



Western Alaska Community Development Quota Program

Supporting the Advancement of Bering Sea Communities

2008



About The Community Development Quota Program

The Western Alaska Community Development Quota Program is widely viewed as one of the most successful rural development programs ever undertaken in Alaska. Devised as a means to develop economic opportunities for 65 communities along the coast of the Bering Sea, the Magnuson-Stevens Fishery Conservation and Management Act mandates that the program provide eligible villages with an opportunity to participate and invest in Bering Sea fisheries, support economic development in the region, alleviate poverty, provide economic and social benefits to Western Alaska residents, and achieve sustainable and diversified local economies.

At the program’s inception in 1992, the 65 eligible villages faced discouraging circumstances: limited economic opportunities, high unemployment, heavy reliance on subsistence activities, poverty rates far above state and national averages, geographic isolation, and a daunting cost of living. Over the course of the past 16 years, the program has generated more than \$240 million in wages, payments to fishers, and scholarships and training benefits. Additional benefits from the program accrue to local, borough and state governments. In 2008, payments to individuals and communities totaled more than \$51 million.

While the benefits of the CDQ program have been significant, those benefits did not happen in a vacuum. Western Alaska villages have weathered substantial challenges since the program was established. Alaska salmon, once able to command premium prices on the world market, was significantly devalued by the rise of farmed salmon elsewhere in the world. The impact of climate change threatens the very existence of some CDQ villages—from declining sea ice to coastal erosion and the disappearance of subsistence food sources. Double-digit unemployment remains common among the smallest, most remote communities. Escalating energy and fuel costs have piled on an ever-greater burden to the cost of living in Western Alaska.

The setting and the circumstances have challenged the six community coalitions vested with implementing the CDQ program. Even so, the investments, jobs and programs created by the six CDQ entities are having positive impacts on Western Alaska villages and residents. The CDQ program represents a substantial opportunity and an important asset in responding to the challenges faced in Western Alaska. This report highlights the progress achieved through the CDQ program, how CDQ entities and villages are responding to challenges, and how CDQ investments are helping fulfill the statutory mandate of the program.

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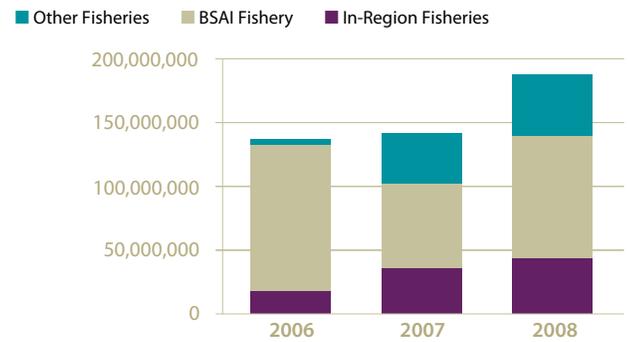
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CDQ Program: A Model For Sustainable Communities

Investments in Economic Capital

In pursuit of the purposes of the Western Alaska Community Development program to develop sustainable, fisheries-based economies in 65 Western Alaska villages, the six CDQ entities made economic investments totaling more than \$180 million in 2008. All of these investments are categorized as fisheries-related investments as defined in the Magnuson-Stevens Fishery Conservation and Management Act. Since 2006, the program also allows for nonfisheries investments, which are limited to 20 percent of total investments. Lack of clarity on the term “annual investments” has served as a disincentive to the CDQ entities to pursue nonfisheries investments. WACDA has proposed definitions and clarifications to National Oceanic and Atmospheric Administration (NOAA) Fisheries that will remove the disincentives to pursuing nonfisheries investments.

Aggregated Economic Investments

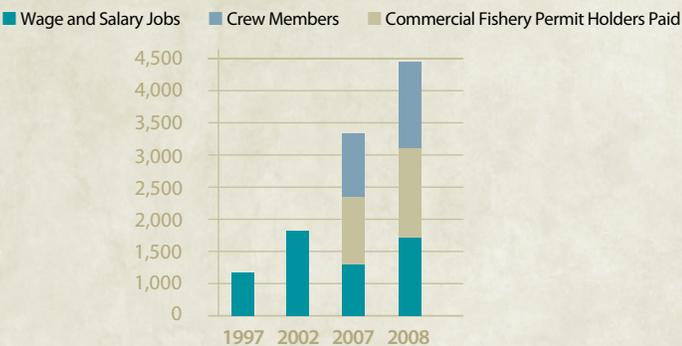


Investments in Human Capital

Each CDQ entity provides training and scholarship opportunities to prepare residents in eligible communities for job opportunities, skill development and career advancement. In 2008, the six CDQ entities granted nearly 700 scholarships totaling a combined human capital investment of \$1.7 million. Combined training investments totaled more than \$800,000 for the year, providing more than 500 training and skill development opportunities to eligible residents.

In 2008, the six CDQ entities provided wage and salary jobs to more than 1,600 individuals. Total combined payroll for the year exceeded \$22.3 million. CDQ processors, fish-buying stations, and other fisheries businesses paid ex-vessel payments of \$12.2 million to more than 1,400 fisheries permit holders in Western Alaska. In turn, those permit holders supported an estimated 1,400 crew member jobs.

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 2007 and 2008 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.

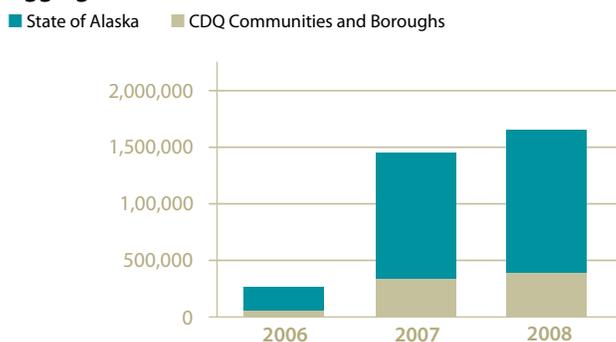


Investments in Community Capital

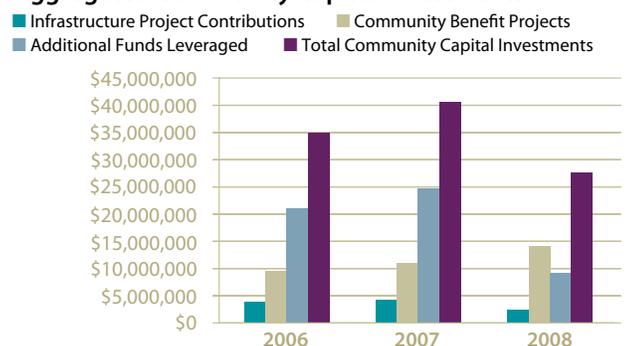
The six CDQ entities partner with state, federal and local governments, as well as other regional organizations, to leverage available funding for community capital investments that increase eligible communities' capacity to govern, provide basic services, and improve living standards in Western Alaska. Community capital investments take many forms including seed, matching or completion grants to municipal governments, tribal entities and non-governmental organizations (NGOs) in CDQ villages for infrastructure projects, facilities, municipal government and NGO operations, equipment, environmental programs and projects, and educational programs and support.

In 2008, the six CDQ entities provided \$2.8 million toward community infrastructure projects and \$14.8 million in community benefit projects. These investments leveraged an additional \$9.8 million from other sources, bringing the total value of community capital investments to \$27.4 million for the year.

