

2004 THIRD QUARTER REPORT
July 1 – September 30, 2004



**NORTON SOUND ECONOMIC
DEVELOPMENT CORPORATION**

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I. Quarterly Highlights

- NSEDC standing committees held their 2004 second quarter meetings in Nome from July 21-23, 2004.
- NSEDC Board of Directors held their 2004 first quarter meetings in Nome from July 21-23, 2004.
- Glacier Fish Company held their quarterly management meeting on September 15, 2004.
- NSEDC awarded \$76,653 to 63 residents in post-secondary scholarships during the third quarter of 2004.
- NSEDC awarded \$12,500 to 10 residents in vocational scholarships during the third quarter of 2004.
- Thirty-eight residents of member communities or of nearby communities worked on the *F/V Northern Glacier*, *F/V Pacific Glacier*, *F/V Norton Sound* and the *FV Glacier Bay* earning a total of \$224,733.77 in wages in the third quarter.
- NSEDC/NSSP purchased 79,149 lbs. of NSEDC CDQ halibut from ten regional fishermen, for an ex-vessel value to the fishermen of \$214,909.75.
- NSEDC/NSSP purchased 245,793 lbs. of Norton Sound red king crab in the open access fishery from twenty-one regional fishermen, for an ex-vessel value to the fishermen of \$730,150.25.
- NSEDC/NSSP purchased 344,691 lbs. of Norton Sound salmon from 37 regional fishermen, for an ex-vessel value to the fishermen of \$139,456.65
- NSEDC staff completed the 2006-2008 CDP Community Outreach meetings in the member communities of: White Mountain (7/15), Elim (7/15), Teller (7/16), Nome (7/16), Golovin (7/17), Gambell (8/19), Savoonga (8/19), Wales (7/19), Diomedea (8/30) and Brevig Mission (8/31) during the third quarter.
- NSEDC and the City of Golovin invited the community of Golovin for a ribbon cutting picnic/ceremony for the NSEDC sponsored floating dock on July 17th.
- Commissioner Edgar Blatchford, CDQ Manager Greg Cashen and Special Assistant to the Commissioner Jared Brandner traveled with NSEDC staff to the communities of Golovin (8/9), Gambell (8/10) and Savoonga (8/10) to meet with community leaders and visit NSEDC project sites.
- The NSEDC Norton Sound Fisheries Research and Development Program continued with the Juvenile Chum Ecology Project, Distribution and Productive Capacity of Juvenile Coho Project and the Chum and Coho Fecundity Project during the third quarter.
- In August of 2004, NSEDC collected chum salmon bloodstock (about 30 males and 30 females) for use in a Moist Air Incubation project, which is a process designed to maximize egg fertilization and survival to the eyed-stage of their life cycle, after which they are planted into river substrate for incubation until springtime emergence. NSEDC opted to run this project as it meets ADF&G's criteria for project evaluation, something that no other salmon incubation project has been able to meet in the Norton Sound.
- Twenty internships were sponsored by NSEDC during the third quarter. Internships were sponsored with NSEDC Norton Sound Fisheries R & D (6), NSEDC Administration (2), ADF&G (7), Kawerak, Inc. (4) and Norton Sound Health Corp. (1).

II. Community Development

A. Progress Toward Goals, Objectives, Milestones

Administrative

MILESTONE: NSEDC BOARD OF DIRECTORS WILL HOLD REGULARLY SCHEDULED MEETINGS DURING EACH QUARTER IN 2003-2005

Activity: NSEDC Board of Directors held their 2004 second quarter meetings in Nome on July 21 – 23, 2004.

MILESTONE: NSEDC WILL HAVE AN ANNUAL AUDIT TO BE COMPLETED BEFORE MAY 31 OF 2003-2005

Activity: NSEDC contracted with KPMG to conduct the NSEDC 2003 Annual Audit, which was completed in the first quarter.

MILESTONE: NSEDC WILL PREPARE AND SUBMIT AN ANNUAL BUDGET FOR THE FOLLOWING YEAR, NOT LATER THAN THE END OF THE FIRST QUARTER OF EACH YEAR.

Activity: NSEDC submitted an annual budget for 2004 in December of 2003.

MILESTONE: NSEDC WILL PREPARE A CORPORATE ANNUAL REPORT FOR ITS MEMBERS, AND MAIL IT TO RESIDENTS IN THE FIFTEEN MEMBER COMMUNITIES BY THE THIRD QUARTER OF 2003-2005

Activity: NSEDC completed the development of the 2003 Corporate Annual Report during the second quarter and it was be mailed out during the third quarter.

MILESTONE: NSEDC WILL PROVIDE STAFF TRAINING EACH YEAR, NOT LATER THAN THE END OF THE FOURTH QUARTER

Activity: No activity this quarter

MILESTONE: NSEDC WILL FILE QUARTERLY REPORTS TO THE STATE OF ALASKA WITHIN THIRTY DAYS OF THE END OF EACH CALENDAR QUARTER

Activity: Quarterly reports for the second quarter of 2004 were submitted to the State of Alaska on October 30, 2004.

MILESTONE: NSEDC WILL FILE AN ANNUAL REPORT TO THE STATE OF ALASKA BY MAY 31 OF EACH YEAR

Activity: The NSEDC 2003 Annual report was submitted to the State of Alaska on January 30, 2004.

MILESTONE: NSEDC WILL SUBMIT AN OMNIBUS BUDGET PLAN AMENDMENT, BY THE END OF THE SECOND QUARTER OF EACH YEAR

Activity: The 2004 Omnibus Budget Plan Amendment was submitted to the state on June 29, 2004.

CDQ Harvest Management

MILESTONE: BY THE END OF THE THIRD QUARTER OF THE YEAR 2005 NEGOTIATE NEW HARVEST AGREEMENTS FOR ALL MULTISPECIES CDQ.

Activity: No activity this quarter.

MILESTONE: NSEDC AND GFC WILL HARVEST IT CDQ POLLOCK ALLOCATION, AS MUCH AS PRACTICABLE WITHOUT OVER-HARVEST, BY THE END OF EACH FISHING SEASON.

