

STATE OF ALASKA DEPARTMENT OF COMMERCE

COMMUNITY AND ECONOMIC DEVELOPMENT

PUBLIC HEARING

Anchorage, Alaska

In Re: )  
 )  
2006 - 2008 Community )  
Development Plan -- CVRF )  
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TRANSCRIPT OF PROCEEDINGS

COASTAL VILLAGES REGION FUND

Anchorage, Alaska  
Legislative Information Office  
716 West Fourth Avenue,  
Suite 550  
Anchorage, Alaska 99501  
December 16, 2004  
1:00 p.m.

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P R O C E E D I N G S

(On record)

MR. CLOUGH: (Indiscernible - interference)

from Coastal Villages for being here this afternoon. My name is Al Clough. I'm the deputy commissioner for the Department. Commissioner Blatchford will be joining us, hopefully, pretty quick. He had another obligation through the lunch hour and he'll be coming along as soon as that's wrapped up. Fairly -- we're structured but we're all friends here so we're kind of go from that. Essentially, what is scheduled here is an hour for a formal presentation from Coastal Villages to the CDQ team. Following that, the team has an hour set aside for a specific set of questions to the CDQ group that we'd like to discuss and move through those and then following that discourse, we have an hour set aside for an executive session under certain parameters that the attorneys will bring up and discuss as we get closer to that. We've asked Greg Cashen as the CDQ manager to kind of be the moderator today and I think it might be just -- since we're right on time, instructive. The state will -- we'll introduce ourselves to the Coastal Villages here and if we could get the CDQ group to at least introduce the officers and board members or anybody else you deem pertinent to the whole group. I would ask people that

when they are speaking on the record, please make sure you have access to a microphone and if you could state your name for the record prior to starting and also spell it for the clerk who's trying to record all these deliberations. As I said, my name is Al Clough. I'm the deputy commissioner for the Department. Greg?

MR. CASHEN: I'm Greg Cashen, the CDQ program manager with Alaska Department of Commerce.

MR. WINEGAR: I'm Greg Winegar, director of the Division of Investments in the Department of Commerce.

MR. JONES: Larry Jones, CDQ specialist, Department of Commerce.

MR. KRYGIER: I'm Earl Krygier, extended jurisdiction with the State of Alaska, Department of Fish and Game.

MS. LEAMER: Lola Leamer, internal auditor for the CDQ program office.

MR. DAVIS: I'm Mark Davis. I'm the director of banking, securities and corporations.

UNIDENTIFIED MALE SPEAKER: Okay, Howard.

MR. AMOS: I'm Howard (indiscernible - interference) and I'm the chairman of the Coastal Villages board of directors and I'd like to introduce Mr. David Bill

before we start just so that -- I can't hear myself.

UNIDENTIFIED MALE SPEAKER: That's okay.

MR. CLOUGH: Need a mike, Howard, or just at least talk like a mike.

UNIDENTIFIED MALE SPEAKER: Talk  
(indiscernible).

MR. AMOS: I'd like to introduce Mr. David Bill from Toksook Bay to say a short prayer before we get started. David, would everybody stand, please?

(Invocation by Mr. Bill in Yupik)

MR. CASHEN: Thank you, Mr. Bill. Mr. Crow?

MR. CROW: Good afternoon. My name is Morgen Crow. I'm the executive director of Coastal Villages Region Fund. I'd first like to thank the State of Alaska for the opportunity to present what I feel is a very exciting and successful program that's had the effect of increasing opportunity and hope to all of the members that we serve. I'd like to introduce the members of our board that are present here today. Our president, Howard Amos, of Mekoryuk is here; vice president, Oscar Oscar Evon of Kwigillingok; treasurer, Wassilie Bavilla of Quinhagak; executive committee member, David Bill, Senior, of Toksook Bay; executive committee member, Eric Olson, Senior, of Hooper Bay. Not able to be

present with us today are our treasury -- secretary, Tim Samson of Kipnuk and executive committee member, George Smith, of Scammon Bay. They were here two weeks ago for the original scheduled hearings but their schedules did not allow for them to be present at this rescheduled hearing.

I'd like to introduce also my executive staff and fellow presenters, Robert Williams, our director of business development; Matt Tisher, director of finance; Angela Pinsonneault, director of fiscal services; Rudy Tsukada, business development specialist; Neil Rodriguez, business development specialist. Also present are members of the CVRF staff who can stand up.

All of us are here to serve one purpose and one purpose only and that's to provide opportunity and hope through fisheries-related development to the 20 communities that we are proud to serve. The CDQ program has had a tremendous impact on our region. The region we serve is the Kuskokwim River and delta area with our northernmost community of Scammon Bay south to Platinum, Mekoryuk in the west and up the Kuskokwim River to Oscarville and Napaskiak.

Hooper Bay is our most populated community with over 1,100 people and Platinum is our smallest community with 39 residents. To lend perspective to Coastal Villages compared

to other CDQ groups, just one of our communities, Hooper Bay, has more people than APIDCA and Central Bering Sea combined. Our communities are based on a subsistence economy. Infrastructure is sparse. There are no paved roads. In many communities road is a simple little boardwalk barely wide enough for a four-wheeler. What are deemed as basic essentials in an urban settings such as a flush toilet are luxuries in our region. According to the 2000 census, 80 percent of our residents lack full plumbing.

With limited marketable natural resources, economic development would appear to be Mission Impossible. We have no known oil and gas deposits in our region, as can be seen here on this graph. You can see our region there. Thank you. Mineral resources are also scarce as you can see from this slide. Timber resources are unavailable. Even the one resource we have, fish, has fallen on difficult times. This graph shows that our region, the red area represents salmon and the yellow area herring. These two fisheries are likely the two in-shore fisheries that have sustained the greatest decrease in value over the past decade. Today there is hope. CDQ provides what our region has never had, a renewal resource that we can build on.

The CDQ program has provided a renewed sense of hope

to region residents with hundreds of jobs and opportunities provided since the inception of the program. With a focus on fisheries-related development, we have resurrected the dying salmon, halibut and herring fisheries in our region. Without the CDQ program, it is likely that these fisheries would not currently exist. Our short-term goal of providing immediate economic relief has been successful. Our focus now is to make these fisheries sustainable by increasing the value of the fish and decreasing the costs associated with accessing the fisheries, processing the raw material and delivering the products to market. Today we are here to respectfully ask the state allocation team to consider raising our allocation of the species awarded under the CDQ program. While we have been successful in providing our region with fisheries-related development, there is still much work that needs to be done in order to create a fisheries-based economy that will be sustained without the assistance of the quota distributed to the groups. We take nothing for granted. We must continue to work hard to provide both immediate economic relief and long-term fisheries infrastructure development as well as make prudent investments in the Bering Sea/Aleutian Island fisheries to diversify our financial base for the future. The needs of our region are so great that we cannot fund them

through CDQ royalties alone.

Population and economic need are two of the primary factors that are considered during the allocation process. The people living in CVRF communities represent the highest population in the CDQ program at 32 percent. The CDQ program is tasked with creating an in-region fisheries-related economy. The CVRF region has the highest number of resident permit holders for both halibut and herring. We're second only to the mature salmon fishery in Bristol Bay for the number of resident salmon permit holders. Of the total permits held by CDQ residents, CVRF region residents hold 35 percent of all local fishery permits. An indicator of both population and economic need is the number of individuals living in poverty throughout the CDQ program. As this graph illustrates, all of the individuals within the CDQ program living in poverty, our region, accounts for 35 percent of the total. A more recent confirmation of the tremendous needs of our region can be found in the Denali Commission's determination of a distressed community. This designation was developed by the Commission in an effort to ensure that federal funding is distributed to communities with the most need. Over half of the total number of individuals living in a distressed CDQ community live in our region. As you can

see, despite the tremendous progress we have made over this past several years, there is still a great deal that must be accomplished before we can confidently say that we have developed a sustainable fisheries-related economy in the 20-member communities that we serve.

The allocation process must be a difficult decision for the state's CDQ team. However, we believe that you will make every effort to make these allocations fair, equitable and defensible for the benefit of all 65 communities currently in the program. The CDQ is a public resource that must be maximized for the benefit of the people it was designed to assist. While we continue in our efforts to diversify our revenue source, royalties from the CDQ allocations are still our single largest source of revenue. Without the allocations, we cannot accomplish our two main goals. One, we could not continue to deliver benefits and programs at our current as our growing population and inflation require more and more funds every year and, secondly, we would not be able to tackle more costly and larger-scale infrastructure projects to bring our communities to the eventual goal of sustainable fisheries economies. All of the CDQ groups including CVRF dedicate a portion of their revenues to development efforts and a portion of it to investments. In order for the program

to get the maximum benefit, the resources must be allocated to areas where it is most needed. Even though one hundred percent of the revenues we generate every year at Coastal Villages could immediately go to the desperate -- desperately-needed programs and infrastructure in our region, our board has dictated that we must invest into the Bering Sea fisheries not only to diversify our income base and, therefore, reduce our reliance on the government's generosity but it is the only way that we can insure increased funding for future development. The benefit of the program must show both short-term and long-term benefits.

Today we stand before you respectfully requesting a minimum allocation of 27 percent for pollock. This is not merely a restoration of the quota that we had but it is a realistic increase to move us closer to what we believe to be a fair, equitable and defensible allocation based on population, economic need and performance. Using the same logical and defensible criteria and of population economic need and performance, we are requesting a minimum allocation of 20 percent for all other species harvested by a mature developed fleet. However, for those species that can be used to directly benefit the regions of -- residents of a CDQ group, we have adjusted our request. We ask that we maintain

our current 70 percent allocation of area 4-E halibut and that we receive no allocation for Norton Sound red king crab, red and blue Pribilof king crab and area 4-C halibut.

Again, I would like to reiterate that based on the goals and purpose of the CDQ program, the 2006, 2008 allocation should be based on the defensible criteria of population, economic need and performance. On all three points, CVRF has the highest score. We believe and can substantiate that our 27 percent request is fully justified.

MR. RODRIGUEZ: Thank you, Morgen. My name is Neil Rodriguez and I'm a business development specialist at CVRF and I'll be presenting on some socio-economic indicators. According to the State of Alaska Department of Revenue's most recent count of 2004 Permanent Fund Dividend applications, CVRF has the highest population of the six CDQ groups. Other groups will likely utilize census data but we feel this census data has some issues in terms of accuracy in rural Alaska and, as you can see in these slides, both YDFDA and CVRF census counts reveal a strong indication of an under-count as is often the case in smaller, more remote communities and when we compare this census with PDF numbers, it is clear that the census data reveals an overstated population for communities that have a large non-resident transient population. This is

why we feel the figures from the Department of Revenue are more accurate in our region.

This graph illustrates the large discrepancy between population base and pollock allocation. It is hard to imagine how anyone can believe this is an equitable distribution if population has any merit as an allocation factor. In past allocation hearings, we've been told that since we've already had the highest allocation, we should not ask for more. While it is true that we are currently allocated the most quota on a percentage basis, this does not take into account the population of our community. We believe that we represent a unified group of communities that want to take advantage of economies of scale in order to maximize the impact. This has proven to be quite beneficial when investments are made. However, in the area of allocation, the successful attempt to unify and take advantage of economies of scale appears to have backfired. We do not, in fact, get the most pollock. We actually get one of the lowest allocation of pollock relative to our population.

