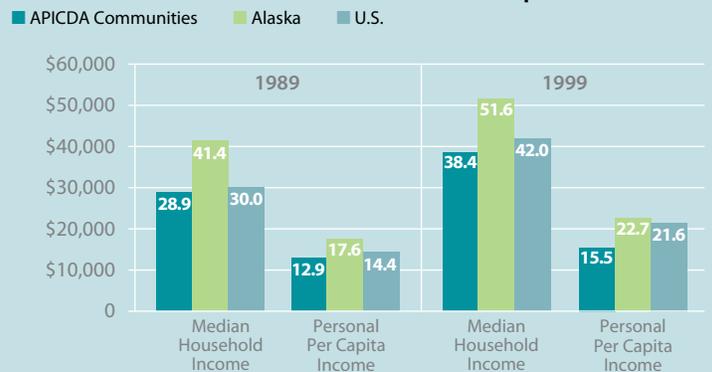
APICDA Communities' Population



APICDA Communities' Poverty Rate



APICDA Communities' Household and Per Capita Income



APICDA Jobs and Fishery Workforce



APICDA Wages and Fishery Payments





BRISTOL BAY ECONOMIC DEVELOPMENT CORPORATION



Chilling Program, Ocean Beauty Improve Bristol Bay Economy

“Chilling in Bristol Bay is becoming increasingly important and the fact that BBEDC can help us do that is going to make a substantial difference,” Fritz Johnson, a Bristol Bay fisherman for 30 years, says. Chilling may add 10 cents or more to the per pound price paid for salmon, so for 100,000 pounds of fish—a respectable catch for a boat in this region—keeping the catch on ice can mean another \$10,000 or more in a fisherman’s pocket. “I don’t know anyone here who can’t use an extra \$10,000,” Johnson says. “I’m really glad BBEDC is here and making a difference.”

BBEDC Region



Although chilling fish is hardly considered innovative or cutting-edge, fishermen in the Bristol Bay Economic Development Corporation (BBEDC) region cannot remember any similar effort that has resulted in such a boost to the local fishing industry. In a region where personal per capita income lags behind national averages by as much as 47 percent, such a substantial increase in local earnings makes a critical difference.

One of the primary goals of the initiative is to raise the ex-vessel value of salmon for local fisherman, Robin Samuelson, BBEDC President says. Although Bristol Bay is Alaska’s most valuable sockeye salmon fishery, traditionally most of its fish were canned and millions of cases still are. The chilling program was created in response to market demand for fresh and fresh frozen salmon products that command a higher price from consumers and higher ex-vessel prices for fishermen.

Ice Barges Improve Salmon Quality, Price

Johnson is also the Regional Fisheries Coordinator for BBEDC and oversees the chilling program. Onboard mechanical chillers can cost as much as \$40,000 to buy and install, which is beyond the means of many fishermen, he says. So to help fishermen chill at the point of harvest, BBEDC started a pilot program in 2002, supplying about 50 fishermen with slush bags that hold a mixture of ice and water. Fish are held in a mesh brailer bag inside the slush bag, through which the ice water circulates to chill the catch. BBEDC also provided insulated totes, at a cost of about \$500 each, to store ice on board. Some fishermen use the totes as bleeding tanks, which can earn an additional premium from buyers willing to pay as much as 20 cents per pound more for fish that are both bled and iced. In 2006 and 2007, about 620 totes and 350 slush bags were distributed.

Photos clockwise: Chilling the product; The F/V Bristol Maid on the Nushagak River; Naknek River 2007 fishing season; Custom truck slush bag.

BBEDC continues to expand the chilling program. Since 2005, it has been delivering ice directly to the fishing grounds, something that has never before been done in Alaska. Custom-built barges with icemakers onboard anchor at central locations on the fishing grounds where catcher boats can take on ice prior to setting their nets. The F/V Bristol Maid has a 60-ton hold capacity and produces 40 tons of ice per day. Once an opening is announced, fishermen take ice onboard, loading it into the totes—similar to large capacity coolers— or insulated holds before heading out to the fishing grounds to set their nets. The minute the fish come on board, they are chilled at the point of harvest. This year a second ice barge, the F/V Bristol Lady, is also coming online, one more step toward making it easier for fishermen to improve the quality of the fish. In addition to the chilling program increasing the ex-vessel value of the fish, each barge creates four new seasonal jobs in the community.

Ocean Beauty, BBEDC Partnership Increases Expertise

At the same time, one of the most talked-about developments in Bristol Bay and the statewide fishing industry is BBEDC's 50 percent investment in Ocean Beauty Seafoods, one of the largest salmon producer in the state, along with seven Alaska plants, one of the nation's largest smokehouse divisions and a worldwide product line.

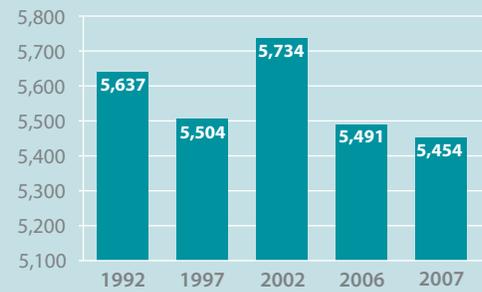
"Integrating this much raw material into Ocean Beauty's retail brands through our marketing strength, R&D capacity, value-added capabilities, world-class packaging, and our large and experienced sales force, makes this a tremendous win for everyone involved," Mark Palmer, Ocean Beauty President and COO says. "This investment will help wild Alaska seafood expand its presence and value across both the domestic and international markets."

