

STATE OF ALASKA DEPARTMENT OF COMMERCE

COMMUNITY AND ECONOMIC DEVELOPMENT

PUBLIC HEARING

Anchorage, Alaska

In Re:)
)
2006 - 2008 Community)
Development Plan -- NSEDC)
_____)

TRANSCRIPT OF PROCEEDINGS

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Anchorage, Alaska
Legislative Information Office
716 West Fourth Avenue,
Suite 550
Anchorage, Alaska 99501
December 17, 2004
8:30 a.m.

APPEARANCES, State CDQ Team Members:

EDGAR BLATCHFORD

Commissioner of Alaska Department of Commerce,
Community and Economic Development
Juneau, Alaska

GREG CASHEN

CDQ Program Manager
Juneau, Alaska

EARL KRYGIER

Alaska Department of Fish and Game,
Extended Jurisdiction
Anchorage, Alaska

MARK DAVIS

Director, Banking, Securities and Corporations
Anchorage, Alaska

MIKE BLACK

Director, Division of Community Advocacy and
Department of Commerce, Community and Economic
Development
Anchorage, Alaska

LAIRD JONES

CDQ Specialist
Juneau, Alaska

LOLA LEAMER

CDQ Program Internal Auditor
Juneau, Alaska

CHRIS POAG

Assistant Attorney General
State of Alaska, Department of Law
Civil Division, Commercial and Fair Business Section
Juneau, Alaska

* * * *

METRO COURT REPORTING

745 West Fourth Avenue, Suite 425

Anchorage, Alaska 99501

(907) 276-3876

TABLE OF CONTENTS

OPENING STATEMENT BY MR. ASICKSIK 4

PUBLIC COMMENT 31

QUESTIONS OF THE CDQ TEAM 33

EXECUTIVE SESSION 89

END OF PROCEEDINGS 92

* * * *

P R O C E E D I N G S

(On record)

THE REPORTER: On record.

MR. BLATCHFORD: We're on the record. This is the public hearing portion of the community development of the CDQ process quota. The community development plan's application, November -- so we have Norton Sound here. How we'll do this is that Greg Cashen will moderate here but let me introduce the members of the staff or, you know, Mark, maybe you can just introduce yourself.

MR. DAVIS: Yeah, for the record, my name is Mark Davis. I'm the director of banking, securities and corporations.

MR. BLATCHFORD: And Lola?

MS. LEAMER: Lola Leamer with the CDQ program office.

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

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

MR. CASHEN: Greg Cashen, CDQ program manager, Department of Commerce.

MR. BLATCHFORD: And I'm Edgar Blatchford, the

METRO COURT REPORTING
745 West Fourth Avenue, Suite 425
Anchorage, Alaska 99501
(907) 276-3876

Commissioner of Alaska Department of Commerce, Community and Economic Development. This is a very important process. You are number five of six CDQ groups. The appearance of fairness is absolutely imperative and we will proceed as we have with all the other groups. We will go into this public hearing. Then we'll have an open public hearing and then we'll go into a private or an executive session later on. If you wish to withhold information, you can do that later on. Mark?

MR. DAVIS: Yeah, that's right, three processes and we -- I need to inform you HET (ph) has some public comment that applies to all six groups. It appeared at APIDCA's portion, the witness was Labor Commissioner, Greg O'Cleary. He appeared on behalf of the Department and the Governor's office and he wanted to note that the state was making training available for maritime application. The Governor is announcing or has announced by now at some of the other (indiscernible) he had a jobs program which includes work on vessels and that training money will be available which should apply to all six CDQ groups and that's the essence of his testimony. We don't have a transcript yet. We'll make it available to you.

MR. BLATCHFORD: Mr. Cashen?

MR. CASHEN: Thank you, Commissioner. Eugene,

Mr. Nelson, Simon, the public hearing will be set up with the first hour for testimony from Norton Sound. Then we'll open the floor up for public comments and then the state will have an hour to ask some questions of Norton Sound and then we'll have an executive session. We'll go into that, you know, when that -- we'll explain the parameters of executive session at that time so if you'd like to begin your presentation, you may proceed.

MR. ASICKSIK: Okay. Good morning. Thank you, Commissioner, and members of the CDQ team and thank you again for this second opportunity to present our 2006, 2008 CDP. I have a large group with me today. I'd like to introduce my executive committee. I have Chairman, Dan Harrelson with me from White Mountain sitting next to me. I also have Nome representative, Don Stiles -- Donald and representative Dean Peterson; Wales representative, Frank Oxerok; and Shaktoolik representative Harvey Sookiayak. We also have board of director, William Johnson out of Unalakleet and I have Janis Ivanoff, community development specialist for NSEDC; Steve Rieger with Norton Sound Investment Company; Don Mitchell, attorney and we have Chris Cook from -- chief operating officer, accounting department. I also have Norton Sou -- excuse me, Jon Zuck, our CDQ harvest manager. We also have

Norton Sound Seafood Products here, manager, Tom McGuire and Rocky. We -- Marciano is his name, I guess. Let's see, did I miss anyone? Oh, Katie. This portion I'll turn over to our chairman and then he'll turn it back to me so.....

MR. HARRELSON: Thank you, Commissioner and CDQ staff. I am pleased to be here. My board and I, we very much appreciate the effort you've made to be here and your efforts to make this as -- a fair and -- to make this a fair and open process. The CDQ program is extremely valuable to our region. Before we begin the rest of our presentation, it seemed appropriate to say a few things about the events of the past week or so. Our board has been very concerned about the process of fairly allocated the CDQ fish. Last time, as you are probably aware, we were cut by one percent for reasons which were, quite frankly, inappropriate. Because of that, our board directed Don Mitchell to write you a letter asking that the process be recorded. This was agreed to by the state. I've heard it in the halls that somehow NSEDC has asked the state to cancel its hearings last November and those accusations are incorrect and unfair. Our board has long tried to provide the best it can for the development of our member villages. It seemed inappropriate that NSEDC's request to provide matching grants for two community infrastructure

projects were denied by the state. Our board directed staff to appeal those denials and not only did we win but the entire CDQ program in Alaska won because all of our groups can now do more for our communities. Now I hear it in the halls that NSEDC is a troublemaker. Once again such accusations are unfair. There are growing pains this administration inherited from the Knowles administration. I applaud this administration's efforts to bring in for the first time, as far as I can tell, the Department of Law for guidance and, last, I want to express my dismay at the comments by one CDQ group in particular whose CEO suggested to the North Pacific Management Council earlier this week that if we want to build some projects that he disagrees with, maybe we should just transition out of the program.

The commission of this program is not about retribution. For 12 years, our CDQ groups have been encouraged to work together but the level of antagonism exhibited by some groups is completely counter-productive to such cooperation. Some longstanding problems in the program are finally being addressed and the result is it will be a CD -- a better CDQ program for all of us. We have raised these and other issues because we have been backed into a corner and have felt compelled to raise them. I will tell you that in

METRO COURT REPORTING
745 West Fourth Avenue, Suite 425
Anchorage, Alaska 99501
(907) 276-3876

the presence of the CDQ team. You might hear nothing but praise for the current system and nothing but opposition to change but also in these same halls, many of the top managers of the CDQ groups tell us quietly that they're glad that we're here doing what we needed to do and it's for the good of the program.

Mr. Commissioner, we believe in this program. Nothing that we have advocated is some sort of death nell for the economic development of western Alaska. It's still the programs will be better and our communities will -- life in our communities will improve as these issues get resolved. We were punished by the last administration for advocating changes to the way the program was administered. This is your chance to correct the errors of the past. We have 31 percent of the population and we have an excellent performance record. We deserve not only our one percent of the pollock back but an increase to the level requested in our CDP is both justified and respectfully requested.

MR. CASHEN: Thank you, Mr. Harrelson. I was just going to -- just a reminder, if you could state your name into the record for anyone who comes up and testifies, that would be appreciated for our transcription.

MR. HARRELSON: My name is Daniel Harrelson.

I'm the chairman of the board for NSDEC and represent White Mountain.

MR. CASHEN: Thank you very much.

MR. HARRELSON: Ethan?

MR. ASICKSIK: Thank you. My name is Eugene Asicksik, president and CEO of Norton Sound Economic Development Corporation. I made one exception the last time I made some introductions. Our fishery biologist, Simon Kineen, so -- along with the rest of my staff. The presentation that I gave in November focused on aspects of our CDP that highlighted projects other than our education, employment, training program with our industry partners or the usual spiel that you hear from the CDQ groups. Because we have had trouble in the past identifying what we should focus on in these presentations, we've decided to address the 20 criterias laid out in the state regulation as a means of justifying our request. Factor one to be considered is the number of participating eligible communities and (a) the population of each community and (b) the economic conditions in each community. As you know, NSEDC represents the 15 northernmost communities in the CDQ program. These communities are spread throughout Norton Sound and are representative of a diverse mix of conditions, activities and opportunities. Eastern

Norton Sound communities such as Stebbens, St. Michael, Unalakleet, Shaktoolik have long been dependent on commercial herring and salmon fishing. Gambell, Savoonga, Diomedede have been more focused on marine mammals and Nome and Golovin are now considered to be the crabbing communities. What I am getting at is the diversity found in our communities and the special conditions we need to give each one. There is no boilerplate formula for success in our communities and we are working to make sure each one gets the attention and help it needs.

The latest census dated -- data available is from 2003 and it indicates the population of Norton Sound communities to be 8,630 people. This equates to over 31 percent of the population of the CDQ program which is a number that should speak for itself. We feel that population is the best factor by which to judge the needs of the CDQ communities as it is an objective criteria by which all groups can be compared and common knowledge states that the economy of a community needs to support a given population and the greater the population, the greater size the economy needs to be. Criteria 1-A suggests that we are grossly under-allocated CDQ's.

The per capita income condition of Norton Sound

communities is also noteworthy as it is a good measure of the average income for each of our many residents. This data collected from the last census in 2000 shows that NSEDC's per capita income of just over \$11,000 is well below that of the top three groups. I think this shows that not only do we have a greater per capita need but we have to do this for a lot of people as NSEDC's population of 8,630 outweighs the combined 7,265 residents living in the three groups with higher per capita income than us.

NSEDC communities are ranked third of the six groups as having the largest percentage of residents living below the poverty level. This is just another way to demonstrate the need of our communities for the valuable CDQ allocation. Factor number two to be judged by the state team is the size of the allocation requested by the applicant and the proper allocation necessary to achieve the milestones and objectives as stated in the proposed CDP. Listed on this slide are the targeted species that we are requesting allocations of. Pollock obviously stands out as a significant request but, again, our board has determined that we are justified in requesting this allocation not only for our significant population but for past performance. Prudence of our investments, in-region benefit deliveries and cuts made to our

allocation by previous administration that we've seen shows to be unwarranted and wrong. Additional revenues generated by the increase in pollock fishing would go a long way to bringing necessary funding to the region to address the needs of our communities, as well, increasing our investments in the Bering Sea and, thereby, our net worth overall. As it stands, all of our funds dedicated to in-region projects are expended each year and more requests are turned away all the time. Additional pollock royalties would assist greatly. We are requesting a modest increase in Pacific cod to support our two long line vessels and to more accurately reflect our high population number of communities. Our request for Atka mackerel, the yellowfin sole, rock sole and flathead sole is for an increased amount from the previous allocation as there is to afford -- and is there to afford us the opportunities to provide fair and equal opportunities for reestablishing business relationships with our partners in the H&G fleet. We are requesting significant increase in halibut in both 4-D and 4-E. We have demonstrated the ability to provide CDQ's to residents in our communities in 4-D and 4-E while adapting to secure very lucrative cleanup fisheries. It must be noted that residents of Savoonga who have historically taken a large percentage of the halibut have been very busy in the past

several years with steady HAZ-MAT cleanup jobs and other construction, that we will return to halibut fishing once these jobs end. We have a plant in Savoonga that will reopen for operations once it is needed and we expect a lot of halibut to go through it. Additionally, our investments in both large vessel loan program and the Norton Sound Seafood Center in Nome makes halibut a high priority within our region. As our fishermen become more experienced, they will need greater allocations to meet their needs. Our seafood plant in Nome will also need as much product as we can put into it to make ends meet. We are requesting a small increase in the Bristol Bay crab to reflect our excellent utilization and profits as well as to accommodate our ownerships in Norton Sound ventures. Please note that we are requesting a hundred percent of the Norton Sound red king crab CDQ for 2006 and 2008. This is a special request from our fishermen who could really use the entire allocation which only amounts to around 25,000 pounds. The CDQ fisheries conducted prior to the open access fishery in Norton Sound and allows our fishermen to get the kinks worked out of their systems and find the crab for the larger fishery. NSEDC staff also has been burdened with managing a quota of around 13,000 pounds between approximately 20 fishermen. The logistics of this have been very difficult

METRO COURT REPORTING
745 West Fourth Avenue, Suite 425
Anchorage, Alaska 99501
(907) 276-3876

with many fishermen electing not to participate due to the economics of such a small quota. Additionally, it should be known that Norton Sound fishermen harvest not only NSEDC's quota in 2004 but all of the CDQ allocation. While NSEDC was not given the luxury of using this additional quota for management, three Norton Sound fishermen were hand-picked by the other CDQ holders to take their quota which did benefit our fishermen. Finally, we are requesting a 49 percent share of the Aleuti -- eastern Aleutian Island golden king crab to make up for the effects of rationalization and addition to the CDQ program. As you know, NSEDC is invested in crab vessels whose fishery would, under rationalization, give them rights to an estimated 49 percent of the fishery. NSEDC's investment was diluted when golden king crab was added to the CDQ program and this request of 49 percent will bring our investment back to where we were before without additional benefits.

