

2008 ANNUAL REPORT



**CENTRAL BERING SEA
FISHERMEN'S ASSOCIATION**



CBSFA 2008 ANNUAL REPORT





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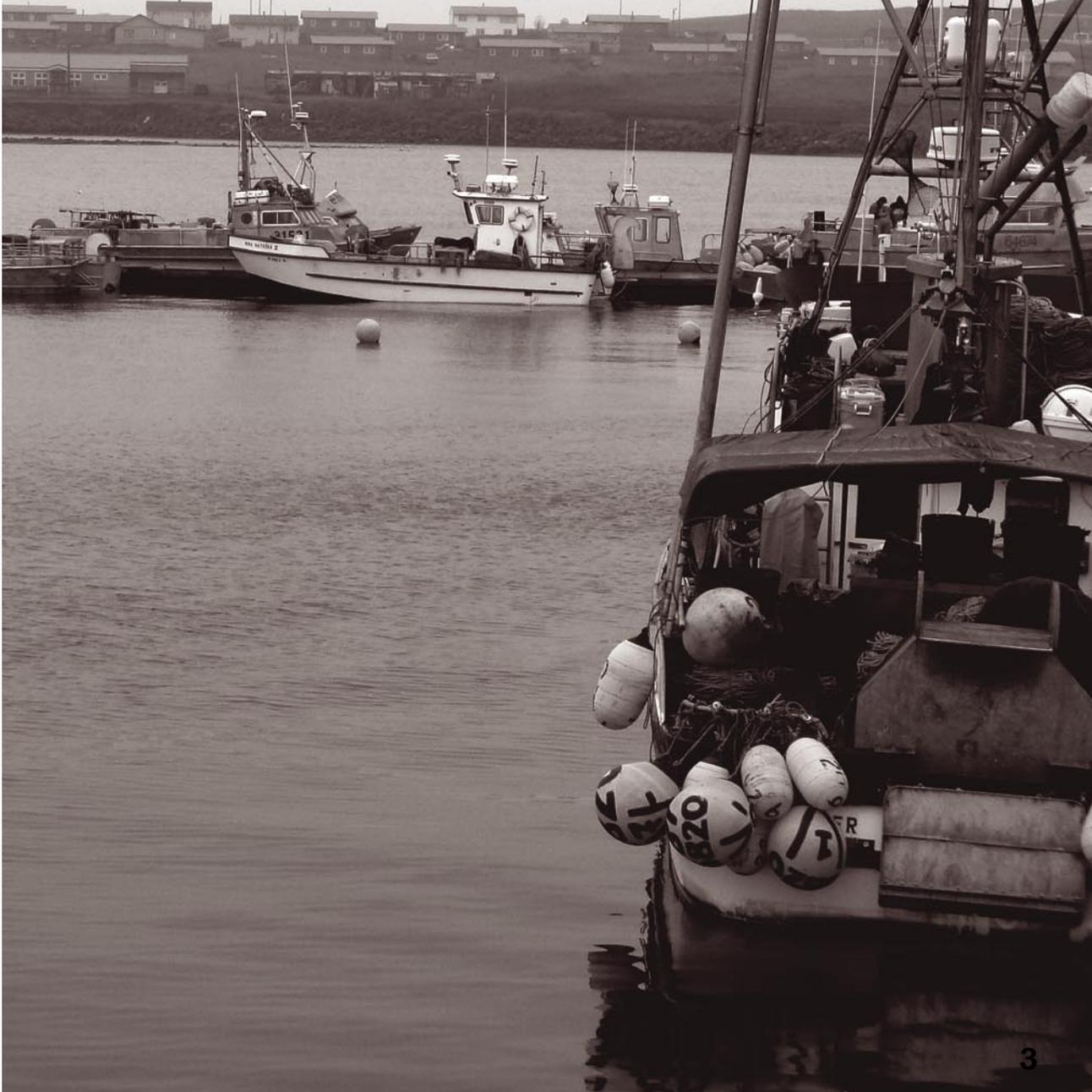
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CHAIRMAN'S LETTER



Dear CBSFA Members,

I am pleased to be addressing our members in such an exciting time for CBSFA. We are excited about recent developments in the Small Boat Harbor and various CBSFA projects. While the economic climate around the world continues to remain uncertain, we are staying positive and progress is being made on projects that will bring tangible benefit to our residents.

Following the developments in 2008 on land agreements for the Small Boat Harbor, 2009 has been more eventful. The US Army Corp of Engineers awarded a contract for Phase III of the project. Following the award, CBSFA went to work on the infrastructure that will be built in the harbor. With many years behind us in the development of St. Paul's harbor, the end is in sight.

As we have reported to you in the past, CBSFA along with local entities have been actively engaged in the North Pacific Fishery Management Council process regarding crab rationalization. In 2008 there was a great deal of uncertainty surrounding key aspects of the program. However, with St. Paul entities working together to protect the community's interests, it seems that much of the uncertainty has gone. While we cannot be sure about the future of the process, it seems that St. Paul has been successful in defending the program.

The Small Boat Harbor progress and effectiveness of St. Paul entities in the Council process have again highlighted how important it is for us to be united and work together. While there is no doubt that our community faces many struggles, there are many opportunities for us if we can collaborate. No single entity or group can deliver prosperity to our residents. With that in mind, CBSFA will continue to work with local entities on efforts that will bring us together.

It's an honor to serve as chairman and I look forward to continuing our work to support St. Paul.

Sincerely,

Myron Melovidov
Chairman



Dear Members,

Although many companies worldwide experienced negative impacts from the downturn of the economy in this past year, I am glad to report that CBSFA made it through the year and remains a stable company overall. In fact, we were able to achieve substantial growth in our total assets from our investments and from revenues earned from our fisheries operations. The Community Development Quota Program still requires the CDQ Groups to make eighty-percent of our investments in fishery-related businesses. Our management strategy is to make it a priority to make investments that will directly support the fishery-dependent economy of St. Paul. Investing money in fisheries has always involved risks, but our belief as a CDQ Group is that we must take some risk if the particular investment directly supports businesses that our economy is dependent upon and try our best to make it work.

