

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

2011 Annual Report



BREVIG MISSION › DIOMEDE › ELIM › GAMBELL
GOLOVIN › KOYUK › NOME › SAVOONGA
SHAKTOOLIK › ST. MICHAEL › STEBBINS › TELLER
UNALAKLEET › WALES › WHITE MOUNTAIN

A GLANCE BACK...

Message From the Chairman

The year 2011 marked the 20th anniversary of the Community Development Quota (CDQ) program's existence. It is remarkable to see how far NSEDC has come over the past two decades and the amount of benefit it has brought the communities and residents of the Norton Sound region.

Reaching this milestone gives us reason to pause and look back on all that our region has accomplished through the CDQ program. NSEDC would not be where it is at today without the participation, work and input of its member community residents. I offer my gratitude to NSEDC's board and committee members, both current and past, along with all who have worked as administrative staff. Your efforts have developed the board's visions into a stable and thriving organization that serves our region and its needs.

Two individuals, in particular, deserve recognition for their service to NSEDC. From the very beginning of NSEDC, Victor Joe has served as St. Michael's representative to the board while Jerry Ivanoff has directed NSEDC's education, employment and training efforts. These two gentlemen have my sincere thanks for the 20 years they have given to NSEDC, their communities and the region.

I would also like to thank the many others who have contributed to NSEDC, whether you have given your time and energy as a fisherman, worked as an employee in our seafood operations or another NSEDC program, served as a liaison, or simply contributed your input and suggestions over the years. By working together, we have taken NSEDC to a level of service and success that would have been hard to imagine at the outset.

Recognition must also be given to our Bering Sea harvesting partners.

From the very beginning, NSEDC has worked with Glacier Fish Company for the harvest of many of its allocations. The relationship between Glacier and NSEDC has grown over the years as NSEDC invested to become a partner in the operation. NSEDC has also enjoyed its work with its more recent partners, such as the captains and co-owners of the crabbing vessel *Aleutian No. 1*.

And we must not forget our partnerships and relationships with our counterparts in the CDQ program: APICDA, BBEDC, CBSFA, CVRF and YDFDA. The strides made by the CDQ program are the combined result of each group's efforts and successes.

20 years of progress

While it would require a much longer report to list all the positive contributions NSEDC has made to the region over the last two decades, I would like to mention a few of the highlights.

Perhaps nowhere has NSEDC's impact been greater than in the development of our regional commercial fisheries. By investing millions to create a regional infrastructure of seafood plants, buying stations and tender vessels, NSEDC and Norton Sound Seafood Products have witnessed significant growth over the last 20 years, both in the number of participating resident fishermen and the payments they receive.

NSEDC's generous loan program has permitted hundreds of resident fishermen to get the gear, permits and vessels that have allowed them to benefit from the resource just outside their doors. In turn, the salmon, halibut and crab delivered by fishermen have provided hundreds of jobs related to NSEDC's seafood plants and tendering operations.

NSEDC has also heavily invested in the education and training of its member community residents. Since 1992,



NSEDC has provided more than \$5 million in scholarships for Norton Sound residents as they pursue careers in everything from dentistry to aviation. NSEDC's training programs have led residents to jobs, helped fishermen work more safely, and enriched cultural and community ties in our region. This popular program has directly benefited the lives of thousands in our region.

Both on its own and in partnerships with local and regional organizations, NSEDC has contributed significantly to the research and management of the region's fisheries. NSEDC established several counting projects where there previously were none, giving residents and managers a firm understanding of the number of salmon returning to local rivers.

NSEDC has also engaged in fishery enhancement projects such as the incubation and planting of salmon eggs in several area rivers, and the fertilization of Salmon Lake for sockeye salmon. NSEDC has also funded and supported independent enhancement projects. NSEDC has aided several research projects covering everything from red king crab to environmental baseline studies of local streams and rivers.

Over the years NSEDC has worked hand-in-hand with its member communities to address their particular

AS NSEDC LOOKS FORWARD



needs and challenges. Programs like the Community Benefit Share, Outside Entity Funding and Community Energy Fund all allow a community's residents to apply NSEDC's resources to their most critical needs. These sources of funding have provided essential infrastructure and programs in all of NSEDC's member communities, whether it has been gear and support for search and rescue teams, a new community building, teen center or elders' meal programs.

NSEDC's ability to offer its wide range of programs and benefits over the past two decades is largely the result of its success in its distant Bering Sea operations and prudent financial management. NSEDC has benefitted from its partnerships with harvesters and has

branched out to gain more individual fishing quota holdings in addition to its CDQ allocations. Diverse fishing assets ensure NSEDC's ability to fund its programs and operations as market and stock conditions fluctuate.

NSEDC is proud of its past efforts upon which we build our operations and programs for the future. The pages ahead detail NSEDC's continuing efforts to provide benefits and opportunities in our member communities. Much of our work in 2011 centered around maintaining and improving our programs that have served residents for years, such as scholarships, fishery enhancement and development, community benefits programs, and commercial fishing support and operations. NSEDC is also working

on relatively new programs like the Community Energy Fund and Consolidated Bulk Fuel program which aim to reduce the cost of fuel and energy in our member communities.

We at NSEDC are excited as we start our next 20 years of service to the communities and residents of Norton Sound. Together we will continue to accomplish great things.

Warm regards,

Dan Harrelson,
Chairman of the Board

FISHERIES RESEARCH & DEVELOPMENT



From our very start, NSEDC has realized that efforts to support and enhance salmon returns to the rivers of our region needed to be an integral part of our mission.

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The Norton Sound Fisheries Research and Development Program (NSFR&D) seeks to maximize opportunities for both subsistence and commercial harvests through projects that integrate fisheries research with applied fisheries biology. NSFR&D's priority is to help maintain sustainable populations of the region's most heavily utilized species: king salmon, red salmon, and red king crab.

NSFR&D manages a number of projects that focus on increasing coho and chum salmon returns, support research and fisheries management activities, and pursue development of new fisheries within Norton Sound. In addition to efforts directed at these species, NSFR&D also administers environmentally oriented projects, such as its marine debris clean-up program and participation in watershed alliances.

The full-time NSFR&D staff consists of six employees divided equally between Nome and Unalakleet. During the peak of the summer field season, on average, there are an additional 35 seasonal employees distributed throughout the region in various projects. Often these summer employees are young adults examining careers in fishery- and biology-related fields.

Salmon restoration

Salmon fisheries, both subsistence and commercial, have been the backbone of the region's economy for the last century and well beyond. NSFR&D has focused its efforts to cover areas not addressed by the Alaska Department of Fish and Game's counting and enhancement programs.

NSFR&D's work with salmon stretches to nearly every corner of the Norton Sound region. Through a technique known as mist incubation, NSFR&D has worked to enhance coho and chum salmon runs in the Nome and Solomon areas for years. NSFR&D

Left: NSEDC Biologist Kevin Keith plants chum salmon eggs in the Nome River with NSFR&D Director Charlie Lean. NSEDC's mist incubation program collects salmon eggs, fertilizes and incubates them, and then plants them in a selected natural site to hatch.

2011 NSFR&D Projects	
Nome area	Nome River coho smolt; salmon mist incubation; Salmon Lake fertilization; Pilgrim River sockeye smolt; Pilgrim River adult salmon weir; Eldorado River adult salmon counting tower; Snake River adult salmon counting tower; marine debris cleanup; salmon stream water baseline.
Golovin	Salmon stream water baseline.
Shaktoolik	Shaktoolik River adult salmon sonar counter.
Unalakleet	Chinook salmon rehabilitation; North River adult salmon counting tower; Eastern Norton Sound crab studies; herring monitoring.
Koyuk	Iglutalik River adult salmon counting tower; marine debris cleanup.
Wales	Marine debris cleanup; Northern Communities Developing Fisheries test fishing.
Diomede	Marine debris cleanup; Northern Communities Developing Fisheries test fishing.
Teller	Northern Communities Developing Fisheries test fishing.
Brevig Mission	Northern Communities Developing Fisheries test fishing.

continued its groundwork in 2011 to apply the technique to Chinook salmon production. Part of this effort was to continue searching for appropriate sites to plant fertilized Chinook eggs and make the necessary preparations to apply for a permit from Fish and Game.

NSFR&D's other primary salmon enhancement work is based on Salmon Lake and the Pilgrim River. Over the past few years, NSFR&D has rekindled and refined the Salmon Lake fertilization program that aims to provide for stable sockeye salmon runs that meet the area's subsistence and escapement needs. It will take a number of years to reach this goal as the program works to counter the lasting effects of several boom-and-bust years in the system.

In addition to fertilizing the lake to provide food for the rearing salmon population, NSFR&D tracks the smolt as they migrate out of the lake and through the Pilgrim River. The number and, more importantly, the size of the smolt give an indication of what can be expected for future returns. The 2011 sockeye return to Salmon Lake was much improved over the past two years, and the size of the out-migrant smolt were near record size.

Numbers that really count

Along with its enhancement projects, NSFR&D operates a wide array of salmon counting projects throughout the region. These counting towers, weirs and sonar projects are vital to the region for a number of reasons. The most immediate and direct benefit residents gain from these efforts is the ability to maximize the use of salmon for subsistence and commercial fishing once the necessary escapement for future runs is assured. Counting fish doesn't directly create more salmon—but it does put more fish on residents' racks and more money in commercial fishermen's wallets. It also helps ensure we will have fish in the future.

NSFR&D added a new counting project in 2011 to the many it already operates. To address the salmon returns of Norton Bay, an overlooked corner of Norton Sound, NSFR&D initiated a counting tower on the Iglutalik River. The Iglutalik's Chinook and chum salmon runs were quite strong, indicating more potential for a commercial fishery than previously thought.

NSFR&D's Shaktoolik salmon counting sonar project was another highlight from 2011. The Alaska Legislature heard

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NORTON SOUND FISHERIES RESEARCH & DEVELOPMENT

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local testimony on the success of the project and granted pass-through money to fund eastern Norton Sound salmon management. In 2011 NSFR&D continued its ongoing counting projects on the North, Eldorado, Snake and Pilgrim rivers.

Red King Crab

NSFR&D's work with red king crab in 2011 occurred on the water, at meeting tables and in front of regulatory bodies. NSFR&D's persistent work in all these realms resulted in gains for fishermen and assurances that the resource is being sustainably managed—a true win-win situation.

As in past years, NSFR&D supported the Alaska Department of Fish and Game's triennial Norton Sound survey in the summer of 2011. Fish and Game conducts the trawl survey every three years to primarily reassess the Norton Sound red king crab population and to set the guideline harvest levels for the following three years. Recognizing Fish and Game's available funding limits the survey's geographical reach, NSFR&D again stepped up to fund the expansion of the project to include a greater portion of eastern and southern Norton Sound. Thanks to this funding, a significant concentration of crab was found in the expanded area. This provided assurances regarding the overall population's stability and ultimately helped preserve consistent harvest quotas for the region's fishermen.

NSFR&D's work with crab also came in the form of advocacy. Starting in 2011, all of the state's crab population models were updated. In the process, changes were made to how Norton Sound's red king crab population was estimated. The change in method resulted in a dramatically reduced population estimate. If a corresponding change to the harvest rules were not made, Norton Sound fishermen would have faced



Crews from NSFR&D and the NSEDC tender vessel Egavik unload a massive amount of debris collected in Little Diomed as part of the 2011 Clean Waters program.

severely reduced quotas even though the crab population had been steadily growing for years. Aided by the expanded survey results, NSFR&D biologists were able to successfully show that the population was not at risk of overharvest even if the new method produced an overall lower population estimate. This eventually led to rule changes that will keep harvest levels steady for fishermen as long as the population continues to maintain the stable trend it has shown for years.

NSFR&D again worked with Fish and Game to spur more research on Norton Sound red king crab. The North Pacific Research Board was impressed enough with the two entities' work to award a research grant allowing NSFR&D and

Fish and Game to jointly study crab. Work was slated to start in the spring of 2012 and will address crab distribution and migration as well as growth/recruitment rates. It was gratifying to hear the cooperative effort was seen as the aspect that gave the idea critical momentum to receive funding.

Educational outreach

NSFR&D also dedicates time and energy to encouraging the next generation going into fishery-related careers. This begins with visits to schools and classrooms. During 2011, NSFR&D biologists participated in the Nome Elementary School salmon-in-the-

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NORTON SOUND FISHERIES RESEARCH & DEVELOPMENT



NSFR&D Senior Crew Leader Jacob Ivanoff carries a full load to the boat during a smolt project on the Unalakleet River. The cooperative project between NSEDC and the Alaska Department of Fish and Game studied coho and Chinook salmon smolt abundance and habitat on the river system.

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classroom program. NSFR&D supplied fertilized salmon eggs for an incubator and made visits to speak on the life history of salmon and to conduct dissections of fish found in local streams. NSEDC biologists also have visited schools in member communities to discuss career paths in biology and fisheries science.

NSFR&D also offers learning opportunities that go beyond the classroom. NSFR&D recruits seasonal workers as they reach the age of 18, keeping an eye out for young adults who show interest in the field. NSFR&D biologists encourage these young adults to further their education and/or move into more senior positions. Two young women who had both spent four seasons working for NSFR&D recently gradu-

ated with science degrees and plan on careers in their fields. NSFR&D is proud to have played a role as these residents move toward exciting futures.

Fisheries development

NSFR&D also works to support the commercial fisheries in Norton Sound. In addition to research projects, like those conducted for crab, NSFR&D can at times directly assist with a fishery. Norton Sound herring fishermen were able to target sac roe herring for the second straight year in 2011 after the fishery lay dormant for several years. NSFR&D biologists flew aerial surveys to support the fleet in locating marketable herring, directing fishing and processing vessels to areas with prime quality fish. The 2011 roe quality set a state record. This fishery was once the most important commercial fishery in northwestern Alaska; each successful year of operation brings it closer to its former importance.



