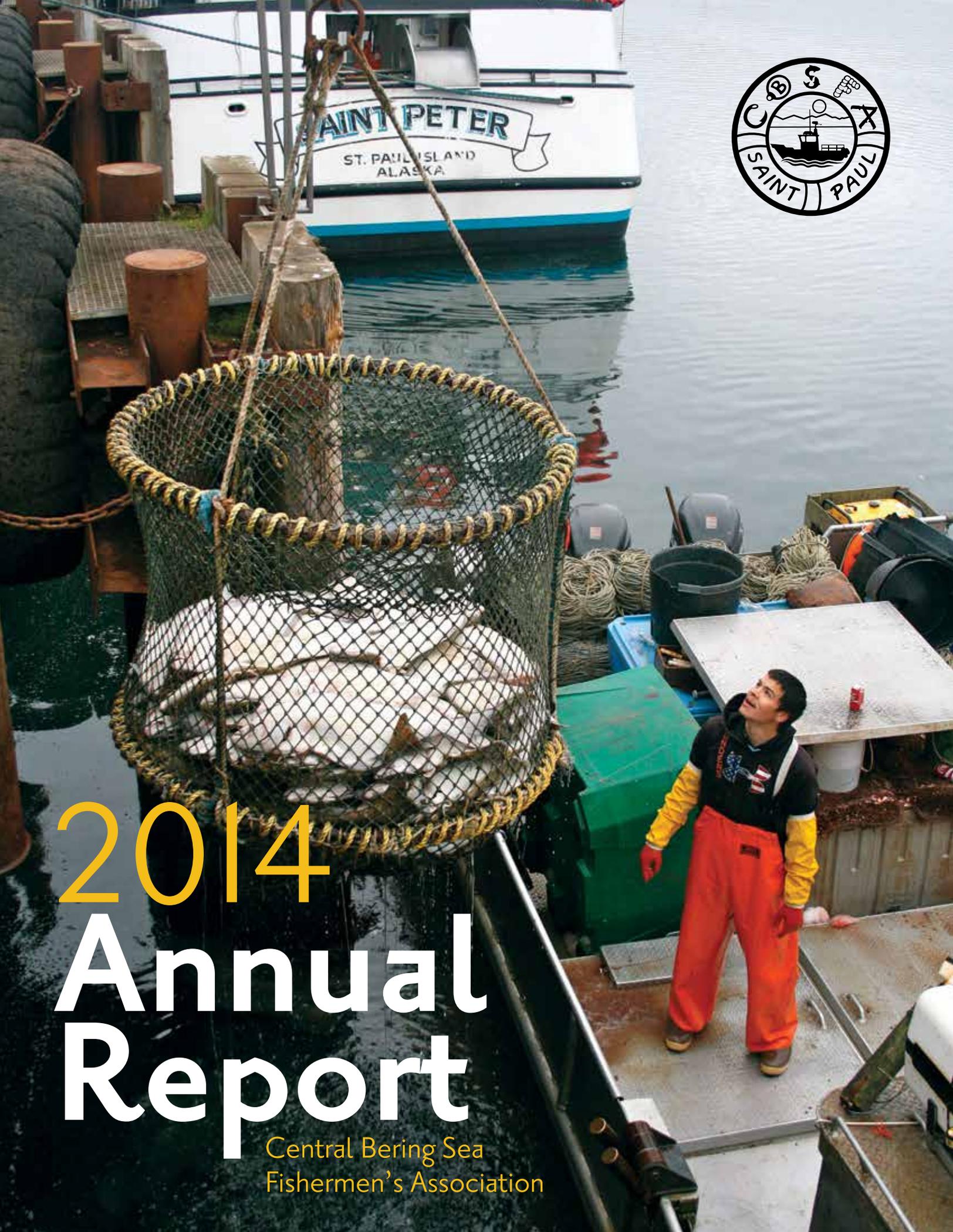




# 2014 Annual Report

Central Bering Sea  
Fishermen's Association



# 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.



# Table of Contents

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## 2014 Annual Report

- 1 *Mission Statement*
- 3 *Chairman's Letter*
- 5 *President's Letter*
- 7 *Directors*
- 8 *Board and Staff*
- 9 *St. Paul Fishing Company*
- 11 *CDQ Pacific Cod Fishery*
- 13 *170 Degrees West*
- 14 *Village Cove Seafoods*
- 15 *57 Degrees North*
- 16 *CBSFA Halibut Cooperative*
- 19 *Community Outreach*
- 23 *Education*
- 26 *Financials*
- 31 *Transparency Disclosures*
- 32 *Organizational Chart*

# Chairman's Letter

Dear CBSFA Members,

CBSFA strives to make decisions that align with our vision – *Saint Paul Island has an energetic, sustainable economy in a place people want to live*, while upholding our core values and focusing on our purpose. I am happy to report how we continue to be a major contributor to Saint Paul through our programs, supporting local events and projects, and making investments that positively impact our community.

Our Education and Training Program benefits a wide age range beginning with toddler age children. For the seventh consecutive year, CBSFA continued to fully fund the Montessori Preschool Program. The funding allows full-time employment for two residents who provide a structured learning and social environment for children aged three to five. We contributed funding to the Tribal Government's Bering Sea ~ Pribilof Islands Summer Science Camp and Bering Sea Days. These programs educate the youth, aged 8 to 18, about the history and culture of our island, scientific research, and wildlife and fisheries management. These programs provide employment opportunities for one full-time and two seasonal positions.

With the help of CBSFA, Saint Paul School's high school basketball team was able to host Saint Paul's First Round Robin Tournament in February 2015. Athletes and coaching staff from the Alaskan towns of New Stuyahok, Newhalen, and Port Alsworth were welcomed into our community and competed in the three-day tournament. CBSFA encourages individuals to pursue post-secondary education and training by offering scholarships and training grants. In 2014, 22 eligible individuals pursuing a college degree or vocational certification were provided financial assistance. In working towards our vision, we consider our core values – *Local ownership, taking care of and sharing resources, benefit residents, and community unity*, and through our Community Outreach Program, we uphold each of these values.

CBSFA continued our commitment to the Unangam Tunuu revitalization efforts and increased our financial support to help employ three residents. Consultants

and local elders are helping them develop curriculum and immerse participants in speaking, listening, and teaching the Aleut language. CBSFA also funded the Tanadgusix Corporation's (TDX) Summer Youth Hire Program. This program provides job skill development opportunities and teaches traditional Unangan practices to nine local youth between the ages of 14 and 17. The safety and welfare of our community's children, educators, and school building is a concern for CBSFA. To help the Pribilof School District become compliant with current fire standards and eligible for future grant funding, CBSFA contributed funds necessary to purchase and install a new fire alarm system in the Saint Paul School.

The Elders Residential Assistance Program (ERAP) was created in 2006 to provide annual contributions, per household, to housing agencies and energy suppliers on behalf of community residents age 55 and older. Crab and CBSFA custom processed halibut portions are disbursed bi-annually to community elders. The ERAP and seafood donations continue to relieve the high cost of living expenses and subsistence needs throughout our community.

While helping our community in times of need, it's equally important to celebrate the successes within our community. In 2013, our board of directors expressed their appreciation to the Volunteer Fire Department and the Lunax Search and Rescue team. In 2014, the Emergency Medical Service (EMS) volunteers were recognized and presented with a monetary gift for their dedication. The EMS team not only provides medical assistance to our residents, but also serves the fleets fishing around the island year round. Volunteerism is necessary for the provision of emergency services and these services are critical to our community. We appreciate the countless hours of training and dedication it takes to undertake this responsibility. Along with celebrating our residents' individual successes, CBSFA encourages and supports local projects that contribute to the economic development of Saint Paul Island.

We engage in on-island entity collaborations through joint venture projects and substantial contributions. In 2012, we

committed \$3 million toward developing and upgrading the Small Boat Harbor. This included a \$2.5 million dollar match to an EDA grant designated for a jointly owned building - the Tribal Government's Ship Supply Warehouse and our Boat Shop, and \$500,000 to match the Denali Commission grant application for the 60-foot Public Tribal Dock that was constructed and completed in June 2015. The dock will allow berthing for larger vessels, facilitating service while in the water, and enabling crews to purchase supplies locally. In 2014, the board approved additional funding of \$2.2 million dollars for the joint building with the Tribal Government as Harthorne Hagen Architect's newly estimated construction cost of the Boat Shop was higher than previously estimated.

