

2008 THIRD QUARTER REPORT
July 1 – September 30, 2008



**NORTON SOUND ECONOMIC
DEVELOPMENT CORPORATION**

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I. Quarterly Highlights

- The NSEDC Board of Directors held their second quarter meetings in Nome from July 28 – August 1, 2008
- NSEDC awarded \$261,501.00 to one hundred thirty five residents in scholarships during the third quarter.
- Seventeen residents of member communities or of nearby communities worked on the *F/V Northern Glacier*, *F/V Norton Sound*, and the *F/V Alaska Ocean* earning a total of \$217,725.63 in wages in the third quarter.
- NSFR&D saw the first returns from the salmon egg planting done at Hastings Creek.
- NSFR&D facilitated the *R/V Pandalus* as it conducted research for both ADF&G and NSEDC.
- NSFR&D tested sonar equipment in the Shaktoolik River and trained a local crew to run the equipment for the majority of the Coho salmon run.
- NSFR&D conducted Clean Waters Program operations in Golovin, Gambell, and Savoonga during the third quarter.
- The CDQ crab season started on August 17th and ended on September 3rd. Six fishermen participated in the fishery and caught 30,900 pounds.
- The first opening in the Port Clarence red salmon fishery was on July 1st and the last opening was on July 18th. One fisherman participated and delivered 627 pounds of reds, 2,165 pounds of chum, and 2,839 pounds of pinks.
- A total of 189,961 pounds of halibut was caught between the Nome and Savoonga plants. Eight fishermen delivered 165,985 to the Nome plant and six fishermen delivered 23,967 pounds to the Savoonga plant.
- During the quarter, 1,226,791 pounds of salmon was delivered to NSSP by one hundred and seven fishermen.
- Nineteen residents delivered 300,984 pounds of Open Access Norton Sound red king crab to NSSP during the quarter.
- Fuel purchased through NSEDC's Consolidated Bulk Fuel Program was delivered throughout the third quarter.
- NSEDC distributed a newsletter to all NSEDC member community box holders in the third quarter.
- NSEDC hosted a senior Nissui delegation for a tour of NSSP operations, which included stops in Nome, Unalakleet, Golovin, and White Mountain.

A. Outreach

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

- NSEDC Board of Directors held their 2008 second quarter meetings in Nome from July 28th – August 1st at the Bering Straits Native Corporation boardroom; these meetings were open to the public.
- NSEDC Board of Directors notified residents of the 2008 second quarter meetings by placing an ad in the Nome Nugget Newspaper.
- NSEDC placed six newspaper advertisements during the third quarter.
- NSEDC staff traveled to White Mountain, Golovin, Wales, Teller, Brevig Mission, Savoonga, Gambell, St. Michael, Stebbins, Koyuk, and Shaktoolik in the third quarter to advertise and assist with the 2008 NSEDC Small Business Initiative.
- NSEDC staff traveled to Unalakleet in August for the first meeting of the Small Business Initiative judges.
- NSEDC staff met with Unalakleet Valley Electric Cooperative to discuss cooperating on large-scale renewable energy efforts.
- NSEDC staff participated in Kawerak's Grant Writers Conference held in September.
- In the third quarter, NSEDC had Community Outreach Liaisons in thirteen of our member communities with Community Development Coordinator, Paul Ivanoff III serving Unalakleet and the NSEDC Nome Office serving Nome. The NSEDC liaisons are sent informational fliers, applications, and other information to circulate within their communities.
- NSEDC has a web page on the internet (www.nsedc.com) in which constituents can access quarterly reports, newsletters, applications, and information regarding opportunities with NSEDC.
- NSSP has a web page on the internet (www.nortonsoundseafood.com).

B. Employment

Employment Data Form

**Table 1
EMPLOYMENT DATA FORM
September 30, 2008**

	Quarter		Year-to-Date	
	People	Wages	People	Wages
Management/Administrative				
NSEDC	6	\$116,109.36	21	\$393,813.80
NSSP	8	\$132,444.18	20	\$286,680.52
Total Management/Administrative	14	\$248,553.54	41	\$680,494.32
CDQ Pollock Related				
A/B Season	16	\$211,094.60	59	\$531,302.11
C/D Season	0	\$0.00	0	\$0.00
Total Pollock Related	16	\$211,094.60	59	\$531,302.11
NSSP Employment	182	\$584,702.97	251	\$666,173.29
Other NSEDC Employment				
Skippers, Deckhands, Shoreside, etc.	16	\$163,236.30	24	\$190,645.30
Total Other NSEDC Empl.	16	\$163,236.30	24	\$190,645.30
Other Fishing				
GFC - Longline	1	\$6,631.03	6	\$69,468.91
Aleutian No. 1	0	\$0.00		
O/A Norton Sound Winter Red King Crab	0	\$0.00	15	\$36,879.00
O/A Norton Sound Red King Crab	19	\$901,875.00	29	\$990,205.25
NSEDC CDQ Red King Crab	6	\$49,435.75	6	\$49,435.75
YDFDA CDQ Red King Crab	6	\$49,435.75	6	\$49,435.75
Norton Sound Salmon	107	\$761,160.04	107	\$761,160.04
Norton Sound Herring	0	\$0.00	14	\$54,397.50
NSEDC CDQ Halibut	15	\$641,223.00	15	\$641,223.00
Total Other Fishing	154	\$2,409,760.57	198	\$2,652,205.20
NSEDC Community Outreach Liaisons	13	\$19,500.00	13	\$58,500.00
Interns				
NSEDC Administration	2	\$6,556.16	6	\$31,391.73
NSEDC Salmon Rehab.	9	\$86,018.30	24	\$135,791.53
Alaska Dept. of Fish & Game	7	\$46,612.88	2	\$8,862.05
Kawerak, Inc.	0	\$0.00	0	\$0.00
Native Village of Unalakleet	0	\$0.00	0	\$0.00
City of Koyuk	0	\$0.00	0	\$0.00
Kawerak, Inc.- Unalakleet	0	\$0.00	0	\$0.00
Fisheries Development	72	\$276,379.70	78	\$320,583.78
Total Interns	90	\$415,567.04	110	\$496,629.09
GRAND TOTALS	485	\$4,052,415.02	696	\$5,275,949.31
	NSEDC =	\$714,412.70	NSEDC =	\$1,139,588.19
	NSSP =	\$3,120,276.69	NSSP =	\$3,535,590.10
	Partners =	\$217,725.63	Partners =	\$600,771.02

Employment Summary

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

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

Community Breakdown:

- 4 employees from Unalakleet
- 3 employees from Stebbins
- 3 employees from Shishmaref
- 1 employee from Teller
- 1 employee from St. Michael
- 1 employee from Brevig Mission
- 1 employee from Anchorage
- 1 employee from Eagle River
- 1 employee from Mountain Village

NSSP Employment – NSEDC employed 182 employees during the quarter.

Community Breakdown:

- 107 employees from Unalakleet
- 58 employees from Nome
- 7 employees from Savoonga
 - 3 employees from Elim
 - 3 employees from Koyuk
 - 2 employees from Shaktoolik
 - 1 employee from Wasilla
 - 1 employee from Quinahak

Other NSEDC Employment – Sixteen employees were employed during the quarter.

Community Breakdown:

- 9 employees from Shaktoolik
- 4 employees from Unalakleet
- 2 employees from Golovin
- 1 employee from Elim
- 1 employee from St. Michael

Other Fishing –

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

Community Breakdown: 1 employee from Shishmaref

Nineteen residents delivered 300,984 pounds of Open Access Norton Sound red king crab to NSSP during the quarter.

Community Breakdown: 12 fishermen from Nome
4 fishermen from Shaktoolik
2 fishermen from Unalakleet
1 fisherman from Golovin

Fifteen residents delivered 162,732 pounds of halibut to NSSP during the quarter.

Community Breakdown: 8 fishermen from Nome
6 fishermen from Savoonga
1 fisherman from Shaktoolik

Six residents delivered 15,540 pounds of NSEDC CDQ crab to NSSP during the quarter.

Community Breakdown: 4 fishermen from Nome
2 fishermen from Unalakleet

Six residents delivered 15,540 pounds of YDFDA CDQ crab to NSSP during the quarter.

