

**BERING STRAIT REGION
COMMUNITY DEVELOPMENT PLAN**

**APPLICATION FOR MULTI-SPECIES
COMMUNITY DEVELOPMENT QUOTAS
2006-2008**

Submitted by:



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Submitted to:

**STATE OF ALASKA
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EXECUTIVE SUMMARY

PREFACE

Norton Sound Economic Development Corporation (NSEDC) provides a role model for the success of the Community Development Quota (CDQ) program. NSEDC maintains a balance between local economic development oriented towards the residents in the region and active participation in the distant-water fisheries in the Bering Sea and Aleutian Islands, and also a balance between programs designed to provide immediate benefits for the residents of the communities in its region and longer term investments which will provide a stable long term source of economic strength. We are educating, training and employing our people, building infrastructure, starting new fisheries through locally-initiated development efforts, supporting the local salmon, herring, crab and halibut fishermen, restoring salmon runs in the region for both commercial and subsistence users, providing fisheries support, providing support for community and regional based Search & Rescue organizations, supporting the local youth and school districts in educating students on substance abuse and wilderness safety, getting necessary capital into the hands of our residents to fund their fishing ventures, and we are buying larger vessels and taking significant income producing equity interests in companies participating in the Bering Sea and Aleutian Islands fisheries. All of this activity is aimed at building a diversified, self-sustaining fisheries based economy.

It is not an easy task to satisfy the needs of the region when those needs are so great. NSEDC consists of fifteen diverse communities and over eighty-four hundred people spread out over hundreds of miles of coastline. Costs of living are high and the communities are remotely located. Many of our communities lack basic public services such as water



Diomedes, Alaska - August 2004

and sewer which most of us take for granted. Our communities have some of the poorest residents, fewest job opportunities and the lowest incomes of any in the state and country. The fisheries disasters hitting western Alaska have hit NSEDC as hard as any region. The task of creating jobs and business opportunities that are economically viable given these barriers is monumental.

NSEDC is proud of its efforts and numerous successes. We believe NSEDC's high profile in the region is a result of many activities that have been generated over the years, and our cooperative efforts with the people and entities in the region to provide projects and benefits. Since

the start of the CDQ program in 1992, NSEDC has directly contributed economic benefits of approximately \$51 million to the communities in the region. This does not take into account secondary economic impacts and other spin-off benefits to local businesses and residents.

Since 1994 NSEDC has participated in cooperative Limnology and Fertilization Projects with the Alaska Department of Fish & Game and the Bureau of Land Management on the Salmon and Glacial Lakes, the primary sockeye salmon producers of the Seward Peninsula/Norton Sound. After many years of poor returns to Salmon Lake, in 2003 a near-record 41,000 fish returned to the lake, and so far in 2004, an all-time record of 72,000 fish have been counted.



A Rush of Red Salmon Returning to Salmon Lake Photo Courtesy of BLM

Working with the City of Nome to meet matching fund requirements, NSEDC has contributed (2001-2004) \$3 million to the Nome Navigation Improvements Project, which is



2004 Construction Season - Nome Navigation Improvements Project

Photo Courtesy of Peggy Fagerstrom

estimated to provide \$15 million in wages and purchases during the three-year construction phase. Ongoing benefits to the entire region from this project include lower freight costs, increased accessibility to a safe harbor, and increased public safety.



Norton Sound Seafood Center – Nome, Alaska

In a time when Norton Sound salmon fisheries have been declared disasters by the State of Alaska, NSEDC has teamed-up with the local fishermen to develop and expand the Norton Sound red king crab and halibut fisheries through our division Norton Sound Seafood Products (NSSP). This cooperation has included construction of the Norton Sound Seafood Center in Nome to purchase, process and market harvests; providing loans for suitable vessels and gear; and providing NSEDC CDQ at no cost to the

fishermen. These two fisheries alone provided \$780,762 in fish proceeds to local fishermen in 2003, and over \$1 million in 2004. Norton Sound fishermen also harvested YDFDA's allocation of Norton Sound red king crab in 2003 (majority) and 2004 (100%), resulting in added benefits to the fishermen and much needed additional product for the Norton Sound Seafood Center. Not only have the fishermen in the region benefited from the expanded red king crab and halibut fisheries, but wages and employment have increased for residents working for Norton Sound Seafood Products.

Through our wholly-owned subsidiary, Norton Sound Investment Company LLC (NSIC), NSEDC has built a very solid equity position in the offshore fisheries of the Bering Sea. NSIC owns a 50% interest in two companies, Glacier Fish Company LLC and Norton Sound Ventures LLC, which own the factory trawlers *F/V Northern Glacier* and *F/V Pacific Glacier*, the factory longliner *F/V Norton Sound*, and the crab harvest vessels *F/V North Pacific*, *F/V Ocean Olympic*, and the *F/V Alaskan Beauty*. In addition, Glacier Fish Company and Norton Sound Ventures collectively own 95% of the economic interest in *F/V Glacier Bay* the factory longliner *F/V Glacier Bay*. In addition, Norton Sound Ventures has a 25% interest in the crab catcher vessel *F/V Pacific Star*.



The debt against this fleet of vessels is low. The total amount of debt represents less than 20% of the aggregate market value of the companies. For NSEDC to have built up such a portfolio of offshore fisheries investments with such low debt is a demonstration of the prudence NSEDC used in making its original investments, and the prudence with which NSEDC has managed them afterwards.

In addition to the fleet of vessels, NSIC has a multi-million-dollar portfolio of wholly-owned halibut and sablefish quota share, plus a vessel license which will be awarded crab quota share in 2005. And again, there is no debt against these quota share holdings.

NSEDC continues to be a leader among the CDQ groups and will strive to maintain this leadership. As the CDQ program enters a new era of greater financial strength, a broader array of permissible activities and an increasing capability to provide benefits to communities, NSEDC intends to lead again with new programs to supplement the education and training of community residents, and more diversified shoreside infrastructure support. All of NSEDC's efforts in the long run will result in economic opportunity for the residents of the region and for all Alaskans.



A. NAME OF APPLICANT

Norton Sound Economic Development Corporation (NSEDC)

B. TOTAL CDQ AND PSQ ALLOCATION REQUESTED

NSEDC is requesting groundfish, halibut and crab community development quota (CDQ) allocations under the multi-species CDQ program for the Bering Sea and Aleutian Island sub areas of the BSAI management area for the years 2006-2008. The CDQ program now includes allocation of Aleutian Islands golden king crab and Adak red king crab. These CDQ allocations will allow NSEDC to conduct local fisheries in the region as well as operations in pot, longline and trawl fisheries using vessels owned by NSEDC and harvesting vessels under contract to NSEDC. NSEDC communities contain over 31% of the population for all CDQ eligible communities. We will need the requested allocation amounts and access to the fisheries resources and revenues in order to continue to provide and expand our projects and programs as outlined in this CDP. The percentages of CDQ and PSQ allocations by target fishery are outlined in Table 1.

The North Pacific Fishery Management Council (NPFMC) is in the process of implementing a regulatory amendment that would effectively change the manner in which CDQ allocations are made and managed, and CDQ target fisheries are conducted. In past years, we have requested a complex of CDQ fish species including target fish species and incidentally-harvested fish species or bycatch. For purposes of this CDP and these CDQ allocation requests, we are assuming that this regulatory amendment will be approved and CDQ allocations will be made for only target fisheries. CDQ bycatch species therefore will be managed at the CDQ reserve or sector level and not allocated to individual CDQ groups. However, if the regulatory amendment is not approved and the CDQ program continues as in past years, NSEDC will request CDQ allocations for the bycatch species including PSQ commensurate with undertaking the complex of target fisheries as requested according to the state CDQ bycatch matrix.

NSEDC is requesting increases in CDQ allocations from the 2003-2005 CDP for most target fisheries of groundfish, halibut and crab. For CDQ halibut, NSEDC is requesting additional CDQ in area 4D and a 25% share of area 4E to support the growing local halibut fleet in Nome and a re-emerging interest from fishermen in outlying smaller communities, and to support economic development in the region provided by the Norton Sound Seafood Center in Nome.

For the CDQ crab fisheries, NSEDC is requesting 100% of the CDQ allocation of Norton Sound red king crab since the entire quota was harvested by local fishermen in the NSEDC region these past few years and to support local fisheries and the fishing fleet. NSEDC is also requesting increases of CDQ allocations in the Bristol Bay red king crab fishery and opilio fishery, and a 49% CDQ allocation of Aleutian Islands golden king crab to support vessels we own that have been actively participating in these fisheries, and to support our sales and marketing efforts which are integrated with our program for sales of product from the Norton Sound fishery.