Factor number three to be considered is the degree, if any, to which each CDQ project is expected to develop a self-sustaining local fishery economy and proposed schedule for transition from reliance on an allocation to economic self-sufficiency. NSEDC board has taken its investment policy very seriously and has developed a long-term cash allocation strategy that I will cover in the next slide. All of NSEDC's

income-producing investments are oriented to enhance cash flow and do just that. Our return on investments have been very admirable and have set standards that the other groups should try to achieve. We also have made significant investments in shore-side infrastructure which will also be covered in a later slide. NSEDC has developed viable commercial fisheries within the region making them accessible to residents. Crab and halibut fisheries are now tops in the region which not long ago would be considered unthinkable. Finally, our investment in the education and training of residents should not be overlooked as investments that contribute significant to a sustainable fishing economy in our region. Without the people there to make it happen, we'd be left with nothing.

This flow chart outlines our simple but effective long-term cash allocation strategy that the NSEDC board adopted and has proven to be very effective in both delivering benefits to member communities and building the strength of our corporation. Our harvest royalties are split evenly between direct benefits to member communities and the income-producing offshore fishery investment managed by NSIC. Seventy-five percent of all cash income from such investments are then reinvested back into the same sort of investments and the other 25 percent of these second generation funds are

dedicated to supplement CDQ royalties on direct projects and programs in the region. This guideline is incorporated in the investment agreement with NSIC. We regret -- we regard self-sufficiency as regional economic self-sufficiency. Given the economic depressed conditions in our member communities, the amount of cash needed to raise the standard of living to more acceptable levels is in the thousands of dollars. In comparing our region's per capita income of just over 11,000 with the nearly 18,000 per capita the three groups have, about -- the three groups above us, let's take one example. What if we wanted to create a portfolio in investments in the Bering Sea or anything else that is income-producing that could support a 5,000 per capita increase in our region with 9,000 residents? That portfolio would have to be 900 million in size. If we use the kind of payout that the permanent fund thinks is sustainable, then that -- they think that you shouldn't count on more than five percent of your assets as a sustainable payout. We are at 70 million or so and climbing steadily. We just are not there yet.

Factor number four, the degree, if any, to which each CDQ project is expected to generate a capital or equity in local fishery economy or infrastructure or (b) investments in commercial fishing or fish processing operations. A number

of our CDQ projects are expected to generate capital and equity in the local fishery economy as well as make investments in commercial operations. The in-region capital and investment projects include the shore-side infrastructure program which has built fish plants, harbors, docks, ice making facilities, boat ramps, etcetera, and will continue to do so in communities until they are fully equipped. Norton Sound Seafood Products has made significant expenditures to secure facilities and operations for local fisheries. The fishing development program is designed to cultivate new and existing fisheries within the region. The revolving loan program has provided residents with many large fishing vessels and associated gear as well as purchasing fishing permits. The salmon rehab program is charged with restoring salmon runs and projects such as moist air incubation should help revive salmon runs within the region which could eventually bring commercial fishing back to areas where it has disappeared. We feel that we are doing a lot to promote fishing within the region and are proud of our effects. It should also be noted that we are making significant investments in commercial fishing for our long-term cash allocation strategy. Our funds for equity purchase, funds for harvest vessel purchase and funds for IFQ purchases are all well-managed and accessible

for future investments. Again, our past performance should be a good indication that we are likely to make strong, significant investments in offshore fisheries. Any offshore pollock deal is likely to be very expensive and we are developing our position to make that happen.

Factor number five, the applicant's contractual relationship, if any, with joint venture partners and the managing organization. NSEDC is currently engaged in a couple of joint ventures with Norquest for herring, Royal Aleutian Seafoods for custom processing of crab. Norton Sound herring obviously not a CDQ fishery but teaming with Norquest to process herring in Norton Sound is a choice the board has consciously made to relay benefits to our 300 herring permit holders in eastern Norton Sound. NSEDC and now NSSP has been assisting herring fishermen in various joint ventures, undertaking and providing markets since 1993. Insuring our herring fishery has been a great way for NSEDC to provide benefits to a large number of fishermen. Custom processing with Royal Aleutian Seafoods was initially a one-sided operation but recently, NSEDC began entering into joint processing and sales arrangements and has been enjoying greater financial return. NSEDC has developed a flexible CDQ processing agreement with Royal Aleutian Seafoods which

provide opportunities to custom process, joint venture or both during a particular fishery.

Our relationship with Royal Aleutian Seafood has also benefitted the crab fishermen and supported product sales for NSSP and the Norton Sound crab fishery. NSEDC owns 50 percent of Glacier Fish Company who harvests our pollock and cod. Operating agreements are in place to design each company's role in the process. We also have tried and true harvest agreements with GFC which have served us well over time. NSEDC also owns 50 percent of Norton Sound Ventures, LLC which owns four crab boats, one of which is going to the buy-back program. Again, we have both operating agreements and harvesting agreements with Norton Sound Ventures. NSEDC maintains competitive and productive harvest agreements for all of our CDQ fisheries. We've generated over 85 million in harvest royalties and have an excellent track record in efficiently harvesting our CDQ's. All of these harvest agreements are in our community development plan.

Factor number six, the applicant and the applicant's harvesting and processing partner, if any, involvement and diversity of all facets of harvesting and processing. Glacier Fish Company, our partner in pollock and cod, operates catcher processors and, therefore, manages all of the harvesting and

processing. The product goes through to a wholesale level marketing through Glacier Seafood International, a division of Glacier Fish Company, before it finally leaves our possession. For crab, NSEDC uses catcher crab vessels but, as mentioned before, we are also involved in custom processing and purchasing of CDQ crab which has generated an additional \$1.3 million for us. It is fair to say that NSEDC and partners are well vested in all facets of the harvesting and processing in the Bering Sea.

Factor number seven, the coordination, cooperation with other applicants or CDQ groups on CDQ projects. The design and nature of the CDQ program promotes competition first, cooperation second amongst the six CDQ groups. This said, NSEDC has in the past and will continue in the future to be open to communication and cooperation with other groups on a variety of CDQ issues and concerns including CDQ harvest management. Our cooperation with a number of the other groups is transferred of target or by-catch quotas in order to maximize harvests have been very excellent.

Factor number eight, the experience of the applicant's industry partner, if any. NSEDC is fortunate to have a very knowledgeable harvesting partner for our pollock, cod and crab. Glacier Fish Company is run by Eric Brevik (ph)

who is considered by many to be the cream of the crop in overall management of pollock companies. Eric formed the company in 1982 after already spending 27 years in the fishing industry. He has been involved in nearly every aspect of operation since and has led Glacier Fish Company through it all, developing new product forms along the way such as the shatter-pack cod filets, pollock filets, deep skin pollock block. Eric was named the Northwest Fisheries Association Man of the Year in 2004. Norton Sound Venture Management is comprised of Kim Hanson, Terry Cosgrove and Russ Moore. They have combined decades of experience both in company management and in vessel operation management.

Factor number nine, the applicant's CDQ project for employment, education and training the provides career track opportunities. NSEDC has a strong education, employment and training program that has been in existence since the inception of the CDQ program. Our education component has provided post-secondary vocational scholarships to 634 residents with a majority of those residents receiving multiple scholarships throughout their schooling for a total of \$1,566,256 in scholarships awarded to date. We have pilots, doctors, teachers, nurses, dental hygienists, biologists and engineers all having received scholarships from

NSEDC and returning to the region, therefore making the economy future of our region stronger. Our training component provides platforms for fishery-related training such as fishery safety orientation training at AVTEC. This training provides a career track for residents to become employed on our partner's Glacier Fish Company's vessels and our industry -- and other industry vessels.

Marine navigational and vessel safety training, this training has been provided in the region in all of our communities and provides our residents with skills needed for their subsistence and commercial fishing endeavors. Salmon and roe technician training has been provided to residents interested in working for our division, Norton Sound Seafood Products in our regional plants. Six-pack vessel license training has been provided to residents and those successfully receiving their hundred-ton or 200-ton licenses have been employed by NSEDC on our regional tender vessel. One has gone on to captain a regional vessel chartered by the University of Alaska for research projects. We also provide training for employees in our regional plants for their promotion of jobs requiring greater skills and knowledge such as quality control positions, refrigeration technician positions, foreman positions and plant manager positions. To date, NSEDC has

trained over 700 residents on these platforms for a total of \$1,367,658.

NSEDC also sponsors non-exempt temporary entry level internship positions to provide opportunities to residents to gain skills he or she needs to obtain permanent employment such as responsibility, teamwork, flexibility, critical thinking and communication and networking skills. A number of NSEDC employees were first employed as interns in our office and now hold permanent, full-time positions in our company. Just to highlight a few of these career track successes, Simon Kineen received scholarships for his college education, went through the observer training program with the federal government, was hired as an intern and now is our in-house fishery biologist who represents NSEDC also on a number of committees and boards across the state. Virginia Nashorluk (ph) received scholarships for her college education and was hired as an intern and is now one of our accountants. Janis Ivanoff received scholarships for her college education and was hired as an intern and now is our community benefits director.

Employment of our residents by our fishing industry partners has generated over \$9 million in wages going back to our region. These employment opportunities have been well

METRO COURT REPORTING
745 West Fourth Avenue, Suite 425
Anchorage, Alaska 99501
(907) 276-3876

received by our residents not only because of the fishing seasons allowing our residents to return home for summer and fall subsistence and commercial fishing but because Glacier Fish Company pays premium wages and offers a health and pension plan to all its employees, our 2006, 2008 CDP contains all these -- continues all these programs and expand them with increases in royalties dedicated to each of them.

Factor number 10, the benefits, of any, to the state's economy or to the economy of communities that are not eligible to participate in the CDQ program that are in addition to the benefits generated by the proposed CDQ's for participating communities. NSEDC has provided a number of benefits to communities beyond the CDQ boundaries. That includes setting up a chum salmon buying station in Kotzebue and purchasing harvests from their fishermen, extending the education, employment, training program such as scholarships, training and employment opportunities to the residents of Shishmaref, extending the training and employment opportunities to the interior and southern communities, recognizing that providing these benefits add to the strengthening of the state's economy plus it is clearly true that an economically strong, rural Alaska will always benefit urban Alaska.

Factor number 11, a demonstration through the information submitted under 6 A.A.C. 93.025(a)(11), that the applicant has a formal, effective administrative process that sets out some business principles and examples of due diligence that the applicant will exercise. Each of our communities are represented on our 15-member board and are elected by their communities in their respective municipal election process. The board has five advisory committees consisting of the executive committee, finance committee, rules and bylaws committee, scholarship committee and the fishery development committee. Our board and organization have adopted and followed articles of incorporation and bylaws and have corporate rules and regulations. We also provide yearly training for our board. That has included fiscal responsibilities, conflict of interest, financial reports, comprehensive and parliamentary procedures, to name a few.

