

COASTAL VILLAGES REGION FUND

2003-2005 Multi-Species CDQ Community Development Plan and Application

Executive Summary

A. NAME OF APPLICANT

The Coastal Villages Region Fund (CVRF) is the applicant for the twenty communities of the Coastal Villages region. CVRF is a tax-exempt corporation organized under the laws of the State of Alaska. Additionally, CVRF is the managing organization for the CDQ program for its region.

The Coastal Villages Region Fund is pleased to be able to submit this application on behalf of its member communities. The CDQ program will provide a wide range of benefits to the residents of the Coastal Villages region. Opportunities for employment, training, education, financial assistance, improvements in regional fisheries infrastructure, and investments are all contained in this application and community development plan.

The Board of Directors of CVRF looks forward to the State review process and answering any questions that may arise during the State's analysis of the application.

B. TABLE OF TOTAL CDQ ALLOCATION REQUEST IN PERCENTAGES

TARGET	PERCENT
Groundfish CDQ Species:	
BS Pollock – total	27
AI Pollock	27
Bogoslof Pollock	27
Pacific Cod	27
BS FG Sablefish	-
AI FG Sablefish	27
BS Sablefish	27
AI Sablefish	10
WAI Atka Mackerel	9
CAI Atka Mackerel	9
EAI/BS Atka Mackerel	15
Yellowfin Sole	27
Rock Sole	27
BS Greenland Turbot	27
AI Greenland Turbot	21
Arrowtooth Flounder	27
Flathead Sole	27
Other Flatfish	27
Alaska Plaice (NEW)	27

BS Pacific Ocean Perch	27
WAI Pacific Ocean Perch	4
CAI Pacific Ocean Perch	4
EAI Pacific Ocean Perch	4
BS Other Red Rockfish	27
AI Northern	27
AI Shortraker/Rougheye	27
BS Other Rockfish	27
AI Other Rockfish	27
Other Species	27
Halibut CDQ:	
Halibut 4B	0
Halibut 4C	0
Halibut 4D	30
Halibut 4E	70
Crab:	
Opilio Tanner Crab	27
Bristol Bay Red King	27
Norton Sound Red King	-
Pribilof Red & Blue King	-
St. Matthew Blue King	27
Bering Sea C. Bairdi Tanner	27
Prohibited Species:	
Zone 1 Red King Crab	27
Zone 1 Bairdi Tanner Crab	27
Zone 2 Bairdi Tanner Crab	27
Opilio Tanner Crab	27
Pacific Halibut	27
Chinook Salmon	27
Non-Chinook Salmon	27

Justification For Allocation Request

CVRF has accomplished more with its CDQ allocations over the past two years than any other period in its history, and is well on its way to becoming a key player in the Bering Sea fisheries. For example, CVRF's investment in American Seafoods provides control of over 17.5% of the directed BSAI pollock resource. In two short years, this investment has performed better than expected, and has netted CVRF substantial sums that are now available for providing long-term benefits to the member communities. As CVRF is currently in the corporate growth stage, returns from this investment and others will continue to be focused on increasing investments in BSAI fisheries and in-region fisheries-related infrastructure needs.

This level of performance shows what CVRF is capable of accomplishing. Yet increased allocations in various fisheries during this upcoming period are necessary to ensure the success of our investment and development plans. Before describing these plans, a few points are worth emphasizing:

- CVRF has developed the in-house capability to manage the monetary resources that it is earning through its investments and royalties. CVRF has placed a major emphasis on hiring the staff and putting the measures in place that are required of a company with this level of assets under its control.
- CVRF is continuing to bolster its capabilities through the hiring of experienced professional-level investment expertise that will be needed as its investments continue to grow and become more complex.
- CVRF continues to use the valuable experience of its staff in negotiating some of the highest royalty rates in CDQ history.
- CVRF has made substantial investments in its in-region fisheries, including the construction of two new halibut plants that will be completed in August 2002, institution of an innovative price-incentive program for herring, and continued upgrading of its salmon program in the Kuskokwim Bay.
- CVRF has developed a wide variety of programs aimed at improving the capability of the residents and fishermen of the region, including the 4-SITE programs, the fisheries development and support programs, the infrastructure development program, and a series of initiatives aimed at the youth of the region.

CVRF is applying for 27% of the pollock CDQ allocation. This level is equal to the original allocation received in 1992. As stated above, CVRF now has ownership in a significant portion of the Bering Sea pollock resource through its CDQ allocation and its ownership in American Seafoods. Increasing CVRF's investment in American Seafoods provides the best means for increasing Alaskan ownership in this sector¹. An increase to the 27% allocation level will assist in this goal, by providing capital needed to purchase additional ownership interests, by making CVRF participation in American Seafoods more important relative to the others in the ownership group, and by providing the cash needed for other CVRF programs as CVRF uses its reserves to support the additional investment.

CVRF is applying for 27% of the Pacific cod CDQ allocation. When the CDQ fishery began in 1998, CVRF had not made any investments in this fishery nor had it set up a long-term plan for development. As a result, CVRF received the relatively low allocation of 17%, which was extended in the current allocation period. Since that time, CVRF has made substantial investments in the cod fishery and plans to expand further during 2003 through 2005. Currently, CVRF is invested in three vessels directly – the Ocean Prowler, Bering Prowler, and Prowler² – and three vessels indirectly through the Pacific Longline Company, a subsidiary of American Seafoods. In order to open the doors to further investment and to support the current vessels, an increase in the Pacific cod CDQ allocation is warranted at this time.

