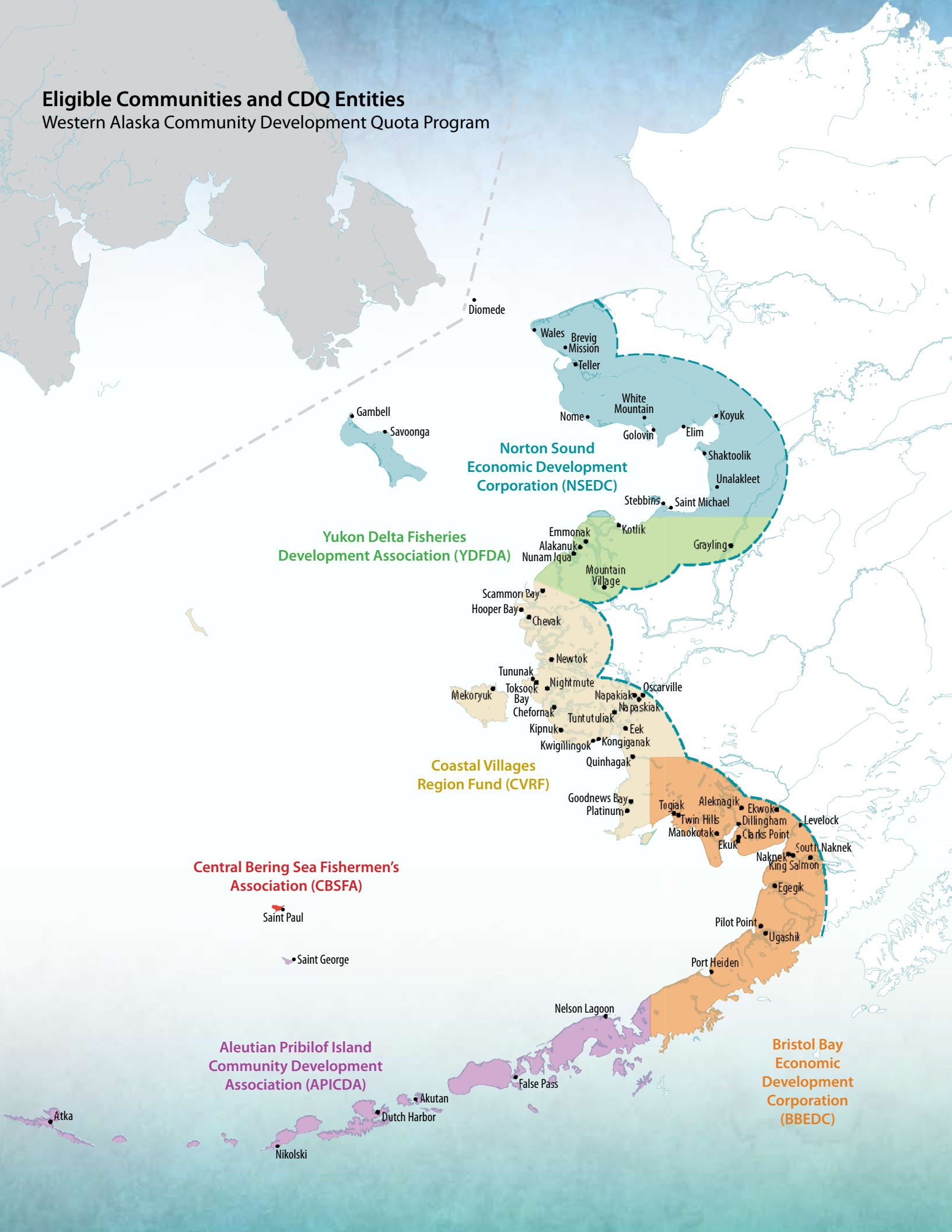


Western Alaska Community Development Quota Program
Supporting the Advancement of Bering Sea Communities

2009



Eligible Communities and CDQ Entities
Western Alaska Community Development Quota Program



About the Community Development Quota (CDQ) 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 seventeen years, the program has generated more than \$285 million in wages, payments to fishers, scholarships and training benefits. Additional benefits from the program accrue to local, borough and state governments. In 2009, investments in CDQ communities and fisheries activities totaled nearly \$137 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 by 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 to fulfill the statutory mandate of the program.

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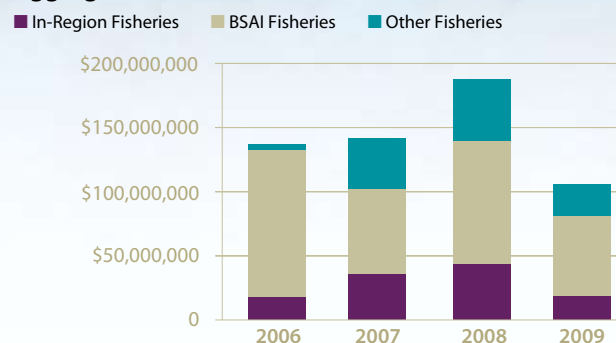
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CDQ Program: A Model For Sustainable Communities

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 \$118 million in 2009. 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 non-fisheries related 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 non-fisheries related investments. WACDA has proposed definitions and clarifications to NOAA Fisheries that will remove the disincentives to pursuing non-fisheries related investments.

Aggregated Economic Investments

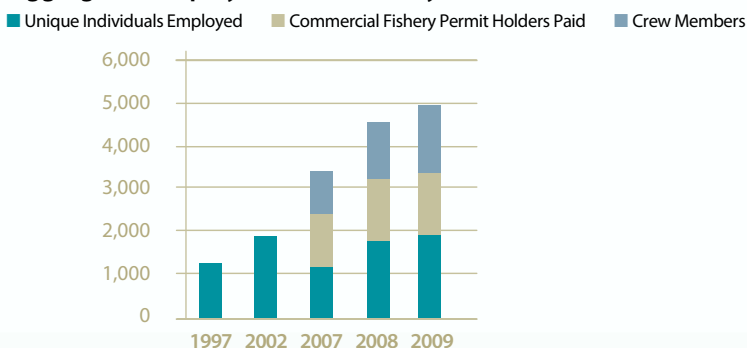


Investments in Human Capital

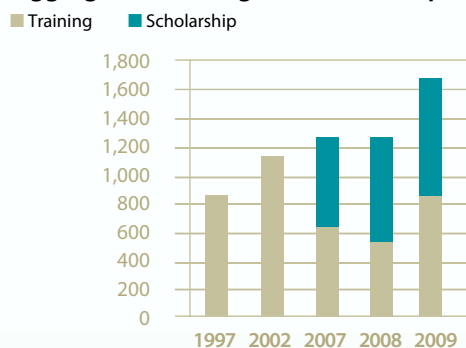
Each CDQ entity provides training and scholarship opportunities to prepare residents in eligible communities for job opportunities, skill development and career advancement. In 2009, the six CDQ entities granted nearly 800 scholarships totaling a combined human capital investment of over \$1.9 million. Combined training investments totaled nearly \$800,000 for the year, providing more than 850 training and skill development opportunities to eligible residents.

In 2009, the six CDQ entities provided wage and salary jobs to nearly 2,000 individuals. Total combined payroll for the year exceeded \$25.7 million. CDQ processors, fish buying stations, and other fisheries businesses paid ex-vessel payments of \$17.4 million to more than 1,300 fishery permit holders in western Alaska. In turn, those permit holders supported an estimated 1,500 crewmember jobs.