Community Breakdown: 4 fishermen from Nome
2 fishermen from Unalakleet

One hundred and seven residents delivered 1,226,791 pounds of salmon to NSSP during the quarter.

Community Breakdown: 68 fishermen from Unalakleet
24 fishermen from Shaktoolik
13 fishermen from Elim
1 fisherman from Golovin
1 fisherman from Teller

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

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

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

Community Breakdown:

- 28 interns from Savoonga
- 17 interns from Gambell
- 14 interns from Golovin
- 11 interns from Nome
- 7 interns from Unalakleet
- 6 interns from Shaktoolik
- 2 interns from Elim
- 1 intern from Koyuk
- 1 intern from Teller
- 1 intern from Wales
- 1 intern from White Mountain
- 1 intern from Anchorage

ADF&G: 1 intern from Elim

Training

Training Data Form

Table 2
TRAINING DATA FORM
 July 1 thru September 30, 2008

	Quarter		Year-to-Date	
	People	Expenditures	People	Expenditures
Scholarships				
Post-Secondary	135	\$261,501.00	247	\$465,261.00
Vocational	0	\$0.00	16	\$32,000.00
Voc-Tech				
Basic				
Advanced				
Other Training				
Fisheries Related	0	\$0.00	15	\$28,563.24
Student Loans				
CDQ Staff				
CDQ Board				
Other	0	\$0.00	2	\$5,849.10
Other Expenditures				
To Education Institute				
Education Endowment				
TOTAL	135	\$261,501.00	280	\$531,673.34

Training Summary

One hundred thirty five students received post-secondary funding the in third quarter.

II. Administration

A. Board Activities

Board of Director Meetings

The NSEDC Board of Directors held their 2008 second quarter meetings in Nome from July 30-August 1, 2008.

The NSEDC Board of Directors held a special meeting in Anchorage on August 29, 2008.

The NSEDC Board of Directors held a special meeting in Nome on September 15, 2008.

Substantial Decisions

A number of items and proposals were reviewed and approved by the NSEDC Board of Directors during the third quarter including:

- The Board of Directors moved to set up a Foundation to protect the education endowment.
- The Board of Directors moved to open discussions with utility providers for cooperative efforts to reduce costs at both the Unalakleet and Nome processing facilities.
- The Board of Directors moved to proceed with disposing of vessels and getting out of Norton Sound Ventures.
- The Board of Directors approved Corporate Resolution No. 08-08 to establish the NSEDC Education Foundation.
- The Board of Directors approved Corporation Resolutions No. 08-09 and 08-10 regarding Siu Alaska Corporation.
- The Board of Directors appointed Harvey Sookiayak as one of the three NSEDC-affiliated members to class B of the Siu Alaska Corporation Board of Directors.
- The Board of Directors appointed John Baker to class A and Ike Towarak to class B as two of the four non-NSEDC affiliated Board of Directors of Siu Alaska Corporation.
- The Board of Directors adopted Corporate Resolution No. 08-11 to implement an Energy Subsidy Program in response to the dramatic increase in energy costs.
- The NSEDC Board of Directors moved to proceed with the sale of Pacific Star.
- The Board of Directors moved to adopt the working student and part-time student policies for the scholarship program.

III. Harvesting Report

CDQ Harvest Activities

Pollock

A total of 8,624 tons of CDQ pollock were harvested in the B season. The *F/V Northern Glacier* harvested 3,990 tons and the *F/V Alaska Ocean*, GFC's newest catcher processor, harvested 4,634 pounds.

NSEDC transferred 1,420 tons of B season pollock to Coastal Villages Region Fund in the 3rd quarter as a result of negotiations with American Seafoods. Because of the harvest cap for pollock fishing set in the Magnuson-Stevens Act, American Seafoods was unable to harvest all of its own quota. CDQ does not count against the harvest cap, so this deal was structured to allow American Seafoods to harvest our CDQ (through their CDQ partner) and to have Glacier Fish Company harvest 1,420 tons of American Seafoods' quota on our behalf (with the same royalty rates). American Seafoods paid \$50,000 to NSEDC to facilitate the transaction.

Pacific Cod

There was 861 tons of CDQ Pacific cod harvested in the 3rd quarter. The *F/V Glacier Bay* harvested 267 tons of quota. The *F/V Norton Sound* harvested 594 tons of quota.

Atka Mackerel/Pacific Ocean Perch

NSEDC has quota in 3 areas and they are combined for this report.

The *F/V Seafreeze Alaska* harvested 247 metric tons of Atka mackerel in the 3rd quarter. The *F/V Seafreeze Alaska* harvested 142 metric tons of Pacific Ocean Perch in the 3rd quarter.

Yellowfin Sole

There was minimal harvest of these species in the 3rd quarter. With sector allocations in place for these fisheries and higher quota levels in 2008, it has been difficult to get CDQ fish harvested. The reason for this is that our fishing partners have “free fish” to catch first – that is, they have access to a lot of fish that they do not need to pay a royalty on so it makes good business sense to harvest that before fishing our quote that they have to pay for. Most, if not all, CDQ groups are facing the same issue, so we’re in a uniquely positive situation in which we have a guaranteed royalty on our fish.

Sablefish (black cod)

We transferred our black cod CDQ to YDFDA and BBEDC for harvest this year (in the past years it has primarily been YDFDA). Twenty tons of Bering Sea sablefish and 40 tons of Aleutian Islands sablefish was transferred to YDFDA. They were unable to harvest the fish as planned. Twenty tons of Bering Sea sablefish and 40 tons of Aleutian Islands sablefish was transferred to BBEDC. The majority of this fish was caught in the 3rd quarter, and some cleanup operations continue into the 4th quarter.

Bristol Bay Red King Crab

There was no harvest of Bristol Bay Red King Crab in the 3rd quarter.

Bering Sea Opilio Crab

There was no harvest of opilio crab in the 3rd

Bering Sea Bairdi Crab

There was no harvest of bairdi crab in the 3rd quarter.

Aleutian Island Brown Crab

There was no harvest of brown crab in the 3rd quarter.

Norton Sound CDQ Red King Crab

The entire CDQ allocation of 2008 Norton Sound red king crab fishery was harvested by local fishermen. The total allocation was 30,900 pounds. NSEDC's allocation of quota is 50%, and we transferred in the remaining 50% from YDFDA for a 25% royalty (which NSEDC paid rather than the fishermen).

Norton Sound 4D/4E Halibut

A total of 186,692 pounds of halibut were caught in the local fishery in the 3rd quarter. A total of 25,087 pounds were landed in Savoonga. Deliveries into Nome totaled 161,605 pounds. NSEDC made three transfers from other CDQ groups to replenish our balance of available quota – a total of 44,000 pounds of 4E quota from BBEDC and 10,400 pounds from CVRF (originally BBEDC's).

IFQ Management

Sablefish (black cod)

There was a total of 34,098 pounds of IFQ black cod caught in the third quarter. FWAS harvested 32,146 pounds of Central Gulf quota. The *F/V Norton Sound* harvested 1,952 tons of Bering Sea quota.

Halibut

There was 14,015 pounds of NSEDC IFQ 3B halibut delivered in the 3rd quarter. This fishing occurred out of Kodiak.

Crab 2008/09

Fishing for brown crab opened August 15. The *F/V Aleutian No. 1* began fishing operations in the 3rd quarter, but no NSEDC landings were made in September.

IV. Confidential Issues

A. Financial Statements

NSEDC Statement of Financial Position Third Quarter (Attachment 1)

NSEDC Statement of Activities Third Quarter (Attachment 2)

NSEDC Statement of Cash Flows Third Quarter (Attachment 3)

NSEDC Budget to Actual Third Quarter (Attachment 4)

NSEDC Species Royalty Analysis Third Quarter (Attachment 5)

Glacier Fish Company Report

Third Quarter Balance Sheet (Attachment 6)

Third Quarter Income Statement (Attachment 7)

Third Quarter Statement of Cash Flows (Attachment 8)

B. Board of Director 2nd Quarter Meeting Minutes (Attachment 9)



FILE COPY

Brevig Mission Diomede Elim Gambell Golovin Koyuk Nome Saint Michael Savoonga Shaktoolik Stebbins Teller Unalakleet Wales White Mountain

Norton Sound Economic Development Corporation
Second Quarter Board of Directors Meeting
July 30-August 1, 2008
BSNC Boardroom
1:00 P.M.

