

Community Quota Entities

Workshop Proceedings



Community Quota Entities

Workshop Proceedings

February 17-18, 2009
Anchorage, Alaska

Alaska Sea Grant College Program (Publisher)
University of Alaska Fairbanks
AK-SG-10-04



Elmer E. Rasmuson Library Cataloging in Publication Data

Community quota entities : workshop proceedings. — Fairbanks : Alaska Sea Grant College Program, 2010.

p ; cm. — (Alaska Sea Grant, University of Alaska Fairbanks; AK-SG-10-04)

— February 17-18, 2009, Anchorage, Alaska.

ISBN 978-1-56612-157-6

1. Fisheries—Limited entry licenses—Congresses—Alaska. 2. Individual fishing quotas—Congresses—Alaska. 3. Halibut fisheries—Alaska—Congresses—Marketing. 4. Sablefish fisheries—Alaska—Congresses—Marketing. I. Title. II. Series: Alaska Sea Grant College Program report ; AK-SG-10-04.

SH329.L53 C66 2010

Credits

This book is published by the Alaska Sea Grant College Program, supported by the U.S. Department of Commerce, NOAA National Sea Grant Office, grant NA10OAR4170097, projects A/161-02 and A/151-01; and by the University of Alaska Fairbanks with state funds. The University of Alaska is an affirmative action/equal opportunity employer and educational institution. Printing funds are from the Gulf of Alaska Coastal Communities Coalition, and the Sea Grant Coastal Community Development fund. The latter is dedicated to diverse and sustainable coastal communities, where residents have the knowledge and skills they need to adapt to natural and man-made changes in resource use and availability.

Cover design is by Dave Partee, Alaska Sea Grant; photo of Sand Point, Alaska, is by Nicole Grewe, and courtesy of Alaska Division of Community and Regional Affairs. Book layout is by Jen Gunderson, Alaska Sea Grant.

Sea Grant is a unique partnership with public and private sectors combining research, education, and technology transfer for public service. This national network of universities meets changing environmental and economic needs of people in our coastal, ocean, and Great Lakes regions.

For information on undergraduate and graduate opportunities in marine biology, fisheries, oceanography, and other marine-related fields at the University of Alaska Fairbanks School of Fisheries and Ocean Sciences, visit <http://www.sfos.uaf.edu/>.



Alaska Sea Grant College Program
University of Alaska Fairbanks
P.O. Box 755040
Fairbanks, Alaska 99775-5040

Toll free (888) 789-0090
(907) 474-6707 • fax (907) 474-6285
www.alaskaseagrant.org

Contents

Alaska CQE Updates, 2010	1
Purpose of the 2009 Workshop	3
Workshop Agenda	4
Introductory Remarks (Ed Backus and Gale Vick)	6
CQE Program Background (Gale Vick)	9
Key Hurdles to Financing Quota (Jeff Batton)	12
Forging a New World of Community Fisheries Financing (Justin Stiefel)	19
CQE Leasing and Management Strategies (Melissa Berns)	23
CQE Program Requirements and Regulations (Jessica Gharrett)	29
Direct Marketing of CQE Halibut and Sablefish (Greg Fisk)	36
Community Quota Entities: The Basics of Board Service and Management (Mike Walsh)	43
CQE Support Project: University of Alaska Anchorage (Andrew Crow and Steve Langdon)	50
CQE Forum: Strategies, Hurdles, Operations— Open Discussion (Mike Walsh).	54
CQE Web Links	76
Attendees	77

Alaska CQE Updates, 2010

While the Community Quota Entities (CQE) Program cannot yet be viewed as a success, a few recent developments may provide better financing opportunities for CQEs, and proposed revisions to the regulatory structure may put CQEs in a better position to participate.

Two actions approved by the North Pacific Fishery Management Council include potential opportunities for CQEs: limited entry for halibut charter, and fixed gear endorsements for Gulf of Alaska Pacific cod licenses. Of those, the halibut charter program has been approved by the Secretary of Commerce and is in the process of implementation. The rulemaking for the Gulf of Alaska Pacific cod licenses is under development. Council motions on both programs explicitly include provisions for CQEs.

The limited entry program for halibut charter establishes a new requirement that charter businesses meet criteria and hold a permit for halibut charter fishing in Areas 2C (southeast Alaska) and 3A (south-central Alaska). It also allows for CQEs to request a limited number of permits at no cost. Thus, new charter businesses in these communities, or existing businesses that did not meet the qualification requirements for a charter permit, could lease a community halibut charter permit from the CQE and lower the cost of entry into or expansion in the charter halibut fishery.

The fixed gear Pacific cod fishery is a slightly different situation. The action would remove existing latent licenses from the fixed gear Pacific cod fisheries in the Gulf of Alaska, including those from residents of eligible CQE communities. Qualifying licenses would receive fixed gear-specific Pacific cod endorsements, and could be used to fish Pacific cod in the Gulf of Alaska area and with the gear type for which the license is endorsed. As part of this action, NMFS would also issue permits to each CQE equivalent to the number estimated to be removed from residents of the community, or two permits, whichever is greater, so that access to Pacific cod remains a long-term community asset. The expansion of the base of community holdings beyond that of halibut and sablefish (blackcod) quota share may help further the CQE Program, and in fact, may allow CQEs to leverage their assets so that purchases of halibut and sablefish quota share become more financially feasible.

In February 2010, the Council suggested further regulatory changes to the CQE Program. A summary of these changes, and the schedule for their consideration by the Council, is provided below:

1. The Council initiated an analysis to evaluate eligibility for four new Gulf of Alaska communities: Game Creek, Naukati Bay, Kupreanof, and Cold Bay. This analysis is scheduled for initial review and final action at the February 2011 meeting. Currently, the same 42 gulf communities are eligible that were eligible at the start of the program.
2. The Council initiated a discussion paper to consider developing a CQE Program for non-Community Development Quota (CDQ) communities in Area 4B (western Aleutians). Adak is the only community that meets the criteria. The proposal would allow Area 4B communities to select or form a CQE, which could purchase Area 4B halibut catcher vessel quota share and/or Aleutian Islands sablefish quota share on the open market. The Council will review this paper in December 2010; they could take no action, determine more information is necessary, or initiate a formal analysis with alternatives.
3. The Council initiated an analysis to allow CQEs representing Area 3A communities to purchase D class halibut quota share located in Area 3A. Currently, there is a prohibition on CQEs purchasing D shares in both Area 2C and 3A. The alternatives would limit the number of buyable Area 3A D shares to that allocated to residents of eligible Area 3A CQE communities at the start of the IFQ Program in 1995. It would also require that D shares be used only on vessels 35 feet or less. The Council will review this in December 2010.

For more information please see *Review of the Community Quota Entity (CQE) Program under the Halibut/Sablefish IFQ Program, Final Report, March 2010*, http://www.fakr.noaa.gov/npfmc/current_issues/halibut_issues/CQereport210.pdf.

—Nicole Kimball, North Pacific Fishery Management Council

Purpose of the 2009 Workshop

Cosponsored by the Alaska Sea Grant Marine Advisory Program, North Pacific Fisheries Trust, and Gulf of Alaska Coastal Communities Coalition, this workshop provided technical support for Community Quota Entities (CQEs). Experts in nonprofit governance, finance, regulatory issues in quota fisheries, lease management, accounting, and other topics made presentations and were accessible for consultations.

The workshop also provided a forum for CQE participants to share and discuss issues of concern, and work together on strategies for CQE development and operations.

Community Quota Entities are now authorized for 42 Gulf of Alaska communities. CQEs are a brand new set of organizations tasked with managing a complex set of assets and relationships involving acquisition and leasing of halibut and sablefish (blackcod) quota for the purpose of fostering economic development and stabilization in small, often very remote Gulf of Alaska communities.

Twenty CQE organizations representing 21 communities are now established. The North Pacific Fisheries Trust has been created to address the primary obstacle CQEs face—the cost of capital. To date only one CQE has actually purchased quota and established a working leasing program. To be successful and function as intended, CQEs need help enhancing their capacity to build equity, and they need support for their organizational development.

The audience for the workshop included current managers of the existing 20 CQE organizations, and prospective organizers in the remaining eligible communities. Key invitees included individuals responsible for policy, decision-making, management or oversight of CQEs, as well as experts in various fields relevant to the development of the individual CQEs and the program in general.

Workshop Sponsors

Alaska Sea Grant Marine Advisory Program
North Pacific Fisheries Trust
Gulf of Alaska Coastal Communities Coalition
Rasmuson Foundation

Publication Acknowledgments

Transcribing and editing by Greg Fisk, with assistance from Ed Backus.

Workshop Agenda

February 17, 2009

- 8:30 am Gather for coffee/breakfast
- 9:00 am *Welcome and Introductory Remarks*
Ed Backus: Vice-President Ecotrust/North Pacific Fisheries Trust

Gale Vick: Gulf of Alaska Coastal Communities Coalition (GOAC3)
- 9:30 am *CQE Program Background*
Gale Vick: GOAC3
- 10:15 am *Key Hurdles to Financing Quota*
Jeff Batton: Loan Officer, North Pacific Fisheries Trust

Forging a New World of Community Fisheries Financing
Justin Stiefel: Consultant, GOAC3
- 11:00 am *CQE Leasing and Management Strategies*
Melissa Berns: Cape Barnabas Inc. (CQE for Old Harbor, Kodiak Island)
- 1:00 pm *CQE Program Requirements and Regulations*
Jessica Gharrett, National Oceanic and Atmospheric Administration, National Marine Fisheries Service, Restricted Access Management (RAM) Division
- 2:00 pm *Direct Marketing of CQE Halibut and Sablefish*
Greg Fisk: Seafisk Consulting and Management LLC
- 3:00 pm *Community Quota Entities: The Basics of Board Service and Management*
Mike Walsh: Vice-President, Foraker Group
- 4:00 pm *CQE Support Project*
Andrew Crow: University of Alaska Anchorage, Center for Economic Development

Steve Langdon: University of Alaska Anchorage, Department of Anthropology

February 18, 2009

- 9:00 am Welcome, Review agenda for the day,
Ed Backus/Gale Vick
- 9:15 am *CQE Forum: Strategies, Hurdles, Operations*
Mike Walsh, Facilitator
- How can we further the program objectives for CQEs?
 - How do we create efficiencies for CQEs?
 - What additional sources of capital and finance can be found?
 - What types of quota acquisition tactics are there and how do we execute those?
- 11:30 pm Open Comment

Introductory Remarks

Edward Backus

North Pacific Fisheries Trust (Ecotrust)

Gale Vick

Executive Director, Gulf of Alaska Coastal Communities Coalition (GOAC3)

Ed Backus: Gale Vick and I have served together for many years on the board of the Prince William Sound Science Center in Cordova and through that got to know each other, and our respective organizations. She works for GOAC3 and I work for Ecotrust, which is based in Portland, Oregon. Ecotrust has programs all across the region, including the Copper River, and in British Columbia as well. We are very interested in community economic development and we have a lot of experience in finance.

Gale and I started to talk about the bottlenecks for communities trying to acquire quota in the Community Quota Entity (CQE) program, and what we could do about that. We also began to talk about how we could advance the CQE program in general. We asked ourselves, “What are the broader sets of issues?” and “How can we help communities bootstrap themselves further in this program?” CQEs are relatively new institutions. We collectively face a lot of organizational, technical, and financial policy issues. We thought, “What better way than to come together as a larger community and talk about those things?”

Ecotrust’s involvement has been largely on the finance side of things, which you’ll hear more about in a few minutes. It’s not easy these days in the finance world, and that was the primary reason that we decided to put together this workshop. But we also thought we should have the Foraker Group discuss nonprofit management and board formation and all those sorts of “nuts and bolts” things that are required to keep new institutions functioning. The Foraker Group is funded by the Rasmuson Foundation expressly for the purpose of developing community nonprofit institutions and helping them strengthen their capacities. That also is a large part of what this workshop is about.

I’m grateful to you all for traveling here in the middle of winter, which is not always easy.

We have a great turnout. We should thank Miranda Christiansen and Gale Vick from GOAC3 who spent a lot of time organizing, and on the phone getting folks here. Obviously, with 42 communities that are eligible for CQEs, there are many more communities and people that are active in this program than are represented here today. Gale, would you please come up and give us your background and your thoughts on opening this workshop?

GOAC3 and CQE

Gale Vick: Good morning everyone. My name is Gale Vick. I am the Executive Director of the Gulf of Alaska Coastal Communities Coalition (GOAC3). I am a 40 year resident of Alaska and also a commercial fisherman out of Prince William Sound. First of all I want to thank you all for coming. This is a very important organizational meeting and I think that over the next couple of days we are going to be doing some important strategy work.

I would like to recognize a couple of people, because without them we would not have a GOAC3 and we would not have a CQE program. First, Ole Olsen, and next, Freddie Christiansen. I'm going to tell a little story. But keep in mind that there are many people in this audience, specifically with the Old Harbor Native Corporation and other Native corporations, who have also been mainstays of this organization (GOAC3) since 1998.

Some years ago, we were in Kodiak, and we were seeking out a place to go fishing. Ole said, "Go to Old Harbor." So we went to Old Harbor. It was the first time we met Freddie, and had a wonderful, fantastic time. All of you should go there if you've never been. We were on the banks of Big Creek, and Freddie and I spent probably 6 to 8 hours talking about fisheries politics instead of doing any actual fishing. The formation of the GOAC3 started at that point. Freddie had questions about why the Gulf of Alaska did not have a Community Development Quota program like the Bering Sea. I had worked on the CDQ program and I was very familiar with it. So we talked it out, all the reasons why, and what we could possibly do for the Gulf of Alaska. Now, this was just about the time when the halibut and sablefish (blackcod) IFQ (Individual Fishing Quota) program was being considered and then implemented by the Council (North Pacific Fishery Management Council) in 1996. Thank you very much, Ole Olsen and Freddie Christiansen. These guys were the inspiration for GOAC3 and the CQE program.

I want to thank some other people as well. First of all, we would not have had this conference if Ed Backus from Ecotrust and North Pacific Fisheries Trust had not backed it and gone to the Rasmuson Foundation. Thanks to Ed especially, and also his staff Leanne Weiss. Also I want to

thank Paula Cullenberg and Beverly Bradley from the Alaska Sea Grant Marine Advisory Program, because they really helped with the organization. And I also want to thank our GOAC3 office manager Miranda Christiansen because she did a lot of work in the last few weeks contacting folks and getting information around to participants.

CQE Program Background

Gale Vick

Executive Director, Gulf of Alaska Coastal Communities Coalition (GOAC3)

I'm going to give a very brief timeline of the CQE program. I preface it as being "very brief" because we all know that a lot of the things that occurred have, in fact, been quite complicated and drawn out.

The halibut and sablefish (blackcod) IFQ program was implemented in 1995, and it was a very bitter battle, as you can remember. Our communities were not included in the initial allocation of quota shares, and the community provisions that are in place now were not even considered. I think the Council tried very hard, under the program guidelines in place at that time, to consider communities. But they had a lot to do in a very short period. Communities were left out. What emerged was a closed system, and very quickly we started to see that it was having a dramatic effect on Gulf of Alaska communities. We saw a real drain of quota—halibut especially—going out of communities, and also of the people who had originally gotten allocation. We also saw a real problem with diversified or combination fishing. Many of the people who got some allocation, but got too little, were not able to effectively utilize their quota in their combination fishing operations. Those of you who fish, and most of you do, understand that combination fishing is the lifeblood of our communities. We were in a "perfect storm" of crab stocks crashing in the mid 1980s, and salmon prices going "in the tank." A lot of negative things happened in fishing at the same time. The economic dependency of our communities on fishing put them in dire straits. And the halibut and sablefish IFQ program created a further dramatic shift.

At that point we started talking with several people about these concerns, and we have some of them here today, including Dr. Steve Langdon from the University of Alaska. Steve and his group did a lot of work with us to try to identify the problems and to document that there was a lot of migration of people and quota out of communities. At the same time we talked with the Commercial Fisheries Entry Commission (CFEC) in the Alaska Department of Fish and Game. They wrote a report that clearly identified that we were losing quota share at a very rapid rate out of our communities. This was early on in the IFQ program,

and it just got worse after that. Our organization, GOAC3, decided to approach the North Pacific Fishery Management Council with our concerns. (I want to recognize Nicole Kimball, who is part of the Council staff. Nicole was very, very helpful early on and has continued to be and we appreciate her help.) We appealed to the Council but, of course, could not get any more quota allocated for communities because halibut and sablefish were fully allocated resources under the IFQ program. In 2000 GOAC3 wrote a formal position paper and presented that to the Council. In it we identified that one available option was the creation of a quota purchase program to allow Gulf of Alaska communities to buy in to the halibut and sablefish fisheries. That was a great step forward, but it requires money. While we worked to get communities included in the IFQ program, quota prices had been going up and up. Ex-vessel prices went up a little bit too, but once you get into any kind of limited access program quota prices escalate. When we started this process in 2000, we could have bought halibut quota share at \$8 dollars or so. Those prices now are up to as high as \$30 dollars, depending on area and type of shares.

To recap, in 2000 we petitioned the Council to allow Gulf communities to purchase quota, and the Council responded with Amendment 66 to the halibut/sablefish IFQ program, creating Community Quota Entities. It was approved by the Council in 2002 and was made into law June 1, 2004. Amendment 66 identified 42 Gulf of Alaska communities as eligible to create CQEs. Eligible communities had to have 1,500 people or fewer, and not be connected to any major hub by a road system.

At the time, there was much speculation in the industry that those 42 communities were backed by Native corporation money and were going to become major quota buyers, and that this would distort the IFQ markets and severely disadvantage individuals. We kept repeating, "We don't have the money." We kept emphasizing that Native corporations have fiduciary responsibilities to their shareholders that preclude them from getting into risky ventures that don't make enough return for the corporation. But the fears persisted.

We know now that those fears were unfounded. To date, of the 42 eligible communities, only 20 have actually formed CQEs and very few of those are really operating. It takes money to operate CQEs and purchase quota—money that has not been readily available. The CQEs require some sort of benefactor to coordinate efforts and provide seed capital and financing. All this has to be done within the limitations of the law, and always bearing in mind that there are fiduciary responsibilities when managing CQEs. It requires a lot of time, money, and people's effort. We have not yet made the kind of progress we had all hoped for.