This inequity is further magnified if we take into consideration communities that require less financial assistance or economic need. This graph shows an example of what the current pollock allocation looks like if we compare

it to 2004 population and the Denali Commission's formula for economic need. Using the number of people currently residing in a distressed community or a community that especially needs it, the power per capita graph turns into this. The first column shows St. Paul which is not distressed and giving them any allocation blows up the graph. There are no people in that group living in a distressed community. For APIDCA, one of their six communities is distressed so this graph indicates those individuals receive 614 metric tons of pollock per person in need. Using the same formula, BBEDC receives 19 metric tons of pollock per person in need. NSEDC receives 11 metric tons of pollock per person in need and YDFDA receives 8-1/2 metric tons of pollock per person in need. Coastal Villages currently receives less than five metric tons of pollock per person in need, by far the lowest of any other CDQ group.

This inequitable allocation is not only for pollock. In fact, the inequity on a per capita basis is even greater for other multi-species allocated. This includes Pacific cod, Bristol Bay red king crab, Opilio crab and other flatfish allocations where CVRF has the lowest per capita allocation with all these species. While population should be one of the most major factors in allocation, it is only one of the three

primary factors that should be considered. As a public resource, we believe the allocation team is making every effort to maximize the impact of this limited valuable resource. Therefore, we believe that economic need should be another primary factor when the resource is allocated to the various CDQ groups. In order to maximize the impact, the resource must be allocated in areas where it is most -- needed most.

One indication of economic need is the lack of job opportunities in a region. We have already shown that our region has very limited natural resources. While there may be other factors for low labor force participation rates, this is often used by economists to show the lack of opportunities in a particular area. The CVRF region has the highest percentage of eligible labor force participants who are not in the labor force and perhaps the greatest indicator of economic need is the suicide rates that we feel are a dark indicator of the lack of hope felt by region's residents. This is especially true in the younger population. The overall suicide rates in the Bethel/Wade Hampton region are 126 percent higher than the state average and 353 percent higher than the national rate. Astonishingly, the teen rates for suicide are significantly worse. The teen suicide rate for our region is 310 percent

higher than the state and 1,848 percent higher than the national average. It is not a stretch to say the need for economic development in our region is not a simple matter of increasing the quality of life and income but, more importantly, it may be a matter of life or death for many of our region residents.

A variety of economic indicators show a tremendous need for development in our region. These include poverty rates, income and a dependency on public assistance. According to the numbers compiled by the 2000 census, CVRF communities had the highest poverty rates of any CDQ group. When combined with the highest population base, we have by far the greatest number of individuals living in poverty.

Another indicator of economic need is the income level. It is the income level of our residents relative to the other communities in the CDQ groups. As you can see from this graph, CVRF represents the greatest number by far of communities with an average per capita income of less than \$10,000 per year. Nineteen of our 20 communities fall into this category. At the individual level, CVRF region residents, along with YDFDA residents have significantly lower average per capita income relative to the other four groups. In fact, the per capita income for CVRF and YDFDA is roughly

half that of the other groups. As a result of the low income levels, it is no surprise to see that CVRF region has the highest percentage of households on public assistance. We believe that every additional percentage of allocation made to CVRF will result in further economic growth that will lessen the burden on public assistance. By allocating more resources to CVRF region, a maximum amount of state and federal dollars could be saved.

What we are trying to do is to compare 20 communities to the other 45 communities participating in a CDQ program and how we fit into the program compared to others in terms of population and economic need. We took all 65 communities and used government data to come up with this. In terms of population, of the 65 eligible CDQ communities, our 20 villages have 32 percent of the CDQ population, 35 percent of the commercial fishery permit holders and in term of economic need, of the 65 eligible communities, our 20 villages have 36 percent of CDQ individuals living in poverty, 38 percent of the unemployment workforce and 40 percent of CDQ households are public assistance. The best indicator that we could find, the one that measures both population and economic need comes from the Denali Commission. The Denali Commission has spent considerable time and effort in its start-up phase

to make their activities bulletproof. They're building a program whose projects are desperately needed and their need to be bulletproof comes from their desire to build a solid program worthy and deserving of continued funding. They are tasked with building infrastructure crucial for Alaskans to help our young state catch up with the rest of the world. In an effort to ensure that federal funding provided by the Denali Commission is being distributed to communities with the most need compared to the other areas of Alaska, the Commission adopted a distressed community criteria as part of its code. These criteria take into account the best measures of economic need available, per capita income, poverty rate and unemployment rate and are used by the Commission to determine who needs more help. Of the 65 communities in the CDQ program, 38 are distressed, according to the Commission. For CVRF, 19 of our 20 communities have been deemed distressed. In terms of CDQ population living in economic need, our 20 villages have 52 percent of the people living in distressed communities. If I can, I'd like to turn it over to Rudy Tsukada.

MR. TSUKADA: Thank you, Neil. My name is Rudy Tsukada, T-s-u-k-a-d-a. I'm the business development specialist for Coastal Villages Region Fund and now I'd like

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to talk to you about -- Neil talked about some of the social and economic needs. I'd like to cover a little bit about the infrastructure needs in our area.

As you can see, the CVRF region has tremendous economic needs. The CDQ program has taken large steps to improve the hope and opportunities in our region. However, with the late contact our region had with the capitalistic economy and the very limited natural resources available, infrastructure development in our region has lagged far behind many of the other areas in western Alaska. The need to develop infrastructure is tremendous. All of the transportation and utility infrastructure in our region is based on a subsistence lifestyle level. This is a tremendous hindrance on both economic development and the quality of life in our region. An example of this transportation infrastructure efficiency can be found in both air and sea transportation, the only two methods of reaching all 20 communities. This graph plots a runway length for communities with an airport within the CDQ groups. It clearly shows that the communities in the CVRF region generally have shorter runway lanes than those of the other CDQ groups but perhaps the most important fact this graph represents is the fact that CVRF communities at this current time do not have a single

runway in excess of 4,000 feet. This is important to note because this is the minimum length of runway where a plane larger than a Cessna 207 or CASA can land. This means that in all six of our halibut plants and our salmon facility, we must fly out fish in increments of 5,000 gross pounds or less. This adds significant costs of flying fish out of our region as well as air freighting supplies in. As you can see here, all of the other groups have access to a runway of over 4,000 feet in which a larger plane such as a DC-6 with a maximum payload of 30,000 pounds can safely land.

The lack of transportation infrastructure is even more glaring when we examine the dock and harbor infrastructure in our region. These are examples of harbors and docks in western Alaska. As you can see, many of the communities in western Alaska have excellent examples of docks and harbors, many pre-dating prior to the CDQ program. For example, St. Paul, St. George, Nome, Naknek. Our best example of a harbor can be found in Mekoryuk, this picture here where the breakwater protects not a harbor but dry land for over half the day. Toksook Bay, our number two halibut producing community, has no dock or harbor infrastructure. It is important to note, however, that we do have plans to develop deep water regional facility and these two communities have

been identified as potential locations. The best example of a dock we have in our 20 communities is in Quinhagak. We land nearly two million pounds of salmon every year at this sea wall but this sea wall, in fact, is located in a shallow eddy of the Kanektok River. The depth of the water at low tide is less than two feet if there's any water at all. Combine this with the fact that our region has only a single large high tide per day and you can imagine the difficult logistics that we must deal with.

All the utilities in our region are based, once again, on a subsistence lifestyle. A good example of the electrical infrastructure is in Quinhagak, home to our salmon processing facility. Before the freezers can be turned on, we must send an employee down to the City generation system to insure that both generators are running at full capacity. Even then when we turn on our tunnel freezers, it creates a moment of brown-out in the community as the freezers power up. This is not good at all for the electrical and computer equipment that is on the power grid. It is not only the capacity but it's also the cost of this infrastructure and electricity that's a major issue. According to the Alaska Energy Authority data, CVR member communities pay the highest electrical costs of any CDQ region. Not only is this a

hindrance to economic development but it's also a tremendous hindrance on disposable income and, therefore, progress. It tremendously increases the cost of our salmon processing facility and freezing operations.

Water infrastructure is also a major impediment to economic development in our region. There is just simply not enough clean water supply in most of our communities to process fish. Our region has the highest number of households that lack full plumbing facilities. If our homes don't have proper plumbing facilities, it is unrealistic to think that there is proper water infrastructure for a large-scale fish processing facility and commercial-sized ice machines in many of our member communities.

The high cost of fuel combined with the lack of fuel is another area that must be addressed. According to data provided to us once again by the Alaska Energy Authority, CVRF communities have the lowest fuel storage capacity per capita of any of the CDQ groups. A good example of how this is an issue can be found in Toksook Bay, one of our most prolific halibut producers. After we successfully propped up the ailing halibut fishery, the residents earned more income leading to more participation in the fishery. Unfortunately, our success meant that with increasing disposable income, more

fuel is consumed to the point where Toksook Bay during the cold dark winters ran out of fuel and was rationing. This rationing of fuel was not limited to just Toksook Bay in our region. That's a brief overview of our infrastructure needs in the region and now I'd like to turn the mike back over to Morgen.

MR. RODRIGUEZ: We believe that population and economic need are two of the three primary factors that should be utilized in the allocation decision. As we have shown, we have the largest resident population of the six CDQ groups. The economic need of our region is great but opportunity is limited by the scarcity of natural resources. We are one hundred years behind the rest of western Alaska in terms of contact with industry that, in turn, paves the way for infrastructure development. We are trying to make up for lost time and the tremendous economic need with the smallest, not largest allocation on a per capita basis. The third major factor we believe that should be considered when alloc -- when making allocation decision is the performance of the company. It is no secret that CVRF's predecessor, Coastal Villages Fishing Cooperative, had some major performance deficiencies. In hindsight, the reduction of quota that our communities suffered was a positive impetus to awaken our leaders and

refocus the company on the tasks at hand. We are proud to report to you that we have not only recovered but we are now performing at levels exceeding anyone's expectation. We believe that our ownership now exceeds that of any other CDQ group in the pollock, Pacific cod, crab and flat fish sectors. Across the board, we receive what we believe to be some of the highest royalty rates of any of the CDQ groups.

While we have made significant investments into the Bering Sea Fisheries, we have not forgotten our purpose. We have built processing capacity, increased harvest capacity and created hundreds of opportunities for region residents to work at real jobs. We plan to continue to build in-region fisheries-related infrastructure. We understand why our allocation was cut. Bad performance should be punished but if bad performance is punished, then it should follow that excellent performance should be rewarded and I'd like to ask Matt Tisher, our director of finance, to present information related to our financial performance.

MR. TISHER: Hi, I'm Matt Tisher, director of finance for Coastal Villages Region Fund, Tisher, T-i-s-h-e-r. The majority of my presentation will be presented at the private hearing. However, I'll provide some information right now. As you can see, in 1998, we were invested in two vessels

in the Bering Sea. Now in 2004, we currently are owning into 25 vessels. These vessels provide over 1,500 job opportunities.