Advantages of the partnership are limitless, Samuelsen explains. Fishermen will be fishing for a company that is known for one of the highest quality product lines in the world and they will receive a higher price for the catch that meets the terms of a "premium program" where Ocean Beauty buys fish that are handled according to special guidelines, a new quality trend that consumers are happy to pay extra money for.

More jobs will be another significant feature of the development. Since the acquisition a year ago, internships at the Seattle headquarters have been filled with BBEDC residents in logistics, human resources, distribution, and quality control. These internships can lead to opportunities for well paying year round jobs in Seattle, or seasonal jobs in various plants in Alaska and the Lower 48 states.

"We have found the ideal company to invest in," Samuelsen says. "Ocean Beauty's management group is strong and they bring processing expertise and training that will allow us to expand opportunities for our residents. Their commitment to shore-based processing and rural Alaska community viability is a natural fit with the mission of BBEDC, which is to improve the economic conditions for the residents of Bristol Bay, Alaska."

BBEDC Communities' Population



BBEDC Communities' Poverty Rate



BBEDC Communities' Household and Per Capita Income



BBEDC Jobs and Fishery Workforce



BBEDC Wages and Fishery Payments





CENTRAL BERING SEA FISHERMEN'S ASSOCIATION



CBSFA Region



Coop Allows Local Fishermen To Make St. Paul Home

Alex Kudrin, owner of the F/V Rena Gal, has fished for halibut in St. Paul since the late '90s. Today, he says, fishing for the Central Bering Sea Fishermen's Association (CBSFA) Cooperative has made a measurable difference in his quality of life and that of his three-man crew. Since CBSFA started buying fish from the local fleet, St. Paul fishermen are probably the best paid in the state. "It has made my life better—big time," he says, adding that over the past two years higher prices have meant substantially more money for his boat, allowing him to hire a third deck hand and a babysitter.

Jeff Kauffman, 38, has lived in St. Paul since he was eight years old and has commercially fished for 25 years. While he was still in college, it was CBSFA that gave him the loan to buy his first fishing boat, allowing him to return to St. Paul and fish the CDQ shares. This gave him leverage to take out other loans to buy gear, his own IFQ shares, and another vessel, all things he says that would not have been possible if CBSFA had not hired his boat to fish its shares. Today, he and his wife and three kids call St. Paul home and he fishes for the Coop. Because of the higher-than-average ex-vessel price he gets paid through the Coop, Kauffman says he is able to employ nine people, many of whom are high school and college ages. It is likely that several of them will be the next generation of fishermen who also make St. Paul their home.

When CBSFA created the Coop program in 2003, its goal was to increase ex-vessel prices paid to the local fleet and to maintain a self-sustaining local fleet support program. Managed with local fishermen, today it is a showcase example of how the CDQ program works for Western Alaska communities. The Coop is operated in conjunction with local fishermen who catch the CDQ and IFQ halibut that CBSFA purchases. Trident Seafoods custom processes and markets the catch through a negotiated contract that includes freight, brokerage fees and cold storage costs. CBSFA's vessel the F/V St. Paul is used to catch quota that the local fleet is unable to catch. Net profits are then used to improve ex-vessel prices and cover the cost of the CBSFA Fleet Support Program.

Ex-vessel Prices Steadily Increase

The Coop has been the single most important development for the St. Paul Island CDQ group, allowing for 100 percent of the CBSFA halibut allocation to be harvested and resulting in a direct economic impact to local fishermen and to the community. What it means for locals is that fishermen who have not been able

Photos clockwise: Local halibut fleet docked in St. Paul Harbor; Ricardo Mercurief hauls in the catch on F/V Saint Paul; Ray Melovidov from CBSFA distributes halibut fletches donated to St. Paul elders; CBSFA management, staff and F/V Saint Paul crew stand aboard the newly constructed CBSFA longline vessel.

to work regularly now make enough money during the season to last year round, allowing them to stay in St. Paul instead of having to leave their hometown to find work.

Since its inception, more than \$8 million has been paid to local fishermen in the form of ex-vessel prices, including a retroactive ex-vessel price adjustment — similar to an end of season bonus—that is paid out after the season's profits are determined. The success of the program has resulted in increased prices every year to date. In 2003, CBSFA paid an initial ex-vessel price of \$1.90 and ended the season with a final price of \$2.60. In 2004, CBSFA again increased performance over the previous year by ending the season with an ex-vessel price of \$2.77. Then 2005 was a record year with an ex-vessel price of \$3.00 after the first retro payment was issued that October. In 2006 an extraordinary average ex-vessel price of \$4.91 per pound was paid to fishermen and with local vessel landings at 512,268 pounds this amounted to more than \$2.5 million paid to local fishermen. In 2007, local landings amounted to 562,264 pounds and \$5.80 per pound was paid to fishermen.

F/V St. Paul Adds Local Jobs

The newest development in the program is the addition of its large custom-built halibut boat, the F/V St. Paul, which came online this year. Before it was built, to take advantage of the IFQ quota that had gone uncaught for years, the program had to rely on outside vessels to catch what the local fleet of smaller 26' to 36' boats could not. Besides the economic impact from the Coop, the 58-foot F/V St. Paul will also add new jobs to the local economy and will employ a local skipper, four crew members and an engineer, all of whom will benefit from training and employment. The new, larger vessel will also be able to fish for cod, which means another source of local employment and more profits that can be invested back into community development.