In 2013, CBSFA contributed funds for the creation of the Tribal Government Job Training Center. The purpose of the center is to promote workforce development through online learning/ courses offered through the University of Alaska Fairbanks, career guidance,

and help create opportunities for new commerce within our community. In partnership with the Saint Paul School and CBSFA, the Tribal Government will be opening a second center that will be located at the school. This additional center will allow for individual custom development plans, assistance during and after regular business hours, career resource material, and create a full-time employment opportunity on island.

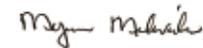
In an effort to help TDX provide faster internet speed to our community, CBSFA offered to purchase bandwidth, and together, CBSFA and TDX agreed to a two-year contract to purchase 10 megabytes (MB), allowing TDX to provide a total of 15MB. CBSFA's purchase will provide 5MB to the community and 2MB of dedicated bandwidth to our office during our regular business hours. These 2MB will also be shared amongst the community after 5 PM and on the weekends.

At the end of 2014, our wholly-owned subsidiary 57 Degrees North (57DN),

purchased 2.7 million pounds of Bering Sea Snow (Opilio) Crab from Icicle Seafoods. This purchase of northern region Individual Processing Quota (IPQ) will be delivered to Saint Paul's Trident plant, generating revenue to all business sectors. 57DN made another significant investment in crab quota during the first quarter of 2015. In total, 750,000 pounds of crab IPQ and 7.8 million pounds of crab IPQ were acquired. Overall, this series of strategic crab investments should provide our community with revenue for years to come.

It is a privilege to serve as the Chairman of CBSFA and our board will strive to continue bringing economic development opportunities to our community of Saint Paul.

Sincerely,



Myron Melovidov



*Dear CBSFA Members,*

CBSFA continues to spend a significant amount of our efforts and resources addressing the halibut bycatch issue and related impacts on our local halibut fishery. This year, the president's letter is going to report specifically on these halibut-related activities and efforts.

In recent years, the exploitable halibut resource in the Bering Sea has declined, leading to significantly lower harvest levels for both CDQ and IFQ fisheries. Since 2011, directed fishery catch limits in Area 4CDE have been reduced by 65%. Halibut bycatch in the groundfish fisheries has been only slightly reduced, remaining at levels much higher than the directed halibut fisheries. In response to this crisis, CBSFA, joined by other Saint Paul entities and directed halibut users, initiated action in 2013 at the North Pacific Fishery Management Council (Council) to reduce halibut bycatch and otherwise conserve the halibut resource. In 2014, that campaign was intensified. CBSFA's efforts have resulted in significant Council action, and solid strategic partnerships with other directed halibut stakeholders.

At the February 2014 Council meeting, CBSFA addressed the halibut bycatch discussion paper produced by the Council staff. In extensive written and oral testimony, CBSFA told the Council that halibut is the lifeblood of the local commercial fisheries in the Pribilof Islands, a major contributor to the local economy and a traditional food resource with deep cultural roots and meaning for the Unangan (Aleut) people. We expressed our grave concerns about the recent dramatic decline in halibut Exploitable Biomass (EBio) and the below average halibut recruitment in the Bering Sea and Aleutian Islands (BSAI), and the resulting continued decrease in halibut available to directed halibut fishermen and other users of halibut. We made it clear that our ultimate concern is the health of the halibut resource, and that all user groups must share equitably in its long-term conservation.

Coastwide, the exploitable halibut biomass available to the directed halibut fishery and other users of halibut declined

from 77.7 million pounds in 2011 to 35 million pounds in 2014. Correspondingly, the Fishery Constant Exploitation Yield (FCEY) - the halibut available to the directed halibut fishery, also dropped precipitously across most of the halibut regulatory areas. In Area 4CDE, the 2014 International Pacific Halibut Commission (IPHC) Blue Line staff advice was a drastically reduced FCEY of only 0.52 million pounds. In response to concerns expressed by CBSFA and other directed users, the IPHC instead adopted a status quo FCEY of 1.285 million pounds.

During the period of this decline, the total halibut bycatch mortality in Area 4CDE has held relatively steady. The current halibut Prohibited Species Catch (PSC) limits, or bycatch caps, came from the recommendations of a Council bycatch committee in the late 1980's, when the directed halibut fishery FCEY was around 70 million pounds. While the crab bycatch caps were set to fluctuate with the health of the crab species, the halibut caps were NOT set to fluctuate because of a reported lack of adequate life history information for halibut.

In Area 4CDE, based on historic averages, 4.9 million pounds of total bycatch could have been removed in 2014. This would have resulted in the recommended total halibut removal level (total constant exploitation yield or TCEY) being exceeded by 200,000 pounds. We made a powerful case to the Council that, under 2014 conditions, the removal of halibut by the bycatch users at the level of the cap would EXCEED the regulatory TCEY for this halibut regulatory area, and completely shut down the directed halibut fishery.

CBSFA asked the Council to move forward with an expanded discussion paper focused on understanding the BSAI halibut resource issues, the effects of reduced abundance on all user groups, and methods of bycatch reduction, both regulatory and non-regulatory, that promote the conservation and sustainability of the resource shared equitably among all user groups.

The Council responded by asking for such a paper to be presented in June 2014. By the end of the February meeting, Council members were publicly referring to the Bering Sea halibut resource decline as a top management priority. CBSFA and Saint Paul established a leadership position in the fight to save the Bering Sea directed halibut fisheries.

During the April 2014 Council meeting, CBSFA and the City of Saint Paul brought together a coalition of directed halibut users from Alaska and Washington (Alaska Concerned Halibut Users or ACHU), for an organizational meeting. We agreed to provide a strategy for the group to follow at the June 2014 Council meeting, the IPHC, and beyond. We gained powerful and committed allies in the effort to reduce halibut bycatch and better manage the resource. This coalition has continued successfully.

At the June Council meeting, the Council received a report from the IPHC staff on the impacts of halibut PSC (bycatch) on the halibut stocks. They also heard reports from all groundfish industry sectors, including the CDQ program, on the voluntary halibut PSC avoidance measures they employ in the BSAI fisheries, and their plans for further avoidance measures in the future.

CBSFA and its allies succeeded in our efforts, as the Council initiated an analysis of alternatives to reduce the halibut PSC limits in the BSAI groundfish fisheries. The action included options to: 1) establish seasonal apportionment of halibut PSC in the BSAI trawl limited access sector, and 2) analyze a range of 10, 20, 30, and 35 percent reductions of current halibut PSC limits to the groundfish harvesting sectors, including CDQ. The proposed action also included analysis of regulatory changes in the Amendment 80 sector to allow deck sorting of halibut to reduce mortality.

Also, the Council requested voluntary actions from five groundfish fishing sectors (American Fisheries Act Catcher Processor, American Fisheries Act Catcher Vessel, Amendment 80, Freezer Longline Cooperative, and Community

Development Quota) to reduce halibut mortalities in the BSAI resulting from halibut PSC use, as well as discards in the directed halibut fishery, by a cumulative 10% from the current 5-year average levels, through the 2014-15 fishing seasons. The Council requested that industry report back to the Council on those voluntary halibut reduction measures and the effectiveness of those measures in terms of absolute reductions in halibut mortalities. These reports were addressed at the February 2015 meeting.

The Council also requested several actions to be undertaken by NMFS: 1) continue to work with the Amendment 80 sector to develop deck sorting procedures and technologies that could reduce halibut mortalities, in order to initiate regulatory changes for a full-scale program; 2) continue to work with the IPHC to provide halibut bycatch and discard size data from the Observer Program in a form that can be better incorporated into IPHC stock assessments; and 3) evaluate the potential to reduce halibut PSC use under: a) the Amendment 80 flatfish flexibility program, b) a potential change to the Amendment 80 trawl season opening date from January 20 to January 1, and c) potential changes to the current Amendment 80 area closures.

Even though the December Council meeting did not include Bering Sea (BS) halibut bycatch as an agenda item, the team from Saint Paul and ACHU raised the subject on the first day of the Council meeting, and was almost successful in obtaining an Emergency Action to lower the cap on halibut bycatch in the BS groundfish fisheries. Our testimony explained that the IPHC Interim Meeting in early December provided an estimated Blue Line 2015 harvest amount of 370,000 pounds for Area 4CDE, down substantially from 2014. We argued that at this very low level, the directed halibut harvest would not be sufficient to provide for a viable CDQ and IFQ commercial fishery in the Bering Sea. The huge 2014 halibut bycatch numbers, particularly in the yellowfin and rock sole trawl fisheries in Area 4CDE, were taken directly off the TCEY and resulted in an extremely low 2015 FCEY. After the IPHC staff reported on the decision table, including the extremely low Blue Line numbers,

Saint Paul representatives and several other members of the ACHU coalition testified on our grave concerns about the Area 4CDE halibut fishery numbers. This testimony laid the groundwork for the later efforts.