Aggregated Fees and Taxes Paid to State and Local Government



Aggregated Community Capital Investments



Aleutian Pribilof Island Community Development Association



Jason Dirks' older brothers reminisce about a time, before the CDQ program, when they worked for the local processing plant for free. Last year, for the first time in its 14-year history, Atka Pride Seafoods (APS) is 100 percent operated and managed by Atka residents, paying locals the best wages in the community

and presenting opportunities for advancement. The plant has also operated in the black for the past five years and benefits the City of Atka by generating raw fish tax revenues—two percent of the landed product value. In 2008, that meant more than \$37,000 being deposited into the city's general fund.

APS formed in 1995 when the Aleutian Pribilof Island Community Development Association's (APICDA) wholly owned for-profit subsidiary called APICDA Joint Venture, Inc., formed and partnered with Atka Fisherman's Association (AFA) to develop the plant. Today, the facility processes 500,000 pounds of halibut and sablefish every year. A plant retrofit project, slated for completion in June 2010, will increase processing capacity by 65 percent and will hire more employees as it diversifies the species of fish it processes.

In this Aleutian Island village of less than 150 people, the plant offers locals like Jason the opportunity to become the next generation of business leaders. Not having to leave home to find work and having steady employment has also improved community morale, Mark Snigaroff, President of AFA says. "We are really happy with the inception of the CDQ program. Not only has it created jobs and scholarship programs for locals, but it also recruits from the region and other CDQ groups, and it creates jobs in the winter time during pollock season."

Jason, 27, is one of the faces of Atka's future. Since starting as a processing worker 10 years ago, he has been promoted many times and today is the chief mechanic for APS, responsible for everything from operating and maintaining commercial machinery to making all electrical repairs. He also runs heavy equipment, the result of additional training provided through an APICDA scholarship, and is learning carpentry and electrical systems.



Jason Dirks, chief mechanic for APS, advanced with the help of training and an APICDA scholarship.

"If you want to find my mind, it's usually over in the tool box underneath the wrench," Dirks says. He is proud to be able to help his community by "helping local fishermen keep their money on ice," while at the same time learning new ways to make the processing plant more profitable. Whether he stays in Atka, or decides to explore opportunities off the island, he appreciates the additional education and on-the-job training that will continue to benefit him.

Jason is one example of how APICDA continues to plant the seeds of development in Atka, a community that once lost young talent because the lack of local employment opportunities forced them to leave their hometown in search of work.

Siblings Jimmy and Larisa Prokopeuff, 30 and 24 respectively, are also working toward leading the next generation of the Atka business community. Larisa started on the fish line and is now the APS office manager. Her job allows her to stay in Atka with her family and save money for buying a house there. Her older brother Jimmy says he started processing fish before being promoted to a forklift and crane operator. This summer he will be foreman and manager, which includes supervising 15 people and teaching them how to work efficiently. In the meantime, the siblings are role models for their younger brother John, 19, who works on the processing line during the summer fishing season.



Larisa Prokopeuff started on the fish line and is now the APS office manager.

Community development successes are diverse and far-reaching, benefiting all APICDA communities: Atka, Akutan, False Pass, Nelson Lagoon, Nikolski, and St. George. Ten years ago, APICDA lobbied Congress for \$1 million in funding for Atka's airport expansion, which helped fund the \$18 million facility that was completed this summer. It also contributed \$250,000 to help the city build a hydroelectric facility that will provide cheaper power for locals. In Nelson Lagoon, AJV partnered with the village corporation on a vessel and gear storage facility, and plans to construct a processing plant in 2011. In St. George, APICDA is building a processing facility, slated for completion in May 2010, and is completing the local harbor. The same is true in Akutan where APICDA has committed more than \$1



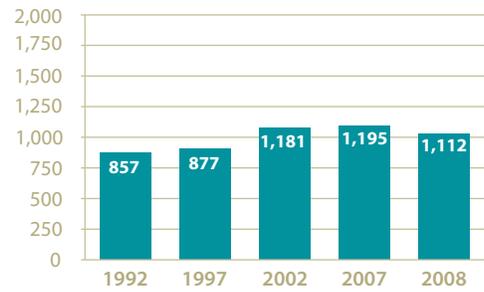
Bering Pacific Seafoods (BPS) in False Pass processes salmon, halibut and black cod.

million toward building a boat harbor. In Nikolski, APICDA has built a world-class lodge to generate economic activity through sport hunting and fishing.

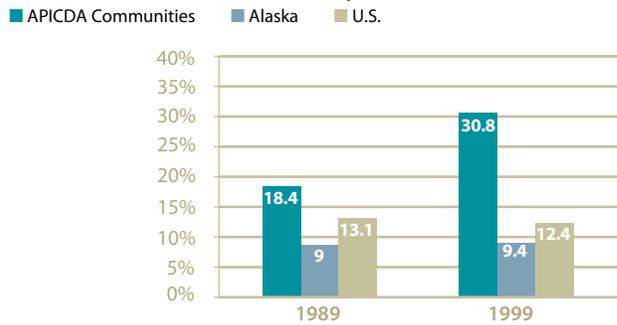
In False Pass, APICDA awarded the city \$450,000 for dock development projects in exchange for five acres of city land. That property is now home to Bering Pacific Seafoods (BPS), which opened in 2008 and just completed its second season of processing salmon, halibut and black cod in the 13,800 square-foot plant that provides local employment, markets for local fishermen, and tax revenues for the city. APICDA also completed the new boat harbor in False Pass this summer, a project that the CDQ group began working on with the Aleutians East Borough eight years ago.

“Everything APICDA does involves planting seeds for the future,” Gilda Shellikoff, Chair of APICDA’s Board of Directors, says. “As those seeds germinate, other opportunities present themselves and we move forward to make them a reality, too. In this way we accomplish our motto: ‘Helping to Grow.’”

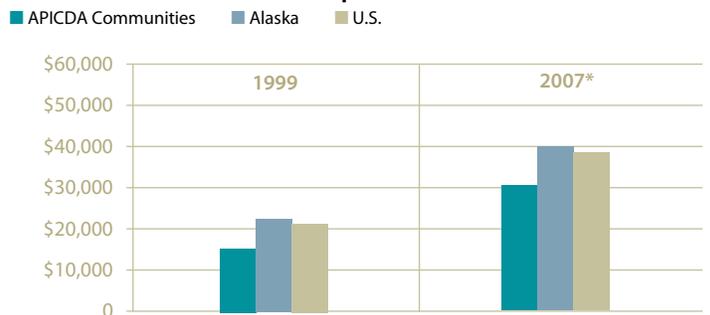
APICDA Communities’ Population



APICDA Communities’ Poverty Rate

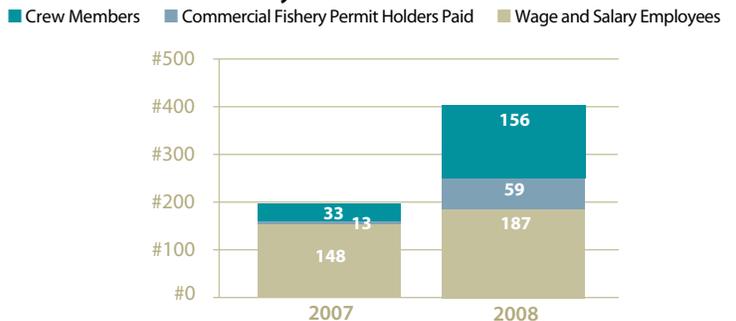


APICDA Communities' Per Capita Personal Income



*2007 PCPI is estimated using borough and census area data which includes communities outside of the CDQ Program.