1 – CVRF has negotiated to purchase additional equity ownership in American Seafoods. CVRF refers to this increased investment in American Seafoods throughout the CDP as having already occurred, due to the fact that this transaction will be completed in early July 2002, and that it will be a current investment in the 2003-2005 CDP.

2 – CVRF has negotiated to purchase equity ownership in Prowler, LLC. CVRF refers to this new investment in Prowler, LLC throughout the CDP as having already occurred, due to the fact that this transaction will be completed in late July 2002, and that it will be a current investment in the 2003-2005 CDP.

CVRF is applying for 27% of flathead sole, yellowfin sole, and rock sole. To our knowledge, CVRF is the only CDQ group that has made a serious attempt to harvest its flatfish allocation. In fact, a directed flathead sole fishery was completed in 2002. Additionally, CVRF is the only CDQ group that has invested in this sector, through the F/V Cape Horn. The bottom trawl fishery is under intense scrutiny due to the perceived and/or real impact on the environment. In researching this issue in anticipation of the investment in the Cape Horn, CVRF was convinced that while some bottom trawl fisheries (e.g., Atka mackerel and Aleutian Island Pacific Ocean Perch) do occur in potentially fragile habitats, the flatfish fisheries in the Bering Sea take place on sandy and/or mud bottoms of relatively minor importance from a conservation standpoint. As a result, CVRF is analyzing increasing its participation in the flatfish fisheries through investment in additional vessels. At the same time, CVRF is not requesting an allocation for Atka mackerel and Aleutian Island Pacific Ocean Perch other than what is needed for bycatch in other directed fisheries. As a result, CVRF believes that increasing its flatfish allocations is justified.

CVRF is requesting a continuation of its Area 4E halibut CDQ allocation and an increase in its 4D allocation to 30%. CVRF continues to invest in its in-region nearshore fishery. Two new plants are being constructed this year in Hooper Bay and Kipnuk, bringing the total number of communities with CVRF halibut processing plants to seven (Quinhagak included). Halibut fishing is the only opportunity for many of the region's fishermen to commercially fish during the summer. With five plants currently fully operational, two more plants up and running by August 2002, and over 700 fishermen obtaining permits to fish, the current quota is simply not sufficient. There are no conservation concerns with this request, as the IPHC lumps all Area C-D-E fish together in one northern Bering Sea halibut stock. All of the halibut are taken with small boats and processed at the CVRF-operated halibut plants that employ local residents.

CVRF is applying for 27% of the Bering Sea Opilio tanner crab, Bering Sea Bairdi tanner crab, St. Matthews blue king crab, and Bristol Bay red king crab. The current investment in the crab sector has performed well despite declining stocks and their related small GHF's and closures. CVRF expects to increase the investments in this sector as the current crab rationalization process at the Council level nears its completion. CVRF has been investigating several investment options, and is nearing closure on additional vessels in this sector.

C. COMMUNITIES REPRESENTED WITHIN THE APPLICATION

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

- | | |
|-------------|--------------|
| Chefornak | Chevak |
| Eek | Goodnews Bay |
| Hooper Bay | Kipnuk |
| Kongiganak | Kwigillingok |
| Mekoryuk | Napakiak |
| Napaskiak | Newtok |
| Nightmute | Oscarville |
| Platinum | Quinhagak |
| Scammon Bay | Toksook Bay |
| Tuntutuliak | Tununak |

D. DESCRIPTION OF THE MANAGING ORGANIZATION

The managing entity for the 2003-2005 Multi-Species CDQ program for the twenty villages of the Coastal Villages region is Coastal Villages Region Fund ("CVRF").

As its programs and responsibilities continue to grow, so do the organizational capabilities of CVRF continue to grow. A lot can be said about administrative costs; however, the key question is whether the CDQ group has the capabilities to manage its assets, carry out its programs, and provide benefits to its member communities that will result in an economic future in its region. CVRF has met and exceeded these standards over the past two years.

Currently, CVRF has the administrative infrastructure necessary to support its programs and investments, including Executive Management, Financial Management, Human Resources Management, CDQ Quota Management, and Economic Development. The maturing of these management and programmatic functions can be seen in the results achieved by CVRF.

At the beginning of 2000, CVRF made two major investments, one in American Seafoods, LP, the largest offshore fishing and processing company operating in the Bering Sea, and the other in the Ocean Prowler, LLC, a highly successful freezer-longline vessel. Subsequently, CVRF has made the first CDQ investment into the flatfish fleet through the Cape Horn, LLC. Over the course of the current allocation period, CVRF has shown its capabilities by transforming its initial large investment in American Seafoods into the largest distribution in CDQ history, while still maintaining its ownership in the company. CVRF will continue to seek opportunities to increase its investments in the BSAI fisheries.

During this same period, CVRF, through its subsidiary Coastal Villages Seafoods, LLC (CVS), has continued to grow its involvement in the management of salmon and halibut processing operations in seven separate locations. Despite the logistical problems of such a far-ranging and infrastructure-bare operation, including the high costs of transporting product, CVS continues to mature as an organization, which will result in stable markets and a continuous source of income to fishermen and plant crews. As the salmon market becomes more difficult due to the competition from farmed fish, CVS has responded with new quality and marketing initiatives aimed at developing a regional identity for Kuskokwim Bay salmon. Additionally, CVS developed a price-incentive herring program, in conjunction with the herring associations, aimed at ensuring that there are markets for the fishermen's catch and that more value is obtained from the available resource. While it is too early to make any conclusions on the long-term viability of this program, in the first year of operation there has been an increase in roe percentages and there were markets for all of the region's herring fishermen. Without CVS involvement, there would be few if any companies buying the halibut, salmon, and herring in the region.