NSFR&D Director Charlie Lean leads Mr. Slingsby's and Mrs. Scherer's classes from Nome Elementary School to the site where they will release coho salmon smolt they raised in a classroom project. NSEDC provided the classroom projects with fertilized eggs to raise.



COMMUNITY BENEFITS

N SEDC's Community Benefits department administers a wide array of programs for Norton Sound residents that address everything from high fuel costs to substance abuse prevention.

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Many Community Benefits programs allow local entities—such as governments, tribal organizations and nonprofits—to apply millions of dollars in NSEDC funding to their specific needs. Community Benefits also operates on a smaller scale, offering assistance to families, communities and organizations in their times of need. This type of aid comes in diverse forms, ranging from help in procuring necessities after a house fire to providing donations for a wide variety of entities’ fundraising efforts.

The following is a brief summary of the Community Benefits department’s 2011 programs and activities.

Left: NSEDC Community Benefits Director Paul Ivanoff III directs a fish-cutting competition in Stebbins during the 2011 Fishermen’s Fair. The Fishermen’s Fair drew a large and enthusiastic crowd.

Supporting communities

Community Benefit Share

Since 1999, NSEDC has provided a monetary distribution to each member community to be used as the community sees fit. Throughout the 12-year history of the Community Benefit Share, NSEDC has distributed \$830,000 to each of its 15 member communities. In total, the program has invested nearly \$12.5 million directly into the region. Among the many needs addressed by these funds, Community Benefit Shares have been applied to communities’ fuel bills, search and rescue equipment, police service, elder and youth programs, and various infrastructure and equipment needs.

As it has for the past several years, NSEDC’s Board of Directors set the 2011 Community Benefit Share at \$100,000 for each community. Remittance of the share is made to each municipal government

which determines how the funds are spent through a public meeting process.

Outside Entity Funding

The Outside Entity Funding (OEF) program is also designed to meet the needs as determined by the residents and entities located in NSEDC’s member communities. The OEF program essentially works as a grant opportunity. Proposals are submitted both on a community and regional basis. NSEDC also accepts fishery-related proposals during the OEF application period. While fishery-related projects are eligible to receive OEF grant support, NSEDC may also elect to fund such projects directly through its internal budget process.

A total of nearly \$660,000 in OEF funding was awarded to member communities in 2011 while more than \$470,000 was allocated for fisheries-related projects

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2011 Outside Entity Grant Funding

Organization	Project Title	Amount
City of Elim	Emergency Services Equipment	\$19,379
City of Elim	Ernest Nylin Memorial Library Computers	\$1,679
Native Village of Elim	Commercial Sawmill	\$10,000
Native Village of Gambell	Summer Youth Snack Program	\$13,110
Chinik Eskimo Community	New Store Building	\$25,000
Native Village of Koyuk	Koyuk Elder Meal Program	\$50,268
Nome Nanook Booster Club	Equipment Purchases/Inventory	\$38,000
Nome Swimming Pool	School Swimming Program	\$21,288
Native Village of St. Michael	Community Building Bulk Fuel Tanks	\$9,774
City of Savoonga	Construction of Steel Garage	\$60,000
Teller Traditional Council	Vehicle Garage	\$48,000
City of Teller	Dump Truck Purchase - Additional Funding	\$12,000
Native Village of Wales	Cultural Activities Travel	\$41,180
City of White Mountain	Cemetery Site Construction	\$30,000
Native Village of White Mountain	New Water/Sewer Service	\$30,000
Kawerak, Inc.	Grant Writer Assistance Program - Computers	\$10,290
Norton Sound Health Corporation	Bering Strait Region RN Nursing Program	\$40,000
Native Village of Unalakleet	Keeping Elders in Place: Housing Support & Facilities Planning Project	\$ 49,710
Fisheries-related Grants		
Alaska Department of Fish & Game	Fisheries Interns	\$64,000
Native Village of White Mountain	Ichupak Instream Flow Monitoring & Chinook Documentation*	\$18,356

* Total grant of \$50,000 for three-year project (2011: \$18,356; 2012: \$15,743; 2013: \$15,817)

COMMUNITY BENEFITS

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through the NSEDC Fisheries Research and Development department's budget. A breakdown of the OEF funding for 2011 is displayed in the table on page 8.

In 2011 each member community was allocated \$60,000 for projects and/or programs identified as a priority. A Community Review Committee consisting of each respective community's NSEDC Director and at least two other appointed residents, prioritized and provided a recommendation on which projects to send to

the full NSEDC board for approval. All recommendations brought to the full board in 2011 were approved. Communities that do not allocate their full OEF funding for the year are able to carry the balance forward for the next program year.

In addition to the community allocations, the OEF program allots \$100,000 for proposals that are regional in scope. In 2011, that funding was awarded to Kawerak, Inc. for its Bering Strait Health Consortium Nursing Program to train and retain regional residents as health care providers.

Tackling the high cost of energy

Consolidated Bulk Fuel

The high cost of fuel in the Norton Sound region affects nearly every aspect of life, whether it's gas to power a boat for commercial or subsistence fishing or fuel oil used to heat homes and businesses. By uniting under one large fuel order and benefitting from NSEDC's financial stability, entities in member communities have been able to acquire fuel at more advantageous prices through NSEDC's Consolidated Bulk Fuel Program.

Through this program, in its sixth year in 2011, NSEDC acts as a fuel purchasing agent on behalf of participants, serving as the single point of contact between the fuel supplier and customers. NSEDC purchases the fuel up front on behalf of participants and charges no interest nor fees for administering the program. A main attraction of this program is that NSEDC is responsible for all payments to the fuel supplier, offering participants payment plans that are payable directly to NSEDC.

In 2011 Crowley Petroleum Distribution, Inc. was awarded the contract and delivered \$5.76 million worth of diesel fuel (923,000 gallons) and unleaded gasoline (452,000 gallons) to 23 participants.

Community Energy Fund

NSEDC realizes that one of the best ways to save money on fuel is by using less of it. In 2009, the Board approved the creation of the Community Energy Fund program, setting aside \$1 million for each member

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Gambell resident Russell Silook installs a new meter box at a residence in his home community. The replacement of the meter boxes for all of Gambell's homes was funded through NSEDC's Community Energy Fund.

COMMUNITY BENEFITS

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community. The program was created to facilitate the development of safe, efficient and reliable energy infrastructure in the Norton Sound region through upgrades to community power generation and distribution systems, alternative/renewable energy projects, and projects with potential for energy cost reduction.

Two member communities took advantage of the Community Energy Fund in 2011. The City of White Mountain was awarded \$539,268 to purchase three new generators, and the City of Gambell was awarded \$460,019 to replace meter bases for the entire community. Both projects will improve the safety and efficiency in delivering power to community residents.

A springboard for small business

NSEDC recognizes that some of the best ideas to spur economic development come from those who are working to start their own business. The development of more regionally owned businesses helps create employment for residents and also bolsters the local economy by keeping funds in the region.

To foster and support that entrepreneurial spirit, NSEDC sponsored its fourth annual Small Business Initiative in 2011. The competitive grant program divides up to \$105,000 among winning proposals. In 2011, NSEDC received 15 Small Business Initiative applications. The panel of judges, who are independent of NSEDC, selected six winners (see table on this page).

Working for healthier communities

NSEDC recognizes that part of supporting its member communities is helping to ensure their residents have the ability to reach their full potential.

2011 Small Business Initiative Grant Winners				
Business	Description	Owner	Location	Award
Siku Tours	Tour operator w/ subsistence & traditional focus	Aurora Johnson	Unalakleet	\$25,000
Ocean Stone Ulu	Unique ulu knives with stone handles	Andreanna Grishkowsky	Unalakleet	\$25,000
Norton Sound Refrigeration	Refrigeration repair service	Frank Doty	Unalakleet	\$16,000
La Cabana	Mobile food service	Michelle Ames	Nome	\$14,000
Bering Tea	Coffee shop & health food cooperative	Erin Forton	Nome	\$13,000
LJM Enterprises	Snow removal/ equipment rental	Chester Millet, Jr.	Unalakleet	\$12,000

To that end, NSEDC has directed funds and efforts toward programs that aim to prevent residents from falling prey to substance abuse.

The Little Dribblers Program provides regional youth, families and elders a healthy activity around which communities can rally. NSEDC continues to support the program in its 15 member communities and Shishmaref by donating \$3,000 to each school's basketball programs. Basketball is a favorite sports activity in the Norton

Sound region; it not only promotes physical fitness but also provides a healthy alternative to drugs, alcohol and delinquency. Little Dribblers is a favorite amongst youth, adults and elders alike.

Additionally, NSEDC board members have a \$12,000 discretionary grant available to them to fund an organization or program of their choice that focuses on substance and alcohol abuse prevention activities in their respective communities.



NSEDC's Kathy Wheelehan presents a young St. Michael resident with a sandwich that is nearly twice as long as he is tall. The Subway six-foot long sandwich was a door prize at the 2011 St. Michael Fishermen's Fair hosted by NSEDC. The fairs celebrate the work of the region's subsistence and commercial fishermen.

A worker wearing a red jacket, orange hard hat, and blue gloves is sorting through a large bin filled with cooked crab. The bin is light blue and sits on a wooden deck. The worker is leaning over the bin, with their hands inside the crab. The background shows the structure of a ship or boat.

NORTON SOUND SEAFOOD PRODUCTS

For more than 16 years, NSEDC has steadily increased the value and participation in the region's fisheries through its seafood purchasing and processing operations under its Norton Sound Seafood Products (NSSP) division. Commercial seafood operations act as NSEDC's most significant income generator for residents.

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N SEDC has made substantial investments over the years to provide the infrastructure that supports resident fishermen and enables them to receive a better price for their catch. NSSP purchases, processes, markets and sells a variety of seafood, including herring, salmon, halibut, crab and bait fish.

NSSP serves resident fishermen with a number of tender vessels and facilities that include the Norton Sound Seafood Center in Nome, a plant in Unalakleet, the Savoonga halibut buying station, and fisheries support services in Golovin and Shaktoolik. NSSP's tender vessels purchase salmon, crab and herring on the grounds, utilizing refrigeration systems to preserve the quality of the catch as it moves to the processing plant and on to market.



A record year for crab

Resident fishermen received a record payout of approximately \$2 million in

Left: A worker at the Norton Sound Seafood Center in Nome prepares a tote full of Norton Sound red king crab to be lifted from a tender vessel and taken into the plant for processing. Resident crab fishermen received a record payout in 2011.

2011 for their catch of Norton Sound red king crab. Strong markets for king crab allowed NSSP to set a price of \$5.29 per pound for crab delivered to its docks and \$5.04 for crab delivered to tender vessels. The summer harvest of open-access and CDQ crab resulted in an average payout of nearly \$88,000 for each of the

22 fishermen who delivered to NSSP.

The 28-day season for the plant was also the shortest on record since rules were enacted in 1994 that essentially limited the fishery to smaller vessels. The crew at

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2011 NSSP Harvest by Community

Community*	Pounds										Tons
	Red	Coho	Chum	Pink	King	CDQ Crab	O/A Crab	Winter Crab	Halibut	Finfish	Herring
Elim	42	65,174	163,219	676	76	-	-	2,782	-	-	35.56
Golovin	-	7,030	124,250	-	65	-	22,037		-	-	17.41
Koyuk	157	33,727	55,305	2,013	53	-	-		-		-
Nome	-	1,472	17,469	-	12	25,365	193,790	4,588	77,239	3,333	120.79
Savoonga	-	-	-	-	-	-	-		28,642	-	-
Shaktoolik	373	111,970	171,017	-	257	-	67,951		-	-	226.8
Unalakleet	1,946	214,854	249,650	17,641	1,190	-	61,292		-	3,865	352
St. Michael	-	-	-	-	-	-	-		-	-	29.39
Stebbins	-	-	-	-	-	-	-		-	-	23.69
Teller	-	-	-	-	-	-	-		-	2,703	.096

*Community "refers to where a fisherman resided, not necessarily where he or she fished.

NORTON SOUND SEAFOOD PRODUCTS



NSEDC Fisheries Technicians Clayton Mixsooke (left) and Max Fancher (center) sample salmon delivered the Unalakleet Norton Sound Seafood Products plant with Alaska Department of Fish and Game Fisheries Technician Nikki Bruckner.

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the Nome seafood plant faced a Herculean challenge keeping up with the crab fishermen's constant deliveries. The NSSP processors rose to the task, working extra shifts to process the more than 370,000 pounds that resident fishermen brought to their door.

Salmon fishing continues strong

The region's salmon fishery continues to lead in terms of resident participation. In 2011, 126 permit-holders from six member communities were paid nearly \$1.3 million for their harvests. This equates to an average payout of more than \$10,200 per resident fisherman.

The commercial salmon fishery also provides employment for deckhands

in member communities and seafood plant workers in Unalakleet. A number of the workers at the Unalakleet plant live in other member communities and are provided a travel and lodging stipend to come work at the seafood plant. This employment program is also utilized at the Nome seafood plant. In 2011, 10 residents worked in Unalakleet under the program while 12 worked in Nome.

The commercial salmon fishery also supports residents in subsistence activities with many fishermen using their commercial equipment and income for subsistence fishing.

Halibut provides valuable harvest

In 2011, 21 Norton Sound resident fishermen landed a total of 105,900 pounds of halibut for a total payout of \$651,200.

This year, the lion's share of the harvest came from eight Nome fishermen who delivered more than 77,200 pounds of the flatfish to the Nome seafood plant, receiving a total of more than \$476,700 for their efforts.

