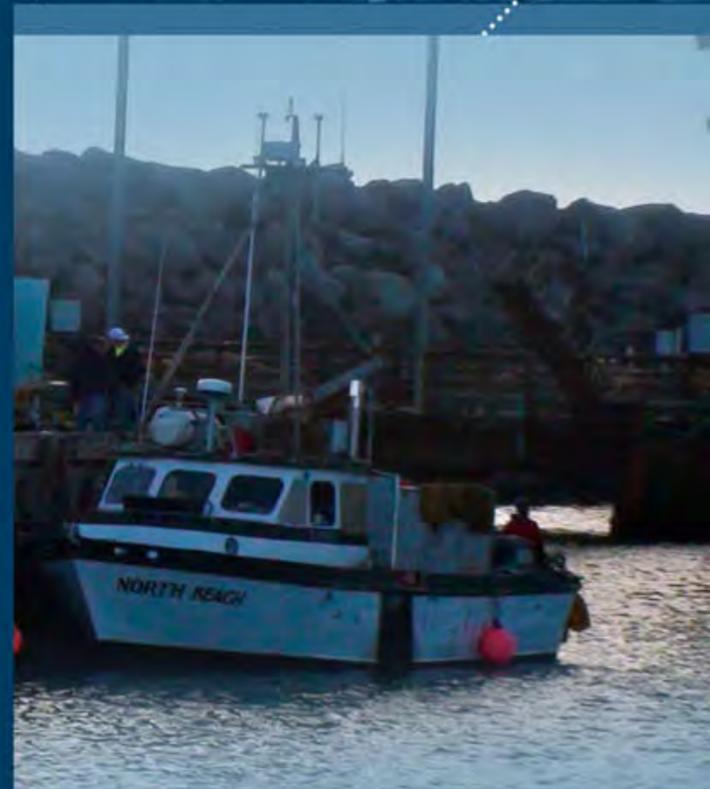




Central Bering Sea Fishermen's Association

2011 Annual Report





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.

2011 Annual Report

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Chairman's Letter

Dear CBSFA Members,

The Western Alaska Community Development Quota Program celebrates its 20th Anniversary of bringing economic opportunities to 65 fishing communities, encompassing 27,000 residents. Infrastructure, community and education programs, and fisheries-related investments are successes delivered by each CDQ group. As we continue to achieve our mission of developing a viable and self-sustaining organization on behalf of our local fleet and community of St. Paul, I am happy to report on CBSFA's accomplishments.

The recent completion of the Small Boat Harbor provides safe and sufficient moorage for our local fishing vessels and enhances the community's ability to generate future revenue. Our 100% wholly owned fishing vessels, *F/V Saint Paul* and *F/V Saint Peter*, bring diversification to our crab, cod, and pollock vessels, offer an efficient way to harvest our member's halibut IFQ and our CDQ, and create additional employment opportunities.

The purchase of a new gasoline tanker for the City of Saint Paul promotes safe transport of the commodity through our community and also helps ensure regular scheduled delivery service to our fleet during the halibut season.

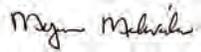
Financial support and sponsorship from CBSFA allows for the continuation of local projects and programs. Our funding helps educate the future of St. Paul, our youth, through benefits of the Montessori program, Pribilof School District's northern fur seal curriculum, St. Paul School's extracurricular programs and gymnasium renovation. Quality job training, guidance and opportunities are offered through support of Tanadgusix Corporation's summer

youth employment program and through the University of Alaska Anchorage's Alaska Native Science and Engineering Program. We provide community elders with subsidized benefits through our Elders Residential Assistance Program in addition to halibut and crab subsistence donations biannually, and a volunteer tax program is available for all residents. We are proud to continue bringing benefits to our community of St. Paul as well.

CBSFA continues its trend of growth with gross assets increasing to \$86.5 million as of December 31, 2011, and net assets growing to \$55 million.

It is a privilege to serve as the Chairman as we continue to develop and take advantage of opportunities to support projects that benefit our members and community. We will strive to continue these efforts on your behalf.

Sincerely,



Myron Melovidov



President's Letter

Dear CBSFA Members,

This year marks the twentieth anniversary of the Western Alaska Community Development Quota Program (CDQ). The CBSFA board of directors, staff and spouses went to Anchorage to attend the anniversary celebration held on March 30 at the Dena' ina Center. During the day, presentations were made by each CDQ group highlighting their programs and investments, and the celebration was closed with a very nice and well-attended banquet in the evening. The CBSFA board and management enjoyed meeting with all the other CDQ groups and we were very proud to highlight our contributions to the development of St. Paul Island to the CDQ program audience and the general public.

We are glad to report that CBSFA has experienced steady growth in all respects during the first twenty years of the CDQ program. CBSFA has truly become a major contributor to the social and economic development of our community since the program was created in 1992.

We believe we have been quite successful in meeting the intent and purpose of the CDQ program – which is to develop fishery-related economies and to alleviate social and economic crisis in our communities.

Since the beginning of the CDQ program, we felt it was important to

fund education and training programs that will help our youth attain higher education and help them secure good future employment. We have also expended significant effort and funding to develop the local fishing fleet and the local halibut fishery - such as our Vessel Support Program, the CBSFA Halibut Co-op, the construction of the Small Boat Harbor, and the purchase of a Grove crane and Case wheel loader, and the recent purchase of a new gas tanker for the City of St. Paul - all these structured investments have helped to develop a viable fishery-related economy for our community. We have also made key investments in fishing vessels, fishing rights and local processing that are all geared toward supporting our local economy. We also made a key investment in our purchase of a large Manitowoc crane to lift heavy cargo brought into St. Paul Harbor, and also to support future building and infrastructure construction projects.

