



COASTAL VILLAGES REGION FUND

2006-2008 CDQ Program Application

EXECUTIVE SUMMARY

Introduction

Coastal Villages Region Fund's (CVRF's) quest to provide innovative projects and programs for the region is succeeding. The level of benefits available to our region residents and surrounding communities continues to increase as the word spreads about opportunities available through our participation in the Community Development Quota (CDQ) program. As we continue to build on our base of investments in the Bering Sea, the company has expanded to provide greater employment opportunities and specialized training in support of on-shore in-region commercial fisheries, increased employment and partnership opportunities with at-sea processors, and cooperation with communities to develop their own ideas and plans for the future.

Our Current Programs



Coastal Villages Seafoods paid more than \$1.4 million in wages to local plant workers in 2004

Our flagship program, Coastal Villages Seafoods (CVS), created employment opportunities for 339 people in 2004. CVRF region residents made up 84 percent of the total, while 99 percent were Alaska residents. These employment opportunities paid more than \$1.4 million in wages to local plant workers in 2004. In addition to employment opportunities, CVS provided markets for 549 herring, halibut, and salmon fishermen, purchasing 5.65 million pounds of fish for \$1.5 million. Without our participation, there would be no buyer for these fisheries, and there would be no processing jobs in our region.

The benefits we deliver do not stop at our twenty communities. In 2004, we operated a buying station in Bethel primarily to assist fishermen in 7 of our communities located downriver on the Kuskokwim River and in Kuskokwim Bay (Oscarville, Napaskiak, Napakiak, Tuntutuliak, Eek, Kongiganak and Kwigillingok). The operation was a success, and reached beyond the borders of the CVRF region. Fishermen from 8 nearby communities joined others from the CVRF region and made over 2100 deliveries. Until our involvement in 2004, there was only one buyer on the Upper Kuskokwim River. Because of the competitive buying environment created when we entered the market, area fishermen enjoyed a price 90 percent higher than the previous year.



Kuskokwim River fishermen wait to offload at our buying station.

Recent activities of our current in-region development programs include:

- Increased salmon plant capacity in Districts W-4 and W-5 with major upgrades to our salmon operations in Quinhagak, including a new state of the art tunnel freezer and increased bunk space.
- Increased local harvest capacity by tendering halibut south of Nunivak Island and purchasing the tender vessel Kelly Mae, a 135-foot LCU and our first 100 percent locally owned and operated vessel larger than 32 feet;
- Increased plant capacity in Area 4E by constructing and operating 4 new on-shore halibut facilities;
- Worked to increase access to fresh markets by contributing local matching funds to the Native Village of Kwinhagak (Quinhagak), resulting in a \$1.2 million Economic Development Administration (EDA) grant award in 2004 for a runway extension;
- Worked to decrease fisheries-related transportation costs by applying for and receiving a \$2.0 million grant from the EDA to help finance the construction or purchase of a high-speed fish catch transportation vessel;
- Partnered with AVEC and the Denali Commission to construct and upgrade existing electricity infrastructure to reduce costs for halibut operations in Toksook Bay and Tununak;
- Continued to administer a revolving loan fund to finance the purchase of fishing boats and equipment for region residents;
- Completed construction of a fisheries support center in Scammon Bay, and broke ground for a second facility in Eek;
- Continued to recruit and train candidates for fisheries-related jobs through administration of the 4-SITE program, which focuses on education, employment and training opportunities for our region residents;
- Funded a tax assistance program that has helped local fishermen and other region residents receive over \$3.8 million in refunds since 2002; and
- Actively participated in local community planning projects, including the Lower Kuskokwim Community Mapping Project.

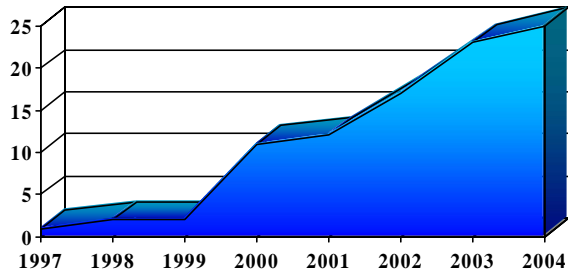
Our Current Financial Success

We have expanded our involvement in the Bering Sea from ownership in 2 vessels in 1998 to significant stakes in 25 vessels in 2004. Our main goal continues to be to establish a solid financial footing so that we can deliver, on a sustainable basis, economic development projects to our twenty communities now and in the future.

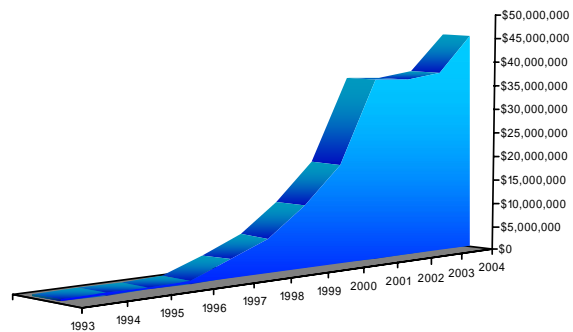
We have continued to enjoy tremendous financial performance. Recent examples of our financial successes include:

- Since 2000, we have increased our total investments in the Bering Sea from \$1.1 million to \$81.1 million, while providing \$44.2 million in economic opportunities and direct financial benefits to our region residents and member communities;
- We have negotiated some of the highest royalty contracts and overall returns on our CDQ allocations;
- We have continually taken advantage of opportunities to increase our equity position in American Seafoods, LP (American Seafoods), the largest harvester of pollock in the Bering Sea, and a significant Pacific cod fishery participant through its subsidiary Pacific Longline Company (PLC). Recently we have:
 - Increased our stake in American Seafoods to 38.9 percent; and
 - Negotiated provisions giving CVRF member communities significant influence over American Seafoods’ activities and direction in the future.
- Increased our ownership in the crab sector. We now own 50 percent stakes in 5 crab catcher vessels and 3 catcher/processors.

Vessel Ownership
Vessels Larger than 70 Feet.



Company Growth
(Net Assets)



Today, through arduous negotiations and prudent investing, we are now in a position to better deliver benefits to our region. During the current allocation cycle, we have continued to acquire assets to build towards long-term financial stability and develop the human resources required to successfully accomplish our aggressive community development plan.

Our Plans for the Next Three Years: 2006-2008

Despite our financial and project success stories over the past five years, there is still a tremendous amount of work that needs to be done in our twenty member communities. Over the past and current allocation cycles, we have made a major effort to create fisheries related employment and business opportunities for our residents. However, the next large task that confronts us is to develop critical infrastructure so even more benefits can be delivered to our people.

Most of western Alaska has a long history of economic opportunities. Examples of this early economic boom for the area include the gold rush in Nome, the salmon canneries of Bristol Bay, the fur seals in the Pribilofs and military installations in Dutch Harbor and Adak.

While the residents of the Kuskokwim Delta were spared from the ills of war and exploitation of the past, they currently do not enjoy the residual infrastructure and related economic activity that other areas have. While this distinction was likely cherished by our region residents a hundred years ago, in today's world, based largely on a cash economy (versus traditional subsistence), the lack of early contact means that the people of the Kuskokwim Delta are 100 years behind in developing infrastructure capable of sustaining an economy where cash is needed for essentials such as gasoline, heating oil, and even water. Our member communities' fuel shortages, water shortages and other basic fisheries-related infrastructure deficiencies are good examples of how we have begun to reach the limits of potential fisheries-related growth.

A major infrastructure deficiency that limits our advancement of fisheries-related projects in our region is the lack of docks and harbors, which in turn limits the size of vessels that can be utilized for our local fisheries. Docks and harbors are not cheap by any standards, with price tags ranging from \$750,000 for a simple boat ramp to over \$30 million for a boat harbor and ramps. While we are on solid financial footing, this type of added infrastructure development cannot be accomplished without further allocation.



Many community residents store their boats high on shore for lack of docks and harbors

Transportation infrastructure is another key area that must be addressed. Our region is only accessible by sea or by air. Air transportation is extremely expensive, and water transportation is traditionally too slow to get fresh seafood products to market. In order to begin addressing these issues, we have committed \$2.9 million to leverage an additional \$3.2 million in federal funds towards transportation improvements in our region. Further upgrades in transportation infrastructure to encompass all twenty of our member communities will take additional millions before we can affect meaningful resolution to the transportation issues in our region.

Over the next year and into the next allocation cycle, we plan to make an aggressive attempt to level the economic playing field on behalf of our member communities. Of all the benefits the CDQ groups can deliver to their respective communities, infrastructure development is the most costly. We intend to begin making up for the hundreds of years of lost time in infrastructure development that many other regions have enjoyed due to their earlier contact with capitalism. With twenty communities looking to us for development, our current financial resources are not nearly enough to accomplish this goal; our current and proposed development projects are only a fraction of the work that still needs to be done in the CVRF region.

Some highlights of projects that we intend to implement in 2006-2008 include:

- Finalizing development of a comprehensive regional marine transportation plan, including port facilities;
- Upgrading and/or constructing boat and barge landings in member communities to facilitate larger fishing vessels and easier barge landings;
- Installing ice machines and bait freezers in our communities to increase the quality of fish delivered to our plants;
- Expanding in-region processing facilities and buying stations for salmon and halibut;
- Purchasing or constructing a high speed catamaran to lower the cost of shipping fresh seafood product to market;
- Supporting increased fisheries research and habitat surveys in our region by working together with Alaska Department of Fish and Game and the US Fish and Wildlife Service;
- Coordinating a hydrographic mapping project to provide for better and safer navigation for our region fishermen;
- Coordinating increased training programs to “fast track” region residents into crew officer positions on board our own and our partners’ vessels.
- Constructing additional fisheries support centers, with the goal being to have a facility serving each of our twenty communities within the next ten years;
- Pursuing the development of a regional boat fabrication facility to aid in reducing the cost of boats to our fishermen; and
- Continuing participation in energy cost reduction projects in our communities.

The needs are great, and time is short. Further allocation is needed to save our region residents from an economic situation that can only get worse without additional fisheries related infrastructure and development. With support from the State of Alaska in the way of increased allocation, we pledge to take the leading role in making investments to enhance our fisheries resources to benefit our most important resource...our people.

A. Name of Applicant

The applicant for the 2006-2008 CDQ allocation cycle is Coastal Villages Region Fund (CVRF). CVRF is an Alaska non-profit corporation organized under the laws of the State of Alaska with tax-exempt status under IRC 501(c)(4). CVRF is the managing organization for the CDQ program in our region.