As part of this investment strategy, CBSFA secured a significant quantity of shares of processor quota, catcher processor quota, and vessel quota from Yardarm Knot and Highland Light - by closing a major deal in 2008. The acquisition included a substantial amount of Northern Region opilio processor quota that will directly support our local economy. There are two benefits to CBSFA closing this deal that are especially important to our community because we are dependent on fishing vessel services, crab deliveries and processing. First, it provides St. Paul through CBSFA, local ownership and control of a large amount of the crab being landed and processed in our community. CBSFA ownership will ensure that this crab continues to support our local fishery-dependent economy. The next benefit is that we secured some catcher processor quota as part of the deal. This particular catcher processor quota has never been landed and processed in St. Paul. This additional crab quota will now be processed in our community as a result of CBSFA ownership. This new quota will also provide an additional source of revenue to CBSFA and more crab to be processed in our community.

Unfortunately, the CBSFA Halibut Cooperative (Coop) was negatively impacted by the decline in the halibut market this past year. As a result the Coops' sales were not as profitable as it has been in the last several years. It was a tough year for

all halibut buyers including CBSFA due to the poor market. Once again, as part of our strategy, CBSFA worked diligently this past year to expand our processing and marketing operations in an effort to increase the long-term profitability of the Coop. We have recently invested in value added processing equipment that was installed and began operating at the St. Paul plant this halibut season. The local halibut fishery is a major source of employment and income for many of our residents and this investment was made to support and stabilize this invaluable source of livelihood. We are certain that the purchase of the value added equipment will create more marketing options that will help maximize the revenues to the Coop once it gets established in the market place.

CBSFA continues to grow and we are glad to report that the recent crab quota investment, in combination with additional revenue from our other investments and fisheries operations, boosted our total assets from \$49.5 million in 2007 to over \$75 million in 2008. This is an increase of over \$25 million in total assets in 2008 over 2007.

I would like to take this opportunity congratulate the CBSFA board of directors and management for their efforts and prudent business decisions that has created growth and stability for CBSFA. We have been focusing our efforts on making key investments and developing programs that have a realistic chance of supporting the local economy and improving the lives of the people of St. Paul. Over the years, we have progressively built an organization that has grown tremendously in both assets and programs that have supported the well being of our community.

On behalf of the CBSFA board of directors and staff, I would like to thank all the people of who have supported us and expressed their gratitude to CBSFA for the contributions and donations we have made to the community. We will do our best to continue growing CBSFA and expanding our contributions to the community. I wish you all the best of luck in the coming year.

Sincerely,

A handwritten signature in dark ink, appearing to read "Phillip Lestenkof". The signature is fluid and cursive.

Phillip Lestenkof
President

CBSFA BOARD AND STAFF

Board of Directors



Myron Melovidov
Chairman
Term Expires: 2010



Phillip Lestenkof
President
Term Expires: 2011



Jeffery P. Kauffman
Vice President
Term Expires: 2009



Rena J. Kudrin
Secretary/Treasurer
Term Expires: 2011



Jason Bourdukofsky, Sr.
Director
Term Expires: 2010



Roman Fratis
Director
Term Expires: 2009



Robert Melovidov, Sr.
Director
Term Expires: 2010



Amos Philemonoff
Director
Term Expires: 2009



Simeon Swetozof, Jr.
Director
Term Expires: 2011

Employees



Phillip Lestenkof
President
President since 1999



Jonathan Thorpe
Chief Financial Officer
Employee since 2003



Steven Manley
Controller
Employee since 2005



Rena J. Kudrin
Office Manager
Employee since 1998



Ray Melovidov
Community Outreach
& Projects Coordinator
Employee since 2001

BOARDS OF DIRECTORS

Central Bering Sea Fishermen's Association Board of Directors

Myron Melovidov
Chairman
PO Box 167
St. Paul Island, AK
99660
(907) 546-2250
Term Expires: 2010

Phillip Lestenkof
President
PO Box 127
St. Paul Island, AK
99660
(907) 546-2279
Term Expires: 2011

Jeffery P. Kauffman
Vice President
PO Box 250
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Term Expires: 2009

Rena J. Kudrin
Secretary/Treasurer
PO Box 229
St. Paul Island, AK
99660
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Jason Bourdukofsky, Sr.
Director
PO Box 235
St. Paul Island, AK 99660
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Term Expires: 2010

Roman Fratis
Director
PO Box 3
St. Paul Island, AK
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(907) 546-2629
Term Expires: 2009

Robert Melovidov, Sr.
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PO Box 109
St. Paul Island, AK
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(907) 546-2552
Term Expires: 2010

Amos Philemonoff
Director
PO Box 232
St. Paul Island, AK
99660
(907) 546-2298
Term Expires: 2009

Simeon Swetzof, Jr.
Director
PO Box 36
St. Paul Island, AK
99660
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Term Expires: 2011

Multi-Species Development Holdings, LLC Board of Directors

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Chairman
PO Box 167
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Joe Childers
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Terry Shaff
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Patience P. Mercurief
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5811 Radcliff Drive
Anchorage, AK
99504
(907) 929-1849

Star Partners, LLC Board of Directors

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PO Box 97019
Redmond, WA
98073
(425) 861-5304

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Director
PO Box 250
St. Paul Island, AK
99660
(907) 546-5032

Rick Mezich
Director
7215 156th Street, SW
Edmonds, WA
98026
(425) 742-7456

Jonathan Thorpe
Director
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Soldotna, AK
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(907) 262-0800

