

FOR DISTRIBUTION

2011 FOURTH QUARTER REPORT
October 1 – December 31, 2011



**NORTON SOUND ECONOMIC
DEVELOPMENT CORPORATION**

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I. Quarterly Highlights

- The NSEDC Board of Directors held its 2011 third quarter meetings in Unalakleet, Alaska, November 2-4, 2011.
- NSEDC purchased a vessel to be christened the *Daniel D Takak*, a 73' x 23' aluminum landing craft type boat to be used as a tendering vessel in the region.
- NSEDC's Board of Directors approved a \$100,000 Community Benefit Share for each of NSEDC's 15 member communities.
- NSEDC awarded \$105,000 among six residents from member communities to start or grow their small business in the 2011 Small Business Initiative.
- NSEDC's Board of Directors approved a \$500 electric utility subsidy for every household in NSEDC's 15 member communities.
- NSEDC's Board of Directors approved the City of Gambell's Community Energy Fund request of \$460,019 for the replacement of residential meter bases.
- The Pollock Conservation Cooperative, of which Glacier Fish Co. is a member, donated \$100,000 to the Northwestern Alaska Career and Technical Center in Nome for fisheries-related training and education. Glacier Fish Co. is partially owned by NSEDC through Siu Alaska Corp., and is NSEDC's harvesting partner.
- The Norton Sound Seafood Center in Nome purchased more than 4,800 pounds of bait tom cod and white fish from resident fishermen.
- Northern Norton Sound Seafood Products staff assisted more than 30 area fishermen in obtaining commercial fishing permits for winter finfish and crab fisheries.
- The Norton Sound Seafood Center in Nome purchased more than 11,771 pounds of CDQ Norton Sound halibut from resident fishermen.
- NSEDC's pollock harvesting partner concluded its fishing operations for the year, harvesting 100 percent of NSEDC's CDQ allocation.
- A total of 15 current residents of NSEDC member communities, two residents of Shishmaref and one who now lives in Anchorage worked on the *F/V Pacific Glacier* and the *F/V Alaska Ocean*, earning a total of \$90,564 in wages.
- Two residents of NSEDC member communities worked on the *Aleutian No. 1* harvesting crab and earning a total of \$58,200 during the quarter.
- Two residents of NSEDC member communities worked at the Bering Fisheries Plant in Dutch Harbor earning a total of \$3,428 during the quarter.
- Thirty residents of member communities were awarded scholarships totaling \$57,999.
- Thirty-two residents of Wales participated in a NSEDC-sponsored Commercial Driver's License class.
- Twenty residents of Brevig Mission participated in a NSEDC-sponsored skin sewing class.
- One hundred-twenty students and staff from the Bering Strait School District participated in career exploration trips and activities funded by NSEDC.

- Norton Sound Fisheries Research and Development staff completed their salmon enhancement projects for the year with the planting of 52,000 Coho salmon eggs in Anvil Creek at the end of November. The eggs taken from 17 salmon achieved an outstanding survival rate of 89% during incubation at NSEDC's facilities in Nome.

A. Outreach

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

- The NSEDC Board of Directors held its 2011 third quarter meetings in Unalakleet November 2 – 4, 2011; these meetings were open to the public.
- NSEDC Board of Directors notified residents of the 2011 third quarter meetings by placing advertisements in the *Nome Nugget*.
- NSEDC produced and mailed out its second quarter report to entities and municipalities throughout the region. The report was also posted on NSEDC's website.
- NSEDC announced the planned distribution of a \$500 electric utility subsidy to be credited to each household in its 15 member communities.
- NSEDC staff submitted an article published in the Oct. 13, 2011 *Nome Nugget* detailing NSEDC's considerations in regard to the NPFMC instituting new rules to address chum bycatch in the Bering Sea pollock fishery.
- NSEDC produced an article and photos for the Nome Nugget announcing the winners of the 2011 Small Business Initiative. The story was also posted on NSEDC's website.
- KNOM radio produced a story on the 2011 Small Business Initiative.
- KNOM produced a story on NSEDC's Community Energy Fund.
- NSEDC announced the 2011 Community Benefit Share of \$100,000 on its website and in the Nome Nugget.
- NSEDC posted employment opportunities on its website, a popular e-mail distribution list in Nome, *The Nome Nugget*, on KNOM radio and through liaisons several times throughout the quarter.
- NSEDC continued to update the organization's web site (www.nsedc.com) from which constituents can access quarterly reports, newsletters, applications, and information regarding opportunities with NSEDC. News releases are issued on the home page along with a news page.
- NSEDC has Community Outreach Liaisons in 13 of its member communities with Community Benefits Director Paul Ivanoff III serving Unalakleet and Community Development Coordinator Sterling Gologergen serving Nome. The NSEDC liaisons are sent informational fliers, applications, and other information to circulate within their communities.

B. Employment

Table 1
EMPLOYMENT DATA FORM
December 31, 2011

	Q1		Q2		Q3		Q4		Year-to-Date
	People	Wages	People	Wages	People	Wages	People	Wages	Wages
Management/Administrative									
NSEDG - In-region	12	\$ 198,241.93	11	\$ 229,110.86	11	\$ 221,587.77	12	\$ 234,130.10	\$ 883,070.66
NSEDG - Anchorage	13	\$ 233,478.91	12	\$ 218,583.32	16	\$ 231,576.64	14	\$ 238,803.78	\$ 922,442.65
NSSP - In-region	6	\$ 54,558.39	6	\$ 84,701.59	7	\$ 107,784.31	4	\$ 73,488.74	\$ 320,533.03
Total Management/Administrative	31	\$ 486,279.23	29	\$ 532,395.77	34	\$ 560,948.72	30	\$ 546,422.62	\$ 2,126,046.34
CDQ Pollock Related	14	\$ 130,068.55	20	\$ 147,883.06	19	\$ 148,223.38	18	\$ 90,564.00	\$ 516,738.99
Total NSSP Employment	13	\$ 10,702.61	38	\$ 84,238.84	162	\$ 621,978.95	128	\$ 95,793.51	\$ 812,713.91
Other NSEDG Employment Skippers, Deckhands, Shoreside, Clean Waters, etc.	2	\$ 44,497.50	28	\$ 112,719.21	55	\$ 437,270.34	34	\$ 90,693.28	\$ 685,180.33
Total Other NSEDG Employment	2	\$ 44,497.50	28	\$ 112,719.21	55	\$ 437,270.34	34	\$ 90,693.28	\$ 685,180.33
Other Fishing									
Bering Fisheries	0	\$ -	0	\$ -	2	\$ 2,961.72	2	\$ 3,428.00	\$ 6,389.72
Aleutian No. 1	1	\$ 29,700.00	0	\$ -	0	\$ -	2	\$ 58,200.00	\$ 87,900.00
O/A Norton Sound Winter Red King Crab	3	\$ 17,333.40	4	\$ 7,824.60	0	\$ -	0	\$ -	\$ 25,158.00
Whitefish	0	\$ -	0	\$ -	0	\$ -	5	\$ 1,659.70	\$ 1,659.70
Sheefish / Tomcod	3	\$ 2,908.00	2	\$ 1,547.50	3	\$ 2,784.00	5	\$ 541.50	\$ 7,781.00
O/A Norton Sound Red King Crab	0	\$ -	0	\$ -	24	\$ 1,794,455.49	0	\$ -	\$ 1,794,455.49
CDQ Red King Crab	0	\$ -	1	\$ 8,490.45	9	\$ 125,478.80	0	\$ -	\$ 133,969.25
Norton Sound Salmon	0	\$ -	27	\$ 115,450.24	125	\$ 1,163,599.48	0	\$ -	\$ 1,279,049.72
Norton Sound Herring	0	\$ -	35	\$ 274,713.48	0	\$ -	0	\$ -	\$ 274,713.48
NSEDG CDQ Halibut	0	\$ -	0	\$ -	21	\$ 500,698.10	9	\$ 71,803.10	\$ 572,501.20
Total Other Fishing	7	\$ 49,941.40	69	\$ 408,026.27	184	\$ 3,589,977.59	23	\$ 135,632.30	\$ 4,183,577.56
NSEDG Community Outreach Liaisons	13	\$ 19,500.00	13	\$ 19,500.00	13	\$ 19,500.00	13	\$ 19,500.00	\$ 78,000.00
NSEDG Community Employment Program	0	\$ -	10	\$ 67,164.50	0	\$ -	1	\$ 6,086.00	\$ 73,250.50
Interns									
NSEDG Administration	1	\$ 215.67	1	\$ 344.54	0	\$ -	2	\$ 1,491.10	\$ 2,051.31
NSFR&D	0	\$ -	1	\$ 2,036.25	1	\$ 3,010.50	0	\$ -	\$ 5,046.75
Total Interns	1	\$ 215.67	2	\$ 2,380.79	1	\$ 3,010.50	2	\$ 1,491.10	\$ 7,098.06
Fisheries Technicians									
NSEDG Salmon Rehab.	0	\$ -	17	\$ 40,218.97	31	\$ 272,012.31	2	\$ 10,917.65	\$ 323,148.93
Alaska Dept. of Fish & Game	0	\$ -	1	\$ 548.83	8	\$ 59,009.71	1	\$ 600.00	\$ 60,158.54
Fisheries Development	1	\$ 353.35	2	\$ 6,755.10	11	\$ 29,400.68	3	\$ 4,900.00	\$ 41,409.13
Total Technicians	1	\$ 353.35	20	\$ 47,522.90	50	\$ 360,422.70	6	\$ 16,417.65	\$ 424,716.60
GRAND TOTALS	82	\$ 741,558.31	229	\$ 1,421,831.34	518	\$ 5,741,332.18	255	\$ 1,002,600.46	\$ 8,907,322.29
NSEDG =	42	\$ 496,287.36	96	\$ 696,981.58	146	\$ 1,273,367.95	82	\$ 607,121.91	\$ 3,073,758.80
NSSP =	25	\$ 85,502.40	113	\$ 576,966.70	351	\$ 4,316,779.13	151	\$ 243,286.55	\$ 5,222,534.78
Partners =	15	\$ 159,768.55	20	\$ 147,883.06	21	\$ 151,185.10	22	\$ 152,192.00	\$ 611,028.71

