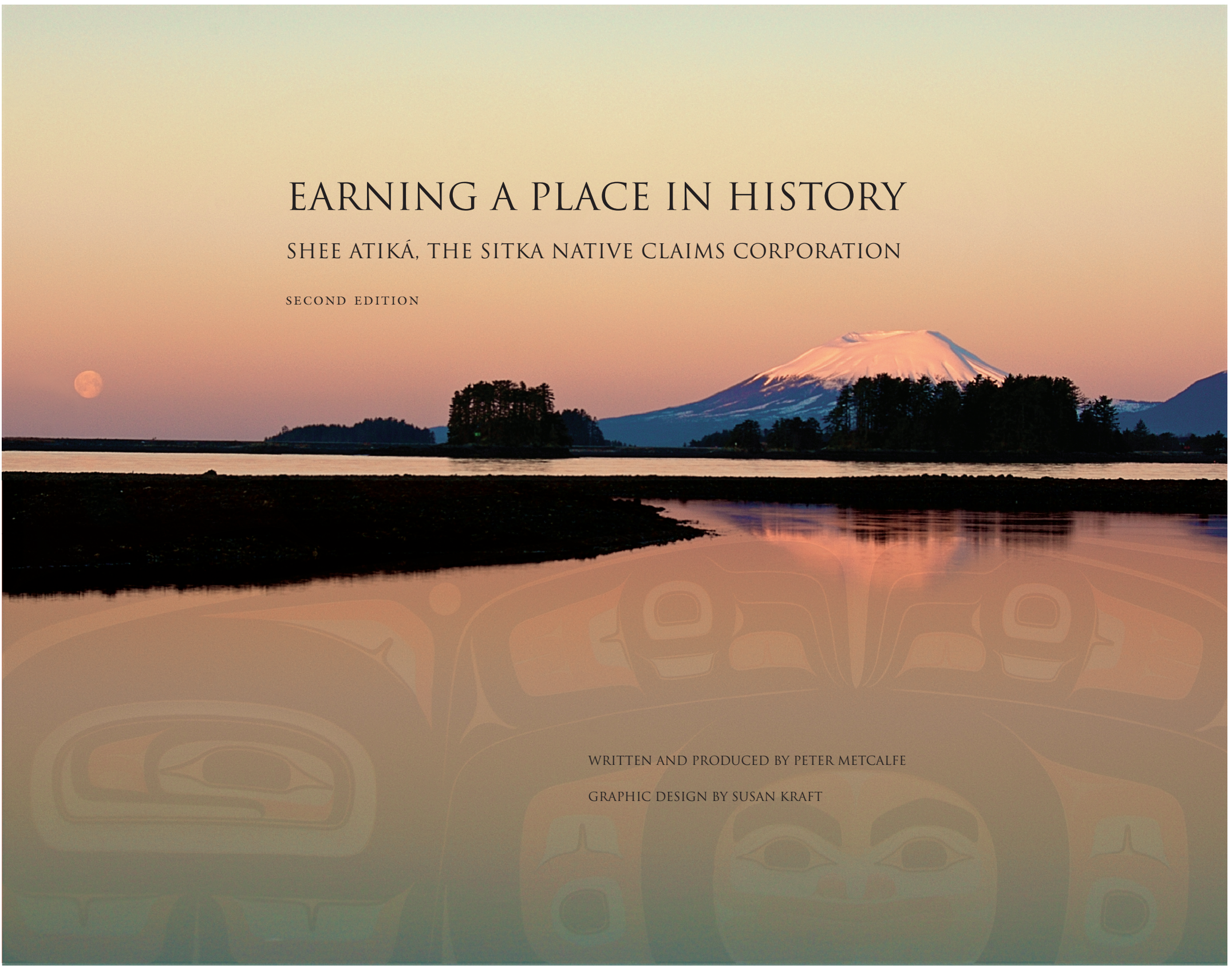
EARNING A PLACE IN HISTORY

SHEE ATIKÁ, THE SITKA NATIVE CLAIMS CORPORATION

SECOND EDITION



WRITTEN AND PRODUCED BY PETER METCALFE

GRAPHIC DESIGN BY SUSAN KRAFT

Earning a Place in History

Shee Atiká, the Sitka Native Claims Corporation
Second Edition

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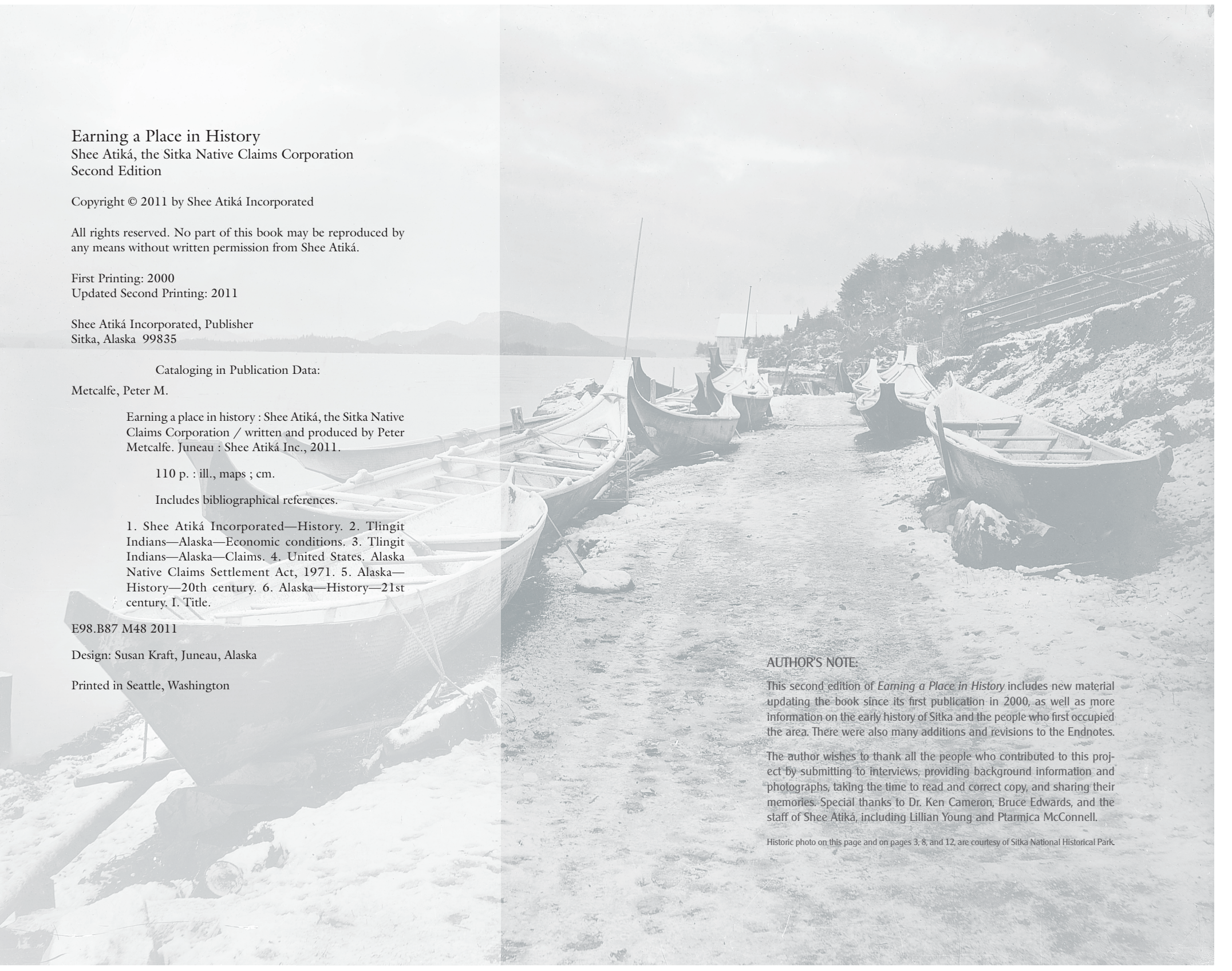

AUTHOR'S NOTE:

This second edition of *Earning a Place in History* includes new material updating the book since its first publication in 2000, as well as more information on the early history of Sitka and the people who first occupied the area. There were also many additions and revisions to the Endnotes.

The author wishes to thank all the people who contributed to this project by submitting to interviews, providing background information and photographs, taking the time to read and correct copy, and sharing their memories. Special thanks to Dr. Ken Cameron, Bruce Edwards, and the staff of Shee Atiká, including Lillian Young and Ptarmica McConnell.

Historic photo on this page and on pages 3, 8, and 12, are courtesy of Sitka National Historical Park.

IN TRIBUTE TO ETHEL STATON ✦

A FOUNDING DIRECTOR AND CHAIRMAN EMERITUS OF SHEE ATIKÁ INC.

Ethel Staton served on the Shee Atiká Board of Directors for 34 uninterrupted years of service until she chose to not run for reelection in 2007 due to failing eyesight. During her tenure, Ethel served as Chairman of the Board from 1981 to 1984, one of the most difficult periods in the corporation's history.

Ethel Staton, Grand Marshall of Sitka's 2009 4th of July parade.

In recognition of her many contributions, the Board of Directors honored Ethel Staton by presenting her with the William Paul Award in 2004, unprecedented for a sitting director, and in 2007, granted her the title of Chairman Emeritus. The William Paul award was especially appropriate considering that it was William Paul Sr. who personally encouraged Ethel Staton to incorporate Shee Atiká. Out of her own pocket, she paid the filing fee for the papers of incorporation.

At critical moments, Ethel loaned the corporation funds or paid for her own travel expenses during visits to Washington, D.C., when, several times, the future of Shee Atiká hung in the balance. Her articulate presentations, impeccable appearance, natural grace and elegance disarmed critics of the corporation and won many supporters.

A tireless advocate for Shee Atiká through its most troubling times, a consistent voice in favor of protecting the company's assets, a firm supporter of extending scholarship benefits to present and future generations of shareholders, Ethel Staton personifies the best of Shee Atiká's early leadership.

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INTRODUCTION ✦

Shee Atiká, Incorporated, is a private for-profit corporation based in Sitka, Alaska, that was organized in 1974 under the terms of the Alaska Native Claims Settlement Act.

The settlement of the aboriginal claims of Alaska Natives arose from historical circumstances, the roots of which can be found in Sitka. It was here, over 200 years ago, that Alaska Natives first forced the Russians to temper their mercantile ambitions and to conduct business on a basis of equal trade and mutual respect.

In the late nineteenth century, Sitka became the center of Alaska Native education, and it was here that several generations of Native leaders came of age. Take any list of Alaska Natives central to attaining civil rights, to conceptualizing the Native claims movement, or to winning settlement of all Alaska Native claims, and the majority of those men and women were educated in Sitka.

Sheldon Jackson School—first an industrial arts school, then a high school, later a two-year college, and finally an accredited four-year college—educated Alaska Natives for more than 125 years. Shortly after World War II, military buildings on Japonski Island (location of the modern Sitka Airport) were converted to a boarding school, *Mt. Edgecumbe*, which attracted young Natives from every corner of Alaska.

The strong ties that developed during these formative years among young Aleut, Yupik, Inupiat, Athabascan, Tlingit, Haida, and Tsimshian stu-

Photos on this and facing page from the Nielsen Family; courtesy of Sitka National Historical Park

dents in Sitka would one day prove key to forging the Alaska Native claims movement.

The Alaska Native Claims Settlement Act of 1971 (ANCSA) created 13 regional corporations and more than 200 village corporations, but only four urban corporations, of which Shee Atiká is one. These ANCSA corporations, each wholly independent, are linked not only by the various provisions of the Act, but by a common history.

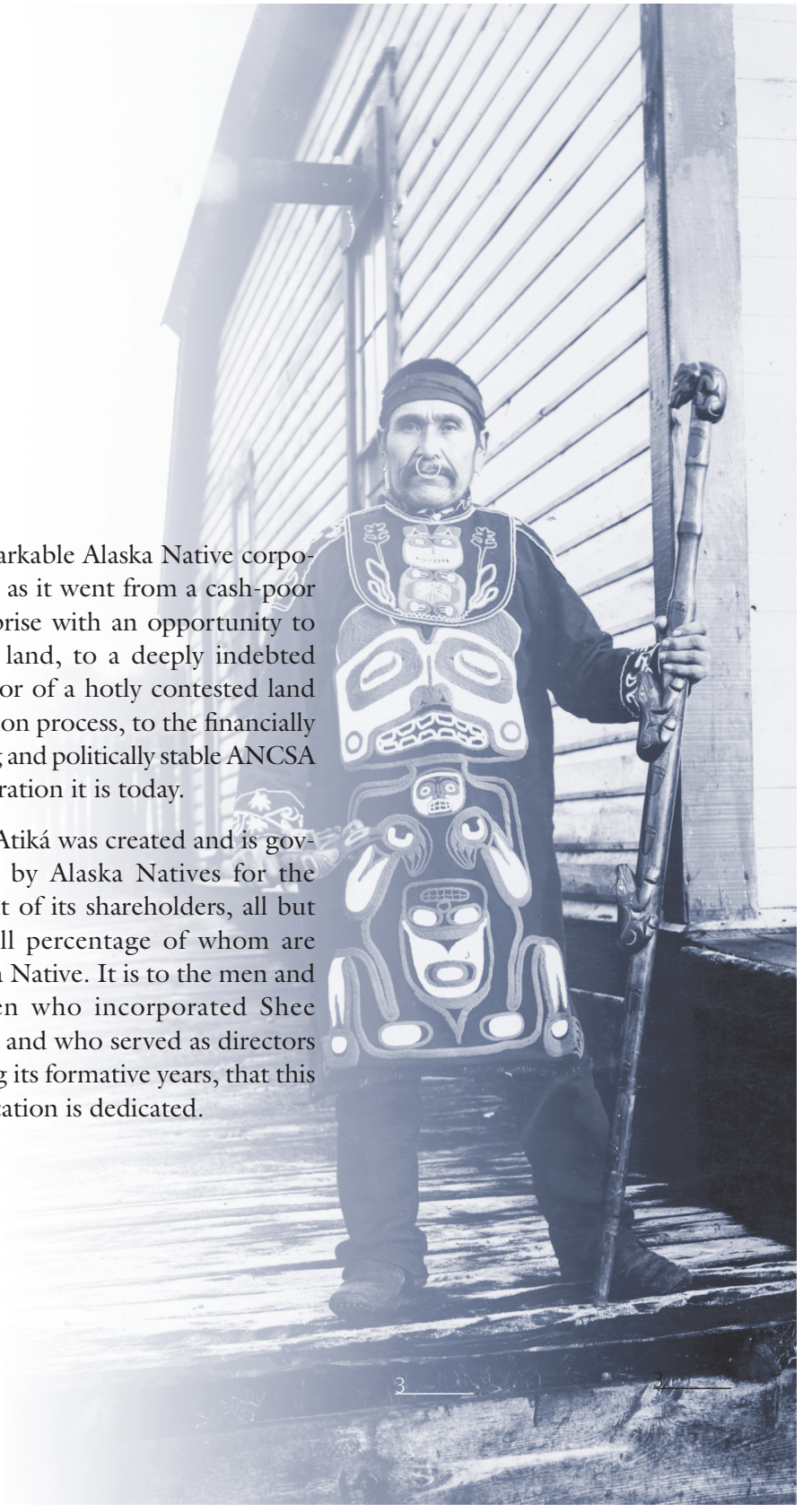
The urban corporations could each acquire 23,040 acres, but none received a portion of the $962.5 million cash settlement, quite unlike the regional and village corporations that received the cash payments on a per capita basis. The lack of funding was to handicap Shee Atiká during its early years.

The results of ANCSA have proven mixed and continue to unfold. Many Native corporations struggle with economic challenges, particularly those in Southeast Alaska following the conclusion of their initial timber harvests.

We believe Shee Atiká stands as a positive example of a modern ANCSA corporation. By endowing two trusts—one to provide dividends, the other educational grants and funeral benefits—and by harboring its capital resources, Shee Atiká has deliberately preserved a large portion of its wealth for the benefit of present and future shareholders, a multi-generational concept embodied in the corporate mission statement.

As Shee Atiká's story reveals itself in this book, we follow the journey of a remarkable Alaska Native corporation as it went from a cash-poor enterprise with an opportunity to select land, to a deeply indebted survivor of a hotly contested land selection process, to the financially strong and politically stable ANCSA corporation it is today.

Shee Atiká was created and is governed by Alaska Natives for the benefit of its shareholders, all but a small percentage of whom are Alaska Native. It is to the men and women who incorporated Shee Atiká, and who served as directors during its formative years, that this publication is dedicated.



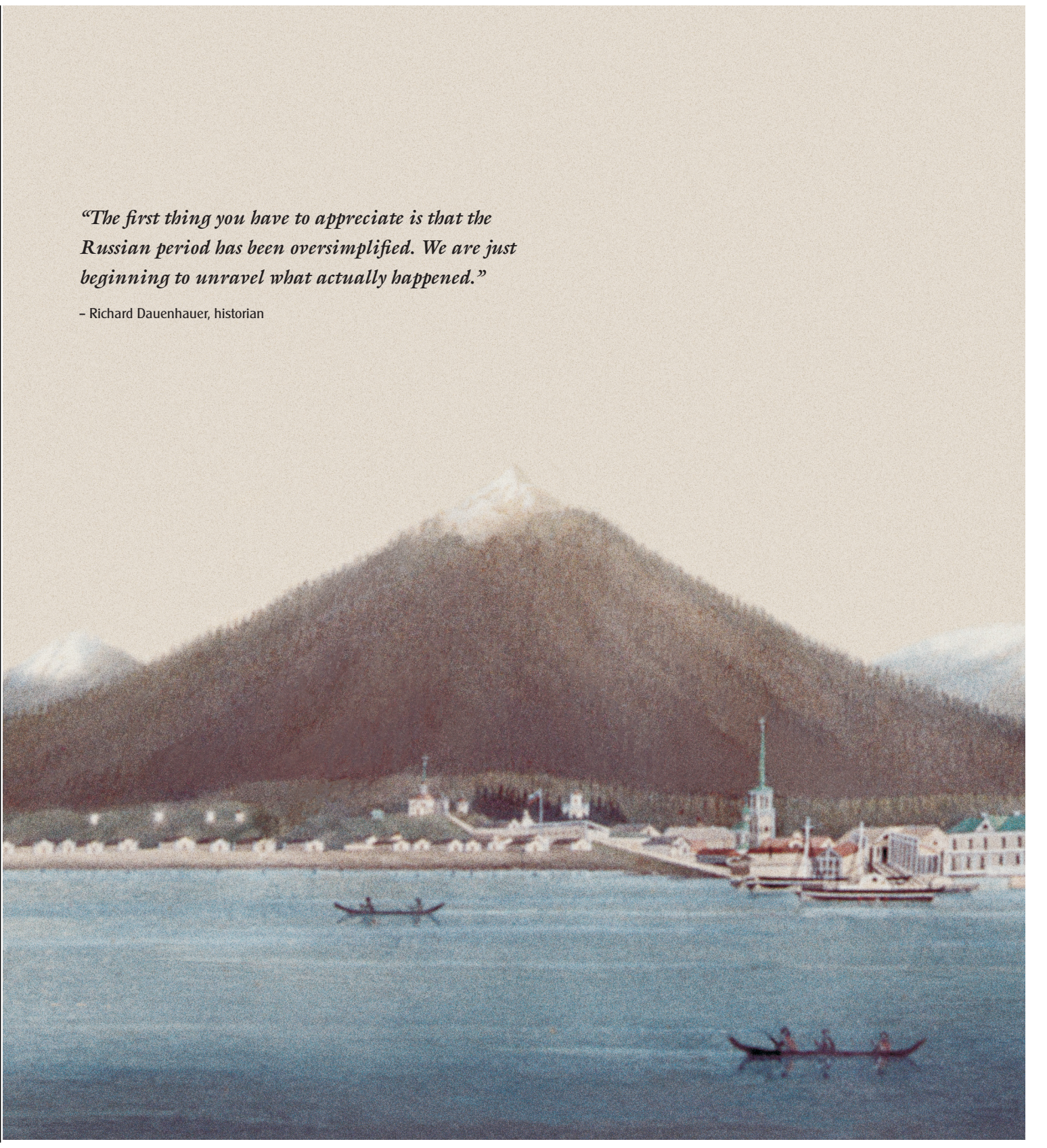
HOLDING THEIR GROUND

"When you consider the thousands of years that the Tlingit people have called Southeast Alaska home, 25 years of Shee Atiká may seem insignificant, but to me, and to many shareholders, the last 25 years have earned us a place in that history."

– Marta Ryman, chairman of Shee Atiká Board of Directors (1995-2000), speaking in 1999.

"The first thing you have to appreciate is that the Russian period has been oversimplified. We are just beginning to unravel what actually happened."

– Richard Dauenhauer, historian



At the time of first contact with Europeans, the people living in what we now know as Sitka Sound resided at the center of the Tlingit world, almost equidistant, by water routes, from the northern, southern, and most inland reaches of *Tlingit Aaní* (the domain of the Tlingit). The Sitka Tlingits—*Shee At'iká Kwáan* (people of the outer branch)—also lived at the geographical center of the sea otter range.

Ignited by an intense market demand in China for sea otter fur, the first Western-style economic boom in Alaska soon gave *Shee At'iká Kwáan* geopolitical significance. The Russians came to believe that whoever controlled Sitka controlled the North Pacific fur trade.

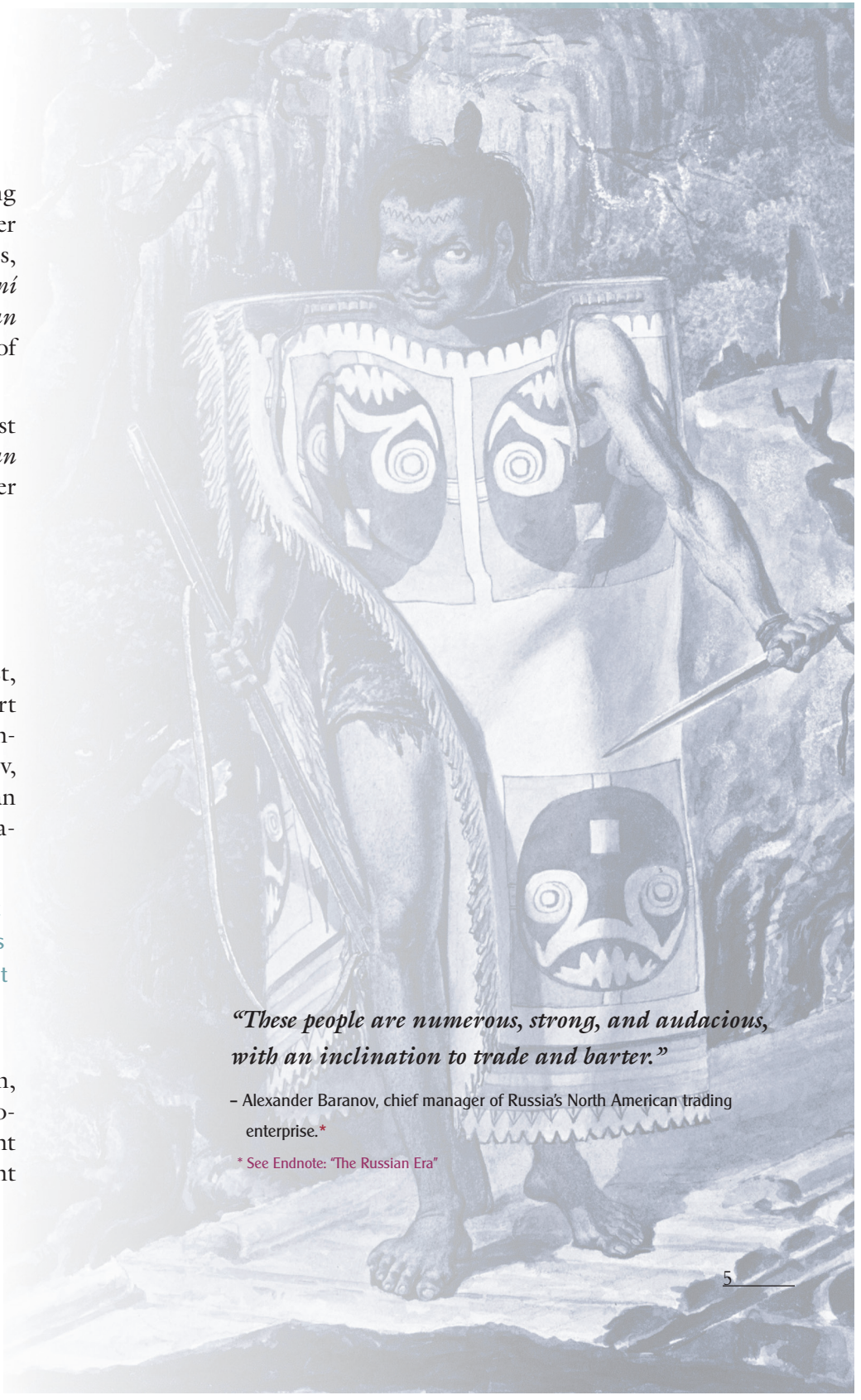
> Baranov wanted to check foreign trade and provide a support base closer than the distant Yakutat for far-ranging sea-otter hunting parties.
>
> – Nora & Richard Dauenhauer

To suppress British and Spanish ambitions along the Northwest Coast, the Russian imperial government of Catherine II took action to assert its sovereignty in North America. Authority was granted to the Russian-American Company. The company's chief manager, Alexander Baranov, decided that to assert such claims it would be necessary to establish an outpost amid the island realm of the Tlingit. Following several explorations in the vicinity of *Shee At'iká Kwáan*, a site was selected.*

* See Endnote: "First Contacts"

> [The Russians] chose a location for the future settlement, relatively near yet not too close to the existing Tlingit settlement on and around Castle Hill... In today's context, the Russians were building at "Old Sitka" on Starrigavan Bay near what is now the ferry terminal.
>
> – The Dauenhauers

In July 1799, Baranov negotiated with the leaders of the Kik.sádi Clan, owners of the selected site. Gifts were exchanged, followed by ceremonial activities that seemed to seal the arrangement. The Russians thought they had made it clear they were there to stay. Considering subsequent events, the Kik.sádi leaders surely thought otherwise.



"These people are numerous, strong, and audacious, with an inclination to trade and barter."

– Alexander Baranov, chief manager of Russia's North American trading enterprise.*

* See Endnote: "The Russian Era"

By 1819, when Russian artist Mikhail Tikhanov rendered this watercolor, Katlian (K'alyáan) was a respected Tlingit statesmen. The medal he wears was given to him by Chief Manager Alexander Baranov. The exploits of Katlian, the Kiks.ádi hero during the Russian conflicts (1802 and 1804), remain legendary. Wielding an iron blacksmith's hammer and a double-ended dagger, and wearing a striking Raven helmet, Katlian was the embodiment of the fierce Tlingit warrior: terrifying to his victims and a charismatic leader to his kinsmen.

Images on this and page 5 are courtesy of the Shur Collection, Elmer E. Rasmuson Library, University of Alaska Fairbanks

Whatever the understandings may have been, the Russians soon wore out their welcome. The Kik.sádi Clan and their allies, in a well-planned attack, destroyed the Russian fort at Starrigavan Bay in 1802, killing all but a few Russians and most of the Aleut workers.

> The various Russian eyewitness accounts and subsequent reports tend to indicate that the revolts in Sitka in 1802 and Yakutat in 1805 as well as smaller confrontations with the Russians in several other locations during this period were the result of a coordinated and well-planned effort by many kwáans, from the most southern to those of the Gulf of Alaska.
>
> – Sergie Kan

Two years later, the Russians returned to Sitka Sound determined to avenge their slain colleagues and to re-establish their trading station.

The Kik.sádi, in expectation of Russian retaliation, had erected a stout fort on the banks of Indian River and, thanks to a robust trade with American and English seafaring merchants, were well armed. Contemporary Russian journals describe the 1804 battle as a near thing. The surprise attack led by the hammer-wielding Kik.sádi hero, Katlian (*K'alyáan*), remains the iconic image of the 1804 battle. Less well known is that while Katlian and his men assaulted the Russian beachhead from the flank, volleys of musketry and cannon fire coming from the Tlingit fort decimated the shore party, forcing the Russians back to their boats. Both Russian and Tlingit accounts agree that the Kik.sádi lost a critical supply of gunpowder — the reason, according to Tlingit oral tradition, underlying their abandonment of the Indian River fort and tactical retreat.

The Russians had succeeded in re-establishing themselves in Sitka Sound, but the Kik.sádi, with help from their allied clans, had checked whatever ambitions Baranov may have had to dominate *Tlingit Aaní*.

Baranov relocated the headquarters of the Russian-American Company from Kodiak, and the community that grew on the shore of Sitka Sound became known as Sitka, the Russian Capital of Alaska. The various clans

of the vicinity established their longhouses just beyond the Russian wall, in an area that became known as "The Ranche."

> [Baranov's successor] decided that if the [Sitka Tlingits] were living next door... it would make it easier for the Russians to learn in advance about their hostile plans and might prevent major attacks since the Native village [would be] within range of the Russian artillery.
>
> – Sergei Kan

Southeast Alaska was to remain at the extreme end of the Russians' supply line. Hemmed in by Tlingits whom they were ill equipped to dominate, the Russians in Sitka lived behind a palisade and under the protection of a two story blockhouse.*

* See Endnote: "The Russian Era"

In the following decades, an unstable truce prevailed in *Tlingit Aaní*. The near extinction of sea otter diminished trading opportunities but also lessened international tensions. During the first half of the nineteenth century, Russia's chief competitors in the region, England and America, evidenced only marginal interest in Alaska.

Shortly after the American Civil War ended, Baron Von Stoeckl, representing Russia, met with William Seward, U.S. Secretary of State, to negotiate a treaty of cession that would relinquish all Russian interests in Alaska.

After six decades of half-hearted and poorly supplied efforts to colonize the region, the Russians had done little that changed the way of life among the indigenous people of Southeast Alaska.

To their credit, the Russians had helped suppress the spread of smallpox, and had readily accepted into their religion and culture those Alaska Natives willing to assimilate. But as the Russians made ready to leave Sitka and the few other posts they maintained in the region, the Tlingit people remained proud and independent, with their language, culture, and social structures intact.

Raven-Eagle at the base of the Shee Atiká totem, located in the lobby of the corporation's office building in downtown Sitka.

