

Western Alaska Community Development Quota Program



ELIGIBLE COMMUNITIES AND CDQ ENTITIES

Western Alaska Community Development Quota Program



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ABOUT THE COMMUNITY DEVELOPMENT QUOTA PROGRAM



In coastal Western Alaska, 65 communities look out upon the Bering Sea—an expanse of the North Pacific Ocean whose waters hold some of the healthiest and most valuable fish stocks in the world. Despite this proximity, for many years lack of infrastructure and opportunity meant that the residents of this region could only watch as the wealth generated by these fisheries accrued elsewhere.

This began to change in 1992 when the North Pacific Fishery Management Council established the Community Development Quota (CDQ) program as a means to address high unemployment and limited economic opportunity in coastal Western Alaska. Designed to give these communities access to the fisheries off their coasts, the CDQ program has grown and flourished to become one of the most successful rural development initiatives undertaken in Alaska and, indeed, the nation.

The CDQ program does not depend on direct government funding for its programs and activities; rather, the six nonprofit groups that make up the program are sustained by their ability to harvest a small percentage of the fishery resources of the Bering Sea. The program-wide allocation of roughly 10 percent of many of the Bering Sea's harvestable fish stocks has made a tremendous impact on the 27,000 residents who inhabit the 65 western Alaska coastal communities included in the program. In working to fulfill their mission, CDQ groups have created jobs, infrastructure and opportunity in some of the nation's most geographically isolated and economically depressed communities.

The Western Alaska Community Development Association (WACDA), the author of this report, is the umbrella organization and governing panel for the CDQ program. A nonprofit organization authorized by amendments to the Magnuson-Stevens Fishery Conservation and Management Act in 2006, WACDA serves as the trade association for the six individual entities that are responsible for implementing the CDQ program. These six entities represent geographic regions along the Bering Sea coast and are (from south to north) Aleutian Pribilof Island Community Development Association, Central Bering Sea Fishermen's Association, Bristol Bay Economic Development Corporation, Coastal Villages Region Fund, Yukon Delta Fisheries Development Association, and Norton Sound Economic Development Corporation.

The revenue largely earned through the harvest of species such as pollock, crab and halibut have funded critical infrastructure, the development of local fisheries, training and scholarship programs, grant programs and social services in CDQ member communities. The program has enabled residents of Western Alaska to gain employment on the vessels that fish CDQ quotas, in local fish plants built with the support of harvest revenues and in myriad other jobs associated with and supported by the CDQ program. In the 18 years between the program's inception and 2010, more than \$345 million has been generated in direct wages, payments to resident fishermen, scholarships and training benefits. In 2010 alone, the six CDQ groups invested more than \$251 million in their communities and in fisheries activities.

The accomplishments realized by the six CDQ nonprofit entities that make up the Western Alaska Community Development Association over those 18 years speak to the overwhelming success of the program. Yet for all the achievements, there is still much work to be done.

Ever-increasing fuel prices in CDQ communities, that can be as much as triple the national average, threaten to put a chokehold on economic development. Heavily dependent on diesel fuel-fed power systems, escalating fuel costs directly drive increases in energy expenses. Additionally, many of these communities are the first to see the impacts of a changing climate as they watch the ground under their feet literally disappear due to the effects of coastal erosion. This requires costly responses, whether it be work to shore up a stretch of coastline or a river bank, or, more drastically, relocation efforts to higher ground. And while the CDQ groups continue to create jobs and employment opportunities, bringing down the unemployment rate in the region remains a challenge.

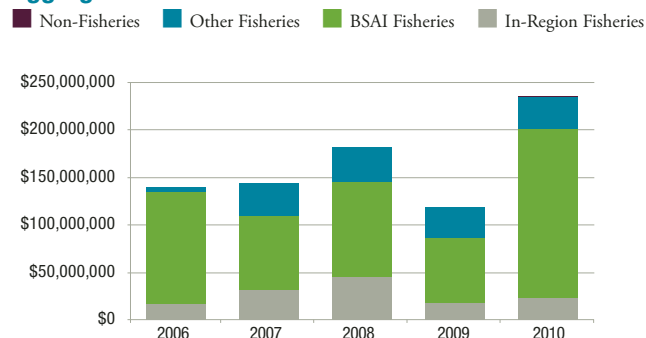
This report highlights the work of WACDA and the individual CDQ groups as they continue to address the challenges faced by their communities. The following pages illustrate how CDQ efforts and investments are helping to fulfill the statutory mandate of the program to provide eligible villages with an 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.

THE CDQ PROGRAM: A MODEL FOR SUSTAINABLE COMMUNITIES

Investments in Economic Capital

In pursuit of the purposes of the Western Alaska Community Development Quota program to develop sustainable, fisheries-based economies in 65 western Alaska villages, the six CDQ entities made economic investments totaling nearly \$235 million in 2010. 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-related investments, which are limited to 20 percent of total investments.

Aggregated Economic Investments



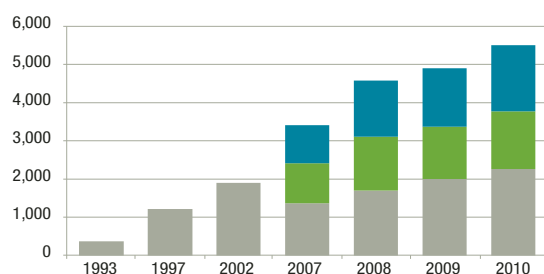
Investments in Human Capital

Each CDQ entity provides training and scholarship opportunities to prepare residents in eligible communities for job opportunities, skill development and career advancement. In 2010, the six CDQ entities granted more than 850 scholarships totaling a combined human capital investment of over \$2 million. Combined training investments exceeded \$660,000 for the year, providing more than 825 training and skill development opportunities to eligible residents.

In 2010, the six CDQ entities provided wage and salary jobs to nearly 2,300 individuals. Total combined payroll for the year exceeded \$32.4 million. CDQ processors, fish-buying stations, and other fisheries businesses paid ex-vessel payments in excess of \$24.7 million to more than 1,500 fishery permit holders in western Alaska. In turn, those permit holders supported an estimated 1,700 crewmember jobs.

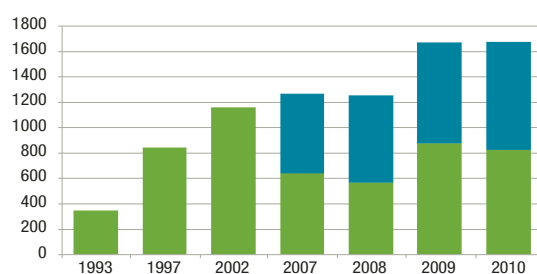
Aggregated Employment and Fishery Workforce¹

■ Crew Members ■ Commercial Fishery Permit Holders ■ Unique Individuals Employed



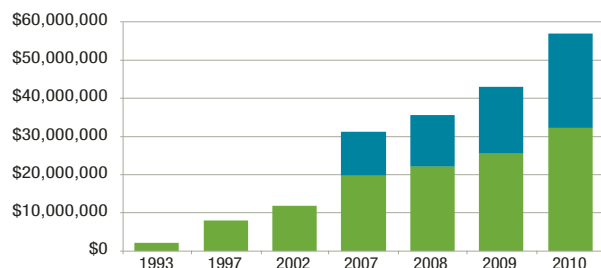
Aggregated Training and Scholarship Opportunities

■ Scholarships ■ Training²



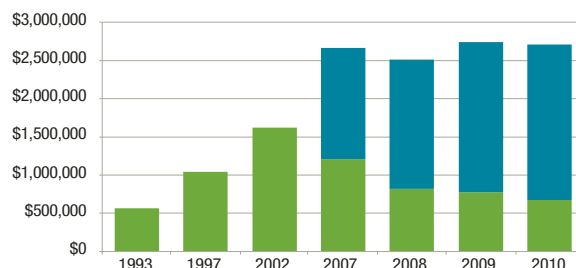
Aggregated Wages, Salaries and Payments to Fishery Permit Holders

■ Payments to Commercial Fishery Permit Holders ■ Wages and Salaries



Aggregated Training and Scholarship Expenditures

■ Scholarships ■ Training²



¹ Total jobs for 2007-2010 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. ² Training and scholarship opportunities and expenditures were reported in aggregate prior to 2007.