Employment Summary

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

CDQ Pollock – Glacier Fish Company paid wages to 15 residents of NSEDC member communities, two Shishmaref residents and one former NSEDC member community resident who were employed aboard the *F/V Pacific Glacier* and the *F/V Alaska Ocean* during the quarter.

Community Breakdown: 10 employees from Unalakleet
 2 employees from Shaktoolik
 1 employee from Stebbins
 2 employees from Teller
 From non-member communities:
 2 employees from Shishmaref
 1 employee from Anchorage who is
 originally from the region

NSSP Employment – One hundred and eighteen residents of Norton Sound communities and ten from outside the region were employed during the quarter.

Community Breakdown: 48 employees from Unalakleet
 39 employees from Nome
 12 employees from Savoonga
 11 employees from Elim
 4 employees from St. Michael
 1 employee from Golovin
 3 employees from Koyuk
 5 employees from Anchorage
 1 employee from Fairbanks
 1 employee from Newtok
 1 employee from Tok
 1 employee from Kaltag
 1 employee from Wasilla

Other NSEDC Employment – Thirty-one residents of Norton Sound communities and three from outside the region were employed during the quarter.

Community Breakdown: 3 employees from Unalakleet
 3 employees from Nome
 5 employees from Diomede
 2 employees from Elim
 2 employees from Golovin
 2 employees from Brevig Mission
 1 employee from Stebbins
 8 employees from Shaktoolik

2 employees from Saint Michael
2 employees from White Mountain
1 employee from Gambell
1 employee from Kotlik
1 employee from Anchorage
1 employee from out of state

Other Fishing – Nine fishermen delivered 11,771 pounds of CDQ Norton Sound halibut to NSSP during the quarter.

Community Breakdown: 8 fishermen from Nome
1 fisherman from Savoonga

Five fishermen delivered 1,063 pounds of tom cod to NSSP during the quarter.

Community Breakdown: 4 fishermen from Nome
1 fisherman from Unalakleet

Five fishermen delivered 3,749 pounds of whitefish to NSSP during the quarter.

Community Breakdown: 4 fishermen from Nome
1 fisherman from Unalakleet

Two residents of NSEDC member communities worked at the Bering Fisheries seafood plant in Dutch Harbor.

Community Breakdown: 2 employees from Unalakleet

Two residents of NSEDC member communities worked aboard the *Aleutian No. 1* in the Bering Sea.

Community Breakdown: 1 employee from Unalakleet
1 employee from White Mountain

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 Diomedea
1 liaison from Savoonga
1 liaison from Gambell
1 liaison from Elim
1 liaison from Golovin

Interns – There were two internship positions sponsored by NSEDC during the quarter.

Community Breakdown: 1 intern from Unalakleet
1 intern from Anchorage

Community Employment program — One Norton Sound resident was employed under NSEDC’s Community Employment Program.

Community Breakdown: 1 employee from Shaktoolik

Fisheries Technicians – Six fisheries technician positions either directly employed or sponsored by NSEDC were held by Norton Sound residents during the quarter.

Community Breakdown:
3 employees from Nome
3 employees from Brevig Mission

Training Data Form

**Table 2
TRAINING DATA FORM
October 1 through December 31, 2011**

	Quarter		Year-to-Date	
	People	Expenditures	People	Expenditures
Scholarships				
Post-Secondary	16	\$29,999.00	325	\$633,167.00
Vocational	14	\$28,000.00	71	\$138,000.00
Voc-Tech				
Basic	154	\$108,601.00	197	\$163,317.50
Advanced	0	\$0.00	0	\$0.00
Other Training				
Fisheries Related	12	\$30,359.65	27	\$70,836.66
CDQ Staff	74	\$18,669.20	75	\$20,541.20
CDQ Board	0	\$0.00	0	\$0.00
Other	10	\$0.00	83	\$36,132.55
TOTAL	280	\$215,628.85	778	\$1,061,994.91

Training Summary

Thirty students received funding for post-secondary and vocational education in the fourth quarter.

Thirty-two residents of Wales took a NSEDC-sponsored Commercial Driver's License course.

One hundred twenty-two students and teachers from the Bering Strait School District participated in NSEDC-sponsored career exploration trips and presentations during the quarter. These programs ranged from visits to military recruiters, universities and employers on the road system to in-classroom visits from visiting professionals.

Twenty residents of Brevig Mission participated in a NSEDC-sponsored skin sewing class that occurred during the third and fourth quarters of 2011. The expenditures for this class were reported in the third quarter report, however, only ten people were reported for the class at that time. The additional ten participants are included in the chart for the fourth quarter under "other training" but the expenditure will remain credited to the third quarter.

NSEDC staff and management received training in a number of categories including management techniques, drug and alcohol abuse response, teamwork, and in-house policies and procedures.

II. Administration

A. Board Activities

Board of Directors Meetings

The NSEDC Board of Directors held its 2011 third quarter meetings in Unalakleet, Alaska, November 2-4, 2011.

The NSEDC Board of Directors held its annual meeting November 4, 2011 in Unalakleet, Alaska.

NSEDC held its annual meeting of shareholders November 4, 2011 in Unalakleet, Alaska.

The NSEDC Board of Directors held a special meeting December 5-8, 2011 in Anchorage to develop and approve NSEDC's 2012 budget.

Substantial Decisions

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

- The Board approved a Community Energy Fund request from Gambell of \$460,019.25 to fund the purchase of electric meter base equipment.
- The Board approved a motion directing NSEDC staff to request from the US Coast Guard an exemption from safety regulations requiring immersion suits for all fishermen in open skiffs. The exemption would be contingent upon fishermen following an alternative set of rules, including the requirement that lifejackets be worn at all times.
- The Board approved putting the vessel *Hwaka*, located in Unalakleet, up for sale, as-is, where-is.
- The Board approved the purchase of crab IFQ from Siu Alaska Corp.
- The Board approved the purchase of a tendering vessel to be named the *Daniel D. Takak*. The vessel is an aluminum, landing-craft type boat.

III. Harvesting Report

A. CDQ Harvest Management

During the fourth quarter of 2011 NSEDC conducted a number of CDQ fishing activities including the directed harvest of pollock, Pacific cod, Atka mackerel/Pacific Ocean perch, Yellowfin sole, Rock sole, Flathead sole, Arrowtooth flounder, sablefish, halibut, Aleutian Island golden king crab, Bristol Bay red king crab, and St. Matthew blue king crab.