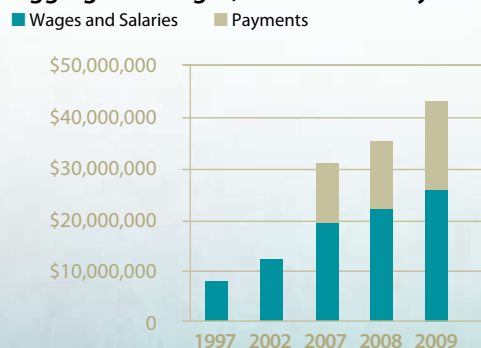
Aggregated Employment and Fishery Workforce ¹



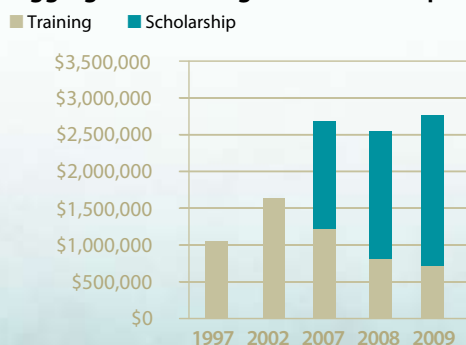
Aggregated Training and Scholarship Opportunities ²



Aggregated Wages, Salaries and Payments to Fishers



Aggregated Training and Scholarship Expenditures ²



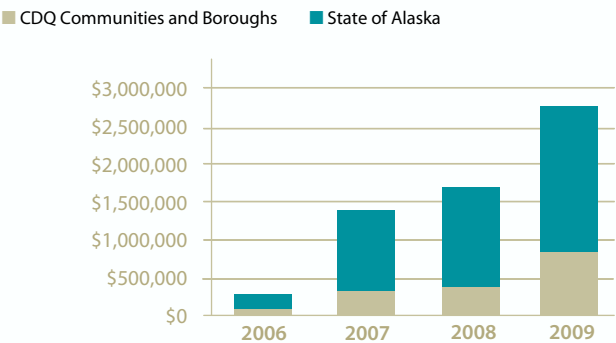
1) Total jobs for 2007 - 2009 reflect two methodological changes: wage and salary jobs are reported based on unique social security numbers of employees rather than on the number of jobs for which an individual may have been hired; the fishery workforce supported by the CDQ program (based on ex-vessel 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

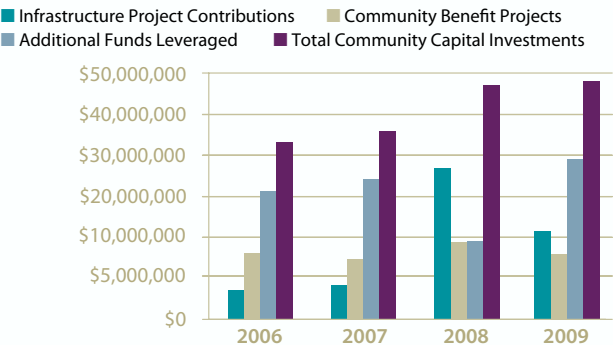
The six CDQ entities partner with state, federal and local governments, as well as other regional organizations, to leverage available funding for community capital investments that increase eligible communities’ capacity to govern, provide basic services, and improve living standards in Western Alaska.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

In 2009, the six CDQ entities provided \$11 million toward community infrastructure projects and \$7.5 million in community benefit projects. These investments leveraged an additional \$29.8 million from other sources, bringing the total value of community capital investments to \$48.4 million for the year.

Aggregated Fees and Taxes Paid to State and Local Government



Aggregated Community Capital Investments





Aleutian Pribilof Island Community Development Association



For thousands of years, Aleuts in the Aleutian Pribilof Islands Region of Alaska have known what the rest of the world is just starting to learn: that the hunting and fishing on these lands is some of the finest in the world.

As part of its mission to develop sustainable industries that enhance the long-term social and economic viability of the coastal communities in the Bering Sea and Aleutian Islands, the Aleutian Pribilof Island Community Development Association (APICDA) has continued to grow its operations in the visitor industry since 2000. Operating as Aleutian Adventures, the umbrella company is the brand for commercial and sport fishing-related opportunities in its seven member communities: Akutan, Atka, False Pass, Nelson Lagoon, Nikolski, St. George and Unalaska.

As a result, residents are benefiting from a local source of income that is consistent with their culture, developing new job skills, and sharing their way of life with clients who come from all over the world. The industry also provides food for villagers because they leave the meat from the expeditions in the communities, and guides take locals halibut fishing between trips.



Aleutian Adventures hires locals to guide hunting and fishing trips.

After finishing his second year as a guide, Vincent Lestenkof, who has lived in Nikolski his whole life, says the May to October opportunity provides an additional source of income while also allowing him to share his knowledge of local life and his culture. Learning how to guide hunts and fishing trips for sport, rather than subsistence, is also teaching him new job skills.

The Ugludax Lodge—an Aleut term for ancient village—in Nikolski on Umnak Island was the first development, completed in 2002, and continues to be the largest operation for the company. In addition to guided hunts for trophy wild reindeer that roam the island, clients may also hunt for sea ducks. Similar trips are guided on Atka Island, where guests may also fish for salmon and halibut, and APICDA works with the local cannery and hotel for accommodations.

Nelson Lagoon offers world-class salmon, steelhead and rainbow trout fishing, and is known for having some of the best waterfowl hunting in the world for sea ducks including King Eiders, Common Eiders, and Harlequins. Two remote camps offer platform weather ports and APICDA says it is one of the operations with the greatest potential to grow: next year, it expecting to host more than 65 clients.

One of the most significant developments for the region's new industry is the 2009 exclusive cooperative marketing agreement with Jim Shockey's Hunting Adventures, a world-renown tour operator and wholesaler that partners with companies like Aleutian Adventures. It was also a turning point for the operations as Atka entered its first year of offering reindeer hunts and Nelson Lagoon opened its operations. The region has also been featured on Larry Csonka's television show called "Napa's North to Alaska," which features hunting and fishing destinations statewide.

To date, the most established operations are in Nikolski, Atka and Nelson Lagoon, though all APICDA communities have expressed an interest in developing a similar program in their community, based on the availability of their local resources. Akutan is working on establishing a transfer of Rocky Mountain Elk to the island. St. George in the Pribilofs wants to build on its reindeer trophy hunts, which are accessible by foot. False Pass is working on a bear hunting program, along with halibut and salmon fishing and duck hunting.

More important than the program turning a profit, is the training and jobs that result from investing in the communities, George Weaver, Tourism Director for Aleutian Adventures says. Because local guides are used to hunting for subsistence, where the focus is not to waste any part of the animal, they needed to learn how to dress the animal so that hides and antlers are properly handled for trophy mounting. Part of the training also covers customer service. At the same time, he says, one of the ways that he measures success is from the client feedback and the number of return visitors.

"If we are breaking even and providing jobs, we are meeting our mission," he says, also pointing out some of the indirect benefits

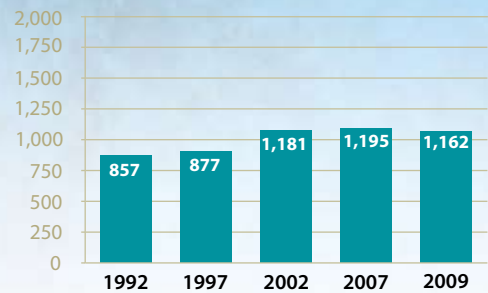


Remote camps in Nelson Lagoon are one of the greatest areas for potential growth.

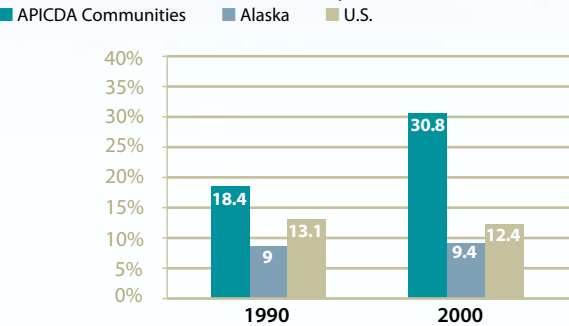
from the purchase of local goods and services, and increased transportation for locals who often benefit from extra seats on the charter flights. At the same time, it is important to remember that as few as four jobs in these small villages—Nikolski has about 35 residents—makes a substantial difference.

Although there are challenges facing the operations, such as high airfares, limited transportation options, and uncooperative weather, Aleutian Adventures continues to grow by diversifying the product, considering other ways to make money, and maximizing local hire at all the operations in the region. During the off-season, for example, the Nikolski lodge is used to house contractors visiting the community, so that about 30 non-sporting clients keep the property open year-round. APICDA is also trying to develop a local person for the position of lodge manager and hopes to hire a year-round lodge caretaker from the community, instead of bringing staff in from offsite, which would provide work for three more locals.

