

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

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

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I. Quarterly Highlights

The Quarterly Highlights section for the 4th 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 undertaken by CVRF to accomplish the goals and programs contained within its 1998-2000 Pollock and Multi-Species CDP.

- CVRF partners with the Alaska Human Resource Investment Council to host the first session of a YK Regional Strategic Planning initiative.
- CVLI completes due diligence for purchase of a 20% interest in the *Ocean Prowler*, a freezer-longline vessel that participates in the Bering Sea Pacific cod fishery.
- CVRF completes due diligence for purchase of a 20% interest in American Seafoods Company, the largest offshore catcher-processor company operating in the Bering Sea.
- Norman Cohen steps down from his position as Executive Director of CVRF and Morgen Crow is hired to assume this position beginning January 1.
- CVSI begins planning for the 2000 Kuskokwim Bay salmon and Area 4E halibut seasons.
- Arolik River Guiding Service begins advertising for clients for the 2000 fishing season.
- CDQ fishing concludes with the end of the Pacific cod fishery in early December.
- CVSI sponsors training for halibut and salmon processors in conjunction with Indian Valley International in October.

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.

Discussion begins with Copper River Seafoods, Inc re: potential internships and employment opportunities for summer 2000.

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

Chris Dock was hired as a replacement Coach in Kipnuk. David Enoch was hired as a new Coach in Tuntutuliak. Both new employees participated in the new Coaches Orientation program.

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

On hold until current career development efforts are analyzed for effectiveness.

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

Two internships (Operations Management and Accounting) were active during the 4th quarter.

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

17 scholarship applications were submitted for consideration. 16 applicants received scholarship awards. Areas of study included accounting, business administration, rural development, business and office technology (vocational), film documentary, aviation, education, computer arts, biology, and automotive technology.

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

Done

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

CVSI operated in 1999 as a new subsidiary company managing village-based salmon (1) and halibut (3) processing plants. In 2000, CSVI operations may expand

In a decentralized organization such as CVSI, it is important for the employees' to feel connected and accountable to the greater whole. This training experience will help unify the "field" employees by getting each of them on the "same page". This will be accomplished by establishing an organizational climate that links learning and performance to employee involvement, enforcing the common goals of quality and cooperation, simultaneously building individual and organizational technical knowledge, practicing new skills in a safe and controlled environment to minimize failure, and exploring the concepts of value-added and process improvement as it relates to CVSI.

Simultaneously, we contracted a local production company to produce a video documentary of the group's experience over the course of the two-week training. The intent of this video is to promote the development work of the CVSI organization and thus strengthen public recognition and connection to the people and goals of CVSI.

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

JA is taught in 9 village schools

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

In design stages

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

No activity during the 4th Quarter.

- CVRF quarterly newsletter continues publication.

CVRF newsletter was published in October. Next edition is due out in late January 2000.

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

CVRF representatives met with the Seafood Industry Human Resources/School to Work Consortium on November 19th to continue work on identifying effective projects that will support the work readiness of western Alaskans.

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

AVCP's project is on hold.

1999 Offshore and Nearshore Harvesting, Processing, and Investment Program

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

A draft of the strategic plan was included in the 2000 pollock CDQ application. The plan discusses the internal capabilities of CVRF, the external environment, and lays out an investment plan for the next four-year period. The plan outlines a strategy for equity investment in the pollock, crab, and longline cod fisheries. Based upon this plan, CVRF completed due diligence on two investments for the 2000 allocation period –a longline cod vessel the *Ocean Prowler* and a pollock fishing company American Seafoods. These investments are to be completed during the 1st Quarter of 2000.

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

CVRF was actively engaged in recruiting efforts for all positions (processor, technical, interns, apprentices) for 2000 A season. An intensive effort was launched as part of a regional job fair conducted on Dec 3-5.

- Investigations into further offshore fishing investments.