We have also believed it was important to work together with and to support other local organizations and their projects and programs. We are glad to be part of the joint venture with the City of St. Paul and the St. Paul Volunteer Fire Department, in constructing the much needed Fire Station. We are currently working on a joint venture project with the Tribal Government of St. Paul to construct the Vessel Repair/Ship Supply Facility on the Tribe's waterfront property. This will be a great asset to the Tribe and CBSFA in our business development plans. We have also worked with the Tribe on their other programs such as the Amix Education Program and their recreational center. We have funded the TDX youth employment program for many years and provided them the use of our Case loader for snow removal needs on their property.

We have also used the loader to assist the City in their snow removal operations. Besides just focusing on fishery and economic development investments, we have placed emphasis on creating CBSFA programs and supporting other organizations and their programs, which are directed at enhancing the well being of our elders, our residents and our youth.

Undoubtedly, CBSFA, as well as other local entities, have made a positive impact on the lives of our residents and our community during the twenty years of the CDQ program. This is great considering how our lives were drastically changed in recent past with the phase-out of our two hundred year old mainstay economy - the commercial fur seal harvest, which left us wondering whether our community would survive into the future.

However, in spite of all our achievements, we understand that much more remains to be done and the challenges never seem to end. We are glad to report that CBSFA is currently strong, stable, and ready to do our best to face all the challenges that come before us.

On behalf of the CBSFA board of directors and staff, I want to thank you for putting your trust in us and for your continued support. I wish you all the best - good luck and good fishing to all the fishermen.

Sincerely,



Phillip Lestenkof



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 2013

Phillip Lestenkof, President
PO Box 127
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Term expires 2014

Jeffery P. Kauffman, Vice President
PO Box 250
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Term expires 2012

Rena J. Kudrin, Secretary/Treasurer
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Term expires 2014

Jason Bourdukofsky, Sr., Director
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Term expires 2013

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Term expires 2012

John R. Mercurief, Jr., Director
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Term expires 2013

Amos Philemonoff, Sr., Director
PO Box 232
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(907) 546-2298
Term expires 2012

Michael Baldwin, Director
PO Box 268
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Term expires 2014

Multi-Species Development Holdings, LLC Board of Directors

Myron Melovidov
Chairman
PO Box 167
St. Paul Island, AK 99660
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Jan Jacobs
Director
2205 236th Street SE
Bothell, WA 98021
(206) 660-5164

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

Terry Shaff
Director
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Redmond, WA 98073
(425) 861-5311

Jonathan Thorpe
Director
14109 East Lowden Court
Scottsdale, AZ 85262
(907) 262-0800

Central Bering Sea Fishermen's Corporation Board of Directors

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President
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Director
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(907) 546-5032

Patience P. Mercurief
Director
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Anchorage, AK 99504
(907) 929-1849

Star Partners, LLC Board of Directors

Phil Hanson
Chairman
PO Box 97019
Redmond, WA 98073
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Jeffery P. Kauffman
Director
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St. Paul Island, AK 99660
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Rick Mezich
Director
7215 156th Street, SW
Edmonds, WA 98026
(425) 742-7456

Jonathan Thorpe
Director
14109 East Lowden Court
Scottsdale, AZ 85262
(907) 262-0800

CBSFA Board of Directors



Myron Melovidov
Chairman

Term expires
2013



Phillip Lestenkof
President

Term expires
2014



Jeffery P. Kauffman
Vice President

Term expires
2012



Rena J. Kudrin
Secretary/
Treasurer

Term expires
2014



Roman Fratis, Sr.
Director

Term expires
2012



John R. Merculief, Jr.
Director

Term expires
2013



Amos Philemonoff, Sr.
Director

Term expires
2012



Michael Baldwin
Director

Term expires
2014



Jason Bourdukofsky, Sr.
Director

Term expires
2013

CBSFA Employees



Phillip Lestenkof
President
President since 1999



Jonathan Thorpe
Chief Financial Officer
Employee since 2003



Rena J. Kudrin
Office Manager
Employee since 1998



Ray Melovidov
Community Outreach & Projects Coordinator
Employee since 2001



Robert Melovidov, Sr.
Traffic Coordinator
Employee since 2010



Marva Merculief
Administrative Assistant
Employee since 2009



Myron Melovidov
Operations Supervisor
Employee since 2011



William J. Dixon
Senior Accountant
Employee since 2011



Robert Shearer
Processing Equipment Technician
Employee since 2010



Frank Shane, Sr.
Maintenance/Operator
Employee since 2011



Benjamin T. Shane
Maintenance/Operator
Employee since 2011

MSDH Employees



Jeffery P. Kauffman
Chief Executive Officer
Employee since 2007



Jennifer L. Hausmann
Administrative Assistant/
Accountant
Employee since 2010

CBSFA Board and Staff



CDQ Program Celebrates 20th Anniversary

On March 30th, 2012 the CDQ program celebrated 20 years of existence since its creation by the North Pacific Fishery Management Council in 1992. The CDQ program was then granted perpetuity status by the US Congress during the 1996 reauthorization of the Magnuson-Stevens Act.

The anniversary commemorations took place at the Dena'ina Center in Anchorage, were well attended by members of the CDQ program's 65 villages, and unfolded all day. In the morning and afternoon, each group made presentations highlighting its achievements. Each group was also provided with the opportunity to award commemorative plaques to two individuals for outstanding contributions to the success of that entity.