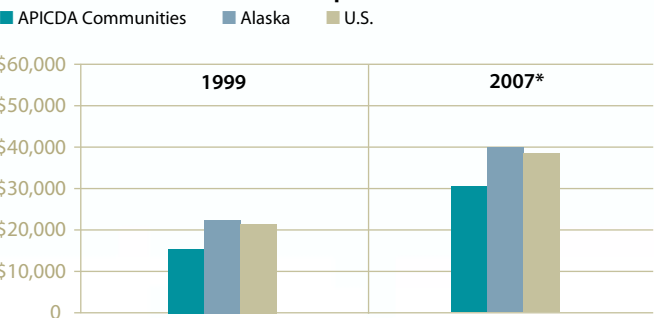
APICDA Communities' Population



APICDA Communities' Poverty Rate

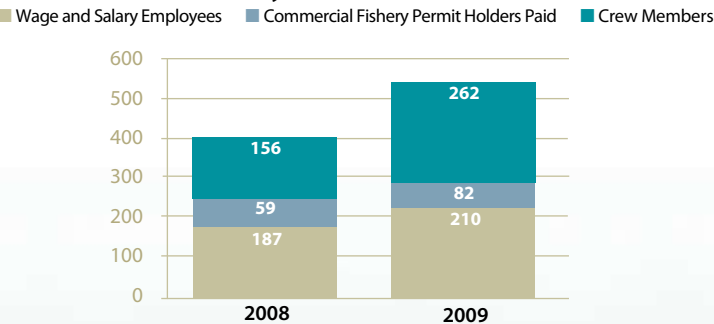


APICDA Communities' Per Capita Personal Income

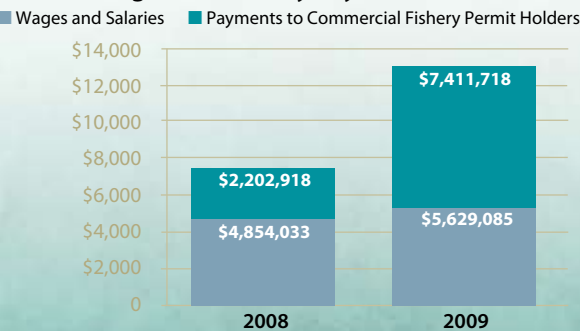


*The 2007 PCPI is estimated using borough and census area data which includes communities outside of the CDQ Program.

APICDA Jobs and Fishery Workforce



APICDA Wages and Fishery Payments



Bristol Bay Economic Development Corporation

BBEDC Region



The biggest challenges facing those transitioning from small Alaska villages to large urban areas come down to the small things in life—how to use public transportation, considerations for living and working in a metropolitan area, and big city safety and survival tips.

Through the Seattle Internship program, an innovative way to introduce a resident with little or no professional experience into the world of work, the Bristol Bay Economic Development Corporation (BBEDC) offers a variety of training opportunities that help interns go on to other full-time jobs or seek additional training or education. The participant learns life skills, communication skills, and builds positive professional relationships with co-workers.

In 2009, the program funded 12 positions, which is the annual goal, based in part on the number of people who can be accommodated in the corporation's four Seattle apartments.

The applicant must be a resident of a BBEDC community, be at least 18 years old, have a high school diploma or GED, meet the basic intern position requirements, and have the ability to live and work independently in an urban setting for six months.

BBEDC represents the villages of Aleknagik, Clark's Point, Dillingham, Egegik, Ekuk, Ekwok, King Salmon, Levelock, Manokotak, Naknek, Pilot Point, Portage Creek, Port Heiden, South Naknek, Togiak, Twin Hills and Ugashik.

When BBEDC started the Seattle Internship Program in 1994, the idea was to identify residents who have limited work experience, but want to advance in the professional world by getting hands-on training that can later be used to secure jobs in their hometown community or a larger city, Charlene Lopez, Education, Employment and Training Coordinator with BBEDC says. Recognizing common hurdles to success, it was important to develop a program that would help ease the transition and set them up for success.

While pursuing work and educational opportunities available in larger markets is eye opening to those from BBEDC communities, at the same time, not having a supportive circle of family and friends is often enough to make villagers abandon their professional plans and return home.

"For a lot of people, we are providing an opportunity to residents that would not be available any other way," Lopez says, adding that new interns are also mentored by those who are already in the program. "It's like a little family."

When Floretta Nanalook from Manokotak learned of the Seattle Internship Program through her cousin Janice, she knew that it would help build skills she needed to apply for jobs in the future. Working as a processor for American Seafoods before becoming an

intern, she had worked with a recruiter and thought that job looked interesting.

After being accepted into the program as an HR assistant with Arctic Storm, Nanalook moved to Westward Seafoods where she took on more responsibility and today hopes that it leads to getting a permanent job in the same capacity. In addition to the full-time position that pays \$14 per hour, most of her moving and living expenses are paid for through the internship.



Floretta Nanalook interns for Westward Seafoods through the Seattle Internship Program.

Ultimately, the 26-year-old says, she would like to return to Manokotak or Dillingham in the Bristol Bay Region. In the meantime, she is relying on the internship to gain experience that will help her get admitted to college where she wants to study business or nursing.

After graduating from high school, Nanalook says, she had a difficult time deciding what she wanted to do. The diversity of experiences she has been exposed to through the program has helped her realize what she is good at and what she enjoys. At a time when she was uncertain, the program helped her decide what she wants out of life, and she also sees how it helps those who want to have successful careers but may not want to attend college.

Amanda Heyano, also placed in an internship through BBEDC in 2001, says the program was a vital part of her path to success. Looking back, she recalls leaving Dillingham after high school to attend college in Oregon then deciding that school was not the right avenue for her before returning home. Her ambitions eventually led her to BBEDC, which assisted her in securing an internship with a Seattle fishing company.

Today she is the HR Manager for Fishermen's Finest, the same company where she began as an intern nine years ago. She is responsible for hiring, logistics and purchasing for both of the company's vessels but, she says, she's still constantly learning about the fishing industry. Amanda continues to support the internship program and remains grateful for the doors it opened. "It has helped develop me into the person I am," she says.

As a project scientist who was one of the first people to move through the internship program in the late '90s, Valli Peterson started in the industry studying seafood marketing as part of an internship made available by Arctic Storm. This led to other opportunities through the Alaska Seafood Marketing Institute and Icicle Seafoods. When she began studying fisheries at the University of Alaska Fairbanks, she decided to switch to the science side of the discipline, which helped her narrow down her goals and ultimately get her where she is today as a staff scientist with Arctic Slope Regional Corporation.

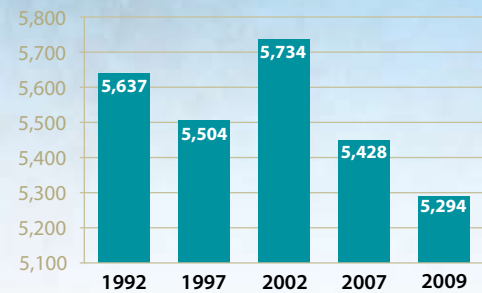


Amanda Heyano is the HR Manager for Fishermen's Finest, the same company she interned for nine years ago.

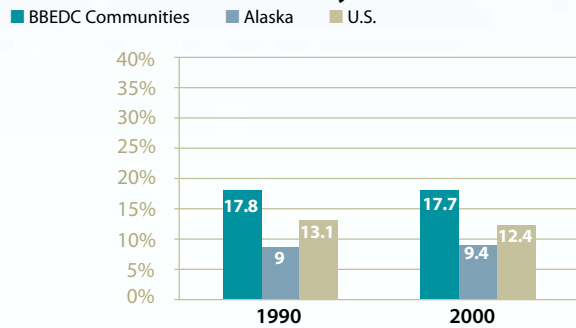
Originally from a family of Naknek subsistence and commercial fishermen, Peterson has worked on several projects that have allowed her to get funding for her home region and she would like to continue to use her professional experience to bring sustainable developments to Bristol Bay, which is just one way she can help create new opportunities by paying it forward.

"I encourage all young people to remove themselves from their comfort zones and learn and absorb as much as they can about how the world and the economy works, then bring that knowledge back to their region," Peterson says.