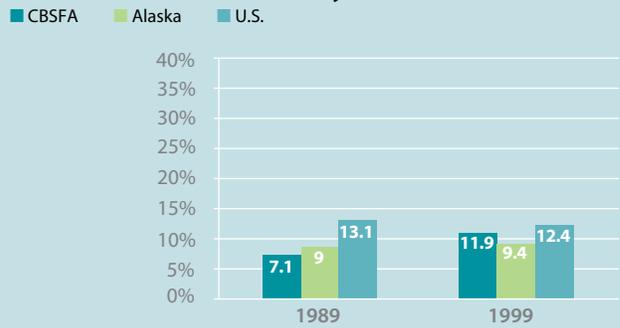
All of this adds up to more money that will stay in St. Paul and, according to CBSFA, compared to some efforts to help local fishermen, it is a fully sustained, self-supportive fishery: the fishermen catch the fish, pay the bills and receive the benefit. Considering the intent of the CDQ program to develop sustainable fisheries in communities, this makes CBSFA fully compliant with the original goals of the program.

Looking ahead, CBSFA hopes to be more directly involved with the retail market, increasing its own efforts to market and broker fish, which could mean additional savings on the wholesale price. Last year the Coop started to become involved in its own direct marketing when it attended an international trade show that brought buyers and sellers together and resulted in discussions that could lead to new wholesale agreements with major seafood retailers.

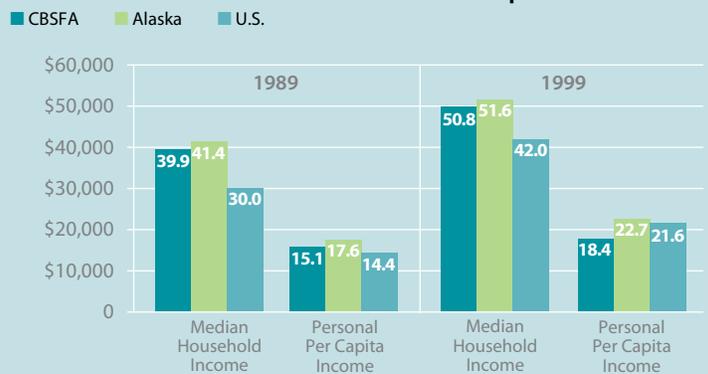
CBSFA Population



CBSFA Communities' Poverty Rate



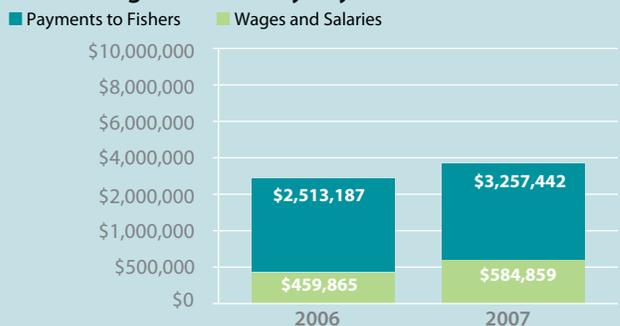
CBSFA Communities' Household and Per Capita Income



CBSFA Jobs and Fishery Workforce



CBSFA Wages and Fishery Payments





COASTAL VILLAGES REGION FUND



CVRF Region



Halibut, Salmon Plants Inject Money, Jobs into Region

Edward Kiokun, Theresa Williams and Mike Brown have very different roles in getting some of the world's best seafood to market. In addition to their respective contributions as a halibut fisherman, halibut plant office worker and transportation manager, their efforts also advance the vision of the Coastal Villages Region Fund (CVRF) community development plan: to develop sustainable economies by investing in the local people and resources.

CVRF encompasses a region of 20 communities from Scammon Bay to Platinum along the west coast of Alaska. In seven of these villages, CVRF has established halibut and salmon processing plants and buying stations to improve the quality of life for current residents and future generations. In 14 communities, CVRF has also built fishery support centers and is providing professional mechanics and welders to serve the region's growing small vessel fleet. In the village of Quinhagak, CVRF upgraded a full-service salmon plant that provides 125 plant jobs to residents and a market for hundreds of fishermen from this area. In the nearby village hub of Bethel CVRF also operates a salmon buying station that purchases fish from more than 250 of the region's fishing permit holders.

CVRF's growing plants and facilities infrastructure would not exist or be able to be maintained without the CDQ program and its investments in the Bering Sea groundfish fisheries. Without CVRF plants, there would be no place for fishermen to sell their halibut and there would be only one other salmon buyer in the entire region. In addition to paying the highest processing wages in the state, CVRF plants inject new money into the communities. A record 145 permit holders from 16 villages delivered salmon to the Quinhagak plant, where \$1 million was paid to processing workers and \$962,000 was paid to the fleet for a record 2.2 million pounds of fish. The harvest also meant 150 processors worked in the village during peak season. In 2007, 412,502 pounds of halibut were delivered to the plants—a record by the local fleet—and \$1.1 million was paid to local halibut fishermen.