We have the largest pollock fleet of any other CDQ group. We own 35.13 percent in American Seafoods. We are the largest owner in American Seafoods. We own into seven catcher processors, the AMERICAN TRIUMPH, the NORTHERN HAWK, KDN, the NORTHERN EAGLE, the AMERICAN DYNASTY, the OCEAN ROVER and the NORTHERN YEAGER. We also have the largest pea cod fleet of any other CDQ group. We own into six fleet long liners, the BERING PROWLER, the OCEAN PROWLER, the NORTH CAPE and the LILY ANN. I don't have pictures for the PROWLER or DEEP PACIFIC.

We also have the largest crab fleet of any other CDQ groups. We own into eight crab vessels, five catcher vessel boats and three catcher processors. The BLUE DUTCH is a catcher -- crab catcher processor. ALASKA ENTERPRISE is a crab catcher processor. The KAREN LYNN is a catcher boat -- crab catcher boat. The SULTAN, the BLUE ALEUTIAN, the TEMPEST and the SILVER SPRAY are all crab catcher boats. Now pictured is the catcher processor, the PADWA.

Another aspect of performance is royalty revenue. What have we done with the allocation that we have received? This line here, a hundred percent, this is the average of the

other five CDQ groups so you can see that we have higher royalty rates than the CDQ average at all of the five major species; pollock, pea cod, king crab and Opilio.

Another aspect of performance is the amount of financial benefit we can provide directly to our communities. In 2003, we pumped in \$11.2 million of financial benefit to our communities. 2.7 million was from our in-shore and near-shore program. This is our CDS plants or salmon and halibut projects. Other programs generate 2.6 million, our 4-SITE programs and our outreach programs and our community liaisons, our CPM's and other programs. Our in-region infrastructure pumped in about 2.2 million, our fishery support centers, our halibut plants and our upgrades to our salmon processing facilities. We pumped in \$2 million from unemployment opportunities, our CDS jobs for our halibut plants and for our salmon facilities, our offshore opportunities as well and American Seafoods and our crab vessels and our pea cod vessels.

Payments to fishermen in '03 was about 900,000. This is for our halibut and herring and salmon fishermen. Also fishermen loans and scholarships contribute to about 500,000. We have over 44 million in measurable direct financial benefit into our communities since 2000 and that's

all my presentation for now. I'll give more over in the private hearing. I'd like to turn the presentation over to Neil Rodriguez to talk about the outreach program.

MR. RODRIGUEZ: Thank you, Matt. One of the most basic fundamentals of program development is to insure programs reach the people. We place heavy emphasis on outreach. Every three years, we undertake an extensive outreach process known as *Ciunnerkam Tangruaritii* or in the village, a CT process, and this process includes extensive surveys and community meetings that strive to directly reach every region resident for input into our CDP. For the 2006 to 2008 allocation cycle, community meetings were held in every one of our member communities, surveys were distributed and our staff received excellent input on the needs and desires of the community. There was also an excellent opportunity for us to present our programs directly to region residents. On a daily basis, our board could be considered our most valuable asset. Our board is not merely a group of people that get together once per quarter but are active on a daily basis to promote CVRF to our residents. Our board is tasked to attend local council and city meetings to report on the activity of the company. They are entrusted by the community to answer questions and to act as a conduit of information.

Our community liaisons known as CL's who are supervised by our community program managers known as CPM's handle the daily administrative tasks in-region. These in-region positions are available in all 20 communities that we serve. The CL's and CPM's are tasked with the community outreach, employment recruiting and delivery of CVRF programs. Another vital component to our outreach program is the extensive travel -- extensive in-region travel of our staff based in our corporate offices in Anchorage. Our staff takes a proactive role in insuring that they are -- they fully understand the situation in the region. Without spending time in the communities we serve, there is no way to fully understand the tremendous differences between village life and life in an urban setting.

The human interaction that we so value in our outreach program is supplemented by extensive outreach that we conduct through a wide variety of materials. The outreach materials includes a quarterly newsletter, an annual report, direct mailings, a website, radio and television advertising and other materials. I would like to now introduce Howard Amos to discuss our current and planned activities in our 4-SITE program.

MR. AMOS: Thank you, Neil. My name is Howard

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Amos. I'm the president of Coastal Village and I reside in the community of Mekoryuk on Nunavak Island. I would like to thank you, Edgar -- is he here -- and the CDQ team for your time today. Our 4-SITE program which stands for scholarships, internships, training and employment was established in 1995. The goal of this program is to improve the social conditions of the Coastal Village Region by creating human resource programs that provide entry level employment and advanced with the idea we would self-sufficient over time including a wide range of training programs, scholarships, internships and apprenticeships. Since the idea was conceived, the program has expanded and improved to provide an integrated network of activities and services that support the goal of our CPP.

We sponsor both the Louis Bunyan Memorial Scholarship and Joseph V. Paniyak Memorial Scholarship. The Louis Bunyan Memorial Scholarship has been directly administered by our office since its inception in 1993. The Joseph V. Paniyak Memorial Scholarship has been sponsored by Coastal Villages and the University of Alaska Foundation since 1999 and primarily focuses on rural and community programs administered by the University of Alaska Fairbanks. In addition, we assist students in attending vocational schools, flight schools and universities such as UAA. Successful

scholarship recipients are often given the opportunity for internships and/or full-time positions with CVRF, affiliates and partners.

Our training program offers tailored instruction and hands-on experience to region residents. These assists folks on developing the skills necessary for employment in the fishing industry, fostering an understanding of the general requirements of the workplace and preparing people for entering the workplace. The goal is that by giving participants some basic tools before they are thrown into a real work environment, the participants will have a better understanding of what they can expect and what will be expected of them. This gives them the necessary tools to succeed in a job and help them to determine whether or not they are interested in work in that type of industry.

The end goal of our program is to insure all our residents have access to sustainable employment opportunities. In 2003, we provided employment for 362 region residents. Any residents can choose from a wide variety of employment opportunities. These include the following examples: our flagship program, Coastal Villages Seafoods, employed 339 people in 2004. We currently operate six dedicated halibut processing facilities in Hooper Bay, Mekoryuk, Toksook Bay,

Tununak, Kipnuk and Chefornak. We also deployed a mobile halibut buying station off the south shore of Nunivak Island which is my home. Our salmon processing facility in Quinhagak also processes a limited amount of halibut in addition to nearly two million pounds of salmon. Later in this presentation, we will give you a more detailed tour of our CVS operations.

In 2004, we supported 549 in-shore fishermen in herring, halibut and salmon. If it were not for the CDQ program, our local fishermen would not have a place to sell their catch. Not only do we provide a market for the fishermen but we support them through a variety of assistance programs. These programs include a revolving loan fund that provides funding for fishermen to purchase boats, engines and fishing gear. We also provide small fishermen advances to be used at the beginning of the season to fund minor equipment and repair costs. In addition, we provide fishery-related training such as long-line and marine safety training. The opportunities that are provided through our offshore fleet offer a wide variety of choices to people interested in working the Bering Sea fishery. Many of our current offshore candidate are returning crew members with several having been offered promotions. Our expanded investment of various sector

of BSAI are also allowing residents more flexibility in choosing time of year, length of trip and size of crew. In 2004, we purchased 135-foot landing craft that will tender fish and move freight for our fish processing company, Coastal Villages Seafood. We also received a \$2 million EDA grant to partially fund a high-speed catamaran to support our in-shore fisheries business. There will be employment opportunities available in both of these projects. In fact, we have already employed a region resident on our landing craft, Paul Jacob from Quinhagak. Paul accepted an opportunity for a once-in-a-lifetime experience above the KELLY MAE. He flew to Florida where the vessel was purchased, spent several months in Florida assisting the retrofit while surviving three major hurricanes that battered Florida in 2004. He then was hired as the first mate and helped bring the landing craft through the Panama Canal to Seattle where the vessel is currently moored.

In 2004, we completed a fisheries support center building Scammon Bay and broke ground for a second facility in Eek. We plan to construct additional facilities in the near future. These support centers offer employment opportunities in the fishery support businesses in a variety of ways. For example, in Scammon Bay, the center houses a CVRF employee who

repairs outboard engines. This saves the residents of Scammon Bay the cost of air-freighting an outboard to Bethel for repair while at the same time providing employment for a local mechanic. An independent aluminum welder who rents the facility from us also uses the center to repair aluminum skiffs. The facility also houses a locally-owned store that sells oil and boat supplies.

We currently employ two program managers, eight community liaisons and an executive coordinator in our in-region offices. We also have various seasonal positions such as herring coordinators and recruiting assistants. Among our Anchorage-based staff, there are three certified public accountants, two MBA's and 12 bachelor's degrees as well as assorted associate degrees, certificates and other post-secondary and post-graduate education. Furthermore, we have over 300 years of relevant work experience in the Anchorage office alone. Most importantly, over 20 of our staff members have commercial or subsistence fishing experience and over half of our staff grew up in the CVRF region or neighboring communities.

We also provide internship opportunities for region residents in our corporate offices to expose them to inner workings of their organization. We also have a working

relationship with several other in-region entities that provide opportunities for our region residents. Our community liaisons are working with the University of Alaska's cooperative extension service to provide cost of living information for our region. In partnership with the U. S. Fish and Wildlife Service, we placed an intern on the Goodnews River to assist in salmon research being conducted in that drainage. We also -- we are also evaluating various proposals with the State of Alaska's Department of Fish and Game to provide opportunities for region residents and funding to enhance the research being conducted in our region.

As we build and upgrade our fisheries infrastructure, we create a opportunity to employ region residents through high-paying construction jobs. Over the past two years, we have had region residents working on a construction of four new halibut plants, two fisheries support centers and upgrades at our salmon and halibut plants. As you can see, we have been busy providing opportunities for our region residents to receive education and training. We have also created hundreds of job opportunities to insure that employment is available after they complete their education and training.

Now I would like to turn this over to Rudy to

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discuss fisheries development program.

MR. TSUKADA: Thank you, Howard. Now I'd like to discuss a little bit about our fisheries development program, really, the core of what CVRF does. Our flagship fisheries development program is Coastal Villages Seafoods. CVS in 2004 provided 339 jobs and supported 549 fishermen. Without CVS, there would be no buyer for the herring, halibut and most of the salmon and cod in our region. This program is still in the developmental stage. We still subsidize the operation with the money we earn from a Bering Sea fleet and quota allocation. It is important to note, however, that we are fully undertaking this program with the goal of making the fishery economically sustainable. Unlike other examples we might have heard from other groups, profit is not the primary motive. In fact, our primary goal is to raise ex-vessel values and to pay higher wages to our in-region processors. Given the magnitude of our current losses, one might ask if this fishery will ever be able to sustain itself. We believe in the long term, the answer is yes.

Perhaps the strongest argument that can be made for the sustainability of our in-shore fishery program can be found by simply looking at the projected world population growth. This growth in population will not only increase the

demand for high quality protein but we believe the supply of protein will also decline when arable lands are converted at a faster rate due to urban sprawl and as higher pressures are placed on the world's fisheries.

We have also benefitted from the positive PR of eating wild, natural seafood. We are taking advantage of the increase in popularity of wild salmon as the preferred salmon of high-end restaurants and grocery chains. A recent State Department of Environmental Conservation report highlighted the Kuskokwim drainage as supplying salmon with some of the lowest levels of contaminants. We believe it is very important that we maintain and improve upon the fishery knowledge, infrastructure and research at both the private and public levels to ensure that we will be fully operational when the economics improve.