CVRF continues to improve its CDQ quota management. By and large, the harvesting of CDQ has remained within the specified allocation levels. Despite the difficulty of maximizing the harvest of the target species given the limited amounts of bycatch, CVRF has been able to manage the full suite of CDQ fisheries and the related harvesting without any significant problems.

CVRF continues to take an active role in developing economic opportunities for the region. This function is critical in a region the size of Coastal Villages. Infrastructure projects such as implementing a project management program to provide technical assistance to communities, grant preparation, and planning for community projects are key to developing the capital and human infrastructure of the communities. Other examples include providing bulk fuel delivery capabilities and other services to support commercial fisheries businesses.

In addition to the halibut and salmon plants, regional economic development is taking place at a grassroots level in the CVRF communities. CVRF's Loan Program provides loans to local commercial fishermen to purchase equipment and gear so that they can participate in the fisheries. CVS's gear advance program provides local fishermen with the opportunity to purchase basic fishing supplies to get prepared for the season.

All of these activities are examples of the ways in which CVRF is working to help improve the quality of life in the member communities. Without an experienced, motivated, and dedicated administration, these projects and activities would not be materializing. CVRF will continue to build and improve its administrative infrastructure in an effort to deliver the benefits of the CDQ program to the region even more efficiently and effectively.

E. GOALS, OBJECTIVES, AND MILESTONES OF THE COMMUNITY DEVELOPMENT PLAN

As has been reported in the previous two CDPs, the CVRF Board met during 1998 to undertake a visioning process. This process was repeated in the summer of 2001. At each of these sessions, the Board identified the overall purpose of the company, its core values, vision for the future, and strategic initiatives to achieve the vision. The vision and the strategic initiatives form the basis of CVRF's programs. The Board will continue to use the results of the visioning process to better explain its purpose to its member communities and why it needs to retain, and increase, the level of CDQ allocations that it has received over the first ten years of the CDQ program.

Purpose

To be successful in the fishing industry so that we can promote economic development in the CVRF region.

Core Values

From our history to date and from the commitments that we all share now about the future, we have defined the values that should guide all of our activities and staff in the years to come. They are listed in order of importance.

These are our core values:

Maximum return on allocation
Positive Leadership
Respect for and support of the people in our region
Teamwork
Protecting our way of life

Our Vision

Become a key player in the Bering Sea Fisheries and human resource development so that there is sustainable economic and commercial development of the local resources in the CVRF region.

Strategic Initiatives

4-SITE Program
Bering Sea Initiative
Protecting the allocation
Village community development projects
Joint ventures with fishing companies

With the development of this vision in 1998, CVRF also developed three broad goals to further substantiate its purpose and its strategies for the future.

- To improve the social conditions of the Coastal Villages region by creating human resource programs that provide entry-level employment and advancement that will be self-sustaining over time, including a wide range of training programs, scholarships, internships, and apprenticeships;
- To enter into or expand the investments in the Bering Sea and Aleutian Islands fisheries as an active and beneficial partner, and to ultimately dominate the Bering Sea; and
- To develop the fisheries resources of the Coastal Villages region to the maximum extent economically feasible, by providing markets for the village-based fishing vessels.

These three basic goals can be, as more thoroughly discussed in Section I-III-A (Goals of the CDP), further defined by discussion of the specific programs and activities which CVRF has and will participate in. As has been documented in quarterly reports, responses to information requests, and as restated in this CDP, CVRF has addressed positively and is working towards meeting each and every goal, both general and specific, that it has laid out. By directing its programs according to the core planning documents, CVRF has steered its program delivery and its financial activities in the direction that its communities have asked for. This dedication to the vision for CVRF is important for its member communities as well as for the CDQ Program as a whole. At the end of the day, the questions that must be answered in the affirmative are whether CVRF, or any CDQ group for that matter, has accomplished what it set out to do, and whether those accomplishments are leading to a sustainable economic future

for its member communities. CVRF believes that it can answer these questions with a decisive yes, and feels that the agenda and accompanying milestones laid out in this CDP provide CVRF with a specific, community-supported direction for the future and, as each milestone is addressed, a blueprint for creation of a sound economic future.

Please see Section II-I, Community Development, Part B, 2003/2005 Comprehensive Milestone Table, for further discussion of the specific program goals that CVRF intends to accomplish during the 2003-2005 allocation period.

F. DESCRIPTION OF THE CDQ PROJECTS

1. The 4-SITE Program. The 4-SITE Program consists of one project: **4-SITE Project**

In 1995 CVRF implemented the 4-SITE Program to meet the human resource development challenges fostered by the unique social and economic situation of our region: **S** – Scholarships; **I** – Internships; **T**- Training; and **E**– Employment. Since that time, the program has grown to include 4-SITE support services that help strengthen the program: Drug Screening; Orientation for Success; Junior Achievement; Youth Leadership; Rural Education Adult Development; and the newest program, Skills for Success.

The 4-SITE Program provides an integrated systems approach to CVRF's human resources development and employment. The program elements are designed to have both a short-term impact with quantifiable results and a long-term influence on sustainable community and human resource development. To accomplish this, CVRF has integrated the activities of each program element to support five central goals:

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

These goals capture the purpose of CVRF's human resource development and employment initiatives and set the direction for what the Program is to accomplish.