CVRF completed its due diligence process for investments in the longline cod and pollock fisheries. These fisheries were targeted, as CVRF does not have any investment in cod or pollock. As of the end of the 4th Quarter, amendments have been submitted to the State covering these two fisheries. A final decision was made on the longline investment in November. A final decision on the pollock investment will be made in January.

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

The CDQ Quota manager has been working with CVRF's harvesting partners to maximize the value of the CDQ allocations and to ensure that CVRF remains within its quota allowances. Major activities during the 4th Quarter were to complete harvest of the cod and sablefish fisheries and to prepare allocations for the 2000 season. CVRF did not exceed any of its quota allocations in 1999. However, due to a relatively low allocation of PSQ halibut, CVRF was not able to harvest a substantial amount of flatfish. At the end of the 4th Quarter, the CDQ Quota Manager was relocated to Scammon Bay. Based upon this change, the position was reassigned to another individual in the Anchorage office. This individual will begin training in conjunction with partner allocations for the 2000 season.

- Make 2nd payment on Silver Spray investment.

The 2nd payment was made on time during the 2nd Quarter. The final payment was made during the 4th Quarter.

- 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, Kokopelli Fisheries investment, Coastal Villages Seafoods, and Coastal Villages Angler will be combined resulting in minimal tax liability for 1999. In December, Angyat created a new subsidiary, Coastal Villages Pollock, Inc. for purposes of investing in the pollock fishery. Subsequently, a decision was made to have the investing entity be a limited liability company and a direct subsidiary of CVRF. This new company, Coastal Villages Pollock, LLC, will be the entity investing in American Seafoods.

- 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:

The Kuskokwim Bay salmon business completed operations in August. A report on the milestones was included in the 3rd Quarter report. Planning has begun for the 2000 season. Several options are being considered for the salmon operations. One decision that has been made is that CVSI will operate the Quinhagak plant to its capacity.

- Purchase at least 1.5 million pounds of salmon.

Reported on during the 3rd Quarter.

- Institute a quality program in conjunction with the ARDOR ice program.

Reported on during the 3rd Quarter.

- Invest only up to the level of initial capitalization

CVRF has made additional loans to CVSI to cover the cash shortfall in the 1999 salmon and halibut operations. These loans will pay all expenses for 1999 and CVSI will be able to enter 2000 on the basis of a capital contribution included in the 2000-approved budget.

- Conduct a successful employment and training program, including filling all available positions with local hire, up to 3 internships, and on-the-job training.

Reported on during the 3rd Quarter.

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

During December, CVSI paid a bonus to the fishermen based upon the number of landings and amount of pounds sold to CVSI during the season. The bonuses were well-received and should result in more fishermen loyalty during the 2000 season.

- Operate professionally, including proper accounting, efficient employment and crew replacement, efficient decision-making, successful marketing, and good communications.

Reported on during the 3rd Quarter.

- Provide technical assistance to herring fishermen's associations and halibut operators.

The 2000 herring season will be affected by the decision to delay the opilio crab season to April 1 at the earliest. CVRF will be monitoring the situation to determine the impact on the herring fishery and what can be done to address the potential problem of herring processors not being able to participate in the fishery because of commitments to processing crab. CVRF also has provided some assistance to the efforts of Nunivak Island herring fishermen to begin a cooperative seine fishery because of the inability of the gillnet fishery to harvest the available quota.

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

No plans for joint venture operations were completed for the 2000 season.

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

CVSI is in the planning stages for 2000. The major questions include whether the Kipnuk or Chefnak plants will be operational next season, the status of the Mekoryuk plant, and the markets where CVSI halibut will be sold. These questions should start to be answered by the end of the 1st Quarter.

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

Throughout the 4th quarter, the economic development staff of CVRF took part in initial planning discussions regarding the development of a port project along the western coast of Alaska. Different public and private organizations are involved in coordinating this multi-year project, which initially started in the village of Mekoryuk. The major task is to get state and federal approval and financial support, which should be addressed during 1st quarter in 2000. Another community project includes the Scammon Bay multi-purpose facility, which would house a small engine repair shop, an aluminum welding area for boats, a hardware store, and a vocational training room for educational purposes. Gathering of necessary documents took place and we expect to develop actual grant applications during the 1st quarter.

