

COASTAL VILLAGES REGION FUND

POLLOCK and MULTI-SPECIES CDQ PROGRAMS
CVRF QUARTERLY ACTIVITY REPORT
JANUARY 1 THROUGH MARCH 31, 1999

STATUS AS OF MARCH 31, 1999, WITH SUBSEQUENT
ACCOMPLISHMENTS AND ACTIVITIES NOTED AS APPROPRIATE

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I. Quarterly Highlights

The Quarterly Highlights section for the 1st Quarter contains a description of all of the initiatives that CVRF currently has underway. This description will provide to the reader a general understanding of the progress being made by CVRF to accomplish the goals and programs contained within its 1998-2000 Pollock and Multi-Species CDP.

- a. CVRF completes CDQ pollock fishery for 1999 "A" Season.
- b. F/V Silver Spray participates in the open access tanner crab fishery.
- c. CVRF takes lead in renewal of Yukon Kuskokwim Delta Employers Council.
- d. 8 CVRF residents successfully complete advanced training apprenticeships
- e. CVRF partners with UAF Foundation to create \$20,000 Joseph V. Paniyak Scholarship Fund for Rural Development students.
- f. CVRF staff participate in planning a European Seafood Trade Mission with the World Trade Center Alaska.
- g. CVRF Board participates in a Business Plan Evaluation training
- h.. CVRF develops and implements new Board member orientation program
- i. CVRF certifies staff as a Substance Abuse Counselor Technician

II. Community Development

A. Progress toward goals, objectives, milestones

1999 4-SITE Project

- 3-5 new employers join CVRF's employment facilitation network for CVRF residents' training and job placement.

Alaska Seafood International (ASI) and NorQuest were invited to join CVRF's employment facilitation network.

- 1-3 new Coaches are trained and hired in CVRF villages.

3 new Coaches (Napaskiak, Kipnuk, and Newtok) were hired and trained during the first quarter.

- A second Vocational Counselor is trained to act as technical advisor to CVRF Coaches

Bernard Murran, previously Senior Lead Employment Facilitation Coach, was promoted to Career Development Coach.

- 6-8 Interns are placed with CVRF affiliated-CDQ business partners.

5 internships (accounting, operations management, government affairs, and international trade and office administration) were active during the first quarter.

- 8-10 Scholarships are awarded for academic or vocational training related to careers in the fishing industry.

The Coastal Villages Scholarship Fund (formerly the Louis Bunyan Memorial Scholarship Fund) awarded 4 scholarships totaling \$15,277 for summer 1999.

- CVSF is incorporated into CVRF as a committee of the board.

CVSF was incorporated as a committee of the CVRF board. The Louis Bunyan Memorial Scholarship Fund (LBMSF) becomes a private foundation. LBMSF awards grants to 501c3 organizations whose programs promote the goals of the CVRF 4-SITE Program. During the 1st quarter of 1999, LBMSF awarded 2 grants totaling over \$20,000.

- 8-10 CVRF residents are trained in technical skills related to careers in the fishing industry.

During the 1st quarter, 8 individuals from the CVRF region participated in structured training apprenticeships. Technical training areas included quality control, deck skills, engineering, electrical technician, and fishmeal technician.

- CVRF and local school districts implement Alaska Junior Achievement (AJA) curriculum in 6 CVRF village schools.

AJA is conducted on an on-going basis in 7 CVRF villages.

- CVRF develops Home Support Program and Orientation for Success Videos.

CVRF Leadership Team is currently working on the development of a content and script outline.

- CVRF establishes on-going media outreach information programs (KYUK, Tundra Drums).

The second article in the Tundra Drums was published during the 1st quarter. The article focused on the CVRF scholarship opportunities.

- CVRF quarterly newsletter continues publication.

CVRF newsletter was published in February. Next edition is due out in mid-April 1999.

- CVRF Leadership Team designs a fishing industry training needs assessment process.