Pollock

In the fourth quarter the *F/T Pacific Glacier* and *F/T Alaska Ocean* completed the harvest of 100% of NSEDC's 27,962 metric ton pollock quota. The pollock fleet overall harvested 95% of the TAC and left around 63,000 metric tons in the water. It was an abnormal B season for pollock; the fish were dispersed and catch rates were unusually low.

Pacific Cod

The *F/V Bristol Leader* harvested 620 metric tons of NSEDC's CDQ Pacific cod in the fourth quarter, completing the full harvest of NSEDC's allocation. Overall, the fleet harvested 97% and left about 6,000 metric tons in the water. Prices are strong but the outlook is somewhat uncertain in the global market. The *F/V Alaskan Leader* had a fire in the engine room which forced it to quit fishing earlier than planned, but it did not affect the harvest of NSEDC's CDQ Pacific cod.

Atka Mackerel/Pacific Ocean Perch

The *F/V Seafreeze Alaska*, owned and operated by US Seafoods, completed the harvest of CDQ Atka mackerel and POP in the fourth quarter. NSEDC's CDQ POP harvest included 101 metric tons in the Western Aleutian Islands, 64 metric tons in the Central Aleutian Islands, and 77 metric tons in the Eastern Aleutian Islands. NSEDC's CDQ Atka mackerel harvest included 139 metric tons in the Central Aleutian Islands and 594 metric tons in the Eastern Aleutian Islands. The Western Aleutian Islands Atka mackerel fishery was closed in 2011 due to Steller sea lion regulations. Bycatch in these fisheries was minimal and prices were stable.

Yellowfin Sole, Flathead Sole, Rock Sole and Arrowtooth Flounder

For the year the *F/T Northern Glacier* has harvested 100%, 40%, 11% and 29% of the pool's Yellowfin sole, Rock sole, Flathead sole, and Arrowtooth flounder allocations, respectively, provided by the pool of four CDQ groups. Overall, the total CDQ flatfish harvest for the entire fleet was 78%, 36%, 15% and 28% for Yellowfin sole, Rock sole, Flathead sole, and Arrowtooth flounder, respectively. The Northern Glacier outperformed the rest of the industry with regard to CDQ flatfish. The bycatch in these fisheries has been relatively low. Flatfish prices remain near a historical peak.

Sablefish

For the year the *F/V Ballyhoo* harvested 108,316 pounds or 96% of NSEDC's CDQ sablefish allocation in the Bering Sea, and the *F/V Cynosure* harvested 141,094 pounds or 98% of NSEDC's CDQ sablefish allocation in the Aleutian Islands. Dock prices remain very strong at over \$8 per pound.

Halibut

For the year, 106,740 pounds of CDQ halibut were harvested by Norton Sound fishermen: 28,587 pounds were delivered to the NSSP plant in Savoonga and 78,153 pounds were delivered to the NSSP plant in Nome. In-region prices were \$6.10 per pound. The halibut not harvested in-region was contracted out to the *F/V Ballyhoo*. The weather in November severely hampered the late-season harvest, and although a small amount of quota was not harvested, NSEDC was paid royalties on 100% of its 4D CDQ halibut.

Aleutian Island Golden King Crab

The *F/V Aleutian No. 1* harvested NSEDC's allocation of 66,150 pounds of golden king crab in the fourth quarter. The processing agreement was with Dutch Harbor Acquisitions, and the crab was delivered to Bering Fisheries.

Bristol Bay Red King Crab

The *F/V Arctic Sea*, *F/V North Sea*, and *F/V Bering Sea*, owned and operated by Coastal Villages Region Fund, harvested NSEDC's allocation of 141,012 pounds of Bristol Bay red king crab in the fourth quarter. The processing agreement was with Dutch Harbor Acquisitions, and the crab was delivered to Bering Fisheries. Prices have strengthened as compared to the previous season, at over \$10 per pound.

St. Matthew Blue King Crab

The *F/V Wassilie B*, owned and operated by Coastal Villages Region Fund, harvested 25,925 pounds, or 78.5%, of NSEDC's allocation of St. Matthew blue king crab. Similar to 2010, the blue crab were difficult to catch and the average for the fleet was around 75%. This was processed by Trident – St. Paul and sold by CVRF.

B. IFQ Harvest Management

During the fourth quarter, NSEDC managed fishing operations and the harvest of individual fishing quotas (IFQs) in Aleutian Island golden king crab, Bristol Bay red king crab, sablefish, and halibut fisheries.

Aleutian Island Golden King Crab

The *F/V Aleutian No. 1* completed the harvest of NSEDC's Eastern Aleutian Golden king crab in the fourth quarter, totaling 550,004 pounds. All A shares were delivered to Unisea and all B shares were delivered to Bering Fisheries. Final ex-vessel prices were strong – \$4.59 per pound for A shares.

Bristol Bay Red King Crab

The *F/V Bulldog*, *F/V North Sea*, and *F/V Arctic Hunter* combined to harvest 100% of NSEDC's IFQ A and B shares, totaling 138,877 pounds of Bristol Bay red king crab in the fourth quarter. "A" shares were matched with Alyeska and "B" shares were delivered to Bering Fisheries. Prices are at historic highs at over \$10 per pound.

Sablefish

The *F/V Provider*, owned and operated by Wild Alaskan Seafood, harvested the remaining 21,712 pounds of NSEDC's Central Gulf quota in the fourth quarter. Average dock prices remain strong at around \$8 per pound.

Halibut

The *F/V Provider*, owned and operated by Wild Alaskan Seafood, harvested the remaining 2,158 pounds of Area 3B IFQ halibut in the fourth quarter. Prices remained at historical highs of around \$6.50 per pound.

C. Compliance/Enforcement

To the best of the CDQ Harvest Manager's knowledge, there were no vessel or fishing violations, illegal activities and/or fines or penalties imposed on vessels operating under contract to NSEDC during the fourth quarter of 2011.

D. NSEDC Quota Royalties

For the year 2011, NSEDC generated roughly \$19.39 million in royalties from CDQ fishing operations and approximately \$3.57 million in royalties from IFQ fishing operations.

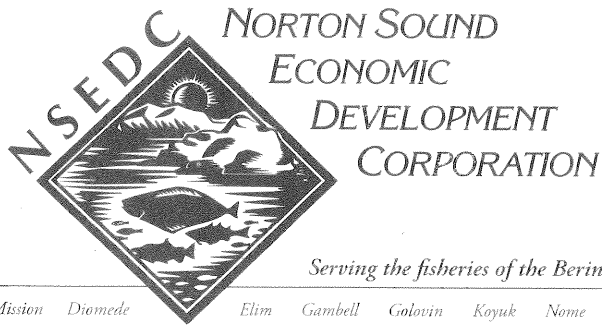
IV. Board of Directors Oct. 1 – Dec. 31 Meeting Minutes (Attachments 1 & 2)

ATTACHMENT 1

2011 Third Quarter Meeting Minutes

November 2-4, 2011

Unalakleet, Alaska



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
Third Quarter Board of Directors Meeting
Aaron Paneok & Myles Gonangnan Memorial Hall
November 2, 3, & 4, 2011
9:00 a.m.

CALL TO ORDER

Chairman Dan Harrelson called the NSED C 2011 Third Quarter Board of Directors Meeting to order at 9:01 a.m. on November 2, 2011.

ROLL CALL

Present at the meeting were Daniel Harrelson, Don Stiles, Dean Peterson, Joel James, Eugene Asicksik, Joe Garnie, Walter Seetot, Truman Kava, Frank Oxereok, William Johnson, Elvina Naranjo, Wilfred Katcheak, Victor Joe, and Oscar Takak. Absent and excused was Orville Ahkinga Jr. Staff present were Janis Ivanoff, Simon Kinneen, Reese Huhta, Rick Walicki, Tyler Rhodes, Rich Ferry, Virginia Nashalook, Paul Ivanoff III, Tiffany Martinson, Charlie Lean, Joel Cladouhos, Kathy Wheelehan, and Jerry Ivanoff. John Eckels of Siu Alaska Corporation was also present. Public present were Jay Thomas, Darien Southall, and Kendra Fleharty.

INVOCATION

Oscar Takak gave the invocation.

APPROVAL OF AGENDA

Under "new business", Chairman Harrelson added the Gambell Community Energy Fund.