CALL TO ORDER

Chairman Dan Harrelson called the NSED C 2008 Second Quarter Board of Directors Meeting to order at 1:35 P.M. on July 30, 2008.

ROLL CALL

Present were: Mary Menadelook, Ramona Tungiyon, Frank Oxereok Jr., Reggie Barr, Joe Garnie, Don Stiles, Dan Harrelson, Dean Peterson, Charles Saccheus Sr., Elvina Naranjo, Harvey Sookiayak, Frank Katchatag, Victor Joe, and Wilfred Katcheak. Truman Kava was absent and excused. NSED C Staff present: Bob Walsh, Janis Ivanoff, Simon Kinneen, Charlie Lean, Tasha Huffman, Virginia Nashalook, Katie Peterson, Paul Ivanoff III, Dick Tremaine, Kathy Wheelehan, and Jerry Ivanoff. Public present: Buck Adams, Randy Maes, Peter Brown, Paul Korchin, Laurie McNicholas, Mike Breivik, Leonard Anderson, Eric and Wilma Osborne.

APPROVAL OF AGENDA

Chairman Harrelson moved the investment portfolio, items 2, 3, 4, after approval of minutes and Mike Breivik's report after the CEO's Report. The NSED C Corporate President's Report was added after the CEO's report. Under Other Business, item 2, NSED C Budget Amendment was added. Under Old Business, item 5, NSED C Education Foundation was added. The Eric and Wilma Osborne Residency Appeal was added under number 2 of public comments. Elvina Naranjo asked to add an energy proposal. It was added under New Business.

Dean Peterson made a motion to approve the agenda, as amended. Elvina Naranjo seconded the motion. The motion passed.

APPROVAL OF MINUTES

Harvey Sookiayak made a motion to approve the NSED C Board Meeting Minutes of April 17 & 18, 2008. Victor Joe seconded the motion. The motion passed.

Reggie Barr made a motion to approve the NSED C Board Meeting Minutes of April 22, 2008. Elvina Naranjo seconded the motion. The motion passed.

Wilfred Katcheak made a motion to approve the NSED C Board Meeting Minutes of April 24 and May 13, 2008 as a block. Frank Oxereok Jr. seconded the motion. The motion passed.

INVESTMENT PORTFOLIO

Elvina Naranjo made a motion to go into executive session to go over the investment portfolio at 1:44 P.M. Ramona Tungiyon seconded the motion. The motion passed.

Harvey Sookiayak made a motion to get out of executive session at 2:28 P.M. Victor Joe seconded the motion. The motion passed.

Josh Osborne and William Johnson joined the meeting at 2:37 P.M. Steven McClain walked in at 2:38 P.M.

The meeting reconvened at 2:41 P.M.

KPMG Audit Report Update

Tasha Huffman gave an update on the NSEDC Audit Report. The financials will be covered under the Finance committee report.

Glacier Fish Company LLC

Mike Breivik gave an overview of the F/T Pacific Glacier and its repairs. Don Stiles had a question about the regulatory restrictions on increasing the size of the vessel. Mike informed him that they are not increasing the length or the holding capacity. The F/T Alaska Ocean, which began working on June 3, 2008, is on its third trip. Don Stiles asked about the crew size of the F/T Alaska Ocean. Mike told him there are one hundred and twenty two crew members. Don Stiles asked about the work plan for our seafood processors on this vessel. Mike explained how the crew shifts would work to ensure everyone could keep working. Dean Peterson asked about the salmon bycatch during the pollock harvest. Mike said we are fishing very clean, as we are fishing farther north than we have in the past. Chairman Harrelson asked Mike for clarification on the number of fishing days to harvest our allocation and repairs of \$15 million to improve processing. Mike explained the reduction of fishing days by our current vessels by about 35 days, which will decrease the expenses of the operation. In the future, when the quota goes up again, the increased efficiency will increase the harvest by 30 ton. Chairman Harrelson noted the better roe recovery due to the repair work. Mike noted that this vessel has three fillet lines and two surimi lines, but one surimi line will be changed to be able to do both. Dan asked about the addition of new products, liver and roe of pollock. The liver and roe samples are being sent out for fat content analysis. Chairman Harrelson stressed our concern with salmon bycatch.

CEO'S REPORT-BOB WALSH

Items discussed were staff's assistance during Bob's transition, a new safety program, Resolution 08-07 Re: Authorizing Bob for signing, Norton Sound Ventures update, for-profit corporation information to the press and the purchase of the freezer barge for the Unalakleet operations. Chairman Harrelson requested that Bob go to White Mountain for a meeting with the community.

NSEDC PRESIDENT'S REPORT

Chairman Harrelson gave the NSEDC Corporate President's Report.

Harvey asked Dan for clarification about decreased activity in June and July. Chairman Harrelson noted that Bob, Janis, and Simon have worked hard to ensure our smooth operation.

Wilfred Katcheak made a motion to pass the NSEDC Certificate of Resolution No. 08-07. Frank Oxereok Jr. seconded the motion. Dean Peterson asked if there were any retroactive issues. Bob noted that there weren't any. The motion passed unanimously.

PUBLIC COMMENTS

Bering Straits Regional Heritage Center-Trudy Anderson

Trudy Anderson was given an opportunity to present the plans and provide a financial summary for the Bering Straits Regional Heritage Center. Chairman Harrelson asked about the level of commitment from other sources. Trudy noted that Kawerak provided funding for her employment. Chairman Harrelson explained NSEDC's funding policies and our strict adherence to them. He recognized the worth of this project and encouraged Trudy to work with NSEDC staff but noted our limits to funding the proposal. Trudy requested a letter of support from NSEDC. Chairman Harrelson stated that we could provide this.

The floor was opened for any public comments. Scott McClain basically asked what he needs to do to deliver to the NSSC. Chairman Harrelson directed him to Simon who would address residency requirements. Janis asked Scott to clarify that he wasn't told he couldn't fish Open Access. Scott said that is correct but he wants to fish for the plant.

Eric and Wilma Osborne Residency Appeal

Don Stiles excused himself for the appeal.

We took a five minute break at 3:43 P.M. The meeting reconvened at 3:54 P.M.

Harvey Sookiayak made a motion to go into executive session at 3:55 P.M. to go over the appeal of residency by Mr. and Mrs. Osborne. Ramona Tungiyon seconded the motion. The motion passed.

Dean Peterson made a motion to return to regular session at 4:15 P.M. Frank Oxereok Jr. seconded the motion. The motion passed.

The meeting reconvened at 4:16 P.M.

Chairman Harrelson turned the floor over to Wilma Osborne for her presentation to the full board. Wilma addressed the board, noting that she requested Dan Harrelson and Don Stiles to remove them selves from this process. Wilma stressed her request for her residency appeal to be handled in a public forum noting that it was previously done privately. She then read a prepared written statement. Eric finished reading the statement. For the record, Bob Walsh was given the written appeal.

Harvey Sookiayak asked why Don Stiles excused himself from this process.

We recessed the meeting until 10:00 A.M. on July 31, 2008.

JULY 31, 2008 10:00 A.M

Chairman Dan Harrelson reconvened the NSEDC 2008 Second Quarter Board Meeting at 10:01 A.M.

For the record, all the board members are present, except Truman Kava, who was excused. An Appeals Committee meeting was scheduled to be held by the end of this meeting. Chairman Harrelson noted that it is hard to be a leader. He is required to make tough decisions. He thanked everyone for their vote of confidence.

FINANCIAL INVESTMENT PORTFOLIO

1. KPMG Audit Report Update
An update was provided by Tasha Huffman.
2. UBS Investment Report-Buck Adams & Kevin Sanchez
This was covered in executive session by Buck Adams.
3. Charles Schwab-Randy Maes
This was covered in executive session by Randy Maes.
4. Victory Capital Management/Key Bank-Peter Brown
This was covered in executive session by Peter Brown.

MANAGERS REPORTS

1. NSIC-Dick Tremaine
 - a. Glacier Fish Company LLC
Dick Tremaine noted that we increased our company during this last quarter with banks pleading to lend us money. With the acquisition of the F/T Alaska Ocean, our company has grown phenomenally. Dick noted that Dan, Janis, and Simon went to Japan to meet our partner company, so our opportunities are continuing to grow.