Herring is the first fishery of the year in our region. CVS was involved in four herring district, Goodnews Bay, Nelson Island, Cape Avinof and Cape Romanzof. In 2004, we contracted with Norquest to purchase and process herring in those districts. Because of our quality improvement incentive plan that rewards fishermen with higher prices for high-quality herring for less than the cost of wages and benefits for a single average employee, we were able to sustain this

fishery and provide markets for 80 fishermen plus their crews in 2004.

Over the past several years, we have had a difficult time harvesting a 4-E halibut allocation in its entirety. Normally, we would agree that this would justify a reduction of quota. However, we feel that this situation is different. Unlike other groups who stated in their first public hearing that CDQ halibut supplements their income from other species such as salmon and crab, in our fishery, we have virtually no overlap between the halibut and the salmon fisheries. The halibut fishery for virtually all of our halibut fishermen is the primary source of fisheries income. To make every attempt to maximize this resource, we have built four new halibut processing facilities over the past two years. We now operate a total of seven facilities that process halibut. We also have succeeded in new and innovative methods to increasing the harvest utilizing the small skiff fleet that our residents use. The solution to this harvesting problem is much more difficult than it would appear at first glance. We have a variety of programs and the financial strength to simply go out and buy larger vessels such as the surplus Bristol Bay boats. This would allow the fleet to head to more distant and productive waters and catch the entire quota. However, it

would greatly reduce the number of participants in this fishery as the entire quota could be harvested with as little as three to five of these larger vessels. This would reduce the number of potential participants from the current 261 permit holders to as low as 10 or 15 fishermen and their crew. In addition, there's the question of infrastructure. Where would these large boats be moored? How would they be offloaded? As a limited number of boats would likely not all be based out of one location, is it even economically feasible to build such infrastructure based solely on a single vessel? We have invested heavily and have been creative when faced with difficult situation. There's talk that the entire area 4 quota may be reduced over the next several years. To receive a cut on top of that to our CDQ allocation for 4-E could deprive the primary income source for hundreds of our region residents. It is reasonable to think that there may be some quota unutilized as we are still in the process of optimizing our situation. However, we have a policy in place that provides for disposition of unused quota through cooperation with the other CDQ groups.

The small orange building, the brownish building you see on the right is the old halibut plant in Mekoryuk. The new halibut plant was completed and operational in 2004. It

is a 40 by 40-foot facility that employs up to 50 processors per day -- 15, I'm sorry. The boats you see here are typical of our halibut fleet. These boats range in size from 16 to 28 feet. Many are open skiffs such as this. It's very dangerous when you consider that these fishermen often travel 20 miles out into the Bering Sea to fish. While many of our top fishermen utilize long lines, a large portion of our fleet still utilizes rod and reels to harvest their commercial catch. This is Lindgren Matthlaw, one of our tie liners for halibut. He has one of the better-equipped vessels in our halibut fleet and goes out alone. You can see how difficult it is for Lindgren to land his vessel to offload fish as he must pull his way into the shore since the waters are too shallow to land under power.

The next shot you see here is how we offload our vessels. We utilize either a truck or a four-wheeler and offload the halibut by hand once the boat has been beached. You can see that this is a problem because of the slow charter on time, this boat's going anywhere until the next high tide. Once again, a picture of a break wall that's protecting not really a harbor, not much of one at any rate, but dry land for all the low tide periods but having said all of these deficiencies, we are very proud of our new halibut facilities

and the employment they generate. We have built four plants just like this over the past two years. Our product is shipped fresh and headed in gutted form first to Bethel, then to primary markets in Anchorage and Seattle.

One of the innovative methods we used to harvest halibut in 2004 was to set up a mobile halibut buying platform. At first glance, this appears to be a simple tendering project. However, it was much more complicated than that due to NMFS requirements for real time reporting. According to NMFS enforcement, this project was the first since the establishment of IFQ's and real time reporting to tender halibut. We work closely with NMFS enforcement and the State of Alaska's attorney general's office to ensure we complied with all necessary regulations. This was important to us since the first reaction by many in the industry was that tendering halibut was illegal. Utilizing a broadband Internet satellite dish and a long-range wireless Internet connection powered by batteries and solar panels, we were able to comply with all state and NMFS enforcement issues of real time reporting utilizing the system that was already currently in place. This program was quite successful and we have plans to expand it in 2005.

Our salmon program has increased dramatically over

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the past several years. In 2004, we more than doubled the number of salmon purchased in our region. Now I'd like to take you on a little video tour of our CVS Quinhagak plant. As you can see, our fish are harvested from small skiffs with crews typically from one to three people. The Quinhagak plant services three separate districts, Goodnews Bay, W-5, Quinhagak, W-4 and the Lower Kuskokwim River District, 1-D.

Because of the wide array and range of areas that we service, we typically utilize two to three tender vessels to assure high quality and timely transfer of fish to the plant. Also because many of our small skiffs just can't make the long run in. These are August cohos from 2004 off of Eek Island. Our plant is very compact but can handle roughly 150,000 pounds per day. At any given time, it can find more than 125 of our region residents working at this plant from late May with the start of the king and sockeye season to early September when the coho run ends. You can see that all of the fish are bled and iced. It's a mandatory program in Quinhagak that has tremendously improved the quality. Once the fish come inside the plant, you'll notice that we run two lines. One is automated, one is more manual and the reason is the variety of fish sizes we encounter ranging from the large king salmon to the smaller sockeye salmon. Most of our product is

headed and gutted, sent out fresh or frozen but we do do quite a bit of value added production mainly in the form of frozen, vacuum-packed pin-bone out filets.

It's interesting to note too that in our plant, 99 percent are Alaskan residents, 84 percent are region residents at our CVS operations. This is considerably higher than the residency rate in seafood processing in general.

In 2004, we began to purchase salmon at the sea wall in Bethel. This was primarily to serve our up-river communities of Napaskiak, Napakiak and Oscarville. It also gives us the option to divert the lower river fish into Bethel when the Quinhagak plant is at full capacity. While the primary purpose, once again, of this operation was to serve our member communities, deliveries were made from fishermen from eight additional communities including Bethel.

Two things must happen before the salmon fishery in our region has any hope of being sustainable. First we must increase the prices of the fish sold. Two, we must lower the cost of production and transportation to market. We have been hard at work promoting our salmon to the top end buyers. We believe our mandatory bleeding and icing program in Quinhagak has raised our quality level tremendously over the past several years. High-end grocery stores are now starting to

take note. This is an ad run by Wild Oats, a premium grocery chain. This one, I believe, was in Seattle which featured a picture of our Coastal Villages Seafood employees and a brief story about the people. You can see they're getting a premium price for the sockeye portion. We are also proud to have our product featured in the 2004 Atkins Diet catalog. Once again, the high quality of our products combined with the low level of contaminants made it the salmon of choice for Atkins Catalog and Internet web sale. Once again, they included our logo as well as a little, brief story about the Kuskokwim area. We were very happy to see that, that they chose our salmon.

But increasing the value of our product is only half the story. As we pointed out earlier in the presentation, the cost of basic utilities and transportation are tremendously expensive and a major hurdle in making near-shore fisheries economically sustainable and these are some of the projects that I'll explain that are trying to lower those costs. One of the major hurdles to making our fisheries sustainable is the high cost of transportation in our region. Lowering the cost though is tremendously difficult as the transportation infrastructure is based on a subsistence lifestyle level. We have begun to address these issues through projects such as

the Quinhagak Airport expansion. We have also been thinking outside the box to innovative new solutions. The high-speed catamaran is an excellent example. While the fresh fish market requires timely delivery of products to market, the high cost and the limited capacity of air freight make this very difficult in our region. We needed a solution that would combine the speed of air with the lower costs and higher capacity of a surface vessel. After examining a variety of options, the catamaran design appears to be a possible solution. A catamaran can deliver products from our region and the rest of western Alaska to the road system in Homer under two days in temperature-controlled environments. Typically, this is no slower than air freight, especially in our area when we must send all our product through Bethel.

A catamaran is a shallow draft vessel that can go dry and utilize existing barge landings. The video you see is of a catamaran that was built as a prototype for the Southeast Ferry System. We will be examining the different merits of purchasing the vessel versus building one possibly here in Alaska. Because this is an innovative and new project, we minimized a large portion of the risk by getting the project funded by an EDA grant. In late 2004, we received notice of award of a \$2 million grant that will cover half of the

expected \$4 million price tag.

While in the short to mid-term, we are looking at innovative solutions utilizing current infrastructure, in the longer term, we will also be examining the feasibility of building docks and harbors in our region. You can see from earlier in the presentation as well as these pictures the tremendous need for upgrade. The top picture is our barge landing in Newtok which this shape obviously jeopardizes the flow of goods -- badly needed goods into our community. The lower picture is where Scammon Bay fishermen dock their boats.

As our program grows, another way to lower costs of production is to process more volume while still maintaining the high level of quality the market requires. We have been busy upgrading the processing capacity in both our halibut and salmon operations. A further upgrade, especially in our salmon operation is in tremendous need as we have been operating at around a hundred percent in our Quinhagak operations over the past several years. We are examining the feasibility of constructing a processing facility or buying station in several of our salmon harvesting communities.

To make better use of our widely-scattered population base, we have been and will continue to upgrade processor housing. It simply is not economically feasible to

build a processing facility in each of our 20 communities. However, we -- since we serve all 20 communities, we feel it is vital that we provide employment opportunities and housing to all region residents.

Another major impediment to the sustainable fisheries is the high cost of power in our region. We are currently working together with local utility agencies to assess the feasibility of alternative energy such as wind power to lower the costs while increasing the capacity of the power generated in our region.

The final two projects that I'd like to address today once again deal with the issue of increasing the value of our products. One of the value-added seafood projects we are currently examining is producing value-added seafoods in our halibut plant in Hooper Bay. We believe this program can add more value to our seafood products for sale mainly within the region. This project will take advantage of the labor force in our most populated community, Hooper Bay. It will also extend the halibut plant's utilization time. We are currently cooperating with local entities such as the Lower Kuskokwim School District to examine the feasibility of providing fish products for the school lunch menu. This is a potential win-win situation as we increase the value of our

seafood while providing lower cost, healthy, local products for the school lunch program.

While we have dozens of other projects designated to increase the sustainability of our in-region fisheries, the last project I'd like to address today is the CVS retail outlet. This program will likely start small and work its way into a bigger project once we can prove the feasibility. The initial plan is to begin a small retail operation, perhaps at a venue such as the Anchorage's Saturday Market. The goal is to receive retail prices for at least a portion of our seafood. It will also serve as a training platform for region residents to learn aspects of business management. This project may also have the secondary benefit of providing an outlet for some of our area's arts and crafts. Now I'd like to turn the mike over to Oscar Evon, the vice president of our company.

MR. EVON: Thank you. I'm Oscar Evon from Quinhagak. (*Speaks Yupik*). Thank you for the opportunity to present my testimony. The CDQ program was started 12 years ago through the efforts of many individuals striving to create a solution to some of the problems in western Alaska. Mr. Blatchford had the reason and foresight to do what was necessary to secure the original seed money to help get the

program started. Community leaders like Wassilie Bavilla of Quinhagak, Howard Amos of Mekoryuk and David Bill, Senior, of Toksook Bay who are here with us today worked with others who have since gone -- who have since passed on to include Harold Spark, Mr. Joe Paniyak of Chevak and Louie Bunyan of Hooper Bay to give their time and voice to the council to help communicate the needs of the region. Today the CDQ program is one of the very few real opportunities for a resource-based economy in our region and we hope that state and federal allocators will maximize the benefits provided through the CDQ program by allocating on the basis of population, economic need and performance.

