

Mr. Commercial Fisherman
999 Water Lane
Annapolis, MD 21401

July 8, 2009

MARYLAND DNR WOULD LIKE TO BUY YOUR COMMERCIAL LIMITED CRAB CATCHER (LCC) LICENSE.

- YOUR LICENSE HAS BEEN IDENTIFIED AS INACTIVE.
- THE DEPARTMENT PLANS TO PROPOSE REGULATIONS THIS FALL THAT WILL AFFECT YOUR LICENSE IF YOU RETAIN OWNERSHIP.

Dear Mr. Fisherman:

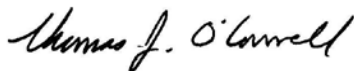
In April 2009, the Maryland Department of Natural Resources (DNR), Fisheries Service held three open houses around the Bay region with the intent to educate the public on the problem of inactive commercial crabbing licenses (latent effort), and to obtain public input on possible solutions. Detailed summaries of open house material and summaries of public comment received are available at our website: <http://www.dnr.state.md.us/fisheries/crab/crabindex.html>

Based on public input, DNR is offering to purchase both inactive (latent) and active LCC licenses. DNR will buy licenses through a process called a *reverse auction*, which requires you to submit a bid to DNR for the amount of money you determine your license to be worth. DNR is offering to buy just your license – not associated business assets such as boats, gear, equipment, etc. A detailed, step by step description of this process is attached to this letter.

DNR has determined that your LCC license is latent because you have no reported harvest between April 1, 2004 and December 15, 2008. If you chose to sell your license through this process, it will be permanently retired, and will not be re-issued. If you choose to keep your license, or if your auction bid is not accepted, your license will be subject to new regulations that will be proposed in the fall of 2009. If approved, these regulations will require you to choose among several options possibly including: 1) access to a limited, male-only harvest, and the license would be non transferable; or 2) temporarily freeze the license until the population has maintained a target abundance, as determined by Chesapeake Bay Stock Assessment Committee (CBSAC) scientists, for three consecutive years at which time a re-entry plan would be implemented.

If you would like to sell your license back to the Department, please review the enclosed material, complete the enclosed bid form, and return the form to the Department by July 31, 2009.

Sincerely,



Thomas J. O'Connell
Director of Fisheries Service

Maryland DNR would like to BUY your LCC License.

How does a reverse auction work?

You determine the price of your license and submit this price (or bid) to DNR. The lowest bids are accepted first. DNR will accept as many bids as possible until available funds are exhausted. DNR will use the range of bids received to determine a maximum price that will be paid for the LCC license. Bids above this level will not be accepted. Using your bids to calculate a maximum value for an LCC ensures that the market value is determined by the license holders. DNR has also conducted an independent economic analysis to determine the amount of money an LCC license is worth **without** associated assets such as boats, gear, etc. Therefore, bids that are unrealistically high will not be included in the calculation of the maximum price. **In a reverse auction, the higher you bid, the less likely your bid is to be accepted.**

Follow these steps if you would like to sell your license:

1) **Decide on your bid,**

*Your bid is the amount of money you believe your license is worth **without** associated assets such as your boat and gear.*

2) **Enter your bid and complete all information onto the attached form.**

3) **Return bid form to the Department, postmarked on or before July 31, 2009.**

You will be contacted by August 15, 2009 if your bid has been accepted; a check will follow.

4) **We recommend that you make a copy of the bid form before mailing.**

5) **We recommend that you use certified mail when returning your bid to DNR.**

Questions you may have:

1) **Why is the Department doing this?**

In any given year, there are approximately 4,000 unused commercial crab licenses in Maryland. If even a fraction of these licenses became active in a given year, current regulations will not be sufficient to keep the fishery sustainable. Detailed information on crab latent effort is available on our website at:

http://www.dnr.state.md.us/fisheries/crab/OpenHouse2009_41609.pdf

2) **How many people could be submitting bids?**

All (approximately 3,676) Limited Crab Catcher (LCC) license holders – both latent and active – have been invited to participate in this process. The Department has a goal to purchase 2,000 licenses.

