

APICDA

annual report



2008

board of directors



Gilda Shellikoff

False Pass
Chair



Hugh Pelkey

Akutan
Vice Chair



Justine Gundersen

Nelson Lagoon
Secretary & Treasurer



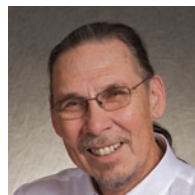
Pete Crandall

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.

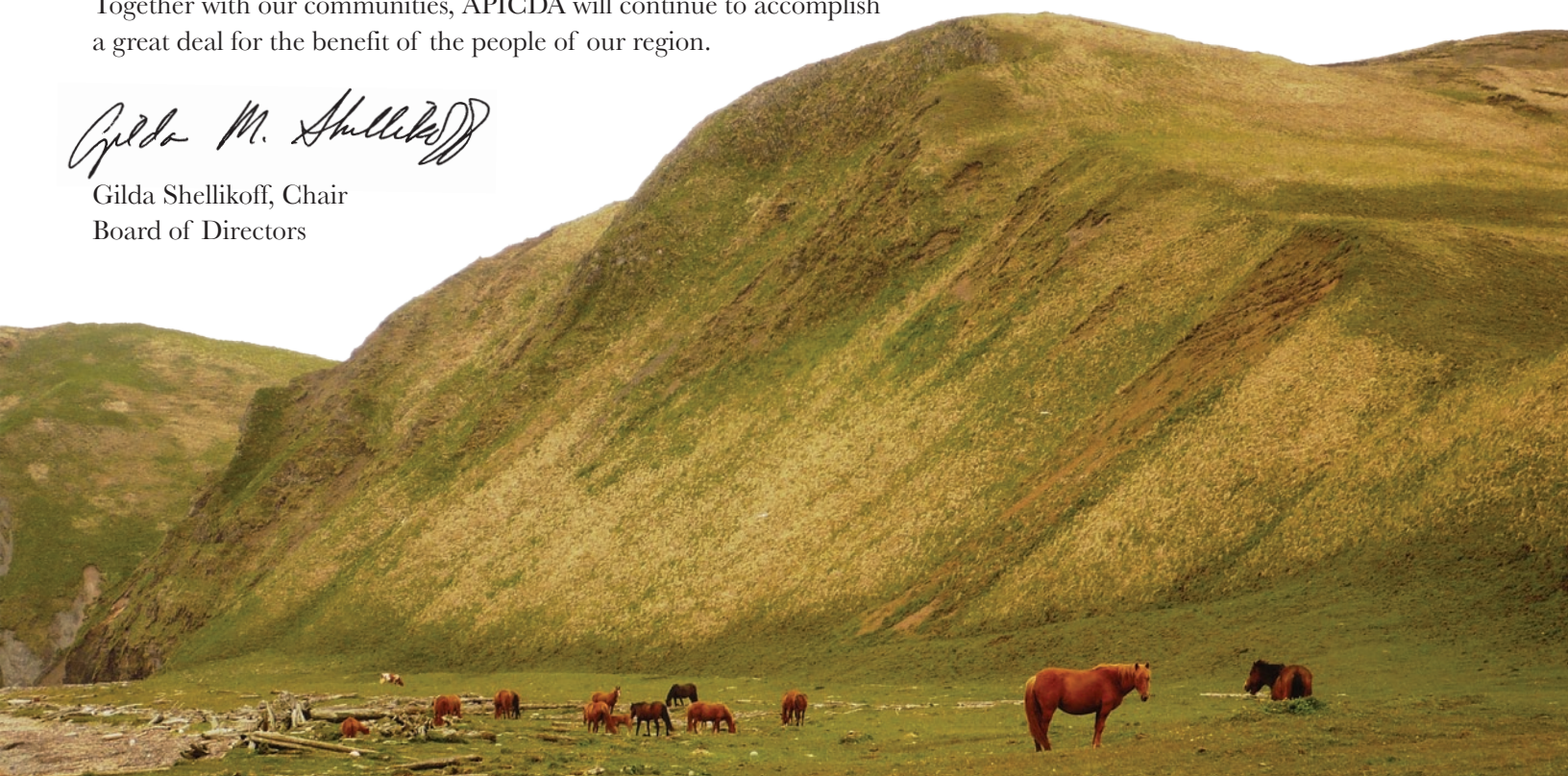
The new salmon bycatch rules may have a profound impact on APICDA. Pollock is our main source of revenue. The regulations will go into effect in 2011. All of the CDQ groups have a stake in carefully managing this fishery, and we will ensure our salmon bycatch is as low as possible. APICDA will continue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