APICDA Jobs and Fishery Workforce



APICDA Wages and Fishery Payments



Bristol Bay Economic Development Corporation



From harbor facilities and dock upgrades, to health care facility construction and comprehensive planning, the local block grant program funds fisheries-related infrastructure projects that are as diverse as the 17 CDQ communities in the Bristol Bay Region. Sponsored by the Bristol Bay Economic Development

Corporation (BBEDC), community block grants are awarded for projects that position communities to fully participate in the regional fisheries economy.

BBEDC developed flexible guidelines that let communities seek funding for projects that meet their unique and ongoing needs. In 2008, awards for up to \$159,000 per community allowed local planners and administrators to accomplish community projects and to leverage bigger pots of money, so that communities can plan for long-term development. This is especially beneficial to smaller communities that in the past have not been able to apply for large state and federal grants because they could not meet matching requirements.

For many years, Ekwok's clinic has not been able to handle any trauma cases due to the limited space for accommodating enough health care professionals and equipment. Ekwok is centrally located on the Nushagak River, a busy recreation area that sees hundreds of guided and unguided visitors, which means there is a constant demand on the clinic by visitors and locals from the neighboring villages of New Stuyahok and Koliganek.

After five years of planning, Richard King, Tribal Administrator for Ekwok Natives Limited, says that finally realizing the community's vision of accessible, quality health care is a critical step in making the community and its residents safer and more self-reliant. Using the \$159,000 block grant to apply for an additional \$1.6 million from the Denali Commission, Ekwok will soon open a new fully staffed 1,600-foot clinic.

When Dillingham applied for the BBEDC Block Grant to fund a waterfront study—part of its larger comprehensive plan funded at \$80,000—it focused on identifying the mix of industry, commercial and recreational development that would be appropriate for the waterfront. Currently, it includes the 100 year-old Peter Pan cannery, two fuel distribution businesses, the city dock and separate small boat harbor, along with several private residences and businesses.

Dillingham's economy is dependent on fisheries activities. At the same time, local leaders project that the land will become even more valuable, so developing a plan for future growth is a critical exercise for the community. The waterfront study is expected to be complete by fall 2010 and will include recommendations for how to best use the one-mile stretch of land that sits on Nushagak Bay. Likely economic development opportunities include port and harbor support, tourism

and recreation businesses and positioning it as a freight and delivery transportation hub.

"We have a lot of dreams of using the dock for different purposes, but the dilemma was how to make it all come together," Janice Shilanski, City Manager, says. Dillingham also supports the fishery by investing in infrastructure that improves the quality of Bristol Bay salmon. Although Bristol Bay is Alaska's most valuable sockeye salmon fishery, for the past 20 years the industry has had a reputation for delivering an inferior product because 80 percent of the boats did not have access to ice or an on-board means to chill their fish, which adds about 10 cents to the price paid for salmon and puts thousands of dollars more in fishermen's pockets. Using \$20,000 of a separate BBEDC Block Grant, Dillingham was able to accomplish some critical repairs and improvements to its ice machine so fishermen would have access to ice during the critical part of the fishing season.



Repairs and improvements to Dillingham's ice machine gives fishermen better access to ice during the fishing season.

"Anytime fishermen can get ice delivered, they're happy," Jean Barrett, the city's Port Director says. And for smaller skiffs, it is more convenient and fuel efficient for them to get ice in Dillingham, allowing them to maximize their time on the fishing grounds.

Top on the list of Twin Hills' priorities is protecting the clean water and surrounding habitat that supports commercial fishing and subsistence food sources including salmon, trout, herring, herring roe and kelp, blackfish, clams, geese, ducks, and berries. As temperatures continue to rise from the effects of global warming, residents are increasingly watchful of environmental changes taking place that could harm the Twin Hills River near the village of 76 residents. The landfill is within the river's floodplain, which increases the risk of garbage and waste washing into the water and threatening salmon and other plants and animals that live within the watershed.



As the recipient of a BBEDC Block Grant, the Twin Hills Tribal Council used part of the money to purchase a new landfill burn box and tractor-dozer for landfill clean up and to reduce the amount of waste at the site, Diane Abraham, lifelong Bristol Bay resident and BBEDC community liaison says. Part of the money was also used to replace one of the two community generators, the only source of electric power for residents. The community already has plans to use its future block grant to assess a way for using waste heat from the generator plant to heat community buildings.

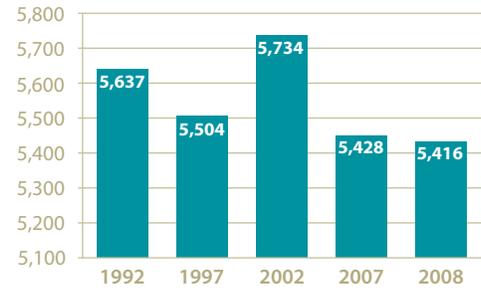
A big advantage of the BBEDC Block Grants is that the program's flexibility provides communities with the resources to address a wide range of unique and serious community development challenges. The process also encourages participation from residents.

"Block grants have proven to be an effective way for BBEDC to partner with our communities to address their individual needs and greatest opportunities," Alice Ruby, BBEDC economic development planner, says. "BBEDC sees the program as a means to enhance development and build capacity in partnership with our communities."

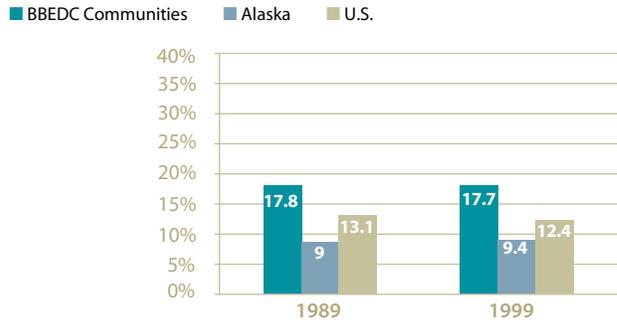


Dillingham used part of its BBEDC block grant to identify appropriate development for its waterfront.

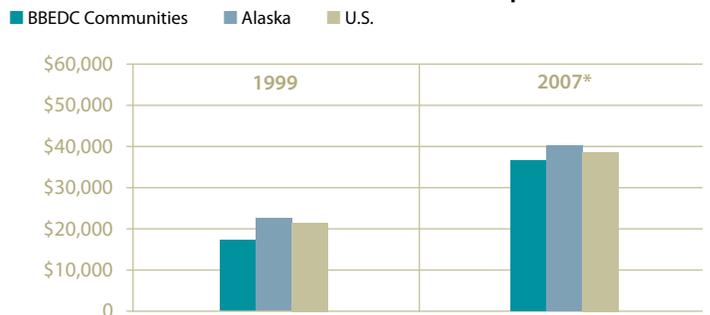
BBEDC Communities' Population



BBEDC Communities' Poverty Rate

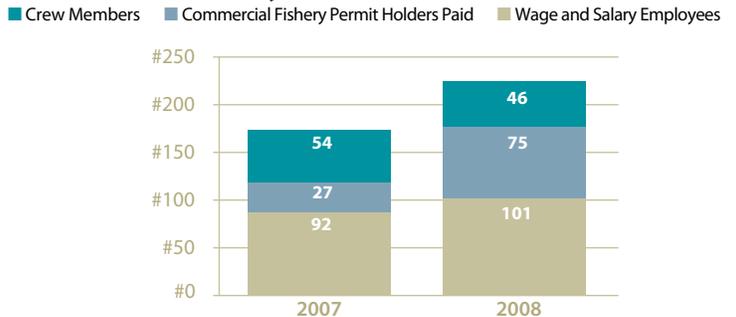


BBEDC Communities' Household and Per Capita Income



*2007 PCPI is estimated using borough and census area data which includes communities outside of the CDQ Program.