As has been described by this presentation, our region is plagued by poverty, minimal natural resources, virtually no infrastructure and a lack of hope. Change inevitably comes with unforeseen results. The transition of our lifestyle from a purely subsistence nomadic lifestyle to several villages brought about by the establishment of schools is no exception. A man's sense of self worth was validated by their ability to tap the resources of the land and sea and provide sustenance for their family which, in itself, was a rewarding feeling. Nothing could match the feeling of a young boy's first seal cast from the ocean. An able person's time

was productively filled trapping in the fall and early winter, wood gathering in the winter, seal hunting in the spring and drying fish in the summer, not to mention other activities. That survival was their school and college years followed by a subsistence career. The change to living in the year-round home and attending school brought with it the expectation of earning a living from their abilities learned in school. The stark reality that jobs are not really readily available to make use of their school-learned abilities and expectations hits home upon completion of school. Young people now have plenty of disposable time which with the unwelcome arrival of alcohol and drugs is filled by abuse of those and its accompanying social ills. This descends quickly to a destructive, vicious cycle and a loss of hope and self worth.

Growing up in our village, we would witness the arrival of local fishermen who participated in the then lucrative Bristol Bay salmon fishery. Just the joy of bringing home something earned was hard to miss in the provider and the family which enabled them to provide the necessary staples of life. The distinctive difference is that like in early subsistence years, they earned that money not from the public assistance system. That validates self worth and their ability to provide. Again, the collapse of the

salmon crisis has changed that. Mr. Blatchford, your work in helping to bring about the CDQ program has once again infused the much needed ray of hope. That can be seen in our fishermen landing herring, halibut and salmon in our plants. Can you imagine the feeling when you get on an airplane and one of your very own young people is flying and in command of that aircraft?

Scholarships enable our young people to once again rise above hopelessness and become positive role models to other young people. Despite the monumental costs just due to sheer distance and a lack of infrastructure, Coastal Villages Region Fund in these efforts by working within program guidelines of the CDQ program has started the momentum of building fisheries-related infrastructure. This has come about by working to overcome challenges that no one else would undertake. We continue in our endeavors within program guidelines to maximize the intent and potential of the CDQ program. We appreciate your efforts to fast-track non-fisheries related economic development projects that will further develop our economy and the ability of our fishermen to make boat loan payments. We further appreciate your ability and influence to brighten that ray of hope through equitable allocation based on population, economic need and

performance. Edgar and Greg, you have traveled to our villages and you know our needs firsthand. Thank you for your efforts in helping to make this program a success. Thank you and I will be followed by Mr. Morgen Crow.

MR. CROW: Thank you, Oscar. Since reorganizing in 1997, we have grown tremendously in many ways. Our finances are now stable. We provide employment opportunities ranging from self-employment in our in-region fisheries to careers aboard at-sea processing vessels. Our infrastructure development is taking on a new focus from immediate, short-term fixes to regional transportation infrastructure planning. Many of the short-term goals of our previous CDP have been accomplished. Hundreds of jobs have been created in region with hundreds more available on our off-shore fleet. We are a real fish company now. This summer, in-region, we purchased and processed 77,000 pounds of salmon in one day all from local resident fishermen. We are now purchasing and processing millions of pounds of salmon and halibut in areas where there are no other buyers. The fish business on the Kuskokwim Delta has been resurrected and is now a viable source of income for our region's residents, all thanks to CDQ. As we move forward with our community development plans, our shift -- our focus has shifted from

immediate relief of transitioning our communities to long-term economic base. In order to make the fisheries-based economy in our region sustainable, we must continue to increase the value of the fish we sell while decreasing production costs. Our CDP outlines an aggressive plan for infrastructure development. The costs associated with this plan require an increase in allocation to fund the projects listed. We believe that based on the population and economic needs of our member communities and our recent outstanding performance in program delivery, benefits to communities, maximum utilization of allocation and investment successes, our region is deserving of a minimum increase in CDQ pollock to our original level of 27 percent. Furthermore, in all fisheries not harvested by residents of the CDQ communities, we believe our allocation should be increased to a minimum of 27 percent. That concludes our public testimony.

MR. CASHEN: Thank you, Morgen, Howard, Rudy, Neil, Matt and Oscar. It was an excellent presentation. It's evident a considerable amount of work went into that and the team appreciates that. I think I can speak on behalf of the team. I'd like to take a five-minute break at this time and go off record and then we'll reconvene and the state will have -- actually, we'll be open for public comment and then the

state will have an hour to ask the board just some questions so thank you. We could go off record.

(Off record)

(On record)

MR. BLATCHFORD: We're now on the record and I'd like to thank.....

THE REPORTER: I'm sorry.

MR. CASHEN: Okay. We're back on the record and we'd like to take any public testimony at this time from anybody in the audience or on line. Is there anyone who would like to make any public comments? Ma'am, in the back, could you come up to the mike, please?

MS. AMOS: Where is a mike?

MR. CASHEN: And if you could -- ma'am, if you could state your name for the record?

MS. AMOS: I'm Muriel Amos, A-m-o-s. I'm from the village of Mekoryuk. I'd just like to make one comment regarding employment in our village. When -- I'm Howard Amos's wife. When Howard and I were -- first got married, we moved to Mekoryuk. We absolutely did not have no jobs and living in a village was oh, very difficult and today, I'm very pleased to see Coastal Villages involved in establishing employment in our villages and now we see people in our

community that have employment that would -- otherwise would not have been employed so that's one comment I'd like to make.

MR. CASHEN: Thank you, Ms. Amos. Is there anyone else who'd like to make public comment at this time? If there's no further public comment, we'll.....

MR. DAVIS: We have to -- this is Mr. Davis, for the record. We have to clarify the record. We have some public comment with regard -- sorry, go ahead. Sorry.

MR. BILL: (Indiscernible). I'd like to tell you a reminder. Back in '93 and '94 when we lost our allocation, there were really two things. The other one is different from the allocation or their second question. The first question was can we (indiscernible) by one of you who's sitting there said when I asked a question how do we get back our 27 percent. The answer was you have to perform better than you are doing now. You have to do better in fisheries. You have to fish better in order to get your 27 percent back. That was the first matter. Second was another question, what (indiscernible). Here is if they would do -- your companies putting out there -- putting too many people to work, not in a (indiscernible). Oh, my answer was put young people to work. Then let them learn how to do the job so when they learn, they'll keep the company going and wish I was here and I hope

they would. Thank you.

THE REPORTER: Why don't you.....

MR. BILL: My name is David (indiscernible) here. I'm from from Toksook Bay.

THE REPORTER: Thank you very much.

MR. CASHEN: Thank you, Mr. Bill.

MR. DAVIS: This is Mr. Davis again for the record. I need to inform you that we've had public comment that would apply to all such groups. The witness was Commissioner O'Cleary from Alaska Department of Labor. He appeared at the public portion of the APIDCA process but asked that his comments be made known to all groups. He was appearing on behalf of the gathering himself. He wanted all the groups to know that the administration has a commitment to training and increased hire in all regions. The Governor is soon going to announce a jobs program. I don't have exact details and that funds would be available for training opportunities and that he would encourage maritime training for jobs both at-sea, if possible using the resource, the Department of Labor and that's the essence of his testimony so go ahead.

MR. CASHEN: Okay. Thank you, Mr. Davis. The team has some questions for Coastal Villages and some of the

questions may be a little redundant. You had a very extensive presentation so if -- bear with us here. Commissioner Blatchford?

MR. BLATCHFORD: Thank you, Greg. Some of these questions may -- you may have already addressed in your presentation. I think you addressed all of them but we'll give you the opportunity to expand on or to clarify or to elaborate on your comments made here in the presentation. We've spent a considerable amount of time with the preparation of these questions and we are asking similar type questions of all CDQ groups. Okay? We've divided the questions up among the members of the team except for the Department of Law. They are not asking any questions, they are just advising us and -- but I have the first question. Okay? Morgen? Howard?

UNIDENTIFIED MALE SPEAKER: Sure.

MR. BLATCHFORD: Rudy? The CDQ program has been in existence for 12 years. Please explain Coastal Village long-range transition plan and investment strategy to create a self-sustaining fisheries-related economy in the region. What steps has Coastal Villages taken during the current allocation cycle, 2003, 2005, to achieve this goal?

MR. CROW: Take a shot at that, Commissioner. For the record, my name is Morgen Crow. My last name's

spelled C-r-o-w as the crow flies. Over the last five years, we have attempted to gain back the ground we lost over the first portion of the CDQ program to do exactly what you've outlined; that is, to provide the resources of the Bering Sea, bring them in shore to our communities and make them work for the benefit of the communities on a sustainable basis with a fisheries-related emphasis. What we have done is to assess the economy that's in the communities and we've realized that we must supplement that through the resources for the Bering Sea. In operational expenditures, there's a -- an amount of resource that's needed to sustain the operations of sort of the existing level that we've done so far in fisheries. What we're talking about today is the next step of infrastructure development to bring the region itself up to par with other economies where our products can compete and basically stand on their own, focusing on the quality of the product, the cost to get it to market which is mainly transportation. We've talked a lot about airplanes and boats and fast catamarans and so forth. We've also talked about fisheries-related infrastructure to bring in the -- you know, we're -- people are -- people think it's not a good story to tell people you're unloading your halibut from boats into little four-wheel trailers. We're going to make improvements there. We

think that the numbers which we'll speak to in private are very essential for this development but also we want to emphasize at the very beginning that it's also about positioning ourselves to provide benefit to the community should things turn up in the fisheries that we have in our region. A good friend of mine told me that one of his salmon used to be worth more than a barrel of oil and I forget what it is now but it's completely opposite and that's a good example of the way things are relative to the way things -- they used to be but if you know anything about fish, maybe every once -- every one in nine years, you might hit it pretty big and the rest of you just kind of wait and see. I think that, in a nutshell, tends to show what Coastal Villages has done to sustain itself, fundamentally bringing the resources from the Bering Sea back into the communities to provide sustainability to our fisheries-related economic development.

MR. BLATCHFORD: Thank you.

MR. CASHEN: Thank you, Morgen. The next question you've answered in your presentation as well but could you provide any additional comments on your justification for an increase in your pollock allocation from 24 percent to 27 percent based on the past performance of your active projects and your proposed projects in your 2006 to

2008 CDP?

MR. CROW: We have been through a lot of ups and downs in allocation and we hope that it's tied back to our performance. We know that our population and our economic need have not been addressed. We think that we need to continue to work toward that on the basis of the hope that we can generate these rays of hope that were testified to. We think those are important things that will drive the restoration of our allocation. We think that if there was a defensible reason why Coastal Villages had 27 percent at the start of this program, it was based on -- the allocation was based on the population and economic need of the region. We have had CDQ for 12 years and we've had other programs for even longer and there have been hundreds of millions of dollars put into our region and this is the one thing that, in Oscar's words, provides the real pride where you really have to go out and earn it and it is -- it's a very compelling motivation for all of us. We think that the numbers that we have described today justify these requests and we've also pledged that we will do great things with that money. Per metric ton basis, we can generate more value for the communities than any other group and we hope that those all taken together completely justify what we've requested.