2. The Offshore Fisheries Harvesting, Processing, and Investment Program. The Offshore Fisheries Harvesting, Processing, and Investment Program consists of seven projects: **Pollock Vessel Investments – Active; Pacific Cod Vessel Investments – Active; Pacific Cod Vessel Investments – Proposed; Yellowfin/Flathead/Rock Sole Vessel Investments - Active; Yellowfin/Flathead/Rock Sole Vessel Investments – Proposed; Crab Vessel Investments - Proposed; and Crab Vessel Investments - Active.**

The CVRF Board continues to support investment in the offshore fisheries as a major contributor to the benefit member communities and their residents will receive from the CDQ Program. In previous CDP's, CVRF has listed several reasons to support its involvement in the Offshore Fisheries Program. Suffice it to say that the recent experience with American Seafoods makes a clear statement about the benefits to be derived from such investments. With the proceeds received as part of the refinancing of the company, CVRF not only received back its original investment, but also is continuing to increase that investment and make direct investments in the communities.

While the offshore investment program primarily involves performing due diligence on new investments and monitoring existing investments, the program takes up substantially more resources than this short description may indicate. Responsible investment activity requires knowledge of the industry and the specific sectors that make up the industry; participation in the regulatory processes to protect investments in the highly political arena of fisheries management and allocation, and, finally, relationship building with the partner and potential partner companies. Unlike many industries that are owned by a multitude of shareholders, the fishing industry is composed primarily of partnership type organizations that rely on interpersonal relations among the owners. In this regard, CVRF spends considerable time and effort in working with its partners and developing relationships that will benefit CVRF and the region in the future. Similarly, the monitoring function also is important in ensuring that the managers (and owners) are looking out for the interests of all of the owners, rather than their more narrow personal interests.

Again, in the fishing industry, one of the owners generally serves as the vessel manager and marketer. Under this format, CVRF is not in charge of the day-to-day decision-making and must stay abreast of activities in order to understand the impact of actions taken by the manager. CVRF's finance department and quota manager are responsible for this important task.

3. The Inshore and Nearshore Fisheries Harvesting, Processing, and Investment Program. The Inshore and Nearshore Fisheries Harvesting, Processing, and Investment Program consists of three projects: **Shoreside Processing Development - Proposed; Shoreside Processing Development - Active; and Sportfish Guiding Services - Active.**

Salmon, Halibut, and Herring – As forecasted in the 2001-2002 CDP, CVRF's involvement in the salmon and halibut fisheries has had significant growth over the past two years. Additionally, Coastal Villages took on a more involved role in the region's herring fisheries, necessitated by the plunge in herring value and the lack of secure markets. All activity in salmon, halibut, and herring takes place under the auspices of Coastal Villages Seafoods, LLC ("CVS"). CVRF's growth in these fisheries has manifested itself in several major accomplishments:

Salmon – CVS has expanded the Quinhagak plant to include fillet and roe production, a bunkhouse and mess hall to house and feed workers predominantly from other communities in the region, and increases in capacity, making the plant capable of processing the entire harvestable surplus in the Kuskokwim Bay districts as well as some production out of the Kuskokwim River districts. The capability to take fish out of the lower Kuskokwim River is very important, as there are no other buyers interested in serving the fishermen from the CVRF member communities of Eek and Tuntutuliak as well as the fishermen who come down river from Napakiak, Napaskiak, and Oscarville.

Halibut – In 2000 and 2001, CVRF fishermen harvested the entire Area 4E halibut quota. All of the halibut was delivered to CVS' plants in Cheformak, Mekoryuk, Quinhagak, Toksook Bay, and Tununak. In 2002, CVS is constructing two new halibut plants expected to be operational in August 2002. The first is being constructed in Hooper Bay to serve the fishermen in the communities of Hooper Bay, Scammon Bay, and Chevak. The second is being constructed in Kipnuk to serve the communities of Kipnuk, Kwigillingok, and Kongiganak. Before committing to the establishment of these new plants, CVS required the fishermen to prove that there was a sufficient amount of halibut available for harvest. This had been shown over time in Kipnuk, and was proven through a test fishery program conducted in Hooper Bay. The interest in these communities was overwhelming and the results justified construction of a plant in each area.

Herring – Over the past several years, Japanese economic conditions and consumer buying habits have caused the near collapse of the Bering Sea sac roe herring fishery. From a high of \$800/ton in the 1980's, the price paid to fishermen in 2001 was only \$100/ton. This reduction in value nearly resulted in the complete shutdown of the fishery. The regional herring associations informed CVS that without help from CVS, there would no longer be herring fisheries in the CVRF region. For many communities, this has been the only commercial fishing opportunity during the year. As Coastal Villages had committed to work with the associations to promote this fishery, CVS met with fishermen representatives and developed a price-incentive program aimed at increasing the value of the fishery to the fishermen, which would encourage more fishermen to participate in the fishery, which in turn would keep processors coming back. This program was instituted for the 2002 season. The final results of the program were to raise the overall roe percentage caught, increase the amount of money going to the local herring fishermen, and to bring buyers into the CVRF region. Had this program not been implemented, there would not have been buyers in at least one, if not all, of the CVRF region herring districts.

Sport Fish – CVRF has continued to support local communities in finding new and inventive ways to use local, available resources to grow local economies. One specific example of CVRF's support for these endeavors lies with the investment in Arolik River Sportfishing, LLC. The community of Quinhagak had for some time watched an outside entrepreneur make considerable profits from a sportfishing business operated on the Kanektok River outside of Quinhagak. When the village Native corporation was approached by this same entrepreneur to invest in a shared endeavor to promote the Arolik River to sportfishers as a private fishing reserve, they unsure as to how to proceed. The Corporation approached CVRF in a request for assistance and partnership in this new business, and CVRF provided its technical expertise in investment valuations and analysis to both help the local corporation participate in

the sportfishing industry and to invest itself. CVRF continues to work with Quinhagak to ensure that the village is fairly represented in the operations and management of the partnership.