At the December meeting every year, the Council sets the allowable harvest levels of pollock, cod, flatfish and other species in both the BS and the Gulf of Alaska for the coming year. They also vote on the PSC limits for halibut, which are set in regulation for the BS. The PSC limits have been static for 20 years while the halibut resource has experienced increases and decreases. In other words, the halibut PSC limits are not based on the abundance levels of the halibut resource, as are the allowable catches for all the directed groundfish species and incidental species (bycatch). Accordingly, testimony on this agenda item in the AP focused on the serious problem with the Area 4CDE directed halibut numbers for 2015, caused by excessive halibut bycatch in the groundfish fisheries. The Saint Paul team wrote a motion to petition NMFS to reduce the BS halibut PSC limits for all sectors by Emergency Action. Jeff Kauffman made the motion at the Advisory Panel (AP) that passed by 11 to 9! The AP motion and the public testimony came over to the Council during the agenda item on harvest specifications. This testimony from directed halibut users was once again very effective. Council member Duncan Fields made a brilliant motion for emergency action, providing six pages of justification that successfully built the record for this action. He asked that the halibut bycatch caps be reduced by 33%, which was estimated to be enough to allow the IPHC to provide for a 2015 directed halibut fishery of around 800,000 pounds in 4CDE. The assumption he made was that, with the action from the Council, the IPHC would possibly make up the rest of the shortfall, perhaps even to the 2014 fishery level. Acting ADF&G Commissioner Sam Cotten showed support for the action from the beginning, as did Simon Kinneen from Nome, and Dave Long. We had five solid votes, and needed six. There were only ten Council members at the table, as Alaska Council member Ed Dersham was out with health issues. Unfortunately the vote failed, with

the three Seattle members, the Oregon member and the NMFS member voting against the motion.

After the vote, Commissioner Cotten told halibut constituents that the Governor was very concerned about the situation in the BS, and was planning to write a letter to the Secretary of Commerce asking for the Emergency Action to reduce bycatch by 33%. The letter was sent to the Secretary immediately following the meeting, signed by all six Alaska members of the Council, including Dersham. Unfortunately the Secretary declined to take emergency action. Efforts continued in 2015 to decrease halibut bycatch, culminating in Council final action in June 2015 for only a 21% reduction in BSAI halibut PSC limits (bycatch caps).

The halibut fishery is the main source of income for our local vessel owners and our crews, and a major contributor to Saint Paul's economy. We will be continuing our efforts to further reduce halibut bycatch and support the upcoming analysis of an abundance-based halibut bycatch management plan. The goal of this bycatch management plan will be to provide for an equitable amount of halibut to be allocated fairly to each user group, including the directed halibut users in Area 4CDE.

On behalf of the CBSFA board of directors and staff, I want to thank all the individuals and organizations that helped CBSFA in our efforts to save our directed halibut fishery and protect the halibut resource. I wish you all the best and good luck to all the local fishermen.

Sincerely,



Phillip Lestenkof



## Central Bering Sea Fishermen's Association Board of Directors

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Term expires 2017

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# CBSFA Board and Staff



## CBSFA Board of Directors



**Myron Melovidov**  
Chairman  
*Term expires 2016*



**Phillip Lestenkof**  
President  
*Term expires 2017*



**Jeffery P. Kauffman**  
Vice President  
*Term expires 2015*



**Rena J. Kudrin**  
Secretary/  
Treasurer  
*Term expires 2017*



**Roman Fratis, Sr.**  
Director  
*Term expires 2015*



**John R. Merculief, Jr.**  
Director  
*Term expires 2016*



**Amos Philemonoff, Sr.**  
Director  
*Term expires 2015*



**Michael Baldwin**  
Director  
*Term expires 2017*



**Jason Bourdukofsky, Sr.**  
Director  
*Term expires 2016*

## SPFC Employees



**Jeffery P. Kauffman**  
Chief Executive  
Officer  
*Employee since 2007*



**Jennifer L. Hausmann**  
Administrative Assistant/  
Accountant  
*Employee since 2010*

## CBSFA Employees



**Phillip Lestenkof**  
President  
*President since 1999*



**Jonathan Thorpe**  
Chief Investment &  
Strategy Officer  
*Employee since 2003*



**Rena J. Kudrin**  
Office Manager  
*Employee since 1998*



**Ray Melovidov**  
Special Projects  
Manager  
*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**  
Chief Financial  
Officer  
*Employee since 2011*



**Shiona Melovidov**  
Administrative  
Manager  
*Employee since 2012*



**Audrey Ryan**  
Director of Sales  
*Employee since 2013*



**Dianne Woodruff**  
Senior Accountant  
*Employee since 2014*



# St. Paul Fishing Company, LLC

St. Paul Fishing Company (SPFC) is a 100% wholly-owned subsidiary of CBSFA and was established in 2004. SPFC's purpose is to manage fishing assets belonging to CBSFA including vessels, gear, equipment, limited license permits (LLP), and certain crab, pollock, cod and sablefish allocations. A five-member board of directors manages SPFC: one from the processing sector, one from the harvesting sector and three non-specific seats appointed by the CBSFA board of directors. The idea behind the board is to retain industry members who are experts in key aspects of the fishing industry to help ensure diversified asset growth and financial success in all of SPFC's business dealings. The current board of directors are: Rick Mezich, partner in two vessels and manager of four; Tom Enlow, President of Unisea Seafoods (Unisea is a partner in four vessels); Jan Jacobs, Director of Government Affairs for American Seafoods; Board Chairman Myron Melovidov, CBSFA member and director; and Jonathan Thorpe, CBSFA employee in charge of processing, sales and marketing. The SPFC board hired CBSFA member Jeff Kauffman as its Chief Executive Officer in 2007 and accounting/office manager Jennifer Hausmann in 2010.

Although SPFC only has two employees, it has several key partners and many independent contractors who work for the benefit of company. SPFC manages the day-to-day operations of three vessels – the Saint Paul, Saint Peter and Adventure. Rick and Mary Mezich, who own vessels in partnership with CBSFA and Unisea, manage the Fierce Allegiance, Early Dawn, Starward and Starlite. Each of the vessels that CBSFA owns entirely, or in



partnership with Unisea and Mezich, have captains, engineers and crews who are independent contractors – each of whom are critical to the successful operation of CBSFA’s seven vessels and harvesting of the valuable fishery allocations.

In 2014, SPFC acquired the fishing vessel *Adventure* – a 100’ X 30’ crab vessel. The *Adventure* was part of a larger acquisition that CBSFA executed involving large amounts of crab harvesting and processing quota, which are managed by 57 Degrees North. The *Adventure* gives SPFC additional resources to effectively and economically harvest opilio, Bristol Bay Red King and Bairdi allocations for CBSFA and other Individual Fishing Quota holders. Along with the vessel, SPFC acquired an outstanding crew, a variety of fishing gear and an LLP. The first year of operations as the new owners of the vessel went well and all harvesting contracts were successfully and safely performed.

SPFC increased its ownership interest in the *Early Dawn* in 2014, as well. The partners in the *Early Dawn* are now: SPFC, 50%; Mezich, 28%; Unisea, 12%; Oakley, 7%; and Medjo, 3%. The *Early Dawn*, a crab harvesting vessel, is one of SPFC’s

most efficient and profitable vessels and harvests a good portion of CBSFA’s CDQ and IFQ crab allocations. Under the management of Rick and Mary Mezich, the *Early Dawn* has undergone several major improvements over the years and is in excellent condition.

Mark Medjo has worked on the *Early Dawn* for more than a decade as a crewman, engineer, relief skipper and ultimately the captain. Medjo, a young, talented and aggressive fisherman, brings a lot to the *Early Dawn* partnership and was invited by the owners to buy into the business. Allowing Medjo to buy into the partnership gives him pride of ownership and encourages him to continue caring for the vessel as if it were his own. In addition, ownership is added motivation for Medjo to run the vessel safely and profitably for the benefit of the partners and crew. SPFC would like to congratulate Medjo on becoming part of the *Early Dawn* partnership and looks forward to a long and rewarding relationship.

Overall, 2014 was a good year for SPFC. With board-approved budgets, fish plans and operational objectives set for each of the vessels early in the year, the managers, captains and crews went to work. At the

end of the day, it was a safe and productive year and SPFC’s share of vessel profit distributions was \$1.36 million; \$1 million of which was distributed back to CBSFA to be used for community programs, projects and job creation.