In regard to our staff, we also provide training workshops, have an employee education enhancement policy and follow set policies and procedures. We also have policy setting of guidelines on capital and financial investments. These guidelines set out principle conditions and other provisions for the types, terms and requirements of our investments. A good indicator of the quality of one process

for making investments is the track record. Ours is excellent. The rate of return we have achieved on our investments in Glacier Fish Company, Norton Sound Ventures and the IFQ quota shares are truly outstanding. We have provided extensive information about these investments in the CDP and in our quarterly reports to the state. This information is testimony to the success of our investments and the quality of our administrative procedures.

Factor number 12, the development, if any, of innovative products and processing techniques as well as innovation in harvesting gear for conservation and maximum utilization of the fishery lessor. Sorry. It is hard for us to predict what we may be -- do in the upcoming CDP cycle in terms of development that fits within these criteria. However, when the history of NSEDC and Glacier Fish Company is considered, it shows that we have a track record of making and contributing to innovations and, thereby, bettering harvesting methods. For instance, the Norton Sound worked early on with bird avoidance tubes when it was recognized that seabird by-catch was a problem. Glacier Fish Company pioneered the pollock deep skin block. NSEDC has maximized value of our red king crab by utilizing fresh markets and we helped to fund the research and development of a salmon excluded device for the

pollock trolling. Glacier Fish Company has also kept at the leading edge of technology through vessel improvements to use the sirimi decanter process, increase product recovery as well as implementing freezing rain technology on our long line vessels for cod milt markets. NSEDC and GDC will continue to lead the way in recovery and new technology developments.

Factor number 13, the applicant's ability to maintain control over each of its allocation. NSEDC has an excellent track record for CDQ harvest management. NSEDC's management style has kept NSEDC away from overage problems and out of excessive by-catch situations. Even when NSEDC was given a disproportionately small quota of other species by-catch for the pea cod fishery, we were still able to harvest our quota, although the royalties suffered. NSEDC has competitive and productive harvest agreements and has never exceeded our CDQ crab allocation, a fact that we are very proud of. In fact, in the history of NSEDC harvesting CDQ fisheries, we have only two small violations. We have demonstrated our ability to maintain control over our allocation.

Factor number 14, the capital or equity generated by the applicant's CDQ project for fishery-related business investments. Our 2006 through '08 CDP has a combined total of

nearly \$21 million for capital or equity purchase through our funds for equity purchase, fund for harvest vessel purchase and fund for IFQ purchase. We feel that this is significant -- this is a significant budget for purpose of growth within the fishery-related industry.

Factor number 15, the past performance of the applicant and the applicant's industry partner as appropriated. NSEDC has and will continue to maintain a balance between local economic development in benefitting the residents in our member communities and active participation in the distant water fisheries in the Bering Sea. This balance includes immediate benefits to our communities, longer-term investments to provide a stable, long-term source of economic strength. Our performance is -- in benefitting the residents of our member community, has included education, training and employing our people, building shore-side infrastructure, providing shore-side support services to our fishermen, supporting the local salmon, herring, crab and halibut fisheries, restoring salmon runs in the region for both commercial and subsistence users, providing loans to residents so they may purchase gear, permits and suitable vessels to participate in local commercial fisheries.

In total, we have provided over 52 million in

benefits to our member communities. This is a list of some of the capital projects that we have been involved in either as funding partners with the communities or as the project developer. As you can see, this list includes projects ranging from providing ice machines, railer bags in the communities to the Nome navigational improvement project. On the royalty and investments side of the balance, NSEDC has generated over 85 million in harvest royalties from our CDQ allocation and currently has a net worth of over 70 million. We are also proud of our investments in Glacier Fish Company and Norton Sound Ventures. We have excellent business relationships with these companies and they have performed very well, providing second generation non-royalty revenues as a result of our ownership and providing employment as a result of our CDQ harvest relationships. The debt against these investments is low and represents less than 20 percent of the aggregate market value of these companies.

Factor number 16, the applicant's transition plan including objective set in the milestones table submitted by 6 A.A.C. 93.025(a)(13). First, I'd like to point out that we design our CDP as to not create an additional long-term reliance on future allocations as a means of staying within the federal law governing the program. That being said, I

would like to point out that we fully expect the CDQ program to continue as it is written into the American Fisheries Act and the Magnuson-Stevens Act. We will fully expect as the other groups do that the program's existence will continue and benefits will continue to be passed on to our communities while strengthening of the corporation will also be increased. Our transition plan is to continue with the board's direction, to use the long-term cash allocation strategy which puts a portion of our funds into investments in our region and our people and a portion into income-producing assets. We feel this is prudent -- we feel this is a prudent move given the nature of the program.

Factor number 17, for each CDQ project, the inclusion is -- the purpose -- proposed CDP of realistic measurable milestones for determining project -- process. In the 2006, 2008 CDP, we have included multiple, measurable milestones for each CDQ project and investment. These milestones are measured each quarter and audited each year for compliance.

Factor number 18, the degree of participating community input in developing the proposed CDP. In preparation for this very significant round of CDQ allocation, NSEDC held outreach meetings in each of our 15 member

communities to gather information and develop the CDP to best meet the needs of our communities and after providing a draft of the CDP to the communities in July, we requested further input and insight about the projects and programs laid out in our CDP. Through this process -- though this process is a large task, we feel the need to keep our residents informed and having their input is the most important part of the development of the CDP. We believe we may be the only CDP group to have made specific visits to each community for the sole purpose of gathering input for this CDP.

Factor number 19, the likely effectiveness of the outreach projects described in 6 A.A.C. 93. NSEDC has made it a mission and a daily task to keep our member communities informed about the programs and opportunities we provide. Some of the tools and programs we have implemented to keep the residents updated and informed on NSEDC projects, programs and opportunities include the community outreach program which has a program coordinator and 13 liaisons in our communities, in-region offices in both Unalakleet and Nome distributing a tri-annual newsletter, maintaining a corporate website, developing and distributing a infomercial on NSEDC in 2004, developing and distributing a Norton Sound red king crab video and holding community outreach meetings in each of our

communities, corporate annual reports with financials included that is sent to all of our box holders in our region, CDP's and audit reports sent or provided to all community, municipalities and board of directors, active recruitment of potential crew members through our EET department.

Factor number 20, comments provided by other agencies, organizations and the public. While we do not wish to speak for others, we have received very high compliments and kudos from a vast array of people and groups within our region. Concludes our presentation and we'll be available for questions. Thank you.

MR. CASHEN: Thank you, Mr. Asicksik, Mr. Harrelson and Mr. Kineen. I'd like to take a five-minute break at this time and go off record.

(Off record)

(On record)

MR. CASHEN: We're back on the record. The state has -- the CDQ team has some questions. Oh, okay. I'm sorry. Okay. Is there any public comment on Norton Sound CDP either in person or on line?

MR. JOHNSON: I'm here.

MR. CASHEN: Sir, if you could come forward and state your name for the record?

MR. JOHNSON: My name is Paul Johnson from Unalakleet, Alaska. I am a commercial crabber and a newly commercial halibut fisherman. I'm familiar with the CDQ program. I'm a former director for NSEDC in the early years so first of all, I'd like to applaud NSEDC for its accomplishments and as a fisherman and resident, supports their efforts and can attest to the fact that a fair allocation to NSEDC certainly helps our region.

The area I'd like to comment on, in particular, that I'm most familiar with is the large vessel loan program which I'm involved in as a fisherman. This program which takes the place of the -- what banks do or should do but don't do is what NSEDC does meaning -- forgive me for butchering the English language -- NSEDC stepped in and made available to commercial fishermen or developing commercial fishermen a loan program to invest in large vessels. Normally, banks aren't comfortable loaning to fishermen like myself who really have no assets or nothing to show for -- in those types of fisheries. The program has been successful. We've been able to prove that we can tackle a new fishery, catch the fish and make our loan payments and, hopefully, over time, make a living off it so there what NSEDC is doing through those loan efforts and its operation of Norton Sound Seafood Products

makes it possible for a fisherman like myself in the region to, you know, participate in developing fisheries so I hereby would like to, just for the record, say I applaud their efforts and support the.....

UNIDENTIFIED MALE SPEAKER: Thank you. Just for the record, so for yourself and some others that you're familiar with, what general sized vessels are we talking about and which fisheries are we talking about that you're getting loans for?

MR. JOHNSON: The halibut and crab fisheries in Norton Sound. The vessel size that I have is a 32-foot vessel converted to 38-foot.

UNIDENTIFIED MALE SPEAKER: Okay. Thank you.

MR. JOHNSON: Okay.

MR. CASHEN: Thank you, sir. Any additional public comment? Okay. Hearing none, I'd like to close the public comment and the CDQ team has some questions for Norton Sound. Commissioner, would you like to take the first question?

MR. KRYGIER: Okay. Thank you, Mr. Cashen. Mr. Chairman and Mr. President, what we've done is we've spent a great deal of time developing these questions and we ask all of the CDQ groups to answer the specific questions. There are

some questions we're going to be asking in executive session but we've divided up the questions among the CDQ team and I have the first question. Okay? And you may have answered the question already which is fine, it just gives you an opportunity to elaborate. Okay?

UNIDENTIFIED MALE SPEAKER: All right.

THE CLERK: Commissioner, could you put your mike on first?

MR. KRYGIER: Oh, my mike. Do you want me to repeat everything I said? Thank you very much.

UNIDENTIFIED MALE SPEAKER: Commissioner, can I ask a question?

MR. KRYGIER: Yes.

UNIDENTIFIED MALE SPEAKER: I think our plan is I will answer the question or is it okay to defer to a staff member if it -- if you want more technicality or.....

MR. CASHEN: That's fine. Just make sure that they state -- if they could state their name for the record when they come up to testify, it'd be great.

UNIDENTIFIED MALE SPEAKER: Thank you.

MR. KRYGIER: Okay. Mr. Chairman, Eugene, the first question is the CDQ program has been in existence for 12 years. Please explain Norton Sound's long range transition

plan and investment strategy to create a self-sustaining fisheries-related economy in the region. What steps has Norton Sound taken during the current allocation cycle to achieve this goal?

MR. ASICKSIK: I believe when you're saying current, it's the 2003 through 2005 CDP.

MR. KRYGIER: Yes.

MR. ASICKSIK: I think in our CDP, we've identified and laid out the long-term strategy and I also covered it in our presentation earlier is to maximize the returns in the allocations and also to develop investment policy guidelines that, you know, will assure that the income that's generated from the allocations we receive will continue to support the organization, the program and also infuse into the economy of Norton Sound and develop new fisheries and we've also tried to bring back some of the traditional fisheries that we have lost both for commercial and subsistence.

MR. DAVIS: And for the record, Mr. Chairman, this is Mr. Davis. Can you just give us some examples of those traditional fisheries?

MR. ASICKSIK: Our -- Norton Sound was mainly a -- excuse me, do I have to say my name every time?

MR. CASHEN: No.

MR. ASICKSIK: Okay. Norton Sound was mainly a salmon fishery and over the years, salmon has declined. Herring was another fishery that was very lucrative for our residents and since the CDQ program, we've been involved in buying salmon building plants and we're mainly the main buyer of salmon, crab and halibut in Norton Sound. In herring, we've joint ventured ever since 1993 in trying to keep our fisheries alive so our local commercial fishermen either in the salmon and herring can continue to fish. We developed the crab fishery. Started in 1993 and we lobbied along with Earl Krygier's support and the Commissioner to make it a registration super-exclusive LLP fishery and it's also excluded from the other crab fisheries in the state, more for our local residents. The Yukon Delta people were allowed to come in and they did participate in the early years and we've continued to develop this fishery and, as stated in my testimony earlier, it is becoming a lucrative fishery for our local fishermen. We also petitioned for a halibut fishery first out in St. Lawrence Island. We are the only group that has residents living in the 4-D area and we were told that there was no halibut that far north but our residents out in Savoonga were telling us they'd been fishing halibut

historically for many years. We petitioned the International Halibut Commission for a experimental fishery and we also worked with the University of Fairbanks and -- who gave us some support and we've successfully developed a fishery and we petitioned for or submitted in our CDP for an allocation of halibut in the Norton Sound area and we got a very small halibut allocation in 4-D and we continued to prove that there is halibut to be harvested up there. We built a plant out in Savoonga and the plant operated for many years and, as I testified earlier, we've also requested allocations in 4-E and I don't want to go into any details but in past CDP applications, you know, we thought we would receive allocations in 4-E but mainly, it's been split between two groups so -- the other fisheries that we've looked at is bait fisheries. We continue to harvest our own bait in our region. For example, if we have a contract with Norquest to come up, we will harvest and process and they will deliver to Nome 80,000 pounds of herring to be used by our crab and halibut fishermen and we've also tried developing a fishery in Teller for -- to support our winter and summer crab operations but we had some conflict with subsistence users so we discontinued that operation.