Investing in Local People and Resources

CVRF communities are among the most economically challenged in the CDQ program. The Kuskokwim Delta Region alone ranks as being one of the most impoverished areas in the world, based on globally-accepted definitions of poverty. CVRF has responded by focusing on economic development opportunities that produce jobs in its communities and today 98 percent of its plant employees are

Photos clockwise: Quinhagak salmon plant processors; Quinhagak salmon plant dock workers unloading salmon; Community of Quinhagak, Alaska; Fishermen delivering salmon to the Bethel Buy and Fly Station.

from the CDQ regions. Every year, the plants employ more than 250 residents and more than 550 individual fishermen sell their halibut and salmon to CVRF.

Kiokun, the 24-year-old fisherman from Mekoryuk, sells his halibut to the plant there. The plant improves the efficiency of processing the fish, giving him more time to make more money. As a seasoned highliner and captain, he also sees other improvements in halibut processing, including more sanitary conditions and a more automated cycle that ultimately results in a better product because it can get to market much sooner. "Last summer I had 50 percent more poundage than in previous years and I've seen that happen with four or five other fishermen who are also highliners."

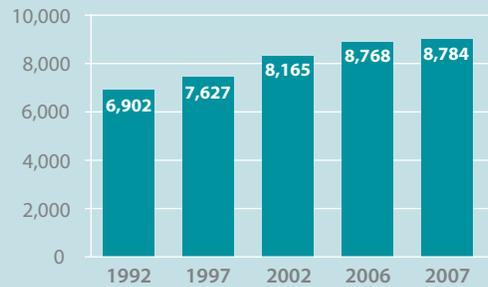
Theresa Williams is an office assistant in Mekoryuk, a full-time seasonal position she has held for two years since being promoted. She is responsible for helping with everything from standard clerical tasks to weighing 100-lb. boxes of fish, and prepping the airplane manifest. After a total of nine years at the plant, including seven working in different capacities on the slime line, she already knows both the frontline and the behind-the-scenes operations that lead up to getting the fish to market. Since she started working at the plant right out of high school, she says she has always had supervisors who invested in her training and knowledge.

After Theresa is done with her part of the process, Mike Brown, Operations Manager for Arctic Transportation Services (ATS), an all-cargo airline that flies to 75 communities in Western Alaska, puts the fish on one of his planes, typically headed for Anchorage. Over the past 21 years of servicing the fishing industry and getting to know the people of the CVRF Region, he sees the economic benefits of the halibut and salmon plants along with the improved morale in the communities.

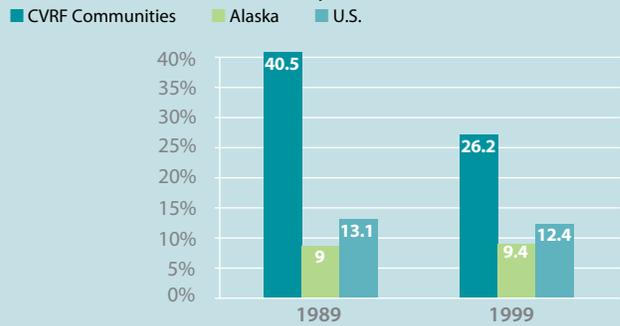
Because of the increased volume from the halibut plant, the smaller planes that he once landed in Mekoryuk have been replaced with large cargo planes equipped with a loading ramp. "More fish is being caught, so we see an increase in freight because people are ordering more products," including four-wheelers, snow machines, furniture, lumber and big screen TVs. "This means we have more loads and that makes it more efficient for the plant's transportation needs." At the same time, he says, this multiplier effect has required him to hire more people to handle the increased cargo and most of these jobs are in villages that otherwise have few job opportunities available.

CVRF is not resting on its success in providing economic opportunities. Currently, it is building a new seafood plant in Platinum, which will be the largest in-region project in the 16-year history of the CDQ program. Opening in the summer of 2009, the new plant will have housing for 126 workers and a state-of-the-art processing facility, and will greatly expand the market that CVRF can provide to fishermen throughout the region.

CVRF Communities' Population



CVRF Communities' Poverty Rate



CVRF Communities' Household and Per Capita Income



CVRF Jobs and Fishery Workforce

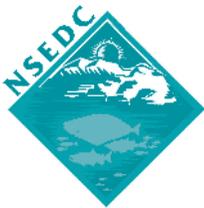


CVRF Wages and Fishery Payments





NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION



NSEDC Region

Port Clarence Red Salmon A Viable Resource for All Users

Creating sustainable communities and a fisheries-based economy in the Norton Sound region is a challenge even when fish are plentiful, but how can those goals be realized when the fish have practically disappeared? This was the dilemma facing the Norton Sound Economic Development Corporation (NSEDC) when considering a once productive sockeye salmon run near the communities of Teller, Brevig Mission and Nome.

Since the inception of the CDQ Program, the NSEDC Board of Directors and staff recognized that the fishery represented an opportunity and a challenge. What resulted from that recognition is a decade-long effort to rehabilitate the run, restore the subsistence fishery, and provide new economic opportunities for the residents of Teller and Brevig Mission.

Lifelong residents remember a time years ago when Salmon Lake sockeye were plentiful. In the 1960s, construction of the Nome-Taylor Highway disturbed spawning habitat and provided easier access to the Pilgrim River, resulting in increased salmon harvesting. Combined, these impacts led to the closure of the fishery.

NSEDC and other organizations sought to restore the run to historic return rates after almost 40 years of chronic low production. The Norton Sound Fisheries Research and Development Department (NSFR&D), a division of NSEDC, approached the Alaska Department of Fish & Game (ADF&G) and the Bureau of Land Management (BLM) to collaborate on research.