CBSFA INVESTS IN ST. PAUL BASED CRAB ASSETS

Combined Crab Quota Holdings of CBSFA and 57 Degrees North, LLC

	Opilio	Bristol Bay Red King	Eastern Aleutian Golden King	Western Aleutian Golden King	Eastern Bairdi	St. Matthews Island Blue King	Total
2009-10 Total Allowable Catch	48,017,000	16,009,000	3,150,000	2,835,000	1,350,000	1,167,000	
Harvesting Quota Lbs Including CDQ Share of Total Allowable Catch	1,840,345 3.83%	407,372 2.54%	166,908 5.30%	29,884 1.05%	43,721 3.24%	24,723 2.12%	2,512,953
Processing Quota Lbs Including CDQ Share of Total Allowable Catch	3,311,802 6.90%	509,553 3.18%	96,333 3.06%	-- 0.00%	74,441 5.51%	14,536 1.25%	4,006,665

Note: Does not include CBSFA's share of crab quota held in MSDH investments

In the latest CBSFA strategic plan; the board of directors outlined the goal of gaining control of fishing assets that impact the community. As 2008 drew to a close, CBSFA completed the purchase of a substantial amount of crab quota shares, taking a big step to do just that. The primary reason for the investment was to gain control of a large amount of northern opilio processing shares, but it also included harvesting, processing and catcher/processor shares of various species of crab.

The deal involved the purchase of the entire crab quota held by companies Highland Light Seafoods, LLC and Yardarm Knot, LLC. The vast majority of harvesting quota will be caught with boats CBSFA is invested in, FV Early Dawn, FV Fierce Allegiance and FV Saint Paul. The crab processing quota is subject to regionalization and community designations under the crab rationalization program.

CBSFA also consolidated previously held crab harvesting quota from its MSDH held investments Shishaldin, LLC and 57 Degrees North, LLC. As part of the transaction CBSFA fully acquired the entity 57 Degrees North, LLC. It is now a wholly owned subsidiary of CBSFA and the entity holding all its directly owned crab quota.

Northern region processing shares will be run through the St. Paul plant. This includes 2.2 million pounds of opilio crab at the 2009/10 total allowable catch (TAC) level. CBSFA acquiring these shares will ensure that they continue to be processed in the plant, supporting its operation.

Also as part of the investment are shares of catcher/processor (CP) quota. This is quota that has never been landed in St. Paul harbor. These shares were caught and processed at sea prior to rationalization, and have stayed there since the program began. With CBSFA now in control of these shares, it will divide the CP into harvesting and processing and bring the crab to the St. Paul plant. These CP shares represent 16% of 57 Degrees North processor quota. These landings will be a benefit to the community it has never seen in the form of landing tax, wharfage and economic activity.

Investment in processing shares gives CBSFA control over a sizeable amount of crab in the market. There is considerable opportunity as a holder of crab inventory to bring profit from the processing shares back to the community.



57 Degrees North represents a major step forward for St. Paul. Through CBSFA the community now holds a major stake in every aspect of the fishery it depends on, opilio crab. While fisheries investments are never guaranteed, CBSFA expects that this investment will deliver benefits to the community well into the future.

The crab management program, or crab rationalization, was put in place by the North Pacific Fisheries Management Council (NPFMC) to reflect and protect the investments and historic contributions of harvesters, processors and communities in the Bering Sea. This “three-legged stool” has successfully ensured that the local processors and the community of St. Paul continue to receive their historic level of deliveries of crab, through the regional delivery requirements in the program.

Since its inception, the NPFMC has enacted several changes, or amendments, to the crab management system to make the program work more smoothly. The Council’s Crab Advisory Committee, which includes Simeon Swetzof of St. Paul, recently initiated several proposed changes. For example, the Council is currently working on an amendment package to improve community protections under the ROFR (Right of First Refusal) provision, and is considering changes to the program to provide a small amount of quota, or harvesting shares, to historic crab vessel crew members.

In addition, harvesters asked for an amendment to provide emergency relief from the regional delivery requirements, to allow them to deliver crab outside the required region if there is a circumstance that prevents delivery. The icing situations in the St. Paul harbor the last several years have been the main impetus for this harvester-driven effort.