"Tlingit society is organized into two major social groups, known as 'moieties,' composed of complementary clans. A member of one clan had to marry someone from a clan of the opposite moiety. Ravens marry Eagles, Eagles marry Ravens... In the modern era, the symbol of the Raven and Eagle together has become the coat of arms, the 'logo,' for the entire Tlingit nation."

– Father Michael Oleksa

CONFRONTING CHANGE

The dissatisfaction among the tribes on account of the sale of the Territory did not arise from any special feeling of hostility, but from the fact that it was sold without their consent, they arguing that their fathers originally owned all the country, but allowed the Russians to occupy it for their mutual benefit…

– Sergei Kan

Students of the Sitka Industrial and Training School, ca. 1900.

The Tlingit people who watched from a distance, uninvited to the October 18, 1867, ceremony marking the transfer of Russian possessions in Alaska to the United States, were no strangers to Americans. "Boston Boat" men had been coming into the region since before the Russians established their presence in Southeast Alaska. But now the Americans were here to stay.

A large percentage of the Americans who came into the region following the Treaty of Cession were hard living and hard drinking men, and some much worse.

"Indians are not good for much anyhow. They are lazy, dirty, and shiftless. We shall have to get rid of them some way... Whiskey will do the business better than fighting [and] in this we shall civilize them off the face of the earth."
– a comment recorded by Presbyterian minister Henry M. Field

By contrast, the American missionaries who arrived in Southeast Alaska were relatively enlightened, believing Indians could, through education and salvation, become "civilized" and be the equal of other Americans—radical thinking in those days. The missionaries made honest efforts to cure the ill, educate the young, stop the liquor trade, and preach the word of God to all. Such good works did not come without a price. Believing fervently in the righteousness and superiority of American Protestant civilization, the missionaries did their best to render the indigenous cultures irrelevant, and very nearly succeeded.

Rudolph Walton was a man whose life story, as documented by his granddaughter, Shee Atiká shareholder Joyce Walton Shales, provides a window into the wrenching upheaval of Tlingit society that occurred in the late nineteenth and early twentieth centuries.

Born into a high-ranking Kiks.ádi family in April 1867, a month after the Russians sold their interests in Alaska to the United States, Walton became one of the first students of the Sitka Industrial Training School, later named for its founder. He often referred to himself in later life as "The first student of Sheldon Jackson School."

Sheldon Jackson, right, with staff and students of the Sitka Industrial and Training School, ca 1890.

"We should let the old tongues with their superstition and sin die—the sooner the better—and replace these languages with that of Christian civilization, and compel the natives in all our schools to talk English and English only. Thus we would soon have an intelligent people who would be qualified to be Christian citizens."

– S. Hall Young, Presbyterian missionary to Alaska

Photo courtesy of the Rudolph Walton Family

Rudolph Walton, "first student of Sheldon Jackson," was a tax-paying and successful businessman, but his accomplishments were not enough to overcome the prejudices of the day.

The principle that would give the Cottage residents the most trouble was the promise to never participate or countenance heathen festivities or customs… Most of the residents and students had one foot in each world; they had strong relationships with their family and kin in the Tlingit community and they were trying to meet the demands of the Presbyterian missionaries who felt that the Tlingit needed a complete makeover.

–Joyce Walton Shales

Pressured by clan elders to marry the widow of his uncle, Walton refused, and instead married a fellow student, Daisy, whose family was of the opposite clan, thus honoring a fundamental Tlingit cultural dictate. Rudolph and Daisy were one of the founding families of the "Cottages," a collection of houses built by and for graduates of the school. The Waltons had four children and were living a Christian way of life in accordance with Cottage rules and regulations.

More than most Alaska Natives of his day, Rudolph Walton straddled two worlds: the Cottages where he and other Alaska Native graduates lived, and the Ranche, the village where his unassimilated relatives lived one mile up the coast.

Sheldon Jackson and the Presbyterian missionaries held out to the Native people the promise that if they became "civilized" they would be treated equally in the eyes of the American government.

– Joyce Walton Shales

At the turn of the century, Walton was a "beloved elder" of the Presbyterian Church, an accomplished artisan, and a tax-paying businessman who owned a store catering to the tourist trade. He was also an increasingly important elder of the Kiks.ádi Clan.

The graduates of the school founded by Sheldon Jackson had been led to expect that by becoming "civilized" full citizenship would be within reach. For an intelligent and proud man like Walton it must have been a strong provocation that virtually any "White Man" in Sitka, regardless of education or accomplishment, could hold title to land, stake a mining claim, get a professional license, and vote, though such rights were denied Alaska Natives like himself.

His diary entries, the remembrances of his family, and other records indicate Walton was a patient man, a realist, but as soon became very clear to everyone in Sitka, he expected at the very least that his children could attend school.

Until 1905, the educational system in Alaska, as inadequate as it was, could not legally discriminate—children of school age were to be educated without reference to race. The Nelson Act, passed by Congress in January 1905, provided that Native and White children in Alaska would be educated in separate school systems; the exception being Alaska Native children of mixed blood whose parents lived a "civilized life."

At the beginning of 1906, the new Sitka School Board closed the public school to Natives, including the Waltons' children.*

• See Endnote: "The Trials of Rudolph Walton"

The Waltons and other Native parents filed a lawsuit with the help and encouragement of John G. Brady, a pioneering missionary and one of the more enlightened Presbyterian leaders. The plaintiffs lost *Davis vs. The Sitka School Board* because, as the judge ruled, the Waltons had moved to the *Ranche* and associated with "uncivilized and semi-civilized" people, and for this reason they could not be classified as living a civilized life.

> The case of Davis vs. Sitka School Board proved that the promises of equality made to the Tlingit by the Presbyterians would not automatically happen no matter what they did.
>
> – Joyce Walton Shales

To those supporting Walton, the decision was clear: unless Alaska Natives were willing to abandon their non-assimilated relatives and every vestige of their culture, they would be treated as uncivilized and allowed only limited access to the benefits of White society.

After this ruling, even the best-intentioned Whites must have realized that the promise taken to heart by the Native graduates of the school founded by Sheldon Jackson was one no missionary, not even the great man himself, had the power to grant: equal citizenship.

The men and women of Rudolph Walton's generation had learned a powerful lesson: equality would not be granted; it had to be won.

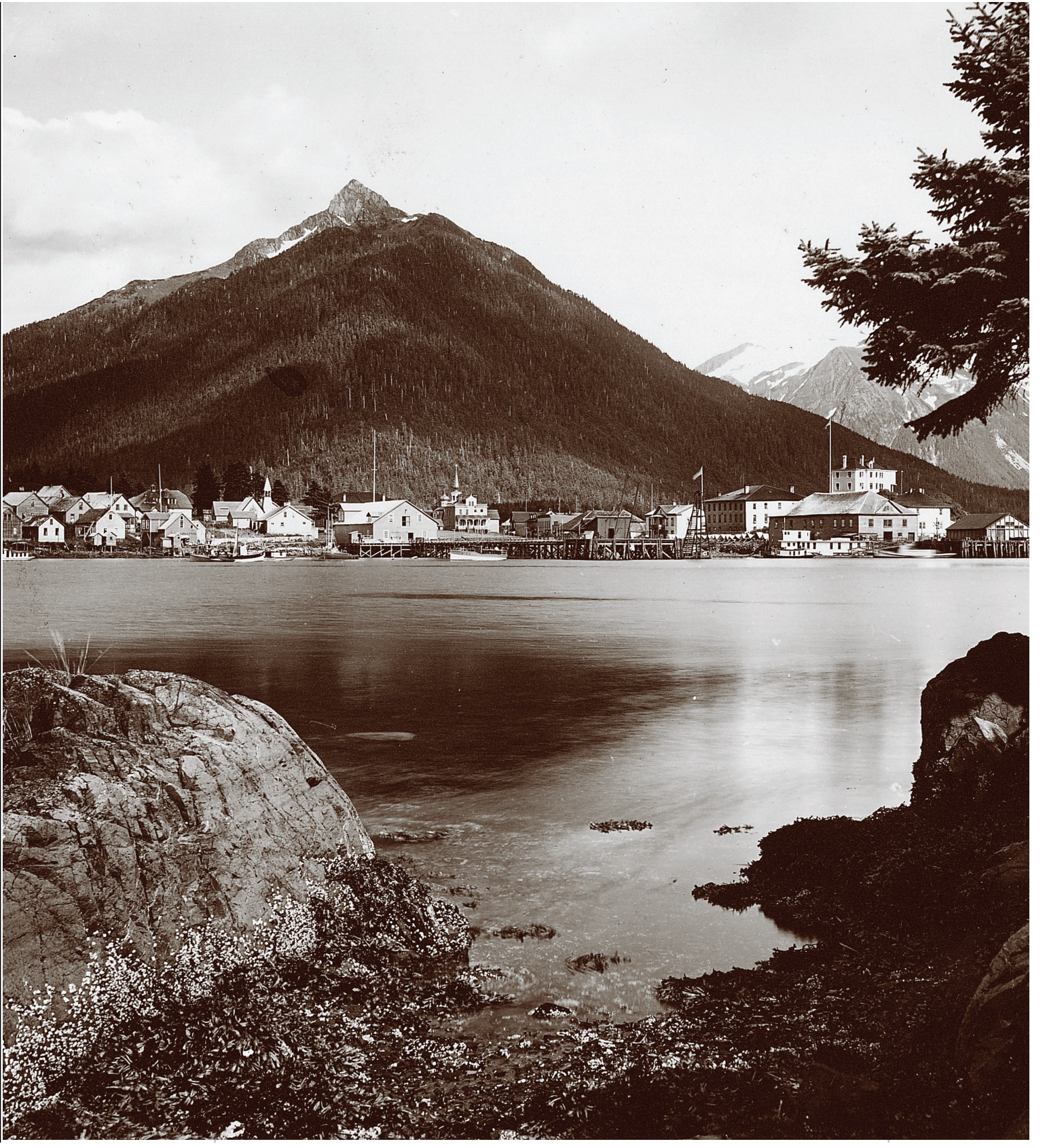
Photo by Peter Metcalfe

Rudolph Walton's carvings, silver work and jewelry are highly valued by collectors and museum curators for their beauty, originality, and historical significance. These pieces, designed and carved by Walton perhaps a century ago, were collected by Shee Atiká Board Chairman Dr. Kenneth Cameron.

FIGHTING FOR CIVIL RIGHTS

"We were born in this rocky country and know how to handle our boats, but we cannot go to the local inspector and obtain a pilot's or engineer's license; the law reads that only American citizens are allowed to hold such licenses on our coast. A white man — though foreign born — can obtain this privilege."

– Civil rights leader Peter Simpson, 1914



As the twentieth century began, Sitka stood at the center of the intellectual and political life of Southeast Natives. Most of the leaders who organized the Alaska Native Brotherhood (ANB) and the Alaska Native Sisterhood (ANS) were educated at the Sitka Industrial Training School, later renamed after its founder, Presbyterian missionary Sheldon Jackson.

The first generation of graduates from Sheldon Jackson's school found that even though they lived a "civilized" Christian life, they had no civil rights. A Native could not vote, stake a mining claim, become a licensed boat captain or engineer, and could not own land. It was a state of affairs unacceptable to Sheldon Jackson graduate Peter Simpson, who dedicated his life to attaining equal rights for Alaska Natives.

> "Peter Simpson...left Canada because he could not own a house. The same situation existed in Metlakatla. He then moved to Gravina Island across from Ketchikan, where he built a home and sawmill only to discover he did not own either because he was not a citizen."
>
> – John Hope, Alaska Native Brotherhood parliamentarian/historian

Simpson, who was to become known as the "father of the Alaska Native Brotherhood," was a Tsimshian, born in northern British Columbia. He moved with the rest of his village, in 1887, to New Metlakatla on Annette Island at the southern extreme of Southeast Alaska. Simpson and other young Tsimshians, recruited by Sheldon Jackson, attended the Sitka Industrial Training School.

The Alaska Native Brotherhood, organized by Simpson and other Sheldon Jackson graduates in 1912, became the engine of change for the indigenous people of Southeast Alaska. Soon joined by the Alaska Native Sisterhood, the fundamental difference between these and earlier Native religious organizations was that both the ANB and ANS were led by Natives, not by Whites.

While ANB and ANS members at first rejected the old ways, they ultimately retained the strongest and most useful aspects of their heritage.

Photo courtesy of Sitka National Historical Park

The Native men and women of the late nineteenth and early twentieth centuries had made an astonishing journey — in the words of one government official: "The Natives of Alaska have made more progress in the last 40 years than the whites did in 40 centuries."

Photo courtesy of Sitka ANB Camp #1

1914 ANB Convention at Sitka. From left to right, front row: Jas Watson, Frank Mercer, Herbert Murchison, Chester Worthington, Peter Simpson, Paul Liberty, Rev. Edward Marsden, Haines DeWitt, unidentified (possibly Mark Jacobs Sr.), and Chas. Newton. • Second row: John Willard, Woosk-Kee-Nah (Jim Johnson), Seward Kunz, Stephen Nickles, Donald Austin, George McKay, Cyrus Peck Sr., Eli Katinook, Charles Daniel, Don Cameron, Ralph Young, Rudolph Walton, William S. Jackson, and Frank D. Price Sr. • Third row: James Gordon, Andrew Hope, George Bartlett, Tommie Williams, John Williams, George Lewis, and Sergius Williams.

"The paramount force that gave birth to the [Alaska Native] Brotherhood was the [leadership's] indomitable self-confidence. Coupled with this was their absolute determination to achieve full American citizenship. "

– Ted Hinckley, historian

"The clan system required that each member conduct oneself in a manner that would not bring dishonor on the clan and [avoid situations] where restitution had to be made. It was this pride and competitive attitude that gave the early leadership impetus to organize for the common good."

– John Hope

In the 1920s, the ANB began actively seeking equality and redress of grievances. Under the leadership of the Paul brothers, Louis and William, who were among the first of a new, college-educated generation of Southeast Alaska Natives, the ANB championed causes as diverse as voting rights, health and welfare, workers' compensation laws, imposition of residency requirements for commercial fishermen, Native property rights, anti-discrimination laws, and anti-fish trap legislation.*

* See Endnote: "The Paul Brothers"

"The time has come when the Brotherhood should stop sending resolutions to Congress to fill their wastebaskets."

– Peter Simpson

The ANB and ANS grew in size and prestige with each passing year. In 1924, having secured the rights of Alaska Natives to vote, William Paul Sr. won election to the Alaska Territorial Legislature, the first Alaska Native to do so, proving the power of the Native vote.

"The upswing in interest in the ANB continued in the 1928 convention at Sitka. It was hailed as the largest gathering of its kind to that point. An estimated one thousand participants were in Sitka. The impact on the Southeast Native and non-Native communities was apparent.... After the 1928 convention, it was clear that the ANB was a force to be reckoned with."

– John Hope

William Paul Sr. was elected unanimously at the 1928 convention to the first of two consecutive terms as ANB grand president.

According to Paul, Simpson had impressed on him, as early as 1925, that the Tlingit and Haida people were the original owners of Southeast Alaska.

"...The delegates had no way to know that Paul's election would start the Indians of Southeastern Alaska—and eventually all Alaska Natives—on a historic new journey."

– Don Mitchell, former counsel to the AFN, historian

Paul presided over the 1929 Grand Camp Convention in Haines, to which he invited his political mentor, Judge James Wickersham, who had served as the Territory of Alaska's non-voting delegate to Congress. On the evening of November 19, Wickersham spoke to the convention and explained that the Tlingit and Haida people could ask Congress for permission to file a lawsuit in the U.S. Court of Claims to recover the value of lost lands and fishing rights.

"After listening to the Hon. James Wickersham give a lecture on the relation of Tlingit and Haida Indians to dispossessed lands without compensation, the convention appointed a committee to investigate and report its findings."

– John Hope

"The Grand Camp adopted the committee's report. And that is how the Alaska Native land claims movement began."

– Don Mitchell

*See Endnote: "Tlingit-Haida Claims"

In 1935, Congress passed the Tlingit-Haida Jurisdictional Act* allowing Southeast Natives to bring their case before the U.S. Court of Claims—a result traceable to the resolution adopted at the 1929 ANB Grand Camp in Haines. But it was not until the 1939 Grand Camp Convention, held in Sitka, that the claims effort would truly begin.

"A resolution urged that use be made of the act permitting the pressing of claims by the Indians against the government, commonly known as the Tlingit-Haida claims."

– Report of the 1939 Grand Camp Convention at Sitka

First, obstacles erected by the U.S. Bureau of Indian Affairs had to be overcome.

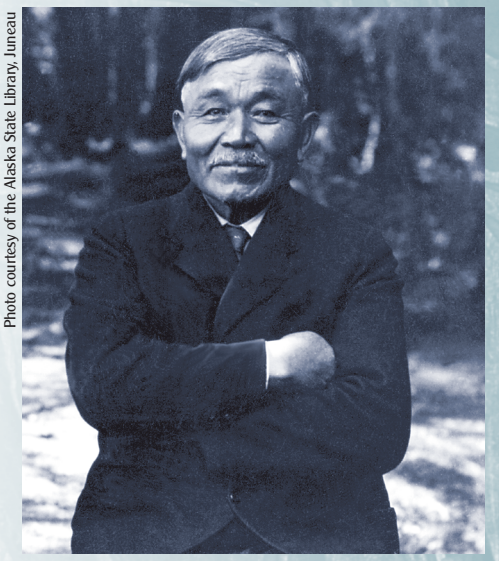


Photo courtesy of the Alaska State Library, Juneau

"We native Alaskans want to find out why we cannot become American citizens. The natives of Alaska are self-supporting; we have not received one cent from the government for our hunting or fishing grounds...."

– Peter Simpson, "The Father of the ANB."

Photos courtesy of the ANB/ANS Grand Camp

The 1929 Grand Camp Convention of the Alaska Native Brotherhood and the Alaska Native Sisterhood, held in Haines, set in motion the Alaska Native claims movement. Two years earlier, the ANS had been accepted as a full member of the Grand Camp. The Sisterhood, though sometimes thought of as an auxiliary of the Brotherhood, was and remains a full partner. From the earliest days, Tlingit women wielded significant power in decisions regarding money, property, and politics.

"[The Office of Indian Affairs issued] a nine-page letter on June 13, 1940, ... citing official reasons why the ANB action could not be approved, one of the reasons being that the membership of the ANB ... is necessarily selective and not truly representative of all members of the Tlingit and Haida Tribes."
– John Hope

The problem was that the federal government did not recognize the existence of tribes in Alaska. But that did not stop Indian Affairs officials from insisting that only a tribal organization, not the ANB, could sue the U.S. government.

By April 1941, a new organization, the Central Council of Tlingit and Haida Indian Tribes of Alaska, had surmounted the legal barriers and convened its first government-sanctioned meeting. Inventive and adept with organizational matters, the ANB leadership had created the Central Council out of whole cloth: the ANB Grand Camp Executive Committee served as the interim Central Council. Presiding over the council was Andrew P. Hope, a Sheldon Jackson graduate, Sitka resident, respected boat builder, and former Grand Camp president (1922). He was to serve as council president until 1965. Attorneys were hired, and, after several false starts, a lawsuit was filed in 1947.

Also suffering false starts was the effort to have Alaska accepted into the Union. In 1948, E.L. "Bob" Bartlett, Alaska's Territorial Delegate to Congress, filed an Alaska Statehood bill, which was promptly shelved in committee. It was his second failed attempt. Momentum built, and by 1950, proponents for Alaska statehood were much better organized. So were Alaska Natives. While most Natives were generally supportive of statehood, ANB leaders were not in agreement on the issue. They were unified, however, in their belief that statehood should not come at the expense of Native claims.

At the 1950 ANB Grand Camp Convention, held that year in Craig, Territorial Governor Ernest Gruening made a pitch for statehood that unintentionally deprecated Alaska Native aspirations. In response, the

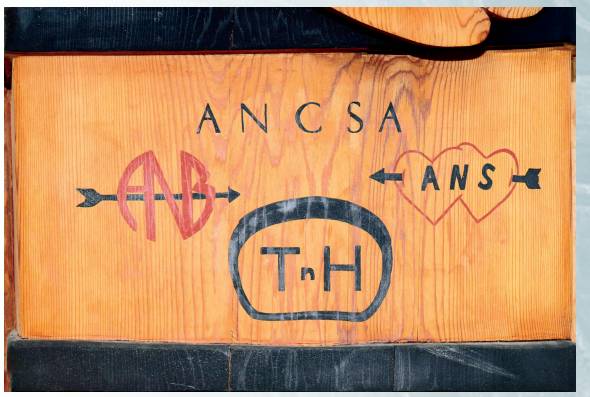
convention unanimously passed a resolution preemptively opposing any statehood legislation that would limit the authority of federal officials to confirm Native land title.

Subsequently, statehood proponents made attempts to address the claims of Alaska Natives, either by rendering such claims moot through legislation or by submitting well-meaning legislative solutions that, in retrospect, seem extremely small-minded.

In those days, the only organization in the Territory of Alaska prepared to represent Alaska Native interests was the ANB/ANS, and, thanks largely to the efforts of Grand Camp leaders, all attempts to prematurely settle Alaska Native Claims were foiled. Without the contributions of Grand Camp leadership, it is all but certain that Native claims would have been settled before statehood, with Alaska Natives winning title to the land their homes sat upon and little more.*

* See Endnote: "Alaska Native Response to Statehood"

Photo courtesy of the Alaska State Library, Juneau



The representation of a bentwood box on the Shee Atiká totem pole recognizes the interrelationship of the principal organizations of the Tlingit and Haida people: the Alaska Native Brotherhood and the Alaska Native Sisterhood; the Central Council of Tlingit and Haida Indian Tribes of Alaska; and the Alaska Native Claims Settlement Act corporations.

Photo courtesy of the Hope Family

"In the greatest country on earth, in the highest court of the land, we won our case."

Andrew P. Hope

Alaska became a state on January 3, 1959. Ten months later, on October 7, 1959, the U.S. Court of Claims handed down a preliminary ruling that the Tlingit and Haida Indians of Alaska were entitled to compensation for their land and property taken by presidential decree in the creation of the Tongass National Forest and Glacier Bay.

"As the twelve years that elapsed between...filing the Tlingit-Haida Central Council's lawsuit in 1947 and the Court of Claims' first ruling in the case in 1959 would demonstrate, the judiciary—a notoriously slow-moving institution—was incapable of resolving such legally and factually complex disputes expeditiously."
– Don Mitchell

The second ruling by the Court of Claims came on January 19, 1968, when it determined the amount of compensation due the Tlingit and Haida—$7.5 million.

"The significant aspect of the second decision is that it denied any compensation [for] lost fishing rights.... The Commissioner appointed by the Court of Claims... reported total compensation in the amount of $15,909,368.80. This amount was reduced in about half when the Court of Claims rejected any compensation for the fishery property claim. Of course, this was the main economic loss suffered by the Tlingit and Haida...."
– Robert Price, historian

The court ruled that the land had to be valued at the time of taking, which occurred in the first years of the twentieth century with the establishment of the Tongass National Forest. In addition, the court concluded that Natives could not claim fisheries as a lost property right because, according to the court's majority, free-swimming fish were common property. The dissenting judge remarked with sarcasm, "I am sure they will be greatly impressed with the wonders of the white man's justice." Andrew Hope was more philosophical.

"Andrew was too ill to take part in the [Central Council meeting on March 28, 1968], at which it would be decided to accept or not accept the judgment. With

heavy heart, it was accepted. When [Hope] was given the report of the amount and the acceptance, this is what he said: 'In the greatest country on earth, in the highest court of the land, we won our case.'"

– Ellen Hope Hays

Although the award was far less than the $77.5 million originally claimed, the Central Council of 1968, then led by John Borbridge Jr., chose to accept the court's decision, placing the money in a judgment fund, with earnings earmarked to support the larger Alaska Native claims movement and to organize the Council as an operating entity. Most importantly, the court case, *Tlingit and Haida Indians of Alaska v. The United States*, upheld claims of aboriginal title to Alaska, providing a valuable precedent that strengthened the future statewide settlement of Native claims.

Later, during the negotiations leading up to the settlement of all Alaska Native claims, some argued that Southeast Natives had already won a settlement. The compromise that allowed Tlingits and Haidas admission to the statewide settlement was acceptance of a land selection formula that differed from that of other Alaska Native groups, greatly reducing the total acreage Southeast Natives could claim.*

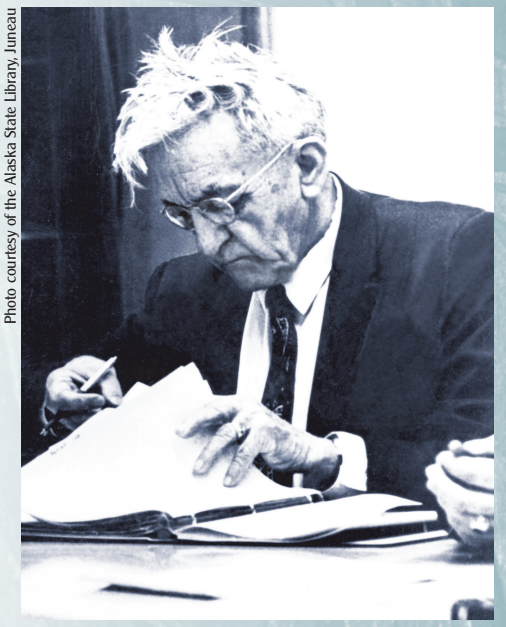
* See Endnote: "Land Selection"

In the end, the decision by the Tlingit and Haida people to accept the judgment award and to use it to support the statewide land claims lobbying effort was justified many times over. Under the terms of the Alaska Native Claims Settlement Act they were able to select 630,000 acres of rich timberlands and, being the most numerous of Alaska Natives, their cumulative per capita share of the $962.5 million cash settlement totaled more than $200 million.

"Measured against either other North American Indian groups or Pacific Basin aboriginals, the Tlingits' cultural accommodation has to rank among the more successful."

– Ted Hinckley

Photo courtesy of the Alaska State Library, Juneau



William Paul Sr.

On January 18, 1966, William Paul Sr. notified the Bureau of Land Management, Department of Interior, that his new client, the North Slope Native Association, claimed aboriginal title to 60 million acres of land north of the Brooks Range. By doing so, "[Paul] set in motion the chain of events that in December 1966 would result in Secretary of the Interior Stewart Udall's canceling the Point Hope oil and gas lease sale and imposing his informal land freeze."

–Don Mitchell

SETTLING ALASKA NATIVE CLAIMS

"…Like all successful compromises, this one can be measured by the fact that every competing interest is slightly dissatisfied with the result, yet still recognizes the integrity of the agreement."

– Rep. Nick Begich, (D) Alaska, Congressional Record, December 13, 1971

A century after the U.S. government had ended the practice of making treaties with Native American tribes, in 1971 Congress passed the Alaska Native Claims Settlement Act (ANCSA). Having never come to an agreement or signed a treaty with the Native people of Alaska, the U.S. government had left unresolved "aboriginal claims" to Alaska lands and waters, as well as to hunting and fishing rights. ANCSA was the answer to the question of who owned what in Alaska.*

* See Endnote: "Alaska Natives and the Laws of the United States"

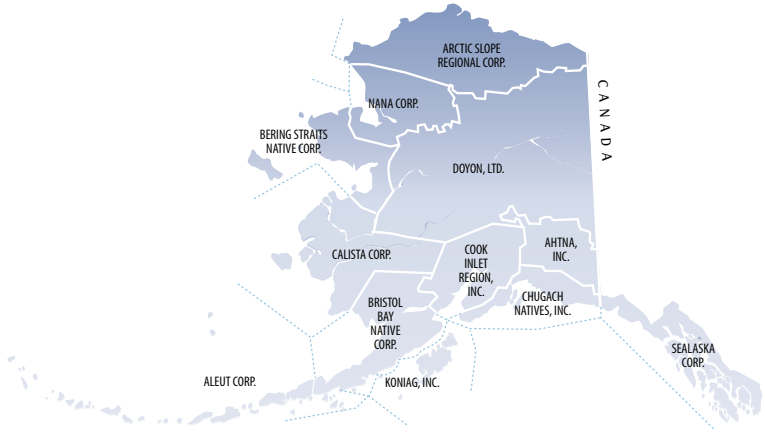
The Alaska Native claims bill was introduced during the 90th Congress in 1967. As is often the case with congressional matters, action was deferred until the situation became critical.

> "Athabascan Indians living in five interior Alaska villages filed a lawsuit... that requested the court to prohibit former Alaska governor Walter J. Hickel, who had succeeded [Stewart] Udall as secretary of the interior, from issuing a right-of-way permit [for the trans-Alaska oil pipeline] across land colored by Indian claims...."
>
> – Don Mitchell, historian

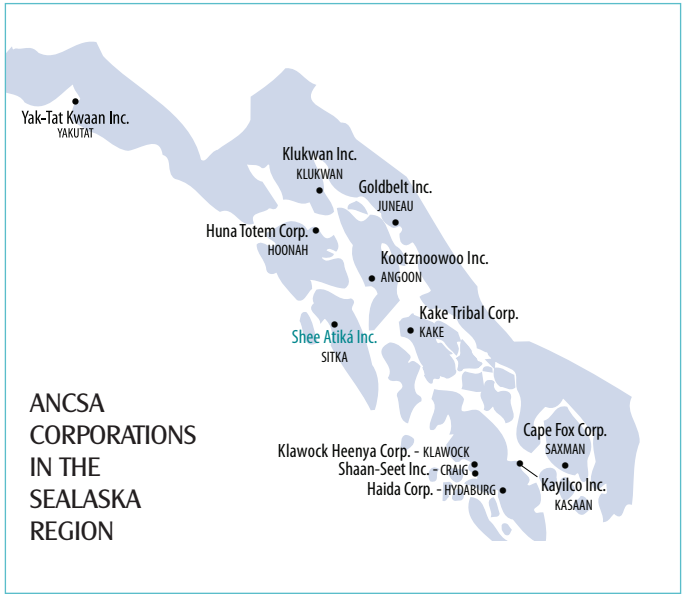
On April 1, 1970, Judge George Hart (U.S. District Court, District of Columbia) issued an injunction, which stopped the development of a pipeline that was to carry North Slope oil across Alaska's interior. The oil industry quickly lined up behind a comprehensive settlement of Alaska Native claims. When the 92nd Congress convened early in 1971, both houses began working on separate bills that included lists of Alaska Native villages, over 200 in all. Neither Sitka nor any other urban Native community was included in either bill.**

** See Endnote: "The Alaska Native Claims Settlement Act"

When pressure was brought to expand the bills to include Native communities within urban areas, an alarmed Alaska Governor William Egan submitted testimony to Congress in April 1971, arguing that the term "Native villages" should not be applied to such towns, cities, or villages that were not "...at the present state of historical development, primarily Native in character."