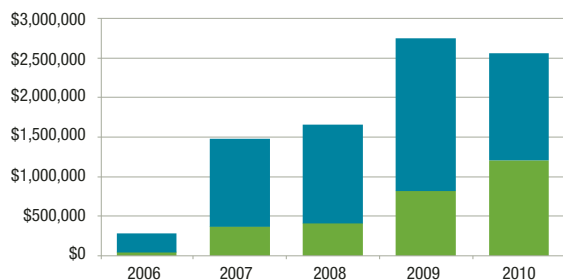
Investments in Community Capital

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 NGOs in CDQ villages for infrastructure projects, facilities, municipal government and NGO operations, equipment, environmental programs and projects, and educational programs and support.

In 2010, the six CDQ entities provided nearly \$8.9 million toward community infrastructure projects and over \$7.5 million in community benefit projects. These investments leveraged an additional \$3.4 million from other sources, bringing the total value of community capital investments to approximately \$19.9 million for the year.

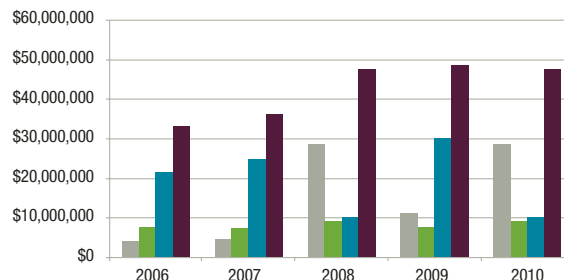
Aggregated Fees and Taxes Paid to State and Local Government

■ State of Alaska ■ CDQ Communities and Boroughs



Aggregated Community Capital Investments

■ Infrastructure Project Contributions ■ Community Benefit Projects
■ Additional Funds Leveraged ■ Total Community Capital Value





ALEUTIAN PRIBILOF ISLAND COMMUNITY DEVELOPMENT ASSOCIATION



APICDA dedicated land next to the Ugludax Lodge in Nikolski for this geodesic greenhouse, shown prior to planting. In exchange for routine maintenance, the lodge receives growing space in the greenhouse. With assistance from APICDA, the City of False Pass installed a 2.4 kilowatt wind turbine to help offset some of the electricity costs incurred by the City office and recreation center.

“Not only will atomic power be released, but someday we will harness the rise and fall of the tides and imprison the rays of the sun.” —Thomas A. Edison

With no road access, living as much as 1,000 miles from the nearest store or fuel source has significant consequences when one of the two barges transporting the community’s annual fuel delivery doesn’t show up as expected. In late 2000, this was an all too familiar situation for the Aleutian Pribilof Island Community Development Association (APICDA) communities of Akutan, Atka, False Pass, Nelson Lagoon, Nikolski, and Saint George.

The missed fuel delivery spurred emergency fuel conservation measures undertaken by these communities and their residents. With today’s rising fuel prices, many residents are still compelled to take drastic measures, often forced to choose between “heat and eat” just to make it day to day.

To help alleviate this situation, APICDA has joined forces with other “A-Team” members in support of its goal to make energy for member communities “accessible, sustainable, reliable, and affordable.” APICDA sees this as part of its mission to increase community influence over individual economic and social destinies and to promote economic growth in the communities by providing for a higher standard of living and a reduction in social problems.

The A-Team is a group of Aleutian organizations, which in addition to APICDA, includes the Aleut Corporation, the Aleutian Housing Authority, the Aleutian Pribilof Islands Association (APIA), the Aleutians East Borough, and the Eastern Aleutian Tribes.

“We are trying to lead our communities to economic self-sufficiency. Energy security is one piece of this puzzle; we are able to do this because of the CDQ program. Through our investments in the Bering Sea, we can develop programs for our residents, helping lead them to a more stable environment, not just for the short term, but ideally for the long term,” explains APICDA’s Everette Anderson.

Leading their communities to energy self-sufficiency through the use of alternative energy has been a highly collaborative effort by APICDA and the A-Team. APICDA initiated its focus on energy issues by purchasing and installing three residential wind turbine units; one is located at the Akutan city library, another at the False Pass city office, with the third wind turbine installed at the Nelson Lagoon Storage Company.

The A-Team is focusing on three primary areas to provide its members with energy that is more accessible, sustainable, reliable, and affordable: 1) conservation and weatherization; 2) the use of renewable energy within each of the communities; and 3) exploring bulk fuel options.

Conservation and weatherization is an ongoing process in which community members are encouraged to use energy efficient light bulbs and to winterize their homes, for example. Bulk fuel delivery options are being explored, such as a bulk fuel cooperative, purchasing fuel at discounted rates, and ensuring that communities are guaranteed fuel deliveries.

The primary focus of the A-Team has been to establish a renewable energy project in each of its communities that takes advantage of the area's resources. The Aleutian chain is unique with its resources of wind, fire, and water. Wind projects are operating in Nikolski, False Pass, and St. Paul, with more proposed in the future. The Aleutians have excellent wind power potential, with winds in the area rated as Class 7, the highest rating for successful wind generation projects.

With financial assistance from APICDA, along with the efforts of APIA, Nikolski's 65-kilowatt wind turbine began operating about a year ago. It operates in conjunction with the community's diesel generation plant. Preliminary findings indicate Nikolski may cut its diesel use by 50 percent with the addition of the wind turbine, resulting in an annual savings of more than 15,000 gallons of fuel.

There is potential on almost all of the Aleutian Islands for hydropower. A hydro project is expected to be up and running in Atka in the spring of 2012. Once online, the community will be able to turn off its diesel-powered generators and the hydro plant will help to power APICDA's Atka Pride Seafood's fish processing plant with low cost electricity. A second hydro facility is slated for King Cove to be completed in the summer of 2012, doubling the area's energy capacity, providing extra energy for home heating, with additional energy available for the community's fish plant.

Geothermal energy in Akutan and tidal/ocean current energy in False Pass are still in the exploratory phases, but the area is ripe for these alternative energy opportunities. Several more emerging technology abstracts have been submitted for review by the Alaska Energy Authority.

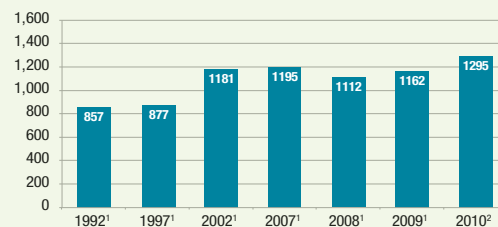
Food is energy too—and it is increasingly becoming a concern for Aleutian communities. The remote communities of Alaska are extremely vulnerable to supply disruptions in food delivery. Locally grown food in greenhouses powered by alternative energy has become an adjunct to the initial energy project taken on by the A-Team. Nikolski is now in its third year operating its 24-foot diameter solar powered geodesic dome greenhouse, which provides fresh produce for the community of 38 residents for more than half the year. A second, larger greenhouse is in the planning stages and will be funded entirely by the community.

"We are looking at creating what is most cost effective for our communities; low cost energy is truly the avenue to stimulate business opportunity in very remote locations. You cannot inspire business growth with \$.74 per kilowatt hour power costs," says Anderson.

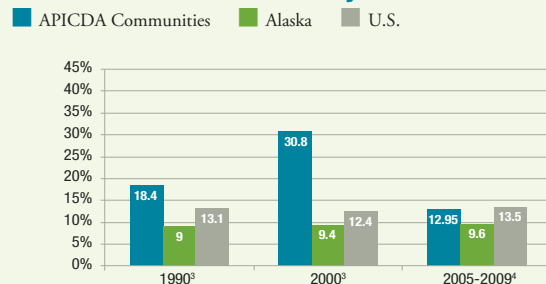
The Renewable Energy Powered Greenhouse project for Aleutian/Pribilof Island communities was introduced to the Alaska Legislature prior to its adjournment last year, with hopes of state funding being made available for the project in the near future.

APICDA, with other member organizations of the A-Team, will continue to inspire and nurture individuals in their conservation efforts, counsel and assist communities to obtain alternative energy solutions, and cultivate societal interactions within its communities.