MR. DAVIS: And just -- this is Mr. Davis again

-- just for follow-up, do you have any new products that you might develop from those traditional fisheries; that is, like new salmon products or new marketing concepts for those traditional fisheries?

MR. ASICKSIK: We did in the past and we did add in filet machines, pin-bone removing, vacuum packing into the plant in Unalakleet and since the decline of the Norton Sound salmon, mainly, the chum in western Alaska dictates the fisheries, we then went into the Kotzebue Region and we flew fish in from Kotzebue to Unalakleet and we produced the Arctic Keta (ph) which sure fish to -- for a filet in the Washington area. We've also developed a live crab whole cooked section and fresh crab out of Nome and early on, we brought in the Northern Glacier to develop a pink fishery in Norton Sound and created pink filets for the school lunch program and also for MacDonald's and Mrs. Paul's and various other companies but due to declining salmon and restrictions, basically, if there's no chums, you have no king fishery -- king salmon fishery or you have no pink salmon fishery because of incidental or by-catch problems with chum salmon that has declined, as you all know, in western Alaska and halibut is another product that -- you know, we've fileted and steaked and shipped out of Nome into Anchorage and the Washington area

and we've also developed some markets for our large halibut in the Canadian.

MR. DAVIS: Thank you very much.

MR. HARRELSON: I'd like to speak. As far as what you asked about traditional fisheries, to address subsistence fisheries as well with NSEDC's efforts on salmon rehabilitation and enhancement, as you're all aware, all of our villages depend heavily on subsistence and with the lack of salmon returns, it's been a major concern in each one of our communities. Without a lot of jobs and a strong economy, subsistence foods in our villages are more and more important and with the decline of the returns, we worked real hard to improve the returns for subsistence users. We worked hand-in-hand with Fish and Game in several of our areas, several of our communities. As an example, with the Salmon Lake project, the return of red salmon there was only 20,000 fish for a number of years. Through a feeding enrichment program that we fertilize that lake, for the last three years, we've been able to increase that red salmon return to over 70,000 fish per year which makes a big difference with what food people can put on their table. A lot of our rivers are badly hurt right now with poor returns and we're working real hard to increase the returns throughout the region both for commercial and

subsistence use.

MR. DAVIS: Thank you.

MR. CASHEN: Thank you.

MR. KRYGIER: Gene, Norton Sound's requested an increase in their pollock allocation from 22 to 31 percent which is a substantial increase and you've talked about some of the justification for the increase but could you provide additional justification in terms of what types of projects could be implemented with the additional quota including in-region projects, employment benefits to -- as justification for the increase?

MR. ASICKSIK: Yes, well, first off, as stated, you know, we'd like our one percent back that we thought was unjustly taken away from us and also the -- consistent with, you know, the criteria and the 20 points that I had covered earlier in testimony is our population and our need but, as I've stated before and I also stated in my testimony that the CDQ program, you know, has been a very good program for western Alaska and there are companies and fisheries are being rationalized and so not only quotas but also fish companies have seen this and the price is going up. So in order to sustain the growth that we need for our region, we are, you know, requesting a larger allocation and in the region, we

have projects that are requested from our communities that we are unable to make. We have breakwaters, harbors, some additional seafood plants. A good example, I guess, is the project up in Nome, the navigational improvement. That, you know, was strongly recommended that we participate in that with a \$3 million contribution from NSEDC to the City of Nome. It was strongly recommended by the state CDQ team in previous years and the project is ongoing now and there was a major storm that was hit up there and I also received a e-mail that, you know, additional funds might be requested of NSEDC and there are other fisheries that we are looking at and trying to bring back the salmon. There is the state agency, the federal agency. Basically, they have offices up there but they are not doing any enhancement to -- other than, you know, counting the fish and that has impacted our fishing communities greatly so we're trying to enhance or come up with projects.

We -- we've worked very hard with the \$5 million and the steering committee and the state on -- you know, that was received from Senator Stevens for the disaster but we do have resident fishermen that would like to go beyond crab and halibut and, you know, that is something that in our January meeting, we will be revisiting where our fishermen would like to go beyond Norton Sound and into the Bering Sea for other

fisheries.

MR. HARRELSON: Could I add.....

MR. CASHEN: Mr. Harrelson?

MR. HARRELSON: I'd like to add -- yeah, I'm Dan Harrelson. As far as the numerous requests that we get for our -- from our communities for a varied of different projects, a lot of them now are coming in as using a portion of our funds with other state or federal funds to -- well, many different things. As you're aware, a lot of our villages don't have sewer and water. We're looking at those projects, community building, etcetera. Any project that goes into the community is going to mean jobs for our local people up there and unemployment is so high, poverty levels are so high, it's critical that we do whatever we can do to assist these villages.

MR. CASHEN: Do you have any estimate on what the additional quota would translate into in terms of employment in your region, just a -- I mean, has that been discussed or -- based on the projects you have proposed?

MR. ASICKSIK: Our 50 percent ownership into Glacier Fish Company, two mid-water factory trawlers, the PACIFIC GLACIER and the NORTHERN GLACIER, they do operate but additional fish would, you know, make it more efficient and

that, in turn, would give our residents longer opportunities and more opportunities and probably more positions to go on the boats. Every one of our harvesting agreements stipulates that they have to be in the employment section for residents of our region and that, you know, alone just in pollock would add to benefits to our region. It also would bring in a greater royalty for -- naturally, for, you know, the additional fish to meet some of our communities' needs and the organization and also to expand our participation in the Bering Sea fisheries.

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

MR. STILES: Yes. I'd like to speak about the enhancement efforts of NSEDC. Nome is probably the most affected by the cuts in fishing time, not only for subsistence as a resource but also tourism and not having the fish to attract and keep tourists in the area affects our economy and, as you may know, Nome attracts a -- quite a number of tourists each year but through either birding or -- bird watching or other things but there's no fishing resource for them and I think if we had a further allocation, we could use those -- we could use that to further enhance the tourist industry.

MR. CASHEN: Thank you, Mr. Stiles. Thank you, Eugene and Mr. Harrelson. Commissioner, do you -- take

it.....

MR. BLATCHFORD: I have question number three to Norton Sound, Mr. Chairman. How does Norton Sound feel about public disclosure of compensation levels for key personnel?

MR. HARRELSON: I can address that. The board of directors have no problem with disclosure of that at all. We've done it in the past, I think, in our past CDP's. It's public knowledge and no problem with it.

MR. ASICKSIK: I'd like to also add that we do -- being a nonprofit organization, we do submit a 990 that becomes public for anyone that wants to look at it, although it's, you know, a past tense but annually, we have submitted a 990.

MR. CASHEN: Thank you. Mr. Davis?

MR. DAVIS: Okay. I'd like to ask a two-part question. The first is what are -- what is Norton Sound's current and future plans for employment with its harvesting and processing partners?

MR. ASICKSIK: Well, we do have a educational, employment, training department and I believe we're the only CDQ group that runs our residents through a training program at Avtec to make sure that they have all the certifications

needed to be a -- on vessels and we continue to work with our partners -- our harvesting partners to increase our employment numbers and we continue to recruit people from our region and the EET department also makes village visits to introduce to the upcoming generation that, you know, there is a CDQ program and that there are job opportunities and training and scholarships available.

MR. DAVIS: Thank you. Do you have any estimate about approximately how many of your residents are out fishing offshore?

MR. ASICKSIK: I believe the last slide that I seen up in Nome that was taken off the state CDQ website, we had the highest number and think it was in like '82 and, as I stated earlier, the wages that have returned to Norton Sound are over \$9 million so far and I think we've trained over 600 or 700 people in our region so we have in -- written in our contract 80 positions and I think last year, we -- in our report, we had 82 people that went out there and worked that brought almost a million dollars in wages back.

MR. DAVIS: Okay. And that -- that's your past performance. Do you have any future plans that differ from that?

MR. ASICKSIK: I stated earlier with an

increased allocation, that would make our boats more effective. That is going to add additional fishing time so additional trips would be additional work for people from my region and more people would have an opportunity to go out on the vessels and we continue to push our EET department for job opportunities in.....

MR. DAVIS: Okay. And I'd also like to ask what are your current and future plans for employment in in-region projects?

MR. ASICKSIK: Again, our training department -- this last October, the board directed myself and the EET department to expand outside of fishery related to other jobs that are available; electrical, hydraulics, that are fishery related -- refrigeration. Because of the facilities that we have, I'm -- that we operate in the region, we need more technical people. It is a very tricky operation to try and keep crabs alive, you know, for a week so we need people that will understand a live tank operation. It seems fairly simple but to move live product which is pretty valuable, we need specialized people to, you know, keep the equipment running and so we're encouraging people to go to training and also as the large -- larger vessels and switching from outboard to inboard diesel, that needs service so we're also encouraging

people to get experience or certification in diesel mechanic and hydraulics is another thing that is somewhat new although it's been around in the area but as we get more vessels that are using hydraulics, you need people that can work on these also -- although some of the fishermen have, you know, a lot of experience but there are opportunities that are being made because of the CDQ program and our involvement and being the sole buyer and processor and owner of most of the equipment up in the region now.

MR. DAVIS: Okay. Mr. Chairman?

MR. HARRELSON: And I'd like to add -- answer as well. The board's taken a position as far as harvesting agreements and we've mandated that any harvest agreement that we enter into to someone, that we address putting some of our local people up on those boats and to date, that's been done. That opportunity exists both with Glacier Fish and also with Norton Sound Ventures. In regards to employment, the board has taken a strong position on using local hire wherever we can in our projects. The expansion in both the crab fisheries and the halibut fisheries has been an employment boon for a lot of guys that weren't working. We got guys out there running boats now. We've got deck hands that are coming from the villagers -- from the villages work a year or two and

getting involved in the fishery and pretty soon, they're asking for their own boats. Both the Norton Sound Seafood Plant in Nome and the Unalakleet plant pretty much employ entirely local people and it's an asset to the community of Nome, to Unalakleet and to the surrounding villages for the folks that go from those villages to Nome or Unalakleet to go to work.

MR. DAVIS: And just if I could follow up? This is Mr. Davis. Can you give us any numbers on how many people are employed at the Norton Sound Unalakleet plants?

MR. HARRELSON: Can I.....

MR. DAVIS: Do you have a num -- do you have the number -- do you have any -- an exact figure -- the ballpark figures first?

MR. HARRELSON: The -- nope, still have to give a ballpark figure because like when the crab lines are up and running, we got a bunch of guys there. When there's no crab deliveries, you know, they go along for a couple days. The same with halibut.

UNIDENTIFIED MALE SPEAKER: You have.....

MR. HARRELSON: Personnel.....

UNIDENTIFIED MALE SPEAKER:(indiscernible - interference).

MR. CASHEN: That'd be great.

MR. DAVIS: Sure. That'd be fine. Thank you.

MR. MAGUIRE: Tom Maguire and I'm the operations manager for Norton Sound Seafoods. Our two main processing centers is a salmon plant in Unalakleet where we're doing salmon. The years that we did fileting and pin-boning, we would have a workforce of around 46 to 48 people. That included the freezer crews. When we were doing just H&G, we run the plant with about 25 people. The crab line in Nome when we were doing live, fresh and frozen products, depending upon the volume that's delivered but it takes about 32 people. That includes a dock unloading crew. Also, I don't know if I'm speaking out of turn here but there are two of us in management of the company that are not within the region. Every other job pertaining to Norton Sound Seafoods including the vessels, the crews on the vessels, the tenders, refrigeration, quality control are all local residents of the region. There are just two of us who are not.

MR. DAVIS: Thank you.

MR. CASHEN: Mr. Krygier, want to take the next question?

MR. KRYGIER: Okay. Gene, I was trying to look at -- look up the rationalization of the crab that the council

struggled with and I see that you have four vessels? I guess that's right, four crab vessels?

MR. ASICKSIK: Yes.