Activity: During the third quarter, NSEDC with our partner GFC harvested 17,615 metric tons of CDQ pollock using the *F/V Pacific Glacier* and the *F/V Northern Glacier*.

MILESTONE: NSEDC AND ITS HARVEST PARTNERS FOR CRAB WILL HARVEST ITS CDQ ALLOCATIONS, AS CLOSE AS REASONALBY POSSIBLE WITHOUT OVER-HARVEST, OF CRAB BY THE END OF THE FISHING SEASON EACH YEAR FOR EACH SPECIES.

Activity: There was no direct harvest for CDQ crab during the third quarter.

MILESTONE: NSEDC AND ITS HARVESTING PARTNERS FOR PACIFIC COD, GREENLAND TURBOT, AND SABLEFISH WILL HARVEST ITS CDQ ALLOCATIONS, AS MUCH AS PRACTIVABLE WITHOUT OVER-HARVEST, BY THE END OF THE FISHING SEASON EACH YEAR FOR EACH SPECIES.

Activity: NSEDC and our partners harvested approximately 526 metric tons of CDQ Pacific cod using the *F/V Norton Sound* (GFC) and the *F/V Glacier Bay* (NSV) during the third quarter.

MILESTONE: NSEDC AND ITS HARVESTING PARTNER FOR ROCK SOLE WILL HARVEST ITS CDQ ALLOCATION, AS MUCH AS PRACTICABLE WITHOUT OVER-HARVEST, BY THE END OF THE FISHING SEASON EACH YEAR.

Activity: There was no directed harvest of rock sole and/or other flatfish fisheries during the third quarter of 2004.

MILESTONE: NSEDC AND ITS HARVESTING PARTNER FOR ATKA MACKEREL WILL HARVEST IT CDQ ALLOCATION, AS MUCH AS PRACTICABLE WITHOUT OVER-HARVEST, BY THE END OF THE FISHING SEASON EACH YEAR.

Activity: NSEDC and our partners harvested approximately 297 metric tons of Atka Mackerel using the *F/V Seafreeze Alaska* during the third quarter.

MILESTONE: NSEDC WILL ATTEND NORTH PACIFIC FISHERIES MANAGEMENT COUNCIL MEETINGS IN 2003-2005 .

Activity: NSEDC staff and representatives attended the NPFMC meetings during the week of October 4th in Sitka, Alaska.

Fund for Purchase of Equity Interest

MILESTONE: NSIC WILL MAKE A REPORT TO THE BOARD OF DIRECTORS OF NSEDC AT EACH QUARTERLY NSEDC BOARD MEETING.

Activity: NSIC gave a report to the NSEDC Board of Directors at the 2004 second quarter meetings in July 2004.

MILESTONE: NSIC MANAGEMENT COMMITTEE WILL MEET AT LEAST ONCE EACH QUARTER

Activity: NSIC Management Committee met on July 21, 2004.

MILESTONE: NSIC WILL EVALUATE THE POTENTIAL FOR EQUITY INVESTMENT IN ONE OR MORE BERING SEA FISHING COMPANIES BY THE END OF THE FOURTH QUARTER OF EACH YEAR 2003 THROUGH 2005

Activity: Activity is ongoing.

MILESTONE: NSIC WILL TIMELY RESPOND TO ANY OFFER MADE UNDER A BUY/SELL AGREEMENT IN INVESTMENTS TO WHICH NSIC IS A PARTY

Activity: No buy-sell offers were made during the third quarter of 2004.

MILESTONE: NSIC WILL ATTEND ALL REGULAR AND SPECIAL MEETINGS OF THE OWNERS FOR COMPANIES IN WHICH NSIC HAS A DIRECT OWNERSHIP INTEREST, OTHER THAN PASSIVE EQUITY INTEREST, AND A RIGHT TO ATTEND AND PARTICIPATE IN THE MEETING.

Activity: NSIC attended the GFC quarterly meeting on September 15, 2004.

MILESTONE: NSIC WILL INCREASE ITS LEVEL OF EQUITY INVESTMENT IN THE FISHING INDUSTRY BY THE END OF THE 4TH QUARTER 2005

Activity: No new NSIC equity investments in the fishing industry were consummated in the third quarter 2004.

Funding for Harvesting and Tendering Vessel

MILESTONE: NSIC WILL EVALUATE THE POTENTIAL FOR INVESTMENT IN ONE OR MORE BERING SEA FISHING VESSELS BY THE END OF THE FOURTH QUARTER OF EACH YEAR 2003 THROUGH 2005

Activity: Activity is ongoing.

MILESTONE: NSIC WILL TIMELY RESPOND TO ANY OFFER MADE UNDER A BUY/SELL AGREEMENT IN INVESTMENTS TO WHICH NSIC IS A PARTY

Activity: No buy-sell offers were made during the third quarter of 2004.

MILESTONE: NSIC WILL ATTEND ALL REGULAR AND SPECIAL MEETINGS OF THE OWNERS FOR COMPANIES IN WHICH NSIC HAS A DIRECT OWNERSHIP INTEREST, OTHER THAN PASSIVE EQUITY INTEREST, AND A RIGHT TO ATTEND AND PARTICIPATE IN THE MEETING

Activity: NSIC attended the GFC quarterly meeting on September 15, 2004.

MILESTONE: NSIC WILL HAVE AN INTEREST IN ONE OR MORE ADDITIONAL HARVEST VESSELS BY THE END OF THE FOURTH QUARTER 2005.

Activity: Activity is ongoing.

Fund for IFQ Purchases

MILESTONE: NSIC WILL EVALUATE THE POTENTIAL FOR ACQUISITION OF ADDITIONAL QUOTA SHARE BY THE END OF THE FOURTH QUARTER OF EACH YEAR 2003 THROUGH 2005, AND WILL ACQUIRE ADDITIONAL QUOTA SHARE BY THE END OF THE FOURTH QUARTER 2005

Activity: Activity is ongoing

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

Activity: Activity is ongoing.