On hold pending final outcome of 1221.

- CVRF Leadership Team collaborates with AVCP's TERO Officer in developing a regional talent / skill bank database.

AVCP's project is on hold. However, CVRF actively participated in UVI's talent/skill base survey project.

1999 Offshore and Nearshore Harvesting, Processing, and Investment Program

- Development of a strategic plan for becoming a key player in the Bering Sea fisheries.

The institution of the offshore cooperatives and the new inshore/offshore allocation system has significantly changed to opportunities for becoming a key player in the Bering Sea fisheries. A report will be made at the 2nd Quarter board meeting about the impacts of these changes, which will lead to a discussion of current and future opportunities to invest in the inshore and offshore sectors.

- Continuation of employment training, and internship programs with partner companies.

Effective communication is key to building productive relations which ultimately influence the success of the CVRF employment and training initiatives. In early January, prior to the start of "A" season, CVRF staff conducted numerous planning and implementation meetings with each partner to streamline the referral and placement process. Once the season was underway, weekly (and often daily) contact was maintained with partner representatives to coordinate adjustments in crew levels and travel schedules, discuss status of crew performance and intern/apprenticeship development, and to identify challenges related to cultural diversity and brainstorm opportunities for workplace improvements, which would increase retention. As the season drew to a close and crew was being released from work, CVRF initiated its exit interview program with homebound crew. The exit interview results serve as the basis for future program improvements as well as providing information for individual development plans for interested crewmembers. CVRF will be conducting post-season debriefings with each partner in April 1999.

- Investigations into further offshore fishing investments.

CVRF spent a great deal of time during the 1st Quarter investigating the purchase of Tyson Seafood Group. While this investigation did not lead to creation of an equity interest, it furthers CVRF's plan of using these types of investigations to increase its experience and ability to seek out future investments.

- Complete training of CDQ Quota manager and monitor pollock and multi-species CDQ allocations.

The CDQ Quota manager has been in training with the Executive Director during the 1st Quarter. The Quota manager monitored the pollock harvests by Tyson during the "A" Season on a daily basis. Unfortunately, Tyson overharvested its quota by about 37 mt. This is the result of an overage on its last tow. Tyson expected to complete harvest with the tow in question, but did not limit the tow to the remaining quota. Once the quota was reached, no further tows were initiated. No CDQ fishing for other species occurred during the 1st Quarter.

- Make 2nd payment on Silver Spray investment.

The 2nd payment was made on time during the last week of March.

- Use Angyat for purposes of creating a consolidated financial statement of investment-owning subsidiary companies, including CVLI, CVCI, and other subsidiaries created to operate fishing businesses.

Angyat was used for the purposes of creating a consolidated financial statement and owning subsidiary companies. The result is that profits and losses from Silver Spray Seafoods investment were combined with the Kokopelli Fisheries investment, resulting in minimal tax liability for 1998. Additionally, a new subsidiary, Coastal

Villages Seafoods, Inc. (CVSI) was established to operate Coastal Villages' salmon and halibut businesses.

- Monitor investments in offshore fisheries on a weekly, monthly, and quarterly basis.

CVRF receives weekly reports on its subsidiary investments. These reports provide the information necessary to further investigate the activities of the subsidiary. A cumulative subsidiary monitoring report is included with this Quarterly Report in the Confidential Section.

1999 Inshore and Nearshore Harvesting, Processing, and Investment Program

- Establish a salmon buying and processing business in the vicinity of Quinhagak with the following performance measures:

Each of the performance measures listed below was in progress during the 1st Quarter. However, results will not begin to be seen until the 2nd Quarter at the earliest. CVRF has hired an operations manager for the salmon operation, completed village fishermen surveys, entered into contracts for custom processing on the Crusader, and will be entering into a contract with E&E for sales of product. CVSI has been created as the operating entity, labels are being produced, and the board has approved the initial capitalization of the project. Further information about the progress of this project will be available during the 2nd Quarter report.