CBSFA was well represented at the event by the members of its board and their spouses, as well as by CBSFA's advisors and consultants. Phillip Lestenkof, Jeff Kauffman, and Jonathan Thorpe delivered presentations about CBSFA's achievements. Commemorative plaques for their outstanding contributions to CBSFA were awarded to Phillip Lestenkof and Myron Melovidov. CBSFA Board member Jason Bourdukofsky, who delivered a heartwarming message in Aleut to the assembled crowd from other Western Alaska communities, introduced them. The celebration culminated that

evening with a dinner reception and ceremony at the Dena'ina Center at which Larry Cotter, current Chairman of the Western Alaska Community Development Association (WACDA) acted as master of ceremonies. Senator Mark Begich and Congressman Don Young made keynote speeches, as did the Alaska Commissioner of Community and Economic Development, Susan Bell, to the large crowd of state and federal officials, representatives of the North Pacific Fishery Management Council, the fishing industry, and members of the six CDQ groups. Senator Lisa Murkowski sent a videotaped message congratulating the events' participants. The CDQ groups, through WACDA, also honored two individuals that evening for their critical role in the creation and development of the CDQ program. Clem Tillion and Rick Lauber received the distinction and were clearly moved by the honor and the warm applause by the crowd.

The 20-year celebration was a great opportunity for all present to pause and reflect on the progress and significant achievements made by each of the CDQ groups during the last two decades. It also served as a reminder of the considerable challenges ahead for each of the CDQ groups and the program as a whole, and reinforced the need for the groups to work together for the development of their member villages and Western Alaska.



St. Paul Fishing Company, LLC

Multi-Species Development Holdings, LLC (MSDH) was formed in 2004 as a wholly owned subsidiary of Central Bering Sea Fishermen's Association (CBSFA). Its purpose is to manage certain fishing assets such as vessels and fishing rights for the benefit of CBSFA and to distribute the Net Cash Flow derived from the investments back to CBSFA.

The MSDH Board of Directors decided at the 2012 Annual Meeting to change the name of MSDH to St. Paul Fishing Company, LLC (SPFC). It was difficult for CBSFA members and fishing industry associates to decipher the purpose and identity of the company with the MSDH name.

CBSFA President Lestenkof presented several ideas for a new name and St. Paul Fishing Company seemed like the best fit. It describes the nature of SPFC's business and encompasses the activities it is involved in including vessel ownership and management, fish processing, and fishing rights (quotas and permits) administration.

St. Paul Fishing Company currently holds CBSFA's ownership interest in the following assets (ownership interest %):

- **Vessels:** Fierce Allegiance (30%), Early Dawn (30%), Starward (75%), Starlite (75%), Saint Peter (100%), and Saint Paul (100%).
- **Processing:** Royal Aleutian Seafoods (10%)
- **Fishing Rights:** 3 pacific cod LLPs (100%), Bristol Bay Red King, Opilio, & Bairdai IFQ associated with the Fierce Allegiance and Early Dawn (30%), Pollock and Pacific Cod LLPs associated with the Fierce Allegiance (30%), Starward and Starlite (75%), Bristol Bay Red King Crab linked to the Starward and Starlite (75%) and Sablefish IFQ (100%)

The Board of Directors unanimously approved the new name, St. Paul Fishing Company, in February. Since then SPFC management has initiated modification of corporate records, business licenses, bank documents, permits, billing information, email addresses, etc. to reflect the change.

A Strong Year for SPFC

2011 was a strong year for St. Paul Fishing Company (formerly MSDH). We built and put into service the *F/V Saint Peter*, made several key investments, restructured our corporate holdings, refinanced some of the debt, and caught significant amounts of fish and crab.

CBSFA built its second Fred Wahl Marine Construction 58 foot combination vessel in 2011. Although



nearly identical to the *F/V Saint Paul*, the *F/V Saint Peter* received some safety and efficiency modifications. It has the newer Tier II electronically controlled Cummins QSK-19 main engine which has more horsepower and is more fuel-efficient. It utilizes John Deere generators, which are also Tier II and better for the environment and reducing fuel consumption. The Saint Peter received a 20” bow thruster to increase safety when parking in high wind conditions during the winter cod season as well as a state of the art WAASP system. The WAASP incorporates bathometric mapping technology that allows us to map the seabed in fine detail and will be helpful for catching halibut, sablefish and Pacific cod. In addition, the Saint Peter received an eighth bunk to accommodate an observer when required by the National Marine Fisheries Service starting in 2013.

The Saint Paul Fishing Company (SPFC) purchased two License Limitation Permits (LLPs) in 2011. One permit allows us to fish for Pacific cod in the Central Gulf of Alaska and Bering Sea and for Norton Sound Red and Blue King crab. The second permit is endorsed for Pacific Cod fishing in the Western Gulf of Alaska, Bering Sea and Aleutian Islands. SPFC also purchased 252,081 units of A Share Bering Sea Sablefish equaling 33,761 pounds in 2011. The LLP’s and Sablefish IFQ’s are being utilized by the Saint Paul and Saint Peter.