2015 is shaping up to be another busy and productive year for CBSFA’s vessels. The *Adventure*, *Saint Paul* and *Saint Peter* are all going through the shipyard to get freshened up inside and out. The *Fierce Allegiance*, *Early Dawn*, *Starward* and *Starlite* went through the shipyard in 2014. All CBSFA vessels are on a three-year shipyard rotation. CBSFA is in the fishing business for the long haul and maintains its vessels accordingly. Allocations and ex-vessel pricing of pollock, cod and crab are stable in 2015 and it should be another profitable year for each of the boats. All seven boats are in good, seaworthy condition and should serve as solid harvesting platforms for many years to come.

If you are interested in professional fishing opportunities, whether for crab, cod, halibut, pollock, salmon tendering or International Pacific Halibut Commission charter work, contact the SPFC office at 907-373-6734.



# CDQ Pacific Cod Fishery

In 2013, when it became clear that directed halibut fishery allocations were in trouble and on a steep and steady decline, CBSFA took action to help expand fishing opportunities for its small boat fleet. Having engaged the other CDQ groups, the National Marine Fisheries Service (NMFS), State of Alaska and the North Pacific Fisheries Management Council staff (NPFMC/Council), a proposal was drafted and submitted to the Council that would allow vessels up to 46 feet in length to participate in a CDQ Pacific cod fishery.

The Council adopted the following Problem Statement as a first step in taking action: *“Current regulations applicable to vessels targeting Pacific cod with hook-and-line gear are prohibitive for the CDQ village small boat fleets. Easing or revising certain regulations may make the development of a Pacific cod fishery more viable and provide additional harvest opportunities for the CDQ village small boat fleets, which may be particularly urgent in light of steep declines in halibut quotas as one measure to mitigate the resulting economic disruption.”*

There were four regulations particularly problematic and prohibitive to developing a small boat CDQ Pacific Cod fishery: 1) Limited Liability Permits (LLP) required on all vessels over 32’ in length when targeting CDQ Pacific cod; 2) Vessel Monitoring Systems (VMS) required on all vessels, regardless of size, harvesting CDQ Pacific cod with hook-and-line gear; 3) 100% observer coverage required on all hook-and-line vessels targeting CDQ Pacific cod regardless of vessel length; and 4) The Maximum Retainable Amount (MRA) of Pacific cod while targeting halibut (20% of the target weight.)

The proposal made by all six CDQ groups and action taken by the Council clearly meet the purpose of the CDQ program by 1) providing eligible western Alaska villages with the opportunity to participate and invest in fisheries in the Bering Sea and Aleutian Islands Management Area; 2) supporting economic development in western Alaska; 3) alleviating poverty and providing economic and social benefits

for residents of western Alaska; and 4) achieving sustainable and diversified local economies in western Alaska. The regulatory structure ultimately approved by the NPFMC fits the goals of the CDQ program perfectly.

Although the final motion was unanimously approved by the Council, it was the culmination of a year’s work developing regulations that would be user-friendly for small vessels in the CDQ region. In addition to creating new regulations, USCG and NMFS enforcement had to be onboard, NMFS catch accounting software needed to be revised, CDQ quota managers needed the tools to efficiently identify vessels eligible to participate (for enforcement purposes) and track harvest, Prohibitive Species Catch (PSC) rates needed to be established, and flexibility to fish Pacific cod before, during and after the CDQ halibut fishery needed to be built in. Rather than pushing for immediate action by the Council, the CDQ groups opted to be patient and help create a motion that would address the complexities of the vast western Alaska region and differences among its fleets.

With final Council action in February of 2015, it is now time to develop processing capacity, equip boats that will participate in the Pacific cod fishery with Vessel Monitoring Systems (approximately \$3000 for each vessel) and develop markets for the cod products. The implementation tasks are currently underway at NMFS and the final rule (Amendment package) is expected to be published in March of 2016 in time for the next fishing season.

Although the small boat CDQ Pacific cod fishery will never replace the economic benefit of the halibut fishery, it is a step toward diversification of St. Paul’s small boat fleet and another source of commercial opportunity for CBSFA members. The process undertaken by CBSFA and other CDQ groups was a unique opportunity to work together for the common good of western Alaska communities and to serve the purpose of the CDQ program.





CBSFA has three subsidiaries that market seafood products produced from CBSFA’s fishery resources: **170 Degrees West, LLC**, is the operating company for the CBSFA halibut cooperative; **Village Cove Seafoods, LLC**, is the operating company for CBSFA’s Pacific cod and sablefish harvest; and **57 Degrees North, LLC**, is the operating company that produces and markets CBSFA’s crab holdings.

In 2013, CBSFA changed the marketing strategy for 170 Degrees West (170DW), Village Cove Seafoods (VCS) and 57 Degrees North (57DN). This change provided a direct-to-customer approach in place of the brokerage marketing arrangements previously used by all three entities. In 2014, the entities had a full year of the new marketing program. This new program has proven to be a successful change, increasing CBSFA’s market share while growing net profitability.

The sales and marketing (S&M) team has targeted several market segments and customer segments to ensure that all of CBSFA’s species are properly represented in the market place. During the last year and a half, CBSFA has strengthened its customer base and increased its market share. Through CBSFA’s production and marketing subsidiaries of 170DW, VCS and 57DN, the organization is increasingly being recognized in the market place as providing a superior product.



## 170 Degrees West

The creation of the subsidiary 170 Degrees West (170DW) came in response to the need to provide increased support for the local halibut fishing fleet based on Saint Paul Island. While 170DW is similar in structure to CBSFA's crab company and CBSFA's cod company, its goal is to maximize the ex-vessel price that can be paid to the Saint Paul Island halibut fishermen. The company buys and markets both CDQ and IFQ halibut.

Halibut continues to be in high demand across all market segments. The customer base has accepted the higher price point, as there is an inadequate supply to meet the demand. While 2014 continued to be another difficult year for halibut catch limits (quota) in Area 4CDE, there was a small increase in the coastwide quota. However, the total coastwide halibut catch was still inadequate to satisfy the market demand.

In 2014, 170DW inventories were 80% presold before the fishing season began. In addition, 100% of the 2014 inventory had been sold prior to the start of the 2015 fishing season. The S&M team has continued to pursue long-term contacts with customers who can support harvesting and production levels, while providing the flexibility to adapt to changing quotas.

In 2014, 170DW purchased a total of 334,826 pounds of halibut, for \$1,965,429. Of that total, 252,829 pounds were CDQ and 81,997 pounds were IFQ. Production equaled 225,075 pounds. In addition, Trident and 170DW jointly produced 120,149 pounds of crab bait from the halibut carcasses, highlighting the successful reduction of outfall waste at the Trident production plant.

Halibut sales in 2014 totaled 567,166 pounds, worth \$6,534,070. The S&M team worked through all of the 2012 and 2013 inventory in cold storage, and had a small year-end inventory of 27,928 pounds, valued at \$231,822. This remaining inventory was also sold before the start of the 2015 fishing season.

The S&M team's marketing approach has identified market segments that allow for much of 170DW's sales to be in value-added products. While 170DW continued to produce and package for membership warehouse club stores in 2014, the company also brought the 170DW brand into the retail and food service market segments. 170DW anticipates diversifying the customer base even further in the future so that higher ex-vessel prices can be paid. Looking forward, 170DW has sales commitments for all of the 2015 production.

# Village Cove Seafoods

Village Cove Seafoods (VCS) is similar in structure to CBSFA's crab and halibut companies, and was formed in February 2011 with the intent of maximizing the value of CBSFA's Pacific cod and sablefish CDQ allocations.

In 2014, the S&M team continued to emphasize our CDQ story and CDQ successes in the marketing campaign, differentiating the brand so that it will be recognized as one of the leading brands in the market. VCS customers have been able to gain consumer support and acceptance by using our CDQ story as a marketing tool to reach out in their communities.

VCS also targeted new customer segments, introducing a new value-added item to the product list – an MSC certified deep-skinned fillet. The S&M team is focused on growing this value-added aspect of the business.

In 2014, the total purchase from the F/V Saint Peter was 1,932,639 pounds for \$567,303. Total purchase from the F/V Saint Paul was 2,784,406 pounds for \$815,366.

From the total of 4,681,045 pounds of raw product, the finished product was 1,037,871 pounds. Sales in 2014 totaled 905,111 pounds for revenue of \$2,669,745.

The S&M team had commitments for all of the remaining 2014 inventories before the start of the 2015 fishing season. Pacific cod sizes and grades trended a little smaller in 2015 than they were in 2014. This resulted in an increased supply of smaller cod portions versus the traditionally larger sizes. This imbalance put pricing pressure on the smaller sizes, while allowing VCS to increase margins on larger sizes. Overall, VCS has been able to increase profitability through offering value-added products and focusing on increasing the margins on the more desirable portion sizes.