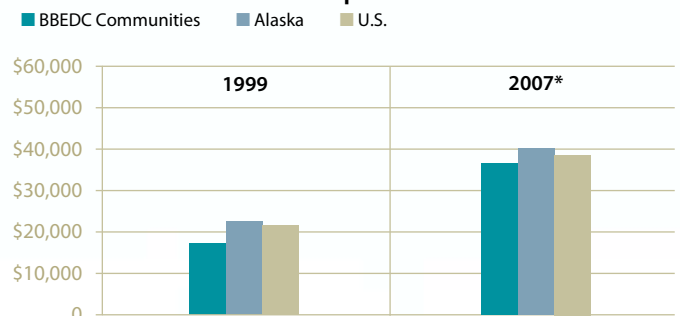
BBEDC Communities' Population



BBEDC Communities' Poverty Rate

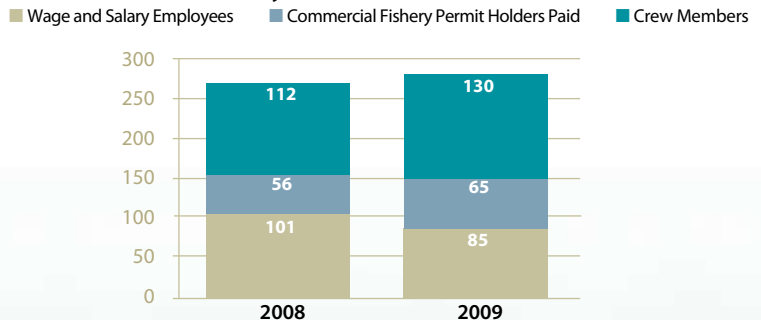


BBEDC Communities' Per Capita Personal Income

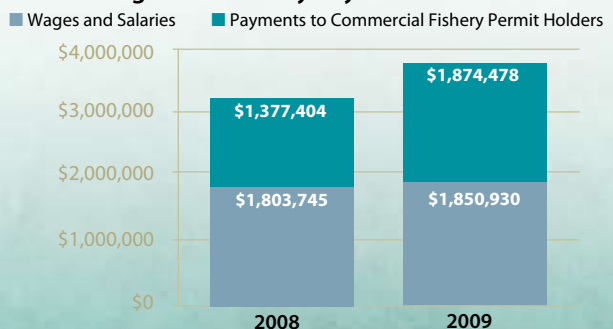


*The 2007 PCPI is estimated using borough and census area data which includes communities outside of the CDQ Program.

BBEDC Jobs and Fishery Workforce



BBEDC Wages and Fishery Payments





Central Bering Sea Fishermen's Association



When Congress ended government control of the commercial seal harvest on St. Paul Island in 1983, thereby eliminating all federal presence there, this Aleut community in the Bering Sea suddenly found itself responsible for providing community services, and managing and protecting fur seal rookeries for subsistence harvests. With

the \$12 million the federal government gave the village to help diversify the local economy, a group of local residents decided that the best way to transition from a resource-based economy was by developing a small commercial halibut fishery.

Part of the money was used to develop Phase I of the harbor, including a concrete dock, which was big enough to tie up only a few small boats. As the fleet grew in the mid-'90s, resulting from the Central Bering Sea Fishermen's Association (CBSFA) commitment to making boat and gear loans, so did the need for more dockage space. For Phase II, the Tribal Government of St. Paul invested in a 200-foot floating wooden dock with plastic floats that extended the boat parking capacity, followed by adding a removable floating dock system intended to be a temporary solution.

Jeff Kauffman, a St. Paul halibut fisherman and CBSFA vice president, remembers the concrete slab—known as the West Land Dock—from the time he was a little boy. That was 30 years ago.

Today, he is one of several local fishermen anticipating the result of CBSFA's long-term and ongoing efforts to realize the Phase III harbor and dock upgrades that will help support the St. Paul economy by increasing the capacity for the number of boats from the local halibut fleet that can be parked or housed there.

The improvements have a 50-year life expectancy, so planning and development includes making sure there is more than enough dock space for the anticipated growth of the local halibut fleet, Kauffman says. Other features with future expansion in mind include building an extra anchorage system that will facilitate a third 260-foot long dock and the ability to add more slips, as they are needed. The design also allows for the addition of electricity, water and electronic surveillance equipment for monitoring vessels.

CBSFA has been saving money for the small boat harbor upgrades since 1999. Once the state addressed the tideland-upland boundary line in the proposed project, a decision that determined land ownership between the city and the village corporation, planning was fast tracked. The \$28 million project must be completed no later than 2012, though it is expected to be done this year, Kauffman says. CBSFA is contributing \$6.7 million for labor, freight, dock materials and a large crane, and the additional funds for dredging and breakwaters will come from the state and federal governments.

Local fishermen may buy larger boats, Kauffman says, but have been waiting for St. Paul to have the infrastructure in place to



Harbor and dock upgrades help support the St. Paul halibut fleet.

support their investments. One of the most significant impacts of CBSFA's contribution is that the final phase of the dock completion benefits the local fleet instead of only the larger boats used for the commercial Pollock and crab fisheries, Linda Snow, St. Paul City Manager says.

"This is the last piece of the puzzle for this community's transition to a fisheries-based economy," she says. "Families and children can grow up with fishing, which is really the only economic option on the island—it all turns back to the fisheries when it comes to the local economy."

One of the most important benefits of the new harbor facilities is that they will encourage shore-based Trident Seafoods to stay in St. Paul because the processing facility will be able to bring in larger boats. "It will help them see that this is a real fishery," Snow says.

At the same time, she says, the city expects to benefit from the additional activity at the harbor. State tax revenues and those from local sales taxes are already being realized from the new development, and increased fish sales will be a direct benefit through increased fish tax revenues. Boats will be able to tie up and buy groceries and fuel. Other economic benefits to St. Paul may also come from vessel repair, berth rental, and other dock-related activities.

When the community development project is finished, there will be two new docks: one that is 350 feet long and one that is 260 feet long, with 14 36-foot slips, plus additional capacity for larger boats in the 50-foot range. With scheduled dredging, this means that large commercial fishing boats and processors will also be able to rely on St. Paul for safe harbor.

Docks in most of Alaska's small boat harbors are fixed systems. In the case of St. Paul where relentless storms whip in off of the Bering Sea, huge waves and shoaling do extensive damage to anything in their way, including boats and dock facilities. Until now, locals agree, halibut fishing from St. Paul's harbor has been a primitive operation. Boats are often tied up three deep, making it inefficient because fishermen have to move each other's boats by hand when owners aren't there to do it themselves. When storms move in it is tough on the equipment and dangerous.

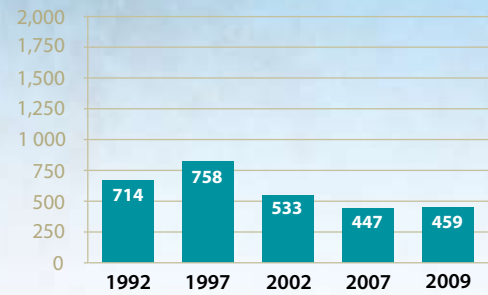
"The boats could break free at anytime, so it means we participate at our own risk," Kauffman says from his 25 years of commercial fishing experience, adding that the new breakwater will reduce the surf and chop so the marina is much more protected. Because boats can now be tied directly to the dock, it will also be easier to load and unload gear and bait.

The dock system will also include a new crane-operated vessel launch and retrieval ramp with a trailer system allowing larger vessels to use the small harbor facilities. The system will benefit up to 58-foot boats weighing 180,000 pounds.

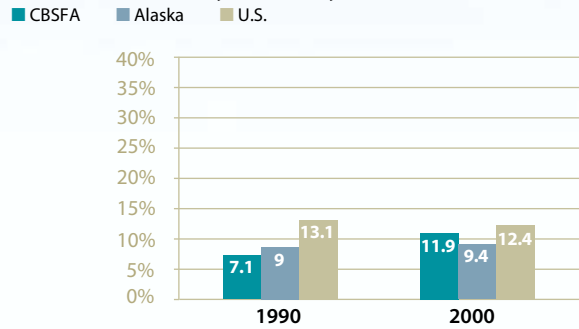


Dock improvements make it easier for fishermen to load and unload gear.