Today and tomorrow we are going to sit down together and talk about financial and operating strategies to make CQEs successful, and political strategies too, because the political climate keeps shifting and

there have been some interesting things happening on that front just recently. We would like for this workshop to be as informal as possible. We want to hear any questions or ideas that you have. Please raise your hand and ask a question or share your thoughts. Thanks to all of you for coming.

Ed Backus: Thank you, Gale. I want to point out that tomorrow morning we are going to have a facilitated forum. Mike Walsh from the Foraker Group will still be here and he is going to lead us in a broad, open discussion. We will get all of your issues, questions, and strategy ideas on the table. As Gale said, the idea is to be informal, and to really take this opportunity to get to know each other and talk about ideas, and ask questions in an unrestricted environment, exploring all the dimensions of the opportunities the challenges we face. One of those is the huge challenge of finance. This morning we have Jeff Batton and Justin Stiefel who are going to “tag team” on that issue.

Key Hurdles to Financing Quota

Jeff Batton

*Loan Officer, North Pacific Fisheries Trust
(former CEO of Alaska Growth Capital)*

(PowerPoint presentation: <http://seagrant.uaf.edu/map/workshops/2009/cqe/presentations/npft.pdf>)

Good morning everybody. I'll start off with a brief sales pitch for the North Pacific Fisheries Trust. We're here, we have money, and we are actively trying to help people finance quota and get CQE businesses started. I will get into some specific financing issues this morning. But the North Pacific Fisheries Trust is wide open to having brainstorming conversations with you, and to discussing any ideas that you want to explore in trying to solve your quota financing issues.

I am going to talk about "How to think like a banker." That is not necessarily a fun thing to do, but may be necessary for the success of your business. I want to help you learn how bankers think and what they look for in financial applications. At North Pacific Fisheries Trust we are not typical commercial lenders. We are more flexible than a bank, but we ask the same sorts of questions and we look at the same things when evaluating financing applications, so we know the process.

Bankers commonly talk about the "four C's of lending"—Collateral, Capacity, Credit, and Capital. These are the things that a banker analyzes to answer the question, "Can we do this deal or not?"

- **Collateral.** This is the value of the property you pledge as security to back up the loan. In the case of CQEs the collateral is the halibut and sablefish (blackcod) quota owned, or to be owned, by the entity.
- **Capacity.** Also think of this as cash flow. It is the ability of the CQE to pay its operating costs and make its loan payments every year.
- **Credit.** Typically the first thing a lender wants to know is, "What's your credit history?" That is a difficult question for CQEs, because they are all start-ups, and have no credit histories.

- **Capital.** Simply stated, this is the actual amount of money you have available to get something started. For CQEs the biggest capital requirement will be the down payment on quota purchases.

I will go into more detail about each of these things, and I will talk about various ideas and different solutions that we, at North Pacific Fisheries Trust, use to tackle these issues when we look at underwriting a new transaction. Where I want to end this discussion is with some of examples of what we consider workable solutions. This is definitely an art, not a science. Certain trade-offs—credit versus collateral versus capital—can help get a deal done. The key is achieving a balance among the “four C’s” that somehow works.

Collateral

Let’s look at **collateral**. Lenders think in terms of loan to value ratios, or LTVs. Banks are almost never willing to loan 100% of the cost of what somebody is trying to buy, but if they were that would be 100% LTV. Typically they are willing to loan a good deal less than that. Simply put, bankers want the value of what they are loaning against—the collateral—to substantially exceed the amount owing. That way, if they have to sell the asset to pay off the loan there is good assurance that all of the loan amount will be recovered. What are the trends in the value of halibut and sablefish quota as collateral, and how do they impact your ability to finance quota purchases?

Figure 1 illustrates halibut quota prices by IPHC (International Pacific Halibut Commission) regulatory area from December 2006 through February 2009. Figure 2 shows similar trends in sablefish. It seems like sablefish quota is not as active a market as halibut quota, so the pricing looks a little stranger. The key point is that we have seen a run-up in prices for both halibut and sablefish quota. I think a lot of people may be wondering, “Why haven’t prices come down a little bit, with the economy being in such bad shape?” I think that’s a great question, and I guess the future will tell us. Unfortunately we don’t have a crystal ball to know whether quota prices are going to go down or up in the future. But at North Pacific Fisheries Trust, we don’t lose a lot of sleep worrying about that.

One thing that is important to consider in your strategic planning is the relative value of each of these species. For me, that is very interesting as a benchmark for what is really going on with collateral values. An analysis tool I have started to use, and which I do not think is commonly used, is the price-to-sale ratio. That means the cost to buy a pound of quota versus how much revenue can be generated off that quota in a given year. It doesn’t take into account every single variable, because obviously there is a cost structure associated with halibut that is dif-

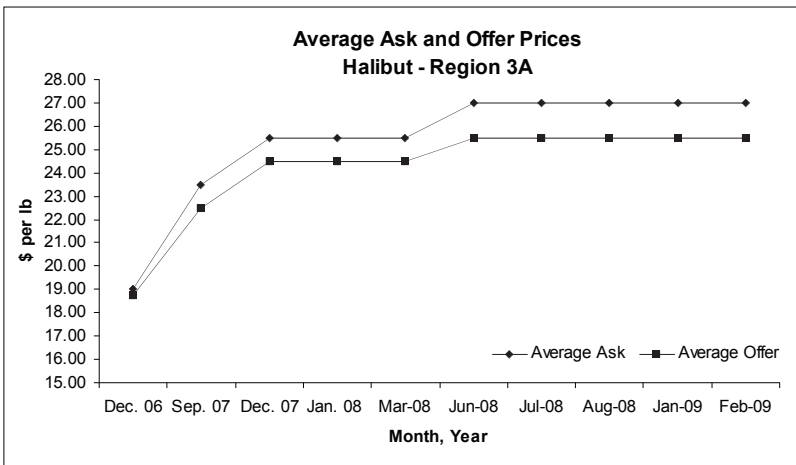
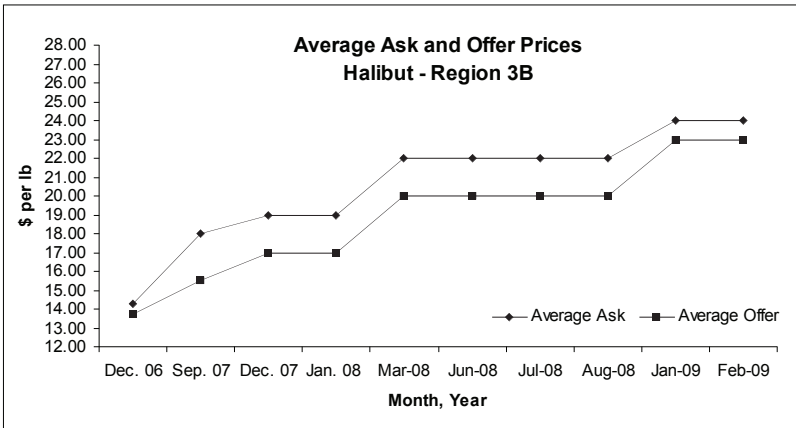
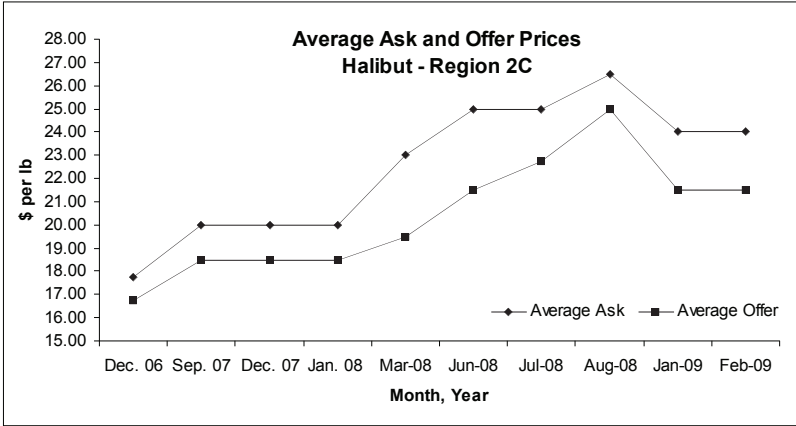


Figure 1. Price trends in halibut.

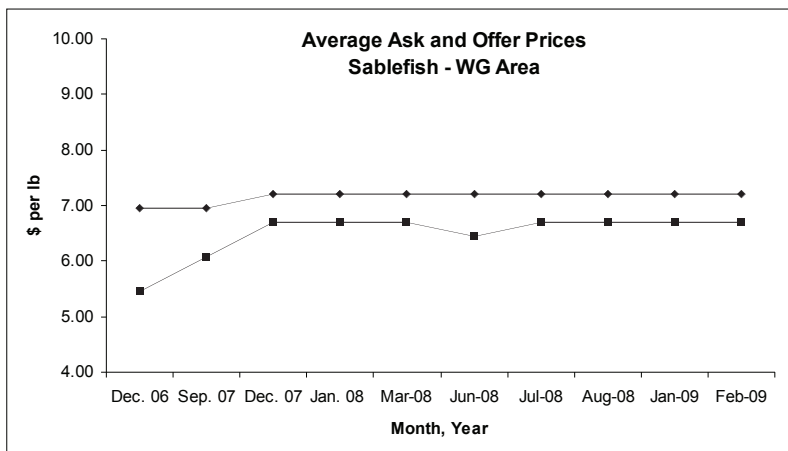
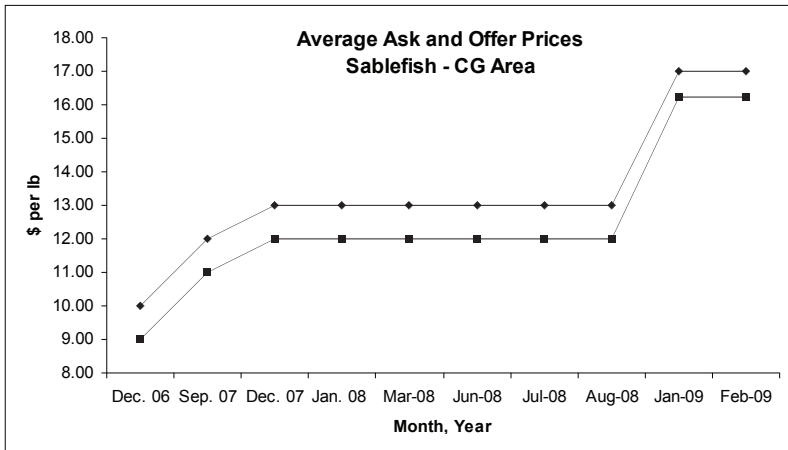
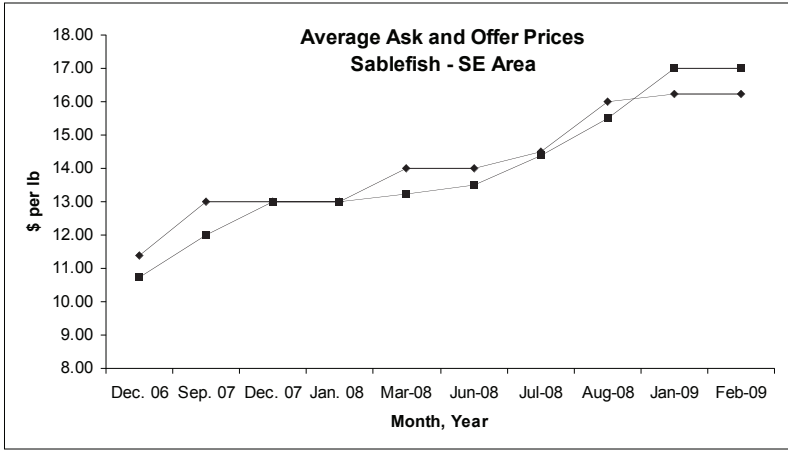


Figure 2. Price trends in sablefish.

ferent from that associated with fishing sablefish. But I find that it is an interesting way to think about what the collateral is worth.

For example—and these are hypothetical numbers for the sake of easy math—say halibut quota is \$24 a pound and you can sell fish at the dock for \$4.00. That gives a price-to-sale ratio equal to 24 divided by 4, or 6 to 1. This means that, if you had no other expenses, you would be able to pay for the quota in 6 years. For sablefish, with quota at \$13 per pound and a dock price of \$2.50, the ratio would be 5.2 to 1, and theoretically you'd be paid off in 5.2 years. Now, obviously there are other expenses associated with fishing, we all know that. But this type of analysis helps give some sense as to the relative value of the two types of quota, and can help your CQE in deciding what species it should go after. Of course, there are other issues associated with that decision. Do you even have the ability to go for sablefish? Not every community does.

Capacity

Capacity is all about how much money is being generated by the CQE through its quota leasing program, and whether there is enough to pay the bills and to make the loan payments. CQEs face two big capacity issues, both stemming from the fact that all CQEs are start-ups. First, there is very little proven operating capability. You don't have a multi-year financial track record to demonstrate what kind of returns you can generate. Second, there is a problem of scale. Because you have not been in business, you have not built up a big portfolio of fisheries assets and the program administration to handle them. From a lender's perspective these problems are a little bit scary. Try to think outside of the box when it comes to these issues. In the beginning it is going to be hard. You are going to have to think of creative ways to address lenders' concerns.

At North Pacific Fisheries Trust we have not come up with all the answers, but we have thought about these challenges. There is really not much we can do about the lack of operating experience, but we can attack the second issue—lack of scale. One approach is to find a sponsoring organization willing to take the CQE under its wing and actually run its administration for a while. This could be the local village corporation, or the regional corporation, or even a CDQ (Community Development Quota) that happens to overlap with you. That's one way we have identified. Another that is pretty far out of the box and has a lot of politics associated with it, is the idea of creating a regional CQE. All of the villages on Kodiak might decide to band together—or all the villages in Prince William Sound—and by sharing resources create a way to administer their programs in a more cost effective way. It is not an immediate solution, as we all know there are a lot of thorny issues with that idea, but it may be an opportunity down the road.

Q. What role could a regional or local village corporation play in this?

Jeff Batton: I think there are many possible roles, but the three primary roles that we see are sharing the administrative burden, standing behind the CQE with loan guarantees, and providing seed capital. Typically the local village corporation has accounting and other staff that can take on some of the CQE's administrative burden, at least initially, until the CQE is fully operational. We also have helped create relationships with corporations that are willing to back a CQE's loan with a guarantee, which is important for organizations with little or no credit history. Also there may be ability for some of them to put seed money into the CQE to help with quota purchase down payments. To me those are the three big ones. There is also a lot of political leadership that needs to happen within any CQE community in order to get everybody on the same page and wanting to see a CQE happen. I think that without leadership at the village corporation level it's hard to make that happen. To some extent carrying the banner for the program is also important.

Credit

Then there is the **credit** issue. CQEs are start-ups, so there is no credit history. From a lender's perspective that is risky, and the fact that CQEs are nonprofits scares a lot of lenders too. But we have seen one potential solution. The community of Old Harbor has been very flexible in helping their CQE get a leg up and get started, and that seems to be a successful formula that we will hear more about. There may also be opportunity through NOAA (National Oceanic and Atmospheric Administration) to get some sort of loan guarantee program started. This would be great, and could potentially make it cheaper and safer for village corporations to assist CQEs in their communities.

Capital

When you are a start-up you do not have a strong balance sheet. You don't have a lot of cash, and you don't have a bunch of fisheries assets that you can use as leverage to buy more. There are not any easy solutions to that problem. But the nonprofit status of CQEs offers some possibilities.

You might be able to find somebody, either within or outside of your community, who is interested in supporting your program and is willing to give a donation of cash or assets. Or, you may be eligible for some seed money from a government program.

Another possibility is a "charitable remainder trust" or bargain sale. This works when a well off individual with foresight wants to help a community do something and decides, "I've got an asset that I

can donate to the community, but I'm not going to do it just for fun. I'd like to get some sort of tax break or other economic return out of it." Ecotrust has done these with some of its other programs, and at North Pacific Fisheries Trust we have some experience in structuring these deals in ways that maximize benefits for such donors. If you know of any individuals who might be interested in helping your CQE in this way, and you want some expert help, let us know. We will be happy to talk with you and them about structuring a deal. An example might be a well off fisherman who is getting up in years, is looking to retire, and who is trying to figure out a way to dispose of his fisheries assets without a hit on his tax bill.

Forging a New World of Community Fisheries Financing

Justin Stiefel

Consultant, Gulf of Alaska Coastal Communities Coalition (GOAC3)

I want to follow Jeff Batton's presentation with specific observations about what we may be able to achieve with respect to the two main sets of problems facing CQEs regarding quota—affordable access, and program issues. Specifically I want to address federal fisheries financing, and regulatory/political issues effecting CQEs.

As will become evident in discussions today and tomorrow, the definition of affordable access must include both reasonable debt financing terms and some type of other, up-front financial assistance to give access to quota.

There are also some underlying issues in the structure of the CQE program under Amendment 66 to the Fishery Management Plan for Groundfish of the Gulf of Alaska that essentially make it prohibitive to go after some of the more traditional sources of financing. Part of the discussion we will have today is to identify recommendations from this group for possible changes to the program that, if adopted, can make the CQE program stronger and more successful. If we can get the proper changes made it will make it much easier for banks to work with CQEs.

Many of you are familiar with the Fisheries Finance Program (FFP) within NOAA. It is currently structured for individuals only. They are very proud of the work they have done. It is a good program. In fact, it is one of the government's best run loan programs. They have a very specific tolerance for risk, and look at essentially the same risk elements that a bank does. As we examine possible changes to their program, we need to think about those changes in terms of how they reduce or eliminate risk.

In evaluating loan applications NOAA's Fisheries Finance Program officers look at the borrower's credit history and sources of income, including fishing other sources. They look at spouse's income, and the borrower's other assets. All that is to assess the borrower's ability to repay the loan, just like with a car loan. The current FFP loan model is 80% loan to value (LTV) and up to 25 year terms. The interest rate varies.