Given the level of growth in the nearshore commercial fisheries program over the last two years, the emphasis for the next three-year period will be less on growth and more on increasing the value of the fisheries to the commercial fishermen in order to establish a sustainable fishery. In the case of salmon, CVS plans to increase its value-added production at the Quinhagak plant considerably for the 2002 season, and will be expanding its mandatory icing program into a full-scale quality program. The end product will be a regional marketing program tied to the quality program, aimed at raising the awareness and demand for Kuskokwim Bay salmon. Directly tied to this initiative, CVS will participate in Fishery Forums aimed at increasing fishermen understanding of what is required to participate in a global economy. A further discussion of the Fishery Forums is found in the Outreach Section of this Executive Summary.

In the case of halibut, it is important that CVRF maximize the Area 4E and 4D quota available to CVRF fishermen. In 2003-2005, CVS will operate with seven processing plants serving over 700 fishermen and supporting the employment of over 100 plant crewmembers (not including salmon). CVS is seeking to increase its halibut quota in order to maximize the direct and tangible benefit to region fishermen. The halibut fishery also has the ability to contribute over \$1 million per year to fishermen, helping to cover the loss in the value of the region's herring fishery.

As described above, at the beginning of 2002, it would be possible to view the region's herring fisheries as stagnant or at least in critical condition. For there to be a market for the herring fishermen of the CVRF region, it was necessary for CVS become involved and create conditions to incent the herring tender boats to buy from the region. For the first year of implementation in 2002, CVS' participation involved providing monetary incentives to fishermen who delivered herring with higher roe percentages. This resulted in more value from the overall pack, and CVS was able to recoup its investment in the fishery due to the higher value in the market. The initial results of the 2002 program will continue to be analyzed and decisions will be made to continue or change the program during the 2003-2005 period.

4. The Infrastructure Development Program. The Infrastructure Program consists of three projects: **Fuel Delivery Program – Proposed; Test Fisheries – Proposed; and Commercial Fisheries Support - Proposed**

In order to further achieve the goal of improving social conditions within its region, CVRF has also expanded its infrastructure development support programs. New project ideas, which have been discovered through the Ciunerkam Tangruaritii (CT) process, have been analyzed to determine the most effective way to deliver the benefits of this program to the communities. Each project within this program focuses on further developing the independence and economic stability of the in-shore and near-shore fisheries available to the local fishermen.

CVRF proposes to assist local communities with early spring fuel deliveries and/or reserves to ensure that local fishermen will have the necessary fuel at reasonable prices for fishing activities at the start of the season. Through this process, Coastal Villages will gain information to evaluate the current local fuel markets and investigate retail fuel opportunities in the region.

The Test Fisheries program will investigate getting involved in new fisheries and opening current fishery plants (salmon, halibut, and herring) in new locations within the region.

The third project within this program, Commercial Fisheries Support, is aimed at providing technical and financial resources to support CVRF member commercial fisheries businesses in-region.

As with the change in the direction of 4-SITE program, the major thrust of the proposed infrastructure development program for 2003-2005 has followed the voice of the region, aiming towards providing region residents a viable option to stay within the community in which they live while developing stable financial environments for themselves and their families. CVRF's work to nurture the local fisheries of Western Alaska and provide markets and technical expertise through CVS and fisheries support through the various projects described above, is beginning the long and bumpy road towards establishing locally sustainable economies for the region.

5. The Fisheries Development and Support Program. The Fisheries Development and Support Program consists of five projects: **Marine Safety Project – Proposed; Project Management Program – Proposed; Insurance Cooperative – Proposed; Loan Program – Active; and Tax and Permit Assistance Program – Active.**

Marine Safety Project

With the increase of participation in the commercial fisheries, it became apparent that there is a strong need for marine safety within the region. CVRF proposes to implement a marine safety program that will provide training and awareness aimed at preventing marine accidents and implementing safeguards. CVRF will develop materials, such as safety packets and/or brochures, to distribute to community residents illustrating safety procedures. Additionally, CVRF will assist local fishermen, through the loan program or fishermen advances, to purchase safety equipment for their fishing vessels.

Project Management Program

In response to requests for assistance from the communities, CVRF proposes to implement a project management program to provide technical assistance to the communities of the region, such as grant preparation and planning for community projects, to develop the capital and human infrastructure of the communities.

Insurance Cooperative

As the cost of marine insurance is exceedingly high, especially for small-vessel fishermen on the Bering Sea, CVRF proposes to help fishermen find affordable marine insurance by creating a cooperative of insurance applicants sponsored by CVRF. This program will not only benefit the fishermen by providing them with lower insurance costs, but will benefit CVRF's loan program by ensuring that loan recipients are carrying insurance on the vessels under lien with CVRF.

Loan Program

In order to address the barrier to entry of inadequate capital for the purchase of fishing vessels and equipment, CVRF created a loan program that provides financial assistance to fishermen. Applicants are allowed to apply for funding to purchase commercial fishing equipment (e.g., motors, boats, etc) and halibut or sablefish Quota Shares to facilitate the fishermen vesting in the offshore fisheries. The application process is a rigorous one and forces fishermen to plan and prove the cash flows that will pay for the loan. The application and review process is facilitated by a loan committee, consisting of one banker, two staff members, and three board members. Applicants are asked to present a financial plan in addition to being required to attend a training course. The change in course from a grant-oriented program to a loan program ensures that CVRF can be a funding source for fishermen for the long term.