MR. CASHEN: Thank you, Morgen. Mr. Winegar?

MR. WINEGAR: Yeah, for the record, Greg Winegar. I've got a couple of questions, Morgen. The first one relates to public disclosure. How does Coastal Villages feel about public disclosure of compensation levels for your key personnel?

MR. CROW: We have a -- we've talked about this over the years. We've had discussions with this with the state team over the years. We've come to this basic idea whatever we do, every number, every strategy, every plan, every contract is open season to our communities. When we go out there, we do not say you -- we -- we're not going to talk to you about that and this sort of thing. We've also had the exact same relationship with the State of Alaska with the CDQ team. We have given them in a timely manner every number, every contract, every strategy, discussion. We have worked really hard to stay relatively abreast with the state on where we are with respect to a lot of things including compensation. I don't feel that any specific numbers are appropriately blabbed out in public but at the same time, we have basically nothing to hide. So it's something we're willing to talk about but sort of in the appropriate venue.

MR. WINEGAR: Okay. Thanks. The second

question and you've kind of addressed this already but if you could just kind of briefly describe your in-region programs and, you know, the types of benefits and jobs that it creates for the residents of your community?

MR. CROW: That's a good question. I hope we have good answers for it. We have been talking about our communities being proximate to the Bering Sea and having dependence on fisheries as their real resource. Even though at this point, our in-region fisheries are -- have low value, they are still our resource and it's something that we feel that it's the responsibility of the CDQ to proceed in those areas. We report to you our measurable economic benefits that we can readily identify that have gone to our communities. We can have some accountants outline specific investment dollars that have gone into plants but, fundamentally, everything we do in the communities is tied to fisheries-related development because that's what it takes to do fisheries. If you go in there and you hire a individual who needs to process salmon, there isn't a day care center there. We -- this is something we haven't even addressed. We haven't even thought of it. The infrastructure, we're still trying to get the water running, the electricity on and so forth. There's substantial development that needs to go on. We've had requests from our

board members over the years to put in ice machines. Put in an ice machine in our community. We want that and we can't even begin to grapple with what would be needed to put in -- to simply install an ice machine. You need a floor, walls, clean water, electricity, somebody to shovel it. I mean, it -- we would basically have to bring in everything to do it so when we do have an operation in our communities, we fly in a lot of stuff. It is all under the program -- fisheries -- it's all under the fisheries program. We bring people into the re -- to the communities that have processing plants. We also -- as Howard spoke to the programs, we've, since the beginning of the program, brought people from our communities out into the Bering Sea through our partners. This program has evolved from a strictly fisheries-related scholarship, internship training and employment program to something that I would characterize as somewhat relaxed off that beginning basis but you can see there are programs in our communities being fisheries related cover many, many, many different areas.

MR. WINEGAR: Thank you.

MR. CASHEN: Thank you, Morgen. Mr. Davis?

MR. DAVIS: Yes, Mr. Davis for the record. I'd like to ask a couple questions regarding employment. What are

Coastal Villages' current and/or future plans for employment with its harvesting and processing partners at sea?

MR. CROW: Harvesting partners at sea are most subject to existing and future rationalization which has a dramatic impact on employment availability due to reduced turnover. Within that new framework, we know we'll never be able to get back to the 98 to a hundred people that we used to put at sea, at least in the current -- you know, in the near term. It's something that we have to accept that's part of rationalization but having said that, we do have an active employment program that recruits and provides -- it's my understanding very few people that are eligible are turned away. If they want the opportunity, it's there, whether it's in the at-sea pollock sector, phaser long-lining. There's a few jobs in -- a few good jobs in crabbing. We have a ice boat long liner that usually takes out one or two guys but we are up to 25 employment platforms. I think we added them up, they -- in total, they have, I think, 1,500 jobs. Obviously, we aren't filling many of them but it's improving. I think that with Coastal -- the people from Coastal Villages Region and the people from Bristol Bay, we've had a good employment relationship with the American business -- American Seafoods business.

MR. DAVIS: And do you have any plans to try to increase the number, any program that might increase that number?

MR. CROW: Well, the theory behind the 4-SITE program was an attempt to do just that. If a person had not received any experience, they could go into an internship, maybe end up in the corporate office or something. If they wanted to go to refrigeration training, that was available too. These things -- I'll say they haven't -- there are a few individuals that went through the program and they're in the industry and sort of outside the program. Depending on which sector it is, I -- you know, it's har -- it's just hard to say what the opportunities are going to be given the rationalizations. You have 25 boats of 25 captains. You'd switch it down to 15 boats, suddenly you have 10 captains that are fully qualified and unemployed which -- you know, it's sort of tough to get in under those circumstances.

MR. DAVIS: Well, I'd like to ask you the same thing then again about your current and future plans for employment with in-region projects.

MR. CROW: That's a good question, Mr. Davis, that we think that the people from our region in general have been very successful working in the Bering Sea. They have --

you know, they have all -- everything it takes to get the job done but there is one factor that is inescapable and that's home sickness. We hear about it time after time year after year. It doesn't go away. It's just part of the score and we understand that. We accept that and we have planned for that. I think if you recall Rudy's testimony, that we have -- in our fisheries operations in-region, we're attempting to provide housing at each plant so that people from say Hooper Bay can live in Quinhagak and be home in a couple of hours for say a weekend break and it makes the whole thing so much more bearable. Another component that makes a lot of sense is when production levels are at capacity and we can bring in people from other communities and supplement the local workforce which sort of spreads the benefit out to 20 communities even though the plants are focused into a few.

MR. DAVIS: Okay. And during the presentation -- please correct me if my figure's wrong but I wrote down -- I got 339 jobs at the Coastal Villages Seafood plant. Are those seasonal jobs or year-round jobs? How does that work?

MR. CROW: Well, there's -- it's heavily weighted toward the season as we talked about the -- I think by regulation, Quinhagak opens on June 15th so we bring in people to get the plant ready and slowly wrap up and usually

right around Fourth of July, it's nothing but fish flying everywhere and we have -- we try to have as many people working and on backup as we can but, you know, as we exist in this business longer and longer, we have a few people that are going year-round. We have planning and purchasing and so forth that has to go on year-round. We talked about one gentleman that spent part of the winter in Florida and is now down in Seattle with the boat and as we expand our fleet, our local fleet, you know, we want people to watch those boats and take care of them. We don't want to just buy boats and have them float off or whatever so right now, it's heavily weighted seasonal jobs but as we develop them, there'll be year-long jobs for people that are interested in that. I'll say that we also talked about in-region jobs, program delivery liaison jobs that are year-round. There -- there's at least one of those jobs available in every community and some of the communities have managers which actually pump up communities and supervise them.

MR. DAVIS: And just one final follow-up question. The seasonal jobs, are those, the best of your knowledge, taken by people who otherwise would not have employment?

MR. CROW: I mean, that's hard to say. You got

to go up to a guy and say what would you be doing if you weren't here. We think that the lay of the land is that during the summer months, there's -- there is considerable construction that goes on. Some of these construction jobs pay extraordinarily well. They pull people from the fishery, people from processing and we would -- I guess it's logical to assume that those are pretty much filled and our jobs are -- I mean, they're not the most romantic -- you know, you put on your rain gear and slog fish. So it's hard to tell you the answer to that question.

MR. DAVIS: Thank you.

MR. CASHEN: Thanks, Morgen. Mr. Krygier?

MR. KRYGIER: On the crab, I got a couple of different questions about some of the species on that that we have here and on the crab, you -- we've just gone through a crab rationalization program at the council and I'd like to hear a little bit more about you've asked for increases in all the existing crab allocations you have plus 27 percent on the eastern Aleutian Islands crab and red king crab and I'm wondering how that goes together as far as what you've got planned for -- your future plan in utilizing and of the various outgrowth of the rationalization program to achieve those goals that -- vessels and permits, etcetera. What are

you thinking about?

MR. CROW: Well, right now, we have a whole bunch of crab investments and only one boat that's harvesting all of our CDQ. It's a situation where we have plenty of capacity to harvest a CDQ in boats that we currently own. As we move into the unknown areas and rationalization, some of that we're still developing, obviously. We don't know what kind of consolidations they're going to be. There's been some proposals that are sort of, you know, radical and we'll deal with those as they become clear but for purposes of the CDQ, it's clear that Coastal Villages has existing investments that can readily handle any increases that we've requested. That's not a -- too terribly difficult feat as GHL's are pretty low right now but we have a relatively huge fleet and we -- and we're not finished with our investment in that sector. I think, if my understanding's correct, we're halfway up to the caps that are set on the CDQ's in crab in terms of actual ownership of rationalized crab and that -- I mean, I think that's ultimately going to be our limit but clearly, for requests for CDQ, we have plenty of capacity to handle requests that we've made. I believe that covers all the species. We can ask Matt if I -- if I've missed -- like brown crab or.....

MR. TISHER: (Indiscernible - away from microphone).

MR. KRYGIER: Okay. One of you and I don't remember who made a statement earlier about when you have tacks remaining toward the end of the season, that you could shift that over and work with other CDQ groups of -- and I'm just wondering how successful do you think you've been in moving unused quota into other CDQ groups and working with them because, obviously, the state wants to see all of the quota that's allocated to all the groups utilized and I see flatfish was left on the table and some sable fish. Obviously, the turbot's a little more difficult. That's more of a by-catch than anything else in some of the fisheries but how do you kind of see yourself being able to do better and I -- I'm only saying do better is if there's some left there and we all got to do better.

MR. CROW: Well, it's a sector by sector analysis. Each of them have their intricacies but within the CDQ groups, you -- you'll see in the transfers and so forth that we -- career managers are in contact and as they project underrages and overrages and so forth, they're on the horn to each other to try to maximize the overall CDQ utilization. What I think our comment was that you may have picked up in

our presentation was specific to an in-shore 4-E halibut, that we have a policy that if our fishermen don't catch it, that we will transfer it off to nearby CDQ group but that's sort of a different issue, I think, than you're talking about.

MR. KRYGIER: Yeah.

MR. CROW: We have made extraordinary steps in insuring that our Pacific Cod is fully utilized and I think for the first time, we have a contractual cooperation in pollock that it's not only insuring that multiple groups are harvesting their full allocation but that the by-catch and so forth is all being managed consolid -- on a consolidated basis and I think that's the model that's been used for the first time lately in the flatfish sector and we've -- I believe there's four groups in that consolidation and we're pretty pleased with the results. It's not my -- it's my understanding there's some other species by-catch limitations but generally, at least we have a contract and fish are getting CDQ, flatfish are getting harvested and catch is going to the CDQ groups from them which is an improvement. I think that leaves crab, right?

MR. KRYGIER: Mm-hmm (affirmative).

MR. CROW: And I believe in crab, that, as I said earlier, GHF's are so low that it's -- that the end of

season transfers, I think, are a matter of convenience that, you know, if you're out there with inexpensive daily costs, it's cheaper just to say okay, there's only a few prawns left, let's just let one of the CDQ boats go ahead and get the rest of it. I think that's been pretty successful.

MR. KRYGIER: Well, are you overall experiencing any difficulties in working with the other groups in transferring quotas on a timely basis?