- Purchase at least 1.5 million pounds of salmon.
- Institute a quality program in conjunction with the ARDOR ice program.
- Invest only up to the level of initial capitalization
- Conduct a successful employment and training program, including filling all available positions with local hire, up to 3 internships, and on-the-job training.

During February and March, CVRF HR staff facilitated a series of planning meetings regarding the 1999 employment and training activities for the Quinhagak salmon project. CVRF has dedicated an experienced Employment Facilitation Coach to act as lead for village recruiting. This Coach has conferred with both the CVSI Manager and the NorQuest HR Director to establish a timeline, selection criteria, and a referral process for summer placements. Additionally, the CVRF OD Director, with the input of the CVSI Manager and NorQuest HR Director, has started to develop detailed OJT learning plans for some of the skilled positions in custom processing operations, as well as designing internship opportunities at the foreman and plant manager level.

- Obtain fishermen loyalty of 75% Quinhagak and 60% other region fishermen.

- Operate professionally, including proper accounting, efficient employment and crew replacement, efficient decision-making, successful marketing, good communications.
- Provide technical assistance to herring fishermen's associations and halibut operators.

Technical assistance was provided to the Cape Avinof herring fishermen. At that location, no buyers had been identified for the 1999 season. CVRF assisted the fishermen in attempts to have Westward Seafoods buy herring at that location, which were not successful. Finally, a commitment to buy herring was made by NorQuest. CVRF is working with the community of Kwigillingok and ADF&G on a herring survey to determine the level of herring spawn in the eastern portion of the Cape Avinof district.

- Make decision on joint venture operations for herring buying and processing.

No plans for joint venture operations were completed for the 1999 season.

- Develop strategy and implement plan for participating in halibut buying in region villages.

CVSI has spent considerable time on planning for the 1999 halibut buying operations in region villages. Rather than operate independently, at least two of the village plants will be operated under the auspices of CVSI. These include Toksook Bay and Tununak. Staff has made several trips to Mekoryuk to discuss the possibility for that community to participate as well. A decision by the community has not yet been reached. Assuming that the two villages will participate, CVSI will be the actual operator, including hiring the plants' superintendent, processing workers, buying halibut from the fishermen, and marketing of the halibut. Finally, grants were made to Toksook Bay and Tununak to complete repairs to the plants so that they will meet ADEC regulatory requirements.

- Develop at least two additional village-based community development projects.

CVRF is working with several communities on village-based community development projects. Projects in the operational stage include the construction of a weir on the Kanektok River, building of a dock at Kwigillingok, and the repairs to the Toksook Bay and Tununak halibut buying stations. Projects in the planning stages include a sport fish project for the Arolik River, a herring survey at Kwigillingok, halibut plants at Kipnuk and Chefornak, and a small engine repair shop and training facility at Scammon Bay.

- Monitor investments in nearshore fisheries on a weekly, monthly, and quarterly basis.

Monitoring of the nearshore investments listed in the preceding paragraph will begin during the 2nd Quarter.

- Through CVIF
- Provide operating loans to the four halibut buying stations.

A decision was made by the board to no longer provide operating loans to the halibut buying stations. Rather, the project has been turned over the CVSI, which will operate the Toksook Bay and Tununak plants during 1999.

- Determine the effectiveness of the AVCP Revolving Loan Program and make a decision on additional funding for commercial fishermen's loans.

No activity during the 1st Quarter.

- Assist fishermen in the purchase of additional halibut and sablefish Quota Shares.

No activity during the 1st Quarter.

- Provide a loan to one additional aluminum welding business and other fisheries-related businesses.

No activity during the 1st Quarter.

2000 Tax and Permit Assistance Program

- Support VITA program in at least four villages during the tax-filing season.

VITA assistance was provided in 5 villages during the 1st Quarter with 648 individuals being served by the program, 662 tax returns filed, and tax counseling provided to 273 individuals.