For CDQ groundfish, NSEDC is requesting moderate increases which we feel are commensurate with the population size in the region and the demands upon the CDQ program to provide economic development opportunities for our communities. Most prominently, we believe that the 1% cut in pollock we received last year should be restored because of errors made in the evaluation process, and in addition we are requesting an increase to 31% of the pollock, to be

consistent with NSEDC's population and performance. Additional amounts of CDQ Pacific cod is requested to support our two longline vessels, and additional amounts of CDQ Atka mackerel and flatfish to provide fair and equal opportunities for re-establishing business relationships with our partners in the H&G fishing industry.

Table 1: CDQ and PSQ Allocation Request for 2006-2008

CDQ RESERVE CATEGORY	
Pollock (BS, AI and Bogoslof)	31%
Pacific Cod	20%
BS FG Sablefish	18%
AI FG Sablefish	23%
BS Sablefish	33%
AI Sablefish	33%
WAI Atka Mackerel 543	20%
CAI Atka Mackerel 542	20%
EAI Atka Mackerel 541	20%
Yellowfin Sole	20%
Rock Sole	20%
BS Greenland Turbot	20%
AI Greenland Turbot	20%
Arrowtooth Flounder	33%
Flathead Sole	20%
Other Flatfish	33%
Alaska Plaice	33%
BS Pacific Ocean Perch	33%
WAI Pacific Ocean Perch 543	20%
CAI Pacific Ocean Perch 542	20%
EAI Pacific Ocean Perch 541	20%
Northern Rockfish	33%
Shortraker Rockfish	33%
Rougheye Rockfish	33%
BS Other Rockfish	33%
AI Other Rockfish	33%
Other †	N/A
PSQ RESERVE CATEGORY (halibut in mt, all others in number of anima	
Zone 1 Red King Crab	33%
Zone 1 Bairdi Tanner Crab	33%
Zone 2 Bairdi Tanner Crab	33%
Opilio Tanner Crab	33%
Pacific Halibut (mortality)	33%
Chinook Salmon	33%
Non-chinook Salmon	33%
Halibut	
Management Area 4D	40%
Management Area 4E	25%
CDQ Crab	
Bristol Bay Red King Crab	20%
Norton Sound Red King Crab	100%
Pribilof Red King Crab	0%
St. Matthew Blue King Crab	14%
C. Opilio (Bering Sea) Crab	20%
C. Bairdi (Bering Sea) Crab	18%
Eastern AI Golden (Brown) King Crab	49%
Western AI (Adak or Petral Banks) Red King Crab	31%

C. COMMUNITIES REPRESENTED

NSEDC is submitting this application to the State of Alaska for multi-species community development quotas (CDQs) on behalf of fifteen member communities in the Bering Strait region of northwestern Alaska. These communities are:

Brevig Mission	Diomedede	Elim
Gambell	Golovin	Koyuk
Nome	St. Michael	Savoonga
Shaktoolik	Stebbins	Teller
Unalakleet	Wales	White Mountain

Each community represented above is eligible to participate in the CDQ program both under federal rules as defined in 50 CFR 679.30 (d) (2) and under State of Alaska CDQ criteria. The Secretary of Commerce has determined that these villages meet the requirements of CDQ program eligibility.

D. MANAGING ORGANIZATION

NSEDC will act as the managing organization for the multi-species CDQ program described in this CDP. NSEDC has already qualified as an applicant and managing organization for the pollock, halibut, sablefish and multi-species CDQ programs. NSEDC has been successfully managing these CDQ programs, associated development projects, and CDQ fishing since 1992. NSEDC has an excellent track record for managing CDQ fisheries and not over-harvesting allocations. Under the expanded CDQ program, NSEDC will continue to act as the managing organization.

The primary contact person for NSEDC is Eugene Asicksik, President and Chief Executive Officer. The office responsible for administering the company is located in Anchorage. Other offices are located in Unalakleet and Nome. The Anchorage office serves as a central location for communications and contact with agencies from outside of the region, provides accounting and financial support, and manages CDQ fishing operations. The address of this office is as follows:

Mr. Eugene Asicksik
NSEDC Anchorage Administrative Office
420 L Street, Suite 310
Anchorage, Alaska 99501
Phone (907) 274-2248 FAX (907) 274-2249

E. GOALS, OBJECTIVES AND MILESTONES

The overall goal of this CDP and development programs contained herein is to further the Norton Sound region's progress toward a self-sufficient, diversified economy. The fisheries base is the CDQ allocation, which is converted to investments in people, offshore fishing companies, vessels, quota, and near-shore fisheries, in addition to other productive investments. In 1992

NSEDC drafted the original comprehensive plan under the pollock CDQ program which focused on developing self-sustaining fishing economies for communities in the region, and getting people more actively involved in the distant-water fisheries in the Bering Sea. NSEDC maintains that mission in this CDP, but broadens it to benefit a greater number of the region's people.

In the past and now again, NSEDC will maintain a balance between immediate support to projects and programs in the region and investment opportunities for increasing direct participation in the offshore Bering Sea Fisheries. NSEDC's board has adopted a specific strategy which directs a balanced utilization of CDQ royalty proceeds each year, plus a longer term reinvestment strategy which reinvests for growth, but also allows a utilization of a portion of the income from such investments to flow back to the region directly through projects and programs. Specifically, NSEDC allocates 50% of its royalty income to direct projects and programs in the region, and the other 50% of royalty income to income-producing investments, targeted at ownership interests in the offshore fisheries of the Bering Sea. Proceeds from the income-producing investments are reinvested for further growth, except that 25% each year is targeted to be utilized to supplement CDQ royalty income for direct projects and programs in the region. This successful strategy is maintained in the 2006-2008 CDP.

Growth in our portfolio of income-producing investments is a key component of eventual self-sufficiency. One of the most exciting developments is the meaningful progress NSEDC has made toward developing a self-sustaining fisheries related economy. Cash proceeds from NSEDC's investment in the offshore fisheries in the Bering Sea now account for in excess of \$4 million per year. Through additional investments and the increased management attention afforded since the establishment of NSIC, such cash flow will grow to eventually represent a significant economic engine for the region. This is on top of the near-shore investments which have been made and the significant investment in human capital NSEDC has made through its education, training, and job placement programs. While NSEDC's progress to date is a long way from any type of declaration of self-sufficiency, the long-term progress is material and meaningful.

The comprehensive measurable milestones of this CDP are contained in Table 2 presented below. A brief description of the milestone is provided along with target schedule or date for undertaking or completion of the milestone.

Table 2: Comprehensive Milestones

Administrative

Milestone: NSEDC Board of Directors will hold regularly scheduled meetings during each quarter in 2006-2008

Milestone: NSEDC will have an annual audit to be completed before May 31 of each year 2006-2008

Milestone: NSEDC will prepare and submit an annual budget for the following year, not later than the end of the fourth quarter of each year.

Milestone: NSEDC Board of Directors will review community proposals and project requests at the 1st and 3rd quarter board meetings each year.

Milestone: NSEDC will provide staff training each year, not later than the end of the fourth quarter

Milestone: NSEDC will file quarterly reports to the State of Alaska within thirty days of the end of each calendar quarter

Milestone: NSEDC will submit an omnibus budget plan amendment by the end of the second quarter of each year

Milestone: NSEDC will make any required payments of CDQ fees within 60 days of the end of the quarter in which they are determinable.

Milestone: NSEDC Finance Committee will review investment performance and asset allocation at least once each quarter.

Milestone: NSEDC and NSIC will provide investment oversight and monitoring of all income-producing investments during each quarter.

Milestone: The NSEDC Board of Directors will attend an annual retreat for the purpose of board training by the end of the 4th quarter each year.

CDQ Harvest Management

Milestone: NSEDC and its harvesting partners will harvest its CDQ allocations of pollock, Pacific cod, sablefish, Greenland turbot, Atka mackerel, various flatfish species and other groundfish in various directed fishing operations, as much as practicable without over-harvest, by the end of each fishing season in 2006-2008.

Milestone: NSEDC and local fishermen from the Norton Sound region will harvest its CDQ allocation of red king crab in the Norton Sound fishery and halibut from IPHC Area 4D and 4E, as much as practicable without over-harvest, by the end of each fishing season in 2006-2008.

Milestone: NSEDC and its harvesting and processing partners will harvest its CDQ allocations in crab fisheries that are not closed, process the crab and facilitate the sales of product, as much as practicable without over-harvest, by the end of each fishing season in 2006-2008.

Milestone: NSEDC will explore options to expand involvement in the harvest of its CDQ allocations in various directed fishing operations prior to the start of each year in 2006-2008.

Milestone: NSEDC personnel will attend all or part of each regular North Pacific Fishery Management Council meeting in 2006-2008.

NSIC LLC

Milestone: NSIC will make a report to the Board of Directors of NSEDC at each quarterly NSEDC board meeting.

Milestone: NSIC Management Committee will meet at least once each quarter

Milestone: NSIC will evaluate the potential for equity investment in one or more Bering Sea fishing companies or fishing vessels by the end of the fourth quarter of each year 2006– 2008.