3) **What if I submit my bid and then I change my mind – I don't want to sell?**

*Once you submit your bid to the Department, it is irrevocable – that means that you cannot change your mind, and if your bid is accepted, DNR will send you a check and retire your license. **Do not submit a bid if you may change your mind.***

4) **I thought DNR told us that a license had to be sold for a minimum of \$2,000.**

You may be aware that DNR currently requires a minimum price of \$2,000 for a business transfer of any commercial license. A business transfer must include the documented transfer of associated assets, such as boats and gear. For this reverse auction, DNR is not buying assets – just the license. If you have assets, you can keep them, or sell them privately at another time. Therefore, the \$2,000 minimum price for a business transfer has no bearing on this process.

5) **What if I bid too high, and my bid is not accepted?**

You will be able to renew your license for the 2010 crabbing season, although if your license has been identified as inactive (see attached letter), you will be subject to new regulations that DNR plans to propose in the fall of 2009.

6) What if I have an inactive license and I chose NOT to submit a bid.

If your license has been identified as inactive, and you do not submit a bid, you will be able to renew your license. However, your license will be subject to new regulations that will be effective during the 2010 crabbing season. These regulations will require that you make a choice among several options that are likely to include –a) you can continue to harvest crabs, but harvest will be limited to males only and your license will no longer be transferrable, or b) you can voluntarily freeze your license until the population reaches a level that is deemed safe for re-entry, at which point the Department will develop a plan for allowing people back into the fishery. Under this choice, the license would be transferrable.

7) How will my bid be evaluated?

After receiving all bids, DNR will use the range of bids received to establish a maximum price that will be paid for a license. Once this maximum price (ceiling) is established, DNR will accept bids, from lowest to highest, until the available budget is exhausted, and/or the ceiling is met. The exact value of the maximum price will be calculated from the range of bids received and from the total budget available for the buy-back program.

8) How do I get help if I have question about completing and submitting my bid.

*If you have a question about completing or submitting your bid form, you may call the blue crab hotline at 410-260-8286. **Please be aware, that DNR cannot advise you on how much to bid** so that DNR does not influence the bidding process. When calling this number, you will need to leave a message with your name, license number, telephone number, and specific question(s). A DNR staff member will return your call in the order it is received. If you receive a message stating that the voice mailbox is full, please wait 2 to 3 hours and call again.*

Virginia Procurement Procedures
Crab Pot/Peeler Pot License Buy-Back Program

The license buy-back program is intended to reduce excess harvest capacity in the blue crab fishery. By removing some of this effort, we hope to provide a more sustainable resource and a more stable commercial fishery for full-time registered commercial fishermen and some part-time registered commercial fishermen. A stable resource will reduce the need for large annual adjustments in the crab regulations and prevent large swings in the harvest from year to year. This program alone cannot achieve these results, but it will be an important component to improving the health of the fishery. The license buy-back program will also provide an economic incentive for those registered commercial fishermen who believe it is time to exit the fishery.

VMRC has allotted \$6,724,470 of Federal Crab Disaster Relief Funds for the program. Out of this amount, 50 percent will be used to buy licenses from full-time crab pot or peeler pot licensees, 30 percent from part-time crab pot or peeler pot licensees, and 20 percent from registered commercial fishermen whose crab pot or peeler pot licenses are on the waiting list. For these purposes a full-time crab pot licensee is defined as one who has reported more than 100 days of harvest, from crab pots, per year, and a full-time peeler pot licensee is one who has reported more than 60 days of harvest, per year, on his mandatory harvest reports. A part-time crab pot licensee is defined as one who has reported less than 100 days of harvest, by crab pot, per year, and a part-time peeler pot licensee is one who reports less than 60 days of harvest per year, by peeler pot. In most cases, the per year amount of harvest days will be based on average harvest days, reported by an individual, from the 2004 through 2007 crab pot or peeler pot seasons. Activity data, for first time (2008 or 2009) licensees, will serve as the basis for those individuals' per-year harvest days.