Research findings indicated that low return rates resulted in low nutrient levels, compounding earlier habitat disturbance and over fishing. Restoring the run would require a significant investment in monitoring and fertilization. NSEDC, BLM and ADF&G again partnered on initial rehabilitation efforts, this time with Kawerak, Inc., the tribal government for this area. The program included installing a weir and applying fertilizer.

Planning for Success

In 2004, NSEDC took over the rehabilitation effort. Through ongoing monitoring and fertilization, NSEDC hoped to create a viable resource for subsistence and commercial users. According to Charlie Lean, NSEDC biologist, annual escapements have exceeded 42,000 fish since 2003. Prior to NSEDC efforts, escapements averaged 5,000 to 10,000 fish.

The rehabilitation effort became a valuable training ground for area residents interested in fisheries research and management. "In addition to working as harvesters and processors, we want to see residents preparing for and

Photos clockwise: Jazzlyn Garnie, assists her family every summer by cutting red salmon for drying and smoking; Salmon are iced in a tote to be transported to Nome for processing; The NSSP buying station in Teller next to a subsistence user's fish drying rack; Commercial fisherman, Kenny Hughes, delivers to the NSSP buying station in Teller.

moving into fisheries management. All of these jobs are necessary for a sustainable, fisheries-based economy and viable communities," Don Stiles, the NSEDC Board member from Nome says, pointing out that NSEDC has employed dozens of fisheries interns over the past decade.

The restoration project has pleased residents by providing access to subsistence fishing. Subsistence harvests have more than tripled since 2002, with the fishery becoming a staple for many residents in northern Norton Sound.

A successful fishery maintains the resource by meeting escapement goals, while balancing the needs of harvesters. The restoration of the sockeye run has been so successful that NSEDC was faced with a new dilemma: a surplus of fish to meet subsistence needs and possibly more than the ecosystem can support.

Norton Sound fisheries managers and biologists became increasingly confident that the run could support a small commercial fishery while still fulfilling subsistence needs. NSEDC proposed limited commercial harvests to the Alaska Board of Fisheries, which codified the fishery. NSEDC's proposal for the Port Clarence sockeye fishery specified two purposes: to ensure that the ecosystem is not overpopulated, and to provide an economic boost in two communities with high rates of unemployment.

To participate in the commercial fishery, residents purchased the necessary permits, boats and gear through an NSEDC loan program. Teller resident Norman Menadelook was one of the first harvesters to use the program. "Without NSEDC assistance, I would not have been able to acquire a permit and salmon net. I'm not only able to harvest salmon for subsistence purposes, but now I am also able to earn money for my family."

New Jobs for Locals

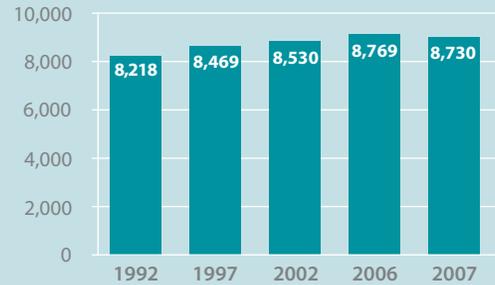
In 2007, NSEDC cautiously established a Port Clarence buying station. Although it's a small-scale facility, NSEDC subsidiary Norton Sound Seafood Products' (NSSP) operations for the sockeye fishery are labor and time intensive. The buying station represents NSEDC's ongoing commitment to developing the run as a viable economic resource for both subsistence and commercial users.

"We had to move beyond simply being harvesters to develop this fishery. Through the CDQ Program, we have been able to invest in the resource itself. Our commitment to the fishery has become fully integrated—from the resource, to the users, from harvesting, to buying and processing," Lean says.

"Management of this fishery must take into account scientific and subjective concerns," he adds. NSEDC Board members and staff recognize residents' subsistence needs and the potential benefits from expanding opportunities for commercial fishing. "We understand the inherent conflict between subsistence and commercial fisheries and NSEDC is taking both sides into consideration. If we fertilize it enough for both subsistence and a commercial fishery, and it is properly managed, it will continue to thrive and more people in Teller and Brevig Mission can work at the buying station and as fishermen," Lean says.

"It's a renewable resource if it's fished with good management," Joe Garnie, a Teller resident, subsistence harvester, and NSEDC Board Member says. "This will be an annual source of jobs. If it gets to the point where the fish are processed here, it will be a big income boost for many people. That's the top end of the deal."

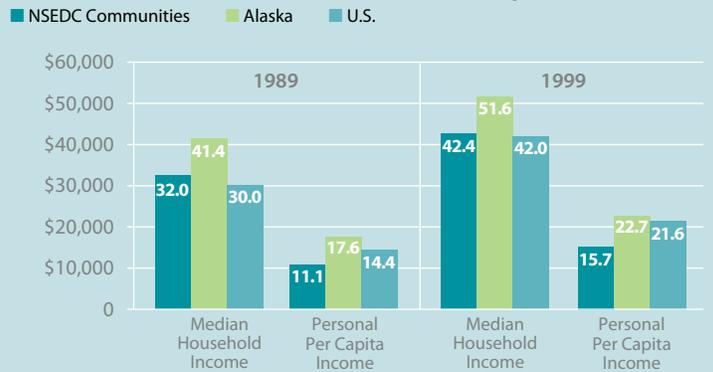
NSEDC Communities' Population



NSEDC Communities' Poverty Rate



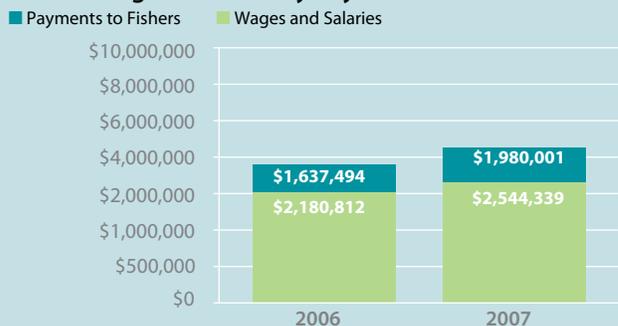
NSEDC Communities' Household and Per Capita Income