MR. KRYGIER: Are any of those CP or are they all catcher boats?

MR. ASICKSIK: They're all catcher boats. I think the CP was on the -- now the GLACIER BAY which we've acquired to the quota, I believe.

MR. KRYGIER: So.....

MR. ASICKSIK: Excuse me, I might have to defer to Steve Rieger, NSIC management, but just to get that clear for Cashen but yes, we do have four vessels and.....

MR. KRYGIER: I'm trying to understand how -- what your -- kind of your general plans are for under crab rationalization in utilizing both your CDQ allocations and your acquisitions of crab in the future just crab vessels and permits, etcetera, in the future so I just -- if some of it's confidential, you can save it to the later, closed part but if you want to just -- generally, I'm trying to understand where you guys are going and what your plan is under crab rationalization for the CDQ group -- corporation.

MR. RIEGER: My name is Steve Rieger with NSIC. The vessels that Norton Sound Ventures is operating that we

have a partial ownership in are all operating as catcher vessels. We did as NSIC purchase some catcher processor quota share so we own some that -- or that we fit -- to be technically accurate, we purchased the fish history which we expect to convert to catcher processor quota upon rationalization but we -- our operating plan is to lease that, not to try to, you know, put it on one of our own boats and catch -- and process it.

MR. KRYGIER: And I'm trying to -- excuse me, you requested 49 percent and of the Aleutian Islands crab and Eugene covered that but I didn't -- I was trying -- I wrote down something but I want to make sure I have it right. Can you folks do that again for me? I'm trying to understand you request and it was something to do with -- is it some history from these vessels that you -- of these four vessels that you had and somehow it was displaced during the rationalization program? Is that what I heard, the.....

MR. RIEGER: The -- yeah, that is what you heard is that it's hard to know exactly how much quota you will get upon rationalization so these numbers are estimates but the fish history of the vessels that Norton Sound Ventures is involved in are very strong in the Dutch Harbor brown crab and the concept that we're trying to explain there is that

when there is a set-aside for the CDQ program, some of that will come out, obviously, of the open access or what was the open access fleet including a portion that comes from the vessels that NSEDC has an interest in and the request was to have an allocation of CDQ to bring that fish back to those boats that was set aside for the CDQ program back to them.

MR. KRYGIER: Okay. I understood that.

MR. RIEGER: Okay.

MR. KRYGIER: I just want to make sure that's what -- that was correct what I heard and, let's see, also on crab, as Eugene knows, I've been involved in the Norton Sound crab from Day One when we helped make it a super exclusive and then we went through the LLP process and some of those LLP -- maybe -- if I remember right and I'm reaching back -- about 30 percent, I think, were -- went to the Yukon Delta folks. You're asking for, I think, all of the CDQ portion and I just want a little more on the rationalization of that as far as between the two.

MR. RIEGER: Yes, not to take a stab at anyone is that the last -- for 2003 through 2005 CDP application, Yukon Delta testified that they were getting out of Norton Sound. They're removing everything from Norton Sound and as history has shown, they sold four boats to Russia, two boats

to the APIDCA CDQ groups that APIDCA uses for jig fishing in the Aleutians. They still have a couple of fishermen that go up there and I think they still own two vessels out of their original 12 that they built and stated back in 1993, I believe, that they were going to take over the Norton Sound herring and crab fishery. As I stated in 2003 CDP -- or this -- the cycle that we are on, they were getting out and they have removed everything and the last two years -- the last two seasons, the Norton Sound fishermen have fished and I've worked with the -- Ragnar Allstrom (ph) to try and acquire that quota. Two years ago, they decided to give it to three of our fishermen in the region and we continued to be cooperative in buying their fishermen that come up by their crab. This last year on the CDQ, we discontinued rationing or giving the people that have signed up for a CDQ to go out there and fish because it came down to where an individual would receive probably 250, 330 pounds of crab and it wasn't feasible. Last year, the board made a decision to have all CDQ crab open and delivered to Nome and then we would not provide a tender and that fishery lasted -- you know, in three days, it was over which was very beneficial to the fishermen that participated and also for NSSP and NSEDC. The -- I had, you know, at one time, Yukon Delta's quota but Ragnar called

it off because of concerns of allocation, you know, that they weren't participating or harvesting so they turned that fish or the crab over to crab fishermen with our -- in our region, as we testified in -- earlier and that was harvested and all delivered and processed to the plant up in Nome and the -- concerning the LLP's and I might have to come and ask you, as you well know, there is three proposals from Norton Sound fishermen that I haven't really looked at or haven't brought to our board, all concerning crap and one of them is the 32-foot EXEMPTION which will lead to the LLP's, the limited license permits, that the Yukon Delta CDQ group purchased on behalf of the corporation and the vessels cannot be separated which in a way is a benefit because I've asked Larry Cotter since he acquired two vessels from Yukon Delta. He also acquired the LLP's. I asked him to give me one as a Christmas present but John Muller and Joe Kyle and Larry said that they cannot separate the two vessels and I don't know if you want to get into the technical parts but it's going to create a problem which is also going to be a beneficial to Norton Sound fishermen as, you know, if that is true, then there are four vessels over in Russia that have LLP's designed -- or designated for Norton Sound and I don't know if they will come into Norton Sound and fish our CDQ. I mean.....

MR. KRYGIER: Who are they owned by?

MR. RIEGER: Excuse me?

MR. KRYGIER: Who are they -- are they still owned by.....

MR. RIEGER: They sold them.

MR. KRYGIER: I would think the permit would go away but we'll have to talk about that more.

MR. RIEGER: No, I -- I'm trying to -- that's what I said, maybe at another time, not at this meeting, that when the LLP proposal comes before the Board of Fish, I would like to find out how, you know, these -- because we have fishermen coming up that are purchasing. We do have a loan program that purchased these LLP's. This past year, we had two young gentlemen that used our revolving loan program to purchase LLP's so they could participate in the crab fishery this summer.

MR. KRYGIER: Okay. Let's see, I guess I have a couple other questions. I just -- being on a roll, I -- listening to the other groups as we've gone through, I was just kind of asking the last couple groups. I'd ask the same question. It didn't hit me till halfway through it. I'm just wondering how well you feel -- and it looks like you've done pretty well getting your -- not leaving fish on the table and

I'm just wondering are you finding it very easy to work with the other groups when you find you have some -- getting close to the end of a quarter, let's say, and transferring quotas, that they're -- you're having a -- is it working well for you, the existing system?

MR. ASICKSIK: I will ask John Zuck, our CDQ harvest manager, to come up and -- for maybe additional comments but we worked cooperatively with the other CDQ groups if they need some assistance or if we need some assistance but John has sort of been the catalyst to work with the other CDQ groups in, you know, transferring quotas and I think this past year, he probably did maybe close to 15 amendments, you know, that benefitted the other CDQ groups in moving quotas around and without building him up too high, I'll just defer maybe if he wants to.....

MR. ZUCK: Gene pretty much answered it. John Zuck, CDQ harvest manager. Yeah, it's worked real well. I mean, we've worked with just about every CDQ group when there was a situation that arises where we need additional by-catch species or they do to transfer and, actually, it's been real good working with the state in technical amendments that can be done within a day. I'd say it becomes a problem if a -- an amendment takes longer than a certain period of time but we've

not run into that so it's been very quick so I guess that's about all I can say.

MR. KRYGIER: Okay. What about have you had much problem with some of your sable fish with whales and things like that or are you using pots and things? What are you doing in that general area?

MR. ZUCK: Yeah, the sable fish fishery has been very difficult and there -- that's really for a couple of reasons. One is the problem with interaction with whales in a hook and line fishery and so we have been mostly trying to work with pot boats and we worked in the past with a company called Concept Fisheries which has gone out of business and what they had was the misconception in this last year with the PACIFIC SOJOURN, another pot boat, and part of the problem are there's not many boats out there that are pot boats that have LLP endorsements for ground fish fisheries. That is a requirement for us to fish our CDQ and we had this last year three or four different companies that came to us interested in fishing our CDQ and when we said that, they basically scattered. The investment to get an LLP endorsement can be, you know, \$100,000 and it's just not that productive and lucrative of a fishery. Even using the pots -- I mean, it's a grind and it's a slow fishery and we've done very well in the

past in our sable fish fisheries in the Bering Sea and Aleutian Islands. This year we didn't just because the problem in getting boats but that's not unusual, I think. The fleet in general for IFQ's left about 50 percent in the water, both the Aleutian Islands and the Bering Sea, and CDQ groups left most of quota in the Aleutian Island and about half, I think, in the Bering Sea so it's a real grind. There are some things that could be done, I think, to improve the fishery that -- with the hook and line use of hook and line, whales is a problem and there are also by-catch limitations, a real problem with sort of rock fish species that we have nearly no quota for. So the fishery is very difficult.

MR. KRYGIER: And turbot with Atka mackerel?

MR. ZUCK: Pardon?

MR. KRYGIER: And turbot was a problem with Atka mackerel as far as by-catch or not?

MR. ZUCK: Oh, not for us.

MR. KRYGIER: Okay. I knew it was -- with some groups, it was, yes.

MR. ZUCK: It was and, you know, I -- I'm sure you talked to them about that situation and part of that has to do with the extrapolation of catch data that created a situation. We assisted APIDCA in harvesting some of the

mackerel after they ran into that very problem, so.....

MR. KRYGIER: That brought up one other thing which you just kind of flipped the switch on me is are you guys seeing that the observer coverage that the CDQ groups are having to carry is causing you more problem than let's say with some of your vessels that are -- have to carry a hundred percent observer coverage but instead of 200, they're -- sometimes when that extra coverage is causing you more problems with, let's say, interpretation?

MR. ZUCK: The coverage itself is no problem.

MR. KRYGIER: Except the expense.

MR. ZUCK: Yeah, and it really has not been a problem and we've work well with deep servers and we have the ability to put in an alternative plan for various fisheries like we have with our line catcher processors which allows us to work with a single observer on a catcher processor. In fishing, basically what amounts to is a little more complicated than this but fishing halftime and under certain circumstances, that's a huge benefit, like at the beginning of a fishery, at the end of a fishery where the boat access and CDQ may overlap a little so we've not had any problems. I give talks to the observer training center, work with the Level Two observer trainers over there. We talk all the time,

you know. I don't have any problem with that. The only issue perhaps with the observers is some of the data collection and extrapolation basket samples, you know, at times is just not an accurate portrayal on a vessel by vessel, haul by haul basis of what is in a catch. I think that -- statistically, that's meant to be spread over the fleet, a larger sample. So.....

MR. KRYGIER: The problem with the vessel by vessel.

MR. ZUCK: Yeah.

MR. CASHEN: Yeah. I agree. Okay. Sir, one more question for you. Just might as well get it out of the way. This -- probably for Eugene and this is -- I was impressed with your overall scholarship and training program you guys have and all of the different groups. Like somebody this week has mentioned that BP had a spread in the paper about, you know, their scholarship program and I think the CDQ groups as a whole would put them to shame with how much scholarship you guys have put out and the training that -- that's up there, I think, is really important for the communities but at the council, the -- I heard some of the folks mention that they didn't think that scholarship and training was necessarily a fishery-related activity and,

certainly, some isn't but I think most of it is. These are fishing communities and most of what you're doing is training and stuff to keep fishing communities alive and I just -- if you've got any -- want to expound a little bit more on some of the personal things you've seen as far as the value of that training and the scholarships and how you think that might be specifically a fishery-related activity, I'd appreciate hearing that.

MR. ASICKSIK: Well, early on, you know, when we reviewed applications or I should say Jerry Ivanoff who's ran our education, employment, training department who would have been here but Penair had to over at Unalakleet two days in a row so, unfortunately, he didn't make our Christmas party or he couldn't be coming today and make our staff party but -- and also this presentation but, you know, we considered that and the residency issue was also something that we spent a lot of time on and -- but is, you know, fishery related and I think the first incident that we kind of were challenged to was someone wanted to go to a barber school and the conclusion we got to was that fishermen do need haircuts so it is fishery related. Otherwise, there'd be a lot of long-haired fishermen around but overall, I think since the development or the introduction of the CDQ program and the communities that it

has affected and then the subsistence use, you know, in -- or added as a criteria and now the 65 villages that participate, you know, granted not all of them are commercial fishing so it was allowed to have, you know, education, training and scholarships and I think it has been very beneficial for, you know, all 65 communities, as, you know, I think, six of my staff have gone through scholarships -- through our scholarship program and some through our internship program and there are a number of people that -- in our region that have gone through our scholarships. As we're flying for our community outreach meetings to the communities, two pilots, you know, that have gone through our scholarship program and I think it's only NSEDC that offers scholarships for instrument flying here in Anchorage, the two pilots were very grateful and, you know, proud that they were flying NSEDC staff to the communities and they would not be flying for the airlines up in our region and we have, you know, a number of other people within the region, teachers, that would not be teaching biology which is, in my opinion, fishery related, if they weren't allowed to get scholarships from NSEDC so I think it's been very beneficial for, you know, the young people in our region.

