



Decennial Review ♦ 2006 - 2010

Aleutian Pribilof Island
Community Development Association

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Section 1: Introduction

This report provides an account of APICDA's activities on behalf of its representative communities in the Community Development Quota Program (CDQ) for the years 2006 through 2010. Further, the report sets out base line data for comparison in the 2022 and later decennial reviews. In addition, where applicable, the report includes performance comparisons for the data sets of 2006-2010 and since inception of the program.

The statutory decennial review criteria for the six CDQ groups are:

- Changes in population, poverty level, and economic development in the entity's member villages;
- The overall financial performance of the entity, including fishery and non-fishery investments by the entity;
- Employment, scholarship, and training supported by the entity; and
- Achieving the goals of the entity's CDP.

The WACDA (Western Alaska Community Development Association) Decennial Review Committee defined the decennial review criteria for all six CDQ groups with the intention of identifying areas that represent the effectiveness of the CDQ program within the communities and addressing the particular needs of each group's member communities as follows:

Demographic data, including changes in population, poverty levels, and economic development in the communities, provide an important tool for analyzing the effect of the CDQ program on APICDA's participating communities. The overall financial performance criterion reflects the effectiveness of APICDA's business decisions. Employment and education information records the entity's effectiveness in providing meaningful employment opportunities in the communities and in meeting community members' educational and training needs, and boosting the number of productive workers in the communities. CDQ harvest data establishes the extent to which APICDA operated in compliance with its Community Development Plan (CDP).

Section 1.1 APICDA – Organization

APICDA is a 501 (c) (3) non-profit organization incorporated in the State of Alaska. APICDA meets all eligibility criteria to participate in the CDQ program, as set out in 16 U.S.C. 1855(i)(1)(E).

APICDA owns one umbrella for-profit subsidiary, APICDA Joint Ventures, Inc. (AJV), which in turn has invested in several subsidiary companies.

APICDA's seven member Board of Directors consists of a representative of each community's fishermen's association (Akutan, Atka, False Pass, Nelson Lagoon, Nikolski, and St. George) and a board member who brings expertise in the seafood industry. In addition, there are two non-voting members of the APICDA board – a representative of the Unalaska Native Fishermen's Association and a member who bring expertise in the banking industry.

APICDA's expenses generally fall into four categories: administrative (board of directors and other administrative costs); non-profit grant activities (scholarships, vocational education activities, substance

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abuse programs, school grants, etc.); infrastructure development (docks, etc.); and contributions to capital (for equity investments). Capital contributions are normally made to APICDA Joint Ventures, Inc., and are used to acquire profit making assets or support existing business activities.

Section 1.2 APICDA – Vision Statement

The Aleutian Pribilof Island Community Development Association will develop commercial and sport fishing industry related opportunities to enhance the long-term social and economic viability of the coastal communities and their residents in the Bering Sea and Aleutian Islands.

APICDA will optimize benefits to its member communities and their residents through the development of infrastructure and fishery support services in the communities, the acquisition of seafood related businesses, including fishing vessels and/or processing facilities and support service industries at economically beneficial prices, and the acquisition of harvest and processing rights. By enabling the communities to participate in the Bering Sea and Aleutian Island fisheries, APICDA will:

- Promote and participate in business opportunities with capital investment funds;*
- Relieve chronic social problems through the creation of jobs, and encourage individual growth through educational and vocational opportunities;*
- Promote community control over their individual economic and social destinies; and,*
- Continue to assist each community as they make the transition from reliance upon a CDQ allocation to economic and social self-sufficiency.*

Section 1.3 APICDA – Purpose

APICDA's purpose is to develop a stable, local, fisheries-based economy in each of its communities. Stable economies provide employment opportunities for local residents, tax revenue for local governments, economic growth in the community and region, a higher standard of living, and a reduction in social problems.

CDQ allocations provide two potential opportunities to assist in developing stable local economies. The first is to generate revenue through royalties which can be used to fund education, training and employment programs, and to invest in local infrastructure and businesses. The second opportunity is to provide raw material to support business ventures at the local level.

To the extent practical, APICDA is committed to harvesting and processing its CDQ allocations through vessels and processing facilities of which it owns all or part, and to process CDQ allocations at APICDA-owned facilities in one or more of its communities.

Section 1.4 Comments on Data

As will become obvious when reviewing the statistics associated with the criteria that address Section 2.1.1 ("changes in population, poverty level, and economic development in the entity's member villages"), Section 2.1.2 ("community jobs"), and Section 2.1.3 ("economic development") the data is often conflicting and on occasion makes no sense at all.

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As examples: Akutan's population in 2010 is shown to be 1,027 residents, with total wages of \$3.47 million (an average of \$3,379 per individual), yet the per capita income is shown as \$22,099; the poverty rate in False Pass is shown as six with a margin error of plus or minus 109 individuals, yet the population is shown as 35; Nikolski has a population identified as 18, a poverty rate of zero (with a plus or minus of 109 individuals), and a per capita income of \$13,410. As a result, the data has no real credibility and APICDA will assign a weighting value of zero percent to this particular criteria.

The data sources identified are used pursuant to the Panel Rule adopted by WACDA in order to ensure all six groups are using the same data bases.

Attached as Appendix 1 is a disclaimer developed by the WACDA Decennial Review Committee with regard to the data used in this section.

Section 2: Criterion

The following sections address the criterion identified above and required pursuant to statute.

Section 2.1 Changes in population, poverty level, and economic development in the entity's member villages

Section 2.1.1 Population

The 2000 and 2010 U.S. Census Bureau population estimates were used to compile and compare the population portion of this review. The 2000 vice 2010 comparison identified a net increase in population in the APICDA region by 152 people, or an increase of 13%. This increase, however, occurred in Akutan and is likely a reflection of increased residency by seafood processing workers associated with the Trident Seafoods plant as opposed to local village residents; nonetheless, they are residents of the community and, hence, APICDA residents. All other APICDA communities show a decline in population (see Table 1).

As is well documented, there is an outmigration in western Alaska. There are many reasons for this, mostly economic, and often tied to high energy costs. Reversing this trend will require years of effort and investment, both in renewable energy projects and business development.

As part of our program to address this problem, APICDA did spur the formation of the "A Team" in 2010. The A Team is composed of Aleutian and Pribilof Island entities (including The Aleut Corporation, the Aleutian Pribilof Islands Association, the Aleutian Housing Authority, the Aleut Foundation, and the Aleutians East Borough). One of the first efforts undertaken by the A Team was to convene an Aleutian Pribilof Islands Region Energy Summit. The purpose of the summit was to develop a coordinated, region-wide program to reduce the region's reliance on fossil fuels by 85% in the next ten years. Since that time, we – with the assistance of the A Team – have initiated renewable energy projects and energy conservation programs in each of our communities.

With regard to economic development, that will be address in a subsequent section of the review.

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The following is a brief overview of each community and why the population may have declined:

Atka: The cost of living, poor access to the community (Peninsula Airway had a dismal record of providing air service to Atka), lack of housing, and high energy costs contributed to the population decline in Atka. Although APICDA operates the Atka Pride Seafoods plant the facility has only been open during the summer months (that will change in 2014 when the new plant expansion is completed and the facility moves to year-round production). In addition, the younger generation has different expectations of how they want to live, making it difficult for them to return to their community.

Akutan: No population decline.

False Pass: Depressed salmon prices and high energy costs, coupled with limited economic opportunity, likely caused the population reduction. The Bering Pacific Seafoods plant was closed in 2006 due to significant losses. Construction of a shoreside plant commenced shortly thereafter, and the plant was reopened in 2008. Additional expansion of the plant continued to occur in the ensuing years through 2010. The plant only operated during the summer salmon season. The plant is currently undergoing a substantial expansion and will be operating year-round commencing the spring of 2013. One of the purposes of the plant expansion is to provide year-round employment opportunities, thus encouraging the repopulation of the community during the next few years.

Nelson Lagoon: The commercial salmon fishery in the area immediately surrounding Nelson Lagoon has been dismal for many years. Commercial salmon harvesting has been the only economic opportunity for the community (until the recent development of sport fishing and hunting by APICDA's Aleutian Adventures). The low prices and low harvests in the latter part of the last decade, coupled with high energy costs, likely caused many residents to move away.

Nikolski: There is no commercial fishing out of Nikolski. The village has been declining for many years. The only economic opportunity results from sport fishing and hunting through the APICDA/Chaluka Corporation Ugludax Lodge, and minimal job opportunities through the local IRA and the Aleutian Pribilof Islands Association.

St. George: St. George has a host of problems which primarily stem from the lack of a functioning harbor (and the attendant loss of economic opportunity) and high energy prices. The city serves as the major employer, but lacks sufficient tax revenue to pay its bills and can hardly afford to pay its employees. There is a small CDQ halibut fishery in which local residents participate. APICDA did construct a "fish handling" facility in 2010 at a total cost of \$4 million. This facility will remain more or less dormant until the harbor is reconstructed. We believe harbor construction will commence in 2015. We have expended considerable energy over the past decade attempting to secure federal and state authorizations and funding for the harbor.

Table 1
Community Population

	2000 ¹	2010 ²	2010 vs. 2010	
			Change	% Change
Akutan	713	1,027	314	44%
Atka	92	61	-31	-34%
False Pass	64	35	-29	-45%
Nelson Lagoon	83	52	-31	-37%
Nikolski	39	18	-21	-54%
St. George	152	102	-50	-33%
APICDA Total	1,143	1,295	152	13%
¹ Source: 2000 U.S. Census Bureau				
² Source: 2010 U.S. Census Bureau				

Section 2.1.2 Poverty

The sources of the data below are the 2000 U.S. Census and the American Community Survey 2006-2010 5 year average. The APICDA communities realized an aggregate total decrease in poverty – 133 fewer residents below the poverty line - since the 1999 U.S. Census. Nelson Lagoon is the sole community that experienced an increase in residents below the poverty line. St. George held steady since 1999 with no change to the estimated eleven residents below the poverty line (see Table 2).

Section 2.1.3 Economic Development

There are two data sets to address this section: median household income and per capita income. As noted above, the data available for this Section 2.1 is obviously poor. This sub-section probably illustrates this problem with the greatest clarity.

Table 2
Community Poverty Rate Table

	1999 ¹		2006-2010 5 Year Data ²				1999 vs. 2006-2010	
	Estimate	Percent	Estimate	Margin of Error +/-	Percent	Margin of Error +/-	Change	Percent Change
Akutan	297	45.5%	182	486	11.4%	3.8	-115	-74.9%
Atka	7	7.5%	1	3	4.2%	13.7	-6	-44.4%
False Pass	6	8.0%	0	109	0.0%	70.4	-6	-100.0%
Nelson Lagoon	5	6.4%	11	18	44.0%	43.2	6	587.5%
Nikolski	12	20.7%	0	109	0.0%	61	-12	-100.0%
St. George	11	7.9%	11	n/a	17.2%	18.9	0	117.7%
APICDA Total	338	29.6%	205	725	11.8%	n/a	-133	-60.3%
Footnotes:								
¹ Source: U.S. Census Bureau -2000 US Census reports 1999 data								
² Source: U.S. Census Bureau, American Community Survey 5 year average population estimates and characteristics								
³ % Change =(2006-2010% -1999%) /1999%								
⁴ APICDA Total Percent = APICDA Total 2006-2010 5 Year Data Estimate/ACS 2006-2010 Poverty Population								

Section 2.1.3.1 Median Household Income

The sources used for the data to determine the comparison of per capita income were the 2000 U.S. Census and the American Community Survey 2006-2010, 5 year average. In comparison to the 2000 data, all but two of the APICDA communities decreased in median household income; in some instances significantly. In addition to the estimated dollar values, margin of error data was added to the table, to adjust for erratic value swings (see Table 3).

APICDA communities collectively decreased in average median household income by 2% from 1999 to 2010. Significantly, communities with processing facilities on average did very well – note Atka’s increased median household income significantly. Additional factors to consider in the case of Atka include numerous state and federal projects conducted in the community between 2006 and 2010. At times, Atka Pride Seafoods employed 100 percent local residents at decent wages. APICDA is confident, as it continues the expansion of processing facilities that income will grow in the communities.

Section 2.1.3.2 Per Capita Income

The sources of the data reflecting per capita income were the 2000 U.S. Census and the American Community Survey 2006-2010, five year average. Residents of the APICDA communities had an aggregated 41% increase in per capita income since the 2000 Census. The data indicate that Akutan, Atka, and False Pass had increased per capita growth, while in Nelson Lagoon, Nikolski, and St. George per capita income declined (see Table 4).

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Table 3
Median Household Income

	1999 ¹	2006-2010 5 Year Data ²		1999 vs. 2006-2010		1999 vs.2006-2010 (MOE)	
	Estimate	Estimate	Margin of Error	Change		Change	
	(Dollars)	(Dollars)	+/- (Dollars)	(Dollars)	% Chg.	(Dollars)	MOE % Chg.
Akutan	\$33,750	\$34,375	\$5,029	\$625	2%	-\$28,721	-85%
Atka	\$30,938	\$90,000	\$137,248	\$59,062	191%	\$106,310	344%
False Pass	\$49,375	\$19,688	\$108,697	-\$29,687	-60%	\$59,322	120%
Nelson Lagoon	\$43,750	\$32,560	\$14,129	-\$11,190	-26%	-\$29,621	-68%
Nikolski	\$43,750	\$16,500	\$8,253	-\$27,250	-62%	-\$35,497	-81%
St. George	\$38,750	\$46,875	\$35,661	\$8,125	21%	-\$3,089	-8%
APICDA Total ^{4,5}	\$36,131	\$35,242	na	-\$889	-2%	na	na
Footnotes:							
¹ Source: U.S. Census Bureau -2000 US Census reports 1999 data							
² Source: American Community Survey 5- year average population estimates and characteristics							
³ % Change = (2006-2010 Estimate-1999 Estimate)/1999 Estimate							
⁴ APICDA Total =Sum of 2000 estimated populaton per community x 2000 estimated Median HH Income per community/2000 estimated population							
⁵ APICDA Total =Sum of ACS 2006-2010 estimated populaton per community x ACS 2006-2010 estimated Median HH Income per community/ACS 2006-2010 estimated population							

Table 4
Per Capita Income

	1999 ¹	2006-2010 5 Year Data ²		1999 vs. 2006-2010	
	Estimate	Estimate	Margin of Error	Change	
	(Dollars)	(Dollars)	+/- (Dollars)	(Dollars)	% Change ³
Akutan	\$12,258	\$22,099	\$1,062	\$9,841	80%
Atka	\$17,080	\$27,542	\$19,653	\$10,462	61%
False Pass	\$21,465	\$25,147	\$28,706	\$3,682	17%
Nelson Lagoon	\$27,596	\$15,608	\$9,675	-\$11,988	-43%
Nikolski	\$14,083	\$13,410	\$5,831	-\$673	-5%
St. George	\$21,131	\$19,242	\$13,383	-\$1,889	-9%
APICDA Total^{4,5}	\$15,518	\$21,903	\$13,052	\$6,385	41%
Footnotes:					
¹ Source: U.S. Census Bureau -2000 US Census reports 1999 data					
² Source: American Community Survey 5- year average population estimates and characteristics					
³ % Change = (2006-2010 Estimate -1999 Estimate)/1999 Estimate					
⁴ APICDA Total =Sum of 2000 estimated populaton per community x 2000 estimated					
Median HH Income per community/2000 estimateded population					
⁵ APICDA Total = Sum of ACS 2006-2010 estimated populaton per community x ACS 2006-2010 estimated					
Median HH Income per community/ACS 2006-2010 estimateded population					

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Section 2.1.3.3 Community Jobs

The data shown in Table 5 below is from the Alaska Department of Labor and Workforce Development, Research & Analysis Section (ADLWD). The first year for which data by community is available is 2007.

According to this data, APICDA communities realized an increase in annual total wages of over \$1.7 million from 2007 to 2010, reflecting a 32% increase. The number of residents employed also increased by a collective 33 jobs from 2007 to 2010. Akutan and St. George realized gains in the number of residents employed while Atka, False Pass, Nelson Lagoon, and Nikolski all lost positions in their respective communities. Similar numbers and results are represented in the income per community table (see Table 6).

Section 2.2 Financial Performance

The following section reviews APICDA's financial performance.

Section 2.2.1 APICDA's Structure

As noted previously, APICDA is a 501 (c) 3 non-profit corporation. APICDA owns 100% of APICDA Joint Ventures, Inc., our wholly owned for-profit corporation. APICDA formed AJV in 1994 in recognition of the fact that APICDA was going to generate unrelated business income that would, or could, be subject to federal and state corporate income tax. AJV is invested in a variety of businesses, but in-community and out-of-community. These will be reviewed below.

APICDA has also established a Longterm Reserve Account, or LRA. APICDA contributed to the LRA over several years until the account held \$10 million. The purpose of the LRA is to serve as a rainy day account for APICDA in the event of economic hard times. APICDA has never accessed those funds. The LRA currently has about \$13 million.

Section 2.2.1.2 Overview of APICDA Investments

Atka Pride Seafoods: Atka Pride Seafoods is a processing plant located in Atka. The company is a joint venture between AJV and the Atka Fishermen's Association, with each owning 50%. The company initially only processed halibut CDQ, but has since expanded to process halibut and sablefish CDQ and IFQ. The plant was substantially remodeled in the past decade, and is scheduled for a substantial expansion in 2013 and 2014. At that time, the plant will move from seasonal to year-round production and process a wide variety of seafood, including Pacific cod and crab.

Nazan Bay Inn: The Nazan Bay Inn is located in Atka and is owned 100% by AJV. The inn serves as a bunkhouse for transient employees and as living quarters for clients of Aleutian Adventures.

Table 5
Community Jobs: Number of Residents Employed

	2007 ^{1,2}	2010 ¹	2007 vs. 2010	
			Change	% Change ³
Akutan	83	129	46	55.4%
Atka	51	49	-2	-3.9%
False Pass	21	17	-4	-19.0%
Nelson Lagoon	35	28	-7	-20.0%
Nikolski	17	14	-3	-17.6%
St. George	59	62	3	5.1%
APICDA Total	266	299	33	12.4%
¹ Source: Alaska Department of Labor and Workforce Development, Research & Analysis Section (ADLWD)				
² Source: ADLWD data by community is not available prior to 2007				
³ % Change = (2010 Employment -2007 Employment)/2007 Employment				

Table 6
Community Total Wages

	2007 ^{1,2}	2010 ¹	2007 vs. 2010	
			Change	% Chg.
Akutan	\$1,888,033	\$3,470,076	\$1,582,043	84%
Atka	\$795,156	\$1,026,863	\$231,707	29%
False Pass	\$527,043	\$301,674	-\$225,369	-43%
Nelson Lagoon	\$609,518	\$702,550	\$93,032	15%
Nikolski	\$329,581	\$254,655	-\$74,926	-23%
St. George	\$1,310,116	\$1,450,823	\$140,707	11%
APICDA Total	\$5,459,447	\$7,206,641	\$1,747,194	32%
¹ Source: Alaska Department of Labor and Workforce Development, Research & Analysis Section (ADLWD)				
² Source: ADLWD data by community is not available prior to 2007				

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Bering Pacific Seafoods: Bering Pacific Seafoods is a seafood processing plant located in False Pass. The plant is owned 100% by AJV. The plant was initially a small floating processing barge moored to the city dock. The company was experiencing severe losses in the early 2000s which led to its closure. A small shoreside processing facility was constructed and the plant reopened in 2008. Since then the plant has been expanded, and a substantial expansion is ongoing. The plant has operated seasonally in the past, but will move into year-round production in the spring of 2013.

Nelson Lagoon Storage Company: Nelson Lagoon Storage company is located in Nelson Lagoon. The company is a 50%/50% joint venture between the Nelson Lagoon Corporation and AJV. The company provides gear and vessel storage for local and non-local fishermen.

Ugludax Lodge: The Ugludax Lodge is a 50%/50% joint venture between the Chaluka Corporation (the village Native corporation for Nikolski) and AJV. The lodge serves sport fishing and hunting clients.

Aleutian Adventures: Aleutian Adventures is an outgrowth of the Ugludax Lodge. It provides sport fishing and hunting operations in Atka, False Pass, and Nelson Lagoon. We expect to expand to Akutan soon.

Kayux Development: Kayux is a 50%/50% joint venture between the St. George Tanaq Corporation (the village Native corporation for St. George) and AJV. Kayux owns land and docks in the Zapadni Bay Harbor. In 2010 construction of the St. George fish handling facility was completed on land owned by Kayux.

Halibut Quota Shares: AJV owns approximately 60,000 pounds of Class A halibut IFQ (in 2012 pounds). Class A shares can be leased to other entities. These shares are normally harvested by vessels belonging to AJV.

Sablefish Quota Shares: AJV owns just shy of the maximum amount of sablefish IFQ that can be legally owned. The IFQ RANGES FROM West Yakutat, through the Gulf of Alaska, and into the Bering Sea and Aleutian Islands. Most of the Aleutian Islands IFQ is processed at Atka Pride Seafoods.

Crab Processor Quota Shares: AJV has made considerable investments in crab processor quota shares between 2008 and 2010. We currently own about five percent of the Bering Sea opilio processor quota shares, and lesser amounts of Bristol Bay red king crab, Bering Sea bairdi crab, and St. Matthew's blue king crab. With the exception of the Bristol Bay red king crab (which is currently processed in Akutan and will remain there), our plan is to process the remainder of our crab in St. George when the new harbor is complete.

APICDA Vessels, Inc.: APICDA Vessels, Inc., is 100% owned by AJV. AVI owns a number of small (less than 60 foot) vessels that are often skippered and crewed by APICDA residents. These vessels normally function in support of our Atka and False Pass processing plants. Two of the vessels are used in our sport fishing and hunting tourism programs.

Starbound: The Starbound is a large Bering Sea pollock catch-processor. AJV owns 20% of the vessel.

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Alaska Longline Company: AJV owns 25% of Alaska Longline Company. The remaining 75% is equally distributed between Bart Eaton, Jerry Kennedy and the estate of John Winther. The company was formed in 2010 when CVRF was bought out of the existing Prowler companies and the remaining owners purchased two additional vessels and their catch history. There are four vessels currently in the fleet and a fifth vessel is being constructed at the Ketchikan dry dock and ship yard. All five vessels are longline catcher processors.

Other Bering Sea Partner Vessels: AJV owns varying amounts of other Bering Sea catcher vessels, including 50% of the Barbara J (a crab and cod pot vessel), 50% of the Farwest Leader (a crab and pot vessel), and 25% of the Golden Dawn (a pollock vessel).

The following is a list of community infrastructure and economic development accomplishments made by APICDA during 2006-10. Additional detail is provided in Table 7 below.

Infrastructure Investments

- Contributed to construction of a new hydroelectric facility in Atka;
- Construction of a fish handling facility in St. George; and
- Major rebuild/expansion of Atka Pride Seafoods.

Business Development and Investments

- Formation of shoreside processing facility Bering Pacific Seafoods, L.L.C. in False Pass; and
- Formation of Aleutian Adventures, tourism division of AJV; and
- Formation of Alaska Longline Company (Formally Prowler and Ocean Prowler LLC)

Vessel Acquisitions

- Purchase of two medium size vessels (including LLP licenses and catch histories); and
- Purchase of one commercial charter sport vessel (M/V Pogo)

IFQs and Harvest Right Acquisitions

- Purchased over 90 million units of various crab species IFQ and IPQ's
- Loaned or guaranteed loans to local residents for the purchase of halibut and sablefish IFQs.

During the five year time period 2006 through 2010, APICDA invested \$17.9 million in its local businesses in our communities.

Table 8 shows the same information as above except it captures the years 1993 through 2005.

Table 7
Direct Community Expenditures in Business Ventures 2006-2010
(not including operating expenses)

Company	Item	Location	Value
APICDA	Fish Handling Facility	St. George	\$ 3,349,000
		Total	\$ 3,349,000
AJV	Vehicles/ATVs	Nelson Lagoon	\$ 36,000
	Boats	Nelson Lagoon	\$ 38,000
		Total	\$ 4,000
Atka Pride Inc.	Plant Expansion	Atka	\$ 4,108,000
	Equipment	Atka	\$ 1,432,000
		Total	\$ 5,540,000
Bering Pacific Seafoods, LLC	Plant	False Pass	\$ 5,233,000
	House	False Pass	\$ 81,000
	Multi-Purpose Building	False Pass	\$ 549,000
	Equipment and Vehicles	False Pass	\$ 1,789,000
	Storage Yard Improvements	False Pass	\$ 75,000
		Total	\$ 7,727,000
Nelson Lagoon Storage Co LLC	Land Improvements	Nelson Lagoon	\$ 1,096,000
	Fencing	Nelson Lagoon	\$ 32,000
		Total	\$ 1,128,000
Ugludax Lodge	Equipment and Vehicles/ATVs	Nikolski	\$ 107,000
		Total	\$ 107,000
		Grand Total	\$ 17,925,000

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Table 8
Direct Community Infrastructure Expenditures in Business Ventures 1993-2005
This table provides same information as previous table but for years 1993 - 2005

Company	Item	Location	Value
AJV	Land and land Improvements	Nelson Lagoon	\$ 492,00
	Nazan Bay Inn	Atka	\$ 183,00
	Total		\$ 675,00
APICDA Vessels Inc	Shop	Atka	\$ 44,00
	Total		\$ 44,00
Atka Pride Inc	Shop	Atka	\$ 44,00
	Plant	Atka	\$ 804,00
	Equipment	Atka	\$ 628,00
	Vehicles	Atka	\$ 60,00
	Outfall Line	Atka	\$ 159,00
	Barges	Atka	\$ 80,00
	Dock	Atka	\$ 134,00
	Total		\$ 1,909,00
Bering Pacific Seafoods, LLC	Equipment	False Pass	\$ 496,00
	Sewer	False Pass	\$ 321,00
	Storage Yard	False Pass	\$ 75,00
	Mooring Dolphin	False Pass	\$ 338,00
	Buidings	False Pass	\$ 1,458,00
	Total		\$ 2,688,00
Kayux Development LLC	Land Improvements	St. George	\$ 1,004,00
	Harbor Support Facilities	St. George	\$ 824,00
	Total		\$ 1,828,00
Nelson Lagoon Storage Co LLC	Buildings	Nelson Lagoon	\$ 154,00
	Fencing	Nelson Lagoon	\$ 32,00
	Equipment	Nelson Lagoon	\$ 170,00
	Total		\$ 356,00
Ugludax	Buildings& Furnishings	Nikolski	\$ 1,475,00
	Equipment	Nikolski	\$ 15,00
	Vehicles/ATVs	Nikolski	\$ 18,00
	Total		\$ 1,508,00
Grand Total			\$ 9,008,00

APICDA Decennial Review

Section 2.2.1 APICDA's Financial Performance

It is well established that it is difficult to make a profit in business ventures in rural Alaska. APICDA recognizes that and, while there are limitations on the extent to which we will accept losses, we are willing to accept reasonable losses provided the revenue generated through jobs and taxes within and to the community, along with other intangible but very real benefits, is meaningful. To accept those losses, however, requires that we also be invested in other companies that are operated as true cost centers and generate profits.

The formula we use follows: royalty income **plus** distributions from investments **must equal or exceed** administration and operating expenses **plus** non-profit expenses, **plus** funds to continue investing in businesses our communities, **plus** funds to continue to invest in non-community investments (that generate a distribution). We have done that very well.

As shown in Table 9 below, APICDA's net assets in 2006 were \$41 million. By the end of 2010 they had increased to \$58 million, nearly 40%. That is an increase of eight percent per year, which is particularly impressive given the economic downturn commencing in 2008.

The level of debt did increase in 2008 period due to crab processor share acquisitions, but it was rapidly declining in 2009 and 2010 and remains low overall.

It should be noted that it is difficult to accurately compare one CDQ group's net assets against another. Assets must be written down if their value declines. All of APICDA's assets that needed to be written down have been. Assets must also be depreciated over time. In addition, the book value of many of our assets does not remotely reflect the true market value of the asset itself. For example, APICDA carries the value of its twenty percent investment in the Starbound at \$7 million, when in fact the true value of the Starbound is about \$90 million (APICDA's twenty percent is actually worth about \$18 million). Another example is fishing and processing rights: APICDA carries the book value of those assets at \$5.8 million when the true market value is far in excess of \$30 million.

Table 10 below shows our fisheries and non-fisheries related investments during the time period 2006 through 2010. The "Total Fisheries Investment" line begins with the cumulative amount we had spent through 2006. The "Fisheries Investments by Year" line shows the amount we spent in each year. In total APICDA invested \$23.8 million in the five years.

Table 9
Net Assets

	2006	2007	2008	2009	2010
Total Net Assets	\$ 40,964,191	\$ 47,137,906	\$ 47,950,445	\$ 51,664,252	\$ 57,928,561
Change in Net Assets	\$ 5,299,040	\$ 6,173,715	\$ 812,539	\$ 3,713,807	\$ 6,264,309
% Change in Total Net Assets	12.94%	13.10%	1.69%	7.19%	10.81%
Average Total Net Assets	\$ 38,314,671	\$ 44,051,049	\$ 47,544,176	\$ 49,807,349	\$ 54,796,407
Return on Net Assets ²	13.83%	14.01%	1.71%	7.46%	11.43%
Long-Term Debt	\$ 1,259,099	\$ 795,060	\$ 4,021,710	\$ 3,931,422	\$ 3,522,665
Long -Term Debt to Net Assets ³	3.07%	1.69%	8.39%	7.61%	6.08%
¹ Net Assets + Total Assets - Total Liabilities as reported on annual audited financial statements					
² Return on Net Assets = Change in Net Assets divided by Average Total Net Assets					
³ Long-Term Debt to Net Assets = Long-Term Debt divided by Total Net Assets					

Table 10
Investments - Per Audited Financial Statements

	2006	2007	2008
Cumulative Total Fisheries Investments	\$29,143,218	\$30,402,317	\$35,813,472
Fisheries Investments by Year	\$1,259,099	\$5,411,155	\$7,132,514
Total Non-Fisheries Investments	\$0	\$0	\$0
			Average
			Annual
	2009	2010	Investments
Cumulative Total Fisheries Investments	\$42,945,986	\$47,147,473	
Fisheries Investments by Year	\$4,201,487	\$5,785,136	\$4,757,878
Total Non-Fisheries Investments	\$0	\$13,076	\$2,615
Investments include in-region, BSAI, and fisheries investments as reported on Annual Sector Reports.			
Total fisheries investments derived from APICDA/APICDA Joint Ventures balance sheets.			

APICDA Decennial Review

Section 2.3 Employment, Scholarships and Training

APICDA is dedicated to providing meaningful employment and training and education opportunities to our community residents. The following sections describe our programs and evaluate their performance.

Section 2.3.1 Employment

Our hiring priorities are as follows: APICDA CDQ residents, then Aleutian region residents, then Western Alaska residents, then Alaska residents, and then non –residents. Between the years 2006-2010, we hired 482 unique individuals with wages totaling \$25,170,598. Of that total, 170 APICDA community members, representing thirty-five percent of hires during that time period.

CDQ Community Residents In-Region	170
CDQ Community Residents Out of Region	24
Other Western Alaska Residents	51
Other Alaska Residents	197
Non-residents	50
<u>Total</u>	<u>492</u>

Table 11 below depicts the unique individuals hired by year, their gross wages, and the average wages earned per person. The number of in-region CDQ residents employed by APICDA was 60 in 2006, but steadily increased to 89 in 2010. The average annual wage for APICDA residents ranged from a low of \$14, 493 in 2006 to a high of \$21,997 in 2007, but remained in the \$18,500 to \$19,500 in the other years. Most of these in-region jobs are seasonal, hence the low average earnings. As we expand our processing operation to year-round status the income levels will increase substantially.

The information in this table does not include earnings paid to local residents employed as crew members on our or other vessels that fish for us.

Section 2.3.2 Training and Education

APICDA provides training and education funds for community residents. Since the inception of the T&E programs in 1993, APICDA has provided over \$3.1 million in direct scholarship awards, training funds, and internship opportunities. During the periods of 2006-2010, APICDA provided 413 awards at a value of slightly over \$1.24 million.

APICDA has a comprehensive higher education program. During the time period 2006 through 2010, the normal higher education scholarship was \$5,000 per student per year. There was also an incentive for students who excel beyond normal expectations. Since 2010 we have expanded the program. A copy of the Emil Berikoff Memorial Higher Education program is attached as Appendix 2.

Table 11
Individuals Employed and Wages

Unique Individuals Employed	2006			2007			2008		
	Persons	Wages	Average	Persons	Wages	Average	Persons	Wages	Average
CDQ Community Resident In-Region	60	\$869,588	\$14,493	77	\$1,693,806	\$21,997	72	\$1,380,764	\$19,177
CDQ Community Resident Out of Region	7	\$507,205	\$72,458	9	\$416,284	\$46,254	8	\$619,773	\$77,472
Other Western Alaska Resident	7	\$83,213	\$11,888	7	\$225,991	\$32,284	24	\$320,270	\$13,345
Other Alaska Resident	48	\$2,140,356	\$44,591	49	\$2,122,453	\$43,315	63	\$2,344,062	\$37,207
Nonresident	7	\$178,212	\$25,459	6	\$281,948	\$46,991	20	\$189,164	\$9,458
Total Direct Employment	129	\$3,778,574	\$29,291	148	\$4,740,482	\$32,030	187	\$4,854,033	\$25,957
Unique Individuals Employed	2009			2010			Total		
	Persons	Wages	Average	Persons	Wages	Average	Persons	Wages	Average
CDQ Community Resident In-Region	80	\$1,478,913	\$18,486	89	\$1,733,286	\$19,475	170	\$7,156,357	\$42,096
CDQ Community Resident Out of Region	16	\$699,751	\$43,734	17	\$910,264	\$53,545	24	\$3,153,277	\$131,387
Other Western Alaska Resident	20	\$234,782	\$11,739	20	\$189,934	\$9,497	51	\$1,054,190	\$20,670
Other Alaska Resident	80	\$2,974,987	\$37,187	78	\$3,054,449	\$39,160	197	\$12,636,307	\$64,144
Nonresident	14	\$240,652	\$17,189	22	\$280,491	\$12,750	50	\$1,170,467	\$23,409
Total Direct Employment	210	\$5,629,085	\$26,805	226	\$6,168,424	\$27,294	492	\$25,170,598	\$51,160
Direct Employment includes unique individuals directly employed by APICDA and/or its wholly-owned subsidiaries									

Table 12
Higher Education and Vocational Education Scholarships

	2006			2007			2008	
	Number	Amount		Number	Amount		Number	Amount
Scholarships	58	\$218,431		48	\$191,915		61	\$228,555
Supplemental Education	52	\$82,731		33	\$48,710		16	\$26,905
	2009			2010			Total	
	Number	Amount		Number	Amount		Number	Amount
Scholarships	65	\$235,338		61	\$154,594		293	\$1,028,833
Supplemental Education	14	\$48,835		5	\$8,292		120	\$215,473

Section 2.3.3 Outreach

APICDA conducts an Annual Community Conference. The purpose of the conference is to share the results of our program with our residents including the previous year's performance, performance since inception of the CDQ program, our financial status, our plans for the next and ensuing years, and to get feedback from our constituents – how are we doing, what should be changed, what do they want us to do next, what are the problems they currently face? The conference is paid for by APICDA. Attendees include representatives from each of the local tribal council, local government, local village corporation, Community Liaison Officers from each of our communities, APICDA board members and APICDA staff. We also encourage youth from our villages to attend at our expense. These conferences have been excellent.

APICDA also produces a regular newsletter and an annual report that is distributed to all residents.

As part of our training, education and employment program, APICDA retained local residents to serve as Community Liaison Officers. These individuals work with their fellow residents to assist them in finding employment, filling out scholarship applications and whatever they need with respect to participating in APICDA'S programs.

Section 2.4 Achievement of CDP Goals

APICDA's Community Development Plan (CDP) was developed in accordance with the CDQ Panel Rule Resolution 2008-03. The rule provided two CDP options. APICDA selected the Minimum CDP Standards option, which states the "CDP shall include the following information for each target CDQ fishery: 1.) the type(s) of gear that will be used for harvest, 2.) the general time period of such harvest, and 3.) its bycatch avoidance plans with respect to the harvest of its share of fishery resources."

APICDA's CDP is attached as Appendix 3.

APICDA Decennial Review

Harvest data from the periods 2006-2010 are included as Appendix 4 to provide support for APICDA harvest records as well as stewardship for the resources and environment. In addition to producing annual sound fishing plans that exceed or met the industry standards, APICDA has championed lease agreements with industry partners and other non-associated harvesters to ensure: 1.) ensure fair and equitable harvest catches and payouts to all parties involved, 2.) to protect the resources to prevent overfishing while achieving optimum yield, and 3.) to provide ample flexibility in the agreements and contracts to promote safety amongst the harvesters.

With the exception of a few species, APICDA consistently harvested 100% or nearly 100% of its CDQ allocations. The exceptions are discussed below:

Flatfish: We experienced difficulty harvesting our CDQ flatfish allocation in 2008 through 2010. This was due to the formation and implementation of the Amendment 80 cooperative in 2008. The formation of the co-op allowed the H&G trawl fleet to allocate amongst themselves their flatfish quotas. As with all rationalized fisheries, this allowed the fleet to slow down and concentrate on their own allocation. In addition, there were “use it or lose it” rules in effect that made it difficult for them to take the time to harvest CDQ allocations, particularly when their own allocation was for free and they had to pay to fish our allocation. Nonetheless, we believe we outperformed the other CDQ groups in the amount of harvest we took.

Since 2010, the world has changed. Our new contract with our CDQ flatfish partner requires them to harvest at least 80% of our yellowfin sole and rock sole allocations.

Sablefish: Bering Sea sablefish is notoriously difficult to harvest due to whales eating the fish as they are pulled up (if longlining) or, in the case of pot fishing, the CPUE is very low. Nonetheless, we have harvested 75% of our allocation overall and are confident we can increase that amount in years to come.

In all years except one – 2008 – we harvested 100% of our Aleutian Islands sablefish. The Atka plant was closed that year for renovation.

Our bycatch rates have been low as well. Due to the size of our flatfish CDQ allocation we receive the largest amount of prohibited species allocation of the groups (the flatfish fisheries is where most PSC is taken). We take the large allocation seriously and constantly monitor our partners to ensure they are fishing as clean as possible.

With the exception of 2007 when everyone had a problem with Chinook salmon bycatch in the pollock fisheries, APICDA’s Chinook salmon bycatch has been low.

With respect to our CDP, we harvested our allocations as we said we would and in a responsible manner.

Section 3 Conclusion

Section 3.1 Introduction

APICDA is committed to its communities and their residents. Table 13 is a reflection of that commitment. The table shows the amount of royalties we have invested in our community during the period 2006 and 2010. That amount is \$25.1 million. That does not include any of the expenses we have incurred relative to the operation of any of our in-community investments. Excluding those expenses, APICDA has spent 59% of its royalties in-region.

All six CDQ groups have enjoyed unprecedented stability since 2006. That naturally flows from having access to a continued and known CDQ allocation. The six CDQ groups have matured into larger and larger businesses that provide more and more opportunities and services to our respective regions and the state as a whole. Maintaining stable CDQ allocations is critical to each of the groups. Without them we cannot plan our futures and invest wisely.

APICDA is in the process of making substantial investments in our communities. These investments are necessary to increase local populations so that the schools remain open or re-open, as the case may be, and provide meaningful year round employment and a stable economic base upon which the communities may thrive. A reduction in our CDQ allocation will cause serious harm to this program and, hence, our communities.

Table 13
Amount of Royalties Spent in-Community During 2006 – 2010
(not including operating expenses)

			In-Community Infrastructure Grants	\$	340,000
			In-Community Infrastructure Business Expenditures	\$	15,555,000
			In Community Education & General Grant Expenditures	\$	4,485,000
			Total	\$	20,380,000
			Average Royalties Spent Per Year on community infrastructure	\$	4,076,000
			2006-2010 Royalty total	\$	41,112,000
			Percent of Royalties Spent In-Region Direct During 2006 - 2010		50%

Section 3.2 Our Evaluation Weighting and Score

Show below is the weighting value, self-evaluation points, and score for APICDA during the time period encompassed by the Decennial Review. We did not allocate any weighting value to the poverty/population criteria given the unreliable and poor data.

We allocated 60% of our weighting value to financial performance. We scored ourselves at 100. We believe we have established that our performance was excellent.

APICDA Decennial Review

We allocated 30% of our weighting value to training and education. We scored ourselves at 90. We believe we have done a good job in training, education and employment – particularly in training and education – but we believe we can do a better job particularly in increasing annual wages in-region.

We allocated 25% of our weighting value to compliance with our CDP. We scored ourselves at 100. Very definitely we have been in total compliance with our CDP.

Our total score is 97. We believe our allocations should remain unchanged.

	Weighting Value	Evaluation Points	Overall Score
Poverty/Population	0%	0	0
Financial Performance	60%	100	60
Training, Education & Employment	30%	90	27
Compliance with CDP	10%	100	10
Total	100%		97

Appendix 1

WACDA Decennial Review Committee Disclaimer

Since publishing Census 2000, the U.S. Census Bureau no longer releases detailed socioeconomic and demographic statistics through the decennial census, but now collects this information from the American Community Survey (ACS). The ACS collects data for geographic areas with populations of 20,000 or less on a five year average basis. The ACS produces period estimates and these estimates do not measure characteristics for the same time frame as the decennial census estimates, which are interpreted to be a snapshot of April 1 of the census year.¹ Accordingly, the ACS data includes a margin of error calculation that must be considered when making comparisons to Census 2000 data.

The 2006-2010 ACS 5 year estimates reflect data collected throughout the year on an on-going, monthly basis between January 1, 2006 and December 31, 2010.² The ACS asks for a respondent's income over the "past 12 months." For example, income data collected from the 2006-2010 ACS 5-year survey reflect incomes over 2005-2010. Census 2000, however, collected the income data for a fixed period of time -- "during 1999" (the last calendar year). Therefore, poverty and income comparisons must be made between the "snapshot" taken by the 2000 Census and the five-year (2006-2010) estimate provided by the ACS. It should also be noted that in a comparison study between Census 2000 income data and the 2000 ACS, income collected in Census 2000 was found to be about 4 percent higher than that in the 2000 ACS.³

Both the ACS and the decennial census sample data are based on information from a sample of the population. The data from the Census 2000 sample of about one-sixth of the population were collected using a "long-form" questionnaire, whose content was the model for the ACS. While some differences exist in the specific Census 2000 question wording and that of the ACS, most questions are identical or nearly identical. Important differences in the data collections methods do exist, however. Some of which include:

Residence Rules: The residence rules for a census or survey determine the sample unit's occupancy status and household membership. The Census 2000 residence rules (where people should be counted) were based on the principle of "usual residence" on April 1, 2000. The decennial census attempts to restrict and determine a principal place of residence on one specific date for everyone enumerated. The ACS residence rules are based on a "current residence" concept since data are collected continuously throughout the entire year with responses provided relative to the continuously changing survey interview dates. While many people have definite ties to a single housing unit or group quarters, some people may stay in different places for significant periods of time over the course of the year. For example, fishing industry workers move with fishing seasons and may not live in any one location for the entire year.

Sample dates: The ACS yearly samples, spread over 12 months, collect information that is anchored to the day on which the sampled unit was interviewed, whether it is the day that a mail questionnaire is completed or the day that an interview is conducted by telephone. Individual

¹<http://www.census.gov/acs/www/Downloads/handbooks/ACSRuralAreaHandbook.pdf>

² Source: http://www.census.gov/acs/www/guidance_for_data_users/guidance_main/

³ Source: http://www.census.gov/acs/www/guidance_for_data_users/comparing_2010/

questions with time references such as last week” or “the last 12 months” all begin the reference period as of this interview date. The information on types and amounts of income refers to the 12 months prior to the day the question is answered. ACS interviews are conducted just about every day of the year, and all of the estimates that the survey releases are considered to be averages for a specific time period. The 5-year estimates reflect the full 60-month period.