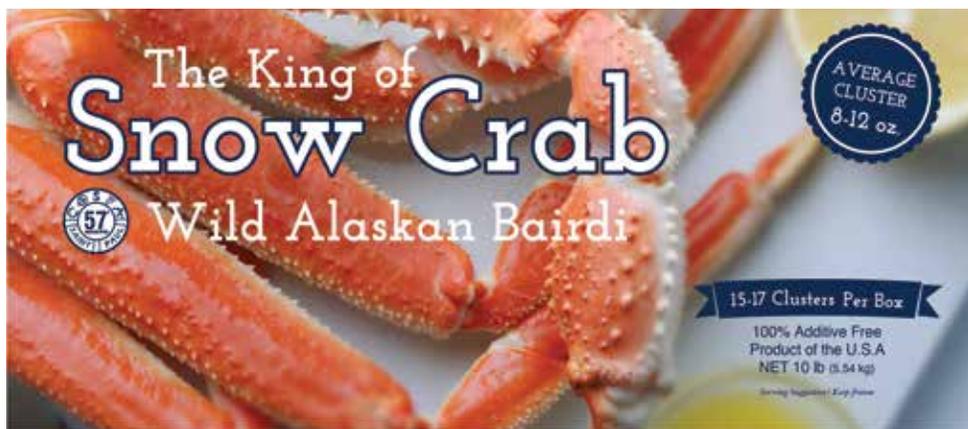
# 57 Degrees North

In 2014, 57 Degrees North (57DN) continued their Opilio crab production and marketing partnership with Trident Seafoods. This program has proven to be very beneficial to both organizations. In 2014 and early 2015, 57DN made a major step forward in supporting production in the Trident Saint Paul facility, through the acquisition of a very large block of North Region crab processing quota from Icicle Seafoods. CBSFA also acquired harvesting quota in the transaction.

CBSFA and the community now own a major portion of every aspect of the Bering Sea crab fisheries. While fisheries investments are never guaranteed, CBSFA anticipates that these crab investments will deliver benefits to the community well into the future.

2014 was an exciting year, as the S&M team continued sales growth with the acquisition of the new harvesting and processing quota. The new quota has allowed 57DN to continue to expand its brand with the goal of being recognized as the industry leader. Consistent with the approach in other production and marketing operations, the S&M team has focused heavily on offering value-added products and bringing new items into the market.

Also, in 2014 new doors opened for 57DN due to the increased Total Allowable Catch (TAC) for Bairdi crab. The Bairdi TAC was 3.1 million pounds in 2013, but was increased to 15.1 million pounds in 2014.





# 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 Co-op has paid out \$31.6 million to the local fishermen in the form of ex-vessel prices.

CBSFA operates the Co-op in conjunction with the local fishermen, Saint Boats LLC (*F/V Saint Paul* and *F/V Saint Peter*), and Trident Seafoods. CBSFA purchases the halibut from the local fleet, partners with Trident Seafoods to process the fish, and uses in-house staff 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 Co-op'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 Co-op 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. With the recent cuts in quota, the Saint Boats were not needed to harvest CDQ halibut in 2014 and were not leased any.

For 2014, local landings totaled 334,826 pounds, including 81,997 pounds of locally held IFQ. The base price was set at \$5.55 and a retroactive price adjustment was paid out following the close of the season and the final 2014 ex-vessel price was \$5.87. In total, \$1.97 million was paid to the local fishermen. This amount is lower than some

recent years, due to recent cuts in catch limits, but is very close to 2013 because of the higher ex-vessel price.

The Area 4C catch limit for 2014 decreased by 30.5% from 2013. In 2013, 365,075 pounds of CDQ were available and for 2014, CBSFA's CDQ halibut allocation was 253,555 pounds. Locally held IFQ's were reduced as well. As a result of the reduction in available quota, the local fleet landed 111,544 pounds less in total than in 2013 (110,010 less pounds of CDQ and 1,534 less pounds of IFQ).

The 2015 fishing season began on June 29th with a posted ex-vessel price of \$5.75 / lb. CBSFA's CDQ allocation is 253,555 pounds, the same as the 2014 allocation. The 2015 base price is very close to the final price paid out in 2014, so total income for the local fleet should be about the same as last year. A retroactive price adjustment may be paid out pending the status of the halibut market.

Since 2011, Area 4C catch limits have been reduced by 65% and have been significant for the local fleet. The cuts are largely attributed to the results of the International Pacific Halibut Commission (IPHC) stock assessment and the impact of halibut bycatch mortality on both the stock and IPHC catch limit accounting. Past IPHC stock assessments have shown a continued decline in the available exploitable biomass of halibut in the BSAI and projections of incoming recruits look to be uncertain. On a positive note, the 2014 stock assessment did show improvement in the exploitable biomass both coastwide and in Area 4CDE. Unfortunately, an increase in halibut bycatch mortality in Area 4CDE resulted in an initial IPHC Blue Line recommendation of 0.52 million pounds for Area 4CDE for 2015. CBSFA's CDQ allocation could have been just 102,600 pounds.

The local halibut fishery is a significant part of our community's economy. CBSFA and other Saint Paul entities have been continuously addressing the halibut concerns and are heavily involved in the IPHC and North Pacific Fishery Management (NPFMC) processes. We

plan on maintaining our efforts on further reductions in halibut bycatch and will be actively involved in developments to equitably allocate the halibut resource. While there is still uncertainty and a lot of work to be done, we hope that these developments help halibut stocks remain healthy and viable for the future.





# Community Outreach



## Elders Residential Assistance Program

In 2014 CBSFA provided annual payments of \$4,000 (per household) to energy suppliers or housing entities on behalf of community elders age 55 and over. The annual payment was increased from \$3,500 to \$4,000 in 2014 to help alleviate the increasing cost of living in rural Alaska.

## Elders and Community Subsistence Donations

Our residents continue to be affected by the rising cost of living in many ways. Subsistence resources continue to be increasingly important to offset these rising costs. CBSFA created the Elder Subsistence Halibut and Crab Donation Program that disburse CBSFA's halibut portions and crab to community elders twice a year. Seafood products are also donated to various community events.

## Volunteer Tax Program

An annual contribution is made to the Alaska Business Development Center to provide on island tax preparation assistance for community members.

<b>Community Outreach</b>	<b>2014</b>	<b>As of 8.1.2015</b>
Elders Residential Assistance Program	\$304,150	\$294,700
Elders/Community Subsistence Donations	\$44,010	\$20,828
Volunteer Tax Program	\$6,850	\$0
Recreation Center	\$11,539	\$5,669
Community Events and Programs	\$10,075	\$20,956
Travel Assistance	\$9,617	\$35,144
March Madness Sponsorship	\$7,500	\$7,500
NBC Camp	\$2,200	\$0
Bereavement	\$32,831	\$28,644
Wellness	\$12,122	\$11,599
Youth Employment	\$30,000	\$30,000
Tribal Government of St. Paul Programs:		
Tribal Court	\$33,000	\$47,146
Job Training Center	\$0	\$64,949
SCUBA Training and Gear	\$12,500	\$0
Unangam Tunuu Revitalization	\$30,000	\$96,009
Community Dock Support	\$250,000	\$250,000
EMS ATV	\$0	\$5,500
Volunteer Recognition:		
Emergency Medical Service	\$20,000	\$0
Church Donations	\$35,000	\$35,000
Ataqan Akun Executive Planning Committee	\$20,000	\$0
AMSEA Training	\$13,012	\$0
<b>TOTAL</b>	<b>\$884,406</b>	<b>\$953,644</b>

## Community Events and Programs

Funds and purchases are contributed to events such as 4th of July and Labor Day celebrations, and also utility costs for the recreational center.

## Bereavement

CBSFA provides contributions to funeral arrangements for families of CBSFA members.

## Wellness

Payments are made to substance abuse treatment programs for CBSFA members.

## Youth Employment

CBSFA helps create job opportunities, not only within the organization, but also through support of other entities within the community. In 2010, CBSFA began its support with a \$20,000 contribution to the Tanadgusix Corporation's Summer Youth Hire Program – a program that provides youth with opportunities and job-skill development. They also engage in our traditional and cultural ways through participating in the community subsistence fur seal harvests, learning the proper techniques involved with the collection of the subsistence product. Since 2010, CBSFA has increased its funding support, making it possible for the employment of nine young adults between the ages of fourteen to eighteen during summer months.

## Church Donation

Our contribution helps the Sts. Peter and Paul Russian Orthodox Church with various costs.

## Tribal Government of St. Paul Island

*Tribal Court:* Monetary contribution supports administration costs necessary for the continuance of tribal court functions.