BBEDC Jobs and Fishery Workforce



BBEDC Wages and Fishery Payments



Central Bering Sea Fishermen's Association



The superior quality of halibut that comes from the rich waters of the icy Bering Sea shelf, combined with the mystique surrounding St. Paul Island where the fish is processed—these are the messages that will be in a marketing campaign as the Central Bering Sea Fishermen's Association (CBSFA) and local fishermen

work to promote their catch as the finest center-of-the-plate protein in the world.

The CBSFA Halibut Cooperative (Coop) was formed in 2003 and since its inception has increased ex-vessel prices paid to the local fleet, which is the primary goal of the program. The Coop is the single most important development for the St. Paul Island CDQ group, resulting in direct economic impact to local fishermen and the community.

Since CBSFA started buying halibut from St. Paul fishermen, the Coop has increased ex-vessel prices, significantly raising the level of local income. In 2008, 16 vessels employed 95 people landing about 848,000 pounds, which they were paid an ex-vessel price of \$3.50 per pound for a total of \$3 million in income. The Coop also employed 16 other locals as dock staff, security and crane operators, for an additional \$28,000 in income.

The Coop is a showcase example of how the CDQ program works for Western Alaska communities. CBSFA works with Trident Seafoods to custom process the catch. CBSFA's new and efficient 58' combination vessel, the FV Saint Paul, harvests the quota that the local fleet is unable to catch. Net profits from the sale of halibut inventory are then used to improve ex-vessel prices and cover the costs of the CBSFA Local Vessel Support Program, which provides mooring and keeps local vessels safely mobilized in the water.

Building on its initial successes of establishing the Coop and reaching its ex-vessel value goals, CBSFA is ready to increase this momentum by setting up a first-time distribution channel for premium value-added halibut products. The group is also working with American Seafoods to tap into restaurant and retail chains by using the company's worldwide distribution network to position Coop products as high-end culinary solutions. CBSFA has already started discussions with a well-known restaurant franchise and is in the process of negotiating the price.

Besides diversifying its market, overseeing its promotional efforts is another example of how the Coop is keeping more money in the community and in the pockets of fishermen. Until recently, once the Coop sold its catch, a second party was paid for the value-added processing of the organization's fish. Now they are in charge of that step in the marketing chain. The Coop is taking these value-added products to market this year and currently has enough inventory in cold storage to break into the market in time for the winter holidays.



The halibut will be a community branded product and will use its existing logo and name, though new branding development efforts are underway. Fishermen are also learning how to direct their own marketing efforts and will be participating in marketing by attending events like the Boston Seafood Show, which is North America's largest seafood trade event.

Although CBSFA sees the value-added product as a long-term investment rather than an immediate benefit, it eventually expects the program to deliver more value and increase the price it can pay its fishermen. The immediate benefits, though, mean more employment at the plant. Once the process is refined, CBSFA expects to need about 12 people to run the line from June-October, in addition to the processors that will be needed. As part of its commitment to taking this new halibut line from concept to completion, the Coop invested in portioning and packaging equipment, which also creates new jobs in the community.

Nicolai Melovidov, 42, is one of the first locals to be trained on the multi-vac and portion machines, which are used to cut and package serving size halibut portions. He is now responsible for operating and maintaining the equipment in off-season and during peak production times. CBSFA is also sending him for training this winter, which he says is what makes this a good opportunity, along with higher wages and more room for future advancement.



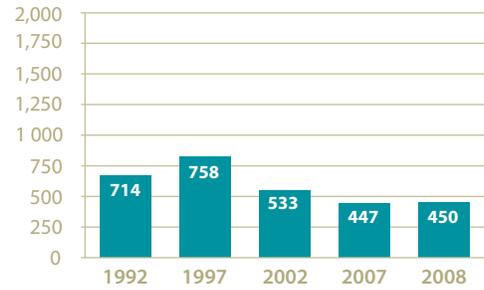
CBSFA buys halibut from St. Paul fishermen which has resulted in higher ex-vessel prices.

As a lifelong St. Paul resident, Melovidov says, "I have always dreamed of seeing a product like this leave the island," and it is consistent with other CBSFA operations and goals for economic and community development. "This is by far the freshest halibut packed anywhere and everyone on the island should be excited about it," he says, adding that the fishermen are looking forward to getting more profit from the sale of their halibut catch.

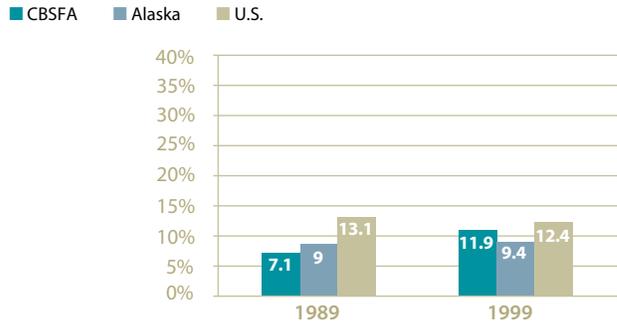


CBSFA is setting up a first-time distribution channel for premium value-added halibut products such as serving size portions

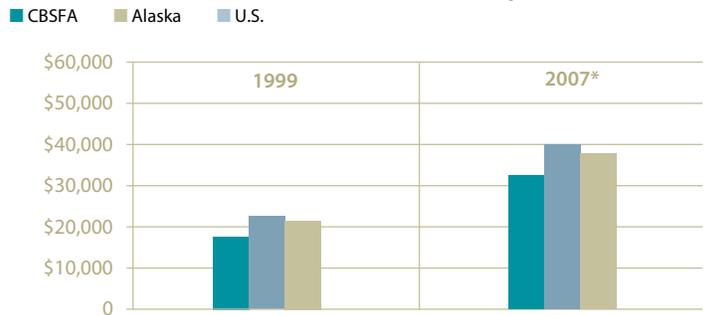
CBSFA Population



CBSFA Communities' Poverty Rate

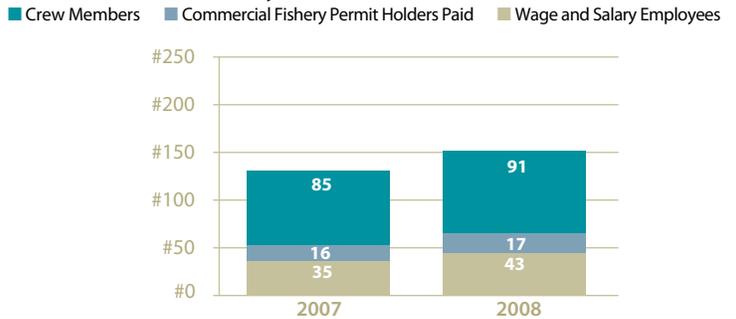


CBSFA Communities' Household and Per Capita Income



*2007 PCPI is estimated using borough and census area data which includes communities outside of the CDQ Program.

CBSFA Jobs and Fishery Workforce



CBSFA Wages and Fishery Payments



Coastal Villages Region Fund



Part recruiter, part coach, with a healthy dose of human resources administrator and a dash of counselor—this is just part of the job description for community liaisons (CL) who service 9,300 residents in the 20 member communities of the Coastal Villages Region Fund (CVRF).