Most decennial census sample estimates are anchored in this same way to the date of enumeration. An important difference is that the distribution of census enumeration dates are highly clustered in March and April (when most census mail returns were received) with additional, smaller clusters seen in May and June (when non-response follow-up activities took place). This means that the data from the decennial census tend to describe the characteristics of the population and housing in the March through June time period (with an overrepresentation of March/April) while the ACS characteristics describe the characteristics nearly every day over the full calendar year.⁴

Poverty: The Census Bureau uses a set of dollar value thresholds that vary by family size and composition to determine who is in poverty. Further, poverty thresholds for people living alone or with nonrelatives (unrelated individuals) and two-person families vary by age (under 65 years or 65 years and older). If a family’s total income is less than the dollar value of the appropriate threshold, then that family and every individual in it are considered to be in poverty. Similarly, if an unrelated individual’s total income is less than the appropriate threshold, then that individual is considered to be in poverty. The poverty thresholds do not vary geographically. They are updated annually to allow for changes in the cost of living (inflation factor) using the Consumer Price Index (CPI).⁵

⁴ <http://www.census.gov/acs/www/Downloads/handbooks/ACSRuralAreaHandbook.pdf>

⁵ <http://www.bls.gov/cpi/>

Appendix 2

Overview of the Emil Berikoff Memorial Scholarship Program

Emil Beriikoff Sr. Memorial Scholarship Program

In loving memory of our board member and friend we have changed the name of our Higher Education Scholarship Program to the Emil Berikoff Sr. Memorial Scholarship Program. Emil Berikoff was the chair of the APICDA's Training and Education Committee, an outstanding role model, and dedicated so much of what did for the success of young people. We are honored to have worked with him and happy to name our successful scholarship program after him.

Scholarship Amounts

The base scholarship is \$2,500 per semester or \$5,000 per year per student.

GPA Scholarship

Students who received the Emil Berikoff Sr. Memorial Scholarship and earn a 3.5 GPA or higher for the term are eligible to receive an additional scholarship based on the following schedule:

- 3.5-3.74 GPA \$500/term up to \$1,000 per school year
- 3.75-3.99 GPA \$750/term up to \$1,500 per school year
- 4.0 GPA \$1,000/term up to \$2,000 per school year

WINS-Work Invest Now Scholarship

Students have the opportunity to work for APICDA or one of its subsidiary companies as an employee and earn additional scholarship money for school. Students are paid a regular wage for an agreed amount of time during the summer months. Once they complete employment in good standing they qualify for the WIN scholarship in addition to their Emil Berikoff Sr. Memorial Scholarship. During their employment our scholarship recipients will be introduced to APICDA and the many opportunities offered with employment and our goal for community development.

The WIN Scholarship is \$2,000 per school year.

Appendix 3
APICDA Community Development Plan

Community Development Plan
January 1, 2010

Introduction: This Community Development Plan (CDP) is developed in accordance with the CDQ Panel Rule Resolution 2008-03. The rule provides two CDP options. APICDA has selected the Minimum CDP Standards option, which states the “CDP shall include the following information for each target CDQ fishery: 1) the type(s) of gear that will be used for harvest, 2) the general time period of such harvest, and 3) its bycatch avoidance plans with respect to the harvest of its share of fishery resources.”

Section 1: Types of Gear Used

The types of gear that will be used in APICDA’s target CDQ fisheries will consist of the following:

- Pollock, Atka Mackerel, Flatfish (all species), and Pacific Ocean Perch: trawl gear.
- Pacific Cod and Halibut: longline gear.
- Sablefish: pots and/or longline gear.
- Crab: pots.

Section 2: Timing of Fishery

The timing of each target CDQ fishery may vary from one year to the next due to a variety of conditions, however they should generally occur as follows:

- Pollock: The pollock fishery will occur during the A Season and the B Season.
- Atka Mackerel and Pacific Ocean Perch: The Atka mackerel and POP fisheries will normally occur in concert, usually in the winter and fall..
- Flatfish (all species): These fisheries may occur at any time of the year.
- Pacific Cod: A relatively small portion of the cod CDQ allocation will be taken during the winter following the closure of the open access longline catcher-processor quota is closed; the remainder will be taken commencing in late summer and extending through December depending upon the pace of the fishery.
- Halibut: The halibut CDQ fishery in Area 4 B will normally commence in June of each year and may run through September depending upon the year. The Area 4C halibut

CDQ fishery will normally commence in June of each year and may run through October depending upon the year.

- Bering Sea Sablefish: The Bering Sea sablefish CDQ fishery will normally begin in the spring and may run through October depending upon the year.
- Bristol Bay Red King Crab: The Bristol Bay red king crab fishery will occur in the fall of each year.
- St. Matthew's Blue King Crab: The St. Matthew's blue king crab fishery will occur in the fall.
- Opilio Tanner Crab: The Bering Sea opilio Tanner crab fishery will occur in the winter.
- Bairdi Tanner Crab: The Bering Sea bairdi Tanner crab fishery will normally occur in the winter.
- East Aleutian Islands Golden King Crab: The East Aleutian Islands golden king crab fishery will normally occur in the fall.

Section 3: Bycatch Avoidance Plans

Bycatch occurs in two instances: as an incidental harvest of prohibited species, such as crab, halibut and salmon in the trawl, hook and line, and pot fisheries; or, as the harvest of non-target species in any particular fishery. Discards are either mandated for prohibited species, or economic in the case of non-target species. APICDA will address bycatch as follows:

- Our CDQ agreements allocate prohibited species for each of our target fisheries. The allocation is set low to encourage the vessel operator to manage their fishing operation to minimize bycatch. If a prohibited species bycatch allocation is exceeded, the contract allows APICDA to charge for additional prohibited species bycatch to further encourage clean fishing. In addition, the CDQ harvesting agreements generally require the harvesting partner to pay APICDA a royalty whether it harvests all of the target allocation or not; hence, our partners have a vested economic interest in minimizing bycatch.
- For Chinook salmon bycatch in the target pollock CDQ fishery, APICDA will join the other five CDQ groups in developing and implementing a cooperative Chinook bycatch reduction and minimization program. This program will be implemented January 1, 2011, and will work in coordination with the bycatch management and reduction program developed and implemented by the At-Sea Processors Association at the same time. In the interim, the F/T *Starbound* (of which APICDA Joint Ventures, Inc., owns twenty percent) is working diligently to develop and perfect a salmon excluder device for its trawl nets.

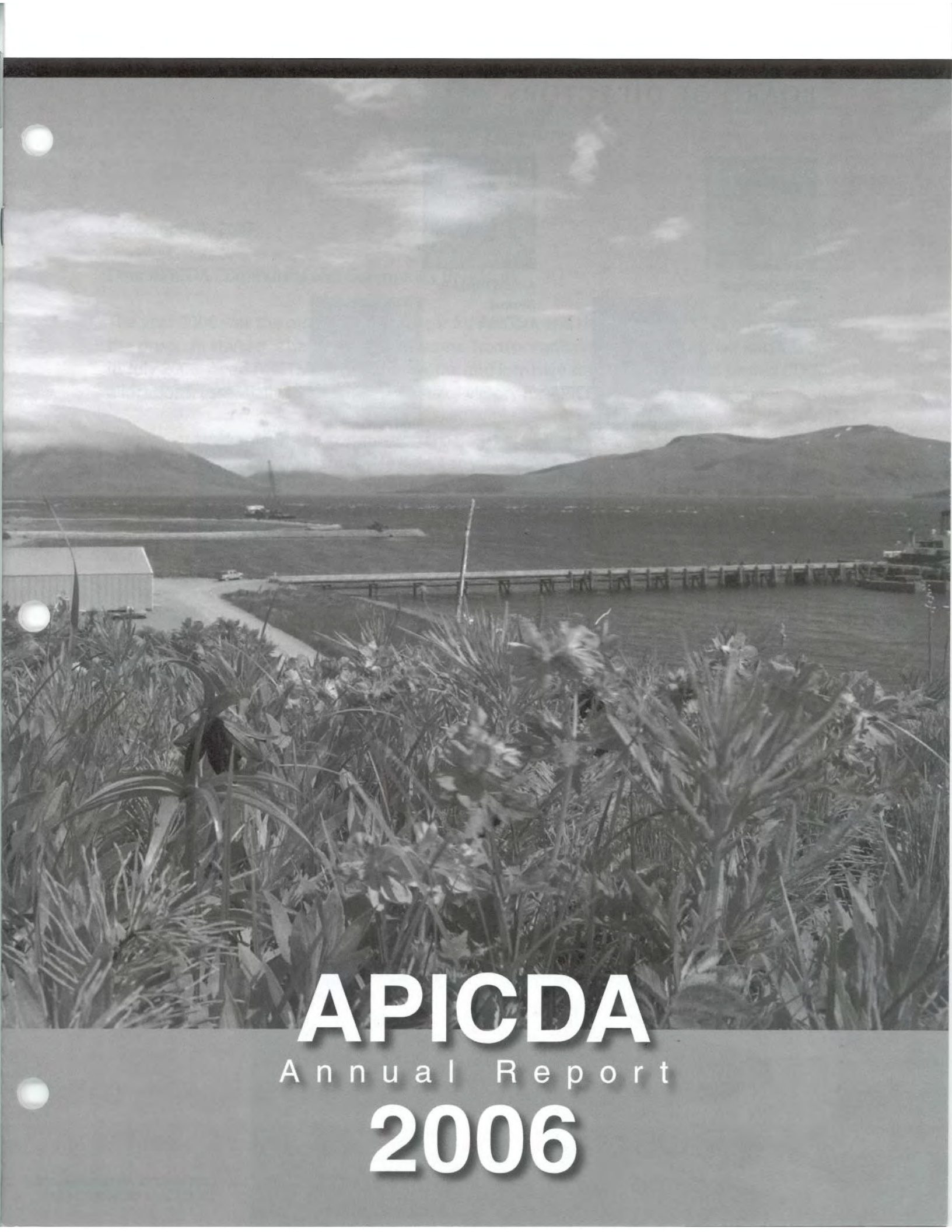
- With regard to the bycatch of non target/non-PSC species, APICDA strongly discourages the discard of edible fish by its partners.

Appendix 4
APICDA CDQ Allocation and Harvests
2006 thru 2010

<u>COMMUNITY DEVELOPMENT QUOTA</u>			2006		2007		2008	
	%	unit	<u>Allocation</u>	<u>Harvest</u>	<u>Allocation</u>	<u>Harvest</u>	<u>Allocation</u>	<u>Harvest</u>
Gadoid Target Species								
BS Pollock	14%	mt	21,056.000	21,042.004	19,516.000	19,507.756	14,000.000	13,972.759
AI Pollock	14%	mt	266.000	-	266.000	-	266.000	-
Pacific Cod	15%	mt	2,134.950	2,129.989	1,915.600	1,906.592	2,869.383	2,855.281
Aleutian Island Trawl Target Species								
WAI Atka Mackerel	30%	mt	330.900	330.594	189.000	188.330	542.411	502.557
CAI Atka Mackerel	30%	mt	985.000	984.749	619.000	618.023	779.916	770.668
EAI/BS Atka Mackerel	30%	mt	119.000	118.471	520.500	517.818	625.859	596.809
WAI Pacific Ocean Perch	30%	mt	96.300	96.150	140.700	140.502	244.268	225.362
CAI Pacific Ocean Perch	30%	mt	51.400	50.991	100.700	99.836	160.170	127.919
EAI Pacific Ocean Perch	30%	mt	59.300	59.215	88.900	87.914	157.281	130.007
Bering Sea Trawl Target Species								
Yellowfin Sole	28%	mt	1,889.840	1,801.328	2,566.000	2,553.516	6,671.669	4,655.022
Rock Sole	24%	mt	747.120	341.474	1,010.000	887.871	1,931.460	895.333
Flathead Sole	20%	mt	292.600	92.454	450.000	87.113	1,072.699	98.908
Arrowtooth Flounder	22%	mt	182.500	105.475	215.000	111.190	1,765.500	85.921
Greenland Turbot	16%	mt	22.720	0.603	12.660	3.428	29.960	1.590
BSAI Fixed Gear Target Species								
BS FG Sablefish	21%	mt	42.300	28.138	65.618	65.618	42.900	25.413
AI FG Sablefish	26%	mt	74.000	74.000	71.072	71.072	51.240	-
Directed CDQ Halibut								
Area 4B Halibut	100%	lbs	334,000	334,000	288,000	288,000	372,000	367,338
Area 4C Halibut	15%	lbs	120,750	116,072	139,988	136,000	132,675	132,411
<u>PROHIBITED SPECIES QUOTA</u>								
Zone 1 Red King Crab	24%	no.	3,546	2,146	3,546	2,538	5,059	1,665
Zone 1 Bairdi Tanner Crab	26%	no.	19,110	300	19,110	290	27,264	1,331
Zone 2 Bairdi Tanner Crab	24%	no.	53,460	2,706	53,460	6,630	76,270	4,410
Opilio Tanner Crab	25%	no.	108,032	2,108	81,563	14,488	116,363	7,354
Pacific Halibut	22%	mt	75.240	24.848	86.740	64.623	85.460	44.306
BS Chinook Salmon	14%	no.	305	177	305	805	305	114
Non-Chinook Salmon	14%	no.	441	-	441	-	629	13
<u>CDQ CRAB</u>			2006		2007		2008	
	%	unit	<u>Allocation</u>	<u>Harvest</u>	<u>Allocation</u>	<u>Harvest</u>	<u>Allocation</u>	<u>Harvest</u>
Norton Sound Red King Crab	-	-	-	-	-	-	-	-
Bristol Bay Red King Crab	17%	lbs	263,959	263,959	346,511	346,511	346,188	346,188
Bering Sea Opilio Crab	8%	lbs	292,528	292,528	504,272	504,272	468,400	468,400
Bering Sea Bairdi Crab	10%	lbs	29,690	29,690	56,210	21,354	43,000	27,630
Aleutians Islands Golden King Crab	8%	lbs	24,000	24,000	24,000	24,000	25,200	25,200
St. Matthew Blue King Crab	50%	lbs	-	-	-	-	-	-

Appendix 4 (continued)
APICDA CDQ Allocation and Harvests
2006 thru 2010

			2009		2010		Average % Harvest
			Allocation	Harvest	Allocation	Harvest	
Gadoid Target Species							
BS Pollock	14%	mt	11,395.000	11,390.659	11,382.000	11,380.027	99.9%
AI Pollock	14%	mt	266.000	-	266.000	-	0.0%
Pacific Cod	15%	mt	3,013.118	2,995.114	2,759.849	2,751.782	99.6%
Aleutian Island Trawl Target Species							
WAI Atka Mackerel	30%	mt	507.407	505.447	655.165	653.129	98.3%
CAI Atka Mackerel	30%	mt	1,018.091	1,014.989	934.265	897.929	98.9%
EAI/BS Atka Mackerel	30%	mt	835.668	832.663	753.863	751.188	98.7%
WAI Pacific Ocean Perch	30%	mt	184.292	181.543	143.063	140.426	97.7%
CAI Pacific Ocean Perch	30%	mt	111.746	109.687	151.067	120.692	91.3%
EAI Pacific Ocean Perch	30%	mt	137.820	132.843	59.255	56.592	94.7%
Bering Sea Trawl Target Species							
Yellowfin Sole	28%	mt	6,226.773	1,295.095	6,493.635	1,533.292	61.8%
Rock Sole	24%	mt	2,317.752	43.127	2,317.752	227.704	38.3%
Flathead Sole	20%	mt	1,287.234	51.497	1,287.234	192.998	15.8%
Arrowtooth Flounder	22%	mt	1,764.300	77.415	1,765.500	153.619	25.5%
Greenland Turbot	16%	mt	87.141	2.597	72.246	2.088	8.2%
BSAI Fixed Gear Target Species							
BS FG Sablefish	21%	mt	40.800	21.470	57.265	57.265	75.7%
AI FG Sablefish	26%	mt	50.152	50.152	50.621	50.621	80.0%
Directed CDQ Halibut							
Area 4B Halibut	100%	lbs	374,000	307,080	432,000	400,677	94.7%
Area 4C Halibut	15%	lbs	117,675	103,972	121,875	120,873	96.1%
PROHIBITED SPECIES QUOTA							
Zone 1 Red King Crab	24%	no.	5,059	63	5,059	147	33.8%
Zone 1 Bairdi Tanner Crab	26%	no.	27,264	720	23,091	3,069	4.8%
Zone 2 Bairdi Tanner Crab	24%	no.	76,270	-	64,714	5,343	6.3%
Opilio Tanner Crab	25%	no.	116,363	10	116,363	3,008	5.7%
Pacific Halibut	22%	mt	75.460	17.582	86.460	36.269	44.9%
BS Chinook Salmon	14%	no.	305	50	305	46	78.2%
Non-Chinook Salmon	14%	no.	629	-	629	-	0.4%
CDQ CRAB			2009		2010		Average % Harvest
	%	unit	Allocation	Harvest	Allocation	Harvest	
Norton Sound Red King Crab	-	-	-	-	-	-	-
Bristol Bay Red King Crab	17%	lbs	272,153	272,152	252,263	252,263	100.0%
Bering Sea Opilio Crab	8%	lbs	384,136	384,136	434,248	434,248	100.0%
Bering Sea Bairdi Crab	10%	lbs	13,500	13,500	-	-	75.6%
<i>Bering Sea C. Bairdi Crab East</i>	<i>10%</i>	<i>lbs</i>	<i>13,500</i>	<i>13,500</i>	<i>-</i>	<i>-</i>	<i>75.0%</i>
<i>Bering Sea C. Bairdi Crab West</i>	<i>10%</i>	<i>lbs</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>66.0%</i>
Aleutians Islands Golden King Crab	8%	lbs	25,200	25,200	25,200	25,200	100.0%
St. Matthew Blue King Crab	50%	lbs	58,350	-	80,000	80,000	50.0%



APICDA

Annual Report

2006



BOARD OF DIRECTORS



Gilda Shellikoff
False Pass
Chair



Arnold Dushkin
Nikolski
Vice Chair



Justine Gundersen
Nelson Lagoon
Secretary &
Treasurer



Emil Berikoff
Unalaska
Board Member



Pete Crandall
Financial Industry
Board Member



Rick Lauber
Fishing Industry
Board Member



Hugh Pelkey
Akutan
Board Member



Patrick Pletnikoff
St. George
Board Member



Mark Snigaroff
Atka
Board Member





September 1, 2007

Dear APICDA Community and Community Residents:

The year 2006 was the most significant year for APICDA and the rest of the CDQ groups since the program started. The Coast Guard Marine Transportation Act of 2006, signed into law in July 2006, freed APICDA from burdensome and intrusive state oversight and settled CDQ allocations, essentially forever. It was a major victory for APICDA and our communities.

We owe great thanks to our congressional delegation – Ted Stevens, Don Young and Lisa Murkowski – for their assistance. Joe Kyle, Larry Cotter and the APICDA management team, the board, our partners, and consultants C.J. Zane and John Iani worked tirelessly to achieve this important milestone.

With the financial and regulatory stability won through the Coast Guard Act, our strategic investments in infrastructure, and continued support of training and education, APICDA made substantial contributions in 2006 to the economic development of our communities.

I'm proud of our program, proud of our board and its wise governance, and proud of our staff. We look forward to working with our communities to continue our success, together.

A handwritten signature in cursive script, reading 'Gilda M. Shellikoff'.

Gilda Shellikoff, Chair
Board of Directors





To the APICDA Community:

We are pleased to submit this annual report of APICDA's operations in 2006. Your management team believes that we ended 2006 a much stronger, more focused organization in all respects.

APICDA has a tremendous program that not only defeated attack, but secured our future. With ten years of stable allocations to come, we are able to do more long-term planning and commit to more significant projects. APICDA's CDQ allocation will be revisited every ten years, starting in 2012, but due to safeguards in the legislation, we do not expect significant allocation changes in the future.

APICDA is in great shape financially. We fully funded our long-term reserve account in 2006, which resulted in the issuance of the first annual community dividend in 2007. We have very little debt, and our assets continue to increase. Our independent auditors expressed confidence in our financial position.

But more important to you, we spent wisely on programs that directly benefit our communities, with significant investments in infrastructure, business development, fishing vessels and IFQs. We also made investments in our people through scholarships, intern programs, and grants to fishermen's' associations, schools, and communities. We opened an Anchorage office to be more accessible to community residents, and continued to work closely with communities and the other CDQ groups on important policy and development issues.

We appreciate the support and involvement of the board, and the dedication of our talented management team. We look forward to continued success in 2007 and beyond.

Larry Cotter
Chief Executive Officer

Joe Kyle
Chief Operating Officer
Chief Financial Officer



2006 HIGHLIGHTS

- Purchased 50% of the Bering Sea crab vessel F/V Barbara J and doubled our equity position in the F/V Farwest Leader, with Trident Seafoods
- Completed year two of a three-year project for the Bering Pacific Seafoods, LLC, plant in False Pass to process salmon, halibut, sablefish and Pacific cod
- Authorized feasibility studies for new processing plants in Atka and Nelson Lagoon
- Continued work on the grant acquisition for a new plant in St. George, working with the Economic Development Administration, an agency of the U.S. Department of Commerce
- Funded a \$125,000 grant to Aleutia for a salmon product development project
- Bought out partner in Ugludax Lodge and assumed responsibility for operations, including development of a new marketing plan for this sport fishing and hunting destination
- Continued infrastructure development in Nelson Lagoon, including two new buildings for the Nelson Lagoon Storage Company, a gear and vessel storage facility
- Processed sablefish in volume for the first time at Atka Pride Seafoods
- Matched \$46,000 in partner contributions to replace Hugo Chavez fuel
- Authorized \$375,000 grant for Akutan road to new airport
- Invested \$612,000 in scholarships, intern programs and grants for school and community programs





APICDA SUBSIDIARIES

Atka Pride Seafoods

This is a 50/50 partnership between APICDA Joint Ventures and the Atka Fishermen's Association, organized as a Subchapter C corporation. The plant, located in Atka, Alaska, processes approximately 500,000 pounds per year of halibut and sablefish in H&G and filet product forms.

F/V Barbara J. LLC

A 50/50 partnership between APICDA Joint Ventures and Trident Seafoods. Managed by Trident, this vessel fishes for various species of crab and Pacific cod and serves as a tender.

Bering Pacific Seafoods

100% owned and operated by APICDA Joint Ventures. This plant is currently under construction in False Pass, Alaska. It is expected to be operational for the 2008 fishing season and will focus on processing Pacific cod, sablefish, halibut, and salmon.

F/V Farwest Leader LLC

A 50/50 partnership between APICDA Joint Ventures and Trident Seafoods. Managed by Trident, this vessel fishes for various species of crab and Pacific cod and serves as a tender.

F/V Golden Dawn LLC

A three-way partnership between APICDA Joint Ventures (25%), Aleutian Spray Fisheries (25%), and Trident Seafoods (50%). Managed by Trident, this trawl-catcher vessel fishes primarily for pollock in the Bering Sea.

Kayux Development

This is a 50/50 partnership between APICDA Joint Ventures and the Tanaq Corporation. This company is poised to participate in any upland development associated with commercial activities in Tract I, Zapadni Bay Harbor on St. George Island.

Nelson Lagoon Storage Company LLC

A 50/50 partnership between APICDA Joint Ventures and the native village of Nelson Lagoon (Council). The storage company operates as a gear and vessel storage business in Nelson Lagoon to support the summer salmon fishery.



CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2006 and 2005

Ocean Prowler LLC

A 20/20/60 partnership between APICDA Joint Ventures (20%), Coastal Villages Region Fund (20%) and a partnership comprised of John Winther, Bart Eaton and Jerry Kennedy (60%). Managed by John Winther and Jerry Kennedy, the F/LL Ocean Prowler is a longline, catcher processor that fishes for Pacific cod and sablefish.

Prowler LLC

A 20/20/60 partnership between APICDA Joint Ventures (20%), Coastal Villages Region Fund (20%) and a partnership comprised of John Winther, Bart Eaton and Jerry Kennedy (60%). Managed by John Winther and Jerry Kennedy, the F/LL Prowler and the F/LL Bering Prowler are longline, catcher processors that fish for Pacific cod and sablefish.

Puffin Seafoods LLC

This is a 50/50 partnership between APICDA Joint Ventures and the St. George Fishermen's Association. The company is the business entity necessary for the halibut fishery on St. George Island to take place and it serves as an administrative vehicle for the local fleet to prosecute the halibut CDQ fishery in Area 4C.

Starbound LLC

APICDA Joint Ventures owns 20% of this pollock catcher processor with Aleutian Spray Fisheries, which serves as the managing partner. This vessel harvests and processes approximately 65% of APICDA's pollock CDQ quota.

Ugludax Lodge LLC

A 50/50 partnership between APICDA Joint Ventures and the Chaluka corporation. The company operates the lodge in Nikolski on Umnak Island as a high end, sport fish and hunting destination.



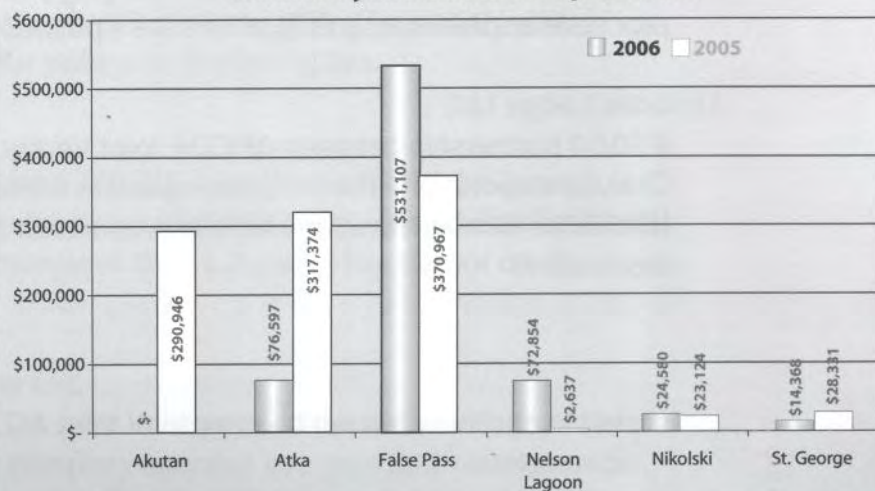
2006 APICDA IN-REGION EMPLOYMENT

	Positions	Wages	Individuals
Management/Admin	29	\$580,837	10
Board Members	36	\$142,280	10
Community Liaisons	28	\$81,000	7
CDQ A/B Season	11	\$119,153	6
Other Fishing	85	\$561,149	32
Internships	5	\$16,945	4
Other Employment	62	\$190,036	28
TOTALS	256	\$1,549,120	97

2006 APICDA TRAINING & EDUCATION EXPENDITURES

	Individuals	Expenditures
SCHOLARSHIPS		
Post Secondary	58	\$218,431
VOC-TECH CLASSES		
Basic	11	\$13,347
OTHER TRAINING		
Fisheries Related	25	\$47,011
CDQ Staff/Board	9	\$12,163
Other	7	\$10,210
OTHER EXPENDITURES		
School Grants	7	\$41,988
TOTAL	117	\$343,150

Community Infrastructure Expenditures

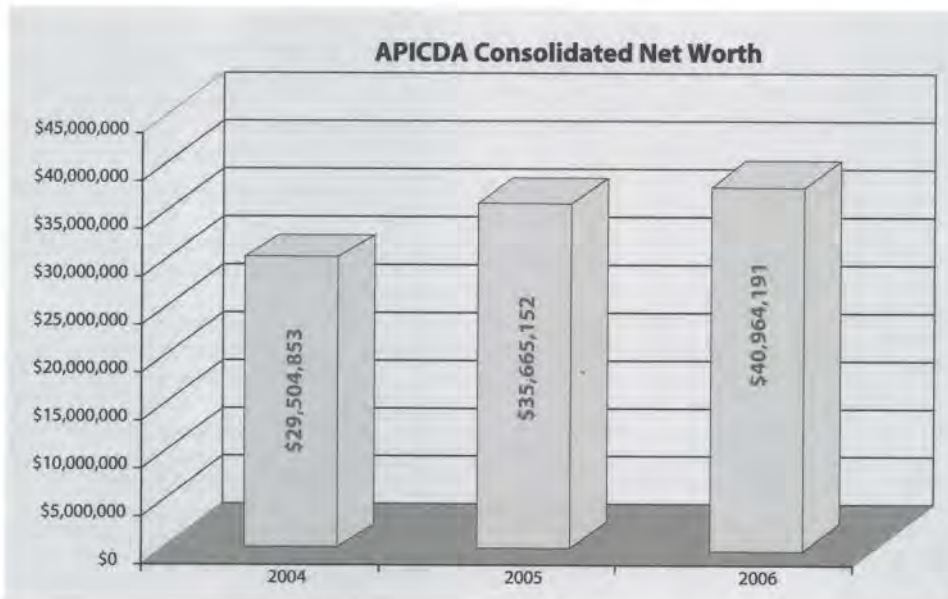




CONSOLIDATED FINANCIALS FOR 2006

To comply with state and federal regulations, APICDA undergoes a financial and managerial audit each year, and the results are shared with state and federal regulators. The 2006 audit began January 2007 and was concluded in mid May of 2007 by the Anchorage-based accounting firm of Altman, Rogers & Co. The board and management place a great deal of faith and reliance with the Altman, Rogers & Co. findings as a measure of our overall corporate health. Management takes their recommendations as direction to improve managerial and accounting practices, and tries to implement them as quickly as possible. The Altman, Rogers & Co. annual audit is a critical component in our corporate governance processes, and we are extremely grateful for the professional, diligent, and forthright manner in which it is conducted each year.

Altman, Rogers & Co. complete, 25-page "Audit and Report on Consolidated Financial Statements and Supplementary Information" is on file in the APICDA corporate office in Juneau, Alaska. Management compressed the financial information depicted below from that audit and report for 2006.



**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2006 and 2005

ASSETS**Current assets:**

Cash and cash equivalents	\$ 3,871,036	6,262,899
Short term investments	14,005,068	7,678,980
Accounts receivable:	294,203	716,357
Notes receivable affiliates - current	165,403	85,000
Related party note receivable - current	5,172	-
Interest receivable	15,403	18,344
Advances due from affiliated companies - current	1,691,000	940,000
Inventory	10,672	10,670
Prepaid expenses	411,439	113,130
Total current assets	20,469,396	15,825,380

Investments:

Investment in Out of Region Entities	10,552,076	10,146,539
Investment Partnerships with In-Region Entities	1,876,760	2,075,353
Total investments	12,428,836	12,221,892

Property and equipment, net**Intangible assets, net****Non-current loans receivable****Total assets**

6,796,508	6,252,284
2,303,853	2,417,618
1,044,661	1,429,394
\$ 43,043,254	38,146,568

LIABILITIES AND UNRESTRICTED NET ASSETS**Current liabilities:**

Notes payable - current	461,649	460,786
Accounts payable	270,360	211,980
Accrued payroll and related liabilities	81,699	81,916
Taxes payable	6,256	3,731
Total current liabilities	819,964	758,413

Notes payable - non-current**Total liabilities**

1,259,099	1,723,004
2,079,063	2,481,417

Unrestricted net assets:**Designated:**

Minority partner interests		
Net assets	(516,793)	(411,007)
Contributed capital	1,795,000	1,795,000
Long-term reserves	10,074,151	7,678,980
Total designated net assets	11,352,358	9,062,973

Undesignated net assets**Total unrestricted net assets****Total liabilities and unrestricted net assets**

29,611,833	26,602,178
40,964,191	35,665,151
\$ 43,043,254	38,146,568



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 and 2005

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and support:

Royalties	\$ 8,431,917	8,563,031
Interest	261,122	346,502
Gain on sale/disposition of property and equipment	70,605	14,929
Earnings (loss) on investments	1,037,812	118,342
Nazan Bay Inn Operations	46,100	48,425
Profit (Loss) on Out of Region Investments	2,063,888	2,296,468
Profit (Loss) on In Region Partnership Investments	(2,102)	(147,563)
Fishing income	1,987,322	1,273,161
Software upgrades	12,500	13,750
Billed Labor	217,044	211,011
Fish tax donation	102,000	60,000
Other income	125,981	177,011

Total revenues and support

14,354,189

12,975,067

Expenses:

Programs:

Community development:

Grants for Education (Scholarships/Vocational)	286,622	331,342
Grants for projects	898,426	257,343
Community outreach	169,370	107,356

Total community development

1,354,418

696,041

Operations:

Crew	\$ 862,215	520,222
Labor	1,391,225	1,336,200
Boat supplies, maintenance and repairs	671,774	577,368
Travel and transportation	58,586	55,712
Nazan Bay Inn expenses	22,510	30,947
Insurance	111,664	175,511
Licenses, taxes and fees	145,701	207,941
Asset impairment	502,763	18,624
Miscellaneous	31,454	33,281

Total operations

3,797,892

2,955,806

Total program expenses

5,152,310

3,651,847

General and administrative:

Travel and transportation	196,047	122,665
Labor	1,303,452	1,120,446
Office expense	371,195	340,542
Management fees	76,911	60,919
Directors' fees and per diem	335,698	237,741
Insurance	84,930	46,846
Professional fees	349,752	344,238
Licenses, taxes and fees	79,000	14,788
Repairs and maintenance	56,707	41,724
Miscellaneous (includes doubtful account allowance)	434,496	19,215

Total general and administrative

3,288,188

2,349,124

Interest and depreciation expense:

Interest	125,669	116,104
Depreciation	488,982	701,684

Total interest and depreciation

614,651

817,788

Total expenses

9,055,149

6,818,759

Increase (decrease) in unrestricted net assets

5,299,040

6,156,308

Unrestricted net assets, beginning of year

35,665,151

29,508,843

Unrestricted net assets, end of year

\$ 40,964,191

35,665,151

Minority interest in change in unrestricted net assets

\$ 105,786

88,461



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 and 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Aleutian Pribilof Island Community Development Association ("APICDA") is an Alaskan nonprofit corporation formed in September 1992 for the benefit of various southwestern Alaska villages for the purpose of participating in the Alaska Community Development Quota ("CDQ") program established by the Federal Government. Under the CDQ program, eligible communities apply periodically for a portion of the harvestable pollock fishery in the coastal waters of Alaska. During 2006, Congress extended the CDQ rights for all species indefinitely. In addition, Congress set the allocation percentage for all species at 2002 levels until 2012.

Principles of Consolidation

In 1994, APICDA formed two wholly owned for profit subsidiaries, APICDA Joint Ventures, Inc. ("AJV"), and APICDA Management Corporation ("AMC"). On January 1, 1996, AMC was renamed as APICDA Vessels, Inc. ("AVI") and APICDA's investment in AVI was transferred to AJV.

On September 23, 1997, APICDA Joint Ventures, Inc. purchased a 33.33% interest in Ocean Logic, L.L.C. On January 1, 2000, AJV purchased an additional 33.33% from Yukon Delta Fisheries, Inc., the remaining 33.33% was acquired in 2002. On November 8, 2005, Ocean Logic, L.L.C. was dissolved.

On January 1, 2000, APICDA Joint Ventures, Inc. purchased 75% interests in Konrad, L.L.C. and Dipper L.L.C., in March 2003 APICDA Joint Ventures, Inc. acquired the remaining 25%. Subsequent to acquisition, Konrad, L.L.C. was merged into AVI and Dipper L.L.C. was merged into Bering Pacific Seafoods, L.L.C.

In March 2003, AJV acquired 100% of Bering Pacific Seafoods (BPS). In addition, during 2003 AJV acquired 50% ownership in Ugludax, L.L.C. AJV also owns 50% of Puffin Seafoods.

In accordance with accounting principles generally accepted in the United States of America, APICDA, AJV, AVI, BPS, Ocean Logic, L.L.C., Puffin Seafoods, L.L.C. and Ugludax, L.L.C. have been consolidated for the year ended December 31, 2005. Ocean Logic, L.L.C. was dissolved on November 8, 2005 and was therefore not part of the consolidated statements for the year ended December 31, 2006. The consolidated entity is referred to as the "Association" in these financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Operations

Aleutian Pribilof Island Community Development Association (The Association) promotes local economic development in the Bering Sea/Aleutian Islands area of Alaska including fisheries development and protection. The Association evaluates requests for assistance and distributes grants or other forms of financial assistance.

The Association received a community development quota of approximately 28,793 metric tons, which represents approximately 15.5% of Alaska's CDQ reserve.

The Association has entered into agreements with seafood processors whereby the Association receives royalty payments for the utilization of the CDQ by processors. Under the agreements, the royalty is calculated using fixed rates, applied to round weights caught, and percentages applied to gross revenues from pollock and pollock roe produced, plus additional amounts if average sale prices exceed amounts defined in the agreement. The majority of consolidated revenues result from royalties generated by the use of the CDQ.

The Association is a 25% owner of Cannon Fish Co., which is a seafood processing and marketing company based in Seattle, Washington. APICDA accounts for this investment by the equity method.

APICDA Joint Ventures is a 100% owner of APICDA Vessels, Inc., which purchases fishing vessels that are leased to fishermen in various southwestern Alaska villages. AVI is a 50% owner of Farwest Leader, L.L.C., a vessel engaged in commercial fishing in Alaska. AJV is a 50% owner of Atka Pride Seafoods, Inc. ("APS"), located in Atka, Alaska, which purchases and processes fish for resale; a 50% owner of Puffin Seafoods, L.L.C., which operates as a fish handling facility in St. George, Alaska; a 25% owner of Golden Dawn, L.L.C., a vessel engaged in commercial fishing in Alaska; a 100% owner of Ocean Logic, L.L.C., which is developing software for fishing vessels; a 20% owner of Prowler, L.L.C. and a 20% owner of Ocean Prowler, L.L.C., which are vessels engaged in commercial fishing in Alaska; a 50% owner of Nelson Lagoon Storage Company, L.L.C., which stores fishing gear and vessels in Nelson Lagoon, Alaska; a 50% owner of Kayux Development, L.L.C., which is a harbor operating on Tract I in the City of St. George, Alaska; a 100% owner of Bering Pacific Seafoods, L.L.C. ("BPS"), located in False Pass, Alaska, which purchases and processes fish for resale; a 50% owner of Ugludax, L.L.C., which operates a fishing lodge in Nikolski; a 20% owner of Starbound, L.L.P., a vessel engaged in fish processing; a 15% owner of MUM Alaska, which operates hunting and fishing lodges throughout Alaska; a 50% owner in the Barbara J., L.L.C., a vessel engaged in commercial fishing in Alaska. On November 8, 2005, Ocean Logic, L.L.C. was dissolved. On December 31, 2006 MUM Alaska was dissolved.

AJV accounts for its investments in Atka Pride Seafoods, Inc., Golden Dawn, L.L.C., Prowler, L.L.C., Ocean Prowler, L.L.C., Bering Prowler, L.L.C., Kayux Development, L.L.C., Nelson Lagoon Storage Company, L.L.C., Barbara J., L.L.C. and Starbound, L.L.P. by the equity method. All other Companies are consolidated.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** CONT'D.

YEARS ENDED DECEMBER 31, 2006 and 2005

Cash and Cash Equivalents

The Association, for the purpose of the Statement of Cash Flows, considers cash and cash equivalents to include amounts in demand deposits and short-term investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and that present an insignificant risk of changes in value due to changes in interest rates or other factors. The Association maintains a number of checking, savings and time certificate of deposit accounts for each one of its consolidated companies. These accounts are held with Wells Fargo and Key Bank and are insured up to \$100,000 per bank per institution by FDIC. Amounts in excess of \$100,000 are uninsured. All deposits with Key Bank were fully insured at December 31, 2006 and 2005. The Association's uninsured cash balance held at Wells Fargo at December 31, 2006 and 2005 were \$4,705,300 and \$5,860,170, respectively.

Trade Accounts Receivable and Other Receivables

The Association uses the reserve for bad debt method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. The balance of the reserve for doubtful accounts, deducted against trade accounts receivable to properly reflect the realizable value, is \$165,381 and \$30,260 at December 31, 2006 and 2005, respectively.

Inventory

Inventory consists primarily of retail merchandise. Inventory is stated at the lower of cost (the first-in, first-out method) or market.

Prepaid Items

Payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid items.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, generally five, seven, or ten years. Expenditures for major additions, renewals and betterments are capitalized and maintenance, repairs, minor additions and renovations are charged to expense. Gains or losses upon asset disposal are recorded as revenue.

Revenue Recognition

Royalty revenue from applying fixed rates to round weights caught or finished product is recognized at the time of harvest. Royalty revenue resulting from CDQ species and CDQ roe sold, and from the variable rate based on product mix and related market price, is recognized when these products are sold and the amount of royalty is determined to be measurable and collectible.

Income from leasing fishing vessels which is calculated as a percentage of the lessee's sales, is recognized in the period such sales occur.

Community Development Quota

The fair value of the CDQ quota received by the Association is not considered to be determinable within reasonable limits. Accordingly, no value is assigned to the receipt of the quota in the financial statements.

Income Taxes

On July 27, 1993, the Association was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, effective September 29, 1992. The Association believes that none of its activities subject it to taxation of unrelated business taxable income. However, all subsidiaries conduct activities, which are subject to federal and state taxation (See Note XV).

Reclassification

Certain prior year balances have been reclassified to conform to the current year presentation.

Impairment of Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets, primarily fixed assets, in accordance with Statement of Financial Accounting Standards No. 144, (SFAS 144), "Accounting for the Impairment of Long-Lived Assets." SFAS 144 requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds the estimated future undiscounted cash flows attributable to such assets. During 2005, the Company determined that one of its buildings was impaired. An impairment loss of \$18,624 was recorded, which equals the net book value of the building. During 2006, the Company determined that a dock was impaired. An impairment loss of \$502,763 was recorded.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2006 and 2005

2. INVESTMENTS

Investments are stated at fair value and are as follows at December 31, 2006 and 2005:

	Fair Value	
	2006	2005
Money market funds	\$ 886,213	292,528
Marketable securities	9,022,878	4,342,570
Mortgage and asset-backed securities	1,633,341	1,557,945
Closed end funds	203,245	155,400
Government bonds	259,391	1,330,537
	<u>\$ 14,005,068</u>	<u>7,678,980</u>

The following schedule summarizes the investment return for the years ended December 31, 2006 and 2005:

	Unrestricted	
	2006	2005
Interest, dividends and realized gain (loss)	\$ 261,122	346,502
Unrealized gain (loss)	1,037,812	118,342
Total investment return	<u>\$ 1,298,934</u>	<u>464,844</u>

3. NOTES RECEIVABLE

Notes receivable at year end are comprised of the following:

	December 31, 2006	December 31, 2005
Notes receivable for cash advances to affiliated in-region partnerships and tribal entities	644,755	955,318
Notes receivable for advances for the purchase of fishing skiffs and gear	108,341	108,352
Notes receivable for advances on the purchase, of privately held IFQ	363,126	367,738
Notes receivable from related party board member for advances on the purchase of IFQ	82,514	87,686
Total notes receivable	1,198,736	1,499,094
Less current portion - all affiliates	170,575	89,988
Long-term notes receivable	<u>\$ 1,028,161</u>	<u>1,409,106</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2006 and 2005

4. ADVANCES DUE FROM AFFILIATED NON-CONSOLIDATED COMPANIES

Advances receivable at year-end are comprised of the following:

	December 31, 2006	December 31, 2005
Advances due from Kayux Development, L.L.C., non-interest bearing	\$ 16,500	15,300
Advances due from APS non-interest bearing	1,675,500	940,000
Total non-consolidated	1,692,000	955,300
Advances due from APICDA Joint Ventures -non-interest bearing	15,500	-
Total all advances	1,707,500	955,300
Less current portion	(1,691,000)	(940,000)
Long-term advances	\$ 16,500	15,300

5. PROPERTY AND EQUIPMENT

Property and equipment at year end are comprised of the following:

	December 31, 2006	December 31, 2005
Office equipment	\$ 542,011	603,290
Fishing vessels and gear	2,732,459	2,267,373
Electronic equipment	97,518	78,236
Deck gear	170,840	175,108
Safety gear	34,950	27,770
Trucks/Trailers	193,153	189,153
Machinery	782,532	745,791
Buildings and infrastructures	3,953,128	4,413,549
	8,506,591	8,500,270
Less accumulated depreciation	(3,390,679)	(3,401,936)
	5,115,912	5,098,334
Construction in progress	1,001,724	475,078
Land and land improvements	678,872	678,872
	1,680,596	1,153,950
	\$ 6,796,508	6,252,284



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2006 and 2005

6. RELATED PARTY TRANSACTIONS**Related Party Note Receivable**

During 2003 AJV extended a loan in the amount of \$95,567 to one of its Board members. The note is non-interest bearing and is payable in annual payments equal to 20% of the total ex-vessel value of the halibut IFQ harvested and sold during each calendar year. The balance due at December 31, 2006 is \$ 82,514, of which \$5,172 is classified as current and \$77,342 is classified as non-current. The entire unpaid principal balance is payable in full in November 2014. The note is classified as other non-current assets on the Consolidated Statement of Financial Position.