MR. CROW: It's good.

MR. KRYGIER: Okay. One other question, this came up at the council the other day and it has to do with some of the individual that were talking at the council were suggesting that some of the scholarships and some of the other educational programs may not be fishery-related activities and, certainly, it seems to me that I would disagree with that but I'm wondering what you think and how your experience is within your group of seeing educational scholarships, training, etcetera, how does that integrate into the communities that your -- within your region and how is that also, you see, fishery related?

MR. WILLIAMS: For the record, I'm -- my name is Robert Williams. I'm a director of business development for Coastal Villages Region Fund. I guess hearing your

question, I think of two things. There's a theory out there that all the communities, all the villages that are in the CDQ program had to get into the program somehow. One of the criteria that they had to get in in the beginning was to prove that they had more than 50 percent reliance on the Bering Sea and our programs for scholarships are specific to residents of our villages so you -- there's an argument that you can say if you're looking for a scholarship, you live in the village, you -- you're going to receive a scholarship and receive some training that's going to benefit the village and it's a fishing village so it's fisheries related. The federal regulations say it can have a direct or indirect relation to a fisheries-related economy. The other thing that I thought of when you asked the question was how we implement our scholarship programs in particular and how we score it and how we determine need. If somebody applies and they want to go figure out how to repair generators, they get more money than if you were going to go try to get a degree in philosophy. If it's something that we can tie into one of our plants or the operations in one of our plants or the fisheries support businesses in one of our plants, then we weighed that a lot more heavily than the other applications that we receive. So there's a residency requirement that ties it into fisheries

related to the fishing village and then when we're scoring and figuring out what the economic need is, you know, we give more money to someone who's -- wants to go get their pilot's license so they can fly our fish out of there than we would somebody who's trying to get an elementary education degree. So built into the program, there's fisheries-related restrictions.

MR. KRYGIER: Okay.

MR. CASHEN: Okay. Thank you. Mr. Jones?

MR. JONES: Yeah, for the record, my name is Laird Jones. Morgen, my question's about non-fisheries related. The council has provided for an allowance up to 20 percent of the annual pollock CDQ royalties may be spent on in-region sustainable non-region fisheries related economic development projects. What are Coastal Villages' plans, if any, for this allowance and how will this allowance benefit Coastal Villages' communities?

MR. CROW: We're -- Coastal Villages has been involved with the CDQ policy committee discussions from the very beginning. As we became invested, we had concerns over different interpretations and so forth and one of the components of CDQ policy was the non-fisheries related. We had requested for some relaxation in the fisheries related

restriction. I think we requested for an amount on the order of a million dollars a year and as the committee wrestled with the other issues, council ultimately voted unanimously to provide for roughly double that in real dollars and so you can see from sort of a philosophical standpoint, Coastal had never intended to go -- you know, we weren't pushing a policy to go all out -- you know, just sort of blow the program open and do non-fisheries related. It's my recollection that Howard Amos went before the council and he was specifically asked by the chairman are you going to become the mogul of water and sewer in western Alaska and he said no. So it gives you a flavor that there are some things in our region that we intend to do on a non-fisheries related economic development basis but it certainly will not be the primary objective of our program. Our focus is still on fisheries related. As you know, we submitted a relatively minuscule non-fisheries related amendment -- minuscule in terms of its dollars investment size. That project has been disapproved by state and National Marine Fisheries and currently, we're waiting for amendment 71-A or E or whatever they're going to come up with so we can get moving on that project.

MR. DAVIS: Mr. Crow, this is Mark Davis.

Could you just tell us what that project was so we have it on

the record because.....

MR. CROW: It's the Nunavak Island, Nelson Island reindeer project.

MR. DAVIS: Thank you.

MR. CASHEN: Thank you, Morgen. Mr. Clough?

MR. CLOUGH: Al Clough.

MR. CROW: Lamps.

MR. CLOUGH: Lamps. Here we go. This is on -- where are we at -- pea cod royalties and the request is going from 18 to 27. I certainly understand the discussion that was given in your presentation on the justification for the increase. However, we'd like to hear a little bit of discussion on -- not in relation to the overall criteria for justifying the increase but what -- how the increase would factor into current plans you have in operation and also future plans.

MR. CROW: Oh, I think the strategy that we've always had in investing in businesses that harvest our allocation has led us into the freezer long line sector to harvest our CDQ pea cod. As we begin to understand the multi-species offering where pea cod came from, we realize that, you know, it certainly isn't on the magnitude of pollock but it's certainly a money fish, it's certainly a cash generator, it's

certainly worth maximizing. It's certainly worth expanding into and trying to extract as much money per metric ton, it fits that sector just as any other sector for the benefit of our 20 communities. With that in mind, we have invested in, I believe, six freezer long liners that we own anywhere from one-fifth to roughly one-third that can readily harvest -- have the capacity to harvest the CDQ Pacific cod that we have requested. I think that Coastal Villages is quite capable of adapting to any Pacific cod rationalization that seems to be imminent including plans similar to other CDQ groups in perhaps dedicating vessels but that's all yet to come. Basically, if our economic need, population justify allocations in pollock, they should equate to the multi-species CDQ allocations. We had, obviously, limited investment during the early part of the multi-species program and we've -- hopefully, we've clarified that we've beefed that up considerably since that program started. I hope that answers your question.

MR. CLOUGH: Yeah, could I just verify? I think what you said was with the existing fleet that you have ownership interest in has the capacity to proc -- or to deal with that increased allocation and also speculating on what may happen with rationalization.

MR. CROW: It is our intention to have boats that we invest capable and executing on harvest of all CDQ peacod requested.

MR. CLOUGH: Good. Thanks.

MR. CASHEN: Thank you, Morgen. I have a couple questions on the flatfish fishery and the first one would be could you provide that update on the flatfish pool and that CVRF participated in and the benefits from this relationship?

MR. CROW: Greg, the flatfish pool is in the process of making commitment for the next allocation cycle includ -- with an inclusion of the groups that previously were involved. We have developed a good relationship with the people that won the contract last time. We should state that Coastal Villages has invested on a one-fifth basis of another boat in that sector and we have been working on possibly carving out a little bit of that pool for use on a boat which we've invested in. I think, most importantly, the revenues from the flatfish on a CDQ basis, they don't measure up to some of the other sectors. However, the issue of those boats in that sector being sighted off Cape Avinof and places up in Evelyn Strait causing great concern in our region over the last couple years, that pool has allowed us to get direct

access to decision makers and their advisors to successfully contend with the uproar that it's caused. There has been considerable concern for people in our region over the H&G boats being sighted there and we have utilized the flatfish pool to get a group of people that basically testify to the concerns and industry representatives that can react to those concerns so I'll say that the relationship has been beneficial in more ways than just getting CDQ royalty off the flatfish. It's provided a -- an avenue where the people of the region finally found somebody to listen and do something about their concerns.

MR. CASHEN: Okay. And -- thank you and I had another question. You've requested an increase to 27 percent for most -- for all the flatfish species; Atka mackerel, POP, yellowfin, flathead and do you have -- does Coastal Villages have the capability to harvest those allocations with existing partners?

MR. CROW: We don't currently harvest any CDQ with our -- with a vessel that we have invested in. We have found it necessary to pool up with the other groups to come up with a -- an amount of CDQ flatfish that's meaningful to a harvester. If we were to receive the allocation of flatfish that we -- I've requested, that may give Coastal Villages a

meaningful amount of flatfish so that, you know, we can have some oomph when we negotiate it. I think that considering that we are the only CDQ investment in that sector, it's -- the investment/harvest relationship is sort of quite young and needs considerable development across the board.

MR. CASHEN: Okay. And would I be correct in saying that if you were to receive an increase in the flatfish allocations, you would -- that would require an increase in Pacific cod allocation to prosecute that fishery as by-catch?

MR. CROW: For by-catch? That's a good point, Greg, but I need to make sure that I report that the vessel in that sector that we have invested in is gearing up to accommodate the regulations that require for different scales and observers and so forth to execute CDQ and, as we have, basically, one year to get ready for the next -- for what happens in '06, I think we have plenty of time to contend with any management of CDQ that we're responsible for including the request for that in flatfish.

MR. CASHEN: Okay. Thank you, Morgen. Team have any additional questions? Commissioner, do you have any additional comments or.....

MR. BLATCHFORD: I'm just -- Mr. Chairman, Mr. Crow, I'm just pleased that so many of your staff and

directors are here. It shows strong support for the program and it's pleasing to see. It's a very good presentation.

MR. CROW: Thank you, Commissioner. You -- it's obvious by our approach to these hearings that we take these allocations very seriously. There are gentlemen behind me that have been around since before the program -- as you know, before the program was started. They have seen the opportunity that the program has provided. They like it and they basically want it back. They want their -- they want a restoration to allocation cuts that were made previously. It's very important to the people, to the communities of our region.

MR. CASHEN: Okay. Pick it up -- oh, I'm sorry. Mr. Krygier?

MR. KRYGIER: Yeah, I also was pleased to see the board members and your staff here. I was also pleased to see your board members and staff here but I have a question as far as the board. Some of the groups select boards and they -- I just wondered -- I'm curious, how is your selection made? Some of them do them through municipality elections, some of them do them other ways. I'm just trying to get a feeling for how all the different groups do it.

MR. CROW: Coastal Villages has standardized

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election procedures that are implemented in each of our 20 communities. Once a year, approximately one-third of Coastal Villages' communities' board seats come up for election. Those individuals wishing to run for the board must reside and be permanently domiciled in those communities and file for the election, simply filling out -- putting your name on a list, basically. There's some other biographical stuff that goes behind that but to get on the ballot, you do have to put your name on the list. Then usually during and along with another election, vote -- registered voters in the community vote for a slate of, you know, who ever signs up. The twist on our -- in our bylaws is that our elections require for a majority so if there's nine people running and the high vote getter gets 40 percent, then we got to back up and do runoff with the top two or three but, basically, it's -- the community is -- the community conducts an election within the parameters of our standardized procedures and comes up with a authorized representative that serves on our board. Then each year, at the first board meeting, the 20 board of directors will select their executive committee of seven, the top four officers. Five of those people are here today.

MR. CASHEN: Thank you, Morgen. I'd like to take another five-minute break and go off the record. Then

we'll reconvene in the public session. Five minutes. If we could go off record?

THE REPORTER: Okay.

(Off record)

(On record)

UNIDENTIFIED MALE SPEAKER: Your here -- team here, Greg?

MR. CASHEN: All except for Laird.

UNIDENTIFIED MALE SPEAKER: Laird's here.

MR. CASHEN: Or Lola I mean. Excuse me, I'm sorry. Lola.

UNIDENTIFIED MALE SPEAKER: Here she is.

UNIDENTIFIED MALE SPEAKER: She's on the phone.

MR. CASHEN: Okay. Jan, can we go back on the record?

THE REPORTER: Yes.

MR. CASHEN: We're back on the record and I would, on behalf of the team, like to move to go into executive session and we have Chris Poag from the Alaska Department of Law who can provide some guidance on the -- on executive session and the specific parameters for executive session.

MR. BLATCHFORD: Then move it and then second

it and go into a discussion.

UNIDENTIFIED MALE SPEAKER: Yeah.

MR. BLATCHFORD: Is there a second?