The CL program is based on the 4-SITE model, which stands for scholarships, internships, training and employment, categorizing the areas of assistance that help locals prepare for and move into the job market.

For more than 16 years, CVRF has focused on economic development projects that result in new jobs throughout the region, such as building halibut and salmon processing plants and buying stations. By the late '90s it became apparent that there was an additional need resulting from its success to bring more employment opportunities into the region: people needed to be made aware of the jobs, and applicants who had been unemployed for years, or who had never been an employee, were more likely to be successful if they were coached during the application and hiring process.



In 2008, community liaisons helped 431 people find jobs in 20 communities.

Today, 98 percent of CVRF employees are from the CVRF region. These communities are among the most economically challenged in Alaska, facing high unemployment rates and social problems that present extra challenges for applicants. CVRF uses its CL program to foster the development of local applicants by giving them guidance and easy access to user-friendly professional development tools. At the same time, the program reinforces the CVRF vision: to develop sustainable economies by investing in the local people and resources.

Steven Stone from Hooper Bay is one of 19 liaisons in the CVRF region and one of two based in Hooper Bay. In 2008 alone, the Hooper Bay office employed 64 of about 1,160 local residents and a total of 431 people were put to work in 20 communities.

"It helps my community and other communities to employ locals," he says, especially in areas that have few jobs, or those where applicants may require special applications and certifications. Job candidates end up becoming like family, the part of his job he likes best, and it is not uncommon for him to work with more than one generation of the same family.

Fourteen Fisheries Support Centers (FSC) throughout the region are staffed by at least one CL, along with a part time mechanic-welder who is available for residents and fishermen who have repair and annual maintenance needs at CVRF plants—services that in the past have been provided by professionals from outside CVRF communities. Two more support centers will be built in Kipnuk and Tununak by the end of this year. Typically, visiting their community FSC is the first step toward working with a local CL to find out how to apply for jobs and scholarships, or to learn more about other CVRF programs and services, such as heating oil availability, tax assistance information, and training opportunities. Liaisons also travel to communities that do not have their own FSC.

In eight of the region's 20 villages, CVRF has halibut and salmon processing plants and buying stations. The salmon facilities are located in Quinhagak, and Platinum. Coastal Villages Seafoods also purchases salmon at the dock in Bethel. There are also six halibut plants in Mekoryuk, Toksook Bay, Tununak, Kipnuk, Chefornek and Hooper Bay. In addition to paying the highest processing wages in the state, CVRF plants inject new money into the communities. Most recruiting for the processing plants takes place in mid-winter and early spring as the region prepares for the pollock, rockfish, ground fish and crab seasons. These harvests also mean extra workers from throughout the region have to be brought into the villages, another recruitment effort that is the responsibility of the CL.

By all accounts, the liaisons play a measurable role in connecting people in communities to jobs and other opportunities for improving their quality of life. The 580 residents who used the employment program in 2008 earned a total of about \$4.5 million in wages and 62 percent of them worked in the villages. Including the 629 fishermen who deliver their catch to Coastal Villages Seafoods, CVRF provided jobs to one of every eight residents, making it the largest private-sector employer in the region. It also provided training for nine residents in the areas of construction equipment service, operating heavy equipment, and marine safety training.

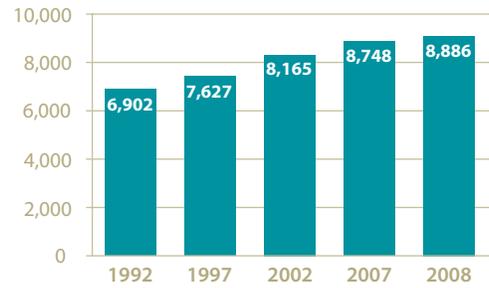


The Community Liaison program is based on the 4-SITE model, which categorizes the areas of assistance needed by locals.

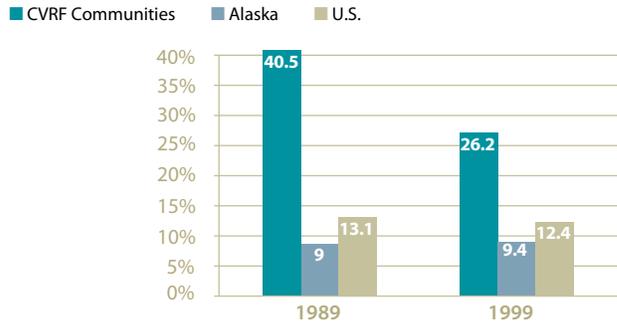
Internship placement and helping residents apply for scholarships are two of the most rewarding areas of the program, Stone says, because it is part of the cycle leading directly to employment and participants are not only improving themselves, but they are also setting a positive example for the younger generation. Last year, CVRF awarded \$504,000 to 93 residents to help them pursue higher education in everything from accounting and English to fisheries biology and construction trades. Of these, 73 went to universities and 20 attended vocational schools, and CVRF anticipates these scholarships leading to jobs when the students complete their studies. CVRF also provided internship opportunities for six residents last year: two worked at the American Seafoods corporate office in Seattle, two worked at the Lake Union Dry Dock shipyard there, one worked at the Quinhagak processing plant, and one worked for the CVRF Youth-to-Work Program in Kipnuk.

Besides the impressive statistics, Stone says he hears positive community feedback as he travels throughout the CVRF region. "The elders especially like that the program provides employment for youth in our communities," Stone says.

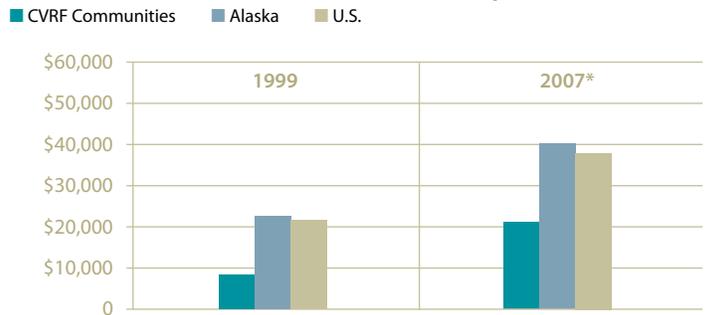
CVRF Communities' Population



CVRF Communities' Poverty Rate

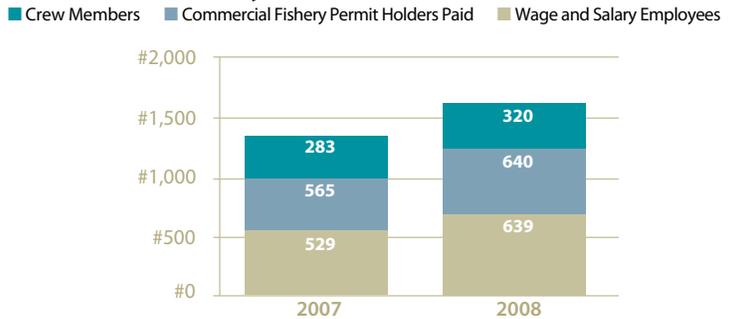


CVRF Communities' Household and Per Capita Income

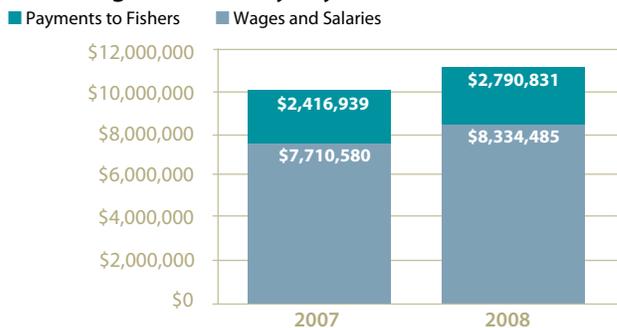


*2007 PCPI is estimated using borough and census area data which includes communities outside of the CDQ Program.