7. NOTES PAYABLE

Notes payable consists of the following:

Loan payable to Vanna AS due in full July 1, 2008 interest is 4.00%. The original amount of the loan was \$500,000. Principle balance due at December 31, 2006 is \$ 166,668, of which \$ 83,333 is classified as current and \$83,335 is classified as non-current.

Loan payable to Key Bank due in full October 15, 2009 interest is 6.32%. The original amount of the loan was \$2,500,000. Principle balance due at December 31, 2006 is \$1,071,425, of which \$357,144 is classified as current and \$714,281 is classified as non-current.

Mortgage payable to Wells Fargo due in full December 31, 2035 interest is 7.5%. The original amount of the loan was \$304,857. Principle balance due at December 31, 2006 is \$282,291, of which \$21,172 is classified as current and \$261,119 is classified as non-current.

Grant from the Alaska Science and Technology Foundation is to be repaid in the following manner: Repayment shall equal five percent of the grantee's gross receipts which arise from the project to which the grant was related to, until 1 _ the amount of the grant has been repaid. The original amount of the grant was \$140,000. Principal balance due at December 31, 2006 is \$133,576, which is classified as non-current. Also included is a note finance charge of \$66,788, which at December 31, 2006 is classified as long-term notes payable.

	2006	2005
Total notes payable	\$ 1,720,748	2,183,790
Less current portion of notes payable	(461,649)	(460,786)
Long-term portion of notes payable	\$ 1,259,099	1,723,004

Annual maturities of long-term debt for the five years subsequent to fiscal year 2006 are as follows:

2007	\$ 461,649
2008	462,451
2009	379,909
2010	23,572
Thereafter	393,167
Totals notes payable	1,720,748
Less: current portion	(461,649)
	\$ 1,259,099

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2006 and 2005

8. LONG-TERM RESERVES

At December 31, 2005, the Board designated \$7,678,780 of unrestricted net assets for long-term reserves. All of this amount is held in investments. At December 31, 2006, the Board designated \$10,074,151 of unrestricted net assets for long-term reserves. All of this amount is held in investments.

9. GRANTS

The Association provides financial assistance to organizations in southwestern Alaska for purposes of economic development and fisheries related development and protection. The amount of this financial assistance, which is classified as grants for scholarships and grants for projects on the statement of activities, is comprised of the following:

	December 31, 2006	December 31, 2005
Community infrastructure projects	\$ 11,428	11,450
Fisherman's associations	140,000	140,000
School districts	41,988	27,400
College internships	1,162	7,489
Scholarships	207,956	236,705
Supplemental Education – Vocational education	78,796	30,725
Other projects and grants	651,400	40,279
	<u>\$ 1,132,730</u>	<u>494,048</u>

10. ROYALTY INCOME

Under the CDQ program, eligible communities apply periodically for a portion of the harvestable fisheries in the coastal waters of Alaska. The program includes all species. IFQ and CDQ royalty income, by species, received by the Association for the years ended December 31, 2006 and 2005, is as follows:

	2006	2005
Pollock Base	\$ 3,943,063	4,098,317
Pollock Roe	1,877,783	2,387,823
Pacific Cod	840,898	662,847
Atka Mackerel	68,127	55,377
Pacific Ocean Perch	42,524	20,325
Rockfish	20,233	1,782
Sablefish	7,213	96,483
Yellowfin Sole	129,551	86,828
Flatbed Sole	2,768	3,791
Opilio	135,493	93,028
Red King	499,501	655,339
Market share fees	848,070	351,929
Other	16,693	6,554
	<u>\$ 8,431,917</u>	<u>8,520,423</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2006 and 2005

11. INCOME TAXES

The Association is subject to income tax only on its income from the activities of its for-profit subsidiaries, AVI, AJV, BPS, Puffin Seafoods, L.L.C., and Ugludax Lodge, L.L.C. The Association had no income tax expense for the years ended December 31, 2006 and 2005.

The significant types of temporary differences and carryforwards that give rise to deferred taxes are Federal and State net operating loss carry forwards and accumulated depreciation.

The components of the net deferred income taxes are as follows:

	Federal	2006 State	Total
Noncurrent deferred tax asset	\$ 6,686,839	1,803,417	8,490,256
Valuation allowance	(6,686,839)	(1,803,417)	(8,490,256)
Total noncurrent deferred tax asset	\$ -	-	-

	Federal	2005 State	Total
Noncurrent deferred tax asset	\$ 6,056,279	1,644,348	7,700,627
Valuation allowance	(6,056,279)	(1,644,348)	(7,700,627)
Total noncurrent deferred tax asset	\$ -	-	-

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Association has established a valuation allowance primarily for net operating losses ("NOLs") for federal and Alaska State income tax. As of December 31, 2006 and 2005, the Association has remaining NOLs of approximately \$19,969,894 and \$17,970,271, respectively, for Federal income tax purposes and \$19,438,010 and \$17,650,745, respectively, for Alaska state income tax purposes. The NOLs, if not utilized, will begin to expire in 2014.

12. LEASES**Operating Leases**

AVI, a wholly owned subsidiary of AJV, as lessor, has operating leases for its several fishing vessels and related equipment and gear to fishermen in the Atka, Alaska community. The operating leases run for the fishing season and provide for AVI to receive as lease income a minimum of twenty-five percent of the fishermen's fish sales. Related lease income for the years ended December 31, 2006 and 2005 was \$562,329 and \$299,034, respectively. The property and equipment subject to these leases and included in Property and Equipment in the accompanying statements of financial position at December 31, are as follows:

	2006	2005
Vessels and gear	\$ 2,276,211	2,605,662
Electronic equipment	97,518	88,392
Deck gear	170,840	175,108
Safety gear	34,950	27,770
	2,579,519	2,896,932
Accumulated depreciation	(1,297,639)	(1,222,043)
	\$ 1,281,880	1,674,889



BOARD OF DIRECTORS NOTES

In addition to the financial information provided elsewhere in this annual report, the Board of Directors wishes to make known to the residents of APICDA communities the following information regarding corporate governance. The board exercises broad oversight of its management team through board and committee meetings. Generally the board meets four times a year to review the financial health of APICDA, and to receive reports on current operations and review plans for future programmatic changes. APICDA's Executive Committee meets with top management on a monthly basis to monitor the corporation's business, provide recommendations, and to approve or disapprove planned actions by management that do not require action by the full board. In addition, the board appoints several committees to oversee specific corporate functions. The committees meet on a regular basis to review management's performance, and then report to the full board.

APICDA compensates its Directors \$400 per day for board and committee meeting attendance fees. In addition, the directors receive a \$300 a month honorarium as compensation for time expended on corporate affairs through emails, phone conversations, and correspondence review. The board, noting the extreme time demands placed on the Chairs of APICDA and APICDA Joint Ventures, authorized each \$2,500 per month in compensation. Travel and per diem for board members are paid at the published rates for federal employees.

Disclosures are made if any officers, directors, or key employees are related to any professional service providers the corporation utilizes. There were no such relationships in 2006. APICDA also discloses any pending litigation between the corporation and any former officers, directors, or key employees. No such litigation is pending.

The board is mindful of its responsibility to ensure its management team is professional, competent, responsive, and fully supportive of its goals and priorities. The board highly values its management team and salaries are set appropriately. Chief Executive Officer (CEO) Larry Cotter and the Chief Operating Officer (COO) and Chief Financial Officer (CFO) Joe Kyle each received \$250,000 in salary during calendar year 2006. Rounding out the top five compensated employees for the year were General Manager John Moller, who received \$152,954.81. Controller Rob Smith was paid \$98,346.15 and Construction Manager Shawn Hansen received \$86,582.82. In addition, the board compensates top management with performance bonuses each year. These bonuses, which vary in amount from year to year, serve to recognize meritorious performance and to provide further incentives for top management to strive for excellence as it pursues the corporation's goals and objectives. The CEO and COO/CFO were awarded \$75,000 for their exemplary performance in 2006 as federal and state oversight changes were wrought and CDQ allocations were memorialized for the indefinite future. The General Manager received a \$25,000 bonus, the Controller was awarded a \$25,000 bonus, and the Construction Manager (only two months in that position) was awarded a \$3,000 bonus.

APICDA COMMITTEES

Executive Committee

Gilda Shellikoff - False Pass
Arnold Dushkin - Nikolski
Justine Gundersen - Nelson Lagoon

Financial Investment Committee

Pete Crandall - Juneau
Hugh Pelkey - Akutan
Gilda Shellikoff - False Pass

Training & Education Committee

Emil Berikoff - Unalaska
Hugh Pelkey - Akutan
Arnold Dushkin - Nikolski

Policy & Procedures Committee

Rick Lauber - Juneau
Justine Gundersen - Nelson Lagoon
Gilda Shellikoff - False Pass
Gail Schubert - Anchorage

Budget & Audit Committee

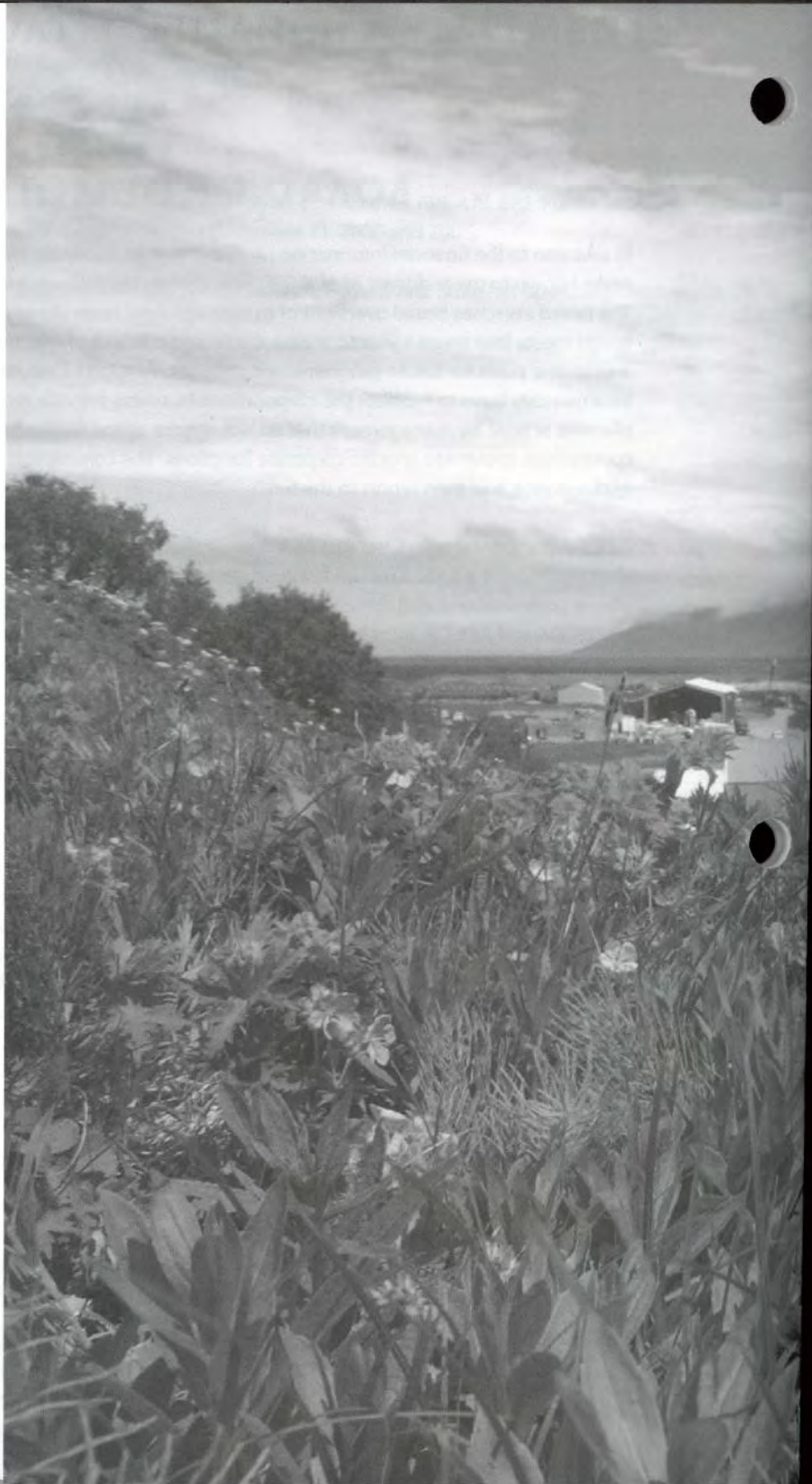
Justine Gundersen - Nelson Lagoon
Pete Crandall - Juneau
Gilda Shellikoff - False Pass
Rick Lauber - Juneau

Business Investments Committee

Rick Lauber - Juneau
Pete Crandall - Juneau
Gilda Shellikoff - False Pass

APICDA

Haginaa Kidul • Helping to Grow



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Toll Free: 888.927.4232
www.apicda.com

APICDA

Annual Report

07



ALEUTIAN PRIBILOF ISLAND COMMUNITY DEVELOPMENT ASSOCIATION AND SUBSIDIARIES

BOARD OF DIRECTORS

Gilda Shellikoff

False Pass
Chair



Justine Gundersen

Nelson Lagoon
Secretary &
Treasurer



Pete Crandall

Financial Industry
Board Member



Mark Snigaroff

Atka
Board Member



Hugh Pelkey
Akutan
Vice Chair



Emil Berikoff
Unalaska
Board Member



Patrick Pletnikoff
St. George
Board Member



Arnold Dushkin
Nikolski
Board Member



Rick Lauber
Fishing Industry
Board Member



July 31, 2008

Dear APICDA Community and Community Residents:

The year 2007 marked the first full year of operations under the new provisions of the Coast Guard Marine Transportation Act of 2006. This Act provides APICDA and the other CDQ organizations the financial and regulatory stability needed to support sustainable and diversified local economies in Western Alaska.



The board and staff worked together to complete our strategic plan, and significant changes were made to our management team to position APICDA to execute that plan.

I'm proud to report that 2007 was our most successful year ever in production and sales, which in turn supported good jobs in our communities and a significant community dividend.

Looking ahead, we are concerned about the record price of fuel and its potential impact on our communities and our operations – in fact, fuel was the primary use of the community dividend in 2007. The board of directors has agreed that energy needs in our communities are as important as the development of infrastructure, since a stable economy depends on both.

I believe we have the right team in place to meet our challenges, and find opportunities, for the benefit of our communities for many years to come.

A handwritten signature in black ink, reading 'Gilda M. Shellikoff'.

Gilda Shellikoff, Chair
Board of Directors



To the APICDA Community:

We are pleased to submit this annual report of APICDA's operations in 2007.

APICDA continues to become stronger and more efficient, both in our financial performance and in our operations and management. The personnel changes we made in several key positions contributed to our success and position us well for the future.

The strategic plan we completed with the board marked a new approach to planning that addresses the long-term needs of our communities, both for direct investment and for income generation. We have an aggressive development program planned in our communities for 2008-09, and we will continue to invest in successful business ventures outside of our communities, such as our Ocean Prowler, Prowler LLC, Starbound and Golden Dawn LLC subsidiaries.

We continue to monitor the natural resources that we rely upon for APICDA's success. Pollock stocks have declined, as predicted, however, fish stocks are in good shape overall. We have been careful to diversify our investments across a number of species and geographic areas.

As the benefits of the Coast Guard Marine Transportation Act of 2006 begin to be realized, we are working diligently with the other CDQ groups on important policy and development issues to protect the interests of APICDA's communities and to ensure that our communities realize the economic benefits that the CDQ program is intended to provide.

We appreciate the support and involvement of the board, our communities and their residents, and the experience and skill of our management team.

Larry Cotter
Chief Executive Officer

Joe Kyle
Chief Operating Officer
Chief Financial Officer

2007 HIGHLIGHTS



- Completed processing of Area 4B halibut quota by the end of July
- Facilitated beach cleanup in St George
- Employed 121 APICDA residents with a payroll of \$2,227,638
- Invested \$2,353,650 in scholarships, internship programs, and grants for schools and community programs
- Initiated feasibility studies and business planning for a seafood plant and an adventure tourism lodge in St. George
- Contributed \$ 600,000 in grant money to the six member communities as a community dividend
- Long term reserve account worth \$ 11,468,286 at year's end
- Increased consolidated net worth by \$6.2 million to \$47 million
- Purchased F/V NIGHTRIDER for service in St. George
- Promoted Jeff Kashevarof and Ken Smith to head up AJV's harvesting and processing activities, respectively
- Invested over \$ 100,000 for infrastructure improvements at Ugludax Lodge
- Built two storage buildings and completed hardening the boat pad and grounds for the Nelson Lagoon Storage company
- For the second year, granted \$ 100,000 to Aleutia for salmon product development and operating expenses
- Invested more than \$ 2.9 million for the construction phase of Bering Pacific Seafoods in False Pass



APICDA SUBSIDIARIES



Atka Pride Seafoods

50/50 partnership between APICDA Joint Ventures and the Atka Fishermen's Association, organized as a Subchapter C corporation. The plant, located in Atka, Alaska, processes approximately 500,000 pounds per year of halibut and sablefish in H&G and fillet product forms.

F/V Barbara J. LLC

50/50 partnership between APICDA Joint Ventures and Trident Seafoods. Managed by Trident, this crab vessel fishes for various species of crab and Pacific cod, and serves as a tender.

Bering Pacific Seafoods

100% owned and operated by APICDA Joint Ventures, this plant is currently under construction in False Pass, Alaska. It is expected to be operational for the 2008 fishing season, and will focus on processing Pacific cod, sablefish, halibut, and salmon.

F/V Farwest Leader LLC

50/50 partnership between APICDA Joint Ventures and Trident Seafoods. Managed by Trident, this crab vessel fishes for various species of crab and Pacific cod, and serves as a tender.

F/V Golden Dawn LLC

50/50 partnership between APICDA Joint Ventures and Trident Seafoods. Managed by Trident, this trawl-catcher vessel fishes primarily for pollock in the Bering Sea.

Kayux Development

50/50 partnership between APICDA Joint Ventures and the Tanaq Corporation. This company is poised to participate in any upland development associated with commercial activities in Tract I, Zapadni Bay Harbor on St. George Island.

APICDA SUBSIDIARIES



Nelson Lagoon Storage Company LLC

50/50 partnership between APICDA Joint Ventures and the native village of Nelson Lagoon (Council). The storage company operates as a gear and vessel storage business in Nelson Lagoon to support the summer salmon fishery.

Ocean Prowler LLC

20/20/60 partnership between APICDA Joint Ventures (20%), Coastal Villages Region Fund (20%) and a partnership comprised of John Winther, Bart Eaton, and Jerry Kennedy (60%). Managed by John Winther and Jerry Kennedy, the F/LL Ocean Prowler is a catcher processor that fishes for Pacific cod and sablefish.

Prowler LLC

20/20/60 partnership between APICDA Joint Ventures (20%), Coastal Villages Region Fund (20%) and a partnership comprised of John Winther, Bart Eaton, and Jerry Kennedy (60%). Managed by John Winther and Jerry Kennedy, the F/L/L Prowler and the F/L/L Bering Prowler are catcher processors that fish for Pacific cod and sablefish.

Puffin Seafoods LLC

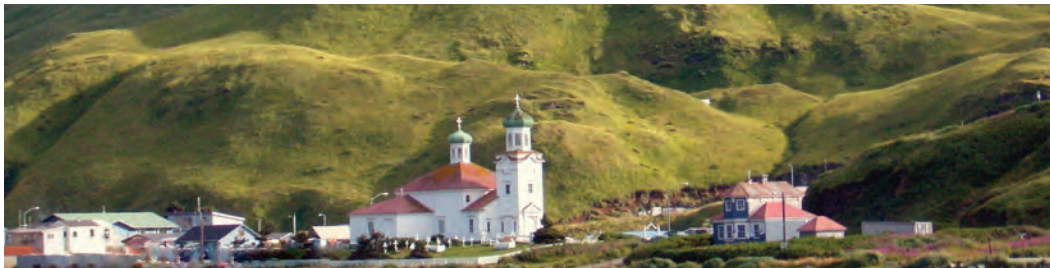
50/50 partnership between APICDA Joint Ventures and the St. George Fishermen's Association. The company is the business entity necessary for the halibut fishery on St. George Island to take place, and serves as an administrative vehicle for the local fleet to pursue the halibut CDQ fishery in Area 4C.

Starbound LLC

APICDA Joint Ventures owns 20% of this pollock catcher-processor with Aleutian Spray Fisheries, who serves as the managing partner. This vessel harvests and processes approximately 65% of APICDA's pollock CDQ quota.

Ugludax Lodge LLC

50/50 partnership between APICDA Joint Ventures and the Chaluka Corporation. The company operates the Lodge in Nikolski on Umnak Island as a high end, sport fish and hunting destination.



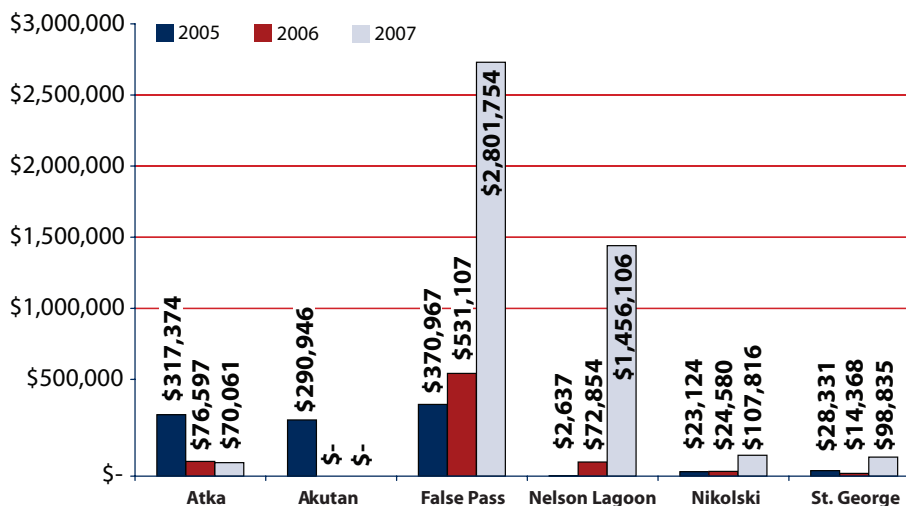
2007 CDQ IN-REGION EMPLOYMENT

	Individuals	Wages
Management/Admin	9	\$416,284
Board Members	10	\$117,548
Community Liaisons	7	\$81,000
CDQ A/B Season	3	\$62,911
Other Fishing	50	\$1,193,554
Internships	4	\$21,840
Other Employment	38	\$334,501
TOTALS	121	\$2,227,638

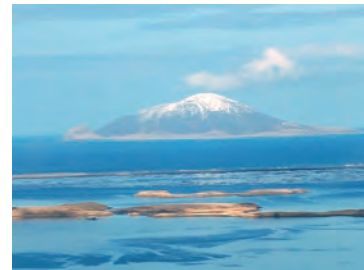
2007 APICDA TRAINING & EDUCATION EXPENDITURES

		Individuals	Expenditures
SCHOLARSHIPS	Post Secondary	48	\$191,915
VOC-TECH CLASSES	Basic	4	\$7,944
OTHER TRAINING	Fisheries Related	15	\$22,990
	CDQ Staff/Board	9	\$7,804
	Other	5	\$9,973
OTHER EXPENDITURES	School Grants (Community Schools)	7	\$76,083
TOTAL		88	\$316,708

COMMUNITY INFRASTRUCTURE



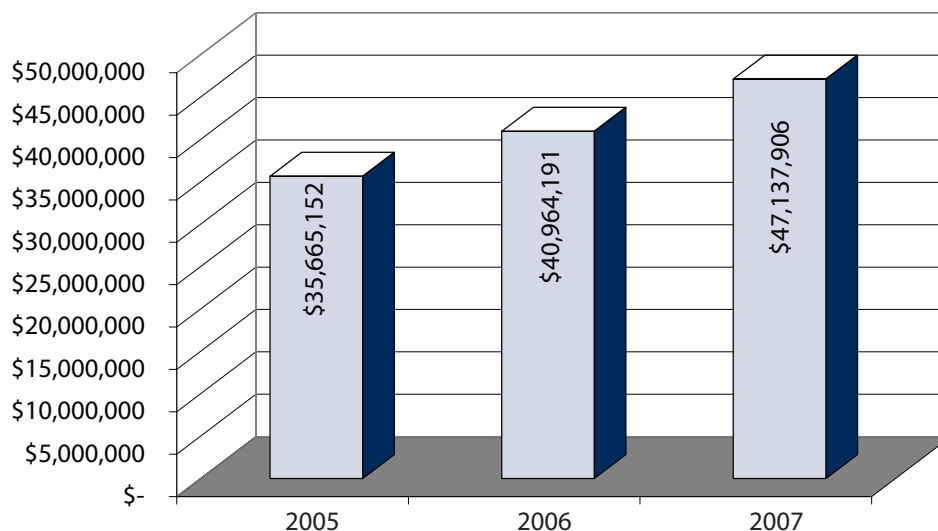
CONSOLIDATED FINANCIALS FOR 2007



To comply with state and federal regulations, APICDA undergoes a financial and managerial audit each year, and the results are shared with state and federal regulators. The 2007 audit began January 2008 and was concluded in mid May of 2008 by the Anchorage-based accounting firm of Altman, Rogers & Co. The board and management place a great deal of faith and reliance with the Altman, Rogers & Co. findings as a measure of our overall corporate health. Management takes their recommendations as direction to improve managerial and accounting practices, and tries to implement them as quickly as possible. The Altman, Rogers & Co. annual audit is a critical component in our corporate governance processes, and we are extremely grateful for the professional, diligent, and forthright manner in which it is conducted each year.

Altman, Rogers & Co. completed 35-page "Audit and Report on Consolidated Financial Statements and Supplementary Information" is on file in the APICDA corporate office in Juneau, Alaska. Management compressed the financial information depicted below from that audit and report for 2007.

APICDA CONSOLIDATED NET WORTH





CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2007 AND 2006

ASSETS

Current assets:

	2007	2006
Cash and cash equivalents	\$ 3,267,684	3,871,036
Short term investments	17,110,730	14,005,068
Accounts receivable:	602,795	294,203
Notes receivable affiliates - current	98,400	165,403
Related party note receivable - current	4,988	5,172
Note receivable - current	131,000	-
Interest receivable	41,410	15,403
Advances due from affiliated companies - current	405,500	1,691,000
Inventory	4,731	10,672
Prepaid expenses	320,162	411,439
Total current assets	21,987,400	20,469,396

Investments:

Investments in Out of Region Entities	11,022,105	10,552,076
Investment Partnerships with In-Region Entities	2,228,266	1,876,760
Total investments	13,250,371	12,428,836

Property and equipment, net	9,851,460	6,796,508
Intangible assets, net	2,188,018	2,303,853
Non-current loans receivable	1,392,809	1,044,661
Total assets	48,670,058	\$ 43,043,254

LIABILITIES AND UNRESTRICTED NET ASSETS

Current liabilities:

Notes payable - current	462,479	461,649
Accounts payable	120,118	270,360
Accrued payroll and related liabilities	110,515	81,699
Taxes payable	3,780	6,256
Unearned deposits	40,200	-
Total current liabilities	737,092	819,964

Notes payable, non-current	795,060	1,259,099
Total liabilities	1,532,152	2,079,063

Unrestricted net assets:

Designated:

Minority interests		
Net assets	(668,211)	(516,793)
Contributed capital	1,795,000	1,795,000
Long-term reserves	11,468,286	10,074,151
Total designated net assets	12,595,075	11,352,358

Undesignated net assets	34,542,831	29,611,833
Total unrestricted net assets	47,137,906	40,964,191

Total liabilities and unrestricted net assets	\$ 48,670,058	43,043,254
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CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2007 AND 2006

CHANGES IN UNRESTRICTED NET ASSETS**Revenues and support:**

	2007	2006
Royalties	\$ 8,836,842	8,431,917
Interest	328,527	261,122
Gain on sale/disposition of property and equipment	1,205	70,605
Net realized and unrealized gains on investments	689,021	1,037,812
Nazan Bay Inn	23,850	46,100
Profit (Loss) on Out of Region Investments	3,251,456	2,063,888
Profit (Loss) on In-Region Partnership Investments	351,617	(2,102)
Fishing income	2,251,323	1,987,322
Software sales	13,750	12,500
Billed Labor	435,125	217,044
Fish tax donation	82,500	102,000
Loss on dissolution of partnership	(168,480)	-
Other income	156,342	125,981
Total revenues and support	<u>16,253,078</u>	<u>14,354,189</u>

Expenses:

Programs:

Community development:

Grants for Education (Scholarships/Vocational)	246,708	286,622
Grants for projects	1,900,419	898,426
Community outreach	206,523	169,370
Total community development	<u>2,353,650</u>	<u>1,354,418</u>

Operations:

Crew	\$ 1,084,020	862,215
Labor	1,685,296	1,391,225
Boat supplies, maintenance and repairs	852,404	671,774
Travel and transportation	167,884	58,586
Nazan Bay Inn expenses	35,075	22,510
Insurance	133,856	111,664
Licenses, taxes and fees	134,558	145,701
Asset impairment	26,680	502,763
Miscellaneous	13,534	31,454
Total operations	<u>4,133,307</u>	<u>3,797,892</u>
Total program expenses	<u>6,486,957</u>	<u>5,152,310</u>

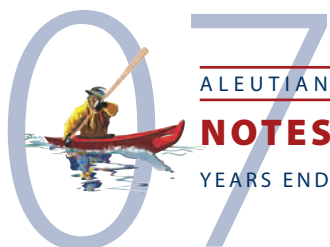
General and administrative:

Travel and transportation	170,859	196,047
Labor	1,330,995	1,303,452
Office expense	399,947	371,195
Management fees	99,029	76,911
Directors' fees and per diem	329,986	335,698
Insurance	86,828	84,930
Professional fees	445,723	349,752
Licenses, taxes and fees	79,851	79,000
Repairs and maintenance	41,686	56,707
Miscellaneous	75,024	434,496
Total general and administrative	<u>3,059,928</u>	<u>3,288,188</u>

Interest and depreciation expense:

Interest	97,748	125,669
Depreciation	434,730	488,982
Total interest and depreciation	<u>532,478</u>	<u>614,651</u>
Total expenses	<u>10,079,363</u>	<u>9,055,149</u>

Increase in unrestricted net assets	6,173,715	5,299,040
Unrestricted net assets, beginning of year	40,964,191	35,665,151
Unrestricted net assets, end of year	<u>\$ 47,137,906</u>	<u>40,964,191</u>
Minority interest in change in unrestricted net assets	<u>\$ 151,418</u>	<u>105,786</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2007 AND 2006

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Description of Business**

Aleutian Pribilof Island Community Development Association ("APICDA") is an Alaskan nonprofit corporation formed in September 1992 for the benefit of various southwestern Alaska villages for the purpose of participating in the Alaska Community Development Quota ("CDQ") program established by the Federal Government. Under the CDQ program, eligible communities apply periodically for a portion of the harvestable pollock fishery in the coastal waters of Alaska. During 2006, the U.S. Congress extended the CDQ rights for all species indefinitely and established the allocation percentage for all species at 2002 levels until 2012.

Principles of Consolidation

In 1994, APICDA formed two wholly owned for profit subsidiaries, APICDA Joint Ventures, Inc. ("AJV"), and APICDA Management Corporation ("AMC"). On January 1, 1996, AMC was renamed as APICDA Vessels, Inc. ("AVI") and APICDA's investment in AVI was transferred to AJV.

AJV is a 100% owner of AVI and Bering Pacific Seafoods, L.L.C. ("BPS"), and a 50% owner of Puffin Seafoods, L.L.C. and Ugludax Lodge, L.L.C.

In accordance with accounting principles generally accepted in the United States of America, APICDA, AJV, AVI, BPS, Puffin Seafoods, L.L.C. and Ugludax Lodge, L.L.C. have been consolidated for the year ended December 31, 2007 and 2006. The consolidated entity is referred to as the APICDA in these financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Operations

Aleutian Pribilof Island Community Development Association (APICDA) promotes local economic development in the Bering Sea/Aleutian Islands area of Alaska including fisheries development and protection. APICDA evaluates requests for assistance and distributes grants or other forms of financial assistance.

APICDA received a community development quota of approximately 28,793 metric tons, which represents approximately 15.5% of Alaska's CDQ reserve.

APICDA has entered into agreements with seafood processors whereby APICDA receives royalty payments for the utilization of the CDQ by processors. Under the agreements, the royalty is calculated using fixed rates, applied to round weights caught, and percentages applied to gross revenues from pollock and pollock roe produced, plus additional amounts if average sale prices exceed amounts defined in the agreement. The majority of consolidated revenues result from royalties generated by the use of the CDQ.

APICDA is a 25% owner of Cannon Fish Co., which is a seafood processing and marketing company based in Seattle, Washington. APICDA accounts for this investment by the equity method. The APICDA's participation in Cannon Fish Co. was terminated during the year ended December 31, 2007.

APICDA Joint Ventures, Inc. is a 50% owner of Atka Pride Seafoods, Inc. ("APS"), located in Atka, Alaska, which purchases and processes fish for resale; a 50% owner of Puffin Seafoods, L.L.C., which operates as a fish handling facility in St. George, Alaska; a 25% owner of Golden Dawn, L.L.C., a vessel engaged in commercial fishing in Alaska; a 20% owner of Prowler, L.L.C. and a 20% owner of Ocean Prowler, L.L.C., which are vessels engaged in commercial fishing in Alaska; a 50% owner of Nelson Lagoon Storage Company, L.L.C., which stores fishing gear and vessels in Nelson Lagoon, Alaska; a 50% owner of Kayux Development, L.L.C., which is a harbor operating on Tract I in the City of St. George, Alaska; a 100% owner of Bering Pacific Seafoods, L.L.C. ("BPS"), located in False Pass, Alaska, which purchases and processes fish for resale; a 50% owner of Ugludax, L.L.C., which operates a fishing lodge in Nikolski, a 20% owner of Starbound, L.L.P., a vessel engaged in fish processing; a 15% owner of MUM Alaska, which operates hunting and fishing lodges throughout Alaska; a 50% owner in the Barbara J., L.L.C., a vessel engaged in commercial fishing in Alaska. On December 31, 2006 MUM Alaska was dissolved.

APICDA Joint Ventures, Inc. is a 100% owner of APICDA Vessels, Inc. (AVI), which purchases fishing vessels that are leased to fishermen in various southwestern Alaska villages. AVI is a 50% owner of Farwest Leader, L.L.C., a vessel engaged in commercial fishing in Alaska. AVI accounts for its investment in Farwest Leader, L.L.C. by the equity method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006



AJV accounts for its investments in Atka Pride Seafoods, Inc., Golden Dawn, L.L.C., Prowler, L.L.C., Ocean Prowler, L.L.C., Kayux Development, L.L.C., Nelson Lagoon Storage Company, L.L.C., Barbara J., L.L.C. and Starbound, L.L.P. by the equity method. All other companies are consolidated.

Cash and Cash Equivalents

APICDA, for the purpose of the Statement of Cash Flows, considers cash and cash equivalents to include amounts in demand deposits and short-term investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and that present an insignificant risk of changes in value due to changes in interest rates or other factors. APICDA maintains a number of checking, savings and time certificate of deposit accounts for each one of its consolidated companies. These accounts are held with Wells Fargo bank and Key Bank and are insured up to \$100,000 per bank by FDIC. Amounts in excess of \$100,000 are uninsured. All deposits with Key Bank were fully insured at December 31, 2007 and 2006. The APICDA's uninsured cash balance held at Wells Fargo bank at December 31, 2007 and 2006 were \$3,303,009 and \$4,705,300, respectively.

Trade Accounts Receivable and Other Receivables

APICDA uses the reserve for bad debt method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. The balance of the reserve for doubtful accounts, deducted against trade accounts receivable to properly reflect the realizable value, is \$157,011 and \$165,381 at December 31, 2007 and 2006, respectively.

Inventory

Inventory consists primarily of retail merchandise. Inventory is stated at the lower of cost (the first-in, first-out method) or market.

Prepaid Items

Payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid items.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, generally five, seven, or ten years. Expenditures for major

additions, renewals and betterments are capitalized and maintenance, repairs, minor additions and renovations are charged to expense. Gains or losses upon asset disposal are recorded as revenue.

Revenue Recognition

Royalty revenue from applying fixed rates to round weights caught or finished product is recognized at the time of harvest. Royalty revenue resulting from CDQ species and CDQ roe sold, and from the variable rate based on product mix and related market price, is recognized when these products are sold and the amount of royalty is determined to be measurable and collectible.

Income from leasing fishing vessels which is calculated as a percentage of the lessee's sales, is recognized in the period such sales occur.

Community Development Quota

The fair value of the CDQ quota received by APICDA is not considered to be determinable within reasonable limits. Accordingly, no value is assigned to the receipt of the quota in the financial statements.

Income Taxes

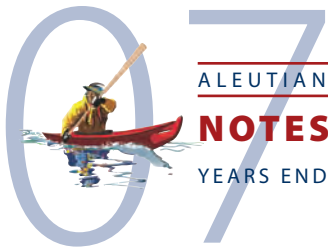
On July 27, 1993, APICDA was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, effective September 29, 1992. APICDA believes that none of its activities subject it to taxation of unrelated business taxable income. However, all subsidiaries conduct activities, which are subject to federal and state taxation (See Note XIV).

Reclassification

Certain prior year balances have been reclassified to conform to the current year presentation.

Impairment of Long-Lived Assets

APICDA evaluates the recoverability of its long-lived assets, primarily fixed assets, in accordance with Statement of Financial Accounting Standards No. 144, (SFAS 144), "Accounting for the Impairment of Long-Lived Assets." SFAS 144 requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds the estimated future undiscounted cash flows attributable to such assets. During 2006, APICDA determined that a dock was impaired. An impairment loss of \$502,763 was recorded.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006



2. INVESTMENTS

Investments are stated at fair value and are as follows at December 31, 2007 and 2006:

	Fair Value	
	2007	2006
Money market funds	\$ 5,468,575	886,213
Time certificates of deposit	550,574	-
Marketable securities	6,442,768	9,022,878
Mortgage and asset-backed securities	1,780,797	1,633,341
Closed end funds	212,718	203,245
Government bonds	2,655,298	2,259,391
	<u>\$ 17,110,730</u>	<u>14,005,068</u>

The following schedule summarizes the investment return for the years ended December 31, 2007 and 2006:

	Unrestricted	
	2007	2006
Interest and dividends	\$ 328,527	261,122
Net realized and unrealized gains	689,021	1,037,812
Total investment return	<u>\$ 1,017,548</u>	<u>1,298,934</u>

3. NOTES RECEIVABLE

Notes receivable at December 31 are comprised of the following:

	2007	2006
Notes receivable for cash advances to affiliated in-region partnerships and tribal entities	1,002,239	644,755
Notes receivable for advances on the purchase of fishing skiffs and gear	89,530	108,341
Notes receivable for advances on the purchase, of privately held IFQ	315,269	363,126
Notes receivable from related party board member for advances on the purchase of IFQ	70,809	82,514
Total notes receivable from affiliates and non-affiliates	<u>1,608,847</u>	<u>1,198,736</u>
Less current portion of notes receivable from affiliates and non-affiliates	<u>(234,388)</u>	<u>(170,575)</u>
Long-term notes receivable from affiliates and non-affiliates	\$ <u>1,374,459</u>	<u>1,028,161</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

**4. ADVANCES DUE FROM AFFILIATED NON-CONSOLIDATED COMPANIES**

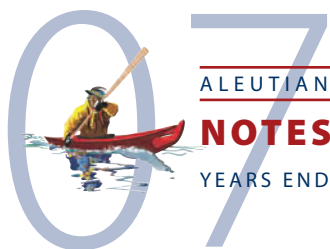
Advances receivable at December 31 are comprised of the following:

	2007	2006
Advances due from Kayux Development, L.L.C., non-interest bearing	\$ 18,350	16,500
Advances due from APS non-interest bearing	405,500	1,675,500
Total non-consolidated	423,850	1,692,000
Advances due from APICDA Joint Ventures – non-interest bearing	-	15,500
Total all advances	423,850	1,707,500
Less current portion	(405,500)	(1,691,000)
Long-term advances	\$ 18,350	16,500

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31 are comprised of the following:

	2007	2006
Property and equipment being depreciated:		
Office equipment	\$ 588,018	542,011
Fishing vessels and gear	2,288,510	2,732,459
Electronic equipment	129,870	97,518
Deck gear	184,671	170,840
Safety gear	50,282	34,950
Automobiles	235,240	193,153
Machinery	634,511	782,532
Buildings and infrastructures	4,503,740	3,953,128
Total property and equipment being depreciated	8,614,842	8,506,591
Less accumulated depreciation	(3,554,596)	(3,390,679)
Net property and equipment	5,060,246	5,115,912
Property and equipment not being depreciated:		
Construction in progress	3,955,890	1,001,724
Equipment being held for resale	156,452	
Land and land improvements	678,872	678,872
Total property and equipment not being depreciated	4,791,214	1,680,596
	\$ 9,851,460	6,796,508



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006



6. INTANGIBLE ASSETS

Other assets consist of intangible assets:

	2007	2006
Intangible assets balances by asset at December 31 are:		
Individual fishing quota shares	\$ 1,653,807	1,653,807
Less accumulated amortization and impairment	(919,363)	(919,363)
Catch history rights	70,500	80,500
Less accumulated amortization	(21,600)	(32,256)
Land use rights	1,495,000	1,495,000
Less accumulated amortization	(261,576)	(211,752)
CDQ use rights	300,000	300,000
Less accumulated amortization and impairment	(128,750)	(128,750)
Aleutia advertising rights	-	66,667
	<u>\$ 2,188,018</u>	<u>2,303,853</u>

7. RELATED PARTY TRANSACTIONS

Related Party Note Receivable

During 2003 AJV extended a loan in the amount of \$95,567 to one of its Board members. The note is non-interest bearing and is payable in annual payments equal to 20% of the total ex-vessel value of the halibut IFQ harvested and sold during each calendar year. The balance due at December 31, 2007 is \$70,809, of which \$4,988 is classified as current and \$65,821 classified as non-current. The entire unpaid principal balance is payable in full in November 2014.

8. NOTES PAYABLE

Notes payable consists of the following:

Loan payable to Vanna AS due in full July 1, 2008 interest is 4.00%. The original amount of the loan was \$500,000. Principle balance due at December 31, 2007 is \$ 83,335, all of which is classified as current.