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

APPROVAL OF MINUTES

1. August 3 & 4, 2011

Oscar Takak made a motion to approve the NSED C 2011 Second Quarter Board Meeting Minutes of August 3 & 4, 2011. Don Stiles seconded the motion. The motion passed.

PUBLIC COMMENTS

Unalakleet Principal Jay Thomas, on behalf of all the principals in the region, thanked the board for the Career Exploration program. He gave an update on their career trip and itinerary. Kendra Fleharty thanked the board for the trip. She plans to go into aviation and was able to tour the aviation facility at UAA. Darien Southall said the trip helped her clarify her options. She has a plan and a back-up plan. Don Stiles commended Darien and Kendra for their public

speaking and wished them well with their plans beyond high school. Jay Thomas thanked the board for their continued support of education.

Chairman Harrelson noted the NSEDC Chairman's Report and gave the board time to review it.

CEO'S REPORT-Janis Ivanoff

Janis Ivanoff gave the NSEDC CEO's Report. She noted the Wales Election, where Lucy Kitchen received over 50% of the ballots cast. Frank Oxereok will sit through the 3rd Q and Annual Meeting of the Members, and Lucy Kitchen will be sworn in on Friday. Also during this week's set of meetings, the NSEDC Finance Committee thanked Henry Ivanoff for his years of service, NSEDC will host a lunch with the elders, and Loretta Bullard from Kawerak will join the meeting to provide their stance on salmon bycatch. There was discussion about the tax legislation and lack of movement.

FINANCIAL INVESTMENT PORTFOLIO

Rick Walicki gave the NSEDC Financial and Investment Portfolio Report.

Discussion included interest payments, cod revenue, fish processing expenses, and tender vessel expenses.

Rick noted we had a decrease in value of our investments as of September 30th and that the market was extremely volatile in October, 2011. Joe Garnie asked for information on how much money was made on each of our portfolios. Rick informed him he has information over the last four or five years at the office, which he could provide.

The Board took a break at 9:43 a.m. The meeting reconvened at 9:51 a.m.

Ken Lawrenson and Ed Miner of the U.S. Coast Guard joined the meeting at 9:51 a.m.

SIU ALASKA CORPORATION REPORT

1. Glacier Fish Company

John Eckels gave the Siu Alaska Corporation Report.

John gave an update on Glacier Fish Company, Glacier Bay Fisheries, and Bering Fisheries. John mentioned Siu is looking at three promising deals to be worked out in the next few months. Joe Garnie asked about the Wells Fargo Financing and our ownership in Bering Fisheries. John noted the ownership percentages. Joe asked if we were working to purchase the land leased to Bering Fisheries. Unalaska Corporation generally does not sell their land. John stated that this is a twenty year lease with a twenty year renewal option. William Johnson spoke to the fines for raw sewage of some seafood companies operating. Joe Garnie asked about the dock, the price we pay for deliveries, and the possibility to increase the size of the dock. John noted the dock has been repaired. To lengthen it would cost more than Bering Fisheries can spend right now, in their first year of operation. There was discussion about the price paid for crab, whether Bering Fisheries pays more because of dock issues or if it is just for better quality. Chairman Harrelson asked what work needs to be done to the plant to increase production. Economically, it makes sense to install a cod fillet line. There was discussion about increasing crab processing capacity. The only crab available to Bering Fisheries is CDQ crab, so the amount of crab to process is limited. Chairman Harrelson stressed the need to get more people working in the plant. John stated there is very much a will of all of our partners to provide employment. There was discussion about ways to get more Norton Sound residents working. Some ideas were to send

people in pairs and provide a two week on/two week off schedule. Dean Peterson brought up the issues with applying online and the need for paper applications to be made available.

Frank Doty joined the meeting at 10:00 a.m.

MANAGERS' REPORTS

1. Quota Management-Joel Cladouhos

Joel Cladouhos gave the quota management report. Chairman Harrelson asked if the timing of when our CDQ crab is harvested affects our price. Joel stated we have a set royalty rate. On the F/V Pacific Star, Eugene Asicksik asked if this contract would continue and the possibility to move over to Glacier Bay. John Eckels informed the board on the high grading of the crab, and the desire to get larger crab. John informed the board on the base ex-vessels values.

A break was taken at 10:38 a.m. The meeting reconvened at 10:50 a.m.

2. Southern and Northern NSSP

a. Reese Huhta

Reese Huhta gave the Southern NSSP Report. He thanked the board for their support of our processors, employees, and fishermen and welcomed the board to Unalakleet.

Eugene Asicksik made a motion to have NSEDC request from the Coast Guard to see what kind of exemptions we could get for our salmon fishermen. Instead of having submersion suits that it be okay to have life jackets, instead of requiring EPERBS that it be okay to have individual locator beacons and just whatever we can do to make it easier for our salmon fishermen and crab fishermen. The other part is if they could use a different type of inspector, like the VPSO's or troopers. Wilfred Katcheak seconded the motion.

Chairman Harrelson voiced his concern about NSEDC asking for an exception on safety equipment, if we were to lose one of our fishermen. He stated we could possibly purchase and make available the safety equipment for our fishermen to participate, and train someone locally to inspect the life rafts for our fleet. There was discussion about liability, which organization would be most appropriate to request an exemption, and what equipment needs to be onboard a vessel for safety purposes. Reese Huhta brought up the summary of the staff meeting with the Coast Guard and some of the alternatives. He stressed that it would be good to know now what is going to be required so NSSP can start ordering the gear necessary. Chairman Harrelson stressed the need to share new information at fishermen's meetings. Eugene noted the U.S. Coast Guard needs some kind of request in order to act on this issue. The U.S. Coast Guard was given an opportunity to clarify what they need and what our request would mean. Chairman Harrelson shared NSEDC's concern regarding fishermen safety and liability should NSEDC request this exception. The U.S. Coast Guard Personnel stated the letter must come from a regional organization because the exemption is for a class of boats not an individual boat. If there was an accident, the individual fisherman would be responsible, not NSEDC. Two ways NSEDC would be shielded from liability is that a letter would be provided to vessel owners, not to NSEDC, and from the Coast Guard, not NSEDC, specifying what the exemptions are. This puts accountability on the vessel owners. The Coast Guard is not tying those individuals into an organization. The letter will clearly state that failure to comply the conditions of the exemption nullifies the exemption for that vessel and they'll be held to compliance with regulations in their entirety. Don Stiles asked if an association could submit this exception request. Kyan Olanna

stated that the legal risk to NSEDC for filing an exception request was minimal. There was discussion about fishing vessel inspections, who would be administering them, and which regulations would still need to be met. Frank Oxereok asked if these regulations apply to subsistence gathering. The U.S. Coast Guard recognizes that subsistence fishing is non-commercial activity, but those vessels are required to have life jackets and a couple of flares.

The motion passed.

Chairman Harrelson directed Reese to include in his budget, the purchase of the necessary equipment to enable our fishermen to be compliant with the new regulations. Don noted the need to do something with the Hawaka. Chairman Harrelson asked if he could use this vessel. Reese stated we do not use this vessel in our salmon operation.

Don Stiles made a motion to put up the F/V Hawaka up for sale. Wilfred Katcheak seconded the motion.

Eugene asked the amount paid for the vessel, which was \$50,000.00.

The motion passed.

b. Rich Ferry

Rich Ferry gave the Northern NSSP Report.

Chairman Harrelson asked for the product type of our halibut harvest in Nome. Rich told him they were filleted. There was discussion about bait, plant modifications, how long crab can survive in holding tanks and tender vessel updates.

Wes Jones joined the meeting at 12:57 p.m.

A lunch break was taken at 11:44 until 1:00 p.m. The meeting reconvened at 1:00 p.m.

3. Written Report

Chairman Harrelson noted the written reports and asked if there were any questions of the managers.

a. Community Benefits Department-Paul Ivanoff

William Johnson asked how much would be available for the regional OEF. This is normally decided at the December budget meetings. Paul Ivanoff III noted we have some OEF applications asking for more than \$100,000.00. Paul gave an update on the Small Business Initiative awards. Eugene Asicksik asked about the seventh finalist and if they were notified, prior to the interviews, why they weren't being considered. Paul Ivanoff III clarified that she was notified. She was unable to obtain land for the equipment she planned to purchase with the SBI funds. She was encouraged to apply again next year.