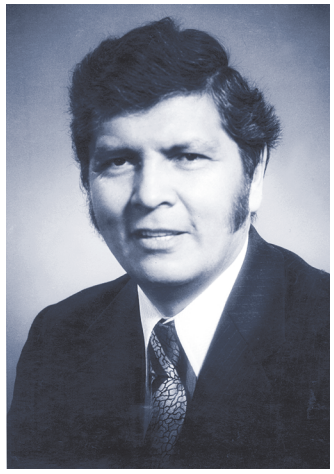


REGIONAL NATIVE CORPORATIONS



ANCSA CORPORATIONS IN THE SEALASKA REGION

Photo courtesy of Sealaska Corporation



John Borbridge Jr.

"I remember one time when it looked like we wouldn't get the [ANCSA] legislation, and John [Borbridge] spoke without notes for 40 minutes, an amazing delivery, better than many constitutional lawyers I've seen. He had a lot of impact, especially with the Republicans because he spoke to legalities, to the constitutional issues. His argument was well reasoned, there was no banging on the table."

– Bill Van Ness, former counsel
to the U.S. Senate Interior Committee

"It is difficult to assess the precise effect of conveying all the vacant land in and around such city to a corporation controlled by a racially defined minority within it, but it may have the effect of dividing the city more than it unites it..."
– Gov. William Egan

Had Egan prevailed, Alaska Natives whose villages had been subsumed by White communities—as in Juneau and Sitka—would have been disenfranchised from the settlement. As it turned out, the Natives who lived in urban communities such as Haines and Ketchikan, which had not been Native villages, lost out and are now referred to as "landless" Natives.

John Borbridge Jr., who served as principal lobbyist for the Natives of Southeast, recalls the 91st Congress in 1970, when he and others made what he describes as the first "initial, successful push" to include urban Alaska Natives in the legislation.

"In 1970, we had a provision for urban Natives, but it dropped through the cracks until I restored it in '71. I went to see [Sen.] Ted Stevens. It was the perfect lobbying situation. He had a million and one things to remember, so I reminded him, *'Sen. Stevens, you were squarely in our corner last year, and here is a copy of the language we propose,'* which was basically the same as he had proposed the year before, so he was instantly with us."
– John Borbridge Jr.

As late as November 1, 1971, Senate Bill 35 included provisions for a statewide "Alaska Native Urban Corporation" and an "Alaska Native National Corporation." There was no mention of these corporations in the House version.

The proposed statewide urban corporation would include all Alaska Natives who were Alaska residents but not living in Native villages. Similarly, non-resident Alaska Natives would be enrolled in the national corporation (a version of this later became the 13th Regional Corporation). Because the House bill did not provide for urban or national corporations in any form, these two corporations joined the many other issues to be resolved in conference committee.

As Bill Van Ness, a key member of Washington Sen. Henry "Scoop" Jackson's staff, remembers it, the provision for the four urban corporations emerged at the last minute. "It wasn't in either the House or the Senate version of the bills that went to the conference committee."

Van Ness recalls that when the bill came out of conference committee, it did not include the statewide urban corporation and instead provided for four urban corporations, with selection rights to 23,040 acres each for Native communities in Sitka, Juneau, Kenai, and Kodiak.

Sen. Stevens explained to Congress on December 14, 1971, why the four urban Native communities were added to the bill.

"These lands are made available [to the urban corporations] pursuant to a decision that these are historic villages that existed before a white man got to Alaska. [This section] does not apply to any other area of the state."
– Sen. Ted Stevens

Four days later, President Richard Nixon signed the Alaska Native Claims Settlement Act.

Since that day, December 18, 1971, ANCSA's peculiarities have kept legions of lawyers and lobbyists well-employed. Oddities include revenue-sharing provisions, land reconveyances to municipalities, and split estates (village and urban corporations owning the surface estate while the regionals own the subsurface estate). Most damaging for the urban corporations was a provision that excluded them from receiving payments from the Alaska Native Fund, established to distribute the nearly $1 billion cash settlement.*

* See Endnote: "Alaska Native Fund"

As Borbridge explains, Congress does what Congress wants.

"That is the way Congress wanted it. Who knows why? I can only conjecture that our efforts to obtain funding were lost amidst the many complex ANCSA issues and congressional compromising within the conference committee."
– John Borbridge Jr.

"While initially we sought more than four urban corporations, by 1971 we knew that Congress would support only four communities, so we focused on four. The urban corporation provision was almost lost in the final hours. Lobbying is always a balance between what is sought and what Congress will grant."

– John Borbridge Jr.

Photo courtesy of John Borbridge Jr.

The effort to settle Alaska Native claims began to gather momentum in 1968, the year that the State of Alaska sold a billion dollars worth of leases to North Slope oil fields. Meeting informally during a 1968 hearing of the Senate Interior and Insular Affairs Committee in Washington, D.C., are, from left, Laura Bergt, Alaska Sen. Ernest Gruening, Washington Sen. Henry "Scoop" Jackson (chair of the Senate Interior and Insular Affairs Committee), John Borbridge Jr., North Dakota Sen. Quentin Burdick, Wyoming Sen. Cliff Hansen and, representing the Alaska Federation of Natives (along with Borbridge and Bergt), Willie Hensley, Don Wright, Emil Notti, and Flore Lekanof.

GETTING ORGANIZED

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"When [ANCSA] was signed, a group of our people got together at the Sitka Centennial Building and decided we should get ready for the problems and the issues we were going to face with the land claims bill. At the time we called ourselves the Sitka Native Association."

– Ethel Staton, a founding director of Shee Atiká

While Native organizers struggled to understand the complexities of ANCSA, the U.S. Bureau of Indian Affairs began to find and enroll those who qualified as Alaska Native under terms of the Act. Early in 1972, the Bureau assigned John Hope to head the project. Born and raised in Sitka — son of Andrew J. Hope — John Hope remembered the worldwide effort to enroll every eligible Alaska Native.

"Our people were scattered all over. We contacted different states to see if they had Alaska Natives... We went to great lengths to create an inclusive roll. We received 88,000 applications."
– John Hope

Robert "Buck" Carroll, one of the incorporators and first directors of Shee Atiká, and his wife Darlene both worked for the BIA as enrollers. Buck remembers it as a time of endless days.

"My wife and I got 1,800 people enrolled [here in Sitka]. We worked seven days a week, 16 hours a day—had aspirin, Alka Seltzer, Tums all over the office—when you couldn't read anymore, you'd take a walk. It wasn't a good time at all."
– Robert "Buck" Carroll, a founding director

According to both Carroll and Hope, the process was as fair as it could have been under the circumstances. Every person who signed the enrollment papers had to declare a community of permanent residence.

"Column 16 asked where the applicant wished to enroll. If you weren't presently living [in the community], you had to have been living there within a period of time. There had to be some connection to where you signed up."
– John Hope

Some names of those enrolled at Sitka were challenged; others were added during the period of open enrollment. When this enrollment period came to an end, 1,850 people had entered the rolls as eligible shareholders of Sitka's as yet unorganized ANCSA corporation.*

* See Endnote: "ANCSA Enrollment"

Photo courtesy of the Hope Family

"We even went so far as to enroll people born at the Alaska Native Hospital [in Sitka]—we knew they were eligible."

–John Hope, head of the BIA enrollment program.

Ethel Staton and Robert "Buck" Carroll were instrumental in the process of enrolling over 1,850 people with Shee Atiká.

"We posted the enrollment at the ANB hall and invited families down there to make sure we didn't leave anyone out."

– Ethel Staton, a founding director

"You had a choice of where to enroll. Like me, I was living in Juneau, but I chose Sitka, my hometown. My wife's from Hoonah, but she picked Juneau. My brother Percy, he opted to enroll in Juneau. There was no way for somebody else to choose your corporation. You had to make the choice."

– John Hope

Parents were responsible for enrolling children younger than 21. Children were enrolled in the same community as the head of household.

The nonprofit Sitka Native Association, organized soon after the passage of ANCSA, quickly found itself to be unsuited to the opportunities presented by the new law. The misstep by the original organizers was attributable to the last-minute alterations to ANCSA that provided for the creation of four urban corporations instead of a single statewide nonprofit urban corporation.

"Sitka's problem was that they had no source of funding. By creating a nonprofit, they thought it would be easier to get grants."

– Mike Everson, Shee Atiká's first executive director

While the enrollment process proceeded, the original founders of what would become Shee Atiká set out to educate themselves. They invited William Paul Sr., a renowned Native leader, to conduct a course on corporations at Sheldon Jackson College.

"William Paul really tried to help. He held a crash course at Sheldon Jackson. First we incorporated as a nonprofit, but then we had to go back and change that. We were looking at all the options because we had no money."

– Buck Carroll

"I couldn't help but feel William Paul was a man ahead of his time. He had insight to what the future held—he could see there would be infighting among families."

– Nelson Frank, a founding director and first chairman of the board

Still a passionate advocate for Native rights at 87 years old, Paul proved to be a fount of wisdom and expertise; few people were more qualified to provide an introduction to the Alaska Native Claims Settlement Act.

"William Paul said, *'Ethel, if you don't incorporate you will not get your land.'* I said, *'Mr. Paul, what can we do; we don't have any money; how are we going to overcome this?'* He said, *'I'll tell you what. I will incorporate you, do the paperwork, if you pay the filing fee.'* So I wrote a personal check and Shee Atiká was incorporated on April 1, 1974."

– Ethel Staton

It would not be the last time a director would have to loan Shee Atiká money to meet basic expenses.

SHEE ATIKÁ
INCORPORATED

The late Herman Kitka, a founding director of Shee Atiká, served on the Board from 1974 to 1986.

"Herman Kitka actually named the corporation. That's the old Tlingit name, pronunciation and spelling for Sitka — 'Sheetka.'" *

– Buck Carroll

* See Endnote: "Naming Shee Atiká"

PLANNING FOR PROSPERITY

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"We held our annual meetings — we were required by law to hold one meeting per year — but it cost money to do that. The directors, with their wives and husbands, would come down to the office and stuff and stamp envelopes to get the mail out to over 1,850 shareholders."

– Ethel Staton, a founding director of Shee Atiká

The first Shee Atiká employee was Mike Everson. The Juneau Native corporation, Goldbelt Inc., hired him as well. Immediately following the first annual meetings, Everson recalls, both Goldbelt and Shee Atiká began considering which large sections of land they wanted to "nominate" (in the jargon of ANCSA). How the corporations in Southeast Alaska were going to make money was no mystery in a region rich in timber.

Shee Atiká's directors first looked for land near Sitka, making an initial selection of a 3,000-acre parcel at Katlian Bay, several miles beyond the end of Halibut Point Road.*

* See Endnote: "Katlian Bay"

"Even though the Katlian land was clearcut, there were plans at the time to extend the road north. With road access, the land would increase in value. As it turned out, the road has yet to be extended."

– Buck Carroll, a founding director of Shee Atiká

Given the ill-defined right to select 23,040 acres "in reasonable proximity to the municipalities," the urban corporations sought clarification. Early in 1974, the U.S. Secretary of the Interior issued a regulation declaring that, for urban corporations, reasonable proximity meant within 50 miles of their communities. Such a radius brought Admiralty Island within the orbit of both Goldbelt and Shee Atiká.**

** See Endnote: "Land Selection"

The process of nomination, withdrawal, and then the final selection of 23,040 acres was explained in testimony at a Bureau of Land Management (BLM) hearing by John Borbridge Jr., the first president of Sealaska.

"The corporation located in Sitka is entitled to nominate approximately four times its entitlement, from which the Secretary of Interior will then withdraw up to 46,080 acres. The corporation will then identify one half of the area withdrawn for its selection."

– John Borbridge Jr., president of Sealaska

While the people of Sitka were organizing Shee Atiká, the people of Angoon, located on Admiralty Island, incorporated Kootznoowoo Inc.

Murlin "Mike" Everson

"Goldbelt and Shee Atiká had very little money, not really enough to hire anyone. Both had a lot of similarities. It was decided I'd work half time for each corporation. The goal was to set up annual meetings. We held Goldbelt's annual meeting first, in Juneau, then a week later, we held Shee Atiká's in Sitka. Both meetings were successful."

– Mike Everson

Photo courtesy of Ethel Staton

Gathered in Sen. Ted Stevens' office in the mid-1970s to discuss the respective land nominations of Goldbelt Inc. and Shee Atiká Inc. are, from left to right, Robert Loescher, Mike Everson, Joe Wilson, John Eldemar, Sen. Stevens (kneeling), Buck Carroll, Ethel Staton, attorney Jim Peterson, and Herman Kitka.

"Admiralty was basically the only area within the 50-mile radius not encumbered by the 50-year sale.* We thought it was such a good fit to have all three corporations in a contiguous block. My impression was that the directors of Kootznoowoo were interested. We started this in January 1975. By April, they were against us."

– Warren Weathers, first executive director of Shee Atiká Inc.

* See Endnote: "The 50-Year Sale."

in November 1973. Angoon's new ANCSA corporation nominated an area that stretched along 15 miles of Chatham Strait coastline and inland about eight miles, encompassing all the land, bays, and inlets in the vicinity of the Admiralty Island village.

In a report to the Kootznoowoo Board of Directors, the corporation's executive director, Max Nichols, explained that the selection area included as much shoreline as possible to optimize real estate values and provide access to inland timber and other resources.

"Timber is a renewable resource, and can be harvested perpetually under a sustained yield plan. An educated guess would put the yearly revenue at about $400,000 with the price steadily rising."

–Max Nichols, executive director, Kootznoowoo Inc.

Not surprisingly, neighboring ANCSA corporations assumed Kootznoowoo was planning to develop its timber resources.

Meanwhile, the new Shee Atiká board was encountering difficulties finding 23,040 contiguous acres with high timber values. They needed an expert.

"As chairman of Shee Atiká, I was representing the corporation at various meetings, and I became acquainted with Warren Weathers. He impressed me with the thoroughness of his knowledge, his commitment, and his interest in Native corporations. I told the board of directors I had found the guy we were looking for."

– Nelson Frank, Shee Atiká's first chairman, 1974 - 1981

In January of 1975, Goldbelt and Shee Atiká jointly hired Warren Weathers to consult on the land selection process.

Weathers would go on to become Shee Atiká's first executive director. Although young, and only a few years out of college, he had just put in two years as chief forester for a group of forest products firms in Haines. Weathers represented the firms in numerous logging camps throughout Southeast. The experience he gained proved invaluable to Shee Atiká.

For Shee Atiká's selection, Weathers focused on Hood Bay, several miles south of Angoon on Admiralty Island.

Hearings were held in Juneau and Sitka in April 1975 to discuss the proposed Admiralty Island selections by Goldbelt, Shee Atiká, and Kootznoowoo.

"The Board of Directors of Shee Atiká Inc. made every effort to adhere to contiguous and compact tracts, for better management, and to nominate lands adjacent to other village corporations authorized to receive land in order to avail themselves of joint-venture opportunity."
– Nelson Frank

"We'd like to see our neighbors come in, but we're not going to [invite them in] just because they are our people... This is a once-in-a-lifetime decision. This is why we're not going to commit ourselves in any way until it satisfies our feelings."
– Daniel Johnson Sr., president of Kootznoowoo Inc.

Goldbelt's initial nominations did not include land near Angoon until it requested and received a waiver from the Secretary of Interior to extend its selection rights beyond 50 miles. Goldbelt then nominated an area overlapping both Shee Atiká's and Kootznoowoo's nominations.

"When we first selected at Hood Bay, the people of Angoon were overjoyed, but when Goldbelt selected next to us, now there was someone else to contend with. That's when all our problems began.
– Nelson Frank

Whatever support there was on the Kootznoowoo board for joint venture industrial-scale logging near Angoon melted in the face of defiant village elders who were alarmed at the thought of a modern timber industry displacing their way of life.

The battle over Admiralty Island—a conflict that would last more than a decade—had begun.

Photo courtesy of Ethel Staton

"I felt this job with Shee Atiká was a once-in-a-lifetime opportunity. We had to make sure we selected only the best land. The board was dedicated, felt the land conveyance was a birthright, and they weren't going to compromise."

– Warren Weathers

"The opposition began with the idea of almost 70,000 acres of land being selected near Angoon. Angoon would have opposed the idea regardless of the Sierra Club. The old-timers saw it as an incursion by urban Natives into 'bear country,' their name for the island."

– Mike Everson

MANEUVERING ON ADMIRALTY ISLAND

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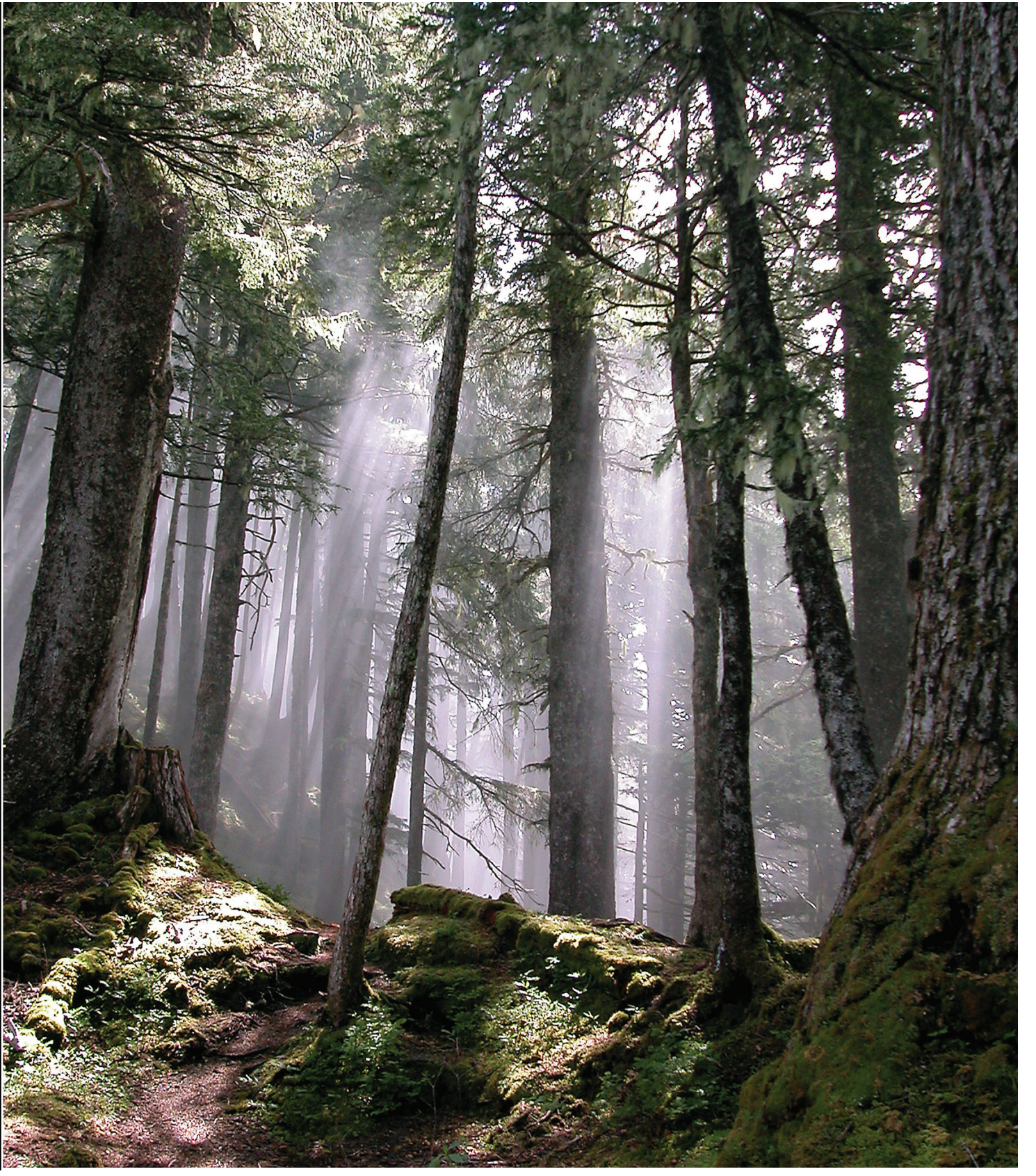
"We were chased out of every area we tried to select. The only land that seemed to be available to us was mountaintops and muskeg."

– Shee Atiká director Robert "Buck" Carroll



The problem with the selection of land at Hood Bay on Admiralty Island was that the timber was so valuable. Although pressured from the beginning to find other lands off Admiralty, the Shee Atiká board could fulfill its fiduciary duty to the corporation only if land could be found of equivalent or greater value. This was a principle the directors were willing to fight to uphold.*

* See Endnote: "Chaik Bay"

"At first, the U.S. Forest Service favored our Admiralty selections, but the Ford Administration got cold feet, and then [President Jimmy] Carter tried to move us off the island."

– Warren Weathers, Shee Atiká executive director, 1975 - 1982

The Alaska Lands Battle, also known as D-2,** coincided with the Carter presidency (1976 - 1980). The resulting conflict pitted environmentalists against developers, with Native corporations lined up on either side, depending on their interests.

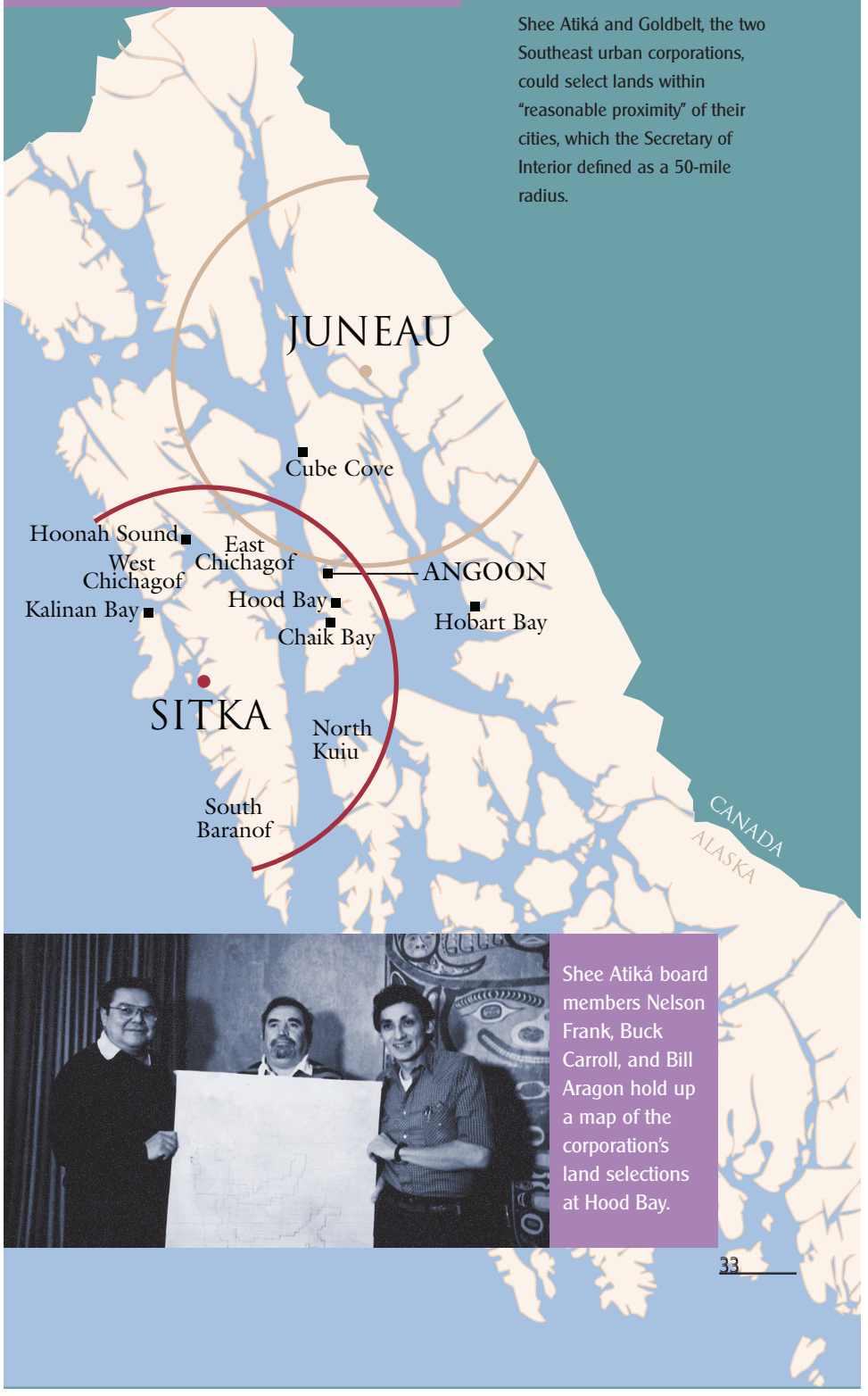
** See Endnote: "The Alaska Lands Battle"

In 1980, federal officials representing the U.S. Department of Justice and the U.S. Forest Service offered Shee Atiká 27,000 acres near Hobart Bay, on the mainland 70 miles south of Juneau, in return for abandoning the Admiralty Island selections.

"We were willing to be convinced of comparable value. The federal officials put a meeting together in Washington, D.C. They had their timber surveys, topographical maps, charts of timber prices, and so on. Then Warren [Weathers] and Wes [Rickard—Shee Atiká's timber appraiser] got up and went to work on the proposal. First they showed how many salmon streams would require setbacks, then the roads that would be necessary. They showed why rafting would be difficult. They had timber types from cruise data, aerial surveys by which to extrapolate value. I tell you, when they finished, there was no way you could say the exchange would be comparable. It was a beautiful show by a couple of professionals. Best thing that ever happened to us."

– Richard Baenen, Shee Atiká lobbyist

SOUTHEAST ALASKA



Shee Atiká and Goldbelt, the two Southeast urban corporations, could select lands within "reasonable proximity" of their cities, which the Secretary of Interior defined as a 50-mile radius.

Shee Atiká board members Nelson Frank, Buck Carroll, and Bill Aragon hold up a map of the corporation's land selections at Hood Bay.

AREAS CONSIDERED FOR SELECTION

WEST CHICHAGOF	Slated for wilderness area designation, poor quality timber
SOUTH BARANOF	Inferior timber, difficult terrain
HOONAH SOUND	Less than 4,000 contiguous acres of good timber
KALININ BAY	Less than 1,500 contiguous acres of good timber
EAST CHICHAGOF	50-year pulp contract area
NORTH KUIU	50-year pulp contract area, much of which had been logged
CHAIK BAY	Excluded by the Secretary of the Interior at request of environmentalists
HOOD BAY	Initial selection by Shee Aitká; vacated in favor of Cube Cove
HOBART BAY	Inferior timber, difficult terrain, and environmental constraints

"We were through moving. Once we moved out of Hood Bay to Cube Cove, we said **That's it! We're not moving any more."**

–Ethel Staton

"It was quite a process we went through. Our decision to move out of the areas we first looked at was to avoid litigation."

– Buck Carroll, a founding director

With no friends in the Carter administration and not enough support in Congress, the corporation agreed to vacate its land nominations at Hood Bay. In its place, Shee Atiká chose Cube Cove, 30 miles north of Angoon, which had previously been nominated by Goldbelt. One result of the switch was that Shee Atiká gained an additional 3,000 acres of land.

"We needed the additional acreage because there was a higher proportion of hemlock at Cube Cove—some of the best hemlock you could hope for, but less valuable than spruce. And there was a higher percentage of spruce at Hood Bay."

– Warren Weathers

"We started our push to get what had been Goldbelt's selection at Cube Cove: it was far away from Angoon, wouldn't upset anyone's subsistence activities, and was already laid out with all the legal descriptions. We focused on the land."

– Richard Baenen

Shee Atiká already had chosen 3,000 acres of cut-over land at Katlian Bay near Sitka, its first selection. The simple resolution to the timber-value issue was to allow Shee Atiká the entire selection at Cube Cove in addition to Katlian.

SHEE ATIKÁ'S TOTAL LAND CONVEYANCES

Cube Cove, Admiralty Island	22,890.27 acres
Katlian Bay, Baranof Island	3,148.16 acres
Alice & Charcoal Islands	33 acres*
Total	**26,071.43 acres**

* In 2001, the State of Alaska condemned 14.85 acres of Shee Atiká's land on Charcoal Island for an airport expansion project, leaving the company with a combined total of 18.15 acres on the two islands.

While Shee Atiká could have pursued an uncertain "administrative exchange" to acquire the Cube Cove timberlands, the board favored a more certain strategy of getting congressional validation of the replacement selection. The vehicle available was the Alaska National Interest Lands Conservation Act, a train that was picking up steam and about to leave the station.

"I was having trouble getting anyone on [Sen. Henry] 'Scoop' Jackson's staff to listen to me. I went to a mutual friend, Bill Van Ness, who once worked for Sen. Jackson. He went to Jackson and asked him to validate Shee Atiká's Cube Cove selection by adding a section in ANILCA. If anything, Jackson favored making most of Admiralty a wilderness area. Van Ness told Scoop that, if nothing else, it would be a good chit to trade in conference committee. What would have happened in conference, I have no idea. We got in by a 3-to-2 vote in Jackson's committee. The Senate never revisited this; they had a jillion other issues to deal with."

– Richard Baenen

In the November 1980 national election, the Republican Party won control of the U.S. Senate and Ronald Reagan was elected president. During the two-month "lame duck" period that followed, the House Democrats accepted the Senate version of the Act, negating the need for a conference committee. President Carter signed ANILCA (ah-NILL-cah) on December 2, 1980. It was one of the last bills enacted during his administration. In the end, Shee Atiká's ANILCA amendment confirming the corporation's selection of timberlands at Cube Cove never became a "chit" to be traded by Sen. Jackson in conference committee.

Congressional confirmation of Shee Atiká's Cube Cove selection represented a major victory for the corporation, but it turned out to be just the first battle in a protracted conflict.

"...we will continue fighting until the battle to save Admiralty has been won."