Loan payable to Key Bank due in full November 15, 2009 interest is 6.32%. The original amount of the loan was \$2,500,000. Principle balance due at December 31, 2007 is \$714,280, of which \$357,144 is classified as current and \$357,136 is classified as non-current.

Mortgage payable to Wells Fargo Bank due in full December 31, 2035 interest is 7.5%. The original amount of the loan was \$304,857. Principle balance due at December 31, 2007 is \$259,560, of which \$22,000 is classified as current and \$237,560 is classified and non-current.

Grant from the Alaska Science and Technology Foundation is to be repaid in the following manner: Repayment shall equal five percent of the grantee's gross receipts which arise from the project to which the grant was related to, when 1/2 the amount of the grant has been repaid. The original amount of the grant was \$140,000. Principal balance due at December 31, 2007 is \$133,576, which is classified as non-current. Also included is a note finance charge of \$66,788, which at December 31, 2007 is classified as long-term notes payable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006



8. NOTES PAYABLE, CONTINUED

	2007	2006
Total notes payable	\$ 1,257,539	1,720,748
Less current portion of notes payable	(462,479)	(461,649)
Long-term portion of notes payable	<u>\$ 795,060</u>	<u>1,259,099</u>

Annual maturities of long-term debt for the five years subsequent to fiscal year 2007 are as follows:

2008	\$ 462,479
2009	379,074
2010	23,000
2011	24,000
2012	25,000
Thereafter	<u>343,986</u>
Totals notes payable	1,257,539
Less: current portion	<u>(462,479)</u>
	<u>\$ 795,060</u>

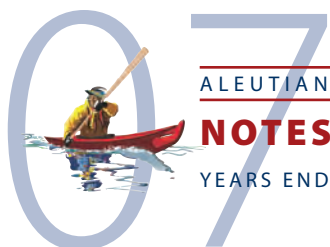
9. LONG-TERM RESERVES

At December 31, 2006, the Board designated \$10,074,151 of unrestricted net assets for long-term reserves. At December 31, 2007, the Board designated \$11,468,286 of unrestricted net assets for long-term reserves. All of this amount is held in investments.

10. GRANTS

APICDA provides financial assistance to organizations in southwestern Alaska for purposes of economic development and fisheries related development and protection. The amount of this financial assistance, which is classified as grants for scholarships and grants for projects on the statement of activities, for the years ended December 31, is comprised of the following:

	2007	2006
Community infrastructure projects	\$ 1,300,419	11,428
Fisherman's associations	120,000	140,000
School districts	76,083	41,988
College internships	4,603	1,162
Scholarships	191,915	207,956
Supplemental Education – Vocational Education	54,794	78,796
Community dividends	600,000	-
Other projects and grants	<u>5,836</u>	<u>651,400</u>
	<u>\$ 2,353,650</u>	<u>1,132,730</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006



11. ROYALTY INCOME

Under the CDQ program, eligible communities apply periodically for a portion of the harvestable fisheries in the coastal waters of Alaska. The program includes all species, and is not scheduled to expire until 2012. IFQ and CDQ royalty income, by species, received by APICDA for the years ended December 31, 2007 and 2006, is as follows:

	2007	2006
Pollock Base	\$ 3,648,300	3,943,063
Pollock Roe	1,669,549	1,877,783
Pacific Cod	957,364	840,898
Atka Mackerel	59,049	68,127
Pacific Ocean Perch	47,602	42,524
Rock Sole	42,828	20,233
Sablefish	102,397	7,213
Yellowfin Sole	154,582	129,551
Flathead Sole	1,978	2,768
Opilio	190,374	135,493
Red King	736,204	499,501
Brown King	49,802	-
Bairdi	21,202	-
Market share fees	1,151,190	848,070
Other	4,421	16,693
	<u>\$ 8,836,842</u>	<u>8,431,917</u>

12. INCOME TAXES

APICDA is subject to income tax only on its income from the activities of its for-profit subsidiaries, AVI, AJV, BPS, Puffin Seafoods, L.L.C., and Ugludax Lodge, L.L.C. APICDA had no income tax expense for the years ended December 31, 2007 and 2006.

The significant types of temporary differences and carryforwards that give rise to deferred taxes are Federal and State net operating loss carry forwards and accumulated depreciation.

The components of the net deferred income taxes are as follows:

	Federal	2007 State	Total
Noncurrent deferred tax asset	\$ 6,354,450	1,657,621	8,012,071
Valuation allowance	(6,354,450)	(1,657,621)	(8,012,071)
Total noncurrent deferred tax asset	<u>\$ -</u>	<u>-</u>	<u>-</u>

	Federal	2006 State	Total
Noncurrent deferred tax asset	\$ 6,686,839	1,803,417	8,490,256
Valuation allowance	(6,686,839)	(1,803,417)	(8,490,256)
Total noncurrent deferred tax asset	<u>\$ -</u>	<u>-</u>	<u>-</u>

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. APICDA has established a valuation allowance primarily for net operating losses ("NOLs") for federal and Alaska State income tax. As of December 31, 2007 and 2006, APICDA has remaining NOLs of approximately \$19,859,818 and \$19,969,894, respectively, for Federal income tax purposes and \$18,845,023 and \$19,438,010, respectively, for Alaska state income tax purposes. The NOLs, if not utilized, will begin to expire in 2014.

13. LEASES

Operating Leases

AVI, a wholly owned subsidiary of AJV, as lessor, has operating leases for its several fishing vessels and related equipment and gear to fishermen in the Atka, Alaska community. The operating leases run for the fishing season and provide for AVI to receive as lease income a minimum of twenty-five percent of the fishermen's fish sales. Related lease income for the years ended December 31, 2007 and 2006 was \$772,977 and \$562,329, respectively. The property and equipment subject to these leases and included in Property and Equipment in the accompanying statements of financial position at December 31, are as follows:

	2007	2006
Vessels and gear	\$ 1,985,654	2,276,211
Electronic equipment	119,710	97,518
Deck gear	184,671	170,840
Safety gear	40,597	34,950
	<u>2,330,632</u>	<u>2,579,519</u>
Accumulated depreciation	(1,175,989)	(1,297,639)
	<u>\$ 1,154,643</u>	<u>1,281,880</u>



BOARD OF DIRECTORS NOTES

In addition to the financial information provided in this annual report, the Board of Directors wish to make known to the residents of APICDA communities certain information regarding corporate governance. The board exercises broad oversight of its management team through board and committee meetings. Generally the board meets four times a year to review the financial health of APICDA, to receive reports on current operations, and to review plans for future programmatic changes. The Executive Committee meets with top management, generally on a monthly basis, to monitor the corporation's business, provide recommendations, and to approve or disapprove planned actions by management that do not require action by the full board. In addition, the board appoints several committees (see inset) to oversee specific corporate functions. The Budget & Audit Committee reviews annual budgets prior to submission to the full board, and monitors management's performance against budget throughout the budget year. The other committees meet on a regular basis to review new proposals and management performance. Reports are made to the full board.

APICDA compensates its Directors \$400 per day for meeting attendance fees. In addition, the directors receive a \$300 a month honorarium as compensation for time expended on corporate affairs through emails, phone conversations, and correspondence review. The board, noting the extreme time demands placed on the Chairs of APICDA and APICDA Joint Ventures, authorized each \$2,500 per month in compensation. Travel and per diem for board members are paid at the published rates for federal employees.

Disclosures are made if any officers, directors, or key employees are related to any professional service providers the corporation utilizes. There were no such relationships in 2007. APICDA also discloses any pending litigation between the corporation and any former officers, directors, or key employees. No such litigation is pending.

The board is mindful of its responsibility to ensure its management team is professional, competent, responsive, and fully supportive of its goals and priorities. The board highly values its management team. Salaries are set based on those parameters and at levels comparable to other companies in the industry. Chief Executive Officer (CEO) Larry Cotter received \$250,000 in salary during calendar year 2007. Chief Operating Officer (COO) and Chief Financial Officer (CFO) Joe Kyle received \$250,000 in salary during calendar year 2007. Controller Rob Smith was paid \$101,592 in 2007. Construction Manager Shawn Hansen received \$98,074 in salary during 2007. Rounding out the top five highly compensated individuals was Business Development Specialist Everette Anderson, who was paid \$92,912. In addition, the board compensates top management with performance bonuses each year. These bonuses, which may vary in amount from year to year, serve to recognize meritorious performance and to provide further incentives for top management to strive for excellence as it pursues the corporation's goals and objectives. The CEO and COO/CFO were awarded \$75,000 for their performances in 2007 based on the outstanding revenues received, performance improvements at each operating entity, and the restructuring after two top managers departed the company. In other bonuses, the Construction Manager received \$15,000; the Controller \$10,000; and the Business Development Specialist \$7,000.

APICDA COMMITTEES 2007

Executive Committee

Gilda Shellikoff - False Pass
Hugh Pelky - Akutan
Justine Gundersen - Nelson Lagoon

Financial Investment Committee

Pete Crandall - Juneau
Hugh Pelkey - Akutan
Gilda Shellikoff - False Pass

Training & Education Committee

Emil Berikoff - Unalaska
Hugh Pelkey - Akutan
Arnold Dushkin - Nikolski

Policy & Procedures Committee

Rick Lauber - Juneau
Justine Gundersen - Nelson Lagoon
Gilda Shellikoff - False Pass
Gail Schubert - Anchorage

Budget & Audit Committee

Justine Gundersen - Nelson Lagoon
Pete Crandall - Juneau
Gilda Shellikoff - False Pass
Rick Lauber - Juneau

Business Investments Committee

Rick Lauber - Juneau
Pete Crandall - Juneau
Gilda Shellikoff - False Pass



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Toll Free: 888.927.4232 | www.apicda.com



APICDA

annual report



2008

board of directors



Gilda Shellikoff

False Pass
Chair



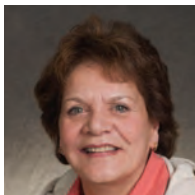
Hugh Pelkey

Akutan
Vice Chair



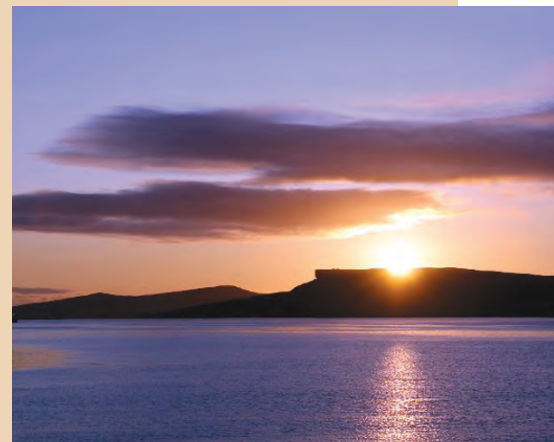
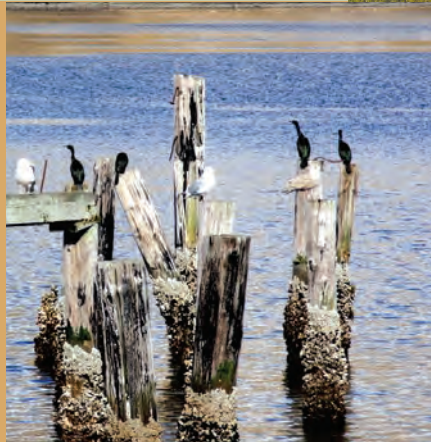
Justine Gundersen

Nelson Lagoon
Secretary & Treasurer



Pete Crandall

Financial Industry
Board Member



Mark Snigaroff

Atka
Board Member



Emil Berikoff

Unalaska
Board Member



Patrick Pletnikoff

St. George
Board Member



Arnold Dushkin

Nikolski
Board Member



Rick Lauber

Fishing Industry
Board Member



July 31, 2009

Dear APICDA Community and Community Residents:

I am pleased to report that APICDA continues to fulfill the promise of the CDQ program – to support sustainable and diversified local economies in Western Alaska. I want to thank Senator Ted Stevens for his many years of work on issues important to APICDA and our communities. The financial and regulatory stability won through the Coast Guard Act was the catalyst for our success.

In 2008, we had good results from operations, made new investments in equipment and people, and continued to develop strong partnerships with our communities.

Energy costs continue to be a challenge both for our operations and for our communities. APICDA is working on this issue from many angles, including assisting communities to obtain fuel grants and working on wind power projects in St. George and Nikolski.

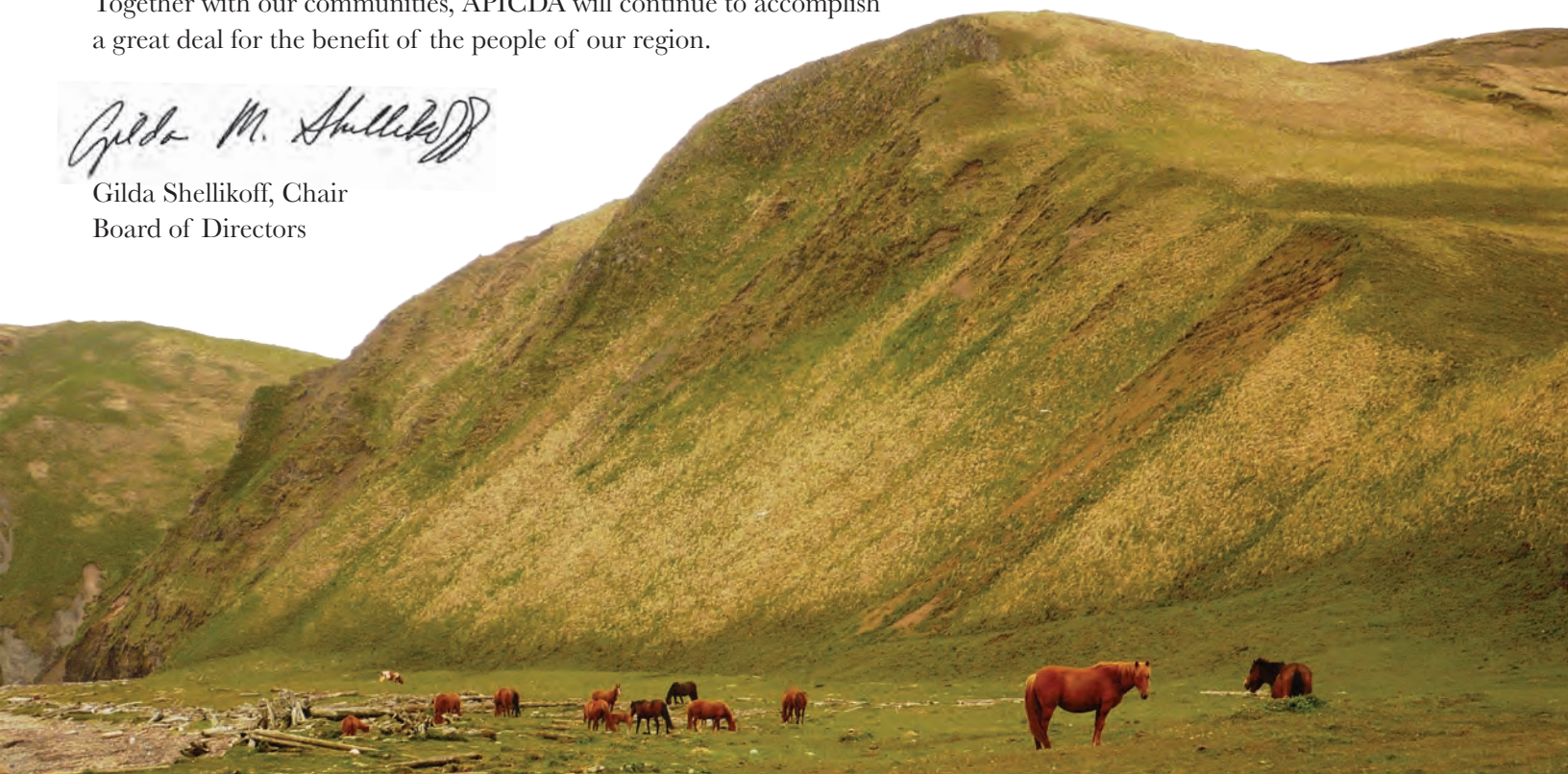
The new salmon bycatch rules may have a profound impact on APICDA. Pollock is our main source of revenue. The regulations will go into effect in 2011. All of the CDQ groups have a stake in carefully managing this fishery, and we will ensure our salmon bycatch is as low as possible. APICDA will continue to take a leadership role throughout the region on this and other issues.

APICDA has an excellent management team supported by an engaged board of directors. I am proud to serve alongside my fellow directors, many of whom have guided the organization for years.

Together with our communities, APICDA will continue to accomplish a great deal for the benefit of the people of our region.

A handwritten signature in black ink that reads "Gilda M. Shellikoff". The signature is written in a cursive style.

Gilda Shellikoff, Chair
Board of Directors





July 31, 2009

To the APICDA Community:

We are pleased to submit this annual report of APICDA's operations in 2008. As a company and as an organization, APICDA is in great shape. We have an excellent team composed of dedicated, hard-working people. We are healthy financially and have very little debt – most of what we owe, we owe to ourselves. We have great relationships with our communities and our harvesting and processing partners. We have solid relationships in the political world.

We have made substantial investments in crab harvesting and processing in the past few years – from increased investments in harvesting vessels to substantial purchases of crab processor shares. Our long-term strategy is to increase crab processing in our communities.

For the first time in its 14-year history, Atka Pride Seafoods was 100% managed and operated by Atka residents. The skill and drive of siblings Jimmy and Larisa Prokopeuff, and their success in recruiting local labor, helped us reach this milestone. We do have some challenges with the poor halibut market in 2008, and we do not expect much improvement in 2009.

We completed construction of the new Bering Pacific Seafoods processing plant in False Pass. The facility opened in June and operated throughout the summer salmon season. We are proud of this investment and look forward to the economic benefits it will generate for local and regional residents.

We significantly expanded our tourism marketing in 2008 through a marketing agreement with internationally acclaimed hunter Jim Shockey. With his endorsement, several of our hunting adventures are already sold out for the next two years. Tourism offers a different kind of economic development that complements our traditional seafood harvesting and processing activities.

There are many other highlights of our operations in 2008 in the pages of this annual report. As you can see, APICDA has a strong and diversified portfolio of assets positioned to maximize the value of our resources and support sustained economic development in our communities. We appreciate the support of our board of directors and the dedication of APICDA's staff. Thank you for your support in 2008, and we look forward to success in 2009.

Larry Cotter
Chief Executive Officer

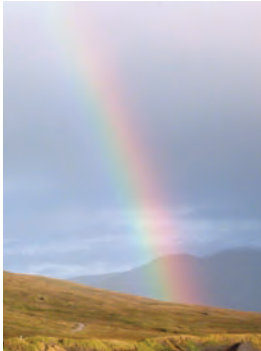
Joe Kyle
Chief Operating Officer
Chief Financial Officer



highlights



- Contributed \$600,000 in grants to the six member communities as a community dividend.
- Long term reserve account worth \$9,205,709 at year-end 2008.
- F/V Konrad I landed approximately 650,000 pounds of Pacific Cod.
- Invested \$5 million to complete and open the new Bering Pacific Seafoods plant in False Pass. The facility opened in June 2008, and processed 500,000 pounds of salmon.
- Completed processing of Area 4B halibut quota by the end of July.
- Employed 101 APICDA residents with a payroll of \$2,120,570.
- Invested \$332,416 in scholarships, internship programs, and grants for schools and community programs.
- Consolidated net worth remained constant at \$47 million, despite losses in equity investments and impairments taken against the book value of Kayux, Puffin, Ugludax.
- Purchased 50 % ownership in F/V Reagan for longline fisheries in the GOA and BSAI.
- Since our founding, invested more than \$8,000,000 in partnership vessels and another \$2,000,000 in wholly owned vessels.
- Have \$5,676,000 invested in IFQ halibut and sablefish and IPQ crab shares.
- Over the past three years, invested more than \$7,334,176 on projects in region.
- Provided \$1 million in grants for community infrastructure projects.



APICDA subsidiaries



Atka Pride Seafoods

50/50 partnership between APICDA Joint Ventures and the Atka Fishermen's Association, organized as a Subchapter C corporation. The plant, located in Atka, Alaska, processes approximately 500,000 pounds per year of halibut and sablefish in H&G and fillet product forms.



F/V Barbara J. LLC

50/50 partnership between APICDA Joint Ventures and Trident Seafoods. Managed by Trident, this crab vessel fishes for various species of crab and Pacific cod, and serves as a tender.

Bering Pacific Seafoods LLC

100% owned and operated by APICDA Joint Ventures. The plant opened for its inaugural season in June 2008. The plant met its processing goals with respect to salmon and management was pleased with product quality. While fillet production is planned for the future, in its first season the plant concentrated on H & G salmon.



F/V Farwest Leader LLC

50/50 partnership between APICDA Joint Ventures and Trident Seafoods. Managed by Trident, this crab vessel fishes for various species of crab and Pacific cod, and serves as a tender.

F/V Golden Dawn LLC

50/50 partnership between APICDA Joint Ventures and Trident Seafoods. Managed by Trident, this trawl-catcher vessel fishes primarily for pollock in the Bering Sea.

Kayux Development

50/50 partnership between APICDA Joint Ventures and the Tanaq Corporation. This company is poised to participate in any upland development associated with commercial activities in Tract I, Zapadni Bay Harbor on St. George Island.

Nelson Lagoon Storage Company LLC

50/50 partnership between APICDA Joint Ventures and the native village of Nelson Lagoon (Council). The storage company operates as a gear and vessel storage business in Nelson Lagoon to support the summer salmon fishery.

APICDA subsidiaries



Ocean Prowler LLC

20/20/60 partnership between APICDA Joint Ventures (20%), Coastal Villages Region Fund (20%) and a partnership comprised of John Winther, Bart Eaton, and Jerry Kennedy (60%). Managed by John Winther and Jerry Kennedy, the F/LL Ocean Prowler is a catcher processor that fishes for Pacific cod and sablefish.

Prowler LLC

20/20/60 partnership between APICDA Joint Ventures (20%), Coastal Villages Region Fund (20%) and a partnership comprised of John Winther, Bart Eaton, and Jerry Kennedy (60%). Managed by John Winther and Jerry Kennedy, the F/L/L Prowler and the F/L/L Bering Prowler are catcher processors that fish for Pacific cod and sablefish.

Puffin Seafoods LLC

50/50 partnership between APICDA Joint Ventures and the St. George Fishermen's Association. The company is the business entity necessary for the halibut fishery on St. George Island to take place, and serves as an administrative vehicle for the local fleet to pursue the halibut CDQ fishery in Area 4C.

Reagan LLC

50/50 partnership between APICDA Joint Ventures and Swimelar Enterprises, Inc. Managed by Wes Swimelar, this 58 foot longline vessel harvests Pacific cod, sablefish, and halibut in the Bering Sea and Gulf of Alaska.



Starbound LLC

APICDA Joint Ventures owns 20% of this pollock catcher-processor with Aleutian Spray Fisheries, who serves as the managing partner. This vessel harvests and processes approximately 75% of APICDA's pollock CDQ quota.

Ugludax Lodge LLC

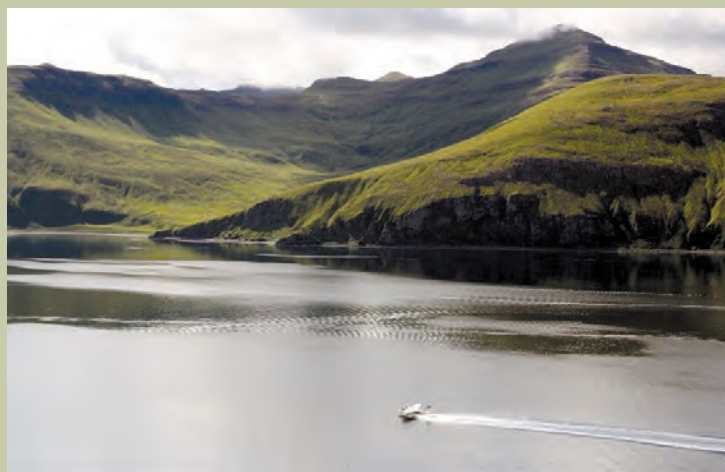
50/50 partnership between APICDA Joint Ventures and the Chaluka Corporation. The company operates the Ugludax Lodge in Nikolski on Umnak Island as a high end, sport fish and hunting destination.





**2008 CDQ IN-REGION
EMPLOYMENT**

	Individuals	Wages
Management/Admin	8	\$538,805
Board Members	9	\$120,000
Community Liaisons	7	\$81,000
CDQ A/B Season	1	\$17,469
Other Fishing	50	\$1,186,552
Internships	2	\$5,114
Other Employment	24	\$171,630
TOTALS	101	\$2,120,570



**2008 APICDA TRAINING &
EDUCATION EXPENDITURES**

		Individuals	Expenditures
SCHOLARSHIPS	Post Secondary	61	\$228,555
VOC-TECH CLASSES	Basic	5	\$10,639
OTHER TRAINING	Fisheries Related	11	\$16,266
	CDQ Staff/Board	7	\$21,048
OTHER EXPENDITURES	School Grants	5	\$55,908
TOTAL		89	\$332,416



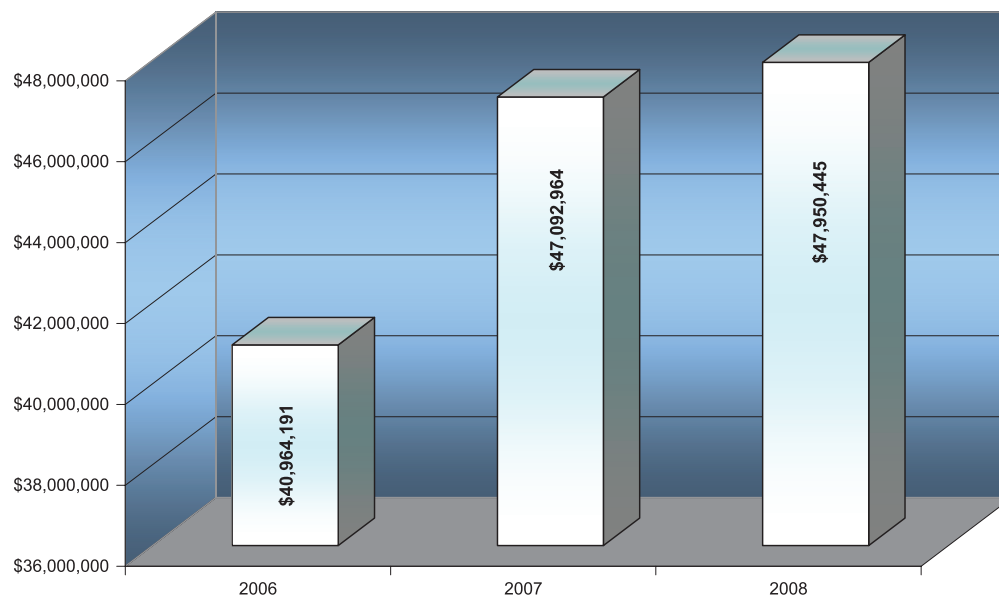
consolidated financials for 2008



To comply with state and federal regulations, APICDA undergoes a financial and managerial audit each year, and the results are shared with state and federal regulators. The 2008 audit began January 2009 and was concluded in mid July of 2009 by the Anchorage-based accounting firm of Altman, Rogers & Co. The board and management place a great deal of faith and reliance with the Altman, Rogers & Co. findings as a measure of our overall corporate health. Management takes their recommendations as direction to improve managerial and accounting practices, and tries to implement them as quickly as possible. The Altman, Rogers & Co. annual audit is a critical component in our corporate governance processes, and we are extremely grateful for the professional, diligent, and forthright manner in which it is conducted each year.

Altman, Rogers & Co. final, thirty plus page “Audit and Report on Consolidated Financial Statements and Supplementary Information” is on file in the APICDA corporate office in Juneau and Anchorage, Alaska. Management compressed the financial information depicted below from that audit and report for 2008.

APICDA Consolidated Net Worth



**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31, 2008 and 2007

ASSETS**Current assets:**

Cash and cash equivalents	\$ 3,100,630	3,397,890
Short term investments	12,640,828	17,154,394
Accounts receivable:	2,429,737	892,239
Notes receivable affiliates - current	300,339	—
Related party note receivable - current	11,238	4,988
Note receivable - current	213,714	131,000
Interest receivable	29,282	41,410
Advances due from affiliated companies - current	—	18,350
Inventory	2,374,697	134,032
Prepaid expenses	213,801	392,031
Total current assets	<u>21,314,266</u>	<u>22,166,334</u>

Investments:

Investment in Out of Region Entities	10920111	11022105
Investment Partnerships with in-Region Entities	1445694	1439375
Total investments	<u>12,365,805</u>	<u>12,461,480</u>

Property and equipment, net	12,341,416	10,847,734
Intangible assets, net	5,988,929	2,188,018
Non-Current Loans & Advances Receivable	1,590,063	1,079,971
Total assets	<u>\$ 53,600,479</u>	<u>48,743,537</u>

LIABILITIES AND UNRESTRICTED NET ASSETS**Current liabilities:**

Notes payable - current	1,076,266	462,479
Accounts payable	244,169	162,611
Accrued payroll and related liabilities	153,392	175,105
Interest payable	33,020	—
Income taxes payable	16,476	—
Fish taxes payable	41,559	3,780
Unearned deposits	7,500	40,200
Total current liabilities	<u>1,572,382</u>	<u>844,175</u>

Notes payable, net of current portion	4,021,710	795,060
Deferred tax liability	55,942	11,338

Total liabilities	<u>5,650,034</u>	<u>1,650,573</u>
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Unrestricted net assets:

Designated:		
Minority interests		
Net assets	(1,219,872)	(709,531)
Contributed capital	1,795,000	1,795,000
Long-term reserves	9,205,710	11,468,286
Total designated net assets	<u>9,780,838</u>	<u>12,553,755</u>

Undesignated net assets	38,169,607	34,539,209
Total unrestricted net assets	<u>47,950,445</u>	<u>47,092,964</u>

Total liabilities and unrestricted net assets	<u>53,600,479</u>	<u>48,743,537</u>
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CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2008 and 2007

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and support:

	2008	2007
Royalties	\$ 9,233,896	8,821,621
Interest	145,850	375,227
Gain on sale of property and equipment	(115,127)	1,205
Net realized and unrealized gains (losses) on investments	(2,177,460)	689,021
Nazan Bay Inn	15,956	13,300
Equity in Profit (Loss) of Out of Region Investments	2,589,680	3,251,456
Equity in Profit (Loss) of In-Region Partnership Investments	6,319	376,910
Fishing income	2,187,662	3,430,166
Software sales	6,250	13,750
Billed Labor	—	405,488
Fish tax donation	105,000	82,500
Loss on dissolution of partnership	—	(168,480)
Other income	298,916	180,072
Total revenues and support	<u>12,296,942</u>	<u>17,472,236</u>

Expenses

Programs:

Community development:		
Grants for Education (Scholarships/Vocational)	294,130	246,708
Grants for projects	1,648,984	1,898,915
Community outreach	164,705	206,523
Total community development	<u>2,107,819</u>	<u>2,352,146</u>

Operations:

Crew	\$ 938,675	1,084,020
Labor	1,695,853	1,874,271
Boat supplies, maintenance and repairs	868,416	1,754,783
Travel and transportation	78,167	173,349
Nazan Bay Inn expenses	21,584	29,842
Insurance	149,563	133,856
Licenses, taxes and fees	182,565	137,998
Asset impairment	807,526	26,680
Miscellaneous	43,441	13,534
Total operations	<u>4,785,790</u>	<u>5,228,333</u>

Total program expenses

6,893,609 7,580,479

General and administrative:

Travel and transportation	186,650	173,312
Labor	1,592,639	1,330,995
Office expense	482,953	406,571
Management fees	97,427	99,029
Directors' fees and per diem	353,409	344,585
Insurance	118,289	89,838
Professional fees	335,294	445,723
Licenses, taxes and fees	106,907	83,638
Repairs and maintenance	55,812	41,686
Tourism	134,778	—
Bad Debt Expense	54,268	—
Miscellaneous	166,895	101,593
Total general and administrative	<u>3,685,321</u>	<u>3,116,970</u>

Interest and depreciation expense:

Interest	92,491	97,748
Depreciation	691,546	555,626
Total interest and depreciation	<u>784,037</u>	<u>653,374</u>

Total expenses

11,362,967 11,350,823

Income before tax provision

933,975 6,121,413

Income tax benefit (expense)

(76,496) 7,245

Increase in unrestricted net assets

857,479 6,128,658

Unrestricted net assets, beginning of year

47,092,963 40,964,192

Unrestricted net assets, end of year

\$ 47,950,442 47,092,850

Minority interest in change in unrestricted net assets

\$ 510,341 176,825



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Aleutian Pribilof Island Community Development Association ("APICDA") is an Alaskan nonprofit corporation formed in September 1992 for the benefit of various southwestern Alaska villages for the purpose of participating in the Alaska Community Development Quota ("CDQ") program established by the Federal Government. Under the CDQ program, eligible communities apply periodically for a portion of the harvestable pollock fishery in the coastal waters of Alaska. During 2006, the U.S. Congress extended the CDQ rights for all species indefinitely and established the allocation percentage for all species at 2002 levels until 2012.

Principles of Consolidation

In 1994, APICDA formed two wholly owned for profit subsidiaries, APICDA Joint Ventures, Inc. ("AJV"), and APICDA Management Corporation ("AMC"). On January 1, 1996, AMC was renamed as APICDA Vessels, Inc. ("AVI") and APICDA's investment in AVI was transferred to AJV.

AJV is a 100% owner of AVI and Bering Pacific Seafoods, L.L.C. ("BPS"), and a 50% owner of Puffin Seafoods, L.L.C., Ugludax Lodge, L.L.C and Atka Pride Seafoods (APS).

In accordance with accounting principles generally accepted in the United States of America, APICDA, AJV, AVI, BPS, APS, Puffin Seafoods, L.L.C. and Ugludax Lodge, L.L.C. have been consolidated for the year ended December 31, 2008 and 2007. The consolidated entity is referred to as APICDA in these financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Operations

Aleutian Pribilof Island Community Development Association (APICDA) promotes local economic development in the Bering Sea/Aleutian Islands area of Alaska including fisheries development and protection. APICDA evaluates requests for assistance and distributes grants or other forms of financial assistance.

APICDA received a community development quota of approximately 28,793 metric tons, which represents approximately 15.5% of Alaska's CDQ reserve.

APICDA has entered into agreements with seafood processors whereby APICDA receives royalty payments for the utilization of the CDQ by processors. Under the agreements, the royalty is calculated using fixed rates, applied to round weights caught, and percentages applied to gross revenues from pollock and pollock roe produced, plus additional amounts if average sale prices exceed amounts defined in the agreement. The majority of consolidated revenues result from royalties generated by the use of the CDQ.

APICDA Joint Ventures, Inc. is a 50% owner of Atka Pride Seafoods, Inc. ("APS"), located in Atka, Alaska, which purchases and processes fish for resale; a 50% owner of Puffin Seafoods, L.L.C., which operates as a fish handling facility in St. George, Alaska; a 25% owner of Golden Dawn, L.L.C., a vessel engaged in commercial fishing in Alaska; a 20% owner of Prowler, L.L.C. and a 20% owner of Ocean Prowler, L.L.C., which are vessels engaged in commercial fishing in Alaska; a 50% owner of Nelson Lagoon Storage Company, L.L.C., which stores fishing gear and vessels in Nelson Lagoon, Alaska; a 50% owner of Kayux Development, L.L.C., which is a harbor operating on Tract I in the City of St. George, Alaska; a 100% owner of Bering Pacific Seafoods, L.L.C. ("BPS"), located in False Pass, Alaska, which purchases and processes fish for resale; a 50% owner of Ugludax, L.L.C., which operates a fishing lodge in Nikolski, a 20% owner of Starbound, L.L.P., a vessel engaged in fish processing; a 50% owner in the Barbara J., L.L.C., a vessel engaged in commercial fishing in Alaska, and a 50% owner of Reagan L.L.C., a vessel engaged in commercial fishing in Alaska.

APICDA Joint Ventures, Inc. is a 100% owner of APICDA Vessels, Inc. (AVI), which purchases fishing vessels that are leased to fishermen in various southwestern Alaska villages. AVI is a 50% owner of Farwest Leader, L.L.C., a vessel engaged in commercial fishing in Alaska. AVI accounts for its investment in Farwest Leader, L.L.C. by the equity method.

AJV accounts for its investments in Golden Dawn, L.L.C., Prowler, L.L.C., Ocean Prowler, L.L.C., Kayux Development, L.L.C., Nelson Lagoon Storage Company, L.L.C., Barbara J., L.L.C., Reagan, L.L.C. and Starbound, L.L.P. by the equity method. All other companies are consolidated.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007



Cash and Cash Equivalents

APICDA, for the purpose of the Statement of Cash Flows, considers cash and cash equivalents to include amounts in demand deposits and short-term investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and that present an insignificant risk of changes in value due to changes in interest rates or other factors. APICDA maintains a number of checking, savings and time certificate of deposit accounts for each one of its consolidated companies. These accounts are held with Wells Fargo bank and Key Bank and are insured up to \$250,000 per bank by FDIC in fiscal year 2008 and \$100,000 in fiscal year 2007. Amounts in excess of \$250,000 and \$100,000 are uninsured in fiscal year 2008 and 2007, respectively. All deposits with Key Bank were fully insured at December 31, 2008 and 2007. The uninsured cash balance held at Wells Fargo bank at December 31, 2008 and 2007 were \$3,036,711 and \$3,303,009, respectively.

Trade Accounts Receivable and Other Receivables

APICDA uses the reserve for bad debt method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. The balance of the reserve for doubtful accounts, deducted against trade accounts receivable to properly reflect the realizable value, is \$48,573 and \$157,011 at December 31, 2008 and 2007, respectively.

Inventory

Inventory consists of retail merchandise and fish sold at whole sale. Retail merchandise is stated at the lower of cost (the first-in, first-out method) or market. Fish is valued at lower of cost or market.

Prepaid Items

Payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid items.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, generally five, seven, or ten years. Expenditures for major additions, renewals and betterments are capitalized and maintenance, repairs, minor additions and renovations are charged to expense. Gains or losses upon asset disposal are recorded as revenue.

Revenue Recognition

Royalty revenue from applying fixed rates to round weights caught or finished product is recognized at the time of harvest. Royalty revenue resulting from CDQ species and CDQ roe sold, and from the variable rate based on product mix and related market price, is recognized when these products are sold and the amount of royalty is determined to be measurable and collectible.

Income from leasing fishing vessels which is calculated as a percentage of the lessee's sales, is recognized in the period such sales occur.

Community Development Quota

The fair value of the CDQ quota received by APICDA is not considered to be determinable within reasonable limits. Accordingly, no value is assigned to the receipt of the quota in the financial statements.

Income Taxes

On July 27, 1993, APICDA was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, effective September 29, 1992. APICDA believes that none of its activities subject it to taxation of unrelated business taxable income. However, all subsidiaries conduct activities, which are subject to federal and state taxation.

Reclassification

Certain prior year balances have been reclassified to conform to the current year presentation.

Impairment of Long-Lived Assets

APICDA evaluates the recoverability of its long-lived assets, primarily fixed assets, in accordance with Statement of Financial Accounting Standards No. 144, (SFAS 144), "Accounting for the Impairment of Long-Lived Assets." SFAS 144 requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds the estimated future undiscounted cash flows attributable to such assets. During 2008, APICDA determined that certain CDQ use rights and a building was impaired. An impairment loss of \$171,250 and \$636,276, respectively was recorded.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007



II. INVESTMENTS

Investments are stated at fair value and are as follows at December 31, 2008 and 2007:

	FAIR VALUE	
	2008	2007
Money market funds	\$ 2,525,766	5,468,575
Time certificates of deposit	1,135,133	594,238
Marketable securities	5,077,967	6,442,768
Mortgage and asset-backed securities	1,553,018	1,780,797
Closed end funds	175,105	212,718
Government bonds	2,173,839	2,655,298
	<u>\$ 12,640,828</u>	<u>17,154,394</u>

The following schedule summarizes the investment return for the years ended December 31, 2008 and 2007:

	UNRESTRICTED	
	2008	2007
Interest and dividends	\$ 145,850	375,227
Net realized and unrealized gains (losses)	(2,177,460)	689,021
Total investment return	<u>\$ (2,031,610)</u>	<u>1,064,248</u>

III. NOTES RECEIVABLE

Notes receivable at December 31 are comprised of the following:

	2008	2007
Note receivable for cash advances to affiliated in-region partnerships and tribal entities	300,339	493,839
Notes receivable for cash advances to affiliated out of region partnerships	1,065,632	—
Notes receivable for advances to non-affiliated entities on the purchase of privately held IFQ	398,213	430,781
Notes receivable for advances to non-affiliated entities on the purchase of fishing skiffs and gear	104,605	89,530
Notes receivable from non-affiliated in-region entities	132,865	131,000
Total notes receivable from affiliates and non-affiliates	<u>2,001,654</u>	<u>1,145,150</u>
Less current portion from affiliates and Non-affiliates	<u>(514,053)</u>	<u>(229,400)</u>
Long-term notes receivable from affiliates and non-affiliates	<u>\$ 1,487,601</u>	<u>915,750</u>

IV. ADVANCES DUE FROM AFFILIATED NON-CONSOLIDATED COMPANIES

Advances receivable at December 31 are comprised of the following:

	2008	2007
Advances due from Kayux Development, L.L.C., non-interest bearing	\$ 19,750	18,350
Total all advances	19,750	18,350
Less current portion	<u>—</u>	<u>—</u>
Long-term advances	<u>\$ 19,750</u>	<u>18,350</u>





NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007



V. PROPERTY AND EQUIPMENT

Property and equipment at December 31 are comprised of the following:

	2008	2007
Property and equipment being depreciated:		
Office equipment	\$ 589,944	589,944
Fishing vessels and gear	2,607,758	2,288,510
Electronic equipment	111,074	129,870
Deck gear	174,295	184,671
Safety gear	46,079	50,282
Automobiles	361,324	304,206
Machinery	2,636,672	1,486,340
Buildings and infrastructures	8,447,801	5,648,974
Total property and equipment being depreciated	14,974,947	10,682,797
Less accumulated depreciation	(4,708,422)	(4,626,277)
Net property and equipment being depreciated	10,266,525	6,056,520
Property and equipment not being depreciated:		
Construction in progress	1,396,019	3,955,890
Land and land improvements	678,872	678,872
Total property and equipment not being depreciated	2,074,891	4,634,762
	<u>\$ 12,341,416</u>	<u>10,691,282</u>

VI. INTANGIBLE ASSETS

Other assets consist of intangible assets.

	2008	2007
Intangible assets balances by asset at December 31 are:		
Individual fishing quota shares	\$ 1,653,807	1,653,807
Less accumulated amortization and impairment	(919,363)	(919,363)
Individual processing quota shares	4,021,985	—
Catch history rights	70,500	70,500
Less accumulated amortization	(21,600)	(21,600)
Land use rights	1,495,000	1,495,000
Less accumulated amortization	(311,400)	(261,576)
CDQ use rights	—	300,000
Less accumulated amortization and impairment	—	(128,750)
	<u>\$ 5,988,929</u>	<u>2,188,018</u>

VII. RELATED PARTY TRANSACTIONS

Related Party Note Receivable

During 2003 AJV extended a loan in the amount of \$95,567 to one of its Board members. The note is non-interest bearing and is payable in annual payments equal to 20% of the total ex-vessel value of the halibut IFQ harvested and sold during each calendar year. The balance due at December 31, 2008 is \$68,950, of which \$4,988 is classified as current and \$63,962 classified as non-current. The entire unpaid principal balance is payable in full in November 2014.