Milestone: NSIC will timely respond to any offer made under a buy/sell agreement in investments to which NSIC is a party

Milestone: NSIC will attend all regular and special meetings of the owners for companies in which NSIC has both a direct ownership interest, other than passive equity interest, and a right to attend and participate in the meeting.

Milestone: NSIC will increase its level of equity investment in the fishing industry by the end of the 4th quarter 2008

Milestone: NSIC will evaluate the potential for acquisition of additional quota share by the end of the fourth quarter of each year 2006- 2008.

Milestone: NSIC will put the IFQ it owns out for harvest, and harvest as much as reasonably possible by the end of the fourth quarter each year

Education, Employment and Training Program – Education & Training Component

Milestone: NSEDC will have provided fisheries skills and other training opportunities under this CDP for 45 residents of the region or of nearby communities by the end of the fourth quarter of each year

Milestone: NSEDC will award at least \$175,000 in scholarships to students by the end of the fourth quarter of each year.

Milestone: NSEDC EET personnel will make outreach visits to each member community during this CDP cycle.

Milestone: NSEDC will evaluate at least one K-12 support program/project by the end of the fourth quarter each year.

Milestone: NSEDC will evaluate partially funding the Northwest College Campus Youth Summer Science Camp (in any year NWCC administers such a program) in which participants are eligible to receive college credit upon meeting the requirements.

Education, Employment and Training Program - Employment Component

Milestone: NSEDC and NSSP will facilitate the employment of 110 residents of the region or of nearby communities in the fishing industry by the end of the fourth quarter of each year

Milestone: NSEDC EET personnel will make outreach visits to each member community during this CDP cycle.

Milestone: NSEDC will place at least six internships in office or field settings by the end of the fourth quarter each year.

Education Endowment

Milestone: NSEDC will evaluate the possibility of funding the Education, Employment & Training Program from earnings of the Education Endowment and develop a schedule for doing so, by the end the fourth quarter 2008.

Milestone: NSEDC Finance Committee will review investment performance and asset allocation at least once each quarter.

Revolving Loan Program

Milestone: NSEDC will conduct annual reviews of the Revolving Loan Program by the end of the 4th quarter of each year.

Milestone: NSEDC Finance Committee will review the Revolving Loan Program Portfolio quarterly.

Norton Sound Fisheries Research & Development Program

Milestone: NSEDC will conduct at least one fishery development project by the end of the fourth quarter each year.

Milestone: NSEDC will conduct at least one salmon research, restoration, or enhancement project by the end of the fourth quarter of each year.

Milestone: NSEDC will investigate and/or conduct at least one environmental restoration project by the end of the fourth quarter of each year.

Shoreside Infrastructure Improvements Program

Milestone: NSEDC will evaluate at least two site-specific shoreside infrastructure improvement projects each year

Norton Sound Seafood Products

Milestone: The NSEDC board will act upon the recommendations of NSSP no later than the end of the second quarter each year.

Milestone: NSEDC or an NSEDC subsidiary will market at least 50% (by weight) of the CDQ crab allocated to NSEDC by the end of the fourth quarter each year.

Milestone: NSSP will evaluate operations in the region including support to the herring, salmon, crab and halibut fisheries by the end of the second quarter each year.

Milestone: NSSP will continue to explore market opportunities and value added processing for Norton Sound fisheries and promote regional brand identity.

Milestone: NSSP will evaluate the feasibility of an additional retail site by the end of the fourth quarter in 2008.

Community Outreach Program

Milestone: NSEDC will maintain and update the NSEDC website on a timely basis.

Milestone: NSEDC will prepare and distribute a NSEDC Newsletter.

Milestone: NSEDC will prepare and distribute a Corporate Annual Report each year.

Milestone: NSEDC will place flyers and newspaper ads announcing NSEDC meetings; training, employment, and scholarship opportunities; and regional operations periodically.

Substance Abuse Prevention

Milestone: NSEDC will continue to follow the substance abuse policies outlined in our personnel policies.

Milestone: NSEDC will screen all applicants for employment positions within the seafood industry for drug-free status.

Community Benefit Share

Milestone: The NSEDC board will declare a community benefit share by the end of the fourth quarter of each year.

Milestone: NSEDC will transmit funds to each community that accepts the terms of the community benefit share within 45 days of NSEDC's notification of the acceptance.

Milestone: NSEDC will follow-up with each community to ensure the community benefit share funds are used in compliance with applicable CDQ regulations and law.

F. CDP PROJECTS

NSEDC is proposing to build on the economic development programs started in 1992, in addition to investing in affiliates and subsidiary companies to form a complete foundation for active participation in the fisheries in the Bering Sea.

NSEDC has three significant modifications to successful programs already in place under the current CDP: (1) expansion of the Norton Sound Fisheries Research & Development Program to include projects aimed at marine and fresh water debris clean-up, (2) greater emphasis on the Community Outreach by expanding the Liaison Program and (3) enhancing the Substance Abuse Program to include possible funding for the adult population in the region. These new components are intended to supplement, rather than replace, the existing programs of NSEDC. Additional information on NSEDC's development programs may be found in the 2003-2005 multi species CDP (July 2002), 2001-2002 multi-species CDP (August 2000), 1999-2000 multi-species CDP (August 1999), 1996-1998 pollock CDP (August 1995), the 1995-1997 sablefish CDP (August 1994), and the 1995-1997 halibut CDP (August 1994).

1. Community Development Projects/Programs

a. Norton Sound Fisheries Research & Development Program

Since the inception of the CDQ program, NSEDC has taken an active role in promoting fisheries within the Norton Sound region. These efforts come in many forms, including the research of potential for commercial fisheries of native species and the restoration of salmon stocks, whose decline have affected many residents of the region through losses in subsistence, commercial, and sport fishing opportunities. The following two programs are designed to implement projects as

discussed above. The third is a new program intended to help mitigate the effects of human-induced disturbance and maintain the integrity of the Norton Sound environment while protecting its wildlife.

Salmon Research, Restoration & Enhancement. In 1992, NSEDC in cooperation with ADF&G established a region-wide salmon rehabilitation and enhancement program for the Bering Strait region. This program originally consisted of a comprehensive planning process, salmon resource inventory, and a salmon restoration fund. The salmon resource inventory and the state-approved comprehensive restoration plan have been completed. The salmon restoration fund has been established and a number of site-specific projects throughout the region have been funded with the input and cooperation of ADF&G and the Norton Sound/Bering Strait Regional Planning Team (RPT), which consists of residents of the region and representatives of state and federal agencies.

Restoration of salmon runs in the region continues to be a high priority with residents of the region, as was brought up in the community outreach meetings in a number of regional communities. NSEDC's efforts in this program are now focusing on two main fronts. As has been done in the past, cooperative projects with state, federal, and regional agencies to provide better management and understanding of salmon resources, as well as proactive projects designed to restore depressed salmon stocks are to be conducted. More recently, NSEDC has initiated scientific research projects in an effort to seek out the underlying reasons for the disastrous decline in local Norton Sound salmon stocks. Some of these projects include environmental condition assessments (plankton abundance, salinity, temperature, etc.) in near-shore marine waters to be correlated with the outmigration of juvenile salmon, fyke netting of juvenile salmon for study of migration patterns, feeding, and general health, a juvenile coho salmon production and distribution study to develop management models, and a moist-air incubation pilot study, to introduce new technology to the Norton Sound to aid efforts to actively restore salmon stocks. As before, the salmon restoration fund will continue to be used along with matching money for future site-specific projects within the region (including the possibility of NSEDC again being awarded federal grants for use in salmon research). NSEDC will judge the merits of potential future projects through the framework established in the NSEDC capital investment guidelines, technical advice from the RPT, and internal experience in salmon projects. In support of these projects, NSEDC will contribute additional CDQ proceeds to this fund as outlined on the budget page of this CDP. Refer to Appendix M for more information on the Salmon Rehabilitation and Enhancement Program.

Fisheries Development. Over the past several years, NSEDC has conducted fisheries development projects for salmon, herring, red and blue king crab and halibut in the Norton Sound. Projects included: establishing a halibut fishery at St. Lawrence Island, test fishery for bait herring at Port Clarence, an exploratory fishery for halibut in the waters north of Norton Sound, crab tagging studies in eastern Norton Sound in cooperation with ADF&G, community assisted exploratory studies in the waters near Wales and Gambell, and a commercial feasibility study for winter blue king crab fishing on Diomedea. As a result of some of these projects, local fishermen are now actively participating in commercial fisheries previously unrealized, with the benefits of added revenue to and through fishermen realized throughout Nome and other regional communities. In 1996, NSEDC undertook a study to determine other fish species and marine resources of market value in the region that have a potential for successful development efforts. New projects in 2004 included a herring marketing project which involved requesting a grant from the Alaska Fisheries Marketing Board to provide funding for sparking herring roe sales in Japan, as well as the initiation of a

partnership with the University of Rhode Island to write the “Community-Based Fishery Development Plan” for NSEDC’s Fisheries Development Program to follow in the prioritization and completion of projects. At the 2000, 2002, and 2004 community outreach meetings conducted by NSEDC, continued interest was shown by participating communities in fisheries development projects.