– Dr. Edgar Wayburn, chairman of the Sierra Club's Alaska Task Force

Photo courtesy of Ethel Staton

On December 9, 1981, in Washington, D.C., Ethel Staton, chairman of the Shee Atiká board, and vice chairman Herman Kitka met with Interior Secretary James G. Watt during the ceremony at which he signed the interim conveyance for timberland at Cube Cove on Admiralty Island.

"Her voice quivering with emotion, Staton said, *'We accept this with glowing pride. If my people could show their appreciation... the Aurora Borealis of Alaska would outshine the lights of Washington, D.C.'* "

–Anchorage Times, December 10, 1981

"It is time they finally realized that the Tlingit Indians of Sitka and Admiralty Island are all one people."

–Herman Kitka, in remarks during the land conveyance ceremony.

BUILDING THE HOTEL

✦

"It was strange. When we first started up, we got so much flak! Shareholders didn't understand how little money the corporation had. If it wasn't for people like [founding director] Herman Kitka, who gave us a loan, we would have had no money at all."

– Bill Aragon, Shee Atiká Director 1978 - 84

During the late 1970s, while corporate officers struggled with land-selection issues, shareholder frustrations were mounting. Expectations failed to mesh with the reality of Shee Atiká's status as an ANCSA corporation without funds.

All ANCSA corporations, other than the four urban corporations, received regular payments from the Alaska Native Fund. But until Shee Atiká received conveyance of the lands it selected, and until the lands were developed and producing timber, there was simply no way for the corporation to generate revenues. The only source of funds during these early years was borrowed money.*

* See Endnote "Debts through 1978"

One of the most selfless acts of any director is attributed to one of Shee Atiká's founders, Herman Kitka.

"Well, when we couldn't raise any funds to keep the corporation going, I loaned them $50,000 and then when that ran out I loaned them another $40,000.... They paid me all back. I was the only one with money at that time; I was a general contractor my whole life."

– Herman Kitka, founding director, 1974 - 1986

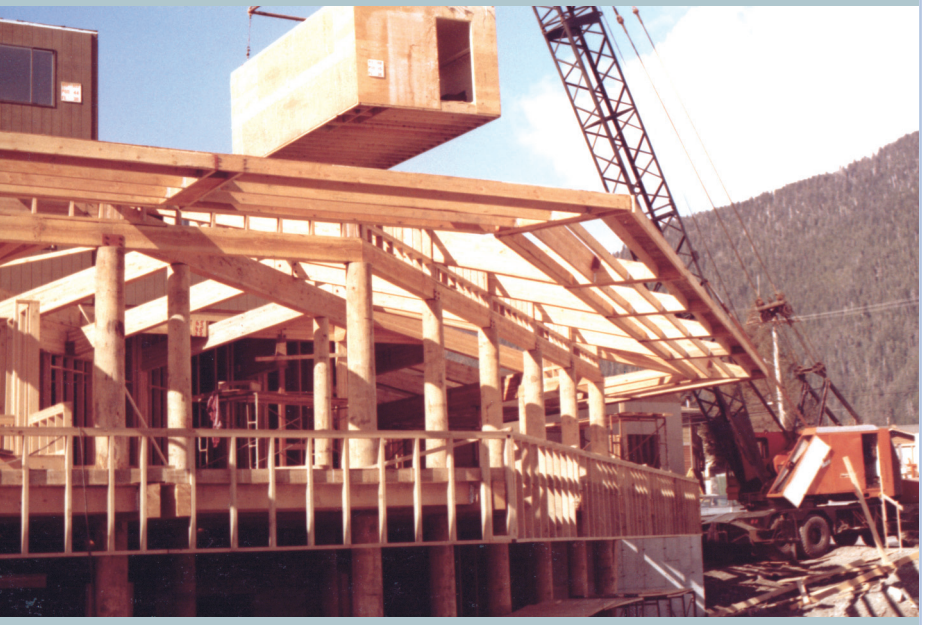
As it became clear there would be no quick or simple resolution to the selection of land, Shee Atiká's directors began looking for other income producing alternatives. The absence of an upscale hotel in Sitka came to be viewed by the board as a business opportunity. Such a hotel could create a revenue source while demonstrating to the public, most especially shareholders, that Shee Atiká was a viable corporation.

Founding director Buck Carroll recalled that Shee Atiká's executive director, Warren Weathers, applied to the State of Alaska and received a grant to fund a study to determine the feasibility of building a quality hotel in Sitka.

"The expert hired to conduct the study, Warren put him up at what was Sitka's best hotel, and made sure he was given a room without a shower."

– Buck Carroll, founding director, 1974 - 1981

Director Gil Truitt and chairman Nelson Frank during the groundbreaking ceremony for the Shee Atiká Lodge.



Construction of the Shee Atiká Lodge, 1978.

"I remember the time our BIA loan was approved. For a normal person, a working man like myself, looking at a check for $800,000 it was like — wow! — that's a lot of money. It was during the years when I was secretary; I signed all the checks, and when I signed these checks, million-dollar checks, it was kind of scary."

– Buck Carroll

It probably wasn't necessary to expose the consultant to the thin-walled, inadequate rooms of Sitka's only downtown hotel, but when the feasibility report came out it was emphatic that there was a definite market for a high-quality hotel in Sitka.

With only a few assets for collateral, and no money, financing such a project was a challenge. Weathers knew people in Oregon who could help secure funding, among them a former aide to U.S. Sen. Mark Hatfield who managed a mortgage bank in Salem.

"They were good at packaging things; they knew what buttons to push. There was a new and relatively unused BIA loan guarantee program, and we may have been the second in the U.S. to get a loan through that particular program. The BIA guaranteed the note."

– Warren Weathers, executive director, 1975 - 1982

The BIA guaranteed loan totaled $6 million. Another million was acquired by bringing in limited partners. Before it was over, the hotel cost $7.5 million to construct.*

* See Endnote: "Hotel Financing"

While Shee Atiká staff and directors worked through the time-consuming financing details, a prominent Alaska hotel chain, Sheffield Enterprises, entered the picture. If it was not generally known that Sitka needed another hotel, the secret was out with the public release of the state-funded feasibility study. This was the pipeline era for Alaska, and Sheffield Enterprises was rapidly expanding its network of hotels throughout Alaska and the Yukon.

"Sheffield Enterprises had private money, and was able to break ground much quicker than we could. We already had a lot of money invested in our hotel project and it would have been difficult to give up; it would have been very hard on morale."

– Warren Weathers

In 1979, the people of Sitka celebrated the addition of two full-service hotels — the Sheffield Hotel opening only months before the

Shee Atiká Lodge. The two hotels' combined total of 187 rooms far exceeded demand.

The problem of a flooded hotel market was compounded by the selection of an Oregon management company, Village Green, which Shee Atiká hired at the request of the limited partners to run the new hotel.

"They were terrible! They tried to bring a New York atmosphere to Sitka. Maître 'ds, bell hops, way too many employees."
– Bill Aragon, director, 1978 - 1981, who was appointed to head Shee Atiká Hotels Inc.

"They wanted to run an exclusive, luxury hotel — only the finest of everything... they wanted to decorate and then redecorate."
– Buck Carroll

Village Green was doing what it knew how to do, run an upscale hotel, but with an economy based on timber and fisheries, Sitka was not an upscale market.

"As naive as we were, we should have looked at their figures more closely. They'd predict a 10 percent increase in business, and we'd approve the hiring of 10 percent more employees. They already had over 100 people working there. After one and a half years, the board authorized me to fire the company. We then hired Vance Hotels to manage the hotel."
– Bill Aragon

Succeeding Village Green, the new management company, Vance Hotels, cut losses by two-thirds, but the hotel continued to lose money in Sitka's saturated hotel market. The downward spiral of Sitka's timber-dependent economy, which mirrored the broader forest products industry, further weakened the demand for hotel rooms. Timber prices, which had peaked in the late 1970s, had begun a precipitous slide in 1982. The industry would remain depressed for another five years.

Eventually, Shee Atiká bought out its limited partners, acquired the Sheffield property, renamed it Totem Square Inn, and stemmed the losses. By the early 1990s, the combined hotel properties had become income producers for the corporation.*

* See Endnote: "Buying Out the Partners"

Photo by Peter Metcalfe

Through most of the 1990s, the offices of Shee Atiká Incorporated were located on the second floor of Totem Square Inn.

LITIGATING OVER LOGGING

"When you get large tracts of timber, where you own the whole thing, you're dealing with a worldwide market. Forest Service sales were of interest only to people in Southeast. Now, if you take a large tract of timber that can be cut over a long period of time, and offer all the timber for sale, you'd attract a whole different class of buyers. You appraise for the market that would buy."

– Wesley Rickard, timber consultant

In 1981, at about the time Shee Atiká received conveyance of the Cube Cove land, executive director Warren Weathers hired timber consultant Wesley Rickard to conduct an appraisal so the corporation could use its timber to collateralize loans. Rickard used an analytical method that placed a high premium on a large tract of timber, such as the nearly 23,000 acres at Cube Cove, as opposed to the smaller timber sales offered by the U.S. Forest Service.*

* See Endnote: "Timber Appraisal"

The Rickard appraisal set a value of $176.7 million for Shee Atiká's timber and commercial forestland at the time of conveyance. This was the "basis value" of the corporation's timber assets, a distinction that would have enormous consequences much later when the term *net operating losses* acquired special significance for ANCSA corporations.

"Of course, prices are very cyclical in timber. 1979-80 was about the peak for timber prices in Southeast, and then they went down and stayed down longer than anyone thought they would. About the mid-'80s some people were wondering if timber prices would ever recover, but they did about 1987."

– Wesley Rickard, timber consultant

After seven years with the corporation, Weathers resigned in early 1982 and returned to graduate school.

Several months after Weathers left, the board hired Roger Snippen, an Oregon forest engineer and timber broker with a reputation for out-maneuvering environmentalists. But Snippen's first concern was not the challenges posed by environmentalists but rather securing a reliable source of financing to start up logging operations.

At the time Snippen was hired, Shee Atiká's debt to Sealaska totalled more than $3 million, with interest accruing at a rate of 18 percent. Sealaska's terms were onerous, severely limiting Shee Atiká's ability to make logging decisions without the regional corporation's prior approval.**

** See Endnote: "Sealaska's Line of Credit"

Photo by Peter Metcalfe

"During the interview process, I was aware [Shee Atiká] had a line of credit with Sealaska, so I anticipated that by keeping a very skeletal operation, with the remaining amounts in the line of credit, we could probably make it for at least six months."

– Roger Snippen, Shee Atiká President/CEO, 1981-1987

Photo by Peter Metcalfe

An incident in 1982 in which a person in England died of botulism poisoning after eating a can of Alaska salmon caused sales of canned salmon to plummet and almost ruined Sealaska's giant subsidiary, Ocean Beauty. The cash demands from Ocean Beauty forced Sealaska to cut off lines of credit to the village and urban corporations of Southeast, creating a cash flow crisis for Shee Atiká.

"I put together a loan package and was in Seattle shopping for money when [board chair] Ethel Staton called and said Sealaska had denied the draws; they would not honor the loan any more. We were instantly broke. I had to use my credit cards to get back to Sitka."

– Roger Snippen

Sealaska was reeling from its own cash flow crisis, the result of a huge revenue shortfall at its wholly owned subsidiary, Ocean Beauty, a major seafood processor, that pushed the regional Native corporation to the brink of bankruptcy. The suspension of draws made Shee Atiká's situation desperate, but Snippen was confident he had found a lifeline—while in Seattle, he had connected with serious money.

"We hooked up with Travelers Insurance. They became very interested. We were asking for a loan package of $20 million to get started. To put the loan together; we needed an abstract of title (to the timberlands). So I ordered a title report, and a notice of lis pendens shows up on that abstract."

– Roger Snippen

"A lis pendens just puts people on notice that the land is subject to a lawsuit. With that filed, Shee Atiká couldn't get any money, so the corporation continued to be broke during this period."

– Richard Baenen, Shee Atiká lobbyist

Shee Atiká was actually faced with multiple legal actions, but the principal lawsuit was *Sierra Club v. Watt*, which challenged the conveyance of the Cube Cove selection.*

The loan negotiations with Travelers Insurance collapsed. None of this stopped Snippen and the board. In the middle of November 1982, Shee Atiká director Herman Kitka piloted his fishing boat, the *Martha K*, from Sitka to Cube Cove, where he dropped anchor. The boat provided housing for the small logging crew that would clear 25 acres for a log transfer facility (LTF).

* See Endnote: "Chronology of Litigation"

On the morning of November 18, Shee Atiká board members Herman Kitka, Ethel Staton, and Ted Borbridge watched as director Nelson Frank took a chainsaw and made the first cut in the first tree to be felled at Cube Cove.

It was a short-lived timber operation. The next day, at the request of the village of Angoon and the Sierra Club, Alaska Superior Court Judge Walter Carpeneti issued a temporary restraining order halting Shee Atiká's efforts to prepare the LTF. The Sierra Club wasn't seeking a court victory so much as delay—and few organizations were more effective at such tactics.*

* See Endnote: "The Sierra Club's Tactics"

"They would file separate administrative appeals: one with the ANCSA appeals board and one with the BLM appeals board. The Sierra Club did that to whipsaw Shee Atiká between two boards and to drag it out forever."
– Richard Baenen

It appeared the Sierra Club had achieved its goal of stopping Shee Atiká from logging on Admiralty when, in February 1983, the Alaska Superior Court issued an injunction that prohibited timber operations at Cube Cove until the particular lawsuit under review was decided.

"In those days, we gave Shee Atiká what we called a 'Going Concern' qualification: the accountant states that it is uncertain whether the company can stay in business."
– John Ferris, Shee Atiká auditor

For a corporation's creditors, a qualified opinion from an auditor is the ultimate red flag. In the early 1980s, no Shee Atiká officer would have argued with the auditors' opinion that the future of the corporation was in doubt.

NEGOTIATING A LAND EXCHANGE

"Since 1980, [a variety of lawsuits] have challenged the conveyance of the Admiralty Island lands to Shee Atiká and the various permits issued to it. Shee Atiká now contends that as a result of years of litigation and their resulting inability to proceed with the planned development of their land, they are facing imminent bankruptcy."

– Sen. Frank Murkowski, opening the oversight hearings, November 2, 1983

No one who knew Roger Snippen would describe him as conciliatory. Shee Atiká's lobbyist Richard Baenen described him as "a cowboy," adding, "on the other hand, I don't know if any other person could have withstood the Sierra Club." According to board member Ethel Staton, "he was the right man at the right time."

Snippen made his point with the Sierra Club in September 1983 when a small logging crew clearcut a few hundred acres of timber on a prominent knoll easily visible from Chatham Strait. Snippen avoided the necessity of getting permits for a log transfer facility by hiring Ericksen Air Crane of Oregon to haul the timber by helicopter to a barge anchored in Cube Cove.*

* See Endnote: "Pre-Atikon Timber Harvests"

Two months later, Alaska's junior senator, Frank Murkowski, presided over a U.S. Senate oversight hearing in an attempt to resolve the Admiralty Island dispute. The hearing brought all parties to the same table.

Despite Sen. Murkowski's opening statement—"It is not the purpose of this hearing to air past grievances…."—most of those who testified could not contain their hard feelings.

"You have a national institution [the Sierra Club] which is dedicated to destroying a Native corporation. They do not care about the 1,900 Natives out of Sitka.... They have no respect for them.... If I sound hot under the collar, I am doing my very best to restrain myself."

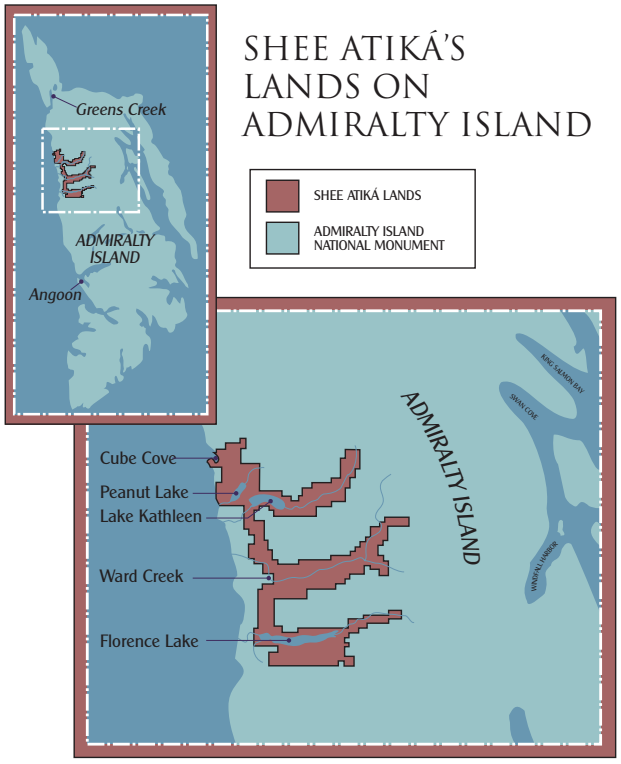
– Richard Baenen, Shee Atiká's lobbyist

Several people who testified described Angoon as a pawn of the Sierra Club, a characterization hotly denied by those who spoke on behalf of the Admiralty Island village.

The search for solutions during the hearing began when Robert Loescher, who was natural resources manager for Sealaska at the time, presented a series of options that would provide Shee Atiká with land selections off Admiralty Island. His introductory remarks underscored the key problem of an off-island exchange: it was not supported by the U.S. Forest Service.

***"[Everyone was telling us]* You'll never cut a tree on Admiralty Island. *The helicopter logging was to demonstrate that no matter what the Sierra Club did, no matter what our opposition did, we were going to cut timber. In fact, I told the Sierra Club,* 'If I've got to cut every tree out there and let it lay there and rot, I'll do it just to make a point.'"**

– Roger Snippen, Shee Atiká President/CEO, 1981-1987



When environmental litigation stopped Shee Atiká from developing its timber resources on Admiralty Island, efforts were made to forge a land exchange, but none of the proposals provided Shee Atiká with adequate guarantees and compensation.

"We have had very little support from the U.S. Forest Service in the formulation of these options that we have advanced here today. [There] is a reluctance on the part of the Department of Agriculture and the Forest Service to pursue any of these exchanges."

– Robert Loescher, testimony before Congress, November 3, 1983

Two weeks after the hearing, at Sen. Murkowski's invitation, Angoon and the Sierra Club produced a proposal to resolve the conflict. In concept, it was a refinement of an option presented by Loescher.

During the next several months, mediation efforts began taking on a constructive tone. But in the background, not much had really changed. Snippen viewed Sealaska's mediation efforts with suspicion.*

"Sealaska was dragging us back to Washington, D.C. They wanted the exchange because they were eyeballing Greens Creek Mine and their agenda was to get subsurface near the mine."

– Roger Snippen

Sealaska wasn't the only party to the conflict that Snippen suspected of having its own agenda.

"The Forest Service didn't want us off the island because a land selection elsewhere would take away from the commercial forest base; the Sierra Club wanted us off the island for the same reason: it would take [timber out of] the commercial forest base."

By September 1984, Shee Atiká agreed in writing to "seriously consider proposals for land exchange, which will increase the net assets of the corporation, and will respond in good faith to offers made in good faith."

Throughout 1985 and into 1986, efforts continued to craft a congressional solution that would provide a comprehensive "off-island" settlement.

Special interests began lining up: Sealaska wanted subsurface claims adjacent to the Greens Creek Mine on north Admiralty; the mine's owner, Noranda, sought an extension of an exploration deadline to prove

* See Endnote: "Sealaska's Subsurface Rights"

up its claims; several Southeast village and urban corporations wanted to perfect their own land selections—all of this piled on top of the original intent of the legislation: to provide Shee Atiká adequate incentive to move off Admiralty Island.

On May 26, 1986, congressional staffers prepared, in draft form, House Resolution 4883, "A bill to provide options for land exchanges involving lands on Admiralty Island, Alaska and for other purposes."

This was a true compromise in the sense that no one party was satisfied: Angoon strongly objected to the provision allowing timber harvest at Cube Cove; environmentalists didn't like the bill but would not actively oppose it; and Shee Atiká's support was tepid at best.

"H.R. 4883, in its present form, is unacceptable to Shee Atiká Inc. However, if it is modified to satisfy Shee Atiká's concerns, and technical analysis proves the valuation components, it would be considered for presentation to the Shee Atiká shareholders for ratification."

– Ted Borbridge, chairman of the board, 1984 - 1986

Kootznoowoo's lobbyist, Sterling Bolima, succeeded in getting a pared down version of the bill introduced in Congress on August 11, 1986.

Cutting the federal deficit, which had ballooned during the Reagan presidency, had become a top congressional priority. Congress would not commit to an appropriation, a deal sweetener Shee Atiká required before it would agree to an off-island settlement. The Forest Service, whose support was crucial, had never liked the bill. With Shee Atiká the reluctant bride and the Forest Service an even more reluctant groom, the timber industry crashed the party in September 1986, demanding amendments favorable to Southeast Alaska pulp mills that were offensive to environmentalists. The carefully crafted compromise fell apart.*

* See Endnote: "The Comprehensive Exchange"

By then, the "net operating loss" era had begun.

Photo by Peter Metcalfe

Shee Atiká director Gary Eddy, President/CEO Roger Snippen, and Sealaska negotiators Bob LeResche and Robert Loescher share a light moment in the midst of otherwise serious negotiations.

"It was all fluff. The real issue was getting money appropriated, and that was a hollow promise. Quite frankly, without a guarantee of money, we weren't interested in a land exchange."

– Roger Snippen

BANKING ON NET OPERATING LOSSES

"1986 and 1987 were the two critical years for Shee Atiká."

– Dr. Kenneth Cameron, chairman, 1986-1993 / 2008 - present

"It was very tough. It was hard to say what we were going to do in the future when we weren't sure we had a future."

– Shirley Yocum, Shee Atiká director, 1987 - present

"Even though they had a lot of wood out there worth a lot of money, Shee Atiká couldn't get financing to do anything. The lodge was a burden that had to be fed cash."

– John Ferris, Shee Atiká auditor

Nearly $30 million in debt, with interest expenses growing at an alarming rate, the corporation seriously considered bankruptcy. The only good news in early 1986 was that Shee Atiká was finally defeating the Sierra Club's best efforts.*

* See Endnote: "Shee Atiká's Long-term Debt"

"Our litigation to prevent, or mitigate, the clear cutting of the 23,040-acre inholding within the Admiralty Monument Wilderness has about run its course."
– Durwood Zaelke, Sierra Club lawyer

By the second half of 1986, net operating loss (NOL) transactions with Alaska Native Corporations were in full swing. Prior to the Tax Reform Act of 1984, profitable businesses could capture the tax benefits of NOLs suffered by other businesses. One method was to engage in a complex transaction and create a "paper company" combining the profits of one company with the losses of another—a classic tax shelter. In 1984, Congress closed this particular tax loophole (among many others) for U.S. corporations, but Alaska's Sen. Ted Stevens was able to temporarily exempt ANCSA corporations from the NOL provision.**

** See Endnote: "NOL Transactions"

Low timber prices, high interest rates, and poor business decisions had pushed many ANCSA corporations to the brink of insolvency. The NOL transactions were to provide desperately needed cash infusions to recapitalize the corporations.

"Not many people did much until the provision was clarified in the 1986 tax act; then they were all over Seattle trying to do NOL deals."
– John Ferris, Shee Atiká auditor

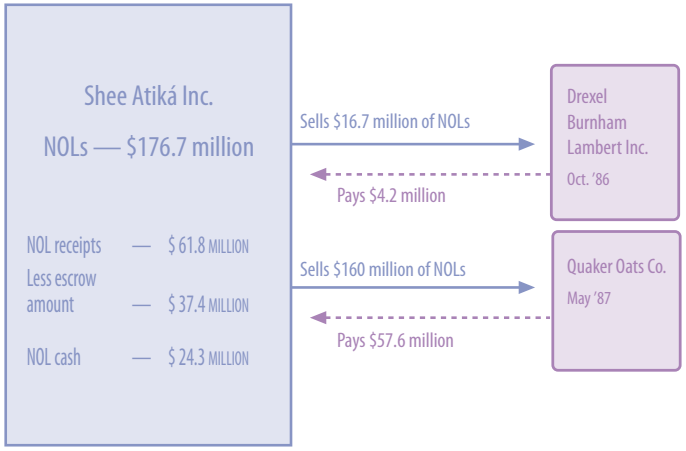
While most ANCSA corporations had hard net operating losses to cash in, most of the losses for corporations with timber assets were from depletion—the difference in the value of timber from the time it was conveyed to when it was sold. When the NOL provision of the 1984 Tax Reform Act was clarified in 1986, some of the largest businesses in the United States began courting ANCSA corporations, especially those in timber-rich Southeast Alaska.

The Shee Atiká board and management in late 1986 included, from left, John Davis, Gene Bartolaba, Ted Borbridge, Ray Perkins, Roger Snippen, Ethel Staton, Dr. Kenneth Cameron, and Andy Hope. Not pictured are directors Margaret McVey and Nelson Frank.

"This company was not built by the advisors—they were not the guys with the vision. Shee Atiká was built by its directors."

– Dr. Kenneth Cameron, chairman, 1986-1993 / 2008 - present

PRE-AUDIT NOL TRANSACTIONS



"Basically, all the NOLs sold to Drexel were hotel and corporate losses. We put the transaction together to show we were a serious business, and to get some operating capital. It allowed us a little bit of breathing room."

– Roger Snippen, Shee Atiká President/CEO, 1981-1987

SUMMARY OF THE TWO NOL TRANSACTIONS

	QUAKER	DREXEL	TOTAL
NOLS SOLD	$ 160,000,000	$ 16,700,000	$ 176,700,000
CASH RECEIVED	23,040,000	1,300,000	24,340,000
ESCROW AMOUNTS	34,560,000	2,900,000	37,460,000
TOTAL PROCEEDS	$ 57,600,000	$ 4,200,000	$ 61,800,000

"There were serious corporations looking to do NOL deals with us—Disney, Marriott, Heinz—but one of the things hindering Shee Atiká was its balance sheet. Anyone looking at it would have to think Shee Atiká could disappear. Not a good negotiating position."

– Dr. Kenneth Cameron

Enter Drexel Burnham Lambert, a company synonymous with the term "junk bonds" and headed by the infamous Michael Milken, the junk bond king of the 1980s.

"The key for Shee Atiká was that [the Drexel transaction] was clean – it gave other potential NOL creditors a chance to peek at Shee Atiká, to see that we were using the money to pay down debt. Without the Drexel transaction, the timber sale to Atikon and the larger NOL sale to Quaker Oats could not have gone forward."

– Dr. Kenneth Cameron

Although the outcome was fairly simple, the actual transaction was complicated. An important part of the agreement required that 70 percent of the amount paid to Shee Atiká by Drexel for the NOLs—$2.9 million of the $4.2 million price—would be withheld by Drexel pending the outcome of an expected Internal Revenue Service (IRS) audit of the transaction.

The directors followed these developments with intense interest, none more so than Dr. Kenneth Cameron, who was intimately involved in the NOL negotiations. Considering his growing expertise in these transactions, the board passed a resolution requiring Cameron's signature to accompany that of Snippen's on all NOL documents, making Cameron the de facto senior executive officer of Shee Atiká.

While the Drexel deal did little to resolve Shee Atiká's tenuous financial position, it allowed management to begin putting together a longer-term strategy. Having sold the tax losses based on actual expenditures (the so-called "hard losses"), the question was how to create more tax losses. Hobbled by its battles with the Sierra Club and Angoon, Shee Atiká had harvested only a small fraction of its timber. In theory, tax

law permitted the NOLs to be created through a stumpage sale. Several Southeast Native corporations had already sold substantial portions of their remaining timber to create the losses, but with stumpage prices at the lowest value in recent memory, directors had serious concerns about selling Shee Atiká's principal asset, timber, just to generate NOLs, especially since these transactions had yet to be tested by an IRS audit.

The board, not willing to risk everything on a hope and a prayer, turned down several timber purchase offers, including one from Sealaska Timber Corp. (a wholly owned subsidiary of Sealaska).*

* See Endnote: "The Sealaska Offer."

"I did a work-up of three serious offers—side by side: time value of money, and all that other stuff. When you looked at (Sealaska's) pricing, you could just see the deal wasn't there."

– Roger Snippen, President/CEO, 1982 - 1987

One deal that did make sense came by way of an offer from Koncor Forest Products Company, a consortium of northern Gulf Coast Native corporations (Yak-Tat Kwaan, Chenega, Natives of Kodiak, and Ouzinkie).

Under Koncor's offer, the two parties, Shee Atiká and Koncor, would form a new corporation, Atikon Forest Products Inc., which would buy all of Shee Atiká's timber. Shee Atiká would own 49 percent of Atikon, Koncor the remaining 51 percent.

"On the face of it, the Atikon deal looks real aggressive. You can do that when you are so far behind like we were – basically in a bankrupt situation."

– Dr. Kenneth Cameron

Quaker Oats, a hugely profitable corporation, was waiting in the wings to consummate a major NOL transaction with Shee Atiká following the timber sale to Atikon.

"[Quaker Oats] is one of the few companies in the United States that has large enough profits to be able to absorb the NOLs that will be generated by the impending stumpage sale."

– John Ferris

NET OPERATING LOSS TRANSACTIONS

TIME PERIOD	APPROXIMATE VALUE PER NOL DOLLAR
Prior to 1984	10¢
1984 to 1985	20¢ to 23¢
1986 to 1987	23¢ to 37¢

Net operating losses occur when expenses exceed revenues. "Hard losses" result when cash expenditures exceed cash revenues. "Soft losses" are those from depreciation and depletion, which are tax deductions even though there is no expenditure of cash.

The Tax Reform Act of 1984 closed many loopholes, including that which allowed profitable corporations to acquire net operating losses from unprofitable corporations. Typically, this was done by a profitable corporation acquiring an unprofitable corporation, blending the losses with profits to create a tax advantage. A more complicated transaction occurred when third-party corporations were created to effect the deal.

An amendment to the Tax Reform Act allowed ANCSA corporations to continue to engage in NOL transactions, which boosted the value of NOLs up to 23 cents on the dollar. A clarifying amendment made by the Deficit Reduction Act of 1986 further increased the value of ANCSA NOLs by removing other uncertainties within the tax law. The NOL transactions that were consummated after the 1986 act became law continued the climb in value, topping out at approximately 37 cents on the dollar by 1987.