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

The monitoring reports for CVSI and CVAI are attached to this report.

1999 Loan Program

- 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 to CVSI, which operated the Toksook Bay, Mekoryuk, 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.

A final decision has not been made on whether or not to make further investments in the AVCP Revolving Loan Program.

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

No activity during the 4th Quarter.

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

Assisted a commercial fisherman with a loan to purchase a herring fishing boat. A second fisherman was assisted but was not eligible for a loan.

2000 Tax and Permit Assistance Program

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

Eldridge Ross, Revenue Officer from the Internal Revenue Service intends to travel to the villages during the 1999 income tax filing season. He will assist individuals file tax returns and target village organizations as well. He intends to bring out his own team to villages that ABDC/CVRF does not travel to annually. He will work cooperatively with CVRF in the preparation for the next income tax season. Trips for the ABDC/CVRF program are scheduled for Hooper Bay beginning February 11 and concluding in Kwigillingok on March 26. Other communities that will be visited include Chevak, Quinhagak, Mekoryuk, Toksook Bay, and Napaskiak.

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

No activity during the 4th Quarter.

- Obtain three permits for fishermen from the CVRF region.

Assisting one fishermen on obtaining a herring permit.

1999 CVRF Development Project

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

CVRF is preparing a report on the progress made towards implementation of the management review completed in early 1998. This report has not been completed and will be submitted to the State later in the 1st Quarter.

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

This analysis will be a part of the report provided during the 1st Quarter. Activities addressing this analysis during the 4th quarter included individual performance evaluations, regional strategic planning efforts, and board orientation/development sessions.

- Complete a minimum of two board training sessions.

New Board member orientation was conducted on December 10th. Board members present included Nightmute representative Paul Tulik and Platinum representative Edward Fox.

- 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. Reviews were completed of the longline and the pollock investment.

B. Outreach

Commitment 1 - Exchange Information

Commitment 1 - Exchange Information

Village Meetings –Numerous meetings took place in the following villages regarding CVRF development projects: Board meetings were scheduled in Mekoryuk but canceled due to weather.

Village radio broadcasts - No activity this quarter.

CVRF video –In design stages. However, a CVSI video (enclosed with this quarterly report packet) was produced and distributed to all member villages. This video highlights some of CVRF's efforts in the areas of village-based economic and human resource development through the Coastal Villages Seafoods Inc organization.

Quarterly newsletter –7th edition was distributed in October. Key articles covered topics such as: CDQ allocation news, Pollock 2000 partners being named, more halibut plants being approved, and the announcement of a sportfish guiding business.

CVRF potlatch - Potlatches were hosted in Kwigillingok and Mekoryuk during the 4th Quarter

Commitment 2 - Combine Planning and Problem Solving

Village board meetings –Annual Board of Directors’ meeting was scheduled to be held in Mekoryuk but due to weather was conducted in Bethel on November 11th & 12th.

Employers' Council –The YKDEC participated in a one-day session on initiating an YK Regional Strategic Planning effort. CVRF and the Alaska Human Resources Investment Council hosted the session on November 23rd.

Regional Training Center/Tribal College Consortium –On hold

CVRF Leadership Team –The Team participated in a one-day session on initiating an YK Regional Strategic Planning effort. CVRF and the Alaska Human Resources Investment Council hosted the session on November 23rd.

Commitment 3 - Shape Positive Images

Newsletter profiles –Desiree Moses, a Corporate Communications intern, shared excerpts from her written learning journal. Moses Tulim, CVRF staff, was profiled as the newly assigned Community Outreach Coordinator.

