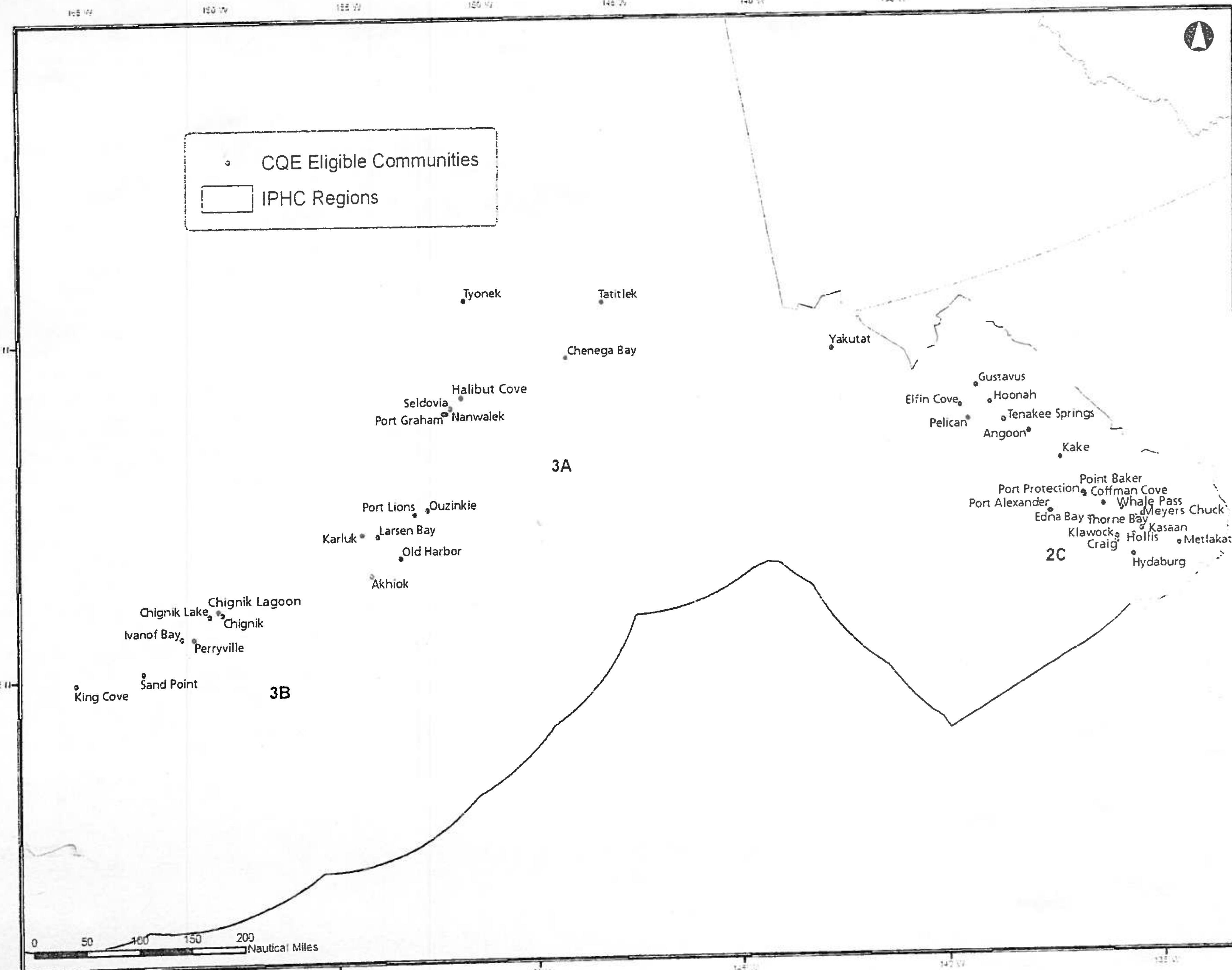

CQE Eligible Communities
IPHC Regions
3A
3B
2C
Tyonek
Tatitlek
Chenega Bay
Halibut Cove
Seldovia
Port Graham
Nanwalek
Port Lions
Ouzinkie
Larsen Bay
Karluk
Old Harbor
Akhiok
Chignik Lagoon
Chignik Lake
Chignik
Ivanof Bay
Perryville
Sand Point
King Cove
Yakutat
Gustavus
Elfin Cove
Hoonah
Pelican
Tenakee Springs
Angoon
Kake
Point Baker
Port Protection
Coffman Cove
Whale Pass
Port Alexander
Meyers Chuck
Edna Bay
Thorne Bay
Kasaan
Klawock
Hollis
Craig
Hydaburg
0 50 100 150 200 Nautical Miles

Memorandum

To: Curtis Thayer, Deputy Commissioner

Wynetta Ayers , Director Division of Economic Development

From : Duncan Fields

Shoreside Consulting

Date: February 17, 2011

RE: Energizing the Community Quota Entity (CQE) Program

In 2003 the North Pacific Fisheries Management Council recognized the need to increase fisheries access in smaller Gulf of Alaska fishery dependent communities -- those under 1,500 people and without road access. The Council understood that halibut and sablefish quota shares held in trust for community residents would have significant long term benefits. Consequently, the Council qualified 42 Gulf of Alaska communities to purchase and retain IFQ quota shares. Each qualified community needed to form a non-profit Community Quota Entity (CQE) for the acquisition and management of their quota.