MR. CASHEN: Yes, Mr. Stiles?

METRO COURT REPORTING
745 West Fourth Avenue, Suite 425
Anchorage, Alaska 99501
(907) 276-3876

MR. STILES: Yes, Don Stiles from Nome. I would like to use our vice president, Janis Ivanoff, as an example of what our scholarship program has done. Her education was not directly fishery related but she is working for us as the vice president of this corporation in part due to the scholarship program and that's just one example of what the scholarship program has done for the people in our region.

MR. CASHEN: Thank you. Mr. Harrelson?

MR. HARRELSON: And I'd like to add as far as the -- some of the judging criteria the CDQ team is supposed to use for allocation includes benefits that our requests will bring forth to the state. Any scholarship that we give to somebody, regardless if it's fishing related -- directly fishery related or indirectly fishing related or if it gives that person an opportunity to get a job, to get a career, it's going to benefit not only our community but the state overall in reducing unemployment, reducing the dependence that a lot of our villages have on public assistance. As a further example, I'm going to use my own son as far as how NSEDC has benefitted him. He graduated from high school last spring. First thing he did is he went through our training program down in Seward. Spent two weeks down there getting trained. Two weeks later, he was out on a boat fishing. He

was able to earn \$3,000 for one trip fishing. With our scholarship program, it added to his money that he was able to save and he's down in Seward right now going through Avtec for a industrial electricity course. Going to graduate in June and he wants to get right into the IBEW union. He's hoping that he's going to be working on the gas pipeline that might go through so it's taking a kid out of our village that -- instead of sitting there and stagnating and not doing anything, maybe getting mixed up with alcohol, drugs, unemployed, just sitting in the village, we're doing worthwhile things with them and turning him into productive citizens for our communities.

MR. CASHEN: Thank you. Mr. Davis, do you want to.....

MR. DAVIS: Want me to take that one?

MR. CASHEN: Okay.

MR. DAVIS: Eugene, is.....

MR. HARRELSON: Excuse me, we have one more comment.

MR. DAVIS: Oh, sure.

MR. OXEROK: My name is Frank Oxerok. I come from the village of Wales and it's a small -- one of the smaller communities that NSEDC serves and the scholarship

program, I sit on that committee and I think it's very beneficial to our region because we have people that go to training and then well, people took like (indiscernible) and people took -- turn to be productive people. We have one young girl that's going to nursing school and she was one of the beneficiaries of our scholarship and I know it's not fisheries related but I think she plans to get her nurse's training then and then come back to Norton Sound area to work at the hospital and I think maybe that's good. Maybe one of our fishermen get hurt, she'll be one -- the one that will be taking care of him so yeah, the scholarship monies that NSEDC is I'd say a big help to our region. You know, it's benefitting the economy and keep our young people busy. It's come that way.

MR. CASHEN: Great. Thank you. Mr. Peterson?

MR. PETERSON: Hi, my name is Dean. I'm from a small community of Golovin and like Wales, we -- we've got a teaching staff up there of six people and out of the six people, we got four from Montana and two from Golovin. That shows a lot for the scholarship program. It's -- and both of these have finished the scholarship program and, on the other hand, we've had -- since the start of our program, we've had 13 people out of a community of 150 that made use and

completed college out of the scholarship program. I think that's -- shows a lot for a small community.

MR. CASHEN: Okay. Thank you. Anyone else? Okay. Eugene, in 2002, the council recommended an allowance for non-fisheries related investments and I was just wondering if you could talk about some of NSEDC's ideas for in-region sustainable economic -- non-fisheries economic development projects.

MR. ASICKSIK: Well, you know that NSEDC's position wasn't to go in that direction, it was pretty much the steering committee that was formed by the council and we wanted, you know, a different type but since amendment 71 was introduced with a 20 percent allowance for non-fishery related, we don't have any plans right now. You know, we continue to look at our region in fisheries and we also have, you know, an issue or the second generation or we're looking to build NSEDC to where it can benefit but if that is, you know, going to move forward -- you know, on the 20 percent but amendment 71(a), we also, you know, still have some concerns about it. I think, you know, that we will address it when it comes -- or it becomes approved and -- but, to my knowledge, the NSEDC board of directors or NSEDC staff had not put down, you know, a wish list of once this happens, this is what we're

going to do so -- and even in our 2006 through 2008 CDP, we did not take into consideration for the 20 percent allowance of non-fisheries.

MR. CASHEN: Mr. Harrelson?

MR. HARRELSON: I'd like to address that as well, Mr. Cashen. In the past, NSEDC has been forced to turn down ideas and projects requested by various villages just because they were disallowed. We anticipate probably a lot of our northern villages that don't have a strong fishing history coming forth with projects that will have a positive economic impact on their villages. As an example, the -- I'll use the village of Wales. At one point in time, they came into us and talked to us about putting together a coop where they would have a coop where their ivory carvers could carve, market and sell their ivory and had a request before us but we were (indiscernible) so I do feel that you'll see a number of projects come from villages that will help those villages in the long run but I think that would -- to add, you know, conflict with our long-term cash allocation or our strategy that the board has approved the way we had presented it in our presentation earlier and we -- if amendment 71(a) does pass, you know, it'd sort of be like a wrench in a wheel as we've, you know, evolved over the last 12 years and it -- we'd have

to look at it though. I mean, I can't, you know, say that right now it wasn't in our plans but that was something that came out of the CDQ community that was formed by North Pacific Fisheries Management Council.

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

MR. JONES: Thank you. Larry Jones for the record. Will you just expand on your request for an increase in a Pacific cod allocation of 18 to 20 percent? You know, kind of base that on active and proposed projects in a 2006 to 2008 CDP application?

MR. ASICKSIK: Again, I'll ask Mr. John Zuck to come up here and he will add onto my comments but, as you well know, NSEDC was the first CDQ group to acquire -- at one time, try to get a hundred percent of the Norton Sound that was denied by the state so we worked with our harvesting partner, Glacier Fish Company, and then we purchased 50 percent and I think that was the first vessel that was purchased by any of the six CDQ groups, the Norton Sound, and as the program evolved, we did acquire through some ownership in now what's called the MR. B but it was Glacier Fish Company and Norton Sound Ventures. The -- Mr. B, now GLACIER BAY, was originally going to be a crab vessel and it was converted into a long liner and that fishes our pea cod and so to make these two

boats productive, we would need additional pea cod and also, as history has proven, we've had pollock rationalization. We've had halibut and sable fish IFQ's. Now we have crab rationalization and history that these vessels that have harvested could have an impact, you know, on your investments and, as stated, we have two freezer long liners that we have interest in and in order for -- to keep our employment numbers up, opportunities for people from our region, we are requesting an increase, you know, in the pea cod and we've got all -- maybe refer to John Zuck to maybe give a more technical answer.

MR. ZUCK: John Zuck, CDQ harvest. The two percent increase, I think, represents roughly an additional trip on the Norton Sound, roughly about 300 tons or so so a little bit less in a single trip; again, roughly 300,000 pounds of product in general, so I'm not sure what I can add to what Eugene already said other than it's an additional trip on the Norton Sound.

MR. CASHEN: Okay. You mentioned the Norton Sound Seafood Center in your presentation and I was wondering if you could provide an update on those operations. You've talked a little bit about employment benefits but you -- can you talk a little bit about the -- your -- the business?

We've -- when the commissioners and I were out in Golovin and up to Nome as well as Savoonga and Gambell this summer, in Golovin, you had a floating dock for your crab fishermen. Can you just kind of talk about your business operation for the Norton Sound king crab and how that provides employment benefits as well as a market for your local fishermen in Norton Sound?

MR. ASICKSIK: Yeah, as stated earlier, you know, we started developing the Norton Sound crab fishery back in 1993 and since then, we participated in the small boat harbor improvements in Nome. Also the Nome Harbor and we also built the Norton Sound Seafood Center in Nome to process crab and halibut and prior to that, we had built a small halibut operation out in Savoonga on St. Lawrence Island since the halibut was being harvested out there prior to our fishermen getting more involved into crab but with the Norton Sound Seafood Center in Nome and the crab allocation and making Norton Sound an super-exclusive LLP with a 32-foot exemption fishery only for small boats, then, you know, that's when we moved forward with building the plant and then we also implemented our large vessel loan program. This loan program was introduced by the fishermen to the board of directors. They set the parameters and the amounts and the total because

they were concerned of over-capitalization of the Norton Sound fishery. They recognize there are 61 LLP's that are assigned to the Norton Sound crab fishery and at that time, I believe we had 16 registered -- or residents that owned LLP's. Today it's over 30, I believe. It's pretty much doubled because of our loan program and that was mainly to support the seafood center in Nome.

As the biologists studied the crab and as fishermen realized that there are some crab, you know, in the Golovin/Cape Darby/Rocket Point area, they fished and Golovin being more of a natural harbor and with the smaller vessels, fishermen, naturally to stay safe, were fishing out of the Golovin area and they needed some support and this past year, you know, we deployed a floating dock and we also put in a ice machine and unloader into Golovin to support the fleet that fishes out of Golovin. We also put in a titanium refrigeration system into one of our crab vessels so we can keep crab alive. They already had refrigeration systems in them but they were for dead fish and in order to keep crab alive and rejuvenate them, we had to put in a more expensive system into our tender vessel and that gave -- you know, with the floating dock, the tender vessel that gave the fishermen that operate out of Golovin a better opportunity that they

will get paid and that we will receive that crab line in Nome and the tender vessel runs the crab to Nome and we continue to improve, you know, our operations in Nome. This past year, I believe we paid the crab and the halibut fishermen \$1.2 million and we spent around 300 or 350,000 in wages at the plant there in Nome and that doesn't, you know, speak for the utilities that we've paid out and my numbers might be a little off but I do have stats here that could get more accurate if that's what you want but I've looked at the numbers before and I'm hoping that I'm all right and I think board member, Dean Peterson, from Golovin wants to make some comments.

MR. CASHEN: Sure. Mr. Peterson?

MR. PETERSON: Just since we've had that dock there in Golovin, the fuel sales for the City of Golovin have gone up double during the summer and I don't know if you guys had a chance to observe our malls there but the grocery sales that came out of there just from the crabbing fleet alone have probably equaled what the community of Golovin spends at them stores. In addition, we are putting in five people to work temporarily twice a year to put in and pull out that dock and just having that there is a big benefit to our community. It also benefits the community of White Mountain. You know, that dock is in pretty heavy use all the time. We got crabbing

vessels that come in from all over our region. We've had large lines that tried to use it but were kicked off by members of the community because it wasn't the intent of unloading a bunch of freight and a dock that would -- you know, they'd do a lot more damage to that thing than good so -- that thing had a lot of use in there.

MR. HARRELSON: There's another key thing that should be brought out -- be brought out as far as the shore-side improvements that we've made in Golovin. It's made the fishery a lot safer. When the weather gets bad, people got a little safe port that they can go to instead of trying to make a long run back into Nome and the Golovin operation, I'm sure, is going to help save lives. Gene spoke as far as the jobs with the seafood plant in Nome and one thing that we mentioned earlier that should be noted again is all the other businesses are -- that benefit from our operations both in Golovin and Nome -- the airlines, the stores, people that sell fuel, people that repair boats -- the money that's paid to these crab fishermen stays within our region and it's a good shot in the arm for our economy.

MR. CASHEN: Thank you. And I just had a follow-up question on your halibut requests. You -- you've requested an increase in your area 4-D halibut as well as a --

an allocation for 4-E and I'm wondering, number one, do you have the fishermen -- the local fishermen that could harvest the additional allocations and, number two, would they deliver to the Nome Seafood Center, Norton Sound Seafood Center?