Education, Employment and Training Program – Education & Training Component

MILESTONE: NSEDC WILL HAVE PROVIDED FISHERIES SKILLS 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.

Activity: Planning and preparation for the October Fisheries Orientation Training took place during the third quarter.

MILESTONE: NSEDC WILL AWARD AT LEAST \$120,000 IN SCHOLARSHIPS TO STUDENTS BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: NSEDC awarded \$76,653 to sixty-three students in post-secondary scholarships and \$12,500 to ten students in vocational scholarships in the third quarter of 2004.

MILESTONE: NSEDC EET PERSONNEL WILL MAKE OUTREACH VISITS FOR THIS PROGRAM TO AT LEAST FIVE COMMUNITIES IN THE REGION OR OF NEARBY COMMUNITIES BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: NSEDC EET Coordinator and other NSEDC staff traveled to and held community outreach meetings in the communities of White Mountain (7/15), Elim (7/15), Teller (7/16), Nome (7/16), Golovin (7/17), Gambell (8/19), Savoonga (8/19), Wales (7/19), Diomed (8/30) and Brevig Mission (8/31) during the third quarter in preparation for the development of the 2006 - 2008 Multi-species CDP.

MILESTONE: NSEDC WILL EVALUATE AND FUND AT LEAST ONE K-12 SUPPORT PROGRAM/PROJECT BY THE END OF THE FOURTH QUARTER EACH YEAR.

Activity: NSEDC staff evaluated the possibility of providing financial support for the development of a regional learning center in Nome, which is co-sponsored by the Bering Straits School District and the Nome Public School District, during the first quarter of 2004. NSEDC also funded five schools under the NSEDC 2004 Drug and Alcohol Prevention Program during the first quarter and funded the remaining ten schools during the second quarter.

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 ONTO FACTORY TRAWLERS, OTHER OFFSHORE FISHING VESSELS, NEAR-SHORE PROCESSORS AND FISHING VESSELS, AND IN SHORESIDE PROCESSING PLANTS BY THE END OF THE FOURTH QUARTER OF EACH YEAR

Activity: Thirty-eight residents of member communities or of nearby communities received \$224,733.77 in crew share wages from Glacier Fish Company during the third quarter.

Fifty-seven regional fishermen worked on their vessels and delivered harvests of salmon, crab and halibut to NSEDC/NSSP during the third quarter.

MILESTONE: NSEDC EET PERSONNEL WILL MAKE OUTREACH VISITS FOR THIS PROGRAM TO AT LEAST FIVE COMMUNITIES IN THE REGION OR OF NEARBY COMMUNITIES BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: NSEDC EET Coordinator and other NSEDC staff traveled to and held community outreach meetings in the communities of White Mountain (7/15), Elim (7/15), Teller (7/16), Nome (7/16), Golovin (7/17), Gambell (8/19), Savoonga (8/19), Wales (7/19), Diomede (8/30) and Brevig Mission (8/31) during the third quarter in preparation for the development of the 2006 - 2008 Multi-species CDP.

MILESTONE: NSEDC WILL PLACE AT LEAST SIX INTERNSHIPS IN OFFICE OR FIELD SETTINGS BY THE END OF THE FOURTH QUARTER EACH YEAR.

Activity: Twenty internship positions were sponsored by NSEDC at NSEDC Norton Sound Fisheries R & D (6), NSEDC Administration (2), ADF&G (7), Kawerak, Inc. (4) and Norton Sound Health Corp. (1). The following is a list of the interns and internship positions.

NSEDC

- Kimberly Piscoya, Accounting Intern (Nome)
- Amber Wilson, EET Intern (Unalakleet)

NSEDC Salmon Rehabilitation & Enhancement Program

- Vaughn Munn, Fisheries Technician (Nome)
- Nancy Bauer-Bahnke, Fisheries Technician (Nome)
- Troy Walker, Fisheries Technician (Nome)
- Arlo Hannigan, Fisheries Technician (Nome)
- John Mikulski, Fisheries Technician (Nome)
- Evelyn West, Fisheries Technician (Nome)

Kawerak, Inc.

- Loren Bullard, Fisheries Technician (Nome)
- Scott Dixon, Fisheries Technician (Nome)
- Bernie Larsen, Fisheries Technician (Nome)
- Reese Madden, Fisheries Technician (Nome)

ADF&G

- Rhonda Sparks, Fisheries Technician (Nome)
- Dennis Davison, Fisheries Technician (Nome)
- Benjamin Daniels, Fisheries Technician (Elim)
- Travis Gray, Fisheries Technician (White Mountain)

- Ronald Harrelson, Fisheries Technician (White Mountain)
- Michael Looney, Fisheries Technician (Nome)
- Glenn Ryan, Fisheries Technician (Unalakleet)

Norton Sound Health Corporation

- Ella Morris, Physical Therapy Intern (White Mountain)

Education Endowment

MILESTONE: NSEDC WILL EVALUATE THE POSSIBILITY OF FUNDING THE EDUCATION, TRAINING, AND SCHOLARSHIP PROGRAM FROM EARNINGS OF THE EDUCATION, TRAINING, AND SCHOLARSHIP ENDOWMENT AND DEVELOP A SCHEDULE FOR DOING SO, BY THE END THE FOURTH QUARTER 2005.

Activity: No activity this quarter.

MILESTONE: NSEDC FINANCIAL ADVISORY COMMITTEE WILL REVIEW INVESTMENT PERFORMANCE AND ASSET ALLOCATION AT LEAST ONCE EACH QUARTER.

Activity: The NSEDC Financial Advisory Committee met and reviewed investment performances on July 22, 2004.

Revolving Loan Program

MILESTONE: NSEDC WILL CONDUCT ANNUAL REVIEWS OF THE REVOLVING LOAN PROGRAM BY THE END OF THE 4TH QUARTER EACH YEAR.

Activity: The NSEDC Financial Advisory Committee met and reviewed the Revolving Loan Program on July 22, 2004.