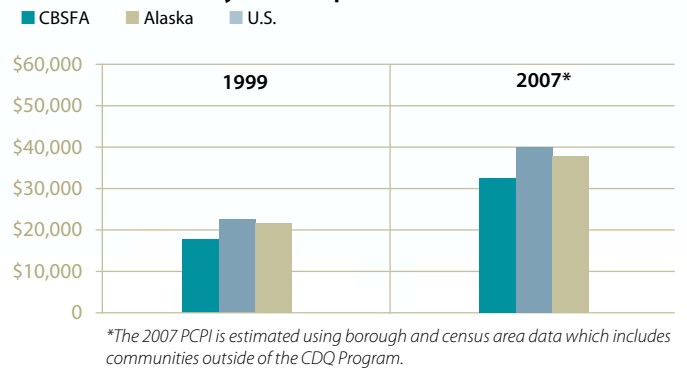
CBSFA Community Population



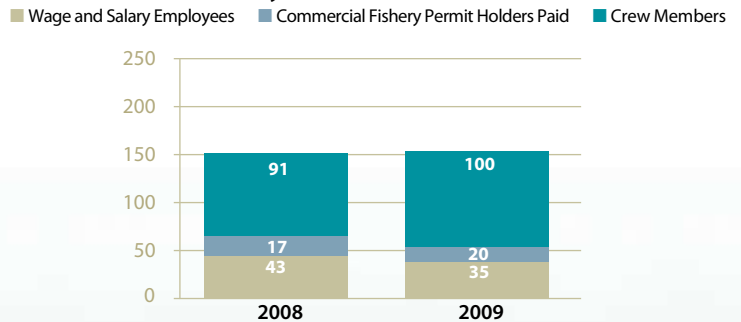
CBSFA Community's Poverty Rate



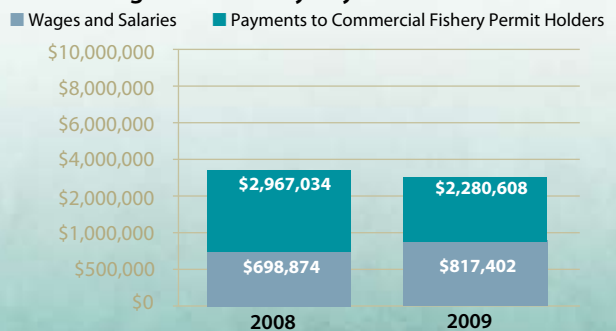
CBSFA Community's Per Capita Personal Income



CBSFA Jobs and Fishery Workforce



CBSFA Wages and Fishery Payments



Coastal Villages Region Fund



Looking back on its first season of successful operation, all signs indicate that the Goodnews Bay Regional Seafood Processing Plant will be a promising economic development project in the Coastal Villages region, as it improves the quality of life for residents of Platinum and 19 other Kuskokwim communities.

The \$40 million state-of-the-art facility—the largest in-region project in the 17-year history of the CDQ program—was built by Coastal Villages Region Fund (CVRF), one of six CDQ groups that participate in the Bering Sea ground fish fisheries. Earnings are invested in economic and human resource development projects—such as the new Platinum facility—that contribute to building a sustainable economy.

In its first year alone, the new plant bought 1.7 million pounds of salmon from 488 permit holders in Quinhagak, and 2.3 million pounds from those in Platinum, generating combined revenues for fishermen of about \$2.1 million. Of the 176 locals employed as processors, 73 percent came from the CVRF Region, 10 percent from the Yukon Kuskokwim Region and the remaining 18 percent from other Alaska communities. The facility housed 125 workers in 2009, and increased that to 225 employees after its first year.

CVRF represents 9,400 residents in 20 coastal villages along the west coast of Alaska from Platinum up to Scammon Bay, including three Kuskokwim River villages. These communities are among the most economically challenged in the state and the region ranks as being one of the most impoverished areas in the world, based on globally accepted definitions of poverty. Most residents live a



The Goodnews Bay Regional Seafood Processing Plant in Platinum contributes to building a sustainable economy.

CVRF Region



traditional subsistence lifestyle and more than 30 percent have cash incomes well below the federal poverty threshold.

“CVRF is the economic stimulus for our region’s communities. If it did not exist, we would still be struggling,” Richard Tuluk, a CVRF Community Liaison, says.

Residents, businesses and local leaders agree that the region will rely heavily on this newest investment in economic development. Coastal Villages has become the largest private sector employer in the region, providing a meaningful opportunity for residents to work and earn in their own villages.

Without the plant, locals agree, they would not have the opportunity to advance job skills learned from working there, or to earn money that is critical in offsetting the high cost of living in a rural village. At the same time, the plant offers employment opportunities that are close to home for villagers.

An objective of CVRF in building the plant was to increase processing capacity so that catch limits would be removed from resident fishermen. Prior to the plant opening, Coastal was unable to process all of the fish caught and was forced to impose a 150-fish limit on what fishermen could deliver, resulting in missed economic opportunities for the region’s residents. With the opening of the facility, resident fishermen from CVRF communities benefit from unrestricted fishing opportunities. The new plant and new tenders ended the bottleneck.

For some residents of the region, the Platinum plant provides their only income for the year. “It has meant survival and economic hope for the communities,” says Staci Igkurak, a Community Liaison from Kwigillingok. The income also helps preserve the region’s subsistence lifestyle by providing cash needed for boats, snow machines and fuel.

Working to establish the cornerstones of a sustainable economy, CVRF leaders say the Platinum development means not only 176 seasonal jobs for residents of the 20-community region, but increased revenues for local businesses, and an expanded market for fishermen throughout the region. At the same time, one of the most critical contributions from the project is the promise of training, scholarships, and jobs for the future generations of locals who have been left with no choice but to leave their families and culture behind in search of gainful employment.

Linda Solomon had lived in Bethel since 1991 because it was simply too difficult to make a living in her home village of Platinum, she says. When the plant opened and she was hired as its first office manager it meant that she and her husband Phillip, who was hired as the dock foreman, could return to the community and jobs that are higher paying than most in the region. The position allows her to meet people from all over the world, she says, and she enjoys working with employees to help make sure they stay in their jobs and complete their contracts, which is a requirement for re-hire.

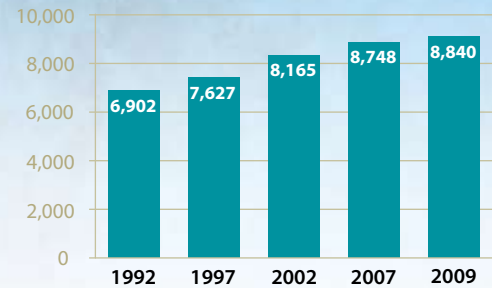


The \$40 million facility employs 176 locals as processors.

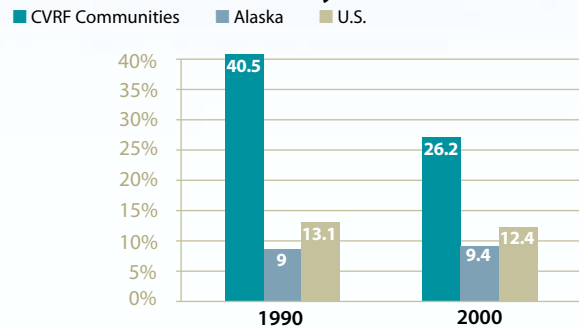
Darren Cleveland, a lifelong resident of Quinhagak just 40 miles north, says his job as a shipping coordinator enables him to spend his summer saving money for college at the Kuskokwim campus of the University Alaska in Bethel and still be back in time for the start of the school year. He would like to raise his own family in the region, he says, and this opportunity allows him to pay for student loans, bills and a car.

Local and region-wide businesses also report seeing the trickle down benefits of increased activity from the plant. In addition to the local store selling more goods during the construction of the plant and during peak season, station managers for Ute Air, a regional carrier, say that its Platinum business grew from three to five cargo and passenger flights a day, requiring the airline to bring a plane online in Platinum, create two more jobs there, and rent an apartment for the season, which is a significant boost in a community of less than 41 people. At the Bethel station, traffic increased from six daily flights to 15, also the direct result of employees and additional supplies being flown to the plant. Station manager Anthony Spangler says he expects that to increase as more activity and longer seasons result from the plant opening earlier. This kind of increased activity also helps local and state government justify funding for improvements to the local landfill and airport.