Under this CDP, the Fisheries Development Program will be continued and funded at an amount to address other fisheries development needs throughout the region including consideration of, but not limited to, the following potential projects identified in the community outreach meetings: Halibut fisheries in Gambell and northern communities, local sales of halibut, sales of local fisheries products to Bering Strait School District, additional commercial bait fisheries, Stebbins herring, Wales halibut, clams, smelts, and Teller commercial fisheries. NSEDC may also conduct exploratory fisheries, fund cooperative management efforts with ADF&G throughout the region, and may fund attendance at Alaska Board of Fish meetings in furtherance of fisheries development in the region. The efforts under this program will be coordinated with ongoing operations of NSEDC’s subsidiary, Norton Sound Seafood Products. NSEDC will contribute additional CDQ proceeds to this program as outlined on the budget page of this CDP.

Clean Waters Program. NSEDC has both received feedback from communities and seen firsthand the effects of fishing and other human activities on the Norton Sound environment. Abandoned nets exist in many of the rivers in the Norton Sound, causing disturbance within the fragile systems that maintain the suffering salmon stocks as well as other freshwater creatures. Similarly, numerous instances exist throughout Norton Sound marine shorelines, including large nets and other debris, all of which have the potential to harm wildlife and detract from nature’s ability to produce its bounty as in the past.

The intent of this program is to mitigate the effects of human-induced impacts on the Norton Sound environment, while also employing local workers to complete the task. These efforts should increase the productivity of nature, increase the aesthetic value of the area for both residents and visitors, increase people’s awareness of the importance of healthy ecosystems, and provide employment to communities where it is much needed. NSEDC will contribute additional CDQ proceeds to this program as outlined on the budget page of this CDP.

b. Education, Employment and Training Program

NSEDC started the Education, Employment and Training Program in 1992. This program provides training for people in the region to take advantage of a wide range of employment opportunities created by NSEDC programs and business activities including jobs on GFC’s factory trawlers and freezer longliners, salmon, herring, crab and halibut fishing, and in processing, quality control, sales and management. Employment services are available to help local workers get jobs in the seafood industry. This program has been very successful. See the employment figures in Table 3 on page 27 of the executive summary. Scholarships are awarded to local students in both post-secondary education and vocational education programs. This investment in human capital is for the benefit of the region’s economy generally, and residents have gone to work in a wide variety of occupations. Funds for fisheries related educational programs are made available to the Bering Strait School District for local schools. Internships are provided and funded for both high school and secondary education students in various fields within NSEDC, GFC and other organizations in the region.

This CDP provides for scholarships which may exceed \$1,000 per semester, and pro-rating scholarships per credit hour for part-time students and continuation of the internship program and the provision of program benefits to residents of other communities in northwestern Alaska beyond NSEDC's fifteen member communities. NSEDC will contribute additional CDQ proceeds to this program as outlined on the budget page of this CDP.

Substance abuse prevention efforts have been a part of the employment program at NSEDC since the inception of the CDQ program. NSEDC has the most desirable fishing opportunities in the industry onboard the GFC vessels, and NSEDC supports GFC in maintaining its strict alcohol-free/drug-free policies for employees. Our employment headcount numbers have at times suffered because of this strict policy, but those who have maintained employment onboard the vessels provide an excellent substance-abuse-free example for the youth of the region, while earning perhaps the highest CDQ harvest wages anywhere.

c. Revolving Loan Program

NSEDC originally established the revolving loan program to help residents purchase permits and gear for Norton Sound commercial fisheries. The revolving loan program makes loans to local people for purchasing large vessels, upgrading fishing boats and fishing related equipment, permit purchases, quota share purchases, and buying salmon, herring, crab and halibut fishing gear. NSEDC will contribute additional CDQ proceeds to this program as outlined on the budget page of this CDP

d. Fund for IFQ Purchases

As the Bering Sea fisheries have evolved, various harvest permits or other rights have evolved. NSEDC originally proposed this program as a program for the purchase of individual fishing quotas. Now, in addition to the individual fishing quota program for halibut and sablefish, IFQ's for crab are in the process of implementation, contract rights for the harvest of pollock under cooperative agreements have evolved as a result of the passage of the American Fisheries Act, and there is a possibility that the harvesters of other species will be able to establish cooperative harvest agreements. To accommodate this evolution in the fishery, the CDP refers broadly to fishing rights. Under this program in this CDP, the fund may be used to purchase individual fishing quotas, or contract rights under a cooperative agreement, or other transferable fishing permits, rights or licenses. NSEDC is also considering the purchase of A class IFQ quota shares for use by the *F/V Norton Sound*, and purchase of pollock cooperative harvest rights if such an opportunity comes available. NSEDC will contribute additional CDQ proceeds to this fund as outlined on the budget page of this CDP.

e. Shoreside Infrastructure Improvements Program

NSEDC has invested in shoreside infrastructure throughout the region since 1993 including Shaktoolik fish processing plant improvements, construction of a new fish processing facility in Unalakleet, Nome Eskimo freezer plant upgrade, Savoonga and Koyuk ice delivery systems, a small halibut processor in Savoonga, Savoonga beach access improvements, construction of a floating dock in Nome, Small Boat Harbor Improvements in Nome, construction of the Norton Sound Seafood Center in Nome, a \$3 million capital contribution to the Nome Harbor Improvements

Project, a \$242,000 contribution to the Unalakleet Navigation Improvements Study; purchase of fish processing equipment in Unalakleet, the purchase of processing equipment for the Teller Fish & Meats Processing Plant, purchase of a large vessel trailer in Nome to haul out and launch vessels, purchase of community boat trailers for each community and the purchase of a floating dock, wheel loader and ice house for Golovin. These projects were all instrumental in supporting salmon, crab and halibut commercial fishing in the region. In its most recent commitment to shoreside infrastructure, NSEDC voted to support a contribution of up to \$40,000 to purchase equipment for a crab processing line for the Unalakleet Processing Plant.

This program allows NSEDC to provide assistance and funding for renovation and new construction of fish processing facilities, dock or harbor facilities, and other infrastructure, in accordance with NSEDC's capital investment guidelines. Projects which may be funded and that came up at the NSEDC Community Outreach meetings in preparation for the development of this CDP are: Diomed Incinerator Project, Elim Small Breakwater and Barge Landing, Golovin Fisheries Support Center Project, the Savoonga Boat Landing Area Project, and NSSC facility upgrades. Proposals from local communities will be solicited and carefully reviewed by NSEDC each year. NSEDC will contribute additional CDQ proceeds to this program as outlined on the budget page of this CDP.

f. Harvesting/Tendering Vessel Funding

In 1992, NSEDC established a capital investment fund for the purpose of purchasing harvesting/tendering vessels for use in the Bering Sea and local fisheries. Proceeds generated from CDQ pollock fishing were contributed to this fund. NSEDC renewed its commitment to purchasing ownership interest in vessels in subsequent CDPs and has allocated additional CDQ proceeds to the fund.

In 1994, NSEDC purchased a freezer longliner, the *F/V Norton Sound*, in an LLC venture with Glacier Fish Company using money from this fund. Vessels like the *F/V Norton Sound* have enabled NSEDC to directly participate in the offshore fisheries of the Bering Sea and Aleutian Islands. In 1997 NSEDC used money from the harvesting/tendering vessel fund to contract for the construction of two custom-built tender vessels for use by Norton Sound Seafood Products in the region. In 1998 NSEDC used money from the harvesting/tendering vessel fund to contract for construction of a custom-built refrigerated saltwater barge. These vessels will be used to support buying and processing operations for local fisheries in the region. In 2001, NSEDC used money from this fund to acquire 50% of three crab catcher vessels: *F/V Alaskan Beauty*, *F/V North Pacific* and the *F/V Ocean Olympic*.

This program continues to be an integral part of NSEDC's plans to harvest the CDQ allocations of species under the multi-species CDQ program and to participate in the near-shore and offshore fisheries of the Bering Sea. NSEDC has reviewed several vessel acquisition options including a trawl vessel capable of harvesting and processing other groundfish species under the expanded CDQ program, a second longline vessel, and other crab catcher vessels. In all of these cases, the timing and the economic feasibility of the investment must make sense: NSEDC was well underway in negotiating the purchase of one crab catcher vessel but called off the completion of negotiations when the reduced GHF forecasts indicated that the investment would be imprudent at that time at the contemplated price.

The Fund for Harvest Vessel Purchase is a significant component of NSEDC's Community Development Plan, and NSEDC will contribute additional CDQ proceeds to this capital investment fund as outlined on the budget page of this CDP.

g. Fund for the Purchase of Equity Interest

The Fund for the Purchase of Equity Interest was established in 1996 to further NSEDC's participation in the Bering Sea offshore fisheries through the purchase of an equity ownership interest in a fishing company or companies having business operations in the Bering Sea. This fund was used for the successful purchase of a 50% equity interest in GFC.