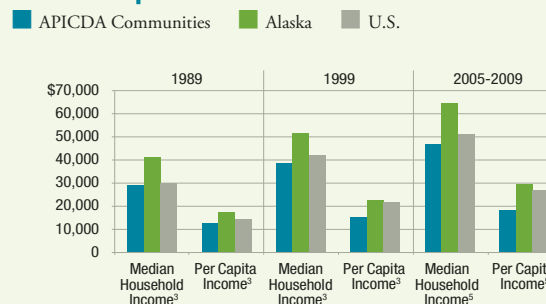
APICDA Communities' Population



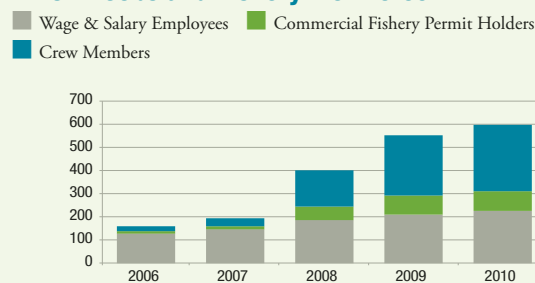
APICDA Communities' Poverty Rate



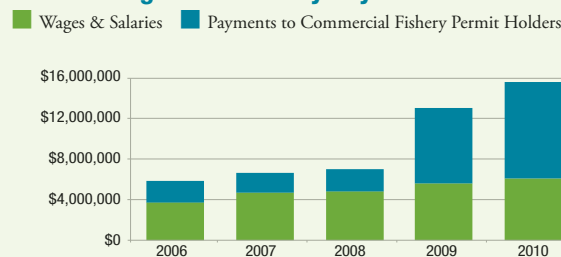
APICDA Communities' Median Household and Per Capita Income



APICDA Jobs and Fishery Workforce



APICDA Wages and Fishery Payments



¹ Source: Alaska Division of Community & Regional Affairs ² Source: U.S. Census Bureau, Census of the Population 2010 ³ Source: U.S. Census Bureau, Census of the Population 1990 and 2000 ⁴ Source: American Community Survey 5-year average population estimates and characteristics (January 2005 to December 2009) ⁵ Source: American Community Survey 5-year average population estimates and characteristics (January 2005 to December 2009 in 2009 inflation adjusted dollars)



BRISTOL BAY ECONOMIC DEVELOPMENT CORPORATION



Togiak Seafoods' goal is to train locals for fishing industry jobs with opportunities for advancement in the company. More than half of those hired by Togiak Seafoods in 2010 were local residents. In addition, ninety-one local fishermen delivered more than 1.9 million pounds of salmon to Togiak Seafoods in 2010.

A seafood processing joint venture—established with CDQ proceeds and a shared vision—is building the economy of the village of Togiak, and providing jobs, training, and better fish prices to this Alaska Native community of 817 people.

Togiak is the first village in the region to take advantage of Bristol Bay Economic Development Corporation's (BBEDC) Community In-Region Processing Plant Grant program, which is designed to help communities take ownership of sustainable resource opportunities beyond harvesting fish. A key component to the village's local economic development plan is the ability to add value to the fish harvested on Togiak's doorstep. Toward this effort, the Traditional Council of Togiak partnered with Copper River Seafoods (CRS), an Alaskan company with an international reputation for top-quality seafood. With help from CRS, and technical assistance from BBEDC, Togiak's business plan qualified for BBEDC's \$2 million community processing grant. CRS matched that investment, and the Togiak Seafoods joint venture was born in 2009.

To bring their vision for a community-owned fish processing facility to fruition, Togiak would provide experienced local fishermen; access to sustainable wild salmon; and an empty, two-story, 30,000 square foot building, which would serve as the foundation for the business venture. CRS, eager to source additional wild salmon to fill a growing worldwide demand, would bring their technical expertise, logistics, access to markets, and high expectations for fish quality to the partnership.

In its first year of operation, the community-owned company bought more than 500,000 pounds of bled and iced salmon from twenty-seven Togiak gillnetters. News spread quickly that the new company paid significantly more than other Bristol Bay buyers—\$1.12 a pound for sockeye salmon compared to a fleet-wide average of 80 cents a pound—and in 2010, participation, production, and earnings nearly tripled.

Ninety-one local fishermen delivered more than 1.9 million pounds in 2010, earning \$1.9 million for their catch. While salmon prices increased Bristol Bay-wide in 2010, prices paid by Togiak Seafoods were significantly higher than average. Sockeye was bought for \$1.18 a pound, kings for \$2.65, and chum salmon for 30 cents a pound—compared to 95 cents, 60 cents, and 10 cents a pound paid for the same species by other Bristol Bay buyers.

Local fishermen are "ecstatic with the high prices we are paying and very proud of the fish processing plant they have created," said Jonathan Forsling, vice president of fisheries development and village

communications for Togiak's Traditional Council. In addition, Forsling says, the plant has brought new jobs to the community which, like many rural Alaska communities, had historically high levels of unemployment. More than half of those hired by Togiak Seafoods in 2010 were local residents. Other benefits to the community include training opportunities, discounted freight rates, and a revival of participation by Togiak's younger generation in the commercial fishery that is so close to home.

Renovation of Togiak's vacant building was completed in 2010, with half of the ground floor designated for processing salmon and salmon roe, and the remaining half reserved for future expansion. The second floor includes a bunkhouse big enough to house four-dozen workers, a full kitchen, and laundry facilities.

Another highlight of 2010 was a week-long workshop to teach local harvesters the best way to handle, bleed, and ice their catch. CRS, the staff of the Fishery Industrial Technology Center (FITC) in Kodiak, Alaska, and the Alaska SeaGrant Program provided technical expertise. The workshop featured: a lecture on marketing and economics delivered by seafood marketing specialist Quentin Fong; a discussion with Chris Napoli and Ryan Savo about BBEDC's fishing permit loans, insulated fish totes, slush ice bags, and other BBEDC services; and classes offered by BBEDC's Basic Vocational Education Program on hazard analysis and critical control points issues, fishing vessel safety, and first aid. The workshop's focus was to help Togiak fishers produce the highest quality salmon, to meet the standards that have earned CRS its reputation. According to FITC's Fong, CRS's prestige in world markets resonates perfectly for the community of Togiak, noting that "Togiak's big selling point is quality."

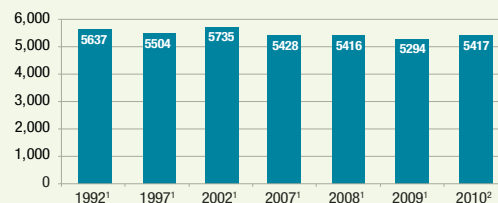
An important community goal of the new venture is to train locals for fishing industry jobs and for positions with opportunities for advancement in the company. For inspiration, Forsling looks to Vojtech Novak, a veteran of CRS who came to Alaska from the Czech Republic unable to speak a word of English. Many Togiak residents speak Yup'ik, the ancestral Eskimo language of Western Alaska. Vojtech's first job was on the "slime line" butchering fish—within three years, he was a supervisor, and after six years, a CRS plant manager in Cordova. From there he moved to Togiak to help get the new plant up and running—today Vojtech is manager of the Togiak Seafoods plant.

Looking to the future, Forsling said, "We look toward continued development and investment within our company to more vertically integrate." One goal is to buy a fish tender, a larger boat that would allow Togiak Seafoods to buy salmon from Igushik, a nearby river system fished primarily by Alaska Native residents of the village of Manokotak. "They have a great fish very similar to ours," Forsling said. "They have processing capacity issues there, too—and they are our neighbor. We look forward to helping them." He added, "Our motto is 'biggest and best in Bristol Bay,' for all species of fish, wildlife, and community."

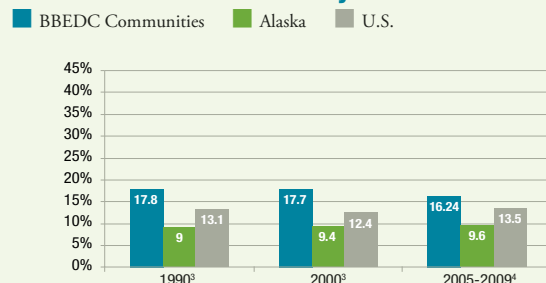
Moses Kritz, president of the Togiak Traditional Council and a member of BBEDC's Board of Directors, said the community-owned fish company has long been a dream—a dream that he's grateful is shared by CRS's President and CEO Scott Blake. Further, Kritz said, Togiak Seafoods is "the realization of the promise of the Community Development Quota program."

"It's the people of Western Alaska's coastal communities taking control of our own destiny through the wise use of the Bering Sea's fishery resources—sustainable resources around which our ancestors built their lives—and from which we are building our future."