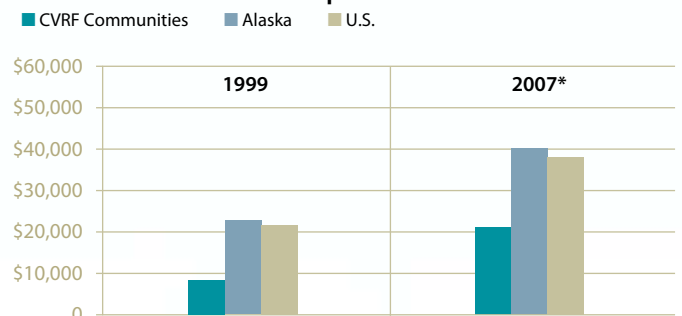
CVRF Communities' Population



CVRF Communities' Poverty Rate

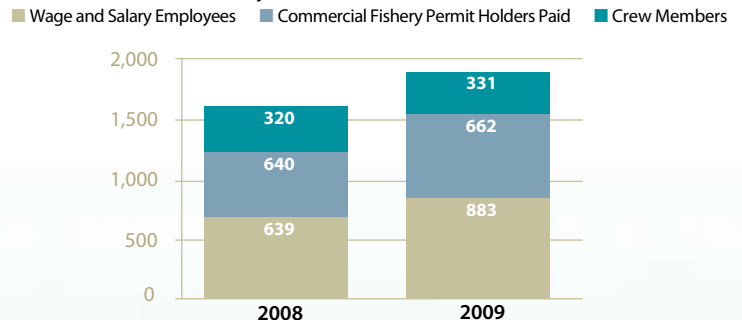


CVRF Communities' Per Capita Personal Income

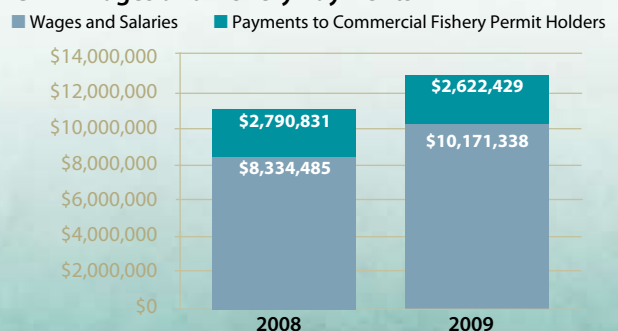


*The 2007 PCPI is estimated using borough and census area data which includes communities outside of the CDQ Program.

CVRF Jobs and Fishery Workforce



CVRF Wages and Fishery Payments





Norton Sound Economic Development Corporation



Recognizing the economic power of innovative, dedicated, and committed individuals, Norton Sound Economic Development Corporation (NSEDG) created its Small Business Initiative (SBI) Program to promote the success of entrepreneurs who are developing or expanding small businesses. The program provides financial and technical support to residents of the 15

NSEDG member communities in the Norton Sound Region: Brevig Mission, Diomed, Elim, Golovin, Gambell, Koyuk, Nome, Saint Michael, Savoonga, Shaktoolik, Stebbins, Teller, Unalakleet, Wales, and White Mountain.



Modeled after the Alaska Federation of Natives' Alaska Marketplace, which was designed as an "ideas competition," the NSEDG program fosters economic development. NSEDG solicits business proposals and applications from entrepreneurs, which are then evaluated by an independent panel of judges. Criteria includes the feasibility and sustainability of the business, the demand for the business in the region, local and regional impact, economic stimulus and job creation potential, creativity and innovation, and local relevance.

Winning proposals are awarded grants up to \$35,000, depending on the project, until the maximum annual funding limit is met. The current limit is set at \$105,000. The SBI program is expected to expand as interest continues to quickly grow: the number of applicants increased from 17 in 2008 to 32 in 2009.

The grant recipients also receive technical support. "We don't just say, 'Here's the money, good luck,'" Paul Ivanoff III, NSEDG Community Benefits Director, says. "Whether it's helping entrepreneurs with their application, or with implementing their business plan if awarded a grant, we see the process through from start to finish."

Once funded, a small business development specialist connects region-wide resources and successful applicants to make sure awardees obtain basic accounting and finance training, understand IRS reporting requirements, and help incorporate strategies that will ultimately lead to increased net revenues. Having the NSEDG program in place, Ivanoff says, "lights that entrepreneurial spirit inside of them—it gives them the oomph to actually do it."

One successful applicant submitted a proposal for helping locals obtain their driver's license. In Nome and the surrounding communities, potential employers want to know if applicants drive themselves to work or are able to operate a company vehicle. For

those who travel as part of their jobs, a driver's license is one of the most accepted forms of identification and is also the first step toward securing a commercial driver's license, a requirement for some of the most available and well paying jobs in the region.

As a driving instructor for the Northwestern Alaska Career and Technical Center (NACTEC) in Nome, Jimmy Adams already had a stronghold in the business when he heard about the SBI program. From there, he calculated how much it would cost him to start his own driving school, including the cost of a vehicle, so he would know how much to charge his potential clients. With his \$30,533 grant award, Adams purchased a Subaru Forester, in part because he had owned one before and would be able to do some of the maintenance himself.

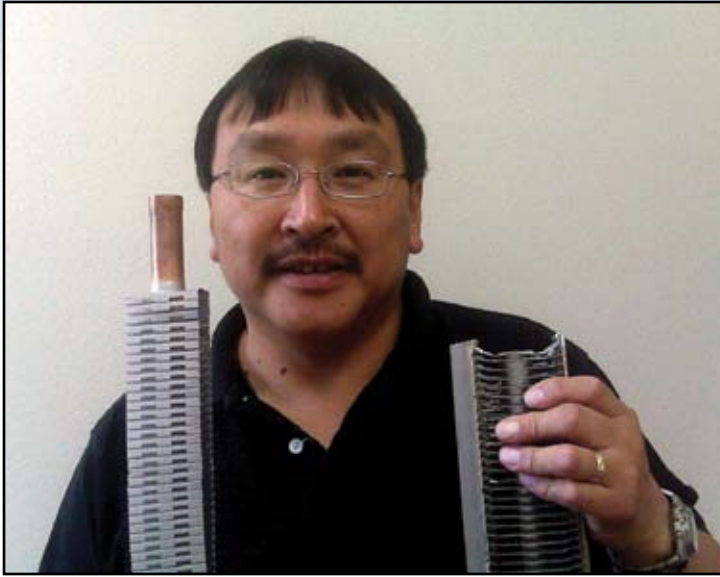


Jimmy Adams used Small Business Initiative funding to start Adams Northwest Driving Instruction.

Adams was awarded grant funding in the fall of 2009 and by the New Year had his first students enrolled in Adams Northwest Driving Instruction. Today, as he builds his business, he also continues to work part time at NACTEC. For now his clients hire him simply for driving lessons—they must have already passed the written test and received a learner's permit. Most new business comes from word of mouth, though Adams also distributes business cards throughout Nome and is focusing on increasing marketing efforts.

Without NSEDG's help, Adams says that starting his business would have been cost prohibitive. Today he is happy to enhance the region's economy by helping locals obtain driver's licenses, while looking forward to a point when he has grown his business enough to hire local employees.

Edmond Apassingok is also using his NSEDG SBI grant to help improve quality of life and economic conditions in the region. During one particularly brutal winter in Gambell, when 50 mph winds howled non-stop for three months and temperatures dropped to -60



Edmond Apassingok is using his SBI grant to manufacture a device that improves heating systems.

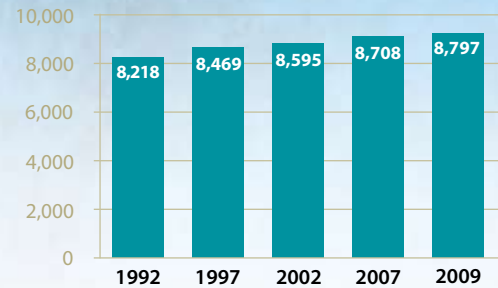
degrees, Apassingok found that setting his thermostat at its upper limit still was not sufficient to keep his house warm. Repairing a 30-year-old heating system is difficult and expensive, especially on a remote Western Alaska island. Using his handyman abilities and help from his two younger brothers, he created a device that modifies and repairs existing heating systems in a cost efficient manner.

Since being awarded \$35,000 from NSEDC in 2008, Apassingok's business, Aksik Heat Distribution System—in Siberian Yup'ik the word Aksik refers to the adjustment mechanism used to fine tune a seal oil lamp—has advanced the design through several rounds of prototypes in an effort to create a marketable product. Apassingok continues to work with various heating and fabrication experts to take the concept to the commercialization stage, and has already established some demand.

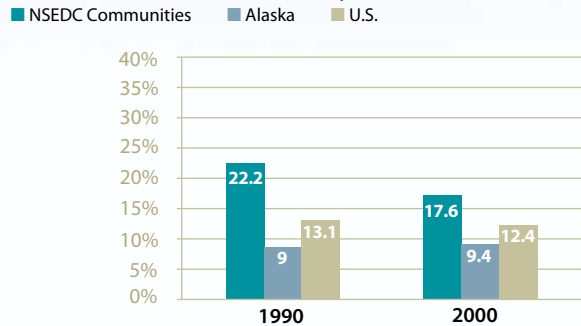
When the design goes to market, major benefits may include a reduction in heating costs and improving existing heating systems in communities where housing is in short supply. Aksik Heat Distribution System also anticipates employing people in the region—and potentially worldwide—as 73 million people currently use the home heating system that Apassingok's invention is designed to improve.