The Fund for Equity Purchase will allow NSEDC to extend its involvement in the offshore fisheries of the Bering Sea. It is a natural evolution of the CDQ program, and complements NSEDC's participation in these resources through its purchase of fishing vessels. Although investment in fishing is risky, NSEDC has proven itself capable of making reasoned business judgments, and the returns on NSEDC's equity interests have been very good. Further, NSEDC has on several occasions offered other CDQ groups an opportunity to participate in a purchase of equity interest. While these offers have not yet borne fruit, NSEDC believes that this program provides an excellent opportunity for cooperation among the CDQ groups, and NSEDC intends to continue to offer such opportunities to other CDQ groups during the 2006-2008 CDP period.

Under this CDP NSEDC is proposing to utilize this fund to support new equity investments as opportunities arise. NSEDC will contribute additional CDQ proceeds and investment earnings to this program as outlined on the budget page of this CDP.

h. Processing Vessel Funding

This project was originally proposed in the 1994-95 pollock CDP to acquire and operate a floating seafood processor in a joint venture or partnership with Glacier Fish Company. A portion of the funds initially reserved for this project has been reallocated for other approved uses as per CDP amendments. Higher than anticipated costs for converting an existing vessel into a floating processor as specified in preliminary engineering designs, and prior declining opilio crab stocks in the Bering Sea, prompted NSEDC and GFC to place this project on hold. NSEDC will continue to reassess potential investment in a processing vessel as conditions change. NSEDC will not contribute additional CDQ proceeds to this program in this CDP.

i. Education Endowment

In 1993, NSEDC established an education endowment for future employment, educational and training activities. This fund has grown to approximately \$7.8 million. In prior years NSEDC has maintained a policy of continued new investment into the education endowment at a modest rate, plus reinvestment of all earnings, with a goal of bringing the endowment to a size where it can endow the entire Education, Employment, and Training Program. The investment performance of the fund has been very good. While the education endowment fund is not yet of a sufficient size to fund NSEDC's employment, education, and training programs at current levels, the fund may be able to grow to a sufficient size solely through the reinvestment of all earnings, within the next three to four years. For the 2006-2008 CDP NSEDC plans only to reinvest all earnings with no additional royalty contributions to the Education Endowment.

j. Community Outreach

During the 1999-2000 CDP NSEDC instituted a more extensive program of community outreach. In addition to the community meetings and outreach visits by program managers which NSEDC had always done, this program designates community outreach positions in thirteen of NSEDC's fifteen member communities, supplemented by the EET office in Unalakleet and the NSSC office in Nome available for outreach tasks. The positions established are part-time contractual positions, with instructions to convey information about NSEDC generally, about the availability of specific programs for the benefit of community residents, and to recruit individuals for education, training, and employment. The Community Liaisons are also instrumental in setting up the community outreach meetings conducted by NSEDC in preparation for this CDP.

The Community Outreach positions are required to be drug-free and submit to random testing. In the 2001-2002 CDP the Community Outreach program was further expanded to include funding for drug and alcohol abuse prevention. The program provides staff support and/or funding to qualified organizations serving the region, for the purpose of drug and alcohol abuse prevention. This program also supported the 2001-2002 Lifeskills Program for the 3rd & 4th graders of the region, the 2002 Youth Fishing Project and the 2004 BSSD & NSD Drug and Alcohol Prevention Program. For the 2006-2008 CDP, NSEDC plans to possibly fund programs and projects that will address the ongoing dilemma of drug and alcohol abuse by adults in the region.

NSEDC will contribute CDQ funds for the community outreach program, including the drug and alcohol abuse prevention support cited above, as described on the budget page of this CDP.

2. Other Income-Producing Investments

a. Norton Sound Seafood Products

NSEDC started supporting the local fisheries in the region in 1993. This support included joint ventures with Glacier Fish Company in buying and processing pink salmon and herring, and NSEDC-run operations for buying, processing and marketing other species of salmon, red king crab, bait, and halibut.

In 1995, NSEDC established Norton Sound Seafood Products (NSSP). NSSP conducts NSEDC's commercial seafood activities in the greater Norton Sound region including salmon, herring, halibut, king crab, bait fisheries, and pink salmon with GFC. In the years 2001 and 2002 NSSP spearheaded the effort, at some financial risk, to bring up a sac roe herring buyer for the seasons, since it appeared that no buyers were planning to come to Norton Sound. In the year 2000 NSSP expanded its activity to purchase, process, and market Norton Sound red king crab. NSSP conducts their red king crab and halibut activities in the Norton Sound Seafood Center in Nome.

NSSP operates facilities throughout the region including the Unalakleet Processing Plant, Savoonga Halibut Processing Plant, and the Norton Sound Seafood Center in Nome. NSSP operations also include the management of the Norton Sound regional vessels – *F/T Golovin Bay*, *F/T Norton Bay* and the *Besboro* barge. Each of these vessels was custom built by NSEDC to support the fisheries of the Norton Sound region.

The Norton Sound Seafood Center has created a more stable and consistent market and increased ex-vessel prices for the fishermen in the region and has enhanced the overall presence and capability of NSEDC and its subsidiaries in the fisheries of the Bering Sea and in the region. NSSP also plans on improving operations by enhancing products harvested by local fishermen.

For purposes of describing this activity within the budget page of the CDP, the gross revenues and all expenses of NSSP are shown.

c. Non-profit Corporation for Approved Contributions

NSEDC cooperates with another nonprofit corporation which accepts cash contributions that qualify under AS 43.77.040 to be used for scholarships, training, construction or improvement of transportation facilities or fisheries-related facilities, or grants for fisheries-related research. The corporation, called the Norton Sound Fund, is a separate legal entity and is not owned by NSEDC. NSEDC does contribute minimal staff support to the operation of the Norton Sound Fund, but no royalty proceeds are dedicated to the program. The revenue and outlays of the Norton Sound Fund are not included within the budget page of the CDP.

G. CDQ INVESTMENTS (NSIC)

NSEDC's long term income-producing investments are organized within a wholly-owned subsidiary, Norton Sound Investment Company LLC (NSIC). NSIC was formed because the portfolio of income-producing investments held by NSEDC was requiring increasingly dedicated and specialized management attention. NSIC is able to respond more rapidly to business issues that arise, because its governing body is only six members rather than fifteen. NSIC's actions are governed by its management committee, its operating agreement, and its investment agreement with NSEDC (See Appendix F). As a separate legal entity, NSIC is not able to obligate the expenditure of any royalty proceeds or other assets that are held by NSEDC and not transferred to NSIC.

The assets of NSIC include halibut and sablefish IFQ and the rights to crab IFQ once rationalization is implemented, a portfolio of passive equity, fixed income, and money-market investments, a 50% LLC membership interest in Glacier Fish Company (GFC) and a 50% membership interest in Norton Sound Ventures LLC (NSV). GFC and NSV in turn hold interests in a variety of assets as shown in the confidential appendices, including two trawl harvesting/processing vessels, two longline harvest vessels and four crab catcher vessels.

1. Distribution of CDQ Proceeds

NSEDC will share in revenues generated in each of the fisheries through tonnage royalty payments and/or profit sharing from the harvest, processing and marketing of the CDQ species. These revenues will be used to fund the development programs and acquisitions that NSEDC undertakes within this CDP.

NSEDC has estimated that its total share of revenues from CDQ target fisheries at the allocation percentages described in this CDP will be approximately the totals shown on Confidential

Appendix H. NSEDC's distribution of funds to the various projects and programs within this CDP are as shown on Confidential Appendix H.

2. Distribution of Investment Proceeds

As one of the benefits of NSEDC's fisheries-related investments in the Bering Sea, NSEDC distributes a portion of the cash proceeds from its long-term income producing investments directly to its member communities. The distribution is equal to each community. The communities must go through a public process in determining the use they will make of their community benefit share, and they must report it in writing to NSEDC prior to receipt of funds. The intent of this program is to create an additional mechanism for communities to benefit from the proceeds of NSEDC's fisheries-related income-producing investments, and to move decision-making to the local level and help ensure that the proceeds go to the highest and best use, subject to whatever constraints upon the use of such funds are imposed by federal law.

A final portion of the cash proceeds of such investments is reinvested for further growth in the long term income-producing portfolio. This is done by NSIC as part of the investment agreement between NSEDC and NSIC.

H. MANAGEMENT STRATEGY TO ACCOMPLISH CDP PROJECTS

NSEDC has taken a framework approach to economic development programs for the region. The programs described in this CDP leave open many possible site-specific projects in the future. CDQ proceeds are distributed to these program budgets or capital investment funds. As requests are made by community organizations, NSEDC staff, standing committees and ultimately the board of directors review project proposals and make thoughtful and informed decisions in compliance with NSEDC policy and guidelines.