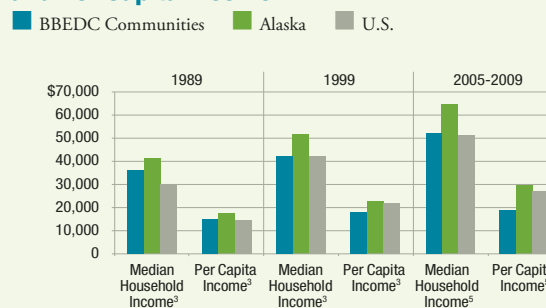
BBEDC Communities' Population



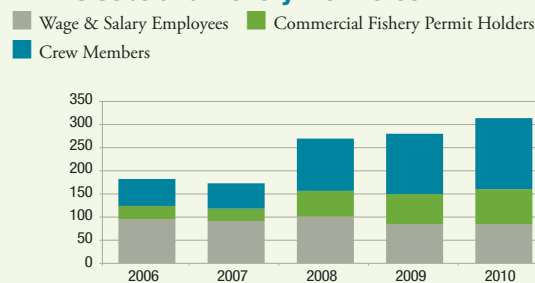
BBEDC Communities' Poverty Rate



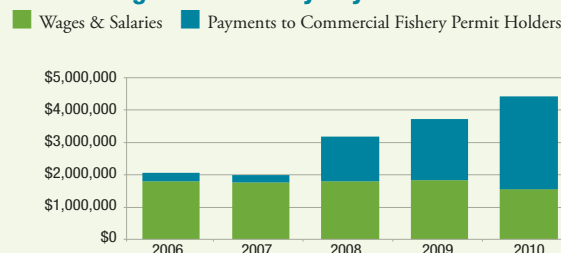
BBEDC Communities' Median Household and Per Capita Income



BBEDC Jobs and Fishery Workforce



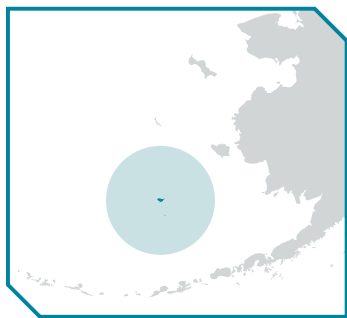
BBEDC Wages and Fishery Payments



¹ Source: Alaska Division of Community & Regional Affairs ² Source: U.S. Census Bureau, Census of the Population 2010 ³ Source: U.S. Census Bureau, Census of the Population 1990 and 2000 ⁴ Source: American Community Survey 5-year average population estimates and characteristics (January 2005 to December 2009) ⁵ Source: American Community Survey 5-year average population estimates and characteristics (January 2005 to December 2009 in 2009 inflation adjusted dollars)



CENTRAL BERING SEA FISHERMEN'S ASSOCIATION



The Saint Paul Small Boat Harbor was completed in October 2010 and is the final phase of a joint local, state, and federal effort that started nearly three decades ago. The SBH has provided renewed vigor to the halibut fishery by saving fishermen substantial deployment time, making it safer to operate and moor their boats, and allowing them to focus more of their time and effort on fishing.

Saint Paul Island residents and a number of visiting officials recently celebrated the dedication of the Saint Paul Small Boat Harbor (SBH). The SBH's completion in October of 2010 and its official dedication constitute a major milestone in Saint Paul's history.

"It is a dream come true," exclaimed lifelong resident Jason Bourdukofsky, Sr., "we waited for too many years!"

The Central Bering Sea Fishermen's Association (CBSFA), which contributed over \$6 million out of the project's total cost of \$20 million, owns and manages the new SBH. CBSFA worked with Bellingham Marine Industries (BMI) and the Dutra Dredging Company to finalize the design and installation of the SBH's infrastructure. The SBH is considered state of the art design and engineering, and the joint construction team consisting of CBSFA, BMI, Red Point, and Dutra was recently awarded the 2011 'Project Excellence Award' by the Coasts, Oceans, Ports, and Rivers Institute.

The SBH is the final phase of a joint local, state, and federal effort that started nearly three decades ago, soon after the 1983 Fur Seal Act Amendments directed the phase-out of the federally-managed northern fur seal harvest on the Pribilof Islands and the development of an economy based on commercial fishing. The first phase was completed in 1989 when the Saint Paul Harbor, consisting of a main breakwater and a second detached breakwater, became operational. This allowed Saint Paul to attract major fish processing facilities, such as the Trident Seafoods plant, and become an important delivery harbor for the Bering Sea crab fleet. During the peak years of the snow crab fishery in the 1990s, the Saint Paul harbor accounted for close to 40 percent of all snow crab deliveries in what was then a 200 million pound per year fishery. The second phase, the Harbor Improvements Project, occurred between 1999 and 2005 when the existing harbor was improved with the addition of underwater reefs to protect the main breakwater, the deepening of the harbor entrance channel and maneuvering area, and a tidal channel into the island's environmentally-sensitive salt lagoon.

Local residents view the final phase—the completed SBH—as critical to Saint Paul Island's long-term economic well-being and its diversification efforts. It also brings Saint Paul closer to fulfilling the objectives of the Fur Seal Act Amendments by consolidating Saint Paul's importance as a strategic port, hub, and service center for the Bering Sea's commercial fisheries.

“It will create new jobs in the fishing business, particularly for younger residents like me, who seek to make Saint Paul our home and a place to raise our families,” says Jeffery Kauffman, a local fisherman and part of the younger generation of Saint Paul Island residents.

The halibut fishery is a major contributor and source of employment for the local economy. The SBH has already provided renewed vigor to the halibut fishery by saving fishermen substantial deployment time, making it safer to operate and moor their boats, and allowing them to focus more of their time and effort on fishing. With higher quotas and halibut prices at record highs, local fishermen and their crews are expecting one of their best ever fishing seasons. And, in a promising sign of the new business opportunities that may arise, the SBH has been used in its first season of operation by fishing vessels from other ports and private yachts, as well as by visiting cruise ships to shuttle passengers that are touring the Pribilof Islands.

In addition, the SBH is well-suited to accommodate and service the growing fleet of 58' x 26' vessels that are 100 percent owned by CBSFA, namely the F/V Saint Paul, which was completed in 2008, and the F/V Saint Peter, which is under construction and is expected to be completed in September of 2011. Both vessels will fish for CDQ and IFQ halibut, as well as CBSFA's allocations of Pacific cod and Bering Sea sablefish.

Ricardo Merculief, one of the first locals trained to operate the F/V Saint Paul, is now the vessel's captain. “Since first setting sail in 2008, the F/V Saint Paul has been very successful in its fishing activities and provides a safe and efficient platform for harvesting halibut IFQ, as well as CBSFA's CDQ halibut allocation that remains uncaught late in the year when the local small boat fleet retires for the season due to weather,” said Merculief.

“The Saint Paul has also created numerous professional jobs for younger residents, myself included!” he added. “Having a state of the art harbor at which to dock, and from which to deploy, will make it a lot easier and safer for me and my crew to operate the Saint Paul and focus our time and energy on fishing,” concluded Merculief.

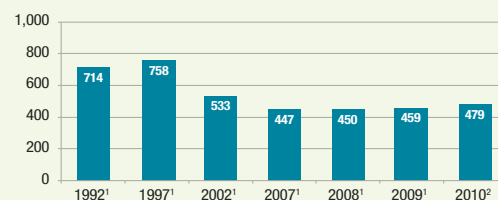
It is clear that the logistical efficiencies provided by the SBH are expected to have a multiplier effect on CBSFA's other investments and businesses, allowing these to maximize fishery revenues and job creation across the board.

Complementary to the SBH, a Manitowoc 4000 watt crawler crane, used by the builders in the construction of the harbor, was purchased to allow CBSFA to deploy the new docks every season and to launch heavier vessels. Next on the list of priorities are a vessel repair facility and other vessel support projects necessary to provide local and visiting vessel owners with all the proper maintenance, repair, and support services.

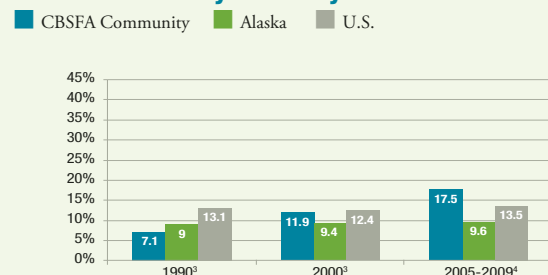
The SBH, and associated machinery and infrastructure, has already led to the creation of additional jobs in the community. CBSFA has hired three individuals to manage the operations of the SBH and vessel support program, and to operate and maintain the cranes and heavy equipment. CBSFA has also entered a contract with the local Tribal Enforcement to provide for the security and protection of the SBH.