Although 2009 was only the second year of the program, the number of applications to the SBI competitive grant process has nearly doubled. With \$210,000 awarded so far, NSEDC hopes the need for the program will continue to increase as more entrepreneurs seek to develop and expand their small businesses in the Norton Sound region.

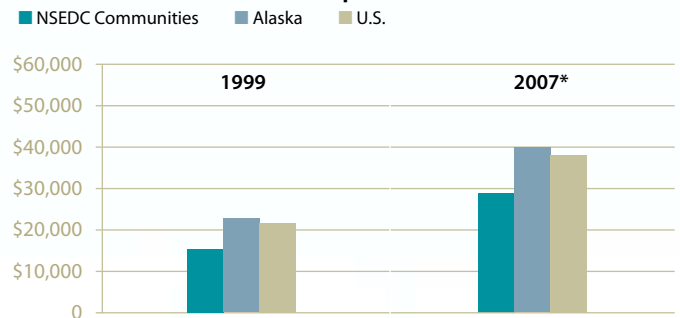
NSEDC Communities' Population



NSEDC Communities' Poverty Rate

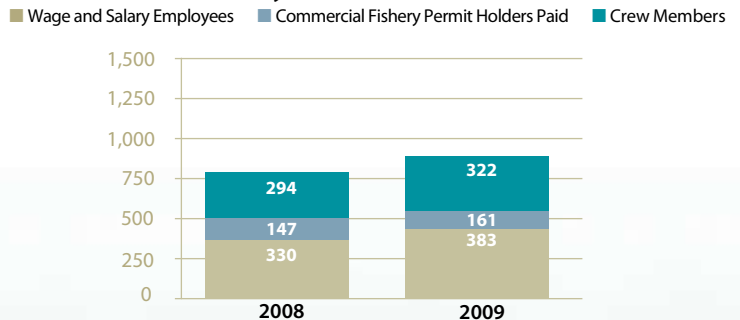


NSEDC Communities' Per Capita Personal Income

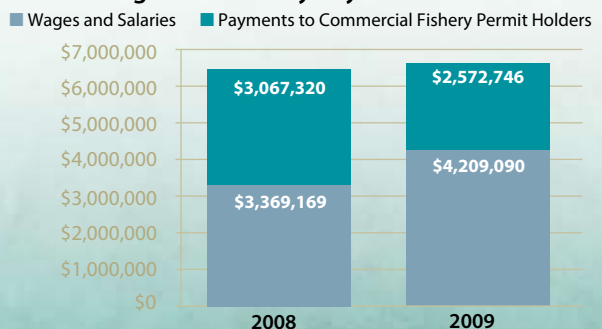


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NSEDC Jobs and Fishery Workforce



NSEDC Wages and Fishery Payments





Yukon Delta Fisheries Development Association



Up until the early 1960s, homes in communities along the Yukon River Delta were often built from spruce logs that floated down river in the early spring, collecting in eddies downstream. As predictable as the annual return of salmon, villagers throughout the region gathered this wood and, after letting it dry, used it for buildings and as firewood during the harsh winters of Western Alaska.

Although these communities continue to rely on harvesting this fallen timber to offset high heating costs, since statehood passed in 1959 and the federal government began funding everything from health care to housing, log homes have become a thing of the past, as they quickly became replaced by the standard HUD homes that are still prominent throughout rural Alaska today.

But if the Yukon Delta Fisheries Development Association (YDFDA) has its way, this dying tradition may be resurrected, resulting in jobs for locals and new log homes that are better quality and less expensive, Jack Schultheis, Operations Manager for the YDFDA subsidiary Kwik'pak Fisheries says. The idea came about when he was looking for ways to offset recent economic hardships the CDQ group's member villages are experiencing by providing gainful employment that also teaches villagers new skills.

"We gather these logs every spring anyway, so let's get enough logs to build with, we'll buy a sawmill, and over the winter keep some of the community working," Schultheis says, explaining his idea.

The YDFDA communities of Alakanuk, Emmonak, Grayling, Kotlik, Mountain Village and Nunam Iqua are among the poorest in Alaska and continue to face one economic struggle after the other. Since 2007, commercial and subsistence fishing along the Yukon River has faced unprecedented restrictions, putting a strain on villagers' subsistence lifestyle and resulting in lost commercial market share as the prized Yukon kings had to be taken off restaurant menus across the country. At the same time, the rural energy crisis has meant dramatically increased heating bills and shipping costs, making it unaffordable to fill boat and snow machine gas tanks for subsistence hunting, which is critical to the communities' survival.

YDFDA provides alternate solutions for communities that have few options for responding to economic slumps. Although Kwik'pak was working to process and market Yukon River salmon—providing more than 300 jobs to locals and buying fish from 500 permit holders—with the reduced harvests there has been little product to buy, resulting in another blow to the regional economy. YDFDA responded by providing stopgap employment opportunities for locals such as hauling freight and gravel, painting the church, and building a new shop.

State managers of the fishery say that it is likely to be years before the salmon return in measurable numbers. Instead of waiting for



YDFDA purchased a sawmill to help employ locals over the winter.

a more stabilized, better-managed fishery, YDFDA is moving ahead and responding to this economic crisis by developing a plan for using Delta logs to provide meaningful employment for locals and offer more affordable housing by capitalizing on the free timber resource to provide training and sustainable employment for villagers along the Yukon Kuskokwim Delta.

Ultimately, Schultheis says, YDFDA plans to launch a home-building business that keeps locals in Emmonak and neighboring villages working year round. To prepare for this enterprise, last year, the group purchased a sawmill so it could begin to systemize operations and hire and train employees. After gathering the logs, in early June they transported the wood back to the sawmill in Emmonak so that it could dry out until fishing season was over.

Initially Schultheis did not know what his newly hired crew of eight was going to build, though he says he kept them working through the winter of 2008 milling the spruce timber into three-sided logs and distributing scraps and byproducts from the sawmill to elders for firewood.

"We were going to build a building to demonstrate to the community and the workers that this could be done without technicians and experts and consultants and the typical bureaucracy that gets involved with anything new that the government has a say in," Schultheis says.

What he did know was the size of the building—determined by the number of available logs—and that he would have no shortage of locals who were eager to go to work.

Randall Agathluk, Jr., a lifelong Emmonak resident, worked on the project for about a month, cleaning and sanding the logs in preparation for the log-planing machine. Besides having extra money to help with expenses, the 20-year-old fisherman says he appreciates having new skills that he will be able to use again.

One of his co-workers, Jimmy Stanislaus, worked as a carpenter's helper and says that with no other jobs in the community, he is looking forward to working on upcoming projects and learning additional skills that challenge him.

The result of last year's first construction project was the completion of what is locally referred to as the "fishermen's store," a 1,200 square-foot facility that sells everything from food items to fishing supplies, anchors, berry buckets and camping equipment. It was completed with 99 percent local labor and the only job that had to be filled from outside the region was for the electrical work. The store also employs locals and is staffed seven days a week for 10 hours a day.



A fishermen's store was built using 99 percent local labor.

The community was impressed with the structure and those who worked on the project. "The biggest thing we learned is that this is a small industry that can easily be attained. With the proper equipment we can build other structures with not much effort. It didn't take an army of people to gather logs and build the store," Schultheis says.

Besides employing those who work on the building, Schultheis says YDFDA will also pay locals to harvest the logs. Because the logs are free and the workforce is local it reduces the cost of completed structures significantly: the fishermen's store would have cost about 60 percent more to build with outside labor and materials, Schultheis estimates, and residential construction will result in higher quality homes that are less expensive. The proven success of the program last year means that YDFDA may also be able to develop partnerships with local, regional and state housing authorities and tribal entities to leverage resources for improving housing availability in the region.

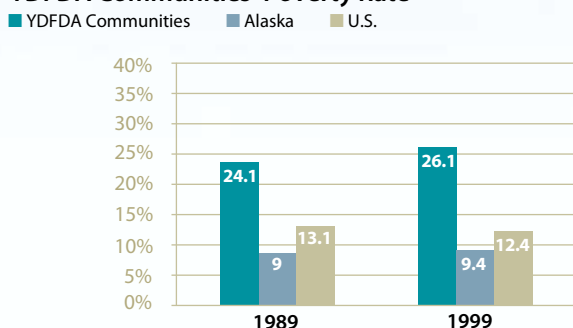
"There is not a limit to what we can do," he says, adding that he expects to be able to harvest enough spruce logs to build 30-40 homes that will offer affordable housing and jobs to the region's residents. The next project will be to build a Boys and Girls Club and two homes, which he expects to complete this fall. In the meantime, he says, the crew will continue to gather and prepare logs for the upcoming projects.