I. DESCRIPTION OF TARGET FISHERIES

NSEDC is requesting CDQ allocations for each of the groundfish, halibut and crab CDQ target fisheries, now including Aleutian Islands golden king crab and Adak red king crab but excluding Pribilof red king crab (see Table 2).

In past years, CDQ target fisheries for groundfish have required CDQ allocations of a complex of fish species including target fish species and incidentally-harvested fish species or bycatch. The NPFMC is currently in the process of reviewing and approving a regulatory amendment for the management of CDQ groundfish reserves in the BSAI. This regulatory amendment would effectively change the manner in which CDQ allocations are made and managed. For purposes of this CDP and CDQ allocation requests, we are assuming that this regulatory amendment is approved and CDQ allocations are made for only target fisheries and therefore bycatch species are managed at the CDQ reserve or sector level. However, if the regulatory amendment is not approved NSEDC would then request CDQ allocations for the bycatch species including PSQ commensurate with undertaking the complex of target fisheries.

For the crab CDQ, target fisheries are defined by state regulation and are described by the target crab species and district of the fisheries. Starting in 2005, the CDQ crab fisheries were expanded to include Aleutian Islands golden king crab and Adak red king crab.

1. Pollock Target Fishery

NSEDC has successfully harvested CDQ pollock since the start of the CDQ program in 1992 working with Glacier Fish Company, LLC (formerly, Glacier Fish Company, LP) of Seattle, Washington. Glacier Fish Company owns and operates two at-sea processing pollock trawl vessels, the *F/V Northern Glacier* and *F/V Pacific Glacier*. NSEDC now has a 50% ownership interest in Glacier Fish Company.

The entire CDQ allocation of pollock as requested in this CDP will be harvested by the *F/V Northern Glacier* and *F/V Pacific Glacier*. These vessels employ mid-water trawl fishing gear to take both the CDQ and coop pollock during allowable fishing seasons. The pollock fishery over the past several years has been open from January 20 to June 11 for the A or roe season, and June 11 to November 1 for the B or non-roe season. Adjustments to fishing operations will be made as seasons change and regulatory restrictions are imposed. The fish will be processed on-board the vessels and marketed through Glacier Seafood International, a division of GFC. The fishery will be conducted in allowable regulatory areas in the BSAI. The Aleutian Islands area however is currently closed.

The CDQ pollock fishery remains as NSEDC's largest and most valuable target fishery. The CDQ pollock fishery accounts for roughly 85% of all of NSEDC's royalty payments from CDQ fishing operations. The seafood products produced during the CDQ pollock seasons are typically deep skin and regular fillet blocks, surimi, roe and mince.

2. Pacific Cod Target Fishery

Similar to the CDQ pollock fishery, NSEDC has primarily worked with Glacier Fish Company in harvesting CDQ Pacific cod since the expansion of the CDQ program into multiple-species CDQ in 1998. Glacier Fish Company entirely owns and operates one freezer longliner, *F/V Norton Sound*, and manages and partially owns a second freezer longliner, the *F/V Glacier Bay*. The *F/V Glacier Bay* is owned by Glacier Bay Fisheries, LLC of Seattle, Washington. Both of these vessels are partially owned by NSEDC through company ownership interests in GFC and NSV, also a part owner in the *F/V Glacier Bay*.

NSEDC is proposing to harvest the entire directed CDQ allocation of Pacific cod as requested working with Glacier Fish Company and using the *F/V Norton Sound* and *F/V Glacier Bay*. These vessels employ legal hook and line gear as permitted by the National Marine Fisheries Service (NMFS) and the Alaska Department of Fish and Game (ADF&G) for commercial Pacific cod fishing. The CDQ catch will be processed on-board the vessels and marketed through Glacier Seafood International, a division of Glacier Fish Company. The CDQ cod fishery will be conducted during periods of time outside of the open access fishery during the A season from January 1 to June 10 and the B season from June 10 to December 31. The fishery will be conducted in allowable regulatory areas in both the Bering Sea and Aleutian Islands.

After pollock, the next most valuable CDQ groundfish target fishery for NSEDC is Pacific cod. Products from the Pacific cod CDQ fishery were primarily headed and gutted, eastern-cut and western-cut cod packaged and frozen in approximately 40 pound and 50-pound blocks, and some roe, milt and cod stomachs.

3. Sablefish Target Fishery

Since the start of the CDQ sablefish program in 1995, NSEDC has worked with a variety of fishing companies and vessel types in conducting sablefish fishing operations. In the early days of CDQ sablefish operations prior to the beginning of the multi-species CDQ program in 1998, NSEDC had greater success and harvested a higher percentage of the CDQ allocation using longline fishing vessels that were already involved in open access sablefish fisheries and then IFQ fisheries. However, with the expansion into the multi-species CDQ program and restrictions of other fisheries related regulations, opportunities to work with these companies and vessels were diminished.

The sablefish fishery is difficult to conduct with longline gear because of the unpredictability of bycatch of various rockfish species. As such, bycatch limitations of very small quotas of the rockfish species and CDQ catch accountability limit our participation in this fishery to using only pot vessels. Further complicating the task of harvesting CDQ sablefish is the requirement that vessels participating in the CDQ fishery must be qualified under the License Limitation Program (LLP) for groundfish in the Bering Sea and/or Aleutian Islands. This requirement has eliminated a number of crab vessels from participating in our sablefish harvesting effort without purchasing rather expensive licenses with the appropriate endorsements. Additionally, fishing for sablefish using pot gear in the Bering Sea (including the CDQ fishery) is closed during the month of June.

NSEDC is anticipating that regulations governing the management of the CDQ reserves will be amended to allow greater flexibility in harvesting CDQ sablefish. As such, NSEDC is proposing to harvest its allocation of CDQ sablefish as requested using a combination of longline vessels and pot vessels currently involved in conducting fishing operations under the IFQ program. NSEDC is now working with the *F/V Pacific Sojourn* in the harvest of CDQ and IFQ sablefish in the Bering Sea and Aleutian Islands. The *F/V Pacific Sojourn* is a 60-foot pot vessel that is home ported out of Cordova, Alaska. NSEDC has also worked with freezer longliners and catcher boats in harvesting CDQ sablefish which are owned and operated by Glacier Fish Company, Norton Sound Ventures LLC, Clipper Seafoods Company and Leader Fisheries. NSEDC will finalize fishing plans and CDQ harvest agreements once the regulatory amendment to modify the management of the CDQ reserve and fisheries is implemented.

The CDQ sablefish fisheries will be conducted each year during allowable seasons from approximately March 1 until the close of the CDQ/IFQ fisheries around November 15. The fishery will be conducted in allowable regulatory areas in both the Bering Sea and Aleutian Islands. NSEDC will continue to monitor and control bycatch by imposing limits on individual vessels and employing vessels with pot gear which have shown to have considerable lower bycatch rates. CDQ sablefish catch is delivered as headed and gutted and/or whole fish by catcher boats to shoreside processing plants and/or processed onboard freezer longliners into headed and gutted fish frozen at sea into 40-60 lb. blocks.

4. Greenland Turbot Target Fishery

Our participation in CDQ fisheries for turbot has been limited over the last several years due to the open access fishery extending through the end of the fishing year, therefore preempting the opportunity for CDQ fishing operations. The open access quota or TAC has not been harvested since 2001. Problems with product quality from jellied fish and associated marketing difficulties have also limited interest in turbot products and the fishery.

NSEDC is proposing to harvest Greenland turbot CDQ as requested whenever possible using freezer longliners owned and operated by Glacier Fish Company and/or Clipper Seafoods Company of Seattle, Washington. Fishing vessels participating in our CDQ fisheries will employ legal fishing gear as permitted by NMFS and ADF&G and as is appropriate for commercial turbot fishing. We anticipate that Greenland turbot CDQ will be targeted and harvested using hook and line gear after the close of the open access fishery in a May-August timeframe each year, prior to the start of the open access Pacific cod fishery. The fish will be processed on-board the vessels and marketed through Glacier Seafood International, a division of GFC and/or Clipper Seafoods or their marketing affiliate, Bering Select Seafoods Company. The products from CDQ turbot fisheries are primarily headed and gutted fish. If similar to the prior couple of years, the CDQ allocation in the Aleutian Islands management area may be too small to conduct a directed fishery during these years.

5. Atka Mackerel Target Fishery

NSEDC has worked with United States Seafood, LLC (formerly, Ocean Peace Inc. and Seafreeze Alaska LLC) of Seattle, Washington in harvesting CDQ Atka mackerel and other CDQ groundfish since the expansion of the CDQ program in 1998. United States Seafood manages three vessels, the *F/V Seafreeze Alaska*, the *F/V Ocean Peace* and the *F/V Ocean Alaska*, which are all qualified to participate in harvesting CDQ.