*Job Training Center:* In 2014, CBSFA contributed funding to provide necessary job equipment to reinforce job preparation, enhance workforce development, and introduce and support online learning through the University of Alaska Fairbanks. In partnership with the St. Paul School and additional funding from CBSFA the Tribe will open another center that will be located at the school in 2015. This Career Resource Center will offer help from staff during and after regular business hours to help residents create customized career plans to become professionals or enter new fields of work.

*Basic Hunter Education:* Funding was provided in 2013 to purchase a Mossberg IHEA 5-Fun Training Set with travel case and Walker's Sport Pack – Ear muffs and shooting glasses. The class will provide training in firearms safety and wildlife conservation as well as respect for our natural resources, landowners, and other hunters. A certified instructor will conduct the training class.

*SCUBA Training and Gear:* Provides funding for dive instructor training that will allow the certified instructor the ability to teach and award dive certifications to residents. Necessary cold water SCUBA gear, underwater monitoring equipment and other gear will be purchased and used for training, marine fisheries research, and other on-island needs. SCUBA classes are tentatively scheduled for Spring 2016.



*Unangam Tunuu Utilization 2015 Summer Intensive Academy:* Contribution allows the youth to further build on their 2014 Unangam Tunuu Speaking, Listening, Teaching project. The Academy is a collaborative effort including local youth and elders, a regional Unangam Tunuu Revitalization Team, and 'Where Are Your Keys?' (WAYK) educators. The Academy's main objectives for 2015 are to immerse participants in speaking, listening to, and teaching Unangam Tunuu, and develop curriculum to speak, listen to, and teach Unangam Tunuu.



*Lumax:* Quick Response Vessel: Contributions help with the annual insurance and routine maintenance cost.

*Public Tribal Dock:* To further develop and upgrade the Saint Paul Harbor, CBSFA contributed a \$500,000 match to a Denali Commission grant for a 60-foot dock. The dock will provide economic opportunities for the Bering Sea fishing fleet, our community, and Western Alaska.

*EMS MedStat Ambulance:* This off-road ambulance provides our Emergency Medical Service team the capability to respond to emergencies that may occur on the beaches or rough terrain. Our contribution covers the matching grant cost.



## **AMSEA**

The Alaska Marine Safety Education Association (AMSEA) sanctioned Marine Safety Drill Conductor course was completed by 43 fishermen and other community residents. Some were taking this life saving training for the first time and many were refreshing their survival skills. This course was taught four different days and covered many topics, including Shipboard fire fighting, May Days, Immersion Suits, Signals and conducting “Man Overboard Drills”.

This year CBSFA also offered four separate First Aid and CPR courses. A total of 38 local fishermen and women completed this training, which covered topics such as rescue breathing AEDs, CPR, patient assessment, bleeding control and shock management.

The AMSEA Drill Conductor & First Aid/CPR classes were Coast Guard accepted courses meeting the training requirements of the Commercial Fishing Vessel Safety Act passed into law in 1988. This training, along with the required safety/survival equipment for commercial fishing vessels has dramatically decreased the number of commercial fishing related deaths and injuries.

The training was taught by Dillingham based EMT-III Ron Bowers and was attended by many enthusiastic members of the local fleet. The water drills held in the boat harbor and the signal flare drills seemed to be the most popular part of the day’s training.

## **AAEPC**

In 2014 the Central Bering Sea Fishermen’s Association started working on a collaborative vision for our community with other leaders of entities on St. Paul Island. The entities created a planning committee called the Ataqan Akun Executive Planning Committee (AAEPC). “Ataqan akun” is a common expression of the concept for the community that “We are One,” in seeking a unified vision for the future development of St. Paul. The AAEPC was formed to help develop and implement the Saint Paul Island 2025 Community Vision, a strategic and economic plan for the benefit of our community.

The AAEPC’s objective is to work with the community to analyze past successes and current strengths and weaknesses to help develop the vision, based on residents’ and other stakeholder’ input. Information Insights, Inc. (III) was selected as a facilitator to assist with the vision plan. Two members of III traveled to St. Paul in June 2014 and hosted community dialogues and meetings with residents to discuss various topics – Infrastructure, Housing and Real Estate, Municipal Services, Education, Youth, Elders, Health and Wellness, Business and Economic Development, Subsistence, Culture, and Environment. The goal of these meetings was to capture what our residents would like to see in our community’s future. CBSFA donated six AC Store gift cards, each worth of \$100, to give away as door prizes after each community dialogue.

AAEPC has hired two surveyors that will distribute and gather community surveys and III will compile and present the survey responses and other input during an on-island community meeting. Individuals who complete the survey are given a \$15 AC Store gift card and they are eligible to win one of two iPad mini tablets that CBSFA donated.

The final product will capture our shared values and provide a foundation upon which the community and stakeholder organizations can focus and align their efforts. It will also include priority goal areas and recommendations of strategic direction to make the Saint Paul Island 2025 Community Vision a reality.

# Education

## Montessori Preschool

CBSFA began its support for the Montessori 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. This preschool curriculum and structure provides an advantage to kids as they enter kindergarten by developing social, reading, and communication skills.



Education	2014	As of 8.1.2015
Montessori Preschool	\$104,740	\$112,000
St. Paul School Fire Alarm System	\$0	\$154,000
Scholarships	\$87,925	\$45,000
Training Grants	\$0	\$6,693
Bering Sea Pribilof Islands Science Ed. Program:		
Bering Sea Days	\$20,000	\$6,500
ECO Bering Sea ~ Pribilof Islands Summer Camp	\$20,000	\$12,911
ANSEP	\$50,000	\$0
Extracurricular:		
5th Grade, Basketball, etc.	\$7,500	\$15,000
Headstart Graduation	\$750	\$500
Graduation Gifts	\$654	\$1,500
<b>TOTAL</b>	<b>\$291,569</b>	<b>\$354,104</b>



## Pribilof School District Fire Alarm System

CBSFA's contribution provides the St. Paul School with a new fire alarm system. The Firelite System includes a voice evacuation system and the funding also for fire alarm system design, tech support, programming, certification of the system and the necessary paperwork for the Fire Marshal's Office.

## Scholarships and Training Grants

Since 1993, CBSFA has been providing scholarship and training grants for post secondary education and vocational training to qualified individuals. Over the years, 43 individuals who were awarded financial aid have successfully received a certification and/or earned one or multiple degrees. The purpose of these programs is to be able to train and educate our people and to provide incentives for them to return to our community to build their careers.



## Ecosystem Conservation Office Bering Sea Pribilof Islands Science Education Program

A program designed to educate our youth about the marine and terrestrial ecosystems of St. Paul Island and the Bering Sea. Youth gain a broader understanding of western and traditional ways of scientific discovery and knowledge building, as well as the history and culture of St. Paul. The BSPISE program includes ECO Summer Camp in July and Bering Sea Days in October annually.

### *Bering Sea Days:*

This program promotes science education for St. Paul's students and includes special instructors that deliver week long science education in the following fields: marine biology and ecology, oceanography, archaeology, GIS mapping and satellite tagging, wildlife and fisheries management, botany, and historical ecology.

### *ECO Bering Sea ~ Pribilof Islands Summer Camp:*

Contributions to this event assist with costs associated with a five-day camp on St. Paul Island that includes youth ages 8 to 18. Students are involved in a variety of hands-on classroom and outdoor activities focused on one to two central themes, which are chosen by the special invited instructor each year. The involvement of a special instructor provides variety to our program each year.



## Alaska Native Science and 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.

### Extracurricular

Funding allows for high school basketball team travel, local Round Robin Tournament, and annual 5th grade trip.

## Success Stories

The following individuals received funding from CBSFA and have received a certification and/or earned one or multiple degrees.

Cindy Baldwin-Kitka  
Michael Baldwin  
Michael Bourdukofsky  
Tara Bourdukofsky  
Gregory Fratis, Jr.  
Johnny B. Fratis  
Algie J. Frisby  
Anna Frisby  
Platonida Kashatok  
Jeffery P. Kauffman  
Jason Kozloff  
Nicolai Kozloff Jr.  
Patrick Kozloff Jr.  
Anthony Kushin  
Juan Leon Guerrero, Jr.