NSEDC Jobs and Fishery Workforce



NSEDC Wages and Fishery Payments





YUKON DELTA FISHERIES DEVELOPMENT ASSOCIATION



YDFDA Region



Photos clockwise: Boxing fish on the Kwik'pak Barge F/V Yukon Delta; Preparing for fishing in Emmonak, Alaska; Kwikpak fishers, Eunice and Jerry Alexie from Pitkas Point, sharing their product at Boston Seafood Show; Processing fish on Kwik'pak Barge F/V Yukon Delta; Fishing fleet ready for opening.

Kwik'pak Fisheries Develops Sustainable King Salmon Market

Kwik'pak Fisheries started from nothing. But like the wild king salmon that makes its annual journey down the Yukon River, it has arrived.

Since first forming in 2002, it has become regarded as the premier purveyor of the King of Kings—what world renown chefs and food wholesalers say is the highest quality of salmon in the world, with an oil content of up to 34 percent and flavor and texture that is unrivaled. In a blind taste test, 23 out of 25 participants preferred Yukon River kings.

Owned by Yukon Delta Fisheries Development Association (YDFDA)—the CDQ group for Alakanuk, Emmonak, Grayling, Kotlik, Mountain Village and Nunam Iqua—Kwik'pak was formed after the fishing industry took a nosedive in the late '90s and the number of fish processor-buyers in the Lower Yukon area went from 12 companies to two. With no competition, YDFDA feared that the 700 Yup'ik fishermen in the region would not be paid fairly for their fish, or that the processors would only buy from a few select fishermen.

Although not quite sure there would even be a 2002 fishery that season, the company was launched so that it would be ready for a limited opening, Jack Schultheis, General Manager for Kwik'pak says. The following year, the company started working on its strategy to develop a sustainable market for the salmon that today is caught by more than 700 lower Yukon River area residents.

As a buyer and processor, in addition to providing the fairest prices to fishermen, Kwik'pak's goal is to increase income and improve the standard of living for Yukon Delta households. By processing salmon in the villages, Kwik'pak also provides jobs for local residents and stimulates the economy there. Since Kwik'pak was formed by YDFDA, it has created new jobs for office workers, accountants and purchasing staff. It also takes advantage of trained welders working at Yukon Marine Manufacturing, a subsidiary of Yukon Delta Fisheries that has been building aluminum skiffs since 1999.

Largest Processor, Buyer on Lower Yukon

After first acquiring equipment and facilities, Kwik'pak invested in buying stations and more equipment to better serve the other villages. At the same time, it bought all the fish that was available to them, for the first few years flying the product out of the region to be processed in Anchorage or Kenai because it

did not have its own facility. In 2003 the company established additional buying stations in Kotlik and Mountain Village, each being managed and staffed by village residents. When Yukon Delta Fish Marketing Co-Operative closed its doors, Kwik'pak acquired the former processor's primary equipment and assets, including the processing barge in Emmonak. This enabled Kwik'pak to do primary processing in Emmonak and employ more local workers. By 2005, Schultheis says, "Kwik'pak had established itself as the largest processor on the Lower Yukon River achieving YDFDA's goal of becoming the major buyer on the Yukon and employing more than 300 local area workers."

Frances Thompson and his wife Michelle live in St. Mary's and sell their fish to Kwik'pak. Although the more-than-competitive prices it pays for their fish have improved their personal finances—Kwik'pak averages \$1 more per pound than other buyers—at the same time, he appreciates the training and education that is available, quality control and chilling measures, fuel reimbursement for deliveries, and having one voice for addressing the region's commercial and subsistence fishing issues. He has also relied on Kwik'pak for advances and down payments, he says, and to get gear and supplies brought into Emmonak. Kwik'pak's investment in the area's future is also apparent through internship and scholarship programs, small business development training, and its efforts to develop other fisheries.

Marketing Efforts Pay Off

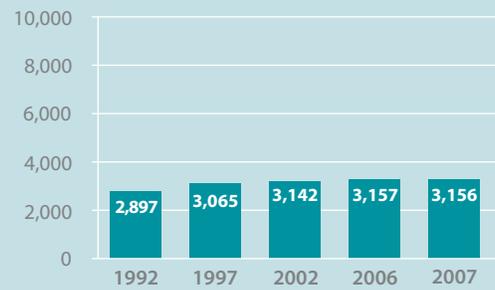
Kwik'pak also includes fishermen in its extensive marketing program, including taking them to the Boston Seafood Show, an international marketplace that connects buyers and sellers from around the world. The results are paying off. Today, Schultheis says, some of the biggest names in the industry are signing up with Kwik'pak because they know the fish is a superior quality and they support the commitment to sustainability and social responsibility.