The remainder of the halibut delivered to NSSP came from fishermen in Savoonga. Halibut offers an important income opportunity for residents of Savoonga as the only commercial fishing opportunity available in proximity to St. Lawrence Island. In 2011, 13 fishermen in Savoonga were paid nearly \$174,500 for their harvest of more than 28,600 pounds of halibut. The Savoonga fishermen impressively haul in their catch using small skiffs and in many years match and even sometimes surpass Nome fishermen in the number of pounds delivered to NSSP.

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NORTON SOUND SEAFOOD PRODUCTS

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Herring fishery returns

For the second consecutive year, Norton Sound was able to again see a commercial herring fishery in its waters. In partnership with Icicle Seafoods, NSSP was able to facilitate the fishery that saw 34 resident fishermen from eight member communities participate. Icicle brought a floating processor to the region.

The fishermen were paid a total of \$273,300 for the harvest of nearly 806 metric tons of herring. The average roe quality of the catch was exceptional, exceeding the percentage found in any other area of the state.

The herring fishery presents an opportunity for fishermen to get an early start on the season. Mostly valued for its roe, timing is key in harvesting the herring.

Staff from NSEDC's Fishery Research and Development division play a key role in directing fishermen to productive fishing grounds and helping time the harvest. Given the early timing of the season, the aerial surveys flown by the biologists also provide key information on the location and extent of sea ice that often still covers portions of Norton Sound.

Ice does not stop commercial fishing

In 2011 NSEDC continued to develop its unique winter commercial fishing opportunities, including through-the-ice fisheries for red king crab and bait fish such as tom cod. The crab is sold live since the frozen harbor prevents NSEDC's seafood plant from operating at full capacity. Fishermen were paid nearly \$26,000 for the sale of more than 7,300 pounds of crab.



Workers at the Norton Sound Seafood Center in Nome keep pace with the deluge of crab that fishermen delivered during the shortest season in the plant's history.

NSEDC LOAN PROGRAMS

Since 1993, NSEDC has helped the region's resident fishermen participate and become more competitive in the Norton Sound commercial fisheries through its loan programs. Loans are available for fishermen targeting catches that include herring, salmon, red king crab, halibut and bait fish.

Revolving Loan Program

NSEDC offers low-interest loans with minimal down payments to local residents for vessel and equipment upgrades, and for purchasing fishing gear, outboard motors, Norton Sound salmon permits, Lower Yukon salmon permits, Norton Sound herring permits, and Norton Sound red king crab License Limitation Program (LLP) permits.

In 2011, NSEDC made 45 loans totaling \$500,000 to residents in the commu-

nities of Elim, Golovin, Koyuk, Nome, Savoonga, Shaktoolik and Unalakleet.

Revolving Loan Terms:

- \$25,000 maximum for permit holders
- Up to seven-year payback term
- 10% minimum down payment
- Credit check and 90-day delinquency limit
- 0% interest for first three years
- 2% interest commencing in fourth year of loan

Large Vessel Loan Option

The Large Vessel Loan Option provides further assistance to local fishermen in acquiring suitable vessels and vessel re-powers for participation in

the Norton Sound red king crab and 4D/4E halibut commercial fisheries. NSEDC designed the Large Vessel Loan Option to maximize benefits to fishermen at minimal cost to them. In 2011, four large vessel loans were made for a total of \$306,000 to residents in Nome, Golovin, White Mountain and Unalakleet.

Large Vessel Loan Terms:

- \$100,000 maximum for LLP holders & \$75,000 maximum for non-LLP holders
- Up to 10 year-payback term
- 5% minimum down payment
- Credit check and 90-day delinquency limit
- 0% interest for first three years
- 2% interest commencing in fourth year of loan



NSED Scholarship Application

Norton Sound Economic Development Corporation
Education, Employment and Training Program
Jerry Ivanoff, EET Coordinator
P.O. Box 193
Unalakleet, Alaska 99684

Brevig Mission, Diomedes, Elin, Gambell, Golovin, Koyuk, Nome, Savoonga, Shaktolik, Stebbins, St. Michael, Teller, Unalakleet, Wales, White Mountain

Norton Sound Economic Development Corporation Higher Education Scholarship Application

I. PERSONAL INFORMATION

Name: _____

SS#: _____

Mailing address while attending school

Telephone # _____

SCHOOL INFORMATION

For vocational schools attended: (name and address)

EDUCATION, EMPLOYMENT & TRAINING

Central to NSED's mission to spur and sustain economic development in the region is offering opportunities for residents to gain the skills and education necessary to find and create meaningful employment. The Education, Employment and Training (EET) division works to fulfill that mission through a robust scholarship program, by providing and connecting residents to employment opportunities, and a diverse training program that builds skills, resumes and community ties.

continued on next page

Another record year for scholarships

In 2011, scholarships were awarded to residents in all of NSEDC's member communities as well as to six Shishmaref residents. In total, 271 individuals received a total of 396 scholarships for post-secondary and vocational education. NSEDC supported these scholarships with more than \$770,000 in funding, setting a record for both the amount invested and the number of scholarships awarded.

NSEDC views the support of education as a critical element in the development of local and regional economies. NSEDC is proud to support member community residents as they receive the training to return and work as teachers, medical professionals and heavy equipment operators, among the many other professions for which scholarship recipients receive training. The scholarship program continues to be one of the most utilized and direct benefit programs NSEDC offers.

NSEDC is an employment generator

NSEDC creates employment opportunities in a number of ways:

- Direct hire in NSEDC administrative positions
- Norton Sound Seafood Products' operations—both in terms of NSSP employees and payments made to fishermen
- Fishery enhancement and development activities
- Connecting residents to jobs with Bering Sea harvesting/processing partners
- The Clean Waters marine debris clean-up program
- The NSEDC Community Employment Program which funds positions for NSEDC scholarship recipients or other residents with city or tribal offices during the year
- Funding grants that have a local employment component

A breakdown of wages and employment categories supported by NSEDC



NSEDC works to spread employment opportunities throughout the region. One program covers costs for residents who live outside of Nome or Unalakleet to spend the summer working at either community's seafood plant. The Unalakleet plant is pictured above.

can be found on page 18.

In 2011, 29 residents worked for NSEDC's harvesting and processing partners, such as Glacier Fish Company and Aleutian No. 1 LLC, earning more than \$570,000. Work with NSEDC's partners varies from positions on the deck of a crab vessel to employment in the factory section of floating processors. NSEDC's EET department prepares residents for these positions

by sponsoring two courses a year at AVTEC in Seward that cover safety training and other areas in preparation for work on a vessel.

Employment on these vessels represents an important opportunity for Norton Sound residents to gain greater knowledge and experience with Bering Sea commercial fishing. These jobs also give residents the ability to earn and bring home significant wages. Since 2006, this partner employment has resulted in more than \$5.1 million being paid to workers connected to the industry through NSEDC.

Employment opportunities related to NSEDC also occur closer to home. In 2011 Norton Sound Seafood Products (NSSP), which has plants in Nome, Unalakleet and Savoonga, paid out well over \$800,000 in wages to 185 employees, not including its administration. In the summer months, the number employed by NSSP swells when residents from regional communities will travel to Nome and Unalakleet for work.

NSEDC also provides opportunities for the region's youth to work and gain job skills in a variety of fields. NSEDC implemented its Community Employment Program in 2011 to provide work for NSEDC scholarship recipients or other residents. The program offers funding for positions with city or tribal offices,

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2011 NSEDC Education & Training Statistics			
Scholarships	Individuals	Scholarships	Expenditures
Post-Secondary	213	325	\$630,167
Vocational	58	71	\$141,000
Total Scholarships	271	396	\$771,167
Training		Trainings*	Expenditures
Vocational Training		197	\$163,318
Fisheries Related Training		27	\$70,837
Other Training		84	\$38,005
Total Training		308	\$272,160
Total			\$1,043,327
* Individuals may be counted more than once if they avail themselves of multiple NSEDC-supported training opportunities.			

EDUCATION, EMPLOYMENT AND TRAINING



NSEDC Board Member Dean Peterson (center), works with his son, John, and Toby Anungazuk, during a NSEDC-sponsored net hanging class. NSEDC sponsors several vocational and fishery-related trainings throughout the year.

continued from previous page

enabling the scholarship recipients to earn money to help defray the cost of their education. While the program is prioritized for scholarship recipients, the program is open to other member community residents.

Each summer, young people from member communities help keep NSEDC's Fisheries Research and Development division running by working alongside their adult counterparts as fish technicians. These technicians perform a wide range of field work on rivers throughout the region. NSEDC also helps younger community members prepare for administrative careers through internships in its various departments. An internship is also available with our partner, Glacier Fish Co., in its Seattle office.

Employment for the past several years has also been provided through the Fisheries Research and Development division's Clean Waters program. This program hires local crews to conduct beach cleanups in the vicinity of their community. This program has been extremely popular, both for its employ-

ment component and the positive impact it has on the environment.

Training supports students of all ages

Overall in 2011, NSEDC spent more than \$270,000 to provide nearly 310 training opportunities for residents. These opportunities ranged from commercial driving license courses in five member

communities to career exploration trips for more than 100 high school students and their teacher chaperones from the Bering Strait School District.

NSEDC firmly believes in supporting this wide array of training opportunities as a means of improving the lives of member community residents and the region as a whole. Vocational training, such as commercial and general driver's license classes, can be held in a member community and provide residents with some of the basic skills that help land and keep a job. Training opportunities are also aimed at helping fishermen improve their operations, whether it is a net hanging class, helping a resident obtain a license to operate a vessel or a marine safety workshop. Other classes strengthen communal or cultural ties. NSEDC has sponsored Inupiaq language classes in many of its communities over the past several years, as well as classes in skin sewing and beading.

NSEDC also places value on providing training for its staff and board members, with much of it directed toward its in-region seafood operations. NSEDC has sponsored or trained many NSSP employees in refrigeration and vessel-related work, among other areas.



EET Director Jerry Ivanoff meets with NSEDC scholarship recipients at an outreach event at the University of Alaska Fairbanks (UAF). NSEDC staff traveled to both UAF and the University of Alaska Anchorage to offer information on employment opportunities and scholarship renewal. They also came bearing care packages and lunch.

EDUCATION, EMPLOYMENT AND TRAINING

2011 EMPLOYMENT STATISTICS	People	Wages
Management/Administrative		
NSEDC	29	\$1,822,906
NSSP	6	\$336,340
Total Management/Administrative	35	\$2,159,246
CDQ Pollock Related*	25 residents in 66 quarterly positions	\$476,800
<i>* As of 2010, pollock-related figures no longer count residents who moved from NSEDC member communities or live in neighboring communities. When other Western Alaska residents and former NSEDC member community residents are counted, a total of 33 people worked in 83 quarterly positions, earning \$627,329.45</i>		
NSSP Employment	185	\$818,454
Other NSEDC Employment	59	\$683,236
Fishing		
Bering Fisheries	2	\$6,390
Aleutian No. 1	2	\$87,900
O/A Norton Sound Winter Red King Crab	4	\$25,796
O/A Norton Sound Red King Crab	22	\$1,799,342
NSEDC CDQ Red King Crab	9	\$134,181
Norton Sound Salmon	126	\$1,286,348
Norton Sound Herring	34	\$273,307
NSEDC CDQ Halibut	21	\$651,205
Misc. Finfish	8	\$4,736
Total Fishing	228	\$4,269,205
NSEDC Community Outreach Liaisons	13	\$78,000
NSEDC Interns	1	\$5,417
Fishery Technicians		
NSEDC Salmon Rehabilitation	32	\$326,467
NSEDC Fisheries Development	7	\$15,362
ADF&G Fishery Technician Interns (NSEDC funded)	8	\$60,159
Total Technicians	47	\$401,988
TOTAL EMPLOYMENT*	593**	\$8,892,346

* "Total Employment" in this chart refers to those directly employed by NSEDC and those earning money through NSEDC-supported fisheries activity.

** Employment totals prior to 2011 counted pollock employment by the number of positions per quarter. The 2011 total reflects individuals on an annual basis. If calculated in the same method as was used in 2010, the total employment number would be 634.



Above: Resident fishermen deliver halibut to the Norton Sound Seafood Center. The halibut fished in region, primarily out of Nome and Savoonga, is part of NSEDC's CDQ allocation.

QUOTA MANAGEMENT

In 2011, NSEDC actively managed the harvest of fish quota in more than 20 commercial fisheries off the coast of Alaska, including both Community Development Quota (CDQ) and Individual Fishing Quotas (IFQ).

NSEDC enters into contractual agreements with harvesters and processors to share in revenues generated from the

harvest of CDQ and IFQ resources, and the eventual sale of related products. NSEDC benefits from these arrangements through the payment of royalties or lease fees, sharing of profits and distribution from ownership interests, in addition to employment opportunities created for Norton Sound residents.

continued on next page

2011 CDQ Fisheries

NSEDC conducted directed CDQ fishing operations for:

- Alaska pollock in the Bering Sea
- Pacific cod and sablefish in the Bering Sea/Aleutian Islands
- Golden king crab (also known as brown crab) in the Eastern Aleutian Islands
- Red king crab in Bristol Bay and Norton Sound
- Opilio crab in the Bering Sea
- Yellowfin sole, Rock sole, Flathead sole and Arrowtooth flounder in the Bering Sea

- Atka mackerel and Pacific Ocean perch in the Aleutian Islands
- Pacific halibut in the Bering Sea

NSEDC works with a variety of harvesting partners in pursuit of these target fisheries. NSEDC also continues working with long-standing harvesting partners, such as Glacier Fish Co., as well as taking advantage of new opportunities and business relationships.

Groundfish quota levels in 2011 increased significantly and prices in general were strong. Crab quota levels fluctuated wildly by species and prices were high, some hitting record levels.

Overall NSEDC had an excellent year, generating nearly \$19 million in royalties in the harvest of these CDQ fisheries.