Photo by Peter Metcalfe

In 1987, Native leaders representing Sealaska and the twelve village and urban corporations of Southeast met in Juneau to learn more about the proposed "1991 Amendments" to the Alaska Native Claims Settlement Act. Ethel Staton and Andy Hope, right, represented Shee Atiká. The principal goal was to amend ANCSA so that Native-held shares could not be sold beginning December 18, 1991, 20 years after the Act became law. The package of amendments, which Congress passed in March 1988, included provisions for "gifting" (giving shares to family members), protection of ANCSA lands from seizure, and the establishment of settlement trusts, among others.

While the NOL transactions captured the attention of Native corporations, the "Admiralty Island Land Exchange Act" failed to pass Congress. Although not responsible for the legislation's failure, Shee Atiká might have improved the bill's chances of success by showing some enthusiasm, but the complicated legislative package failed to provide adequate compensation for values Shee Atiká stood to lose in such an exchange.

Sealaska had invested much time, money, and influence in the bill. With the bill's failure, the regional corporation lost the provision that would have allowed it to claim subsurface rights to part of a gold mine. When, on top of it all, Shee Atiká rejected Sealaska's offer to purchase the Cube Cove timber, the regional corporation sought and received, on March 1, 1987, a court order that prohibited Shee Atiká from logging any of the "security timber" that was serving as collateral for Sealaska's loans.

"Sealaska mistakenly believed that because Shee Atiká couldn't pay them back that they could yank them around. But there was so much money involved in the NOL deals that it neutralized Sealaska's position."
– John Ferris

Sealaska's legal maneuvering did not stop Shee Atiká from signing, on May 22, 1987, an agreement to sell Quaker Oats the net operating losses that would be generated by the sale of its Cube Cove timber. The stumpage sale with Atikon was concluded a month later.

"This will be a sale of a portion of our trees on the stump, not a sale of our lands. Due to impending changes in corporate tax rates we have to hold the stumpage sale before June 30th to get the best value for our NOLs."
– Andy Hope, Shee Atiká director, corporate newsletter, June 1987

The timber sale to Atikon was an "arm's length" transaction—a transaction in which the two parties were independent of each other—but it was not a transaction without risk.*

* See Endnote: "Sale to Atikon"

"Our strategy was to be as conservative as we could in that arm's length sale. The tax code clearly said it was arm's length if it was 50-50, so we chose to take a more conservative position by owning 49 percent, but the IRS challenged that and challenged it very strongly."

– Dr. Kenneth Cameron

Whether the sale was actually "arm's length" would eventually be debated at great length with the IRS, which would approve such a transaction only if the seller actually gave up control of the assets sold.

"To this day, I believe the Shee Atiká Board understood NOLs, and what was at stake, far better than just about everyone else involved with NOL sales."

– Bruce Edwards, attorney for Shee Atiká

In August 1987, Shee Atiká shareholders approved the stumpage sale to Atikon by a margin of 97 percent. The vote of approval for the timber sale was so overwhelming there can be little doubt shareholders understood and approved the concept, but it helped that the sale was coupled with a promise by Shee Atiká's Board to make the first-ever cash distribution. Subsequent to the vote, shareholders received $30 per share, or $3,000 for a typical owner of 100 shares.*

* See Endnote: "Cash Distributions"

"[The Quaker Oats transaction] did two big things: gave us money up front to pay off our immediate debt—got the creditors off our back—and gave us money to operate with. We were able to begin planning for the future; to decide what we really wanted Shee Atiká to accomplish."

– Gene Bartolaba, Shee Atiká director, 1986 - present

Snippen resigned from his post on December 16, 1987, and moved over to Atikon, becoming its first chief executive officer.**

** See Endnote: "Snippen Resigns"

In 1987, Atikon purchased all of the timber on Shee Atiká's Cube Cove lands. That timber is now harvested. The net revenues from timber sales were shared by Atikon owners Koncor and Shee Atiká according to the respective stock ownership of 51 percent and 49 percent. Atikon was governed by a five-member board: three directors appointed by Koncor and two appointed by Shee Atiká. Following clean-up activities at Cube Cove, the owners dissolved Atikon in 2008.

ADDRESSING DISSENT

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"The Atikon deal was very complicated. How much wood was there? Did you have to barge or water-load the wood? There were environmental concerns. Did you have to restore the shoreline? Who was going to be responsible? There were lots of considerations affecting Shee Atiká's commitment to the sale."

– John Ferris, Shee Atiká auditor

The executive search to replace Roger Snippen resulted in the selection of James P. Senna to be Shee Atiká's next president and chief executive officer. An attorney and former head of Olympia Brewing Co., Senna assumed his duties on December 16, 1987.

"We were looking for a CEO with two major qualifications: financial expertise, especially since we expected to receive a good chunk of money from our NOL escrow accounts; and the other was someone who could assist the board with long-term planning on how to handle that money once we got it."
– Marta Ryman, chairman of Shee Atiká, 1995 - 2000

Senna walked into a corporation reeling from a sudden change in its status from that of a beleaguered, debt-ridden company to a business with a future. It was during Senna's first twelve months with Shee Atiká that the corporation shook off years of setbacks, paid down debt, refinanced loans, and enjoyed its first profitable year ever. This change in circumstances would normally be something to cheer about, but instead it brought to a boil long-simmering shareholder frustrations.*

* See Endnote: "Recall Elections"

Being on the receiving end of criticism from shareholders was something board members had come to expect, but no one was prepared for the anger that materialized just as Shee Atiká achieved some financial stability. Directors began receiving hate mail and verbal abuse; they were harassed by late-night phone calls, and some even suffered instances of vandalism to personal property.

"It got so bad, there were times when I just didn't want to get out of bed in the morning."
– Gene Bartolaba, Shee Atiká director, 1986 - present

Dissident shareholders banded together as the "Ad Hoc Group" and focused on the board's decision in 1988 to forgo a distribution. The boards of other ANCSA corporations were authorizing huge cash distributions—why couldn't Shee Atiká do the same?

But, at the time, Shee Atiká was in no position to send checks to shareholders: a major shareholder distribution would have violated the NOL

James P. Senna

"Once the NOL deals were done, it was obvious that we needed a CEO with a new set of skills."

– Dr. Kenneth Cameron
Chairman, 1986-1993 / 2008 - present

A question arose during the earliest days of the Atikon partnership over whether or not Shee Atiká was obligated to build a rock breakwater, which would have had to be removed at the completion of operations – in all, a potential $18 million liability. The issue was finally resolved when Atikon and Shee Atiká agreed that the better (and cheaper) alternative would be to barge the logs to Hoonah, 35 miles west, for transshipment to Asian log ships. Tensions between Shee Atiká and Atikon over the best solution to the situation underscored Shee Atiká's later assertions to the IRS that the timber sale to Atikon had indeed been a third-party, "arm's length" transaction.

agreement with Quaker Oats. In addition, Atikon claimed that Shee Atiká was obligated to fund construction of a rock breakwater at Cube Cove to protect the log transfer facility — at an estimated cost of $9 million. But regulatory permits required that any rock structure be removed at the conclusion of logging — estimated to cost another $9 million.

During this controversy, Shee Atiká chairman Dr. Kenneth Cameron negotiated on behalf of the corporation. Snippen, now on the other side of the table as CEO of Atikon, very much favored building the breakwater.

> "Roger now answered to Koncor. He was committed to building the breakwater, and Koncor was extremely nervous that logging could be stopped without a breakwater – that the Sierra Club would come in and sue over alternative methods of transporting the logs. But the breakwater would be at Shee Atiká's expense, and I felt it could have eaten us alive."
>
> – Dr. Kenneth Cameron

While the directors grappled with the start-up of logging operations at Cube Cove, shareholder frustration increased. It was not unusual for shareholders of two or more ANCSA corporations to reside in the same home. For many Shee Atiká shareholders, acutely aware of the generous distributions being made by other corporations, it seemed an unlikely excuse that their distributions were being withheld over a breakwater issue.

But it wasn't just the withheld distributions that fueled the fire of shareholder discontent. Relatively innocuous issues became explosive, such as a board retreat in Arizona that included spouses. Although such retreats were a common and accepted practice in corporate America, Shee Atiká shareholders held their directors to a different standard.

Citing withheld dividends and the Arizona retreat, and aided by rumors and innuendos roiling the shareholder community, the Ad Hoc Group secured enough signatures on a petition to force a recall election for the purpose of removing Gene Bartolaba, Dr. Kenneth Cameron, John Davis, Lloyd Lee, Marta Ryman, and Ethel Staton.

If the recall were successful, the three remaining directors not targeted by the Ad Hoc Group could fill the vacancies by appointing new board members. There was no doubt that such an outcome would put the dissidents in control of Shee Atiká.

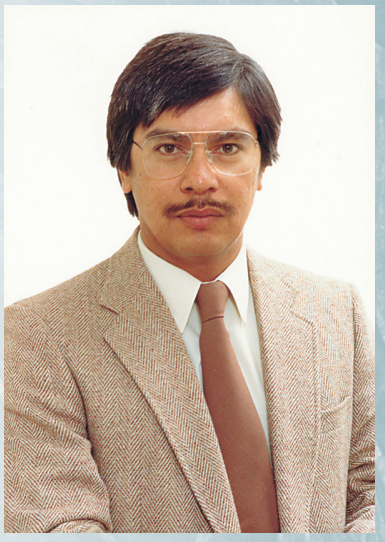
From the point of view of most directors, especially those who had served through the truly hard times, the recall effort was mind-boggling. But it soon became obvious that while the recall campaign felt personal, it was really about money and control.

What it all boiled down to was that, for the first time in its history, Shee Atiká was worth fighting over.

The recall meeting was held on April 22, 1989, and in the subsequent voting, each of the directors slated for recall received a majority of votes in their favor.

"I felt the vote was a repudiation of the 'Ad Hoc Group.' It was a strong rejection of the dissidents overall, and a show of support for the company."
– Dr. Kenneth Cameron

Although the recall attempt had failed, it would not be the last.



Gene Bartolaba

"There is a group of shareholders out there, no matter what you do, it will never be good enough. The only thing we have been able to say to those people is that we are trying as best we can....Compare what we have now to what we had then, and ask if it is any better."

– Gene Bartolaba, director 1987 - present

BUILDING THE RIGHT TEAM

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"The board was very, very dedicated. It didn't matter how long a meeting would take—if we had to stay 'til midnight, or if we had to meet on Saturdays and Sundays—we did that. If we needed to call for outside help, like our attorneys or accountants, or other outside specialists, we did that; and we met with them on weekends, or at night after work. We felt that it was that important to get as much information as we could."

– Gene Bartolaba, Shee Atiká director

The board of directors that hired James P. Senna was seasoned by its brush with bankruptcy and the years of courtroom warfare with the Sierra Club and Sealaska. It had prevailed in a recall attempt and withstood unrealistic demands for large distributions.

"It is my firm belief, based on fact and observation, that the board took a very, very strong leadership role. Certainly, management gave direction; [CEO] Jim Senna was excellent in that. The outside professionals, while they participated to some degree, were really members of a team. I think the continuing thread with Shee Atiká is that a number of its board members, many of whom are still there, played a significant role. Without them, this corporation wouldn't be around today."
– John Ferris, Shee Atiká auditor

Senna would lead Shee Atiká for more than 11 years. By ANCSA standards, his was one of the longest terms of service for a chief executive officer, and arguably one of the most successful. Senna recognized from the start that Shee Atiká's directors were not there to rubber-stamp his decisions.

"The board of directors has to deliberate and make the decisions. Management's job is to give them enough information to make those decisions. I would not sit at the table with the board. I was not a member of the board, and I trusted the decisions they made."
– Jim Senna, President/CEO, 1987 - 1998

The prospect of an Internal Revenue Service audit of the net operating loss transactions would focus the board's attention and demand teamwork like no other issue that had ever confronted Shee Atiká.

"If the IRS faults the sales, the U.S. Treasury could claim part or all [of an ANCSA corporation's] gains including that already distributed to shareholders plus 10 percent annual interest for overdue taxes."
– *Anchorage Daily News*, December 20, 1987

The NOL deals of every Southeast ANCSA corporation depended on the basis value of its timber—the fair market value when the timberland

Ethel Staton, director 1974-2007

"[Founding director] Ethel Staton is a hallmark of the corporation. She for one went forward with the idea of 'let's work together as a team.' [Director] Gene Bartolaba helped put together the team. Andrew Hope, who was involved initially with the Drexel transaction, left the board shortly thereafter, but also was very instrumental in supporting the team concept."

– Dr. Kenneth Cameron, chairman, 1986-1993 / 2008 - present

Wesley Rickard

"A lot of the professionals involved in these NOL deals were scared to death of the premium Rickard assigned to [large tracts of timber]. I had read through Wes' appraisal; I talked to him, did the due diligence, and came to the conclusion that his valuation techniques were acceptable, so why should I be afraid of that? I've seen the flip side, where you're in a down market, and you discount.

"Whenever you're involved in an estimate it is always open to interpretation and adjustment. I was never concerned that Wes' valuation would be thrown out; my only concern was the extent to which it might be adjusted."

– John Ferris, Shee Atiká auditor

was conveyed from the U.S. government (or, if higher, the fair market value when the timber was first commercially developed).

Shee Atiká had to prevail on the basis value established by its 1981 timber appraisal. At risk were the NOL escrow accounts, about $40 million.

"Our valuation technique included a high premium for a large tract of timber. The price paid per m.b.f. (thousand board feet) for large tracts of timber varied from 10 to 30 percent above the price of short-term timber sales in the years we were looking at."
– Wesley Rickard, timber appraiser

"We ran a lot of numbers. If the IRS knocked even 30 percent off our timber values, that meant getting zero out of the escrows."
– Bruce Edwards, attorney for Shee Atiká *

But the worst-case scenario was that the IRS would not recognize the sale to Atikon on the premise that it wasn't a true arm's length transaction.**

"The IRS may aggressively attack the sale of the remaining timber to Atikon as a 'sham' and seek to assert a variety of penalties."
– Proxy disclosure to Shee Atiká shareholders, July 1987

If the IRS prevailed and the sale was not recognized as legitimate, the $160 million NOL transaction with Quaker Oats would come undone, ruining the corporation and, since the distributions from the sale would likely be declared taxable income, leaving shareholders to face their own IRS problems.

"If the sale wasn't recognized, that was a show-stopper. We felt all along that we had structured the sale to Atikon correctly, and that it was an issue we could win, but the strategy of the IRS was to attack both the sales issue and the value issue, hoping a judge would favor their position on one or the other."
– Bruce Edwards

* See Endnote: "Audit Calculations"

** See Endnote: "Two Threatening Issues"

In 1988, the IRS notified Shee Atiká of its intention to audit the NOL transactions. By then, the board had established its strategy for the audit: do everything possible to expedite the process but do not yield anything in negotiations. Shee Atiká's goal was to be the first Alaska Native corporation to go through the NOL audit process.

"The typical thing that occurred, as companies got notice of audits, and as the IRS saw their 'in' bin piling up, is that they would contact the company and ask to extend the deadline and give the IRS more time. In a lot of situations a tax attorney would tell you to extend; ours didn't. Shee Atiká was asked several times to extend and every time we declined. We wanted to keep our situation moving forward. "

– Dr. Kenneth Cameron

Being first in line presented an advantage recognized by the board and its advisers. Shee Atiká, they believed, was well prepared and capable of setting a favorable precedent.

"We were concerned that another ANCSA corporation would take an easy settlement with the IRS and set a precedent that would be difficult for Shee Atiká to overcome."

– Bruce Edwards

Photo by Peter Metcalfe

"The strategy we followed was to be first in line with the IRS. By law, the IRS has three years to audit your tax returns, and in this case the deadline was September of 1991. They've got to get their audit report done by then or they lose the opportunity because of the statute of limitations. We kept them to the deadline as much as possible and eventually they bumped into the time limit and wrote up what they had. While we did not block the audit, it was not in our interest to agree to an extension of the deadline."

– Bruce Edwards, attorney for Shee Atiká

BEATING THE AUDIT

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"The IRS will challenge the basis of our timber at Cube Cove, claiming the timber was only worth about $67 million in 1981 and not the $176 million that was established by independent appraisers nine years ago. The IRS will also claim that there was no real sale of the timber to Atikon because Atikon was somehow controlled by Shee Atiká."

– Letter from Jim Senna to shareholders, August 14, 1990

The board's faith in their team of advisers was reinforced during the crisis brought about by the collapse of Drexel Burnham Lambert, one of the most famous flameouts in the history of American business.*

*See Endnote: "The Drexel Flameout"

"As much as $60 million belonging to Alaskan natives may be lost because of the bankruptcy filing of Drexel Burnham Lambert, a Wall Street brokerage."
– *Seattle Times*, February 23, 1990

Well before Drexel's bankruptcy filing, Shee Atiká's advisers alerted the board of the impending crisis.

"We had some knowledge that Drexel was going to find themselves in severe difficulties. My contacts told me the noises just weren't good. I told my clients, 'Get your cash if you can.' Sometimes you get it right."
– John Ferris, Shee Atiká auditor

"I can remember requesting our advisers to report to the board in February 1987 about Drexel. By December 1988, we had become convinced that Drexel was going to eventually have problems, so we convinced Drexel to repay its note and put cash into escrow."
– Dr. Kenneth Cameron, chairman of the board, 1986 - 1993

As good as the advisers were, even they recommended hiring the best talent available to help handle the tax case with the Internal Revenue Service.

On January 9, 1991, the corporation retained Brook Voght, of the Washington, D.C. law firm Miller & Chevalier.

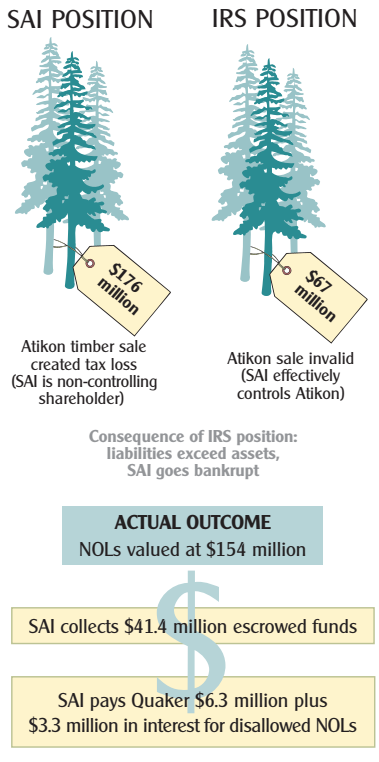
"We were fortunate to get one of the best tax litigators in the country to help negotiate a settlement with the IRS."
– Marta Ryman, chairman of the board, 1993-94

The IRS was taking the negotiations equally seriously, recognizing how much money was at stake.

"The IRS decided they should appoint one of their most experienced appellate conferees, which they did; they designated Gerald Taylor out of L.A."
– Bruce Edwards, attorney for Shee Atiká

The Shee Atiká Board of Directors held numerous meetings with shareholders during 1991, a year in which the directors grappled with a serious recall attempt and pursued a settlement of the NOL tax case with the Internal Revenue Service. At the table are directors Marietta Williams, Ethel Staton, Dr. Kenneth Cameron (Chairman), Gene Bartolaba, Marta Ryman, and, back to camera, Shirley Yocum.

THE NOL AUDIT



The IRS audit focused on Shee Atiká's sale of net operating losses to the Quaker Oats Company, losses created by selling the Cube Cove timber to Atikon. The earlier sale of NOLs to Drexel was easier to defend since those were "hard" losses (based on expenditures exceeding revenues), as opposed to the "soft" NOLs resulting from the reduction of the timber's market value, a "paper loss." The Cube Cove timber, sold to Atikon in 1987 for just over $10 million, had been appraised in 1982 at $176 million. The IRS appraisal valued the timber at $67 million. Overshadowing this argument was the issue of whether the sale of timber to Atikon actually created valid tax losses. The sale was defended, and the tax basis value of the timber settled at $154 million. By prior agreement, Shee Atiká compensated Quaker for the lost (or disallowed) NOLs.

In the middle of this, a process of enormous consequence to the corporation, dissident shareholders (in this incarnation, the *Reform Group*) made another recall attempt, targeting the May 18, 1991, annual meeting. Rather than seeking to remove individual directors, as was tried in 1989, the Reform Group intended to remove the entire board, arguably easier to do than removing individual directors.

This recall effort was led by Mike Gravel, a colorful former U.S. Senator who had served Alaska for two terms (1968-1980). Gravel succeeded in making himself the issue, which, in the end, did not sit well with a large majority of shareholders. At that time he was also embroiled in a lawsuit against Ferris, Shee Atiká's tax auditor, and had dragged in Edwards' Seattle law firm as a co-defendant.*

* See Endnote: "The Gravel Lawsuit"

"Gravel went after the arcane legal theories underlying the NOLs, which are: *'This is not a sale, this is a sham,'* and *'You didn't get enough for your timber.'* He wanted to knock the board out so he could have a better chance to win his lawsuit against the professionals."
– Bruce Edwards

The stated intention of the Reform Group was to seat a new board of directors, replace Senna with Gravel, and dismiss Edwards and Ferris.

It was a contest the board had to win. If the Reform Group removed the board, the IRS tax case would have been lost before it had been argued. The dissidents' platform essentially mirrored the IRS case against the corporation, and if the dissidents prevailed, the new management would be headed up by Gravel, who advocated immediate peace with the IRS and who was himself suing the professionals crucial to the corporation's defense.**

** See Endnote: "The Second Recall"

At the May 1991 annual meeting the board slate won re-election, a sound defeat for the Reform Group. Thus passed the most dangerous threat to Shee Atiká's corporate existence.

By the end of August 1991, the IRS had capitulated on the issue of the Atikon sale; as a practical matter, all that remained to be decided was the valuation issue.

"The Internal Revenue Service has dropped its most serious challenge to Shee Atiká's 1987 sale of a Net Operating Loss, company officials reported today. ... Had the IRS prevailed... Shee Atiká then would have had to repay the entire $58 million realized from the NOL sale, plus interest and penalties, which would have exceeded the corporation's net worth of $63 million."

– *Sitka Sentinel*, September 10, 1991

At a special meeting on Monday, September 9, 1991, the board of directors demonstrated their confidence in the outcome of the IRS audit by approving a $5.57 per share distribution — money previously earmarked for distribution to shareholders but that could not be paid out previously because of the IRS case.

The valuation issue remained, although Shee Atiká's tax attorneys, Voght and Edwards, had the matter well in hand. In October, Shee Atiká presented its rebuttal to the appraisal done by International Forestry Consultants (IFC), hired by the IRS. IFC argued that the original value of Shee Atiká's timber was worth less than $67 million, not the $176.7 million claimed by the corporation—a difference of $109.7 million.*

* See Endnote: "Rebutting the IRS Appraisal"

"Although seeking to support the... appraisal, the [IRS agent in charge] actually gives [the IRS] appraisal only a half-hearted endorsement. The [agent] cites fundamental valuation principles, but fails to recognize that the IRS appraisal plainly ignores them."

– Letter from Bruce Edwards to the district director of the IRS

As the year came to an end, Shee Atiká's directors were certain they were winning the tax case, although not until August of 1992 would the tax issue be fully resolved.

At long last, a plan envisioned by the board of directors and shaped by Senna could be implemented: the creation of the Shee Atiká Fund Endowment — SAFE.

Photo by Ray Nielsen

The trust concept is rooted in the Alaska Native tradition of safeguarding things of value (at.óow in Tlingit) for the benefit of present and future generations. In this 1998 photo, Sitka clan leaders gather for the launching of a canoe by the Southeast Alaska Indian Cultural Center. From left, Herman Kitka of the Kaagwaantaan, James John Nielsen of the Chookaneidí, Herman Davis of the L'uknax̲.ádi, and Alfred Perkins of the Kiks.ádi. Holding the microphone is Chuck Miller of the L'uknax̲.ádi Clan.

SAFEGUARDING THE FUTURE

"Dividends are viewed as the most effective way of sharing the ANCSA benefits with all shareholders on a fair and equitable basis. The strategy is to establish a permanent fund, settlement trust or otherwise."

– Shee Atiká Strategic Plan, September 1, 1989

By August of 1992, the Internal Revenue Service audit had been resolved and $41.4 million released to Shee Atiká from the escrow accounts.

Negotiations with the IRS had settled the timber valuation issue at 88 percent of Shee Atiká's original appraisal. Considering that the IRS had valued the timber at only $67 million, or 38 percent of the corporation's $176 million appraisal, this was a huge victory.*

* See Endnote: "The NOL Tax Audit Settlement"

The question of what to do with the escrow money, were it to be released, had been a subject of discussion since late 1987.

"One of the major strengths of our corporation is the long-range planning, and achieving the goals we set in the planning process."
– Marta Ryman, chairman of the board, 1993 - 1994

During the four-year period when the IRS audit had clouded the corporation's prospects, the directors had been educating themselves about how to establish and manage an investment portfolio.

"Shee Atiká's board asked their professionals to inform and educate, and to analyze various alternatives in a way that could be explained to the board and, in turn, the board would have sufficient understanding to be able to explain things to the shareholders. I've got to tell you, that was not the norm for a board of directors."
– John Ferris, Shee Atiká auditor

Throughout 1987, major revisions to ANCSA were under consideration by Congress. What came to be known as the "1991 Amendments" included a provision for establishing "settlement trusts."**

** See Endnote: "The 1991 Amendments"

The amendments became law in 1988, allowing Native corporations to establish special trusts for specific purposes. If approved by shareholders, ANCSA corporations could create trusts to provide special benefits to certain shareholders, such as elders; to protect assets, including land; or to produce investment earnings for distribution to all shareholders.

Photo by Peter Metcalfe

With the support of chairman Marta Ryman, foreground, Jim Senna, standing, organized and produced informational meetings during his tenure to help interested shareholders understand the complexities of ANCSA corporate issues, such as net operating loss transactions, the IRS audit, issuance of stock to "left-outs," corporate investments, and the creation of settlement trusts. Seated behind Ryman are Francine Eddy Jones, Marilyn Roberts, Gary Eddy, and Marion Berry.

"Nine out of ten shareholders think it is important to preserve the cash assets of the corporation for future generations as well as the present shareholders."

– Executive Summary, 1992 shareholder survey. *

* See Endnote: "The McDowell Group Surveys".

Paying the Bureau of Indian Affairs the almost $6 million balance on its loan, which Shee Atiká used to build the Shee Atiká Lodge, marked a big event worthy of a big check. In April 1993, BIA agency director Niles Cesar, left, accepted the payment from Ethel Staton, Dr. Kenneth Cameron, and Marta Ryman.

"Our grandparents and parents fought for ANCSA; they were always looking towards the future for their grandchildren. The settlement trust gives us that."

– Loretta Ness, Shee Atiká director

Settlement trusts offer distinct advantages over the corporate form.*

"The concept of the settlement trust is a generational view. The shareholders have the chance to enjoy the benefits of the trust as it matures. So by putting a certain amount of dollars in the trust, it grows and provides benefits for many generations. It is the same idea as an endowment. The settlement trust provides a resource for shareholders for generations to come."

– Dr. Kenneth Cameron, chairman, 1986-1993 / 2008 - present

Shee Atiká's board, recognizing cash distributions as one of the primary benefits shareholders expected from their corporation, chose to create an investment trust that could generate significant distributions. From the first, Shee Atiká's directors described the proposed settlement trust as a "permanent fund"—a term familiar to all Alaskans because of the Alaska Permanent Fund Corporation, a public agency that provides each resident of the state an annual dividend.**

A meeting was scheduled for November 21, 1992, at which shareholders would consider the creation of the Shee Atiká Fund Endowment (SAFE). If approved, the trust would be governed by a board of trustees composed of Shee Atiká directors and would be irrevocable—its duration perpetual.

"We looked at all the different types of trusts and we came up with the idea of a settlement trust, because when you put the money in a settlement trust it means none of us can take it back. We can't say, *'We didn't mean to put that much money in there; we need the money to do this; we need to do that; so let's take the money back.'* We can't do that."

– Shirley Yocum, chairman, 1994 - 1995

Shareholder approval of SAFE was not a foregone conclusion. At the time, federal law provided that a majority of *all voting shares* were required to establish such a trust. As the meeting date approached, SAFE had received strong support, but not quite half of all voting shares. The board of directors postponed the meeting for 45 days and by January 4, 1993, had garnered enough votes to establish the fund.

* See Endnote: "The Settlement Trust Advantage"

** See Endnote: "The Shee Atiká Fund Endowment"

In May of 1993, following receipt of the necessary IRS rulings, the board approved a transfer of $24 million to SAFE. Over the years, the Board has made contributions of over $51 million to the trust.*

* See Endnote: "Capitalizing SAFE"

"We worked out safeguards to protect the trusts so that even if the corporation failed, the trusts would remain."

– John Davis, director, 1982 - 2000

A point of pride for Shee Atiká's shareholders is that Native graduates from Sitka schools — Sheldon Jackson and Mt. Edgecumbe — were key figures in the battles to win civil rights for Alaska Natives and to confirm aboriginal title to Alaska, which led to the Alaska Native Claims Settlement Act. Accordingly, Shee Atiká's directors had a strong base of support when, in 1989, they initiated what became a highly popular shareholder scholarship and benefit program. The program was formalized eight years later with the creation of the Shee Atiká Benefits Trust (SABT, pronounced *sah-but*, similar to "Sabbath"), an irrevocable trust that provides shareholders educational and funeral benefits.**

** See Endnote: "Shee Atiká Benefits Trust"

"The board wanted to make it easy for shareholders to get scholarships. The only shareholders who haven't received an award are those who didn't complete the form."

– Marta Ryman, director, 1993 - 2010

SABT benefits are provided regardless of the number of shares held. The settlement trust model has proven impervious to lawsuits challenging the distribution of benefits to special groups of shareholders, like seniors, or distributions not based on a per share formula.

"Educational grants open the door to all shareholders. Not all will apply, but at least the opportunity is there for everyone."