Each purchase bid (\$) will be compared only to bids in the same category (full-time, part-time, or waiting list). Each bid (\$) will be divided by the number of pots allowed by that license and the average number of reported days of harvest (2004 - 2009) resulting in a bid (\$)-per-pot-day. This process will place more emphasis on the purchase of the larger and more active licenses, but will not prevent the purchase of less active licenses. Every bid-per-pot-day will be ranked in ascending order within its category and the lowest bid will be purchased first, followed by the second lowest bid, and so forth, until the funds allocated for that category are exhausted. In the event there are two or more identical bids within a category and the amount of funds remaining in that category is not sufficient to purchase all of the identical bids, then a lottery between the identical bids will be held to determine the successful bid, which will then be purchased. If funds remain in any category after the purchase of all licenses in that category, the remaining funds will be shifted to the other categories, (on a prorated percentage basis). VMRC reserves the right to reject any bid that it determines to be excessive. The definition of an excessive bid will be determined after all bids are received. In the event there are two or more identical bids within a category and the amount of funds remaining in that category is not sufficient to purchase all of the identical bids, then a lottery between the identical bids will be held to determine the successful bid, which will then be purchased.

If your bid is accepted, the license that is purchased by the Commission will be permanently retired and will not be available for sale to you or any other registered commercial fisherman in the future. You may re-enter the fishery only by purchasing a license from another fisherman through the crab license transfer process as defined by the then current regulations.

Schedule: Applications will be mailed in early August 2009 to all persons eligible for crab pot and peeler pot licenses as well as all persons whose crab pot or peeler pot license is on the waiting list. The deadline for submission of a notarized application is November 1, 2009. Purchases of successful bids will be made by December 31, 2009.

Virginia Frequently Asked Questions
Crab Pot/Peeler Pot License Buy-Back Program

1) What is the purpose of the license buy-back program?

The license buy-back program is intended to reduce excess harvest capacity in the blue crab fishery. By removing some of this effort, we hope to provide a more sustainable resource and a more stable commercial fishery for full-time registered commercial fishermen and some part-time registered commercial fishermen. A stable resource will reduce the need for large annual adjustments in the crab regulations and prevent large swings in the harvest from year to year. This program alone cannot achieve these results, but it will be an important component to improving the health of the fishery. The license buy-back program will also provide an economic incentive for those registered commercial fishermen who believe it is time to exit the fishery.

2) How will VMRC fund the license buy-back program?

VMRC has allotted \$6,724,470 in federal grant monies from the Blue Crab Disaster Relief Program for this project. Out of this amount, 50 percent will be used to buy licenses from full-time crab pot or peeler pot licensees, 30 percent from part-time crab pot or peeler pot licensees, and 20 percent from registered commercial fishermen whose crab pot or peeler pot licenses are on the waiting list. For these purposes a full-time crab pot licensee is defined as one who has reported more than 100 days of harvest, from crab pot, per year, and a full-time peeler pot licensee is one who has reported more than 60 days of harvest, per year, on his mandatory harvest reports. A part-time crab pot licensee is defined as one who has reported less than 100 days of harvest, by crab pot, per year, and a part-time peeler pot licensee is one who reports less than 60 days of harvest per year, by peeler pot. In most cases, the per year amount of harvest days will be based on average harvest days, reported by an individual, from the 2004 through 2007 crab pot or peeler pot seasons. Activity data, for more recent (2008 or 2009) licensees, will serve as the basis for those individuals' per-year harvest days.

3) How will my purchase bid be compared to others?

Each purchase bid (\$) will be compared only to bids in the same category (full-time, part-time, or waiting list). Each bid (\$) will be divided by the number of pots allowed by that license and the average number of reported days of harvest (2004 – 2007 or 2008 – 2009) resulting in a bid (\$)-per-pot-day. This process will place more emphasis on the purchase of the larger and more active licenses, but will not prevent the purchase of less active licenses. Every bid-per-pot-day will be ranked in ascending order within its category and the lowest bid will be purchased first, followed by the second lowest bid, and so forth, until the funds allocated for that category are exhausted. If funds remain in any category after the purchase of all licenses in that category, the remaining funds will be shifted to the other categories, (on a prorated percentage basis). VMRC reserves the right to reject any bid that it determines to be excessive. The definition of an excessive bid will be determined after all bids are received.

In the event there are two or more identical bids within a category and the amount of funds remaining in that category is not sufficient to purchase all of the identical bids, then a lottery between the identical bids will be held to determine the successful bid, which will then be purchased.

4) Should I submit any delinquent harvest data I have to be used in determining any bid-per-pot-day?

All delinquent harvest information should be submitted to VMRC immediately. However, this program will use only the information that is recorded in our harvest report databases as of August 1, 2009.