- b. Norton Sound Ventures Dissolution Update
Dick covered this after the "new crab ventures".

- c. Aleutian #1
The Aleutian #1 is in Dutch Harbor getting ready for the brown crab season. Dick noted Simon Kinneen's efforts to increase the brown crab quota. We can now catch twice as much, which should improve the bottom line. Wilfred Katcheak asked if the crew could come from our region. Dick noted that Rick Alvarez has contacted Jerry and Camille about an open position during the brown crab season. There was discussion on ownership of the vessel versus ownership of the quota. GFC is not interested in sharing the crab boat with NSEDC. Harvey Sookiayak asked about the 5% quota increase of brown crab and what it equates to in dollars. Our 5% increase adds up to \$150,000.00 in total revenue, which comes down to about \$75,000.00 to the company, after crew shares and expenses.

- a. New Crab Ventures
Dick went on to new crab ventures noting that the deal is beginning to fall apart but negotiations are ongoing. Chairman Harrelson noted that the Poulsons, who are much respected in the crab industry, are backing out and he is becoming more leery of being the last one standing and footing the bill. Dick shared his feelings.

Dick went on with the Norton Sound Ventures Update. He updated the Board on the F/V Pacific Star negotiations. He also noted the possible sale of the F/V Ocean Olympic. Chairman Harrelson asked about revenue and expenses for the two boats. Dick noted that the F/V Pacific Star is going to make some money with the charters, but we should not count on it. Dan said bottom line is these are not making money and are a thorn in our side. He recommends pushing for the Poulsons to buy out NSEDC's interest.

Harvey Sookiayak made a motion to proceed with getting rid of our vessels and getting out of Norton Sound Ventures. Wilfred Katcheak seconded the motion. The motion passed.

Don Stiles asked Dick if he had a chance to analyze a proposal from Jason Evans to buy into the ownership of the Copper River Operation. Dick stated that he has not, as of yet but he noted that Copper River salmon has not had a strong season. Don noted that this letter was addressed to the Board, but it was not on the agenda and that it would be nice to get some marketing expertise for our products or to develop different products. Chairman Harrelson spoke of the possibility of working with Nissui in the future. If Nissui markets our products, they will get 3% of the sales, which is very low. He recommended that Josh or Middy speak to Nissui to check out the opportunities. Chairman Harrelson asked about the profitability of the F/T Alaska Ocean and the F/T Pacific Glacier. Dick noted that we are going to be seeing higher profits, but the high costs of fuel will diminish that. Dick noted that GFC is looking to put in more fillet machines on our vessels, as they bring in a better price, which would increase our profits but to keep in mind the cost of a new fillet machine has a price tag of \$750,000.00.

Dean Peterson made a motion to go into executive session to speak about our crab operation at 10:44 A.M. Wilfred Katcheak seconded the motion. The motion passed.

Harvey Sookiayak made a motion to get back to regular session at 11:01 A.M. Victor Joe seconded the motion. The motion passed.

Harvey Sookiayak made a motion to give thirty days on the crab deal to use it or lose it. Ramona Tungiyen seconded the motion. The motion passed.

There was discussion about selling fifty percent of the Aleutian No. 1 to protect our non-profit status and to lessen the burden of paying \$800,000 in taxes on an annual basis. The board would like to keep fifty percent, sell twenty-five percent to the skippers, so they have a vested interest, and sell or donate the other twenty-five percent to a non-profit organization in the region to provide local development.

We took a break at 11:12 A.M. The meeting reconvened at 11:25 A.M.

2. CDQ Management-Simon Kinneen

Simon noted that everything is going well with our pollock and cod harvested by Glacier Fish Company. There is also some black cod harvesting going on. Simon covered the salmon bycatch discussion held at the NPFMC. The hard cap set for Chinook bycatch in the Bering Sea of 30,000 and 68,000. In 2007, Simon stated that the Chinook salmon bycatch was 130,000. Chairman Harrelson asked how often we review our fishing operations and quota for our harvesting partners and about our boats being leased out for black cod and yellow fin sole. He also spoke of maximizing profits by catching our own fish with our own boats.

3. Southern and Northern NSSP

a. Middy Johnson

Middy reported that the installation of the fire escape in the Unalakleet plant is going to be completed about \$3,000.00 under-budget. The F/V Egavik operations are also under-budget. He summarized the purchase of the freezer vessel noting that this vessel is not self-propelled, but it runs on its own power and will increase our storage and freezing capacity. Middy felt the vessel will be very beneficial and save us money in the long run.

Middy summarized the herring and salmon operations. Fishermen in Golovin are barely catching a thousand pounds of pinks after fishing for twelve hours. Charlie Lean noted that we had a high water event. Middy said pinks are tedious work and this year's operation was a

learning experience. The average weight of pinks was down and bigger mesh limited catch numbers. There is a possibility, he said, of increasing our roe sales with the capability of doing a finish product for the roe. ADF&G limited pink openings because of concerns with chum escapement.

Middy said he has ample processors to cover operations this year. He is expecting coho to show up any time, the last opener showed a good number of coho caught in southern Norton Sound.

Middy asked about increasing the cap of our revolving loan program, noting the increased cost of permits, boats, and motors.

Don Stiles asked what interests or concerns community members raised at the Fishermen meetings. Middy said Stebbins and St. Michael would like to get into the commercial fishery, but Black Point is the farthest south we can fish, until the Kotlik Fishery on the Yukon River. There is also an interest in the herring sac roe fishery. Charles Saccheus Sr. asked about the fishing boundaries. Changes need to go to the ADF&G Fisheries Board. Chairman Harrelson directed Charlie Lean to provide technical assistance to the communities.

Dan asked if we need more training for crew on the tender vessels. Middy noted that the skippers would like to go get their skippers' licenses.

b. Josh Osborne

Josh went over the Teller red salmon fishery, the CDQ crab operation, the open access crab fishery, and the halibut fishery. He noted that we are paying \$3.00 per pound for crab in Golovin. Dean Peterson spoke of the need to increase the capacity of holding crab in Golovin, stating that a vessel like the F/V Egavik would be a big asset. Don Stiles asked Josh about his Fishermen meetings. Josh informed him that Stebbins, St. Michael and Unalakleet would like to have crab operations in their communities. Frank Katchatag stated it takes the F/V Egavik fifteen hours to go from Unalakleet to Nome, he worries about deadloss. Josh said they could be transported in live tanks or we could put live crab tanks in Unalakleet. Joe Garnie asked about training the Teller processors in Nome or Unalakleet for the salmon operation in Teller. Josh said that Middy would be willing to work on this.

We took a lunch break at 12:17 P.M. until 1:30 P.M. The meeting reconvened at 1:37 P.M.

4. Written Reports

a. Community Benefits Department-Janis Ivanoff

Don Stiles asked when Fred Eningowuk's vacancy would be filled. Janis informed him that Katie Peterson will take this position and will be moving back to White Mountain. Her present position will be advertised.

Katie has been researching options of using wind turbines or solar panels for alternative energy at our plants. A packet describing these options was provided. Katie's recommendation is to cooperate with UVEC on the installation of turbines, which could possibly decrease our costs for electricity at the Unalakleet Plant. Chairman Harrelson asked if we would get our match back with decreased costs for electricity in our Unalakleet Plant. He worries about the problem of maintaining the equipment on option #2 and favors option #1.

Don Stiles made a motion to support Option #1 to support the Unalakleet Fish Plant. Harvey Sookiayak seconded the motion.

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Chairman Harrelson asked about the budget and Janis stated that at this point it is not in the budget. Wilfred Katcheak requested to see dollar amounts provided in these projects before voting, as he would like to see similar projects for all our villages, instead of just Nome and Unalakleet. Chairman Harrelson stated that we started this project just as a focus on our Nome and Unalakleet NSSP Operations. Don Stiles stated that this is a pilot project to learn the steps necessary and to research options for all our villages. When this comes forward to reduce the cost of living for all our communities, Don would be in support of this. Harvey Sookiayak mentioned the wind turbines set up in Shaktoolik by AVEC to decrease their electrical costs. Chairman Harrelson asked if this project is feasible at all by the Unalakleet Valley Electric Coop. Janis noted that we are planning to get a more advantageous rate for contributing to this project.

