Exhibit 2: Example of a Fisheries RLF Potential Investment

EXAMPLE OF A FISHERIES REVOLVING LOAN FUND POTENTIAL INVESTMENT

Imagine a fishery where there is significant overcapacity, or more boats than necessary to capture the available fish. Managers have set a Total Allowable Catch (TAC), but there are 200 fishermen racing to catch the specified amount of fish, which could profitably be caught by 100 fishermen. In order for each fisherman to maximize their individual portion of the TAC, they invest in bigger boats, with lots of gear, and they start fishing as hard as possible when the season opens. During this “race for fish” the environment is negatively impacted because of bycatch-- capture of untargeted species, habitat damage from certain gear types designed to maximize catch, and excessive overruns on total allowable catch. Each of the 200 participants gets only a small trip limit (allowable catch per fishing trip) as managers struggle to keep the season open as long as possible. But as the trip limits are reduced, fishermen discard fish with less market value in order to maximize the value of their catch and argue passionately for higher allowable catches so they can stay in business. With increasing regulations, including shortened seasons and closed areas, fishing businesses are becoming less and less profitable and fishermen are looking for a way to revitalize their businesses and the fish stocks.

While this scenario may seem dramatic, it is the reality for many fisheries in California and worldwide. A variety of changes could help revitalize fisheries both economically and environmentally, but there is often a lack of funding to implement such reforms. The Sustainable Fisheries Revolving Loan Fund could provide vital financing to state fisheries. There are many types of reforms that the loan fund could finance, and loans could be tailored to the individual needs and context of each fishery.

In the scenario above of an over-capitalized fishery where there is a race for fish and significant environmental impacts, the loan fund could provide funding for a comprehensive solution to the problem. First, funds could be used to reduce overcapacity, for example by buying out half vessels and permits so that the capacity of the fishery is more closely aligned with the available fish. With fewer vessels and permits participating in the fishery, more fish would immediately become available to the remaining fishermen, providing a boost in financial performance, reducing discards, and decreasing pressure for unsustainable catch levels. In order to prevent re-capitalization or the re-entry of fishermen which would dilute the benefits of a buyout, controls of some sort would be implemented. Fishermen could use loan fund monies to finance research, analyses, and processes to implement a form of dedicated access privilege management -- i.e. a cooperative, territorial use rights for fishing (TURF), a catch share program—or other approaches to sustainable fisheries. Once overcapacity is addressed, loan fund monies could be applied to improving the marketing and branding of the products. For example, marketing boards could be set up, along with branding campaigns, custom processing facilities, direct-to-consumer sales, and other methods to add value to fishermen’s product. Fisheries where overcapacity is not a problem could still benefit from these latter demand-side examples and use loan fund money solely to increase the value of their product.

In return for the loan fund monies, fishermen would have to agree to conservation measures, such as gear changes or closed areas or seasons, and they would have to repay the loan over time. The repayment structure would be tailored to each fishery. The Fisheries Revolving Loan Fund can provide much-needed cash to help revitalize our fisheries and fishing businesses. By switching from high-volume, low-value fisheries to high-value, low volume fisheries, we will be able to preserve our fisheries and fishing heritage. Without the loan fund, many of these fisheries would be unable to attract the investment necessary to implement these changes.