During 2008 AVI extended a loan in the amount of \$25,000 to one of its Board members. The note is non-interest bearing and is payable in minimum annual payments of \$6,250 prior to September 30 of each year commencing with the first payment due on September 30, 2009. Final payment due September 30, 2012.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007



VIII. NOTES PAYABLE

Notes payable consists of the following:

Loan payable to Key Bank due in full November 15, 2009 interest is 6.32%. The original amount of the loan was \$2,500,000. Principle balance due at December 31, 2008 is \$357,136, all of which is classified as current.

Mortgage payable to Wells Fargo Bank due in full December 31, 2035 interest is 7.5%. The original amount of the loan was \$304,857. Principle balance due at December 31, 2008 is \$235,095, of which \$22,000 is classified as current and \$213,095 is classified as non-current.

Grant from the Alaska Science and Technology Foundation is to be repaid in the following manner: Repayment shall equal five percent of the grantee's gross receipts which arise from the project to which the grant was related to, until ½ the amount of the grant has been repaid. The original amount of the grant was \$140,000. Principal balance due at December 31, 2008 is \$133,576, which is classified as non-current. Also included is a note finance charge of \$66,788, which at December 31, 2008 is included with as long-term notes payable.

Loan payable to Wells Fargo. The original amount of the loan was \$900,000. Principle balance due at December 31, 2008 is \$646,000, all of which is classified as current.

Seller carried loan payable due in full December 31, 2023. The original amount of the loan was \$659,381 interest is 4.6%. Principle balance due at December 31, 2008 is \$659,381 of which \$51,130 is classified as current and \$608,251 is classified as non-current.

Loan payable to Citi-Smith Barney of \$3,000,000. Interest rate of the Federal discount rate plus 2.87% floating.

	2008	2007
Total notes payable	\$ 5,097,976	1,257,539
Less current portion of notes payable	<u>(1,076,266)</u>	<u>(462,479)</u>
Long-term portion of notes payable	<u>\$ 4,021,710</u>	<u>795,060</u>

Annual maturities of long-term debt for the five years subsequent to fiscal year 2008 are as follows:

2009	\$ 1,076,266
2010	73,130
2011	73,130
2012	73,130
2013	73,130
Thereafter	<u>3,729,190</u>
Totals notes payable	5,097,976
Less: current portion	<u>(1,076,266)</u>
	<u>\$ 4,021,710</u>





NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007



IX. LONG-TERM RESERVES

At December 31, 2007, the Board designated \$11,468,286 of unrestricted net assets for long-term reserves. All of this amount is held in investments. At December 31, 2008, the Board designated \$9,205,710 of unrestricted net assets for long-term reserves. All of this amount is held in investments.

X. GRANTS

APICDA provides financial assistance to organizations in southwestern Alaska for purposes of economic development and fisheries related development and protection. The amount of this financial assistance, which is classified as grants for scholarships and grants for projects on the statement of activities, for the years ended December 31, is comprised of the following:

	2008	2007
Community infrastructure projects	\$ 1,012,333	1,300,419
Fisherman's associations	140,000	120,000
School districts	55,908	76,083
College internships	5,448	4,603
Scholarships	228,554	191,915
Supplemental Education – Vocational Education	65,576	54,794
Community dividends	600,000	600,000
Other projects and grants	—	5,836
	<u>\$ 2,107,819</u>	<u>2,353,650</u>

XI. ROYALTY INCOME

Under the CDQ program, eligible communities apply periodically for a portion of the harvestable fisheries in the coastal waters of Alaska. The program includes all species, and is not scheduled to expire until 2012. CDQ royalty income, by species, received by APICDA for the years ended December 31, 2008 and 2007, is as follows:

	2008	2007
Pollock Base	\$ 2,619,073	3,648,300
Pollock Roe	1,509,126	1,669,549
Pacific Cod	1,069,371	957,364
Atka Mackerel	119,731	59,049
Pacific Ocean Perch	45,481	47,602
Rock Sole	37,438	42,828
Sablefish	7,471	102,397
Yellowfin Sole	278,184	154,582
Flathead Sole	2,642	1,978
Opilio	333,546	190,374
Red King	863,428	736,204
Brown King	50,952	49,802
Bairdi	—	21,202
Market share fees	2,287,726	1,136,169
Other	9,727	4,221
	<u>\$ 9,233,896</u>	<u>8,821,621</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007



XII. INCOME TAXES

APICDA is subject to income tax only on its income from the activities of its for-profit subsidiaries, AJV, AVI, BPS L.L.C., Puffin Seafoods, L.L.C., Ugludax Lodge, L.L.C., and Atka Pride Seafoods, Inc.

The income for AJV Inc, AVI, BPS L.L.C., Puffin Seafoods, L.L.C., and Ugludax Lodge, L.L.C. are reported on a consolidated tax return. Atka Pride Seafoods, Inc. files a separate return because AJV owns less than 80%.

The significant types of temporary differences and carryforwards that give rise to deferred taxes are Federal and State net operating loss carry forwards and accumulated depreciation.

The components of the net deferred income taxes are as follows:

		2008	
	Federal	State	Total
Noncurrent deferred tax asset	\$ 7,280,967	1,811,552	9,092,519
Valuation allowance	(7,280,967)	(1,811,552)	(9,092,519)
Total noncurrent deferred tax asset	\$ —	—	—
		2007	
	Federal	State	Total
Noncurrent deferred tax asset	\$ 6,354,450	1,657,621	8,012,071
Valuation allowance	(6,354,450)	(1,657,621)	(8,012,071)
Total noncurrent deferred tax asset	\$ —	—	—

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. APICDA has established a valuation allowance primarily for net operating losses ("NOLs") for federal and Alaska State income tax. As of December 31, 2008 and 2007, APICDA has remaining NOLs of approximately \$22,796,673 and \$19,859,818, respectively, for Federal income tax purposes and \$20,653,889 and \$18,845,023, respectively, for Alaska state income tax purposes. The NOLs, if not utilized, will begin to expire in 2010.

XIII. LEASES

Operating Leases

AVI, a wholly owned subsidiary of AJV, as lessor, has operating leases for its several fishing vessels and related equipment and gear to fishermen in the regional communities. The operating leases run for the fishing season and provide for AVI to receive as lease income a minimum of twenty-five percent of the fishermen's fish sales. Related lease income for the years ended December 31, 2008 and 2007 was \$455,681 and \$772,977, respectively. The property and equipment subject to these leases and included in Property and Equipment in the accompanying statements of financial position at December 31, are as follows:

	2008	2007
Vessels and gear	\$ 2,155,986	1,985,654
Electronic equipment	211,927	119,710
Deck gear	174,294	184,671
Safety gear	36,293	40,597
	<u>2,578,500</u>	<u>2,330,632</u>
Accumulated depreciation	(1,056,726)	(1,175,989)
	<u>\$ 1,521,774</u>	<u>1,154,643</u>



BOARD OF DIRECTORS NOTES

In addition to the financial information provided in this annual report, the Board of Directors wishes to make known to the residents of APICDA communities the following information regarding corporate governance. The board exercises broad oversight of its management team through board and committee meetings. Generally the board meets four times a year to review the financial health of APICDA, to receive reports on current operations, and to review plans for future programmatic changes. The Executive Committee meets with top management, generally on a monthly basis, to monitor the corporation's business, provide recommendations, and to approve or disapprove planned actions by management that do not require action by the full board. In addition, the board appoints several committees (see inset) to oversee specific corporate functions. The Budget & Audit Committee reviews annual budgets prior to submission to the full board, and monitors management's performance against budget throughout the budget year. The other committees meet on a regular basis to review new proposals and management performance. Reports are made to the full board.

APICDA compensates its Directors \$400 per day for meeting attendance fees. In addition, the directors receive a \$300 a month honorarium as compensation for time expended on corporate affairs through emails, phone conversations, and correspondence review. The board, noting the extreme time demands placed on the Chairs of APICDA and APICDA Joint Ventures, authorized each \$2,500 per month in compensation. Travel and per diem for board members are paid at the published rates for federal employees.

In 2008, APICDA and its subsidiaries paid the following professional service fees: \$57,555 in legal fees; \$93,536 in consultant fees; \$75,995 in accounting fees; and APICDA Joint Ventures, Inc. paid \$108,208 in lobby fees.

Disclosures are made if any officers, directors, or key employees are related to any professional service providers the corporation utilizes. There were no such relationships in 2008. APICDA also discloses any pending litigation between the corporation and any former officers, directors, or key employees. No such litigation is pending.

The board is mindful of its responsibility to ensure its management team is professional, competent, responsive, and fully supportive of its goals and priorities. The board highly values its management team. Salaries are set based on those parameters and at levels comparable to other companies in the industry. Chief Executive Officer (CEO) Larry Cotter received \$250,000 in salary during calendar year 2008. Chief Operating Officer (COO) and Chief Financial Officer (CFO) Joe Kyle received \$250,000 in salary during calendar year 2008. Controller Rob Smith was paid \$104,923 in 2008. Construction Manager Shawn Hansen received \$104,842 in salary during 2008. Rounding out the top five highly compensated individuals was AVI General Manager Jeff Kashevarof, who was paid \$93,872. In addition, the board compensates top management with performance bonuses each year. These bonuses, which may vary in amount from year to year, serve to recognize meritorious performance and to provide further incentives for top management to strive for excellence as it pursues the corporation's goals and objectives. Mr. Cotter and Mr. Kyle each received a bonus of \$70,000; Mr. Kashevarof received a bonus of \$15,000; and, Mr. Smith and Mr. Hansen each received a bonus of \$10,000.

APICDA COMMITTEES 2008

Executive Committee

Gilda Shellikoff - False Pass
Hugh Pelky - Akutan
Justine Gundersen - Nelson Lagoon

Training & Education Committee

Emil Berikoff - Unalaska
Hugh Pelky - Akutan
Arnold Dushkin - Nikolski

Budget & Audit Committee

Justine Gundersen - Nelson Lagoon
Pete Crandall - Juneau
Gilda Shellikoff - False Pass
Rick Lauber - Juneau

Financial Investment Committee

Pete Crandall - Juneau
Hugh Pelkey - Akutan
Gilda Shellikoff - False Pass

Policy & Procedures Committee

Rick Lauber - Juneau
Justine Gundersen - Nelson Lagoon
Gilda Shellikoff - False Pass
Gail Schubert - Anchorage

Business Investments Committee

Rick Lauber - Juneau
Pete Crandall - Juneau
Gilda Shellikoff - False Pass



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509 West 3rd Avenue, Suite 101, Anchorage, AK 99501 | 907.929.5273
Toll Free: 888.927.4232 | www.apicda.com

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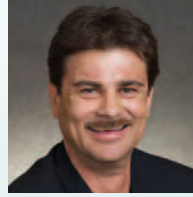
APICDA
ANNUAL REPORT



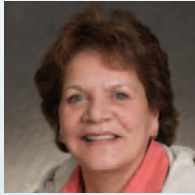
BOARD OF DIRECTORS



GILDA SHELLIKOFF
FALSE PASS
CHAIR



HUGH PELKEY
AKUTAN
VICE CHAIR



JUSTINE GUNDERSEN
NELSON LAGOON
SECRETARY & TREASURER



PETE CRANDALL
FINANCIAL INDUSTRY
BOARD MEMBER



MARK SNIGAROFF
ATKA
BOARD MEMBER



EMIL BERIKOFF
UNALASKA
BOARD MEMBER



PATRICK PLETNIKOFF
ST. GEORGE
BOARD MEMBER



ARNOLD DUSHKIN
NIKOLSKI
BOARD MEMBER



RICK LAUBER
FISHING INDUSTRY
BOARD MEMBER





June 18, 2010

Dear APICDA Community and Community Residents:

In 2009, APICDA's board and staff continued to implement our strategic plan. This plan balances the investments we make in our communities to generate and support sustainable local economies. With the investments we make in business ventures outside our communities, we generate returns to APICDA, that we then use to fund our current and ongoing commitments and future growth.

In the last year, APICDA has worked closely with many other organizations in the region to address the challenges of high energy costs, lack of transportation, lack of access to capital to buy or improve homes or start a new business, and social issues of concern. One area of great concern is the continuing decline of student populations in region schools. We were very saddened to see the closure of the Nikolski school and we fear others are at risk.

APICDA has a role to play in these and other long term problems, but neither we nor any other organization can shoulder the load by ourselves. That is why our board has supported our staff in investing a great deal of time and effort to bring the resources together to address these issues. We are particularly pleased with the formation of the "A Team," composed of Aleutian-Pribilof region wide entities, and its commitment to work together for the benefit of the entire region.

We have also laid the groundwork to address several very important fishery management matters and secure our strategic position in the region. The new salmon bycatch rules and proposed Steller sea lion protection rules are just two of the many issues APICDA staff are closely following.

We have a stable board and an experienced, engaged and vibrant management team that works hard for the benefit of the people of our region. I am proud of APICDA's accomplishments in 2009, and look forward to continued success in 2010.

Gilda Shellikoff, Chair
Board of Directors





June 18, 2010

To the APICDA Community:

We are pleased to submit this annual report of APICDA's operations in 2009. Despite the challenges of a global economic crisis, we had a strong financial performance, made significant investments in business ventures and in our communities, and made excellent progress on two EDA- and APICDA-funded grant projects in St. George and Nelson Lagoon.

APICDA's Longterm Reserve Account – our rainy day savings – increased by \$1.5 million in 2009 to nearly \$11 million. The LRA provides a source of financial strength to ensure that APICDA can continue to support our communities for the long term. During the year we used our own funds to make investments and grow our assets, which meant we could avoid the turmoil of the debt markets. Our credit rating remains very strong.

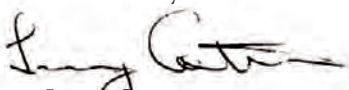
In 2009, we focused on the Bering Sea and Gulf of Alaska Pacific Cod fishery, forming the Alaska Longline Company to increase our ownership share in our existing Prowler, Bering Prowler and Ocean Prowler freezer longliner vessels and to invest in two additional longline catcher-processor vessels and their catch history. We feel we have the best vessels and captains in the fishery, and we are now the dominant player in the Gulf of Alaska longline catcher-processor fleet.

The year 2009 also marked the first full year of operating the crab fishery investments that we made in 2008. With the exception of golden king crab we did very well and generated solid profits. In the case of golden king crab, the market collapsed and we suffered substantial losses. Nevertheless, we believe these investments are an important resource for the future. We have a good business plan, we will learn from our mistakes, and we will continue progress on that plan in the next year.

Through a \$4 million EDA grant and more than \$3 million in APICDA funds, we are working to build seafood processing facilities in St. George and Nelson Lagoon. Last year we rescoped the St. George project to fit the available budget, put the project out to bid and selected a contractor. We expect to complete that project in June 2010. We also began scoping for the Nelson Lagoon project, which has a planned November 2010 completion date.

We continue to hire and train APICDA region residents for varied employment opportunities, and these skilled and versatile workers are available to be deployed in many of our operations. For example, when we closed the Atka Pride Seafoods Plant for a \$4.2 million rebuild in 2009, we were able to offer those employees positions at False Pass during the plant closure.

This annual report includes many other highlights of APICDA's operations in 2009. We appreciate the support of our board, the experience and energy of our staff, and the good relationships we have with our community members. We look forward to another successful year in 2010.


Larry Cotter
Chief Executive Officer


Joe Kyle
Chief Operating Officer
Chief Financial Officer

HIGHLIGHTS

- Contributed \$600,000 in grants to the six member communities as a community dividend.
- Long term reserve account worth \$10,778,811 at year's end.
- Employed 100 APICDA residents with a payroll of \$2,100,095.
- Invested \$312,465 in scholarships and internship programs
- Invested \$176,587 in grants for schools, communities, and community outreach programs.
- Invested \$523,066 in grants for community infrastructure and community associated miscellaneous donations.
- Consolidated net worth grew to \$51 million.
- Over the past three years, invested more than \$10.7 million on projects in the region.
- Formed the Alaska Longline Company to consolidate and enhance our position in the Bering Sea and Gulf of Alaska Pacific Cod fishery.
- Completed a \$4.2 million rebuild of Atka Pride Seafoods.
- Expanded tourism investments with the formation of Aleutian Adventures in Atka and Nelson Lagoon.
- Commenced construction of the St. George fish handling facility.
- Completed the first full year of crab processing. Operated profitably in all species except golden king crab.



APICDA SUBSIDIARIES

ALEUTIAN ADVENTURES – A wholly owned company within APICDA Joint Ventures. This company controls and operates the assets we need to support our sport hunting and fishing activities in the communities of Atka and Nelson Lagoon. Its first year of operations was 2009, and management is extremely pleased with its start up year of operations and the potential it brings.

APICDA VESSELS INC., LLC – A wholly owned subsidiary of APICDA Joint Ventures. This company manages and operates our fishing and support vessels. Currently we own and operate eight vessels: AP 1, AP 2, Atka Pride, Konrad 1, Nightrider, Nikka D., Pogo, and the Taty Z.

ATKA PRIDE SEAFOODS – A 50/50 partnership between APICDA Joint Ventures and the Atka Fishermen's Association, organized as a Subchapter C corporation. The plant, located in Atka, usually processes about 500,000 pounds per year of halibut and sablefish in H&G and filet product forms. It did not operate in 2009 because a major rebuild project to upgrade the plant and triple the cold storage capacity was being completed.

F/V BARBARA J. LLC – A 50/50 partnership between APICDA Joint Ventures and Trident Seafoods. This vessel is operated by Trident Seafoods and fishes for various species of crab and Pacific cod, and serves as a salmon tender.



BERING PACIFIC SEAFOODS – 100% owned and operated by APICDA Joint Ventures. The plant has operated for two years. Revenues, product quality, and sales improved measurably in 2009 while cost of goods sold and expenses declined significantly on a per unit basis.

F/V FARWEST LEADER LLC – A 50/50 partnership between APICDA Joint Ventures and Trident Seafoods. This vessel is operated by Trident Seafoods and fishes for various species of crab and Pacific cod, and serves as a salmon tender.

F/V GOLDEN DAWN LLC - A partnership between APICDA Joint Ventures, Aleutian Spray Fisheries and Trident Seafoods (ownership is 25%/25%/50% respectively). Managed by Trident, this trawl catcher vessel fishes primarily for pollock in the Bering Sea.

KAYUX DEVELOPMENT – A 50/50 partnership between APICDA Joint Ventures and the St. George Tanaq Corporation. This company is poised to participate in any upland development associated with commercial activities in Tract I, Zapadni Bay Harbor on St. George Island.

NELSON LAGOON STORAGE COMPANY LLC – A 50/50 partnership between APICDA Joint Ventures and the Nelson Lagoon Tribal Council. The company operates as a gear and vessel storage business in Nelson Lagoon to support the summer salmon fishery.

OCEAN PROWLER LLC – A 20/20/60 partnership between APICDA Joint Ventures (20%), Coastal Villages Region Fund (20%) and a partnership comprised of John Winther, Bart Eaton, and Jerry Kennedy (60%). Managed by John Winther and Jerry Kennedy, the F/LL Ocean Prowler is a longline catcher processor that fishes for Pacific cod and sablefish. In December of 2009, Coastal Villages Region Fund sold its shares to the other partners on a pro rata basis and the LLC became a component of a new entity known as Alaska Longline Company, LLC.

PROWLER LLC – A 20/20/60 partnership between APICDA Joint Ventures (20%), Coastal Villages Region Fund (20%) and a partnership comprised of John Winther, Bart Eaton, and Jerry Kennedy (60%). Managed by John Winther and Jerry Kennedy, the F/LL Prowler and the F/LL Bering Prowler are longline catcher processors that fish for Pacific cod and sablefish. In December of 2009, Coastal Villages Region Fund sold its shares to the other partners on a pro rata basis and the LLC became a component of a new entity known as Alaska Longline Company, LLC.



PUFFIN SEAFOODS LLC – A 50/50 partnership between APICDA Joint Ventures and the St. George Fishermen's Association. The company was the business entity necessary for the halibut fishery on St. George Island to take place, and serves as an administrative vehicle for the local fleet to prosecute the halibut CDQ fishery in Area 4C. In December of 2009 the LLC was dissolved and its remaining assets and functions were transferred to AJV. A new company will be formed in 2010 around the seafood processing facility being constructed by APICDA on St. George Island.

REAGAN LLC – A 50/50 partnership between APICDA Joint Ventures and Swimelar Enterprises, Inc. Managed by Wes Swimelar, this 58 foot longline vessel primarily fishes for Pacific cod in the Bering Sea and Gulf of Alaska. When feasible, it also has the capacity to fish sablefish and halibut. Its maiden year of operations was 2009.

STARBOUND LLC – APICDA Joint Ventures owns 20% of this pollock trawl catcher processor. Other partners include Aleutian Spray Fisheries (65%), Barry Ohai (10%), and Karl Bratvold (5%). Aleutian Spray serves as the managing partner. This vessel harvests and processes approximately 80% of APICDA's pollock CDQ quota.

UGLUDAX LODGE LLC – A 50/50 partnership between APICDA Joint Ventures and the Chaluka Corporation. The company operates the Ugludax Lodge in Nikolski on Umnak Island as a high end, sport fish and hunting destination.

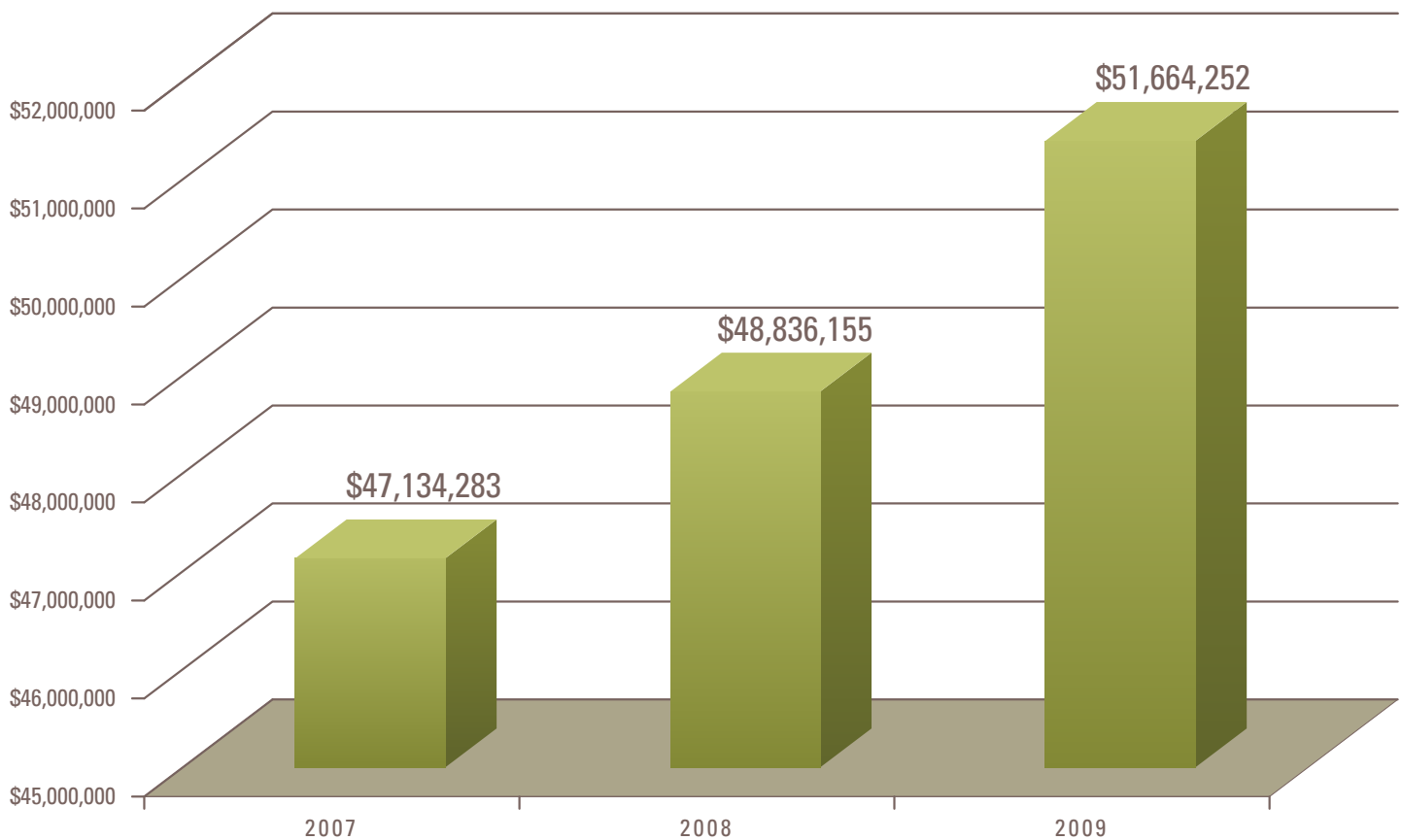
2009 CDQ IN-REGION EMPLOYMENT

	Individuals	Wages
Management/Admin	10	\$631,306
Board Members	9	\$123,458
Community Liaisons	7	\$74,323
Other Fishing	40	\$1,038,420
Internships	2	\$5,747
Other Employment	32	\$226,841
Totals	100	\$2,100,095

2009 APICDA TRAINING & EDUCATION EXPENDITURES

	Individuals	Expenditures
Scholarships		
Post Secondary	65	\$235,338
Voc-Tech Classes		
Basic	6	\$7,930
Other Training		
Fisheries Related	12	\$40,905
CDQ Staff/Board	9	\$22,545
Other Expenditures		
School Grants		\$82,808
Total	92	389,526

APICDA CONSOLIDATED NET WORTH



CONSOLIDATED FINANCIALS FOR 2009



To comply with state and federal regulations, APICDA undergoes a financial and managerial audit each year, and the results are shared with state and federal regulators. The 2009 audit began February 2010 and was concluded at the end of May of 2010 by the Anchorage-based accounting firm of Altman, Rogers & Co. Aside from our customary audit, we were subjected to additional requirements because we received substantial grant monies for a project on St. George Island. Consequently, a Department of Commerce (EDA) Single Audit Act audit was conducted. Altman Rogers found the APICDA accounting department incorporated these additional, complex accounting standards extremely well.

The board and management place a great deal of faith and reliance with the Altman, Rogers & Co. findings as a measure of our overall corporate health. Management takes their recommendations as direction to improve managerial and accounting practices, and tries to implement them as quickly as possible. The Altman, Rogers & Co. annual audit is a critical component in our corporate governance processes, and we are extremely grateful for the professional, diligent, and forthright manner in which it is conducted each year.

Altman, Rogers & Co.'s complete "Audit and Report on Consolidated Financial Statements and Supplementary Information" is on file in the APICDA corporate office in Juneau, Alaska. Management compressed the financial information depicted below from that audit and report for 2009.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

ASSETS

Current assets:

	2009	2008
Cash and cash equivalents	\$ 6,295,430	3,100,630
Short term investments	10,778,811	12,640,828
Accounts receivable:	3,036,388	2,429,737
Notes receivable affiliates - current	397,339	300,339
Related party note receivable - current	11,238	11,238
Note receivable - current	74,845	213,714
Interest receivable	-	29,282
Inventory	554,554	2,374,697
Prepaid expenses	305,810	213,801
Total current assets	21,454,415	21,314,266

Investments:

Investment in Out of Region Entities	11,990,278	10,920,111
Investment Partnerships with in-Region Entities	1,168,683	1,445,694
Total investments	13,158,961	12,365,805

Property and equipment, net	15,833,028	12,341,416
Intangible assets, net	5,939,105	5,988,929
Deferred Income Tax - Non Current	236,849	-
Non-Current Loans and Advances Receivable	796,385	1,590,063
Total assets	57,418,743	53,600,479

LIABILITIES AND NET ASSETS

Current liabilities:

Notes payable - current	338,452	1,076,266
Accounts payable	997,856	244,169
Accrued payroll and related liabilities	180,488	153,392
Interest payable	-	33,020
Income tax payable	-	16,476
Crab buyback fees payable	28,276	-
Fish taxes payable	261,982	41,559
Unearned deposits	16,015	7,500
Total current liabilities	1,823,069	1,572,382

Notes payable, net of current portion	3,931,422	4,021,710
Deferred tax liability	-	55,942
Total liabilities	5,754,491	5,650,034

Net assets:

Temporarily restricted	96,500	-
Unrestricted net assets:		
Designated:		
Minority interests		
Net assets	(1,402,053)	(1,219,872)
Contributed capital	1,786,429	1,795,000
Long-term reserves	10,778,811	9,205,710
Total designated net assets	11,163,187	9,780,838
Undesignated net assets	40,404,565	38,169,607
Total unrestricted net assets	51,567,752	47,950,445
Total net assets	51,664,252	47,950,445
Total liabilities and net assets	\$ 57,418,743	53,600,479

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2009 and 2008

CHANGES IN UNRESTRICTED NET ASSETS:

	2009	2008
Revenues and support:		
Royalties	\$ 7,270,674	9,233,896
EDA grant revenue	820,429	-
Interest	404,172	145,850
Gain (loss) on sale of property and equipment	8,759	(115,127)
Net realized and unrealized gains (losses) on investments	1,272,769	(2,177,460)
Nazan Bay Inn	3,000	15,956
Equity in profit (loss) of Out of Region Investments	2,615,167	2,589,680
Equity in profit (loss) in-region Partnerships	(277,011)	6,319
Fishing income	3,850,909	2,187,662
Software sales	15,000	6,250
Crab	9,692,638	-
Tourism	132,288	-
Other income	185,868	298,916
Total revenues and support	<u>25,994,662</u>	<u>12,191,942</u>
Net assets released from restrictions	<u>187,500</u>	<u>-</u>
Total revenues support and reclassifications	<u>26,182,162</u>	<u>12,191,942</u>
Expenses:		
Programs:		
Community development:		
Grants for Education(Scholarships/Vocational)	284,291	294,130
Grants for projects	1,114,980	1,648,984
Community outreach	189,176	164,705
Total community development	<u>1,588,447</u>	<u>2,107,819</u>
Operations:		
Crew	572,522	938,675
Labor	1,637,513	1,695,853
Boat and Plant Operations	3,742,295	868,416
Travel and transportation	109,557	78,167
Nazan Bay Inn expenses	40,095	21,584
Insurance	136,270	149,563
Licenses, taxes and fees	342,732	182,565
Asset impairment	-	807,526
Crab	9,381,843	-
Miscellaneous	8,080	43,441
Total operations	<u>15,970,907</u>	<u>4,785,790</u>
Total program expenses	<u>17,559,354</u>	<u>6,893,609</u>
General and administrative:		
Travel and transportation	140,064	186,650
Labor	1,681,657	1,592,639
Office expense	525,030	482,953
Management fees	97,816	97,427
Directors' fees and per diem	333,373	353,409
Insurance	153,163	118,289
Professional fees	338,610	335,294
Licenses, taxes and fees	187,970	106,907
Repairs and maintenance	101,562	55,812
Tourism	230,505	134,778
Bad debt expense	86,344	54,268
Miscellaneous	152,376	166,892
Total general and administrative	<u>4,028,470</u>	<u>3,685,318</u>

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES *(continued)*

	2009	2008
Interest and depreciation expense:		
Interest	234,565	92,491
Depreciation	847,757	691,546
Total interest and depreciation	1,082,322	784,037
Total expenses	22,670,146	11,362,964
Income before tax provision	3,512,016	828,978
Income tax benefit (expense)	292,791	(76,496)
Increase in unrestricted net assets	3,804,807	752,482
Change in temporarily restricted net assets:		
Contributions	96,500	105,000
Net assets released from restriction	(187,500)	-
Change in temporarily restricted net assets	(91,000)	105,000
Total change in net assets	3,713,807	857,482
Net assets beginning of year	47,950,445	47,092,963
Net assets, end of year	\$ 51,664,252	47,950,445
Minority interest in change in unrestricted net assets	\$ (190,752)	510,341

See accompanying notes to financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Aleutian Pribilof Island Community Development Association ("APICDA") is an Alaskan nonprofit corporation formed in September 1992 for the benefit of various southwestern Alaska villages for the purpose of participating in the Alaska Community Development Quota ("CDQ") program established by the Federal Government. Under the CDQ program, eligible communities apply periodically for a portion of the harvestable pollock fishery in the coastal waters of Alaska. During 2006, the U.S. Congress extended the CDQ rights for all species indefinitely and established the allocation percentage for all species at 2002 levels until 2012.

Principles of Consolidation

In 1994, APICDA formed two wholly owned for profit subsidiaries, APICDA Joint Ventures, Inc. ("AJV"), and APICDA Management Corporation ("AMC"). On January 1, 1996, AMC was renamed as APICDA Vessels, Inc. ("AVI") and APICDA's investment in AVI was transferred to AJV.

AJV is a 100% owner of AVI and Bering Pacific Seafoods, L.L.C. ("BPS"), and a 50% owner of, Ugludax Lodge, L.L.C and Atka Pride Seafoods (APS).

AJV was a 50% owner of Puffin Seafoods, L.L.C, which operated as a fish handling facility in St. George, Alaska. In 2009 the company was dissolved.

In accordance with accounting principles generally accepted in the United States of America, APICDA, AJV, AVI, BPS, APS, Puffin Seafoods, L.L.C. and Ugludax Lodge, L.L.C. have been consolidated for the year ended December 31, 2009 and 2008. The consolidated entity is referred to as APICDA in these financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Operations

Aleutian Pribilof Island Community Development Association (APICDA) promotes local economic development in the Bering Sea/ Aleutian Islands area of Alaska including fisheries development and protection. APICDA evaluates requests for assistance and distributes grants or other forms of financial assistance.

APICDA received a community development quota of approximately 29,330 metric tons, which represents approximately 18.3% of Alaska's CDQ reserve.

APICDA has entered into agreements with seafood processors whereby APICDA receives royalty payments for the utilization of the CDQ by processors. Under the agreements, the royalty is calculated using fixed rates, applied to round weights caught, and percentages applied to gross revenues from pollock and pollock roe produced, plus additional amounts if average sale prices exceed amounts defined in the agreement. The majority of consolidated revenues result from royalties generated by the use of the CDQ.

APICDA Joint Ventures, Inc. is a 50% owner of Atka Pride Seafoods, Inc. ("APS"), located in Atka, Alaska, which purchases and processes fish for resale; a 25% owner of Golden Dawn, L.L.C., a vessel engaged in commercial fishing in Alaska; a 20% owner of Prowler, L.L.C. and a 20% owner of Ocean Prowler, L.L.C., which are vessels engaged in commercial fishing in Alaska; a 50% owner of Nelson Lagoon Storage Company, L.L.C., which stores fishing gear and vessels in Nelson Lagoon, Alaska; a 50% owner of Kayux Development, L.L.C., which is a harbor operating on Tract I in the City of St. George, Alaska; a 100% owner of Bering Pacific Seafoods, L.L.C. ("BPS"), located in False Pass, Alaska, which purchases and processes fish for resale; a 50% owner of Ugludax, L.L.C., which operates a fishing lodge in Nikolski, a 20% owner of Starbound, L.L.P, a vessel engaged in fish processing; a 50% owner in the Barbara J., L.L.C., a vessel engaged in commercial fishing in Alaska, and during 2008 added a 50% owner of Reagan L.L.C, a vessel engaged in commercial fishing in Alaska.

In 2009 AJV became a 25% owner of the newly formed Alaska Longline L.L.C. As part of the new L.L.C being formed Alaska Longline L.L.C acquired 100% interest in the Prowler L.L.C and Ocean Prowler L.L.C.

APICDA Joint Ventures, Inc. is a 100% owner of APICDA Vessels, Inc. (AVI), which purchases fishing vessels that are leased to fishermen in various southwestern Alaska villages. AVI is a 50% owner of Farwest Leader, L.L.C., a vessel engaged in commercial fishing in Alaska. AVI accounts for its investment in Farwest Leader, L.L.C. by the equity method.

AJV accounts for its investments in Golden Dawn, L.L.C., Prowler, L.L.C., Ocean Prowler, L.L.C., Kayux Development, L.L.C., Nelson Lagoon Storage Company, L.L.C., Barbara J., L.L.C., Reagan, L.L.C., Starbound, L.L.P and Alaska Longline L.L.C.. by the equity method. All other companies are consolidated.

Basis of Accounting

APICDA's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when they are earned. Liabilities and expenses are recorded when incurred. Unrestricted net assets are not subject to donor-imposed stipulations. Temporarily restricted net assets are resources restricted by the donor, grantor, or other outside parties whose restrictions expire by the passage of time or can be fulfilled or removed by actions of APICDA. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Fair Value of Financial Instruments

The Company must disclose its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements and derivative financial instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts of Company's investments were determined based on quoted market prices.

Cash and Cash Equivalents

APICDA, for the purpose of the Statement of Cash Flows, considers cash and cash equivalents to include amounts in demand deposits and short-term investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and that present an insignificant risk of changes in value due to changes in interest rates or other factors. APICDA maintains a number of checking, savings and time certificate of deposit accounts for each one of its consolidated companies. These accounts are held with Wells Fargo Bank and Key Bank and are insured up to \$250,000 per bank by FDIC. Amounts in excess of \$250,000 are uninsured. All deposits with Key Bank were fully insured at December 31, 2008. The uninsured cash balance held at Wells Fargo Bank at December 31, 2009 and 2008 were \$3,199,998 and \$3,550,582, respectively.

Trade Accounts Receivable and Other Receivables

APICDA uses the reserve for bad debt method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. The balance of the reserve for doubtful accounts, deducted against trade accounts receivable to properly reflect the realizable value, is \$7,687 and \$41,858 at December 31, 2009 and 2008, respectively.

Inventory

Inventory consists of retail merchandise and fish sold at whole sale. Retail merchandise is stated at the lower of cost (the first-in, first-out method) or market. Fish is valued at lower of cost or market.

Prepaid Items

Payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid items.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, generally five, seven, or ten years. Expenditures for major additions, renewals and betterments are capitalized and maintenance, repairs, minor additions and renovations are charged to expense. Gains or losses upon asset disposal are recorded as revenue.

Revenue Recognition

Royalty revenue from applying fixed rates to round weights caught or finished product is recognized at the time of harvest. Royalty revenue resulting from CDQ species and CDQ roe sold, and from the variable rate based on product mix and related market price, is recognized when these products are sold and the amount of royalty is determined to be measurable and collectible.

Income from leasing fishing vessels which is calculated as a percentage of the lessee's sales, is recognized in the period such sales occur.

Community Development Quota

The fair value of the CDQ quota received by APICDA is not considered to be determinable within reasonable limits. Accordingly, no value is assigned to the receipt of the quota in the financial statements.

Income Taxes

On July 27, 1993, APICDA was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, effective September 29, 1992. APICDA believes that none of its activities subject it to taxation of unrelated business taxable income. However, all subsidiaries conduct activities, which are subject to federal and state taxation (See Note XIV).

Reclassification

Certain prior year balances have been reclassified to conform to the current year presentation.

Impairment of Long-Lived Assets

APICDA evaluates the recoverability of its long-lived assets, primarily fixed assets, in accordance with "Accounting for the Impairment of Long-Lived Assets." Generally accepted accounting principles require recognition of impairment of long-lived assets in the event the net book value of such assets exceeds the estimated future undiscounted cash flows attributable to such assets. During 2008, APICDA determined that certain CDQ use rights and a building was impaired. An impairment loss of \$171,250 and \$636,276, respectively was recorded.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

2. INVESTMENTS

Investments are stated at fair value and are as follows at December 31, 2009 and 2008:

		Fair Value	
		2009	2008
Money market funds	\$	409,447	225,780
Accrued interest		13,741	-
Time certificates of deposit		-	-
Marketable securities		6,341,969	5,077,967
Mutual funds		1,642,120	-
Mortgage and asset-backed securities		-	1,553,018
Closed end funds		-	175,105
Government bonds		2,371,534	2,173,839
	\$	<u>10,778,811</u>	<u>9,205,709</u>

The following schedule summarizes the investment return for the years ended December 31, 2009 and 2008:

		Unrestricted	
		2009	2008
Interest and dividends	\$	366,136	145,850
Net realized and unrealized gains (losses)		<u>1,272,769</u>	<u>(2,177,460)</u>
Total investment return	\$	<u>1,638,905</u>	<u>(2,031,610)</u>

- The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The following table provides information as of December 30th about the Company's financial assets and liabilities measured at fair value on a recurring basis.

Assets at fair value -	Level 1	Level 2	Level 3	Total
2009 Investments	\$ <u>13,500,065</u>	<u>-</u>	<u>-</u>	<u>13,500,065</u>
2008 Investments	\$ <u>12,640,828</u>	<u>-</u>	<u>-</u>	<u>12,640,828</u>

Given the narrow definition of Level 1 and the Company's investment asset strategy, all of the Company's investment assets are classified in Level 1. Changes in investments is presented on the statement of activities as investment income or loss.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

3. NOTES RECEIVABLE

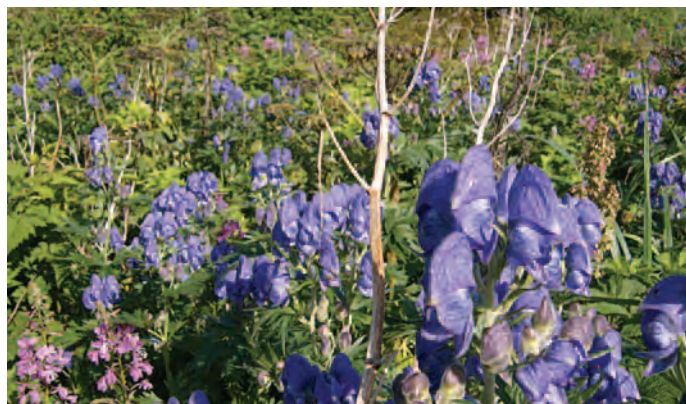
Notes receivable at December 31 are comprised of the following:

	<u>2009</u>	<u>2008</u>
Notes receivable from affiliates:		
Note receivable for cash advances to affiliated in-region partnerships and tribal entities	\$ 397,339	300,339
Notes receivable for cash advances to affiliated out-of-region partnerships	204,221	1,065,632
Notes receivable for advances to non-affiliated entities on the purchase of privately held IFQ	405,596	398,213
Notes receivable for advances to non-affiliated entities on the purchase of fishing skills and gear	132,806	104,605
Notes receivable from non-affiliated in-region entities	<u>122,000</u>	<u>132,865</u>
Total notes receivable from affiliates and non-affiliates	<u>1,261,982</u>	<u>2,001,654</u>
Less current portion from affiliates and non-affiliates:		
Affiliates	(472,184)	(514,053)
Allowance for uncollectible notes	(89,089)	
Long-term notes receivable from affiliates and non-affiliates, net	<u>\$ 700,709</u>	<u>1,487,601</u>

4. ADVANCES DUE FROM AFFILIATED NON-CONSOLIDATED COMPANIES

Advances receivable at December 31 are comprised of the following:

	<u>2009</u>	<u>2008</u>
Advances due from Kayux Development, L.L.C., non-interest bearing	\$ 20,950	19,750
Total all advances	20,950	19,750
Less current portion	<u>-</u>	<u>-</u>
Long-term advances	<u>\$ 20,950</u>	<u>19,750</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31 are comprised of the following:

	2009	2008
Property and equipment being depreciated:		
Office equipment	\$ 589,944	589,944
Fishing vessels and gear	2,607,758	2,607,758
Electronic equipment	126,674	111,074
Deck gear	209,832	174,295
Safety gear	46,079	46,079
Automobiles	400,597	361,324
Machinery	2,699,258	2,636,672
Buildings and infrastructures	8,547,352	8,447,801
Total property and equipment being depreciated	15,227,594	14,974,947
Less accumulated depreciation	(5,427,358)	(4,708,422)
Net property and equipment being depreciated	9,800,236	10,266,525
Property and equipment not being depreciated:		
Construction in progress	5,313,920	1,396,019
Land and land improvements	718,872	678,872
Total property and equipment not being depreciated	6,032,792	2,074,891
	\$ 15,833,028	12,341,416



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

6. INTANGIBLE ASSETS

Other assets consist of intangible assets.