Paul Ivanoff provided information on the Alaska Center for Energy and Power (ACEP). Chairman Harrelson summarized events since the original wind to thermal project and asked Paul to cover the recent activity. Paul reported that ACEP is willing to provide a free analysis of either of a wind to thermal or wind to hot water heater system to see if it would be feasible to proceed with one of those projects. Paul will provide a report to the board upon their completion. Eugene Asicksik asked about the replacement for Roy Ashenfelter. Paul Ivanoff

stated the recruitment process has been started. He and Galsy Ashenfelter are covering that positions responsibilities for now.

b. EET Department-Jerry Ivanoff

Eugene Asicksik asked if Jerry received any feedback from Peter Jackson and Bana Katchatag, two workers at the Bering Fisheries plant. Jerry told him that he had not heard from the two, but from Terry Abarro, who was quite pleased with their performance. Eugene noted the benefit in sending processors in pairs. Chairman Harrelson asked about the Westward Seafood recruitment trip to Nome and requested they provide earlier and better notification next time.

c. HR Department-Tiffany Martinson

There were no questions for Tiffany Martinson.

d. NSFR&D-Charlie Lean

William Johnson spoke to the process to increase the quota of the trout fishery on the Unalakleet River. Charlie Lean stated that this was a several month project.

COMMITTEE REPORTS

1. Executive Committee Report

Chairman Harrelson gave the NSEDC Executive Committee Report.

Wilfred Katcheak asked if the crab quota, which the committee recommended buying, was for harvest on the Aleutian No 1. John Eckels explained the harvesting plan. Joe Garnie asked if the crab IFQ was purchased by A1 or Siu and for clarification on the purchase by NSEDC. John explained the quota was being sold by Aleutian No 1. Chairman Harrelson noted that NSEDC will be receiving a royalty from the crab IFQ. William Johnson added that having the crab IFQ with NSEDC, and not through Siu, made more sense due to the tax consequences. Janis Ivanoff noted that the purchase price was for the amount that the Aleutian No 1 paid for the crab IFQ and that the commission that as included just represents the commission they paid their broker.

Dean Peterson made a motion to approve the NSEDC Executive Committee Report of October 31, 2011 and all its recommendations. Frank Oxereok seconded the motion.

Janis pointed out the executive committee recommendation from the October 21, 2011 meeting in regards to the tender vessels. Eugene did not feel this issue was included in Dean's motion.

The motion passed.

Chairman Harrelson gave the report on the NSEDC Executive Committee Meeting of October 21, 2011. These minutes were not approved by the executive committee because the meeting was held in the 4th quarter.

Eugene Asicksik made a motion to approve the NSEDC Executive Committee Meeting of October 21, 2011 and its recommendations. William Johnson seconded the motion.

William Johnson felt the Board should go with staff recommendation. They've done the research and are looking to provide the best solutions. Elvina asked about the variety of vessels considered. Janis summarized some of the options and mentioned that copies of the presentation provided at the October 21 meeting are available. Chairman Harrelson asked about the cost of option B, as recommended by staff. For the two vessels, Simon Kinneen stated it would cost between \$1.2 to 1.5 million, depending on how they are finished. Some of the options are the

type of propulsion and the type of RSW System. Eugene asked what the biggest delay is in getting tender vessels to get to the fishing grounds in advance of the fishing openers. Reese Huhta stated there are four fishing districts and two tender vessels that are in constant rotation. The delay is in waiting for the tender to return from another district. His goal is to have a tender dedicated to each district, maximizing fishing opportunities in our region. Reese provided rationale behind the vessel options they recommended. There was discussion about the improved quality of the fish with RSW systems and the fact that they will free up ice in the communities. William asked if approving the recommendation is approving the amount right now, or will it be budgeted at our December Budget Meeting. Janis clarified that approval would allow staff to move forward with the sled, to continue looking for a LCM that would fit our needs, and hopefully have numbers available at the December meeting. Chairman Harrelson asked if the vessels would be in operation this summer. Reese stated the builds are time sensitive. The vessels they have reviewed so far are ones that can be available by summer 2012. William asked if we have enough trained personnel and suggested identifying Norton Sound residents to man the vessels. Reese stated that we will need to get additional tender vessel captains and will have to assist in getting their skipper's licenses. Eugene talked about the current RSW barge, the actual cost of the new tenders and the amount of money NSEDC is spending on tender vessel operations. Another option, he would like to consider is to start building shore based plants. He said, by supporting this motion, you can see the tenders will benefit the fishermen but ultimately the benefits will be in Nome and Unalakleet. He wants to provide more economic development in the communities. William described the work to get the Koyuk, Elim and Golovin fisheries going strong again. He feels we have to show we have enough fish to support more shore based plants. There is a budget for the floating processor and the Glacier Bay is being considered to come up this year. He said we can't leave quota on the table in the next couple of years, we can spend \$1 or \$2 million now to gain and keep these fisheries going and prove that we can support them rather than spend \$20 million on a plant and learn we don't have enough fish to go through it. Eugene was looking at ways to benefit non-fishermen. Oscar said the tender expenses have gone up but we are benefitting a lot more fishermen. There was discussion about non-fisheries related benefits provided by NSEDC. Dean said residents from non-fishing communities can work on the tender vessels and yes we spend a lot on the Norton Sound fisheries but it is money going into the communities.

The motion passed with Eugene Asicksik opposing.

A break was taken at 1:51 p.m. The meeting reconvened at 1:59 p.m.

Eugene Asicksik felt NSEDC should set up policies for tendering fish and then expand out to hauling personal freight. The policies should address what freight gets priority and what happens in the case of damaged freight. He noted the shipment of gravel to Gambell at no cost and stated if we are going to spend \$1.2 million and pay our captains \$300.00 per day, we should get some recovery. Janis noted we do have a plan in place for our tenders. Freight gets moved when a tender vessel is already going to one of our member communities. Recipients of our services are required to sign a waiver of liability. Elvina Naranjo noted Koyuk received assistance in putting their channel buoys in place. William Johnson stated we may move a washer, dryer, or couch, with no charge for our elders if we are going to a community already, and have room. Eugene stated, if we have a policy in place, he would like to see it and have it provided to the fishermen.

Dean Peterson made a motion to name the new tender vessel the F/V Paul C. Johnson. Don Stiles seconded the motion.

William Johnson suggested if we get an additional tender vessel, we name it F/V Dan Takak.

The motion passed.

After the vote, Joe Garnie noted some of our member communities don't have a tender vessel handy when they need it. Janis stated we will make a better effort to service Wales, Teller, and Brevig Mission, as Eugene pointed out that we have non-fishery communities.

2. Rules & Bylaws Committee Report

Chairman Stiles gave the NSEDC Rules and Bylaws Committee Report. Kyan Olanna was given the floor to present the recommended rules and bylaws changes. Kyan noted the bylaws amendments need a two thirds vote of the board. Regarding removal of a board member, William asked about the "failure to disclose a conflict". There was discussion about the seriousness of conflict, the knowledge of omitting it, and what percentage vote would be required to remove a director. Kyan suggested adding "based upon a two thirds majority vote" to the language. There was discussion about whether or not the executive committee could remove a director. This language would require the full Board to act, not the executive committee. William asked for clarification on a board member's eligibility for employment with NSEDC. The new section of the bylaws prohibits applying for or holding a full time position. There was discussion about what qualifies as a full time position. Eugene Asicksik noted the officers of the board and corporate officers and asked Kyan to confirm that a non-profit organization can have these. Kyan did confirm the officers are in line with Alaska Statutes and she checked on Eugene's previous question regarding filing the Bylaws with the State, NSEDC is not required to file them. Frank Oxereok asked how often the bylaws are updated. Kyan stated the bylaws are reviewed annually. Regarding the list of higher requirements for director candidates, Kyan stated that no action is required today. The list is for review and discussion. William noted the motion made in the rules and bylaws committee. Kyan clarified the changes recommended by the committee were the tabbed changes she went over.

Don Stiles read the motion made by the Rules and Bylaws Committee and noted the requirement for 2/3 approval by the board.

Don Stiles moved for approval of the changes to the Bylaws and the NSEDC Board of Directors/ Officers Rules, and Regulations Policy Manual as presented and discussed. Eugene Asicksik seconded the motion. A roll call vote was requested with fourteen yes votes and one absent. The motion passed.

A break was taken at 2:50 p.m. The meeting reconvened at 3:00 p.m.

3. Scholarship Committee Report

Chairman Joe gave the NSEDC Scholarship Committee Report.

