

September 10, 2004

Dear BSAI Crab Qualifying Voter:

This letter provides voting information for the BSAI crab fishing capacity reduction program's upcoming referendum.

Our records indicate you're qualified to vote in this referendum.

It isn't time to vote yet, but we're sending you this information now so you'll have time to review it before we send you a ballot.

(1) WILL THE UPCOMING REFERENDUM BE ABOUT THE RESULTS OF THE SECOND INVITATION TO BID?

Yes, it will.

We issued the second invitation to bid on August 6, 2004, and the second round of bidding opened on the same date.

The upcoming referendum will be about the bids we accept during this second round of bidding.

(2) HAS THE SECOND ROUND OF BIDDING CLOSED YET?

No, not yet.

The second round of bidding closes on September 24, 2004.

If you intend to bid in the second round of bidding but haven't yet, you should do so now because your bid must be in our possession not later than 5:00 P.M., Eastern Daylight Time, on September 24, 2004.

We won't consider any bid we first receive after the time bidding closes, so be sure to leave enough time for your bid to actually be in our possession before 5:00 P.M., Eastern Daylight Time, on September 24, 2004.

Remember, the voters rejected the fee during the first

referendum. Presumably, this was because the bid amounts were too high a percentage of the bidders' crab catch history values during the bid scoring period to justify the loan repayment fees involved¹.

Because we accept bids in a reverse auction, if your bid amount is too high a percentage of your crab catch history value during the bid scoring period, you risk our being unable to accept your bid before we've already used the \$100 million in reduction funds for bidders with lower percentages.

And, if all bidders' bid scores are too high a percentage of the bidders' crab catch histories during the bid scoring period, all bidders risk an unsuccessful second referendum and our inability to complete the buyback.

(3) WHAT'S THE REFERENDUM'S PURPOSE?

Determining whether crab license holders authorize a post-reduction landing fee to repay the Federal loan which will finance the reduction program's cost.

(4) WHEN WILL WE SEND YOU YOUR REFERENDUM BALLOT?

We'll send you your referendum ballot on October 1, 2004.

That's one week after the second round of bidding closes.

(5) WHEN CAN YOU FIRST VOTE?

You can vote as soon as you receive your ballot.

(6) WHEN DOES VOTING CLOSE?

Voting closes on November 15, 2004, at 5:00 P.M., Eastern Standard Time.

¹ *We rank bids by bid score. A bid score is a bid amount divided by the value of a bidder's crab catch history value during the 5-year bid scoring period. A bid amount of, say, \$1 million and a crab catch history value during the bid scoring period of \$1.5 million would, for example, produce a bid score of 0.66666 (that is, the bid amount would be 66.666% of the crab catch history value). We accept the lowest bid scores first. The higher your bid score is, the less likely it is that we'll be able to accept your bid before we use all of the \$100 million for bidders with lower bid scores .*

That's over six weeks after we mail your ballot to you.

So, depending on how long it takes our ballot to reach you, you should have more than five weeks to vote by completing your ballot and returning it to us before voting closes.

(7) WHAT'S THE SIGNIFICANCE OF WHEN VOTING CLOSES?

Your completed ballot must be in our possession before 5:00 P.M., Eastern Standard Time, on November 15, 2004.

If we receive your completed ballot after voting closes, your ballot won't be responsive and we won't count it as a referendum vote.

You should deliver your completed ballot to us sufficiently before voting closes to ensure that we actually have it in our possession before 5:00 P.M., Eastern Standard Time, on November 15, 2004.

Remember, you must do more than just mail your completed ballot before voting closes. You must mail your completed ballot sufficiently ahead of time for us to have received it before voting closes.

If time is running short, you may want to consider delivering your completed ballot to us by an overnight delivery service rather than U.S. mail.

(8) WHO CAN VOTE?

Each holder of an interim or a non-interim BSAI crab license can vote, except only the holders of crab licenses which are endorsed solely for the Norton Sound fishery.

There are presently 314 qualifying voters on our qualifying voter list.

(9) DO YOU GET ONE VOTE FOR EACH LICENSE YOU HOLD?

Yes.

We'll send you a ballot for each qualifying BSAI crab license for which you're then the holder of record according to the

RAM Program's² crab license database.

(10) DO ALL REFERENDUM VOTES HAVE EQUAL WEIGHT?

Yes, each vote's weight is equal.

(11) WILL YOU SEPARATELY SEND EACH LICENSE HOLDER A BALLOT FOR EACH LICENSE THE HOLDER HOLDS?