MILESTONE: NSEDC FINANCIAL ADVISORY COMMITTEE WILL REVIEW THE REVOLVING LOAN PROGRAM PORTFOLIO QUARTERLY.

Activity: The NSEDC Financial Advisory Committee met and reviewed the Revolving Loan Program on July 22, 2004.

Fisheries Development Program

MILESTONE: NSEDC WILL PREPARE A DETAILED PLAN TO CONDUCT FISHERIES DEVELOPMENT ACTIVITIES BY THE END OF THE SECOND QUARTER EACH YEAR.

Activity: A fisheries development plan for 2004 was completed by the program manager for Norton Sound Fisheries Research and Development during the first quarter.

MILESTONE: NSEDC WILL FUND AT LEAST ONE FISHERY DEVELOPMENT PROJECT BY THE END OF THE FOURTH QUARTER EACH YEAR.

Activity: Twenty shrimp pots were received for the 2004 Norton Sound Shrimp Development Fishery in which pots were sent to Golovin, Unalakleet and Shaktoolik, with plans for the communities of Elim and Nome to be included at a later date. Residents in the communities will be setting and checking the pots, then logging the information on date, location, soak time, contents and bait. This information will be provided to the Fisheries Development Program. NSEDC also completed the agreement with the University of Rhode Island for the Community-Based Fishery Development Plan that will begin in the third quarter.

Salmon Rehabilitation and Enhancement Program

MILESTONE: NSEDC WILL PREPARE A DETAILED PLAN TO FUND SALMON REHABILITATION AND ENHANCEMENT PROJECTS BY THE END OF THE SECOND QUARTER OF EACH YEAR.

Activity: A salmon rehabilitation and enhancement plan for 2004 was completed by the program manager for Norton Sound Fisheries Research and Development during the first quarter.

MILESTONE: NSEDC WILL FUND AT LEAST ONE SALMON REHABILITATION AND ENHANCEMENT PROJECT BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: Three NSEDC projects were approved for continuation by the Norton Sound Steering Committee, including the Juvenile Chum Salmon Ecology Study, the Chum and Coho Salmon Fecundity Study and the Coho Salmon Production Study. Each of these projects were underway during the second quarter and continued in third quarter.

Shoreside Infrastructure Improvements Program

MILESTONE: NSEDC WILL EVALUATE AT LEAST TWO SITE-SPECIFIC SHORESIDE INFRASTRUCTURE IMPROVEMENT PROJECTS EACH YEAR

Activity: NSEDC evaluated the possibility of providing financial support for construction of a multi-purpose building in Unalakleet and for relocating a freezer van from Unalakleet to Shaktoolik for freezing and storing bait for the fishermen during the first quarter.

MILESTONE: NSEDC WILL MAKE ALL APPROVED CONTRIBUTIONS TO THE NOME NAVIGATION IMPROVEMENTS PROJECT IN A TIMELY FASHION.

Activity: The 2004 contribution to the Nome Navigation Improvements Project was made to the City of Nome on February 20, 2004 in the amount of \$1,314,000.

CDQ Fees

MILESTONE: NSEDC WILL MAKE ANY REQUIRED PAYMENTS OF CDQ FEES WITHIN 60 DAYS OF THE END OF THE QUARTER IN WHICH THEY ARE DETERMINABLE

Activity: The required CDQ Fee payment was made on June 14, 2004.

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.

Activity: NSSP Management made their recommendations for the 2004 operations during the April board of directors meetings.

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.

Activity: This activity continues to be coordinated by NSEDC and Glacier Seafood International. Also, NSEDC recently established a joint venture arrangement with Royal Aleutian Seafoods for the processing and sales for NSEDC CDQ crab. The CDQ Norton Sound red king crab harvested out of Nome is directly marketed by NSSP.

Norton Sound Vessel Management

MILESTONE: NORTON SOUND VESSEL MANAGEMENT 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

Activity: Norton Sound Vessel Management prepares, in conjunction with the NSSP 2004 Operations Plan, proposed operations for NSVM for the upcoming season. These plans were presented to the board at the meetings in April 2004.

MILESTONE: THE NSEDC BOARD WILL ACT UPON THE RECOMMENDATIONS OF NORTON SOUND VESSEL MANAGEMENT NO LATER THAN THE END OF THE SECOND QUARTER EACH YEAR

Activity: Norton Sound Vessel Management prepares, in conjunction with the NSSP 2004 Operations Plan, proposed operations for NSVM for the upcoming season. These plans were presented to the board at the meetings in April 2004.

Community Outreach Program

MILESTONE: PROVIDE STAFF SUPPORT AND FUNDING FOR THE PREVENTION OF ALCOHOL AND SUBSTANCE ABUSE BY THE END OF EACH YEAR.

Activity: NSEDC provided funding for five schools (Nome, Golovin, Shaktoolik, Stebbins and Diomedea) during the first quarter and the remaining ten schools (St. Michael, Unalakleet, Koyuk, Elim, White Mountain, Teller, Wales, Brevig Mission, Savoonga and Gambell) during the second quarter, in accordance with the NSEDC 2004 Drug & Alcohol Prevention Program.

MILESTONE: DIRECTLY CONTACT AT LEAST 30 INDIVIDUALS EACH QUARTER REGARDING THE AVAILABILITY OF NSEDC'S TRAINING AND SCHOLARSHIP PROGRAMS.

Activity: Seventy-three applicants received scholarships during the third quarter and sixteen potential trainees were contacted regarding the Fisheries Safety Orientation Class scheduled for October during the third quarter.

Other Fund Management

MILESTONE: NSEDC FINANCIAL ADVISORY COMMITTEE WILL REVIEW INVESTMENT PERFORMANCE AND ASSET ALLOCATION AT LEAST ONCE EACH QUARTER.

Activity: The NSEDC Financial Advisory Committee met and reviewed investment performance and asset allocation on July 22, 2004.