As a result of building the *F/V Saint Peter* in 2011, SPFC restructured its corporate holdings. The subsidiaries of SPFC prior to the restructure were Star Partners LLC, Bering Sea Partners Inc., Central Bering Sea Vessels LLC, and Saint Paul LLC. Respectively, these Limited Liability Corporations hold SPFC’s interest in the Pollock boats, our share of Royal Aleutian Seafoods, the crab boats, and the *F/V Saint Paul*. In 2011 we created a new corporation named Saint Boats LLC. This new LLC is the parent company



for the vessels Saint Paul and Saint Peter. The restructuring strengthens the corporate vale and isolates each entity in a way that will prevent one company from taking down the others in the event of a lawsuit, financial collapse, or other potential mishaps.

The St. Paul Fishing Company, in cooperation with our partner Unisea Seafoods, refinanced the debt at Star Partners LLC in 2011. The refinance allowed us to achieve more accommodating loan covenants, stretch the debt out over an extended period, and to make a larger profit distribution to the owners. In addition, Saint Boats LLC refinanced the debt associated with the *F/V Saint Paul* and bundled it together with the money borrowed to build the *F/V Saint Peter*. The debt for these two boats is now held at Saint Boats LLC under one loan. CBSFA made a capital contribution to Saint Boats totaling one-third the cost of the new vessel and financed the remaining two-thirds. The refinancing of this debt will be beneficial to SPFC and CBSFA and the covenants will allow us to operate very comfortably financially.

CBSFA’s vessels had a good year in 2011 and operated safely and profitably. We landed a significant amount of Pollock, Pacific Cod, Opilio, Eastern Aleutian King crab, Bristol Bay Red King crab, Halibut, and Sablefish. Although fishing in the Bering Sea is very dangerous, we had a safe year with no major injuries. Construction of the *F/V Saint Peter* was completed in early September and it set sail for Dutch Harbor with a vessel cap of halibut to catch before the October 18th closure. Unfortunately, time and weather were unfavorable conditions, and the vessel was unable to fully harvest halibut IFQ belonging to several CBSFA members. Otherwise, it was a successful year for our harvesting vessels.

Overall, 2011 was an excellent year for CBSFA’s wholly owned subsidiary, St. Paul Fishing Company.

57 Degrees North and 170 Degrees West

57 Degrees North

2011 has been a year that produced record results for 57 Degrees North (57DN). With crab markets pushing record highs 57DN has enjoyed its most profitable year to date.

Total revenues were up over 26% to \$24,926,763 with net profits up nearly 38% at \$4,454,402.

CBSFA's crab operation represents nearly 54% of consolidated revenues and 63% of consolidated net income. With this kind of year-over-year change there is no ignoring the overall market strength that has helped bring about this welcome result in financial performance. Knowing that the crab markets will not remain at record prices indefinitely, 57DN has continued to work on cut programs and product development in order to keep from dealing with only the wholesale market place.

57DN is striving to develop customers and markets that are able to absorb higher pricing in exchange for year round crab programs. 57DN has worked hard on managing costs in the value added cut programs including selling expenses. The remainder of 2012 and 2013 should prove to be tough waters for 57DN with the increasing price pressure from cheap imported Russian king crab and

unknown crab TAC's for Bristol Bay Red Crab and St. Matthews Blue Crab. 57DN planning on the efforts in its customer development and marketing to help smooth out the challenges we will face going forward.

170 Degrees West

2011-2012 has been another solid year for 170 Degrees West (170DW). The final ex-vessel price paid by the coop of \$6.40 for the 2011 fishing season is the highest on record. Of course the overall market conditions has an impact on the value of the overall prices paid for halibut. However, efforts made to add value in the form of vacuum-packed portions to the halibut in St. Paul and the continued

marketing efforts have fortified the value of CBSFA's halibut.

170DW continues to push forward with the value added project that the CBSFA Coop started in 2008. Over the past year 170DW has continued selling the vacuum-packed portions.

In addition, 170DW has been working with American Pride Seafoods, the value-added, sales and marketing arm for American Seafoods, to develop several retail ready items that will be able to service many different types of customers.



Village Cove Seafoods

The remainder of 2012 heading into the winter will prove to be a true test for 170DW. With halibut coming off of record high prices, sales have started to slow as buyers and customers push back on the record pricing. Having a more diversified product mix from the value added efforts will help smooth the effects of a sliding market. Besides the slowing sales trend the Coop has also faced a reduction in the Total Allowable Catch, dropping the number of pounds available to the local fleet to harvest and for 170DW to process and sell. This will lead to fewer overall dollars to pay out to the local community. Another complicating factor facing the local fleet and 170DW is the drastically rising processing fees that 170DW has to pay to process fish in St. Paul. 170DW is currently working to find ways to control costs all the way

through the line in order to continue bringing the best value back to the Coop and the community.

Village Cove Seafoods

Village Cove Seafoods (VCS) continues to grow and bring promise of seeing CBSFA's Pacific cod assets mature into a fully maximized resource. Having participated in only two Pacific cod A season fisheries, 2011 and 2012, and working together with St. Paul Fishing Company (SPFC), VCS will process and take to market nearly 5,400,000 round pounds of Pacific cod, including CBSFA's CDQ and SPFC open access quota, up 250% over 2011. Utilizing CBSFA's equity ownership in American Seafoods, VCS has been working on a retail products project with the staff

at American Pride Seafoods, the land based value added and marketing arm of American Seafoods. The project encompasses several products with many potential customers.

Over the next couple of years VCS should place the majority of its production into retail ready products.

Fully developing the resources will help smooth out the highs and lows of the spot wholesale market place. Retail pack products are usually available year round, VCS is working on building inventory in order to participate in these kind of year round program sales.



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 \$24.6 million to the local fishermen as ex-vessel prices.