It is based on the program's cost of borrowing from the U.S. Treasury plus 2%. But the rate is fixed once a loan is closed. As of the end of 2008 the FFP had made 45 loans to individuals for purchase of halibut and sablefish (blackcod) quota, with no defaults in their 10 year history of making quota loans. In our discussions with them it was evident that they were not at all familiar with the CQE program. They are oriented solely toward serving individuals.

In seeking changes to the program to make it work for CQEs we need to start off with a worst case assumption on risk factors. We then need to work over the next 5 to 10 years to demonstrate that CQEs are, in fact, viable and capable of functioning, and bring down financing costs accordingly over time. The basic problem is that with individuals, credit histories are demonstrable, other income is provable, and other assets of the individual are demonstrable. But we cannot do that yet for CQEs. The result is that under current conditions it makes it very difficult for the FFP to work with us. I have been trying to figure out how we can put a program together that essentially eliminates risk for the FFP. I think we might be able to do that if we can get the proper regulatory changes.

We have a problem that I have defined as "quota confinement." Amendment 66 requires that CQE quota be fished only by residents of the community. If a CQE had purchased quota but could not find individuals to fish it, or if interested residents were "capped out," that quota would be stranded and would not be able to generate income. Even if the situation was temporary, for a lender like a bank or the FFP that would create a risky situation. They want to know that if you cannot find a local person to fish the quota, that you have some other means of meeting your debt service obligations. Since quota lease payments are likely to be your CQE's only source of income, what is needed is some flexibility under the regulations to allow CQEs to move quota around, perhaps within a regional CQE structure, in order to ensure that they can put their quota to use and generate earnings.

Q. Can you explain vessel caps?

Justin Stiefel: The way the current program is structured, if a vessel has already caught 50,000 pounds of quota from any source within the overall IFQ program, it is not eligible to be used to fish the quota that a CQE might want to lease out.

Q. Is that different from the individual use caps?

Justin Stiefel: Right. There are higher use caps in the IFQ program—200,000 or 300,000 pounds for individuals, or 250,000 pounds for vessels. But the use cap in the CQE program was set at 50,000 pounds.

In defense of the Council and NOAA staff, I think there were a lot of concerns at the start about CQEs. How big were they going to get? How fast were they going to grow? Were they going to dominate the Gulf of Alaska? Looking back over the last five years I think we can say that those fears were unfounded. I think it is reasonable to go back to the Council now and say, "The CQE program is not working as you intended. The way it is currently structured creates far too much risk for lenders to participate with the capital needed to actually get CQEs working." It is important to understand that we would not be asking for special rules. We would be asking to fit within the same operational confines as everybody else. "Let us have the same vessel caps regardless of who you are or what you are fishing." "Let us have the same use caps in place regardless of the source of the quota."

One of the reasons that we are here today is that we have initiated discussions with people in Washington, D.C., including Alaska delegation staff, and with some of the Council staff here about possible program changes. This is the first public discussion about identifying problems and possible proposals to make the CQE program more effective. So I'm going to lay out some specific proposals that perhaps the groups can coalesce around.

Congress could always create a statute addressing the structural changes needed, but the delegation has been quite reticent about that kind of approach. However, they will address statutory "cleanups" if necessary; for instance, if the Council takes action, but is not sure it has full statutory authority. That is what happened with crab rationalization, although that is not a particularly happy example. For this process we would obviously want to stay in close touch with delegation staff. We would also want to work closely with NOAA's Fisheries Finance Program staff, because we want to make sure that they are comfortable with and supportive of any rule changes to their program.

Q. How do we balance resident versus shareholder interests?

Justin Stiefel: The original goal of the program was to create local economic opportunity. That's the reason for the residency requirements. But village corporations have a broader constituency that includes people who do not live in the community, but are still part of the economic development that you want, whether they come back to the community to reside full-time or only seasonally. That is an issue that needs to be addressed in forming possible recommendations to the Council. An option to consider is to offer quota leases to full-time residents first, and to nonresident village corporation shareholders if there are not sufficient full-time residents to use the entire quota.

Q. That is a great thought, but I live in a community where we have a number of shareholders moving out and a number of non-shareholders moving in. CQEs are not Native organizations, so how do you use village corporation membership as a way to allocate quota?

Justin Stiefel: The goal of the program is to generate healthy, thriving communities. My response would be that if you cannot get sufficient resident participation to fish the quota, then trying to offer opportunity to former resident shareholders who may have moved away for economic reasons could be the next option.

Another idea for possible regulatory change would be to allow CQEs to sub-lease quota within the IPHC regulatory area where they hold the quota if the CQE does not yet have residents within the community who are ready and able to fish the quota. That would offer CQEs some useful flexibility, particularly in the start-up stage. There are actually two possibilities here. Leasing quota to other CQEs and leasing quota to other individuals who are qualified residents of other CQE communities within a particular IPHC regulatory area.

Another thing that I think should be looked at is getting rid of the artificially low vessel caps that were put into the CQE program.

We think that these changes would substantially reduce risks for lending institutions by helping to ensure that quota will actually get fished and generate a revenue stream to cover the debt service on a loan.

Here is one last thought I want to leave you with. If you can create an entity to help with quota purchases, and you all of a sudden have \$10, \$20, or \$50 million with which to buy quota, you could see quota prices go through the roof and create a massive “bubble” in the quota share market. Any program like that has to be done rationally. So I encourage you all to use any funding that becomes available in a coordinated and careful way. You don’t want to end up buying a bunch of quota at \$40 per pound, only to have it drop back to \$20 after all your money is expended. You will end up “under water” in a big way. Beware of creating a market bubble.

Gale Vick: For those of you who will be going down to Juneau to talk to your legislators and state department people, and I know many of you will be, I want to emphasize how important it is for them to understand that the only way we can ensure that there will be Alaska fishing effort in perpetuity is to keep fishing and quotas anchored in our communities. This is very important because the state has not gotten the message yet about how much the fishing economy is slipping away.

Justin Stiefel: Another thing to emphasize is that the maximum amount of the IFQ quota that can be owned by CQEs is just 21% of the total. If we could get the CQE fully implemented and all allowable quota purchased, that would ensure that at least 21% of the quota would remain in Alaska coastal communities.

CQE Leasing and Management Strategies

Melissa Berns

Cape Barnabas Inc.

I'm with Cape Barnabas Inc., the CQE for the community of Old Harbor. Cape Barnabas was incorporated in June 2006 and has been operating for the last three years. I have been asked to talk to you today about leasing strategies. There are different ways that you can lease your quota shares. For instance, you can do it on a "first come–first served" basis. But the Cape Barnabas Board of Directors and technical team decided on a method that distributes quota to CQE residents on an equitable basis.

Preference is given to applicants who have experience, equipment and investments, and commitment to employ residents of Old Harbor.

Quota is leased in amounts that are economical and are viable to fish. For instance, we do not give someone who is just getting started a big amount, because we would be setting them up for failure. We set aside 20% for small boat fishermen—those who are new to the industry and wanting to "get their foot in the door." We also have a limit of two leases per household. The purpose of that is to ensure that benefits of the program are spread out through the community.

The first thing that we ask our applicants—before they even fill out a full application—is "Do you even qualify for our program?" Applicants must have maintained domicile in our community for the prior 12 months. The stated purpose of our program is to help the economy of Old Harbor, so that is why we have that requirement. They must be listed on the National Marine Fisheries Service registry of persons eligible to receive and fish IFQ. If an applicant is not on the registry, and some young fishermen are not, we help guide them through that process.

At Cape Barnabas we have an application assessment process that is designed to ensure that all applicants are treated fairly. We ask for relevant personal data and fishing history. We require a fishing plan. If the applicant is planning to fish the quota on somebody else's boat, we want to see an IFQ lease contract with an established, qualified fishing boat and operator.

When creating an application form it is important to structure it so that you gather all of the information you need. There will be information that the CQE wants for its own purposes. But you also need to get the information you need to complete NMFS Restricted Access Management (RAM) Division program annual reporting requirements, and you will need information to satisfy your lender's needs.

Cape Barnabas has two levels for quota leasing. We reserve 20% of our quota for new entrants, and the rest is in our general quota pool. Entry level quota leases have averaged around 2,100 to 2,500 pounds, while our "large block" general pool leases have been anywhere from 3,600 pounds to over 5,000 pounds. It depends on how many applicants we have, how much quota we have to lease, and how the Board of Directors decides it wants to balance those factors in the best interest of our community.

We have a points system that assures that all applications are treated uniformly. For entry level applications, if you own your vessel you get 25 points, and if you serve as an IFQ holding crew member on another Old Harbor vessel you get 15 points. We do not want our IFQ fished on outside boats. If you own your own gear, you get additional points.

If the applicant is going to employ one of our residents as a crew member, at a crew share of no less than 7%, we award from 5 to 10 points. We established that because we wanted to make sure that the money generated by our CQE quota is spread among the crew as well.

For previous commercial halibut fishing experience we award from 5 to 20 points. But on the entry level applications we actually deduct points for being more experienced, because we want to use the entry level process to lure in the younger, less experienced guys.

Other entry level scorings: Age has a big impact on your score. We are trying to get the younger guys involved, so if you are age 16 to 25 you get more points than someone who is over 55. If you are a head of household, we recognize that it is important for you to be able to provide for your family. In our small communities that is sometimes difficult because sometimes there are not any jobs out there.

We also do deductions. If you have any recent fishing violations you lose points. If you had a previous quota lease and underfished the quota, we also deduct points for that. If you failed to pay your crew according to contract you get minus points

We require a solid fishing plan, including when you are planning to fish, who you are going to fish with, who you are going to sell your fish to, and who is going to be on your crew. We want to make sure that it is a workable plan and one that meets our goal of community benefit.

All these factors are in place to make sure the program really works as intended. We want to make sure that we do not get applications from people are not serious and are not prepared. We want to ensure that all of the quota we lease actually gets fished every year.

Q. Is there a requirement to be a village corporation shareholder?

Melissa Berns: No. Cape Barnabas CQE is set up so that if you live in the community of Old Harbor for 12 months, you can have access to this program. Although Old Harbor Native Corporation did help this program get up and running, it supports economic development for the whole community and encourages all people to apply.

Gale Vick: By law, CQEs may not discriminate.

We have three governing bodies included on the board of Cape Barnabas Inc. The Old Harbor Tribal Council has two seats, the City of Old Harbor has two seats, the Old Harbor Native Corporation has two seats, and there is one at large member appointed by those six members. This way we have involvement by all entities within our community.

We have learned something new every year, so our application process has evolved to reflect our experiences. We made some changes just last year to address things we had learned. It is a learning process.

Q. Do you have more people apply than you can handle?

Melissa Berns: Yes, we do. Last year (2008) we had 17 applications, but were only able to make 9 quota leases.

Our general quota pool is judged much the same as the entry level pool. The main difference is that if you are already an IFQ holder we award fewer points to applicants that have a lot of quota. Here again we are trying to get people involved in the fishery who do not already have large amounts of quota. So if you have less IFQs you get more points; if you have a lot of IFQs you get fewer points.

If you have previous commercial fishing experience as an IFQ holder, you get 5 points per season, for up to 20 points. If your experience was as a crew member, you get 2 points per season, up to 10 points.

Q. Can people apply under both parts of your program?

Melissa Berns: We have a place on our application where it asks if you want to be considered for an entry level block, if we are unable to make an award under the general pool. That way people can be automatically considered for a smaller award if they don't get awarded a large block.

We are willing to share our application with you if you are interested in what our application looks like, and how it covers all these areas.

Also included in our application is a lease contract. It states that the applicant will abide by all the policies and requirements you set forth, and holds your IFQ lessees to the terms and conditions of your lease agreements. It can also allow for such things as receiving payment direct from the processor where the fish is delivered, if you elect to do so. That can eliminate a lot of payment and collection issues. You may also want to include things like a rollover provision, which allows a CQE

quota that is not fished by a certain date to be automatically returned to you so that you can make alternative fish arrangements for that quota. In our case, the rollover date is August 1. This is a very important provision to ensure that your quota gets fished and that the CQE gets the earnings it needs to cover loan payments and operating costs. Cape Barnabas has actually had to make use of this clause to make sure that quota gets fished. In our community's case we have a number of salmon fishermen who have not applied for halibut quota, but who are nonetheless qualified to fish IFQ and are available to fish rollover quota after the end of salmon fishing. This has worked out really well for us.

Once we have received all of the applications from people within the community, the Board of Directors sits in an open meeting to evaluate all the applications. Anyone in the community can come to the meeting and learn about the program and who is applying. Applicants are encouraged to attend. This allows the board to ask questions of the applicants and any unclear sections of their applications can be clarified at that point. Top scores are awarded. Like I said before, Cape Barnabas had 17 applicants and only 9 of them were awarded. So this scoring system has worked really well for us. We have also seen that—we are now in our third year—we have in some cases leased to people three years in a row. The board is now considering whether, in the future, it should score minus points for that, or establish a two-year period during which those people would not be eligible, or come up with some other provisions that would ensure that the opportunity to fish CQE quota is available to many people in the community.

Q. What have you had to do to get people interested and to get more people to apply?

Melissa Berns: As far as support and encouragement for people to participate, I really haven't had to deal with that because Old Harbor is solely a fishing community. In order to fish IFQs you have to have 150 days of documented fishing history. Our kids grow up fishing. But if you don't have that background you have to get fishing experience, usually it is by starting as crew with somebody.

Q. Do you have a set application period?

Melissa Berns: Yes. Our board meets at the end of the season—November or December—to assess the season and plan for the next year, including setting an application cut-off date. Our rule of thumb is to have the application notice posted in the community 30 days prior to the cut-off date. This past year I posted in late January, with a cut-off in late February, and then the board met in early March to decide on the applications. We give people ample time to get their applications in. We solicit pretty heavily in the community with signs in the post office, stores, the school, all around town. I sent out postcards to every house-

hold, and we hold one informational meeting to give the community an update of our progress and projections for the next year. This gives applicants and others a voice to talk about what has worked and what hasn't, and what we can do to make the program more successful.

In closing I would like to talk a bit about our fishing success rate. In 2006, our first year, we had 31,000+ pounds of quota, but only 8,000 pounds of it got fished. This is something to keep in mind when you are getting started. Cape Barnabas only got incorporated in June, and our quota transfer did not get completed until September, only giving the fishermen a couple of months to fish. We were at a loss that one year. However, we learned our lesson. The following year we had 28,700 pounds and of those only 200 pounds were not fished. In 2008 we had 29,500 pounds, and we went over by 300 pounds, which is within allowable limits.

In summary, the CQE has proven to be very successful for our community. We have a lot of participation, and the program has been well received. If you have any further questions I'll be happy to answer them.

Q. How long did it take to develop the CQE itself and the board, and then how long it took to develop criteria and processes?

Ole Olsen: It took about a year of internal discussion to pull things together, to find someone with IFQ to sell, and then "pull the trigger" to get the whole process in motion. It was untimely that it ended up happening at the end of the summer, rather than earlier, so try to plan with timing in mind. The criteria have developed over time. They have been refined over the last couple of years. As has been said earlier, we have a model that is working. It might not work exactly for your community, but it sure is a good template to follow, and I'd encourage you to make use of it, and get your CQEs started. The economic benefits are good. In our community it has meant a couple of hundred thousand dollars that otherwise would not have been there. And that's the stepping stone to getting more IFQs and putting even more people to work. That's the goal, and it's going to take some development time.

Melissa Berns: Once you do get up and running management time is pretty minimal, really, and can be done by one person. I think I put in about 120 hours per year doing annual reporting, quota transfers, rollovers, and so forth.

Q. How big can you grow before you think that 120 hours is inadequate?

Melissa Berns: It really doesn't seem to change too much. I have the process down pretty well with NMFS RAM Division. It's pretty easy right now. The first year it was not. Working out the transfers was quite the learning experience.

Another thought. When you are looking to purchase IFQs, you need to bear in mind fishing patterns and the capabilities of your fishermen. Old Harbor has 3B quota. Area 3B only begins at the south end of Kodiak Island. That is a long way to go in a small boat, so this has made it difficult for our entry level fishermen. If we had some quota available closer to Old Harbor they might be able to fish that more easily.

Q. How much time does it take to put the annual report together?

Melissa Berns: The first one took a month to compile, because I was not fully aware of all that was required. It has been made easier by better application forms that get all the information we need. Now it's a lot quicker.

Q. Where did you get the funding to get started?

Melissa Berns: Initial funding came from the Old Harbor Native Corporation, and then we refinanced with Ecotrust (North Pacific Fisheries Trust).

Q. You said you had 17 applicants. Where those 17 boats?

Melissa Berns: That was 17 individual applications. And the majority of those were fathers and sons, or brothers that applied, with the idea that they would fish on the same boat together. In Old Harbor we only have about 7 larger boats. Then there a number of smaller charter fishing boats and other smaller boats.

Q. Did you make a profit this year?

Melissa Berns: We did not. (Note: Cape Barnabas and all CQE's are non-profit entities) But we are making payments on our loan. Once that loan is paid off we will look to purchasing more quota.

Q. Who supports the administration costs?

Melissa Berns: I'm actually an employee of the Old Harbor Native Corporation and they provide a portion of my time to support the administrative requirements of Cape Barnabas.

Ed Backus: This is an excellent example of a sheltering or mentoring organization. We need to look to such organizations—like Native regional or village corporations—or to creating new umbrella organizations like a regional CQE in order to create efficiencies and greater capacities to run programs.

Ed Backus: If we think ahead when the IFQ purchase debt is extinguished, then we could see lease rates reduced to only the level needed to cover CQE operating overhead. That would mean more net revenue to fishermen. In the meantime we are challenged by the debt loads, so we need to think about creative ways to retire debt.

CQE Program Requirements and Regulations

Jessica Gharrett

NOAA, NMFS, Restricted Access Management (RAM) Program

(PowerPoint presentation: <http://seagrant.uaf.edu/map/workshops/2009/cqe/presentations/noaaram.pdf>)

I am head of the Restricted Access Management Program, which manages the IFQ program. I took over from Phil Smith, whom many of you know very well and who retired a couple of years ago. I have been with RAM throughout the development of the CQE program.