“The CBSFA board and the local fishermen are very happy that this project has finally come to fruition,” said CBSFA President Phillip Lestenkof. “We are already seeing the positive impacts of this harbor on so many aspects of life here on Saint Paul,” he concluded.

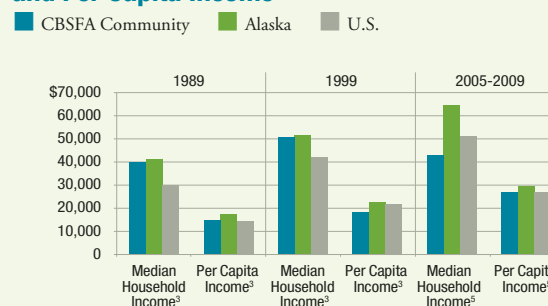
CBSFA Community's Population



CBSFA Community's Poverty Rate



CBSFA Community's Median Household and Per Capita Income



CBSFA Jobs and Fishery Workforce



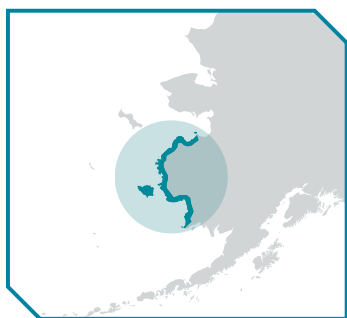
CBSFA Wages and Fishery Payments



¹ Source: Alaska Division of Community & Regional Affairs ² Source: U.S. Census Bureau, Census of the Population 2010 ³ Source: U.S. Census Bureau, Census of the Population 1990 and 2000 ⁴ Source: American Community Survey 5-year average population estimates and characteristics (January 2005 to December 2009) ⁵ Source: American Community Survey 5-year average population estimates and characteristics (January 2005 to December 2009 in 2009 inflation adjusted dollars)



COASTAL VILLAGES REGION FUND



CVRF has become the largest non-governmental employer for its 20 member villages by providing jobs in its plants, aboard its tenders, and as a result of providing a consistent market for salmon and halibut fishermen. In addition, more and more residents are now working as crew on CVRF's larger Bering Sea fishing vessels and in jobs with other seafood companies through CVRF's employment program.

2010 marked the first year in the 18-year history of the Community Development Quota (CDQ) program in which a CDQ group was positioned to harvest all of its pollock, cod, and crab quota aboard wholly-owned vessels in the Bering Sea.

Visionaries of the Coastal Villages region, such as Harold Sparck and Joe Paniyak of Chevak, Louis Bunyan of Hooper Bay, Wassilie Bavilla of Quinhagak, Steven "Angivran" White of Eek, and Hultman "Ike" Kiokun of Mekoryuk, worked long and hard to steer their CDQ company toward this goal. Much as a vessel crewman would, Coastal Villages Region Fund (CVRF) started at sea level, where the organization worked with and invested in mature fishing companies to learn the nuances of various fisheries, and then slowly moved up in rank until Coastal was ready to stand on the bridge of their own vessels.

Through boldness and tenacity, successes and mistakes, CVRF took the first milestone step toward becoming an independent owner in the Bering Sea/Aleutian Islands fisheries in 2005 when it purchased three crab vessels. Five years later, in 2010, Coastal Villages acquired three cod longliners, a pollock catcher/processor, and a fourth crab vessel. This fleet of eight vessels is able to harvest all of CVRF's pollock, cod, and crab quota in addition to significant amounts of quota owned by third parties, including other CDQ groups.

John O. Mark of Quinhagak, Chairman of Coastal Villages' Board of Directors, summed it up by saying, "As we approach the 20 year anniversary of the CDQ program, we are not done with our mission—it has really only just begun. Let me remind you again that we are graduating from our company's teenage years into a new phase of maturity, learning, and growth."

Growing up has been a bumpy ride for Coastal Villages. Representing 20 western Alaska villages from Platinum to Scammon Bay—one of the poorest and most economically-challenged regions in the U.S.—opportunities are few and hope is in short supply. Royalties from leasing CDQ quota have historically funded the programs, projects, and hope that Coastal Villages injects into its member villages, but that came at the price of being subject to the direction and strategies of other owners.

Coastal Villages and the other CDQ groups have a stake in the long-term viability and stewardship of all aspects of the economic and ecological systems of the Bering Sea. As an owner/operator, CVRF is now able to control its own direction and strategy. This "freedom" comes with great responsibility, however. No longer does a royalty check just show up in the mail. Inability to balance bycatch issues

with successful target fishing could jeopardize everything that CVRF has worked to build in its communities. Balance will be the key to success.

The rewards, however, have huge potential. Coastal Villages is using the profits generated by its Bering Sea fishery operations to fund a vast array of economic development opportunities for its region. Nineteen of the twenty communities have Community Support Centers, where residents can go for help with a wide range of needs, from mechanic and welding services, to accessing the internet, to renting bunk space. Scholarships are helping young adults take control of their futures by helping them go to college. The training program provides tuition and other assistance to help people attend various training sessions and obtain certifications. Countless interns are gaining valuable experience in a wide variety of career paths. Youth earn income helping the elders in their communities with everything from household chores to delivering food donations. Matching funds help communities get grant monies for projects crucial to their residents. Heating oil and firewood are delivered to help defray the high cost of keeping warm in an area where trees are nonexistent. In a region where being on the water is a way of life, life jackets, marine safety kits, and marine safety training sessions save lives.

The centerpiece of Coastal's community development program is its in-region salmon and halibut operation. The company operates numerous salmon and halibut buying stations, focusing on paying the highest sustainable price possible to its local fishermen. Coastal Villages serves over 1,000 fishing permit holders and crew from the region, providing a reliable market for salmon and halibut fisheries for the first time in history. The purchased fish are transported to Coastal's Goodnews Bay Regional Seafood Plant in Platinum, where CVRF employs over 200 people and produces some of the highest quality seafood products available for markets around the world. The majority of employees at Coastal Villages' plants are residents of its member villages, with the Alaska-hire rate above 95 percent in some seasons.

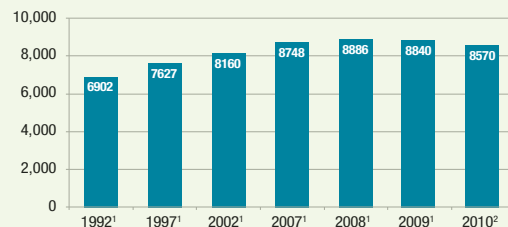
CVRF tender boats operate throughout much of the region, buying fish from local fishermen and delivering supplies and firewood to region residents. These tenders are crewed largely by people from the region and serve as stepping stones to working on Coastal Villages' larger vessels in the Bering Sea fisheries.

Between the jobs at Coastal's plants, aboard its tenders, and created as a result of providing a consistent market for salmon and halibut fishermen, Coastal Villages has become by far the largest non-government employer for its 20 member villages. Coastal's Board of Directors' goal—to provide hope through the opportunity to work and fish—has become a reality.

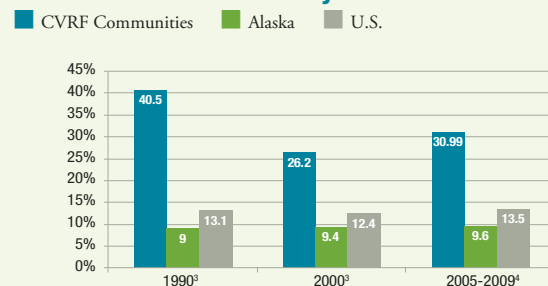
In addition to the in-region jobs CVRF has to offer, more and more Coastal residents are working as crew on Coastal's larger Bering Sea fishing vessels—the vessels that help pay for Coastal's in-region activity. In fact, there are around 235 positions aboard the eight Bering Sea vessels that Coastal now owns, not to mention jobs with other seafood companies that Coastal assists region residents in obtaining as part of its employment program. The jobs in the Bering Sea typically pay well, and compliment village lifestyle by allowing residents to work only part of the year away from home, as well as by reinforcing the value of sobriety. Residents of Coastal's member villages are just beginning to move up the crew ranks in the Bering Sea and there is great potential for the future.