- Assist taxpayers that are in danger of losing their permits.

No activity during the 1st Quarter.

- Obtain three permits for fishermen from the CVRF region.

No activity during the 1st Quarter.

1999 CVRF Development Project

- Complete analysis of progress made towards implementation of management review.

CVRF has gone through significant growth over the past year. A part of the growth has been implementing a management structure capable of the following: working with and monitoring partner companies; making sound investments in offshore and

regional projects; managing CVRF's financial assets; managing a growing work force; and developing internal structures (e.g., senior management team, investment committee) necessary to capably operate a multi-million dollar company. A full report on progress made towards implementation of the management review will be submitted with the 4th Quarter report next January.

- Complete analysis of capabilities of staff, board, resources in the region, and performance.

Analysis was completed of the human resources employees of CVRF and plans are to complete analysis of remaining staff. A compensation committee was created, which will be implementing a compensation program that will ensure fair treatment of all staff members.

- Complete a minimum of two board training sessions.

The first training session, "How the board should review business plans," took place at the February board meeting. Westward Seafoods provided assistance for the training session. The Kipnuk halibut plant proposal was used at the basis for this training session. Staff also completed an orientation program for new board members that was presented at the February board meeting.

- Meet outreach goals, including notices to communities, newsletters, and newspaper articles.

See full discussion of CVRF's outreach project below.

- Constitute CVRF's Investment Review Committee

The committee was established and includes Jim Brenner from NBA, John Letourneau from Thomas Head and Greisen, Mick Stevens from Native Seas, and Dick Monroe, CVRF's attorney. Their initial investment review was for the Quinhagak salmon project.

B. Outreach

Commitment 1 - Exchange Information

Village Meetings – Numerous meeting took place in the following villages regarding CVRF development projects:

Mekoryuk re: halibut cooperative

Scammon Bay re: small boat repair shop project

Tununak & Toksook re: halibut plants and cooperative

Quinhagak re: 1999 salmon operation

Eek re: CVRF programs

Kwigillingok re: village projects

Kipnuk re: herring

Napaskiak re: new communities

Village radio broadcasts – Byron Ulak, CVRF CDQ/Fisheries Development Specialist was interviewed by KNOM regarding his job, internship with WTCA, and his scholarship to participate in the UAF RD program.

School presentations – CVRF participated in the Lower Kuskokwim School District, Lower Yukon School District and Kashunamuit School District’s career days.

CVRF video – In design stages.

Quarterly newsletter – 4th edition was distributed in February.

CVRF potlatch - CVRF and its CDQ partners sponsored a community potlatch in Hooper Bay during the Louis Bunyan Memorial Festival.

Commitment 2 - Combine Planning and Problem Solving

Village board meetings – no activity.

Employers' Council - CVRF facilitated two meetings of the Employers Council. The Council identified priority areas of focus to be technology training and advancement and addressing the impact of social issues on viability of employment in the delta.

Regional Training Center/Tribal College Consortium –AVCP is coordinating with CVRF to promote and support their mobile training classes for aviation and personal computer skills.

CVRF Leadership Team – Two Team meetings were scheduled during the 1st quarter. On January 21st the Team met in conjunction with the YK Employers Council to brainstorm and prioritize areas for the two groups to work together on. The meeting scheduled for March 19th had to be rescheduled for April due to weather conditions.

Commitment 3 - Shape Positive Images

Newsletter profiles – During the 1st quarter CVRF highlighted Byron Ulak (Scammon Bay) – CVRF CDQ/Fisheries Development Specialist and Joanne Bennett (Chevak) – CVRF accounting intern.