By the end of 1998 we had documented that about 25% of the quota that had originally been awarded to IFQ holders in small coastal communities had migrated out. This was due to sales or to the quota holders themselves moving away. You are all familiar with the history whereby your leadership went to the North Pacific Fishery Management Council to request changes to the IFQ program to protect communities. The Council took action in April 2002 to create a community quota program. In April 2004 the final rule was published. That set forth the criteria for qualifying small communities—small population centers with no road access, and with a history of halibut and sablefish (blackcod) fishing. About half of the qualified communities are in Southeast and about half are in Southcentral Alaska.

Designated CQE Eligible Communities

Southeastern Alaska		Southcentral Alaska	
Angoon	Coffman Cove	Akhiok	Chenega Bay
Craig	Edna Bay	Chignik	Chignik Lagoon
Elfin Cove	Gustavus	Chignik Lake	Halibut Cove
Hollis	Hoonah	Ivanof Bay	Karluk
Hydaburg	Kake	King Cove	Larsen Bay
Kasaan	Klawock	Nanwalek	Old Harbor
Metlakatla	Meyers Chuck	Ouzinkie	Perryville
Pelican	Point Baker	Port Graham	Port Lions
Port Alexander	Port Protection	Sand Point	Seldovia
Tenakee	Thorne Bay	Tatitlek	Tyonek
Whale Pass		Yakutat	

In the future, other communities may seek an eligibility designation from the Council.

My presentation starts with the important steps regarding formation of CQEs. The first step is forming a nonprofit entity. Restricted Access Management cannot give you assistance with that; that is not our area of expertise. But there are a number of people at this workshop who can guide you through the process of forming a nonprofit.

Before a nonprofit can be recognized under the CQE program it has to receive written support by the eligible community and they must apply to RAM for formal certification as the CQE representing that community. This is the second step. A community can be represented by only one CQE, although a single CQE may represent more than one community. Indeed, we now have 20 recognized CQEs representing 21 communities, so one of them—Aleutia—does, in fact, represent two communities.

Community support is demonstrated by the community's governing body. By regulation, that is the city council if the community is an incorporated municipality, a tribal government if there is no municipality, or, if there is neither of those, a nonprofit organization that is recognized by the State of Alaska to do business on behalf of the community. The idea behind this is to have the largest governing body available, which presumably represented the broadest possible interests of the community, to support the formation of the CQE.

The application to become a CQE asks a number of questions. You must, at minimum, include the following:

- Articles of incorporation.
- An organizational chart.
- A description of the process for allocating quota leases among residents.
- The formal statement of support from the community's governing body.

When we receive the application we provide a 30-day window for State of Alaska review. The State may make comments, but NOAA has the final authority on whether or not to approve the application. Should NOAA deny an application, that decision is appealable; there is a process for appeal laid out in regulation, including a hearing if necessary.

The third step, after the nonprofit is formed and certified as a CQE, is purchasing quota on the open market. Here again NOAA cannot help you directly, but RAM can facilitate in finding quota. Since the start of the IFQ program in 1995 we have posted lists on our website of all current quota holders. We do not provide brokerage services, though there are a dozen or more services that maintain listings of quota that is actually listed for sale.

Even though CQEs may buy or sell, there are limits on the amount of quota that may be held by the program in general and by any particular community. To protect the interests of the community, selling quota is restricted to reasons that improve, sustain, or expand community member opportunities, or pursuant to a court order or a security agreement. No other reasons are allowed. All transfers must be signed by a duly authorized representative of the community, to ensure that the nonprofit is not acting independently of the community interest.

There are restrictions on the amount and type of quota that CQEs may purchase. They may not own quota in the Bering Sea or Aleutian Islands. Southeast communities may not acquire halibut quota in Area 3B. Southcentral CQEs may not acquire quota in Area 2C. CQEs may not acquire vessel category D quota—which is reserved for vessels under 35 feet—in Areas 2C or 3A.

There is a cap on the total quota that can be held under the program. This was in response to individual quota holders' concerns that, without such a restriction, most of the quota would eventually be held by communities, leaving little if any available on the market for individuals. The cap for the entire program started at 3% in the first year, 2004, and increases by 3% per year until ultimately up to 21% of all the halibut and sablefish quota under the IFQ program may be held under the CQE program. There are also limits regarding blocked quota—quota that must be bought and sold as indivisible or "blocked" units. Under the CQE program no individual community may hold more than 10 blocks of halibut quota or 5 blocks of sablefish quota. There is also a restriction on holdership of very small blocks, which varies from area to area.

To be an eligible CQE leaseholder, any person seeking to make use of quota held by a CQE must have been a permanent resident, domiciled in the community for at least 12 months prior to the lease request. They also must have already demonstrated that they are eligible to receive and fish IFQ, principally by demonstrating to NOAA's satisfaction that they have at least 150 days of actual harvesting experience in any recognized U.S. commercial fishery. No individual may receive more than 50,000 pounds of halibut or sablefish derived from any source. If they have some of their own quota, perhaps leased from another individual, and receive a lease of quota from a CQE, the sum total of all those sources may not exceed 50,000 pounds. There are also vessel limitations. A vessel may not be used to fish more than 50,000 pounds of halibut or sablefish in a season, regardless of the source, if any CQE IFQ (Individual Fishing Quota) is fished on that vessel.

CQE IFQ lessees have some specific responsibilities. The lessee must be on board the vessel during all of the fishing and delivery operations pertaining to his or her leased quota. They must conduct the fishing operations. They must follow the IFQ program rules, and if they do not they share joint liability with the CQE for any fishing violations

that have occurred. They are also responsible for IFQ program cost recovery fees, just like any other IFQ program participant, which are assessed as a percentage of the value of landings actually made. These fees are mandated by the Magnuson-Stevens Fishery Conservation and Management Act for the purpose of paying for IFQ program management and enforcement. The assessed percentage may not exceed 3%, but we do not know what the actual amount may be until after the season ends. We recommend that fishermen set aside at least 3% as landings are made, although the actual amount has never exceeded 2.1% since cost recovery started in 2001.

CQEs must file annual reports by January 31 of the year following the fishing year. For 2008, reports were due by January 31, 2009. I would like to very publicly commend Cape Barnabas. They did an outstanding job on their organization, and their annual report is a model of what such reports should be. I would recommend that any of you who seek to bring your CQE organizations up to the next level, speak with them about their management style and reporting. Copies of the report are submitted to both the community and to NOAA RAM. The information in the report should summarize the vessels fished, the individuals who fished, criteria used to select quota lessees, efforts to employ resident crew, CQE management changes such as board membership and personnel changes, the amounts of quota held at the start and the end of the year, copies of decision documents, and fishing reports. All these items and others are specified in regulation and in informational documents. There are serious penalties for not filing the required report, including withholding annual IFQ permits, suspending the authority of the CQE to transfer quota, and other actions as indicated. Of course, any such administrative action must follow due process.

As said earlier, there are currently 20 CQEs approved, representing 21 communities, but so far only Cape Barnabas, representing Old Harbor, has actually acquired quota and is in full operation. The North Pacific Fishery Management Council and the National Marine Fisheries Service view this program as an important way for small coastal communities to enhance their economies. But it is not a charitable program—it provides an opportunity. The success of this program depends on you.

Q. How do you deal with very small communities where many people have to live elsewhere and therefore don't qualify under CQE residency requirements?

Jessica Gharrett: Eligible communities with a very small population are at a disadvantage in identifying sufficient residents to take advantage of the program. The residency requirement is something that you would have to take to the North Pacific Fishery Management Council, because that was their decision. If you could document the difficulties you are

having in this regard, that would be important. The 12 month requirement is fairly long, but it was put in place to ensure that benefits would actually accrue to the true residents of the communities.

Q. Could prior residence be used as criteria?

Jessica Gharrett: Again that would be an issue for the Council. The Council has a well established process for hearing proposals, having them analyzed by staff, and then having them acted upon. It is a lengthy deliberative process designed to ensure careful analysis.

Q. You said that CQEs cannot own vessel category D halibut quota. Why was that?

Jessica Gharrett: There was concern by many that category D, which is for vessels under 35 feet, be reserved strictly for individuals, in order to ensure continued individual access under the IFQ program.

Q. What happened to the unused quota, quota that was issued but never fished?

Jessica Gharrett: When the IFQ program started there were over 4,000 quota holders. Now that number is about 3,200. About 2,500 of those use their IFQ every year. Many have quota awards that are simply too small to fish economically. The Council has recommended that these inactive quota holdings be removed from the system over time. Because we have a very large number of more urgent rule making matters to take care of we haven't acted on that yet. We do post a list of quota holders that we consider inactive. Many of them have very small amounts. Much of that quota is blocked, or is category D, which is ineligible for CQE use. In total the amount is pretty small, compared to the total quota available.

Q. Are the rules the same for CQE fishermen as in the general fishery?

Jessica Gharrett: The use of IFQ is exactly the same for lease holders as it is for everybody else, with the exception of the vessel caps. Pretty much everything else is the same.

Q. Are the restrictions on selling CQE quota an impediment to financing or other operation aspects of the program?

Jessica Gharrett: I can't answer that question. I think you would have to ask CQEs that are formed if that has been a problem for them. You can sell to satisfy a security requirement, which is what lenders are concerned about. Again, the selling restrictions are primarily there to protect the community, and ensure that the nonprofit is acting in the interests of the community.

Ed Backus: My interpretation, from the point of view of the North Pacific Fisheries Trust, is that the rules are fairly flexible.

Q. How long does it take to sell quota?

Jessica Gharrett: It all depends on your planning process, the type of quota, and market conditions. It doesn't take long for the actual transfer. The impediment is finding the buyer.

Ed Backus: Thanks for your presentation. In closing this session, I'd like to mention two issues. In our discussions at the North Pacific Fisheries Trust, and in discussions with individuals and communities across the Gulf of Alaska, we have been asking, "How can we use community trust strategies like Community Quota Entities to 'boot strap' individual ownership of quota at the same time?" As you all know, there has been lots of discussion about whether CQEs are actually impinging on individual ownership. We can reasonably approach that conflict in terms of using CQEs to bolster independent fishing asset holders in these same communities, and use that as an example of how community trusts work to raise up individual ownership—which is our American way, that individuals hold the assets of fishing. Interactions between the CQE and individuals, and dual ownership over time, is the ultimate boot strap strategy at the community level. I think it is pretty clear that the CQE program is in no way meant to supplant individual ownership. The challenges to quota ownership, for both individuals and CQEs, are mainly financial. The equity requirement is 20% or higher. We need to get through that bottleneck by identifying workable, affordable financing mechanisms.

The second thing I wanted to mention is the issue of reporting and lease management templates. We've heard how important reporting is and we've heard about the great reporting and management templates that Cape Barnabas has put in place and is willing to share. The Prince of Wales Island Community Holding Corporation (POWIHC) has also put in a lot of work on this, and on purchasing and leasing strategies (http://www.craigak.com/index_files/powichc.htm). That information is available on their website as a resource that you all can take advantage of. One of the most important aspects of this gathering is to share templates and create efficiencies in the CQE administrative processes.

Links for federal forms and contacts

CQE QS/IFQ Transfer Form

<http://www.fakr.noaa.gov/ram/cqp/CQETransfer.pdf>

Federal Register Final Rule to Implement Amendment 66

<http://www.fakr.noaa.gov/frules/fr23681.pdf>

IFQ Loan Program Contact Information

<http://alaskafisheries.noaa.gov/ram/ifqloan.htm>

QS/IFQ Eligibility to Receive Form

http://alaskafisheries.noaa.gov/ram/TEC_app_inst.pdf

Relevant Regulations (8 pages total)

<http://alaskafisheries.noaa.gov/regs/679d41.pdf> and <http://www.fakr.noaa.gov/regs/679d42.pdf>

Contact information

North Pacific Fishery Management Council (Policy)

Anchorage: 907-271-2809

Alaska Region, NOAA Fisheries Service, Restricted Access Management (RAM) (Implementation)

1-800-304-4846 (press 2); Juneau: 907-586-7202 (press 2)

Ram.Alaska@noaa.gov; alaskafisheries.noaa.gov

Alaska Department of Commerce, Community and Economic Development, Division of Banking, Securities, and Corporations (Assistance)

Juneau: 907-465-2500

http://www.commerce.state.ak.us/bsc/CDQ/cqe/involvement_cqe.htm

Direct Marketing of CQE Halibut and Sablefish

Greg Fisk

Owner, SeaFisk Consulting and Management LLC

I was asked to talk about direct marketing as opposed to marketing in general. What does direct marketing mean? Most people understand this as trying to eliminate the middleman, and establish as close a relationship as possible between the producer and the end consumer. This is a commonly held dream of fishermen in Alaska, who believe that if only they could eliminate the middleman they would make a whole lot more money. That can sort of be true, at least in some circumstances. But when you eliminate a processor, a broker, or a distributor, you take on their role. So you do not so much “eliminate the middleman” as “become the middleman.” What that means for you is a lot more work.

Let’s consider that in the CQE context. Right now, taking on a lot more work in a completely new realm is not what any of you really need. The problem is that most of you are still just getting started. Old Harbor has a bit of a head start. They have quota and they have people out fishing. But everyone else is still wrestling with basic organizational issues, trying to buy quota and so forth. I could wrap up my discussion right now, by saying “Direct marketing? Forget it!”

Here’s the good news about this. With respect to sablefish (blackcod) and halibut, the markets are strong. Yes, it is true that we are heading into a period of great economic uncertainty. But I expect markets for these fish to hold up rather well. A lot of fishermen have found that, under strong market conditions, it is really not of great interest to attempt direct marketing of their fish. Direct marketing works out best when there is a really big difference between the ex-vessel price of fish and the wholesale price. The halibut and sablefish markets are so competitive that processors are seeing rather small margins and fishermen are getting paid pretty well. That may not be the case going forward, but as long as the price you are getting paid at the dock remains relatively high, the incentive to direct market will be low. Take the example of winter troll king salmon in Southeast Alaska. When the price was under \$2.00 per pound a lot of fishermen were doing direct marketing—or at

least talking about it. When the price reached \$10.00, interest in direct marketing dropped off. It made more sense to stay out and fish a little longer, deliver the fish at the dock, and go home. And I think that for halibut and sablefish that is still generally the case.

That said, even for people in remote locations like most CQEs are, there could be some opportunities for direct marketing. One of the reasons it might be of interest is that the amounts of fish you are dealing with are relatively small. We have one person with us today who was able to retail market his halibut by selling directly off his boat in an urban area where he reached a significant number of consumers. This is a Hoonah fisherman who could make the relatively short trip to Juneau with a population of 30,000 people. That sort of opportunity is not available to most of you.

However, there may be other possibilities. In Bristol Bay I helped get the inshore CDQ halibut fishery started. They had only a small amount of quota—about 32,000 pounds. The fishery was strictly small scale, with 18 to 20 fishermen taking part. Nobody was catching a huge amount of fish. At first the big processors did not want these fish. They were there for the huge salmon runs, and were only reluctantly willing to pay a very poor price. As I recall it was a \$1.00 or \$1.25 per pound when elsewhere fishermen were getting \$3.00 and \$3.50 per pound ex-vessel. Some of the halibut fishermen started experimenting. A few started selling off their boats to local residents who otherwise had no access to fresh halibut. A few started selling to the local store and restaurant. Then somebody hit on the idea of selling to the tourist fishing lodges, who fed the halibut to their clientele. Eventually, some of the major processors started to buy at a good price too, not to export to the Lower 48, but to feed to their hundreds of processing workers. In this way, a small but significant local market was developed right in Bristol Bay, and the fishermen ended up getting much better prices. Even if you have a small population base in your local area, if you have tourist lodges or other seasonal operations that bring people into your area, you might have good opportunities to direct market to them.

What about selling outside your community? Unless you are selling significant volume and you have a really reliable customer on the other end, you probably do not want to get into marketing at this stage. There may be opportunities for some of you to fly fish into some of the better-known brokers in Anchorage and get better prices than you might from a processor in your area. Usually under current conditions you are better off minimizing risk and spending your efforts on organizing your CQE, acquiring quota, and optimizing your fishing operations.

If you do want to direct market, there are a number of facilities under state and federal rules for doing that. The simplest is a catcher/seller permit from The Alaska Department of Fish and Game (ADFG). It is free, but it is also pretty limited as to what you can do. Basically, you

can only sell off your boat, or, with restrictions, to certain restaurants or stores. You are not allowed to process the fish. And, with halibut, federal rules require that they be landed only in gutted, head-on condition. Also, you will be responsible for federal landing reports and state fish tickets.

If you are doing anything more extensive, including just boxing the fish and flying them out, you will need a Fisheries Business license from the Alaska Department of Revenue (DOR), you will need to file and Intent to Operate form with ADFG, and you will need a processing permit from the Alaska Department of Environmental Conservation. If it only involves your own catch, direct market vessel or direct market shore-based permits are available at comparatively little cost. If the operation involves fish from more than one fisherman, a full-scale processing permit may be required. The DOR and ADFG requirements can be taken care of on a single form, and ADFG will issue you the required fish tickets. You will be responsible for filling out your own fish tickets, and you will be responsible for paying the applicable landings taxes—what is known as the Fisheries Business Tax (FBT) or “raw fish tax.” You will also be responsible for all the federal reporting requirements.

I do not mean to make this sound overly complicated. There are quite a few direct marketers around the Alaska who have worked through this and who are successful. Given your locations, current market conditions, and all the other priorities, I reiterate that you will probably want to put direct marketing on the back burner.

Q. What about a regional brand? Looking outward, is there any brand equity that can be built up in a value added processing situation—something based on geographic branding or the groups involved?

Greg Fisk: As you know there has been a lot of work done on regional branding efforts. Undoubtedly the most famous and successful one is Copper River. Various groups have tried to replicate that success for other areas. Aleutia has a program for sockeye, which I think is still going and is reasonably successful. A number of others have been funded and started up, but have never really come to fruition. Arctic Keta is one. Bristol Bay had one—I know, I worked on it. We had initial positive results but now it has “gone by the board” and is not being used by anybody. I think the difficulty with doing something like that for halibut—and it is not a difficulty really, it is a big plus—is that the strength of the halibut market is in fresh fish. It is pretty hard to establish a brand identity for fish that is going to restaurants or to retailers’ fresh fish counters.