Tina Leon Guerrero  
Jonas Lestenkof, Jr.  
Cheryl Lestenkof  
Pamela Lestenkof  
Anna M. Melovidov  
Beverly A. Melovidov  
Joseph D. Melovidov  
Myron A. Melovidov, Jr.  
Raymond Melovidov  
Shiona S. Melovidov  
Patricia Merculief-Booth  
Christopher Merculief  
Patience P. Merculief  
Leatha Merculieff

Marissa Merculieff  
Edward Paulus  
Gary Paulus  
Patricia Paulus  
Eric Philemonoff  
Lynelle Philemonoff  
Perfenia P. Pletnikoff  
Jessica Rukovishnikoff  
Andrew J. Stepetin  
Carl Stepetin Sr.  
Viola Stepetin  
Krystal E. Strong  
Marie K. Swetzo  
Aubrey Wegeleben



# Central Bering Sea Fishermen's Association & Subsidiaries

Consolidated Statements of Financial Position | December 31, 2014 and 2013

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Current assets:		
Cash and cash equivalents	\$ 14,676,125	14,913,435
Investments (notes 3 and 4)	325,429	2,941,571
Accounts receivable, net	9,157,611	2,007,047
Inventory	13,516,544	13,385,293
Prepaid expenses	797,699	598,655
Total current assets	<u>38,473,408</u>	<u>33,846,001</u>
Investments (notes 3 and 4)	4,579,245	1,914,429
Prepaid expenses and other (note 5)	763,363	450,197
Loans receivable, net (note 6)	416,261	449,427
Investment in unconsolidated affiliates (note 7)	8,034,822	5,425,048
Property and equipment, net (note 8)	14,579,002	14,056,110
Fishing rights	73,745,694	42,352,527
Total assets	<u>\$ 140,591,795</u>	<u>98,493,739</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,874,559	4,103,197
Notes Payable	9,925,000	—
Due to related party	51,901	—
Current portion of long-term debt (note 9)	2,264,201	2,723,176
Advances on lines of credit (note 9)	8,950,000	2,050,000
Total current liabilities	<u>27,065,661</u>	<u>8,876,373</u>
Long-term debt, less current portion (note 9)	31,960,956	16,279,375
Interest rate swaps (notes 4 and 9)	495,695	539,803
Total liabilities	<u>59,522,312</u>	<u>25,695,551</u>
Net assets:		
Unrestricted net assets:		
CBSFA:		
Undesignated	72,291,188	66,773,734
Designated for small boat harbor	109,736	109,714
Designated for vessel repair center	4,469,509	1,804,715
Total net assets attributable to CBSFA	<u>76,870,433</u>	<u>68,688,163</u>
Noncontrolling interest in Star Partners, LLC	4,199,050	4,110,025
Total unrestricted net assets	<u>81,069,483</u>	<u>72,798,188</u>
Commitments and contingencies (notes 7, 9, and 11)		
Total liabilities and net assets	<u>\$ 140,591,795</u>	<u>98,493,739</u>

See accompanying notes to consolidated financial statements.

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Changes in unrestricted net assets:		
Revenue and gains:		
Revenue from fishing operations (note 12)	\$ 47,898,742	\$ 37,944,977
Program revenue (note 12)	8,788,558	8,082,044
Investment and other income	844,674	920,499
Equity in income of unconsolidated affiliates (note 7)	1,041,903	555,501
Total revenue and gains	<u>58,573,877</u>	<u>47,503,021</u>
Expenses and other:		
Program:		
Fishing operations	41,429,660	33,466,060
Education and outreach	998,120	1,008,611
Community infrastructure projects	250,000	----
Vehicle and equipment operations	684,538	689,999
Small boat harbor operations	286,116	276,225
EFH advocacy and research	138,677	327,690
Investment fund policies and procedures	56,134	53,221
Vessel launch and retrieval	22,869	28,095
Total program	<u>43,866,114</u>	<u>35,849,901</u>
Supporting services – general and administrative, including interest expense of \$929,198 and \$848,046 for 2014 and 2013, respectively	6,230,586	5,726,351
Total expenses	<u>50,096,700</u>	<u>41,576,252</u>
Change in the fair value of interest rate swap (note 9)	(44,108)	(363,890)
Total expenses and other	<u>50,052,592</u>	<u>41,212,362</u>
Change in unrestricted net assets	<u>\$ 8,521,285</u>	<u>\$ 6,290,659</u>

See accompanying notes to consolidated financial statements.  
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, 2014 and 2013

		<b>CBSFA</b>	<b>Noncontrolling interest</b>	<b>Total</b>
Net assets, January 1, 2013	\$	62,734,774	3,722,755	66,507,529
Change in unrestricted net assets		5,953,398	337,270	6,290,659
Net assets, December 31, 2013		68,688,163	4,110,025	72,798,188
Change in unrestricted net assets		8,182,267	339,025	8,521,292
Distributions			(250,000)	(250,000)
Net assets, December 31, 2014	\$	76,870,430	4,199,050	81,069,480

See accompanying notes to consolidated financial statements.  
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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 8,521,285	6,290,659
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,459,676	1,230,651
Undistributed earnings of unconsolidated affiliates		-45,501
Realized and unrealized gains on investment securities	8,442	-336,876
Provision for loan losses		94,228
Change in fair value of interest rate swap	-44,108	-363,890
Impairment of inventory		417,430
Change in operating assets and liabilities that provided (used) cash:		
Accounts receivable	-7,150,564	-155,590
Prepaid expenses	-159,971	-275,479
Inventory	-131,256	-2,930,959
Due to related party		-3,556
Accounts payable and accrued expenses	1,823,263	678,851
Settlement of interest rate swap payable		0
Net cash provided by operating activities	<u>4,326,767</u>	<u>4,599,968</u>
Cash flows from investing activities:		
Purchase of property and equipment	-2,334,797	-1,334,131
Acquisition of fishing rights	-31,393,167	
Investment in unconsolidated subsidiary	-2,609,774	
Issuance of loans receivable	-41,697	-90,277
Principal payments received on loans receivable	74,863	134,312
Purchase of investments	-1,821,237	-1,032,701
Sale of investments	1,764,111	1,005,867
Net cash used in investing activities	<u>-36,361,698</u>	<u>-1,316,930</u>
Cash flows from financing activities:		
Distributions to noncontrolling interest	-250,000	0
Proceeds from issuance of notes receivable	9,925,000	
Proceeds from advances on line of credit	8,350,000	2,975,000
Payments on advances on line of credit	-1,450,000	-2,450,000
Proceeds from issuance of long-term debt	26,149,756	0
Principal payments on long-term debt	-10,927,135	-2,613,408
Net cash used in financing activities	<u>31,797,621</u>	<u>-2,088,408</u>
Net increase in cash and cash equivalents	-237,310	1,194,630
Cash and cash equivalents at beginning of year	<u>14,913,435</u>	<u>13,718,805</u>
Cash and cash equivalents at end of year	<u>\$ 14,676,125</u>	<u>14,913,435</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 929,198	847,076
Supplemental schedule of noncash investing and financing activities:		
Equipment obtained through installment purchase payable		0
Purchases of property and equipment through accounts payable	1,080,002	366,408

See accompanying notes to consolidated financial statements.  
Information in this annual report is compiled from audited financial statements.

# Central Bering Sea Fishermen's Association & Subsidiaries

Consolidating General and Administrative Expenses | January 1, 2014 - December 31, 2014