MILESTONE: NSEDC AND NSIC WILL PROVIDE INVESTMENT OVERSIGHT AND MONITORING OF ALL INCOME-PRODUCING INVESTMENTS DURING EACH QUARTER.

Activity: NSEDC and NSIC monitored all income-producing investments during the quarter and presented a report to the board at the NSIC Management Committee meeting and the NSEDC Financial Advisory Committee meeting in July.

Board Training

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.

Activity: No activity this quarter.

Substance Abuse Prevention

MILESTONE: NSEDC WILL CONTINUE TO FOLLOW THE SUBSTANCE ABUSE POLICIES OUTLINED IN OUR PERSONNEL POLICIES.

Activity: NSEDC continued to follow the substance abuse policies during the third quarter.

MILESTONE: NSEDC WILL SCREEN ALL APPLICANTS FOR EMPLOYMENT POSITIONS WITHIN THE SEAFOOD INDUSTRY FOR DRUG-FREE STATUS.

Activity: NSEDC, GFC and NSV continued to screen all applicants for training and seafood industry employment opportunities during the third quarter.

MILESTONE: NSEDC WILL MAKE A GRANT TO EACH SCHOOL DISTRICT THAT FALLS WITHIN OUR MEMBER COMMUNITIES TO AID IN FUNDING AN ABUSE PREVENTION PROGRAM/CURRICULUM.

Activity: NSEDC provided funding for five schools (Nome, Golovin, Shaktoolik, Stebbins and Diomed) during the first quarter and the remaining ten schools (St. Michael, Unalakleet, Koyuk, Elim, White Mountain, Teller, Wales, Brevig Mission, Savoonga and Gambell) during the second quarter, in accordance with the NSEDC 2004 Drug & Alcohol Prevention Program.

Community Benefit Share

MILESTONE: THE NSEDC BOARD WILL DECLARE A COMMUNITY BENEFIT SHARE BY THE END OF THE THIRD QUARTER OF EACH YEAR.

Activity: No activity this quarter.

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.

Activity: No activity this quarter.

A. Outreach

NSEDC management and staff performed a number of outreach projects/activities during the second quarter of 2004.

- NSEDC Board of Directors held their 2004 second quarter meetings in Nome on July 21 -23 at the Bering Strait Native Corporation Board room, these meetings were open to the public.
- NSEDC Board of Directors notified residents of the 2004 second quarter meetings by placing an ad in the Nome Nugget Newspaper.
- The 2004 second quarter reports were mailed out to each member community city office, NSEDC Board of Director and Community Outreach Liaison.
- NSEDC placed a number of newspaper advertisements during the third quarter, please see the attachments to this report.
- Announcements were sent to each of the communities scheduled to have a community outreach meetings during the second quarter to announce the date, time and place of the meetings.
- NSEDC staff traveled to and held community outreach meetings in the communities of White Mountain (7/15), Elim (7/15), Teller (7/16), Nome (7/16), Golovin (7/17), Gambell (8/19), Savoonga (8/19), Wales (7/19), Diomedes (8/30) and Brevig Mission (8/31) during the third quarter in preparation for the development of the 2006 - 2008 Multi-species CDP.
- NSEDC and the City of Golovin held a Ribbon Cutting Ceremony and a Community Picnic on July 17th in recognition of the new fisheries support projects in Golovin.
- NSEDC has Community Outreach Liaisons in thirteen of our member communities with the EET office and the NSSC office serving the communities of Unalakleet and Nome, respectively. The NSEDC liaisons are sent informational fliers, applications, and other various information to disseminate to residents in their communities.
- NSEDC has a web page on the internet (www.nsedc.com) in which constituents can access quarterly reports, newsletters, applications, and information regarding opportunities with NSEDC.

B. Employment

Employment Data Form

**Table 1
EMPLOYMENT DATA FORM
September 30, 2004**

	Quarter		Year-to-Date	
	People	Wages	People	Wages
Management/Administrative				
NSEDC	3	\$38,641.29	8	\$99,277.17
NSSP	5	\$78,588.92	13	\$166,513.84
Total Management/Administrative	8	\$117,230.21	21	\$265,791.01
CDQ Pollock Related				
A/B Season	0	\$0.00	40	\$406,142.59
C/D Season	35	\$211,547.77	35	\$211,547.77
Total Pollock Related	35	\$211,547.77	75	\$617,690.36
NSSP Employment	71	\$148,854.69	74	\$152,562.51
Other NSEDC Employment				
Skippers, Deckhands, Shoreside, etc.	14	\$46,032.50	20	\$52,942.50
Total Other NSEDC Empl.	14	\$46,032.50	20	\$52,942.50
Other Fishing				
GFC - Longline	3	\$13,186.00	14	\$60,813.94
NSV - Crab	0	\$0.00	2	\$3,067.86
Icicle Seafoods	0	\$0.00	2	\$10,496.55
O/A Norton Sound Winter Red King Crab	0	\$0.00	4	\$4,651.00
O/A Norton Sound Red King Crab	21	\$730,150.25	21	\$730,150.25
NSEDC CDQ Red King Crab	0	\$0.00	7	\$39,750.00
YDFDA CDQ Red King Crab	0	\$0.00	2	\$39,072.00
Norton Sound Salmon	37	\$139,456.65	37	\$139,456.65
NSEDC CDQ Halibut	10	\$214,909.75	10	\$214,909.75
Total Other Fishing	71	\$1,097,702.65	99	\$1,242,368.00
NSEDC Community Outreach Liaisons	13	\$19,500.00	43	\$56,822.58
Interns				
NSEDC Administration	2	\$7,328.35	6	\$14,981.22
NSEDC Salmon Rehab.	6	\$46,508.39	12	\$70,905.38
Alaska Dept. of Fish & Game	7	\$46,814.71	9	\$48,033.75
Kawerak, Inc.	4	\$44,040.30	8	\$47,906.86
Norton Sound Health Corp.	1	\$3,734.60	2	\$4,471.00
Total Interns	20	\$148,426.35	37	\$186,298.21
GRAND TOTALS	232	\$1,789,294.17	369	\$2,574,475.17
	NSEDC =	\$252,600.14	NSEDC =	\$395,340.46
	NSSP =	\$1,311,960.26	NSSP =	\$1,487,066.00
	Partners =	\$224,733.77	Partners =	\$692,068.71

Employment Summary

Management/Administrative – Eight employees were employed by NSEDC/NSSP at various offices in the region, and ten employees were employed in the administrative offices in Anchorage during the quarter.