Where I do think CQEs might have a possibility to build some brand equity is by developing a relationship with a modest sized retailer. For example, if Old Harbor wanted to market its relatively small amount of

fish—32,000 pounds—developing a relationship with a specialty retailer, for example New Sagaya in Anchorage, might end up generating a little extra net margin. Also, some of the smaller retail chains, like food cooperatives, might be interested in working with you because you are similar to them in having a social commitment. Most cooperatives have obligations under their bylaws to work with other cooperatives. Andrew Crow may touch on that more when he talks about cooperatives this afternoon. In terms of possibilities, the PCC Natural Market cooperatives in Puget Sound come to mind, but there are other, smaller ones that may be a better fit with you. That sort of thing is worth looking at in the future, and there are certainly possibilities to build relationships.

Given the relatively small amounts of fish you have, and given the mainly fresh fish nature of the halibut fishery, I think that the idea of having an identifiable brand is problematic. It is a lot of expense, and pretty hard to bring off. You are all free to use ASMI's (Alaska Seafood Marketing Institute) Alaska Seafood brand, and that is one of the most recognizable and successful brands there is—something like the fifth most recognizable brand in the country. Just the fact that you are selling Alaska halibut puts you "way up there."

Q. What about eco-labeling, sustainability, and that sort of thing?

Greg Fisk: That is already happening for halibut. Halibut is already certified by the Marine Stewardship Council (MSC), which is the "gold standard" on sustainability. If you are trying to market to people for whom sustainability is an issue you have ASMI and you have MSC with which to assure your buyers. Also the International Pacific Halibut Commission has been successfully managing the fishery for more than 80 years. For halibut these facts are already really well known, which makes it easier for you.

Q. Halibut prices have been stable, but what is the likelihood they will hold up? What is the 3 to 4 year outlook on the markets?

Greg Fisk: I think that halibut is going to hold up fairly well. Because people are having to make a lot of product substitutions based on price, they are probably not buying halibut now anyway because it is pretty expensive. Even in the worst of times there is still a significant number of wealthy people out there who go out to restaurants, and that's what drives the halibut price. It is not the market for fish sticks. So I think the halibut price is going to hold up surprisingly well. I suspect price may take a bit of a beating in 2009 compared to the \$4.25 average price last year, but I do not think it will be too bad. If you are actually looking to buy quota now, it might be worth waiting a little while to see what happens to market price, and see how that, and general nervousness

about the economy, affect the quota price. Sablefish might be a bit different. The Japanese economy is shrinking, and the Japanese are our main market for sablefish, so that might be a bit different. Also, a main driver of sablefish pricing is the currency exchange rate; this is not an issue for halibut, since it is sold mostly in the United States.

Q. Reliable transportation is a very important factor in direct marketing. How do we access better transportation?

Greg Fisk: For a lot of the villages represented here your closest major port is Kodiak, but quite often the price is better in Homer. The main reason is that Homer is on the North American road system, and a lot of halibut gets trucked from there fresh to the Lower 48. If you can, you are probably better off getting your fish to Homer. Most of your fishermen are going to be dealing with small amounts. For them, rather than taking the physical risks, it is probably better to lower costs, simplify their operations, and try to drive a good price with whoever is buying locally. That said, if you have some way to get your fish to Seattle, and you have a reliable person on that end, there is no doubt you can make some more money that way. Particularly for small operators, having somebody on the other end who you can really trust is very, very important. Be wary of brokers who talk a good line. We've all heard the horror stories about people who get paid nicely on the first few deliveries, and then get burned on the last one. It happens all the time, and there goes all your profit.

Q. Can you tell us about the KwikPak story? Is that something a CQE could do?

Greg Fisk: I know a little bit about it, but I think I can put it in a general context. 2002 was our worst year in Alaska for salmon prices. It was all "doom and gloom." Everybody was saying that it was the end of wild salmon, and that we simply could not compete with farmed fish price-wise. That was true, except the processor model was wrong. Some of us were saying, "We've got our model wrong here. We don't have that much fish. We are no longer the big commodity producers, the farmed guys are." I felt that the focus should not be on market share, and on trying to keep our price below the farmed fish price. We needed to break through that price ceiling, a ceiling that was getting lower and lower. In Bristol Bay we were doing things like KwikPak has been doing with its Yukon kings. We took Bristol Bay sockeye and flew it fresh to England. We had it in Selfridge's, the premier market in London. We had a full page spread in the London Times Sunday edition. We cooked samples and passed them out to hundreds of customers. People were ecstatic about the fish. That was "proof of concept" for us. It demonstrated that our wild fish were better than farmed if we would just take care of them. Halibut validates the experience in salmon. Maintaining quality is absolutely essential.

Q. What about global markets? What about Norwegian farmed halibut?

Greg Fisk: Halibut farming has not failed, but it has not really taken off. They have had some success raising halibut, but not up to very large sizes. I think the biggest operation was Scotia Halibut, in Nova Scotia, Canada. They generated some early concern because of their very optimistic predictions, but they are now out of business. It was interesting that while they were publicizing their “conquer the world” projections, they were simultaneously begging the Canadian government for support, saying they would go broke without it, and they did. Halibut farming is still out there, but I’m not too worried about it. I do not think the situation with salmon will be repeated for several reasons. We have learned our lesson. There is a lot more awareness of the value of wild fish, and “wild” definitely has the market cachet. ASMI and others are ready with the “wild is better” message, which resonates with consumers. Also, quality is up. We do not have a quality problem with wild halibut like we did with salmon. Halibut quality is really, really good.

Also, investors and governments got burned with farmed salmon. Remember, the initial concept of salmon farms was “mom and pop” family operations that would be sustainable and would produce very high value fish. It did not happen that way. A relentless cost/price spiral squeezed out the little producers, and prices were quickly driven down to commodity levels. Successive systemic failures were bailed out by the Norwegian government. All sorts of issues have emerged about sustainability, sea lice, pollutants, etc. For all of these reasons, people are much more cautious now, and with good reason. Salmon farm investors hemorrhaged money for quite a while. They are doing better now, but I do not think any of them see farmed halibut as a “holy grail,” and I do not believe there will be another investment “gold rush” like there was with salmon. I think the same is true for sablefish.

Q. Can you talk about the challenges of dealing with chain of custody issues using the Marine Stewardship Council program and logo?

Greg Fisk: There are challenges, but they are not overwhelming. In addition to having the general fishery certified as sustainable, in order for a company to use the MSC logo, they have to be certified as well. This entails setting up systems that allow the fish to be tracked from primary producer to end user. This is the chain of custody. MSC certification for a small processor is probably about \$1,500, plus a certain amount of paperwork. Many buyers, like small co-ops, do not require this. This is particularly so for buyers who know something about the fishery. But some larger buyers are asking for it. It is quite important in the UK—less so in the United States but growing in importance. The whole

traceability issue is becoming more and more important as people's concern over sustainability becomes greater. If you are mainly direct marketing inside the U.S., actually being officially certified is not that big an issue yet.

One last thought on marketing. The most important thing for marketing is to have good quality. Do all you can to maintain top quality, particularly if you have a lot of skiff fishermen in your program. Make sure they ice their fish and deliver quickly.

Community Quota Entities: The Basics of Board Service and Management

Mike Walsh

Vice-President, Foraker Group

(PowerPoint presentation: <http://seagrant.uaf.edu/map/workshops/2009/cqe/presentations/foraker.pdf>)

Ed Backus: We have Mike Walsh here from the Foraker Group. Foraker is largely sponsored by the Rasmuson Foundation, which recognizes that community level endeavors of this sort are conducted by nonprofit organizations, and that those running the organizations need to address a lot of challenges. The Foraker Group was established to support development of 501(c)3 nonprofits across the state.

Mike Walsh: With that introduction I do not need to tell you a lot more about the Foraker Group, except to say that we are a 501(c)3 too, so we have to do all of the things I am going to tell you that you have to do. A common reaction I get from people at the end of my presentations is “Gosh! Do I really have to do all that stuff?” There are a lot of things for you to consider as a nonprofit board, but it is actually fairly easy to accomplish, and you will find that you are already doing a lot of these things.

I would like to reinforce something that Ed Backus said in his introduction. The Foraker Group is here to serve you. If something comes up in the course of this discussion, or emerges later, we will be happy to talk with you about it. Helping nonprofits in Alaska is our mission.

Before coming here today I had to do a little self-education about what Community Quota Entities are all about. After reading a bunch of material I was struck by the fact that CQEs look a lot like the Foraker Group, or your local food bank, or an arts association, or indeed like any other 501(c)3 organization across the state. By way of background, Alaska has some 6,000 nonprofits—more per capita than any other state in the nation. That translates into about 1 nonprofit for every 110 Alaska residents. What that means is that there are a lot of other Alaskans out

there who, like you, are thinking about what their responsibilities are to their nonprofits.

Serving on a board really comes down to one big thing. We call it “sustainability.” You sit on a board because you believe that what the organization is doing, its mission, is important. The most important thing for your board to ensure is the sustainability of the organization. If your organization is not sustainable, you will be unable to fulfill the mission of your organization.

Fraker has come up with a good way to think about what sustainable nonprofit organizations look like. What we have discovered is that sustainability in any nonprofit is largely a function of four elements:

Financial resiliency. At its most basic, this means not having to worry about day to day, month to month financial issues, like making payroll and paying the bills. It means being able to think and plan ahead on important financial matters facing the organization—like building an operating reserve to get over rough spots.

Human capacity. Sustainable nonprofits really understand the importance of the “people factor.” The most important single thing for a successful nonprofit is a strong and effective board. An important component of that is for board members to truly understand their role and responsibilities. Another critical factor is getting the partnership between the board and staff right.

Focus (mission). Another thing we know about sustainable nonprofit organizations is that, regardless of what work they do, they have focus. That simply means understanding your mission and not straying from it.

Complimentary collaboration. Sustainable nonprofits understand the importance of working with and having the support of others. For CQEs this means building strong support within the community, whether it's the business community, city council, or tribal government. Successful nonprofits do not operate in a vacuum and must be aware of the community context.

Throughout our discussions today, try to think about things in terms of this model for sustainability. Give thought to which of these areas within your organization need the most attention. Is it focus? Are we staying on mission? Are we being effective board members? Do we need to build our human capacity? Are we constantly worried about cash? Do we need financial resiliency? Are we working successfully with others? Do we have complementary collaboration? This is a really good way for you to think about what it is you need to be working on as board members.

For nonprofit board members there are six basic roles and responsibilities that all of you should be thinking about:

- Legal responsibility: the legal aspects of organization
- Planning: setting the direction of the organization
- Human resources role: watching out for yourselves as board members, and staff
- External relations: being a spokesperson and advocate for your organization
- Income responsibility: understanding how the organization gets its income
- Fiscal role: watching out for your financial house

The emphasis may shift among these roles over time depending on circumstances, but boards are responsible and must watch over all these issues. Let's go through these in more detail.

Legal role

There are a lot of people who are really interested in what you do as a nonprofit, starting with the IRS. Under federal law there are many different types of tax exempt organizations like churches and electric cooperatives, etc., in several sections of the tax code. CQEs fall under section 501(c)3, which confers tax exempt status on your organization as a public charity, doing public good. That is a huge advantage. The law allows you to do certain things and not others. When you sign on as a board member, you agree to live by these rules.

CQEs are also subject to another layer of federal oversight—the NOAA, National Marine Fisheries Service laws and regulations that set up your program. Also, you are incorporated under State of Alaska law. The articles of incorporation you filed and your organizations mission statement allow the state to determine that you are, indeed, a charitable organization of the type you say you are. You also file bylaws with the state that govern the way you do things like conduct meetings, elect officers, and so forth.

You probably also have developed a set of internal policies to govern things, like how you lease quota. These are policies designed to get your work done. If you have staff, you probably also have a set of staff policies governing staff roles, for example leave. I'm guessing that you, as CQEs, already have some "boilerplate" policy materials dealing with the particular roles and responsibilities of CQEs.

Another legal responsibility that you need to think about is conflict of interest. Conflict of interest includes things like a board member

not making an undue financial gain as a member of the board. Almost anyone will be able to identify many types of conflicts, and this is particularly an issue in small communities where everybody knows everybody else, and where family ties run throughout the community. One of the most important things is disclosure. That is, open declaration of any conflict of interest. The Foraker Group recommends that all CQEs develop and follow a conflict of interest policy.

Here is the way that the State of Washington describes the duties of a member of a board of directors: “A director shall perform the duties of a director in good faith, in a manner that the director believes to be in the best interest of the corporation, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.” Pretty legalistic! How does that translate into practical, specific definitions to guide us?

- Understand the budget, take part in activities, go to meetings.
- Stay informed and involved with board activities.
- Avoid and declare conflict of interest.
- Act as a deliberative body—make sure that all members have an opportunity to speak, don’t allow someone to dominate, speak with one voice.
- Do not undercut the support for decisions. You want decisions to reflect the sense of the entire board.
- Maintain confidentiality.
- Ask questions.
- Be prepared for board meetings.
- Ensure maintenance of corporate records. Keep minutes and the record of decisions that come out of meetings.
- Pay attention!! If you pay attention, then legal trouble will be avoided.

Planning role

This is all about your focus, your mission. Would it be fair to say that the mission for a CQE would be “more jobs and sustainable communities through sustainable fisheries?” Avoid trying to do everything for everybody, and then get nothing done. What is planning? It is about defining a particular set of goals and agreeing on a particular direction. Commonly this involves a strategic plan, which is your long-term vision, and a work plan, which incorporates specific things to be accomplished

in the shorter term, typically within one year. Often this is referred to as your annual operating plan. At this point I would like to mention the role of committees. Make sure you use committees effectively, because they can really help you be more effective planners. Good planning is essential to remaining focused and avoiding “mission drift.”

Human resources role

All too often nonprofit boards expect staff or others to tell them what to do, how to make decisions, etc. That is not an appropriate way for a nonprofit board to operate. You must manage your affairs and assume responsibility. Part of that is ensuring that you have the necessary skills to be a good board member. This can mean getting necessary training. The Foraker Group recommends that boards develop job descriptions for board members that define what is expected of them. We have found that when people can answer the question “What does it mean to be a board member?” they perform better, and the board as a whole performs better.

A final point on the human resources role—it is never a board member’s role to manage staff individually. This creates confusion for staff, and is the most common reason why staff grievances are filed. Board members need to resist the temptation to do this. The board must speak with one voice.

External relations role

As a board member you are an ambassador and an advocate for your CQE. Board members are the most important people in this role. Staff members are also important, but people know it is their job. That’s why board members’ voices carry so much weight in community matters. If there are people in the community who do not understand what your CQE is doing, that is a detriment to the organization and its potential impact, and it is your job to inform them. Remember to speak with one voice. You may not agree with every decision of your board, but it is your responsibility to fairly and supportively represent that decision.

One thing that is helpful, in being an effective spokesperson for your CQE, is to be able to quickly and simply articulate what your organization does and why that is important. Some people call this an “elevator speech.” Imagine having to get across a really important idea to some influential person between the first and fifth floors! Can you tell me in 60 seconds what is so great about your CQE? If you can’t, you need to work on sharpening your message. What are some of the key things about CQEs?

Examples volunteered from the audience:

- Keeping families in the community
- Keeping fish in the community
- Teaching youth about resource use
- Allowing new entrants
- Sustaining economic development
- Sustaining a way of life
- Self sufficiency

The Foraker Group recommends that you prepare a brief speech including these ideas. Practice it and be prepared to use it when community members or others ask you what your organization does!

Income role

This is simply being responsible for monitoring the way income comes to the organization, and thinking in an organized way about your revenue goals. Where is the income coming from? How much comes from this source, how much from that source? How much more do we need in order to get our work done?

How do you generate income for a CQE? The primary source is earned income from quota lease, but there may be other sources like grant revenue. What is the board's role in raising money? Some nonprofits simply receive money, and the board's responsibility is to figure out how to spend it. In your case the board has a dual responsibility of not only figuring out how to spend money, but also figuring out where that money comes from.

Fiscal role

This is closely related to the income role, but is distinct. It is all about financial accountability. If there is one thing that regulators will be looking at it is accountability. First and foremost this means ensuring that the organization's money is not being spent in an illegal or inappropriate way. In a broader sense, it is about being good stewards of the financial resources of your organization. As board members of your CQE, you are the people to whom members of the community will look for answers about "How is the CQE spending its money?" "Is it spending its money wisely, and accomplishing its goals?" Here are a few things to think about:

- Be financially transparent in your financial dealings.
- Insist on good financial information from staff. Financial statements should be in a form you can understand, and if you do not understand them ask questions until you do. This is often the issue that creates the most anxiety for board members. Good information is key to participating!
- Approve and monitor budget.
- Monitor the cash flow.
- Build an operating reserve so your organization can ride out the hard times.
- Set revenue and expense policies.
- Ensure audits.
- Complete your annual reports to NOAA.

Your CQE may or may not be large enough to have a finance committee, but if you can, it is a good idea. The role of a finance committee is to zero in on the organization's financial issues and be able to provide understandable fiscal information to the entire board.

To sum up, each of these six issues is not going to get attention all the time, but each of them needs periodic focus, for example during your planning process at least once a year. You need to focus on those things that need immediate attention. That will help you be more effective in meeting the mission of your organization.

Let's talk a bit about liability issues. Yes, there are liability issues for CQE boards. There is insurance for directors and officers' insurance for nonprofits, just like there is for a profit-making organization. This protects individuals from liability and contains it to the organization. Insurance does not cover illegal activity but does protect individuals from mistakes made in good faith. We recommend that you get this insurance. Build this into your overhead. Usually it is just a couple of thousand dollars per year.

Q. Does the Foraker Group charge for services? Are you an income generating organization?

Mike Walsh: Yes, we are. We recognize that many organizations in Alaska do not have a lot of resources, and that is when we go to the Rasmuson Foundation for support in helping us deliver services to organizations that could not otherwise afford them. We understand this is a particular problem in small, remote communities.