	CBSFA	CBSFC	CBSFA Seafoods	57 Degrees North	170 Degrees West	Village Cove Seafoods	SPFC	Elimi- nations	Consoli- dated Total
General and administrative expenses:									
Board expenses:									
Travel and per diem	15,683	-	-	-	-	-	27,466	-	43,149
Directors fees	54,750	4,050	-	-	-	-	7,325	-	66,125
Board training	97,557	-	-	-	-	-	-	-	97,557
Other	17,441	-	-	-	-	-	-	-	17,441
Total board expenses	<u>185,431</u>	<u>4,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,791</u>	<u>-</u>	<u>224,272</u>
Staff:									
Payroll and taxes	1,168,804	14,740	-	-	-	-	211,404	-	1,394,948
Benefits - incl. medical, dental, vision	389,887	-	-	-	-	-	73,136	-	463,023
Benefits - retirement	105,004	-	-	-	-	-	19,576	-	124,580
Total staff	<u>1,663,695</u>	<u>14,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,116</u>	<u>-</u>	<u>1,982,551</u>
Travel and per diem:									
Staff	117,310	-	-	-	-	-	47,830	-	165,140
Total travel and per diem	<u>117,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,830</u>	<u>-</u>	<u>165,140</u>
Other:									
Accounting fees	-	-	-	-	-	-	53,377	-	53,377
Advertising	7,806	-	-	-	-	-	-	-	7,806
Administrative fees	-	-	-	1,000	1,000	1,000	-	-	-
Amortization	-	-	-	13,592	1,094	1,094	-	(3,000)	22,991
Audit expense	86,350	-	-	-	-	-	7,211	-	89,150
Automobile	-	-	-	-	-	-	2,800	-	-
Bad debt	-	-	-	-	7,759	-	-	-	7,759
Bank fees	-	-	853	2,240	-	854	8,947	-	12,876
Boat yard rent	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	4,000	-	4,000
Copying and printing	3,374	-	-	-	-	-	18	-	3,392
Depreciation	29,061	2,250	-	-	76,107	-	1,062,690	-	1,170,108
Dues, subscriptions and memberships	10,046	-	2,485	13,268	941	587	23,342	-	50,669
Fuel	-	-	-	-	-	-	-	-	-
Harvest tracking	5,148	-	-	-	-	-	-	-	5,148
Insurance	105,478	97	-	83,155	14,957	19,003	405,281	-	627,971
Interest	386	-	-	646,575	11,611	36,225	234,401	-	929,198
Legal fees	28,149	150	150	115,017	150	150	40,210	-	183,976
Licenses and fees	1,016	387	100	225	25	125	3,458	-	5,336
Marketing Costs	335	-	10,477	5,300	23,399	3,722	-	-	45,203
Meals and entertainment	16,465	-	-	-	-	-	1,215	-	17,680
Medical	-	-	-	-	-	-	29,310	-	29,310
Miscellaneous	9,351	-	-	174	1	-	3,853	-	13,379
Moorage and storage	-	-	-	-	-	-	-	-	-
Office supplies	17,418	-	159	-	124	-	4,973	-	22,674
Outside labor	-	-	-	-	-	-	-	-	-
Postage and freight	33,992	-	-	454	102	102	2,052	-	36,702
Professional fees	4,457	-	-	2,697	-	-	125,000	-	132,154
Rent and storage	25,955	-	-	-	-	-	7,848	-	33,803
Repairs and maintenance	8,569	-	-	-	17	-	183,424	-	192,010
Small office equipment	3,377	-	-	-	-	-	-	-	3,377
State oversight fee	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Taxes	464	-	-	-	-	-	-	-	464
Telephone and internet fees	58,367	-	-	-	-	-	72,277	-	130,644
Tools	-	-	-	-	-	-	-	-	-
Training	1,699	-	-	-	-	-	-	-	1,699
Utilities	21,425	-	-	-	-	-	-	-	21,425
Vessel Towing Fund	-	-	-	-	-	-	-	-	-
WACDA membership fee	4,333	-	-	-	-	-	-	-	4,333
Total other	<u>483,021</u>	<u>2,884</u>	<u>14,176</u>	<u>883,697</u>	<u>139,287</u>	<u>62,862</u>	<u>2,275,687</u>	<u>(3,000)</u>	<u>3,858,614</u>
Total general & administrative expenses	<u>2,449,457</u>	<u>21,674</u>	<u>14,176</u>	<u>883,697</u>	<u>139,287</u>	<u>62,862</u>	<u>2,662,424</u>	<u>(3,000)</u>	<u>6,230,577</u>

# 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.”

CBSFA remains in compliance with Section 305(i)(1)(F)(II) of the Magnuson-Stevens Act and as the CDQ group for the village of St. Paul, hereby submits the following disclosures for calendar year 2014.

## Directors

CBSFA directors receive \$275 for each board meeting of less than two hours duration, \$425 for meetings of two to eight hours, and \$700 for meetings of more than eight hours. In 2014, CBSFA paid directors \$54,750.00 and \$12,033.50 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 range from three years to seven years with interest at 2 percent annually. 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 2014, three loans totaling \$5,644.32 were made to related parties.

## 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, LLP, for either 2014 or 2013. KPMG performed tax preparation and lobbying services, the fees for which represent 23.7% of 2014 and 33.5% of 2013.

## Committees

CBSFA maintains a compensation committee. In 2014, its membership was made up of directors Amos Philemonoff, Sr., Jason Bourdukosky, Sr., and Roman Fratis, Sr. The committee’s function is to review employee evaluations and to make determinations regarding employee compensation. The committee did not meet in 2014.

## Professional Fees

Legal	\$181,247
Consulting	\$131,148
Accounting	\$38,507
Lobbying	\$3,625
Auditing	\$103,150
Tax Prep	\$35,025

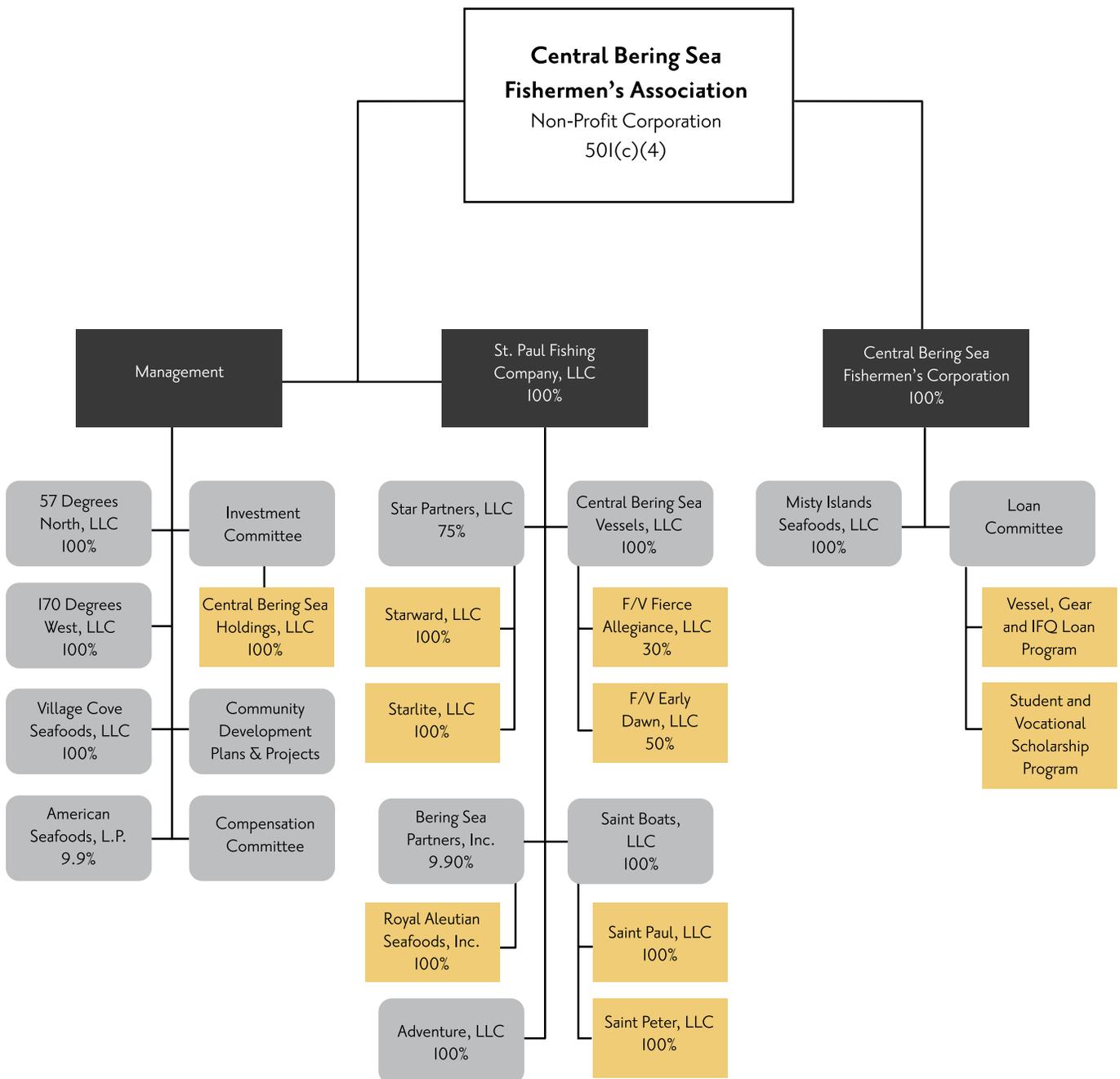
## Employee Compensation

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

Employee	Position	Company	Salary	Bonus	Total
Jonathan Thorpe	Chief Investment & Strategy Officer	CBSFA	\$219,469	\$1,194	\$220,663
Phillip Lestenkof	President	CBSFA	\$177,780	\$1,115	\$178,895
William J. Dixon	Chief Financial Officer	CBSFA	\$128,609	\$1,282	\$129,891
Jeffery Kauffman	Chief Executive Officer	SPFC	\$126,951	\$1,219	\$128,170
Audrey Ryan	Sales Director	CBSFA	\$126,110	\$1,069	\$127,176



# Organizational Chart









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