4. Nssp Working Group

Chairman Takak gave the Nssp Working Group Report.

5. Fisheries Development Committee Report

Chairman Takak gave the NSEDC Fisheries Development Committee Report.

6. Finance Committee Report

Chairman Harrelson gave the NSEDC Finance Committee Report.

Don Stiles made a motion to adopt the recommendations of the NSEDC Finance Committee Meeting. Oscar Takak seconded the motion. The motion passed.

1. Compensation Committee

Chairman Harrelson gave the NSEDC Compensation Committee Report.

Eugene made a motion to approve the recommendation of the NSEDC Compensation Committee. Frank Oxereok seconded the motion. The motion passed.

Eugene asked for clarification on Orville Ahkinga's absence at this meeting. Janis noted that she did inform Jerry that Orville is excused.

OLD BUSINESS

1. Litigation Update-executive session

Elvina Naranjo made a motion to go into executive session at 3:30 p.m. to go over the litigation update. Oscar Takak seconded the motion. The motion passed.

William Johnson made a motion to return to regular session at 4:19 p.m. Oscar Takak seconded the motion. The motion passed.

Joe Garnie asked why employees were present during this executive session. Kyan Olanna noted that due to the nature of the lawsuits it has been necessary to provide information about them to employees and that similar updates and directions have been provided to employees.

2. Non-Chinook Salmon Bycatch

This issue was postponed until tomorrow morning.

NEW BUSINESS

1. 2011 Community Benefit Share (CBS)

Simon went over the spreadsheet provided. William asked if there is policy requiring the CBS to go to the cities. Janis noted that the Cities represent the entire community and we work closely with them. Frank Oxereok asked if this Community Benefit Share (CBS) would continue to grow. Janis Ivanoff noted it is capped at \$100,000.00 but the fund is not capped. Eugene noted the account is at \$1.6 million and asked what determines how that account is funded. He thought the account should be growing. Janis noted no funds have been taken out of or put into the account. The past four years the CBS has come out of the operating fund. There was discussion about NSEDC's investment structure. Chairman Harrelson asked if, instead of using a portion of our Siu distributions, since we have gained more quota through Siu, could we use a portion of our royalties and put that into the CBS. Janis confirmed that was discussed at the 2009 restructuring. So far, it has not been an issue because we have been able to use the operating fund to support NSEDC's different programs. Chairman Harrelson confirmed the amount of the CBS is not based on a percentage of that fund. Eugene asked where the Outside Entity Funding comes from. Simon explained the process, where the OEF and the Community Benefit Share normally would come from Siu Alaska Corporation Distributions. He noted these two programs have come from the operating budget, as we have not received a distribution from Siu Alaska Corporation. Don noted our communities have come to rely on the Community Benefit Share.

Don Stiles made a motion to give our member communities \$100,000.00 for the Community Benefit Share for 2011. Elvina Naranjo seconded the motion.

William Johnson would like to see the CBS share grow in the future and to have a portion of it dedicated to school activities. If funds are not dedicated through the CBS he would like something allocated to school activities during the budget process. Chairman Harrelson also noted the need to help our members with the high cost of electricity. Eugene noted that the municipal revenue share from the State of Alaska is being reduced. Eugene stated that the community benefit share can be spent on the discretion of our City Governments.

The motion passed.

2. CDQ Panel Rule

Janis Ivanoff went over the CDQ Panel Rule. There may be some language changes so she recommends not taking action on the version provided.

3. Gambell Community Energy Funding

Don Stiles made a motion to move forward with the Gambell electric meter base replacement project in the amount of \$460,019.25 with the funds coming out of the Community Energy Fund. William Johnson seconded the motion.

Chairman Harrelson asked if Gambell had or is going to get any other bids for the project.

The motion passed.

Janis went over the timelines of our meetings.

The meeting was recessed at 3:45 p.m. until 11:00 a.m. on November 3, 2011.

Paul Ivanoff III said the board is invited to tour the power plant at 10:00 am on the 3rd.

November 3, 2011 11:00 a.m.

Chairman Harrelson reconvened the meeting at 11:00 a.m. on November 3, 2011.

For the record, all the board members were present except Orville Ahkinga Jr., who was absent and excused. From the public, Loretta Bullard was present. Staff present were Janis Ivanoff, Simon Kinneen, Charlie Lean, Wes Jones, Joel Cladouhos, Paul Ivanoff III, Tyler Rhodes, Rich Ferry, Frank Doty, Reese Huhta, Rick Walicki, Kathy Wheelehan, Kyan Olanna, and Jerry Ivanoff. John Eckels of Siu Alaska Corporation was also present.

OLD BUSINESS

Non-chinook Salmon Bycatch

Chairman Harrelson introduced Loretta Bullard of Kawerak.

Janis Ivanoff shared written comments provided by Art Ivanoff, Chairman of the Southern Norton Sound Advisory Committee and by the Northern Norton Sound Advisory Committee.

Steve Ivanoff joined the meeting at 11:15 a.m.

Loretta Bullard of Kawerak was given the floor to share the position of the Kawerak Board of Directors. They too, are waiting for the new Environmental Impact Statement. She provided information Kawerak utilized to assist with their decision making process. Chairman Harrelson

asked if the goals stated in the correspondence were those of the Alaska Department of Fish and Game. Loretta requested that Kawerak, NSEDC, and other organizations get together to come up with a common position on this issue, sometime in November. She shared information on the commercial take of salmon in Area M and noted they planned to meet with AVCP on this same issue. Loretta voiced her appreciation of Charlie Lean with his attendance and contributions to their organization on this issue. Charlie Lean took the floor to address the origin of the various salmon stocks of the AYK Region. He noted we cannot make a distinction between salmon stocks, as the stocks intermingle. Charlie stated that all in western Alaska are in the same boat, when it comes to salmon interception. Don Stiles asked Kawerak about their position on the State of Alaska's ADF&G responsibility to address the diminishing salmon stocks. Chairman Harrelson concurred with the idea that our communities work together on a unified position. He mentioned the intercept of salmon by Area M. William recommended collaborating together, so we all are working with the same information to get to our unified position. Loretta noted the State of Alaska is spending monies on salaries and not rehabilitation of salmon stocks. Oscar Takak noted that Area M Fishery was small in the past, but, since 1979, Area M Fishermen took over 52 million chums, which he noted were not all bound for western Alaska. He mentioned the lawsuit by Elim, when the chum crashed in the early 1990's. Oscar noted we are owners of factory trawlers, but GFC's Salmon Bycatch is way down compared to the rest of the fleet. Oscar reiterated, if we are unified, we could have an impact. Dean Peterson stated we need to work for our unified position to get all involved on the same page to increase our collective power. Joe Garnie gave testimony on behalf of Teller on two different occasions, as NSEDC remained neutral. He mentioned the joint meeting with Teller and Brevig Mission on this issue. Joe stated the kings have basically gone extinct. He is concerned about his inability to eat a king salmon in a couple years, stated we have to take action, and noted at the rate of the decreasing stocks, it will hit all our communities. Chairman Harrelson noted our staff is working together more than in the past, but our board has not taken any formal position and like Kawerak, is awaiting the new impact statement. Chairman Harrelson asked Loretta if our villages are up to speed. Loretta informed him they have been trying to educate our villages on this issue. Frank Oxereok recommended NSEDC and Kawerak meet together to come up with common ground. William Johnson asked about the funding necessary to meet with the other organizations in our region. Chairman Harrelson noted that Loretta looks to the State of Alaska's lack of commitment to fix the problem of our salmon returns. Loretta surmised the State of Alaska does not honor their responsibility to rebuild our salmon stocks. She noted it would helpful to have more people addressing this issue, raising cain about it. Eugene Asicksik asked Loretta who works on this issue in Kawerak. Loretta clarified the concern of their biologist was aiming at the State of Alaska and not the NPFMC. Eugene asked Charlie Lean for clarification on the information provided about migration and return of salmon to their rivers. A discussion was held on the mixed stocks of salmon and the impact of Area M. With improvements made in genetic stock studies, we can tell that Area M intercepts salmon coming to the AYK Region, but the improvements do not yet allow for the identification of separate stocks within the region. Chairman Harrelson asked Charlie about the federal government's right to manage the fishery that addresses bycatch. Charlie noted the Area M Fishery has been there for a hundred years and the harvesting periods are managed based on the time periods that have been grandfathered in, so it would take a unified effort. Steve Ivanoff commented that we need our CDQ Groups to assist with the salmon interception of this hundred year fishery. We need to support salmon enhancement at the ADF&G Board Level. Loretta brought up that 100 people received three

permits, but now we have 300 different permit holders in Area M. Eugene noted the State of Alaska cut back to one ADF&G Fishery Biologist for Kotzebue and Norton Sound. Eugene and Janis Ivanoff attended an ADF&G meeting for our salmon disaster, where the Norton Sound region was able to get \$15,000,000.00 for projects. Eugene noted we need to work with the legislature to have personnel in our area to address these issues. Since 1989, Eugene stated we tried to do everything by ourselves without any state assistance. Eugene stated we may need to try a different approach to this problem. Oscar brought up the fact that Area M Fishermen received three permits, set net, drift net, and purse seiners. The set netters caught less salmon than the other two fisheries. Loretta noted that Area M Fishermen were receiving \$250,000.00 a year while our fishermen made \$3,500.00. Charlie gave a historical overview of ADF&G in Norton Sound with commercial, subsistence, and sport fishing.