Tax and Permit Assistance Program

The tax and permit assistance program is an ongoing program aimed at assisting commercial fishermen to meet their tax obligations without losing their valuable fishing rights to the IRS. The program also works with fishermen to obtain commercial fishing permits, to ensure that permits remain in the region and retain the economic opportunity for the local level. Over the past four years CVRF has provided these services to the region's fishermen and has been hugely successful in attaining its purpose. The VITA program visited 9 communities in 2001 and assisted fishermen in receiving tax refunds of over \$900,000. Several fishermen who were in jeopardy of losing their fishing permits have been assisted and their permits will be retained.

The CVRF region is one of the most capital poor regions of the nation. Individuals simply do not have the capital, or the ability to gain the capital, to improve their relative position in the fishing industry. Most of the local commercial fisheries provide only enough cash to cover expenses, and do not allow fishermen the means to upgrade their equipment. The Fisheries Development and Support Program has been designed to provide support for the fishermen and the means for them to upgrade and build their fishing operations. The ability to continue to improve fishing techniques will also continue to improve the value of the fisheries.

6. The CVRF Development Program. The CVRF Development Program consists of one project: **CVRF Development Program – Active.**

The CVRF Development Program activities focus on building an organizational culture based on four cornerstone ideas: challenge the process, inspire a shared vision, model the way, and collaborate with the member villages. The operating philosophy is grounded in continuous improvement, which for this allocation period includes on-going efforts to critically review performance and functions. As part of this project, at nearly every CVRF Board meeting, a portion of the agenda involves training programs intended to improve board performance. On the management level, it includes reviewing the company's programs, continuing those that meet the mission, and dropping those that are useful to do, but that are better left to others. As a result of the continuous improvement process, both the CVRF Board and the staff continue to grow and improve, bringing the company along with them.

7. The Outreach Program. The Outreach Program consists of one project: **Outreach Program – Active.**

CVRF's Outreach Plan is a grassroots communication initiative with three goals: 1) exchange of information; 2) combined planning and problem solving; and 3) shaping of positive images. These goals are accomplished through a series of community activities, partnerships with region tribal, state, federal, and private service agencies, facilitation of village involvement in CVRF program improvements, media outreach, and most importantly, word of mouth from direct recipients of Coastal Villages facilitated benefits. At the core, the outreach project initiatives provide an opportunity to build good working relationships among many people in order to establish a deeper sense of shared responsibility for our collective future.

8. The Administrative Efforts. The Administrative Efforts consist of four projects: **Administration – Active; Cash Management Investments – Active; CDQ Quota Management – Active; and CDQ Contract Monitoring – Active.**

CVRF's Administrative Efforts include the management of CVRF and the direct services that are provided to the subsidiary organizations. Tasks consist of the duties involved in the normal course of business, to include regulatory compliance, financial management, internal human resources management, advocacy, legal and risk management, and travel coordination. CVRF's success as a company hinges on the management of the company; in this light, CVRF strives to attract employees who are dedicated and knowledgeable. Coastal Villages has come far in the past two years, from a relatively inefficient and ineffective management structure, low royalty rates, and no centralized office, to a company with highly effective and efficient management, receiving the highest royalty rates in CDQ history, and consolidating its key management to a centralized office.

G. MANAGEMENT STRATEGY TO ACCOMPLISH THE CDQ PROJECTS

CVRF's Multi-Species CDP contains multiple projects, both existing and new, that are to be undertaken during the three-year allocation period. How CVRF intends to manage each of these projects is described below:

4-SITE Program & 4-SITE Support Services

The 4-SITE Program was established in 1995 through the work of CVRF and its partners. Since the idea was conceived, the program has expanded and improved to provide an integrated network of activities and services that support the goals of the CDP. During this allocation period the program will be managed under the guidance of the CVRF Senior Management Team and supported by an HR Management Specialist, an Employment Coordinator, four Community Program Managers, twenty Community Liaisons, and two Community Development Specialists. Also participating in furthering the program goals are the CVRF Board of Directors, seafood industry partners, and a variety of public, private, and state organizations. CVRF is fully capable of managing the expansion of the program that is contemplated as part of the Multi-Species CDQ program. It has dedicated the necessary resources to manage the program, train and manage the people involved, and provide the identified services in the communities.

Offshore Fisheries Harvesting, Processing, And Investment Program

This program covers all of CVRF's offshore harvesting, processing, and investment projects. There are two basic components to this program: CDQ royalty/license relationships with companies that will be harvesting and processing CDQ allocated to CVRF, and ownership interests in vessels or companies that participate in the harvesting and processing sectors. CVRF's quota is managed by the Quota Manager, who, with years of experience

in finance and management, has worked to develop complex models tying the licensing of quota to the monetary benefit both in terms of royalties and in terms of investment earnings from additional fish allocated to partners. CVRF plans to increase its participation in most CDQ fisheries as an equity owner, including additional crab and Pacific cod harvesting capacity as well as continued increase in its ownership interest in American Seafoods. Primary responsibility for these tasks rests with the Executive Director, Finance Director, Quota Manager, and Senior Accountant (Investment Team). The Investment Team brings with it years of negotiation experience and education in accounting and finance, and intends to add a full-time Investment Specialist to the team during the 2003-2005 allocation period. Under its current responsibilities and with the addition of an Investment Specialist, the Investment Team continues to grow and enhance those experiences. Recent negotiations with equity firms and high-level investment experts in relation to American Seafoods have proven the ability of the CVRF management to accomplish the goals associated with the investment and quota management program.