B. Table of Total CDQ Allocation Request in Percentages

TARGET	PERCENT
Groundfish CDQ Species:	
BS Pollock	27
AI Pollock	27
Bogoslof Pollock	27
Pacific Cod	27
BS FG Sablefish	27
AI FG Sablefish	27
BS Sablefish	27
AI Sablefish	27
WAI Atka Mackerel	27
CAI Atka Mackerel	27
EAI/BS Atka Mackerel	27
Yellowfin Sole	27
Rock Sole	27
BS Greenland Turbot	27
AI Greenland Turbot	27
Arrowtooth Flounder	27
Flathead Sole	27
Other Flatfish	27
Alaska Plaice	27
BS Pacific Ocean Perch	27
WAI Pacific Ocean Perch	27
CAI Pacific Ocean Perch	27
EAI Pacific Ocean Perch	27
BS Other Red Rockfish	27
AI Northern	27
AI Shortraker/Rougheye	27
BS Other Rockfish	27

AI Other Rockfish	27
Other Species	27
Halibut CDQ:	
Halibut 4B	-
Halibut 4C	-
Halibut 4D	27
Halibut 4E	70
Crab:	
Opilio Tanner Crab	27
Bristol Bay Red King	27
Norton Sound Red King	-
Pribilof Red & Blue King	-
St. Matthew Blue King	27
Bering Sea C. Bairdi Tanner	27
Eastern Aleutian Island (EAI) Golden (Brown) Crab	27
Adak (Petrel Bank) Red King Crab	27
Prohibited Species:	
Zone 1 Red King Crab	27
Zone 1 Bairdi Tanner Crab	27
Zone 2 Bairdi Tanner Crab	27
Opilio Tanner Crab	27
Pacific Halibut	27
Chinook Salmon	27
Non-Chinook Salmon	27

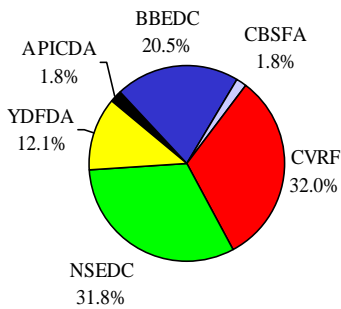
CDQ Allocation Requests

We believe there are two underlying reasons justifying our request for an increase in our communities' allocation:

1. Our region's population and economic needs; and
2. Our performance.

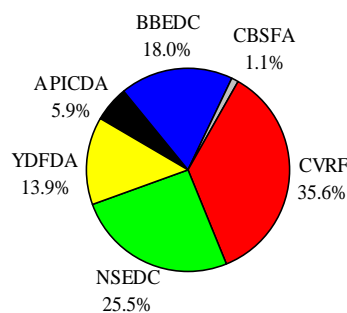
Population and Economic Need

2004 Population



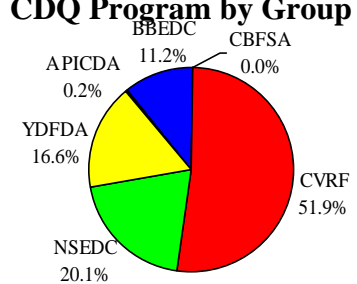
Source: Alaska Dept of Revenue.

Individuals Living in Poverty



Source: 2000 US Census

Total Distressed Population of the CDQ Program by Group



Based on 2004 Distressed Communities criteria used by the Denali Commission

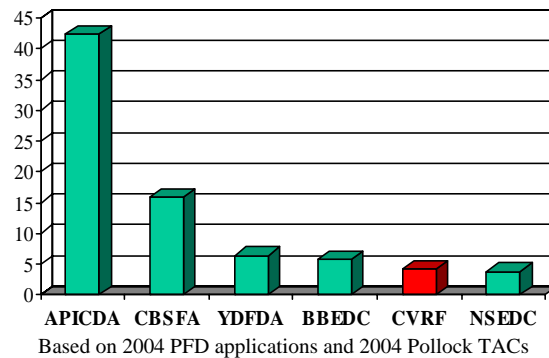
Of the 65 communities currently participating in the CDQ program, CVRF's 20 communities have the most residents (32.0 percent), individuals living in poverty (35.6 percent), and individuals living in distressed communities (51.9 percent).

While we have made great strides in addressing these conditions, there is more work to do. For the 2006-2008 allocation period, we are asking for 27 percent of pollock and all other target species. We feel that this request is justified based on our population and economic needs measures and our recent performance, which exceeds all averages and expectations. Furthermore, current allocation mechanisms have previously justified this level of allocation in the past, and we have long since rectified the problems that caused the State of Alaska to cut our region's allocation.

Based on metric tons of pollock allocated per Alaska PFD applicants, our current allocation is appallingly low when compared to some of the other CDQ groups. To a third party analyst, our efforts to consolidate and gain economies of scale through the cooperation of twenty communities appears to be an effort that is punished by the allocation process, as groups with the smallest population base have consistently received significantly higher quotas on a per capita basis.

In fact, based on the graph to the right, it appears that perhaps the best strategy for increasing quota for our twenty member communities would be to form twenty separate CDQ groups. This, we are sure, is not the intent of the allocation process.

Metric Tons of Pollock Per Capita



Population alone does not fairly represent the dire need for development in our region. By most every indicator, our communities also have the greatest economic needs amongst the six CDQ groups.

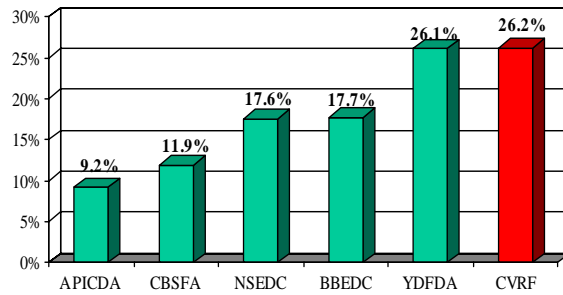
One indicator of economic need is the poverty rate. The Coastal Villages communities have the highest poverty rate of any of the CDQ groups. As a result, we also have the highest rate of households on public assistance. By providing more allocation to assist the communities with the greatest needs, the state would not only be helping our residents, but it would also be helping the state and federal coffers by establishing a long-term solution to dependency on public assistance.

In addition to poverty rates, the average income level in our region is another indicator of our economic need. Along with Yukon Delta Fisheries Development Association (YDFDA), we have the lowest income level of the six groups. On a per capita basis, our region's income level in 2000 averaged \$8,290 and YDFDA's averaged \$8,225. This represents only half of the per capita income for the communities represented by the other four CDQ groups.

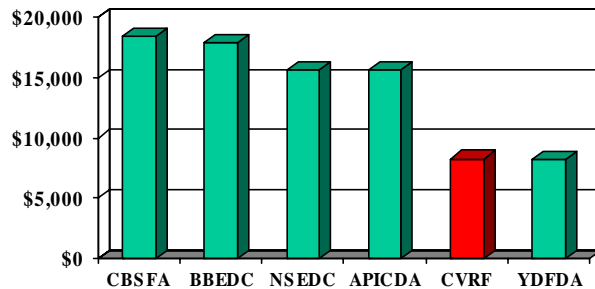
Not only do the residents of our communities suffer from little to no annual income, but their infrastructure, the most basic building blocks of an economy, leave a great deal to be desired. As an example, in addition to paying some of the highest fuel costs in the state, our residents need to be concerned about having fuel to buy at all. Of the six CDQ groups, our region has the lowest fuel storage capacity per capita. We also have the unfortunate distinction of having the highest percentage of households without complete plumbing. Not only is this detrimental to the quality of life, but it is a tremendous hindrance on any form of economic development.

Examples of how this lack of infrastructure affects our ability to develop fishing infrastructure can be found in Toksook Bay and Quinhagak, two of our most successful fishing communities.

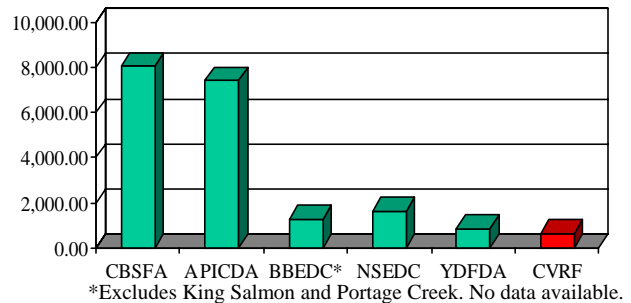
Poverty Rate



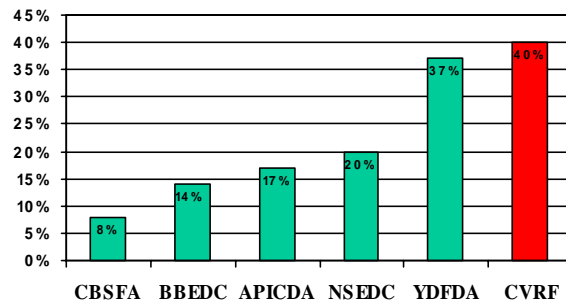
Per Capita Income



Fuel Storage Capacity Per Capita by CDQ Group



Households With Public Assistance Income



Data set: Census 2000 Summary File 3 (SF3) - P64. Public Assistance Income in 1999 for Households (3) - Universe: Housing Units

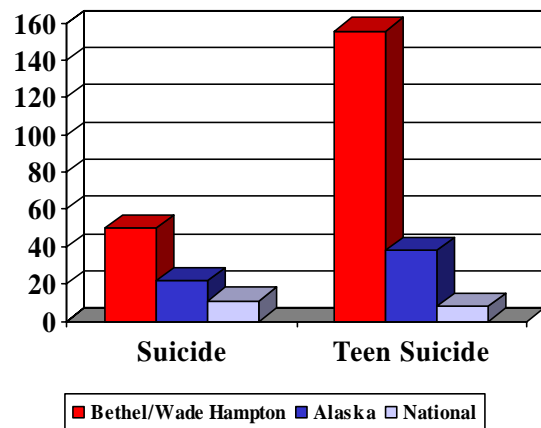
In Toksook Bay, the economic impact of our establishment of a stable halibut fishery in the area has caused an increase in commercial fishing activity and an increase in income. Both have led to a higher consumption of fuel, which has resulted in fuel shortages during the coldest winter months. In Quinhagak, our ability to expand our salmon processing facility is currently being hindered by a lack of electricity and clean water. The community often experiences shortages for both utilities during days of peak processing activities.

The extremely low average income and lack of infrastructure in our region, combined with some of the highest grocery and fuel costs in the State, cause our residents to suffer the “double whammy” that leads to what must feel like a hopeless economic situation.

Perhaps the grimmest indicator of our economic need is the measure of hope, or conversely, hopelessness in our communities. A disturbing but true indication of this can be found in the suicide rates in our general population, and even more disturbing in the younger population.

According to the Alaska Bureau of Vital Statistics, during the period from 1990-1999, suicide rates in the Bethel and Wade Hampton regions (CVRF and YDFDA regions) for the general population were 126 percent higher than the State of Alaska as a whole and 353 percent higher than the national rate. Astonishingly, the teen rates for suicide are far worse, with the Bethel/Wade Hampton regions being 310 percent higher than the State of Alaska and 1,848 percent higher than the national average.

Comparative Suicide Rates



Rate is the number of suicides per 100,000 population. “Teen” is defined as 15-19 year olds.

Those that have traveled to our region and witnessed the harsh economic environment understand the tremendous sense of accomplishment we at CVRF feel when we walk into one of our processing plants and see **over one hundred region residents hard at work.** Not only are local people participating in an employment opportunity provided by the CDQ program, but they are also processing the catch of hundreds of fishermen who would not otherwise have a market for their fish. Just this one program provides a reliable income source to hundreds of people.

The CDQ program is in a unique situation to continue to increase hope and nurture optimism in our region. For our part, we plan to continue to implement a CDP that will give our residents, especially the younger generation, a renewed sense of hope. The need for economic development in our region is not a simple matter of increasing quality of life and income, but more importantly it is a matter of life or death for many of our region’s residents.

Performance

It is no secret that CVRF’s predecessor, Coastal Villages Fishing Cooperative, had some major performance deficiencies. In hindsight, the reduction of quota that our communities suffered was a positive impetus to awaken our leaders and refocus the company on the tasks at hand. We are proud to report that we have not only recovered, but are performing at levels exceeding anyone’s expectations.