"Being able to do this on our own has made the cost of these projects unbelievably low," Schultheis says, and having the knowledge in the community means that more experienced sawmill workers and builders will be able to train others.

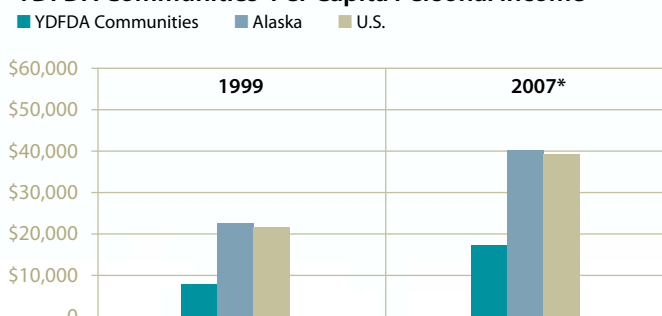
YDFDA Communities' Population



YDFDA Communities' Poverty Rate

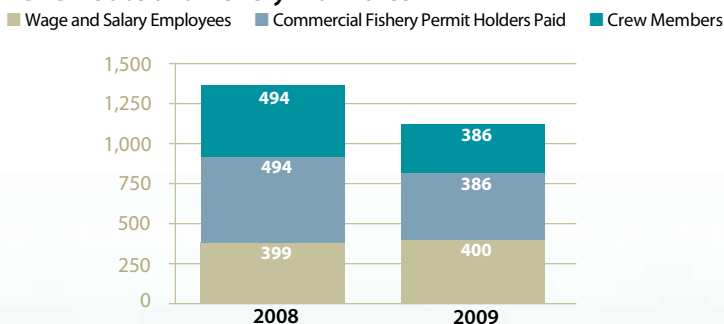


YDFDA Communities' Per Capita Personal Income

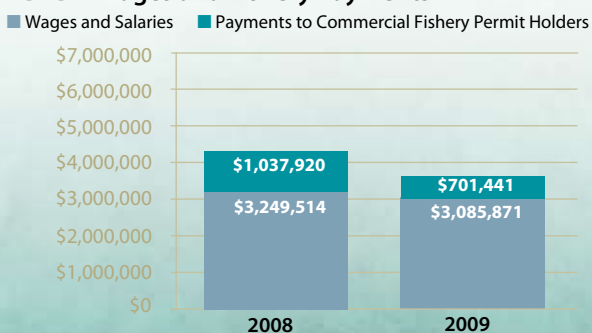


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YDFDA Jobs and Fishery Workforce



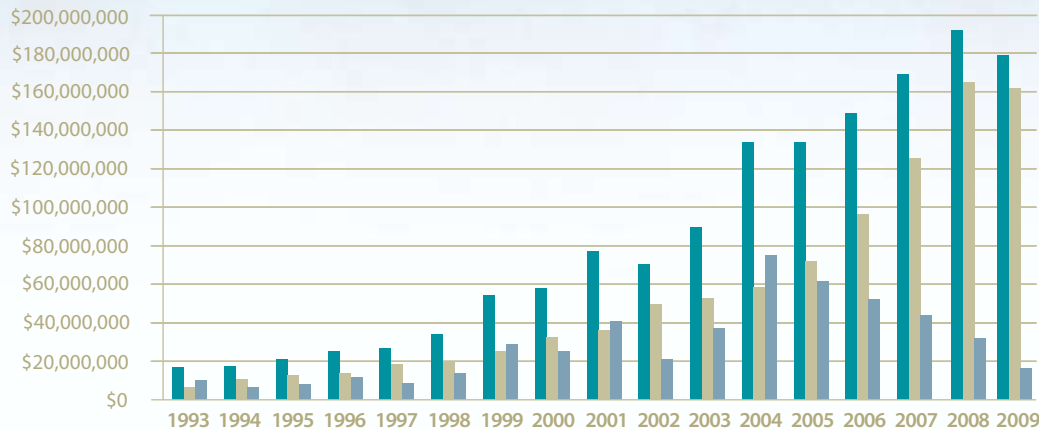
YDFDA Wages and Fishery Payments



Overall Financial Performance

Aggregated Statement of Activities

■ Revenue ■ Expenses ■ Change in Net Assets

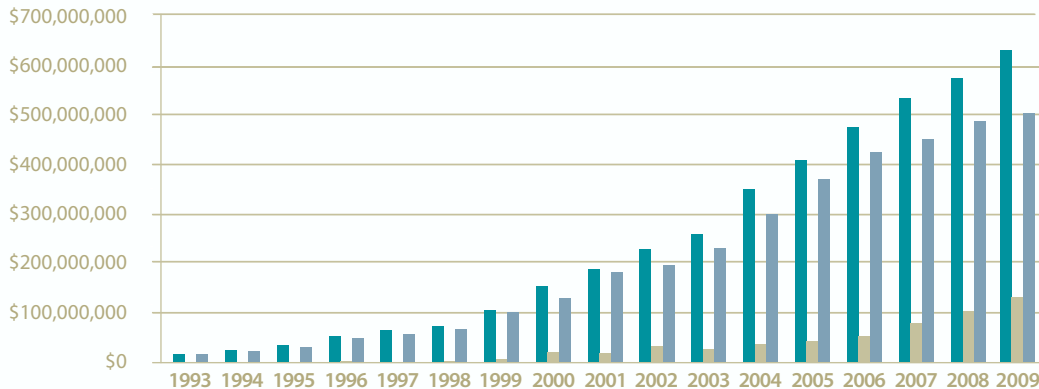


Financial performance is a key metric for each CDQ entity and the CDQ program as a whole. The six CDQ entities are federally-recognized non-profit organizations under the Internal Revenue Code section 501 (c). Each entity has a separate board of directors that independently governs the organization,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

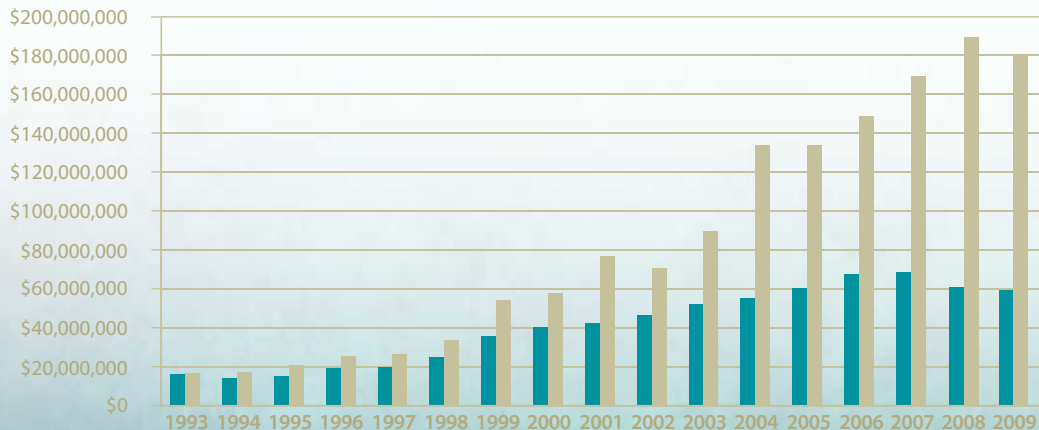


The Statement of Activities is the non-profit equivalent of a profit and loss statement. In 2009, the six CDQ entities generated nearly \$180 million in revenue with operating expenses of \$161 million, resulting in an increase in net assets of nearly \$18 million. Operating expenses include all program costs, investments, and general and administrative expenses.

The Statement of Financial Position is the non-profit equivalent of a balance statement. In 2009, the six CDQ entities combined held assets totaling more than \$642 million and liabilities totaling just over \$139 million, bringing combined net assets to \$502.6 million.

Aggregated CDQ Royalties vs. Total Revenues

■ Royalties ■ Total Revenues



Of the nearly \$180 million in revenues, roughly 33 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 67 percent annually.

More detailed information from this report can be found at www.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 CDQ Program. Authorized by the Magnuson-Stevens Fishery Conservation and Management Act of 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 entities under the program.

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