Inshore Fisheries Harvesting, Processing, And Investment Program

CVRF began active management of the projects contained within the Inshore Fisheries Harvesting, Processing, and Investment Program in 1999. Support for the halibut and salmon operations is provided through the combined efforts of the CVS Chief Operating Officer, Executive Director, Finance Director, Halibut Plants Superintendent, and the Salmon Operations Manager. This structure, initiated in 1999 and expanded in the 2000 season, is capable of successfully operating these projects. The Chief Operating Officer brings with him more years of experience in the CDQ program than any other individual, and manages the two fisheries mentioned above in addition to managing the herring project. As proven by the existence of consistent markets for the fishermen of the Kuskokwim Bay, the increasing value-added production of fish products, and the wealth of job opportunities for residents of the region, CVRF, through its subsidiary CVS, is capable of operating and expanding this program.

Infrastructure Development Program

The Community Development Specialist and the anticipated additional Community Development Specialist, under guidance from the Executive Director and the Board of Directors, will lead the Infrastructure Development Program. The key to success in managing this program (as well as portions of the inshore program, above) is to become intimately familiar with all of the economic development initiatives that are currently underway or proposed for the region. With the myriad of government agencies and private companies involved in economic development, having a handle on the full range of activities is necessary to avoid duplication of effort and combine the available resources into supporting workable projects. The two Community Development Specialists will, in addition to direct communication with the communities and agencies involved in those communities, be supported by four Community Program Managers and several Community Liaisons, who all reside in various of the region's communities. Under this comprehensive structure, CVRF feels that it has the team in place capable of managing the infrastructure development for the region.

Fisheries Development and Support Programs

The Fisheries Development and Support Program has been an expanding program since its inception, growing considerably for the 2003-2005 allocation period to include a total of five projects. The Fisheries Development and Support Program is designed to take a proactive approach to providing support to the local fisheries, and complements the goals of the 4-SITE program by further developing human resources and general fishing skills. This program will be managed by the same team described above for the Infrastructure Development Program.

CVRF Development Program And Administrative Efforts

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

Outreach Plan

CVRF's Outreach Plan is managed by several staff. The Community Development Specialist works closely with the Human Resources Specialist and the Executive Office Administrator to plan and conduct Outreach activities such as potlatches, submitting newspaper articles, communicating directly with village leaders, and preparing quarterly newsletters. Each of these initiatives is on going and will continue to expand opportunities for staff, Board, and village residents to collaborate in the future.

H. DESCRIPTION OF TARGET FISHERIES

Pollock

The pollock fishery is broken into five component parts: the "A/B" Seasons, the "C/D" Seasons, and the Aleutian Islands fishery. The "A/B" Seasons occur during the months of January through April and are the most valuable fisheries. This is due to the value of the pollock roe, which is marketed primarily to Japan, in addition to the surimi and block production. The "C/D" Seasons occur in the June through October period and the fisheries harvest pollock primarily for surimi and pollock fillet blocks. The Aleutian Islands fishery is relatively small and will be used primarily as bycatch in the Pacific cod, rockfish, and Atka mackerel fisheries. The "A/B" and "C/D" season fisheries occur in the Bering Sea along the continental shelf break between the Aleutian Islands north to the Russian border. The fishery is subject to 100% retention and is conducted exclusively with pelagic trawls.

Pacific Cod

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

Bristol Bay King Crab

Harvests occur in the Bristol Bay king crab area. The CDQ fishery will occur prior to the open access fishery in October and after the close of the open access fishery in the fall.

Bering Sea C. Opilio Tanner Crab

Harvests occur in the Bering Sea area. The CDQ fishery will occur after the open access fishery, which normally is conducted beginning in January.

Bering Sea C. Bairdi Tanner Crab

Harvests occur in conjunction with the Bristol Bay king crab fishery.

St. Matthew Red King Crab

Harvests occur in the St. Matthew district. The CDQ fishery will occur after the close of the open access fishery in September.

Area 4D Halibut Fishery

The Area 4D quota is available for harvest by the small boat fleet in Area 4E. If the combined 4E and 4D quota cannot be taken in the nearshore fishery, the remainder of the 4D quota will be taken in the longline fishery in the vicinity of St. Matthew Island.

Area 4E Halibut

The Area 4E halibut fishery occurs in the Nelson Island, Nunivak Island, Quinhagak, Hooper Bay, and Kipnuk nearshore areas of the CVRF region. The fishery is conducted from 18-24 foot skiffs using hand held jigs and longlines. The fishery began in the early 1980's with the development of commercial fishing techniques and the construction of halibut buying stations in Toksook Bay, Tununak, and Mekoryuk. Fishermen fish and sell their product on a daily basis depending upon weather. The fishery begins in early-June and is completed in mid-to-late August. Halibut is sold in the fresh and frozen markets in the United States and Canada.

Aleutian Islands Sablefish

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

Rock Sole

The rock sole fishery is the first and most valuable fishery of the year for H&G vessels. The value is derived from the roe and the product is in H&G form with roe sacks left intact in the body cavity. The market is in Japan where it commands a high price. Male rock sole and female rock sole without roe is worth approximately one fourth that of rock sole with roe. Rock sole aggregate and spawn from late December to late March in the Bering Sea both near the outer shelf and along the Alaska Peninsula. Implementation of large crab conservation areas has limited the area available for trawling. Rock sole is also desirable at other times of the year for both H/G and fillet products. The industry has been making progress in recent years to reduce the discards of small fish through gear modification and market development.