CQE Support Project: University of Alaska Anchorage

Andrew Crow

University of Alaska Anchorage, Center for Economic Development

Steve Langdon

University of Alaska Anchorage, Department of Anthropology

Ed Backus: To start off this session, I would like to highlight a new book, which just came out this month, *Enclosing the Fisheries: People, Places, and Power*, edited by Marie E. Lowe and Courtney Carothers (American Fisheries Society, <http://www.afsbooks.org/54068P>). It is about the ongoing issues of the effects on communities of quota programs. This is a matter of growing national concern. As you know Congress has rescinded the moratorium on implementation of quota programs nationwide, and there is a lot of push to implement these kinds of programs. The story of the CQEs and their community-related issues has a pretty strong voice in this book. The fact that it is published by the American Fisheries Society lends a strong sense of legitimacy to the voices in this book. Steve Langdon and Andrew Crow have been part of that process and this very timely publication. As Andrew and Steve will explain, they have been able to tap into some resources through the U.S. Department of Agriculture (USDA) to develop a CQE support project.

Andrew Crow: I have been working since August 2008 to provide technical support for CQEs. Our three year grant is from the USDA. The purpose is to knit together the efforts of various groups assisting CQEs, and to help people who are starting a CQE take advantage of work already done by others who are further along in the process. The people who are working with me are Steve Langdon with UAA Department of Anthropology, Hans Geier, who is a resource management economist at the University of Alaska Fairbanks, and Bill Hall with the UAF Cooperative Extension Service.

Our goal is to help get more CQEs up and running—helping people find money, helping them learn what has been done in other communi-

ties, and helping them find resources for technical assistance. That all falls in to three basic categories:

- Providing information on decision making.
- Finding information on where quota share is available.
- Identifying who can help with purchases.

We have only been doing this since August, and it has been a part time effort so far. We have met with communities on Kodiak Island, and they have all prepared feasibility studies. We have met with people at the Alaska Division of Investments to get their perspective. And we have also talked with Ecotrust and their role in Old Harbor's CQE start-up. Last December we met with a number of fishermen from the Alaska Marine Conservation Council about their idea of setting up a quota bank that would support buying and selling of quota among independent fishermen. We wondered if they might be interested in including CQEs. They were interested, and it seems like there may be possibilities for Ecotrust and AMCC to work together to identify available quota and facilitate purchases.

Another thing we are working on is getting important information together. Part of that is pretty simple. Where is there quota? Who has quota for sale? We have found that there is not a very good understanding about the CQE program within the state government. When we talked with people at the Division of Community and Regional Affairs it was clear that they did not really know what the program was about. So part of our task is to try to communicate existing research, and the experience of places like Old Harbor to get decision makers in the state to understand the importance of getting this program up and running. Another thing we are looking at is which communities could work together and pool resources. As was previously mentioned, having too many nonprofits dilutes effort and resources. One of the options to look it is, rather than every community having its own organization, developing ways where communities can work together to lower costs and improve management.

We are also looking at ways to influence the whole IFQ program and have it evolve to better address the issues facing CQEs, things like access capital and the question of underutilized quota share. We have a graduate student working specifically on that last issue, and may put together a North Pacific Fishery Management Council proposal on the subject.

We have also been talking about the economic stimulus package that is moving forward and how CQEs and other community economic development efforts, like fish processing, might fit within that effort.

Those are the basics of our program, all oriented toward getting more CQEs going. If you think there is something else we should be addressing, please let us know.

Steve Langdon: I would like to talk a little bit more about what we are doing, but first want to thank Andrew for finding and securing those USDA grant funds to support this work.

I refer you to an article I wrote on CQEs in 2008: “The Community Quota Program in the Gulf of Alaska: A Vehicle for Alaska Native Village Sustainability?” in the book mentioned above (*Enclosing the Fisheries: People, Places, and Power*). Thanks to GOAC3 for their support in providing me with information, and also to Cape Barnabas for the background information they provided. There is a case study in the article that lays out in detail how they have operated and what their CQE has meant to the community of Old Harbor. I think you might find it useful to read the article. There is quite a bit of information on how the program has functioned in terms of quota share transfers, costs, and halibut prices. It explains the difficulties encountered in implementing the program, with a view to the kind of regulatory adjustments that may be called for to make the program more workable. This presents an opportunity to discuss the idea of a CQE umbrella organization that could help the CQEs address these regulatory issues with a single voice.

Following up on Andrew’s comments, one of the things we are looking at is the matter of unutilized quota share. Some quota share that was first allocated, in 1995, has never been fished. We are trying to identify how much of this quota exists, where it is, whether it may be in particular pockets that could potentially be accessible by CQEs in one way or another, and evaluate the pathways whereby that quota could be brought into active fishing for the benefit of communities.

In the late 1990s I did some research with a National Academy of Sciences group evaluating the Community Development Quota (CDQ) program in the Bering Sea–Aleutian Islands areas. One of the things I looked at was how the CDQs went about establishing their local halibut fisheries. They have some very sophisticated schemes for allocating available resource among community members. They also have fisheries loan programs with assured methods of repayment. I hope to update the whole situation with those fisheries, with a view to making that information available to CQEs.

Q. Did the CDQs have to pay for their halibut quota share?

Steve Langdon: No, they did not. It is part of their CDQ allocation. That is an important matter in assessing the value of their development model to your CQE communities.

One of the important things, in my experience, is the existence of substantial pockets of unused quota in some communities. Oftentimes

they are held by elderly individuals. Often the individual blocks are quite small. We need to develop plans to ensure that such quota does not leave the communities, and to enable CQEs to access it.

As Andrew mentioned we have two people on board who are able to assist with economic and business planning: Hans Geier and Bill Hall. We can work with CQEs either individually or in association to customize plans that make sense for those communities. For example, Cape Barnabas needed to access quota shares. In other places both quota share and vessels will be needed. Others may need mentoring or training. Doing case study analyses tailored to local conditions makes a lot of sense in figuring out how to move forward.

Looking at the CQE legal and regulatory environment, there are definitely areas that can use some tweaking. Maybe “major policy changes” would be more accurate. I will not go into them now, but they include things that you have already mentioned here, like access to different quota categories and easing of some regulatory restriction in the program.

Our program at the university is a multi-year effort. This year I am going to be looking at the Atka processing case study—can it be self sufficient or does it need continual CDQ cash infusions? Those kinds of findings will be useful for all of you.

In closing, I am happy to see this event occurring, and am glad to see all of you here. And I would particularly like to applaud Cape Barnabas for its leadership and excellent example. We would like to hear your ideas, and take any questions you may have as well.

Q. You mentioned Atka. How did they get started?

Steve Langdon: Atka is a CDQ community, so they got allocation through APICDA (Aleutian and Pribilof Islands Community Development Association), their CDQ organization.

Q. How many thousands of pounds did they start with?

Steve Langdon: My recollection is that they had about 60,000 pounds, and they now operate with about a quarter of a million pounds. They are doing direct sales to Seattle. They have their own vessels and small cold storage. They have enough to do that.

CQE Forum: Strategies, Hurdles, Operations—Open Discussion

Mike Walsh

Vice-President, Foraker Group (Forum facilitator)

We are going to start today's session by going around the table and noting comments, questions, and concerns about what is going on your communities—the questions that you would like to have answered, or at least addressed today.

We have two groups here that are active CQEs, Aleutia (Sand Point and King Cove) and Cape Barnabas (Old Harbor). I really want to encourage people to look closely at the Cape Barnabas and Aleutia examples, since they are operative—especially Cape Barnabas with their halibut program. Since Cape Barnabas has worked so well with NMFS it might be a good idea to look at their model for your own structure, because it could help facilitate whatever you need to get done with the NMFS RAM Division.

Mike Walsh: Maybe a way to frame the discussion is to ask yourselves, “If there was one thing I could change about the CQE program, what would it be?”

Comment (unidentified): At Aleutia we set up everything years ago. We made a plan, but could not deal with the money piece, and that is where we still are today.

Comment (unidentified): I think there has been an expectation of funding from the Native corporations even though the CQE program is required to benefit everyone, Native or not. The corporations have a fiduciary responsibility to their shareholders, so it would be better if funding came from other sources—grants or “seed money” from sources other than Native Corporations.

Deidre O'Brien: Why couldn't that seed money be in the form of a charitable donation from a Native corporation? Certainly a CQE could accept a donation as a 501(c)3. We also have issues about residency.

Mike Walsh: One of the reasons to set up a 501(c)3 is to be able to accept charitable donations. Then you mentioned residency—the question of people who you consider to be community residents but who do not meet program requirements because they do not live in the community year-round.

Jeff Batton: Deidre, the question about the charitable donations—were you asking, “Why can’t the village corporations be the source of a donation?”

Deidre O’Brien: The community and the tribal councils come to the corporations asking for money. I was thinking operational money for a CQE could be a charitable donation to the community too. It is hard to give out money. Once is OK, but how does the position change for the next request?

Nicole Kimball: At the time the CQE program went through the Council I think there was an expectation that at least the regional corporations, if not the village corporations, would be able to give money as seed money to start the ball rolling for the CQEs. That has not happened for a lot of reasons that are well known to this group but not to others including the Council. Explaining the issues of Native corporation requirements would go a long way toward getting CQE program amendments to happen.

Mike Walsh: Is it true that corporation money has not materialized as originally thought?

Denise May: I’m from Port Lions, and sit on our village corporation board. Part of the reason for that has to do with disproportionate distribution, which is an important consideration for Native corporations. This is a problem when there are not a lot of shareholders in villages. The argument is, “Will they come back, or are we supporting something that is not shareholder based?”

Another thing is how to bring young people back into the fishery when they don’t have boats. It’s not just quota—we need boats. We may be able to get the quota, but how are they going to fish it if they don’t have the boat to fish it on? Where does the Denali Commission fit into this? Is that source of funding for economic development available?

I would also like to know more about sport fishing, which is becoming more of an economic base on Kodiak Island, and I’m sure in other coastal communities. Where does that fit in the upcoming Council regulations, and how is that going to affect our villages?

Gale Vick: It is a complicated question. The issue is how sport halibut fishing can integrate with CQEs. We have been trying to get allocations

of commercial charter permits by the Council, but have not been successful yet.

Mike Walsh: Does everybody understand the disproportionate distribution issue?

Comment (unidentified): In Southeast, four of the village corporations almost went bankrupt trying to provide something for people in the villages. A court found that it did not proportionately benefit shareholders not living in the village. Therein lies the problem for Native corporations helping CQEs. Their boards are saying “I’m not going to touch this with a ten foot pole!” There are real legal ramifications. You can’t give something to people in the village that a shareholder living in Seattle doesn’t also get.

Melissa Berns: When Old Harbor Native Corporation decided to invest in Cape Barnabas this issue was definitely on the table and was something we talked about with our shareholders in informational meetings. It raised a lot of red flags at shareholder meetings in Anchorage. People asked, “Where are our benefits?” “Why can’t we participate?” The way it evolved, OHNC did it by making a loan to the CQE. It was an investment that the corporation was making, and that gets around the whole disproportionate distribution issue.

Jim Skonburg: I’m from Ouzinkie. If we do it as a loan and charge interest, and look at it as an investment, what happens if the program goes bankrupt? A Native corporation can’t legally own quota. What happens then?

Jessica Gharrett: Although the Native corporation could not fish that quota share, by making a loan they could take it over if the quota share is used as collateral on a loan. If there is a default, the corporation could then sell the quota to recover its investment.

Nicole Kimball: On the earlier sport charter halibut question, the Council will likely limit the total number of charter halibut businesses, but there are provisions whereby CQEs in Southeast can get up to four permits, and up to seven in Southcentral, at no cost. This will be described in the forthcoming rules.

Jeff Batton: If a CQE gets one of those permits, could they lease it to someone and gain revenue?

Nicole Kimball: Yes, but they cannot sell it, and it must be in the IPHC regulatory area in which the community is located, and must be used within the community. For instance you could not get a permit in Port Lions and then fish it out of Homer.

Denise May: Playing “devils advocate” on the issue of Native corporation loans to CQE, it is not that I am against the idea, but you could get board members asking, “Have we started something that means we will now have to make loans for all our shareholders for their shareholder businesses?” Is that a disproportionate distribution issue? I’m not sure. On the halibut charter sport fishery, what is happening with the “one fish” rule?

Jessica Gharrett: The one fish bag limit proposed by NMFS last year was overturned by the court on procedural grounds, not on the merits of the one fish limit itself. NMFS has submitted a new rule and we anticipate that will go into effect.

Mike Walsh: In Old Harbor, how did you justify a loan to Cape Barnabas to buy CQE quota when other people have come to the corporation to ask for loans to start businesses and perhaps have been turned down?

Melissa Berns: This was definitely a touchy situation. You do have an obligation to all of your shareholders. Under ANCSA (Alaska Native Claims Settlement Act) a village corporation also has an obligation to the community and to keep it alive. Old Harbor is a fishing community, but over the years, with the price of salmon going down, a lot of people moved. Our population used to be 500 people, and we are at 230 now. But people did not want the community to die. They wanted to re-invest in the community’s fishing heritage and bring it back to life again. It was a worthy risk given our history. Our fleet is still fairly strong so the board knew that the amount of quota being purchased would be able to be fished.

David Goade: On the question of unequal distribution to shareholders, we should remember that a CQE is not an individual, it is an organization—a nonprofit organized for a community purpose. I think the response to shareholder questions is to say, “There wouldn’t be anything without the village. There would be no loan programs, student scholarships, or other benefits. Everything came from the village.” That is the difference between a Native corporation and other corporations. A Native corporation really is “a different animal.” It has cultural, psychological, and sentimental missions that supersede just profits. It is hard to walk that line between being profitable and doing what is right.

Mike Walsh: What you just talked about is what we call, in the nonprofit world, “the double bottom line.” In a corporate world your bottom line is income minus expenditures, and that really determines what you do. But for nonprofits there is this other bottom line, which is the mission. It is not enough to be really healthy financially if you are not meeting your overriding mission.

Greg Fisk: I'd like to speak to Denise May's question on basic funding for individual fishermen. This is a larger issue than just CQEs. The State of Alaska has an excellent loan program—the Fisheries Loan Program—through the Division of Investments in the Department of Commerce, Community and Economic Development. That program performs very, very well. It returns extra income to the State's general fund every year. It has a very low delinquency rate. All sorts of restrictions have been placed on the program, ostensibly to protect the banking industry. I don't think they have much effect because the general banking industry isn't all that interested in individual fishermen anyway. A larger issue is to get permission for the program that its own staff people want, in order to better serve the fishing industry. That's the sort of thing that can help all Alaskans have a leg up when it comes to purchasing vessels, buying quota, buying limited entry permits and so forth. This is incredibly important for coastal Alaska, and yet this very successful program is artificially limited, primarily by legislators from the Railbelt (cities/communities adjacent to the Alaska Railroad) who really don't know much about the fishing industry.

Denise May: What I'm talking about are young men with no credit history. It can be very hard for them to get into the State loan program.

Mike Walsh: The problem is, how do young people with no credit history get a loan?

Steve Langdon: Here's the bottom line. Lots of Native corporations and CDQ groups have money sitting in a portfolio that just took a huge hit in the stock market decline. There is no guarantee that those funds will be there in the future. To go forward under the current circumstance, we need to look at community inventory and proposal sheets, that package together what your communities already have available with current needs, whether those are for training, vessels, or quota share.

Melissa Berns: I want to comment on what was said about young fishermen trying to get involved. Cape Barnabas set up two kinds of leases. One was our entry level lease for smaller amounts of quota. We set aside 20% of our quota for that. We also have our general quota, which is for larger quota blocks that we lease to more experienced fishermen. This allows the young guys—we've had high school students as well as guys who have been crew members on salmon boats—to have entry into the fishery. This allows them to lease a small amount of quota, and get on a boat with someone who already has quota. It allows them to gain experience and put aside some start-up money to buy gear or put toward a down payment on a boat, then bootstrap up to the larger quota pool in the future.

Question (unidentified): Have you maintained history on any of these new folks? Have any of these new folks been able to get more quota after starting out in the entry level?

Melissa Berns: Yes, I do. We have a couple who qualified for the entry level in the first year, and over the past two years they have received quota from the general quota pool.

Question (unidentified): If you only have one person signing up for that entry level 20%, and you only allocate a small part of it, do you re-allocate that back to the general pool?

Melissa Berns: Yes. We set up that pool to allow entry, but if there is only one applicant we would not allocate the entire 20% to them. That would probably be setting them up for failure, and it wouldn't be fair to the people applying in the general pool.

Denise May: Did Old Harbor Native Corporation get a loan guarantee from a bank? How is a Native corporation guaranteed to get its money back, and if we are benefiting more than our shareholders, who else is putting money into the pool and helping to fund this?

Ole Olsen: It was a for profit deal. It was done just like with a bank—"you wear a belt, and suspenders, and double tie your shoes." There was ample security so that the corporation felt secure enough to do it. We seem kind of stuck on the Native corporations. What else is out there? We need to explore other options for seed capital.

Gale Vick: I'd like to hear from Aleutia, and I'd like to hear from some of the other communities. What other questions and issues do people have about starting up?

Bob Barnett: At Aleutia we are set up much like Cape Barnabas. Since we represent two communities, we set up executive committees in each location. The board structure in those communities is elected by the community. There are a couple of city council seats on each committee. That seems to work well. One community was a lot more active than the other, because they could see the merit of the program a lot better. We came up with a general scheme for running the program. We used the City of Craig template that they had developed ahead of time. One thing we set up that was different from Cape Barnabas was a lottery for awarding quota, rather than a point system. There are always winners and losers in a lottery, and the lucky guy gets to go fishing. That's why I was wondering about the appeals system that Cape Barnabas set up with their point system. How do you work though those when points are very close?

Question (unidentified): Are there monies through the tribal organizations that could be accessed as seed capital?

Dave Goade: My observation is that there seem to be more barriers for small communities to enter the CQE program. I think the regulations as written envision CQEs being functional from day one. There is no ramp-up period to allow communities to grow into the program. Old Harbor is a larger community. But 250 people would be a big number for Akhiok. A lot of people have moved out over the years. With the residency requirements and the sea time requirements, qualified people simply might not exist yet. You can count heads in a village meeting, and on one hand you can count the people who are qualified and have fingers left over. It's hard to imagine how to get started in those circumstances, even though you could imagine growing into the program if there were proper incentives, or enough flexibility in the beginning to allow a ramp-up period. That seems to be the major barrier for the small communities, which there are many of. You can figure out the financing, figure out how to administer the program, figure out point systems or lotteries, but we are just trying to get people qualified to go fishing. To me that is the biggest barrier. I don't think the Council set the communities up for failure. I think they thought the program would work, and it seemed good on paper, but the bar seems to be too high for small villages. CQEs are critical for keeping small communities going, but the first hurdle is high, and a lot of places are beset with other problems—losing schools for example.