If poor performance is punished and exceptional performance rewarded, then we are in position to not only have our allocation restored to the original 27 percent for pollock, but we believe a further increase for all species can also be justified.

We believe that no other CDQ group over the past five years has maximized their allocation as effectively as we have. Not only have we negotiated some of the highest royalty contracts, but we have also leveraged our allocations to make investments that have had significant financial returns. Currently, we own more of the directed pollock allocation than all of the other groups combined. In the short time since our reorganization, we believe we have emerged as the clear leader in participation in the Bering Sea pollock fishery.

Individual Species Allocation Requests

Pollock

We are requesting an allocation of 27 percent in pollock. We believe that this request is justified by both allocation considerations: population and economic need, and performance. As illustrated in the graph to the right, our current allocation is incredibly disproportionate to our population.

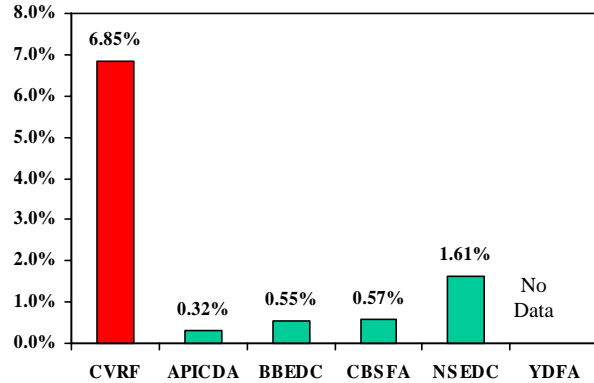
From a performance standpoint, we have displayed the ability to generate the greatest value from every percentage of allocation we are allotted. We continue to have some of the highest royalty rates in the pollock sector and over the last several years we continue to have a royalty rate higher than the CDQ average. Since 2000, our total Internal Rate of Return (IRR) from our investments in the pollock sector is 59 percent and our total realized return is 184 percent.

With every extra dollar our pollock investments and royalty contracts generate, we can provide that much more of the desperately needed programs and infrastructure in our twenty member communities.

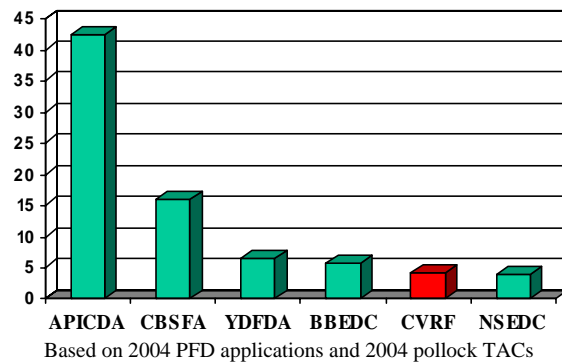
Currently, we own nearly 39 percent of American Seafoods, LP (American Seafoods). American Seafoods' pollock fleet is comprised of seven catcher-processors (F/V *American Dynasty*, F/V *American Triumph*, F/V *Katie Ann*, F/V *Northern Eagle*, F/V *Northern Jaeger*, F/V *Northern Hawk*, and F/V *Ocean Rover*) that fish in the Bering Sea. American Seafoods owns 16.89 percent of the directed pollock catch, and is the largest harvester and at-sea processor of pollock. Due to this investment, we have the largest interest in the pollock harvesting and processing sector of any of the CDQ groups.

Long-Term BSAI Fisheries Investments

Percentage of Directed Pollock Acquired from the Industry



Metric Tons of Pollock Per Capita



During the current allocation period, we increased our ownership in American Seafoods from 22 to 39 percent, or an increase of 77 percent from the prior allocation period. Our goal for the next allocation cycle is to continue to increase our interest in American Seafoods and watch for other opportunities to expand our ownership in the pollock fishery. Investments in viable fishing operations in the Bering Sea are crucial to the long-term growth and stability of CDQ groups. It is important to not only maximize CDQ royalties, but also to maximize cash flow through investment in the lucrative offshore Bering Sea fisheries.

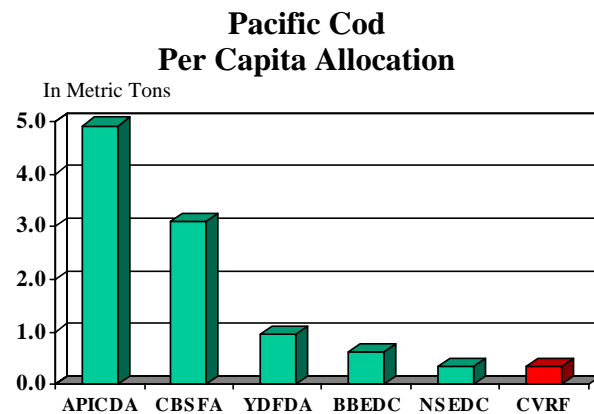
One of the best and most direct ways for a region resident to receive benefits from the CDQ program is to land a job for cash wages. As such, one of our top priorities is to provide employment opportunities for our residents. With a fleet of 7 catcher-processors, we have dramatically increased the number of employment opportunities that we can provide to our people. American Seafoods currently employs over 60 corporate personnel and a seasonal vessel crew, either full-time or part-time, of between 1,000 and 1,300 people.

Pacific Cod

We are requesting an allocation of 27 percent in Pacific Cod. We believe that this request is justified by both allocation considerations: population and economic need, and performance. As illustrated in the graph to the right, our current allocation is incredibly disproportionate to our population.

From a performance standpoint, we have displayed the ability to generate the greatest value from every percentage of allocation we are allotted. We continue to have some of the highest royalty rates in the Pacific cod sector and over the last several years we continue to have a royalty rate that is higher than the CDQ average. With every extra dollar our Pacific cod investments and royalty contracts generate, we can provide that much more of the desperately needed programs and infrastructure in our twenty member communities.

Currently, we own 39 percent of 3 freezer longliners via our equity stake in Pacific Longline Company (F/V *Deep Pacific*, F/V *Lilli Ann*, and F/V *North Cape*), and 20 percent of 3 freezer longliners via our equity stakes in Ocean Prowler LLC and Prowler LLC (F/V *Ocean Prowler*, F/V *Prowler*, F/V *Bering Prowler*). These vessels currently operate in the Bering Sea, Gulf of Alaska and Aleutian Islands. We believe we have the largest Pacific cod fleet of any CDQ group. Furthermore, our Pacific cod harvesting capacity is even larger when you take into account that several of our crab vessels have the ability to harvest Pacific cod.



Since 2000 we have increased our Pacific cod fleet from one freezer longline vessel to six, or an increase of 500 percent. We are currently in negotiation to acquire ownership in at least one additional vessel. Our goal for the next allocation cycle is to continue to expand our interest in Pacific Longline Company and continue to watch for additional opportunities to grow our Pacific cod fleet. Investments in viable fishing operations in the Bering Sea are crucial to the long-term growth and stability of CDQ groups. It is important to not only maximize CDQ royalties, but also to maximize cash flow through investment in the lucrative offshore Bering Sea fisheries.

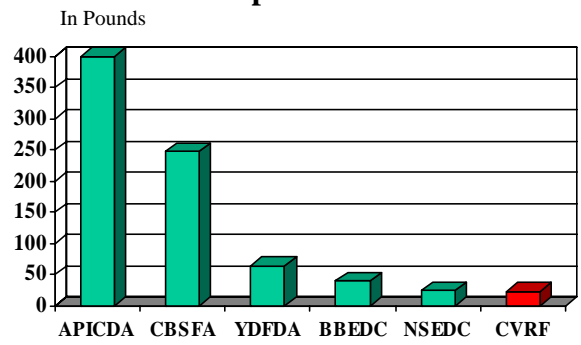
One of the best and most direct ways for a region resident to receive benefits from the CDQ program is to land a job for cash wages. As such, one of our top priorities is to provide employment opportunities for our residents. With a fleet of 6 freezer longliners, we have dramatically increased the number of employment opportunities that we can provide to our people. Total support staff and crew required for this fleet ranges from 100 to 120.

Crab

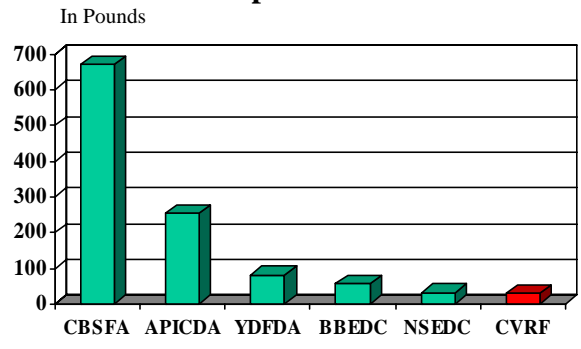
We are requesting an allocation of 27 percent in Bristol Bay red king crab, Bering Sea *C. opilio* crab, Bering Sea *C. Bairdi* crab, St. Matthews blue king crab, Eastern Aleutian Islands golden (brown) king crab, and Adak red king crab. We believe that this request is justified by both allocation considerations: population and economic need, and performance. As illustrated in the graphs to the right, our current allocation is incredibly disproportionate to our population.

From a performance standpoint, we have displayed the ability to generate the greatest value from every percentage of allocation we are allotted. We continue to have some of the highest royalty rates in the crab sector and over the last several years we continue to have royalty rates that are higher than the CDQ average. With every extra dollar our crab investments and royalty contracts generate, we can provide that much more of the desperately needed programs and infrastructure in our twenty member communities.

**Bristol Bay Red King Crab
Per Capita Allocation**



**Opilio Crab
Per Capita Allocation**



Currently, we have a 50 percent stake in five crab catcher boats and 3 catcher/processors that have been operating in the Bering Sea:

<u>Company</u>	<u>Vessel</u>
Silver Spray Seafoods, LLC	F/V <i>Silver Spray</i>
Blue Dutch, LLC	F/V <i>Blue Dutch</i>
Blue Aleutian, LLC	F/V <i>Blue Aleutian</i>
Sultan Fisheries, LLC	F/V <i>Sultan</i>
Tempest Fisheries, LLC	F/V <i>Tempest</i>
Sanko Fisheries, LLC	F/V <i>Alaskan Enterprise</i>
Karin Lynn Fisheries, LLC	F/V <i>Karin Lynn</i>
Pavlof Fisheries, LLC	F/V <i>Pavlov</i>

We believe we have the largest crab fleet of any other CDQ group.

During the current allocation period, we increased our crab fleet from one catcher vessel to five catcher vessels and three catcher-processors, or an increase of 700 percent from the prior allocation period. Our goal for the next allocation cycle is to continue to expand our interest in the crab sector by acquiring additional harvesting and processing quota shares. Investments in viable fishing operations in the Bering Sea are crucial to the long-term growth and stability of CDQ groups. It is important to not only maximize CDQ royalties, but also to maximize cash flow through investment in the lucrative offshore Bering Sea fisheries.

One of the best and most direct ways for a region resident to receive benefits from the CDQ program is to land a job for cash wages. As such, one of our top priorities is to provide employment opportunities for our residents. With a fleet of 5 catcher vessels and 3 catcher-processors, we have dramatically increased the number of employment opportunities that we can provide to our people. The total crew required to service this fleet is over 100.