CBSFA operates the Coop in conjunction with the local fishermen, Saint Boats, LLC (*F/V Saint Paul* and *F/V Saint Peter*), Trident Seafoods and American Seafoods. CBSFA purchases the halibut from the local fleet, partners with Trident Seafoods to process the fish, and works with American Seafoods to market the fish. Any CDQ not able to be caught by the local fleet is leased to our own boats, the *F/V Saint Paul* and *F/V Saint Peter*. It is CBSFA's goal that the local fleet has as much CDQ halibut available to them as they are able to catch. However, the Coop's ex-vessel price is lower when quota is left uncaught. At the same time, CDQ quota leased to Saint Boats, LLC 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.

For 2011, local landings totaled 860,958 pounds, including 198,886 pounds of locally held IFQ caught on the *F/V Saint Paul*. In total, \$5.5 million was paid to the local fishermen, the highest ever paid out in a single season since the Coop was created. The base price was set at \$6/lb and a

series of retroactive price adjustments were paid out following the close of the season and the final 2011 ex-vessel price was \$6.40/lb.

Although the Area 4C catch limit was increased for 2011, the local fleet landed 2,401 pounds less in total than in 2010. More CDQ halibut was caught locally, but less locally held IFQ was caught. 12,600 more pounds of CDQ was caught in 2011; 92% of the CDQ was landed locally, compared to 94% in 2010. Approximately 56,000 pounds were leased to the *F/V Saint Paul*. Logistical issues and poor fishing weather resulted in a significant amount of locally held IFQ unable to be caught.

For 2012, CBSFA's CDQ allocation is 470,626 pounds, a decrease of 247,624 pounds compared to the 2011 allocation. This reduction of 34.5% is very significant but it is taken to ensure that the halibut stocks remain viable for the future. There are 193,647 pounds of locally held IFQ. The 2011 fishing season began on July 2nd with a posted price of \$5.00/lb.

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.





Community Outreach

“CBSFA’s halibut and crab donations are very helpful. The halibut portions are very well preserved and seem fresher than if halibut is home-packed.”
-Macarius Mandregan Sr., lifelong resident

Elder Subsistence Donation Program

Our residents continue to be affected by the rising cost of living in many ways. Subsistence resources have become increasingly important to offset these rising costs. CBSFA created the Elder Subsistence Halibut and Crab Donation Program, which disburses halibut portions and crab to community elders twice a year. Efforts to expand the program were made possible through cooperation with the

St. Paul Foodbank and SeaShare, an organization dedicated to providing seafood as a source of hunger relief. CBSFA worked with the Foodbank to acquire salmon for both the Foodbank program and the CBSFA Elder Subsistence Program.



Elders Residential Assistance Program

Provides \$3,000 to energy suppliers or housing entities on behalf of elders 55 and over.

Volunteer Tax Program

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



Community Events and Programs

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

Bereavement

Contributions to funeral arrangements for families of CBSFA members.

Wellness

Payments to substance abuse treatment programs for CBSFA members.



Lunax

Contributions and purchases to the quick response vessel that assists our local fishing fleet.

Community Outreach

	2011	As of 6.30.2012
Elders Residential Assistance Program	\$190,500.00	\$188,544.41
Elder Subsistence Program	39,857.50	14,415.00
Volunteer Tax Program	5,000.00	6,500.00
Community Events and Programs	24,819.29	142,158.00
Bereavement	23,320.38	8,535.79
Wellness	21,067.17	7,700.00
Youth Employment	25,000.00	25,000.00
Quick Response Vessel: <i>Lunax</i>	13,155.80	
Fuel Tanker		135,000.00
TOTAL	\$342,720.14	\$527,853.20



Youth Employment

Quality job training for the youth in St. Paul is important to our community. As such, CBSFA continues to promote community outreach with a \$25,000 contribution to the Tanadgusix Corporation summer youth hire program for the year 2011.

Over the years Tanadgusix Corporation has achieved measurable success in providing the youth with a summer program to help develop civic and social responsibility, and many of our youth look forward to the summer employment opportunity.

CBSFA's contribution made it possible for the employment of nine young adults between the ages of

fourteen to eighteen. The objective of the program is to introduce job training and instill lifelong citizenship into St. Paul's youth.

Fuel Tanker

CBSFA funded the purchase of a 2011 Nissan UD 3300 fuel tanker for the City of Saint Paul. This contribution provides multiple benefits; City compliance with ADEC regulations, continual delivery service to our fishermen, and a safe transport for the City Bulk Fuel department, its customers, and the community. We believe it is very important to invest in assets that benefit our fleet and support local entities.

Education

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.

Montessori

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.



Scholarships and Training Grants

In addition to local support for education, CBSFA continues to provide scholarships and training grants for post secondary education and vocational training.

Amix Program

A program designed to educate our youth about the history and culture of St. Paul. Bering Sea Days and Bering Sea Science Camp are included this important program.

Extracurricular

Provides funding for sports team travel and other after school programs.

Education	2011	As of 6.30.2012
Montessori	\$87,437.20	\$99,873.88
Scholarships	85,807.00	52,500.00
Training Grants	6,042.08	1,950.00
Amix Program	27,000.00	27,000.00
Extracurricular	14,779.000	5,000.00
ANSEP	50,000.00	50,000.00
Gym Renovation	20,000.00	80,000.00
Fur Seal Curriculum		23,300.00
TOTAL	\$291,065.28	\$339,623.88



Bering Sea Days

Promotes education for St. Paul's students related to marine ecology, GIS mapping, prehistoric mammoths and their remains, tides and currents, fur seal diets, and the collection of a variety of bird-related information.