The motion passed unanimously.

Katie went onto the options for the Norton Sound Seafood Center in Nome. Janis explained the wind turbine project and the space needed. If we went with the wind turbine farm in Nome the time to recoup our expenses would be a lot longer. Chairman Harrelson noted that the costs for the Nome Wind Turbine Project would be much greater than the Unalakleet Project. Katie felt that the more we contribute the more advantageous our will be. Don asked when it would begin to help with the electrical costs. Janis stated that we would definitely come back to the board prior to moving on with these projects. Don asked how many kilowatt hours are used by our plants in Nome and Unalakleet. Katie informed them that the Unalakleet Fish Plant uses 62,240 KW per month. Nome uses 80,000 KW per month. Prior to earmarking monies, Chairman Harrelson felt that we should not spend all our funds in these two villages if it means not being able to help all our villages. Don supported moving forward with this plan to benefit all our communities eventually, but stressing the focus now is to decrease our operating costs.

Don Stiles made a motion to move forward with the wind turbine project to decrease our operation at the NSSC to discuss the options with the entities involved. Frank Oxereok Jr. seconded the motion.

Dean Peterson thought the solar panels might be a good option with all the daylight we get in the summer. Katie mentioned the tax credit for the solar option.

The motion passed.

b. EET Department-Jerry Ivanoff

Dan asked if everything was going smoothly in the EET Office, as a high volume of scholarships are coming in. Jerry said that Carol keeps tabs on our scholarship applicants on a daily basis. There were no other questions.

c. NSFR&D-Charlie Lean

The marine debris clean-up crew exposed human remains which are being analyzed for identity. Dean Peterson stressed his concern about the king salmon bycatch, as we are trying to get into commercial fishing in northern Norton Sound. Dean also asked about rehabilitation efforts in river systems outside of Nome. Charlie Lean stated that we could not get any more permits from ADF&G to plant eggs until we show that the system works but we are getting the "homework" done. Dean also asked about measuring the escapement in the river systems near his area. Chairman Harrelson asked if we need a more vocal approach to the ADF&G Fish Board. Charlie mentioned the windows of harvesting available in northern Norton Sound. He will bring up the lack of openings at the next Fish Board meeting.

d. HR Department-Camille Cruz

One of the items discussed was safety training for our vessel's crew members. Chairman Harrelson asked if the training could also be offered to our fishermen. It may help decrease their insurance rates. Bob said he would look into it. Don Stiles asked about the possibility of getting group insurance for our vessels by working with the other CDQ groups through WACDA.

We took a break at 2:25 P.M. The meeting reconvened at 2:42 P.M.

Don Stiles said another way we can cut costs is to train someone locally to inspect rafts for the crab vessels. The EET Department could train someone.

COMMITTEE REPORTS

1. Executive Committee Report

Chairman Harrelson gave the NSEDC Executive Committee Report.

Don Stiles stated that, after the meeting, he was thinking of potential candidates for the SIU Corporation. He recommended Karen Gillis, the BSFA Executive Director. Elvina Naranjo wondered how it was determined to go with Altman and Rogers for the 2007 Income Tax Return. Chairman Harrelson said there were issues with KPMG and Altman and Rogers look to do a good job for NSEDC. Tasha Huffman mentioned they have experience with the other CDQ Groups.

Wilfred Katcheak made a motion to approve the NSEDC Executive Committee Report with its recommendations. Dean Peterson seconded the motion. The motion passed.

2. Nssp Working Group Report

Chairman Stiles gave the Nssp Working Group Report.

Dean Peterson stated the need to include Josh Osborne for looking into the possibility of acquiring another tender vessel.

3. Fisheries Development Committee Report

Chairman Harrelson pointed out that the minutes should read "seven years ago" on page two. He also noted the \$40,000.00 from BIA for the Elim Uranium Mine study and asked how much we had allocated. Janis said \$25,000.00 was made available. Don Stiles recommended utilizing Rip Carlton for help with the acquisition of another new tender vessel and stated that not all of the funds were used for the Egavik purchase. Middy Johnson spoke to the needs for a tender vessel for the crab operation and added it would be good to get a vessel that could also haul freight. Don noted that everyone is happy with the F/V Egavik, we could get something similar to it. Chairman Harrelson concurred with Middy about getting a vessel that could tender freight and lower costs in our fishing operations. Don Stiles worries about the liability for hauling freight and the cost of insurance.

4. Rules & Bylaws Report

Chairman Don Stiles gave the NSEDC Rules & Bylaws Report.

Don Stiles made a motion to approve the NSEDC Rules & Bylaws Report with its recommendation to approve the election forms. Harvey Sookiayak seconded the motion. The motion passed.

5. Scholarship Committee Report

Chairman Victor Joe gave the NSEDC Scholarship Committee Report.

Wilfred Katcheak made a motion to approve the NSEDC Scholarship Committee Report with its recommendations. Victor Joe seconded the motion. The motion passed.

6. Finance Committee Report

Chairman Harrelson gave the NSEDC Finance Committee Report.

Tasha passed out the financials of NSEDC and provided a brief overview of them.

Harvey Sookiayak made a motion to approve the NSEDC Finance Committee Report with all its recommendations. Ramona Tungiyon seconded the motion. The motion passed.

We recessed the meeting at 3:45 P.M. until August 1, 2008 at 10:00 A.M.

AUGUST 1, 2008 10:00 A.M.

Chairman Harrelson reconvened the meeting at 10:05 A.M. For the record, all the board members were present, except Frank Oxereok Jr. and Truman Kava.

OLD BUSINESS

1. Tender Vessel Update

This was discussed in yesterday's session. Middy was given an opportunity to give his insight into the tender vessel operation. Chairman Harrelson noted that the Board directed Middy, Josh, and Rip Carlton to look into purchasing a new tender.

Frank Oxereok Jr. joined the meeting at 10:08 A.M.

2. Strategic Plan Update

There hasn't been much activity this quarter. Bob will provide an update at the next meeting.

3. Siu Alaska Corporation Update

Janis noted that we need to look for two new board members, as two of the four chosen were not able to serve. Janis respectfully declined the SIU Board appointment for the NSEDC Affiliated Board Member. Chairman Harrelson suggested Paul Johnson of Unalakleet for one of the seats and Harvey Sookiayak suggested Ben Rowe of Bering Air.

Elvina Naranjo made a motion to appoint Harvey Sookiayak to the SIU Board. Don Stiles seconded the motion.

The classification of the board consists of class a (1 year term), class b (2 year term), and class c (three year term). Harvey requested the class b term.

The motion passed unanimously.

For the remaining seats, staff will take recommendations from the Board then contact the individuals to confirm their interest. Victor Joe recommended Henry Ivanoff, but he sits on a NSEDC Committee and is not eligible. Other names suggested were John Baker, Ike Towarak, Paul Johnson, Ben Rowe, and Karen Gillis. Chairman Harrelson listed some of the qualifications of the individuals.

Chairman Harrelson recommended that we get someone that has finance experience and another that is familiar with the fishing industry. From the fishing side, Harvey recommended Karen Gillis for a class "b" seat on this board. For the class "a" seat, staff will ask the candidates to

submit a letter of interest and their qualifications to sit on this board. Don Stiles recommended setting a deadline. A deadline of August 20, 2008 was suggested.

Janis went onto the SIU Corporation Bylaws. Dan noted that these bylaws were reviewed and drafted by our legal counsel, Margaret Russell and Leonard Anderson.

Wilfred Katcheak made a motion to recommend these bylaws to the SIU Board. Elvina Naranjo seconded the motion. The motion passed.

Janis stated that she will contact these people, but she will come back to the Board for the final selection through a telephonic board meeting.

4. Elim Uranium Mine Update

Dan noted that we all agree that we don't want mining to endanger our subsistence lifestyle or resources. He also noted that mining interest in the region provides jobs. Wilfred Katcheak voiced his support for possible mining in his area. The Board discussed their possible position on mining. Chairman Harrelson would like staff to attend any mining meetings Elim has. He reminded Charlie Saccheus Sr. that they have \$25,000.00 to use towards this issue.