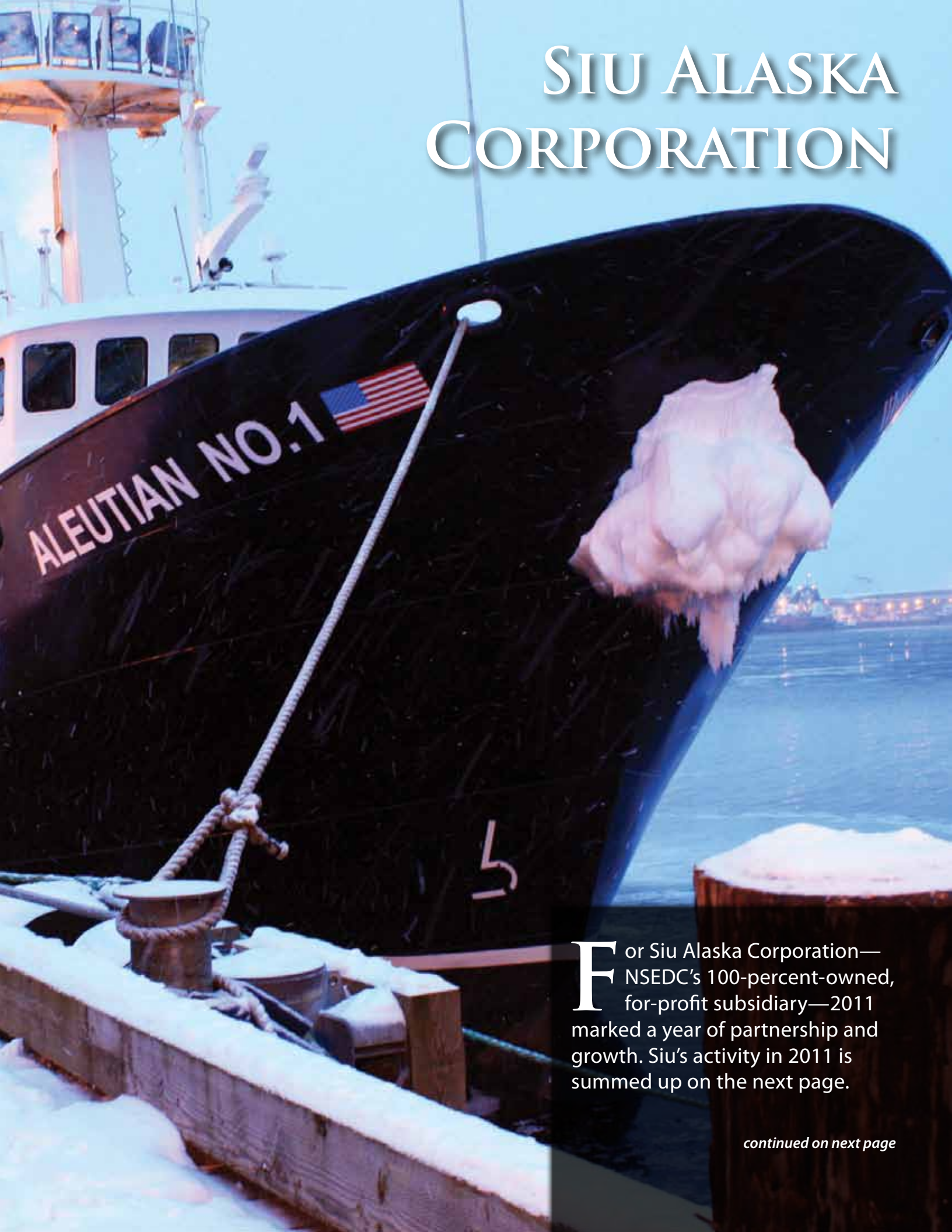
2011 IFQ Fisheries

NSEDC started acquiring IFQ in 1997 and now owns access to a range of fisheries, including sablefish in the Bering Sea/Aleutian Islands, halibut in the Gulf of Alaska, and a variety of crab fisheries.

In 2011 NSEDC generated more than \$4 million in lease fees and royalties from harvests in these fisheries while working with a wide range of harvesters. A summary of harvests and harvesters are shown in the table below.

CDQ Fishery	Target Harvest	Harvester
POLLOCK	27,960 mt	<i>F/T Alaska Ocean, F/T Pacific Glacier (Glacier Fish Company)</i>
PACIFIC COD	3,986 mt	<i>F/V Bristol Leader, F/V Bering Leader (Alaskan Leader Fisheries); F/V North Cape (Coastal Villages Longline)</i>
CRAB		
E. Aleutian Is. golden king	66,150 lbs	<i>F/V Aleutian No. 1 (A1 LLC)</i>
Bristol Bay red king	141,012 lbs	<i>F/V North Sea, F/V Bering Sea (Coastal Villages Crab)</i>
Bering Sea opilio	977,058 lbs	<i>F/V Aleutian No. 1 (A1 LLC), F/V Ramblin Rose (Diamondback Seafoods, Inc.); F/V Bering Sea (Coastal Villages Crab)</i>
St. Matthew blue king	25,925 lbs	<i>F/V Wassilie B (Coastal Villages Crab)</i>
Norton Sound red king	13,425 lbs	Norton Sound resident fishermen
OTHER GROUND FISH		
Atka mackerel	733 mt	<i>F/V Seafreeze Alaska, F/V Alaska Knight (US Seafoods)</i>
Pacific Ocean perch (POP)	241 mt	<i>F/V Seafreeze Alaska, F/V Alaska Knight (US Seafoods)</i>
Yellowfin sole	1,255 mt	<i>F/T Northern Glacier (Glacier Fish Company)</i>
Rock sole	202 mt	<i>F/T Northern Glacier (Glacier Fish Company)</i>
Flathead sole	46 mt	<i>F/T Northern Glacier (Glacier Fish Company)</i>
Arrowtooth flounder	55 mt	<i>F/T Northern Glacier (Glacier Fish Company)</i>
SABLEFISH		
Aleutian Islands	141,092 lbs	<i>F/V Cynosure (HAT, LLC)</i>
Bering Sea	108,316 lbs	<i>F/V Ballyhoo (Arctic Packer, LLC)</i>
HALIBUT		
Bering Sea (Area 4D)	106,795 lbs	Norton Sound resident fishermen
Bering Sea (Area 4D)	45,305 lbs	<i>F/V Ballyhoo (Arctic Packer, LLC)</i>
IFQ FISHERY	Target Harvest	Harvester
SABLEFISH		
Central Gulf of Alaska	130,490 lbs	<i>F/V Provider (Wild Alaskan Seafoods, Inc.)</i>
Western Gulf of Alaska	46,599 lbs	<i>F/V Provider (Wild Alaskan Seafoods, Inc.); F/V Clipper Express (Clipper Seafoods)</i>
Aleutian Islands	45,099 lbs	<i>F/V Cynosure (HAT, LLC)</i>
Bering Sea	2,066 lbs	<i>F/V Ballyhoo (Arctic Packer, LLC)</i>
HALIBUT		
Gulf of Alaska (Area 3B)	20,536 lbs	<i>F/V Provider (Wild Alaskan Seafoods, Inc.)</i>
CRAB		
E. Aleutian Is. golden king	550,004 lbs	<i>F/V Aleutian No. 1 (A1 LLC)</i>
W. Aleutian Is. golden king	241,522 lbs	<i>F/V Aleutian No. 1 (A1 LLC)</i>
Bristol Bay red king	134,707 lbs	<i>F/V Arctic Sea (Coastal Villages Crab); F/V Bulldog (Alaska Boat Company); F/V Arctic Hunter (Arctic Hunter, LLC)</i>
Bering Sea opilio	1,326,638 lbs	<i>F/V Tempo Sea; F/V Bulldog (Alaska Boat Company); F/V Arctic Hunter; M/V Baranof (Romanzof Fishing Co, LLC)</i>

SIU ALASKA CORPORATION



For Siu Alaska Corporation—
NSEDC's 100-percent-owned,
for-profit subsidiary—2011
marked a year of partnership and
growth. Siu's activity in 2011 is
summed up on the next page.

continued on next page



The F/V Destination approaches Dutch Harbor. The vessel is one of seven that operate for BSAI Partners. Siu holds an ownership stake in BSAI Partners along with a subsidiary of fellow CDQ group, Coastal Villages Region Fund.

BSAI Partners

The formation of BSAI Partners LLC in 2011 brought NSEDC into a partnership with fellow CDQ group Coastal Villages Region Fund (CVRF) through their respective subsidiaries, Siu and Coastal Villages Pollock. BSAI acquired seven pollock vessels and the fishing rights to nearly 4 percent of the allowable pollock catch in the Bering Sea through the purchase of the pollock and crab assets of Wards Cove. The deal also included the crab vessel *F/V Bulldog* and the arrangement for NSEDC to purchase approximately 1 million pounds of crab quota as part of the overall acquisition.

The formation of the company included a partnership with Maruha Nichiro, the largest fishing company in Japan, which owns approximately 25 percent of the vessels and quota associated with the purchase. BSAI Partners formed the Alaska Boat Company as the Seattle-based manager for its assets. In its first year of operation, BSAI Partners performed well, providing a return on Siu's investment.

Left: The anchor on the crab vessel *F/V Aleutian No. 1* shows signs that crabbing in the Bering Sea is not always a pleasure cruise. The A1 is owned by Siu Alaska Corp. in partnership with the vessel's two captains and the Bering Sea Women's Group.



Glacier Bay Fisheries

Siu Alaska owns the freezer-longliner *F/L Glacier Bay* which harvests cod in the Bering Sea. In 2011 the *Glacier Bay* harvested 9.1 million pounds of cod, including Siu's 2.77 percent of the freezer-longline allocation. The *Glacier Bay* operates under the management of Clipper Seafoods.

Aleutian No. 1

The *F/V Aleutian No. 1*, a crab vessel jointly owned by Siu, the boat's two captains, and the Bering Sea Women's Group, completed its most successful year ever in 2011. The *Aleutian No. 1* harvested 2.1 million pounds of crab at a value of \$8.6 million. The vessel's strong showing for the year allowed for a distribution to its owners, providing essential funding for the Bering Sea Women's Group as it works to aid victims of domestic violence in the Norton Sound region.

Dutch Harbor Acquisitions

In partnership with Copper River Seafoods, Siu is a 50% owner of Dutch Harbor Acquisitions which owns and operates the Bering Fisheries seafood plant in Dutch Harbor. The year 2011 marked the first full year of operation for Bering Fisheries as improvements were made to the plant that will position it well for future operations.

Glacier Fish Company

Siu Alaska holds NSEDC's ownership stake in Glacier Fish Company, the harvesting partner who fishes NSEDC's CDQ pollock allocation. Glacier Fish Co. continued successful harvest and process operations in the pollock and whiting fisheries with the *C/P Alaska Ocean* and *C/P Pacific Glacier*. Glacier Fish Co. also entered the mixed flatfish fishery with the *C/P Northern Glacier* in 2011. Siu and NSEDC continue to enjoy their partnership with Glacier Fish Co.

Pacific Star

The *F/V Pacific Star* is a vessel owned by Siu that is primarily hired for charter work. In 2011, the *Pacific Star* conducted summer surveys for a government client under charter to Stabbert Maritime.

2011 NSEDC BOARD OF DIRECTORS



Walter Seetot

P.O. Box 52
Brevig Mission, AK 99785
(2010-2013)



Orville Ahkinga

P.O. Box 7046
Diomedede, AK 99762
(2010-2013)



Oscar Takak, Sr.

P.O. Box 39021
Elim, AK 99739
(2009-2012)



Joel James

P.O. Box 157
Gambell, AK 99742
(2008-2011)



Dean Peterson

P.O. Box 62032
Golovin, AK 99762
(2008-2011)



Elvina Naranjo

P.O. Box 53047
Koyuk, AK 99753
(2008-2011)



Don Stiles

P.O. Box 575
Nome, AK 99762
(2009-2012)



Truman Kava

P.O. Box 154
Savoonga, AK 99769
(2009-2012)



Victor Joe

P.O. Box 59095
St. Michael, AK 99659
(2009-2012)



Eugene Asicksik

P.O. Box 24
Shakttoolik, AK 99771
(2010-2013)



Wilfred Katcheak

P.O. Box 71048
Stebbins, AK 99671
(2008-2011)



Joseph Garnie

P.O. Box 582
Teller, AK 99778
(2009-2012)



William Johnson

P.O. Box 222
Unalakleet, AK 99684
(2010-2013)



Frank Oxereok, Jr.

P.O. Box 524
Wales, AK 99783
(2008-2011)



Dan Harrelson

P.O. Box 190
White Mountain, AK 99784
(2010-2013)

2011 NSEDC STAFF AND LIAISONS

Administration

Janis Ivanoff

President & Chief Executive Officer

Simon Kinneen

Vice President & Chief Operating Officer

Richard Walicki

Treasurer & Controller

Kyan Olanna

General Counsel

Kathy Wheelehan

Executive Assistant

Joel Cladouhos

Quota Manager

Tiffany Martinson

Human Resources Director

Tyler Rhodes

Communications Director

Kelsi Ivanoff

Special Projects Coordinator

Aggie Blandford

*Special Projects Coordinator
(through March 2011)*

Virginia Nashalook

Senior Accountant

Matt Coates

Accountant

Chelsea Ryan

A/P Clerk

Heather Karmun

Payroll Specialist

Darlene Dewey

Accounting Assistant

Pearl Dotomain

Administrative Assistant

Irene Ahgupuk

Administrative Assistant

Community Benefits

Paul Ivanoff III

Community Benefits Director

Roy Ashenfelter

Community Development Coordinator

Yvonne Galsy Ashenfelter

Community Benefits Specialist

N.S. Fisheries Research and Development

Charlie Lean

NSFR&D Director

Wes Jones

Fisheries Biologist

Kevin Keith

Fisheries Biologist

Jacob Ivanoff

Senior Crew Leader

Casey Perkins

Senior Crew Leader

Fred Jay Ivanoff

Senior Crew Leader

Norton Sound Seafood Products

Reese Huhta

Southern NSSP Operations Manager

Richard Ferry

Northern NSSP Operations Manager

Frank Doty

So. NSSP Assistant Operations Manager

Josh Osborne

No. NSSP Assistant Operations Manager

Orville Toolie

Savoonga Plant Manager (seasonal)

Elizabeth Ivanoff

Office Manager (So. NSSP)

Paula Davis

*NSSC Office Manager
(through July 2011)*

Harold Muktoyuk

Supervisor (No. NSSP)

Dennis Bahnke

Facilities Engineer

Justina Noongwook

Office Manager (Savoonga)

Eleanor Bahr

Supervisor (So. NSSP)

Valerie Anagick

Supervisor (So. NSSP)

Hazel Freytag

Delivery Driver

Education, Employment & Training

Jerry Ivanoff

*NSEDC Corporate Secretary
& EET Director*

Carol Charles

Administrative Assistant

NSEDC Community Outreach Liaisons

Brevig Mission

Darla Olanna

Diomedes

Andrew Milligrock

Elim

Emily Murray

Gambell

Tyler Campbell, Sr.