Bering Sea Science Camp

Contributions assist with various costs associated with a two-week summer camp on the Pribilof Islands.

Alaska Native Science & Engineering Program (ANSEP)

Provides St. Paul's students an opportunity to participate in ANSEP's components that provide inspiration, guidance, and opportunity for students from the time they are in middle school up through and including PhD level studies. ANSEP students

are fully prepared for BS degrees in science and engineering. More importantly, the program provides a positive impact on students, their families, and our community that will endure for generations.

Fur Seal Curriculum

Develop and conduct a two-week pilot of 7-12 curriculum at St. Paul School. Curriculum includes inquiry based science activities, connection to earth science, and computer and technology skills.



Gym Renovation

The long anticipated St. Paul School gym renovation was successfully completed with the help of CBSFA and American Seafoods funding. Improvements included a new gym floor, safer bleachers, and more efficient lighting. CBSFA is happy to contribute funding to promote healthy lifestyles in our community.



CENTRAL BERING SEA FISHERMEN'S ASSOCIATION & SUBSIDIARIES

Consolidated Statements of Financial Position
December 31, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and cash equivalents	\$ 8,373,347	5,483,338
Investments (notes 3 and 4)	2,310,830	2,318,795
Accounts receivable, net	2,462,019	3,253,928
Inventory	8,611,900	5,140,217
Prepaid expenses	396,635	221,637
Total current assets	<u>22,154,731</u>	<u>16,417,915</u>
Investments (notes 3 and 4)	1,904,429	2,126,748
Prepaid expenses (note 5)	461,116	479,452
Loans receivable, net	545,991	476,994
Investment in unconsolidated affiliates (note 7)	5,115,611	6,663,432
Property and equipment, net (note 8)	13,969,694	11,334,812
Fishing rights	42,352,527	41,839,244
Total assets	<u>\$ 86,504,099</u>	<u>79,338,597</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,179,287	2,625,914
Due to related party	3,556	—
Current portion of long-term debt (note 9)	2,667,355	1,642,568
Total current liabilities	<u>5,850,198</u>	<u>4,268,482</u>
Long-term debt, less current portion (note 9)	20,602,199	22,393,220
Interest rate swaps (notes 4 and 9)	1,290,741	955,362
Total liabilities	<u>27,743,138</u>	<u>27,617,064</u>
Net assets:		
Unrestricted net assets:		
CBSFA:		
Undesignated	53,171,298	46,250,268
Designated for small boat harbor	115,501	331,080
Designated for vessel repair center	1,788,928	1,795,698
Total net assets attributable to CBSFA	<u>55,075,727</u>	<u>48,377,046</u>
Noncontrolling interest in Star Partners, LLC	3,685,234	3,344,487
Total net assets	<u>58,760,961</u>	<u>51,721,533</u>
Commitments and contingencies (notes 7, 9, and 11)		
Total liabilities and net assets	<u>\$ 86,504,099</u>	<u>79,338,597</u>

Information in this annual report is compiled from audited financial statements.

CENTRAL BERING SEA FISHERMEN'S ASSOCIATION & SUBSIDIARIES

Consolidated Statements of Activities
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
Revenue and gains:		
Revenue from fishing operations	\$ 36,971,654	22,400,845
Program revenue	7,887,079	11,055,697
Equity in income (loss) of unconsolidated affiliates	587,357	(399,430)
Distribution from American Seafood, L.P.	539,505	546,483
Investment and other income	268,401	1,009,142
Total revenue and gains	<u>46,253,996</u>	<u>34,612,737</u>
Expenses and other:		
Program:		
Education and outreach	606,336	525,862
Vessel launch and retrieval	38,882	531,721
EFH advocacy and research	290,580	77,753
Small boat harbor operations	182,403	—
Vehicle and equipment operations	632,724	—
Multispecies development	—	28,298
Investment fund policies and procedures	47,462	49,162
CBSFA Halibut Coop	—	5,586,409
Fishing operations	32,363,428	18,624,935
Total program	<u>34,161,815</u>	<u>25,424,140</u>
Supporting services – general and administrative, including interest expense of \$1,272,060 and \$1,480,906 for 2011 and 2010, respectively	<u>4,717,374</u>	<u>4,330,414</u>
Total expenses	<u>38,879,189</u>	<u>29,754,554</u>
Change in the fair value of interest rate swap (note 9)	<u>335,379</u>	<u>691,672</u>
Total expenses and other	<u>39,214,568</u>	<u>30,446,226</u>
Change in net assets	<u>\$ 7,039,428</u>	<u>4,166,511</u>

Information in this annual report is compiled from audited financial statements.

CENTRAL BERING SEA FISHERMEN'S ASSOCIATION & SUBSIDIARIES

Consolidated Statements of Changes in Net Assets
Years ended December 31, 2011 and 2010

		<u>CBSFA</u>	<u>Noncontrolling interest</u>	<u>Total</u>
Net assets, January 1, 2010	\$	44,290,533	3,164,489	47,455,022
Change in net assets		4,086,513	79,998	4,166,511
Capital contributions from noncontrolling interest to Star Partners, LLC		—	100,000	100,000
Net assets, December 31, 2010		<u>48,377,046</u>	<u>3,344,487</u>	<u>51,721,533</u>
Change in net assets		6,698,681	340,747	7,039,428
Net assets, December 31, 2011	\$	<u><u>55,075,727</u></u>	<u><u>3,685,234</u></u>	<u><u>58,760,961</u></u>

Information in this annual report is compiled from audited financial statements.