MR. ASICKSIK: Yes, as we spoke about our large vessel loan program, halibut is the next fishery after crab. This year, as I stated earlier, the CDQ crab was harvested in possibly three days. The open access crab was harvested in one month and if you have a \$80,000 vessel or you receive a \$80,000 loan from NSEDC, then with your insurance and your operations, you need alternative fisheries so most of our crab fishermen are switching over to halibut and we see this trend growing and, as we stated in our testimony, St. Lawrence Island where we develop our halibut fishery has not fished halibut for the last four seasons mainly because they are all working at Northeast Cape on the military cleanup and I don't blame those fishermen for taking a -- you know, a 35 to \$40 an hour job cleaning up Northeast Cape military waste and I think that project is over as of last year and they've also seen a increase in local construction, mainly water and sewer and housing so we anticipate those fishermen to come back to fishing because we've also given them loans and also upgraded, you know, beach landing areas for them in the past and that

fishery is very interesting if you can imagine going out with an 18-foot Lund out into the Bering Sea off of a rocky island and then having to come back and you have your wife and your children lining up pallets on the beach so you can make a run on the beach and avoid the rocks or otherwise you swamp so that's the only way they could unload their halibut unless it's glass com which is maybe three times out of the summer and that's an interesting challenge and so we assisted in three landing areas for them in the past and removing boulders that, you know, the tractor could barely push but yet the seawater would put them right back to where we removed them and it's been an ongoing -- but we anticipate them to start fishing for halibut and if that occurs, in the past, we worked with Northern Air Cargo to where we had 9,000 to 12,000 pounds of halibut and we needed a lot of ice out there and you could hold halibut, you know, a maximum of maybe nine days on ice but now with the plant, we'll just be shuttling from Savoonga to Nome and the 4-E, not make any stabs but Julie Anderson who was your predecessor probably before Bryce and the guy -- salmon guy now, I can't think of his name but we'd.....

MR. CASHEN: Haight.

MR. ASICKSIK: Huh?

MR. CASHEN: Glenn.

MR. ASICKSIK: Glenn Haight. You know, I did -- NSEDC has been petitioning the state for a 4-E allocation for many years and when IPHC came up and found that they had 80,000 pounds of additional halibut and they wanted to put it in 4-E in the Hilton Hotel in Seattle in the stairwell, we shook hands and I agreed, you know, that the -- all 80,000 pounds would go into 4-E and that we would receive a 4-E allocation because we weren't trying to develop a halibut fishery out in Nome. We shook hands but as the allocations came around, we did not receive any 4-E allocation. Neither did Yukon Delta. Seventy percent went to Coastal Village, 30 percent went to Bristol Bay so we were pretty hard-headed about it and we opposed when they wanted to make 4-D primable (ph). We opposed it till we received an increase in our allocation and once that line became -- I mean, once we received an increase in our allocation, we consented to the 4-D line to be primable to where fishermen can fish 4-D quota in 4-E and today we still oppose to make the line two-way because people that have 4-E halibut wants to go in with their large vessel into 4-E waters. If they can't harvest it, then, you know, maybe we should receive it. We acquired additional 40,000 pounds of halibut this past summer or fall in case our fishermen.....

MR. CASHEN: IFQ's or.....

MR. ASICKSIK: No, CDQ.

MR. CASHEN: Okay.

MR. ASICKSIK: We acquired Bristol Bay --
excuse me, Coastal Village transferred.....

MR. CASHEN: Oh, transferred.

MR. ASICKSIK:to us in case our fishermen
harvested a hundred percent of our halibut, you know, and so
I know I'm getting a little.....

MR. CASHEN: Yeah.

MR. ASICKSIK:hostile here but we've been
trying to request 4-E halibut, we haven't received any
but.....

MR. CASHEN: Well, the.....

MR. ASICKSIK:I anticipate our fishing
fleet as they become more efficient and they purchase more
gear and just for a note, as I stated earlier, this large
vessel loan program was developed by our fishermen and it
sunsets this month, December, 2004, and any future loans, you
know, will have to be addressed in a different manner. In
other words, we don't have a large vessel loan program. We
have, I believe, 18 large vessels up there ranging from 32 to
48, I believe, that, you know, have potential or can switch

over in -- fishing crab and halibut.

MR. CASHEN: So just to summarize, you -- your fishermen have the capability to catch more halibut if you were allocated more halibut in 4-E and 4-D?

MR. ASICKSIK: Yes, and I think as they go further and further and learn, you know, the grounds and -- they won't participate -- granted, this year, we transferred, you know, to our long liner, 50,000 pounds to supplement our other fisheries and generate some revenue and an additional 20 so -- but the fishermen harvested the remaining quota and when we realized that we might be running short, we approached the other CDQ groups and Coastal Village and Bristol Bay both said that they have halibut available that they could transfer to us if needed be and then we could work a transfer amendment with Coastal Village but, unfortunately, a big storm hit Norton Sound and that kind of ended our halibut fishery and I have the gentleman from Unalakleet. I think he lost 12 skates of gear in that storm that he's going to have to replace and.....

MR. CASHEN: So I just -- I -- I'm -- just want to clarify, so the additional allocations would be harvested by local fishermen, not by a long liner -- a large long liner? That's kind of what I'm getting at because the halibut

allocations are -- at least in -- they were designed for local residents so I just -- you had said that you transferred some to your long liner. Is that -- was that because of the inability to catch it or.....

MR. ASICKSIK: No, it wasn't because of inability, it was because of maybe foresight. If you look at the evolvment of halibut in Norton Sound, yes, in the past, we did not harvest it all but what I'm saying is that as our fishermen get more efficient, we are harvesting more and more every year. The year before, we transferred and worked with Yukon Delta to do a cleanup fishery since they have the little boat there that, you know, can run around at free will so they harvested our remaining CDQ halibut because it's -- you know, you just can't -- you need a longer time frame to do a cleanup fishery but at -- again, as global warming occur and, as I stated to Phillip, that I do have my arms outstretched and I expect his halibut to continue to swing north into colder water. We anticipate more halibut in the area and we anticipate our fishermen to get more efficient and harvest more halibut.

MR. CASHEN: Okay. Mr. Stiles?

MR. STILES: Yeah, I'd like to speak about the halibut fishery. It has been an expensive endeavor for a lot

of our fishermen. Some of them have been successful, some of them not so successful, mainly due to the high cost of fuel in the region and I think on a trip, it would probably cost about 900 to over a thousand dollars just in fuel costs alone but I think some of the learning curve for the new halibut fishermen has been the bait situation and finding out what bait and what quality of bait works better for our fishermen so once those things are learned, I think the fishermen will become more efficient and able to harvest more of the quota available.

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

MR. HARRELSON: One quick thing I'd like to add is -- both on the crab and halibut is these fisheries have developed. It's recognized by other people in -- within the region that you can be successful fishing, you can make money, you can feed your family and so the number of our fishermen are growing. We've got kids in high school that are talking already they want to get their own crab boats. As I stated earlier, we've got deck hands that have worked for two or three years, now are getting their own boats and out there fishing so you're going to see the number of fishermen grow and when those numbers grow, we need more fish to be able to sustain those guys out there fishing.

MR. STILES: I -- I'll use my son as example.

METRO COURT REPORTING
745 West Fourth Avenue, Suite 425
Anchorage, Alaska 99501
(907) 276-3876

He's 16 years old. He went out crabbing with me this summer and we just transferred to another school, he did, and we interviewed with the principal there and they had asked him what he wanted to do after he graduated and, to my dismay, he said he wanted to be a crabber but he's got an interest in it and I'll certainly support him if that is what he chooses to do but I would also like him to further his education.

MR. CASHEN: Well, thank you both. Mr.

MR. ASICKSIK: One more -- as a final note, I guess I was just handed a note by our operations manager, Savoonga fleet in 1998 caught 71,000 pounds of halibut and Nome fleet caught zero. This year, I believe the Nome fleet caught 104,000 pounds so if you add in -- you know, as we stated, Savoonga will get back into the fishery, we will exceed the allocation that we currently have.

MR. CASHEN: Thank you. I appreciate your testimony. That's -- the Nome Seafood Center is very important to your region and your fishermen so appreciate that.

MR. DAVIS: I had one question. Mr. Davis.....

MR. CASHEN: Oh.

MR. DAVIS:for the record. I noted that Mr. Krygier had asked you a question based on your PowerPoint

presentation but you did not supply us with a hard copy of it. Would you like to put a hard copy in the record?

MR. ASICKSIK: I already supplied it to your recorder, all the -- his statements, my statements and a picture of every slide that was.....

MR. DAVIS: So we've got it?

MR. ASICKSIK: Yes, you have.

MR. DAVIS: Thank you. I just want to make sure we have it.

MR. CASHEN: Ms. Leamer, do you want to take the next question?

MS. LEAMER: This is Lola Leamer of the CDQ program. In the interest of time, we'd like to keep your answers short. I believe we're 15 minutes over right now. Just briefly describe the Norton Sound's in-region programs that provide benefit to the residents; specifically, your internship training, education and employment programs. I realize you've probably already covered this but if you'd just focus on it real quickly? Thanks.

MR. ASICKSIK: If Jerry Ivanoff was here, I would have deferred to him but, as I said, he wasn't here due to weather but our in-region.....

MR. CASHEN: You can just summarize.

METRO COURT REPORTING
745 West Fourth Avenue, Suite 425
Anchorage, Alaska 99501
(907) 276-3876

MR. ASICKSIK:we have a number of people working with the Alaska Department of Fish and Game in internship programs we provide to interns for the herring operation when there is a herring operation and they, in turn, will switch over into the salmon operation and there are a number of counting towers that are operated by Department of Fish and Game and also Kaweruk, their regional non-profit, the Bering Sea Fishermen's Association. We also provide interns there. We provide interns in other businesses and the board has taken the position that we would provide interns for non-profit organizations within the region. We've provided interns for the Norton Sound Health -- Hospital and they hired both interns as permanent employees today. We've had a number of interns that have become permanent employees for other organizations and the -- this CDP, they -- we noted that we were taking care of the adults and the -- we normally try to target our college scholarship recipients for internships so they could have additional funds they'll hold for the -- continuing their education. We started the marine degree waste heat and it is submitted in our CDQ where we'll be targeting more of the high school students and the younger adults in our communities to where they could have an opportunity to have summer employment and this would be

fishery-related marine degree and also assisting with other programs, our enhancement programs and I think we will continue to step that up. We've started a number of programs in our region for enhancement. We work with the Nome School District on a wrist incubation project and I know you wanted to keep the answers short so I'll just quit.

MR. CASHEN: Mr. Stiles?

MR. STILES: Yeah, I'd like to speak about the internship opportunities. Over \$900,000 has been earned through that program. The employment of residents in the fishing industry has been over \$9 million in wages. Post-secondary and vocational scholarships, over 1-1/2 million and fishery-related training opportunities, over 1.2 million so there's a lot of opportunities there for people in the region. There -- some of the training opportunities have not been without their problems and growing pains and we've recently started discussing changing some of those to target qual -- more quality and Eugene -- or Dan brought that up earlier about some of the refrigeration, electrical and stuff like that that is needed to operate the plants and other things within the region.

MR. CASHEN: Thank you. Mr. Jones?

MR. JONES: Thank you. Would you provide a --

METRO COURT REPORTING
745 West Fourth Avenue, Suite 425
Anchorage, Alaska 99501
(907) 276-3876

just lay a brief update on NSEDC's plans -- fish plans of the flatfish pool for the 2006 to 2008 CDP cycle?

MR. ASICKSIK: That is a very tough fishery and I just consider the H&G or bottom trawling is not a very good discussion at the council. Everyone -- personally, sometimes I think the State of Alaska and the environmentalists look at that so that is one area that we haven't really got into very or haven't hit it very hard but we've tried with the allocations that we've received and I'll call John Zuck up again to maybe give more technical specific answers but we have no ownership and that's something that -- you know, that is being targeted a lot at the council level and we haven't really got involved in, you know, the bottom fish so John might add to that, so.....

MR. ZUCK: Okay. John Zuck, CDQ harvest management. Laird, can I ask it -- the flatfish pool, are you referring to any.....

MR. JONES: Flatfish fisheries. I'm sorry, I didn't mean to say pool.