Golovin

Sherri Lewis

Koyuk

Ruby Nassuk

Savoonga

Charlotte Kava

Shaktoolik

Reuben Paniptchuk

St. Michael

Charlene Austin

Stebbins

Atha Foxie

Teller

Wilma Ongtowsruk

Wales

Joanne Keyes

White Mountain

Davis Lincoln



2011 NSEDC COMMUNITY HIGHLIGHTS

Brevig Mission

- Walter Seetot served as Board Member
- Darla Olanna served as Community Outreach Liaison
- The City of Brevig Mission received a \$100,000 Community Benefit Share
- Three residents received NSEDC scholarships throughout the year
- Brevig Mission Native Corporation participated in NSEDC's 2011 Consolidated Bulk Fuel program
- Brevig Mission School received \$5,000 through the local NSEDC board member's discretionary grant for substance abuse, alcohol abuse or suicide prevention activities
- Brevig Mission was provided a boat and funding for a crew to test fish for marketable species in proximity to the community
- Twenty residents participated in a NSEDC-sponsored skin sewing class during the third and fourth quarters
- NSEDC contributed \$1,000 to the community cleanup

Diomedes

- Orville Ahkinga served as Board Member
- Andrew Milligrock served as Community Outreach Liaison
- The City of Diomedes received a \$100,000 Community Benefit Share
- The Little Store participated in NSEDC's 2011 Consolidated Bulk Fuel program



Debris from Little Diomedes are loaded on the NSEDC tender Egavik as part of NSEDC's Clean Waters marine debris cleanup program.

- The community's board member discretionary grant provided \$5,000 to the Native Village of Diomedes for substance abuse, alcohol abuse or suicide prevention activities; and \$5,000 to the Diomedes School for the Little Dribblers Program
- One resident received NSEDC scholarships throughout the year
- One resident was certified in Fisheries Safety Orientation Training under NSEDC's EET program
- NSEDC contributed \$1,000 to the community cleanup
- NSEDC donated \$11,000 to the City of Diomedes to aid the community in recovering from a violent fall storm
- NSEDC/NSFR&D conducted a marine debris cleanup with local crews

Elim

- Oscar Takak, Sr. served as Board Member
- Emily Murray served as Community Outreach Liaison
- The City of Elim received a \$100,000 Community Benefit Share
- Three residents received NSEDC scholarships throughout the year
- One resident was certified in Fisheries Safety Orientation Training under NSEDC's EET program
- One resident received seafood processing training at AVTEC
- The City of Elim and Native Village of Elim participated in NSEDC's 2011 Consolidated Bulk Fuel program
- The City of Elim participated in NSEDC's Community Employment Program by employing a NSEDC scholarship recipient, or a resident of their choice if no recipient was available, for four months
- Aniguiin School received \$10,000 through the local NSEDC board member's discretionary grant for substance abuse, alcohol abuse or suicide prevention activities
- The City of Elim was awarded \$19,379 through the 2011 Outside Entity Funding Program for emergency services equipment
- The Native Village of Elim was awarded \$10,000 through the 2011 Outside Entity Funding Program for a commercial sawmill
- The City of Elim was awarded \$1,679 through the 2011 Outside Entity Fund-

ing Program for computers for the Ernest Nylin Memorial Library

- NSEDC contributed \$1,000 to the Elim Basketball Committee for the spring basketball tournament
- NSEDC donated \$1,500 to the City of Elim to host a community holiday dinner

Gambell

- Joel James served as Board Member
- Tyler Campbell, Sr. served as Community Outreach Liaison
- The City of Gambell received a \$100,000 Community Benefit Share
- Two residents received NSEDC scholarships throughout the year
- The City of Gambell participated in NSEDC's 2011 Consolidated Bulk Fuel program
- Ten residents took a NSEDC-sponsored Off-system Class B commercial driver's license class in February
- NSEDC contributed \$460,019 to the City of Gambell for the replacement of residential meter bases through the Community Energy Fund
- John Apangalook School received \$10,000 through the local NSEDC board member's discretionary grant for substance abuse, alcohol abuse or suicide prevention activities
- The Native Village of Gambell was awarded \$13,110 through the 2011 Outside Entity Funding Program for the Summer Youth Snack Program
- NSEDC donated \$1,500 to the City of Gambell to host a community holiday dinner

Golovin

- Dean Peterson served as Board Member
- Sherri Lewis served as Community Outreach Liaison
- The City of Golovin received a \$100,000 Community Benefit Share
- Two residents received NSEDC scholarships throughout the year
- The local NSEDC board member's discretionary grant provided \$8,000 to Martin L. Olson Schools and \$2,000 to Chinik Eskimo Community for substance abuse, alcohol abuse or suicide prevention activities

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2011 NSEDC COMMUNITY HIGHLIGHTS

continued from previous page

- The City of Golovin participated in NSEDC's 2011 Consolidated Bulk Fuel program
- One resident was sponsored by NSEDC to participate in an onboard marine refrigeration workshop in Anchorage
- Chinik Eskimo Community was awarded \$25,000 through the 2011 Outside Entity Funding Program for the new store building
- NSEDC contributed \$1,000 to the community cleanup

Koyuk

- Elvina Naranjo served as Board Member
- Ruby Nassuk served as Community Outreach Liaison
- The City of Koyuk received a \$100,000 Community Benefit Share
- Seven residents received NSEDC scholarships throughout the year
- The City of Koyuk and Koyuk Native Corporation participated in NSEDC's 2011 Consolidated Bulk Fuel program
- The City of Koyuk participated in NSEDC's Community Employment Program by employing a NSEDC scholarship recipient, or a resident of their choice if no recipient was available, for four months
- One resident was certified in Fisheries Safety Orientation Training under NSEDC's EET program
- One resident received seafood processing training in Kodiak
- NSFR&D developed a new counting tower project on the Iglutalik River near Koyuk
- The Native Village of Koyuk received \$10,000 through the local NSEDC board member's discretionary grant for substance abuse, alcohol abuse or suicide prevention activities
- The Native Village of Koyuk was awarded \$50,268 through the 2011 Outside Entity Funding Program for the Koyuk Elder Meal Program
- NSEDC contributed \$1,000 to the community cleanup
- NSEDC contributed \$1,000 to the Norton Bay Tip-Off basketball tournament
- NSEDC/NSFR&D conducted a marine debris cleanup with local crews

Nome

- Don Stiles served as Board Member
- The City of Nome received a \$100,000 Community Benefit Share
- Two hundred thirty residents received NSEDC scholarships throughout the year
- Glacier Fish Co. employed two residents as crew members, one aboard the *Pacific Glacier* and one aboard the *Alaska Ocean*
- Nome Public Schools received \$10,000 through the local NSEDC board member's discretionary grant for substance abuse, alcohol abuse or suicide prevention activities
- One resident was sponsored by NSEDC to participate in an onboard marine refrigeration workshop in Anchorage
- Twelve educators from Nome Public Schools attended a NSEDC-funded cultural training class on the Fish River in August
- The Nome Nanook Booster Club was awarded \$38,000 through the 2011 Outside Entity Funding Program for their support of student activities
- The Nome Swimming Pool was awarded \$21,288 through the 2011 Outside Entity Funding program for the School Swimming Program
- Two residents were awarded a total of \$27,000 from the Small Business Initiative grant
- NSFR&D biologists helped Nome Elementary School students and teachers conduct the salmon in the classroom project, providing fertilized salmon eggs and leading fish dissection projects
- NSEDC contributed \$2,000 to the Lonnie O'Connor Iditarod Basketball Classic
- NSEDC/NSFR&D conducted a marine debris cleanup with local crews



Youth softball is among the many programs NSEDC sponsors. Pictured is NSEDC's 2011 team in Nome.

- Jerry Ivanoff, EET Director, attended the Nome Career Fair set up by Kawerak, Inc. to provide information on employment and training opportunities in February
- NSEDC donated \$1,500 to the XYZ Senior Citizens Center to host a community holiday dinner



In 2011, the City of Savoonga received delivery of a rescue boat it acquired through NSEDC's 2010 fishery-related grant program.

Savoonga

- Truman Kava served as Board Member
- Charlotte Kava served as Community Outreach Liaison
- The City of Savoonga received a \$100,000 Community Benefit Share
- Four residents received NSEDC scholarships throughout the year
- The City of Savoonga participated in NSEDC's 2011 Consolidated Bulk Fuel program
- The community's NSEDC board member discretionary grant provided \$2,500 to the City of Savoonga, \$2,500 to Kulget, Inc., and \$5,000 to Savoonga School for substance abuse, alcohol abuse or suicide prevention activities
- Twenty-seven residents took a NSEDC-sponsored driver's permit class in February
- The City of Savoonga participated in NSEDC's Community Employment Program by employing a NSEDC scholarship recipient, or a resident of their choice if no recipient was available, for four months
- Six residents completed a NSEDC-sponsored commercial driving class in July
- The City of Savoonga was awarded \$60,000 through the 2011 Outside Entity Funding Program for the construction of a steel garage

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2011 NSEDC COMMUNITY HIGHLIGHTS

continued from previous page

- NSEDC donated \$3,000 to the Savoonga Whaling Association for their spring whale hunt
- NSEDC donated \$1,500 to the City of Savoonga to host a community holiday dinner
- NSEDC contributed \$1,000 to the community cleanup

Shaktoolik

- Eugene Asicksik served as Board Member
- Reuben Paniptchuk served as Community Outreach Liaison
- The City of Shaktoolik received a \$100,000 Community Benefit Share
- Twelve residents received NSEDC scholarships throughout the year
- The City of Shaktoolik, Native Village of Shaktoolik, and Shaktoolik Native Corporation participated in NSEDC's 2011 Consolidated Bulk Fuel program
- The community's NSEDC board member discretionary grant provided \$6,000 to the Native Village of Shaktoolik and \$4,000 to the Shaktoolik School for substance abuse, alcohol abuse or suicide prevention activities
- The City of Shaktoolik participated in NSEDC's Community Employment Program by employing a NSEDC scholarship recipient, or a resident of their choice if no recipient was available, for four months
- NSEDC contributed \$1,000 to the Thanksgiving basketball tournament

St. Michael

- Victor Joe served as Board Member
- Charlene Austin served as Community Outreach Liaison
- The City of St. Michael received a \$100,000 Community Benefit Share
- Eight residents received NSEDC scholarships throughout the year
- Two residents were certified in Fisheries Safety Orientation Training under NSEDC's EET program
- The City of St. Michael and St. Michael Fuel Co. participated in NSEDC's 2011 Consolidated Bulk Fuel program
- Glacier Fish Co. employed two residents as crew members, one aboard the *Pacific Glacier* and one aboard the *Alaska Ocean*

- The community's NSEDC board member discretionary grant provided \$7,407 to the Anthony A. Andrews School, \$1,813 to the City of St. Michael, \$780 to the Native Village of St. Michael for substance abuse, alcohol abuse or suicide prevention activities
- The Native Village of St. Michael participated in NSEDC's Community Employment Program by employing a NSEDC scholarship recipient, or a resident of their choice if no recipient was available, for four months
- The Native Village of St. Michael was awarded \$9,774 through the 2011 Outside Entity Funding Program for the community building bulk fuel tanks
- NSEDC contributed \$1,000 to the community cleanup
- NSEDC hosted a Fishermen's Fair providing food, games, entertainment and door prizes as a means of recognizing and thanking the community's commercial and subsistence fishermen
- NSEDC donated \$1,500 to the City of St. Michael to host a community holiday dinner
- NSEDC donated \$2,500 to Bering Strait School District for construction of the St. Michael School shop building

Stebbins

- Wilfred Katcheak served as Board Member
- Atha Foxie served as Community Outreach Liaison
- The City of Stebbins received a \$100,000 Community Benefit Share
- Fourteen residents received NSEDC scholarships throughout the year
- One resident was certified in Fisheries Safety Orientation Training under NSEDC's EET program
- The City of Stebbins participated in NSEDC's 2011 Consolidated Bulk Fuel program
- Tapraq, Inc. received \$5,000, and the Stebbins School received \$5,000 for the Little Dribblers Program through the community's NSEDC board member discretionary grant for substance abuse, alcohol abuse or suicide prevention activities
- Glacier Fish Co. employed two residents as crew members, one aboard the *Pacific Glacier* and one aboard the *Alaska Ocean*



Kids in Stebbins get ready to race through the obstacle course at NSEDC's 2011 Fishermen's Fair.