C. Employment

1. Data Form

EMPLOYMENT FORM (including Halibut/Sablefish Program)

	QUARTER	YEAR-TO-DATE		YEAR TO DATE	
	Positions	Wages	Positions	Wages	People
MANAGEMENT/ADMINISTRATIVE	20(CVRF) 1(CVLI)	\$170,447 \$17,161	20	\$187,608	20
CDQ POLLOCK RELATED A Season	24(Tyson) 37(Westward)	\$180,746 \$99,214	61	\$279,958	61
HALIBUT/SABLEFISH RELATED OFFSHORE ONSHORE (fishermen)	2(OH) (Toksook) (Mekoryuk) (Tununak)	\$0 \$ \$ \$	2	\$0	2
OTHER FISHING SALMON PROCESSING HERRING AND SALMON HERRING HALIBUT PROCESSING CRAB AND SEA URCHIN CRAB AND COD	9(Icicle) (Toksook) (Mekoryuk) (Icicle) 1(Silver Spray)	\$22,812 \$ \$ \$ \$16,197	10	\$39,009	10
OTHER EMPLOYMENT/ Angyat CVRF CVCI	1(contract) 4(contract) 1(contract)	\$1,240 \$53,208 \$2,468	4	\$56,916	4
INTERNSHIPS	3(Westward) 3(Tyson) 3(Icicle)	\$33,020 \$18,677 \$10,090	9	\$61,787	9
TOTAL		\$652,278	106	\$652,278	106

2. Summary

CVRF continued to grow during the 1st Quarter of 1999. As its subsidiaries take on new projects associated with the Nelson Island halibut and Kuskokwim Bay salmon fisheries, these numbers should continue to grow during the 2nd Quarter as well. Expansion of current staff levels within CVRF should be minimal, with consideration being given to a lead economic development specialist and a marketing professional. Other staffing increases will be concentrated in the subsidiary companies that conduct specific projects.

C. Training

1. Data Form

TRAINING DATA FORM

	QUARTER People	Expenditures	YEAR-TO-DATE People	Expenditures
SCHOLARSHIPS				
Postsecondary	1	\$1,759	1	\$1,759
Vocational	2	\$8,765	2	\$8,765
VOC-TECH CLASSES				
Basic				\$
Advanced				
OTHER TRAINING				
Fisheries related				\$
Student Loans				
CDQ Staff/Board/Interns	2	\$750		\$750
Other – Leadership Team	1	\$1,094		\$1,094
OTHER EXPENDITURES				
To Educational Institutions	1	\$5,000	1	\$5,000
Educational Endowment Funds		\$20,299		\$20,299
Seafood Technology Training Program				
TOTAL		\$37,667		\$37,667

2. Summary

A portion of the Educational Endowment Funds is to create the Joe Paniyak Scholarship through the UAF Chancellor's Match Program.

E. Other Issues

The State has requested information concerning the impact of the American Fisheries Act on CVRF. To date, we have seen only minimal impact from the Act. CVRF entered into an agreement with its "A" season pollock partner that guaranteed a certain level of employment and another agreement that minimized the impact of the cooperatives on roe royalties. Additionally, with the implementation of measures to conserve sea lions, there are other variables at work that may mask more significant impacts.

III. Administration

1. Board Activities

The board met in February in Bethel. At that time elections were held and new officers assumed their positions. Elected were:

Fred Phillip – President
Edgar Hoelscher – Vice President
Carl Dock – Secretary
Simeon John – Treasurer
At-large – Steven White, Tommy Kusaiak, Wassilie Bavilla

2. Decisions

The board approved the creation of Coastal Villages Seafoods, Inc., approved the capitalization of the company for purposes of operating a salmon processing business in the Kuskokwim Bay, approved the plan to operate the Area 4E halibut project, and discussed potential investment in Tyson Seafood Group.