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

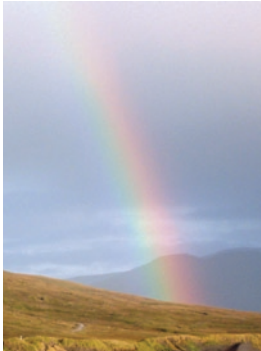
Joe Kyle
Chief Operating Officer
Chief Financial Officer



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

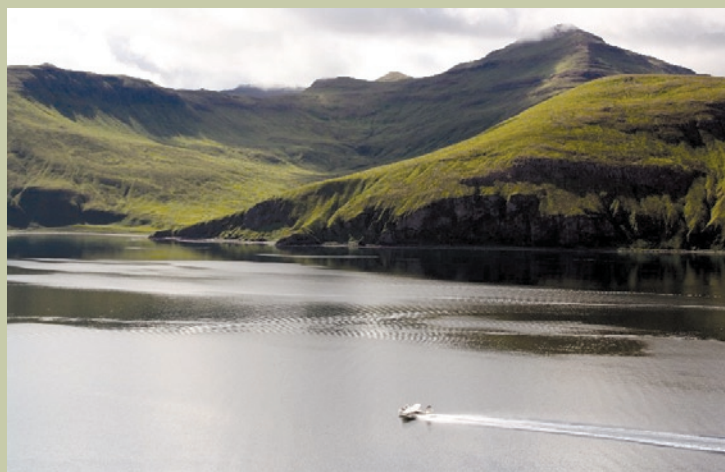
50/50 partnership between APICDA Joint Ventures and the Chaluka Corporation. The company operates the Ugludax Lodge in Nikolski on Umnak Island as a high end, sport fish and hunting destination.





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



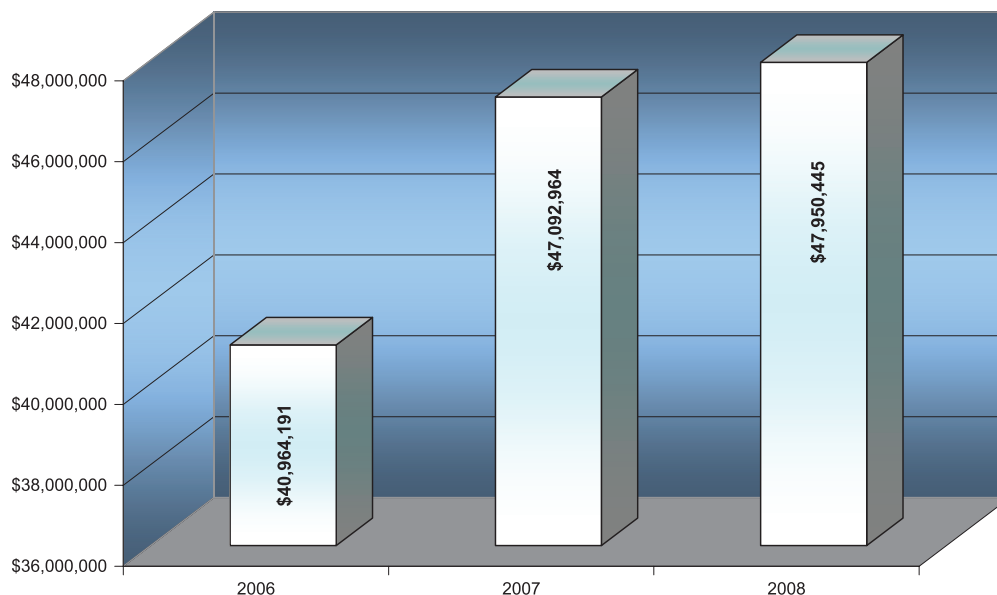
consolidated financials for 2008



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>



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 $\frac{1}{2}$ the amount of the grant has been repaid. The original amount of the grant was \$140,000. Principal balance due at December 31, 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



234 Gold Street, Juneau, AK 99801 | 907.586.0161
509 West 3rd Avenue, Suite 101, Anchorage, AK 99501 | 907.929.5273
Toll Free: 888.927.4232 | www.apicda.com