The CDQ fishery for Atka mackerel fishery has been successfully completed each fishing season even though it has been considerably more difficult to conduct over the past several years. The TAC has been substantially reduced and fishing areas have been segregated and limited with the imposition of Steller sea lion restrictions. These changes have made for more difficult operation of the CDQ fishery and less profitable for both the company and NSEDC. With the limitations of various bycatch species, NSEDC generally waits until the last of the year to conduct the Atka mackerel fishery so as to ensure that adequate bycatch is available to harvest the CDQ.

NSEDC is proposing to harvest its allocation of Atka mackerel CDQ as requested using the 296-foot trawler-processor, *F/V Seafreeze Alaska*, which is owned by Seafreeze Alaska LP and operated by United States Seafood. The vessel will employ bottom trawl fishing gear to take the Atka mackerel CDQ during allowable seasons outside of the open access fishery in an October-November timeframe. The fish will be processed on-board the vessel and marketed through Ocean Peace Inc. and United States Seafood and their brokers. The fishery will be conducted in allowable regulatory areas in the western (area 543), central (area 542) and eastern (area 541) districts of the Aleutian Islands management area.

As in the past several years, where possible NSEDC is planning on cooperating with other CDQ groups in harvesting additional allocations of CDQ Atka mackerel while working with U.S.

Seafood. Products from the CDQ Atka mackerel fishery are headed and gutted and whole fish frozen in 40-pound blocks.

6. Yellowfin Sole Target Fishery

In past years, opportunities have been extremely limited to harvest CDQ flatfish including yellowfin sole, rock sole and flathead sole. Lack of available CDQ for bycatch and restrictive fishing timeframes outside of the open access fishing periods have precluded NSEDC from pursuing and conducting CDQ fisheries for these flatfish species. Undertaking a CDQ fishery for yellowfin sole holds most promise relative to other flatfish fisheries due to the larger allowable catch limits, cleaner in terms of bycatch and desirability on the part of harvesting companies.

Whenever an opportunity exists to harvest CDQ on the fringes of open access fisheries, NSEDC will harvest its allocation of yellowfin sole CDQ in conjunction with the rock sole and flathead sole fishery using the *F/V Ocean Peace* and *F/V Seafreeze Alaska*. The vessels will employ bottom trawl fishing gear during allowable seasons outside of the open access fishery in May-June, July-August and October-November. Products are generally whole fish frozen in 60-pound blocks.

7. Rock Sole Target Fishery

Whenever possible, NSEDC is proposing to harvest its allocation of CDQ rock sole and flathead sole using the *F/V Ocean Peace* and *F/V Seafreeze Alaska*. The ability of NSEDC to conduct these fisheries will be limited by the fishing timeframes of the open access fisheries for the H&G fishing fleet and market conditions. The vessels will employ bottom trawl fishing during allowable seasons outside of the open access fishery in May-June, July-August and October-November. The fish will be processed on-board the vessels and marketed through Ocean Peace Inc., United States Seafood, and their brokers. The fishery will be conducted in allowable regulatory areas in both the Bering Sea and Aleutian Islands.

8. Halibut Target Fishery

Interest in halibut fishing by residents of the NSEDC region has been on the rise over the past several years as evidenced by the total catch from local fishermen in near-shore waters. NSEDC plans to continue an emphasis on local near-shore halibut fisheries in both Area 4D and Area 4E working with local fishermen from the region.

NSEDC is requesting a modest amount of 4E CDQ halibut to support the growing local Nome-based fishery and proposed fisheries development efforts.

Halibut CDQ as requested will continue to be harvested by residents of the region using locally owned fishing vessels and legal hook and line gear as permitted by ADF&G and NMFS for commercial halibut fishing. Halibut will be delivered to the processing plant in Savoonga and to the Norton Sound Seafood Center in Nome. Norton Sound Seafood Products, a division of NSEDC, will continue to purchase catch from the fishermen, process and market all the CDQ halibut product. The fishery will take place around St. Lawrence Island in Area 4D and along the coastal areas adjacent to Norton Sound in Area 4E. This fishery will be conducted in a June to October timeframe each year.

Any CDQ halibut remaining at the end of the local fishing season or halibut that is determined not to be harvested by local fishermen will be harvested by vessels under contract to NSEDC. The fishing revenues generated from these clean-up operations will go towards support of the local fishery.

9. All Crab Target Fisheries (excluding Norton Sound Red King Crab)

NSEDC is proposing to harvest allocations of CDQ crab as requested in the Bering Sea opilio crab fishery, Bering Sea bairdi fishery, Aleutian Island golden king crab fishery, Bristol Bay red king crab fishery and the St. Matthew blue king crab fishery using crab catcher vessels managed by Norton Sound Ventures, LLC, the *F/V Alaskan Beauty*, *F/V Ocean Olympic*, *F/V North Pacific*, and the *F/V Pacific Star*. NSEDC has a 50% ownership interest in Norton Sound Ventures, LLC. NSEDC may contract with additional vessels to harvest CDQ crab as needed.

We anticipate fishing for CDQ crab in each of these fisheries within the biologically acceptable season and outside of the open access fisheries, primarily after the close of the open access fishery. Crab fisheries, however, for bairdi tanner crab and blue king crab at St. Matthew regulatory areas have been closed for several years due to concerns of stock size and biology of the fisheries.

The CDQ crab will be delivered to processing companies and facilities to be determined at a later date. NSEDC has been successfully processing CDQ crab with Royal Aleutian Seafoods, Inc. of Seattle, Washington since the beginning of 2003. The Royal Aleutian crab processing agreement provides NSEDC with flexibility to choose just prior to the start of CDQ fishing between custom processing and a joint venture arrangement for the processing and sales. NSEDC has been custom processing and selling product from the CDQ crab fisheries for the past several years with reasonable success and profitability, and more recently entered into joint processing/sales arrangements with greater financial returns. NSEDC will continue to provide oversight of processing and marketing of the CDQ crab, establish quality control standards, grading and packing requirements, and oversee production. Whenever possible, NSEDC will also make use of the marketing capabilities of Glacier Seafood International, a division of GFC.

Continued efforts to rationalize the crab fisheries in the BSAI make it difficult to commit to a multi-year processing agreement with any one processing company. NSEDC is interested in maintaining maximum flexibility while working with the owners and operators of our crab harvesting vessels. NSEDC will be the owner of the crab CDQ allocation at all times and will be responsible for managing the harvest and preventing over-harvest of the allocation.

10. Norton Sound Red King Crab Target Fishery

The Norton Sound red king crab fishery has provided a strong economic boost to local fishermen and communities of the Norton Sound region over the past several years. The fishery has grown out of obscurity to now providing the primary raw product for the Norton Sound Seafood Center and a thriving retail outlet for local consumers in Nome. This past CDQ fishing season, local fishermen harvested the entire quota of CDQ red king crab in Norton Sound for both NSEDC and Yukon Delta Fisheries Development Association in local fishing operations in five days of fishing in mid-June.

Again, NSEDC is proposing that the Norton Sound king crab CDQ allocation be harvested by residents of the region using locally owned fishing vessels and legal pot gear as permitted by the ADF&G for commercial king crab fishing in the district. The fishery will take place in the Norton Sound district probably in a June to August timeframe each year. NSEDC will coordinate this program with NSSP for availability of vessels and optimum harvest periods. The catch will continue to be delivered to the Norton Sound Seafood Center in Nome, processed into a mix of products including fresh cooked and frozen sections and whole cooked crab, and sold by Norton Sound Seafood Products.

J. HARVESTING AND PROCESSING PARTNER INFORMATION

NSEDC has a number of harvesting agreements with companies and vessels for participation in the multi-species CDQ program. Most of these partners have participated in the CDQ program and have worked with NSEDC since the various fisheries of the CDQ program started or more recently have become involved in our CDQ fisheries. Our relationships with these partners have evolved over time and the harvest agreements have been modified or amended to reflect changes in the fisheries and better understanding of values of vessels and various fisheries resources. As a rule, NSEDC and harvesting partners work cooperatively together and share in revenues generated in each of the CDQ fisheries through royalty payments, or other compensation agreements, and gain additional employment opportunities.

NSEDC purchased a 50% membership interest in Glacier Fish Company, LLC on January 1, 1998. NSEDC initially entered into a comprehensive agreement with Glacier Fish Company in 1992 to harvest CDQ pollock and support NSEDC development programs. Glacier Fish Company now owns and operates pollock catcher/processors, the *F/V Pacific Glacier* and the *F/V Northern Glacier*, and the cod catcher/processor, the *F/V Norton Sound*. Glacier Fish Company also manages the cod catcher/processor, the *F/V Glacier Bay* which is owned by Glacier Bay Fisheries, LLC. NSEDC and Glacier Fish Company have several existing comprehensive agreements to harvest pollock and cod using these four fishing vessels and to pay NSEDC royalty payments, comply with various obligations and provide support to NSEDC programs. Final CDQ comprehensive harvesting agreements will be submitted at a later date after details of currently developing regulatory amendments to modify the management of CDQ reserves are completed.