UNIDENTIFIED MALE SPEAKER: I second.

MR. BLATCHFORD: Okay. Under discussion.

Chris? Department of Law, please?

MR. POAG: This is the first time the CDQ team has done this so they've asked me to provide some assistance as to the grounds that we made a motion to go into executive session. Open meetings law has four exceptions that allow us to go into executive session. Today the CDQ team would like to implement two of those and to go into executive session to discuss two topic matters. The two exceptions are C-3 and 4 and that's in Alaska Statute 44.62.310 and the matters that those two provisions protect are matters that are confidential under state law or confidential documents under state law. The CDQ team today would like to ask questions and elicit presentation on two subject matters, one being your business plans for the future and the other being your CDQ royalty rates. Because that's proprietary information, we have taken the position that it's protected by state law. There's no statute I can point you to. It's Alaska constitutional law that provides that protection. There are some cases that

define the contours of that and we feel pretty strongly that it affords protection for your private business plans and your royalty rates because those are very private information, the disclosure of which would be very harmful to you folks and, as a result, outweighs the public's interest to know about that. However, the CDQ team, in making a recommendation to NMFS, would like to ask those questions and find out some of that information so we'd like to, after a vote, convene in executive session. Now, for executive session to work, we can only discuss those two topic matters. If we need to go beyond the scope of those two topic matters, we ask that you create a list of questions and we'll go back on public record and go through those. If we do not follow the strict guidelines of the executive session, we may be back here doing this again in six to eight months if somebody files a legal challenge. So I'd like to stick to those two topic matters. Again, if -- I hope this doesn't affect your presentation. We hope we gave you pretty fair notices to the two areas we felt we could discuss in executive session. I won't ring a bell if you go beyond the scope of that but please be conscious of the materials that you discuss because if there is a challenge, we're going to have to convince a judge that we followed the appropriate procedure and only those two topic matters were

discussed. If that's done, then we're immune and if not, we have a problem. Okay? So please limit the discussion to those two topic areas.

The procedure has also afforded us to notify the groups of some other things. One is that, as you know and you've been provided notice of, we're going to record the executive session. Our Alaska Statute doesn't require that. Some states do. In fact, some states make it a misdemeanor if you don't. It's a discretion of the CDQ team and they've decided to exercise the discretion. They are an advisory board that provides a recommendation to NMFS and there may be a chance or a need for an administrative record and we don't want a judge pointing the finger at us and accusing us of holding secret sessions where we discuss matters that aren't supposed to be discussed in reaching allocation recommendation. So it is our plan to record that.

It is the state's position that this recording and this transcript, much like a public record, is confidential by state law and will not be disclosed upon a public information request. However, if that decision is appealed, we may end up in Superior Court and a judge may have to listen to that so that's, again, another reason why we need to stick to the strictures of the executive session. The only other

opportunity that we can conceive of where this information would be requested is at an appeal level and, again, the state takes the same position, that your recordings and your transcripts today, we elicited that private testimony and we will seek to protect it as confidential protected by state law. Again, those are decisions for judges though and if we follow the procedure, we should be able to protect that but we would -- if we do receive a public records request or if we do end up in appeals stage and somebody requests this document or this transcript or the documents you've provided that we've agreed to mark confidential, we will notify you and we would hope and encourage that your counselors would join us in objecting to that disclosure and to encourage in a court at the very least to enter a protective order. Are there any questions? Again, those are the grounds supporting our motion today.

MR. BLATCHFORD: Thank you, Chris. Mark, did you have anything to add?

MR. DAVIS: Only that you'd have the right to choose the people that you wish be present and you also have to make a request the Department of Law lawyer present because he's not part of the CDQ team or you could exclude him.

MR. POAG: Just to supplement and this is my

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fault, I left this out, today we're on the public record and everybody here is a member of the public. When you close the doors, we would like you to identify the persons you wish to stay behind because you're voluntarily disclosing information to them so we'd ask you identify each and every individual that you wish to stay in executive session and although I provide legal services to the CDQ team, you are disclosing that information to me as well so we'd like your blessing that I stay in the room.

MR. CROW: Are you going to take a vote now or.....

MR. BLATCHFORD: Yes, we will take a vote unless there's questions -- unless you have questions and then you all -- Mr. Crow, Mr. Chairman, you will decide whether you want the Department of Law to sit here in this room and you will decide who you want from your organization to be in the room. You will have two decisions before you. Okie-dokie?

MR. CROW: Okay.

MR. BLATCHFORD: Okay. Is the team ready to vote? All those in favor of the motion to go into executive session for the reasons stated, say aye.

MEMBERS: Aye.

MR. DAVIS: I don't think anybody seconded my

motion.

MR. BLATCHFORD: Yes, it is.

MR. DAVIS: Okay. Thank you. Okay.

MR. BLATCHFORD: Okay. Say aye.

MEMBERS: Aye.

MR. BLATCHFORD: All opposed, say nay. The ayes have it. We are going to go into executive session. Mr. Crow, would you decide whether you would like the Department of Law to sit in on the meeting?

MR. CROW: Mr. Chairman, I have a statement I'd like to make about the taping that I understand is to happen if I may.

MR. POAG: Okay. Not to interrupt but that would be something we should do in a public record.

MR. CROW: I was just advised to do it after the vote. I apologize if I've gone out of order.

MR. POAG: (Indiscernible). What happened is (indiscernible) in executive session and go beyond the scope, then we've violated executive session so, apparently, we need to go back out of executive session to discuss the propriety of.....

MR. BLATCHFORD: Let's go out of executive session then. Okay. We are back on record. We are out of

executive session and Mr. Crow?

MR. CROW: Mr. Chairman, ladies and gentlemen, we have always been willing to share all confidential information with you in other forums and we believe that your team, having oversight responsibilities over public resources, needs to know how CDQ has been and will be used in the future. Please remember, however, that we are bound by various confidentiality agreements and have fiduciary responsibilities toward our business partners to protect sensitive business information and future plans from general public disclosure and although we understand the pressures you are under from another group or possibly other groups, to make our confidential information to them through legal maneuvering, we must respectfully object to your decision to tape and transcribe this portion of the meeting which is now in executive session or will be in executive session.

MR. BLATCHFORD: Thank you, Mr. Crow.

MR. CROW: Since taping and transcribing this session is not legally required, since only the first two hours were supposed to be recorded as set forth in the notice of this meeting and since we first received notice of your intent to record this session two days ago, we would ask that the recording be stopped and we be permitted to proceed with

this portion of the meeting as originally proposed. If that is not acceptable to you, however, we are mindful of your concerns and wish to cooperate as much as possible to alleviate them. So based on the affirmative assurances you've given that this recording and any resulting transcript will remain confidential to the maximum extent permitted by law, we are prepared to proceed with our private presentation under reservation of all rights and our objection's noted for the record.

MR. BLATCHFORD: Thank you, Mr. Crow.

MR. CROW: And with that -- or -- yeah.

MR. BLATCHFORD: Thank you.

MR. POAG: Would you like me to provide a response or.....

MR. BLATCHFORD: That would be nice.

MR. POAG: Yeah, Mr. Crow, you're correct, Alaska law doesn't require recording. It is -- it's a discretionary call and some administrative bodies decide to record and some decide not to. On the whole, many states have gone to the provisions that require recording of executive sessions, the reason being that how does a judge know whether or not you complied with the executive session if there's not a recording of the executive session. We could all say that

we're going to comply with executive session, close the door, turn off the tape recorder and talk about the bad things we think other groups may be doing. There'd be no record so states and judges have started to go towards a trend of requiring a recording of executive sessions so that the judge in-camera in private can ask whether or not -- and ascertain whether or not that executive procedure was followed and, if so -- and deny the request for those documents. Today, if this were like a municipality who wanted to go back in executive session as a team to deliberate or talk about things amongst themselves, it probably wouldn't be a recommendation that they record but today we're creating an administrative record, much as if somebody were applying for a license and that administrative record will be very important if there is an appeal to protecting you and the other groups to show that we followed the procedure. We believe, in fact, the recording today will protect you from the challenges of the other groups instead of expose you to more liability so it's for those reasons that the team has decided to do this, not because we wish to chill the conversations you wish to have with us in executive session but because we wish to do this right so that you get the allocation you're entitled to.

The last thing I'll say is this is -- you're

applying for allocation and you decide what information you give us in your CDP. If there is information you do not wish to provide because there's going to be a tape recorder, that is your choice and we don't wish to force you into executive session. So if you do not wish to discuss those two topic matters because there is a recording, we would be glad to go back into public record and finish this as such but we do feel that we need to be consistent and we've recorded all the other groups and the group -- the team, good, bad or indifferent, has made a decision to do a recording and we wish to follow that procedure, again, to protect you folks and the team, not as much to chill your conversations. These are public resources that we have at hand.

MR. CROW: Okay.

MR. BLATCHFORD: Okay.

MR. CROW: Noting our objection, we should proceed into our next session.

MR. BLATCHFORD: Thank you. Is there a motion to go into executive session?

MR. CASHEN: I'd like to move that the team goes into executive session.

MR. BLATCHFORD: Is there a second?

UNIDENTIFIED MALE SPEAKER: Second.

MR. BLATCHFORD: Moved and second. Any discussion? No discussion. All in favor, say aye.

MEMBERS: Aye.

MR. BLATCHFORD: All opposed, say nay. Motion passes. We will go into executive session. Mr. Crow, Mr. Chairman, you could decide whether Department of Law stays in this meeting and people on your staff.

**(CDQ TEAM GOES INTO EXECUTIVE SESSION FOR 20 MINUTES)**

MR. CASHEN: Thank you, Morgen. Does the team have any questions in executive session for Coastal Villages? Hearing none, I'd like to go back on the public record out of executive session. Back on the public record. Is there anything further from Coastal Villages on the public record, your presentation that you want the team to consider? Does the team have any.....

MR. CLOUGH: (Indiscernible).

MR. CASHEN: Mr. Clough?

MR. CLOUGH: This is in employment opportunities and you guys have presented a -- you know, some data on the gross number of jobs in the various sectors and without going through the arithmetic exercise, just by inspection, it appears that the jobs that you guys in -- the Coastal Villages has been able to leverage out of say the

offshore side is certainly not proportionate to your equity interest in the various vessels and, first of all, I would suggest you might want to talk to Commissioner O'Cleary about the ways to potentially strengthen your hand in employment discussions for your -- members in your region and I probably should just leave it at that but that's certainly an issue that Commissioner O'Cleary is very familiar with and is interested in doing what he can through the Department of Labor to help encourage the offshore partners to perhaps understand the advantages to them in providing more employment opportunities especially in the case of Coastal Villages where you have considerable holdings in these vessels and be nice to see -- especially as the gross number of jobs ratchet down.

MR. CROW: We would love to discuss the intricacies of labor in our region and through our company into the Bering Sea with the Commissioner.

MR. CASHEN: Commissioner, do you have any comments?

MR. BLATCHFORD: And along that note, I can say, Mr. Howard and Mr. Crow, that the administration is quite supportive of any effort to hire local people and the administration will do what it can to work with the CDQ groups in promoting local hire.

MR. CASHEN: Okay. If there's nothing further,  
I'd like to close the public record and go off the record.

(Off record)

**\* \* \* END OF PROCEEDINGS \* \* \***