The roadblocks to development in Western Alaska are many, but thanks to the hard work and dedication of the people who have been, are, and will be part of the CDQ program, there is rewarding WORK for the people of the region, there are many opportunities for harvesting FISH for both local use and commercial sales, and, most importantly, there is HOPE for a better future.

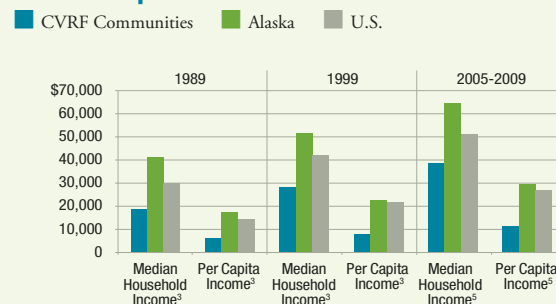
CVRF Communities' Population



CVRF Communities' Poverty Rate

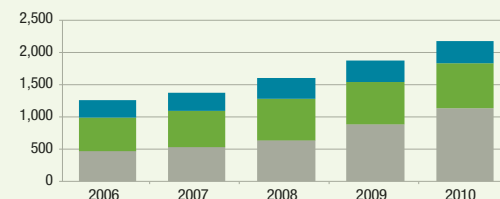


CVRF Communities' Median Household and Per Capita Income



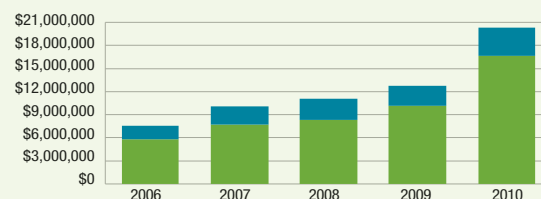
CVRF Jobs and Fishery Workforce

■ Wage & Salary Employees ■ Commercial Fishery Permit Holders ■ Crew Members



CVRF Wages and Fishery Payments

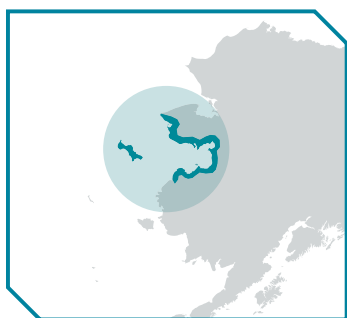
■ Wages & Salaries ■ Payments to Commercial Fishery Permit Holders



¹ Source: Alaska Division of Community & Regional Affairs ² Source: U.S. Census Bureau, Census of the Population 2010 ³ Source: U.S. Census Bureau, Census of the Population 1990 and 2000 ⁴ Source: American Community Survey 5-year average population estimates and characteristics (January 2005 to December 2009) ⁵ Source: American Community Survey 5-year average population estimates and characteristics (January 2005 to December 2009 in 2009 inflation adjusted dollars)



NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION



NSEDCC contributed \$1 million to UVEC's 600 kilowatt wind installation for development and construction. The system has the potential to supply up to 35 percent of the power needs for Unalakleet's 700 residents. After nearly two years of operations, the turbines have reduced the village's dependence on diesel fuel by an estimated 5,000 gallons a month.

Standing tall on a hillside above the Bering Sea community of Unalakleet, six turbines have steadily been transforming the breeze into clean, low-cost energy since November 2009. And while the windmills' power line may stop at the village, the alternative energy project's reach might very well spread across the entire Norton Sound region.

Built by STG Incorporated and owned and operated by Unalakleet Valley Electric Cooperative (UVEC), the 600 kilowatt wind installation attracted the support of Norton Sound Economic Development Corporation (NSEDCC) through a \$1 million contribution for development and construction. More importantly, the project spurred NSEDCC to offer the same level of support to its remaining 14 member communities toward initiatives that reduce the cost of energy.

NSEDCC's Community Energy Fund makes \$1 million available to each of its communities to facilitate the development of safe and reliable energy infrastructure through the installation and construction of upgrades to community power generation and distribution systems, alternative/renewable energy projects, and projects with potential for energy cost reduction.

The UVEC wind project serves as a model for what NSEDCC aims to accomplish with the Community Energy Fund. In the Norton Sound region—like much of rural Alaska—high fuel prices cast a long shadow that touches nearly every aspect of life. Prohibitive energy costs stymie business and economic development, limit residents' ability to participate in subsistence activities, and siphon off precious income in communities where employment opportunities are limited. Affordable energy not only saves the region's residents money, it provides opportunity for independence, employment, and an improved quality of life.

After more than a year and a half of operations, the turbines have reduced Unalakleet's dependence on diesel fuel for power generation by an estimated 5,000 gallons a month, according to UVEC General Manager Ike Towarak. With the price UVEC pays for fuel vaulting from \$2.46 to more than \$4 per gallon over the last three years, each gallon spared translates to cost savings for the utility and its patrons. "It allows people to spend money in places other than on electricity," Towarak said. "The wind has helped us avoid almost 3.4 cents a kilowatt hour in fuel surcharge [for 2011/2012]."

All in the timing

NSEDCC's support of the wind project and the subsequent creation of the Community Energy Fund was a product of the right idea being presented at the right time. "NSEDCC's support of Unalakleet Valley Electric Cooperative and the creation of the Community Energy Fund was a product of good timing," said

NSEDC's Community Benefits Director Paul Ivanoff III. "UVEC's proposal just happened to be ready at the same time the NSEDC Board of Directors tasked the corporation's staff to find ways to cut costs for its seafood plant operations." The Norton Sound Seafood Products fish plant is one of the largest consumers of electricity in Unalakleet.

Ivanoff said the NSEDC board saw the benefits that energy development initiatives could bring to the region and moved forward with the allotment of \$1 million per community. The board realized that the creation of new energy projects would not only deliver more efficient power generation once operational, but could also provide employment and contractual opportunities for communities while being built. "Community Energy Fund initiatives set in motion projects that help the local economy by offering high-paying contracts for local businesses and high-paying jobs for individuals," Ivanoff said. He noted that communities see the added benefit of increased economic activity such as rentals, and food and fuel sales while projects are underway. The projects also have the potential for long-term employment through maintenance and operation of the resulting energy systems.

Not all projects seeking support from NSEDC's Community Energy Fund need be renewable or alternative in nature. Population, geography, existing infrastructure, and additional funding sources are all considerations that must be taken into account in developing a project that is appropriate for a community. For some villages, this may mean an upgrade to its current generators or the pursuit of more efficient fuel-power systems.

In the case of Unalakleet, the wind farm was several years into its development by the time NSEDC became involved. Funding was also provided by the Alaska Energy Authority and the Unalakleet Native Corporation. Following the wind project's installation, UVEC completed a generator upgrade, which has resulted in further fuel savings, according to Towarak. "Before we were only producing 13 kilowatt hours per gallon of fuel, now we are producing over 15 kilowatt hours per gallon," he said.

Watch the savings

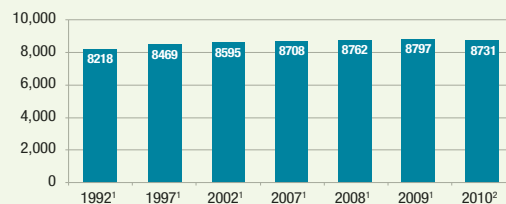
You don't need to be in Unalakleet to see how the wind turbines are benefitting the village. A website, northernpower.kiosk-view.com/unalakleet, tracks the turbines, allowing visitors to see which windmills are turning and how much power each is producing in real time. The site also tracks the entire project's performance to date, listing the total amount of energy produced since brought on line, as well as estimated cost savings, gallons of fuel displaced, and pollution offsets.

As of early August 2011, it is estimated that the project has produced 1.36 million kilowatt hours, enough electricity to power 424 homes for a year. Since the installation first started producing power, it has displaced approximately 104,000 gallons of diesel fuel at an estimated cost savings of more than \$271,000. The system has the potential to supply up to 35 percent of the power needs for Unalakleet's population of approximately 700 residents.