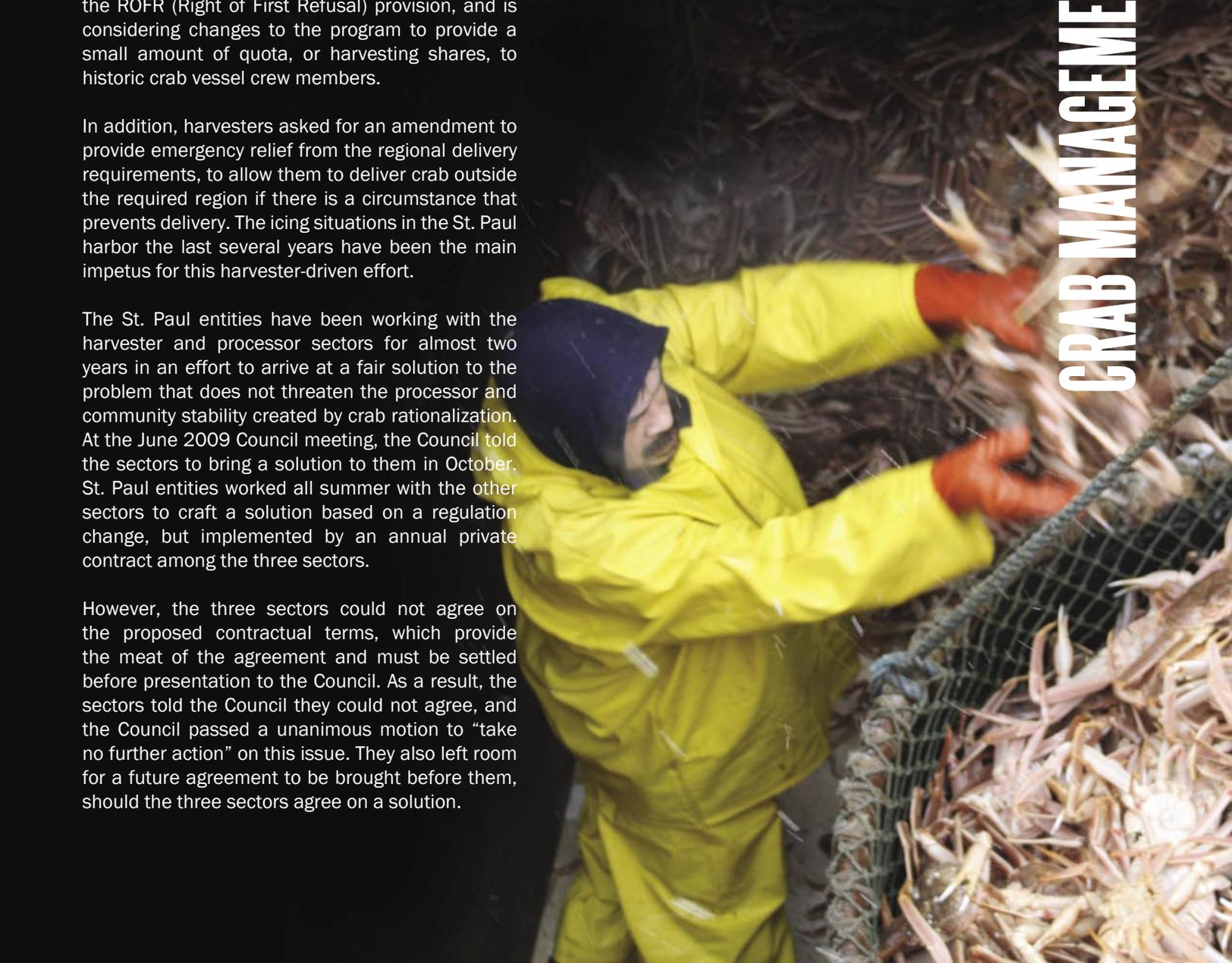
The St. Paul entities have been working with the harvester and processor sectors for almost two years in an effort to arrive at a fair solution to the problem that does not threaten the processor and community stability created by crab rationalization. At the June 2009 Council meeting, the Council told the sectors to bring a solution to them in October. St. Paul entities worked all summer with the other sectors to craft a solution based on a regulation change, but implemented by an annual private contract among the three sectors.

However, the three sectors could not agree on the proposed contractual terms, which provide the meat of the agreement and must be settled before presentation to the Council. As a result, the sectors told the Council they could not agree, and the Council passed a unanimous motion to “take no further action” on this issue. They also left room for a future agreement to be brought before them, should the three sectors agree on a solution.

This outcome is positive in the short term for St. Paul, in that an emergency exemption has no possibility of being granted in the upcoming season, or even the following season – ensuring the delivery to St. Paul of all of its regionally designated crab. Almost all the harvesters belong to a new “inter-cooperative” association – and this organization is expected to be able to deal with most short-term delivery problems by trading harvest shares and rearranging delivery schedules.

In the long term, however, the Council may decide to reconsider an equitable system to deal with longer-term events and severe natural or man-made catastrophes that incapacitate entire ports or regions.

CRAB MANAGEMENT PROGRAM UPDATE



CBSFA HALIBUT COOPERATIVE

The CBSFA Halibut Cooperative was created in 2003 with the goal of increasing ex-vessel prices paid to the local fleet. Since inception, the Coop has paid out \$14.5 million to the local fishermen in the form of ex-vessel prices.

CBSFA operates the Coop in conjunction with the local fishermen, the FV Saint Paul, Trident Seafoods and American Seafoods. CBSFA purchases the halibut from the local fleet, partners with Trident Seafoods to process the fish, and is now working with American Seafoods on marketing the fish. Any CDQ unable to be caught by the local fleet is leased to our own boat, the FV Saint Paul. It is CBSFA's goal that the local fleet has as much CDQ halibut available to them as they are willing to invest effort in catching. However, the Coop's ex-vessel price is lower when quota is left uncaught. At the same time, CDQ quota leased to FV Saint Paul is very beneficial to the local fleet because it significantly raises the price the Coop is able to pay. With these considerations in mind, CBSFA carefully tracks its quota balance as the season progresses to deliver maximum benefit and value to the fishermen.



2008 was a tough year for the economy, and its effect was certainly felt by the fish markets and the Coop. Local landings totaled 847,724 pounds, including 210,210 pounds of locally held IFQs caught on FV Saint Paul. \$2.9 million was paid to local fisherman at the base price of \$3.50; due to slow volumes and declining prices in halibut markets, the Coop did not make a profit and a retroactive ex-vessel price adjustment could not be paid out.

For 2009, local landings have totaled 783,714 pounds, including 208,335 pounds of locally held IFQ caught on the FV Saint Paul. \$1.8 million has been paid to the local fishermen at a base price of \$2.30; a retroactive price adjustment may follow, pending profits from the sale of fish.

Due in large part to the reduced catch limits, the local fleet landed 64,000 pounds less than in 2008; 83% of the CDQ was landed locally, the same as last year. Approximately 113,000 pounds were leased to FV Saint Paul.

CBSFA has taken a proactive approach to uncertainty within the halibut market and expanded the Coop's opportunities through the purchase of secondary processing equipment. New for 2009, the Coop now has the ability to process halibut into custom specified, vacuum sealed portions.

Halibut is the lifeblood of our community and a major contributor to the local economy. CBSFA is optimistic about the future of the Coop and broadening opportunities for the success of the local fishermen and the community will continue to be a priority.

CBSFA HALIBUT COOPERATIVE



KEEP FROZEN
PERISHABLE
Store Below 0°F (-18°C)

SMALL BOAT HARBOR PROJECT

FOLLOWING THE CONCLUSION OF LAND AGREEMENTS IN 2008, SIGNIFICANT STEPS WERE TAKEN IN THE FINAL PHASE OF THE SMALL BOAT HARBOR (SBH). IN MAY OF 2009 THE US ARMY CORP OF ENGINEERS AWARDED THE PHASE III DREDGE WORK AND BREAKWATER CONSTRUCTION TO THE DUTRA DREDGING COMPANY. DUTRA DREDGING IS PART OF A GROUP OF COMPANIES THAT HAVE EXTENSIVE BACKGROUND IN ALL STAGES OF HARBOR CONSTRUCTION.