4E Halibut

We are not requesting any additional quota for 4E halibut. Over the past several years, our region fishermen have had a difficult time harvesting the entire quota due to small vessel size, shallow near-shore waters, and inclement weather. However, we strongly believe that a reduction in the quota would be devastating to our communities, as our halibut quota is a vital economic development tool. In addition, when faced with a potential decline in the overall TAC for area 4C, 4D, and 4E halibut in future years (as mentioned in recent IPHC meetings), a decrease in quota would severely hamper our economic development efforts.

During the current allocation cycle, we constructed four new halibut plants, upgraded an existing plant, and developed an innovative new approach to increasing our halibut harvest capacity by providing a mobile buying platform in the South Nunivak Island area. These infrastructure projects were completed in anticipation of fully harvesting the allotted quota, and we are confident that we are taking the appropriate measures to insure full utilization of our allocation in the coming years. We currently have halibut plants in seven communities as well as utilizing the mobile buying platform mentioned above.

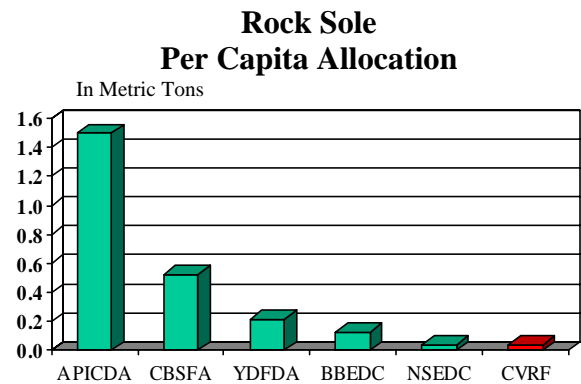


Halibut being processed in the new Mekoryuk plant

The goal of these infrastructure projects is to enhance accessibility to halibut markets and provide direct benefits to region residents by supporting the region’s local commercial halibut fishery. Our participation in this local fishery also provides in-region employment, training, and on-the-job experience. Over the last two years, we have employed 425 people and paid a total of \$415,000 to our halibut fishermen. We lease the quota to our region’s halibut fishermen for free in order to maximize the benefit to our region.

Other Species (Flathead, Rock Sole, Yellowfin Sole, 4D Halibut, Sablefish, Etc.)

We are requesting an allocation of 27 percent in all other species except those species harvested by region residents and delivered to their CDQ community (examples include 4E halibut, Pribilof red and blue king crab, and Norton Sound king crab). We believe that this request is justified by both allocation considerations: population and economic need, and performance. As illustrated in the graph to the right, our current allocation for rock sole is incredibly disproportionate to our population. Furthermore, though not shown here, the allocations for the majority of the other species are also incredibly disproportionate to our population.



Currently, we own a 20 percent interest in Cape Horn Fisheries, LLC. Cape Horn owns the F/V *Cape Horn*, a 146-foot factory trawler that harvests and processes bottom fish (flathead, rock sole, and yellowfin sole) in the Bering Sea. This investment was the first and only investment by any CDQ group in this sector.

We also own a 45 percent interest in Kokopelli Fisheries, LLC. Kokopelli owns the F/V *Ocean Harvester*, a 72-foot longline vessel that harvests black cod and halibut in the Gulf of Alaska, Bering Sea, and Aleutian Islands.

Investments in viable fishing operations in the Bering Sea are crucial to the long-term growth and stability of CDQ groups. It is important to not only maximize CDQ royalties, but also to maximize cash flow through investment in the lucrative offshore Bering Sea fisheries.

One of the best and most direct ways for a region resident to receive benefits from the CDQ program is to land a job for cash wages. As such, one of our top priorities is to provide employment opportunities for our residents. With the vessels described above, we have increased the number of employment opportunities that we can provide to our people. The total crew required to service these vessels is over 25.

C. Communities Represented Within Our Application

The following communities are members of Coastal Villages Region Fund and are represented in this application:

Community	2004 PFD Population*	Distressed Communities **	Poverty Rate ***
Chefornak	446	Yes	25.1 %
Chevak	914	No	29.5 %
Eek	300	Yes	28.8 %
Goodnews Bay	244	Yes	39.0 %
Hooper Bay	1,150	Yes	27.9 %
Kipnuk	653	Yes	20.9 %
Kongiganak	402	Yes	13.8 %
Kwigillingok	358	Yes	34.7 %
Mekoryuk	198	Yes	21.9 %
Napakiak	360	Yes	20.2 %
Napaskiak	495	Yes	20.2 %
Newtok	301	Yes	31.0 %
Nightmute	230	Yes	10.7 %
Oscarville	64	Yes	40.0 %
Platinum	39	Yes	22.0 %
Quinhagak	629	Yes	26.1 %
Scammon Bay	499	Yes	37.4 %
Toksook Bay	576	Yes	27.3 %
Tuntutuliak	395	Yes	23.0 %
Tununak	331	Yes	30.8 %
20 Total Communities	8,584	19 of 20	26.2 %

*Oscarville receives its mail through the Bethel Post office so no Oscarville addresses are given for PFD applications. The State of Alaska has determined that 64 residents live in Oscarville.

**Distressed community status is based on the Denali Commission analysis.

*** Total poverty rate was calculated using 2000 census data.

D. Description of the Managing Organization

The managing entity for our 2006-2008 Community Development Plan is Coastal Villages Region Fund (CVRF). CVRF and our wholly owned subsidiaries exist for the sole purpose of serving our twenty member communities and do not utilize any other third-party managing services.

Our Board of Directors is comprised of one representative from each of the twenty communities that we serve. Their leadership and guidance are our greatest asset, as they bring the wishes of our 8,500 residents to the table, engaging in meaningful and complex debates in an effort to sort out the most beneficial and cost-effective (as well as the allowable) projects and programs.

Our staff then takes the guidance and the vision of the Board and makes them a reality. We currently employ thirty-seven full-time permanent people that are dedicated to making our 20 communities a better place to live by creating opportunities in the fishing industry.

Our current team has a level of education and experience without equal in the CDQ program. Among the staff, there are two MBAs, twelve bachelor's degrees covering management, accounting, economics, marketing, and biology, as well as assorted associates degrees, certificates (e.g. 3 Certified Public Accountants), and other post-secondary and post-graduate education. Furthermore, there are over 300 years of relevant work experience in the Anchorage office alone.

This education and experience has proven itself as we have successfully executed complex financial transactions. Most importantly, more than half of our staff members have commercial or subsistence fishing experience, and grew up in the CVRF region or neighboring communities, two vital sources of experience and knowledge for a CDQ company.

E. Goals, Objectives, and Milestones of Our CDP

The ultimate goal of our CDP is to develop a sustainable in-region fisheries-related economy to benefit the residents of our region. In order to accomplish this goal, we must commit energy and resources both to our offshore investing activities and in-region program delivery. Due to our success in creating immediate opportunities for our residents, the focus of this CDP has shifted from combating the immediate concern of supporting our failing near-shore fisheries, to developing infrastructure necessary to expand and grow those fisheries.

To reach the many objectives and milestones in our CDP, we are taking a multi-pronged approach:

1. **Continue to Create Immediate Opportunity and Hope.** The economic situation in Western Alaska requires immediate action to be taken to insure that our region residents have the opportunity to earn an income sufficient to pay for the most basic essentials, such as food, water, and utilities.
2. **Long Term Infrastructure Development.** Groundwork must be laid to develop infrastructure to allow for further economic development. Infrastructure development is costly and takes time to develop due to the many agencies that are often involved. However, the lack of infrastructure in our twenty communities is the single largest impediment to our economic development efforts.

3. **Financial Investments.** To be able to sustain our efforts to develop a fisheries related economy, we must make aggressive yet prudent investments to place our company on a solid financial footing. Our CDP strives to diversify our income sources so that we are not dependent on any single source or sector for our funding.

None of these three is more important than the other. All must occur before there is any hope of making our twenty villages a better place to live on a sustainable basis.

F. Description of the CDQ Projects in Our Proposed CDP

Following are short descriptions of each of the broad program categories in our CDP:

1. **Inshore and Nearshore Fisheries Harvesting, Processing, and Investment Program.** The Inshore and Nearshore Fisheries Harvesting, Processing, and Investment Program consists of the following projects:

Active Continuing: Quinhagak Salmon Operation – District W4
Goodnews Bay and Platinum Salmon Operation - District W5
Upper Kuskokwim River Salmon Operation – District 1A
Lower Kuskokwim River Salmon Operation – District 1B
Mekoryuk Halibut Operation
Toksook Bay Halibut Operation
Tununak Halibut Operation
Chefornak Halibut Operation
Kipnuk Halibut Operation
Hooper Bay Halibut Operation
South Nunivak Halibut Buying Station
Nelson Island Herring District Operations
Cape Romanzof Herring District Operations
Cape Avinof Herring District Operations
Goodnews Bay Herring District Operations
Sportfishing Guiding Services

Active New: Scammon Bay Salmon Operation
Sportfishing Guiding Services

Salmon, Halibut, and Herring – The Inshore and Nearshore Fisheries Harvesting, Processing, and Investment Program includes an initiative designed to renovate and expand the in-region fisheries that are accessible to our local fleet. The fisheries traditionally considered as viable include salmon, halibut, and herring, though we are also investigating opportunities to develop and market other species found in our coastal waters. Over the past several years, our involvement in the salmon and halibut fisheries has led to significant growth in the participation and value to region fishermen. Additionally, through our herring roe incentive program, the region's herring fisheries have again become active. All activity in salmon, halibut, and herring takes place under the auspices of Coastal Villages Seafoods, LLC (CVS), a wholly owned subsidiary of CVRF.

Our focus over the next several years for our salmon fishery development program will include further expansion of our buying and processing operations at our Quinhagak plant, including tendering and buying services for fishermen on the Kuskokwim River. In addition to expanding existing operations, we will be investigating the market and operational potential for buying and processing activities in other districts in our region. To further both of these goals, the *Kelly Mae*, a large tender vessel purchased and retro-fitted in 2004, and a new high-speed catamaran will be used to increase buying capacity and provide a more efficient means to get our salmon to market. As our salmon operations provide employment and experience opportunities to roughly 220 individuals per year, continued dedication to this program is a top priority.

Similar to our plans for our salmon fishery development program, we intend to continue expanding and improving our halibut buying and processing operations. Our seven halibut facilities (Toksook Bay, Mekoryuk, Tununak, Chefornak, Kipnuk, Hooper Bay, and Quinhagak), in conjunction with our innovative and state-of-the-art halibut tendering operation in the waters off South Nunivak Island, serve fishermen from 10 villages and support the employment of over 100 plant crewmembers (not including salmon). As part of the expansion of these operations, we will be constructing processor housing at our Mekoryuk plant in order to facilitate increased processing capacity, as well as investigating solutions to the minimal efficiency of our fleet.



CVRF's seven halibut processing facilities and tendering operation serve fishermen from ten villages and support the employment of over 100 crewmembers

Our region's herring fishery has for many years been stagnant and in critical condition. For there to be a market for our local fishermen, it is necessary, at least in the short-term, for CVS to remain involved. In 2004, our participation involved paying the initial purchase price, as well as providing monetary incentives to fishermen who delivered herring with higher roe percentages. This resulted in more value from the overall pack, and we were able to recoup most of our investment in the fishery due to the higher value in the market. For 2006-2008, we will continue to analyze the market and resource risk associated with participation in this fishery to determine whether or not to maintain the program. If decisions are made to continue our participation, we will work to foster additional interest from private processors to tender herring in our region, investigate new marketing techniques to further increase the value of the fishery, and provide technical and financial support to our region fishermen.