- NSEDC hosted a Fishermen's Fair providing food, games, entertainment and door prizes as a means of recognizing and thanking the community's commercial and subsistence fishermen

Teller

- Joe Garnie served as Board Member
- Wilma Ongtowsruk served as Community Outreach Liaison
- The City of Teller received a \$100,000 Community Benefit Share
- Four residents received NSEDC scholarships throughout the year
- Teller Native Corporation participated in NSEDC's 2011 Consolidated Bulk Fuel program
- Glacier Fish Co. employed two residents as crew members aboard the *Alaska Ocean*
- The community's NSEDC board member discretionary grant provided \$1,000 to the City of Teller, \$3,000 to the James C. Isabell School, \$2,000 to Mary's Igloo Traditional Council, and \$4,000 to Teller Traditional

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2011 NSEDC COMMUNITY HIGHLIGHTS

continued from previous page

- Council for substance abuse, alcohol abuse or suicide prevention activities
- Three residents completed a NSEDC-sponsored commercial driving class in June
- The Native Village of Teller participated in NSEDC's Community Employment Program by employing a NSEDC scholarship recipient, or a resident of their choice if no recipient was available, for four months
- Teller was provided a boat and funding for a crew to test fish for marketable species in proximity to the community
- Three residents took a NSEDC-sponsored driving class in June
- Ten residents completed a NSEDC-sponsored commercial driving class in July
- NSEDC designated \$300,000 for Mary's Igloo Traditional Council for a multi-purpose community center
- Teller Traditional Council was awarded \$48,000 through the 2011 Outside Entity Funding Program for a vehicle garage
- The City of Teller was awarded \$12,000 through the 2011 Outside Entity Funding Program for additional funding for the purchase of a dump truck
- The City of Teller received \$1,000 in funding for search and rescue equipment
- NSEDC donated \$1,500 to the City of Teller to host a community holiday dinner
- NSEDC contributed \$1,000 to the community cleanup

Unalakleet

- William Johnson served as Board Member
- The City of Unalakleet received a \$100,000 Community Benefit Share
- Seventy-eight residents received NSEDC scholarships throughout the year
- The City of Unalakleet and Unalakleet Native Corporation participated in NSEDC's 2011 Consolidated Bulk Fuel program
- Glacier Fish Co. employed 16 residents as crew members, four aboard the *Pacific Glacier*, eight aboard the *Alaska Ocean*, and four aboard both vessels.
- Two residents were certified in Fisheries Safety Orientation Training under NSEDC's EET program
- Seven residents received seafood processing training at various locations
- Ten residents participated in an NSEDC-



Unalakleet resident Andreanna Grishkowsky displays her ceremonial check after being awarded \$25,000 in NSEDC's 2011 Small Business Initiative.

- sponsored Inupiaq language class in April
- The City of Unalakleet participated in NSEDC's Community Employment Program by employing a NSEDC scholarship recipient, or a resident of their choice if no recipient was available, for four months
- Twelve residents took a NSEDC-sponsored commercial driving class in April and May
- The Native Village of Unalakleet was awarded \$49,710 through the 2011 Outside Entity Funding Program for their housing support and facilities planning project aimed at keeping elders in their home communities
- Unalakleet Schools received \$10,000 through the community's NSEDC board member discretionary grant for substance abuse, alcohol abuse or suicide prevention activities
- Four residents were awarded a total of \$78,000 from the Small Business Initiative grant
- NSEDC contributed \$1,000 to the community cleanup
- NSEDC contributed \$1,000 to the Annual Jamboree Tournament
- NSEDC hosted a Fishermen's Fair providing food, games, entertainment and door prizes as a means of recognizing and thanking the community's commercial and subsistence fishermen

Wales

- Frank Oxereok, Jr. served as Board Member
- Joanne Keyes served as Community Out-

reach Liaison

- The City of Wales received a \$100,000 Community Benefit Share
- Three residents received NSEDC scholarships throughout the year
- The City of Wales participated in NSEDC's 2011 Consolidated Bulk Fuel program
- The Native Village of Wales received \$10,000 through the community's NSEDC board member discretionary grant for substance abuse, alcohol abuse or suicide prevention activities
- Sixteen residents participated in an NSEDC-sponsored Inupiaq language class during the first quarter
- The City of Wales participated in NSEDC's Community Employment Program by employing a NSEDC scholarship recipient, or a resident of their choice if no recipient was available, for four months
- Thirty-two residents participated in a NSEDC-sponsored commercial driver's license class
- The Native Village of Wales was awarded \$41,180 through the 2011 Outside Entity Funding Program in support of the Wales Dance Festival, including travel for dance groups from throughout the region
- NSEDC donated \$1,500 to the Native Village of Wales to host a community holiday dinner
- NSEDC donated \$3,000 to the Wales Whaling Association for life jackets and gas/oil
- NSEDC/NSFR&D conducted a marine debris cleanup project, hiring community residents as the work crew

White Mountain

- Dan Harrelson served as Board Member
- Davis Lincoln served as Community Outreach Liaison
- The City of White Mountain received a \$100,000 Community Benefit Share
- Fourteen residents received NSEDC scholarships throughout the year
- The City of White Mountain and White Mountain Native Store participated in NSEDC's 2011 Consolidated Bulk Fuel program
- The City of White Mountain participated in NSEDC's Community Employment Program by employing a NSEDC scholar-

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2011 NSEDC COMMUNITY HIGHLIGHTS

continued from previous page

ship recipient, or a resident of their choice if no recipient was available, for four months

- NSEDC contributed \$539,268 to fund the purchase of more efficient electrical generation equipment through the Community Energy Fund
- The City of White Mountain was awarded \$30,000 through the 2011 Outside Entity Funding Program for cemetery site construction
- The Native Village of White Mountain was awarded \$30,000 through the 2011 Outside Entity Funding Program for new water and sewer service
- The community's NSEDC board member discretionary grant provided \$1,250 to the Native Village of White Mountain, \$7,500 to the White Mountain School, and \$1,250 to the City of White Mountain for substance abuse, alcohol abuse or suicide prevention activities
- NSEDC donated \$1,000 to the White Mountain Volunteer Fire Department for winter trail staking
- NSEDC contributed \$1,780 to the Native Village of White Mountain wetland program
- NSEDC contributed \$1,000 to the Annual Robert "Putto" Charles Memorial basketball tournament

Region-wide

- The NSEDC Clean Waters program reached its goal of providing marine debris cleanups in each of NSEDC's 15 member communities and provided employment while removing litter from local beaches
- Crowley Petroleum Distribution, Inc. completed deliveries of fuel from NSEDC's Bulk Fuel Program, distributing 904,000 gallons of diesel fuel and 452,000 gallons of unleaded fuel to 23 participating entities
- NSEDC purchased underwater video cameras for search and rescue purposes in each of NSEDC's member communities
- The Pollock Conservation Cooperative, of which Glacier Fish Co. is a member, donated \$100,000 to the Northwestern Alaska Career and Technical Center



A crew from NSEDC's Fisheries Research and Development division walk a seine net across the Nome River as they prepare to catch coho salmon. The crew will capture the eggs from females and milt from the males to be used in NSEDC's mist incubation process.

- (NACTEC) in Nome for fisheries-related training and education
- NSEDC sponsored 120 students and staff from the Bering Strait School District to participate in career exploration trips and activities
- Kawerak, Inc. was awarded \$10,290 through the 2011 Outside Entity Funding Program for computers for their Grant Writer Assistance Program
- Norton Sound Health Corporation was awarded \$40,000 through the 2011 Outside Entity Funding Program for its Bering Strait Region Nursing Program
- NSEDC contributed \$1,300 to the Beringia Days Conference held in Nome and directed by the Institute of the North
- NSEDC donated \$750 to the Bering Sea Lions Club for the Nome-Golovin Snow-machine Race
- NSEDC contributed \$5,000 to the Kawerak Regional Conference
- NSEDC donated \$5,000 to the regional office of Alaska Legal Services Corp. in support of its efforts to provide legal assistance to member community residents
- NSEDC provided \$12,000 in support of community radio stations in the region

- NSEDC provided \$7,900 to the Bering Sea Elders' Advisory Group to assist in documenting traditional harvesting grounds and addressing regional issues before the North Pacific Fishery Management Council
- NSEDC provided \$5,000 to the Southern Norton Sound Advisory Committee for its outreach efforts and to attend North Pacific Fishery Management Council meetings
- NSEDC donated \$2,000 to the Alaska Native Heritage Center for its educational programs
- NSEDC donated \$3,000 to Shishmaref Schools for their Little Dribblers Program
- NSEDC donated \$50 to each high school competitor who qualified for state tournaments in various activities for a total of \$6,600
- NSEDC provided 27 donations totaling \$9,600 toward funeral and emergency expenses
- NSEDC contributed \$9,800 to 33 entities in fundraising donations
- NSEDC provided a \$3,000 donation to the Bering Straits Foundation in support of its scholarship activities

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Schedule of General and Administrative Expenses

Year Ended December 31, 2011

BOARD EXPENSES:

Stipends/Honorariums	\$ 275,282
Transportation	135,436
Per Diem	254,763
Insurance	31,380

STAFF:

Salaries	1,281,732
Benefits	372,248
Payroll Taxes	139,247

TRAVEL/PER DIEM:

Staff	223,160
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TRAINING:

Staff	1,965
Audit/Accounting	76,051
Legal Fees	70,155

OTHER:

Board Expense: Meetings Space, Catering & Meal Expenses	20,905
Meetings Space, Catering & Meal Expenses	34,387
Contract Services	213,512
Rent	154,914
Utilities	20,948
Supplies and Equip. Purchases	77,555
Postage/Freight	12,411
Communications	45,069
Insurance	311,600
Dues and Subscriptions	7,821
Equipment R and M	1,701
Equipment/Storage Rentals	14,762
Advertising/Brokerage	8,122
Taxes	11,174
Fees and Licenses	104,296
Miscellaneous	361
Donations and Contributions	92,031
Depreciation	68,237
Bad Debt Expenses/Recoveries	1,064
Administrative & Mgmt Fee	(117,890)
Discretionary Grants	24,649

Total Administrative:

3,969,045

* The amounts shown on this statement reflect the combined expenses for NSEDC and Siu Alaska Corp. The amounts shown on this statement also only reflect the salaries, benefits and payroll taxes of NSEDC and Siu Alaska Corp.'s administration. The totals for all of NSEDC's salaries, benefits and payroll taxes are \$4,134,664, \$810,401 and \$428,550, respectively.

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Consolidated Statements of Financial Position December 31, 2011 and 2010

Assets	2011	2010
Current Assets:		
Cash and cash equivalents	\$ 9,474,213	4,329,788
Designated cash and cash equivalents	549,680	2,580,615
Investments in marketable securities, short term	42,020,031	47,981,847
Accounts receivable	10,788,489	6,599,797
Interest receivable	23,523	112,194
Inventory at cost	1,851,114	1,171,894
Prepaid expenses and other assets	557,346	679,966
Short-term notes receivable	4,254,727	12,275,678
Total current assets	<u>69,519,123</u>	<u>75,731,779</u>
Notes receivable, net allowance of \$541,734 and \$502,304 , in 2011 and 2010, respectively	<u>3,628,563</u>	<u>1,611,488</u>
Investments:		
Investment in marketable securities	17,586,745	11,341,923
Designated investments in marketable securities	10,108,401	7,955,440
Investment in Glacier Fish Company, LLC	29,085,437	28,230,516
Investment in Unaatuq, LLC	461,538	450,000
Investment in Dutch Harbor Acquisitions, LLC	2,363,740	1,125,961
Investment in BSAI Partners LLC	4,013,939	-
Goodwill in Pacific Star Fisheries, LLC	1,123,118	1,123,118
Investment in quota share units	<u>27,760,523</u>	<u>17,372,602</u>
Total investments	<u>92,503,441</u>	<u>67,599,560</u>
Property, plant and equipment, net of accumulated depreciation of \$13,727,106 in 2011 and \$12,319,225 in 2010	16,996,199	16,400,309
Prepaid leases, net of accumulated amortization of \$307,348 in 2011 and \$272,492 in 2010	797,752	832,607
Life insurance surrender value	386,933	315,492
Other notes receivable	<u>2,417,137</u>	<u>2,417,137</u>
Total assets	<u>186,249,148</u>	<u>164,908,372</u>
Liabilities and Net Assets		
Current liabilities:		
Line of credit	5,893,500	8,250,000
Accounts payable and accrued expenses	7,825,258	5,186,368
Current portion, notes payable	1,622,259	536,577
Total current liabilities	<u>15,341,017</u>	<u>13,972,945</u>
Noncurrent liabilities:		
Notes payable	15,779,592	6,030,973
Noncurrent deferred income tax liability	2,228,429	743,985
Total noncurrent liabilities	<u>18,008,021</u>	<u>6,774,958</u>
Total liabilities	<u>33,349,038</u>	<u>20,747,903</u>
Net assets:		
Controlling interests:		
Unrestricted net assets:		
Undesignated	140,937,062	132,615,466
Designated	10,658,081	10,536,055
Non-controlling interests:	1,304,967	1,008,948
Total net assets	<u>152,900,110</u>	<u>144,160,469</u>
Total liabilities and net assets	<u>186,249,148</u>	<u>\$ 164,908,372</u>

See accompanying notes to consolidated financial statements.