– Harold Donnelly, director, 1996 - present

SAFE ASSETS

Total Transfers from the Corporation	$ 51,281,519
Total Distributions	($37,929,518)
Investment Gains	$ 45,039,156
Balance	$ 58,391,157

Figures current to 12/31/2010

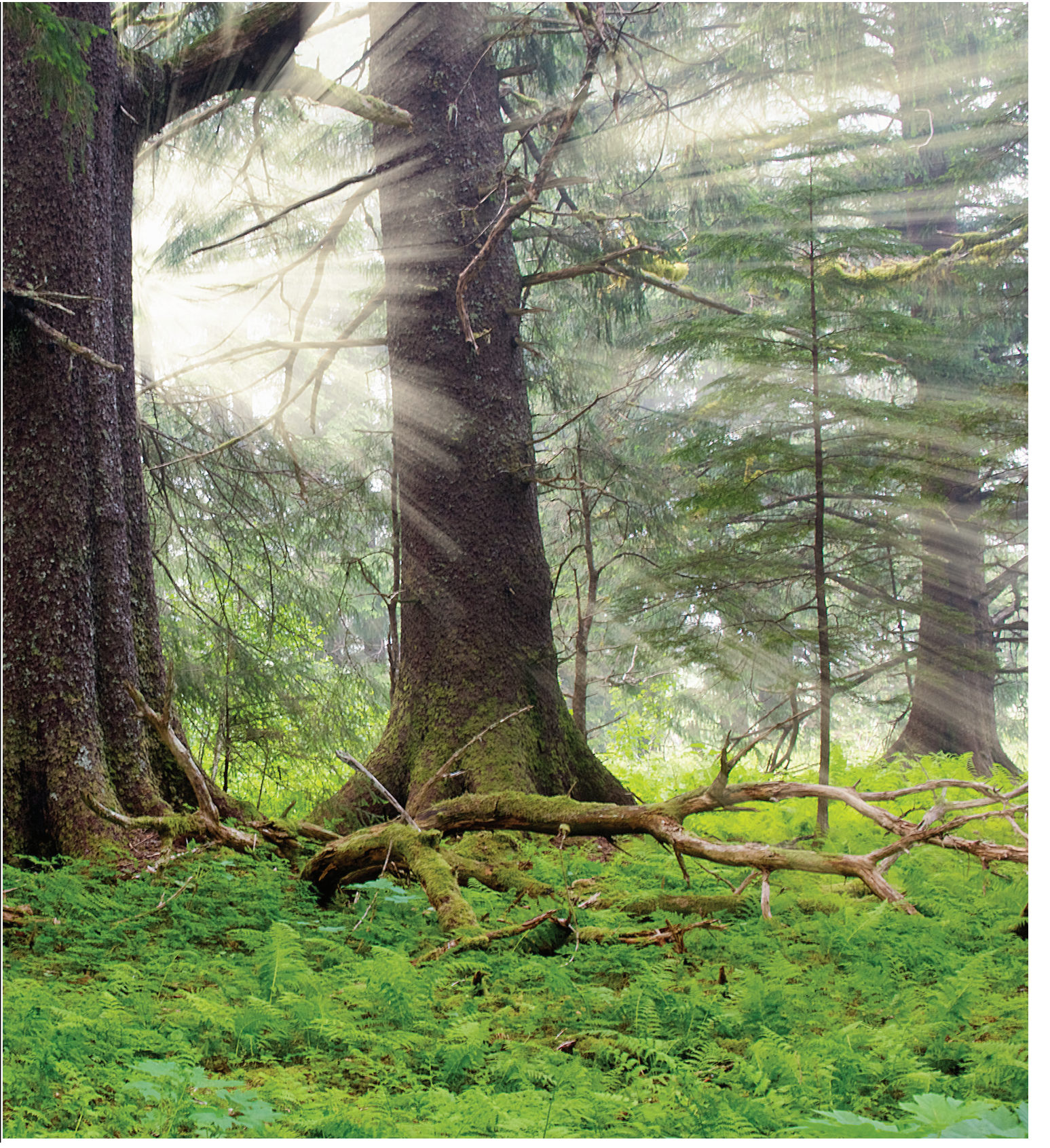
With Shee Atiká shareholders there was one thing always more important than dividends, and that was education. Shareholders have consistently been willing to forgo some of their dividends in order to offer educational scholarships. I believe it is because shareholders are farsighted enough to realize that education brings a permanent enhancement to the lives of Native people.

– Eric McDowell, economic and business consultant; founder, McDowell Group

KEEPING THE TRUST

"The board's decision to take a conservative approach to investment is probably the main reason for the success of Shee Atiká."

– Jim Senna, Shee Atiká President/CEO, 1987 - 1998



Soon after the successful conclusion of the NOL transactions of the late 1980s, the board began a process of self-education. A $1.5 million account was set up with an investment firm, and, over the next several years, Shee Atiká's directors learned the basics of setting investment policies, how and why funds are allocated to different types of investments, and the virtues of diversification.

"When we decided to get into passive investments, we didn't know very much about it. One of the ways we decided to learn was to do it hands-on. So Jim Senna found a small investment firm, and we set up an account. That is when we started to learn."

– Gene Bartolaba, director, 1987 - present

After the NOL tax case was settled with the IRS in 1992, the board approved a $7.4 million distribution, amounting to $4,000 for the average holder of 100 shares. Within a year, the corporation had paid its long-term debt and had transferred $24 million to SAFE.

"The day we paid off our bills, that was gratifying. It was a landmark. We did this through good leadership. We had a good chairman, Ken Cameron, and a good CEO, Jim Senna."

– Ethel Staton, director, 1974 - 2007

The bond market collapse of 1994 presented the first major test of the trustees' investment policies.

"One thing Jim Senna pounded into our heads is that we're in this for the long term, so don't get discouraged."

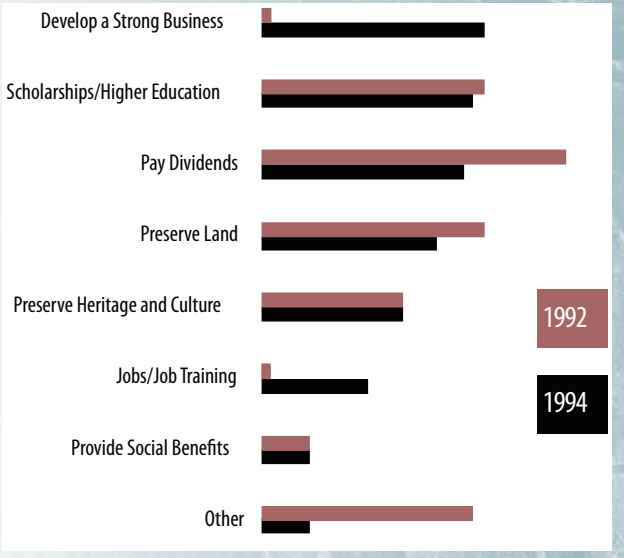
– Marta Ryman, director, 1987 - 2010

Shee Atiká's directors, who serve as trustees of SAFE, had initially allocated over 60 percent of SAFE's assets to bonds, and 1994, the first full year of investment activity for SAFE, was one of the worst years in the modern history of U.S. bond markets. By this time, after several years of self-education, the directors were confident that the market value of bonds meant little if the bonds were to be held to maturity, as was the case with SAFE's investments.*

* See Endnote: "Passive Investment: Stocks & Bonds"

SHAREHOLDER SURVEYS 1992 AND 1994

"MOST IMPORTANT GOALS"



Shareholders' confidence in Shee Atiká, as recorded by the McDowell surveys, can be seen in the dramatic changes of opinion, between 1992 and 1994, on the most important goals for the corporation. Topping the shareholders' list of most important goals in 1994 was "Develop Shee Atiká as a strong business," a goal that in 1992 was at the bottom of the list, below "Other." In 1994, "Pay dividends" came in third, after the second ranking goal, "Provide scholarships and support for higher education," a big change over 1992 when the desire for dividends was by a large margin the first priority for shareholders. The number one reason shareholders gave for their improved opinion of the corporation in 1994 was the board's investment and financial decisions.

"The bottom line for shareholders is that they want their corporation, Shee Atiká, to act in a business-like fashion for the benefit of the shareholders in the long term."

– Eric McDowell, economist and business consultant

HISTORY OF DISTRIBUTIONS

YEAR	CORPORATION	SAFE	TOTAL	TOTAL/SHARE
1987	$ 3,706,000	0	$ 3,706,000	$ 20.00
1988	0	0	0	0.00
1989	$ 741,400	0	$ 741,400	$ 4.00
1990	$ 502,910	0	$ 502,910	$ 2.70
1991	$ 1,533,048	0	$ 1,533,048	$ 8.28
1992	$ 7,486,119	0	$ 7,486,119	$ 40.00
1993	$ 2,038,700	0	$ 2,038,700	$ 11.00
1994	$ 631,626	$ 1,018,600	$ 1,650,226	$ 9.00
1995	$ 1,018,600	$ 1,018,600	$ 2,037,200	$ 11.00
1996	$ 1,203,150	$ 1,018,050	$ 2,221,200	$ 12.00
1997	0	$ 2,406,300	$ 2,406,300	$ 13.00
1998	0	$ 2,406,300	$ 2,406,300	$ 13.00
1999	0	$ 3,516,900	$ 3,516,900	$ 19.00
2000	$ 370,200	$ 3,331,800	$ 3,702,000	$ 20.00
2001	0	$ 2,592,800	$ 2,592,800	$ 14.00
2002	0	$ 2,592,800	$ 2,592,800	$ 14.00
2003	0	$ 2,063,128	$ 2,063,128	$ 11.14
2004	0	$ 2,129,800	$ 2,129,800	$ 11.50
2005	0	$ 2,203,880	$ 2,203,880	$ 11.90
2006	0	$ 2,277,960	$ 2,277,960	$ 12.30
2007	0	$ 2,407,600	$ 2,407,600	$ 13.00
2008	0	$ 2,537,240	$ 2,537,240	$ 13.70
2009	0	$ 2,203,880	$ 2,203,880	$ 11.90
2010	0	$ 2,203,880	$ 2,203,880	$11.90
Total	$19,231,753	$37,929,518	$57,161,271	$308.65

The first distribution to shareholders, in 1987, followed the sale of NOLs to Quaker Oats Co. The largest distribution, in 1992, followed the settlement of the NOL tax case with the IRS. SAFE, established in 1993, has provided the principal source of distributions since 1997.

Although the bond market faltered in 1994, it was just a bump in the road of the greatest economic expansion in the history of the United States. In the years that followed, the value of SAFE's assets increased rapidly as its investments produced strong returns—in some years exceeding 22 percent.

"Comparing what we made on investments, it was pretty hard to justify getting involved [directly] in operating businesses prior to 2005. We determined that policy early on. We were not going to operate the hotel; instead, we hired someone who could operate it. With operating businesses, it can take a long time to generate a profit—if you ever do."
– Marta Ryman

After 1994, Shee Atiká's board was able to meet its goal of incremental increases in the yearly distributions to shareholders, while providing for inflation proofing and growth of the trust funds. From 1997 forward, distributions would come from the earnings of SAFE.

"Shee Atiká has repaid over $26 million in debt, earned over $30 million, and has made cash distributions to shareholders of almost $18 million."
– Jim Senna, annual report to shareholders, May 6, 1995

Income from Atikon's timber activities at Cube Cove provided a majority of the corporation's revenues during the 1990s.* Revenues from Atikon peaked in 1993, and the price for pulp-grade timber reached its high point of the decade in 1995, allowing Atikon to harvest tracts of timber that had previously been bypassed because of low market value.**

Alice and Charcoal islands, some of Shee Atiká's most valuable real estate, are among the cluster of islands that were connected by causeways to Japonski Island during World War II. The Japonski Island complex is now the site of the Sitka Airport, Mt. Edgecumbe High School, the Mt. Edgecumbe Hospital, and Sealing Cove Harbor, which borders Shee Atiká's island properties. In 1994 and 1995, the corporation began the process of preparing the property for future development by arranging for the removal of antiquated buildings, structures, and underground fuel storage tanks.

* See Endnote: "Shee Atiká's Income from Atikon"

** See Endnote: "Harvesting Cube Cove"

"Our corporate strategy is to develop and manage assets such as real estate. This is a much lower risk strategy compared to starting, buying, owning, and operating businesses. That is why we refer to the corporation as an 'asset management company.' "

– Jim Senna, annual meeting of shareholders, May 2, 1998

Shee Atiká added to its local real estate inventory by acquiring, in 1996, the "theater property." The centrally located building that housed Sitka's only cinema continued to operate under a third-party agreement until demolished in 2003. On the site now stands *Shee Atiká Kutees' Hit*, a three-story office building that houses a variety of tenants and, on the top floor, Shee Atiká's corporate headquarters.

In 1997, the corporation earned $700,000 of its operating profits from the Shee Atiká Lodge and rental income from Totem Square, the theater, and facilities on Alice and Charcoal islands.

The May 1998 annual meeting would be Senna's last as Shee Atiká's CEO.

"When I leave, you can rest assured that your corporation will be in good hands. You have a strong board, I think the best in the Native community.... They have a track record of making excellent decisions. They are up to the task. They will find a worthy CEO."

– Jim Senna, annual meeting of shareholders, May 2, 1998

As the next CEO, the board chose Robert Loiselle, who had recently retired from Klukwan Inc. after nearly 18 years in executive positions with that ANCSA corporation and its subsidiaries.

While lack of road access limits the development potential of the Katlian land, the corporation's land on Alice and Charcoal islands represents some of the highest quality real estate in Sitka. Some developments occurred on the islands through 1996, but further activities were put on hold when it became known that the State of Alaska planned to acquire a large portion of Shee Atiká's Charcoal Island property for an airport expansion project. In 2001, condemnation procedures concluded with the State of Alaska paying Shee Atiká $5.6 million for 14.85 acres. Shee Atiká's ownership of Alice and Charcoal is noteworthy in that the subsurface of these lands was acquired through a land trade with Sealaska Corporation in 2000. This allows SAI much greater flexibility to determine the use of those lands.

INVESTING FOR MULTI-GENERATIONS

"...to preserve and enhance our culture for all generations of shareholders, and to provide benefits to shareholders on an equitable basis."

– Shee Atiká's Mission Statement

The 1988 business plan worked well. Atikon was very profitable and the Shee Atiká Board was able to reinvest a significant amount of its share of the Atikon distributions. And, when the Quaker NOL transaction successfully concluded in 1992, substantial additional amounts in the tens of millions became available to Shee Atiká.

Atikon's success, coupled with anticipatory distributions from the funds held by Quaker pending resolution of the NOL audit escrow, allowed the Board to establish an educational program in 1989 that would eventually become the Shee Atiká Benefit Trust. And, once the Quaker NOL transaction was successfully concluded, the Board moved rapidly to establish the Shee Atiká Fund Endowment ("SAFE"). To make sure that the right perspective would be in place for SAFE, the Board retained David Rose, the retired CEO of the Alaska Permanent Fund, for his perspective. SAFE's organic documents declared an intent to provide pro rata income benefits on a multi-generational basis. SAFE was funded in 1993 with $24 million in initial capital. Additional capital was placed into SAFE throughout the 1990s as Atikon's operations continued to be profitable.

"Our shareholder base is such a diverse group – some can take advantage of scholarships, or reinvest their dividends for retirement. But other shareholders use the money for basic needs. I take pride that we can provide this help."

– Francine Eddy Jones, director, 1995 - present

By the late 1990s the investment activities of the various Shee Atiká entities had become so widespread that a new entity, Shee Atiká Investments, LLC (SAIL) was formed. SAIL would henceforth function as a private mutual fund that centralized the investment activities of Shee Atiká and the two settlement trusts. At the 2000 Annual Meeting, the shareholders returned Dr. Kenneth Cameron, a Sitka dentist, to the board. He had previously served as a director and board chairman from the late 1980s and early 1990s, leaving the Board in 1993. This tenure as Chairman was a remarkable time for Shee Atiká: a near bankruptcy, then a financial rebirth due to the Atikon timber sale and the highly

SHEE ATIKA'S COMBINED GROSS ASSETS

(IN MILLIONS)

1999	$87.6
2000	$86.5
2001	$84.7
2002	$88.4
2003	$96.2
2004	$99.8
2005	$107.7
2006	$108.4
2007	$113.2
2008	$115.1
2009	$115.4
2010	$120.4

"When Bob Loiselle became CEO, Shee Atiká's portfolio was about 60-70 percent cash. Jim [Senna] said, **I don't want to tie the hands of the next CEO.** *He felt the cash should be available as a war chest and to cushion against the inevitable fall off in harvestable timber."*

– Bruce Edwards , corporate attorney

THE YALE ENDOWMENT MODEL

Institutions such as Yale University necessarily prefer a predictable, steady flow of investment revenues to fund educational programs, and, accordingly, focus on investment sectors not strongly affected by market gyrations. An underlying thesis of the Yale Endowment Model is that the most certain way to increase revenues available for spending is to increase the percentage of earnings reinvested in the principal – growing the fund rather than just inflation-proofing it.

"We now have five written rulings from the IRS that say so long as we ourselves respect the entities the IRS will also respect the different Shee Atika entities as being distinct, with different tax characteristics, even though these entities have the same officers, the same fiduciaries, and the same shareholders/beneficiaries. This means keeping separate bank accounts, maintaining accurate paper records, and filing correct tax returns, among other things."

– Bruce Edwards

successful NOL transactions, and ultimately the implementation of a long-term multi-generational approach to Shee Atiká's benefits through the establishment and funding of the Shee Atiká Fund Endowment and the Shee Atiká Scholarship plan. After Cameron rejoined the Board, he reviewed the history of distributions in the years after he left the Board. Cameron saw that there had been almost a 40% increase in distributions between 1998 and 2000 and found this to be unsustainable. By nature conservative, Cameron instinctively favored increasing the fund principal so that dividends could grow incrementally over the long term. Cameron felt that this would allow SAFE to fulfill its promise of multi-generation benefits.

Having served as Sheldon Jackson College President between his tenures with Shee Atiká, Cameron had researched the investment and expenditure theories employed by other educational institutions. Upon returning to the Shee Atiká Board, he found that a majority of the Board shared his interest in restructuring Shee Atiká's investment and expenditure policies along the lines of the Yale Endowment Model developed for Yale University. One of the key features of the Yale Endowment Model is the recognition that a long-term organization must live within its net income if it is to survive—expenditures cannot simply be calculated based on an assumed revenue stream—and that investments must be structured so that adequate funds remain available for reinvestment (as opposed to expenditure) to grow the fund.

The board was presented a model based upon a spending policy developed by college and university endowments and a distribution policy favored by the Alaska Permanent Fund. Using these two models the board was able to implement a distribution policy that is reasonable, is well understood by the shareholders, and provides for future generations of shareholders.

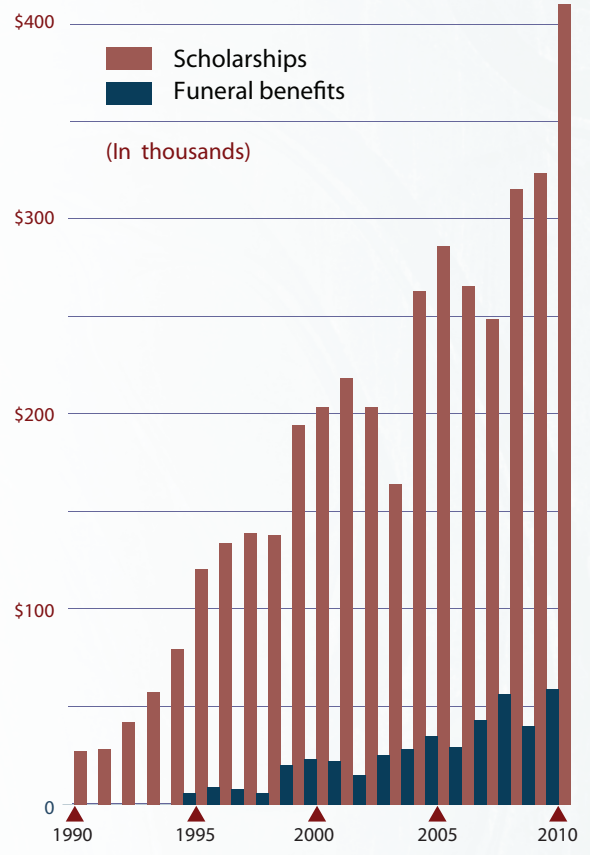
– Dr. Kenneth Cameron, past chairman, and chairman 2008 - present; President/CEO 2010 - present

Under Cameron's leadership, the Board refined the existing distribution policy (which had been based solely on a five-year rolling average of SAFE's annual market value) to give far greater weight to the need

for multi-generational benefits. In simplest terms, reinvestment was given a much higher priority. The five-year rolling average calculation was retained, but became more of a factor to be considered rather than the controlling authority. This was not so much a policy change as it was a strengthening of the directors' approach to both investments and distributions. By ensuring that investment funds would grow over time, Shee Atiká's directors effectively made their mission "to provide benefits to all generations of shareholders" a multi-generational promise.

With a distribution policy in place that ensured equity between present and future generations of shareholders, and a commitment to conservative investments, the corporate focus shifted to coming up with new sources of revenues. This conservative investment policy permitted SAFE to continue to make money and provide distributions even through the long bear market that began in 2000.

Shee Atiká directors serve as trustees of Shee Atiká Fund Endowment (SAFE) and Shee Atiká Benefits Trust (SABT), and also serve as directors of Shee Atiká Investments, LLC, which is the investment vehicle for both of these trusts and the corporation. Shee Atiká directors have authorized many contributions to the trusts from Shee Atiká Incorporated, but the corporation cannot reach into the trusts and recapture assets. The situation amounts to a one-way street for Shee Atiká Inc.–it can give, but it may not receive. Some normal business transactions are allowable. For example, Shee Atiká Management (SAM), a subsidiary of SAI, began leasing the Totem Square Inn from the Shee Atiká Benefits Trust in 2008.

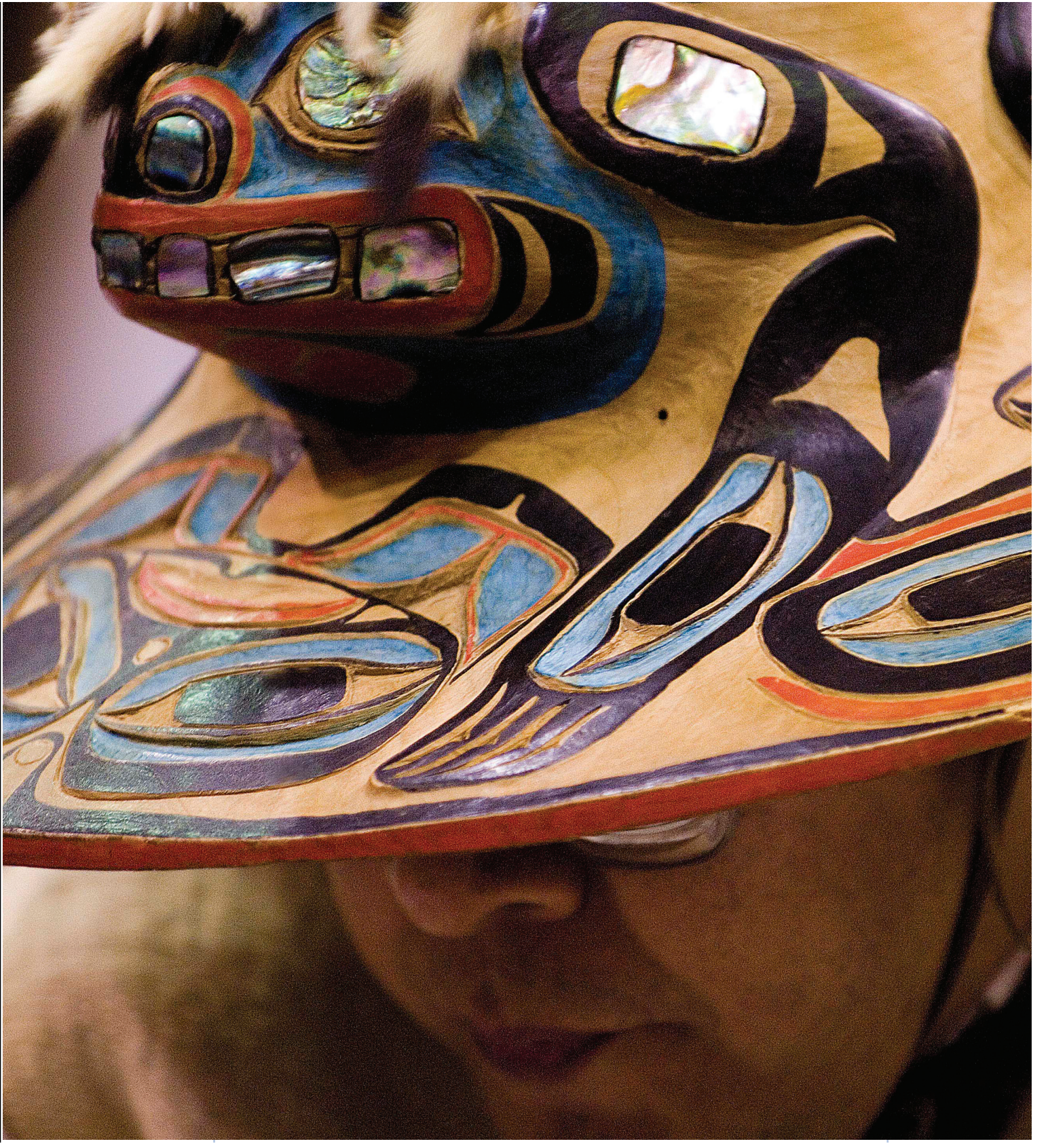


SABT SCHOLARSHIPS & FUNERAL BENEFITS

1990 - 2010

The Shee Atiká Benefits Trust provides scholarships and funeral benefits to any shareholder, regardless of the number of shares held. Shareholders may apply for support to pursue cultural, vocational, or academic training. Since 1990, SABT has distributed a total of $3.8 million in scholarships, and since 1995, $428,000 in funeral benefits. See Endnote on page 103.

UPDATING THE BUSINESS PLAN



When you build a house, you have to get the foundation right, or else the house won't be right. Everything follows from the foundation. The same is true for business: get the mission statement right, believe it, and then implement it through your business plan. If you do this, your business will be successful.

– Dr. Kenneth Cameron
Past chairman, and chairman 2008- present;
President/CEO 2010 - present

By 1988, Shee Atiká's directors had already faced trial by fire. The prior year, they had stared bankruptcy in the face when Sealaska Corporation sued Shee Atiká to stop the timber harvest at Cube Cove. The Board's response had been to meet Sealaska head-on and stop the lawsuit, and then to enter the Quaker Oats net operating loss transaction and the sale of the Cube Cove timber to Atikon Forest Products, Inc. The combination of these two transactions gave Shee Atiká's directors breathing room to think about the future. In April 1988, the Board held a planning meeting in Seattle to develop a strategic vision for Shee Atiká's future. The result of this meeting was the adoption of the mission statement for Shee Atiká:

> Shee Atiká, Incorporated's mission is to preserve and enhance our culture for all generations of shareholders, and to provide benefits to shareholders consistently and on an equitable basis.

Shee Atiká would henceforth focus on a multi-generational mission that was relatively unique in the world of ANCSA corporations. It would not be enough to provide benefits to the current generation of Shee Atiká shareholders. Instead, benefits for the current generation of shareholders would have to be balanced against the need to provide for all generations of Shee Atiká shareholders. Stated differently, a part of Shee Atiká's current income would need to be reinvested for the future.

> We are in it for our children, and for our grandchildren, and for the cultural heritage of our people. Our mission is to make money for the shareholders and to make sure it is there for future generations.
>
> – Harold "Bunny" Donnelly Jr., director, 1996 - present

Shee Atiká's near bankruptcy had a profound impact on the Board, and the business plan the directors developed in 1988 to implement the new mission statement was decidedly low risk. Basically, the Board's 1988 business plan had three critical elements: (1) to allow Atikon to harvest the Cube Cove timber as efficiently as possible, with distributions to Atikon's two owners (Shee Atiká and Koncor Forest Products); (2) then for Shee

THE 8(a) ADVANTAGE

The Small Business Administration's 8(a) program helps level the playing field for minority or otherwise disadvantaged businesses, particularly Alaska Native entities. The advantage for the government is that a contract with an Alaska Native 8(a) entity can be entered without putting a contract to bid, and thereby avoid delays caused by red tape and litigation by unhappy competitors.

Photo by Peter Metcalfe

Dr. Pamela Steffes, on optometrist, has served as a Shee Atiká director since 2007. She also serves as one of two SAI representatives on Shee Atiká Languages' three-person management board. She holds a U.S. government Top Secret clearance.

Shee Atiká Languages, LLC, provides native interpreters, like the man at left, for U.S. government and military personnel working in foreign countries. It is the corporation's most successful 8(a) subsidiary.

Atiká to reinvest a high percentage of the Atikon distributions; and (3) to pursue resolution of the Quaker net operating loss transaction, with the proceeds to be invested to provide long-term benefits.

As critical as Atikon's distributions would be to Shee Atiká's future, almost as soon as the ink was dry on the final timber sale contract in 1987, the Board had begun planning for the eventual decline in revenue from Atikon's timber harvest. Shee Atiká's board knew it would have to establish an income stream from other activities. At least initially, this meant investing in commercial real estate in Alaska and the lower 48 that could be rented to third parties. By 2005, Shee Atiká owned a multi-tenant office park in Anchorage, a warehouse-manufacturing structure in Houston leased to the Boeing Company, an educational facility in Phoenix leased to ITT Educational Services, and an office building in Colorado Springs leased to a quasi-governmental agency, the MITRE Corporation.

In 2005, Shee Atiká's attorneys, Sorensen & Edwards, were contacted by persons in the government contracting business who were seeking an Alaska Native corporation partner to participate in the Small Business Administration's 8(a) program. Sorensen & Edwards referred these contacts to Shee Atiká. The purpose of this federal program is to help disadvantaged businesses compete in the U.S. economy. As businesses owned almost entirely by minority shareholders (i.e., Native Americans), Alaska Native corporations (ANCs) such as Shee Atiká qualify for participation.

> The challenge was to find alternative sources of income to replace Atikon, and that was not realistic, at least initially. The commercial real estate we purchased certainly helped, and was a good investment, but the income replacement did not fully occur until 2007 when our 8(a) subsidiaries really came on line.
>
> - Dr. Kenneth Cameron, past chairman, and chairman 2008 - present; President/CEO 2010 - present

As a follow-up to the contacts referred by Sorensen & Edwards, the Board approved the formation of two 8(a) companies: Shee Atiká Technologies, LLC ("SAT"), which would operate in the high-tech engineering

field, and Shee Atiká Languages, LLC ("SAL"), which would provide native language speakers for military and intelligence services operating in foreign countries. In both cases, Shee Atiká owned 51% of the companies, while the third parties that had originally contacted Sorensen & Edwards owned 49%.