5. NSEDC Education Foundation

Katie asked Leonard to expound more on board members, corporate officers, and their lineal descendants not being eligible to receive benefits from this program. Basically, as long as someone is serving on the Board or is employed by the Education Foundation they, their family members and their descendants are ineligible for scholarships from the Foundation. Wilfred Katcheak stated that we have a lot of time to work on this and there are a lot of issues to work out. Katie concurred that we have a lot of questions in the air. Chairman Harrelson recommended we schedule a workshop. Katie suggested one for the end of August.

NEW BUSINESS

1. Shell Oil Presentation

Bob Walsh gave a brief presentation on Shell Oil, noting that they have most of the leases in the Chukchi Sea and Arctic Ocean. He is excited about the employment opportunities in Wales, Brevig Mission, Little Diomed, and Teller as they search these areas. Shell Oil is invited to attend the November meeting.

2. Bulk Fuel Program Update

Janis noted the price for heating fuel ranges from \$4.67 to \$4.83 per gallon and gasoline is at \$4.60 per gallon this year, which is higher than last year. Dan asked about the markup of prices within our member communities. He hopes local vendors passed on the savings. Middy expounded on the new tank farms in Golovin and the costs for maintaining tank farms. Dan said the Alaska Energy Authority cost is about \$.25 per gallon and he pointed out the large difference in the price between White Mountain at \$5.99 compared to Golovin's price of \$7.50 per gallon. Simon Kinneen, as the WACDA representative, was given an opportunity to go over the CDQ Bulk Fuel Program. Chairman Harrelson asked when we will know if this program is going to expand. Simon noted the need to see how much fuel would be needed by all the groups. Katie pointed out the other groups are able to receive fuel year round as they are ice free.

3. Appointment of WACDA Representative

This will be discussed in executive session and acted on in open session of the full board later in the meeting.

4. Annual Board Retreat & Training

Chairman Harrelson gave several options for the time and location of the training and it was scheduled for the first week in December in Seattle with a tour of the F/T Alaska Ocean worked into the schedule.

We took a break at 11:00 A.M. The meeting reconvened at 11:17 A.M.

5. Elvina Naranjo Energy Proposal

Elvina read her Energy Proposal to the NSEDC Board of Directors. Chairman Harrelson stated that, bottom line her basic idea is well founded. There was lengthy discussion on the high cost of fuel and energy, how much support we can provide, how to administer the funds so everyone in the region receives the benefit and where the funds will come from. Chairman Harrelson asked staff to prepare different options and have them ready to present at the next workshop. Everyone agreed that this is a short term solution and a long term plan needs to be developed.

OTHER BUSINESS

Communities with elections coming up

Bob Walsh gave an update on the NSEDC Elections coming up for board members in Gambell, Golovin, Koyuk, Stebbins and Wales.

NSEDC Budget Amendment

Tasha provided a handout showing the proposed budget amendments. The budgets for insurance and for Board meetings need to be increased. Chairman Harrelson asked about the acquisition of the F/T Alaska Ocean and the costs associated with it. He directed staff to calculate NSEDC's portion of the costs in preparation for negotiations with Glacier Fish Company in their next management meeting. F/V Aleutian No. 1's season has been extended leading to increased costs. Tasha and Dick noted that the increase is also partially due to purchasing new pots and gear. Tasha went over the information technology needs and costs of the Unalakleet and Nome plant servers. Janis asked about a budget amendment for the Small Business Initiative. Tasha and Janis explained the increase in cost for this program.

Harvey Sookiayak made a motion to approve the 2008 NSEDC Budget Amendments as presented. Victor Joe seconded the motion. The motion passed.

We took lunch break at 12:08 P.M. Chairman Harrelson noted the NSEDC Appeals Committee meeting after lunch and the executive session to deal with the WACDA Resolutions and general discussion on how things are going.

Chairman Harrelson reconvened the meeting at 1:29 P.M.

Chairman Harrelson noted the recommendations of the NSEDC Appeals Committee to deny the residency appeal of Steven Scott McClain and the desire of the Appeals committee to bring Eric and Wilma Osborne's residency appeal to the full board. Chairman Harrelson asked for staff recommendation. Bob noted that staff found no substantial changes have been made to this appeal and recommended no change to the decision of the full Board in January. Don Stiles excused himself from these proceedings and Chairman Harrelson cautioned the board to follow our residency requirements. He noted that Eric Osborne is an excellent fisherman. He mentioned the loan program and the possibility to allow our people who receive loans to be allowed to fish to repay back the loan. Chairman Harrelson excused himself from the rest of these proceedings and stated that the Board may do a secret ballot.

Chairman Harrelson turned the chairmanship to Dean Peterson. Wilfred Katcheak recommended going into executive session. Wilma voiced her concern for them to be present in these proceedings. Eric, with all due respect, stated that the people involved should be present.

Harvey Sookiayak made a motion to go into executive session at 1:36 P.M. to go over the appeal of Eric and Wilma Osborne present, along with legal counsel, Leonard Anderson. Wilfred Katcheak seconded the motion. The motion passed.

Harvey Sookiayak made a motion to get out of executive session at 2:10 P.M. Ramona Tungiyon seconded the motion. The motion passed.

Wilma Osborne was patched in again telephonically.

Bob Walsh informed Wilma and Eric that the board decided to stay with their decision made in January 2008.

Wilfred Katcheak made a motion to stand by the NSEDC Board January, 2008 Decision to deny the Eric and Wilma Osborne Residency Appeal. Mary Menadelook seconded the motion. Dan Harrelson and Don Stiles abstained from voting. The motion passed.

Vice-chairman Dean Peterson turned the floor over to Chairman Dan Harrelson.

We took a break at 2:13 P.M. The meeting reconvened at 2:24 P.M.

Appointment of WACDA Representative

Elvina Naranjo made a motion to go into executive session at 2:25 P.M. to go over the WACDA Representative Appointment and Resolutions. Frank Oxereok Jr. seconded the motion. The motion passed.

The NSEDC Staff was excused at 2:36 P.M. for the board to discuss amongst themselves of how things are going with NSEDC.

Harvey Sookiayak made a motion to get out of executive session at 3:15 P.M. Reggie Barr seconded the motion. The motion passed.

Don Stiles made a motion to pass the WACDA Resolutions 2008-01, 2008-02, and 2008-03. Harvey Sookiayak seconded the motion. The motion passed.

The WACDA Representative appointment will be made at the 3rd Q meetings.

BOARD COMMENTS

Most Board members commented that the meetings were very productive and thanked staff for their work. There were also comments in support of the energy proposal.

DATE OF NEXT MEETING

The date of the next meeting will be at the call of the chair.

ADJOURNMENT

Elvina Naranjo made a motion to adjourn the NSEDC 2008 Second Quarter Board of Directors' Meeting at 3:23 P.M. Frank Oxereok Jr. seconded the motion. The motion passed.

Norton Sound Economic Development Corporation
Special Board of Directors Meeting
Westmark Hotel Penthouse
August 29, 2008
9:27 A.M.

CALL TO ORDER

Chairman Dan Harrelson called the NSEDC Special Board of Directors Meeting to order at 9:27 A.M. on August 29, 2008.

ROLL CALL

Present at the meeting were: Mary Menadelook, Ramona Tungiyan, Truman Kava, Frank Oxereok Jr., Reggie Barr, Joe Garnie, Don Stiles, Dan Harrelson, Dean Peterson, Charles Saccheus Sr., Elvina Naranjo, Harvey Sookiayak, Frank Katchatag, Victor Joe, and Wilfred Katcheak. Staff present were: Bob Walsh, Janis Ivanoff, Katie Peterson, Tasha Huffman, Dick Tremaine, Kathy Wheelahan, and Jerry Ivanoff. NSEDC Legal Counsel, Margaret Russell and Leonard Anderson, were also present.

APPROVAL OF AGENDA

Wilfred Katcheak requested to add "conflict of interest" under Other Business. Harvey Sookiayak requested an executive session after New Business.

Reggie Barr made a motion to approve the agenda, as amended. Elvina Naranjo seconded the motion. The motion passed.

WAIVER OF NOTICE OF MEETING

Harvey Sookiayak made a motion to approve the waiver of notice of meeting. Wilfred Katcheak seconded the motion. The motion passed.