MR. ZUCK: Okay. Because I know that is a group of -- you know, the groups that are working together. Yeah, the flatfish fisheries, like the other H&G vessel type fisheries, have been hit or miss over the years and a large

part of that is, you know, the size of the open access fisheries and the tack and the fact that those vessels basically move from one fishery to another as there are opportunities and so haven't -- other than Atka mackerel, haven't had a lot of opportunities to harvest a lot of the flatfish fisheries. This last year, as it turned out, the companies the vessels hit the yellowfin sole fishery pretty hard early in the year and had very low by-catch and so they were able to take their full amount of quota in each of the seasons and there was time frames then available to fish CDQ yellowfin. You know, again, these fisheries are kind of hit or miss, depending on availability of time in between for his open access fisheries and -- what would really help, if -- is if CDQ fisheries would be able to start the year say January 1 instead of January 20th and have some limited fisheries earlier in the year. That would be an opportunity perhaps to fish some rock sole roe fisheries.

The other problem with the flatfish fisheries that fall outside the normal regular seasons for harvesting is that we run into, really, a difficult -- we can run into difficult bycatch situations. With the lower amounts of certain species by-catch, you know, we can run into by-catch problems and so it happened one year -- I think it was year before last, we

tried to fish flathead sole later in the year well up north and we ended up running into Opilio by-catch so what happens then next Opilio season, we knew right where to get them so -- in our crab fishery. So -- but anyway, that -- hope I answered your question.

MR. CASHEN: Okay. Thank you. Any other questions from the team? Commissioner?

MR. BLATCHFORD: I had a question but it's not related to the CDQ program. Someone spoke about Golovin and I was wondering about the horses. How are the horses?

MR. ASICKSIK: I think the horses are still there and Natcha (ph) -- what'd he have, seven?

UNIDENTIFIED MALE SPEAKER: Right.

MR. ASICKSIK: No, nine. Nine horses. I know you didn't believe us when he told you as you were landing into Golovin that you were going to see horses on the flats but they.....

MR. BLATCHFORD: I did see horses.

MR. ASICKSIK: There's nine of them up there.

MR. CASHEN: Okay.

MR. HARRELSON: There's a cute story that goes with those horses. There's -- when the Iditarod was going through one year, they -- one of the mushers was going through

and he thought he was hallucinating. There was a snow machine that drove by pulling a sled that had a horse sitting in it with all four legs pointing up in the air. The poor horse had gotten hyperthermia and they were taking it in to warm it up but the Iditarod racer was sure that he'd been on the trail much too long so horses are doing good.

MR. CASHEN: Okay. If there are no further questions, I'd like to take another five-minute break and go off the record.

(Off record)

(On record)

THE CLERK: We're on the record now.

MR. CASHEN: Okay. We're back on the record. This last portion of the public hearing, I'd like to move that we go into executive session and I have Chris Poag with the Alaska Department of Law to explain some of the parameters for executive session, what can be discussed in executive session.

MR. BLATCHFORD: Okay. Let's get the motion on the floor.

MR. CASHEN: Okay.

MR. BLATCHFORD: It's been moved. It's --
Laird, do you second?

MR. JONES: Yes.

METRO COURT REPORTING
745 West Fourth Avenue, Suite 425
Anchorage, Alaska 99501
(907) 276-3876

MR. BLATCHFORD: Moved and second for the CDQ team to go into executive session for the reasons that will be explained by the attorney.....

MR. POAG: Yeah.

MR. BLATCHFORD:from the Department of Law. Mark, do you want to preface any of these remarks?

MR. DAVIS: No.

MR. POAG: Good morning. Chris Poag from the Department of Law. More for the benefit of the public, the CDQ team has asked me to explain the grounds that support our motion to go into executive session. Today the state, the CDQ team would like to rely on two statutory grounds to go in executive session, to take up two subject matters. The statute we're relying on is, obviously, Alaska Statute 44.62.310 and in subsection C, there are two provisions, paragraphs three and four, that we intend to invoke as our grounds for going into executive session. Three and four are very similar in nature. Both of them say that confidential materials protected by state law and confidential government records can be discussed in executive session. We believe that your business plans for the future and your CDQ royalty rates are highly proprietary and, as a result, are protected by state law. I can't point to a statute. I can point to the

Constitution, Article 1, Section 22, and what that creates is a privacy for you folks in your business records which we think those two subject matters are protected by and we're supposed to weigh that, your interest in privacy, against the public's right to know. In doing that balancing test, the CDQ team believes your privacy outweighs the public's right to know your business plans and your CDQ royalty rates so for those reasons, we -- the team intends to vote on the motion to go into executive session. If it's approved, we would ask Mr. Asicksik to please identify who here you would like to remain in the room because you're voluntarily exposing them to your private information. We want to make sure that those -- the people that are here are the folks that you want to be here so I'd like you to not just name them but to maybe turn around at the end and make sure that people you've named are the people that are here and somebody hasn't slipped by your attention because we certainly don't want to expose a.....

MR. ASICKSIK: You want me to name them, is that -- or.....

MR. POAG: I do but -- and the last request we have is I'm a lawyer that provides advice to the CDQ team but you're exposing me to your private information too so I guess we want your blessing that I stay in the room. You don't have

to grant that blessing and I'll gladly take an early lunch but I have been present for the other proceedings and, again, we'd like your blessing on that. You probably have been informed and the public should know we are recording the executive sessions and we believe that they're confidential but this is an administrative advisor body and we are creating a record of this.

MR. ASICKSIK: Yes, I could go into naming everyone but I would just ask that anyone that is not affiliated with the CDQ team or with NSEDC to be excused for the executive session.

MR. POAG: Will you do me a favor then and, for the record, indicate that you've looked at the crowd and you think everyone present today is somebody that you wish to be here?

MR. BLATCHFORD: Yeah, Mike Black is part of the CDQ team. Do you want his mike?

MR. ASICKSIK: Yes, everyone that's in the audience is all right and I didn't realize that Mr. Black was part of the CDQ team. Is there other members that are part of the CDQ team that are not present here and have participated in other CDQ hearings that I don't know of?

MR. POAG: Myself.

MR. ASICKSIK: But I presume you -- you're.....

MR. BLATCHFORD: Well, Al -- Deputy
Commissioner, Al Clough.

MR. POAG: Oh, I'm sorry.

MR. ASICKSIK: Al Clough is.....

MR. BLATCHFORD: Yeah, Division Director,
Banking -- or Investments, Greg Winegar, but they will have a
transcript of everything that is discussed here.

MR. ASICKSIK: So you're saying they
participated in previous CDQ.....

MR. CASHEN: Yes.

MR. BLATCHFORD: Right.

UNIDENTIFIED MALE SPEAKER: They had to go home
yes -- last night.

MR. ASICKSIK: Okay. So.....

UNIDENTIFIED MALE SPEAKER: Had to go back to
Juneau. They had other meetings they had to attend.

MR. ASICKSIK: All right. So I have no
problems with the rest staying and I assume the recorders are
staff of state so.....

UNIDENTIFIED MALE SPEAKER: Okay. And do you
have a problem.....

MR. ASICKSIK: No, I don't have any problem

with.....

MR. DAVIS: Yeah, and for the record, this is Mr. Davis. I -- Mr. Chairman, we've -- we kind of do need a record of who's here. That could be done by -- if you could just take the names down of who's in the back and give it to the court reporter, that's what we asked one group to verify.

MR. POAG: I wanted to leave one last cautionary note and executive session only allows us to take up those two topics and if we have to go outside the scope of any of those two topics, we need to go back on the public record. It's very important to the process working so please limit your presentation or responses to questions to simply those two areas and I mean business plans that the public doesn't know about. I mean, business plans for the future that which if were disclosed would be -- have a negative impact on your corporation and royalty rates that aren't -- haven't already been exposed to the public because we know there's hard-fought battles over those royalty rates and you have an interest in keeping that private but we cannot exceed the scope of that or we have a problem. Okay?

MR. ASICKSIK: Okay. For the record, Mr. Davis, everyone that is in the audience has signed in. There are two signed-in people, Tom Maguire and Marciano -- or Rocky

as we refer -- are not present right now but I know Tom said that he needed to check out to catch a flight or check out of his hotel so he might walk in or he might miss the whole executive session so you have recording.

MR. DAVIS: Thank you very much for clarifying that. Okay. The question is on the floor. Is the CDQ team ready to vote?

MR. CASHEN: Yes.

MR. DAVIS: CDQ team is ready to vote. All in favor of going in executive session for the reasons stated by the Department of Law attorney, say aye.

MEMBERS: Aye.

MR. DAVIS: All opposed, say nay. Hearing no nays, we will go into executive session. Please shut the doors. That was quick. Greg?

(CDQ TEAM GOES INTO EXECUTIVE SESSION FOR 15 MINUTES)

MR. POAG: Yeah, Chris Poag, Department of Law. Just let the record show that we didn't take any action in executive session. In fact, we didn't take up any matters pursuant to the motion to go in executive session so there, essentially, was not an executive session.

UNIDENTIFIED MALE SPEAKER: Thank you very much. Mr. Cashen?

MR. CASHEN: Eugene or Dan, do you have any further testimony you'd like the team to hear or anything to add?

MR. ASICKSIK: Well, with the delay, I was wondering, you know, when we would hear of the decision from the CDQ team. Is it six months?

MR. CASHEN: We expect to have something together probably in January. I can't give an exact date at this time.

UNIDENTIFIED MALE SPEAKER: First part. First half.

MR. CASHEN: I -- as soon as we can but I would just say January because I don't want to give an exact date at this time.

MR. ASICKSIK: And my understanding of the appeals process and what was explained by the state earlier is that once a decision is made, consultation will take place or the CDQ group will have six months to appeal before it is submitted to the North Pacific Fisheries Management Council because we've stated that, you know, the last go-around, we did not know till the state CDQ team made its presentation to the North Pacific Fisheries Management Council.

MR. CASHEN: No, when we've informed the group

seven, we've been very clear that there'll be -- after the initial allocation recommendations, the groups will be allowed a 30-day request for reconsideration. Then the state will have 30 days to reply to the request for reconsideration. Then we will incorporate that into our testimony to the North Pacific Fishery Management Council at the April, '05 council meeting and then we'll have our allocation recommendations sent to the National Marine Fisheries Service by April 15th of '05 and after NMFS goes through -- I mean, they have their process on the NMFS side but that's, essentially, the state's process.

MR. ASICKSIK: Okay.

MR. CASHEN: So there is no formal appeals process at the state level. So -- Mr. Harrelson?

MR. HARRELSON: I guess I want to ask a quick question as far as your allocation determinations. That process itself on how you determine what our CDQ group gets -- gets an allocation, is that process or is that determination public information?

MR. CASHEN: No, it's not. As I understand the Open Meetings Act, it's not public.

MR. ASICKSIK: Unless there is a challenge, then there is -- then the way I understood the letter is that

it becomes -- or we get to see why our determination is made.

MR. CASHEN: I'm not sure I understood -- I -- I'm not sure I understood that, Eugene.

MR. DAVIS: Well, why don't we refer that question to Mr. Poag.

MR. POAG: This is a -- we're here today for the purposes of public testimony about your proposed CDP, we're not here to talk about the regulatory process that is or isn't provided in state law. If you want to have those discussions, probably your lawyer should contact me and we can talk about that but it's set out in the regulations so I'm sure he can provide you advice on how that process works. Now, I am giving advice to this team as to what is and isn't subject to the Opens Meeting Act and what are and are not allowed to be discussed in executive session. There's no requirement that executive sessions be tape recorded and, as your lawyer will probably advise you, deliberations -- free thinking in deliberation process has always been protected, just as a jury deliberates in a free thinking process and who's to say that this group will even get together and have a deliberation? They -- there's a large written recommendation that will come from the CDQ team and that is where you see the analysis that goes into the determination that was made. This

contain a full, true and correct transcript of the Public Hearing before the Department of Commerce Community and Economic Development, CDQ Program Committee, was taken by Janice Scott and transcribed by Janice Scott.

THAT the Transcript has been prepared at the request of the State of Alaska, Department of Commerce, CDQ Program, Juneau, Alaska.

DATED at Anchorage, Alaska this _____ day of March, 2005.

SIGNED AND CERTIFIED BY:

Jerri Young
Notary Public in and for Alaska
My Commission Expires: 11/03/07