CDQ Pollock – Glacier Fish Company paid wages to thirty-five residents of NSEDC member communities or nearby communities who were employed aboard the *F/V Northern Glacier* and the *F/V Pacific Glacier* during the quarter.

Community Breakdown:

- 4 employees from Elim
- 1 employee from Shaktoolik
- 5 employees for Shishmaref
- 3 employees from Anchorage
- 2 employees from Kaltag
- 1 employee from Mountain Village
- 1 employee from Nulato
- 2 employees from White Mountain
- 3 employees from Koyuk
- 3 employees from St. Michael
- 2 employees from Unalakleet
- 6 employees from Stebbins
- 1 employee from Gambell
- 1 employee from Savoonga

NSSP Employment – Seventy-one employees were employed by NSSP at regional facilities during the quarter.

Community Breakdown:

- 23 employees from Unalakleet
- 1 employee from Teller
- 47 employees from Nome

Other NSEDC Employment – Fourteen residents were employed by NSEDC onboard the Tender Vessels and at various shoreside projects during the quarter.

Community Breakdown:

- 5 employees from Shaktoolik
- 6 employees from Golovin
- 1 employee from Nome
- 1 employee from St. Michael
- 1 employee from Stebbins

Other Fishing –

Three residents of member communities or of nearby communities were employed aboard the *F/V Norton Sound* during the quarter.

Community Breakdown:

- 1 employee from Nome
- 1 employee from Anchorage
- 1 employee from Shaktoolik

Twenty-one residents of member communities or of nearby communities delivered open access Norton Sound red king crab to NSSP during the quarter.

Community Breakdown: 8 fishermen from Nome
6 fishermen from Unalakleet
2 fishermen from Shaktoolik
2 fishermen from Elim
1 fisherman from Kotlik
1 fisherman from Emmonak
1 fisherman from Seward

Thirty-seven residents of member communities or of nearby communities delivered Norton Sound salmon to NSSP during the quarter.

Community Breakdown: 11 fishermen from Shaktoolik
26 fishermen from Unalakleet

Ten residents of member communities or of nearby communities delivered NSEDC CDQ Halibut to NSSP during the quarter.

Community Breakdown: 6 fishermen from Nome
1 fisherman from Shaktoolik
2 fishermen from Unalakleet
1 fisherman from Elim

NSEDC Community Outreach Liaisons – Thirteen residents held liaison positions during the quarter.

Community Breakdown: 1 liaison from St. Michael
1 liaison from Stebbins
1 liaison from Shaktoolik
1 liaison from Koyuk
1 liaison from Golovin
1 liaison from White Mountain
1 liaison from Brevig Mission
1 liaison from Teller
1 liaison from Wales
1 liaison from Diomedea
1 liaison from Savoonga
1 liaison from Gambell
1 liaison from Elim

Interns – Twenty internship positions were sponsored by NSEDC during the quarter.

Community Breakdown: 3 interns from White Mountain
14 interns from Nome
2 interns from Unalakleet
1 intern from Elim

C. Training

Training Data Form

Table 2
TRAINING DATA FORM
June 30, 2004

	Quarter		Year-to-Date	
	People	Expenditures	People	Expenditures
Scholarships				
Post-Secondary	63	\$76,653.00	147	\$175,527.50
Vocational	10	\$12,500.00	35	\$43,750.00
Other Training				
Fisheries Related	0	\$0.00	21	\$74,712.63
CDQ Staff				
CDQ Board				
Other				
Other Expenditures				
To Education Institute				
Education Endowment				
TOTAL	73	\$89,153.00	203	\$293,990.13

Training Summary

Scholarships –

Seventy-three students received post-secondary and vocational scholarships in the quarter.

Community Breakdown: 5 recipients from White Mountain
34 recipients from Nome
1 recipient from Wales
3 recipients from Anchorage
20 recipients from Unalakleet
2 recipients from Stebbins
1 recipient from Teller
1 recipient from Elim
1 recipient from Shishmaref
2 recipients from Shaktoolik
1 recipient from Golovin
1 recipient from Savoonga
1 recipient from Koyuk

III. Administration

A. Board Activities

Board of Director Meetings

The NSEDC Board of Directors held their 2004 second quarter meetings in Nome on July 22 - 23, with the standing committees meeting on the 21st and 22nd.

Substantial Decisions

During the third quarter a number of items and decisions were approved and made by the NSEDC Board of Directors including: approval to purchase a wheel loader for fisheries support operations in Golovin, finalization of the individuals to be recognized at the annual dinner in October for their contributions to NSEDC, approval of the draft 2006-2008 CDP with the proposed changes, and the decision to waive interest on all revolving loans for 2004 in light of the poor salmon runs in the region.

Board Meeting Minutes

Please see Attachment 13

B. State of Alaska Reporting Compliance

NSEDC complied with all State of Alaska requirements during the third quarter.

C. Amendment Status

The status of Amendments to the 2003-2005 Multi-species Community Development Plan (CDP) that were submitted during the third quarter are listed below:

- CDP amendment 04-08NS: This substantial amendment proposed to transfer 20.0 mt of Alaska Plaice annual CDQ from NSEDC to APICDA. This amendment was approved by NMFS on September 8, 2004.
- CDP amendment 04-09NS: This substantial amendment proposed to purchase a 2002 Caterpillar IT62G Wheel Loader for fisheries support operations in Golovin. This amendment was approved by NMFS on June 23, 2004
- CDP amendment 04-10NS: This substantial amendment proposed to transfer 10.0 mt of other flatfish annual CDQ from APICDA to NSEDC. This amendment was approved by NMFS on September 8, 2004.