Gale Vick: I am hearing two things. Financing is a big hurdle, but the residency issue is something we haven't addressed so much. The whole intent of the CQE program was to create viable communities, and to keep people in the communities. But it did not really address the issue of all the people who have already left the communities because there were no jobs. Even since the program was implemented there has been a huge out-migration. Is how to use a CQE program in order to get residents back into the community a high strategic priority? Should we address this at Council? Another big issue is, of course, the vessel limitations.

Nicole Kimball: I do think that would be an appropriate measure to put through the Council. You will want to think about how best to do that, whether it would be eliminating the residency requirement, weakening it so that it was not a 12 month requirement, or perhaps the residency requirement and 150 sea day requirement could be set so they did not "kick in" for five or six years, so you could get that start-up period you were talking about.

Steve Langdon: Perhaps we could think about using a retroactive status, looking back within the last five years to address residency. Or perhaps they could use shareholder status.

Denise May: I think shareholder status in the corporation would answer two questions. It would answer the question of disproportionate distribution as well as residency.

Chuck McCallum: I'd like to suggest that each community compile a list of displaced community members so that we can begin to think about how to target them to get them back.

Jeff Batton: Great idea, and I wonder if this could be the process for how you determine residency. Perhaps a fact finding mission could determine who the people are who got displaced and when they left.

Bob Barnett: What about residency for crew? Do they all have to be residents?

Melissa Berns: We are strict about that. We had a resident who got a general quota award and jumped on a boat in Kodiak. He lost points the following year in the scoring because he was not investing his money and time back into the community.

Mike Walsh: Who monitors these issues?

Nicole Kimball: I'm not sure how closely things like that are looked at, but one of NMFS's criteria for their annual performance reports is that all of the crew members who fish have to be listed, with their addresses. The vessels and their homeports also have to be listed. This is to demonstrate the contribution to the communities. It would certainly be frowned upon if your annual reports listed all your boats out of Kodiak, and crews out of another town, and did not show that the CQE was working for the community.

Mike Walsh: Who monitors this? Who pays attention to all this stuff?

Jessica Gharrett: The required reports come to NOAA Restricted Access Management Division, but we do not provide enforcement. If somebody fishes on a Kodiak boat, we are not going to say, "Sorry, but you don't get any quota next year." These reports are summarized and made available to the State and the Council, and the Council might choose to review the program for performance.

Melissa Berns: We do have some members of our community who were displaced, and who live in Anchorage or in Kodiak, who come back to Old Harbor and crew during the summer months. This is OK because

we recognize them as people of our community. We recognize them as shareholders, or as people who have been away for educational reasons. Our board has a really good understanding of our applicants and those who are fishing.

Gale Vick: When we were developing the new organization, which we will talk about later—the GCFDC (Gulf Communities Fisheries Development Corporation)—we worked with the North Pacific Fisheries Trust to develop a Fisherman’s Code of Conduct. One thing we could add is an internal enforcement mechanism for some of these issues. Going back to the residency issue, the Permanent Fund asks, “Are you planning to stay in Alaska?” to assess intent. Perhaps that precedent could be tapped to address CQE residency concerns.

Jackie Muller: I’m from Ouzinkie. My question is, “Where can we get money?” I would like to hear what other sources of funding are available to nonprofits. Loans? What are the other opportunities?

Denise May: Are there people from the Denali Commission, or other agencies that have funding ability, who can help us put funding together in economic packages for the communities so that it does not end up being the Native corporations who bear the burden? We know that we are benefiting more than just our own shareholders. Maybe the Native corporations would feel more comfortable with a partnership rather than being the sole source of funds for this program (CQE).

Mike Walsh: That is a good segue into this whole “show me the money” section of our discussion about funding—the idea that the Native village corporations might feel more comfortable if their contribution was being used as leverage for other funds.

Stanley Mack: I think we are too focused on one source of money. In the Aleutians East Borough we are obligated by charter to focus on the health, education, and welfare of the communities. Therefore, we have to be aware of any kind of economic development that occurs within the Borough. We try very hard to sustain the communities in the Borough, and we have a grant writing staff to help on economic development. Communities ought to exercise their rights as part of the boroughs, and/or under their city charters to look for funding available through those organizations. There is a lot of money out there. The other source of funding that I think we have not even begun to tap into is corporations that are willing to donate money to 501(c)3 organizations. Economic development in communities is a prime candidate for grants out there in the private sector.

The CDQ program has been helpful in some of the smaller communities, but we need help in two non-CDQ communities, King Cove

and Sand Point. We are focusing on the Aleutia program to help stem the out-migration and stabilize communities. We have three that are borderline now on their school enrollment, and we need to really focus on economic development to sustain their populations.

Mike Walsh: Stanley brings up an interesting point about grant writers that are on staff with boroughs or cities. Are some of you in the unorganized borough without that kind of government structure behind you? [Positive response from several community representatives.] Some of you may not have that access to existing governmental structures. Do state and federal agencies provide any grant writing support for CQEs? [Negative response from both state and federal agency people present.] As a way to get over that first hurdle, perhaps you could borrow or “rent” a grant writer from an organization that has one on staff.

Stanley Mack: A lot of the regional corporations have nonprofits, and I think some of the village corporations have that same capability, and those nonprofits often do have technical assistance programs and grant writers available.

Deborah Daisy: I work for Chenega Corporation, where I am a grant writer on staff. I don’t think we should “dangle the carrot if there are no rabbits in the field.” I have not seen foundation money for start-ups. I think it is going to be difficult to find grant money for a revenue generating venture, which a CQE is. You can get money for training. You can get money for infrastructure for local governments. I think you are going to find it difficult to get grant funding for “seed money” to buy quota. You are going to have to look to the state or legislative appropriation for that.

Greg Fisk: I want to speak to the availability of grant money and support. In Southeast, Tlingit-Haida has the ability to help all the Native corporations with grant writing and other assistance. Throughout the state there are small business development people who are there specifically to help small businesses, and I think that if a CQE walked through the door they would get help. The University of Alaska also has Small Business Development Centers, and one person (Matt Tullar) is dedicated to just rural issues. There is help out there, but grant money is not “growing on trees” these days.

Mike Walsh: I think I would have to disagree that you cannot find grant money for start-ups. But you need to know your funders. You cannot go to a funder who does not do that sort of thing and expect to get funded.

Lloyd Stiassny (Port Graham): Some of our topics are operational issues. If we had 10 or 15 CQEs in place, we would have grant writers, but we are not there yet. We need to look at ways to implement this program.

There is a good community model with Old Harbor, but that is just one out of 42 communities. That's what we really need to address. How do we go from 1 to 42, or even 15? I think we need to look at a regional approach, at communities joining together. Economies of scale are critical. We need to develop efficiencies. The only way we can implement this program is through legislative initiatives. We need to look at things like federal loan guarantees and tax incentives that make it attractive for Native corporations to invest. What about economic development tax free bonds that can generate some capital? We need far more broad and sweeping ways to get a lot of money so that we can invest in communities that need it. That is the discussion we need to start having. The CDQ program was implemented through federal legislation and this program needs to be done the very same way. The regional and village corporations would love to invest in their communities, but there has got to be a strong guarantee of at least some modest returns. I think that if there are appropriate incentives for them we could generate some capital and get this program going.

Patty Brown Schwalenberg: I'm the executive director of the Chugach Regional Resources Commission. We do economic development work with the tribes in the Chugach region, so we have been working on CQEs since their inception. I wanted to comment on grant writing. There are funders out there that will fund things like CQEs. Especially with the way economics are now, the "Big 25" philanthropic organizations that fund tribes and other Native organizations are looking more toward local development and community economies. The First Nations Development Institute is totally based on building businesses—start-ups, seed money, that kind of thing. Their subsidiary, called the Potlatch Fund, provides training on how to best approach philanthropic organizations, and will also connect you with funders that will back your type of project. That is a very good resource. Something else we are look at starting up is a Community Development Finance Institution (CDFI). These are revolving loan funds in cooperation with the U.S. Treasury Department. If you put in \$100,000, the Treasury will match it dollar for dollar. There are tribes in the Lower 48 loaning as much as \$2 million per year with a very low loan default rates (as low as 0.6%). There are some other loan sources out there too. I have been writing grants for a long time, and since the economy has gone down, and so many jobs have been lost in the villages, we have been really focused on finding those kinds of funders.

Comment (unidentified): Actually, Aleutia has a CDFI—Aleutia Finance. I think it is doing mainly low income housing now.

Justin Stiefel: I looked up the CDFI program website in the U.S. Department of Commerce. The stimulus program that was just passed

into law has a new \$8 million pool of funds this year specifically for Native American and tribal enterprises.

Sam Cotten: I'm with the Aleutians East Borough. Deb talked about the challenges for grant writers, but sometimes there are surprises that show up as sources. One source in King Cove was the seafood processors who cooperated with the community in acquiring crab IVQ (Individual Vessel Quota). Too often the seafood processors will be in conflict with the fishermen, or the communities have issues with the processors. On the other hand, some of the processors may be on the lookout to improve community relations and this could be a good opportunity. You do not see them hanging signs out saying "Free money here!" But this is one example of developing a successful working relationship.

About the state, apparently there is no opportunity for organizations like CQEs to borrow money from the state. Is that true or not?

Greg Fisk: The state has the Rural Development Initiative Fund (RDIF) in the Department of Commerce, Community and Economic Development (DCCED), Division of Investments. Also, there is revenue bond funding, through the state's Municipal Bond Bank or AIDEA (Alaska Industrial Development and Export Authority), if a city wanted to pursue a CQE. The security there would be the quota itself and the revenue stream from fishing the CQE quota. That's not free money, but it is pretty inexpensive. I think the revenue bond rate is around 4%.

Midge Clouse: I'm with Chenega Corporation, but I used to work with DCCED. I have spent two and half years with Chenega looking for money for the CQE program. The state investment program charges too much interest. At the time I talked to them I think it was 10%, and this program simply is not going to work at 10% interest rates. Bonds might be OK, but Chenega and other organizations that are not within incorporated municipalities are not going to be able to go that route. What we need is an actual list of potential sources that might be interested in funding CQEs. One problem is that a lot of the grant sources that have been talked about are only for small amounts that are not enough to buy a meaningful amount of quota.

Gale Vick: This is exactly why we formed this new corporation, the Gulf Communities Fishery Development Corporation. If we are going to do anything on a grand scale we may have to have an umbrella organization to do this. We had worked with the state to develop a loan program for CQE start-ups. I recall that we were able to get a 6% loan rate, but that was not the problem. The problem was the 35% down payment requirement. That was so limiting that it was not really a viable option. We need to generate a huge amount of capital, not piecemeal applications

for small grants. The price of quota is very high, and we are not going to get very far on small amounts. Partnerships are very important. What can corporations do, for example, to help with operational tasks, versus just help on buying quota. We need to get every eligible community registered as a CQE, and we have got to start buying quota. There is a long list of barriers, but organizing—like with this workshop—is key.

Jeff Batton: I want to remind everybody that North Pacific Fisheries Trust is willing to write loans. We can make the cash flow work. There are definitely hurdles, and there is money needed up front, but a \$25,000 grant could actually be enough to get started. The NPFT has \$5 million available, and we refinanced the Cape Barnabas deal with the Old Harbor Native Corporation.

Comment (unidentified): If we could get a federal loan guarantee program of some kind, that would be very helpful.

Jessica Gharrett: I want to reiterate that the federal Fisheries Finance Program is not currently authorized to make loans to CQE. Federal legislation would be required to change that. But that is not impossible. Work collaboratively and contact the Congressional delegations to do this.

Gulf Communities Fisheries Development Corporation (GCFDC)

Gale Vick: A couple of years ago we at GOAC3 realized that because we were a 501(c)6 organization and we do some lobbying, we could not apply for grants. So we developed the idea of forming a 501(c)3 nonprofit so that we could be eligible to receive grants. Then the idea morphed into something a little bigger because of some opportunities that came along. This was about the time the CQE program was put into law and getting going. The people who you see here right now are some of the board members of this new organization, the Gulf Communities Fisheries Development Corporation (GCFDC). It is not a subsidiary of GOAC3. It is a separate organization with its own board. Let me introduce some of them to you—Freddie Christiansen, Chuck McCallum, Howie Torsen, Ole Olsen, and Patty Schwalenberg. We are going to talk about how this corporation can help you as individual CQEs.

The GCFDC is an umbrella group for CQEs. However, I want to emphasize that, by law, it is not permitted to buy, hold, or sell quota shares. It is designed to provide technical assistance, especially to CQE organizations that do not have the resources to do that on their own. The second thing is to identify sources of loan and grant money for the CQEs. We don't have staff yet, but we are legally organized with the IRS, and we have been talking with Ed Backus's group, the North Pacific

Fisheries Trust, and have been coordinating with them on several different fronts. I want to emphasize that GCFDC's role is to assist you. We hope we can help identify some larger sources of funding for the overall CQE program, which will be so important to its success.

Q. Are you planning on having a grant writer available?

Gale Vick: The answer is "yes." We don't know yet what our organizational structure is going to be, but that is certainly part of the technical assistance idea.

Q. What is your board structure, and how do other emerging CQEs become part of this organization?

Gale Vick: At present we have an interim board. We have a total of eleven board members. Chuck McCallum is the interim board chair, and I am the acting executive director. Everyone is "acting" right now. The process of forming a permanent board is open to all of you. If you are interested in participating, give me a call and we will be sure to notify you of the next meeting, which I hope will be soon. That will be an important organizational meeting so I encourage you all to come.

Q. If you were to get a large grant that was earmarked for the purchase of quota, how would that be distributed to the actual CQEs?

Gale Vick: That is something the new board is going to have to determine, and it is going to have to be equitable. It is very similar to what CQEs have to do in terms of fairness. I want to emphasize that this organization is not going to take all the money that might be available to CQEs. That is not going to happen. This organization is strictly to help CQEs, not compete with them.

Q. Do individual CQEs need to coordinate their activities with this new corporation?

Gale Vick: What you do at the local level is strictly up to the individual CQEs. But I certainly recommend it, and I encourage you all to take part in the new organization—how the board is structured and how it operates.

Comment (unidentified): I think you should view this new entity as serving several purposes. One is to help create a unified voice for the CQEs. Another purpose would be to seek larger pots of money, like grants or federal programs. Often people wanting to place larger sums of money want to deal with a centralized structure rather than dealing with a number of smaller individual organizations. A third function would be to help share resources. Shared administration costs, centralized reporting to NOAA, and things like that create efficiencies. Also, we got

a strong message from our Congressional delegation that they want to get a coordinated message from the CQE community rather than deal with many competing requests, which are very hard for them to evaluate. There is a real desire on their part to make the CQE program work.

Ed Backus: This organization is talking about helping with some of the big challenges that have been identified at the community level, so they are no longer obstacles to CQE development. The reality in the funding world is that some funders are much more interested in engaging with a larger organization that has more impact than dealing with individual communities. This might be a very effective mechanism to generate larger funding pools.

Mike Walsh: We were struggling with this same issue at the Foraker Group when we got started. We created a two board structure. One is a governance board that is small and has a specific makeup of people who are watching out for the fiscal part of the organization. We also have a larger operations board. This is an advisory board that is heavily populated with people who use our services. We get the very best practical advice from this advisory board. You might want to think about a similar structure for your umbrella organization.

Q. In terms of the technical assistance that this organization wants to provide, how are you going to coordinate with Andrew Crow (University of Alaska, CQE Support Project) and with the Marine Advisory Program that provides opportunities for training and technical assistance?

Gale Vick: We recognize the need to all work together. That was one of the reasons to have this meeting. We are definitely encouraging the University and Sea Grant to participate with us.

Q. Assuming a lot of money does become available through this new organization, is that likely to create a “bubble” effect in the quota market?

Justin Stiefel: If we should ever get access to a large amount of funding to buy quota we would want to enter the market carefully and in a coordinated fashion. The last thing we want to do is drive up the price of quota to uneconomic levels. Getting that kind of coordination in Alaska on similar issues has proven difficult, so this is an important issue for CQEs. As to whether money will become available, it is clear that people want to see the program become successful. There is recognition that conditions placed on the CQE program when Amendment 66 was passed, in response to concerns raised then, may not be appropriate. There is work going on now to make CQEs eligible for the Fisheries Finance Program, and also discussions about making seed money and down payment assistance available.

Ed Backus: I wanted to make a distinction between capital development and capacity development programs that could be pursued under this 501(c)3 organization. The issue of mentoring young people in the communities came up several times yesterday and today. That and other capacity-building functions could attract national-scale attention from major foundation funders if we have a unified umbrella over those types of programs. That is independent of the issue of raising capital to buy quota. If we distinguish between those two areas—capacity building and raising capital—we have the potential to attract important financial resources to community-based economic development. The 501(c)3 organization we are talking about is a very strategic vehicle for that, because it can accommodate both functions within its mandate. Having a coordinated approach is much more efficient and interesting for major foundations to work with.

Q. For example, if my community was really close to getting going on a CQE, I might be able to come to this 501(c)3 organization and say “We need a set of bylaws” or “We need help with IRS paperwork.” Is that the type of support services that are envisaged?

Ed Backus: Exactly. This organization could end up packaging all those sorts of needs together into a single large grant application to a major foundation, which stresses that this one entity will be able to serve all 42 of the eligible CQE communities with a carefully coordinated, well thought out and efficient support program. That is much more interesting to a foundation than lots of small competing programs.

Justin Stiefel: I would add that, if we get Fisheries Finance Program authorization, the ability of this organization to help individual CQEs put together loan applications and business plans would be a big plus. I believe the FFP staff—which is limited in terms of numbers—would look at that and say “Hallelujah!” They would see this organization as its front-end loan officer, who ensures that when a package comes to them for consideration it has already been through a first, important level of professional scrutiny. I think that would help get loan applications processed more quickly.