	2009	2008
Intangible assets balances by asset at December 31 are:		
Individual fishing quota shares	\$ 1,653,807	1,653,807
Less accumulated amortization and impairment	(919,363)	(919,363)
Individual processing quota shares	4,021,985	4,021,985
Catch history rights	70,500	70,500
Less accumulated amortization	(21,600)	(21,600)
Land use rights	1,495,000	1,495,000
Less accumulated amortization	(361,224)	(311,400)
	<u>\$ 5,939,105</u>	<u>5,988,929</u>

7. RELATED PARTY TRANSACTIONS

Related Party Note Receivable

During 2003 AJV extended a loan in the amount of \$95,567 to one of its Board members. The note is non-interest bearing and is payable in annual payments equal to 20% of the total ex-vessel value of the halibut IFQ harvested and sold during each calendar year. The balance due at December 31, 2009 is \$67,214, of which \$4,988 is classified as current and \$62,226 classified as non-current. The entire unpaid principal balance is payable in full in November 2014.

During 2008 AVI extended a loan in the amount of \$25,000 to one of its Board members. The note is non-interest bearing and is payable in minimum annual payments of \$6,250 prior to September 30 of each year commencing with the first payment due on September 30, 2009. The balance due at December 31, 2009 is \$18,750, of which \$6,250 is classified as current and \$12,500 classified as non-current. Final payment due September 30, 2012.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

8. NOTES PAYABLE

Notes payable consists of the following:

Loan payable to Wells Fargo due in full on January 1, 2010 interest is 5.5%. Principal balance due at December 30, 2009 is \$258,577, of which all is classified as current.

Mortgage payable to Wells Fargo Bank due in full December 31, 2035 interest is 7.5%. The original amount of the loan was \$304,857. Principle balance due at December 31, 2009 is \$208,644, of which \$28,744 is classified as current and \$179,900 is classified as non-current.

Grant from the Alaska Science and Technology Foundation is to be repaid in the following manner: Repayment shall equal five percent of the grantee's gross receipts which arise from the project to which the grant was related to, until ½ the amount of the grant has been repaid. The original amount of the grant was \$140,000. Principal balance due at December 31, 2009 is \$133,576, which is classified as non-current. Also included is a note finance charge of \$66,788, which at December 31, 2009 is included with as long-term notes payable.

Loan payable to Westward Seafoods, Inc. due in full December 31, 2023 interest is 4.6%. The original amount of the loan was \$659,381. Principle balance due at December 31, 2009 is 608,250 of which \$51,130 is classified as current and \$557,120 is classified as non-current.

Line of Credit payable of \$2,994,039 to Merrill Lynch. Interest rate of the Federal discount rate plus 2.87% floating. Loan is collateralized by investments. The loan balance may never exceed fifty percent of the value of the investments.

	<u>2009</u>	<u>2008</u>
Total notes payable	\$ 4,269,874	5,097,976
Less current portion of notes payable	(338,452)	(1,076,266)
Long-term portion of notes payable	<u>\$ 3,931,422</u>	<u>4,021,710</u>

Annual maturities of long-term debt for the five years subsequent to fiscal year 2008 are as follows:

2010	\$ 338,452
2011	82,105
2012	84,510
2013	87,101
2014	89,894
Thereafter	<u>3,587,812</u>
Totals notes payable	4,269,874
Less: current portion	<u>(338,452)</u>
	<u>\$ 3,931,422</u>



9. LONG-TERM RESERVES

At December 31, 2008, the Board designated \$9,205,710 of unrestricted net assets for long-term reserves. All of this amount is held in investments. At December 31, 2009, the Board designated \$10,778,811 of unrestricted net assets for long-term reserves. All of this amount is held in investments.

10. GRANTS

APICDA provides financial assistance to organizations in southwestern Alaska for purposes of economic development and fisheries related development and protection. The amount of this financial assistance, which is classified as grants for scholarships and grants for projects on the statement of activities, for the years ended December 31, is comprised of the following:

	<u>2009</u>	<u>2008</u>
Community projects	\$ 214,554	855,350
Fisherman's associations	120,000	140,000
School districts	82,808	55,908
College internships	5,747	5,448
Scholarships	235,337	228,554
Supplemental Education – Vocational Education	48,954	65,576
Community dividends	600,000	600,000
Other Projects and Grants	281,047	156,983
	<u>\$ 1,588,447</u>	<u>2,107,819</u>



11. ROYALTY INCOME

Under the CDQ program, eligible communities apply periodically for a portion of the harvestable fisheries in the coastal waters of Alaska. The program includes all species, and is not scheduled to expire until 2012. CDQ royalty income, by species, received by APICDA for the years ended December 31, 2009 and 2008, is as follows:

	<u>2009</u>	<u>2008</u>
Pollock Base	\$ 2,140,221	2,619,073
Pollock Roe	828,949	1,509,126
Pollock Market Share Fee	1,921,867	1,642,793
Pacific Cod	858,395	1,069,371
Atka Mackerel	189,535	119,731
Halibut	94,741	-
Pacific Ocean Perch	46,294	45,481
Rock Sole	241	37,438
Sablefish	145,258	7,471
Yellowfin Sole	37,986	278,184
Flathead Sole	753	2,642
Opilio	257,558	333,546
Red King	632,098	863,428
Brown King	28,746	50,952
Bairdi	13,504	-
Other Market Share Fees	70,321	644,953
Other	4,207	9,727
	<u>\$ 7,270,674</u>	<u>9,233,896</u>

12. LEASES

Operating Leases

AVI, a wholly owned subsidiary of AJV, as lessor, has operating leases for its several fishing vessels and related equipment and gear to fishermen in the regional communities. The operating leases run for the fishing season and provide for AVI to receive as lease income a minimum of twenty-five percent of the fishermen's fish sales. Related lease income for the years ended December 31, 2009 and 2008 was \$307,413 and \$455,681, respectively. The property and equipment subject to these leases and included in Property and Equipment in the accompanying statements of financial position at December 31, are as follows:

	<u>2009</u>	<u>2008</u>
Vessels and gear	\$ 1,441,732	2,155,986
Electronic equipment	64,818	211,927
Deck gear	110,533	174,294
Safety gear	7,179	36,293
	<u>1,624,262</u>	<u>2,578,500</u>
Accumulated depreciation	<u>(472,428)</u>	<u>(1,056,726)</u>
	<u>\$ 1,151,833</u>	<u>1,521,774</u>



BOARD OF DIRECTOR NOTES

In addition to the financial information provided in this annual report, the Board of Directors wishes to make known to the residents of APICDA communities the following information regarding corporate governance. The board exercises broad oversight of its management team through board and committee meetings. Generally the board meets four times a year to review the financial health of APICDA, to receive reports on current operations, and to review plans for future programmatic changes. The Executive Committee meets with top management, generally on a monthly basis, to monitor the corporation's business, provide recommendations, and to approve or disapprove planned actions by management that do not require action by the full board. In addition, the board appoints several committees (see inset) to oversee specific corporate functions. The Budget & Audit Committee reviews annual budgets prior to submission to the full board, and monitors management's performance against budget throughout the budget year. The other committees meet on a regular basis to review new proposals and management performance. Reports are made to the full board.



APICDA compensates its Directors \$400 per day for meeting attendance fees. In addition, the Directors receive a \$300 a month honorarium as compensation for time expended on corporate affairs through emails, phone conversations, and correspondence review. The board, noting the extreme time demands placed on the Chairs of APICDA and APICDA Joint Ventures, authorized each \$2,500 per month in compensation. Travel and per diem for board members are paid at the published rates for federal employees.

In 2009, APICDA and its subsidiaries paid the following professional service fees: \$46,848 in legal fees; \$104,631 in consultant fees; \$86,146 in accounting fees; and APICDA Joint Ventures, Inc. paid \$105,791 in lobby fees.

Disclosures are made if any officers, directors, or key employees are related to any professional service providers the corporation utilizes. There were no such relationships in 2009. APICDA also discloses any pending litigation between the corporation and any former officers, directors, or key employees. No such litigation is pending.

The board is mindful of its responsibility to ensure its management team is professional, competent, responsive, and fully supportive of its goals and priorities. The board highly values its management team. Salaries are set based on those parameters and at levels comparable to other companies in the industry. Chief Executive Officer (CEO) Larry Cotter and Chief Operating Officer and Chief Financial Officer (COO & CFO) Joe Kyle were paid \$275,000 each in salary during calendar year 2009. Controller Rob Smith and Construction Manager Shawn Hansen were each paid \$108,180 in 2009. AVI General Manager Jeff Kashevarof and the General Manager for Onshore Operations, Ken Smith, were each paid \$96,847 in 2009. In addition, the board compensates top management with performance bonuses each year. These bonuses, which may vary in amount from year to year, serve to recognize meritorious performance and to provide further incentives for top management to strive for excellence as it pursues the corporation's goals and objectives. Bonuses awarded for 2009 were based, among other things, on the gross revenues received from our CDQ and investments, management improvements with our in region investments, performance improvements at operating entities, and major acquisitions completed. The CEO and COO/CFO were rewarded with a \$60,000 bonus each in 2009 for their performance. The Construction Manager and Controller each received a performance bonus of \$20,000. The GMs for AVI and Onshore Operations each received a performance bonus of \$15,000.

2009 COMMITTEE MEMBERSHIP

EXECUTIVE COMMITTEE

Gilda Shellikoff - False Pass
Hugh Pelkey - Akutan
Justine Gundersen - Nelson Lagoon

FINANCIAL INVESTMENT COMMITTEE

Pete Crandall - Juneau
Hugh Pelkey - Akutan
Gilda Shellikoff - False Pass

TRAINING & EDUCATION COMMITTEE

Emil Berikoff - Unalaska
Hugh Pelkey - Akutan
Patrick Pletnikoff - St. George

BUSINESS INVESTMENTS COMMITTEE

Rick Lauber - Juneau
Pete Crandall - Juneau
Gilda Shellikoff - False Pass

POLICY & PROCEDURES COMMITTEE

Rick Lauber - Juneau
Justine Gundersen - Nelson Lagoon
Gilda Shellikoff - False Pass
Gail Schubert - Anchorage

BUDGET & AUDIT COMMITTEE

Justine Gundersen - Nelson Lagoon
Pete Crandall - Juneau
Gilda Shellikoff - False Pass
Rick Lauber - Juneau





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APICDA

Haginaa Kidul • Helping to Grow

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Toll Free: 888.927.4232 | www.apicda.com



APICDA

2010 ANNUAL REPORT



Gilda Shellikoff
False Pass
Chair



Hugh Pelkey
Akutan
Vice Chair



Justine Gundersen
Nelson Lagoon
Secretary & Treasurer



Pete Crandall
Financial Industry
Board Member



Mark Snigaroff
Atka
Board Member



Emil Berikoff
Unalaska
Board Member



Patrick Pletnikoff
St. George
Board Member



Andrew Lestenkof
Nikolski
Board Member



Rick Lauber
Fishing Industry
Board Member

BOARD OF DIRECTORS

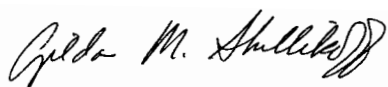
August 1, 2011

Dear APICDA Community and Community Residents:

2010 was an eventful and financially successful year for APICDA. Our management team and staff continue to execute our strategy, which balances community investments to support sustainable local economies and business investments to generate returns to support APICDA's current commitments and future growth. For 2011, the board will be focused on increasing the profitability of our in-region companies which will strengthen APICDA's overall portfolio of investments and operations.

Two years ago, APICDA was a leader in the formation of the "A-Team" along with other organizations in the region including the Aleut Corporation, Aleutian Housing Authority, Aleutians East Borough, and the Aleutian Pribilof Islands Association. The board and I are pleased that all of these entities are pulling together to meet community needs in our region. Since our region-wide conference in April we have seen a lot of progress, particularly on energy issues, with dynamic and sustainable projects in virtually every community in the region.

I am proud of APICDA's accomplishments in 2010, and am confident that we have a strong and stable board, and a talented management team, that can continue our success into the future.



Gilda Shellikoff, Chair
Board of Directors



August 1, 2011

To the APICDA Community:

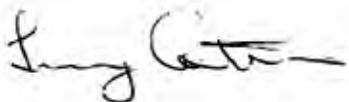
I am pleased to submit this annual report of APICDA's operations in 2010. We had an extremely successful year financially. Our net worth increased 12.8 % to \$57.97 million. Our external seafood investments continue to be profitable, particularly Starbound. We completed an EDA matching fund grant project in St. George to construct a facility which will provide new economic opportunities in the communities.

Our focus on operations at Bering Pacific Seafoods Plant in False Pass resulted in a better year in 2010 than in the previous two years, although we have a long way to go. The Alaska Longline Company had its first full year of operations in 2010, and we now have five vessels operating in the cod fishery. In December of 2010, Congress passed legislation to allow the longline factory boats to form a cooperative. The cooperative will allow vessel operators to safely slow down with the knowledge that they will still catch their share of the resource; provide greater job stability by extending the fishery over the entire year, and give APICDA and the other cooperative member's greater flexibility to maximize the value of their catch.

Our crab investments were profitable in all areas except the Golden king crab fishery in the Western Aleutians. We were able to substantially reduce our losses there, however, and believe the fishery will prove to be profitable down the road.

We were very disappointed with the adverse decision by the National Marine Fisheries Service (NMFS) on sea lions, which is a mockery of science in my opinion. Three different entities have sued NMFS to overturn the "Biological Opinion," which would close the Pacific cod fishery in the Western Aleutians. I expect a decision on this suit later this year.

This annual report includes many other highlights of APICDA's operations in 2010. I appreciate the support of our board, the experience and energy of our staff, and positive relationships in our communities.



Larry Cotter
Chief Executive Officer



HIGHLIGHTS

- Contributed \$600,000 in grants to the six member communities as a community dividend.
- Long term reserve account worth \$12.2 million at year's end.
- Employed 97 APICDA residents with a payroll of \$2,497,280.
- Invested \$162,876 in scholarships and internship programs.
- Invested just over \$151,000 in grants for schools, communities, and community outreach programs.
- Invested \$1,070,753 in grants for community infrastructure and community associated miscellaneous donations.
- Consolidated net worth grew to \$57.9 million.
- Invested more than \$6.4 million on projects in the region.
- Reopened Atka Pride Seafoods in 2010 after an extensive rebuild completed in 2009.
- Completed the St. George fish handling facility.
- Continued to expand our tourism investments in the region.



APICDA SU

ALEUTIAN ADVENTURES: A wholly owned company within APICDA Joint Ventures. This company controls and operates the assets we need to support our sport hunting and fishing activities in the communities of Atka and Nelson Lagoon. In its second full year of activities, the company is building a solid client base, and expanding tourism opportunities in the region.

APICDA VESSELS INC., LLC: A wholly owned subsidiary of APICDA Joint Ventures. This company manages and operates our fishing and support vessels. Currently we own and operate eight vessels: AP 1, AP 2, Atka Pride, Konrad 1, Nightrider, Nikka D., Pogo, and the Taty Z.

ATKA PRIDE SEAFOODS: A 50/50 partnership between APICDA Joint Ventures and the Atka Fishermen's Association, organized as a Subchapter C corporation. The plant, located in Atka, processes about 500,000 pounds per year of halibut and sablefish in H&G and filet product forms. In 2010, the facility reopened after a one year hiatus to perform upgrades. The 2010 season went well and the upgrades to the facility proved cost effective.

F/V BARBARA J. LLC: A 50/50 partnership between APICDA Joint Ventures and Trident Seafoods. This vessel is operated by Trident Seafoods and fishes for various species of crab and Pacific cod, and serves as a salmon tender.

BERING PACIFIC SEAFOODS: 100% owned and operated by APICDA Joint Ventures. The plant has operated for three years. Management continues to strive to increase the quality, quantity, and cost effectiveness of the operation.

F/V FARWEST LEADER LLC: A 50/50 partnership between APICDA Joint Ventures and Trident Seafoods. This vessel is operated by Trident Seafoods and fishes for various species of crab and Pacific cod, and serves as a salmon tender.

F/V GOLDEN DAWN LLC: A partnership between APICDA Joint Ventures, Aleutian Spray Fisheries and Trident Seafoods (ownership is 25%/25%/50% respectively). Managed by Trident, this trawl catcher vessel fishes primarily for pollock in the Bering Sea.

BSIDARIES

KAYUX DEVELOPMENT: A 50/50 partnership between APICDA Joint Ventures and the St. George Tanaq Corporation. This company is poised to participate in any upland development associated with commercial activities in Tract I, Zapadni Bay Harbor on St. George Island.

NELSON LAGOON STORAGE COMPANY LLC: A 50/50 partnership between APICDA Joint Ventures and the Nelson Lagoon Tribal Council. The company operates as a gear and vessel storage business in Nelson Lagoon to support the summer salmon fishery.

ALASKA LONGLINE, LLC: A partnership between APICDA Joint Ventures, BJ Ventures, LLC, Wrenthead, LLC, and Omega-3 Inc., with each partner owning 25% of the corporation. John Winther manages the five vessels: F/LL Prowler, F/LL Ocean Prowler, F/LL Bering Prowler, F/LL Kjevlja, and Zenith. These are longline catcher processors that fish for Pacific cod and sablefish. In December of 2009, the Prowler group principles formed the Alaska Longline, LLC and acquired various assets of the company Jubilee Fisheries inclusive of vessels and fishing rights and formed

the new company. This acquisition strengthened the partner's fishing capacity and Pacific cod individual fishing rights in the Bering Sea and Gulf of Alaska.

REAGAN LLC: A 50/50 partnership between APICDA Joint Ventures and Swimelar Enterprises, Inc. Managed by Wes Swimelar, this 58 foot longline vessel primarily fishes for Pacific cod in the Bering Sea and Gulf of Alaska. When feasible, it also has the capacity to fish sablefish and halibut. Its maiden year of operations was 2009.

STARBOUND LLC: APICDA Joint Ventures owns 20% of this pollock trawl catcher processor. Other partners include Aleutian Spray Fisheries (65%), Barry Ohai (10%), and Karl Bratvold (5%). Aleutian Spray serves as the managing partner. This vessel harvests and processes approximately 80% of APICDA's pollock CDQ quota.

UGLUDAX LODGE LLC: A 50/50 partnership between APICDA Joint Ventures and the Chaluka Corporation. The company operates the Ugludax Lodge in Nikolski on Umnak Island as a high end, sport fish and hunting destination.



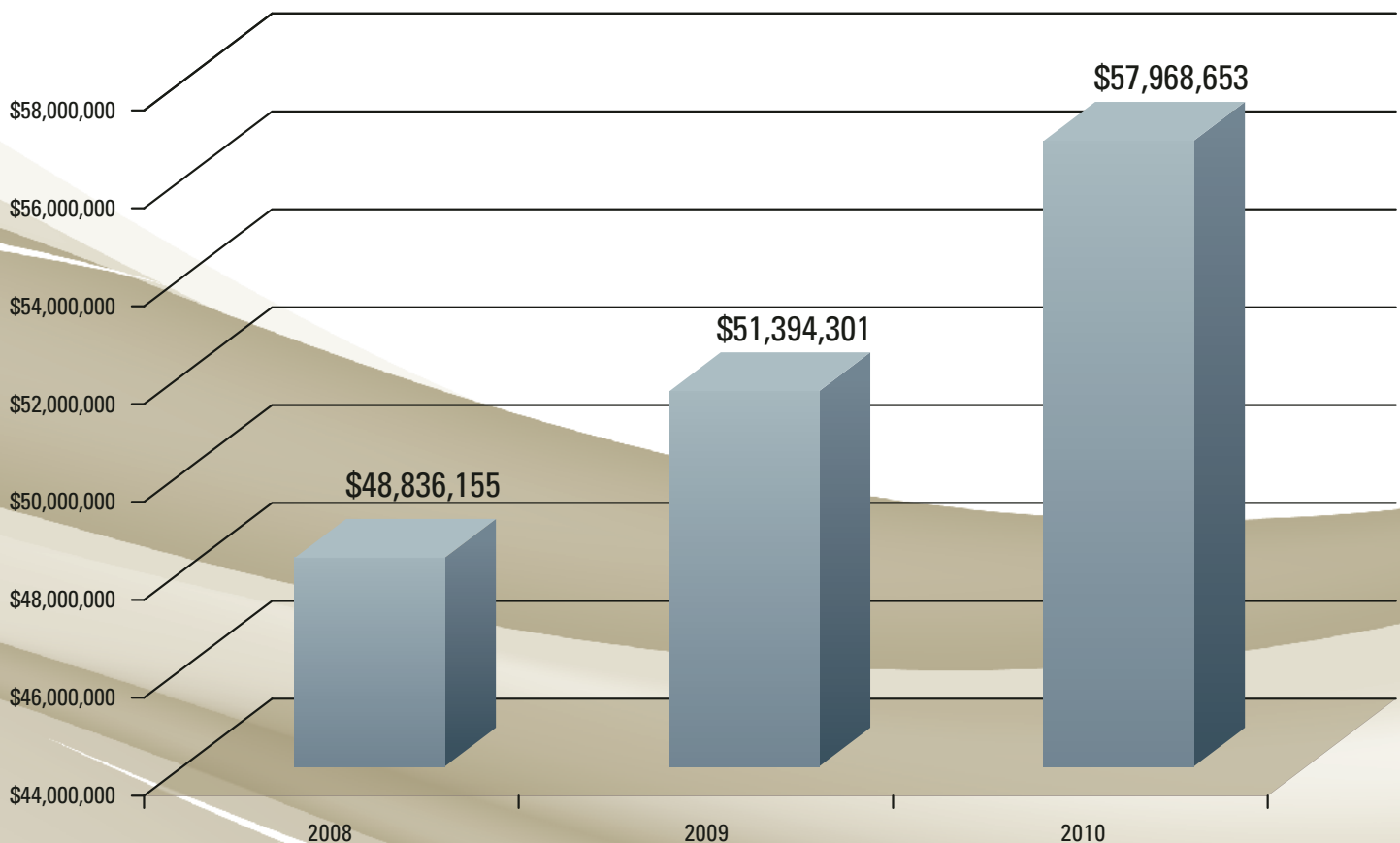
2010 CDQ IN-REGION EMPLOYMENT

	Individuals	Wages
Management/Admin	12	\$763,994
Board Members	9	\$130,886
Community Liaisons	6	\$66,000
Other Fishing	49	\$1,333,290
Internships	1	\$2,350
Other Employment	25	\$200,760
Totals	97	\$2,497,280

2010 APICDA TRAINING & EDUCATION EXPENDITURES

	Individuals	Expenditures
Scholarships Post Secondary	61	\$154,594
Voc-Tech Classes Basic	2	\$2,312
Other Training Fisheries Related CDQ Staff/Board	3	\$5,980
Other Expenditures School Grants Miscellaneous Grants		\$71,747 \$14,279
Total	66	248,912

APICDA CONSOLIDATED NET WORTH

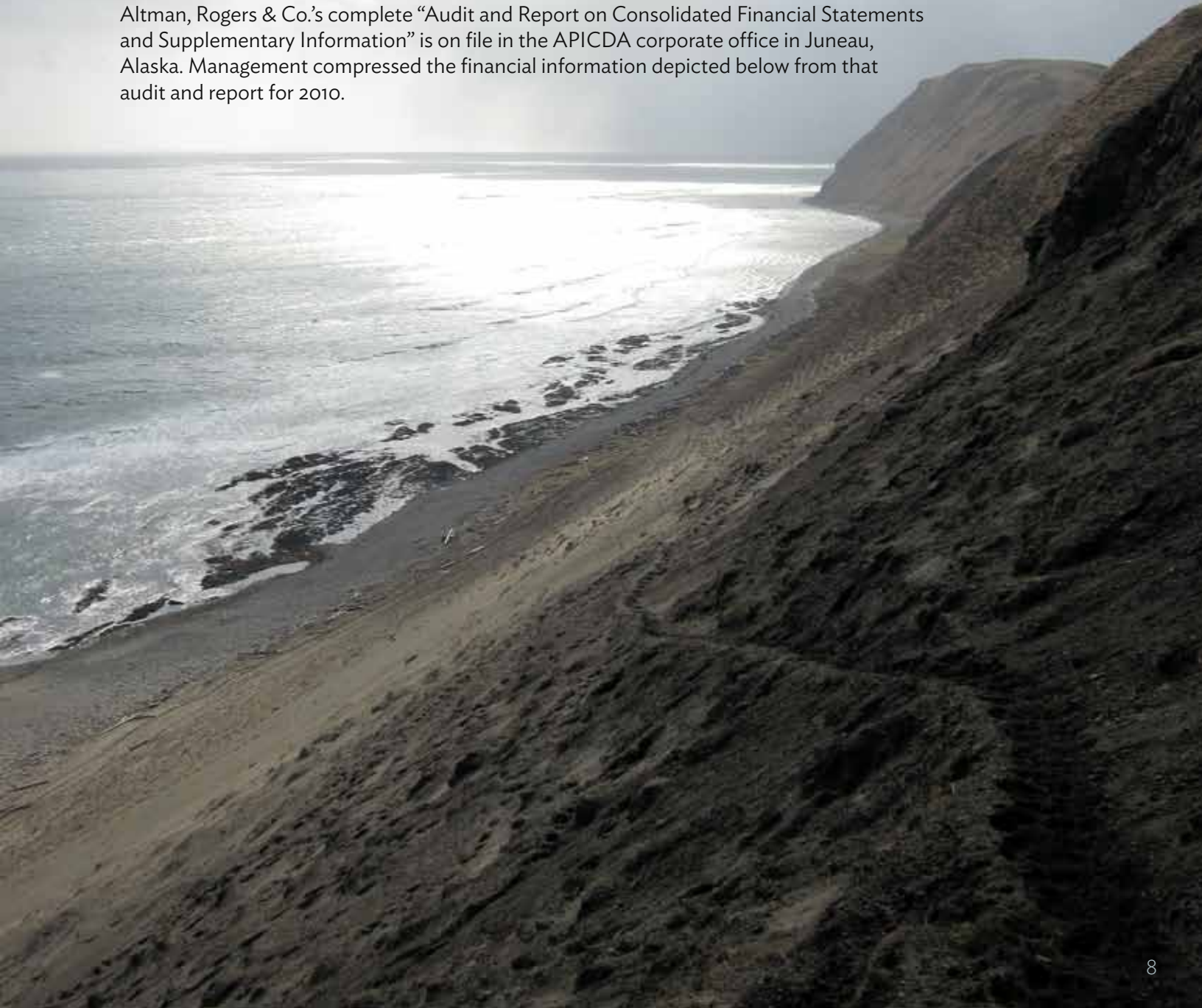


CONSOLIDATED FINANCIALS FOR 2010

To comply with state and federal regulations, APICDA undergoes a financial and managerial audit each year, and the results are shared with state and federal regulators. The 2010 audit began February 2011 and was concluded at the end of July 2011 by the Anchorage-based accounting firm of Altman, Rogers & Co. Aside from our customary audit, we were subjected to additional requirements because we received substantial grant monies for a project on St. George Island. Consequently, a Department of Commerce (EDA) Single Audit Act audit was conducted. Altman Rogers found the APICDA accounting department incorporated these additional, complex accounting standards extremely well.

The board and management place a great deal of faith and reliance with the Altman, Rogers & Co. findings as a measure of their overall corporate health. Management takes these recommendations as direction to improve managerial and accounting practices, and tries to implement them as quickly as possible. The Altman, Rogers & Co. annual audit is a critical component in our corporate governance processes, and we are extremely grateful for the professional, diligent, and forthright manner in which it is conducted each year.

Altman, Rogers & Co.'s complete "Audit and Report on Consolidated Financial Statements and Supplementary Information" is on file in the APICDA corporate office in Juneau, Alaska. Management compressed the financial information depicted below from that audit and report for 2010.



Consolidated Statements of Financial Position

December 31, 2010 and 2009

Assets	2010	2009
Current assets:		
Cash and cash equivalents	\$ 5,829,087	6,295,430
Short term investments	12,176,947	10,778,811
Accounts receivable:	4,667,546	3,036,388
Notes receivable affiliates - current	204,221	397,339
Notes receivable - related party - current	10,550	11,238
Note receivable - current	111,490	74,845
Inventory	460,548	554,554
Prepaid expenses	257,263	305,810
Total current assets	<u>23,717,652</u>	<u>21,454,415</u>
Investments:		
Investment in Out of Region Entities	10,862,708	11,990,278
Investment Partnerships with In-region Entities	1,047,513	1,168,683
Total investments	<u>11,910,221</u>	<u>13,158,961</u>
Property and equipment, net	21,388,895	15,833,028
Intangible assets, net	5,889,281	5,939,105
Deferred income tax benefit	137,719	236,849
Non-current notes and advances receivable	<u>1,011,505</u>	<u>796,385</u>
Total assets	<u>\$ 64,055,273</u>	<u>57,418,743</u>
Liabilities and Net Assets		
Current liabilities:		
Notes payable - current	1,425,861	338,452
Accounts payable	340,963	997,856
Accrued payroll and related liabilities	224,685	180,488
Interest payable	27,580	-
Fish taxes payable	334,301	261,982
Crab buyback fees payable	85,544	28,276
Unearned deposits	<u>7,000</u>	<u>16,015</u>
Total current liabilities	<u>2,445,934</u>	<u>1,823,069</u>
Notes payable, net of current portion	<u>3,680,778</u>	<u>3,931,422</u>
Total liabilities	<u>6,126,712</u>	<u>5,754,491</u>
Net assets:		
Controlling interests:		
Temporarily restricted	83,000	96,500
Designated:		
Long term reserves	12,176,947	10,778,811
Undesignated	45,403,655	40,404,565
Noncontrolling interests:		
Contributed capital	1,495,000	1,786,429
Net Income unrestricted/designated	<u>(1,230,041)</u>	<u>(1,402,053)</u>
Total net assets	<u>57,928,561</u>	<u>51,664,252</u>
Total liabilities and net assets	<u>\$ 64,055,273</u>	<u>57,418,743</u>

See accompanying notes to financial statements.

Consolidated Statements of Activities

Years Ended December 31, 2010 and 2009

Changes in unrestricted net assets:	2010	2009
Revenues and support:		
Royalties	\$ 7,711,784	7,270,674
EDA grant revenue	2,663,397	820,429
Interest and dividends	441,476	404,172
Gain (loss) on sale of property and equipment	(53,370)	8,759
Net realized and unrealized gains (losses) on investments	1,086,037	1,272,769
Nazan Bay Inn	2,200	3,000
Equity in profit (loss) of Out of Region Investments	1,561,766	2,615,167
Equity in profit (loss) of In-region Partnerships	(121,170)	(277,011)
Fishing income	5,049,672	3,850,909
Software sales	16,500	15,000
Crab	10,356,653	9,692,638
Tourism income	207,616	132,288
Other income	132,831	185,868
Total revenues and support	29,055,392	25,994,662
Net assets released from restrictions	96,500	187,500
Total revenues support and reclassifications	29,151,892	26,182,162
Expenses:		
Programs:		
Community development:		
Grants for Education (Scholarships/Vocational)	148,685	284,291
Grants for projects	1,070,753	1,114,980
Community outreach	153,226	189,176
Total community development	1,372,664	1,588,447
Operations:		
Crew	756,212	572,522
Labor	1,841,398	1,637,513
Boat supplies, maintenance and repairs	3,362,300	3,742,295
Tourism	574,690	230,505
Travel and transportation	119,148	109,557
Insurance	141,794	136,270
Nazan Bay Inn expense	39,030	40,095
Licenses, taxes and fees	460,863	342,732
Crab	8,922,367	9,381,843
Miscellaneous	44,962	8,080
Total operations	16,262,764	16,201,412
Total program expenses	17,060,738	17,559,354
General and administrative:		
Travel and transportation	223,386	140,064
Labor	1,884,978	1,681,657
Office expense	563,664	525,030
Management fees	122,701	97,816
Directors' fees and per diem	343,808	333,373
Insurance	197,696	153,163
Professional fees	355,816	338,610
Licenses, taxes and fees	101,274	187,970
Repairs and maintenance	146,432	101,562
Bad debt expense	—	86,344
Miscellaneous	69,605	152,376
Total general and administrative	4,009,360	3,797,965

Consolidated Statements of Activities *(continued)*

December 31, 2010 and 2009

	2010	2009
Interest and depreciation expense:		
Interest	176,234	234,565
Depreciation	953,929	847,757
Total interest and depreciation	1,130,163	1,082,322
Total expenses	22,774,951	22,670,146
Income before tax provision	6,376,941	3,512,016
Income tax benefit (expense)	(99,130)	292,791
Increase in unrestricted net assets before non-controlling interest	6,277,811	3,804,807
Increase in unrestricted net assets attributable to non-controlling interests	119,417	190,752
Change in temporarily restricted net assets:		
Contributions	83,000	96,500
Net assets released from restriction	(96,500)	(187,500)
Change in temporarily restricted net assets	(13,500)	(91,000)
Total change in net assets	\$ 6,264,311	3,713,807

See accompanying notes to financial statements.



Notes to Consolidated Financial Statements

Years Ended December 31, 2010 and 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Aleutian Pribilof Island Community Development Association ("APICDA") is an Alaskan nonprofit corporation formed in September 1992 for the benefit of various southwestern Alaska villages for the purpose of participating in the Alaska Community Development Quota ("CDQ") program established by the Federal Government. Under the CDQ program, eligible communities apply periodically for a portion of the harvestable pollock fishery in the coastal waters of Alaska. During 2006, the U.S. Congress extended the CDQ rights for all species indefinitely and established the allocation percentage for all species at 2002 levels until 2012.

Principles of Consolidation

In 1994, APICDA formed two wholly owned for profit subsidiaries, APICDA Joint Ventures, Inc. ("AJV"), and APICDA Management Corporation ("AMC"). On January 1, 1996, AMC was renamed as APICDA Vessels, Inc. ("AVI") and APICDA's investment in AVI was transferred to AJV.

AJV is a 100% owner of AVI and Bering Pacific Seafoods, L.L.C. ("BPS"), and a 50% owner of, Ugludax Lodge, L.L.C and Atka Pride Seafoods (APS).

AJV was a 50% owner of Puffin Seafoods, L.L.C, which operated as a fish handling facility in St. George, Alaska. In 2009 the company was dissolved.

In accordance with accounting principles generally accepted in the United States of America, APICDA, AJV, AVI, BPS, APS, Puffin Seafoods, L.L.C. and Ugludax Lodge, L.L.C. have been consolidated for the years ended December 31, 2010 and 2009. The consolidated entity is referred to as APICDA in these financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Operations

APICDA promotes local economic development in the Bering Sea/Aleutian Islands area of Alaska including fisheries development and protection. APICDA evaluates requests for assistance and distributes grants or other forms of financial assistance.

APICDA received a community development quota of approximately 29,330 metric tons, which represents approximately 18.3% of Alaska's CDQ reserve.

APICDA has entered into agreements with seafood processors whereby APICDA receives royalty payments for the utilization of the CDQ by processors. Under the agreements, the royalty is calculated using fixed rates, applied to round weights caught, and percentages applied to gross revenues from pollock and pollock roe produced, plus additional amounts if average sale prices exceed amounts defined in the agreement. The majority of consolidated revenues result from royalties generated by the use of the CDQ.

APICDA Joint Ventures, Inc. is a 50% owner of Atka Pride Seafoods, Inc. ("APS"), located in Atka, Alaska, which purchases and processes fish for resale; a 25% owner of Golden Dawn, L.L.C., a vessel engaged in commercial fishing in Alaska; a 20% owner of Prowler, L.L.C. and a 20% owner of Ocean Prowler, L.L.C., which are vessels engaged in commercial fishing in Alaska; a 50% owner of Nelson Lagoon Storage Company, L.L.C.,

which stores fishing gear and vessels in Nelson Lagoon, Alaska; a 50% owner of Kayux Development, L.L.C., which is a harbor operating on Tract I in the City of St. George, Alaska; a 100% owner of Bering Pacific Seafoods, L.L.C. ("BPS"), located in False Pass, Alaska, which purchases and processes fish for resale; a 50% owner of Ugludax, L.L.C., which operates a fishing lodge in Nikolski, a 20% owner of Starbound, L.L.P., a vessel engaged in fish processing; a 50% owner in the Barbara J., L.L.C., a vessel engaged in commercial fishing in Alaska, and during 2008 added a 50% owner of Reagan L.L.C., a vessel engaged in commercial fishing in Alaska.

In 2009 AJV became a 25% owner of the newly formed Alaska Longline L.L.C. As part of the new L.L.C. being formed, Alaska Longline L.L.C. acquired 100% interest in the Prowler L.L.C. and Ocean Prowler L.L.C.

APICDA Joint Ventures, Inc. is a 100% owner of APICDA Vessels, Inc. (AVI), which purchases fishing vessels that are leased to fishermen in various southwestern Alaska villages. AVI is a 50% owner of Farwest Leader, L.L.C., a vessel engaged in commercial fishing in Alaska. AVI accounts for its investment in Farwest Leader, L.L.C. by the equity method.

AJV accounts for its investments in Golden Dawn, L.L.C., Alaska Longline L.L.C, Kayux Development, L.L.C., Nelson Lagoon Storage Company, L.L.C., Barbara J., L.L.C., Reagan, L.L.C. and Starbound, L.L.P. by the equity method. All other companies are consolidated.

Basis of Accounting

APICDA's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when they are earned. Liabilities and expenses are recorded when incurred.

APICDA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At years ended December 31, 2010 and 2009 APICDA did not have any net assets that were classified as permanently restricted. Unrestricted net assets are not subject to donor-imposed stipulations. Temporarily restricted net assets are resources restricted by the donor, grantor, or other outside parties whose restrictions expire by the passage of time or can be fulfilled or removed by actions of APICDA. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company must disclose its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements and derivative financial instruments.

Notes to Consolidated Financial Statements

Years Ended December 31, 2010 and 2009

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts reported in the balance sheets for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities, except for the Company's investments. The carrying amounts of the Company's investments were determined based on quoted market prices.

Cash and Cash Equivalents

APICDA, for the purpose of the Statement of Cash Flows, considers cash and cash equivalents to include amounts in demand deposits and short-term investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and that present an insignificant risk of changes in value due to changes in interest rates or other factors. APICDA maintains a number of checking, savings and time certificate of deposit accounts for each one of its consolidated companies. These accounts are held with Wells Fargo bank and are insured up to \$250,000 per bank, per Employer Identification Numbering (EIN), by FDIC. Amounts in excess of \$250,000 are uninsured. The uninsured cash balance held at Wells Fargo bank at December 31, 2010 and 2009 were \$5,129,980 and \$3,809,129, respectively.

Investments

APICDA carries investments at fair value. The change in the fair value is included in the consolidated statement of activities. Investments consist of mutual funds, equity securities, U.S. agency obligations, and corporate debt securities. For purposes of calculating realized gains and losses, cost is determined by the specific identification method on a trade date basis.

Trade Accounts Receivable and Other Receivables

APICDA uses the reserve for bad debt method of valuing doubtful receivables which is based on historical experience, coupled with a review of the current status of existing receivables. The balance of the reserve for doubtful accounts, deducted against trade accounts receivable to properly reflect the realizable value, is \$8,980 and \$4,445 at December 31, 2010 and 2009, respectively. The balance of the reserve for doubtful account, deducted against other receivables to properly reflect the realized value, \$89,089 and \$89,089 at December 31, 2010 and 2009, respectively.



Inventory

Inventory consists of retail merchandise and fish sold at whole sale. Retail merchandise is stated at the lower of cost (the first-in, first-out method) or market. Fish is valued at lower of cost or market.

Prepaid Items

Payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid items.

Intangible Assets

Intangible assets are comprised primarily of fishing rights and permits.

In accordance with Accounting Standards Codification (ASC) 250 Intangibles, Goodwill and Others effective January 1, 2002, the Company discontinued amortizing the intangible assets with indefinite lives. The Company reviews the fishing permits for impairment annually on December 31, and more frequently if circumstances warrant. The Company performed the annual review as of December 31, 2010 and 2009 and determined that the fishing permits continue to have indefinite lives and that there was no impairment of these assets.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, generally five, seven, or ten years. Expenditures for major additions, renewals and betterments are capitalized and maintenance, repairs, minor additions and renovations are charged to expense. Gains or losses upon asset disposal are recorded as revenue.

Revenue Recognition

Royalty revenue from applying fixed rates to round weights caught or finished product is recognized at the time of harvest. Royalty revenue resulting from CDQ species and CDQ roe sold, and from the variable rate based on product mix and related market price, is recognized when these products are sold and the amount of royalty is determined to be measurable and collectible.

Income from leasing fishing vessels which is calculated as a percentage of the lessee's sales, is recognized in the period such sales occur.

Community Development Quota

The fair value of the CDQ quota received by APICDA is not considered to be determinable within reasonable limits. Accordingly, no value is assigned to the receipt of the quota in the financial statements.

Income Taxes

On July 27, 1993, APICDA was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, effective September 29, 1992. APICDA believes that none of its activities subject it to taxation of unrelated business taxable income, in evaluation of unrelated business income, the Company follows of GAAP, when accounting for uncertainty in income taxes. The Company's policy is to include penalties and interest associated with income taxes in income tax expense. The prior three years of tax returns remain subject to examination by state and federal taxing agencies. However, all subsidiaries conduct activities, which are subject to federal and state taxation.

Notes to Consolidated Financial Statements

Years Ended December 31, 2010 and 2009

II. INVESTMENTS

Investments are stated at fair value and are as follows at December 31, 2010 and 2009:

	Fair Value	
	2010	2009
Money market funds	\$ 442,802	409,447
Accrued interest	14,685	13,741
Marketable securities	7,078,860	6,341,969
Mutual funds	1,679,431	1,642,120
Commodity trading advisors	537,741	-
Government bonds	2,423,428	2,371,534
	<u>\$ 12,176,947</u>	<u>10,778,811</u>

The following schedule summarizes the investment return for the years ended December 31, 2010 and 2009:

	Unrestricted	
	2010	2009
Interest and dividends	\$ 434,789	366,136
Net realized and unrealized gains (losses)	1,086,037	1,177,871
Investment management fees	(122,701)	94,898
Net investment return	<u>\$ 1,398,125</u>	<u>1,638,905</u>

Included in investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or for certain bonds and preferred stock when carried at the lower of cost or market.

The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available. The Company does not have investments for which quoted market prices are not available.

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following table provides information as of December 30th about the Company's financial assets and liabilities measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
2010 Investments	\$ <u>12,176,947</u>	<u>—</u>	<u>—</u>	<u>12,176,947</u>
2009 Investments	\$ <u>10,778,811</u>	<u>—</u>	<u>—</u>	<u>10,778,811</u>

Given the narrow definition of Level 1 and the Company's investment asset strategy, all of the Company's investment assets are classified in Level 1. Changes in investments is presented on the statement of activities as investment income or loss.