Don Stiles directed staff to look at this issue, look for state assistance, and put our money where our mouth is with salmon enhancements. He recommended that we work together to address the problems in our region. With our resources, NSEDC could address this issue, while reaching out to other organizations. Eugene noted the State of Alaska should also put their money where their mouth is in terms of the regional planning team and the state to do enhancement projects. William asked staff how we could move along a little faster on this. Janis noted the work of ADF&G on this. Chairman Harrelson directed staff to work with our other organizations to come up with a unified stance, and put money in our budget to address this. Steve felt that the information needs to come back to our fishermen in the region. Eugene noted the Kawerak Resolution and asked for an update.

PUBLIC COMMENTS

There were no public comments provided.

NSEDC CEO Janis Ivanoff went over the timeline of our remaining meetings.

The meeting was recessed at 12:03 p.m. until tomorrow at 9:00 a.m.

November 4, 2011

Chairman Dan Harrelson reconvened the meeting at 9:02 a.m. and turned the floor over to Siu Alaska Corporation President and CEO John Eckels for the Siu Alaska Corporation Annual Meeting of the Shareholder. This meeting was held. The Siu at-large seats were filled by Neal Foster and Harvey Sookiayak. The NSEDC-affiliated seat was filled by Don Stiles. The seat made vacant with the passing of director Paul Johnson will be advertised and filled at NSEDC's December meeting.

Chairman Harrelson reconvened the NSEDC 2011 Third Quarter Board Meeting at 9:33 a.m.

BOARD COMMENTS

- Oscar Takak, Elvina Naranjo, Dean Peterson, Victor Joe, and Truman Kava had no comment.
- Walter Seetot stated it was nice to work with Frank Oxereok on the NSEDC Board of Directors and the NSEDC Scholarship Committee.
- Wilfred Katcheak commented that at this time next year, he would like to see our net worth at \$200 million.

- Frank Oxereok said it was an honor to serve with the board, wished them success, and don't forget where we come from. Follow the policies and rules & bylaws. Good luck and continued success.
- Eugene Asicksik thanked Frank Oxereok for his time of service on the board. He voiced his concern on the changing of the bylaws and articles, and he told that they would not be used right away and recorded. He would like an explanation, as we spent funds meeting in Nome and Unalakleet with attorney fees. They were approved. Janis Ivanoff stated that the board approved the change in the bylaws, and noted the only change in the bylaws was concerning director qualification, but the rest of the bylaws stayed the same with no loss time. Kyan clarified the requirements with the bylaws not having to be recorded by the State of Alaska. Eugene asked for clarification on the future NSEDC Board Candidates. Janis clarified that this issue will go back to the NSEDC Bylaws Committee for review and come back to the full board.
- Frank Oxereok thanked Jerry and wished continued success for the scholarship committee. He thanked Janis and Kyan and all the staff, as they made it easy to sit on the board.
- Joel James wondered on our method of communication if we had a national emergency.
- Don Stiles thanked the staff for all their hard work. We had a very successful commercial fishing season, which provided a lot of money to the region. He hoped this will continue next year. Behind every successful team is a pack of leaders. NSEDC is a successful team and we need to stick together. Thank you all for your good service.
- William Johnson thanked Frank Oxereok for his time and service, with knowledgeable opinions. He thanked the board and staff for their hard work. If we have \$200 million next year, he would like to spend \$5 million more in our region.
- Dan Harrelson thanked Frank Oxereok and the entire board for making NSEDC a better company and putting money in our people's pocket. He thanked staff and stated we have a good team.
- Orville Ahkinga thanked Frank Oxereok for serving on the board, and it is hard for him to travel leaving Little Diomed.

ADJOURNMENT

Frank Oxereok made a motion to adjourn the NSEDC 2011 Third Quarter Board Meeting at 9:45 a.m. on November 4, 2011. Victor Joe seconded the motion. The motion passed

Dan Harrelson, NSEDC Chairman

Jerry Ivanoff, NSEDC Corporate Secretary

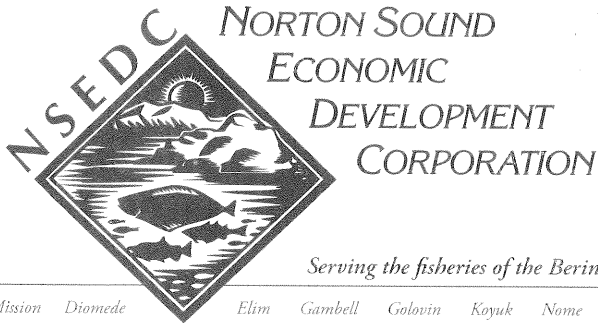
Date

ATTACHMENT 2

Special Board of Director's Meeting Minutes

December 5-8, 2011

Anchorage, Alaska



FILE COPY

Serving the fisheries of the Bering Strait Region

Brevig Mission Diomedé

Elim

Gambell

Golovin

Koyuk

Nome

Saint Michael

Savoonga

Shaktolik

Stebbins

Teller

Unalakleet

Wales

White Mountain

**Norton Sound Economic Development Corporation
Special Board of Directors Meeting
Westmark Hotel-Penthouse
December 5, 6, 7, & 8, 2011
9:00 a.m.**

CALL TO ORDER

On December 6, 2011, Chairman Harrelson called the NSED C Special Board Meeting to order at 9:03 a.m. The meeting was delayed due to weather.

ROLL CALL

Present at the meeting were Dan Harrelson, Don Stiles (video teleconference), Dean Peterson, Eugene Asicksik, Joe Garnie, Truman Kava, Lucy Kitchen, William Johnson, Joel James, Elvina Naranjo, Wilfred Katcheak, Victor Joe, and Oscar Takak Sr. Absent and excused were Walter Seetot and Orville Ahkinga Jr. Staff present for all or portions of the meeting were Janis Ivanoff, Simon Kinneen, Rick Walicki, Reese Huhta, Rich Ferry, Paul Ivanoff III, Kyan Olanna, Tyler Rhodes, Kathy Wheelehan, Charlie Lean, Joel Cladouhos, and Jerry Ivanoff.

INVOCATION

Oscar Takak gave the invocation.

APPROVAL OF AGENDA

Elvina Naranjo made a motion to approve the agenda. Dean Peterson seconded the motion.

Eugene Asicksik asked if we would approve the NSED C Budget of 2012 after the executive session. Chairman Harrelson told him that was so.

The motion passed.

WAIVER OF APPROVAL OF MINUTES

1. November 3 & 4, 2011

Oscar Takak made a motion for the waiver of approval of minutes of November 3 & 4, 2011. Eugene Asicksik seconded the motion. The motion passed.

Joel James walked in at 9:08 a.m.

NEW BUSINESS

1. 2012 NSED C Budgets-executive session

Eugene Asicksik made a motion to go into executive session to go over the budgets at 9:06 a.m. on December 6, 2011. Dean Peterson seconded the motion. The motion passed.

- a. Southern Nssp-Reese Huhta**
- b. Northern Nssp-Rich Ferry**
- c. Tender Vessels-Reese Huhta/Rich Ferry**

- d. **Education, Employment & Training-Jerry Ivanoff**
- e. **Quota Management-Joel Cladouhos**

The meeting was recessed at 4:45 p.m.