3. Other Issues

IV. Harvesting Report

A. Species

SPECIES: POLLOCK

	Metric tons allocated	Metric tons harvested	Percent of allocated	% of target fishery
Total Pollock harvest	9820.8	9858.539	100.38	100.38
BYCATCH				
PSQ Chinook salmon		54	6.84	
Other salmon		3	.46	
Halibut Mortality		1.036	2.27	
Pacific cod		20.088	.89	
EAI Atka Mackerel		.175	.08	
Other flats		.254	.01	
Rock sole		15.116	.84	
Flathead sole		14.138	1.63	
Other rockfish		.041	.83	
Arrowtooth flounder		.449	.03	
Other species		2.946	.85	
True POP – BS		0	0	
Other POP – BS		0	0	
Yellowfin sole		.142	.02	
Turbot – BS		.006	.13	
PSQ red king crab		1.448	.06	
PSQ other tanner		0	0	
Sablefish trawl – BS		0	0	
TOTAL HARVEST		9911.894		
Percentage of total pollock harvest retained		99.4%		

1. Summary of harvesting activities by target fishery

Harvesting occurred during the “A” Season mostly when the cooperative fishery was closed or when the vessels were limited to outside of the critical habitat areas. Tyson did have an overage of CVRF’s “A” season quota due to an error by the vessel operator. Too much pollock was taken in the last tow.

2. Summary of Bycatch

Bycatch rates for the Tyson fleet were very low during the “A” season. No problems were reported in this area.

- B. Processing Report

No information to report.

SPECIES: HALIBUT

	Pounds allocated	Pounds Harvested	% of allocation	% of target fishery
	273,000			
Area 4E		0		

1. Summary of harvesting activities by target fishery

No harvest activities during the 1st Quarter.

2. Summary of Bycatch

B. Processing Report

SPECIES: HALIBUT

	Pounds allocated	Pounds Harvested	% of allocation	% of target fishery
Area 4D		0		

1. Summary of harvesting activities by target fishery

No activity during the 1st Quarter.

2. Summary of Bycatch

B. Processing Report

SPECIES: SABLEFISH (Fixed Gear)

	Pounds allocated	Pounds Harvested	% of allocation	% of target fishery
AI Sablefish Harvest	136,905	0		
BYCATCH				
Arrowtooth flounder				
Skates				
Shorthead/rougheye				
Thornyheads				
Turbot				
Sculpins				
TOTAL HARVEST				

1. Summary of harvesting activities by target fishery

No activity during the 1st Quarter

2. Summary of Bycatch

B. Processing Report

3. Crab CDQ Fisheries

SPECIES: C. Opilio Tanner Crab

	Pounds allocated	Pounds Harvested	% of allocation	% of target fishery
C. Opilio Tanner Crab	1,644,635	0		

1. Summary of harvesting activities by target fishery

No harvesting activity during the 1st Quarter

2. Summary of Bycatch

B. Processing Report

4. Other multi-species

SPECIES: Atka Mackerel/POP

	Metric tons allocated	Metric tons harvested	Percent of allocated	% of target fishery
Total harvest				
BYCATCH				
PSQ Chinook salmon				
Other salmon				
Halibut Mortality				
Pacific cod				
EAI Atka Mackerel				
Other flats				
Rock sole				
Flathead sole				
Other rockfish				
Arrowtooth flounder				
Other species				
True POP – BS				
Other POP – BS				
Yellowfin sole				
Turbot – BS				
PSQ other tanner				
Sablefish trawl – BS				
TOTAL HARVEST				
Percentage of total pollock harvest retained				

1. Summary of harvesting activities by target fishery

2. Summary of Bycatch

B. Processing Report

B. Compliance

Tyson overharvested the “A” Season quota by 37 mt.

C. Other Fishing Issues/Activities

CVRF has been working with a wide range of companies to harvest its multi-species CDQ allocation in 1999. Westward Seafoods’ vessel, the Alaskan Command, had mechanical problems during the “A” Season and was not available for the cod fishery that was to take place in the spring. Consequently, CVRF entered into a contract with the Alaskan Leader to harvest the bulk of the cod allocation. CVRF is currently working with the Seafisher for harvest of Atka mackerel and Pacific Ocean Perch in the Aleutian Islands area. A technical amendment concerning this fishery will be submitted in April.