- CDP amendment 04-11NS: This substantial amendment proposed to purchase a crab limited license permit. This amendment was approved by NMFS on October 19, 2004.
- CDP amendment 04-12NS: This substantial amendment proposed to transfer 40,000 lb. of CDQ halibut in area 4E from CVRF to NSEDC. This amendment was approved by NMFS on September 9, 2004.
- CDP amendment 04-13NS: This substantial amendment proposed to transfer CDQ Atka mackerel and POP along with bycatch species from APICDA to NSEDC. APICDA and NSEDC agreed to conduct a cooperative fishing venture using the *F/V Seafisher*. This amendment was approved by NMFS on September 29, 2004.
- CDP amendment 04-14NS: This technical amendment proposed to add the fishing/processing vessel *F/V Seafisher* to the list of CDQ eligible vessels for NSEDC. This amendment was approved by NMFS on September 29, 2004.

IV. Harvesting Report

A. Pollock and Multi-species CDQ Harvest Activities by Target Fishery

See the following tables below:

Table 3:	MS CDQ/PSQ Account Status Report 2004
Table 4:	Pollock Target Fishery
Table 5:	Pacific Cod Target Fishery
Table 6:	Atka Mackerel/Pacific Ocean Perch Target Fishery
Table 7:	Yellowfin Sole Target Fishery
Table 8:	Rock Sole Target Fishery
Table 9:	Flathead Sole Target Fishery
Table 10:	Bering Sea Greenland Turbot Target Fishery
Table 11:	Aleutian Islands Greenland Turbot Target Fishery
Table 12:	Bering Sea Sablefish Target Fishery
Table 13:	Aleutian Islands Sablefish Target Fishery
Table 14:	Halibut Harvest Activity
Table 15:	Crab Harvest Activity
Table 16:	CDQ Quota Transfers

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Table 3
MS CDQ/PSQ ACCOUNT STATUS REPORT
through the Third Quarter 2004

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Table 4
POLLOCK TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 5
PACIFIC COD TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 6
ATKA MACKEREL /PACIFIC OCEAN PERCH TARGET FISHERIES
(in metric tons)

CONFIDENTIAL

Table 7
YELLOWFIN SOLE TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 8
ROCK SOLE TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 9
FLAT HEAD SOLE TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 10
BERING SEA GREENLAND TURBOT FISHERY
(in metric tons)

CONFIDENTIAL

Table 11
ALEUTIAN ISLANDS GREENLAND TURBOT TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 12
BERING SEA SABLEFISH TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 13
ALEUTIAN ISLANDS SABLEFISH TURBOT TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 14
HALIBUT HARVEST ACTIVITY
(in metric tons)

CONFIDENTIAL

Table 15
CRAB HARVEST ACTIVITY
(in metric tons)

CONFIDENTIAL

Table 16
CDQ QUOTA TRANSFERS
(in metric tons)

B. CDQ Fishing Activities

During the third quarter of 2004, NSEDC conducted CDQ fishing operations for pollock, Pacific cod, Atka mackerel and halibut in Area 4D/E. A summary of the harvest of annual CDQ for the groundfish species by target fishery through the end of the third quarter is provided in Table 3. Harvest information for each of these target fisheries by quarter are provided in Tables 4-13, CDQ halibut in Table 14 and CDQ crab in Table 15.

Pollock

During the third quarter of 2004, NSEDC harvested about 17,615 metric tons of CDQ pollock in the B season fishery using the GFC vessels, the *F/V Northern Glacier* and *F/V Pacific Glacier*. These vessels harvested CDQ pollock in combination with co-op pollock in the time period from July 1 to September 29. The *Pacific Glacier* and *Northern Glacier* have now completed both CDQ and co-op pollock fishing operations for the year. See Table 4 for a summary of the CDQ and PSQ harvest in the pollock fishery.

Summary of bycatch: The bycatch rate of other CDQ fish species in the pollock target fishery was about 0.7% of the pollock harvest. The bycatch was predominantly made up of Pacific cod, various flatfish and other species. There were more chinook and other salmon bycatch and halibut mortality than in previous quarters of the year. The soft cap was reached for chinook salmon PSQ and as a result the pollock vessels did not fish in the chinook salmon savings area for the remainder of the year.

Processing report: Products from B season processing of CDQ pollock included some roe, but mainly fillet blocks, surimi and mince.

Pacific Cod

NSEDC harvested about 526 metric tons of Pacific cod in targeted CDQ fishing operations in the Bering Sea during the third quarter in the B season fishery using the *F/V Norton Sound* and *F/V Glacier Bay*. These GFC-managed vessels were fishing for CDQ cod during the B season from July 14 to August 15, stopping just before the start of the open access B season. The *Glacier Bay* also fished for CDQ halibut in Area 4D and open access Greenland turbot during this time period. See Table 5 for a summary of the CDQ and PSQ harvest in the cod target fishery.

Summary of bycatch: The bycatch rate of other CDQ fish species in the cod target fishery was about 48.5% of the cod harvest. A portion of this bycatch was actually CDQ halibut and some Greenland turbot taken in combination with the cod fishery. Bycatch primarily consisted of 'other species' including skate and sculpin, non-quota pollock, arrowtooth flounder flathead sole and a variety of flatfish and rockfish.

Processing report: Products from our 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 small amounts of cod milt, stomachs and roe.

Sablefish

There was no directed harvest of CDQ sablefish during the third quarter. NSEDC is planning to harvest additional amounts of CDQ sablefish during the fourth quarter.

Greenland Turbot

There was no directed harvest of CDQ Greenland turbot during the third quarter. A small amount of CDQ Greenland turbot in the Bering Sea was taken in combination with CDQ cod and halibut fishing operations on the *F/V Glacier Bay*. NSEDC will not conduct a target fishery for CDQ turbot again this year due to remaining allocations in the open access fishery.