About 15 communities have formed CQEs. However, the expected rural development benefits from the program have not been realized. The market costs of acquiring quota shares has increased significantly to about $30.00 per pound for area 3A quota or a ratio of between 6 & 7 times the exvessel value. With the current State loan program, expected annual CQE returns from fishing quota share barely covers debt service and does not provide reserves for quota fluctuation. More importantly, current programs require 20% down or an 80% loan to value ratio. This type of down payment is simply beyond the capabilities of these smaller, economically depressed, Alaska communities. Competing purchasers are able to use income from other fisheries to finance their down payment and, if needed, meet debt service. However, CQE communities don't have "other" income.

The CQE community halibut and sablefish purchase program would "work" if these communities could obtain loans with a 5% down payment and lower interest loans that could be waived for a period of time to build up CQE reserves and for a term of 30 years. Remember, the purchased quota would remain in the community in perpetuity or, if sold, the loan\grant amount would be repaid. Consequently, the term of the loan is viewed differently by the CQE. This type of CQE guota share purchase loans will have significant long term economic benefits in these communities, benefits that could easily outlast other types of capital projects or State assisted Programs.

Summary of CHP Transfers to Date: 3/21/12

Year	Area	Entire Business Sold Flag	Classification	Min Transaction Price	Max Transaction Price	Median Transaction Price	Average Transaction Price	Transaction Count
2011	2C	N	4 Anglers	***	***	***	***	2
2011	2C	N	5 Anglers	25,000.00	60,000.00	33,500.00	35,214.29	7
2011	2C	N	6 Anglers	10,000.00	66,000.00	31,000.00	32,050.00	20
2011	2C	Y	4 Anglers	***	***	***	***	1
2011	3A	N	4 Anglers	9,000.00	50,000.00	43,000.00	40,000.00	7
2011	3A	N	5 Anglers	***	***	***	***	2
2011	3A	N	6 Anglers	36,000.00	80,000.00	61,000.00	61,316.14	29
2011	3A	N	> 6 Anglers	20,000.00	90,000.00	62,625.00	60,118.75	8
2011	3A	Y	5 Anglers	***	***	***	***	1
2012	2C	N	5 Anglers	***	***	***	***	1
2012	2C	N	6 Anglers	28,000.00	30,000.00	30,000.00	29,333.33	3
2012	3A	N	4 Anglers	40,000.00	45,000.00	43,000.00	42,666.67	3
2012	3A	N	6 Anglers	40,000.00	58,500.00	42,500.00	45,875.00	4
2012	3A	Y	6 Anglers	***	***	***	***	1

Note: Transactions with a transaction price of 0 are excluded from list.

Note: Each row with transferors or transferees less than 3 is confidential data and is excluded from the list.

Alaska Division of Economic Development
Loan Programs

Loan Program	Maximum Loan Amount	Maximum Loan Term	Interest Rate	Floor	Ceiling	Origination Fee
I. Commercial Fishing Loan Fund						
A. Community Quota Entity	Lesser of $2MM or 80% of quota share purchase price	15 years	prime + 2.00%	3.00%	10.50%	1.00%
B. Engine Fuel Efficiency Upgrade	Lesser of $400K or 75% of vessel value	15 years	prime - 2.00%	3.00%	10.50%	1.00%
C. Limited Entry Permit	Lesser of $400K or 80% of entry permit value	15 years	prime + 2.00%	3.00%	10.50%	1.00%
D. Product Quality Improvement (for vessels and gear)	Lesser of $400K or 75% of vessel value	15 years	prime - 2.00%	3.00%	10.50%	1.00%
E. Purchase of Quota Shares - Section C	Lesser of $400K or 80% of quota share purchase price	15 years	prime + 2.00%	3.00%	10.50%	1.00%
II. Fisheries Enhancement	Up to $10MM	30 years	prime + 1.00%	3.00%	9.50%	1.00%
III. Rural Development Initiative Fund	Up to $300K	25 years	prime - 1.00%	4.00%	n/a	1.00%
IV. Small Business Economic Development	Up to $300K	20 years	prime - 4.00%	4.00%	n/a	1.00%
V. Alaska Capstone Avionics Loan Program	Upt to 80% of equipment cost	10 years	4.00%	n/a	n/a	n/a

Note: Interest rates are fixed at time of loan approval and existing loans can be refinanced at current interest rates