Sportfishing – As our region continues to search for new and inventive ways to use their local, available resources, the interest in sportfishing operations has begun to grow. Since our initial investment in Arolik River Sportfishing in 2000, we have been actively participating in in-region sportfishing operations. Over the next allocation cycle, we intend to both continue our involvement in our current investment, and work with interested communities in our region to develop other sportfishing camps and/or lodges. Through these potential investments, we will be able to facilitate establishment of cash-generating investments for our communities and career opportunities and experience for our people.

2. **Infrastructure Development Program.** The Infrastructure Development Program consists of fifteen broad projects:

Active Continuing: Marine Transportation Infrastructure Plan
Eek Fisheries Support Center
Scammon Bay Fisheries Support Center
Kelly Mae Operations
Energy Cost Reduction Project
Fuel Delivery/Loan Program

Active New: High Speed Catamaran
Value-Added Seafood Distribution Facility
In-Region Fisheries Infrastructure Development

Proposed: Regional Port and Marine Transportation Improvement Plan
Fisheries Support Centers
In-Region Fisheries Buying and Processing Infrastructure
Boat Building/Storage/Landing Facilities
New Species/Product/Market Development
Energy Cost Reduction Project

In a reflection of our growth as an experienced, resourceful, and dynamic CDQ group, our infrastructure development program is rapidly expanding to better meet the needs of our communities. New project ideas, many of which have been discovered through the Ciunerkam Tangruarutii (CT) process, have been analyzed to determine the most effective way to deliver benefits to our communities. Each project within this program focuses on further developing the independence and economic stability of the in-shore and near-shore fisheries available to our region fishermen.

Creating a solid infrastructure base and a good reputation among the fishermen, processors, suppliers, and seafood buyers that we interact with is essential to developing viable self-sustaining fisheries in our region. Projects within our infrastructure plan that will further these goals include:

- Improving processing and transportation methods through a wide variety of construction projects and equipment installations;
- Developing other marketable species and value-added products;
- Providing housing and new job opportunities for crew members;
- Expanding the opportunities for fishermen to sell their catch by using more tenders and initiating additional buying stations;
- Supporting local fishermen's mechanical, gear, ice, bait, and fuel needs; and
- Communicating with local fishermen to ensure the quantity and quality of the fish purchased.

Under these broad goals, we are investigating the feasibility of new processing facilities, buying stations, boat building facilities, repair and maintenance services, and other operations in our communities that would expand the market for our local fishermen as well as provide employment opportunities for region residents. In developing these projects, we work together with our villages to design viable options to help our residents gain financial stability for themselves and their families while staying in the community in which they live.



Soil testing at the proposed Eek Fisheries Support Center site

In partial answer to the transportation needs of our local fisheries, we have applied for and been granted funds for the construction or purchase of a high-speed catamaran. This vessel will provide efficient, inexpensive, and reliable high-speed transportation of our seafood product to market, as well as reducing the cost of goods transported back to our communities. In addition, our tender vessel *Kelly Mae*, purchased and retrofitted in 2004, will be put into service tendering salmon and halibut and hauling product and freight for CVS in 2005. Both vessels will lower transportation costs for our local fisheries and provide job opportunities for region residents.

The future of our infrastructure development revolves around the comprehensive regional marine transportation plan. Currently, there are no substantial docks, ports or boat harbors in any of our twenty communities. This comprehensive plan will document the level of need by assessing the current condition of marine infrastructure in our region and will promote, encourage and guide the development and funding of ports, docks, small boat harbors, barge landings and breakwater improvements in our communities. Within this plan, the largest proposed infrastructure project for our 2006-2008 CDP is a regional port facility. While there have been several studies that investigated the potential of developing a port facility in our region, the project has not yet been realized. We plan to partner with local government entities and other agencies, such as the Army Corps of Engineers and the State of Alaska’s Department of Transportation to assist in the port development. A regional port will provide both construction and long-term job opportunities for region residents, as well as lowering transportation costs for the area.

3. Fisheries Support and Development Program. The Fisheries Support and Development Program consists of nine projects:

- Active Continuing:* Marine Safety
- Project Management
- Fisheries Support Business Development
- Loan Program
- Tax and Permit Assistance Program

- Active New:* Collaborative Fisheries Research
- Species/Habitat Survey
- Hydrographic Mapping
- Fleet and Skipper Training

The communities in our region have done largely without the fisheries research, funding and general attention paid to more highly populated areas. As a result, maps of waterways, fisheries, and habitable land are incomplete or severely out-dated, training for higher-level jobs is difficult to obtain in the region, and finding a reliable source of financial or technical assistance is difficult, if not impossible. Our fisheries support and development program was created to fill in the gaps in these areas. More specifically, the goals of this program are to:

- Research and develop new and existing fisheries;
- Ensure the safety of fishermen and employees working in local fisheries;
- Increase training and employment opportunities for our residents;
- Provide equipment loans and tax and permit assistance to local fishermen; and
- Assist communities in planning, managing and obtaining outside resources for local projects.

The current projects within our fisheries support and development program, marine safety, project management, fisheries support business development, the loan program, and the tax and permit assistance program, were all implemented to meet very specific needs. As we have continued to manage these programs, the scope has broadened significantly and has resulted in real value to our communities.

In 2004 alone, almost \$1.7 million in tax refunds were returned to individuals through the tax assistance program. Our project management initiative has helped the Native Village of Kwinhagak (Quinhagak) secure funding for a runway extension, as well as assisting many member communities with an aerial mapping project.

Through the auspices of our marine safety program, we have placed marker buoys in channels and shallow coastline waters and have conducted marine awareness and safety programs. We will continue to expand the reach of these programs throughout the next allocation cycle.



Residents of Goodnews Bay learn the proper use of safety flares and other marine safety information

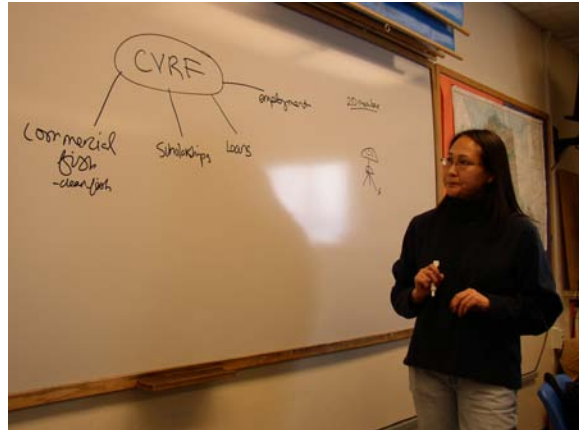
Our new projects for 2006-2008 will focus on further improvements to the safety and development of our in-region fisheries. Hydrographic mapping and species and habitat surveys will improve navigation and fleet efficiency, as well as improving fisherman safety.

The collaborative fisheries research project will combine an integrated research approach with opportunities for internships and other career opportunities. Furthermore, we will expand our training efforts through a new initiative focused on training vessel crew officers and boat captains.

4. **4-SITE Program.** The 4-SITE Program consists of four projects:

Active Continuing: Scholarships
Internships
Training
Employment

In 1995, we implemented the 4-SITE Program to meet the human resource development challenges fostered by the unique social and economic situation in our region: **S** – Scholarships; **I** – Internships; **T**- Training; and **E** – Employment. The 4-SITE Program provides an integrated systems approach to our human resources development and employment efforts. The program elements are designed to have both a short-term impact with quantifiable results and a long-term influence on sustainable community and human resource development.



The 4-SITE Coordinator makes a presentation in Chefnak

To accomplish this, we have integrated the activities of each program element to support five central goals:

- Expand access to employment and advancement opportunities for our member residents, and provide people with a range of opportunities designed to fit with individual situations;
- Increase communication to our member communities about our activities;
- Assist in the development of leadership capabilities in our young adults;
- Magnify the impact of in-region assets through regional and other service organization partnerships while broadening community involvement; and
- Positively impact disparaging social conditions.

These goals capture the purpose of our human resource development and employment initiatives and set the direction for what the 4-SITE Program is intended to accomplish.

5. **Offshore Fisheries Harvesting, Processing, and Investment Program.** The Offshore Fisheries Harvesting, Processing, and Investment Program consists of nine projects:

Active Continuing: Pollock Investments
Pacific Cod Investments
Yellowfin/Flathead/Rock Sole Investments
Crab Investments
Sablefish Investments

Proposed: Pollock Investments
Pacific Cod Investments
Yellowfin/Flathead/Rock Sole Investments
Crab Investments

Our Board continues to recognize investment in the offshore fisheries as a major contributor to the benefit our member communities receive from the CDQ program. Concurrently with our development projects, we have taken major strides in diversifying our cash flow stream through investment in offshore vessels and high royalty contracts. In 1998, we owned stakes in only 2 vessels (a crabber and small longliner). Today our fleet totals 25, with representatives from all sectors of the Bering Sea. Not only have these investments diversified our revenue sources, but they have also allowed us greater flexibility in harvesting partners. All of these factors contribute to the pool of financial resources that are available for economic development in our region.

While the offshore investment program primarily involves performing due diligence on new investments, monitoring existing investments, and negotiating and monitoring royalty contracts, the program takes up substantially more resources than this short description may indicate. Responsible investment activity requires knowledge of the industry and the specific sectors that make up the industry, participation in the regulatory processes to protect investments in the highly political arena of fisheries management and allocation, and, finally, relationship building with our partner and potential partner companies. Unlike many industries that are owned by a multitude of shareholders, the fishing industry is composed primarily of partnership type organizations that rely on interpersonal relations among the owners.

In this regard, we spend considerable time and effort working with our partners and developing relationships that will benefit our region in the future. Similarly, the monitoring function also is important in ensuring that the managers (and owners) are looking out for the interests of all of the owners, rather than their more narrow personal interests.

6. Outreach Program. The Outreach Program consists of two projects:

Active Continuing: Intensive Resident Outreach
Youth Outreach

Our Outreach Program is a grassroots communication initiative with three goals: 1) exchange of information; 2) combined planning and problem solving; and 3) development of self-confidence. These goals are accomplished through a series of community and youth activities, partnerships with region tribal, state, federal, and private service agencies, facilitation of village involvement in development of our programs, community liaisons, quarterly newsletters, annual reports, an internet website, and most importantly, word of mouth from direct recipients of Coastal Villages-facilitated benefits. At its core, the outreach program initiatives provide an opportunity to build good working relationships in order to establish a deeper sense of shared responsibility for our collective future.

7. **Administrative Efforts.** The Administrative Efforts Program consist of six projects:

Active Continuing: Financial Monitoring
Corporate Monitoring
Human Resources and Corporate Development
CVRF Governance
Cash Management and Investments
CDQ Contract and Quota Management

Our administrative efforts include the management of Coastal Villages Region Fund and the direct services that are provided to our subsidiaries. Tasks consist of the duties involved in the normal course of business, to include regulatory compliance, financial management, internal human resources management, advocacy, legal and risk management, and contract and quota management. Our success as a company hinges on our employees and our board; in this light, we strive to attract employees who are dedicated and knowledgeable, and encourage them to partake in continued training and education programs. We also use the Continuous Improvement process to provide training and learning opportunities for our Board of Directors through various training programs, team-building seminars, new board member orientations, and retreats. We have become a company with a highly effective, educated and experienced management team, resulting in better administration of our allocated quota and better services for the residents of our region.