CVRF Jobs and Fishery Workforce



CVRF Wages and Fishery Payments



Norton Sound Economic Development Corporation



In the winter of 2007 when the State of Alaska declared a rural energy crisis, it was not uncommon for residents in villages across Alaska to be hit with heating oil and utility bills that averaged \$7,000 to \$10,000 for the winter season. Fuel for vehicles and other equipment added, on average, another \$350 per month to rural households' expenses.

Recognizing that energy plays a critical role in economic development and the quality of life in its 15 member communities, Norton Sound Economic Development Corporation (NSED) has responded by developing energy programs that promote a safe and reliable energy infrastructure in the Norton Sound Region. NSED represents the villages of Brevig Mission, Diomed, Elim, Golovin, Gambell, Koyuk, Nome, St. Michael, Savoonga, Shaktoolik, Stebbins, Teller, Unalakleet, Wales, and White Mountain.

"Our goal is to help alleviate some of the pressure on our residents, be it financial, emotional, or otherwise, that arises with the increased costs of energy," Paul Ivanoff III, NSED Community Benefits Director says.



Summer fuel deliveries are stored in tank farms, like this one in White Mountain, that supply the village with fuel throughout the year.

NSED administered three energy initiatives in 2008: the vertical access wind turbine project, the bulk fuel program, and an energy subsidy. Revenue from participation in the Bering Sea/Aleutian Island fishery allows NSED to promote development in the region, through methods such as these energy-related programs and projects.

"There is a bright future for the advancement of renewable energy and energy programs in the Norton Sound Region, something NSED is excited to be a part of," Ivanoff says.

Even before the 2007 spike in heating fuel costs, NSED had been exploring the possibility of alternative energies to displace fuel costs for its member communities. One of those, the Vertical Axis Wind Turbine Project, has the combined features of a wind generator, water heater and a thermal radiator for offsetting the use of heating fuel. Along the coast of Alaska, Class IV and V winds make this alternative method for

renewable energy ideal. Partnering with the Alaska Center for Energy and Power, NSED is positioned to have wind turbines tested in Nome and Unalakleet to determine if they will produce enough heat to justify the investment.

If the pilot project is successful, residents in these communities will have an affordable alternative to diesel generated residential boilers. The testing phase involves two buildings in the region. In Unalakleet, the city building will be tested because it has detailed, trackable numbers on heating fuel usage. In Nome, the King Island Native Community building will be evaluated due to its residential area location.

Whatever the future benefits of alternative energy may be, near-term energy needs are dependent upon diesel fuel. For four years, NSED has tackled escalating fuel costs through its Consolidated Bulk Fuel Program. When fuel is transferred in Seattle to the barge before it begins its journey to Alaska, whatever the "lifting" price is at the time of transfer remains unchanged for the year. Through the bulk fuel program, NSED acts as a purchasing agent on behalf of participants, making fuel purchases for local fuel vendors, municipal or tribal governments and native corporations. In addition to coordinating orders and issuing RFPs to suppliers, NSED is the single point of contact between the fuel supplier and the participant.

The main benefit of the program, Ivanoff says, is that NSED is responsible for making all payments to the fuel supplier, allowing the CDQ group the flexibility to offer participants interest- and penalty-free payment plans. Although the program is not available to individual residents, individuals benefit from the savings passed on by local fuel vendors. The program's participants include the cities of Brevig Mission, Elim, Gambell, Golovin, Koyuk, St. Michaels, Savoonga, Shaktoolik, Shishmaref, Stebbins, Wales, White Mountain, along with several Native Corporations and Tribal governments.

One of the most significant features of this and other NSED energy-related programs, Ivanoff says, is the potential for each community to make a difference by providing benefits to residents. "The advances in diesel, wind, solar, and geothermal technology make each option a viable solution for energy improvements throughout our region," he says. "That is very exciting."

Along with the wind turbine project and bulk fuel program, in 2008 the NSED Board of Directors approved a one-time \$500 subsidy that was deposited directly into residential electric utility accounts. In total, 2,368 households received the subsidy for a \$1.2 million pay out. The \$500 was enough to cover anywhere from two to four months of electric bills, depending on usage.

NSED energy-related programs are a top priority of the Board and they are exploring other ways to assist communities in this area, Ivanoff says. In addition to the economic ripple resulting from these efforts, they also improve the quality of life for individuals who would have had utility services terminated because of their inability to pay.



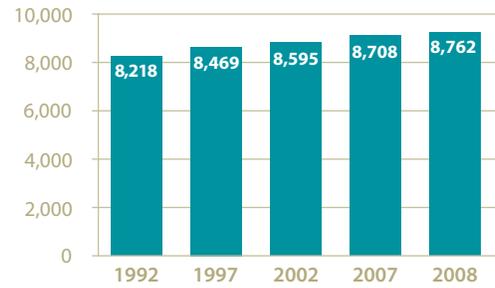
As NSEDC continues to invest in these assistance efforts, its member communities are looking at several different options for renewable energy, including making efficiency upgrades to existing diesel generators, and using waste heat from generators to warm surrounding buildings.

“The feedback from residents of our region can be characterized as cautiously optimistic,” Ivanoff says. “They are excited at the prospect of energy improvements in each community, yet both residents and NSEDC want to proceed with caution to ensure each community meets its energy-related goals. The high cost of energy is a sincere problem in the region that needs to be addressed for the long-term.”

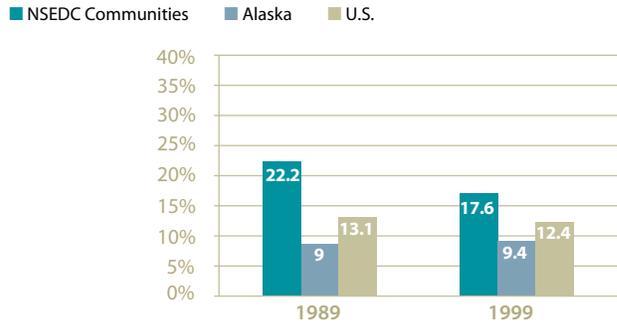


Residents benefit from the savings passed on by local fuel vendors that participate in the NSEDC Bulk Fuel Program.

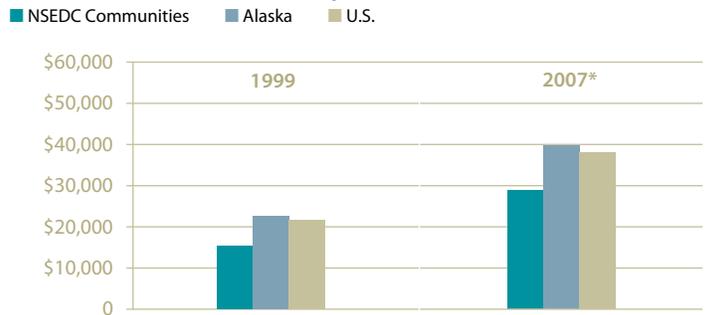
NSEDC Communities' Population



NSEDC Communities' Poverty Rate

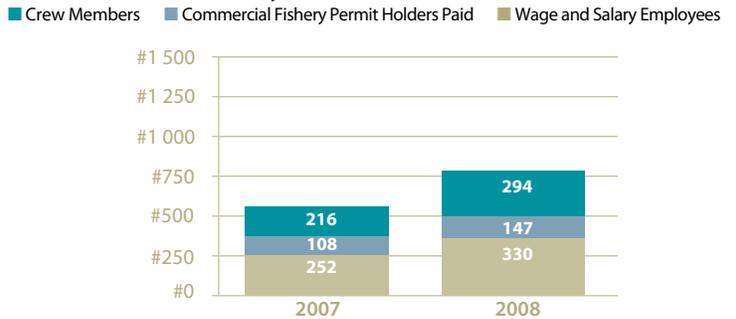


NSEDC Communities' Per Capita Personal Income



*2007 PCPI is estimated using borough and census area data which includes communities outside of the CDQ Program.