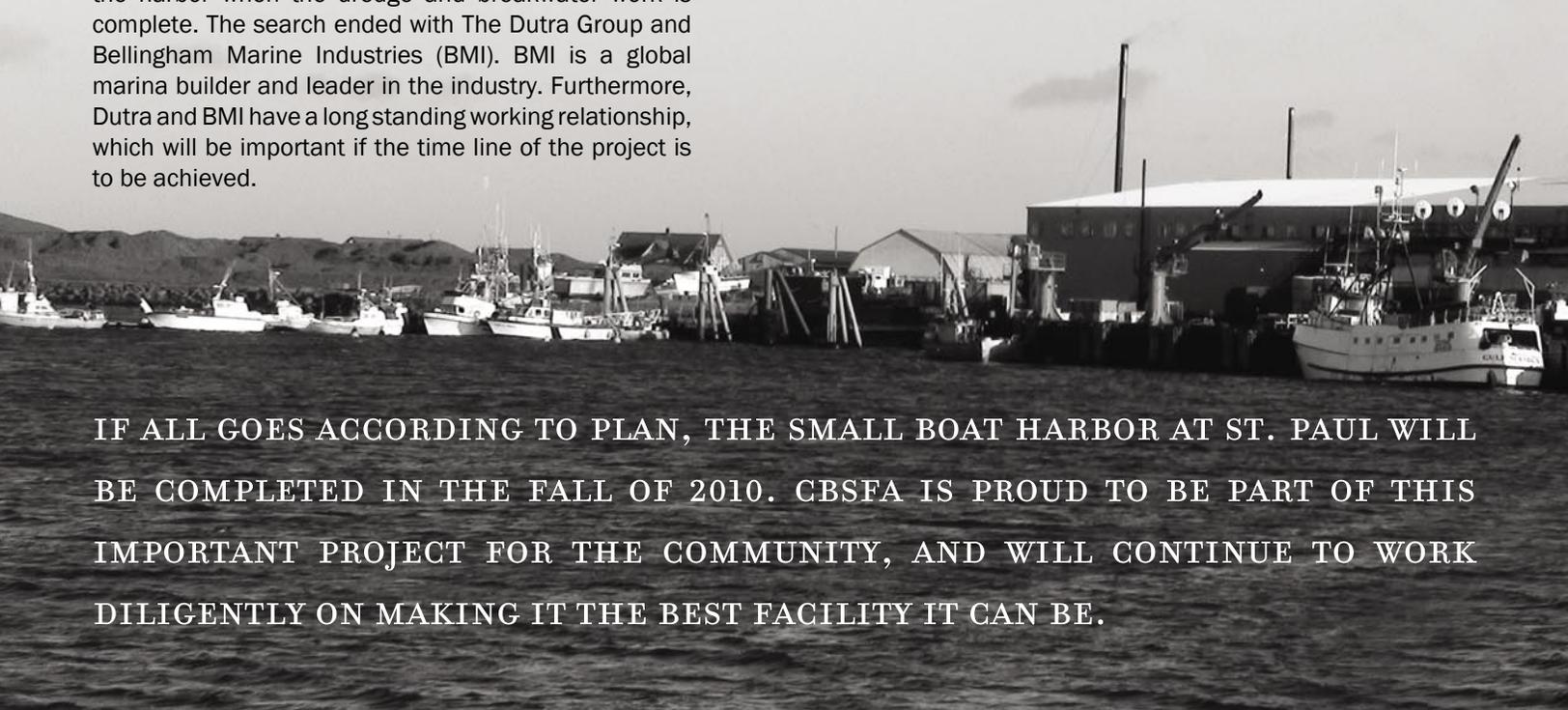
This is very welcome news for the community, and a major milestone in getting to completion of the harbor. Immediately following the award, CBSFA contacted Dutra to establish a line of communication and inquire about their time line for the project. They relayed that their schedule would start with quarry work to begin in 2009, followed by mobilization in early 2010, with work in the harbor to begin in the spring and end sometime in the fall of 2010.

While this is encouraging, it also means that if the costs of mobilization, demobilization and freight, which are significant, are to be minimized, the time to design and fabricate harbor components is short. CBSFA is operating under this tight time line in an effort not only to minimize cost, but also to make the complete SBH available for fishermen to use as soon as possible.

Immediately following the Corps' award to Dutra, CBSFA began work to find qualified companies to design, fabricate and install the infrastructure that will go in the harbor when the dredge and breakwater work is complete. The search ended with The Dutra Group and Bellingham Marine Industries (BMI). BMI is a global marina builder and leader in the industry. Furthermore, Dutra and BMI have a long standing working relationship, which will be important if the time line of the project is to be achieved.

After a visit to BMI's facility and meeting with its management, CBSFA brought two representatives from BMI to St. Paul to meet with the public and see the harbor they would be building in. In mid August 2009, Walt Jackson, Manager of Project Development, and Jesse Ellenz, Northwest General Manager, came to St. Paul. An open to the public meeting was held on August 11 for members of the community to share their input on the SBH with CBSFA and BMI. BMI gathered valuable information on the trip that will inform their design and engineering process.

In September 2009, CBSFA signed a contract with Dutra Group, who will subcontract with BMI for the design and engineering of SBH floats, ramps, gangways and other infrastructure. CBSFA will work with BMI in the design process to ensure that the harbor will best suit the needs of the local fleet and be most cost effective. The resulting plans will be followed by fabrication of many of the pieces that will be installed in the harbor, which will take place over the course of the 2009/10 winter. It will then be loaded on barges and brought to St. Paul for installation by Dutra following the completion of subsurface harbor work.