I. HARVESTING AND PROCESSING PARTNERS

Pollock

American Seafoods Company, LP - harvesting and processing

Pacific Cod

Ocean Prowler, LLC. - harvesting and processing

Prowler, LLC – harvesting and processing

Pacific Longline Company – harvesting and processing

Bristol Bay Red King Crab

Silver Spray Seafoods, LLC - harvesting

Icicle Seafoods, Inc. - processing

Bering Sea C. Opilio Tanner Crab

Silver Spray Seafoods, LLC - harvesting

Icicle Seafoods, Inc. - processing

Bering Sea C. Bairdi Tanner Crab

Silver Spray Seafoods, LLC - harvesting

Icicle Seafoods, Inc. - processing

St. Matthew Red King Crab

Silver Spray Seafoods, LLC - harvesting

Icicle Seafoods, Inc. – processing

Area 4D Halibut Fishery

Local area fishermen – harvesting

Coastal Villages Seafoods, LLC - processing

Area 4E Halibut

Local area fishermen - harvesting

Coastal Villages Seafoods, LLC. - processing

Aleutian Islands Sablefish

Kokopelli Fisheries, LLC – harvesting

Adak Fisheries – processing

Westward Seafoods, Inc. - processing

Rock Sole/Flathead Sole/Yellowfin Sole

Cape Horn Fisheries, LLC - harvesting and processing

J. BENEFITS TO THE REGION

What are the benefits to the communities and the region from any particular activity proposed to be undertaken by a CDQ group? From CVRF's perspective, benefits can be characterized as those that assist individuals to be 1) better educated; 2) better skilled; 3) more employable; 4) have access to employment either in the person's home community or outside the community; 5) able to make a living from commercial fishing and associated activities; and 6) have hope for a better future. And as those that assist communities to 1) develop increased economic activity through the fishing industry and associated businesses and infrastructure that enable residents to be productively employed; and 2) make the communities better places to live and work.

With the Board's development of the vision for Coastal Villages in 1998, CVRF developed three broad goals, which serve to substantiate its purpose and strategies for the future, and serve to further develop the ideas and activities to provide benefits to the region.

- To improve the social conditions of the Coastal Villages region by creating human resource programs that provide entry-level employment and advancement that will be self-sustaining over time, including a wide range of training programs, scholarships, internships, and apprenticeships;
- To enter into or expand the investments in the Bering Sea and Aleutian Islands fisheries as an active and beneficial partner, and to ultimately dominate the Bering Sea; and
- To develop the fisheries resources of the Coastal Villages region to the maximum extent economically feasible, by providing markets for the village-based fishing vessels.

It has been Coastal Villages' experience that, in order to solve the problems facing the region, there must be a long-term dedication to providing benefits, and thus hope, to the region. The problems are so numerous and so deep that there are no quick fixes, and CVRF has committed to serve its communities for the long haul. CVRF has also realized through its experience that the CDQ program does not have the ability, or the expertise, to solve all of the region's problems. Therefore, the focus of CVRF is not to provide unlimited resources to the region, but to concentrate on its area of expertise – benefits related to the fisheries of the Bering Sea.

In working towards achieving its goals and providing the maximum benefit to the region within its capabilities, CVRF has built its 2003-2005 Community Development Plan with the specific needs of its communities at the forefront. Though the Coastal Villages region is the poorest economically in Western Alaska and indeed in the state, the individual people who live in the region have years of experience in fishing some of the poorest conditions imaginable, and have still managed to provide for their families. The needs of the people are heard by Coastal Villages, and the company continues to strive through poverty-level economies, unsophisticated workforces, and lack of infrastructure, to meet those needs to the best of its ability within the confines of the CDQ program.

K. LEVEL OF LOCAL PARTICIPATION

Coastal Villages maintains a high level of local participation in its CDQ programs. This high level can be described in several different ways, including:

- CVRF continues to involve its member communities in the priorities set for the company. In April 2002, CVRF invited its board and village administrators to participate in a formal information and planning session, and invited the village administrators to observe a Coastal Villages board meeting.
- Nearly 800 western Alaska residents were employed through Coastal Villages' employment office during 2001. This is an increase of 300 people over the number employed two years ago.
- CVRF has a twenty-member board that is very active in the affairs of the company and affiliated companies. This includes one resident from each of the member communities.

- CVRF has hired community liaisons to provide information and carry out programs in their communities.
- CVRF developed its herring price-incentive program in conjunction with the existing herring fishermen's associations in the region.

CVRF believes that it has an exemplary record of involving region residents in the various programs supported by the CDQ programs.

L. OTHER

The past two years have seen a remarkable improvement in the state of affairs at CVRF. At the beginning of the current allocation period, it was inconceivable that CVRF would control more of the Bering Sea pollock resource than any other CDQ group while at the same time receiving back all of its initial investment. At the time of the last CDP submission, CVRF was not invested in the Pacific cod fishery; CVRF now has ownership interest in six vessels. Over the last two years, CVRF said it would purchase all of the harvestable salmon in Kuskokwim Bay, process it, and get it to market, and for the past two years it has done so. At the beginning of the allocation period, rumors were going around that communities wanted to leave CVRF and now those rumors have vanished, with communities expressing wishes to be involved in CVRF's programs.

This list of accomplishments does not do justice to the situation at CVRF. It cannot describe the sense of purpose that is felt by the board, management, and staff. This CDP describes a plan to grow in the Bering Sea fisheries, in the in-region fisheries, and in the people of the region. What are not included in this document are the other opportunities for growth – in non-fisheries related projects. Those will be described later as the regulations are changed to allow for expansion of the CDQ groups' mission. Suffice it to say that CVRF always has seen itself as being a major influence in the future of its communities. Everything that it does and everything that is described in this CDP are intended to do just that.