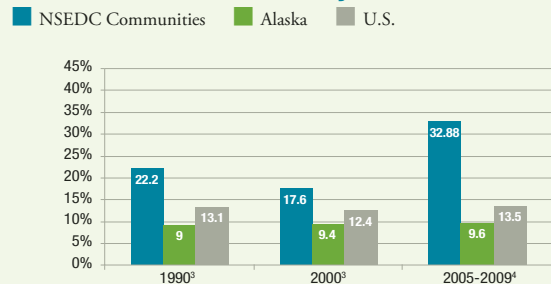
As fuel prices climb each year—a trend that does not appear to be reversing any time soon—the number of years it will take for the wind farm investment to pay for itself through fuel savings continues to shrink. "The payback period will definitely shorten," Towarak said. "The turbines are expected to last 25 years. There will be benefits every year if the turbines operate like they are supposed to."

The turbines also complement UVEC's four diesel-powered generators by allowing the equipment to run less often, which in turn means fewer visits from maintenance crews. "Right now we're getting 30 mph winds, so we only have one generator running," Towarak said one blustery August afternoon. "These turbines will help us avoid a lot of the maintenance costs since the engines don't need to run as long."

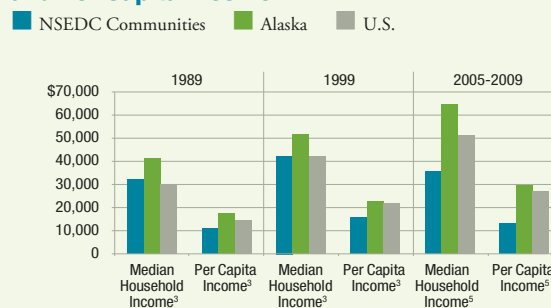
NSEDC Communities' Population



NSEDC Communities' Poverty Rate



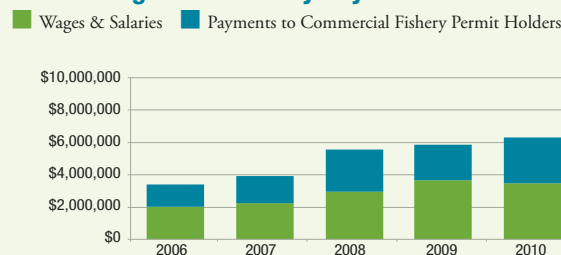
NSEDC Communities' Median Household and Per Capita Income



NSEDC Jobs and Fishery Workforce



NSEDC Wages and Fishery Payments



¹ Source: Alaska Division of Community & Regional Affairs ² Source: U.S. Census Bureau, Census of the Population 2010 ³ Source: U.S. Census Bureau, Census of the Population 1990 and 2000 ⁴ Source: American Community Survey 5-year average population estimates and characteristics (January 2005 to December 2009) ⁵ Source: American Community Survey 5-year average population estimates and characteristics (January 2005 to December 2009 in 2009 inflation adjusted dollars)



YUKON DELTA FISHERIES DEVELOPMENT ASSOCIATION



YDFDA subsidiary Yukon River Towing supports the local fishing fleet, hauls gravel, operates a sawmill, and bids on and undertakes construction projects in the Lower Yukon region. In addition to increasing economic opportunities, YRT provides employment and training for the region's residents.

When the Board of Directors of Yukon Delta Fisheries Development Association (YDFDA) created Yukon River Towing (YRT) in January 2010, the goal was to create a for-profit company that would haul gravel on the Lower Yukon, as well as serve as YDFDA's construction arm, bidding on and undertaking projects in the region. Equally important, the Board envisioned YRT as a vehicle that could be used to provide on-the-job training and well paying jobs for in-region workers.

YRT showed signs of success in all three areas by the end of its first full year of operation. This suggested that YRT could serve as a model for future investments. "Yukon River Towing is a good example of the kind of investment that YDFDA seeks—investments that provide immediate employment opportunities for local residents while also delivering a financial return to the company," notes YDFDA's Executive Director, Ragnar Alstrom.

YRT's assets include a 600-ton capacity cargo barge, a triple screw 650 horsepower pusher tug, and six LCM-style vessels. The LCMs are former troop and tank carriers from World War II that now work double-duty as pusher-tugs with the cargo barge and operate as tenders, serving the fleet of 418 fishermen on the lower Yukon River's areas Y-1 and Y-2. Given their dual purpose—supporting fishing operations and hauling gravel, these vessels are on the river most of the season.

A captain and two deckhands operate each LCM, creating employment and valuable training opportunities for 36 regional workers. All crew sea time is documented; in addition, all of the training that crew members receive counts toward U.S. Coast Guard licensing.

On the construction side of the business, YRT owns and operates a full line of heavy equipment including trucks, 'dozers, excavators, and road-building equipment, as well as vertical building machinery and tools. Additionally, YRT operates a sawmill in Emmonak that produces everything from heavy construction beams and timbers, to logs used in home building, to finished wood trim.

In YRT's first year, the company was contracted to haul more than 50,000 cubic yards of gravel and rock from Nome by the Federal Emergency Management Agency (FEMA) for the erosion control project in Emmonak, and by the City of Emmonak for its Emergency Community Road Repair project. Other 2010 efforts included building a 1,700 square-foot, three-bedroom, two-bathroom model log home in Emmonak; lightering freight and equipment; piloting ocean barges up the river; leveling and repairing buildings; and finishing the sawmill. Total revenue for fiscal year 2010 was over \$3 million, and in-region payroll totaled \$521,981 for 36 employees. By the end of 2010, the logging operation milled approximately 20,000 feet of logs at a value of \$40,000 to 30 loggers.

Competition for regional construction projects is intense, notes Captain Tom Link, who manages YRT for YDFDA. Given the current economic climate, companies “from everywhere” submit bids on regional projects—including companies that may not appreciate or comprehend the challenges of working in such a remote location with so many logistical constraints, such as working against the weather.

One thing is certain, however, working with YRT on construction projects, locals are given the kind of on-the-job training that equips them to succeed in family-wage jobs, and brings economic opportunities to the region through their efforts in a for-profit company. And the same holds true for the marine side of YRT. As Captain Link points out, the entire YRT operation is geared toward job training and creation, with the ultimate goal of “training a local person to take over my job.”

So what does it take to work for YRT? According to Captain Link, work on an LCM involves maritime skills, spending “just plain time on the water,” and training to become licensed in several key areas, including firefighting, first aid, and safety. As part of their training, crew members attend the Alaska Maritime Training Center in Seward for the necessary courses to become U.S. Coast Guard-certified.

One crew member is Gordon Westlock, Jr. Westlock started working for YDFDA when he was just 16 years old—first on the fish processing line, and later on LCMs. His work ethic was apparent immediately. “I was the first one there and the last one out,” he notes, describing his ambition and desire to be a valuable employee.

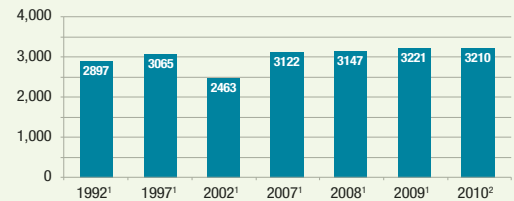
Westlock, an Emmonak High School graduate, talks about being taught from an early age to be hard-working and resourceful. When other kids were handed snow machines and bicycles on a silver platter, Gordon Westlock, Jr. was told that if he wanted those luxuries, he would have to find a way to get them for himself. So, as Westlock described, he scrounged around the landfill, finding spare parts and frames—eventually building a working snowmobile and bicycle, then made more to sell to others.

Fresh out of high school, Westlock joined the Job Corps in Palmer, where he spent nine months doing facilities maintenance. In 2004, wanting to be closer to his family, he moved to Bethel where he spent three years doing plumbing for Bethel Water and Sewer. Ready for a change, Westlock was hired on the Qipngayak as a deckhand in 2007. After one summer, Westlock was promoted to Captain of the Nunataq in 2008. How did he do it? “I pushed myself 110 percent,” Westlock says. “I wanted to learn everything in that one summer.”

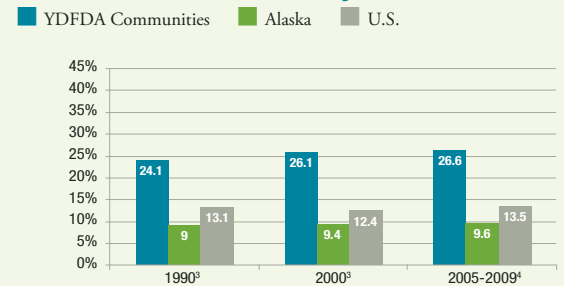
Because his Uncle Oscar is an Elder, people were watching him closely, he says. Such was his ambition to learn to be a crew member on the LCM, “I stayed up for three days straight, learning how to turn the boat,” Westlock muses. As Captain Link points out, Gordon Westlock, Jr. is not only a great employee and a hard worker, but he is also a role model to the youth of the region. In addition to working hard on the job, Westlock volunteers with teens, encourages dropouts to go back to school, and shows by example the value of education and hard work. His message to them: “Without school, you have nothing.”