IF ALL GOES ACCORDING TO PLAN, THE SMALL BOAT HARBOR AT ST. PAUL WILL BE COMPLETED IN THE FALL OF 2010. CBSFA IS PROUD TO BE PART OF THIS IMPORTANT PROJECT FOR THE COMMUNITY, AND WILL CONTINUE TO WORK DILIGENTLY ON MAKING IT THE BEST FACILITY IT CAN BE.



EDUCATION

CBSFA Invests in St. Paul's Kids

It is CBSFA's belief that healthy, well-educated kids are critical to the welfare of the community. For that reason we uphold our support for the children of St. Paul. In 2009 CBSFA maintained its funding of the Montessori program and some Pribilof School District programs. Contributions were also made to the Pribilof summer marine science camp, Tribal Youth Program activities and to the Aleut Language and Culture class.

In it's 2009 budget the CBSFA board also approved providing \$100,000 toward renovation of the school gymnasium. Renovations include replacing the worn gym floor, new safer bleachers and more energy-efficient lighting. The money will go toward a matching grant from the Rasmussen Foundation. The CBSFA board stated that an opportunity to get matching grants and stretch our funding as far as possible couldn't be passed up. The estimated total for the renovations amount to approximately \$420,000 and the PSD is currently seeking additional funds from the State of Alaska.



Early Education

Advances Preschoolers

CBSFA began its support for the St. Paul Montessori Preschool Program in the spring 2007 semester, and has continued it since. Fully funded by CBSFA, the program provides early education and activities for kids age two to four. It currently employs two teachers that work with 12 children. The Montessori curriculum and structure provides a distinct advantage to kids as they enter kindergarten by developing social, reading and communication skills. With positive feedback from parents and teachers about the kids' response to the program, CBSFA will continue funding in support of the community.

Education & Training Program

In addition to local support for education, CBSFA continues to provide scholarships, training grants and student loans through its Education & Training Program. For 2008, 20 students were awarded a total of \$84,235 and for 2009 23 students received \$77,316.

COMMUNITY OUTREACH

Education	2008	2009
Montessori	\$73,494	\$87,787
Student Scholarships	79,900	73,000
Training Grants	4,335	4,316
Bering Sea Science Camp	8,000	10,257
Extra Curricular Programs	12,418	29,737
TOTAL	178,148	205,097
Outreach	2008	2009
Elders Residential Assistance Program	\$118,000	\$120,294
Volunteer Tax and Loan Program	2,652	3,000
Halibut Donation	20,302	21,278
Community Events and Programs	15,194	16,573
Bereavement	3,633	10,934
Wellness Assistance	--	10,151
TOTAL	159,781	182,230

Elders Residential Assistance Program

Provides \$2,000 to energy suppliers or housing entities on behalf of elders 55 and over.

Volunteer Tax

Contributions to program that provides free tax preparation services to St. Paul residents.

Halibut & Crab

Donations of halibut to St. Paul elders 55 and older, and to community events and fund raisers.

Community Events

Funds and purchases contributed to events such as Aleut Day and 4th of July celebrations, Wellness Conference and sporting events.

Bereavement

Contributions to funeral arrangements for families of CBSFA members.

Wellness

Payments to substance abuse treatment programs for CBSFA members.

Recreation Center

Provided funding for the purchase of the new equipment in the Rec Center and is also covering the utility costs.

Fire Station

CBSFA \$500,000 contribution to construct the new fire station.





FIRE STATION/CBSFA CRANE STORAGE FACILITY

In 2009 construction of the City of St. Paul Volunteer Fire Department and CBSFA Crane Storage facility was completed. The fire department has moved into their space in the building and now has a central location to operate from and store equipment, which is critical to proper response.

CBSFA has also moved its heavy equipment into the space, protecting its Grove crane and front end loader from the elements. This indoor storage will extend the useful life of these valuable machines. It will also provide a space for vessel repair and maintenance until a permanent facility can be built.

Consolidated Statements of Financial Position

Years ended December 31, 2008 & 2007

Assets	2008	2007
Current assets:		
Cash and cash equivalents	\$ 6,781,261	6,791,736
Investments	2,261,546	3,196,439
Receivables:		
Accounts	614,154	1,799,441
Grant		8,500
Due from related parties	217,824	--
Inventory	2,900,775	884,864
Prepaid expenses	260,782	127,868
Total current assets	<u>13,036,342</u>	<u>12,768,848</u>
Investments	8,424,728	8,051,966
Prepaid expenses	500,000	556,292
Loans receivable, net	296,453	348,501
Investment in unconsolidated affiliates	5,856,486	6,317,782
Property and equipment, net	5,090,351	3,237,389
Fishing rights	41,839,244	18,075,000
Interest rate swap	--	225,725
	<u>\$ 75,043,604</u>	<u>49,581,503</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,505,780	538,651
Due to related party	3,556	--
Current portion of long-term debt	2,242,511	752,234
Total current liabilities	<u>3,751,847</u>	<u>1,290,885</u>
Long-term debt, less current portion	26,295,612	10,033,812
Interest rate swap	455,929	--
Total liabilities	<u>30,503,388</u>	<u>11,324,697</u>
Minority interest	3,169,713	2,956,283
Net assets:		
Unrestricted net assets:		
Undesignated	32,945,775	27,248,557
Designated for small boat harbor	6,657,221	6,343,640
Designated for vessel repair center	1,767,507	1,708,326
Total net assets	<u>41,370,503</u>	<u>35,300,523</u>
Commitments and contingencies		
	<u>\$ 75,043,604</u>	<u>49,581,503</u>

Information in this Annual Report is compiled from audited financial statements.