CENTRAL BERING SEA FISHERMEN'S ASSOCIATION & SUBSIDIARIES

Consolidated Statements of Cash Flows
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,039,428	4,166,511
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,053,016	944,673
Distributions in excess of earnings of unconsolidated affiliates	612,643	829,995
Realized and unrealized (gains) losses on investment securities	332,200	(355,203)
Realized losses on certain limited partnership investments	231,995	—
Change in fair value of interest rate swap	335,379	691,672
Change in operating assets and liabilities that provided (used) cash:		
Accounts receivable	791,909	(1,201,291)
Prepaid expenses and rent	(156,662)	8,620
Inventory	(3,471,683)	(1,515,982)
Due to related party	3,556	—
Accounts payable and accrued expenses	553,373	959,172
	<u>7,325,154</u>	<u>4,528,167</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(3,687,898)	(6,782,220)
Issuance of loans receivable	(217,563)	(215,518)
Principal payments received on loans receivable	148,566	91,432
Purchase of ASLP Acquisitions, LLC units	—	(1,327,359)
Distributions of capital from ASLP Acquisitions, LLC	703,183	—
Purchase of fishing rights	(513,283)	—
Purchase of investments	(1,573,422)	(205,839)
Sale of investments	1,471,506	6,609,155
	<u>(3,668,911)</u>	<u>(1,830,349)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Capital contributed by noncontrolling interest	—	100,000
Proceeds from issuance of long-term debt	2,911,327	—
Principal payments on long-term debt	(3,677,561)	(2,259,824)
	<u>(766,234)</u>	<u>(2,159,824)</u>
Net cash used in financing activities		
Net increase in cash and cash equivalents	2,890,009	537,994
Cash and cash equivalents at beginning of year	<u>5,483,338</u>	<u>4,945,344</u>
Cash and cash equivalents at end of year	<u>\$ 8,373,347</u>	<u>5,483,338</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 1,573,071	1,474,265
Supplemental schedule of noncash investing and financing activities:		
Distribution from ASLP contributed directly to investment in ASLP Acquisition, LLC	\$ 74,435	390,656

Information in this annual report is compiled from audited financial statements.

Transparency Disclosures

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. This Rule was amended and extended on April 28, 2011 by way of CDQ Panel Resolution 2010-06. The amended Rule changes the annual report due date to September 30 of each calendar year and extends its duration to December 31, 2012. The Central Bering Sea Fishermen’s Association (CBSFA) Board of Directors approved said CDQ Rule by way of CBSFA Resolution 11-03 on March 11, 2011.

Therefore, in compliance with Section 305(i)(1)(F)(ii) of the Magnuson-Stevens Act and with Section 4 of CDQ Panel Resolution 2010-06, CBSFA, as the

CDQ group for the village of Saint Paul, hereby submits the following financial disclosures for calendar year 2010.

Directors

CBSFA directors receive \$250 for each board meeting of less than two hours duration, and \$425 for meetings over two hours. Term life insurance policies are also provided. In 2011, CBSFA paid directors \$43,255 and \$15,116 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 ten 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 2011, Michael Baldwin, CBSFA Director, and Jeffery Kauffman, CBSFA Director, received loans for an excess of \$20,000.

Legal Proceedings Involving Directors

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

Auditor Relationship

CBSFA has not had any disagreements with its auditor, KPMG, for either 2011 or 2010. KPMG performed tax preparation and lobbying services, the fees for which represent 25% of total fees paid in 2011, and 28% in 2010.

Committees

CBSFA maintains a compensation committee. In 2011, its membership was made up of directors Amos Philemonoff, Sr., Jason Bourdukofsky, Sr., and Roman Fratis, Sr. The committee’s function is to review employee evaluations and make determinations regarding employee compensation. The committee did not meet in 2011.

Employee Compensation

Company, position and salary information for the top five highest paid personnel within entity and majority owned subsidiaries:

William J. Dixon, CBSFA
Senior Accountant - \$80,615

Jeffery Kauffman, MSDH
Chief Executive Officer - \$128,563

Rena Kudrin, CBSFA
Office Manager - \$84,019

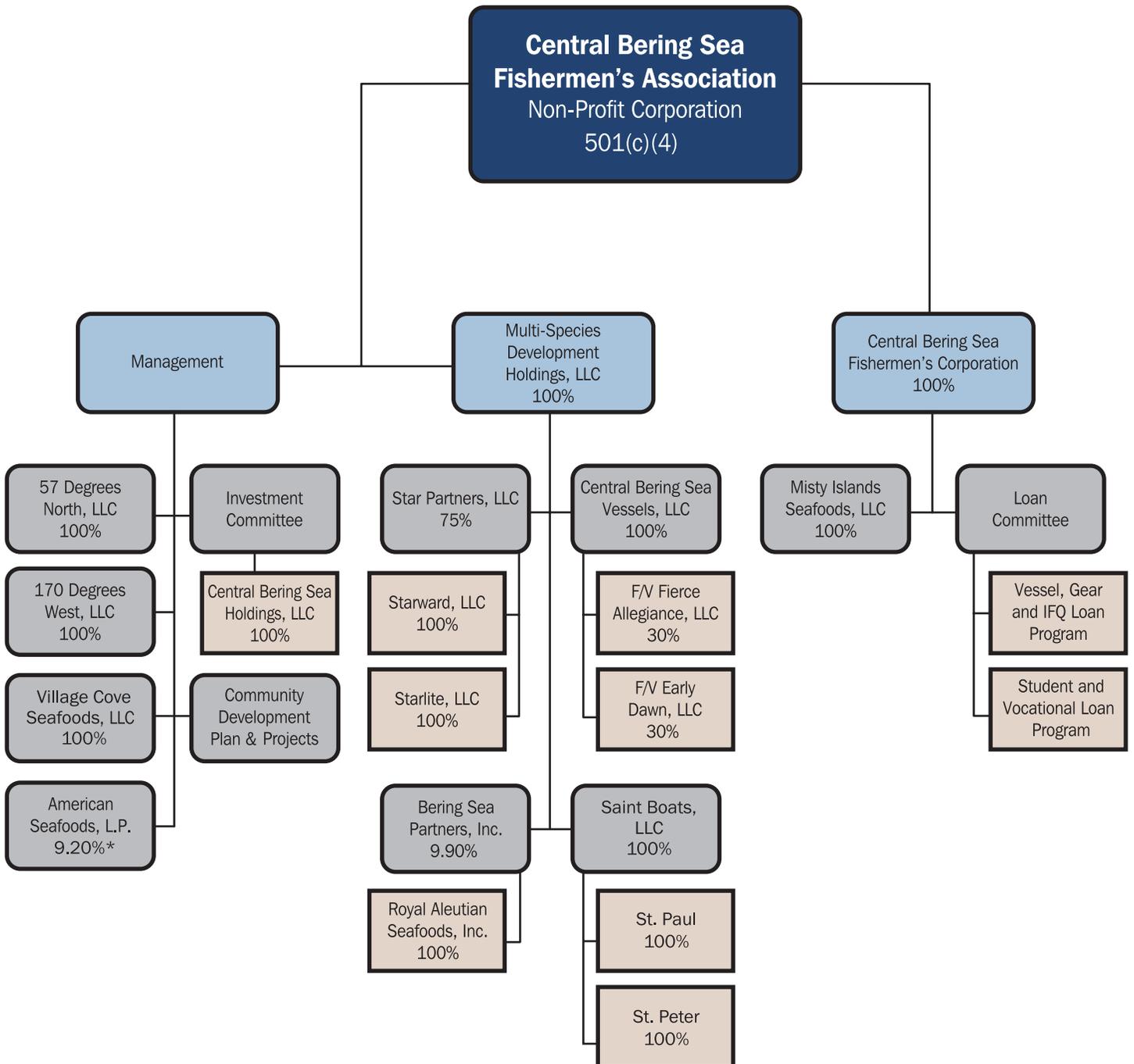
Phillip Lestenkof, CBSFA
President - \$160,741

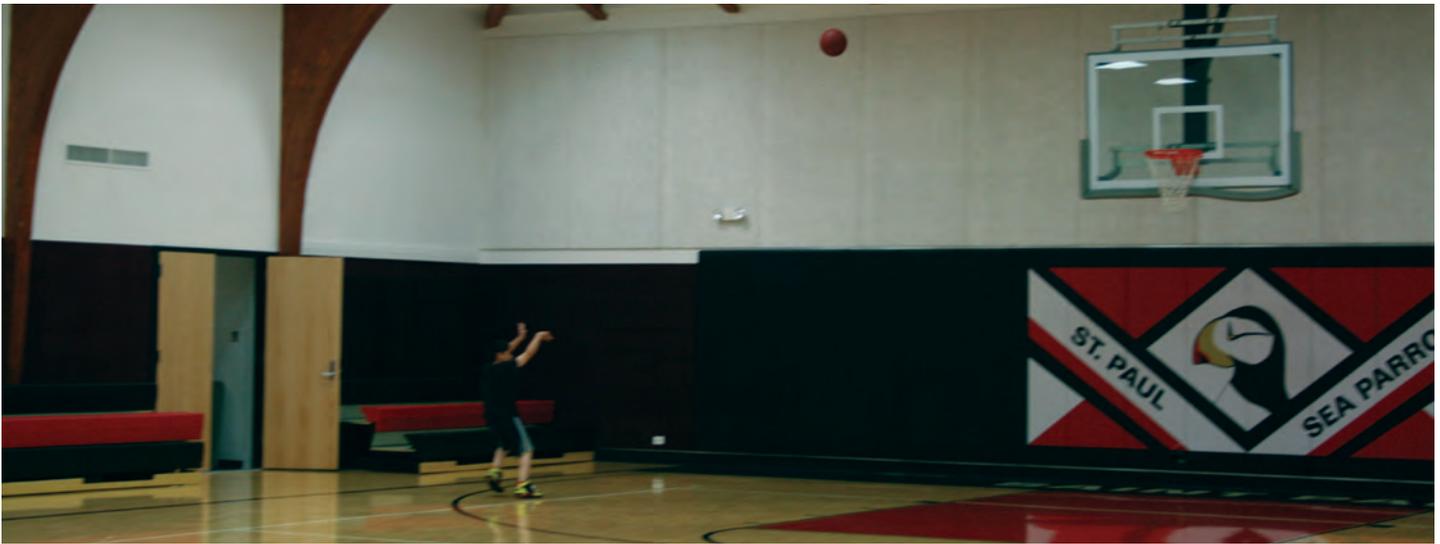
Jonathan Thorpe, CBSFA
Chief Financial Officer - \$173,918

Professional Fees

Legal	\$138,856
Consulting	\$139,391
Accounting	\$53,511
Lobbying	\$4,056

Organizational Chart









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