Yes, there will be a separate ballot for each license.

If you hold more than one license qualifying you to vote, you'll separately receive a ballot for each of the qualifying licenses of which you're the holder of record.

Each ballot will bear the license number of the license with which the ballot is associated.

(12) WHEN WE SEND YOU YOUR BALLOT, WHAT OTHER INFORMATION WILL WE INCLUDE?

Our October 1, 2004, ballot transmittal letter will tell you at least the following about the bids we've accepted during the second round of bidding:

- a. The buyback cost (the total of all accepted bidders' bid amounts);
- b. The reduction loan amount (same as the total buyback cost);
- c. The number of accepted bidders' crab licenses revoked and the number of crab vessels whose fishing privileges will be revoked;
- d. ***For each of the six fee-paying fisheries:***
 - i. The estimated increases in crab QS allocations for post-reduction license holders which will result from our revoking the accepted bidders' entire crab catch histories,

²The Restricted Access Management Program in NMFS' Alaska Regional Office.

- ii. The ex-vessel dollar values, but only during the bid scoring period, of the accepted bidders' revoked crab catch histories,
 - iii. The number and kind of crab license endorsements revoked,
 - iv. The reduction loan sub-amounts, and
 - v. The fee rates prospectively required; and
- g. Any other useful information we may have which might help you evaluate your voting decision.

(13) WILL WE SEND YOU ANY FUTURE REFERENDUM NOTICES?

No, we won't.

Instead, on October 1, 2004, we'll mail your ballot and voting information to you without further notice.

(14) WHAT DETERMINES WHETHER THE SECOND REFERENDUM SUCCEEDS OR FAILS?

If at least two-thirds of the voters who return responsive ballots vote in favor of the landing fee, the referendum succeeds.

In other words, if more than one-third of the voters who return responsive ballots vote against the landing fee, the referendum fails.

(15) WHAT HAPPENS IF THE REFERENDUM SUCCEEDS?

We complete the reduction program, in this order:

- a. We notify all bidders whether we accepted or rejected their bids;
- b. We notify all voters that the referendum succeeded;
- c. On November 22, 2004, we publish a reduction payment tender notice 30 days before we tender reduction payments to accepted bidders;
- d. On December 22, 2004, we tender reduction payments to

accepted bidders;

- e. On December 22, 2004, we revoke accepted bidders' crab licenses and crab fishing histories and restrict their crab vessels from ever fishing again anywhere in the world or transferring into foreign registries;
- f. When we receive bidders' written payment instructions responding to our reduction payment tenders, we disburse reduction payments in accordance with the payment instructions;
- g. We publish a fee payment regulation; and
- h. We begin fee payment and collection.

(15) IF THE SECOND REFERENDUM SUCCEEDS, WOULD ANY OF THE ACCEPTED BIDDERS BE ABLE TO PARTICIPATE IN ANY 2005 CRAB SEASON?

No, following an accepted referendum, no accepted bidder's revoked license and restricted vessel will be able to participate in any crab season after 2004.

(16) WHAT HAPPENS IF THE SECOND REFERENDUM FAILS?

We don't complete the reduction program, all bidders are automatically released from any further obligation under to their bid offers, and we're released from any further obligation under our bid acceptances.

(17) WHAT'S THE MAXIMUM BUYBACK COST, AND HOW MUCH OF THAT DOES THE REDUCTION LOAN FINANCE?

The maximum cost is \$100 million, and the reduction loan will finance 100% of whatever the final cost turns out to be.

(18) IS THIS A NORMAL LOAN?

Only in the sense that it must be repaid.

Otherwise, this has no resemblance to a normal loan.

There are no promissory notes, mortgages, or other security documents.

No post-reduction crab harvester is responsible for repaying any specific portion of the loan.

No post-reduction crab harvester is obligated in any way except to pay the landing fee each time the harvester lands crab after we complete the reduction program and publish a fee regulation.

There is, in short, no loan-repayment contract between us (the lender) and post-buyback harvesters (collectively, the borrower). Instead, the loan's repayment obligation consists entirely of a statutory obligation to pay the post-reduction crab landing fee.

No one's assets secure this loan's payment.

(19) WHAT'S THE LOAN'S REPAYMENT TERM?

The loan is repayable over a 30-years; but, if it isn't fully paid by then, the fee continues until it is fully repaid.

(20) WHAT'S THE LOAN'S INTEREST RATE?