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Consolidated Statements of Activities

December 31, 2011 and 2010

Changes in unrestricted net assets:	2011	2010
Revenues and support:		
Harvesting revenue	\$ 23,318,166	15,349,884
Crab revenue	8,807,084	7,084,729
Cod revenue	5,732,773	-
Fishing and fish processing	5,402,637	3,864,358
Investment income, net	(175,241)	7,027,497
Charter revenue	174,625	177,375
Other income	412,620	449,792
Revolving loan income	18,462	16,813
Total unrestricted revenues, gains & other support	<u>43,691,126</u>	<u>33,970,448</u>
Expenses and losses:		
Program services:		
CDQ harvest management	184,929	181,505
Fisheries development	643,121	859,294
Salmon rehabilitation and enhancement	749,514	852,690
Training and scholarships	1,408,624	1,076,420
Revolving loan program	127,390	(119,093)
Shoreside improvements	784,792	1,219,487
Community benefits	1,555,610	1,346,141
Bulk fuel	63,350	72,997
Small Business Initiative	180,405	135,221
Community outreach	784,639	448,315
Tender vessel management	1,517,291	1,226,367
NSIC	26,850	107,318
CDQ fees	64,000	-
Total program services	<u>8,090,515</u>	<u>7,406,662</u>
Fishing and fish processing	8,119,875	6,866,695
Administrative expenses	3,317,359	3,791,434
Administrative expenses Siu	651,686	1,154,909
Interest expense - NSEDC quota loan	284,727	-
Interest expense - Siu LOC, GB quota loan	376,749	-
Glacier Bay Fisheries, LLC expenses	5,866,094	62,836
Pacific Star Fisheries, LLC expenses	524,426	667,212
Aleutian No. 1, LLC expenses	8,066,117	6,712,405
Total expenses	<u>35,297,548</u>	<u>26,662,153</u>
Equity in earnings of limited liability company	<u>1,904,972</u>	<u>1,464,978</u>
Increase in unrestricted net assets from operations, before taxes and non-controlling interests	10,298,550	8,773,273
Income tax (expense) benefit:		
Tax (expense) benefit	<u>(1,484,444)</u>	<u>153,694</u>
Increase in unrestricted net assets before non-controlling interests	8,814,106	8,926,967
(Increase) decrease in unrestricted net assets attributable to non-controlling interest	<u>(370,484)</u>	<u>(186,162)</u>
Increase in unrestricted net assets attributable to controlling interest	<u>\$ 8,443,622</u>	<u>8,740,805</u>

See accompanying notes to consolidated financial statements.

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements December 31, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Norton Sound Economic Development Corporation (Company) is a non-profit corporation organized to represent the Norton Sound region of Alaska in the Community Development Quota (CDQ) program. The CDQ program was established by the federal government in 1992. The program was established by reserving 7.5%, (subsequently increased to 10%), of the total allowable catch (TAC), of pollock for the Bering Sea and Aleutian Islands areas of Alaska. The reserve was then allocated to the CDQ groups. The program has been expanded to include other species and a greater portion of the pollock TAC. The Company's 2011 and 2010 pollock allocation was 27,962 and 17,886 metric tons, respectively. The CDQ allocation program is on a calendar year basis and allocations awarded cannot be taken in subsequent years if the previous year's allocations were not fully utilized.

As a result of Section 416 of the Coast Guard and Maritime Transportation Act as of 2006, which amended Section 305(i) (1) of the Magnuson-Stevens Fishery Conservation and Management Act, the Company's receipt of CDQ allocations was fixed at the same percentage level as its 2006 allocations for all allocated species and such percentages may not be changed until 2012. The Company has entered into an agreement for the duration of the CDQ allocation with a harvester to harvest the pollock allocations. Amounts received vary depending upon the specific availability and market prices.

The Company's primary purpose is to develop and sustain new and ongoing economic activity in the Norton Sound region. The Company's mission outlines its intentions to provide a balance between local economic development oriented towards the residents in the region and active participation in the distant-water fisheries in the Bering Sea and Aleutian Islands. The Company implements programs to educate, train, and employ people of the region; build infrastructure to help support the new and existing fisheries; start new fisheries through locally initiated development efforts; support the local salmon, herring, crab, and halibut fishermen; restore salmon runs in the region for both commercial and subsistence users; provide loans for gear, vessels, and secure equity interests in companies and vessels. The Company has not entered into any significant long-term agreements or commitments other than its agreements with the harvesters of its CDQ allocations.

Siu Alaska Corporation (Siu) was formed on June 5, 2008. Siu's main office is located in Anchorage, Alaska. Siu was organized to hold, operate, manage and invest assets and engage in any lawful purpose to provide dividends to Siu's parent corporation, Norton Sound Economic Development Corporation (NSEDC). These operations are conducted through Siu's wholly owned subsidiaries, Glacier Bay Fisheries, LLC, PS Fisheries, LLC (2010), and Pacific Star Fisheries, LLC. Siu is a 50% member of Aleutian No. 1, LLC (A1), a 50% member of Dutch Harbor Acquisitions, a 50% member of BSAI Partners, LLC and a 37.5% member of Glacier Fish Company, LLC. Even though Siu is only a 50% owner of A1, it is considered the controlling member.

Accounting Estimates and Assumptions

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and revenue and expenses for the reporting period. Actual results could differ from the estimates and assumptions.

Principles of Consolidation

In 2011, the consolidated financial statements include Aleutian No. 1, LLC, Pacific Star Fisheries, LLC and Glacier Bay Fisheries, LLC, which are consolidated into Siu Alaska Corporation. All significant intercompany transactions and accounts have been eliminated in the consolidation.

On February 2, 2011 BSAI Partners LLC, of which Siu Alaska is a 50% owner, purchased seven shore based trawl vessels involved in the Bering Sea Pollock fishery along with the vessel's related fishing rights equating to approximately 2.9% of the Bering Sea Pollock fishery. The vessels and their fishing rights are each owned in partnership with Maruha Capital Investment and affiliate, minority owners. In addition, BSAI Partners purchased a crab vessel and the assets associated with the Alaska Boat Company. Siu's initial investment in BSAI Partners was approximately \$3.2 million.

Effective January, 3, 2011, PS Fisheries, LLC was granted a certificate of dissolution.

In 2010, the consolidated financial statements include Aleutian No. 1, LLC, PS Fisheries, LLC, Pacific Star Fisheries, LLC and Glacier Bay Fisheries, LLC, which are consolidated into Siu Alaska Corporation.

On December 23, 2010, Siu purchased the remaining 50 percent interest of Glacier Bay Fisheries, LLC. They previously held 50%. The purchase agreement was made between Glacier Fish Company LLC, a Washington limited liability company and Siu. The balance sheet of Glacier Bay Fisheries LLC, is consolidated as of December 31, 2010. The operations of Glacier Bay Fisheries LLC, are presented on the equity method for the period prior to December 23, 2010 and consolidated for the period between December 24 and December 31, 2010. On June 14, 2010, Siu contributed additional capital to Glacier Bay Fisheries LLC, in the amount of \$2,184,373, which Glacier Bay Fisheries LLC, used to pay down debt. The additional capital contribution by Siu and the debt repayment by Glacier Bay Fisheries LLC, was netted for purposes of the Consolidated Statement of Cash Flows at December 31, 2010.

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements December 31, 2011

Basis of Presentation

The accompanying financial statements include assets, liabilities, net assets, and financial activities for those programs for which the Company exercises fiscal and operational control.

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues and support are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing and related cash flows. Contingent royalty payments are recognized when the amount is fixed and determinable and collection is assured.

Fair Value of Financial Instruments

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties that is other than in a forced or liquidation sale. Fair values are based on quoted market prices when available.

The Company must disclose its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements and derivative financial instruments.

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) prepaid expenses, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts reported in the balance sheets for the above financial instruments closely approximate their fair value due to the short-term nature of these assets and liabilities.

Cash and Cash Equivalents

The Company considers cash and short-term instruments with original maturities of 90 days or less to be cash equivalents.

Investments in Marketable Securities

The Company carries investments at fair value. The change in the fair value is included in the consolidated statement of activities.

Investments in marketable securities consist of mutual funds, equity securities, U.S. Agency obligations, and corporate debt securities. For purposes of calculating realized gains and losses, cost is determined by the specific identification method on a trade date basis.

Classification of investments as short-term and long-term is based on the length of time management intends to hold the investment. Management intends to hold short-term investments less than one year.

Inventory

Inventory is valued at the lower of aggregate cost or fair value (first in, first out).

Short-Term Notes Receivable

These amounts represent amounts due from Communities and Village Entities for bulk fuel purchases.

Investments in Limited Liability Companies

In 2011 the equity method of accounting is used to account for the Company's investment in Glacier Fish Company, LLC, Dutch Harbor Acquisitions, LLC and BSAI Partners, LLC.

In 2010 the equity method of accounting is used to account for the Company's investment in Glacier Fish Company, LLC, and Dutch Harbor Acquisitions, LLC.

Investment in Individual Fishing Quota

The Company has investments in fishing privileges under the Individual Fishing Quotas (IFQ) program, which was established by the federal and state governments to allocate halibut, sablefish, and various crab species to the established fishers based on historical catch. IFQ's are considered an indefinite life intangible asset and are carried at cost and measured annually for impairment.

Furniture and Equipment

Furniture and equipment acquisitions are capitalized at cost when purchased or at fair market value of date of gift, when donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, generally two to ten years. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Intangible Assets

Intangible assets are comprised primarily of fishing rights, permits and loan fees.

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements December 31, 2011

In accordance with Accounting Standards Codification (ASC) 350 Intangibles, Goodwill and Others, effective January 1, 2002, the Company discontinued amortizing the intangible assets with indefinite lives. The Company reviews the fishing permits for impairment annually on December 31, and more frequently if circumstances warrant. The Company performed the annual review as of December 31, 2011 and 2010 and determined that the fishing permits continue to have indefinite lives and that there was no impairment of these assets.

Amortization of other intangibles is computed on a straight-line basis over the respective time periods of the facilities.

Provision for Loans, Accounts Receivable, Notes, and Contract Losses

The Company provides for loans, accounts receivable, notes, and contract losses based on the estimated losses determined through management's periodic reviews of the outstanding loan portfolio. The estimation of losses considers prior loan charge-offs and recoveries against the allowance as well as the economic conditions and the character of the credit risks. Allowances for loans, accounts receivable, notes, and contract losses are subjective and may be adjusted in the future. Once all collection efforts are exhausted, management writes off the delinquent receivable to the allowance account. Management considers receivables over 30 days to be delinquent. Management charges interest on delinquent receivables.

Community Development Quota

The fair value of the quota received by the Company from the federal government is not considered to be determinable within reasonable limits. Accordingly, no value has been assigned to the quota in the financial statements.

Income Taxes

The Company is exempt from the federal and state income taxes under provisions of Section 501(c) (4) of the Internal Revenue Code, except for taxes on unrelated business income. In evaluation of unrelated business income, the Company follows GAAP when accounting for uncertainty in income taxes. The Company's policy is to include penalties and interest associated with income taxes in other expense.

Commitments and Contingencies

Liabilities for loss on contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that the liability has been incurred and the amount of the assessment or cost can be reasonably estimated.

Designated Cash and Investments

The Company's Board of Directors has designated \$549,680 and \$2,580,615 in cash and cash equivalents and \$10,108,401 and \$7,955,440 of long-term investments at December 31, 2011 and 2010, respectively for the Education Endowment Fund. As part of the CDQ program and past approved Community Development Plans, the Company previously contributed a portion of the CDQ proceeds to the Education Endowment Fund, which is intended to finance training and scholarships.

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements December 31, 2011

INVESTMENTS

A summary of marketable securities at December 31, 2011 follows:

	Cost	Fair Value	Unrealized Gain (loss)
Bonds and Notes	\$ 26,160,193	26,713,194	553,001
Equities	41,124,948	43,001,983	1,877,035
	<u>\$ 67,285,141</u>	<u>69,715,177</u>	<u>2,430,036</u>

Composed of:

Investment in marketable securities, short-term	\$ 42,020,031
Investment in marketable securities, long-term	17,586,745
Designated investment in marketable securities	10,108,401
	<u>\$ 69,715,177</u>

Investment income, net, consist of the following at December 31, 2011:

Realized (losses) gains, net	\$ 568,997
Dividend and interest	2,087,297
Unrealized gains (losses), net change for the year	(2,638,950)
Investment management fees	(192,585)
	<u>\$ 175,241</u>

A summary of marketable securities at December 31, 2009 follows:

	Cost	Fair Value	Unrealized Gain (loss)
Bonds and Notes	\$ 21,211,324	21,508,163	296,839
Equities	41,019,307	45,771,047	4,751,740
	<u>\$ 62,230,631</u>	<u>67,279,210</u>	<u>5,048,579</u>

Composed of:

Investment in marketable securities, short-term	\$ 47,981,847
Investment in marketable securities, long-term	11,341,923
Designated investment in marketable securities	7,955,440
	<u>\$ 67,279,210</u>

Investment income, net, consist of the following at December 31, 2010:

Realized (losses) gains, net	\$ (541,506)
Dividend and interest	1,687,227
Unrealized gains (losses), net change for the year	6,049,271
Investment management fees	(167,495)
	<u>\$ 7,027,497</u>

Included in investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or for certain bonds and preferred stock when carried at the lower of cost or market.

Fair Value Accounting

ASC 820 – Fair Value Measurements and Disclosures, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements December 31, 2011

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table provides information as of December 31st about the Company's financial assets measured at fair value on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets at fair value:				
Investments - 2011	\$ <u>69,715,177</u>	<u>-</u>	<u>-</u>	<u>69,715,177</u>
Investments - 2010	\$ <u>67,279,210</u>	<u>-</u>	<u>-</u>	<u>67,279,210</u>

Given the narrow definition of Level 1 and the Company's investment asset strategy, all of the Company's investment assets are classified in Level 1. Changes in investments are presented on the statement of activities as investment income or loss.