Dole Asia, the regional headquarters of Dole Food Company, is the world's largest producer of high quality fresh fruit and vegetables and has a growing line of packaged and frozen foods. Besides looking for the highest quality, safest food products available, it is committed to doing business with companies that continually improve the well being of its customers, communities, employees and owners. After meeting Schultheis at the Boston Seafood Show last year, Dole representatives came to Emmonak to visit the Kwik'pak plant.

Dole has since made eight trips to Alaska to facilitate the relationship and in the fall of 2008 it will take five people from each lower river village to Manila or Singapore to host a mentoring program at its expense. Now, Kwik'pak is the only seafood company Dole buys from. Other big customers include Whole Foods Market and Bristol Farms and every season 20-30 new potential buyers, ranging from restaurant chefs to presidents of big corporations, come to Emmonak to see the value of what Kwik'pak offers.

The biggest challenge now, Schultheis says, is to continue to employ more people in the region, which will naturally happen as the marketing efforts pay off and there is an even bigger demand for product. Eventually, Kwik'pak will also build a shore side facility, which will create a need for winter processors.

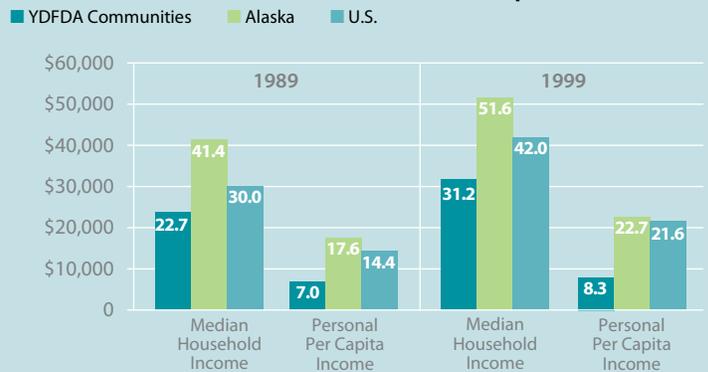
YDFDA Communities' Population



YDFDA Communities' Poverty Rate



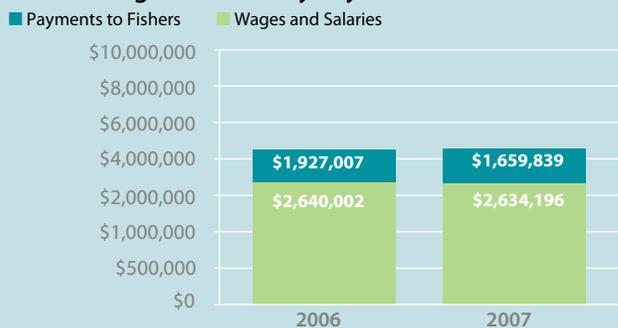
YDFDA Communities' Household and Per Capita Income