We won't know until later, but it'll be 2% higher than the Federal Government's cost of then borrowing money for a similar period.

At today's Federal borrowing cost, the loan's interest rate would be about 7.1%.

(21) HOW DO POST-REDUCTION HARVESTERS REPAY THE LOAN?

By a fee on post-reduction crab landings.

The first ex-vessel buyers of post-reduction crab will deduct this fee from trip proceeds before paying the net proceeds to the landing vessels.

Because fish buyers will automatically deduct this fee from post-reduction trip proceeds, crab harvesters won't need to worry about how, when, or to whom they should pay the fee.

The fee deductions are involuntary.

(22) WHAT POST-REDUCTION CRAB LANDINGS WILL BE SUBJECT TO THE FEE?

All BSAI crab landings, except those from the Norton Sound crab fishery.

(23) WILL WE ALLOCATE THE LOAN AMONG THE DIFFERENT CRAB AREA/SPECIES ENDORSEMENT FISHERIES?

Yes.

There are seven crab area/species endorsement fisheries.

Six of these will be fee-paying fisheries, and we'll allocate a separate loan sub-amount to each of these fisheries.

The Norton Sound fishery won't be a fee-paying fishery, and we won't allocate any loan sub-amount to this fishery.

(24) HOW MUCH WILL THE FEE BE?

It'll be different for each of the six fee-paying fisheries, because the loan sub-amounts will be different for each of these fisheries.

We can't determine the loan sub-amounts until after buyback bidding closes.

No fee can ever be more than 5% of the ex-vessel value of post-reduction crab landings, but will be less if a lesser percentage of the landings revenue we project for any of the six fee-paying fisheries will be sufficient to repay that fishery's loan sub-amount over 30 years.

(25) HOW WILL WE ALLOCATE THE LOAN SUB-AMOUNTS?

We'll do this as indicated in the following table:

FISHERY	DOLLAR VALUE OF ACCEPTED BIDDERS' CRAB LANDINGS DURING THE 5 BID SCORING YEARS IN EACH FEE-PAYING FISHERY . . .			TIMES TOTAL REDUCTION COST/ REDUCTION LOAN AMOUNT (MULTIPLICAND)	EQUALS REDUCTION LOAN SUB-AMOUNT IN EACH OF 6 FISHERIES (PRODUCTS)
	TOTAL LANDED IN EACH OF 6 FISHERIES (DIVIDENDS)	DIVIDED BY GRAND TOTAL LANDED IN ALL 7 FISHERIES (DIVISOR)	EQUALS EACH OF 6 FISHERIES AS PERCENTAGE OF ALL 7 FISHERIES (MULTIPLIERS)		
First	varies	same	varies	same	varies

Second	varies	same	varies	same	varies
Third	varies	same	varies	same	varies
Fourth	varies	same	varies	same	varies
Fifth	varies	same	varies	same	varies
Six	varies	same	varies	same	varies

This allocation method ensures that the loan sub-amount in each of the six fee-paying fisheries is proportional to the amount of capacity reduction in that fishery.

Fees on post-reduction crab landings in each of the six fee-paying fisheries will repay only the reduction loan sub-amount allocated to that fishery.

(26) WILL THE BALLOTS BE COMPLICATED?

No, they'll be simple.

Each ballot will have a place for you to vote either for or against the reduction loan repayment fee and a place for you to sign the ballot.

All you'll have to do is mark the ballot to establish whether you're voting for or against the fee, properly sign the ballot, and return it to us before voting closes.

Please remember to mark your ballot either for or against the fee.

We won't count any ballot which is marked neither for nor against the fee, and we won't count any ballot which is marked both for and against the fee.

(27) WHO MUST SIGN THE BALLOTS?

Each ballot must be signed by the owner of record of the specific crab license upon which the ballot is based.

If a crab license is co-owned (jointly owned by more than one sole proprietor, partnership, or corporation), each co-owner must sign the ballot.

If only one sole proprietor owns the crab license, only the person who is the sole proprietor must sign the ballot.

If only one partnership owns the crab license, only the partner authorized to sign for the partnership on behalf of the remaining partners need sign the ballot. If no one partner is so authorized, then all partners must sign the ballot.

If only one corporation owns the crab license, only the person authorized to sign on behalf of the corporation need sign the ballot.

Please remember to sign the ballot.

We won't count ballots which aren't signed.

(28) WHEN YOU VOTE, TO WHOM MUST YOU DELIVER YOUR COMPLETED BALLOT?