5) If I have used an agent to harvest my pots, will that harvest information be used?

Yes, provided the agent, or you, reported the harvest under your name prior to August 1, 2009.

6) May I submit a bid for my crab scrape, crab trap, crab trotline, crab dredge or crab dip net license?

No, this program will only consider bids for crab pot and peeler pot licenses.

7) Is VMRC forcing me to sell my license?

No, your decision to sell your license is strictly voluntary. If your bid is accepted, the price you will be paid, for your license, is the amount you list on your application.

8) Do I have to be an active licensed crab pot or peeler pot fisherman to submit a bid for my license?

No, any registered commercial fisherman, who is currently eligible for a 2009 crab pot or peeler pot license, whether he has purchased a 2009 license or not, may submit an application. Any fisherman whose crab pot or peeler pot license has been placed on the waiting list may also submit an application.

9) If my bid is accepted, when will I receive my payment?

VMRC will review all applications in November, 2009. You will be contacted by December 1, 2009 to inform you of its acceptance or rejection. Payments for accepted bids will be mailed to applicants in December, 2009.

10) May I contact the VMRC for assistance in determining what my purchase bid should be?

The VMRC cannot assist you in determining your bid. We also cannot provide you with information pertaining to the bid of any other fisherman or groups of fishermen. Your bid will be confidential and will not be released to anyone.

11) Can I submit a single bid for both my crab pot and peeler pot licenses?

No, you must submit separate bids for each license. Please use a separate application to submit your bids. You may make additional copies of the application form. Be sure to sign the forms in front of a Notary Public.

12) Can I submit a bid if I miss the November 1, 2009 deadline?

No. Bids received in this agency after November 1, 2009 will not be considered and will be returned to the applicant.

13) May I withdraw a bid and resubmit a new application before November 1, 2009?

Yes, provided VMRC is informed, in writing, of your withdrawal of the first bid and receives your second bid, prior to November 1, 2009.

14) If my bid is rejected, may I appeal?

No, all decisions to accept or reject a bid are final.

15) If my bid is accepted will I have an opportunity to get my license back in the future?

Once your bid has been accepted, the license you sold to VMRC will be permanently retired. You may re-enter the crab fishery only by purchasing and receiving a transfer of a valid crab license from another licensed fisherman, as authorized by regulations in effect at the time of the transfer. Currently, transfers from non-family members are limited to 100 transfers per year.

16) What happens to my crab pots and boat if I sell my license?

This program purchases only crab pot and peeler pot licenses. Your pots and vessel remain your property. The program also will not purchase your commercial fisherman registration license.

17) Can I offer a bid for only part of my crab license (for example, one-half of my up to 425-pot license)?

No, only bids for the full pot amount of any crab license will be considered.

18) If my bid is accepted, could my payment be subject to the State Debt-Setoff Program?

Yes, if you owe money to a state agency or institution for back taxes, child support, unpaid tuition, medical bills, or similar circumstance, the amount of funds you receive for your crabbing license could be reduced by the amount you owe. VMRC does not control the State Debt-Setoff Program. Each payment made by the state to an individual or business is matched against the current Debt Setoff list. If a match is found, monies will be withheld from a payment to be made.

19) If my bid is rejected, will I have an opportunity to submit another bid?

No. Additional bids will not be accepted after November 1, 2009. There will be no opportunity to negotiate for a lower bid. However, in the event that the funds dedicated to this program are not fully utilized, a second round of applications may be accepted in 2010. A second round of applications is not anticipated at this time.

20) If I am a nonresident, who is eligible for a Virginia crab pot or peeler pot license, may I submit a bid?

Yes, any resident and nonresident eligible for a Virginia crab pot and peeler pot license may submit a bid.

21) How long can I anticipate my crab license being on the waiting list?

Those crab pot and peeler pot licenses now on the waiting list will remain there until the number of spawning-age crabs in Chesapeake Bay exceeds 200 million for three consecutive years, as determined by the VA-MD Crab Dredge Survey. This number was reached in 2009. If the population remains at or above this level in 2010 and 2011, those licenses on the waiting list would be returned to their owners in May 2011. If the population falls below this number in any one of those years, the licenses will remain on the waiting list.