G. Management Strategy to Accomplish CDP Projects

Our 2006-2008 CDP contains multiple programs and projects, both existing and new that are to be undertaken during the three-year allocation period. Though our strategy for the delivery of each of our programs may vary based on the requirements/focus of that program, there are several basic commonalities in our approach to all programs:

- As we operate existing programs and projects, we continually take a fresh look at the benefits being delivered and the relevancy and usefulness of those benefits to our residents. Through this assessment process, we are able to discontinue irrelevant projects in favor of more effective initiatives, thus maximizing our program delivery efforts;
- Through many methods, including formal and informal communication with our board members, contact with our community liaisons and community program managers, and the Ciunerkam Tangruarutii or “CT” process, we actively identify new areas of need within our communities. For each new project idea that comes to our attention, we initiate a complex analysis process, including evaluation of the project’s sustainability, determination of unified community support, cost/benefit relationship (budget), allowability under CDQ regulations, and consistency with our goals and objectives;
- If the potential project is deemed feasible, approval is sought from the executive management team and Board of Directors; and
- Once approved by the Board of Directors, a substantial amendment is prepared for submission to the State of Alaska and National Marine Fisheries Service. As the amendment is prepared, our staff gathers additional information and further develops the construction and/or operational plans.

Details on how we intend to manage each of our programs are described below:

Inshore and Nearshore Fisheries Harvesting, Processing, and Investment Program

We began active management of this program in 1999 when we took over salmon processing operations for the Kuskokwim River districts. The goal was to participate in our region's commercial fisheries, provide a buyer to serve more communities, enhance accessibility to markets, and become involved in more businesses that support the industry. Since then, we have significantly increased our participation, expanding into halibut and herring. Through our involvement in these local fisheries, we are able to begin the process of developing sustainable local fisheries, provide region fishermen with direct cash payments and a market for their fish, and offer community members the opportunity for employment, training, and expansion of their job skills.



Fishermen waiting to deliver behind the Eek Island tender

During this allocation period, our in-region fisheries operations and development will be managed under the guidance of our executive management team and Board of Directors. Our development and CVS management staff will coordinate the day-to-day activities of our facilities and expansion efforts. Our employment staff will continue to actively recruit residents for employment and training positions.

Infrastructure Development Program

Our development staff, under guidance from the executive management team and the Board of Directors, will facilitate planning, design, and implementation of the projects under the Infrastructure Development Program. The key to success in managing this program (as well as portions of the inshore program, above) is to become intimately familiar with all of the economic development initiatives that are currently underway or proposed for our region. With the myriad of government agencies and private companies involved in economic development, having a handle on the full range of activities is necessary to avoid duplication of effort and combine the available resources to support workable projects. In coordination with our Anchorage-based development staff, we will utilize our in-region employees in coordinating and planning with community leaders and residents in order to maximize the effectiveness of potential projects.

Fisheries Support and Development Program

Due to the low population and economic impact our region holds relative to the rest of Alaska and the nation, research efforts have been scarce in the coastal waters off the shores of our communities. There has been relatively little research done in our region, especially in terms of the smaller scale fisheries more applicable to the small skiffs utilized by our fishermen. The Fisheries Support and Development Program is designed to take a proactive approach to providing support to our local fisheries through activities such as hydrographic and marine habitat mapping, collaborative research efforts, marine awareness and safety training, and financial and technical support. We will manage this program through technical expertise on our development staff, coordinated efforts with our in-region staff and local government entities, and cooperation with other regional and government agencies.

4-SITE Program

The 4-SITE program was established in 1995 through the work of CVRF and our partners. The goal of this program is to improve the social conditions of the Coastal Villages region by creating human resource programs that provide entry-level employment and advancement that will be self-sustaining over time, including a wide range of training programs, scholarships, internships, and apprenticeships. Since the idea was conceived, the program has expanded and improved to provide an integrated network of activities and services that support the goals of the CDQ program. During this allocation period, our development and employment staff will continue to conduct classroom and career fair presentations, increase recruiting efforts in our villages, encourage successful processors and crewmembers to participate in training programs, and enlist promising candidates to apply for internships.



CVRF Community Liaisons continuously recruit residents for a variety of employment and training opportunities

Offshore Fisheries Harvesting, Processing, and Investment Program

This program covers all of our offshore harvesting, processing, and investment projects. There are two basic components to this program: CDQ royalty/license relationships with companies that will be harvesting and processing our quota, and ownership interests in vessels or companies that participate in the harvesting and processing sectors. Our quota is managed through a joint effort between the Quota Manager and the Investment Team, with overall decisions being made to benefit the program as a whole as opposed to focusing on one or the other of the program elements. The Quota Manager continually develops and updates complex models tying the licensing of quota to the monetary benefit, both in terms of royalties and in terms of investment earnings from additional fish allocated to partners. We plan to further increase our participation in the various CDQ fisheries as an equity owner, including additional crab and Pacific cod harvesting capacity as well as continued ownership growth in American Seafoods. Primary responsibility for ownership negotiations and decisions rests with the Executive Director, Finance Director, Fiscal Services Director, and Business Development Director (Investment Team). The Investment Team brings with it years of negotiation experience and education in accounting and finance.

Outreach Program

Our outreach program is designed to stimulate the participation of our residents and communities in the CDQ program. To accomplish this, our development staff maintains open and continuous communication with our residents through a variety of media channels such as newsletters, annual reports, an internet website, local radio, and printed publications. We also rely on the direct link provided by our board members and local outreach personnel in each community. Working together with the residents and local government leaders, we design and implement a variety of economic and social development programs targeting specific needs identified by the communities.

Administrative Efforts

We have created a high-level management team to support our administration and to provide direct services to our subsidiary companies and member communities. In addition to attracting dedicated and talented employees to our staff, we further our staff's administrative capabilities by conducting staff and board development activities. This effort seeks to keep all members of our team on track with the goals and missions of the company, and keep all individuals informed of new CDQ policies and other relevant fisheries information.

H. Description of the Target Fisheries

Following is a brief description of the target fisheries that we participate in:

Pollock

The pollock TAC is allocated to three different fisheries: the Bering Sea, Aleutian Islands and Bogoslof fisheries. The Bogoslof fishery is currently closed. The Bering Sea "A" season occurs during the months of January through April and is the most valuable season. This is due to the value of the pollock roe, which is marketed primarily to Japan, in addition to the surimi and block production. The Bering Sea "B" season occurs in June through October and production targets primarily surimi and pollock fillet blocks. The Aleutian Islands fishery is relatively small and will be used primarily as bycatch in the Pacific cod, rockfish, and Atka mackerel fisheries. The "A" and "B" season fisheries occur in the Bering Sea along the continental shelf break between the Aleutian Islands north to the Russian border. The fishery is subject to 100 percent retention and is conducted exclusively with pelagic trawls.

Pacific Cod

Harvests occur in both the Bering Sea and Aleutian Islands (BSAI) areas. The CDQ "A" season coincides with the BSAI open access fishery, beginning January 1 and usually completed by mid-April or May. The CDQ and open access "B" seasons start June 10 and end December 31. 60 percent of the TAC is apportioned to the "A" season, and 40 percent to the "B" season. Allocation not harvested in the "A" season can be rolled over to the "B" season.

Bristol Bay Red King Crab

Harvests occur in the Bristol Bay king crab area (Area T) in the Bering Sea. The general fishery starts October 15. The CDQ fishery occurs immediately after the close of the general fishery, usually at the end of October.

Bering Sea *C. Opilio* Tanner Crab (snow crab)

Harvests occur in Area J in the Bering Sea. The general fishery starts January 15. The CDQ fishery occurs after the general fishery, and closes May 15.

Bering Sea *C. Bairdi* Tanner Crab

This fishery has been closed since 1997. Recent surveys indicate that this species may be approaching the threshold for a commercial fishery.

St. Matthew Blue King Crab

Harvests occur in the St. Matthew district. The CDQ fishery occurs after the close of the open access fishery in September. Recent surveys and anecdotal evidence indicate that this fishery will be closed through 2005.

Eastern Aleutian Island Golden (Brown) King Crab

Harvest occurs in Area O of the Aleutian Islands (east of 174 degrees west longitude). The general fishery starts August 15. The CDQ fishery occurs after the close of the general fishery, typically in September.

Adak (Petrel Bank) Red King Crab

Harvest occurs in Area O of the Aleutian Islands. The CDQ fishery occurs after the general fishery, which typically begins October 25 and must end February 15 (unless closed by emergency order).

Area 4D Halibut Fishery

Our Area 4D halibut quota is available for harvest by our small boat fleet in Area 4E. If the combined 4E and 4D quota cannot be taken in our nearshore fishery (by our local fleet), the remainder of our 4D quota is harvested in the longline fishery in the vicinity of St. Matthew Island.

Area 4E Halibut

Our Area 4E halibut fishery occurs in the Nelson Island, Nunivak Island, Quinhagak, Hooper Bay, and Kipnuk nearshore areas of the CVRF region. The fishery is conducted using 18 to 24-foot skiffs, utilizing rod and reel jigging and longline methods.

The fishery began in the early 1980's with the development of commercial fishing techniques and the construction of halibut buying stations in Toksook Bay, Tununak, and Mekoryuk. Fishermen harvest and sell their product on a daily basis depending upon weather. The fishery begins in mid-May and is completed in mid- to late August. Our halibut is sold in the fresh and frozen markets in the United States and Canada.

Sablefish

The Bering Sea and Aleutian Islands sablefish fishery is a longline fishery that takes place in the far western Aleutian Islands area and in the Bering Sea. The longline sablefish fishery in Alaska is managed through the Individual Fishing Quota and CDQ programs. The only open access longline sablefish fishery occurs in State waters. The primary market for sablefish is the winter Japanese market. The fishery occurs from mid-March to mid-November.

Rock Sole

The rock sole fishery is the first and most valuable fishery of the year for H&G vessels. The value is derived from the roe and the product is in H&G form with roe sacks left intact in the body cavity. Rock sole aggregate and spawn from late December to late March in the Bering Sea both near the outer shelf and along the Alaska Peninsula. Implementation of large crab conservation areas has limited the area available for trawling. Rock sole is also desirable at other times of the year for both head-and-gut and fillet products. The industry has been making progress in recent years to reduce the discards of small fish through gear modification and market development.

Flathead Sole

The flathead sole fishery is a trawl fishery harvested by the H&G fleet in the Bering Sea. The CDQ fishery is executed in late summer.

Yellowfin Sole

The yellowfin sole fishery is a trawl fishery harvested by the H&G fleet in the Bering Sea. The CDQ fishery is executed in the fall.

Atka Mackerel

The Atka mackerel fishery is a trawl fishery in the Aleutian Islands, executed by district (Area 541-eastern, Area 542-central and Area 543-western). The CDQ fishery is executed in early to mid-summer, first in the eastern district, and then followed by the central and western districts.