Consolidated Statements of Financial Position *Years ended December 31, 2008 & 2007*

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
Revenue and gains:		
Program revenue	\$ 6,872,978	7,797,484
Revenue from fishing operations	6,724,535	5,628,887
Equity in earnings of unconsolidated affiliates	404,322	744,883
Distribution from American Seafood, L.P.	3,557,399	605,347
Investment and other income	585,549	1,370,491
Total revenue and gains	<u>18,144,783</u>	<u>16,147,092</u>
Expenses:		
Program:		
Education and outreach	373,100	143,800
Fisheries development	--	58,261
Vessel launch and retrieval	125,388	15,811
EFH advocacy and research	256,702	84,664
Multi-species Development	8,124	76,865
Investment Fund Policies and Procedures	57,444	71,736
CBSFA Halibut Coop operations	3,046,870	3,133,135
Fishing operations from MSDH	4,016,188	3,522,059
Total program	<u>7,883,816</u>	<u>7,106,331</u>
Supporting services – general and administrative, including interest expense of \$506,141 and \$537,468 for 2008 and 2007 respectively	2,790,825	2,787,271
Change in the fair value of interest rate swap	681,654	363,463
Loss on impairment of halibut inventory	414,878	--
Minority interest	303,630	230,091
Total expenses	<u>12,074,803</u>	<u>10,487,156</u>
Changes in unrestricted net assets	<u>6,069,980</u>	<u>5,659,936</u>
Net assets at beginning of year	<u>35,300,523</u>	<u>29,640,587</u>
Net assets at end of year	<u>\$ 41,370,503</u>	<u>35,300,523</u>



Information in this Annual Report is compiled from audited financial statements.

Consolidated Statements of Financial Position

Years ended December 31, 2008 & 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,069,980	5,659,936
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	637,535	269,829
Minority interest	303,630	230,091
Bad debts	--	120,076
Distributions from ASLP contributed directly to investment in ASLP Acquisition, LLC	(2,136,492)	--
Distributions in excess of earnings (undistributed earnings) of unconsolidated affiliates	880,917	(545,698)
Realized and unrealized losses (gains) on investments	900,463	(145,942)
Change in fair value of interest rate swap	681,354	363,463
Change in operating assets and liabilities that provided (used) cash:		
Accounts receivable	1,205,688	(1,363,700)
Prepaid expenses	(76,622)	(501,392)
Inventory	(2,055,911)	(844,864)
Due from related parties	(280,575)	88,002
Accounts payable and accrued expenses	877,779	58,418
Net cash provided by operating activities	<u>7,008,046</u>	<u>3,388,219</u>
Cash flows from investing activities:		
Purchase of property and equipment	(2,351,148)	(1,387,280)
Increase in cash upon consolidation of 57 Degrees North	10,421	--
Purchase of fishing rights	(4,400,000)	(75,000)
Issuance of loans receivable	(147,310)	(197,876)
Principal payments on loans receivable	199,358	92,803
Proceeds from return of investment in unconsolidated affiliates	46,613	--
Purchase of investments	(10,885,829)	(2,683,856)
Sale of investments	10,547,497	1,660,495
Net cash used in investing activities	<u>(6,980,398)</u>	<u>(2,590,714)</u>
Cash flows from financing activities:		
Minority partner distributions	(90,200)	--
Proceeds from issuance of long-term debt	1,596,000	--
Principal payments under capital lease obligations	--	(2,769)
Principal payments on long-term debt	(1,543,923)	(702,190)
Net cash (used in) financing activities	<u>(38,123)</u>	<u>(704,959)</u>
Net increase (decrease) in cash and cash equivalents	<u>(10,475)</u>	<u>92,546</u>
Cash and cash equivalents at beginning of year	6,791,736	6,699,190
Cash and cash equivalents at end of year	<u>\$ 6,781,261</u>	<u>6,791,736</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 546,786	540,783
Supplemental schedule of noncash investing and financing activities:		
Exchange of equity interest in Shishaldin, LLC for equity interest in 57 Degrees North, LLC	\$ 742,373	--
Distribution from ASLP contributed directly to investment in ASLP Acquisition, LLC	2,136,492	--
Purchase of fishing rights through proceeds from insurance of debt	17,700,000	

Information in this Annual Report is compiled from audited financial statements.



AS A MEMBER OF THE FEDERALLY MANDATED CDQ PANEL, CBSFA IS SUBMITTING THE FOLLOWING FINANCIAL DISCLOSURES. THESE DISCLOSURES COMPLY WITH THE FEDERAL STATUTE AND CDQ PANEL RULES THAT GOVERN THE PROGRAM. THEY ARE REQUIRED OF ALL CDQ ENTITIES IN THE INTEREST OF PROVIDING TRANSPARENCY TO BOTH CDQ CONSTITUENTS AND THE GENERAL PUBLIC.

Section 305(i)(1)(F)(ii) of the Magnuson-Stevens Fishery Conservation and Management Act, as amended by section 416 of Public Law 109-241 (the Coast Guard and Maritime Transportation Act of 2006), requires that each CDQ entity “comply with State of Alaska law requiring annual reports to the entity’s member villages summarizing financial operations for the previous calendar year, including general and administrative costs and compensation levels of the top five highest paid personnel.”

In order to implement the above provision, the CDQ Panel, also known as the Western Alaska Community Development Association (WACDA), unanimously adopted a CDQ Rule entitled “Resolution 2008-01 – Annual Reports to CDQ Villages by CDQ Groups” on September 17, 2008, which establishes the required contents for annual financial reports in Section 4.



The Central Bering Sea Fishermen's Association (CBSFA) Board of Directors approved said CDQ Rule by way of CBSFA Resolution 08-03 on September 15, 2008.

Therefore, in compliance with Section 305(i)(1)(F)(ii) of the Magnuson-Stevens Act and with Section 4 of CDQ Panel Resolution 2008-01, CBSFA, as the CDQ Group for the village of Saint Paul, hereby submits the following financial disclosures for calendar year 2008:

Directors

CBSFA directors receive \$225 for each board meeting of less than two hours duration, and \$375 for meetings over two hours. Term life insurance policies are also provided. In 2008, CBSFA paid directors \$28,065 in fees and \$13,283 for insurance policies.