YDFDA Jobs and Fishery Workforce

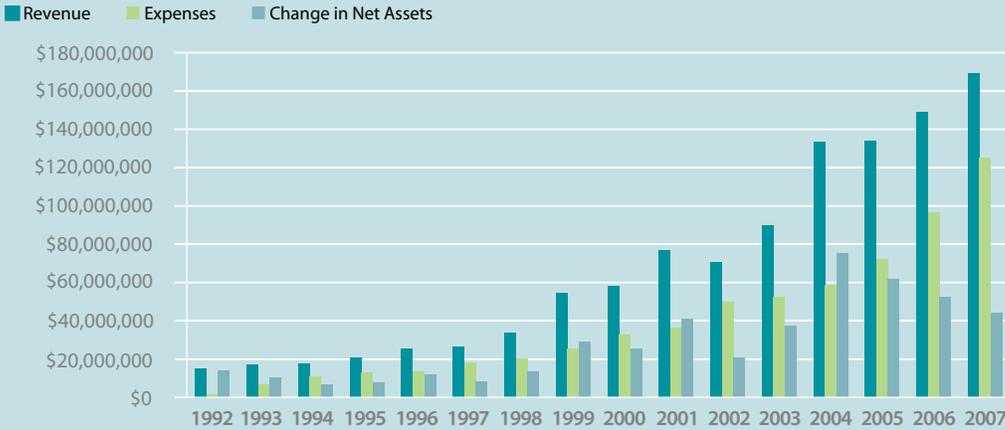


YDFDA Wages and Fishery Payments

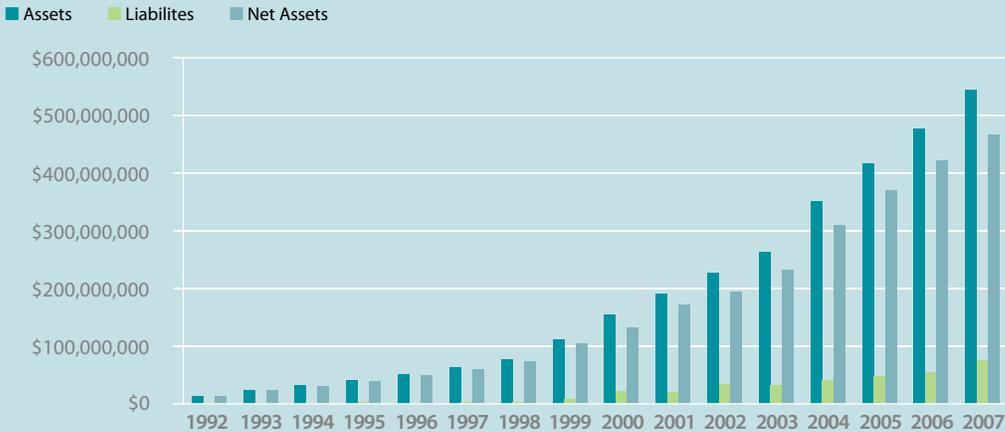


OVERALL FINANCIAL PERFORMANCE

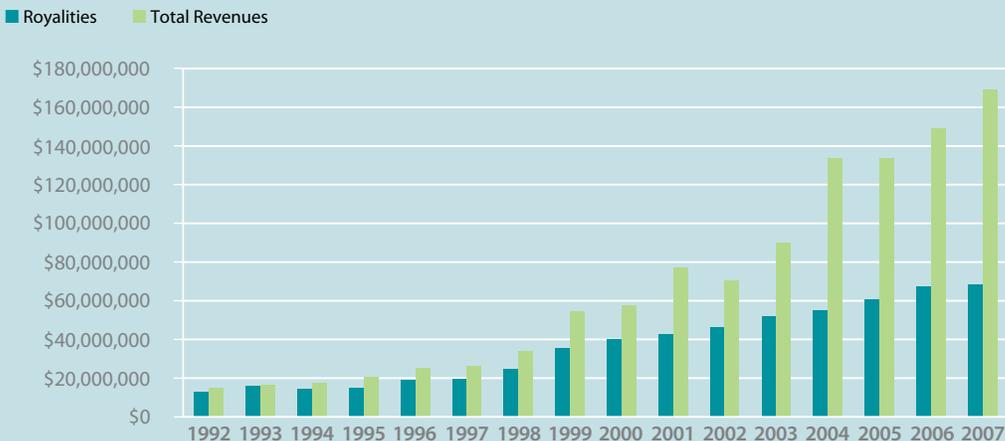
Aggregated Statement of Activities



Aggregated Statement of Financial Position



Aggregated CDQ Royalties vs. Total Revenues



Financial performance is a key metric for each entity and the CDQ program as a whole. The six CDQ entities are federally-recognized nonprofit organizations under the Internal Revenue Code section 501 (c). Each entity has a separate board of directors that independently governs the organization, selects and supervises its chief executive officer, and reviews the overall performance of the entity.

Aggregated financial statements for the six CDQ entities are provided in the charts to the left.

The Statement of Activities is the nonprofit equivalent of a profit and loss statement. In 2007, the six CDQ entities generated nearly \$170 million in revenue with operating expenses of \$125 million, resulting in an increase in net assets of nearly \$44 million. Operating expenses include all program costs, investments, and general and administrative expenses.

The Statement of Financial Position is the nonprofit equivalent of a balance statement. In 2007, the six CDQ entities combined held assets totaling more than \$543 million and liabilities totaling just under \$75 million; bringing combined net assets to \$465 million.

Of the nearly \$170 million in revenues, roughly 41 percent was derived from CDQ royalties. Direct income exceeded royalty income for the first time in 2004. That pattern has continued since that time with direct income ranging from 54 to 59 percent annually.

The six entities produce annual reports that are distributed to local residents in accordance with WACDA Resolution 2008-01.

More detailed information from this report can be found at wacda.org and on the web sites of the six CDQ entities.



Representatives of the six CDQ entities sign the WACDA Membership Agreement on September 28, 2007. The agreement outlines a process for rulemaking to which the six entities agree to adhere.

ABOUT WACDA



The Western Alaska Community Development Association (WACDA) is the governing panel for the Western Alaska Community Development Quota (CDQ) Program. Authorized in the Magnuson-Stevens Fishery Conservation and Management Act in 2006, WACDA is a non-profit trade association that serves the six CDQ entities responsible for implementing the program. WACDA is governed by a six-member board of directors that acts on a unanimity standard. Based on the WACDA Membership Agreement, the panel operates through a private contractual arrangement to administer those aspects of the CDQ program not otherwise addressed in federal statute, and works to coordinate and facilitate activities of the entities under the program.

WACDA Board of Directors



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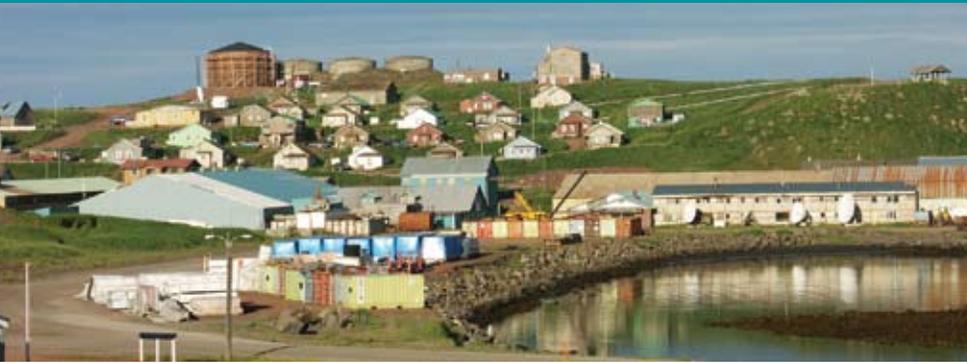
Bristol Bay Economic Development Corporation



William Charles

Member

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