Key Hurdles to Financing Quota

Technical Support Workshop and Development Summit for Community Quota Entities (CQE)

February 17-18, 2009 - Anchorage, AK

Captain Cook Hotel
How to think like a banker…

- The “Four Cs” of lending
  - “Collateral”
  - “Capacity” – aka Cash Flow
  - “Credit”
  - “Capital” – aka Down Payment

- “Workable” deals strike an acceptable balance
“Collateral” and Price Stability

Price Trends – Halibut Quota

Average Ask and Offer Prices
Halibut - Region 2C

Average Ask and Offer Prices
Halibut - Region 3B

Average Ask and Offer Prices
Halibut - Region 3A
“Collateral” and Price Stability

Price Trends – Sablefish Quota

Average Ask and Offer Prices
Sablefish - SE Area

Average Ask and Offer Prices
Sablefish - CG Area

Average Ask and Offer Prices
Sablefish - WG Area

North Pacific Fisheries Trust
“Collateral” – Which Species?

“Price-to-Sales” ratio as measure of relative value

HALIBUT
- Halibut quota @ $24/lb
- Halibut dock price @ $4/lb
- Price-to-Sales = 24 / 4 = 6x

SABLEFISH
- Sablefish quota @ $13/lb
- Sablefish dock price @ $2.50/lb
- Price-to-Sales = 13 / 2.50 = 5.2x
“Collateral” – Which Species?

Additional factors

- Local fleet outfitted for sablefish?
- Operating costs for sablefish versus halibut
“Capacity”

ISSUES
- Lack of proven operating capabilities
- Lack of scale needed to afford professional management

POTENTIAL SOLUTIONS
- Operational partnership with “sponsor” organization (eg - village corp, CDQ)
- Regulation changes (more about this later)
- Scale through “Regional CQE” model
.issue
- CQE = “Risky Startups”

\- Loan guarantees from “sponsor” organization (eg - village corp, CDQ, gov’t)
“Capital”

ISSUE
- Lack of cash and/or strong balance sheet

POTENTIAL SOLUTIONS
- “Donations”
  - Seed grants
  - Charitable Remainder Trusts / Bargain sales
- Commitment to partial sale of quota at loan maturity
- Quota purchases with equity “kicker” to seller