NSEDC Jobs and Fishery Workforce



NSEDC Wages and Fishery Payments



Yukon Delta Fisheries Development Association



In changing times, the ability to adapt is the ability to survive.

As communities of the Yukon Delta Fisheries Development Association (YDFDA) continue to wait for stabilized, State-managed salmon fisheries in the Yukon River, this local CDQ group is responding to the ongoing economic

crisis by coming up with innovative ways to provide employment for villagers along the Yukon River Delta.

In Alakanuk, Emmonak, Grayling, Kotlik, Mountain Village and Nunam Iqua, YDFDA provides alternate solutions for communities that would have few options for responding to economic slumps from restricted openings, commercial fishery closures, and the highest fuel costs in history. Commercial fishing and working in the processing plant in Emmonak is the only way most villagers can earn cash. Wages pay for fuel and other essentials that make it possible to participate in subsistence fishing, hunting and gathering so that they can feed their families throughout the year.

Until disappointing fishing seasons in 2007 and 2008, Kwik'pak Fisheries, the YDFDA subsidiary that buys, processes and markets Yukon River salmon, provided more than 300 jobs to locals and bought fish from 500 permit holders, providing \$4 million in wages and fish payments. With reduced 2008 harvests, there was little product to buy and the resulting loss of wages and fisheries payments was a blow to the regional economy. Kwik'pak investments in equipment, personnel and national marketing, based on the state's projections for the commercial fishery, also meant an economic hit for the company.

Even during better times, these tiny villages are among the poorest communities in Alaska. Without the commercial fishery, the hardship is exponential. Although there is no other industry on which to fall back, because of royalty revenues from the Pollock fishery, YDFDA was able to help these communities by developing job opportunities that are offered to anyone who is able and willing to work.

Most of these "bridge" jobs are filled by adults from Emmonak and adjacent villages, though YDFDA also recruits youth and currently has about 60 high school kids working in an internship program for the company, each averaging \$4,000 during the summer months—money that is used to help their parents with household expenses. The program also employs elders, including a 73-year-old carpenter who trains children in his trade.

Jack Schultheis, Operations Manager for Kwik'pak, lives in Emmonak and is responsible for identifying and managing opportunities there, including hiring locals to fill the positions. Two years ago, Kwik'pak added a roe room for the sole purpose of offering youth work, he says. Andrea Keyes, a 17-year-old senior at Emmonak High School, was one of the first roe technicians hired and today is one of the best, working full-time during the summer season—often more than 40 hours a

week—and part time during the school year, allowing her to make about \$8,000.

"I like working," she says, and is thankful for the opportunity to help her family with bills while also meeting kids from the neighboring villages. She plans to use some of her earnings for carpentry training after she graduates. Her 20-year-old sister Crystal works on the Kwik'pak barge, and her 15-year-old brother John is a roe technician and one of the employees she trained. All of the Keyes children use part of their earnings to contribute to the household.

Hauling freight and gravel, painting the church, building a new shop, driving a truck, and working at the company's sawmill are other types of jobs the CDQ group offers locals to help supplement incomes and, at the same time, maintain their self esteem, Schultheis says. Last winter, villagers were hired to collect fallen trees from the river and turn them into wood for building houses. Scrap material was distributed to elders for firewood, which not only helped with their heating bills, but also kept five people employed during the winter. Finished lumber is purchased by locals for home improvement and means a measurable cost savings compared to buying building materials that must be shipped into the community.



Albert Westlock manages the sawmill during the winter months, which enables him to stay in Emmonak and take care of his mother.

Albert Westlock, 45, manages the new sawmill during the winter months, allowing him to fish during the summer season. In addition to learning how to operate and maintain the band saw, he says the extra income helps pay for his electric bill, gas needed for subsistence hunts, and a new snow machine. Before YDFDA set up Emmonak's first sawmill, Westlock says he had to leave home for winter work, often traveling as far as Bethel. This job allows him to stay in his home village and take care of his mother.

The logs are also being used to build what Schultheis calls a "fisherman's store," that will sell everything from food items to fishing supplies such as nets, rope, chain saws, and anchors, to berry buckets and camping



equipment. Construction of the Kwik'pak company store will employ locals and be staffed by residents seven days a week for 10 hours a day. The retail mark up will only be enough to cover the cost of freight and the business will not compete with the local store owned by the tribal council.

"There's a lot of opportunity out here, we just need to concentrate on what we can do," Schultheis says.

Despite the collapsed economy and unpredictable fisheries, Schultheis says YDFDA will optimistically continue to prepare for the summer season. At the same time, the CDQ group is continuing to develop more business opportunities to provide local employment including using logs from the sawmill to package and sell affordable home building kits, offering building services for home construction, and developing a freight business.

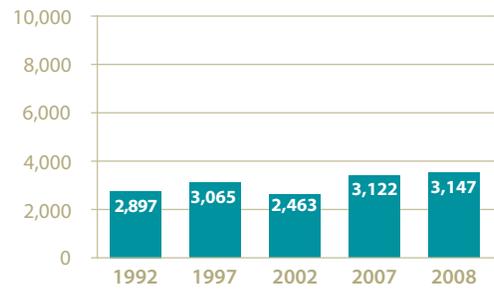
YDFDA is not sitting on the sidelines awaiting the outcome of future fishing seasons. Although most YDFDA communities can't afford to participate in meetings in Juneau and Anchorage where discussions deciding the future of the Yukon River fishery are held, Schultheis and other YDFDA managers are working tirelessly for better management of the Yukon River fishery to ensure reliable openings.

"YDFDA is at the table advocating on behalf of our fishers and our communities," Schultheis says.

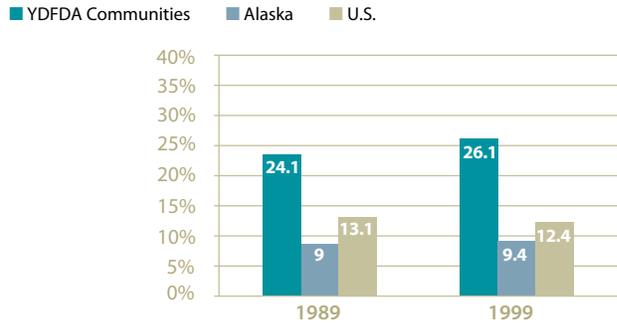


Kwik'pak Fisheries roe operation has provided jobs for youth from the Lower Yukon region.