APPROVAL OF MINUTES

Frank Oxereok Jr. made a motion to waive of approval of minutes. Ramona Tungiyan seconded the motion. The motion passed.

OLD BUSINESS

Siu Alaska Corporation

Janis Ivanoff took the floor to review and discuss the proposed resolutions regarding the establishment of Siu Alaska Corporation.

Resolution 08-09 Re: Office Space and Support

Don Stiles made a motion to pass NSEDC Resolution 08-09 concerning Siu Alaska Corporation Office Space and Support. Frank Oxereok Jr. seconded the motion. The motion passed.

Resolution 08-10 Re: Authorization for Dan Harrelson, as Incorporator, to adopt Siu Alaska Corporate Bylaws

Harvey Sookiayak made a motion to pass NSEDC Resolution 08-10 to authorize Dan Harrelson, as Incorporator, to adopt Siu Alaska Corporate Bylaws. Frank Oxereok Jr. seconded the motion. The motion passed.

Siu Alaska Board Appointments

Don Stiles noted that the board has reviewed letters of interest and resumes submitted by several qualified applicants for a position on the initial board of directors of Siu, and the Board discussed the qualifications of several of the candidates and a poll was taken. Based on that poll:

Don Stiles made a motion to appoint John Baker to the non-NSEDC affiliated Class A seat for an initial one year term on the Siu Alaska Corporation Board. Harvey Sookiayak seconded the motion. The motion passed.

Based on the same poll, Don Stiles made a motion to appoint Ike Towarak to the non-NSEDC affiliated Class B seat for an initial two year term on the Siu Alaska Corporation Board. Frank Katchatag seconded the motion. The motion passed.

Recommendation for Corporate Management Positions

Don Stiles noted that the Board discussed the most efficient way for Siu to commence operations and manage the assets that will be transferred to it. Based on that discussion:

Don Stiles made a motion that the Board recommend to the Siu Alaska Corporation Board of Directors to consider and approve the following corporate management positions using the job descriptions that staff has drafted and the Board has approved: Chief Executive Officer and Asset Manager. Wilfred Katcheak seconded the motion. The motion passed.

Education Foundation

Resolution 08-08 Re: NSEDC Education Foundation Decisions

Wilfred Katcheak made a motion to pass NSEDC Resolution 08-08 concerning the NSEDC Education Foundation Decisions. Frank Oxereok Jr. seconded the motion.

Ramona Tungiyon noted that the meeting location in the Resolution needed to be revised to Anchorage, Alaska. Dean Peterson questioned whether the NSEDC Board is proceeding too quickly by approving this resolution with only two of the five board members identified for the NSEDC Education Foundation Board. Margaret Russell noted that these two would be seated and the resolution would be revised when the others are identified. Chairman Harrelson noted that NSEDC would be the sole member of the foundation.

The motion passed.

Energy Subsidy

Resolution 08-11 Re: 2008 Energy Subsidy

Don Stiles deferred to Elvina Naranjo to make this motion, as it was her good idea.

Elvina Naranjo made a motion to pass NSEDC Resolution 08-11 concerning the 2008 Energy Subsidy. Harvey Sookiayak seconded the motion. The motion passed.

We took a break at 9:49 A.M. The meeting reconvened at 10:10 A.M.

NEW BUSINESS

Asset Manager Recommendations

Ocean Olympic

Dick Tremaine updated the Board on the status of the Ocean Olympic and discussed the options as presented in the handout to the Board and noted that the remaining gear from the Ocean Olympic will stay with the partners and the gear NSEDC acquired will be utilized for the Aleutian No. 1 operations.

Dick recommends offering to sell the boat to our partners. There was discussion on the selling price, the option to buy it and what income would come from it, the expense of operating it, unauthorized repair work, replacing the managers of the vessel and the condition of the vessel. The Board's recommendation is to force the sale and take legal action if it is required to receive our portion of past income.

Pacific Star

Dick Tremaine provided a flow sheet and updated the Board on the status of PS Fisheries noting the amount of ownership of this vessel and the fishing quota. He said we only have two options, we can buy them out or they buy us out. We have to give them the first right of refusal. If they decline, we are obligated to buy them out. The Board discussed revenue versus expenses and Dick recommended a selling and buying price. Selling our percentage is our first preference. The Board discussed who should negotiate and what the limits would be.

Dean Peterson made a motion to have the NSEDC Executive Committee involved in this negotiation along with Bob Walsh and Dick Tremaine, (if it comes to the point that we have to buy out two-thirds of PS Fisheries the price is) not to exceed \$1,900,000.00, and (the executive committee has) authorization to execute this deal. Wilfred Katcheak seconded the motion. Dick recommended having a third party evaluation of vessel. The motion passed.

Aleutian No. 1

Dick gave the Board a handout and an update on the status of the Aleutian No. 1 after being directed to sell half of the vessel. The two captains are interested in buying twenty-five percent. Dick's question is do we want to fund money for a non-profit to have ownership of the vessel. If not, he will offer the other twenty-five percent to the captains. Chairman Harrelson asked about donating a portion of the vessel to the Bering Sea Women's Group. Dick has met with them but hasn't made a formal offer. Board members recommended several other entities to approach, a regional alcohol and drug abuse treatment center, NSHC Camp program, and the Norton Sound Sled Dog Club. Joe Garnie asked how much revenue is generated. It varies but this year it is looking like \$300,000. Chairman Harrelson clarified that the non-profit entity would receive the revenues but they would not share the operation costs. There was some concern about not being the sole owner and having to negotiate with partners in the future. The consensus seemed to be to pay the taxes this year and take our time to find the right partners. The Board directed staff to make a formal offer to the other CDQ groups or a non-profit organization to see if they are interested.

We took a lunch break at 11:43 A.M. The meeting reconvened at 12:45 P.M.

After the break Dick clarified that he would provide the value of the vessel and the Performa to the CDQ groups and the non-profit groups mentioned. Harvey recommended approaching BBEDC first.

New Crab Ventures

Dick provided a flow sheet and an update. Both parties have agreed on a partnership agreement and an annual business plan that will break even for 2009. Financing has been lined up. Location and management still need to be determined. Some of the changes from the June 30th agreement are a put/call sell option was added, it is a fifty-fifty partnership, and Crab Brokers don't have exclusive rights to sell the crab they have priority to sell it. If they can't sell it, we can. With only two buyers instead of five, we do need to get a loan for \$550,000. \$250,000 has already been approved for operating costs for the 2008/2009 year. Dick needs approval to use \$550,000 in mutual funds for collateral. We would still receive the interest from the mutual funds the bank would just hold them until the loan is paid off. By "paying" the \$550,000 we would receive one percent more of the voting rights for the life of the loan (7 years). NSSP would not subsidize the company, crab would be bought at market value. Don Stiles suggested buying the equipment ourselves and installing it in region. There are worries about marketing and knowing how to work and maintain the equipment. Some felt that the Crab Brokers weren't putting enough up front. Dick stressed that the market they have is a big asset. Now that some of the kinks in the partnership agreement have been worked out the Board recommends that Dick approach the Poulsons to see if they are still interested. With NSEDC having fifty-one percent voting rights for the life of the loan the Board felt comfortable moving forward with the proposal as presented.

"WHEREAS, the Board of Directors wishes to form a new value added processing company focusing on crab products:

NOW, THEREFORE, IT IS:

RESOLVED that the Board authorizes the CEO to continue and finalize negotiations for the formation and operation of the new partnership dba New Crab Ventures LLC including NSEDC's ownership of 50% (FIFTY PERCENT) of said partnership.

FURTHER RESOLVED that the Board authorizes and allocates funds for initial capitalization of its share of the partnership in an amount not to exceed \$250,000 (TWO HUNDRED FIFTY THOUSAND DOLLARS). In addition, the Board authorizes and allocates funds for use as loan guarantee for the partnership's purchase of an AVURE 35L pressure machine in an amount not to exceed \$550,000 (FIVE HUNDRED FIFTY THOUSAND DOLLARS) with the direction that these funds are to be used as liquid collateral for securing the loan."