Related Party Transactions

CBSFA's wholly owned subsidiary Central Bering Sea Fishermen's Corporation operates a vessel and gear loan program for member fishermen. Loan terms are between three and seven years at three percent interest. Loan payments are withheld from ex-vessel payments. The CBSFC board of directors has appointed an independent loan committee to review and approve or disapprove loan applications. For 2008, director Anthony Philemonoff received loans in excess of \$20,000.

Legal Proceedings Involving Directors

There were no legal proceedings involving CBSFA and its directors during the year.

Employee Compensation

Top five highest paid personnel within entity and majority owned subs:

	<i>Company</i>	<i>Position</i>	<i>Salary</i>
Jeffery Kauffman	MSDH	General Manager	\$80,053
Rena Kudrin	CBSFA	Office Manager	\$63,871
Phillip Lestenkof	CBSFA	President	\$112,678
Steve Manley	CBSFA	Controller	\$77,245
Jonathan Thorpe	CBSFA	Chief Financial Officer	\$152,914

Professional Fees

Legal	\$75,622
Consulting	\$105,837
Accounting	\$64,131
Lobbying	\$13,221

Auditor Relationship

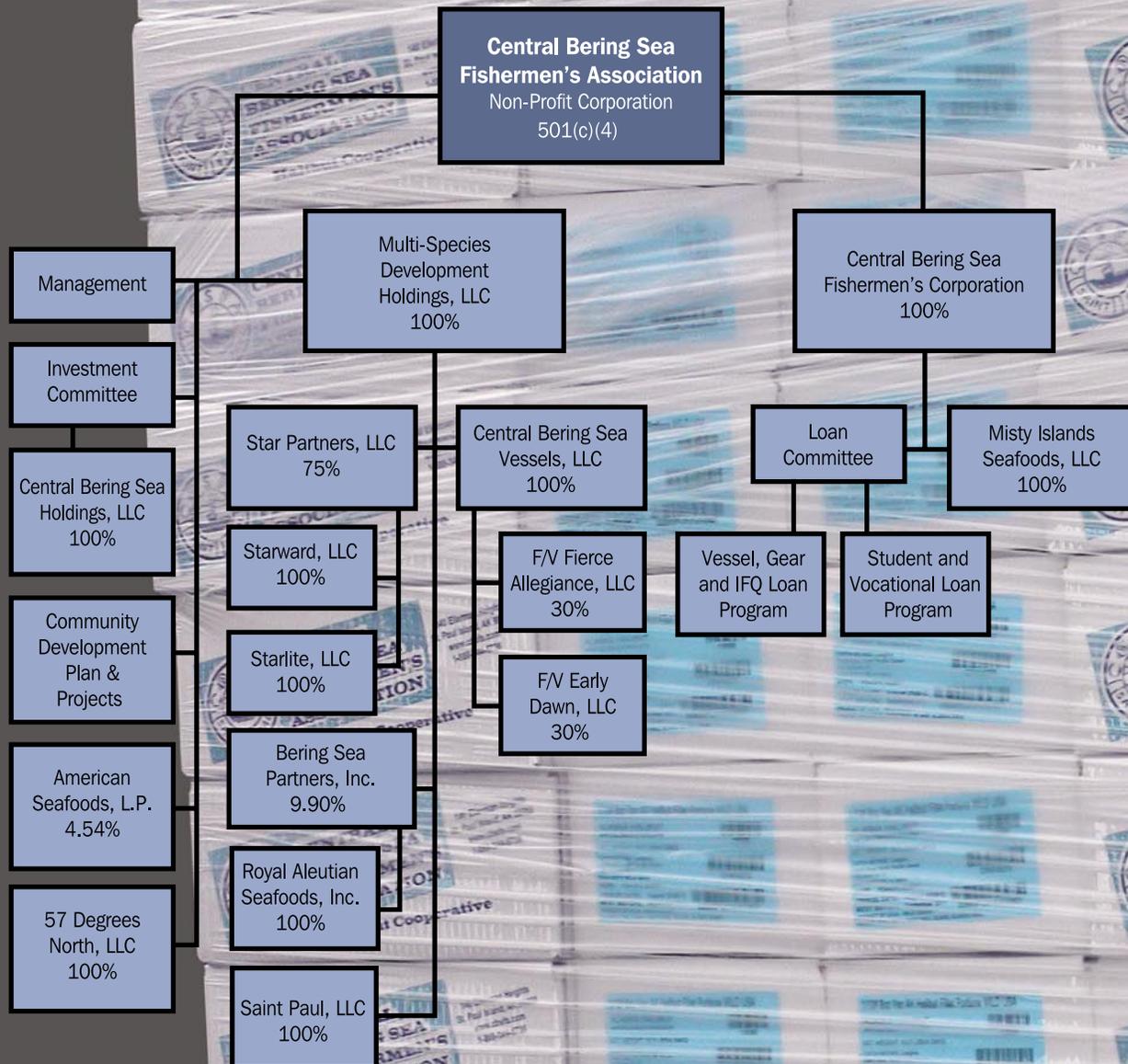
CBSFA has not had any disagreements with its auditor, KPMG, for either 2008 or 2007. KPMG performed tax preparation services, the fees for which represent 28 percent of the total fees paid in 2007 and 2008 respectively.

Committees

CBSFA maintains a compensation committee. In 2008, its membership was made up of directors Amos Philemonoff, Roman Fratis, Jason Bourdukofsky, Sr. and Terenty Philemonoff. The committee's function is to review employee evaluations and make determinations regarding employee compensation. The committee met February 18, 2008.

ORGANIZATIONAL CHART

As of December 31, 2008



WP - DEC 07



OUR MISSION

To develop a viable, self-sustaining, independent fisheries development organization that, on behalf of the local fishermen, and the community of St. Paul as a whole, and in cooperation with other Bering Sea Coastal Communities and CDQ groups, will ensure key participation in fishery related development in the region while exercising proper resource stewardship.