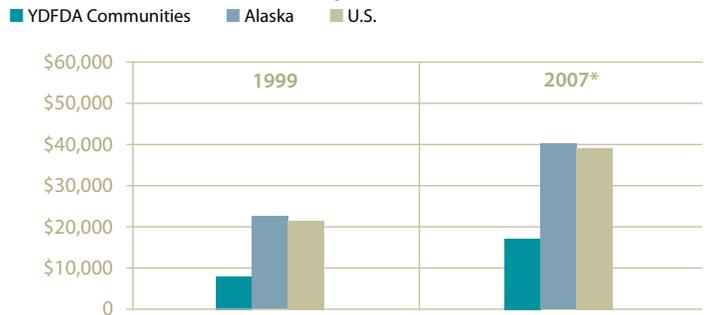
YDFDA Communities' Population



YDFDA Communities' Poverty Rate

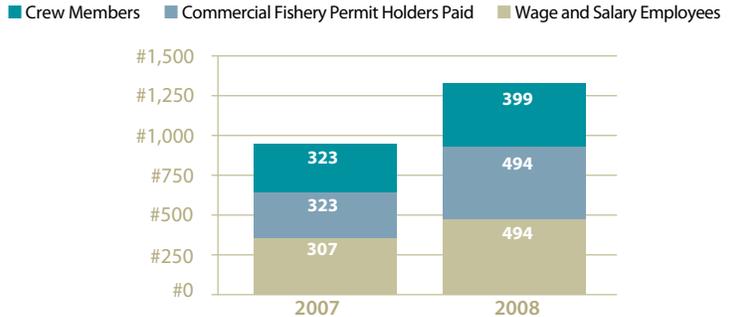


YDFDA Communities' Per Capita Personal Income

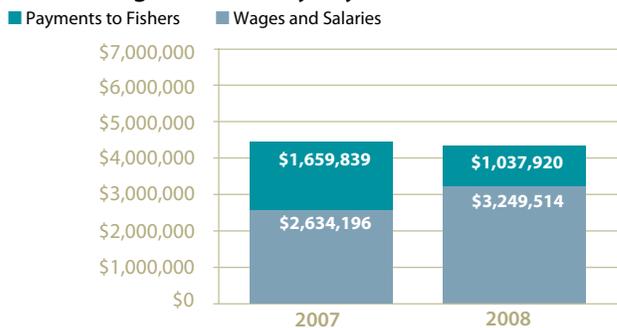


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YDFDA Jobs and Fishery Workforce



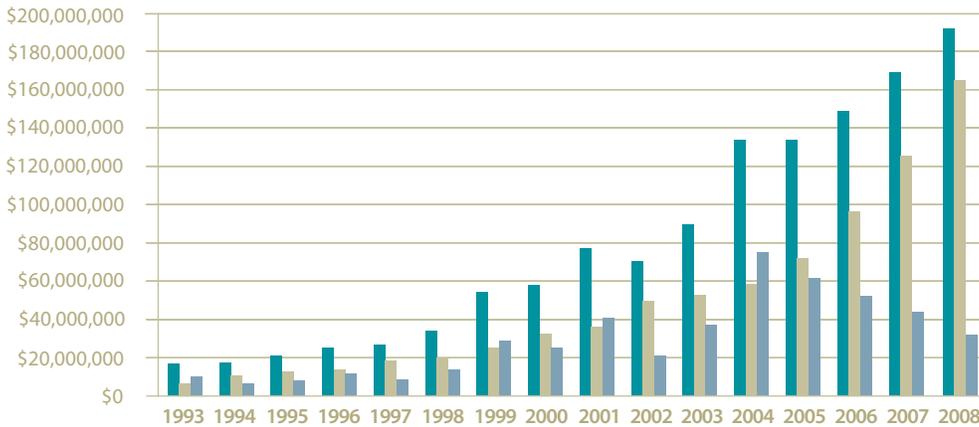
YDFDA Wages and Fishery Payments



Overall Financial Performance

Aggregated Statement of Activities

■ Revenue ■ Expenses ■ Change in Net Assets

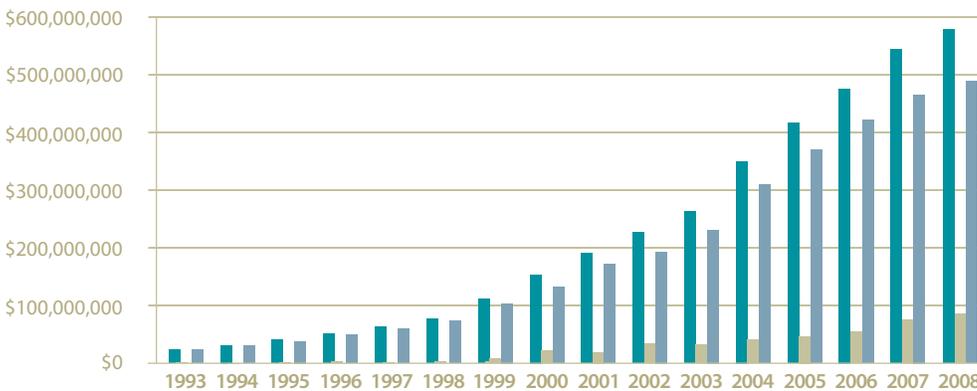


Financial performance is a key metric for each CDQ entity and the CDQ program as a whole. The six CDQ entities are federally-recognized nonprofit organizations under the Internal Revenue Code section 501 (c). Each entity has a separate board of directors that independently governs the organization, selects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

Aggregated Statement of Financial Position

■ Assets ■ Liabilities ■ Net Assets

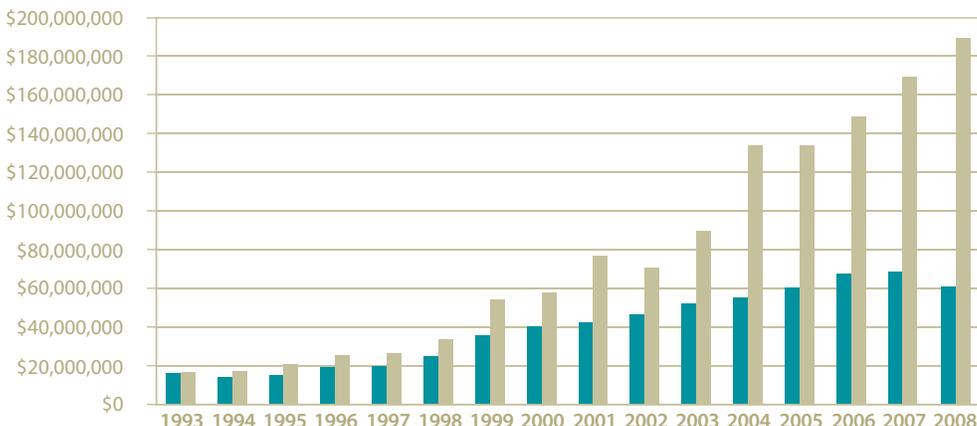


The Statement of Activities is the nonprofit equivalent of a profit and loss statement. In 2008, the six CDQ entities generated nearly \$190 million in revenue with operating expenses of \$162 million, resulting in an increase in net assets of nearly \$24 million. Operating expenses include all program costs, investments, and general and administrative expenses.

The Statement of Financial Position is the nonprofit equivalent of a balance statement. In 2008, the six CDQ entities combined held assets totaling more than \$559 million and liabilities totaling just over \$105 million; bringing combined net assets to \$427.6 million.

Aggregated CDQ Royalties vs. Total Revenues

■ Royalties ■ Total Revenues



Of the nearly \$190 million in revenues, roughly 35 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 59 to 65 percent annually.

The six CDQ 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.

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.

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