Notes to Consolidated Financial Statements

Years Ended December 31, 2010 and 2009

III. NOTES RECEIVABLE

Notes receivable at December 31 are comprised of the following:

	2010	2009
Note receivable for cash advances to affiliated in-region partnerships and tribal entities	\$ 500,339	397,339
Notes receivable for cash advances to affiliated out-of-region partnerships	204,221	204,221
Note receivable for advances to non-affiliated entities for the purchase of privately held IFQ	444,352	405,596
Note receivable for advances to non-affiliated entities for the purchase of fishing gear	111,493	132,826
Note receivable from non-affiliated in-region entities	68,543	122,000
Total notes receivable from affiliates and non-affiliates	1,328,948	1,261,982
Less current portion:	(315,711)	(472,184)
Allowance for uncollectible notes	(89,089)	(89,089)
Long-term notes receivable from affiliates and non-affiliates, net	\$ 924,148	700,709

IV. ADVANCES DUE FROM AFFILIATED NON-CONSOLIDATED COMPANIES

Advances receivable at December 31 are comprised of the following:

	2010	2009
Advances due from Kayux Development, L.L.C., non-interest bearing	\$ 22,500	20,950
Less current portion	—	—
Long-term advances	\$ 22,500	20,950



Notes to Consolidated Financial Statements

Years Ended December 31, 2010 and 2009

V. PROPERTY AND EQUIPMENT

Property and equipment at December 31 are comprised of the following:

	2010	2009
Property and equipment being depreciated:		
Office equipment	\$ 609,386	589,944
Fishing vessels and gear	2,658,024	2,607,758
Electronic equipment	131,711	126,674
Deck gear	250,154	209,832
Safety gear	46,079	46,079
Automobiles	439,001	400,597
Machinery	4,061,382	2,699,258
Buildings and infrastructures	15,503,087	8,547,352
Total property and equipment being depreciated	23,698,824	15,227,594
Less accumulated depreciation	(6,169,331)	(5,427,358)
Net property and equipment being depreciated	17,529,493	9,800,236
Property and equipment not being depreciated:		
Construction in progress	3,100,530	5,313,920
Land and land improvements	758,872	718,872
Total property and equipment not being depreciated	3,859,402	6,032,792
	<u>\$ 21,388,895</u>	<u>15,833,028</u>

VI. INTANGIBLE ASSETS

Other assets consist of intangible assets.

	2010	2009
Intangible assets balances by asset at December 31 are:		
Individual fishing quota shares	\$ 1,653,807	1,653,807
Less accumulated amortization and impairment	(919,363)	(919,363)
Individual processing quota shares	4,021,985	4,021,985
Catch history rights	70,500	70,500
Less accumulated amortization	(21,600)	(21,600)
Land use rights	1,495,000	1,495,000
Less accumulated amortization	(411,048)	(361,224)
	<u>\$ 5,889,281</u>	<u>5,939,105</u>



Notes to Consolidated Financial Statements

Years Ended December 31, 2010 and 2009

VII. RELATED PARTY TRANSACTIONS

Related Party Note Receivable

During 2003 AJV extended a loan in the amount of \$95,567 to one of its Board members. The note is non-interest bearing and is payable in annual payments equal to 20% of the total ex-vessel value of the halibut IFQ harvested and sold during each calendar year. The balance due at December 31, 2010 is \$62,907, of which \$4,300 is classified as current and \$58,607 classified as non-current. The entire unpaid principal balance is payable in full in November 2014.

During 2008 AVI extended a loan in the amount of \$25,000 to one of its Board members. The note is non-interest bearing and is payable in minimum annual payments of \$6,250 prior to September 30 of each year commencing with the first payment due on September 30, 2009. The balance due at December 31, 2010 is \$12,500, of which \$6,250 is classified as current and \$6,250 classified as non-current. Final payment due September 30, 2012.

VIII. NOTES PAYABLE

Notes payable consists of the following:

Line of credit payable to Wells Fargo with an interest rate currently at 4%. Principal balance due at December 30, 2010 is \$1,352,730, of which all is classified as current.

Mortgage payable to Wells Fargo Bank due in full December 31, 2035 interest is 7.5%. The original amount of the loan was \$304,857. Principle balance due at December 31, 2009 is \$180,113, of which all is classified as current.

Grant from the Alaska Science and Technology Foundation is to be repaid in the following manner: Repayment shall equal five percent of the grantee's gross receipts which arise from the project to which the grant was related to, until ½ the amount of the grant has been repaid. The original amount of the grant was \$140,000. Principal balance due at December 31, 2010 is \$133,576, which is classified as non-current. Also included is a note finance charge of \$66,788, which at December 31, 2010 is included with as long-term notes payable.

Loan payable to Westward Seafoods, Inc. due in full December 31, 2023 interest is 4.6%. The original amount of the loan was \$659,381. Principle balance due at December 31, 2010 is 557,110 of which \$51,131 is classified as current and \$505,979 is classified as non-current.

Line of credit payable of \$2,816,322 to Merrill Lynch. Interest rate of the Federal discount rate plus 2.00% floating. Loan is collateralized by investments. The loan balance may never exceed fifty percent of the value of the investments. Full amount of line of credit is classified as a non-current liability.

	2010	2009
Total notes payable	\$ 5,106,639	4,269,874
Less current portion of notes payable	<u>(1,425,861)</u>	<u>(338,452)</u>
Long-term portion of notes payable	\$ <u>3,680,778</u>	<u>3,391,422</u>

Annual maturities of long-term debt for the five years subsequent to fiscal year 2010 are as follows:

2011	\$ 1,425,861
2012	84,510
2013	87,101
2014	89,894
2015	91,548
Thereafter	<u>3,327,725</u>
Totals notes payable	5,106,639
Less: current portion	<u>(1,425,861)</u>
	\$ <u>3,680,778</u>

Notes to Consolidated Financial Statements

Years Ended December 31, 2010 and 2009

IX. LONG-TERM RESERVES

At December 31, 2010, the Board designated \$12,176,947 of unrestricted net assets for long-term reserves. All of this amount is held in investments. At December 31, 2009, the Board designated \$10,778,811 of unrestricted net assets for long-term reserves. All of this amount is held in investments.

X. GRANTS

APICDA provides financial assistance to organizations in southwestern Alaska for purposes of economic development and fisheries related development and protection. The amount of this financial assistance, which is classified as grants for scholarships and grants for projects on the statement of activities, for the years ended December 31, is comprised of the following:

	2010	2009
Community projects	\$ 410,212	495,601
Fisherman's associations	140,000	120,000
School districts	71,417	82,808
College internships	2,350	5,747
Scholarships	140,393	235,337
Supplemental Education – Vocational Education	8,292	48,954
Community dividends	600,000	600,000
	<u>\$ 1,372,664</u>	<u>1,588,447</u>



Notes to Consolidated Financial Statements

Years Ended December 31, 2010 and 2009

XI. ROYALTY INCOME

Under the CDQ program, eligible communities apply periodically for a portion of the harvestable fisheries in the coastal waters of Alaska. The program includes all species, and is not scheduled to expire until 2012. CDQ royalty income, by species, received by APICDA for the years ended December 31, 2010 and 2009, is as follows:

	2010	2009
Pollock Base	\$ 2,130,538	2,140,221
Pollock Roe	581,406	828,949
Pollock Market Share Fee	1,677,664	1,921,867
Pacific Cod	831,821	858,395
Atka Mackerel	224,960	189,535
Halibut	233,627	94,741
Pacific Ocean Perch	102,615	46,294
Rock Sole	10,095	241
Sablefish	298,356	145,258
Yellowfin Sole	79,364	37,986
Flathead Sole	12,730	753
Opilio	193,472	257,558
St. Matthew Crab	191,986	—
Red King	911,010	632,098
Brown King	51,764	28,746
Bairdi	—	13,504
Crab Market share fees	156,974	70,321
Other	23,402	4,207
	<u>\$ 7,711,784</u>	<u>7,270,674</u>



Notes to Consolidated Financial Statements

Years Ended December 31, 2010 and 2009

XII. COMMITMENTS AND CONTINGENCIES

Land Lease

Bering Pacific Seafoods, L.L.C. has a ninety-nine year land lease with Istanotski Corporation in False Pass, Alaska. The lease was initiated in 2001, and requires annual payments of \$40,000 until the sixth anniversary of the lease, after which time the payment will be adjusted annually to reflect changes in the consumer price index. Annual lease payments cannot go below the initial base amount or proceeding annual payment.

Loan Guarantees

APICDA and APICDA Joint Ventures are guarantors on two loans to a partner LLC from Farm Credit. The first loan was for formation of the LLC at December 31, 2010 the balance on that loan was \$21,266,667. The second loan was for purchase of fishing rights at December 31, 2010 the balance on the loan was \$5,712,500.

XIII. LEASES

Operating Leases

AVI, a wholly owned subsidiary of AJV, as lessor, has operating leases for its several fishing vessels and related equipment and gear to fishermen in the regional communities. The operating leases run for the fishing season and provide for AVI to receive as lease income a minimum of twenty-five percent of the fishermen's fish sales. Related lease income for the years ended December 31, 2010 and 2009 was \$418,478 and \$307,413, respectively. The property and equipment subject to these leases and included in Property and Equipment in the accompanying statements of financial position at December 31, are as follows:

	2010	2009
Vessels and gear	\$ 1,933,412	1,441,732
Electronic equipment	98,010	64,818
Deck gear	231,330	110,533
Safety gear	22,904	7,179
	<u>2,285,656</u>	<u>1,624,262</u>
Accumulated depreciation	(881,216)	(472,428)
	<u>\$ 1,404,440</u>	<u>1,151,833</u>

XIV. SUBSEQUENT EVENTS

In April of 2011 Reagan LLC sold F/V Reagan the main asset held by that company. The company still exists with limited assets on its balance sheet.

In April of 2011 APICDA Joint Ventures (AJV) and other partners formed a new company named TNG LLC of which AJV is a 47.5% owner. AJV's original contribution into this new LLC was \$712,500.

Management has evaluated subsequent events through July 6 2011.



BOARD OF DIRECTOR NOTES

In addition to the financial information provided in this annual report, the Board of Directors wishes to make known to the residents of APICDA communities the following information regarding corporate governance. The board exercises broad oversight of its management team through board and committee meetings. Generally the board meets four times a year to review the financial health of APICDA, to receive reports on current operations, and to review plans for future programmatic changes. The Executive Committee meets with top management, generally on a monthly basis, to monitor the corporation's business, provide recommendations, and to approve or disapprove planned actions by management that do not require action by the full board. In addition, the board appoints several committees (see inset) to oversee specific corporate functions. The Budget & Audit Committee reviews annual budgets prior to submission to the full board, and monitors management's performance against budget throughout the budget year. The other committees meet on a regular basis to review new proposals and management performance. Reports are made to the full board.

APICDA compensates its Directors \$400 per day for meeting attendance fees. In addition, the Directors receive a \$300 a month honorarium as compensation for time expended on corporate affairs through emails, phone conversations, and correspondence review. The board, noting the extreme time demands placed on the Chairs of APICDA and APICDA Joint Ventures, authorized each \$3,000 per month in compensation. Travel and per diem for board members are paid at the published rates for federal employees.

In 2010, APICDA and its subsidiaries paid the following professional service fees: \$85,777 in legal fees; \$64,978 in consultant fees; \$109,570 in accounting fees; and APICDA Joint Ventures, Inc. paid \$95,969 in lobby fees.

Disclosures are made if any officers, directors, or key employees are related to any professional service providers the corporation utilizes. There were no such relationships in 2010. APICDA also discloses any pending litigation between the corporation and any former officers, directors, or key employees. No such litigation is pending.

The board is mindful of its responsibility to ensure its management team is professional, competent, responsive, and fully supportive of its goals and priorities. The board highly values its management team. Salaries are set based on those parameters and at levels comparable to other companies in the industry. Chief Executive Officer (CEO) Larry Cotter and Chief Operating Officer and Chief Financial Officer (COO&CFO) Joe Kyle were paid \$300,384.70 and \$299,135.00 respectively in salary during calendar year 2010. Rounding out the top five compensated employees for the year were Construction Manager, Shawn Hansen who received \$114,897.08. Controller Rob Smith was paid \$108,930.99 and Vessel Manager Jeff Kashevarof received \$104,809.30. In addition, the board compensates top management with performance bonuses each year. These bonuses, which may vary in amount from year to year, serve to recognize meritorious performance and to provide further incentives for top management to strive for excellence as it pursues the corporation's goals and objectives. Bonuses awarded for 2010 were based, among other things, on the gross revenues received from our CDQ and investments, management improvements with our in region investments, performance improvements at operating entities, and major acquisitions completed. The CEO and COO/CFO were awarded \$40,000 for their performance in 2010. The Controller and Vessel Manager each received a performance bonus of \$20,000. The Construction Manager received a performance bonus of \$10,000.



2010 COMMITTEE MEMBERSHIP

EXECUTIVE COMMITTEE

Gilda Shellikoff - False Pass
Hugh Pelkey - Akutan
Justine Gundersen - Nelson Lagoon

FINANCIAL INVESTMENT COMMITTEE

Pete Crandall - Juneau
Hugh Pelkey - Akutan
Gilda Shellikoff - False Pass

TRAINING & EDUCATION COMMITTEE

Emil Berikoff - Unalaska
Hugh Pelkey - Akutan
Patrick Pletnikoff - St. George

POLICY & PROCEDURES COMMITTEE

Rick Lauber - Juneau
Justine Gundersen - Nelson Lagoon
Gilda Shellikoff - False Pass

BUDGET & AUDIT COMMITTEE

Justine Gundersen - Nelson Lagoon
Pete Crandall - Juneau
Gilda Shellikoff - False Pass
Rick Lauber - Juneau

BUSINESS INVESTMENTS COMMITTEE

Rick Lauber - Juneau
Pete Crandall - Juneau
Gilda Shellikoff - False Pass



Celebrating 20 years

2011 ANNUAL REPORT



*APICDA's communities have
great opportunities...and with an
experienced staff, wise counsel of the
Board of Directors, support of our
communities, and close cooperation
with other regional organizations
APICDA can continue to deliver
positive results.*

—Larry Cotter, CEO

Dear APICDA Community and Community Residents:

I am proud to celebrate the 20th anniversary of the founding of APICDA with all of you. We have really come such a long way since we started. Over the years the board has become more sophisticated and more professional as APICDA's business interests have become more complex. We spend more time looking at the numbers and asking hard questions – how much will a project cost? Will we make money or lose it – and over what period of time? And, if we are going to lose money, do the benefits outweigh the costs – because, for all of our projects, the Board must be aware of how they impact our communities.

Because many small community projects simply break even, or make only a small amount of money, we must have investments that make money so we can continue to provide grants, scholarships and investments in our communities.

The board counts on the work of our excellent staff to help us make these decisions. We have confidence that the staff will continue to manage APICDA for the benefit of our communities.



Various APICDA Board Members - 1992

Looking ahead, we have many challenges. Our communities struggle with year round employment, so it is hard to attract and keep families so we can keep our schools going. APICDA is working to make more of our operations year-round and transfer more responsibility to key local residents to address this issue. Our communities face very high fuel costs for heating, electricity, vehicles and boats. APICDA is also working with many partners to address this issue, including new wind power projects in several communities. And, our communities have few options for funding local government programs; again, APICDA has helped through infrastructure investments that bring new tax and operating revenues.

The APICDA board appreciates your continued support, and we look forward to the next 20 years of increased economic activity in our APICDA communities.

Sincerely,

A handwritten signature in dark ink, reading "Gilda M. Shellikof". The signature is fluid and cursive, with a large, stylized "G" and "S".

Gilda Shellikof
Chair, Board of Directors
July 1, 2012

To the APICDA Community:

I am pleased to submit this annual report of APICDA's operations in 2011 – our 20th year of operation. No one knew what we were going to be when the CDQ program first started. The vision was stable local economies, and we're moving steadily toward that.

We had a few bad starts, and we learned from them. With the Board's support, we have done a good job of balancing direct community grants with strong investments that produce cash and build our asset base.

The effort we've made at False Pass with Bering Pacific Seafoods this year is huge and we will start work in Atka next year. There is finally a light at the end of the tunnel for St. George's harbor – with that critical infrastructure in place, St. George has a great future.



First meeting of the APICDA Board - 1992

APICDA is very healthy financially; we have low debt and each of the economic ratios we track is in a great position.

We continue to work with the "A" team – a group of organizations that are also

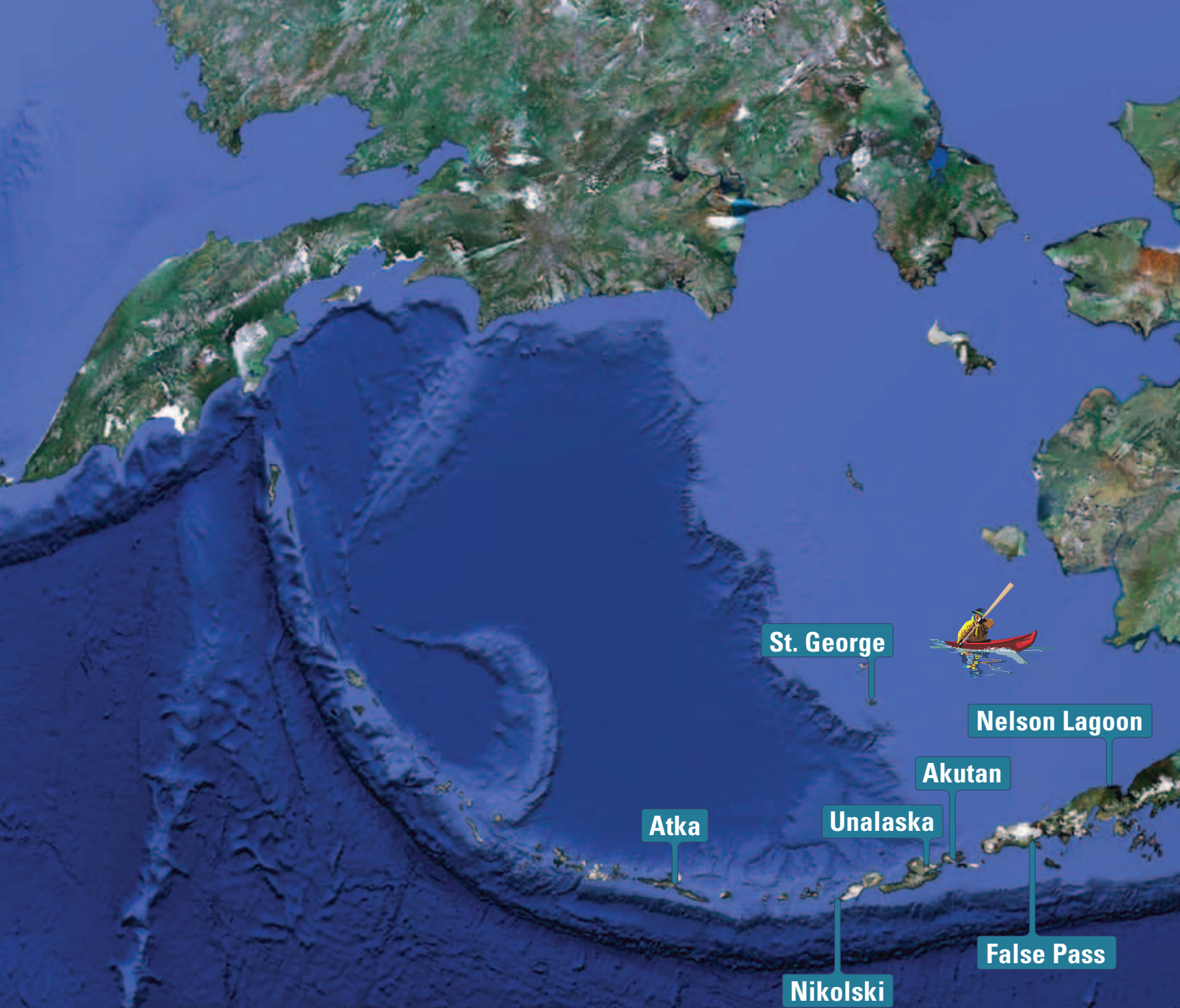
committed to the people and communities of the Aleutian Pribilofs region. APICDA's communities have great opportunities – but our greatest challenge is people. Our communities struggle with substance abuse; something that is difficult to talk about. We have trouble finding people who can pass a drug test to work in our plants and on our vessels – good jobs in the summer and some year-round. For that reason, we are spending more time and effort on the youth in our communities, along with our "A" team partners.

This annual report includes many other highlights of APICDA's operations in 2011. APICDA has evolved and strengthened over the past 20 years and I have every confidence that through our experienced staff, the wise counsel of our Board of Directors, the support of our communities, and our close cooperation with other regional organizations, APICDA can continue to deliver positive results for our CDQ communities.

Larry Cotter
Chief Executive Officer
July 1, 2012

HIGHLIGHTS

- + Contributed \$600,000 in grants to the six member communities as a community dividend
- + Long term reserve account worth \$12 million at year's end
- + Employed 82 APICDA residents with a payroll of \$2,910,953
- + Invested \$154,212 in scholarships and internship programs
- + Invested just over \$287,000 in grants for schools, communities, and community outreach programs
- + Contributed \$229,416 in grants for community infrastructure and community associated miscellaneous donations
- + Consolidated net worth grew to \$61.9 million
- + Invested over \$700,000 on projects in the region
- + Partnered with leaders in the fishery industry to form The Next Generation Fisheries, LLC (TNG)
- + Completed the Nelson Lagoon fish handling facility
- + Expanded our tourism investments in False Pass to include bear hunts and sport fish opportunities
- + Purchased office building in Anchorage
- + Purchased 1,965,574 units of Snow crab IFQ
- + Purchased 369,228 units of Tanner crab IFQ
- + Provided \$106,000 in loans to fishermen and entities in our region
- + APICDA spearheaded LEAD Aleutian program
- + APICDA partnered with Trident Seafoods for 2nd Akutan Region Basketball Camp

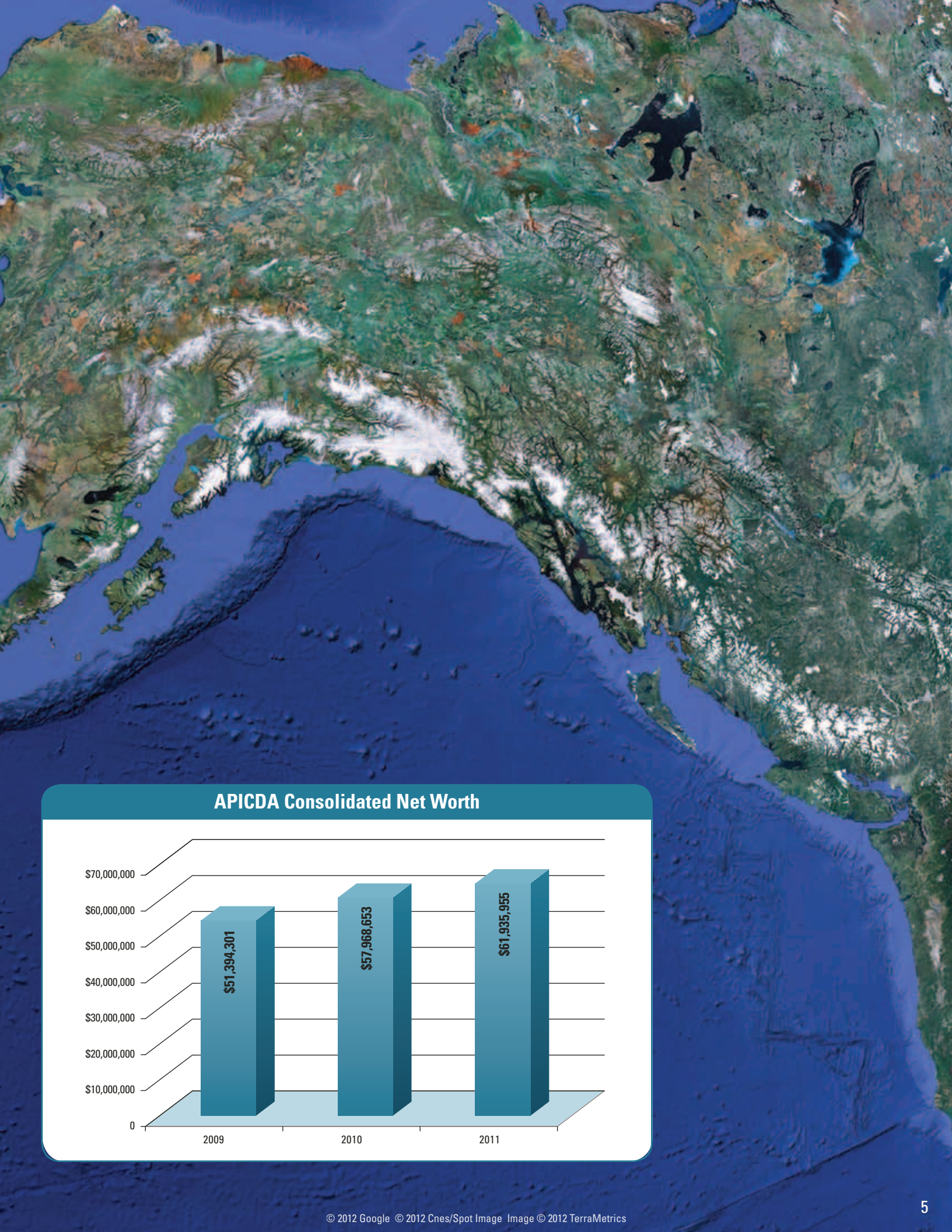


2011 APICDA Training & Education Expenditures

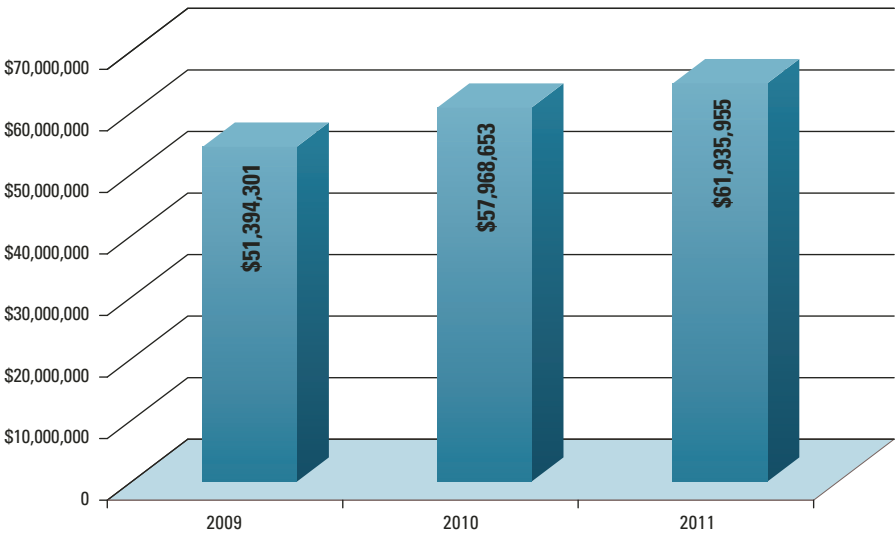
	Individuals	Expenditures
Scholarships		
Post Secondary	51	\$134,110
Voc-Tech Classes		
Basic	5	\$7,069
Other Training		
Fisheries Related	4	\$7,706
CDQ Staff/Board		
Other Expenditures		
School Grants		\$60,000
Miscellaneous Grants		\$13,747
Total	60	\$222,632

2011 CDQ In-Region Employment

	Individuals	Wages
Management/Admin	14	\$934,501
Board Members	9	\$131,700
Community Liaisons	7	\$70,533
Other Fishing	53	\$1,676,381
Internships	1	\$5,327
Other Employment	25	\$92,511
Totals	82	\$2,910,953



APICDA Consolidated Net Worth



AKUTAN



Archaeological evidence suggests that Akutan has been the site of a traditional Unangan village since prehistory. In 1878, Akutan was established as a fur storage and trading port for the Western Fur & Trading Company. The company's agent started a commercial cod fishing and processing business. A Russian Orthodox Church and a school were built in 1878.

The Pacific Whaling Company operated the only whaling station in the Aleutians across the bay from Akutan from 1912 to 1939. After the Japanese attacked Unalaska

in June 1942, the U.S. government evacuated Akutan residents to the Ketchikan area. The village was re-established in 1944, although many villagers chose not to return. The city was incorporated in 1979. Akutan is represented by the Akutan Village Corporation and a federally-recognized tribe, the Native Village of Akutan.

Akutan is a fishing community with about 75 year-round residents, but during the fishing season the population increases to nearly 1,000 with seasonal workers. Trident Seafoods operates a large processing plant for cod, crab, pollock, and fishmeal west of the city.



APICDA investments in Akutan:

Year	Entity	Item	Amount
2003, 2005, 2010	Akutan Fish Association Members	Akutan IFQ Loan Program	\$546,000 (approximately)
2006	City of Akutan	Small Boat Mooring Basin	\$150,000
2011	City of Akutan	Akutan Port	\$750,000 committed

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APICDA
20 year highlights

1992



Pollock CDQ Program commences...APICDA formed.

1992

Community Liaison Officer Program introduced.

Trident's Akutan shore plant is the largest seafood production facility in North America. The Akutan facility sustains a year-round frozen seafood operation capable of processing over 3 million pounds of multiple species per day. APICDA partners with Trident in three vessel joint ventures.



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1993

APICDA established Fishermen's Association grant program.

1993

APICDA developed Training and Education scholarship program.

1994

AJV and APICDA Management Company (AMC) formed, AMC later transforms to APICDA Vessels, Inc.



1994

Atka Pride Seafoods formed. 50/50% partnership with Atka Fishermen's Association and AJV.

ATKA



Atka is located on Atka Island, 1,100 miles from Anchorage on the southwest shore of Nazan Bay near a deep, protected anchorage. The location of the island allows relatively easy access to the

Bering Sea to the North, and to the Pacific Ocean to the south. The community is adjacent to rich Pacific cod, pollock, sablefish, Atka mackerel, and Aleutian Islands golden king crab.

The island has been occupied by Unangans for at least 2,000 years. The first contact with Russians occurred in 1747, and Atka became an important trade site and safe harbor for Russians. The town site was settled in the 1860s.

After the end of the sea otter hunting era in the late 1800s, Atka had no viable cash economy. Reindeer were introduced to the island in 1914. During the 1920s, Atka became relatively affluent due to fox farming. After the Japanese attacked Unalaska and seized Attu and Kiska in June 1942, the U.S. Government evacuated Atka's residents to the Ketchikan area. Atka was burned to the ground to prevent Japanese forces from using it.



The U.S. Navy rebuilt the community after the war, and residents were allowed to return. Many Attu villagers, released from imprisonment in Japan in 1945, relocated to Atka. About 100 people live in Atka today.

APICDA investments in Atka:

Year	Entity	Item	Amount
1994	Atka Pride Seafoods	Floating Dock System	\$200,000
1997	City of Atka -Grant	Atka City Dock	\$800,000
1997	APICDA Joint Ventures	Nazan Bay Inn	\$220,000
1997	Atka Pride Seafoods	Barges	\$80,000
2004	Atka Pride Seafoods	Shop	\$44,000
2004	APICDA Vessels	Shop	\$44,000
2004	Atka Pride Seafoods	Dock	\$365,000
2007-2009	Atka Pride Seafoods	Plant/Office	\$4,100,000
Various	Atka Pride Seafoods	Equipment	\$1,432,000
Various	Atka Pride Seafoods	Outfall Line	\$159,000

1995

Completion of Nelson Lagoon Dock.
\$800,000 contributed by APICDA.



1995

APICDA implemented School Grant program.

1995

AJV purchases 25% ownership in Golden Dawn LLC. (Pollock/Cod trawl catcher vessel.)



The City of Atka is a second-class city incorporated in 1988, and since it does not belong to an organized borough, the City is responsible for many services. Atxam Corporation is the Native village corporation. The Native Village of Atka, a federally recognized tribe, is located in the community.

In 1994, APICDA and the Atka Fishermen's Association formed Atka Pride Seafoods to process halibut products and sablefish, operating seasonally from June through September. The plant has operated at a profit for several years, providing good paying jobs and advancement opportunities for local residents, and supporting the City of Atka through raw fish taxes. APICDA plans to expand the APS plant in 2013-14 so it can operate as a diversified year-round seafood processor. APICDA also owns and operates the Nazan Bay Inn, a small hotel providing lodging for visitors.



“The organization has developed into something that we really hoped for. It has benefited the region immensely, with literally millions of dollars invested in the region in communities that needed it badly. We have seen successes that have been very beneficial and with the investments we are making now, we are going to create a lot of jobs. APICDA has a great staff, and I’m happy to be a part of the organization.”

Mark Snigaroff
Atka Board Member 1992-1994
and 2006-present

1996

AJV built vessel tram for Nikolski operations.

1996

APICDA Board formed The Education Endowment Fund.

1996

Kayux Development, LLC formed.



1996

APS developed a quota, gear, and boat loan program for the Atka fishermen.

FALSE PASS



False Pass is an early English name for Isanotski Strait on which the City of False Pass is located. There is some evidence that Unangan people used the area seasonally. The strait was called “False Pass” by early American sailing ship captains because it was thought to be impassable.

The False Pass area was settled by a homesteader in the early 1900s and grew with the establishment of a cannery in 1917. A post office and school were established in 1921. The cannery operated continuously, except from 1973 to 1976, when two hard winters depleted the fish resources. It was destroyed by fire in March 1981 and was not rebuilt. The city of False Pass was incorporated in 1990 and has about 30 residents.

The Isanotski Corporation (originally known as the False Pass Corporation) is the ANCSA village corporation for the community and the major landholder in the area. The False Pass Tribal Council is the federally recognized tribe, with responsibility for the health and welfare needs of the community.

APICDA investments in False Pass:

Year	Entity	Item	Amount
1993	City of False Pass - Grant	Water & Electric Extension to City Dock	\$219,000
1993	False Pass Tribal Council - Grant	Gear Storage Warehouse	\$400,000
1999	Bering Pacific Seafoods	Sewer	\$321,000
1999	Bering Pacific Seafoods	Storage Yard	\$75,000
1999	Bering Pacific Seafoods	Mooring Dolphin	\$338,000
1999	Bering Pacific Seafoods	Bunkhouse	\$500,000
2006, 07	Aleutia Marketing-Grant	Aleutia	\$250,000
2008	Bering Pacific Seafoods	Plant	\$5,223,000
2009	Bering Pacific Seafoods	Land	\$40,000
2010	Bering Pacific Seafoods	House	\$81,000
2010	Bering Pacific Seafoods	Multi Purpose Bldg	\$549,000
2009-11	Bering Pacific Seafoods	Vehicles	\$117,000
2008-11	Bering Pacific Seafoods	Equipment	\$1,665,000

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1997

Atka City Dock completed. APICDA contributed \$800,000.

1997

Nelson Lagoon Storage Company LLC formed. A 50/50% JV between AJV and the Nelson Lagoon Tribal Council. Construction of warehouse storage and vessel haul out services facilities for AK Peninsula salmon fleet began.

1997

AJV implemented Small Vessel Acquisition Program (SVAP) to assist community members to buy into fishing vessels.

1997

Nazan Bay Inn, LLC formed. A modest lodging facility in Atka to support fishing industry.



False Pass is an important refueling stop for Bristol Bay and Bering Sea fishing fleets. Commercial salmon fishing and fishing services drive the local economy.

In 2000 APICDA created a subsidiary called Bering Pacific Seafoods (BPS) and outfitted a processing barge called The Dipper, which was moored at the False Pass city dock. The Dipper operated for two seasons, but the plant was not profitable and operations were suspended. In 2008, APICDA constructed a new plant at False Pass, but continued to struggle with profitability. APICDA plans to invest \$11 million over the next several years to expand BPS facilities at False Pass, including construction of housing facilities.



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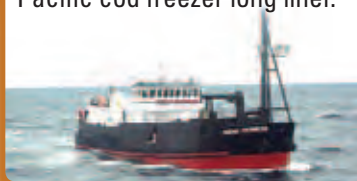
1997

AJV purchased 25% ownership of Prowler, LLC. Company has two Pacific cod freezer long liners: F/LL Prowler & F/LL Bering Prowler.



1997

AJV purchased 25% ownership of Ocean Prowler, LLC., a Pacific cod freezer long liner.



1998

Education Endowment Fund converted to Longterm Reserve Account (LRA): starting balance - \$500,000. As of 2012, the LRA has slightly over \$12 million.

NELSON LAGOON



Nelson Lagoon, also referred to as “The Lagoon”, is located on the north side of the Alaska Peninsula, on a narrow sand spit. It is 580 miles southwest of Anchorage and 70 miles north of Cold Bay.

Once a seasonal fish camp used by the Unangan people, Nelson Lagoon is now a permanent community with

commercial fishing as its economic base. The lagoon was named in 1882 for Edward William Nelson of the U.S. Signal Corps, an explorer in the Yukon Delta region between 1877 and 1920. A salmon saltery operated from 1906 to 1917, which attracted Scandinavian fishermen. In 1965 a school was built, and the community began to be occupied year-round. Today, there are about 50 residents.

Nelson Lagoon is an unincorporated village governed by a federally-recognized tribe, the Native Village of Nelson Lagoon.

Nelson Lagoon residents are dependent upon the commercial salmon industry for their livelihood. Residents fish gillnet or operate set net sites in the lagoon and up the river. They sell their fish to Peter Pan Seafoods, which operates a facility in Port Moller. The

APICDA investments in Nelson Lagoon:

Year	Entity	Item	Amount
1994-95	Community –Grant	Community Dock	\$700,000
1997/2000	Nelson Lagoon Storage	Buildings	\$531,000
2003	Nelson Lagoon Storage	Fencing	\$32,000
2009-10	Aleutian Adventures	Boats	\$38,000
2010	Aleutian Adventures	Vehicles/ATVs	\$36,000
2011	APICDA	Fish Handling Facility	\$3,355,000
Various	APICDA Joint Ventures	Land & Improvements	\$532,000
Various	APICDA	Equipment	\$35,000
Various	APICDA Joint Ventures	Equipment	\$32,000
Various	Nelson Lagoon Storage	Land Improvements	\$1,096,000
Various	Nelson Lagoon Storage	Equipment	\$477,000

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1998

APICDA.com website developed.



1998

AVI purchased 38 ft. sport fishing vessel to operate halibut charters out of Unalaska.



1998

CDQ Program expanded to include allocations for all groundfish fisheries in the Bering Sea.

1998

AVI Purchased 25% of the Farwest Leader, LLC.

Peter Pan facility usually closes in early September, which left no market for the continuing late run of silvers into Nelson Lagoon and the surrounding area. In 2011, APICDA completed construction of a \$3.5 million fish handling facility in Nelson Lagoon by matching a \$2 million grant from the federal Economic Development Administration.



“Being a board member for the last twenty years has been humbling. It has been humbling to witness the growth of APICDA, how it has changed our communities and how it has given our region hope of a future. We have always been penalized for having a small population. Having said that, it has not stopped us from fighting for our quota with respect to the other CDQ groups. Not only do we have great board members who are dedicated, but we also have a wonderful, dedicated staff. We are blessed.”

Justine Gunderson
Nelson Lagoon Board Member

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1998

Nelson Lagoon Storage Company opened for business supporting the salmon fishing fleet in Western Alaska.



1998

Puffin Seafood, LLC formed. A 50/50% JV between AJV and the St. George Fishermen's Association. Main function of the LLC was to support the local halibut fishery.

1999

Puffin Seafoods enacted small boat and gear loan program for St. George fishermen.



NIKOLSKI



Nikolski may be the oldest continuously occupied community in the world. Archaeological evidence from Ananiuliak Island, on the north side of Nikolski Bay, dates as far back as 8,500 years ago. The Chaluka archaeological site, in the village of Nikolski, indicates 4,000 years of virtually continuous occupation.

In 1834, Russian sea otter hunters named the village “Recheshnoe,” which means “river.” In 1920, a boom

in fox farming occurred here. The Unangan became affluent enough to purchase a relatively large boat, the “Umnak Native,” which was wrecked in 1933. A sheep ranch was established in 1926 as part of the Aleutian Livestock Company. In June 1942, when the Japanese attacked Unalaska and seized Attu and Kiska, residents were evacuated to the Ketchikan area, and some returned in 1944. In the 1950s, the Air Force constructed a White Alice Communications System here, which provided some jobs. It was abandoned in late 1977.

Today, about 40 people live in Nikolski, and declining population led to the closure of the Nikolski School, built in 1939 by the Bureau of Indian Affairs, in 2010.



APICDA investments in Nikolski:

Year	Entity	Item	Amount
1996/2008	Nikolski IRA-Grant	Build boat Launce/ Launch Ramp Upgrade	\$112,000
2002	Ugludax Lodge, LLC	Ugludax Buildings	\$1,486,000
2002-2011	Ugludax Lodge, LLC	Ugludax Vehicles	\$73,000
2002-2011	Ugludax Lodge, LLC	Ugludax Equipment	\$1,593,000
2008	Nikolski IRA - Grant	Wind Power Assist Grant	\$147,590
2010	Nikolski IRA- Grant	Mooring Buoy	\$1,505
2011	IRA-Grant	IRA Cabin Grant	\$32,800

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1999

Purchased 25% ownership of Starbound, LLC—a Pollock catcher/processor.



1999

APICDA held its first Annual Community Outreach Conference in Anchorage.

2000

APICDA Board implemented Summer Internship Program.



2001

Ugludax Lodge, LLC formed. 50/50% partnership between AJV and the local Nikolski Chaluka Corporation.

An ANCSA village corporation, the Chaluka Corporation, and a federally recognized tribe, the Native Village of Nikoliski, are located in the community.



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2002

APICDA participated in 10 year CDQ symposium in Anchorage.

2004

Akutan IFQ Loan Program implemented.

2004

APS completed a major expansion project of the processing facility.

2005



Purchased 50% ownership of Barbara J, LLC.

ST. GEORGE



St. George is located on the northeast shore of St. George Island, the southernmost of five islands in the Pribilofs. In 1786 a Russian fur trader, Gavriil Pribylov, came across the island while looking for the northern fur seal breeding grounds and named it St. George after his ship. The Russian-American Company enslaved Aleut hunters from the Aleutians and relocated them to St. George and St. Paul to harvest fur seals.

Between 1870 and 1910, the U.S. Government leased the Pribilof Islands to private companies, who provided housing, food and medical care to the Aleuts in exchange for work in the fur seal plant. However, the American record was not an improvement over the Russians and virtual continued enslavement was a major “black eye” in America’s history of stewardship. In 1910, the U.S. Bureau of Fisheries took control of the islands with continued second class citizen treatment at best of the Pribilovians. The Aleuts of St. George and St. Paul gained control of their livelihoods only when the Federal government pulled out of the communities in the early 1980s.

During World War II, residents were moved to Southeast Alaska as part of the area wide evacuation, where they were confined in an abandoned cannery. In 1979, the Pribilof Aleuts received \$8.5 million in partial compensation for the unfair and unjust treatment they were subjected to under federal administration between 1870 and 1946.

APICDA investments in St. George:

Year	Entity	Item	Amount
1994	City of St. George -Grant	Harbor	\$1,300,000
1996-98	Kayux Development	Land Improvements	\$1,000,000
1996-98	Kayux Development	Harbor Support Facilities	\$824,000
1998	Puffin Seafoods, LLC/AJV	Small Boat and Gear Loan program	\$260,000
2011	APICDA	Shoreside Processing Plant	\$3,500,000
Various	Community	Equipment	\$129,000

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2006

Purchased an additional 25% ownership in the Farwest Leader, LLC. 50/50% partnership with Trident Seafoods.



2006

Provided a \$600,000 dividend to APICDA communities. Between 2006-2011 the program has distributed a total of \$3.6 million in contributions.

2006

WACDA is formed. End of day-to-day State oversight of the CDQ program.

2008

AJV purchased approximately 79 million units of various crab species IPQ. The majority of the crab units are northern district opilio crab.

In 1983, the U.S. government ended the commercial seal harvest and withdrew from the islands. That year, the City of St. George was incorporated. An ANCSA village corporation, the St. George Tanaq Village Corporation, and a federally-recognized tribe, the St. George Tribal Council, provide services to the community's 150 residents. The city's school, part of the Pribilof School District, has about 20 students.



APICDA has worked with the people of St. George on a number of projects, including harbor improvements at Zapadni Bay, five miles from the city; a wind energy project; and future tourism facilities.

In 2008, APICDA obtained EDA matching grant funds for the creation of a small fish handling plant, which was completed in 2010.