Q. To follow up, if we are meeting as individual communities with the Congressional delegation, how do we then promote or support this new entity as an advocate for our interests?

Justin Stiefel: The first thing I would say is, “Join the group and ‘get on board.’” Then, when you meet them as a representative of your individual community you can add, “By the way, we are members of this umbrella organization, and we support its efforts to help all the CQEs and to create more jobs.” That’s the mantra these days: “job creation.” I

think what we are advocating is very efficient in terms of job creation potential, especially when compared to the recent federal economic stimulus program.

Gale Vick: I liked Mike Walsh's early suggestion about board organization—a small governing board and a larger advisory operations board. Each CQE could be represented that way, but you would not have a cumbersome board structure and could remain efficient. I know of some other boards that are structured that way, and I think it is a great idea.

Mike Walsh: With that kind of structure you also avoid the problem of trying to find full board members. Governing a 501(c)3 is a big responsibility, as you know. People are often involved in many other organizations at the community level, and it can be difficult to take on that additional workload. Having a voice through a less demanding advisory structure is often a welcome alternative.

CQE Issues to take to the Council

Gale Vick: We've talked about the conceptual capabilities of the new organization, but we should probably move on to talk about the immediate issues we all need to coordinate and work on, and that GOAC3 is already involved in bringing forward to the Council. Today we need to identify as many as possible of the "on the ground" problems you are having, and make sure that we get them into the packet of things we want to put forward.

One way to break down this discussion is to identify what needs to get done at the federal level with the Congressional delegation, North Pacific Fishery Management Council, and National Marine Fisheries Service; what needs to get done at the state level; and what needs to get done at the private level of NGOs and financial institutions. If we can focus on the most immediate things we have to do it would help direct GOAC3's efforts.

Let's look at items for the North Pacific Fishery Management Council first. For those of you who are not familiar with how the Council works, they have a very strict process on how to do a proposal and there is no guarantee that the Council will take up a particular proposal. You have to present your case in a cohesive manner and get as much support for it as possible. Once the Council has decided to hear proposals they next decide which they are going to analyze. It is very important to get your idea into analysis. The matter then gets rescheduled for a later meeting when the staff analysis will be completed. In all likelihood the proposal will go through committee review before it gets back to the actual Council. Next is initial review of any proposed rule. During all this the matter is open for public comment. Then comes the final rule.

This can be fast-tracked but can also be quite an extended process. Once Council approval happens there is still legal review within the National Marine Fisheries Service before it gets to the Secretary of Commerce. If the Secretary approves it the final rule is published in the Federal Register and goes into effect. There are a lot of steps, and a lot can happen along the way. If we decide to submit a CQE amendment, we really want it to stand alone as a separate item. If it gets rolled into another amendment there is a very good chance that it could get bogged down by extraneous issues. It is very important for us to “do our homework” on any proposal to make sure it is well prepared and as easy as possible for the Council and staff to understand and work with.

Following are some of the things I’ve thought about, which we talked about yesterday, under “Council.” Also, there is a June 1, 2009 deadline for submitting amendments to the IFQ program, which the CQE is part of.

- Vessel limitations. Vessel caps were right at the top of the list. That is a huge problem for all of us.
- Residency. How are we going to deal with residency? The program was designed to rebuild communities so we have to address the residency question.
- Qualifications. Sea days are required in order to fish halibut or sablefish (blackcod) quota.
- Vessel categories. Possible exemption from the categories for CQEs.

Doing our homework and being well prepared is very important, particularly if we are seeking to “fast-track” something through the Council process. The Council is required to adhere to national standards when evaluating a Fisheries Management Plan (FMP) or additions or amendments to an FMP. Under the Magnuson-Stevens Fishery Conservation and Management Act ten standards were established. It is very important that any proposal clearly recognize these standards.

Jessica Gharrett: To clarify on the vessel category issue, quota can be “fished down” but not “fished up.” That is, you can fish vessel category B quota on a smaller vessel category C (35 to 60 foot) or vessel category D (<35 foot), but you cannot fish vessel category C quota on a larger vessel category B (>60 foot). An option for CQEs may be to go to the Council and request an exemption from the vessel categories, so it would not be a landing violation. The point is, when you go to the Council it is really important to realize that the best solutions are going to come from you, not from the Council. The Council has already given its best shot at designing what it thought would be a successful program. Looking back it may be evident that a lot of things that were put into the program—

and were meant as protection—may not have worked as intended. Now it is up to you to identify the issues and make concrete suggestions. By law the Council has to consider all reasonable alternatives. After years of observing the process I can tell you that you don't want to go to the Council and say "This is what we want, or nothing." You'll get nothing. That's the risk. Better to outline a range of options that will help you.

Nicole Kimball: I want to emphasize that for those of us who are writing the analysis of a proposal, if there is a preferred solution, it is great to see that identified.

Gale Vick: Council does listen to testimony, so the more people you have testifying on an issue and supporting the same basic concept, the easier it is for the Council to make a favorable decision.

Q. When does the Council meet?

Gale Vick: They meet five times per year—four times in Alaska and once Outside [non-Alaska]. The next meeting is in April 2009, in Anchorage. I think that is too soon for us to present, but June 1 is the deadline for IFQ/CQE proposals. I don't think the Council will take up any of these proposals until after the deadline for submissions, so that won't happen until October.

Q. Have you thought about how you are going to develop the proposal? Who is going to do that?

Gale Vick: GOAC3 will do that. It does not preclude anybody else from doing their own, but if we want to do a coordinated effort I suggest we do it that way. Then everybody can testify.

Q. It can be hard to come up with a list of ideas in a big group like this. Do you have a committee process to come up with recommendations?

Gale Vick: We have a board that is representative. What we will do is get questions out to people, and we'll talk about things people want to add in conference. Unfortunately, we are very limited in time. Much as I would love too, we are not going to be able to go around and have committee meetings in a lot of communities. We can teleconference, and do other things to get input. And we will certainly focus on this. That is GOAC3's job.

Q. One other thing on vessel category. CQEs cannot purchase vessel category D quota, right?

Gale Vick: In Area 3B CQEs can purchase vessel category D, as far as I understand.

Jessica Gharrett: There are also restrictions on purchase of small blocks.

Nicole Kimball: You are right. Area 3B communities can buy vessel category D quota. And communities in Area 3A (Southcentral) and Area 2C (Southeast) can buy category B and C shares and fish those on smaller boats.

Gale Vick: Another thing we talked about yesterday was regionalization. This goes back to residency, so we might want to lump those together. The idea was that if you cannot find a person to fish quota in your community because of residency issues, you might be able to get somebody from another qualified CQE community. Currently that is not allowed. That's another thing we might add to the list.

Q. There has to be a way of verifying sea time. We have people buying boats, and then, because they are the owner, they can say whatever they want about how much qualifying sea time they have. Can we do anything about that?

Jessica Gharrett: When we (Restricted Access Management Division) get an application from an individual to become an IFQ crew member we often check self-statements, because only "hard" sea time counts. Time preparing the nets and the boat does not count. Charter fishing is not commercial fishing and does not count. They are self-statements, but we do check references and we do spot check. The experience can be in any U.S. commercial fishery and it has to be actual days spent harvesting fish like running the boat, cleaning the fish, setting and retrieving the gear—those things listed in our regulations.

Gale Vick: She was talking about the difference between sea time for charters and "six pack" licenses and sea time for the CQE program, which are definitely separate. They have to have commercial sea time for CQE qualification.

Jessica Gharrett: That is another opportunity to consider bringing to the Council, including chartering, tendering, or processor experience as qualifying commercial fishing experience for the 150 day requirement.

Gale Vick: Good. We'll put that on the list. Does anybody have anything else to add to this Council list?

Q. When you described the Council process, it sounded to me like two years at a minimum to get something changed. Is there a way to push the process, to expedite it?

Gale Vick: It is pretty slow moving. In sixteen years of working with the Council process, I can say that by law it is transparent, but it is also so complicated, time consuming, and costly that people lose faith in

it. It took me three years to really understand what was going on at the Council, and I think that is pretty common. The reason you have advocacy groups is to get through that process. That does not mean you should not participate as an individual. Going to a few Council meetings is really worth it. To answer your question, if we are not presenting a very complicated problem and we are not facing a lot of political opposition, we might get this done in a minimal amount of time. But as soon as we get a group out there that does not like what we are doing, that will stall the process. That's part of the reason for this meeting. We want to be able to assure the Council that we have taken things into account.

CQE Federal, State, and Private Entity Issues

Mike Walsh: We have a pretty good list of items for Council consideration. With our remaining time we should look at federal, state, and private entity issues.

Gale Vick: I'm going combine state and federal on this one point, and that is education. When you are talking to your legislators or the Congressional delegation it is really a good idea to be on the same page. Don't go to them without having a solution in mind. The next thing to get the state to understand, because sometimes the state is our worst problem, is that the only way we are going to keep fishing effort in Alaska ownership is to anchor it in our communities. The CDQ program has proven this, and if we are going to keep any Alaska ownership in the Gulf of Alaska we are going to have to anchor it in our communities. As you know, when people are selling quota they are going to go with the highest bidder, and that often means Outside [non-Alaska]. If we don't get any other point across to our state folks—the administration and the legislators—it must be "Pay attention to this issue," because I think we are at pre-statehood conditions of ownership right now, and I don't think people are paying enough attention to this.

Mike Walsh: Do you have a one-page sheet of easily digestible talking points that can be distributed to the communities to help them deliver a consistent message?

Gale Vick: That's a good point. We can do that. I just prepared something like that for some people who were headed down to Juneau.

Mike Walsh: There was a point raised earlier about state loan programs.

Greg Fisk: Yes, I'd like to emphasize that again. It is a specific thing. If the state liberalized and made more effective its already very well run loan program—took off the artificial restrictions—it would give Alaskan individuals and organizations a "leg up" when buying quota or fund-

ing boats. What I'm talking about is regulations that would free up the Division of Investments to do more of what they want to do.

Mike Walsh: Let's make sure that is one of the "bullet points."

Denise May: I'm not familiar with the loan program that was just talked about, but another thing we might want to think about is a loan guarantee program for CQEs modeled on the BIA (Bureau of Indian Affairs) loan guarantee program.

Gale Vick: We've also talked a lot previously about private sources of funding. And we need to continue to think creatively about building all kinds of private funding partnerships.

Thanks to everybody for their contributions today. I encourage you to call GOAC3 with any ideas at (907) 561-7633 or (866) 561-7633. Also, check out our website at www.goac3.org.

Amendment documents prepared by GOAC3

http://www.alaskafisheries.noaa.gov/npfmc/current_issues/halibut_issues/IFQproposals2009/GOAC3proposal.pdf

CQE Web Links

CQE Contact List (NOAA Registry, August 2008)

<http://www.alaskafisheries.noaa.gov/ram/cqp/CQEcontacts.pdf>

CQE description for the City of Craig, Alaska

<http://seagrant.uaf.edu/conferences/fish-com/powerpoints/templin.pdf>

CQE example lease agreement

<http://www.craigak.com/documents/Draft%20Lease%20Agreement.pdf>

CQE plan examples

http://www.craigak.com/documents/CQE_Plan.pdf

CQE Program description

<http://www.commerce.state.ak.us/bsc/CDQ/cqe/cqe.htm>

CQE status application form (NOAA)

http://www.nmfs.noaa.gov/gpea_forms/akr/cqestatus.pdf

Federal Register publication of CQE Program Final Rule

<http://www.thefederalregister.com/d.p/2004-04-30-04-9855>

North Pacific Fisheries Trust CQE Loan Program

<http://www.ecotrust.org/npft/>

North Pacific Fishery Management Council establishes CQE Program

<http://www.goac3.org/am66.html>

Process to apply for CQE status

http://www.commerce.state.ak.us/bsc/CDQ/cqe/apply_cqe.htm

Review of the CQE Program by the North Pacific Fishery Mangement Council, March 2010

http://www.fakr.noaa.gov/npfmc/current_issues/halibut_issues/halibut.htm

State of Alaska CQE Loan Program

<http://www.dced.state.ak.us/investments/cqe.cfml>

Technical Support Workshop and Development Summit for Community Quota Entities, Feb. 2009

<http://seagrant.uaf.edu/map/workshops/2009/cqe/index.html>

UAA USDA CQE Support Project

<http://www.reeis.usda.gov/web/crisprojectpages/214439.html>

Attendees

Marvin Adams
Consultant

Mark Allred
Denali Commission

Phyllis Amodo
Akhiok-Kaguyak Inc.

Tim Anderson
*Chugach Regional Resources
Commission*

Tom Andrews
Pelican Fishing Corporation

Ed Backus
*Vice-President, Ecotrust/North
Pacific Fisheries Trust*

Bob Barnett
Aleutia Inc.

Jeff Batton
*Loan Officer, North Pacific
Fisheries Trust*

Ernie Berestoff
Akhiok-Kaguyak Inc.

Melissa Berns
*Cape Barnabas Inc./Old Harbor
Native Corporation*

Don Bremner
Tlingit and Haida Central Council

Megan Buckley
*Coffman Cove Community
Quota Entity*

Tim Carlson
Larsen Bay Development Co.

Lynette Carlson
Thorne Bay Fisheries Association

Freddie Christiansen
*Gulf of Alaska Coastal
Communities Coalition*

Miranda Christiansen
*Gulf of Alaska Coastal
Communities Coalition*

Jeff Clarke
Rasmuson Foundation

Midge Clouse
Chenega Corporation

Sam Cotten
Aleutians East Borough

Larry Cotter
*Aleutian Pribilof Island Community
Development Association*

Fred Coyle
Akhiok-Kaguyak Inc.

Al Cratty
Old Harbor Native Corporation

Andrew Crow
*University of Alaska Anchorage,
Center for Economic Development*

Deborah Daisy
Chenega Corporation

Tim Dillon
City of Seldovia

Perry Eaton
Koniag Corporation

Walt Ebell
Old Harbor Native Corporation

David Eluska
Akhiok-Kaguyak Inc.

Duncan Fields
Cape Barnabas Inc.

Greg Fisk
*Seafisk Consulting and
Management LLC*

Jessica Gharrett
*NOAA Fisheries, Restricted Access
Management Division*

Dave Goade
President, Akhiok-Kaguyak Inc.

Dennis Grey
SeaAlaska Corporation

Willie Hall
Afognak Native Corporation

Albert Howard
*Admiralty Island Community
Quota Entity*

Tiffany Jackson
Aleutia Inc.

James Johnson
Karluk River Advisory

Robert Katelnikoff
*Ouzinkie Community Holding
Corporation*

Nicole Kimball
*North Pacific Fishery
Management Council*

Shelly Kirkbride
Aleutia Inc.

Matt Kookesh
Tlingit and Haida Central Council

Patrick Kosburg
Native Village of Perryville

James Kvasnikoff
*Nanwalek Natural Resources/
Fisheries Board Inc.*

Steve Langdon
*University of Alaska Anchorage,
Department of Anthropology*

Anthony Lindoff
SeaAlaska Corporation

Bill Lucey
*Yakutat Community Holding
Corporation*

Stanley Mack
Mayor, Aleutians East Borough

Donald Marvin
Klawock Community Quota Entity

Denise May
Afognak Native Corporation

Chuck McCallum
*Gulf of Alaska Coastal
Communities Coalition*

Darren Muller
Ouzinkie Native Corporation

Jackie Muller
Ouzinkie Native Corporation

Mary Nelson
Larsen Bay Development Co.

Patrick Norman
*Port Graham Community
Quota Entity*

Deidre O'Brien
Akhiok-Kaguyak Inc.

Michael O'Connor
Ouzinkie Native Corporation

Ole Olsen
*Gulf of Alaska Coastal
Communities Coalition*

Alex Pamanarioff
Karluk River Advisory/Koniag

Christopher Perez
Rasmuson Foundation

Conrad Peterson
Old Harbor Tribal Council

Paula Peterson
Organized Village of Kasaan

Richard Peterson
Organized Village of Kasaan

Aaron Phillips
*Perryville Community Quota
Entity Inc.*

Charlie Powers
Koniag

Alicia Reft
Karluk Tribal Council

Gary Rozelle
Akhiok-Kaguyak Inc.

Robert Sanderson
Ketchikan Indian Community

Patty Schwalenberg
*Chugach Regional Resources
Commission*

Jimmy Skonberg
Ouzinkie Native Corporation

Sarah Squartsoff
Port Lions Tribal Council

Lloyd Stiassny
Port Graham Corporation

Justin Stiefel
*Stiefel and Jones, Consultant for
Gulf of Alaska Coastal Communities
Coalition*

Brian Templin
*Prince of Wales Island Community
Holding Corporation*

Howie Torsen
Ouzinkie Native Corporation

Chuck Totemoff
*President and CEO, Chenega
Corporation*

Roy Totemoff
The Tatitlek Corporation

Gale Vick
*Executive Director, Gulf of Alaska
Coastal Communities Coalition*

Michael Vigil
Chenega IRA Council

Mike Walsh
Vice President, Foraker Group

Leanne Weiss
Ecotrust

Doreen Witwer
*Hydaburg Community Holding
Corporation*

Gordon Wrobel
Elfin Cove Community Quota Entity

Community Quota Entities: Workshop Proceedings

This book describes how Alaska coastal communities can help Community Quota Entities (CQEs) organize and build equity to purchase and lease fishing quota. In years following the 1996 implementation of the halibut and sablefish Individual Fishing Quota program, Alaska communities experienced losses of fishing quota and jobs. While the 2004 CQE program was designed to restore fish allocation to communities, only one CQE has purchased quota by 2010.

To help CQEs become more successful, experts at a 2009 workshop in Anchorage, Alaska, shared information about available resources to form CQEs, purchase and lease fishing quota, and build local economies. Workshop presentations on nonprofit governance, finance, regulatory issues in quota fisheries, lease management, and accounting are summarized in the book.

The workshop was cosponsored by the Alaska Sea Grant Marine Advisory Program, North Pacific Fisheries Trust, and Gulf of Alaska Coastal Communities Coalition.



USD \$15/CAD \$15

ISBN 978-156612157-6