The investment in the new 8(a) companies marked a major shift from the passive business plan of 1988 to an operational business model in 2005. The Board clearly viewed the 8(a) program as an opportunity to create a new source of income comparable to Atikon.

Between 2005 and 2009, a total of five 8(a) subsidiaries were created (see chart of Shee Atiká's subsidiaries, page 106). Three proved to be successful and continue to generate profits. Perhaps the most creative of these 8(a) businesses is Shee Atiká Commercial Services, LLC ("SACS"), 51% owned by Shee Atiká Inc. and 49% owned by the Shee Atiká Fund Endowment ("SAFE"). There were several advantages to Shee Atiká combining with the shareholders' settlement trust in an 8(a), the most important of which was that all profits would ultimately benefit the owners of Shee Atiká, either in their capacity as SAI's shareholders or as beneficiaries of SAFE. As of December 31, 2010, SACS had achieved 8(a) status, and it is now generating significant profits.

Shee Atiká's 8(a) operations are simply one part of the larger picture. The primary goal for SAI, as set forth in the mission statement, is to provide benefits on an equitable basis to multiple generations of shareholders. Profits from the 8(a) operations have been reinvested to build up both SAFE and SABT. The result has been an increase in the net worth of these trusts by several million dollars. Regardless of what might become of the 8(a) program, the profits of Shee Atiká's 8(a) operations reinvested in the trusts serve to fulfill the multi-generational promise.

Photo by Peter Metcalfe

THE STEVENS EFFECT

The late Senator Ted Stevens was so successful in his efforts to promote the development of Alaska that state economists began referring to his economic influence as the "Stevens Effect."

Senator Ted Stevens, 1923-2010

Alaska Natives were major beneficiaries of Stevens' legislative accomplishments, and in few areas more than health services.

Senator Ted Stevens can also be said to have been the father of Alaska Native Corporation 8(a) contracting, due to his many successful legislative initiatives on the subject.

FULFILLING THE PROMISE

✦

"Ethel Staton was one of the most encouraging people I've spoken to. I knew I didn't have much experience, but she said, **No, you have the potential and the willingness to learn.** *Recognizing that Ethel had done so much for the corporation through all her years of service, it was powerful to hear this from her."*

– Dr. Pamela Steffes, director, 2007 - present

The recent history of Shee Atiká can be viewed as a decades-long effort to fulfill the multi-generational promise of its mission statement.

By approving the creation of the Shee Atiká Fund Endowment in 1993 and the Shee Atiká Benefits Trust in 1997, both irrevocable trusts, shareholders ensured that cash distributions, educational grants, and funeral benefits would be enjoyed by all shareholders — present and future.

Through our trusts, the money is going to be there for all time. When we are no longer around, and new directors come on, the money will be there, as it will be for their grandchildren's children.

– Loretta Ness, director, 1991 – present

The cash distributions of SAFE are allocated on a pro rata basis according to the number of shares currently held. The trust agreement creating SABT allows any shareholder, regardless of the number of shares held, to enjoy equal access to grants.

One share is all it takes to receive a SABT scholarship.

– Marta Ryman, director, 1987 - 2010

Shareholder Joshua Horan, who succeeded Marta Ryman as a director in 2010, received crucial financial aid while attending Georgetown University in Washington, D.C., which helped him earn his Foreign Service B.S. degree. He is now a real estate appraiser for his family's Sitka appraisal company.

During the first semester at college, I realized that for the first time in my life I was fully in charge of my finances. Receiving my first quarterly scholarship from SABT, I became aware of how important that financial aid really is. After I returned to Sitka, I worked as a Shee Atiká intern. For me, it was a really formative experience. I realized I could live in Sitka and find satisfying work.

– Joshua Horan, director, 2010 - present

Shareholders seeking vocational education have long been eligible for grant assistance, but the often-concentrated training period at relatively

high cost inspired SABT trustees to restructure requirements. Beginning in 2009 shareholders could apply at one time for the equivalent of three years of grants.

Brian James was among the first Shee Atiká shareholders to receive the concentrated vocational grant, which he used to provide for his basic needs during two years of training in New Zealand. Now James is one of just over a dozen dental therapists—the equivalent of physician assistants—working in the Alaska Native health care system.

SABT helped out tremendously. Our training and travel was fully funded, but for all the logistics and living expenses–I survived on the funding I received from SABT.

– Brian James, dental therapist

Another change in eligibility requirements extended the grant program to young shareholders who are interested in cultural education and training. Joshua Young took an early interest in Alaska Native art and, by age 11, became fascinated with carving while watching master carver David Galanin at work. Josh did what the SABT committee expected of young shareholders: took responsibility and completed the application himself.

I showed him how to hold the tool and got him set up. It is expensive to get into silver engraving. The SABT grant allowed Josh to purchase the engraving ball and other silver working supplies. I want him to get into all levels.

– David Galanin, master carver

Opal Lee Helgesen-Olsen is a shareholder of Haida heritage. After her five daughters were grown, Opal went back to school at the University of Alaska Southeast in Sitka, graduating with a Northwest Coast Arts Certificate, with an emphasis in basketry. She credits SABT grants for helping her complete the program and for funding many of her students, to whom she teaches the art of basketry.

Previously, SABT grants could be used only for tuition, books, and supplies. Now they allow travel. I have a sister who has been receiving help. It is a real good program and has really helped a lot of people. I'm weaving all the time.

– Opal Lee Helgesen-Olsen

Shee Atiká shareholders and beneficiaries of SABT educational grants, clockwise from top left: Josh Horan, real estate appraiser; Brian James, dental therapist; Opal Lee Helgesen-Olsen, basketry artist and teacher; and Joshua Young, apprentice to Northwest Coast master carver David Galanin.

CONCLUSION

"The Native people, through ANCSA, are here to stay economically, as they have always been culturally and socially."

– Eric McDowell, Alaska economist

The settlement of Alaska Native claims marked a unique moment in the history of Native American relations with the United States. Instead of agreeing to treaty conditions and becoming wards of the government, Alaska Natives retained their independence and entered the mainstream economy of Alaska through the corporate model.

This history of Shee Atiká has tracked the steps taken by Alaska Natives of Sitka to create an Alaska Native Claims Settlement Act corporation and then to overcome a series of obstacles as they developed a strong and stable corporation, two trusts, and an in-house mutual fund.

The Shee Atiká of today includes the corporation, several subsidiaries, and two settlement trusts: Shee Atiká Fund Endowment (SAFE) and Shee Atiká Benefits Trust (SABT). All told, these entities enjoy a combined net worth exceeding $120 million at the beginning of 2011.

The two irrevocable trusts serve as repositories for a substantial portion of Shee Atiká's assets, which in turn are invested for the purpose of generating revenues that provide cash, educational grants, and other benefits to shareholders. These trusts were set up to provide financial benefits in perpetuity.

The directors of our board did the job they were meant to do – they preserved our rights and our assets. Shee Atiká has withstood serious economic problems, yet we are still standing proud today. If you look at us against a lot of corporations, I believe we are successful. I truly am proud.

– Lillian Young, shareholder services manager, employed with Shee Atiká since 1989

When Shee Atiká was organized in 1974, nearly all of the 1,852 people who became shareholders were Alaska Natives who lived in Sitka. Now there are more than 3,000 shareholders, of whom just under one-third call Sitka home. The one demographic fact that has changed little is that Shee Atiká shareholders are almost all of Alaska Native heritage.*

* See Endnote: "Shee Atiká Demographics"

Owning more than 3,000 acres in and near Sitka, Shee Atiká is the largest private landowner in the community. Nearly 23,000 acres of land

are owned by Shee Atiká at Cube Cove on Admiralty Island, where the harvest of timber ended in 2001. It remains to be seen whether this land will be retained for the potential value of the second-growth forest, developed for other purposes, or exchanged, sold, or otherwise conveyed to the federal government.

Despite the corporation's hard-earned success, its shareholders remain disproportionately at an economic disadvantage to the general population.

SAFE's regular, predictable distributions are important to shareholders, and SABT's flexible and generous scholarship program helps many Shee Atiká shareholders raise their standard of living.

All ANCSA shareholders can take pride that Native corporations constitute one of the most vibrant sectors of Alaska's economy. Shee Atiká's shareholders can take particular pride in the stability, growth, and present value of their corporation. Without the farsightedness of Shee Atiká's directors and the common sense of its shareholders, the outcome could have been quite different.

"I feel very fortunate to have been part of this whole episode, from when Shee Atiká had hardly anything to now, when it is successful. I feel a lot of pride for being a part of that; I feel a lot of pride for our shareholders, for all the past boards and what we accomplished. Sometimes I sit back and I'm just amazed that I got to be a part of this whole story."

– Gene Bartolaba, director, 1986 - present

I credit the board with four major accomplishments over the last several years:

- *First, in 2002, after much discussion, the board made a tough decision to temporarily move most of the investment portfolio to cash. We probably saved a couple million.*
- *The second item was the development of a distribution policy for dividends. Prior to this time, there was no distribution policy.*
- *Third, the board approved investing in 8(a) companies. To date, this has increased the equity position of Shee Atiká by more than 10 million dollars.*
- *And fourth, in late 2008, the board once again reallocated a large portion of the portfolios to cash, a move that again saved us millions of dollars.*

– Dr. Kenneth Cameron, chairman
1986 - 1993 / 2008 - present

PHOTOGRAPHY

All uncredited photos are from the Shee Atiká archives. The photographs that grace the cover, title page, and chapter pages are by the following Alaska photographers:

David Dapcevich of Sitka: pages 1, 20, 24, 28, 32, 36, 58, 78.

Daniel Evans of Sitka: cover, title page, pages 48, 54, 62, 66, 70.

Peter Metcalfe of Juneau: pages 40, 44, 74, 83.

EDITING AND PROOFREADING

Liz Dodd and Kathy Kolkhorst Ruddy.

ABOUT THE AUTHOR

Peter Metcalfe has provided communication services – including publishing, photography, and video production – for Alaska Native organizations throughout Southeast Alaska since 1980. He has written several books documenting the history of Alaska Native tribal organizations and ANCSA corporation, including the history of the Central Council of Tlingit and Haida Indian Tribes of Alaska, and *Gumboot Determination: the History of the Southeast Alaska Regional Health Consortium*, for which he won the American Book Award from the Before Columbus Foundation. Metcalfe also authored *The Sword and the Shield: The Defense of Alaska Aboriginal Claims by the Alaska Native Brotherhood.* He has provided services at various times for all but two of the 13 Alaska Native Claims Settlement Act corporations of Southeast and for Shee Atiká since 1984. Metcalfe lives in Juneau, Alaska.

THE OUTSIDE PROFESSIONALS

Over the years Shee Atiká has relied on the services of numerous consultants and other professionals, many of whom willingly provided services on credit at a time when Shee Atiká was financially strapped, and patiently awaited payment, in some cases for a period of years, notably the engineering firm of CH2M Hill and attorney Richard Baenen. Four "outside professionals" who provided key services during Shee Atiká's most difficult years, and whose cooperation during the original research phase for the first edition of this book proved invaluable, deserve mention:

Richard Anthony Baenen, attorney and lobbyist

After serving in the Judge Advocate General's Corps (U.S. Army), Baenen joined a Washington, D. C. law firm and specialized in representing American Indian tribes as general counsel and claims attorney. His involvement with Alaska Native groups began in 1970 when he represented a group of Eskimos in conjunction with the efforts to secure passage of the Alaska Native Claims Settlement Act. In 1979, Baenen was retained by Shee Atiká to lobby Congress in an effort to secure Shee Atiká its Settlement Act entitlements and later to successfully defend Shee Atiká against law suits and administrative actions orchestrated by the Sierra Club. He was assisted by attorneys Pierre J. LaForce and Jacquelyn Luke. Mr. Baenen, who lived in St. Michaels, MD, passed away in 2005.

Bruce Edwards, attorney for Shee Atiká

Practicing tax law since the 1970s, with a particular focus on the special issues confronting Alaska Natives and other Native Americans, Mr. Edwards received his law degree from the University of Washington; a Master of Laws in Taxation from New York University, and served as law clerk to a federal appellate judge. Edwards and his law partner, Mike Sorensen, were key players in negotiating NOL sales for their Alaska Native corporation clients, and then in helping those clients develop strategies in response to challenges by the Internal Revenue Service. They have been instrumental in establishing settlement trusts for several Native corporations and in lobbying for favorable tax treatment for settlement trusts.

Edwards is licensed to practice law in Washington and Alaska. He is a Fellow of the American College of Tax Counsel, has written extensively in the tax field, and has served as an editor of the *Journal of Taxation* published in New York. He lives in Seattle, Washington.

John Ferris, auditor

Providing income tax and accounting services to numerous Alaska Native entities for nearly 40 years, Ferris worked with Indian Reorganization Act (IRA) organizations, not-for-profits, and Alaska Native corporations throughout Alaska. Ferris continues to provide advice on financial and income tax matters to many Native entities as well as companies doing business in the Lower 48 and Europe. He lives in Seattle, Washington.

Wesley Rickard, timber appraiser

Former manager of the Weyerhaeuser Company forest economics department and consulting since 1968, Westley Rickard provided forest management strategies, appraisals, and representation in litigation and issues of forest policy for firms such as Potlatch, Weyerhaeuser, and MacMillan Bloedel, Alaska Native Corporations, Indian Tribes, state agencies, small companies, and private owners and associations. He lives in Gig Harbor, Washington.

ENDNOTES

Page 5 – FIRST CONTACTS

The first known contacts between Europeans and Tlingits occurred near Sitka in July 1741. The *St. Paul,* a Russian vessel commanded by Aleksei Chirikov, came upon *Tlingit Aaní* (the "domain of the Tlingit") at the southern end of the present day Baranof Island. Chirikov followed the coast north, and on July 18, somewhere in the vicinity of Yakobi Island, he sent into shore several men in a longboat to replenish fresh water supplies. The vessel and its occupants failed to return. Several days later, a second shore party was sent in with craftsmen and materials to repair the possibly damaged longboat. It too never returned. Chirikov believed the shore parties–in all, 15 men–were slain by the Natives who were seen paddling along the shore in canoes the day after the second boat went to shore. To this day, the fate of Chirikov's men remains a much-debated mystery.

Spanish expeditions visited Tlingit Aaní in 1774, 1775, and 1779. These visits were followed by a catastrophic smallpox epidemic that ravaged the Pacific Northwest Coast – now believed a coincidence.

The first seafaring merchants began arriving in Southeast Alaska in 1785. Captain Nathaniel Portlock, a British merchant, visited a village just north of Sitka in 1787. He expected to find a numerous tribe, but was greeted by fewer than 15 people, several with severe pockmarks. The age gaps suggested the village had been devastated by smallpox over a decade before Portlock's visit.

Exactly what toll this epidemic took in Southeast Alaska can never be known, but without question the population absorbed a huge demographic blow from which the Tlingits were just recovering when Alexander Baranov, Chief Manager of the Russian-American Company, began exploring the region in 1795.

By the time Baranov visited Sitka in 1799, the Tlingit, willing and adept traders, were well acquainted with European goods and weaponry.

Page 7 – THE RUSSIAN ERA

Russia's venture in Alaska is often oversimplified and the protagonists stereotyped, a situation the husband and wife team of Richard and Nora Dauenhauer has sought to rectify. In 2008, the Dauenhauers, who have written and produced several books on Tlingit subjects for the Sealaska Heritage Institute, published *Anóoshi Lingít Aaní Ká – Russians in Tlingit America: The Battles of Sitka, 1802 and 1804,* a compilation of oral history and original documents that sheds new light on the Tlingit-Russian battles of 1802 and 1804. These events, according to the Dauenhauers, are "usually presented as a confrontation between 'whites' with superior arms, and brave but outnumbered and poorly armed Natives." The facts, as uncovered by the Dauenhauers, reveal a far more complex, interesting, intriguing, and extensive series of conflicts and interactions than had previously been appreciated.

Throughout their publishing career, the Dauenhauers have continued to substantiate their observation that the Tlingits borrowed selectively from but were not overwhelmed by Russian culture. A thorough yet concise explanation of this period, including a discussion of Tlingit culture, society, and history can be found in the introduction to *Haa Kusteeyí, Our Culture: Tlingit Life Stories*, by the Dauenhauers.

The quotations below are excerpted from the introduction to *Haa Kusteeyí:*

"As far as we can tell, the social and intellectual culture of the Tlingit remained unchanged during the eighteenth century... The Tlingit continued to control trade with outsiders, tolerating traders as long as they didn't interfere with the aboriginal power structure or attempt to build permanent settlements" (page 33).

"The Russians... were not strong enough to undertake a full-scale occupation of Tlingit country, and the areas beyond the fort at Sitka remained in Tlingit control. The Tlingits were well armed, and Sitka was surrounded by a stockade, which the Tlingits attacked from time to time, as late as 1855... For the most part, the traditional Tlingit social system remained intact, and the Tlingit were not disturbed in their traditional use of the land and its resources" (page 35).

It should be noted that "Russian America" was quite literally on the other side of the world from the Russian capital at St. Petersburg. Getting from there to Sitka, the Russian capital of Alaska, required taking a sea route that skirted the continents of the Americas or Africa – either route a distance nearly as long as the globe's 24,000-mile circumference.

Land travel across the 6,000-mile wide Asian continent was extraordinarily difficult and could take up to two years. The difficulties included terrestrial features such as mountains, steppes, deserts, taiga, marshes, and rivers, most of which flow to the south or north, presenting obstacles to be crossed rather than means of transport. The Russian explorers, merchants, priests, hunters, and adventurers who had successfully crossed the Asian land mass still had to voyage across thousands of miles of open, storm tossed ocean before reaching Sitka.

So far from their homeland, the Russians found themselves dependent on the Natives of Southeast Alaska to supply foodstuffs, and to some extent furs, while the Tlingit could access trade items, typically much cheaper and of higher quality than those offered by Russians, from American or European merchant seamen. Not dependent on the Russians, there was no particular reason for Tlingits to adapt to Russian ways.

For more on Tlingit-Russian interactions, especially in the Sitka area, see *Memory Eternal* by Sergie Kan (1999).

NOTE TO READER

Throughout this book, quotations that are not footnoted and sourced are from verbatim transcripts of interviews conducted by the author, Peter Metcalfe, or from transcripts of archival videotaped interviews with Shee Atiká directors recorded in 1994.

PRONUNCIATION GUIDE TO ACRONYMS

ANCSA: ANK-sah

ANILCA: ah-NILL-cah

Kootznoowoo: COOTS-new-woo (Tlingit, meaning brown bear fort; as applied to Admiralty Island, "fortress of the bears.")

Lis pendens: Lis-PEN-dens (Latin for pending lawsuit.)

SABT: SAH-but

ABBREVIATIONS

ANB: Alaska Native Brotherhood

ANC: Alaska Native corporation

ANS: Alaska Native Sisterhood

ANF: Alaska Native Fund

8(a): shorthand for the Small Business Administration's Section 8(a) Business Development Program

LTF: log transfer facility

mbf: thousand board feet. The letter M represents the Roman numeral for one thousand.

NOL: net operating loss; plural is pronounced en-oh-ells

Page 11 – THE TRIALS OF RUDOLPH WALTON

The *Davis v. Sitka School Board* case referenced in the narrative section of this book is well documented thanks to the efforts of Rudolph Walton's granddaughter, Joyce Walton Shales. In 1998, Shales published her doctoral dissertation "Rudolph Walton: One Tlingit Man's Journey through Stormy Seas, Sitka, Alaska, 1867-1951." The dissertation is available through the University of Alaska library system. More widely available is the book *Authentic Indians*, by Paige Raibmon (Duke University Press, 2005): two of nine chapters detail Walton's life, most of the information provided by Shales' dissertation. Also available is a presentation "No Place like Home" by Walton descendants at the 2007 Sharing Our Knowledge conference in Sitka – see DVD vol. 33, which is available through the Alaska library system and at major national libraries or can be acquired through www.ankn.uaf.edu (search for "Sharing Our Knowledge").

Rudolph Walton sued the Sitka School board on behalf of his adopted children, Dora and Tillie Davis, and, for the purpose of the case, as the appointed guardian of John and Lottie Littlefield and Lizzie and Peter Allard, all children of mixed blood who were denied admission to the Sitka school on January 25, 1906. They and other Native children had been "enumerated" (counted) by the Sitka School District, heightening the hypocrisy of their rejection, since the school district received federal funding for the Native children they would not accept.

Walton sued but lost his case when, two years after the trial, a ruling was issued by District Judge Royal Arch Gunnison. According to Felix Cohen (Handbook of Federal Indian Law, 1945: 406), Gunnison "took the view that civilization is achieved only when the natives have adopted the white man's way of life and only associate with white men and women." The court ruled against Walton because he and his family resided, at that time, in the Sitka Indian village, even though Walton, who spoke and wrote English, was a respected business man who paid his taxes and kept a postal box at the Post Office (Shales: 195).

Although the door is open to the interpretation of Gunnison's ruling as strictly a legal matter, to Walton's supporters it was clearly the product of racial prejudice. A complicating factor was Walton's standing with the Presbyterian Church. Widowed in 1904 when he lost his first wife, Daisy, to disease, Walton married Mary Dick Davis of Hoonah a year later. She was the widow of Fred Davis and closely related by clan to the late Daisy Walton. His marriage to Mary Davis was viewed by his fellow Presbyterian elders as the perpetuation of a heathen tradition, causing Walton to fall out of favor with his church. During the trial, several Presbyterian elders testified against Walton on behalf of the Sitka School Board. Nevertheless, Walton retained the support of the church's founding missionaries, John Brady and Sheldon Jackson.

In a letter to Sheldon Jackson on January 31, 1906, Brady, the first appointed Governor of the Territory of Alaska, cited the denial of education to Native children by the Sitka School Board as the motivating reason behind his decision to resign his appointment and he and his wife's decision to leave Alaska: "Right now we are in the midst of contentions in this little town that make us heartsick. The one thing wanting is Christian charity. In fact, we are more truly heathen than the Natives..."

Four years after the ruling, the Alaska Native Brotherhood was founded by Sheldon Jackson graduates, with Rudolph Walton as a charter member. *Davis v. Sitka School Board* could have hardly gone unnoticed by the founders of the ANB, intent as they were on achieving full citizenship. If nothing else, the case proved that Alaska Natives could not rely on the good will of their white neighbors, and that to achieve social justice it would take collective action by Alaska Natives for Alaska Natives.

Page 14 – THE PAUL BROTHERS

William Sr. and Louis Paul both graduated from Sheldon Jackson school and then the Carlisle Indian School in Pennsylvania, where they came under the influence of Col. Richard Henry Pratt, founder of Carlisle and a Civil War veteran. Pratt championed the right of Native Americans to citizenship. Both Paul brothers attended Whitworth, a Presbyterian college then located in Tacoma, Washington, from which William graduated. Louis also attended Chemawa, a BIA school in Oregon, and then a business school in Portland, Oregon. Louis Paul was elected ANB Grand Camp President in 1920, 1921, 1927 and 1939. William Paul Sr. was elected ANB Grand Camp President in 1928, 1929, and 1955. Both were leaders in the fight for Indian citizenship and equal rights.

In 1923, William Paul Sr. took on the Charlie Jones case at the urging of his mother, Tillie Paul Tamaree, a tireless advocate of Native rights and one of the great Native women of her time. According to the indictment against her, Tamaree had "aided and abetted" Charlie Jones, a respected Tlingit elder living in Wrangell, in voting in a municipal election, which led to the arrest of both Jones and Tamaree. Her son William won the case and, by doing so, the right to vote for all Alaska Natives. William Paul Sr., the first, and, in those years the only, Alaska Native lawyer, went on to become the first Alaska Native elected to the Territorial legislature (1924).

The Shee Atiká Board of Directors has honored the memory of the late William Paul, Sr. by creating an award in his name that is periodically presented to an individual or group for outstanding service to Shee Atiká and its shareholders. (See "Awards," page 107.)

PAGE 15 – TLINGIT-HAIDA CLAIMS

In his unpublished manuscript, John Borbridge Jr., five-time president of the Cen-

tral Council of Tlingit and Haida Indian Tribes of Alaska, and later first president/CEO of Sealaska Corporation, points out that from the earliest days of contact with Euro-Americans, the Native people asserted original ownership to all of Southeast Alaska. Successful in confining Russians to isolated outposts, the Native people of Southeast began losing ownership rights after the mid-1800s "...in the face of a rising tide of explorers, adventurers and trappers who coveted their lands, waters and resources," Borbridge writes. "Soon after 1867 [following the purchase by the United States of Russian interests in Alaska], tribal leaders met in Hoonah to protest the 'illegal sale' of Alaska by Russia to the United States. The Tlingit and Haida then initiated a new strategy initiative by communicating with leaders of the United States Congress and Administration, sending representatives to Washington, D.C., (and) hiring attorneys... They laid the groundwork for the Tlingit and Haida claims and blazed the trail for a land claims settlement."

The blazed trail led to the 1929 Grand Camp Convention of the ANB in Haines where the delegates adopted a resolution to press for restitution from the U.S. government for lost lands and rights. This started a process that ultimately required federal legislation. A bill had to be authorized by Congress that would permit the Native people of Southeast to file a lawsuit against the U.S. government in the U.S. Court of Claims.

At first opposed by Department of Interior officials within the Bureau of Indian Affairs, little progress was made until after Franklin Roosevelt was elected president in 1932. Under the new Democratic administration, the Department of Interior reversed its opposition to the legislation. With Interior's support, Congress passed the *Tlingit Haida Jurisdictional Act*, which became law in June 1935. This allowed the Tlingit and Haida people to bring a lawsuit before the U.S. Court of Claims. As Borbridge explains in his manuscript, "The Tlingit and Haida lawsuit was not about recovering title to land wrongfully taken by the United States. Instead it was intended to recover compensation for the value of lost lands and fishing rights."

Although the Roosevelt-appointed officials at the Department of Interior were sympathetic, at lower levels of the bureaucracy opposition to Tlingit-Haida ambitions was implacable. The Office of Indian Affairs (later the Bureau of Indian Affairs) insisted that the Alaska Native Brotherhood could not bring a lawsuit – that only a tribe could do so (conveniently ignoring the bald fact that there were no federally recognized tribes in Alaska at that time).

After years of delay, the lawsuit, *Tlingit and Haida Indians of Alaska v. United States*, was filed in 1947. Two years later, attorneys I.S. Weissbrodt and David Cobb were retained, and successfully pressed the lawsuit to a conclusion.

ORIGINAL SHAREHOLDERS OF SOUTHEAST ANCSA CORPORATIONS

Community	Corporation	Original Shareholders
Angoon	Kootznoowoo Inc.	629
Craig	Shaan-Seet Inc.	319
Hoonah	Huna Totem Corp.	876
Hydaburg	Haida Corp.	565
Juneau	Goldbelt Inc.	2,722
Kake	Kake Tribal Corp.	558
Kasaan	Kavilco Inc.	120*
Klawock	Klawock Heenya Corp.	508
Klukwan	Klukwan Inc.	253
Saxman	Cape Fox Corp.	196*
Sitka	Shee Atiká Inc.	1,852**
Yakutat	Yak-Tat Kwaan Inc.	342*
Subtotal	**Village/Urban**	**8,940**
	Sealaska at-large	3,203†
	Other ("landless")	3,640
Total	**Sealaska Region**	**15,783**

* Unverified.

** Originally, there were 1,850 Shee Atiká shareholders. Two additional shareholders were added: one in 1988 and the other in 2001.

†While all Goldbelt and Shee Atiká shareholders are at-large Sealaska shareholders, "Sealaska at-large" represents those who only enrolled with Sealaska. "Landless" describes at-large Sealaska shareholders who lived in Southeast Alaska communities excluded from ANCSA.

These figures state the numbers of "original shareholders," not the actual number of people who now hold shares—a number that continues to expand through the inheritance or gifting of shares. The original shareholder figures remain useful in determining actual shares outstanding for each corporation, which is always a multiple of 100 since each original shareholder received 100 shares. The original village and urban corporation shareholders were also given 100 shares each of Sealaska stock, but other at-large and "landless" shareholders only hold stock in the regional corporation. There have been some adjustments to enrollment figures over the years (see Endnote: "ANCSA Enrollment," page 92) leading to minor differences between the records of village/urban corporations and those of the regional corporation.

The first phase of the Tlingit-Haida case was decided in 1959, when the U.S. Court of Claims found that there had been a taking of property for which the Native people of Southeast were entitled to compensation. The second phase, which determined the compensation owed by the United States, was decided by the U.S. Court of Claims on January 19, 1968.

Compensation was based on the estimated fair market value of the property at the time of taking. There were two problems with this: determining fair market value for property that was never exposed to the market, and determining when the property was taken.

The court restricted the time of taking to the first decade of the 20th century when the Tongass National Forest was created. The court determined that because hemlock, the dominant timber species in Southeast Alaska, had been in oversupply at the time of taking, the land claimed by Tlingits and Haidas, almost entirely timberland, held little value.

A majority of the judges on the U.S. Court of Claims, after considerable discussion, determined that, although the Native claimants had status as land owners, they had suffered no compensable loss for lost fishing resources because they had no superior right to fish in navigable waters. The legal basis for this conclusion was that under United States law "there is no property right in any private citizen or group to wild game or to freely swimming migratory fish in navigable waters."

In addition to ignoring fisheries, the award decision also ignored any values relating to gold mining or logging on the lands that had been taken from the Tlingit and Haida people by the federal government. The tortured nature of the ruling was captured by the dissenting judge, Nichols, who wrote: "No doubt... as the court says, no one owns or can own any exclusive fishing rights in navigable water, other than, perhaps, relating to shellfish. [But] I would have supposed that one who owned, as plaintiffs here did, all the vast lands bordering on so many sounds, bays, and coves, teeming with fish, would have enjoyed such enormous advantages over others in exploiting the fisheries thereon that willing buyers would have paid enhanced prices for the land, even if they could obtain therewith no ownership in the fish. A person owning a building on Fifth Avenue might claim it was worth more because of its favorable location without thereby asserting any proprietorship in the vehicular and pedestrian traffic daily passing by his door." (See Price, Robert E., *The Great Father in Alaska: The Case of the Tlingit and Haida Salmon Fishery,* [1990], p. 100.)