December 7, 2011

The meeting reconvened at 9:05 a.m. The board was still in executive session. For the record, all the board members were present except Walter Seetot and Orville Ahkinga Jr. Don Stiles was present via video teleconference.

- f. **Community Benefits-Paul Ivanoff III**
- g. **NSFR&D- Charlie Lean**
- h. **Revolving Loan-Janis Ivanoff/Rick Walicki**
- i. **Administration-Janis Ivanoff/Rick Walicki**

Elvina Naranjo made a motion to return to regular session at 3:34 p.m. on December 7, 2011. Victor Joe seconded the motion. The motion passed.

William Johnson made a motion to approve the NSEDC 2012 Budgets as presented, discussed and amended in executive session. Oscar Takak seconded the motion.

Under discussion, William Johnson requested a clean copy of the budget with the changes. Eugene Asicksik asked when we would hear on the results of the pollock royalty negotiations and whether the 20 year anniversary was budgeted for.

The motion passed unanimously.

The meeting was recessed at 3:37 p.m. until 10:00 a.m. December 8, 2011.

The meeting reconvened at 10:02 a.m. on December 8, 2011.

SIU ALASKA CORPORATION SHAREHOLDER MEETING

1. Election of Non-affiliated Seat

Chairman Harrelson turned the floor over to John Eckels for the Siu Alaska Corporation Shareholder meeting. The Siu at-large seat was filled by Steve Ivanoff. Steve will serve the remainder of Paul Johnson's class A seat, ending November 2012. John also provided the board with an update on Glacier Fish Company.

NSEDC Special Board Meeting-December 6-8, 2011

Chairman Harrelson went on to the tender vessels on the agenda. Simon Kinneen handed out information on the update of this project.

TENDER VESSELS

1. Sled Update

Reese Huhta gave a slideshow presentation which included an update on the purchase of the "Sled" and the proposed purchase of the LCM Vision One.

Reese reminded the board on their direction on this issue, which included that the board had previously approved the purchase of the "Sled" and to bring back options for the purchase of an LCM. There were several questions and discussion regarding the plans for the "Sled." Dean Peterson voiced his concern about the jet propulsion his preference for propellers, also noting the width of the vessel and suggested sponsoring it to add stability. William Johnson questioned the jet propulsion for use in Golovin Bay and Norton Bay, where eel grass may cause problems. Reese spoke to the existing plans and noted the additional cost and time associated with putting props on this vessel. Eugene Asicksik asked if this vessel

was used as a prototype, and speculated that the Navy just planned for it to be used as a single-use, disposable vessel. William Johnson asked if this vessel was double-hulled; Reese believed it was but couldn't confirm. William Johnson asked for the engineering report on its capacity. Reese stated the shipyard engineer said the vessel would transport 60,000 pounds. William asked about fuel consumption with jets; Reese noted the vessel was expected to be similar to the Egavik in fuel consumption when moderately loaded, but would burn more fuel when heavily loaded. Simon noted they have been reviewing options such as sponsoning and the use of props vs. jets, but they have not finalized the plans. He also noted staff were giving consideration to the 1.2 to 1.5 million dollar range previously discussed with the Board and were working to stay within that.. Dean Peterson liked the idea to put John Deeres on this vessel. Eugene voiced his concern with the size of this aluminum fearing cracking in the vessel, noting his aluminum vessel and losing two crab seasons because of those problems. Simon noted that Greg is looking at the vessel for us along with the engineers, and these concerns would be examined. Chairman Harrelson would like to see an impartial engineer to evaluate this vessel. Don Stiles liked this vessel and supported the work of staff. He questioned the hydraulics and other components of this vessel, and if it was included in the package. Reese recited the full list of components to be included with the vessel, including safety equipment and a small crane. Eugene Asicksik asked where the fuel tanks are, Reese responded they are below the house. Don Stiles asked if this vessel would be widened, and Dan Harrelson asked if this vessel would be jet propelled. Reese confirmed the existing plans called for this. Eugene noted the addition of the engines and fuel would add ten tons to the weight in the back of the vessel. Eugene noted this boat was designed to ride on top the water and not in the water. Don Stiles voiced his comfort with this vessel and wished to move forward. Reese noted he will move forward with additional reviews of the vessel.

2. LCM-Vision One

Chairman Harrelson went on to the LCM-Vision One.

Reese Huhta presented the LCM-Vision One with all its specifications. A purchase agreement with \$5,000 earnest money has been entered into in order to hold the vessel. Reese informed the board of the proposed modifications of this vessel. One major decision point was whether to leave the engines as is, to add a third mechanical engine, or to repower with newer John Deeres as done with the Egavik. The estimated price to finish the vessel with modifications as presented was \$490,000 with no engine modification, \$540,000 with the addition of a third engine, or \$620,000 to repower with new John Deeres. Don Stiles asked about the propulsion, Reese replied the vessel is shaft and propeller driven. Don felt it was a good deal with only five hundred hours on the motors. Don asked if we would sell the motors on the market, if we replaced them. Reese passed on the estimate from one of NSEDC's vendors that the engines would sell for approximately \$6,000 apiece. Eugene asked what year this vessel was built, and Reese informed him it was built in 2001. Don Stiles asked about the hydraulics on the vessel and how the ramp was powered. Reese stated it has hydraulically driven motors to power the ramp. Reese did not know if it had a stern anchor, but that NSSP has a spare one.

William Johnson made a motion to move forward with the purchase of the LCM Vision One with a cap cost of \$620,000.00 to include repowering. Oscar Takak seconded the motion.

Dean Peterson would like to explore the options and would like to start on this sooner than later. Don Stiles commented on the vessel's demonstrated ability to haul 100,000 pounds. There were questions about the timing of the purchase; Reese noted staff would have to let the owners know if the company was going to buy the vessel by December 30, 2011.

The motion passed with Eugene Asicksik opposing.

A break was taken at 11:20 a.m. The meeting reconvened at 11:31 a.m.

Chairman Harrelson addressed Tim Smith's recent letters to the Nome Nugget, along with the NSEDC response that had been submitted. Chairman Harrelson provided a handout to the board that addressed Smith's most recent inaccurate claims. Eugene Asiicksik asked about the policy on who speaks for our corporation, our chairman or Tyler Rhodes. Chairman Harrelson noted Tyler Rhodes and Janis Ivanoff worked on this together and that he typically reviews statements.

Chairman Harrelson noted two letters had been received regarding the representation of Teller on the NSEDC Board and distributed those letters to the Board. Chairman Harrelson noted stated the he felt NSEDC was responsive to the prior letters and asked if legal counsel had anything to add to this issue.

Don Stiles asked if there was anything after this on the agenda and excused himself from the meeting.

Kyan Olanna stated the importance of responding to these concerns and asked for direction on correspondence received from the City of Teller; specifically if there was any objection from Dan, Joe, or the rest of the Board to providing the City with the documents it requested in the letter. William Johnson recommended cc'ing the Teller City Council Members in her response. Kyan stated since there was no objection the requested documents would be provided. Chairman Harrelson noted all our board members have a voice on this board. Kyan noted no board member has been excluded from any meetings and only absences were due to board members who were absent for personal reasons or for recusals due to conflicts of interests. Kyan also noted she was not aware of any request from Teller that had been denied in the last several years. Kyan stated she was not aware of any actions taken against Teller and asked Joe if he could provide more information on this as the mayor of the City and as Teller's representative. Joe noted he had received a letter asking him to resign. Kyan stated the letter only called for resignation if Joe was unable to resolve the conflict of interest that was created by the December 2010 letters which threatened to sue NSEDC. Kyan informed the board a board member could sue the organization per Alaska State Law, but only if they disclosed the basis for that lawsuit. Since Joe dropped this threat, the conflict had been considered to be resolved as stated in the May letter. Chairman Harrelson noted the two letters received were not on behalf of Joe Garnie, but on behalf of the City of Teller.

Chairman Harrelson complimented the staff on the clear budgets and was impressed with the tender vessels. He commended Janis Ivanoff, Reese Huhta, and Simon Kinneen for their good work.

ADJOURNMENT

Elvina Naranjo made a motion to adjourn the NSEDC Special Board Meeting at 11:45 a.m. on December 8, 2011. Victor Joe seconded the motion. The motion passed.

Dan Harrelson, NSEDC Board Chairman

Jerry Ivanoff, NSEDC Corporate Secretary

Date