I. Harvesting and Processing Partner Information

The following is a brief description of our harvesting partners:

Pollock

Name: **American Seafoods Company**
Relationship: Investment and harvesting/processing partner
Activities: Harvesting and processing
Brief Description: The American Seafoods Company

(American Seafoods) fleet is comprised of 7 catcher-processors (F/V *American Dynasty*, F/V *American Triumph*, F/V *Katie Ann*, F/V *Northern Eagle*, F/V *Northern Jaeger*, F/V *Northern Hawk*, and F/V *Ocean Rover*) that fish in the Bering Sea and Aleutian Islands. American Seafoods owns 16.89 percent of the directed pollock catch, and is the largest harvester and at-sea processor of pollock in the US. In addition, they harvest and/or process hake, Pacific cod, and yellowfin sole. American Seafoods currently harvests and processes 100 percent of our pollock allocation.



Pacific Cod

Name: **Pacific Longline Company**
Relationship: Investment and harvesting/processing partner
Activities: Harvesting and processing
Brief Description: The Pacific Longline Company (PLC) fleet

is comprised of 3 freezer longliners (F/V *Deep Pacific*, F/V *Lilli Ann*, and F/V *North Cape*) that fish in the Gulf of Alaska, Aleutian Islands and Bering Sea. PLC currently harvests and processes 100 percent of our Pacific cod allocation.



Name: **Ocean Prowler, LLC**
Relationship: Investment and harvesting/processing partner
Activities: Harvesting and processing
Brief Description: Ocean Prowler, LLC (Ocean Prowler) owns the F/V *Ocean Prowler*, a 155-foot freezer longliner that harvests Pacific cod, sablefish and turbot in the Bering Sea and Gulf of Alaska. Though PLC currently harvests and processes our Pacific cod allocation, Ocean Prowler is capable of harvesting some or all and could be chosen to do so in the future.



Name: **Prowler, LLC**
Relationship: Investment and harvesting/processing partner
Activities: Harvesting and processing
Brief Description: Prowler, LLC (Prowler) owns the F/V *Prowler* and F/V *Bering Prowler*, two 124-foot freezer longliners that harvest Pacific cod, sablefish and turbot in the Bering Sea and Gulf of Alaska. Though PLC currently harvests and processes our Pacific cod allocation, Prowler is capable of harvesting some or all and could be chosen to do so in the future.



Area 4D Halibut

Name: **CVRF Local Halibut Fleet and Processing Facilities**
Relationship: Harvesting partners
Activities: Harvesting and processing
Brief Description: Our local halibut fleet has first priority to harvest our 4D halibut. The local harvest is delivered to our 7 in-region plants, where it is processed and shipped to markets in Anchorage and Seattle. Our halibut operations are managed under our wholly owned subsidiary Coastal Villages Seafoods (CVS), and incorporate all aspects of a halibut processing facility, including purchasing fish from our local fleet, processing (head and gut), tendering, sales and marketing, employment programs, financial management, and construction and improvement of facilities.



Name: **Kokopelli Fisheries, LLC**
Relationship: Investment and harvesting partner
Activities: Harvesting
Brief Description: Our local halibut fleet has first priority to harvest our 4D halibut. If our fleet is unable to take the entire 4D quota, it is currently licensed to our investment partner, Kokopelli Fisheries, LLC (Kokopelli). Kokopelli owns the F/V *Ocean Harvester*, a 72-foot longline vessel that harvests black cod and halibut in the Gulf of Alaska, Bering Sea, and Aleutian Islands. *Ocean Harvester* delivers primarily to Westward Seafoods in Dutch Harbor, and Adak Seafoods in Adak.



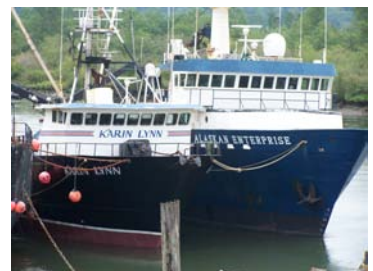
Area 4E Halibut

Name: **CVRF Local Halibut Fleet and Processing Facilities**
Relationship: Harvesting partners
Activities: Harvesting and processing
Brief Description: Our 4E halibut is reserved exclusively for our local halibut fleet. The local harvest is delivered to our seven in-region plants, where it is processed and shipped to markets in Anchorage and Seattle. Our halibut operations are managed under our wholly owned subsidiary Coastal Villages Seafoods (CVS), and incorporate all aspects of a halibut processing facility, including purchasing fish from our local fleet, processing (head and gut), tendering, sales and marketing, employment programs, financial management, and construction and improvement of facilities.

Crab

- Bristol Bay Red King Crab
- Bering Sea C. Opilio Tanner Crab (snow crab)
- Bering Sea C. Bairdi Tanner Crab
- St. Matthew Blue King Crab

Name: **Sanko Fisheries, LLC**
Relationship: Investment and harvesting/processing partner
Activities: Harvesting and processing
Brief Description: Sanko Fisheries, LLC (Sanko) owns the F/V *Alaskan Enterprise*, a 150-foot catcher-processor that harvests and processes crab in the Bering Sea as well as Pacific cod in the Bering Sea and Gulf of Alaska. Sanko currently harvests and processes our Bering Sea opilio and Bristol Bay red king crab allocations. When the fisheries for Bering Sea C. Bairdi and St. Matthew blue king crab open again, Sanko will be capable of harvesting and processing our allocation of these species.



Name: **Silver Spray Seafoods, LLC**
Relationship: Investment and harvesting partner
Activities: Harvesting
Brief Description:

Silver Spray Seafoods, LLC (Silver Spray) owns the F/V *Silver Spray*, a 116-foot catcher vessel that harvests crab in the Bering Sea as well as Pacific cod in the Bering Sea and Gulf of Alaska. Though



Sanko currently harvests and processes our Bering Sea opilio and Bristol Bay red king crab allocations, Silver Spray is capable of harvesting some or all and could be chosen to do so in the future. When the fisheries for Bering Sea C. Bairdi and St. Matthew blue king crab open again, Silver Spray will be capable of harvesting our allocation of these species.

Name: **Karin Lynn Fisheries, LLC**
Relationship: Investment and harvesting partner
Activities: Harvesting
Brief Description:

Karin Lynn Fisheries, LLC (Karin Lynn) owns the F/V *Karin Lynn*, a 127-foot catcher vessel that harvests crab in the Bering Sea. Though Sanko currently harvests and processes our Bering Sea opilio and Bristol Bay red king crab allocations, Karin Lynn is capable of harvesting some or all and could be chosen to do so in the future. When the fisheries for Bering Sea C. Bairdi and St. Matthew blue king crab open again, Karin Lynn will be capable of harvesting our allocation of these species.

Name: **Pavlof Fisheries, LLC**
Relationship: Investment and harvesting/processing partner
Activities: Harvesting and processing
Brief Description:

Pavlof Fisheries, LLC (Pavlof) owns the F/V *Pavlof*, a 166-foot catcher-processor that harvests and processes crab in the Bering Sea. Though Sanko currently harvests and processes our Bering Sea opilio and Bristol Bay red king crab allocations, Pavlof is capable of harvesting and processing some or all and could be chosen to do so in the future. When the fisheries for Bering Sea C. Bairdi and St. Matthew blue king crab open again, Pavlof will be capable of harvesting and processing our allocation of these species.

Name: **“The Blue North Group”**
Relationship: Investment and harvesting/processing partner
Activities: Harvesting and processing
Brief Description:

The Blue North Group (Blue North) owns the following vessels: F/V *Blue Dutch*, a 180-foot catcher-processor; F/V *Blue Aleutian*, a 135-foot catcher vessel; F/V *Sultan*, a 130-foot catcher vessel; and F/V *Tempest*, a 112-foot catcher vessel. All of these vessels harvest crab in the Bering Sea, and the *Blue Dutch* also processes crab in the Bering Sea. Though Sanko currently harvests and processes our Bering Sea opilio and Bristol Bay red king crab allocations, Blue North is capable of harvesting and processing some or all and could be chosen to do so in the future. When the fisheries for Bering Sea C. Bairdi and St. Matthew blue king crab open again, Blue North will be capable of harvesting and processing our allocation of these species.



Adak (Petrel Bank) Red King Crab

Name: **“The Blue North Group”**
Relationship: Investment and harvesting/processing partner
Activities: Harvesting and processing
Brief Description:

The Blue North Group (Blue North) owns the following vessels: F/V *Blue Dutch*, a 180-foot catcher-processor; F/V *Blue Aleutian*, a 135-foot catcher vessel; F/V *Sultan*, a 130-foot catcher vessel; and F/V *Tempest*, a 112-foot catcher vessel. All of these vessels harvest crab in the Bering Sea, and the *Blue Dutch* also processes crab in the Bering Sea. When the fishery for Adak red king crab opens again, Blue North will be capable of harvesting and processing our allocation.



Eastern Aleutian Island Golden (Brown) King Crab

Name: **Erla N, LLC**
Relationship: Harvesting partner
Activities: Harvesting
Brief Description: Erla N, LLC (Erla N) owns the F/V *Erla N*, a 117-foot catcher vessel that harvests crab in the Bering Sea. After the general fishery for Eastern Aleutian Islands golden (brown) king crab, Erla N will be capable of harvesting our allocation. The *Erla N* will deliver to either Westward Seafoods or Icicle Seafoods in Dutch Harbor for processing. We plan to pool the allocation with two other CDQ groups and contracting for harvesting, processing and marketing.

Aleutian Islands Sablefish

Name: **Kokopelli Fisheries, LLC**
Relationship: Investment and harvesting partner
Activities: Harvesting
Brief Description: Kokopelli Fisheries, LLC (Kokopelli) owns the F/V *Ocean Harvester*, a 72-foot longline vessel that harvests black cod and halibut in the Gulf of Alaska, Bering Sea, and Aleutian Islands. Kokopelli currently harvests our Aleutian Islands sablefish allocation. *Ocean Harvester* delivers primarily to Westward Seafoods in Dutch Harbor, and Adak Seafoods in Adak.

Bering Sea Sablefish

Name: **Pacific Longline Company**
Relationship: Investment and harvesting/processing partner
Activities: Harvesting and processing
Brief Description: The Pacific Longline Company (PLC) fleet is comprised of 3 freezer longliners (F/V *Deep Pacific*, F/V *Lilli Ann*, and F/V *North Cape*) that fish in the Gulf of Alaska, Aleutian Islands and Bering Sea. Currently, we do not have an allocation for Bering Sea sablefish. However, if we do receive an allocation for sablefish, PLC is capable of harvesting and processing it.

Name: **Ocean Prowler, LLC**
Relationship: Investment and harvesting/processing partner
Activities: Harvesting and processing
Brief Description: Ocean Prowler, LLC (Ocean Prowler) owns the F/V *Ocean Prowler*, a 155-foot freezer longliner that harvests Pacific cod, sablefish and turbot in the Bering Sea. Currently, we do not have an allocation for Bering Sea sablefish. However, if we do receive an allocation for sablefish, Ocean Prowler is capable of harvesting and processing it.

Name: **Prowler, LLC**
Relationship: Investment and harvesting/processing partner
Activities: Harvesting and processing
Brief Description: Prowler, LLC (Prowler) owns the F/V *Prowler* and F/V *Bering Prowler*, two 124-foot freezer longliners that harvest Pacific cod, sablefish and turbot in the Bering Sea. Currently, we do not have an allocation for Bering Sea sablefish. However, if we do receive an allocation for sablefish, Prowler is capable of harvesting and processing it.