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	25(CVRF) 1(CVLI)	\$183,621 \$9,374	25	\$756,635	25
CDQ POLLOCK RELATED B Season			86	\$385,888	76
HALIBUT/SABLEFISH RELATED OFFSHORE ONSHORE (fishermen)	1(OH)	\$7,400	333	\$381,186	333
OTHER FISHING SALMON AND HALIBUT PROCESSING	6 CVSI 3(Icicle)	\$19,036 \$2,132	60	\$323,555	53
CRAB AND COD	4(Silver Spray)	\$52,200			
FLATHEAD SOLE	1 Prowler Fisheries	\$6,140			
OTHER EMPLOYMENT/ Angyat	1(contract)	\$1,240	5	\$184,066	5
CVRF	4(contract)	\$42,406			
CVCI	1(contract)	\$2,468			
INTERNSHIPS	2(Westward)	\$15,099	20	\$103,127	12
TOTAL		\$341,416	529	\$2,164,263	504

2. Summary

D. Training

1. Data Form

	QUARTER People	Expenditures	YEAR-TO-DATE People	Expenditures
SCHOLARSHIPS				
Postsecondary	13	\$21,295	30	\$45,473
Vocational	3	\$4,581	13	\$37,469
VOC-TECH CLASSES				
Basic				\$
Advanced				
OTHER TRAINING				
Fisheries related	11	\$ 32,448	16	\$43,313
Student Loans				
CDQ Staff/Board/Interns	7	\$3,974	15	\$25,157
Other –Leadership Team		\$10,100		\$19,388
OTHER EXPENDITURES				
To Educational Institutions		\$	1	\$5,000
Educational Endowment Funds		\$		\$30,299
TOTAL	32	\$72,398	75	\$206,299

Summary

See discussion in the milestones section on the training session held at Indian Valley during October.

E. Other Issues

III. Administration

1. Board Activities

The board met in November in Bethel. The Executive Committee meets on a monthly basis in addition to the quarterly board meetings.

2. Decisions

The board approved moving forward on the investments in the *Ocean Prowler* and in American Seafoods. Other actions include the appointment of Morgen Crow as the new Executive Director effective January 1, 2000.

3. Other Issues

Due to weather conditions, the board postponed the election of officers until the February meeting. One new board member was seated –Edward Fox of Platinum. A new board member from Nightmute, Paul Tulik, was unable to attend the meeting. After the meeting, Chefnak replaced its board member with Oscar Wassilie, a former member of the CVRF Leadership Team.

IV. Harvesting Report

A. Species

1. Summary of harvesting activities by target fishery –

SPECIES: SABLEFISH (Fixed Gear)

	Metric tons allocated	Metric tons Harvested	% of allocation	% of target fishery
AI Sablefish Harvest	62.0	9.736	15.7%	15.7%
Turbot - AI		2.443		
BYCATCH				
Arrowtooth flounder		.996		
Shortraker/roughey		.513		
Other rockfish		1.023		
Pacific cod		.482		
Turbot				
Other species		.714		
Rock sole		.001		
TOTAL HARVEST				

Summary of Bycatch

B. Processing Report

Processing of sablefish occurs at the Westward Seafoods plant in Dutch Harbor.

SPECIES: PACIFIC COD

	Metric Tons Allocated	Metric Tons Harvested	Percent of allocated	% of Target Fishery
Total Harvest Pacific Cod	2118.672	1047.428		49.4%
BYCATCH				
Sablefish - BS		.390		
Turbot -BS		.479		
Yellowfin sole		.407		
Flathead sole		1.659		
Arrowtooth		14.149		
Other species		156.823		
Other flats		.115		
Rock sole		.098		
PSQ total Bairdi		39.4		
PSQ Red King Crab		86.665		
PSQ Red King Crab -Zone 1				
PSQ Red King Crab -10 min				
PSQ Other Tanner Crab		701.195		
Halibut mortality		15.999		
Total Harvest				
Percent of total Pacific Cod Fishery retained				

2. Summary of Bycatch.

B. Processing Report

Three vessels took part in the CVRF Pacific cod fishery: Alaskan Leader, Bristol Leader, and Norton Sound. Each is a freezer longline vessel that processes onboard.

C. Compliance

No issues during 4th Quarter.

D. Other Fishing Issues/Activities