Fair values of assets measured on a nonrecurring basis using Level 2 inputs at December 31, were as follows:

	<u>2011</u>	<u>2010</u>
	<u>Level 2</u>	<u>Level 2</u>
Intangible assets	\$ <u>27,760,523</u>	<u>17,372,602</u>

ACCOUNTS RECEIVABLE

The balance of accounts receivable at December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Trade and Royalties	10,784,226	6,347,733
Member	-	170,000
Other	4,263	82,064
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
Net accounts receivable	<u>10,788,489</u>	<u>\$6,599,797</u>

NOTES RECEIVABLE

Notes receivable consist of the following at December 31, 2011:

	<u>2011</u>	<u>2010</u>
Loans to individuals	\$ 4,170,297	\$ 2,113,796
Less allowance	<u>(541,734)</u>	<u>(502,308)</u>
	\$ <u>3,628,563</u>	\$ <u>1,611,488</u>

Short-term notes receivable are advances to Communities and Village Entities for bulk fuel purchases.

Balance December 31, 2011	\$ 4,254,727
Balance December 31, 2010	\$ 12,275,678

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements December 31, 2011

The Corporation has a note receivable from BAT Fishing LLC for \$2,417,137, secured by fishing quota shares. Interest accrues at prime plus 0.25%. The Note requires interest only payments beginning on January 15, 2009 and continuing through January 15, 2014, at which time the entire remaining balance of unpaid principal and interests shall be paid in full.

Loans to individuals have scheduled repayments over one to seven years at 0% to 2%. Investment revenue is recorded when earned. The Company waived interest on loans to individuals from 1993 through 2010 due to the economic disaster in the fishing industry. Principal repayments are primarily made through individual payments and from a portion of the proceeds from the sale of the individuals' commercial harvests; accordingly, the notes are considered long-term in nature. These notes are secured by the equipment or vessels purchased with borrowed funds.

Siu has a note receivable from Glacier Fish Company, LLC for \$1,875,000. Interest is at 6%, with interest payable quarterly on the last day of March, June, September, and December. The note matures on June 30, 2013, with a lump sum payment of principle and accrued interest due at maturity.

The allowance for doubtful accounts was \$541,734 and \$502,304 and the income or expense recognized for doubtful accounts was \$110,015 expense and \$70,480 as a recovery at December 31, 2011 and 2010, respectively.

CONTINGENCY

The Company is a member of a global risk-sharing group to provide personal injury insurance for vessel personnel. Unlike "pure insurance," where the premium rate is fixed in advance, the premium is estimated and subject to adjustment (up or down) depending on the actual claims for the group during the year.

INVESTMENT IN SIU ALASKA CORPORATION AND SUBSIDIARIES

The Company received \$400,000 and \$3,238,389 in distributions for the years ended December 31, 2011 and 2010, respectively.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 850,772	1,185,187
Plant improvements	9,618,643	9,447,523
Vessels	19,880,986	17,713,921
Construction in progress	55,834	55,835
Land	317,068	317,068
Accumulated depreciation	<u>(13,727,104)</u>	<u>(12,319,225)</u>
Net property, plant, and equipment	\$ <u>16,996,199</u>	<u>16,400,309</u>

Depreciation expense for 2011 and 2010 was \$2,115,338 and \$1,446,372, respectively.

PREPAID RENT LEASES

The Company participated in the construction and improvement of the City of Nome Small Boat Harbor by paying the City of Nome \$550,000 in 1998. In October 1999, in return for its payment, the Company executed a real property and preferential use agreement for approximately 40,000 square feet of Small Boat Harbor property and preferential use of that portion of the mooring and docking space immediately adjacent to the leased premises for an initial term of 35 years, and other considerations. In March 2006, the Company paid an additional \$555,100 for improvements to the harbor. The payments are being amortized over the life of the agreement. Amortization expense for the year ended December 31, 2011 and 2010 was \$34,856 for each year.

Employee Retirement Plan

The Company has a defined contribution employee retirement plan covering all employees who are at least 18 years of age and have attained 1,000 hours of service with the Company. The Company expensed \$137,539 in 2011 and \$131,741 in 2010 for its contributions.

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements December 31, 2011

OPERATING LEASES

The Company leases Anchorage office space and the Unalakleet plant and office under lease agreements. Rent expense was \$233,619 and \$298,646 for the years ended December 31, 2011 and 2010, respectively. The Company is expected to pay \$248,646 in future minimum lease payments, for the next five years.

GEOGRAPHIC AND BUSINESS CONCENTRATION

The Company's primary operations are involved in the fisheries of the Norton Sound and Bering Sea regions of Alaska. The program revenue received by the Company is largely a result of the Company's ability to contract the harvesting of the CDQ allocations received from the federal government. The majority of the Company's sales transactions were to Glacier Fish Company, LLC. The Company hires the majority of its seasonal labor from the Norton Sound region. As a result of the geographic and natural resource concentration, the Company's growth and activities depend upon the viability of the North Pacific fisheries of pollock, halibut, crab, and other species, the continued allocation of harvesting quotas by the federal government, and the ability to obtain skilled labor from the region. Any deterioration or improvements in these fisheries, quota allocations, or the labor pool could have a significant effect on the Company.

INCOME TAXES

The Company is subject to income tax only from the activities of its for-profit subsidiary, Siu Alaska Corporation, which is consolidated with Aleutian No. 1, LLC (2011 and 2010), PS Fisheries, LLC (2010), Pacific Star Fisheries, LLC (2011 and 2010), and Glacier Bay Fisheries, LLC (2011 and 2010), and BSAI Partners, LLC (2011).

If applicable, it is The Corporation's policy to report interest and penalties associated with any income taxes in income tax expense. Income tax expense for the years ended December 31, 2011 and 2010 consists of the following:

	2011	2010
Federal	\$ (929,175)	154,848
State	(555,269)	(1,154)
Total Income Tax Benefit (Expense)	\$ (1,484,444)	153,694

The Corporation's deferred taxes at December 31, 2011 and 2010 are comprised of the following:

	2011			2010		
	Federal	State	Total	Federal	State	Total
Current deferred tax asset	\$ -	-	-	-	-	-
Current deferred tax liability	-	-	-	-	-	-
Valuation allowance	-	-	-	-	-	-
Net current deferred tax asset (liability)	\$ -	-	-	-	-	-
Non-current deferred tax asset	\$ 2,785,292	582,724	3,368,016	706,930	306,499	1,013,429
Non-current deferred tax liability	(4,384,312)	(1,212,133)	(5,596,445)	(1,376,776)	(380,638)	(1,757,414)
Valuation allowance	-	-	-	-	-	-
	\$ (1,599,020)	(629,409)	(2,228,429)	(669,846)	(74,139)	(743,985)

The significant types of temporary differences that give rise to deferred taxes are federal and state net operating loss carry forwards, contribution carry forwards, book to tax differences on LLC K-1's, and the difference between book and tax basis depreciation.

A valuation allowance on a deferred tax asset is provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

At December 31, 2011 and 2010, the Corporation had net operating loss carry forwards of approximately \$6,965,940 and \$690,371, respectively, for federal income tax purposes which, if not utilized, will begin to expire in the year 2029.

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements December 31, 2011

At December 31, 2011 and 2010, the Corporation had net operating loss carry forwards of approximately \$3,683,041 and \$311,135, respectively, for Alaska State income tax purposes which if not utilized, will begin to expire in the year 2029.

At December 31, 2011 and 2010, the Corporation had contribution carry forwards of approximately \$595,063 and \$555,063, respectively, for federal income tax purposes which, if not utilized, will begin to expire in the year 2015.

At December 31, 2011 and 2010, the Corporation had contribution carry forwards of approximately \$743,895 and \$734,498, respectively, for Alaska State income tax purposes which if not utilized, will begin to expire in the year 2015.

At December 31, 2011 and 2010, the Corporation had net accumulated book to tax differences on LLC K-1's of approximately \$(11,339,996) and \$(3,739,299), respectively.

The Company has adopted ASC 740-10 as it relates to uncertain federal or state tax positions and has evaluated its tax positions taken for all open tax years. Currently, the 2009 and 2010 years are open and subject to examination by the Internal Revenue Service. The Company is currently under audit for their 2005 and 2006 tax returns.

Based on the evaluation of the Company's tax positions, management believes no additional taxes will be assessed. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2011.

LONG TERM DEBT

In 2010, Siu entered into a note payable with Wells Fargo Bank for \$6,700,000, with a variable interest payable until paid in full. At December 31, 2011 and 2010 the balance of the note payable was \$7,911,700 and \$6,567,550, respectively. The interest rate for the years ended December 31, 2011 and 2010 were 2.875% and 3.014%, respectively.

In 2011, Aleutian No. 1 entered into a term loan with CAT Financial for \$147,422. At December 31, 2011 the balance of the term loan was \$122,822.

On January 31, 2011, the Company entered a note payable with Wells Fargo for \$9,900,000, with a variable interest rate until paid in full. At December 31, 2011, the balance of the note payable was \$9,367,299. The interest rate at December 31, 2011 was 3.125%. The Company is required to make quarterly payments of principal and accrued interest, commencing on April 1, 2011, and continuing on the first day of each July, October, and January through October 1, 2015. A balloon payment of \$6,034,621 is due January 1, 2016.

	<u>2011</u>	<u>2010</u>
Total outstanding	\$ 17,401,851	\$ 6,567,550
Less: current portion	<u>1,622,259</u>	<u>536,577</u>
Long term portion	\$ <u>15,779,592</u>	\$ <u>6,030,973</u>

Future maturities of debt are as follows:

2011	\$ -	\$ 536,577
2012	1,622,259	564,030
2013	1,651,480	592,884
2014	1,659,996	623,217
2015	1,721,795	800,000
2016	<u>10,746,321</u>	\$ <u>3,450,842</u>
Total	\$ <u>17,401,851</u>	\$ <u>6,567,550</u>

In 2011 and 2010, Siu utilized \$5,893,500 and \$1,750,000, respectively, in a revolving line of credit with interest due monthly. The line of credit has a variable interest rate, which was 3.275% as of December 31, 2011. The line of credit is unsecured, but has been guaranteed by NSEDC. The credit line limit is \$8,000,000.

The cost of providing the various programs and other activities has been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of expenses is based primarily on the proportion of time spent by employees on the various activities.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 26, 2012, the date which the financial statements were available for issue, and no subsequent events were identified that were necessary to disclose for proper presentation of the financial statements.

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

Financial Disclosure Information

Description of compensation policy for directors:

Per diem and honorariums are paid to directors for each day meetings are attended. The rate of per diem is \$350 per day. Honorarium is paid at the rate of \$300 per day. An additional \$50 is paid to the Chairman of the Board for each Board meeting. Board members also receive a monthly stipend of \$750.

Total amount paid to directors:

Compensation for NSEDC's seventeen directors (fifteen current and two whose terms ended in 2011) was \$470,034 in 2011.

Compensation for Siu Alaska Corporation's seven directors was \$16,789.

Employee Compensation:

Top five highest paid personnel within NSEDC and the majority-owned subsidiaries

President and Chief Executive officer Janis Ivanoff earned \$160,102.39; Vice-President and Chief Operating Officer Simon Kinneen earned \$133,151.54; General Counsel Kyan Olanna earned \$124,135.00; Corporate Secretary and Education, Employment and Training Coordinator Jerry Ivanoff earned \$113,104.29; and Treasurer and Controller Rick Walicki earned \$104,034.31.

Siu Alaska Corporation President and Chief Executive Officer John Eckels earned \$150,000.00 and Asset Manager Richard Tremaine earned \$113,866.56.

Related Party Transactions:

Description of any transactions over the amount of \$20,000 with any director or their family members, include:

- None

Legal proceedings involving directors:

Description of any legal proceedings in which a director has an interest adverse to the CDQ Entity, including the name of the director.

- None

Professional fees:

List of totals*

Legal.....\$70,155

Consulting.....\$7,913

Accounting.....\$76,051

Lobbying.....\$0

**Includes those professional fees incurred as General and Administrative Expenses (see schedule on page 30) and those incurred as non-administrative expenses.*

Auditor Relationship

Auditor is Altman, Rogers & Co.

Description of any disagreement by the CDQ Entity with any auditor in the past two years:

- There were no disagreements with Altman, Rogers & Co. for 2011 and 2010.

Financial Disclosure Information

Description of any non-audit services supplied by the auditor with disclosure of the fees paid for the non-audit services as a percentage of the total fees paid to the auditor:

- Non-audit service was for tax services related to the preparation of corporate tax returns. Total fees for non-audit services amounted to \$4,180 or approximately 6.6% of total fees paid to Altman, Rogers & Co.

Committees

Nomination or compensation functions, including a description of the committee's functions and dates of any meetings held by the committee:

- Executive Committee

The Executive Committee members for 2011 were Dan Harrelson, Chairman; William Johnson, Vice-Chairman; Don Stiles, Sergeant-at-arms; Eugene Asicksik and Oscar Takak.

The Executive Committee is responsible for planning the work of the full Board, setting meeting schedules and agendas, ensuring accountability of operations of the Corporation, setting guidelines between regular meetings, clarifying policy, and referring work or issues to other committees. The Executive Committee may exercise all of the authority of the full Board in the management of the Corporation, except where action of the Board of Directors is otherwise specified by statute, regulation, the bylaws, or the articles of incorporation.

The Committee held meetings on April 26, July 7, August 1, October 21, and October 31, 2011.

- Compensation Committee

The Compensation Committee members for 2011 were Dan Harrelson, Eugene Asicksik, Orville Ahkinga, William Johnson and Dean Peterson

The Compensation Committee is responsible for reviewing requests by NSEDC management for increases in pay or annual bonuses for NSEDC officers and staff, and shall recommend approval or denial of such requests to the Board of Directors.

The committee met on January 25 and November 1, 2011.

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NSEDC MISSION STATEMENT

*NSEDC will participate in the Bering Sea fisheries
to provide economic development through
education, employment, training and financial
assistance to our member communities.*

BREVIG MISSION • DIOMEDE • ELIM • GAMBELL
GOLOVIN • KOYUK • NOME • SAVOONGA
SHAKTOOLIK • ST. MICHAEL • STEBBINS • TELLER
UNALAKLEET • WALES • WHITE MOUNTAIN

