



October 12, 2011

Mr. Dan Wolford  
Chairman  
Pacific Fishery Management Council  
7700 NE Ambassador Place, Suite 101  
Portland, Oregon 97220-1384

Re: Council Trailing Actions on Trawl Rationalization – Lender Safe Harbors

Dear Chairman Wolford:

I am writing on behalf of the California Fisheries Fund ([www.californiafisheriesfund.org](http://www.californiafisheriesfund.org)), a nonprofit revolving loan fund that invests in the Pacific fishing industry. Our mission is to help our borrowers (fishermen, fishing businesses, ports, communities and others) succeed in fisheries that achieve environmental conservation, improved profitability for the industry and stability for port communities.

First, we wish to thank the Pacific Fishery Management Council for recognizing the important role that lenders and financial institutions play in supporting a sustainable commercial fishing industry on the west coast. Your recommendations for lender safe harbors and tools such as third-party verification will prove essential to smoothing the transition to IFQ management of the groundfish fishery.

CFF was founded in large part because financing from traditional lenders, i.e. banks and credit unions, is not adequate to meet the needs of the commercial fishing industry. In fact, most CFF borrowers were not able to secure financing for fishing vessels and permits from traditional lenders who view small-scale commercial fishing as highly risky. Since our inception in 2008, we have made eleven loans to nine different borrowers. Of these, about half have been to borrowers who were not able to access financing from traditional lenders.

We have already begun to make loans to participants in the groundfish trawl IFQ fishery for vessel purchase and upgrades and gear upgrades/modifications. Two of our loans (one for vessel upgrades and one for gear purchase) are secured in part by QS. We expect to make further loans for quota leasing/acquisition and to aid young new participants in entering the fishery. Many of these loans will likely be secured (in whole or in part) with quota shares or quota pounds as collateral. Unfortunately, proposed language under consideration by the Council exempts only state- and federally-chartered institutions from the control caps. This language would not allow CFF, RSF Social Finance ([www.rsfsocialfinance.org](http://www.rsfsocialfinance.org)) and perhaps other likely lenders to avail themselves of the safe harbor. We are concerned that our lending would be seriously curtailed by such language.

While we are concerned about exceeding the control cap generally, CFF would be even more likely to exceed the control cap on a species-by-species basis. Since not all permits were allocated quota on an equal basis, as few as 2 permits pledged as collateral could push us over those species caps. A good example of this is Yelloweye rockfish – several permits appear to have been allocated more than 1% QS and the control cap is only 2.6%.

In order to allow legitimate lenders like CFF to finance Pacific IFQ fishing operations using quota share as collateral, CFF and other like organizations should be covered by safe harbors. We can recommend a couple of options for clarifying which organizations should be granted safe harbor status.

- Our preferred option is to adopt a requirement that lenders taking QS as collateral in excess of the control cap must refrain from placing delivery covenants on borrowers, i.e. restricting delivery to specific buyers and/or setting particular prices.
- A second option is to further clarify what kinds of entities are covered under the safe harbor by adding 501(c)3 nonprofit entities to the list of exempted institutions.

A third option might be a case-by-case safe harbor exemption granted to organizations such as CFF, that demonstrate legitimate lending practices to the Council.

We appreciate the opportunity to comment. If you have any questions about this important matter, please do not hesitate to contact me at (415) 293-6120 or [phiggins@californiafisheriesfund.org](mailto:phiggins@californiafisheriesfund.org).

Sincerely,  
Phoebe R. Higgins  
Project Manager/Loan Officer

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Dear Chairman Wolford:

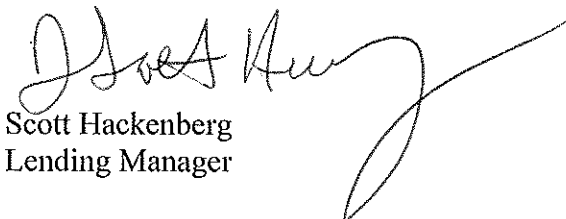
I am writing on behalf of RSF Social Finance ([www.rsfsocialfinance.org](http://www.rsfsocialfinance.org)), a pioneering non-profit financial services organization dedicated to transforming the way the world works with money. We are writing in support of the California Fisheries Fund's letter regarding safe harbors for lenders.

RSF Social Finance has begun lending to sustainable commercial fishing businesses in the Pacific region that provide environmental and social benefits to working port communities and native fishermen. There is the likelihood that some of our loans will be secured (in whole or in part) with quota shares or quota pounds as collateral. Unfortunately, proposed language under consideration by the Council exempts only state- and federally-chartered institutions from the control caps, a category to which we do not belong.

In order to allow legitimate lenders like RSF Social Finance and CFF to finance Pacific IFQ fishing operations using quota share as collateral, we must be covered by safe harbors.

We appreciate the opportunity to comment. Thank you for your consideration.

Sincerely,

  
Scott Hackenberg  
Lending Manager