Don Stiles made a motion for Dick Tremaine to move forward with the new crab ventures deal, as presented. Wilfred Katcheak seconded the motion. A roll call vote was requested by Chairman Harrelson. The motion passed unanimously.

Harvey Sookiayak made a motion to go into executive session at 1:28 P.M. Elvina Naranjo seconded the motion. The motion passed.

Elvina Naranjo made a motion to get out of executive session at 2:20 P.M. Ramona Tungiyan seconded the motion. The motion passed.

We took a break at 2:20 P.M. The meeting reconvened at 2:29 P.M.

OTHER BUSINESS

NSEDC Conflict of Interest

Wilfred Katcheak is using the computer issued from NSEDC to sell some things online. Don Stiles mentioned the purpose of the board computers is to improve communication, as long as that is being met it seems fine if a director can look for other good business deals.

Each of the board members was given an opportunity to give their comments.

Reggie Barr supported the recommendation to seat Walter Seetot on the NSEDC Education Foundation.

Joe Garnie talked about the bulk fuel program leaving him nervous with the record keeping. Teller is happy with the new truck.

Victor Joe stated it was a good meeting.

Charlie Saccheus Sr. brought up the support to stop the uranium mine near Elim, which could affect the whole region.

Truman Kava stated it was good to see everyone.

Don Stiles had no comment.

Frank Katchatag was happy with the direction of NSEDC.

Frank Oxereok Jr. and Harvey Sookiayak had no comment.

Elvina Naranjo thanked the board for thier support with the energy subsidy. She said our people will be happy. She also thanked staff for all their hard work and preparedness.

Dean Peterson said it has been a productive summer with good results from NSEDC, when we work together. We have a fine staff and more participation from all board members. Their voice is just as strong as everyone else's, so keep it up.

Ramona Tungiyan had no comment.

Bob Walsh noted the marching orders and will continue to move ahead. We will be speaking to the non-profits. He thanked the board for putting in a hard couple days. He also thanked Janis for her hard work on seeing the SIU Corporation through to fruition and Katie for her work on the Education Foundation.

Dan Harrelson also thanked Janis and Katie for their work. He thanked everyone for the participation, as only a few spoke a few years back. Thank you for your support as the NSEDC Board Chairman and the NSEDC Corporate President.

ADJOURNMENT

Harvey Sookiayak made a motion to adjourn the NSEDC Special Board of Directors Meeting of August 29, 2008 at 2:42 P.M. Elvina Naranjo seconded the motion. The motion passed.

**Norton Sound Economic Development Corporation
Special Board of Directors Meeting
BSNC Boardroom - Nome, Alaska
September 15, 2008
9:00 a.m.**

CALL TO ORDER

Chairman Dan Harrelson called the NSEDC 2008 Special Board of Directors Meeting to order at 9:06 a.m. on September 15, 2008.

ROLL CALL

The roll call was taken with Charles Saccheus Sr., Frank Oxereok Jr., Victor Joe, Ramona Tungiyon, Harvey Sookiayak, Dean Peterson, Mary Menadelook, Reggie Barr, Truman Kava, Joe Garnie, Elvina Naranjo, Wilfred Katcheak, Daniel Harrelson, and Don Stiles present. Frank Katchatag was absent and excused. Staff, who were present, were Bob Walsh, Janis Ivanoff, Dick Tremaine, Kathy Wheelehan, and Jerry Ivanoff.

APPROVAL OF AGENDA

Frank Oxereok Jr. made a motion to approve the agenda. Victor Joe seconded the motion. Bob Walsh requested WACDA, under other business. The motion passed.

APPROVAL OF MINUTES

Waiver of Approval of Minutes

Dean Peterson made a motion to waive the approval of minutes. Reggie Barr seconded the motion. The motion passed.

Eric Osborne joined the meeting at 9:11 a.m.

OLD BUSINESS

Asset Manager Updates
Ocean Olympic

Dick noted that he was directed to sell the F/V Ocean Olympic, but we do not have any provisions in our contract to force the sale. Dick gave Terry Cosgrove formal notice of our desire to sell but he was not in Seattle on this last trip so Dick was unable to meet with him. There was discussion on the Ocean Olympic and Pacific Star charters and how much they are making. Terry and Kim would like to have some repairs done on the Ocean Olympic. Dan asked for clarification on the cash call. Dick felt we could cut the capital call in half, to about \$100,000.00. He has looked into a lawyer to address these situations of requesting cash after the work has already been scheduled. He also recommends hiring a maritime accountant to go over the books and management contracts, which he feels, are exorbitant. Dan noted that their

We took a break at 12:02 p.m. The meeting reconvened at 12:52 p.m.

For the record, Frank Katchatag joined the meeting. Dan briefed Frank on the meeting so far.

NEW BUSINESS

Nissui Marketing Possibilities

Bob Walsh and Dan Harrelson gave an overview of their meeting with Mr. Matono and briefly described what product they are interested in. Transportation costs from Norton Sound to Dutch Harbor are a big hurdle. Some of the options they have discussed are contracting Northland Marine or possible bringing one of our trawler boats to Norton Sound. Frank Katchatag asked about the interest in herring. Dan noted that the price for herring, based on the yen, could be about 30% below the Togiak Price, as Nissui is looking to pay \$100.00 per ton. Bob stated that fishermen could not make it on \$100.00 per ton and mentioned the possibility of sending the herring carcasses to Russia for more of a profit. Bob said Nissui may be able to move a million pounds of cod from Norton Sound. A formal agreement has not been made, they are evaluating the possibilities. Dan stated that Middy and Josh should be involved in the negotiation for the development of these new products. He mentioned the limited holding capacity in Norton Sound. He also stated we may not want to include salmon in the negotiations if Middy is successful at \$.85 per pound. Wilfred Katcheak mentioned the pink salmon operation we had in the past with Glacier Fish Company. Dan said to be cautious of a partnership deal and evaluate how much we would be paying to use one of our Glacier Fish Company Boats. The Unalakleet Crab Fishermen could possibly move their crab to the Nissui Market. Dan mentioned the smoke fish product being put on the market. Don asked how many tons of herring Nissui is looking for. They want all the herring and pink salmon we can give them. The added cost for bringing in tenders and processing ships needs to be considered. Frank Katchatag asked if we were going to do any value added processing. Dan felt that we should evaluate a fish meal plant in terms of cost to build and process product. Middy is looking for value added products. Dean Peterson stated that we had over two hundred herring fishermen when the price was \$250.00, but, when it dropped below that, we had problems getting our fishermen to go out for it. Dan noted that Nissui knows that the herring roe consumption is low in Japan. Harvey recommended that staff come up with some numbers for our January meeting, or if possible, our November meeting.

CEO Mid-term Probationary Period Evaluation

Dan brought up the CEO Mid-term Probationary Period Evaluation, which would be done by the NSEDC Board of Directors. He welcomed Margaret for her assistance on this evaluation.

Frank Oxereok Jr. made a motion to go into executive session at 1:20 p.m. to go over the NSEDC CEO Mid-term Evaluation. Elvina Naranjo seconded the motion. The motion passed.

Frank Oxereok Jr. made a motion to get back to regular session at 3:04 p.m. Dean Peterson seconded the motion. The motion passed.

Harvey Sookiayak made a motion to authorize the NSEDC Corporate President to take action, as directed, during the executive session. Wilfred Katcheak seconded the motion. The motion passed.

OTHER BUSINESS

Dean Peterson asked for an update on the freezer plant. Bob Walsh noted that AMI is asking for an extension of thirty days to complete the project. Dan Harrelson brought up the 65,000 pounds

of fish that Middy would like moved to the plant. Dan stated that we will spend a lot more money, and if we have to spend more on our operations, AMI should foot the bill.

Dean Peterson made a motion to go into executive session at 3:08 p.m. to discuss the freezer plant. Elvina Naranjo seconded the motion. The motion passed.

Don Stiles made a motion to return to regular session at 3:15 p.m. Harvey Sookiayak seconded the motion. The motion passed.

ADJOURNMENT

Frank Oxereok made a motion to adjourn the NSEDC 2008 Special Board Meeting of September 15, 2008 at 3:16 p.m. Victor Joe seconded the motion. The motion passed.

Dan Harrelson, NSEDC Board Chairman

Jerry Ivanoff, NSEDC Corporate Secretary

Date