The establishment and early success of Yukon River Towing demonstrates that there is a significant opportunity to diversify the regional economy. “By creating and supporting YRT, the Directors have demonstrated their willingness to provide more economic benefit to YDFDA and the region, more employment opportunities for our villages, and the chance for a locally owned construction company to compete with outside contractors,” said Executive Director Alstrom. “In its first year, YRT demonstrated the impact a regionally owned company can have on the economy. It gives a chance to influence what takes place here in the future.”

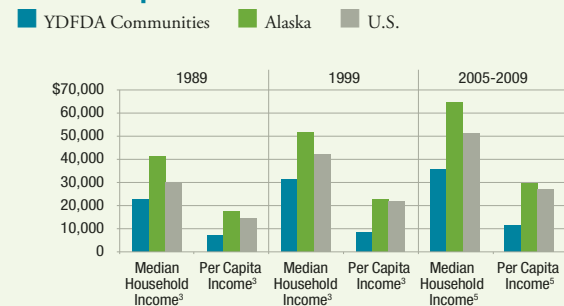
YDFDA Communities' Population



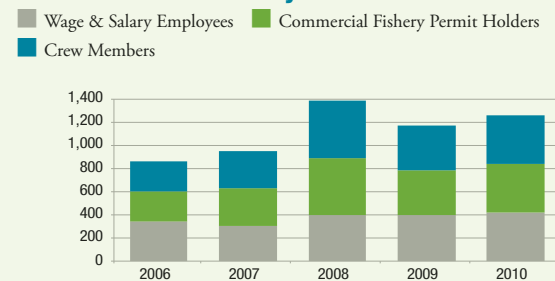
YDFDA Communities' Poverty Rate



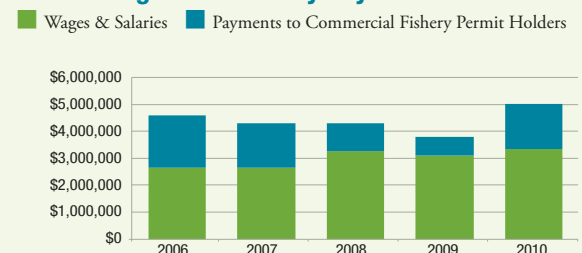
YDFDA Communities' Median Household and Per Capita Income



YDFDA Jobs and Fishery Workforce



YDFDA Wages and Fishery Payments



¹ Source: Alaska Division of Community & Regional Affairs ² Source: U.S. Census Bureau, Census of the Population 2010 ³ Source: U.S. Census Bureau, Census of the Population 1990 and 2000 ⁴ Source: American Community Survey 5-year average population estimates and characteristics (January 2005 to December 2009) ⁵ Source: American Community Survey 5-year average population estimates and characteristics (January 2005 to December 2009 in 2009 inflation adjusted dollars)

OVERALL FINANCIAL PERFORMANCE

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 right.

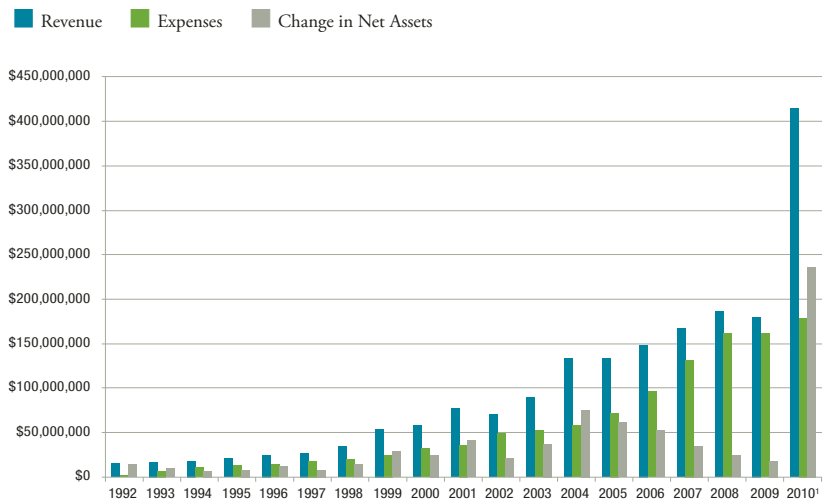
The **Statement of Activities** is the nonprofit equivalent of a profit and loss statement. In 2010, the six CDQ entities generated over \$414.5 million in revenue with operating expenses of approximately \$178.8 million, resulting in an increase in net assets of over \$235.7 million. Operating expenses include all program costs, investments, and general and administrative expenses.

The **Statement of Financial Position** is the nonprofit equivalent of a balance sheet. In 2010, the six CDQ entities combined held assets totaling nearly \$864 million and liabilities totaling just over \$126 million; bringing combined net assets to approximately \$737.6 million.

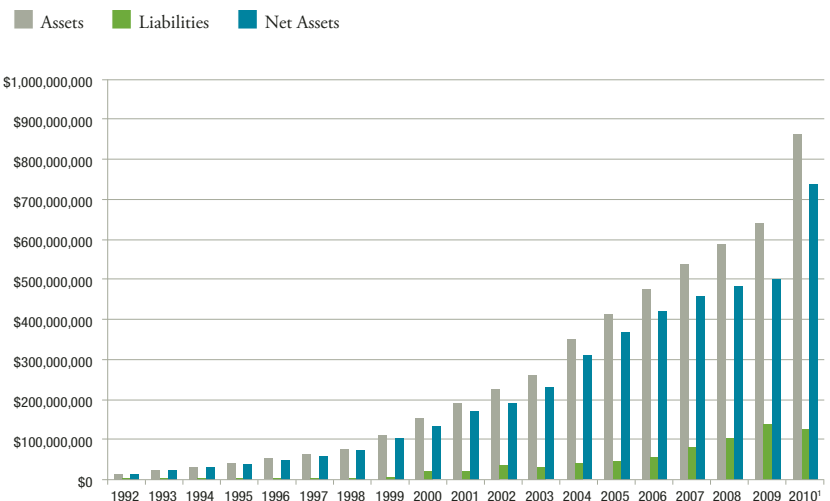
Of the \$414.5 million in revenues, roughly 16 percent was derived from CDQ royalties. Direct income exceeded royalty income for the first time in 2004. That pattern has continued since that time with direct income ranging from 55 to 84 percent annually.

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

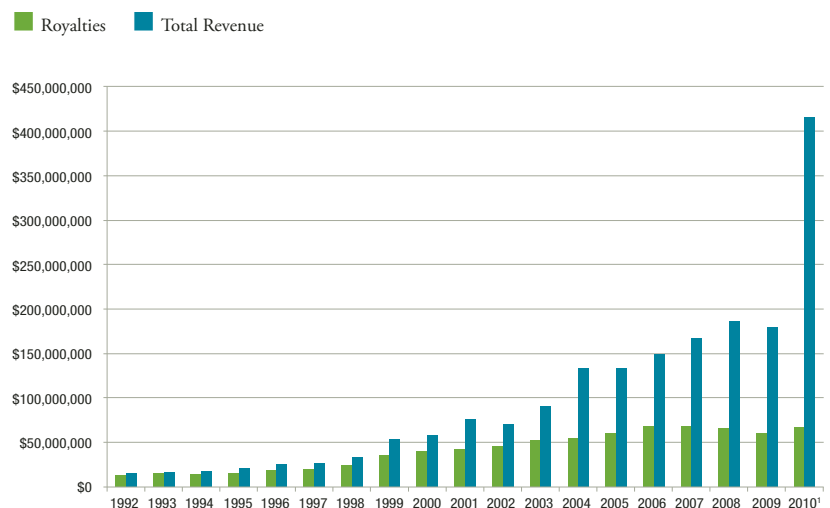
Aggregated Statement of Activities



Aggregated Statement of Financial Position



Aggregated CDQ Royalties vs. Total Revenues



¹ 2010 revenue and total assets reflects a transaction in which equity in a seafood company investment was redeemed in exchange for fishing assets.

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