NSEDC and Clipper Seafoods Company, Inc. first worked together in the harvest of CDQ sablefish in 1997. Since that time, Clipper Seafoods has harvested various amounts of CDQ sablefish and Pacific cod in the Bering Sea and Aleutian Islands, and is now entering into an agreement to harvest Greenland turbot and possibly other CDQ species. Clipper Seafoods owns and operates several fishing vessels including the *F/V Clipper Epic*, *F/V Clipper Express*, *F/V Clipper Endeavor* and *F/V Clipper Surprise*. A final CDQ comprehensive harvesting agreement with Clipper Seafoods will be submitted at a later date after details of currently developing regulatory amendments to modify the management of CDQ reserves are completed.

NSEDC has a continuing relationship since 1998 with United States Seafood, LLC for the harvest of CDQ Atka mackerel, yellowfin sole, rock sole and flathead sole and related groundfish complex. United States Seafood manages three vessels, the *F/V Seafreeze Alaska*, the *F/V Ocean Peace* and the *F/V Ocean Alaska*, which are all qualified to participate in harvesting CDQ. A final CDQ comprehensive harvesting agreement with United States Seafood will be submitted at a later

date after details of currently developing regulatory amendments to modify the management of CDQ reserves are completed.

Lastly, NSEDC has developed a relationship with Norton Sound Ventures, LLC for harvesting CDQ crab in all of the crab fisheries with the exception of the Norton Sound red king crab fishery. Norton Sound Ventures, LLC owns and operates the four companies that own the crab vessels, *F/V Alaskan Beauty*, *F/V Ocean Olympic*, *F/V North Pacific* and *F/V Pacific Star*. NSEDC purchased a 50% ownership interest in three of these vessels in 2001. Final CDQ comprehensive harvesting agreements will be submitted at a later date after details of currently developing regulatory amendments to modify the management of CDQ reserves are completed

K. BENEFITS TO THE REGION

Our goal with this CDQ program is to provide fishing opportunities, employment and present and future income for the residents of our region. The multi-species CDQs requested in this CDP will result in an immediate and direct infusion of money into NSEDC's communities as well as secondary effects from money circulating throughout the communities. NSEDC has estimated that approximately \$51 million has been generated within the region as a result of our development programs. Table 3 displays details of this region-wide impact through 2003. Under the 2006-2008 CDP local jobs and income will be available in managing development programs and fisheries, harvesting fish, processing and marketing. For a region with high unemployment the full impact of this additional employment is significant.

The Norton Sound Fisheries Research and Development Program will continue to conduct a suite of research projects to address the questions posed concerning the declines of salmon in the Norton Sound region. Additionally, newer proactive projects such as moist-air incubation will be pursued, bringing new technology to the region in an attempt to preserve and restore the way of life to the residents of our region. On top of this, new means of fishery-related economic development will be sought through the Community Based Fishery Development Plan to bring our residents more options in utilizing natural resources in a sustainable manner. The Clean Waters Program will add a new component to the company's efforts, providing more employment to the region while correcting some adverse impacts of human activity on the environment.

Through the Shoreside Infrastructure Improvements Program and Norton Sound Seafood Products, NSEDC will continue to support and enhance fisheries related activities in the region by providing markets and support for local fishermen in the regional fisheries. Further evaluation of value-added processing, new markets, and improved or new facilities will also be conducted under this CDP. Each of these activities will increase grounds prices, employment and shoreside support for the region's fisheries.

Under this CDP, NSEDC is resolute in its mission to promote and provide economic development through education, employment, training and financial assistance to our member communities. Serving the region with the highest population (31%) of the six CDQ groups and one of the lowest standards of living in the state of Alaska, NSEDC strives to meet this mission through our range of projects and programs. To date, NSEDC's impact on the region has been substantial, but there is still vast need for growth, prosperity and development in the Norton Sound economy.

Table 3: Regional Impact of NSEDC's Economic Development Programs Through 2003

	Through 2001	2002	2003	Through 2003
Employment				
Administrative / Management	4,697,608	236,406	346,210	5,280,224
CDQ-Related Fishing Employment	7,399,827	837,672	916,745	9,154,244
NSSP	2,503,533	205,301	181,284	2,890,119
Other Employment	380,756	81,000	78,000	539,756
Total Employment	14,981,724	1,360,379	1,522,240	17,864,343
Education				
Scholarships	918,854	140,091	184,918	1,243,863
Fishery Related - Vessel Safety, Navigation				
Training, & Processors	828,074	113,365	104,803	1,046,242
Vocational Training	228,741	57,425	35,250	321,416
Internships	354,515	239,572	242,800	836,887
Other-Higher Education Funding	77,500	-	-	77,500
Total Education	2,407,684	550,453	567,771	3,525,908
Norton Sound Seafood Products/Local Fisheries				
Herring (incl. Roe, food, bait, kelping)	2,709,091	87,455	40,399	2,836,945
Salmon Fishing	3,932,121	2,783	64,823	3,999,727
Halibut Fishing	597,598	202,736	194,473	994,807
Crab Fishing	1,972,185	531,641	604,082	3,107,908
Vendors*	1,201,111	1,395,022	1,021,320	3,617,453
Total NSSP/Local Fisheries	10,412,106	2,219,637	1,925,097	14,556,841
Loans				
Revolving & Large Vessel Loans	1,602,295	274,081	455,399	2,331,775
Gear Loans	664,786	-	8,037	672,822
Total Loans	2,267,080	274,081	463,436	3,004,598
Shoreside Infrastructure				
(loans, grants, other capital investments)	4,428,157	2,420,512	1,474,422	8,323,090
Salmon Rehabilitation and Fisheries Development				
Restoration, Counting Towers, Other Projects (experimental fisheries, test fisheries, herring reopening, other)	1,438,719	353,899	588,335	2,380,953
Community Benefit Share				
	750,000	300,000	525,000	1,575,000
Total	36,685,471	7,478,962	7,066,300	51,230,733

*Estimate **Total for 1992-1999

Over the long term, NSEDC is helping to build strong local commercial fisheries through buying, processing and marketing activities, fisheries development projects, salmon research, restoration and enhancement funding, shoreside infrastructure improvements, loans to fishermen to help finance vessel upgrades, gear and permit purchases, and IFQ purchases. NSEDC intends to build a diversified multi-species fisheries related economy in the region.

At the same time, NSEDC is developing a framework to invest in the infrastructure needed to harvest fisheries resources, both CDQ and non-CDQ, in the greater Bering Sea/Aleutian Islands through purchasing fishing boats and investing in existing companies. NSEDC has already set this plan in motion with the investment in Norton Sound Fish Company, Glacier Fish Company, and Norton Sound Ventures.

L. LOCAL PARTICIPATION

NSEDC and its development programs and subsidiary companies create excellent opportunities for participation by and work for residents of the Bering Strait region. We have estimated that over 3800 residents of the region have participated in and benefited from NSEDC's development programs over the past nine years. As discussed above, NSEDC has become one of the leading employers in the region.

NSEDC will continue activities started with the 1992 CDQ program. NSEDC in cooperation with ADF&G has also established a regional planning team (RPT) which involves region-wide participation in salmon restoration and enhancement decisions. For seven years NSEDC has funded an ADF&G internship program under which local residents earn summer income and learn about the local fisheries. For four years, NSEDC has participated in the Norton Sound Research & Restoration Steering Committee as a committee member. NSEDC has cooperated with the Native Village of Unalakleet in the construction of the Unalakleet Processing Plant which promotes local and regional hire, cooperated with the City of Nome in the development of the Nome Small Boat Harbor Project and the Navigation Improvements Project, cooperated with Kawerak, Inc. and the City of Teller in the construction of the Teller Fish & Meats Processing Plant, and with the City of Savoonga in establishing the small halibut processing facility in their community, which provides a local market for the St. Lawrence Island fishermen.

Community Outreach Meetings were held in each of NSEDC's communities prior to the development of the CDP to provide for local participation in the development of the 2006-2008 CDP.

M. OTHER INFORMATION

The population residing in NSEDC's communities is about eight thousand six hundred people and about 2,200 households. These figures make NSEDC the largest CDQ group in terms of population (31%) and one of the largest CDQ groups in number of communities - fifteen.

NSEDC's communities are diverse in make-up and spread out over hundreds of miles of coastline. The task of meeting the needs in the region especially when those needs are so great is not easy. Costs of living are high and the communities are remotely located. For example, Diomed on Little Diomed Island is accessible only by airplane during 3 months of the year, at great expense. Many of our communities lack basic public services such as water and sewer which most of us take for granted. Our communities have some of the poorest residents, fewest job opportunities and the lowest incomes of any in the state and country. The task of creating jobs and business opportunities that are economically viable given these barriers is monumental. However, our performance shows the significant contribution NSEDC has made to alleviate these conditions. With this CDP, NSEDC plans to make even more significant contributions.