Atka Mackerel

NSEDC harvested about 297 metric tons of CDQ Atka mackerel in Areas 541 and 543 of the Aleutian Islands during the third quarter. The *F/V Seafreeze Alaska* harvested this CDQ in one day in early July and two days in late August. NSEDC will continue CDQ fishing operations for Atka mackerel in all areas during the fourth quarter. The *Seafreeze Alaska* will complete Atka mackerel fishing operations and harvesting the remaining CDQ originally allocated in Area 542 and 541 during the month of October.

Additional CDQ mackerel in Areas 541, 542 and 543 transferred to NSEDC from APICDA will be harvested in a cooperative fishing venture using the fishing/processing vessel *F/V Seafisher*. NSEDC entered into agreements with APICDA and M/V Savage Inc. (owner of the *Seafisher*) to assist in the completion of the harvest of CDQ Atka Mackerel originally allocated to APICDA.

Summary of bycatch: The bycatch rate of other CDQ species in the mackerel target fishery was about 42.2%. This bycatch was predominantly northern rockfish and POP, with lesser amounts of non-quota pollock, cod, other species and various flatfish and rockfish species. Refer to Table 6 for additional detailed information.

Processing report: Products from the Atka mackerel fishery were H&G fish frozen in 40-pound blocks.

Yellowfin Sole and Rock Sole

There was no directed harvest of CDQ yellowfin sole, rock sole and/or other flatfish fisheries during the third quarter. NSEDC is planning to harvest CDQ yellowfin sole during the fourth quarter.

Halibut

NSEDC harvested 144,244 pounds of CDQ halibut in IPHC Area 4D and Area 4E during the quarter working with local fishermen, the *F/V Glacier Bay* and the *F/V Shemya*. Ten local fishermen harvested and delivered 74,143 pounds of CDQ halibut to the Norton Sound Seafood Center in Nome in forty-eight deliveries between July 19 and September 29. Fishing in the region started slowly as before and peaked by the end of August with the delivery of more than 26,000 pounds in one week. Fishing in the region will continue into the fourth quarter. NSEDC acquired 40,000 pounds of additional CDQ halibut in Area 4E in a transfer with CVRF. This additional halibut quota is also being made available to local fishermen.

In addition to the local fishery, NSEDC entered into harvest agreements with the *F/V Shemya* and the *F/V Glacier Bay* for the harvest of a portion of the annual CDQ halibut allocation. The *Glacier Bay* harvested 50,101 pounds of halibut in a combination CDQ cod/halibut fishing trip and the *Shemya* harvested 20,000 pounds. See Table 14.

Summary of bycatch: The *Glacier Bay* had bycatch of cod, other species and arrowtooth flounder during halibut fishing operations. The *Shemya* and local fishermen reported no bycatch since observers were not required.

Processing report: NSSP processed the catch of CDQ halibut at the NSSC located in Nome. The product was primarily sold as fresh fish. The *Shemya* delivered dressed fish to processing plants in Dutch Harbor and the *Glacier Bay* froze dressed fish on board.

Bering Sea Opilio Crab

There was no directed harvest of CDQ opilio crab in the Bering Sea during the third quarter. NSEDC successfully completed the fishery for CDQ opilio crab during the first quarter.

Norton Sound Red King Crab

There was no directed harvest of CDQ red king crab from the Norton Sound fishery during the third quarter. This CDQ allocation was harvested and the fishery completed in the second quarter

Bristol Bay Red King Crab

NSEDC did not harvest CDQ red king crab in Bristol Bay during the third quarter. The Bristol Bay red king crab fishery usually commences on October 15 and the CDQ fishery starts thereafter.

St. Matthew Blue King Crab

There was no harvest of CDQ king crab at St. Matthew during the third quarter. This commercial crab fishery is closed again to open access and CDQ harvest in 2004.

Bering Sea Bairdi Crab

There was no harvest of CDQ bairdi crab during the third quarter. This commercial crab fishery is closed again to open access and CDQ harvest in 2004.

Compliance/Enforcement Issues

To the best of our knowledge, the *Pacific Glacier*, *Northern Glacier*, *Norton Sound*, *Glacier Bay*, *Seafreeze Alaska*, *Shemya* and vessels from the NSEDC communities harvesting CDQ halibut operated in compliance with applicable federal and state laws and regulations governing the fisheries in the Bering Sea and Aleutian Islands while conducting CDQ harvesting operations on behalf of NSEDC. There were no vessel or fishing violations, illegal activities and/or fines or penalties against these vessels reported by National Marine Fisheries Service Enforcement, U.S. Coast Guard, Alaska Department of Fish and Game or any other regulatory and enforcement agency.

CDQ Crab Custom Processing and Sales Activities

NSEDC did not undertake any activities during the third quarter involving the processing and sales of CDQ crab excluding CDQ red king crab from the Norton Sound fishery. NSEDC is currently in the process of planning and preparing for the Bristol Bay red king crab CDQ fishery due to start in November.

V. Confidential Issues

A. Financial Statements

NSEDC Statement of Financial Position (Attachment 1)
NSEDC Statement of Activities (Attachment 2)
NSEDC Statement of Cash Flows (Attachment 3)
NSEDC Administrative Expense Schedule (Attachment 4)
NSEDC Budget to Actuals (Attachment 5)
NSEDC Species Royalty Analysis (Attachment 6)

Glacier Fish Company Report
Balance Sheet (Attachment 7)
Comparative Schedule of Operations (Attachment 8)
Statement of Cash Flows (Attachment 9)
Norton Sound Ventures LLC
Balance Sheet (Attachment 10)
Consolidated Income Statement (Attachment 11)
Statement of Cash Flows (Attachment 12)

In accordance with State of Alaska Statutes 6AAC93.070 (b), (c), and (d), NSEDC requests these and other documents marked "CONFIDENTIAL" be kept confidential and not released to the public or any other party.

B. Tax Issues

None

C. Imminent Major Investments

None, other than anything that NSEDC may have provided to the State of Alaska under a confidentiality petition.

D. Other

Attachments to this report include newspaper advertisements and meeting announcements placed during the third quarter.