Rock/Flathead/Yellowfin Sole/Atka Mackerel/Pacific Ocean Perch

Name: **U.S. Seafoods, LLC**
Relationship: Harvesting/processing partner
Activities: Harvesting and processing
Brief Description: U.S. Seafoods, LLC (US Seafoods) utilizes the following H&G vessels to harvest and process our other flatfish allocations: *Seafreeze Alaska*, a 295-foot catcher-processor; *Ocean Peace*, a 256-foot catcher-processor; *Alaska Beauty*, a 98-foot catcher vessel; and *Ocean Alaska*, a 107-foot catcher vessel. We currently partner with three other CDQ groups to license our pooled quota to US Seafoods.

Name: **Cape Horn Fisheries, LLC**
Relationship: Investing and harvesting/processing partner
Activities: Harvesting and processing
Brief Description: Cape Horn Fisheries, LLC (Cape Horn) owns the F/V *Cape Horn*, a 146-foot factory trawler that harvests and processes rock, flathead, and yellowfin sole in the Bering Sea. Though US Seafoods currently harvests and processes our rock, flathead, and yellowfin sole allocations, Cape Horn is capable of harvesting and processing some or all and could be chosen to do so in the future.



J. Benefits to the Region

Coastal Villages Region Fund is in a unique position to deliver economic benefit to our twenty member communities. Though millions of dollars have been spent by various groups in Western Alaska, the CDQ groups stand virtually alone in their quest to provide employment and economic opportunity as the primary goal. While State agencies, school districts, health corporations and other State and federally funded entities provide excellent high paying employment opportunities, the employment generated is a secondary byproduct of their primary goal of providing social, education and health services. **CVRF's sole task is to provide economic and community development centered on one of the very few marketable resources identified in our region...fish.**

In Section E of this document, we laid out our multi-pronged approach for delivering benefits to our region. The approach includes providing immediate employment opportunities, long-term infrastructure development, and financial stability for CVRF to insure sustainable development. The following are just a sampling of the benefits that are and will be provided to our region.

Employment

The employment opportunities presented to our region residents are at the very core of the economic development efforts at CVRF. By creating employment opportunities we empower our people to acquire income above and beyond the poverty level. Higher income levels allow individuals to reinvest back into their own community.

We currently provide a wide variety of direct employment opportunities. A detailed description of each of these projects can be found in Sections I-III and II-I of this CDP. These employment opportunities include:



CVRF provides a wide variety of direct employment opportunities such as seasonal employment at the Quinhagak plant

- Seasonal employment at one of our many seafood operations;
- Self-employment opportunities in harvesting halibut, salmon, and herring in-region;
- Employment on our many off shore harvesting vessels;
- Employment and self-employment opportunities through fisheries support businesses at our fisheries support centers;
- Employment at our in-region program delivery offices;
- Full time positions in our corporate office;
- Internships at our corporate office and with our industry partners;
- Collaborative research opportunities with other organizations and agencies;
- Construction job opportunities; and
- Employment opportunities on one of our wholly owned fisheries support vessels.

Infrastructure Development

Perhaps the greatest barrier to sustainable long-term economic development in our twenty member communities is the lack of basic infrastructure. Unlike many areas outside of our region, what little infrastructure exists in our communities is based on a minimum subsistence lifestyle/economy. Not only must we work together with other agencies to decrease the cost of utilities and transportation, but we are also faced with the dire need to increase the capacity and therefore the ability of the infrastructure to support further growth. This is a costly and time-consuming task.

The CDP that we are submitting places a heavy emphasis on the development of in-region infrastructure. A sampling of our projects include:

- Construction or purchase of a high speed catamaran to deliver our fish to market more efficiently;
- Construction of dock and harbor infrastructure to support a growing fleet of harvesting vessels based in our twenty communities;
- Alternative energy projects to decrease costs and lower reliance on costly fossil fuels;
- Increased processing infrastructure to accommodate growing fishery participation and opportunity;
- Utilization of a mobile fish buying platform to facilitate purchasing halibut from distant fishing grounds while utilizing the small skiffs prevalent in our current fisheries;
- Construction of processor housing to optimize the widely scattered population base of our twenty member communities;
- Construction and operation of fisheries support centers to provide opportunities for locally-based fishery support businesses; and
- A marine safety program and related infrastructure to assure the safety of our region residents.



Summary of Direct Financial Benefit to Communities

In 2003, our CDQ projects were directly responsible for providing \$11.2 million in economic activity to our communities through employment opportunities, scholarships, training programs, loans, payments to fishermen, construction projects, and other programs. As we continue to develop new infrastructure projects and expand existing programs, we expect to make even larger impacts in the future.

1) Inshore and Nearshore Programs	\$2,761,000
2) Other Programs (4-SITE, Outreach, etc.)	2,631,000
3) In-region Infrastructure	2,230,000
4) Employment and Training	2,010,000
5) Payments to Fishermen	933,000
6) Fisheries Loans	495,000
7) Scholarships	139,000
Total	\$11,199,000

Over the last two years and nine months, our CDQ projects were directly responsible for providing \$29 million in economic activity to our communities.

1) Inshore and Nearshore Programs	\$7,961,000
2) Other Programs (4-SITE, Outreach, etc.)	6,949,000
3) Employment and Training	5,263,000
4) In-region Infrastructure	4,377,000
5) Payments to Fishermen	2,782,000
6) Fisheries Loans	1,306,000
7) Scholarships	416,000
Total	\$29,054,000



CVRF residents constructing the fisheries support center in Scammon Bay



The new Mekoryuk halibut plant

Financial Stability

Our ultimate goal is to insure that our communities can survive without outside capital infusion, including capital infusions from CVRF. From a financial perspective, the step prior to our region's financial independence is for our company to be able to continue providing economic development assistance even if the CDQ program is discontinued. This requires prudent investments into companies that will provide consistent cash flow from operations, while at the same time maintaining a balance with the need to provide immediate opportunities in our communities.

The enormous financial resources required to develop basic fisheries infrastructure in our region makes this a very complex balancing act, accentuated by the severe economic depression that exists within our communities. With continued perseverance, however, we are maintaining the balance.

Concurrently with our development projects, we have taken major strides in diversifying our cash flow stream through investment in offshore vessels and high royalty contracts. Some examples of our activities in the offshore investment arena include:

- Continuous participation and negotiation with current stakeholders, providing us opportunities to carve out increased ownership in American Seafoods, the largest offshore pollock fishing company operating in the Bering Sea;
- Participation of our Executive and Finance Directors on the Board of Directors of American Seafoods;
- Successful negotiation for significant control features on the board of directors of a new public company;
- Investment in the Blue North Group, providing us ownership in the *Blue Dutch*, a crab catcher-processor vessel, and the *Blue Aleutian*, *Sultan* and *Tempest*, crab catcher vessels;
- Investment in Sanko Fisheries, providing us with ownership in the *Alaskan Enterprise*, a crab catcher-processor vessel that participates in the crab fisheries of the Bering Sea;
- Investment in Karin Lynn Fisheries, providing us with ownership in the *Karin Lynn*, a crab catcher vessel that participates in the crab fisheries of the Bering Sea;
- Investment in Pavlof, providing us with ownership in the *Pavlof*, a crab catcher-processor vessel that participates in the crab fisheries of the Bering Sea;
- Investment in Silver Spray Seafoods, providing us ownership in the *Silver Spray*, a crab catcher and pot cod freezer vessel;
- Investment into the Prowler group, providing us ownership in three cod freezer-longline vessels, the *Ocean Prowler*, *Bering Prowler*, and *Prowler*;
- Investment into Kokopelli Fisheries, providing us ownership in the *Ocean Harvester*, a longline vessel that harvests halibut and sablefish;
- Investment in Arolik River Sportfishing, providing us with ownership in a sport fishing camp located in Quinhagak;
- Investment in Cape Horn Fisheries, providing us with ownership in the *Cape Horn*, a vessel that participates in the rock sole, flathead sole, and yellowfin sole fisheries of the Bering Sea;
- Management of some of the largest royalty contracts in CDQ history. In order to maximize our royalty rates, we maintain separation between our investments and our royalty contracts.

K. Level of Local Participation

We strive to maintain a high level of local participation in the CDQ program. Our management team takes its direction from the twenty board members who are all full-time residents of the communities we represent. Our board members are the crucial link to our understanding of the needs and desires of our twenty member communities.

We also maintain positions in all twenty communities for community liaisons and/or community program managers. These employees carry out the day-to-day tasks of program delivery and are our direct conduit to our communities.

Our management and staff travel extensively to our region to experience and discuss first-hand with our residents their needs and desires. This process helps to insure that we fully comprehend our region’s wishes and create projects and programs that will maximize the effectiveness of our overall program package. This effort is considerable given the lack of lodging and the uncertainty and cost of transportation in our region.

To insure our residents stay informed of our activities, we rely on a variety of media channels such as quarterly newsletters, annual reports, local radio and printed publications, and an internet website, to maintain open and continuous communication with our residents.

We also do the “little things” to insure greater communication with our constituents. For example, we maintain a toll free number so region residents can call our Anchorage office at any time free of charge. Though this may sound minor, when dealing with a region that is so economically troubled, the simple cost of a phone call may hinder an individual’s ability to communicate with us. We also provide phone, fax, and internet access to all of our community liaisons and program managers who in turn make the communication infrastructure accessible to any region resident for the purpose of communicating with our corporate staff or for fisheries related research.

Though we believe that we have made extensive effort to involve our region residents through the efforts mentioned above, we go one step further to insure we get as much input as possible. In 2000 and once again in 2004, we made a widespread effort to survey all of our residents. This process, known as the Ciunerkam Tangruarutii or “CT” process, was a mass opinion-gathering effort. Our staff visited every community and held “town hall” style meetings to gather input from each resident. .



CVRF management head to a community meeting at the Chevak school



An Oscarville resident discusses the community survey at the CT meeting

L. Other

Since reorganizing in 1997, we have grown tremendously in many ways. Our finances, the foundation on which all of our fisheries related economic development programs rely, are now stable. The level of employment opportunities that we provide offer a wide range of options, from self-employment in our in-region fisheries, to careers aboard at-sea processing vessels. Our infrastructure development is taking on a new focus, from immediate short-term fixes, to regional transportation infrastructure planning.

Many of the short-term goals of our previous CDP have been accomplished. Hundreds of jobs have been created in-region with hundreds more available outside our region on our extensive offshore fleet. Through our subsidiary CVS, we have purchased and processed millions of pounds of salmon and halibut in areas where there are no other buyers. The fisheries business in the Kuskokwim Delta that was on the verge of collapse has been resurrected and is now a viable source of income for our region's residents.

However, without continuing allocations of the BSAI fisheries, many of these short-term successes cannot be sustained. As we move forward with our plans, the focus has shifted from immediate relief to transitioning our communities to a more sustainable economic base. In order to make the fisheries based economy in our region sustainable, we must increase the value of the product while substantially decreasing the costs of production. Our CDP outlines our aggressive plans for infrastructure development to do just that. The costs associated with this plan justify an increase in allocation to fund the projects listed.

We believe that based on both the population and economic needs of our member communities, and our recent outstanding performance in program delivery, benefits to communities, maximization of allocation and investment successes, our region is deserving of an increase in CDQ pollock allocation to our original level of 27 percent. Furthermore, in all fisheries not harvested substantially by residents of the CDQ communities, we believe our allocation should be increased to 27 percent.