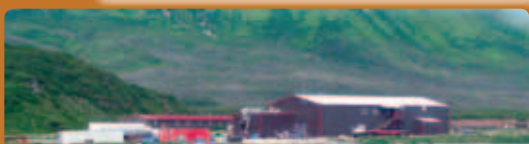


“As an APICDA board member, I was really impressed with the professional people who came together from their communities to do a public service; they were a pleasure to work with. A lot of people doubted the capabilities of APICDA when it first started but I have watched it develop and excel over the last 20 years. APICDA has helped all of the communities in ways that I can't even count. Now, I am an APICDA employee, and it's a great company to work for.”

Alvin Merculief
St. George Board Member, 1992-94

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2008



Bering Pacific Seafood opened shore side plant in June of 2008. Approximately 500,000 lbs. of salmon processed in first season.

2008

AJV purchased approximately 13 million units of golden king crab IPQ shares.



2009

Formed Alaska Longline Company. Formally Prowler and Ocean Prowler LLCs.

UNALASKA

Unalaska overlooks Iliuliuk Bay and Dutch Harbor on Unalaska Island in the Aleutian Chain. It is 800 air miles from Anchorage. The name Dutch Harbor is often applied to the portion of the city on Amaknak Island, which is connected to Unalaska Island by bridge. Dutch Harbor is actually within the boundaries of the City of Unalaska. More than 3,000 Unangan lived in 24 settlements on Unalaska and Amaknak Islands in 1759.

Unalaska became a Russian trading port for the fur seal industry in 1768. In 1787 many hunters and their families were enslaved and relocated by the Russian American Company to the Pribilof Islands to work in the fur seal harvest. In 1825 the Russian Orthodox Church of the Holy Ascension of Christ was constructed. By 1830 and 1840, only 200 to 400 Aleuts lived in Unalaska. In 1880 the Methodist church opened a school, clinic, and the Jesse Lee Home for Orphans.

The City of Unalaska was incorporated in March 1942. On June 3, 1942, Unalaska was attacked by the Japanese. Almost all of the Aleuts on the Island were interned to Southeast Alaska for the duration of World War II.

In the 1960s, commercial crab harvests began in Dutch Harbor; the beginning of a fishing boom that would see the community's population increase ten-fold, to more than 4,000 people. In the mid 1980's large processing plants were constructed in Unalaska for the pollock and Pacific cod fisheries.

Unalaska was not deemed to be an eligible CDQ community at the inception of the CDQ program because there was a sustainable fishery-based economy in place in the community. However, because of its Aleut history, Unalaska is an ex officio member of APICDA.

Unalaska is critical to many of APICDA's residents because of its location. APICDA residents often have to go outside of their community to seek medical treatment and will often travel to Unalaska or Anchorage for medical and other necessary services not available in their community.

Because of its ex-officio status, residents of Unalaska are eligible for APICDA's training and education programs, as well as employment opportunities with APICDA and its subsidiary companies and industry partners.



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2009

Formed Aleutian Adventures, a major expansion of our tourism program.

2010

Completed St. George Fish Handling Facility.

2010

Re-opened APS after major rebuild/expansion project.



2011

AJV purchased corporate office in Anchorage.





The city of Unalaska, while not an eligible CDQ community, nonetheless plays a vital role in the development of all our community development corporations as it is an economic center, a training and education center and the hub of the Aleutian Island work force.

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2011

Purchased of 50% ownership of The Next Generation, Fisheries, LLC.

2011

Nelson Lagoon Fish Handling Facility completed.



2011

Purchased 1,965,574 units of opilio crab IFQ.



2011

Purchased 369,220 units of Tanner crab IFQ.





APICDA SUBSIDIARIES

APICDA Joint Ventures, Inc.

A wholly owned for-profit subsidiary of APICDA formed in 1994. All other for-profit companies of the organization are consolidated under AJV.

Aleutian Adventures

A wholly owned company within APICDA Joint Ventures. This company controls and operates the assets we need to support our sport hunting and fishing activities in the communities of Atka, False Pass, and Nelson Lagoon. In its third full year of activities, the company is building a solid client base, and expanding tourism opportunities in the region.

APICDA Vessels, Inc.

A wholly owned subsidiary of APICDA Joint Ventures. This company manages and operates our fishing and support vessels. Currently we own and operate seven vessels: AP 1, AP 2, Atka Pride, Nightrider, Nikka D., Pogo, and the Taty Z.

Atka Pride Seafoods, Inc.

A 50/50 partnership between APICDA Joint Ventures and the Atka Fishermen's Association, organized as a Subchapter C corporation. The plant, located in Atka, processes about 500,000 pounds per year of halibut and sablefish in H&G and fillet product forms.

F/V Barbara J, LLC

A 50/50 partnership between APICDA Joint Ventures and Trident Seafoods. This vessel is managed by Trident Seafoods and fishes for various species of crab and Pacific cod, and serves as a salmon tender.

Bering Pacific Seafoods, LLC

100% owned and operated by APICDA Joint Ventures. The plant has operated for four years. The plant, located in False Pass, processes salmon, halibut, and sablefish in H&G and fillet product forms.

F/V Farwest Leader, LLC

A 50/50 partnership between APICDA Joint Ventures and Trident Seafoods. This vessel is managed by Trident Seafoods and fishes for various species of crab and Pacific cod, and serves as a salmon tender.



F/V Golden Dawn, LLC

A partnership between APICDA Joint Ventures, Aleutian Spray Fisheries and Trident Seafoods (ownership is 25%/25%/50% respectively). Managed by Trident, this trawl catcher vessel fishes primarily for pollock in the Bering Sea.

Kayux Development, LLC

A 50/50 partnership between APICDA Joint Ventures and the St. George Tanaq Corporation. This company is poised to participate in any upland development associated with commercial activities in Tract I, Zapadni Bay Harbor on St. George Island.

Nelson Lagoon Storage Company, LLC

A 50/50 partnership between APICDA Joint Ventures and the Nelson Lagoon Tribal Council. The company operates as a gear and vessel storage business in Nelson Lagoon to support the summer salmon fishery.

Alaska Longline, LLC

A 25/25/25/25 partnership between APICDA Joint Ventures (25%), BJ Ventures, LLC (25%), Wrenchhead, LLC (25%), and Omega-3 Inc. (25%). Managed by John Winther, the four longline catcher-processing vessels fish for Pacific cod and sablefish in the Bering Sea and Gulf of Alaska. A fifth vessel is currently being constructed in Ketchikan.

Starbound, LLC

APICDA Joint Ventures owns 20% of this pollock trawl catcher processor. Other partners include Aleutian Spray Fisheries (65%), Barry Ohai (10%), and Karl Bratvold (5%). Aleutian Spray serves as the managing partner. This vessel harvests and processes approximately 80% of APICDA's pollock CDQ quota.

TNG Fisheries, LLC

A 50/50 partnership between APICDA Joint Ventures and B&N Fisheries. Vessels in this operation fish for various species of groundfish, Pacific cod, and salmon. The vessels also serve as salmon tenders.

Ugludax Lodge, LLC

A 50/50 partnership between APICDA Joint Ventures and the Chaluka Corporation. The company operates the Ugludax Lodge in Nikolski on Umnak Island as a high end, sport fish and hunting destination.

ALEUTIAN PRIBILOF ISLAND COMMUNITY DEVELOPMENT ASSOCIATION & SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2011 and 2010

Assets

Current assets:

	2011	2010
Cash and cash equivalents	\$ 6,011,688	5,829,087
Short term investments	12,017,826	12,176,947
Accounts receivable:	4,456,571	4,667,546
Notes receivable affiliates - current	-	204,221
Notes receivable - current - related party	13,714	10,550
Note receivable - current	126,610	111,490
Inventory	2,917,137	460,548
Prepaid expenses	242,649	257,263
Total current assets	<u>25,786,195</u>	<u>23,717,652</u>

Investments:

Investment in Out of Region Entities	12,482,971	10,862,708
Investment Partnerships with In-region Entities	922,549	1,047,513
Total investments	<u>13,405,520</u>	<u>11,910,221</u>

Property and equipment, net	23,176,520	21,388,895
Intangible assets, net	6,935,653	5,889,281
Deferred income tax benefit	292,406	137,719
Non-current notes and advances receivable	1,077,673	1,011,505
Total assets	<u>\$ 70,673,967</u>	<u>64,055,273</u>

Liabilities and Net Assets

Current liabilities:

Notes payable - current	2,496,198	1,583,974
Accounts payable	1,279,921	340,963
Accrued payroll and related liabilities	270,191	224,685
Current pension payable	51,369	-
Interest payable	43,631	27,580
Fish taxes payable	440,461	334,301
Crab fees payable	174,312	85,544
Unearned deposits	14,300	7,000
Total current liabilities	<u>4,770,383</u>	<u>2,604,047</u>

Notes payable, net of current portion	2,510,393	3,522,665
Long term pension payable	1,346,180	-
Total non current liabilities	<u>3,856,573</u>	<u>3,522,665</u>
Total liabilities	<u>8,626,956</u>	<u>6,126,712</u>

Net assets:

Controlling interests:		
Temporarily restricted	86,637	83,000
Designated:		
Long term reserves	12,017,826	12,176,947
Undesignated	49,744,919	45,403,655
Noncontrolling interests:		
Contributed capital	1,495,000	1,495,000
Unrestricted/designated	(1,297,371)	(1,230,041)
Total net assets	<u>62,047,011</u>	<u>57,928,561</u>
Total liabilities and net assets	<u>\$ 70,673,967</u>	<u>64,055,273</u>

See accompanying notes to financial statements.

ALEUTIAN PRIBILOF ISLAND COMMUNITY DEVELOPMENT ASSOCIATION & SUBSIDIARIES

Consolidated Statements of Activities

Years Ended December 31, 2011 and 2010

Changes in unrestricted net assets:

Revenues and support:

	2011	2010
Royalties	\$ 11,876,081	7,711,784
EDA grant	223,950	2,663,397
Interest and dividends	319,204	441,476
Gain (loss) on sale of property and equipment	25,903	(53,370)
Net realized and unrealized gains (losses) on investments	(318,625)	1,086,037
Nazan Bay Inn	525	2,200
Equity in profit (loss) of Out of Region Investments	2,283,770	1,561,766
Equity in profit (loss) of In-Region Partnerships	(124,964)	(121,170)
Fishing income	4,970,125	5,049,672
Software sales	18,000	16,500
Crab	11,586,757	10,356,653
Tourism income	269,916	207,616
Rental income	80,480	-
Other income	55,781	132,831
Total revenues and support	31,266,903	29,055,392
Net assets released from restrictions	83,000	96,500
Total revenues support and reclassifications	31,349,903	29,151,892

Expenses:

Programs:

Community development:

Grants for Education (Scholarships/Vocational)	155,426	148,685
Grants for projects	935,629	1,070,753
Community outreach	188,788	153,226
Total community development	1,279,843	1,372,664

Operations:

Crew	1,138,770	756,212
Labor	2,237,345	1,841,398
Boat supplies, maintenance and repairs	3,218,358	3,362,300
Travel and transportation	127,120	119,148
Insurance	144,643	141,794
Tourism	439,152	574,690
Nazan Bay Inn	73,636	39,030
Licenses, taxes and fees	544,225	460,863
St. George fish handling facility	228,239	-
Crab	10,502,825	8,922,367
Miscellaneous	41,417	44,962
Total operations	18,695,730	16,262,764
Total Program and Operational expenses	19,975,573	17,635,428

General and administrative:

Travel and transportation	251,516	223,386
Labor	3,541,361	1,884,978
Office expense	525,092	563,664
Management fees	145,629	122,701
Directors' fees and per diem	393,008	343,808
Insurance	199,754	197,696
Professional fees	431,397	355,816
Licenses, taxes and fees	188,720	101,274
Repairs and maintenance	65,896	146,432
Miscellaneous	129,106	69,607
Total general and administrative	5,871,479	4,009,362

ALEUTIAN PIRIBLOF ISLAND COMMUNITY DEVELOPMENT ASSOCIATION & SUBSIDIARIES

Consolidated Statements of Activities *(continued)* December 31, 2011 and 2010

	2011	2010
Interest and depreciation expense:		
Interest	205,625	176,234
Depreciation	1,337,100	953,929
Total interest and depreciation	1,542,725	1,130,163
Total expenses	27,389,777	22,774,953
Income before tax provision	3,960,126	6,376,939
Income tax benefit (expense)	154,687	(99,130)
Increase in unrestricted net assets before non-controlling interests	4,114,813	6,277,809
Increase in unrestricted net assets attributable to non-controlling interests	67,330	119,417
Total increase in unrestricted assets	4,182,143	6,397,226
Change in temporarily restricted net assets:		
Contributions	86,637	83,000
Net assets released from restriction	(83,000)	(96,500)
Change in temporarily restricted net assets	3,637	(13,500)
Total change in net assets	\$ 4,118,450	6,264,309

See accompanying notes to financial statements.



Notes to Consolidated Financial Statements

Years Ended December 31, 2011 and 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Aleutian Pribilof Island Community Development Association ("APICDA") is an Alaskan nonprofit corporation formed in September 1992 for the benefit of various southwestern Alaska villages for the purpose of participating in the Alaska Community Development Quota ("CDQ") program established by the Federal Government. Under the CDQ program, CDQ representative groups apply periodically for a portion of the harvestable ground fishery in the coastal waters of the Bering Sea and Aleutian Islands of Alaska. During 2006, the U.S. Congress extended the CDQ rights for all species indefinitely and established the allocation percentage for all species at 2002 levels through 2012.

Principles of Consolidation

In 1994, APICDA formed two wholly owned for-profit subsidiaries; APICDA Joint Ventures, Inc. ("AJV"), and APICDA Management Corporation ("AMC"). On January 1, 1996, AMC was renamed as APICDA Vessels, Inc. ("AVI") and APICDA's investment in AVI was transferred to AJV.

AJV is a 100% owner of AVI and Bering Pacific Seafoods, L.L.C. ("BPS"), and a 50% owner of Ugludax Lodge, L.L.C and Atka Pride Seafoods (APS).

In accordance with accounting principles generally accepted in the United States of America, APICDA, AJV, AVI, BPS, APS and Ugludax Lodge, L.L.C. have been consolidated for the years ended December 31, 2011 and 2010. The consolidated entity is referred to as APICDA in these financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Operations

APICDA promotes local economic development in the Bering Sea/Aleutian Islands area of Alaska including fisheries development and protection. APICDA evaluates requests for assistance and distributes grants or other forms of financial assistance.

APICDA received a community development quota of approximately 33,806 metric tons, which represents approximately 17.02% of Alaska's CDQ reserve.

APICDA has entered into agreements with seafood processors whereby APICDA receives royalty payments for the utilization of the CDQ by processors. Under the agreements, the royalty is calculated using fixed rates, applied to round weights caught, and percentages applied to gross revenues from pollock and pollock roe produced, plus additional amounts if average sale prices exceed amounts defined in the agreement. The largest single source of revenue for the consolidated entity results from royalties generated by the use of the CDQ.

APICDA Joint Ventures, Inc. is a 50% owner of Atka Pride Seafoods, Inc. ("APS"), located in Atka, Alaska, which purchases and processes fish for resale; a 25% owner of Golden Dawn, L.L.C., a vessel engaged in commercial fishing in Alaska; a 50% owner of Nelson Lagoon Storage Company, L.L.C., which stores fishing gear and vessels in Nelson Lagoon, Alaska; a 50% owner of Kayux Development, L.L.C., which is a harbor operating on Tract I in the City of St. George, Alaska; a 100% owner of

Bering Pacific Seafoods, L.L.C. ("BPS"), located in False Pass, Alaska, which purchases and processes fish for resale; a 50% owner of Ugludax, L.L.C., which operates a fishing lodge in Nikolski, a 20% owner of Starbound, L.L.P., a vessel engaged in fish processing; a 50% owner in the Barbara J., L.L.C., a vessel engaged in commercial fishing in Alaska, during 2008 added a 50% ownership of Reagan L.L.C, a vessel engaged in commercial fishing in Alaska, and during 2011 added a 50% owner of TNG, L.L.C., which is engaged in commercial fishing in Alaska.

In 2009 AJV became a 25% owner of the newly formed Alaska Longline L.L.C. As part of the new L.L.C. being formed, Alaska Longline L.L.C. acquired 100% interest in the Prowler L.L.C. and Ocean Prowler L.L.C.

APICDA Joint Ventures, Inc. is a 100% owner of APICDA Vessels, Inc. (AVI), which purchases fishing vessels that are leased to fishermen in various southwestern Alaska villages. AVI is a 50% owner of Farwest Leader, L.L.C., a vessel engaged in commercial fishing in Alaska. AVI accounts for its investment in Farwest Leader, L.L.C. by the equity method.

AJV accounts for its investments in Golden Dawn, L.L.C., Alaska Longline L.L.C, Kayux Development, L.L.C., Nelson Lagoon Storage Company, L.L.C., Barbara J., L.L.C., Reagan, L.L.C., Starbound, L.L.P. and TNG L.L.C. by the equity method. All other companies are consolidated.

In 2011 Reagan L.L.C was dissolved

Basis of Accounting

APICDA's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when they are earned. Liabilities and expenses are recorded when incurred.

APICDA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At years ended December 31, 2011 and 2010 APICDA did not have any net assets that were classified as permanently restricted. Unrestricted net assets represent that portion of net assets that are not subject to donor-imposed stipulations. Temporarily restricted net assets are resources restricted by the donor, grantor, or other outside parties whose restrictions expire by the passage of time or can be fulfilled or removed by actions of APICDA. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Consolidated Financial Statements

Years Ended December 31, 2011 and 2010

Fair Value of Financial Instruments

The Company must disclose its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements and derivative financial instruments.

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts reported in the balance sheets for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities, except for the Company's investments. The carrying amounts of the Company's investments were determined based on quoted market prices.

Cash and Cash Equivalents

APICDA, for the purpose of the Statement of Cash Flows, considers cash and cash equivalents to include amounts in demand deposits and short-term investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and that present an insignificant risk of changes in value due to changes in interest rates or other factors. APICDA maintains a number of checking, savings and time certificate of deposit accounts for each one of its consolidated companies. Accounts are held with Wells Fargo bank and are insured up to \$250,000 per bank, per Employer Identification Numbering (EIN), by FDIC. From December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account and the ownership capacity of the funds. Amounts in interest bearing accounts in excess of \$250,000 are uninsured. The uninsured cash balance held at Wells Fargo bank at December 31, 2011 and 2010 were \$715,303 and \$5,129,980, respectively.

Investments

APICDA carries investments at fair value. The change in the fair value is included in the consolidated statement of activities. Investments consist of mutual funds, equity securities, U.S. agency obligations, and corporate debt securities. For purposes of calculating realized gains and losses, cost is determined by the specific identification method on a trade date basis.

Trade Accounts Receivable and Other Receivables

APICDA uses the reserve for bad debt method of valuing doubtful receivables which is based on historical experience, coupled with a review of the current status of existing receivables. The balance of the reserve for doubtful accounts, deducted against trade accounts receivable to properly reflect the realizable value, is \$8,819 and \$8,980 at December 31, 2011 and 2010, respectively. The balance of the reserve for doubtful account, deducted against other receivables to properly reflect the realized value, \$89,089 and \$89,089 at December 31, 2011 and 2010, respectively. Receivables are charged off when all collection efforts have been exhausted.

Inventory

Inventory consists of retail merchandise and fish sold at whole sale. Retail merchandise is stated at the lower of cost or market. Fish is valued at lower of cost or market. Accounting for retail merchandise and fish is on the first in, first out (FIFO) method.

Prepaid Items

Payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid items.

Intangible Assets

Intangible assets are comprised primarily of fishing rights and permits.

In accordance with Accounting Standards Codification (ASC) 250 Intangibles, Goodwill and Others effective January 1, 2002, the Company discontinued amortizing the intangible assets with indefinite lives. The Company reviews the fishing permits for impairment annually on December 31, and more frequently if circumstances warrant. The Company performed the annual review as of December 31, 2011 and 2010 and determined that the fishing permits continue to have indefinite lives and that there was no impairment of these assets.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, generally five, seven, or ten years. Expenditures for major additions, renewals and betterments are capitalized and maintenance, repairs, minor additions and renovations are charged to expense. Gains or losses upon asset disposal are recorded as revenue.

Revenue Recognition

Royalty revenue from applying fixed rates to round weights caught or finished product is recognized at the time of harvest. Royalty revenue resulting from CDQ species and CDQ roe sold, and from the variable rate based on product mix and related market price, is recognized when these products are sold and the amount of royalty is determined to be measurable and collectible.

Income from leasing fishing vessels which is calculated as a percentage of the lessee's sales, is recognized in the period such sales occur.

Community Development Quota

The fair value of the CDQ quota received by APICDA is not considered to be determinable within reasonable limits. Accordingly, no value is assigned to the receipt of the quota in the financial statements.

Income Taxes

On July 27, 1993, APICDA was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, effective September 29, 1992. APICDA believes that none of its activities subject it to taxation of unrelated business taxable income, in evaluation of unrelated business income, the Company follows of GAAP, when accounting for uncertainty in income taxes. The Company's policy is to include penalties and interest associated with income taxes in income tax expense. The prior three years of tax returns remain subject to examination by state and federal taxing agencies. However, all subsidiaries conduct activities, which are subject to federal and state taxation.

Reclassification

Certain prior year balances have been reclassified to conform to the current year presentation.

Notes to Consolidated Financial Statements

Years Ended December 31, 2011 and 2010

II. INVESTMENTS

Investments are stated at fair value and are as follows at December 31, 2011 and 2010:

		Fair Value	
		2011	2010
Money market funds	\$	597,638	442,802
Accrued interest		9,544	14,685
Marketable securities		6,762,565	7,078,860
Mutual funds		1,872,633	1,679,431
Commodity trading advisors		555,778	537,741
Government bonds		2,219,668	2,423,428
	\$	<u>12,017,826</u>	<u>12,176,947</u>

The following schedule summarizes the investment return for the years ended December 31, 2011 and 2010:

		Unrestricted	
		2011	2010
Interest and dividends	\$	305,133	434,789
Net realized and unrealized gains (losses)		(318,625)	1,086,037
Investment management fees		(145,629)	(122,701)
Net investment return	\$	<u>(159,121)</u>	<u>1,398,125</u>

Included in investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or for certain bonds and preferred stock when carried at the lower of cost or market.

The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available. The Company does not have investments for which quoted market prices are not available.

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following table provides information as of December 30th about the Company's financial assets and liabilities measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total
Assets at fair value -				
2011 Investments	\$ <u>12,017,826</u>	<u>-</u>	<u>-</u>	<u>12,017,826</u>
2010 Investments	\$ <u>12,176,947</u>	<u>-</u>	<u>-</u>	<u>12,176,947</u>

Given the narrow definition of Level 1 and the Company's investment asset strategy, all of the Company's investment assets are classified in Level 1. Changes in investments are presented on the statement of activities as investment income or loss.

Notes to Consolidated Financial Statements

Years Ended December 31, 2011 and 2010

III. NOTES RECEIVABLE

Notes receivable at December 31 are comprised of the following:

	2011	2010
Notes receivable from affiliates	\$ 642,589	704,560
Notes receivable from non-affiliates:	579,305	624,388
Total notes receivable	<u>1,221,894</u>	<u>1,328,948</u>
Allowance for doubtful notes	(89,089)	(89,089)
Notes receivable, net	<u>1,132,805</u>	<u>1,239,859</u>
Less current portion of notes receivable:		
Affiliates	-	(204,221)
Non-affiliates	(126,610)	(111,490)
Total current portion of notes receivable	<u>(126,610)</u>	<u>(315,711)</u>
Long term notes receivable, net:		
Affiliates	642,589	500,339
Non-affiliates	363,606	423,809
Total long term notes receivable, net	<u>\$ 1,006,195</u>	<u>924,148</u>

The receivable's from affiliates are notes receivables advanced to companies that APICDA owns. The notes receivable from non-affiliates are loans that were made to fishermen in the Aleutian Islands Region of Alaska. At December 31, 2011 the notes receivable from affiliates was uncollateralized.

IV. ADVANCES DUE FROM AFFILIATED NON-CONSOLIDATED COMPANIES

Advances receivable at December 31 are comprised of the following:

	2011	2010
Advances due from Kayux Development, L.L.C., non-interest bearing	\$ 24,000	22,500
Total all advances	24,000	22,500
Less current portion	-	-
Long-term advances	<u>\$ 24,000</u>	<u>22,500</u>



Notes to Consolidated Financial Statements

Years Ended December 31, 2011 and 2010

V. PROPERTY AND EQUIPMENT

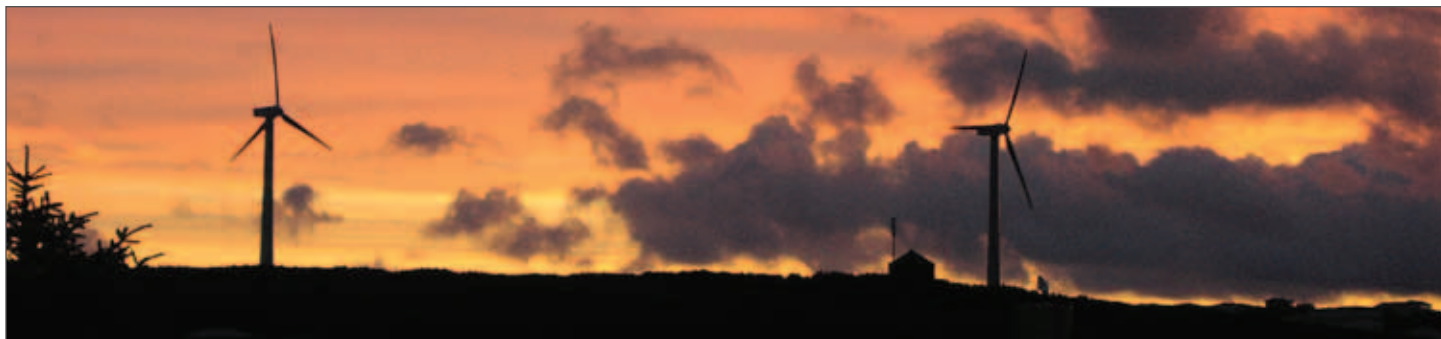
Property and equipment at December 31 are comprised of the following:

	2011	2010
Property and equipment being depreciated:		
Office equipment	\$ 600,146	609,386
Fishing vessels and gear	2,682,333	2,658,024
Electronic equipment	131,711	131,711
Deck gear	250,154	250,154
Safety gear	46,079	46,079
Automobiles	469,688	439,001
Machinery	4,096,855	4,061,382
Buildings and infrastructures	21,034,916	15,503,087
Total property and equipment being depreciated	29,311,882	23,698,824
Less accumulated depreciation	(7,382,494)	(6,169,331)
Net property and equipment being depreciated	21,929,388	17,529,493
Property and equipment not being depreciated:		
Construction in progress	488,260	3,100,530
Land and land improvements	758,872	758,872
Total property and equipment not being depreciated	1,247,132	3,859,402
	<u>\$ 23,176,520</u>	<u>21,388,895</u>

VI. INTANGIBLE ASSETS

Other assets consist of intangible assets.

	2011	2010
Intangible assets balances by asset at December 31 are:		
Individual fishing quota shares	\$ 2,710,003	1,653,807
Less accumulated amortization and impairment	(919,363)	(919,363)
Individual processing quota shares	4,021,985	4,021,985
Catch history rights	110,500	70,500
Less accumulated amortization	(21,600)	(21,600)
Land use rights	1,495,000	1,495,000
Less accumulated amortization	(460,872)	(411,048)
	<u>\$ 6,935,653</u>	<u>5,889,281</u>



Notes to Consolidated Financial Statements

Years Ended December 31, 2011 and 2010

VII. RELATED PARTY TRANSACTIONS

Related Party Note Receivable

During 2003 AJV extended a loan in the amount of \$95,567 to one of its Board members. The note is payable in annual payments equal to 20% of the total ex-vessel value of the halibut IFQ harvested and sold during each calendar year. The balance due at December 31, 2011 is \$55,192, of which \$7,714 is classified as current and \$47,478 classified as non-current. The entire unpaid principal balance is payable in full in November 2014.

During 2008 AVI extended a loan in the amount of \$25,000 to one of its Board members. The note is payable in minimum annual payments of \$6,250 prior to September 30 of each year commencing with the first payment due on September 30, 2009. The balance due at December 31, 2011 is \$6,000, all of which is classified as current.

VIII. NOTES PAYABLE

Notes payable consists of the following:

Loan payable to Wells Fargo, final payment is scheduled to be on August 1, 2021. The original amount of the loan was \$787,000. The loan has a variable interest rate calculated based upon the LIBOR index rate plus 2.25%. The current rate on the loan is 2.625%. Principal balance due at December 31, 2011 is \$764,344 of which \$71,027 is classified as current. The quota share that was purchased with this loan is collateral for the note payable.

Loan payable to Wells Fargo, final payment is scheduled to be on May 15th, 2026. The original loan amount was \$1,275,000. The loan has a variable interest rate calculated based upon the LIBOR index rate plus 2.25%. The current rate on the loan is 2.625%. Principal amount due at December 31, 2011 is \$1,233,714 of which \$71,860 is classified as current. The building that was purchased with this loan is collateral for the note payable.

Grant from the Alaska Science and Technology Foundation is to be repaid in the following manner: Repayment shall equal five percent of the grantee's gross receipts which arise from the project to which the grant was related to, until ½ the amount of the grant has been repaid. The original amount of the grant was \$140,000. Principal balance due at December 31, 2011 is \$133,576, which is classified as non-current. Also included is a note finance charge of \$66,788, which at December 31, 2011 is included as long-term notes payable.

Loan payable to Westward Seafoods, Inc. due in full December 31, 2023 interest is 4.6%. The original amount of the loan was \$659,381. Principle balance due at December 31, 2011 is \$505,989 of which \$51,130 is classified as current and \$454,859 is classified as non-current.

Line of credit payable of \$2,302,181 to Merrill Lynch. Interest rate of the Federal discount rate plus 2.0% floating. Loan is collateralized by investments. The loan balance may never exceed fifty percent of the value of the investments. Full amount of line of credit is classified as a long-term liability.

	2011	2010
Total notes payable	\$ 5,006,591	5,106,639
Less current portion of notes payable	2,496,198	1,583,974
Long-term portion of notes payable	\$ 2,510,393	3,522,665

Annual maturities of long-term debt for the five years subsequent to fiscal year 2011 are as follows:

2012	\$ 2,496,198
2013	196,813
2014	201,711
2015	205,711
2016	209,819
Thereafter	1,696,339
Totals notes payable	5,006,591
Less: current portion	2,496,198
	\$ 2,510,393

Notes to Consolidated Financial Statements

Years Ended December 31, 2011 and 2010

IX. LONG-TERM RESERVES

At December 31, 2011, the Board designated \$12,017,826 of unrestricted net assets for long-term reserves. All of this amount is held in investments. At December 31, 2010, the Board designated \$12,176,947 of unrestricted net assets for long-term reserves. This entire amount is held in investments.

X. GRANTS

APICDA provides financial assistance to organizations in southwestern Alaska for purposes of economic development and fisheries related development and protection. The amount of this financial assistance, which is classified as grants for scholarships and grants for projects on the statement of activities, for the years ended December 31, is comprised of the following:

	2011	2010
Community projects	\$ 216,210	410,212
Fisherman's associations	140,000	140,000
School districts	60,000	71,417
College internships	-	2,350
Scholarships	135,324	140,393
Supplemental Education – Vocational		
Education	14,775	8,292
Community dividends	600,000	600,000
	<u>\$ 1,166,309</u>	<u>1,372,664</u>



Notes to Consolidated Financial Statements

Years Ended December 31, 2011 and 2010

XI. LEASES

Pursuant to providing financial assistance for various infrastructure projects, APICDA has entered into four operating leases for undeveloped land. The first lease contains initial terms of twenty years and four additional five-year renewal options. The second lease contains an initial term of thirty years with one six-year, and up to four additional five-year renewal options. The third lease contains an initial term of thirty-five years.

Bering Pacific Seafoods, L.L.C. has a ninety-nine year land lease with Isanotski Corporation in False Pass, Alaska. The lease was initiated in 2001, and requires annual payments of \$40,000 until the sixth anniversary of the lease, after which time the payment will be adjusted annually to reflect changes in the consumer price index. Annual lease payments cannot go below the initial base amount or proceeding annual payment.

XII. COMMITMENTS AND CONTINGENCIES

Loan Guarantees

APICDA and APICDA Joint Ventures is a guarantor on two loans to a partner from Farm Credit. The total principal due at December 31, 2011 for those two loans totaled \$24,000,190.

APICDA Joint Ventures is a guarantor on a loan to a partner from U.S.Bank. Total principal due at December 31, 2011 for the loan totaled \$750,000.

APICDA Joint Ventures is a guarantor on a loan from Alaska Energy Authority for the purchase of heating fuel for a community. Total principal due at December 31, 2011 for the loan totaled \$228,238.

Commitments

As of 12/31/2011 APICDA has committed \$500,000 to the City of St. George for its wind/diesel power project. The commitment is contingent upon the City executing an agreement with AEA. To date the City has not executed such an agreement.

XIII. INCOME TAXES

APICDA is subject to income tax only on its income from the activities of its for-profit subsidiaries, AVI, AJV, BPS, Ugludax Lodge, L.L.C., and Atka Pride Seafoods, Inc.

The income for AVI, AJV, BPS LLC, and Ugludax Lodge, L.L.C. are reported on a consolidated tax return. As an independent "C" corporation Atka Pride Seafoods, Inc. files a separate return.

The significant types of temporary differences and carryforwards that give rise to deferred taxes are Federal and State net operating loss carry-forwards and accumulated depreciation. A valuation allowance is provided when it is more likely than not that some portion of all of the deferred tax assets or liabilities will not be realized. The Corporation has established a valuation allowance primarily for temporary differences in book and tax depreciation.



Notes to Consolidated Financial Statements

Years Ended December 31, 2011 and 2010

XIV. LEASES

Operating Leases

AVI, a wholly owned subsidiary of AJV, as lessor, has operating leases for its several fishing vessels and related equipment and gear to fishermen in the regional communities. The operating leases run for the fishing season and provide for AVI to receive as lease income a minimum of twenty-five percent of the fishermen's fish sales. Related lease income for the years ended December 31, 2011 and 2010 was \$740,795 and \$418,478, respectively. The property and equipment subject to these leases and included in Property and Equipment in the accompanying statements of financial position at December 31, are as follows:

	2011	2010
Vessels and gear	\$ 1,813,223	1,933,412
Electronic equipment	88,360	98,010
Deck gear	201,989	231,330
Safety gear	20,568	22,904
	<u>2,340,342</u>	<u>2,285,656</u>
Accumulated depreciation	(1,062,836)	(881,216)
	<u>\$ 1,433,972</u>	<u>1,404,440</u>

XV. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 21, 2012, the date which the financials became available for issue. In June 2012 APICDA Joint Ventures purchased a new office in Juneau for \$1,800,000.



BOARD OF DIRECTOR NOTES

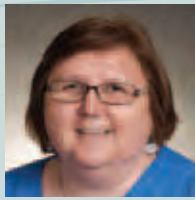
In addition to the financial information provided in this annual report, the Board of Directors wishes to make known to the residents of APICDA communities the following information regarding corporate governance. The board exercises broad oversight of its management team through board and committee meetings. Generally the board meets four times a year to review the financial health of APICDA, to receive reports on current operations, and to review plans for future programmatic changes. The Executive Committee meets with top management, generally on a monthly basis, to monitor the corporation's business, provide recommendations, and to approve or disapprove planned actions by management that do not require action by the full board. In addition, the board appoints several committees (see inset) to oversee specific corporate functions. The Budget & Audit Committee reviews annual budgets prior to submission to the full board, and monitors management's performance against budget throughout the budget year. The other committees meet on a regular basis to review new proposals and management performance. Reports are made to the full board.

APICDA compensates its Directors \$400 per day for meeting attendance fees. In addition, the Directors receive a \$300 a month honorarium as compensation for time expended on corporate affairs through emails, phone conversations, and correspondence review. The board, noting the additional time demands placed on the Chairs of APICDA and APICDA Joint Ventures, authorized each \$3,000 per month in compensation. Travel and per diem for board members are paid at the published rates for federal employees.

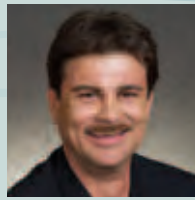
In 2011, APICDA and its subsidiaries paid the following professional service fees: \$137,284 in legal fees; \$17,899 in consultant fees; \$113,180 in accounting and auditing fees; \$145,628 in reserve fund management fees; and APICDA Joint Ventures, Inc. paid \$170,830 in lobby fees.

Disclosures are made if any officers, directors, or key employees are related to any professional service providers the corporation utilizes. There were no such relationships in 2011. APICDA also discloses any pending litigation between the corporation and any former officers, directors, or key employees. No such litigation is pending.

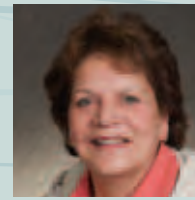
The board is mindful of its responsibility to ensure its management team is professional, competent, responsive, and fully supportive of its goals and priorities. The board highly values its management team. Salaries are set based on those parameters and at levels comparable to other companies in the industry. Chief Executive Officer (CEO) Larry Cotter, Chief Financial Officer (CFO) Robert Smith, and Chief Operating Officer (COO) Don Beeson, and were paid \$325,000, \$148,422 and \$121,154 respectively in salary during calendar year 2011. Rounding out the top five compensated employees for the year were Construction Manager, Shawn Hansen who received \$116,485 and Vessel Manager, Jeff Kashevarof with a salary of \$114,807. In addition, the board compensates top management with performance bonuses each year. These bonuses, which may vary in amount from year to year, serve to recognize meritorious performance and to provide further incentives for top management to strive for excellence as it pursues the corporation's goals and objectives. Bonuses awarded for 2011 were based, among other things, on the gross revenues received from our CDQ and investments, management improvements with our in-region investments, performance improvements at operating entities, and major acquisitions completed. The CEO, CFO, and COO were awarded \$100,000, \$50,000, and \$30,000 respectively for their performance in 2011. The Construction Manager and Vessel Manager each received a performance bonus of \$15,000.



Gilda Shellikoff
False Pass
Chair



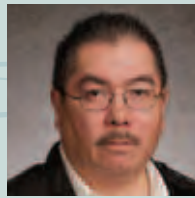
Hugh Pelkey
Akutan
Vice Chair



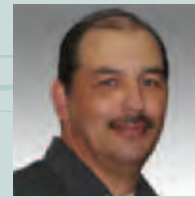
Justine Gundersen
Nelson Lagoon
Secretary & Treasurer



Pete Crandall
Financial Industry
Board Member



Mark Snigaroff
Atka
Board Member



Bill Shaishnikoff
Unalaska
Board Member



Rick Lauber
Fishing Industry
Board Member



Patrick Pletnikoff
St. George
Board Member



Andrew Lestenkof
Nikolski
Board Member

2011 COMMITTEE MEMBERSHIP

EXECUTIVE COMMITTEE

Gilda Shellikoff - False Pass
Hugh Pelkey - Akutan
Justine Gundersen - Nelson Lagoon

FINANCIAL INVESTMENT COMMITTEE

Pete Crandall - Juneau
Hugh Pelkey - Akutan
Gilda Shellikoff - False Pass

TRAINING & EDUCATION COMMITTEE

Emil Berikoff - Unalaska
Hugh Pelkey - Akutan
Patrick Pletnikoff - St. George

POLICY & PROCEDURES COMMITTEE

Rick Lauber - Juneau
Justine Gundersen - Nelson Lagoon
Gilda Shellikoff - False Pass

BUDGET & AUDIT COMMITTEE

Justine Gundersen - Nelson Lagoon
Pete Crandall - Juneau
Gilda Shellikoff - False Pass
Rick Lauber - Juneau

BUSINESS INVESTMENTS COMMITTEE

Rick Lauber - Juneau
Pete Crandall - Juneau
Gilda Shellikoff - False Pass

Past & Current APICDA Board of Directors

Akutan

Darryl Pelkey ('92-'98) ('97-Vice Chair)
Joe Bereskin Sr. ('98-'99)
Hugh Pelkey ('99-Present) ('08-present Vice Chair)

Atka

Mark Snigaroff ('92-'95) ('92-'94 Chair) ('07-Present)
Mike Snigaroff ('95-'97)
Simeon Snigaroff ('98-'99)
Lawrence Prokopeuff ('99-'07)

False Pass

Gilda Shellikoff ('92-Present) ('94-Present Chair)

Nelson Lagoon

Justine Gundersen ('92-Present) (Secretary/Treasurer)

Nikolski

Leonty Ermelof ('92-'96)
Arnold Dushkin ('96-'09) ('98-'07 Vice Chair)
Andrew Lestenkof Jr. ('09-Present)

St. George

Alvin Mercurief ('92-'94) ('93 Vice Chair)
Laurence Lestenkof ('94-'97) ('95-'96 Vice Chair)
Anthony Mercurief ('97-'99)
Ted Lekanoff ('99-'01)
Ilarion Philemonof ('01-'02)
Jeff Kashevarof ('02-'04)
Lawrence Prokopiof ('04-'06)
Patrick Pletnikoff ('06-Present)

Unalaska/Dutch Harbor

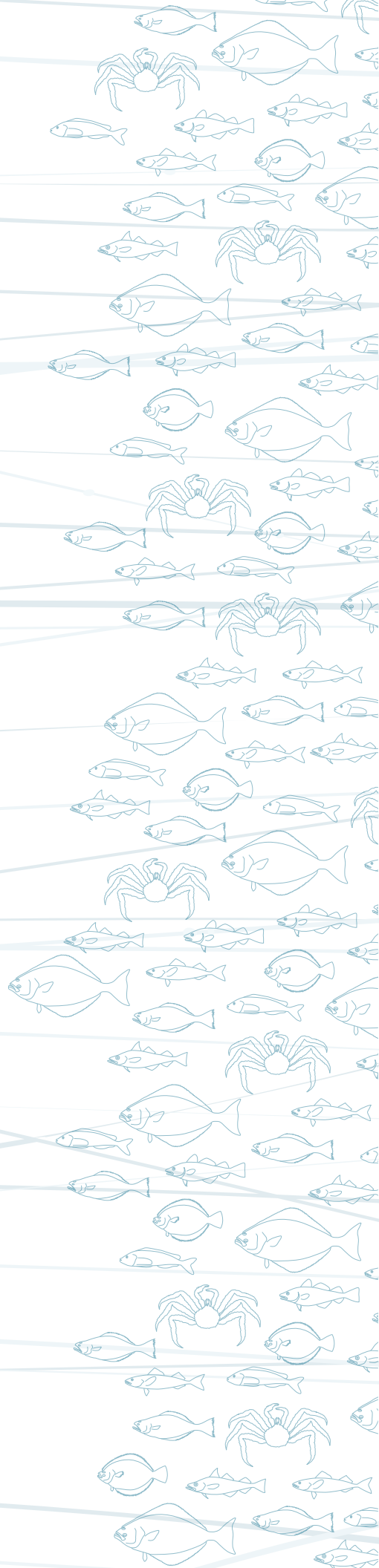
Mike Swetzof ('92-'94)
John Moller ('94-'95)
Emil Berikoff ('95-'11)
Bill Shaishnikoff ('12-Present)

Seafood Industry

Jim Branson ('92-'02) ('94 Vice Chair)
Rick Lauber ('02-Present)

Financial Industry

Jim O'Connell ('93-'99)
Pete Crandall ('99-Present)





Emil Berikoff, Sr.

1944 - 2011

It is with great sadness that we announce our longtime cherished board member Emil Berikoff passed away unexpectedly in Unalaska on December 15. Emil was a trusted board member for APICDA for 15 years. His contributions as a board member and to the APICDA communities were invaluable and irreplaceable. As of May 2012 the APICDA Higher Education Scholarship has been renamed to The Emil Berikoff Sr. Memorial Scholarship. He will be missed by us all and mourned by many.



APICDA

Haginaa Kidul • Helping to Grow

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