Michael L. Grable
Chief, Financial Services Division (F/MB5)
National Marine Fisheries Service
National Oceanic and Atmospheric Administration
Room 13100
1315 East-West Highway
Silver Spring, MD 20910-3282.

(29) MAY YOU FAX YOUR COMPLETED BALLOT TO US?

No.

We won't count your completed ballot if you fax it to us.

Instead, you must cause your completed ballot to be physically delivered to us at the above address.

(30) DO WE REQUIRE ORIGINAL SIGNATURES ON YOUR COMPLETED BALLOT?

Yes.

You must submit your completed ballot on the ballot form we mail to you.

The completed ballot must bear the original signatures of all parties required to sign the ballot.

Please don't send us a photocopy of a previously signed

ballot.

(31) WHY MUST YOU USE ONLY THE BALLOT WE SEND YOU?

Each ballot will bear an administrative number we've randomly selected and the governmental number of the crab license which qualifies you to complete and submit the ballot.

Each random number will correlate in our records to each crab license number.

We'll reject any ballot that doesn't bear the correct randomly assigned number for the crab license involved in that ballot.

(32) WHAT MEANS (OTHER THAN FAX) OF BALLOT DELIVERY MAY YOU USE?

U.S. mail, express delivery service, or personal delivery.

You may use whichever of these means you believe most reliably able to deliver your completed ballot in time for it to be counted.

Please remember that it isn't enough for you merely to mail your completed ballot before voting closes.

Instead, we must actually receive your completed ballot no later than 5:00 PM, Eastern Standard Time, on November 15, 2004.

(33) SHOULD YOU DELIVER YOUR COMPLETED BALLOT TO US IN A SPECIAL ENVELOPE?

Yes.

When we mail your ballot, we'll include a specially marked envelope for you to use in returning your completed ballot to us.

This is designed to ensure your completed ballot gets special attention in our mail distribution system.

(34) WHAT SHOULD YOU BE CAREFUL ABOUT WHEN SIGNING YOUR BALLOT?

Here are some examples:

- a. ***You should sign your ballot using your full legal name.***

This is true whether you're signing as a sole proprietor, a corporate officer, a general partner, or in any other capacity;

- b. ***Multiple parties owing or holding a crab license in common must both sign the ballot.***

For example, if the crab license database establishes that the record owner of the license is "Smith, Sam S. and Smith, Bess B.", both Sam S. Smith and Bess B. Smith must sign the ballot;

- c. ***A corporate license holder of record must cause a properly authorized corporate officer to sign the ballot and the corporate voter must ensure that the corporation is duly authorized to submit the ballot;***

- d. ***A partnership license holder of record must cause each of the partnership's partners to sign the ballot on the partnership's behalf, unless one of partners is a general partner whom the voting partnership's articles of partnership duly authorize to bind the other partners by signing legal documents on the partnership's behalf.***

In the latter event, the completed ballot's submission should be accompanied by a copy of the partnership's articles of partnership evidencing the general partner's authority;

(35) WILL WE REJECT YOUR BALLOT IF IT ISN'T PROPERLY COMPLETED, SIGNED, AND DELIVERED?

Yes

Please complete and deliver the ballot carefully. Please don't risk our having to reject your ballot.

(36) ARE THERE SUBSTANTIAL PENALTIES AND OTHER PUNISHMENT FOR SUBMITTING FALSE, UNAUTHORIZED, OR FRAUDULENT BALLOTS?

Yes.

This is subject to the full range of penalties that the

Magnuson-Stevens Act, 15 CFR part 904, and all other applicable United States law provides.

These include, but are not limited to, civil penalties, sanctions, forfeitures, and punishment for criminal offenses.

This concludes the voting information questions and answers.

Again, if you intend to bid but haven't yet, it's important that you do it now to be certain that your bid is in our hands before bidding closes on September 24, 2004.

If you need help with any buyback aspect, please don't hesitate to contact one of the three persons listed on the next page. If the person you call isn't here to answer your question at the time you call, please don't hesitate to call one of the other persons.

PERSON	NUMBERS/ADDRESS	
	TELEPHONE (301) 713-2390	E-MAIL
Mike Grable	Extension 185	michael.grable@noaa.gov
Mike Sturtevant	Extension 212	michael.sturtevant@noaa.gov
Shawn Barry	Extension 186	shawn.barry@noaa.gov

We look forward to receiving your completed referendum ballots.

Thank you for your participation.

Sincerely,

Michael L. Grable, Chief
Financial Services Division