There were two important victories for the Native claimants in an otherwise disappointing decision: the recognition by the court of aboriginal title, and the finding that there remained 2.6 million acres in Southeast Alaska—land that had not been included in the Tongass National Forest or the Glacier Bay National Monument—to which the Native people still had a potential claim. By retaining a claim to land for which they had not been compensated, the Native people of Southeast were aided in their efforts to secure a role for themselves in the much larger statewide Alaska Native claims settlement movement.

Page 17 – ALASKA NATIVE RESPONSE TO STATEHOOD

Following World War II, the long-faltering Alaska statehood movement achieved renewed momentum that culminated in the passage of the Alaska Statehood Act in 1958. Alaska entered the Union as the 49th state on January 3, 1959.

Throughout the statehood movement, the Alaska Native Brotherhood, supported by the fund-raising efforts of the Alaska Native Sisterhood, maintained an active presence in Congress by sending delegations to Washington, D.C., and through the attorneys, lobbyists, and national organizations working on the ANB's behalf. In retrospect, the ANB/ANS provided a hugely important service for all Alaska Natives during the drive for statehood, a period that was extraordinarily perilous for Alaska Native claims.

On the national scene, political forces were arrayed against Native Americans in what became known as the Termination Movement (an effort to dissolve the special relationship of tribes with the U.S. Government). At the same time, two lawsuits working their way through the U.S. Court of Claims sought compensation for lands and rights taken from the Tlingit and Haida people: one, pursued by William Paul Sr. and his sons, Bill Jr. and Fred (*Tee-Hit-Ton v. United States*)and the other by the ANB Executive Committee (*Tlingit and Haida Indians v. United States)* – see preceding Endnote. Both were predicated on aboriginal title, a concept just then under fierce political attack.

Since no treaties had been signed with Alaska Natives, aboriginal title had not been recognized, and it remained very much in doubt that Natives were due compensation for anything. Court decisions for both cases eventually supported the rights of Alaska Natives to make claims based on aboriginal title, and while the decisions were to prove important, the effects of both cases might well have been rendered moot by Congressional action.

From 1951 through 1955, political interests adverse to Alaska Natives introduced legislation in Congress to extinguish aboriginal title without compensation, while politicians supportive of Alaska Natives countered with legislation that, in retrospect, would have resulted in settlements amounting to millions of dollars and, at most, hundreds of thousands of acres rather than the nearly one billion dollar and 44 million acre settlement effected by the Alaska Native Claims Settlement Act of 1971.

The successful defense of aboriginal claims by the ANB and its allies deflected, delayed, and in some cases defeated adverse legislation, holding the line until the national political climate became more favorable to Native

Americans. As a result, Congress accepted a disclaimer section to the Alaska Statehood Act of 1958 that served to maintain rather than circumscribe aboriginal claims.

It was the ANB/ANS that launched the Alaska Native claims movement at the Grand Camp Convention in 1929. Thanks to the organization's persistent efforts to protect Alaska Native interests during the Alaska statehood movement, Alaska entered the Union as a state with aboriginal claims intact and with the stage set for the Alaska Native Claims Settlement Act (ANCSA) of 1971 and, subsequently, the Alaska National Interest Lands Conservation Act (ANILCA) of 1980.

For a more complete analysis of this period, see "The Sword and the Shield," an essay by the author, available as a pdf on the Alaska Native Knowledge Network website (see www.ankn.uaf.edu and use the search function to locate the essay).

Page 21 – ALASKA NATIVES AND THE LAWS OF THE UNITED STATES

Alaska Natives had legal claims to land and rights that had been neither fully recognized nor extinguished by the time Alaska became a state in 1959.

The "Treaty of Cession," by which the United States purchased Russian interests in Alaska, included this brief provision for Alaska Natives: "The uncivilized tribes will be subject to such laws and regulations as the United States may, from time to time, adopt in regard to the aboriginal tribes in that country."

Congress provided slightly more definition to Native rights in the Alaska Organic Act of 1884: "The Indians... shall not be disturbed in the possession of any lands actually in their use and occupation or now claimed by them."

One of the most important statements of Alaska Native property rights is found in Section 4, also known as the "disclaimer section," of the Alaska Statehood Act of 1958: "[The people of Alaska] forever disclaim all right and title to any lands or other property not granted or confirmed to the state [by the federal government]... and to any lands or other property (including fishing rights), the right or title to which may be held by any Indians, Eskimos, or Aleuts (hereinafter called natives) or is held by the United States in trust for said natives; that all such lands or other property, belonging to the United States or which may belong to said natives, shall be and remain under the absolute jurisdiction and control of the United States until disposed of under its authority..."

The Statehood Act granted the new state of Alaska the right to select 105 million acres from a landmass of approximately 365 million acres. Despite Section 4 of the act, the new state began selecting lands used and occupied by Alaska Natives. The federal government had also ignored the aboriginal rights of Alaska Natives when planning for projects like dams, roads, or military installations.

The encroachments by the state and federal governments compelled Native leaders to form, in 1966, the Alaska Federation of Natives. An informal "land freeze," declared by Secretary of Interior Stewart Udall late in 1966 stopped oil and gas leasing and other federal uses of public land in Alaska. Udall made the freeze official in December 1968, shortly before Richard Nixon became president, withdrawing 262 million acres of "unreserved public lands in Alaska" from selection by the State of Alaska until Native claims were settled. North Slope oil became a factor in the push for a settlement of Native claims after the State of Alaska held an oil lease sale in 1968 that brought in almost $1 billion.

Page 21 – ALASKA NATIVE CLAIMS SETTLEMENT ACT

The Alaska Native Claims Settlement Act that was signed into law on December 18, 1971, by Pres. Richard Nixon, extinguished claims to "...all aboriginal titles, if any, and claims of aboriginal title in Alaska based on use and occupancy, including submerged land underneath all water areas, both inland and offshore..." (ANCSA Section 4[b]).

In return, Alaska Natives were to receive almost $1 billion dollars in compensation and title to approximately 44 million acres of land.

According to author Norman A. Chance in *The Inupiat and Arctic Alaska: An Ethnography of Development* (1990), important settlement components — large land conveyances, generous cash payments, and a corporate structure — were established in early negotiations with Alaska Natives. The 1967 state/AFN Land Claims Task Force report recommended conveyance to Alaska Native villages of 40 million acres in fee simple (full legal ownership); that at least $65 million be paid to Alaska Natives from oil lease revenues; and that the settlement be carried out by business corporations organized by villages and regions.

Natives had framed the demand for large land conveyances as necessary to continue traditional subsistence practices. The cash component grew substantially after the State of Alaska received $900 million for North Slope oil leases in November of 1968 — an amount of money that was quite astonishing at the time. The proposed corporate structure, however, threatened the unity of the Alaska Federation of Natives. To many Native leaders, the alternative appeared to be the continuation of a subservient relationship with the U.S. government. According to Chance, "Some AFN leaders, including (Central Council President) John Borbridge Jr., were drawn to the suggestion that land previously held communally, would be adapted to modern conditions by utilizing a corporate approach. Furthermore, Don Wright, then AFN president, was informed that any proposed AFN alternative involving traditional governments or Indian Reorganization Act [IRA] Councils would be actively discouraged by Congress. Thus, while some argued for the corporate scheme, other AFN leaders merely felt obliged to support it."

Even with the relatively large land conveyances, the Native leadership was not convinced there was adequate protection of subsistence practices. Under intense lobbying by the AFN, key legislators agreed to address the issue later, which they did in the Alaska National Interest Lands Conservation Act of 1980. "Rural residents" of Alaska were given priority in ANILCA to fish and game in time of need. Exactly who qualifies as a rural resident has inflamed Alaskan politics ever since.

The problems of adapting the corporate structure to traditional Alaska Native culture were at least partially addressed in the "1991 Amendments" (enacted in 1988), which preserved Native ownership of the ANCSA corporations by, among other changes, continuing the restriction on the sale of ANCSA stock beyond 1991, and allowing Native corporations to transfer assets into protective trusts.

An issue that remains unresolved is the extent to which Alaska Native sovereignty exists. It is now clear that ANCSA extinguished certain elements of sovereignty, especially those related to land, but Alaska tribal governments continue to assert sovereignty in other matters.

Page 23 – THE ALASKA NATIVE FUND

As directed under ANCSA, Sec. 6(a), "There is hereby established in the United States Treasury an Alaska Native Fund..." The U.S. Treasury established the fund with the congressionally approved appropriation of $462.5 million. Full funding was assured through a provision of the act that required deposit into the fund of an additional $500 million in royalties from oil and gas, minerals, rents and other receipts from state and federal land in Alaska. A schedule of payments was established to distribute these funds according to enrollment within each region (i.e., on a per capita basis).

Section 7(a) established the regional corporations. Section 7(i) set up a revenue sharing provision that required each of the regional corporations to contribute 70 percent of all revenues received from timber resources and subsurface estate (i.e., oil, sand and gravel, and minerals) to a fund that would be redistributed to the regionals on a per capita basis.

Section 7 also established the formula by which regional corporations were to distribute the revenues received from the Alaska Native Fund and the 7(i) fund, instructing the regionals to share the revenue "among the Village Corporations in the region and *the class of stockholders who are not residents of those villages*..." (emphasis added).

The shareholders of the four urban corporations fell within the definition "stockholders who are not residents of those villages." So did those shareholders who had no local corporation in which to enroll and were enrolled only in regional corporations. During the first several years following the enactment of ANCSA, these "at-large" shareholders received direct payments from the Alaska Native Fund, while those enrolled in village corporations received nothing unless some of the per capita fund distributions were passed on to shareholders by their village corporations.

Being cut out of ANF payments nearly ruined the four urban corporations before they had a chance to get started. By contrast, village corporations used the revenues for start-up and administrative expenses.

As hard as it was for urban corporations, their shareholders enjoyed a decided advantage over village corporation shareholders, especially during the period when the Alaska Native Fund distributions were being made (1974-1982). In those years, at-large shareholders holding 100 shares each received $5,427.89 of ANF funds in checks issued by Sealaska, the regional corporation. Almost half of that came in one distribution of $2,513.69 (per 100 shares), issued by Sealaska on July 28, 1980.

Through May 2011, a Shee Atiká shareholder holding 100 Sealaska shares has received a cumulative total of $31,977.22 (or $320 per share) in ANF, Section 7, and corporate distributions issued by Sealaska since 1974. By contrast, a similar village corporation shareholder has received less than half that amount unless their corporation chose to pass on a portion of the amounts received from ANF and 7(i) distributions. (These figures were provided courtesy of Sealaska Corporation.)

Page 25 – ANCSA ENROLLMENT

Enrollment in ANCSA corporations was limited to Alaska Natives as defined in Section 3(b): "Native means a citizen of the United States who is a person of one-fourth degree or more Alaska Indian (including Tsimshian Indians not enrolled in the Metlakatla Indian Community), Eskimo, or Aleut blood, or combination thereof. The term includes any Native as so defined, either or both of whose adoptive parents are not Natives. It also includes, in the absence of proof of a minimum blood quantum, any citizen of the United States who is regarded as an Alaska Native by the Native village or Native group of which he claims to be a member and whose father or mother is (or, if deceased, was) regarded as Native by any village or group. Any decision of the Secretary regarding eligibility for enrollment shall be final."

All persons who qualified as Alaska Native could enroll in a regional corporation (including the 13th Regional Corporation if they lived outside of Alaska), but residency was especially important in determining whether an Alaska Native would belong to a village/urban corporation as well as the regional corporation. Alaska Natives who were not enrolled with a village corporation became "at-large" shareholders of their respective regional corporations.

ANCSA Section 5(b) provided exceptions for Natives who were not residing in the region of their choice when the roll was prepared, prioritizing enrollment in the following order: 1) the region where the Native had resided at the time of the 1970 census (defined as April 1, 1970); 2) the region where the Native had

resided for 10 years or more; 3) the region where the Native was born; and 4) the region in which an ancestor was born.

Alaska Natives initially enrolled based on the location of their "permanent residence." This was defined by federal regulation as "...place of domicile on April 1, 1970, which is the location of the permanent place of abode intended by the applicant to be his actual home... a Native may be enrolled in a different region when necessary to avoid enrolling members of the same family in different regions or otherwise avoid hardships" (Federal Register, Vol. 37, No. 24, February 1, 1972).

The distinction between an Alaska Native's residence on April 1, 1970, and the place he or she considered home was clarified several weeks later by a change in the regulation: "It (the permanent residence) is the center of the Native family life... to which he has the intent to return when absent from that place... A region or village may be the permanent residence of an applicant on April 1, 1970, even though he was not actually living there on that date, if he has continued to intend that place to be his home" (Federal Register, Vol. 37, No. 53, March 15, 1972; for the applicable federal regulation see 25 CFR Sec. 43h.1[k]).

"When all [the applications were] compiled, we wrote to individuals," recalled John Hope, who headed up the enrollment project for the Bureau of Indian Affairs. "In the top right-hand corner, this is where we put the community of enrollment. If you disputed this, you had to let us know within a, I believe, 30-day time limit. If you did not dispute, you ended up [in the community listed]. If Sitka was your choice, we went there to determine if they knew you or not. If they disputed, [the applicant] could still end up there."

Few of the people who had the opportunity to choose between where they were living and where they came from could have predicted the consequences of such decisions.

The first enrollment was conducted under the provisions of the ANCSA (Public Law 92-203). Qualified Alaska Natives who failed to enroll the first time got a second chance under Public Law 94-204, passed in 1976. In the Sealaska region, an additional 446 shareholders enrolled under PL 94-204, adding three percent to the total enrollment. Adjustments to the rolls have been made since then through court action and legislative means.

Page 27 – NAMING SHEE ATIKÁ

Shee Atiká is a modern spelling of the original Tlingit word for Sitka (*Shee Aťiká* - or sometimes *Sheetka*) Kwáan. A kwáan is vaguely akin to tribe, but is more accurately defined as a geographical area where several clans lived in close association with one another. There are several versions of the etymology, or linguistic origin, of Shee Atiká, but most agree that its literal meaning is "people of the outer branch or edge," the perceived shape of that part of Baranof Island occupied by early Tlingits. Herman Kitka cites a slightly different version, one that suggests the prefix "Shee" comes from the Tlingit place name for Kalinin Bay on the north end of Kruzof Island.

Page 29 – KATLIAN BAY

The 3,000-acre Katlian Bay selection was Shee Atiká's first land nomination. According to founding director Buck Carroll, the reason for selecting the land was because of its potential real estate value. The timber on the Katlian land had been recently harvested, but at the time the board made the selection, a road extension north of Sitka was planned that would provide access to the land. The road has yet to be built.

The Katlian conveyance was reduced by approximately 40 acres when Alice and Charcoal islands were conveyed to Shee Atiká as provided by ANILCA Section 1434.

Page 29 – LAND SELECTION

The participation of Southeast Alaska Natives in the statewide settlement of Alaska Native claims was a near thing. Emil Notti, president of the Alaska Federation of Natives (AFN), presided at the meeting when the issue was debated, which he remembers as occurring in early 1968. "At the time, we had a 25-person board," Notti recalls. "We had a hot argument; even our lawyers were jumping in, and finally we had to clear the room and have an executive session. The argument against including [the Tlingit-Haida people] was that they already had a settlement, and that including them would weaken our position. The argument in favor was that they didn't get a fair settlement. We wanted to help them get a fair settlement, and with them there would be strength in unity." A vote was held, the board split down the middle, and Notti cast the vote that broke the tie. The Tlingit and Haida people were included in the statewide claims effort.

Even though the judicial resolution of the Tlingit and Haida claims was neither fair nor comprehensive, it was the primary reason why the 12 village/urban corporations of Southeast were entitled to each receive only one township (23,040 acres – a number that increased slightly for several corporations, including Shee Atiká, through later land exchanges); all other Alaska village corporation land entitlements were based on village populations. If the same formula had applied to Southeast, Shee Atiká would have received 161,280 acres and collectively the twelve Southeast Alaska village/urban corporations would have received conveyance of approximately 1.6 million acres, not including Sealaska's entitlement.

According to Sealaska's 2010 annual report, the village and urban corporations within the Sealaska region have received 278,100 acres and expect a total conveyance of 286,400 acres. Sealaska has received title to approximately 290,800 acres of an expected total conveyance of 375,000 acres. Upon comple-

tion of conveyances, Sealaska and the ANCSA corporations within its region will hold title to approximately 661,400 acres.

The key provision affecting urban corporations' land conveyance rights is ANCSA Section 14(h)(3), which required the Secretary of the Interior to convey to urban corporations "... not more than 23,040 acres of land, which shall be located in reasonable proximity to the municipalities."

A regulation (43 Code of Federal Regulations 2653.7) issued shortly after the passage of ANCSA defined what "reasonable proximity" meant and established a procedure for the selection process: "The corporations representing the Natives residing in Sitka, Juneau, Kenai and Kodiak shall nominate not less than 92,160 acres of land *within 50 miles* of each of the four named cities which are similar in character to the lands in which each of the cities is located. After review and public hearing, the Secretary shall withdraw up to 46,080 near each of the cities from the lands nominated. Each [urban corporation] may select not more than one half of the acres withdrawn for selection by that corporation. The Secretary shall convey the area that is finally selected." (Emphasis added.)

The nomination process commenced on April 12, 1974, when the Bureau of Land Management (BLM) of the U.S. Department of Interior sent letters to all four urban corporations explaining the process of nominating lands for selection under ANCSA Section 14(h)(3).

Most of the activity related to the filing of nominations by Goldbelt and Shee Atiká took place in the first three months of 1975. In early February, representatives of Goldbelt, Shee Atiká, and Sealaska met with BLM and U.S. Forest Service officials in Juneau, at which time the two urban corporations presented their proposed land nominations on Admiralty Island. Shee Atiká and Goldbelt officially filed for lands near Hood Bay and Cube Cove, respectively, with the Alaska office of the BLM on February 28, 1975. A week later Goldbelt requested a waiver of the regulation that restricted nominations to within a 50-mile radius of Juneau. BLM Alaska concurred with the request and the U.S. Secretary of the Interior waived the regulation on May 20, 1975, allowing Goldbelt to move its nomination from the Cube Cove area to lands more than 60 miles from Juneau that were adjacent to nominations by Kootznoowoo and Shee Atiká.

CHRONOLOGY OF LITIGATION

[From page 42]

November 1975
Shee Atiká v. Kleppe, brought by Shee Atiká contesting the U.S. Secretary of Interior's refusal to withdraw Chaik Bay for selection by Shee Atiká.

December 1975
Kootznoowoo Inc. v. Kleppe, brought by Kootznoowoo challenging the withdrawal of land on Admiralty Island for selection by Goldbelt and Shee Atiká.

August 1981
Sierra Club/Angoon files appeals to federal agencies—the Interior Board of Land Appeals, and the Alaska Native Claims Appeals Board—to block conveyance of lands to Shee Atiká.

December 1981
The Interior Board of Land Appeals and the Alaska Native Claims Appeals Board dismiss claims and approve conveyance to Shee Atiká.

December 1981
Shee Atiká receives interim conveyance of Cube Cove lands.

March 1982
Sierra Club v. Watt filed in U.S. District Court in Washington, D.C., appealing conveyance of Admiralty lands to Shee Atiká.

April 1982
Shee Atiká issued Corps of Engineers 404 and Alaska Department of Environmental Conservation 401 permits for log transfer facility at Cube Cove. (These permits were requirements of the federal Clean Water Act.)

May 1982
Sierra Club requests administrative hearing on state 401 permit certification.

June 1982
Sierra Club files lis pendens (notification of suit pending) based on *Sierra Club v. Watt.*

October 1982
Shee Atiká starts logging at Cube Cove log transfer facility site.

November 1982
Sierra Club obtains temporary restraining order against Shee Atiká in a new lawsuit, *Sierra Club v. Alaska Department of Environmental Conservation,* stopping logging at Cube Cove.

November 1982
Shee Atiká's negotiated commitment for a $20 million loan from Travelers Insurance Co. fails because of cloud on title due to lis pendens.

December 1982
Shee Atiká seeks congressional remedy. Congress attaches rider to appropriations bills (PL 97-394, Section 315) that reaffirms conveyance of Admiralty properties.

January 1983
Sierra Club files *Sierra Club v. Alaska Department of Natural Resources* challenging Shee Atiká's notice regarding timber harvesting.

January 1983
Sierra Club files *Angoon v. Marsh* in Alaska U.S. District Court seeking declaratory and injunctive relief to prohibit logging in Cube Cove.

February 1983
Alaska Superior Court extends temporary restraining order to an injunction against Shee Atiká, prohibiting logging until 401 appeal completed. (*Sierra Club v. ADEC)*

March 1983
Dept. of Environmental Conservation holds administrative hearing on 401 certification.

March 1983
U.S. Army Corps of Engineers agrees to withdraw 404 permit for Cube Cove log transfer facility and conduct environmental impact statement pursuant to stipulation in *Angoon v. Marsh.* This stops development of the Cube Cove log transfer facility.

March 1983
Shee Atiká v. Sierra Club filed by Shee Atiká seeking declaratory, injunctive, and monetary relief from Sierra Club.

April 1983
Shee Atiká v. Sierra Club filed by Shee Atiká seeking additional declaratory relief confirming Shee Atiká's title at Cube Cove.

May 1983
Shee Atiká starts timber operations on Admiralty.

August 1983
State Department of Environmental Conservation commissioner issues decision confirming 401 certification to Shee Atiká.

To summarize, Goldbelt included the Cube Cove area of Admiralty Island in its initial nominations, while Shee Atiká nominated land in the Hood Bay area of Admiralty just south of Angoon. Goldbelt was then allowed to select land in the Mitchell Bay area adjoining the selections of both Shee Atiká and Kootznoowoo. In 1977, Goldbelt relocated its selections to Hobart Bay and vicinity on the mainland 70 miles south of Juneau. Later still, Shee Atiká opted to relocate its selections 30 miles north of Hood Bay and select the lands at Cube Cove.

Page 30 – THE 50-YEAR SALE

The 50-year sale referred to in the text was the contractual agreement between the U.S. Forest Service and Alaska Pulp Corporation, signed in the mid-1950s, that provided a 50-year supply of timber for the Sitka-based pulp company. The area covered by the agreement included land on Kuiu, Baranof and Chichagof islands. After APC closed its Sitka pulp mill in 1993, the U.S. Forest Service cancelled the 50-year contract. Another 50-year contract, between Ketchikan Pulp Company and the U.S. Forest Service, signed in the same era, involved large tracts of timber on Prince of Wales Island and vicinity. The Ketchikan pulp mill closed in 1997, and that 50-year contract was cancelled by mutual agreement in 1999.

Page 33 – CHAIK BAY

Shee Atiká included in its initial nomination 4,000 acres of timber in Chaik Bay, on southwest Admiralty Island. Former corporate consultant and executive director Warren Weathers described the timber there as some of the best in Southeast Alaska. "The spruce in Chaik was just beautiful, on easy ground, well drained. The selection was contiguous with Hood Bay," Weathers said.

The Secretary of Interior refused to withdraw Chaik for selection. Shee Atiká hired attorney Edward Weinberg, a former solicitor general for the U.S. Department of Interior, who filed the lawsuit *Shee Atiká v. Thomas S. Kleppe* (U.S. Secretary of Interior), in the U.S. District Court for the District of Columbia on November 25, 1975. The lawsuit alleged that the withdrawal area (the 46,080 acres withdrawn for Shee Atiká's final selection) "...did not include substantial portions of the lands nominated..." (i.e., Chaik Bay), and that the lands actually withdrawn "...were of far lessor value to [Shee

September 1983
Shee Atiká applies for permit under Section 402 of the federal Clean Water Act—first ever required for a logging operation in the U.S.

September 1983
Shee Atiká moves crews and equipment to Admiralty for logging.

September 1983
Sierra Club appeals Department of Environmental Conservation commissioner's decision regarding 401 certification to state Superior Court: *Angoon v. DEC.*

September 1983
Sierra Club appeals Water Right Application of Shee Atiká.

November 1983
U.S. Senate oversight hearings into Sierra Club's efforts against Shee Atiká.

March 1984
Preliminary injunction issued against Shee Atiká in *Angoon v. Marsh.* Logging and road building stopped.

March 1984
Sierra Club removes lis pendens against Shee Atiká's title.

April 1984
U.S. District Court rules 402 permit needed for log transfer facility, in *Angoon v. Marsh.*

April 1984
Shee Atiká issued long-term tidelands lease from state Department of Natural Resources for construction of log transfer facility.

April 1984
U.S. District Court issues injunction prohibiting Shee Atiká from developing its lands, in *Angoon v. Marsh.*

May 1984
Shee Atiká appeals District Court preliminary injunction ruling of April 1984 to 9th U.S. Circuit Court of Appeals.

June 1984
Court awards attorney fees to Shee Atiká in *Shee Atiká v. Jeffers.*

October 1984
U.S. Army Corps of Engineers issues final environmental impact statement on Shee Atiká's log transfer facility and NPDES (National Pollutant Discharge Elimination System) permit.

November 1984
Shee Atiká sells and ships half cargo of logs from Admiralty Island.

December 1984
9th U.S. Circuit Court overturns preliminary injunction in *Angoon v. Marsh.*

February 1985
U.S. Army Corps of Engineers issues 404 permit for log transfer facility.

February 1985
Superior Court upholds state DEC commissioner's decision regarding 401 certification in appeal, *Angoon v. DEC.*

March 1985
U.S. District Court consolidates *Angoon v. Marsh, Shee Atiká* v. *Sierra Club* and *Sierra Club v. Watt* into one case—*City of Angoon v. Hodel.*

March 1985
U.S. Environmental Protection Agency issues draft 402 permit for log transfer facility.

April 1985
Sierra Club files consolidated complaint seeking declaratory and injunctive relief against federal government and Shee Atiká.

May 1985
Summary judgment motions filed regarding subsistence and Section 22(k) provisions of ANCSA in *City of Angoon v. Hodel.*

June 1985
U.S. Environment Protection Agency issues 402 permit to Shee Atiká for log transfer facility.

August 1985
Shee Atiká files request for evidentiary hearing regarding the NPDES (National Pollutant Discharge Elimination System) permit.

October 1985
U.S. District Court rules in favor of Shee Atiká on subsistence and 22(k) summary judgment motions filed in *City of Angoon v. Hodel.*

March 1986
9th U.S. Circuit Court denies Sierra Club appeal of *City of Angoon v. Hodel.*

October 1987
U.S. Supreme Court denies further review, effectively ending all litigation.

Atiká] than the lands it requested." The lawsuit also alleged that the Sierra Club had improperly influenced the decision.

The Chaik Bay lawsuit became moot when Shee Atiká bowed to political and practical realities and shifted its selections north to Cube Cove after Goldbelt vacated the area in favor of Hobart Bay.

Page 33 – THE ALASKA LANDS BATTLE

The Secretary (of Interior)... is directed to withdraw from all forms of appropriation under the public land laws... up to, but not to exceed, eighty million acres of unreserved public lands in the State of Alaska... which the Secretary deems suitable for addition to or creation as units of the National Park, Forest, Wildlife Refuge, and Wild and Scenic River Systems..." ANCSA, Section 17(d)(2).

In his book *Inhabited Wilderness,* Theodore Catton wrote: "As Congress and the Nixon administration took up the [Alaska] native claims question in 1969, a number of individuals in the Wilderness Society and the Sierra Club advanced the idea of linking new national parks and wildlife refuges to the actual native claim settlement.

"It was David Hickock, a member of the federal Field Committee for Development Planning in Alaska and co-author of *Alaska Natives and the Land,* who first suggested adding a provision to the native claim settlement bill that would see to the interests of conservation. Hickock proposed the amendment to Senate Interior Committee Staff Counsel William Van Ness, who saw that the provision was inserted in a native claims settlement bill that the senate passed in 1970."

The Alaska Native claims bill died in committee at the end of the 91st Congress, but it was taken up again by the 92nd Congress in 1971. By then, the Alaska Coalition, an umbrella group for national environmental organizations, was ready.

With 44 million acres allocated to Native corporations, and the D-2 provision that allocated 80 million acres to parks and wilderness preserves, the total amount of Alaska lands encumbered by ANCSA amounted to 124 million acres, exceeding by the nearly 20 million acres the land available for selection by the state of Alaska.

Conservation groups, development interests, the State of Alaska, and Alaska Native Corporations squared off throughout the "D-2" period, which encompassed Jimmy Carter's presidency. The Alaska National Interest Lands Conservation Act (ANILCA) of 1980 was one of the last bills President Carter signed.

Section 506 of ANILCA provided Shee Atiká the conveyance of timberlands at Cube Cove, and Section 1434 permitted Shee Atiká to acquire property on Alice and Charcoal islands next to the Sitka Airport, in exchange for a portion of Shee Atiká's selection at Katlian. Section 506 precisely defined the boundaries of the land conveyance at Cube Cove rather than simply specifying that Shee Atiká was to receive 23,040 acres. When these precise boundaries were eventually surveyed (including the shorelines of the three large lakes within the selection), the result was that Shee Atiká's acreage at Cube Cove is slightly less than 23,040 acres. The corporation's total conveyances, with Alice and Charcoal islands and the Katlian Bay lands added, exceed 26,000 acres.

Other provisions of ANILCA doubled the size of America's National Park System and added millions of acres of new wilderness areas and wildlife refuges, including the nearly one million square-acre Admiralty Island National Monument Wilderness Area (later renamed the Kootznoowoo Wilderness), which surrounds Shee Atiká's Cube Cove lands. As a result, Cube Cove became an in-holding to the wilderness area, setting the stage for subsequent Sierra Club litigation.

Page 37 – DEBTS THROUGH 1978

The June 30, 1978, Shee Atiká's Annual Report listed as long-term debts the following:

- A line of credit from Sealaska for up to $500,000 at 7 percent interest;
- An additional $300,000 line of credit from Sealaska at 11 percent;
- A $6 million BIA-guaranteed loan for construction of the Shee Atiká Lodge.
- A loan of $500,000 from the Alaska Lumber & Pulp Co. at 8 percent (in the form of an advance sale of timber);
- A $100,000 loan from Huna Totem at 11 percent, with an option to convert to limited-partner interest in the Shee Atiká Lodge;
- An unsecured loan of $50,000 from Shee Atiká director Herman Kitka on September 24, 1977, at 11 percent interest.

Because Shee Atiká had not received initial funding from the Alaska Native Fund, and otherwise had no significant source of income, the debts would continue to grow. By 1987, the corporation's debts exceeded $29 million. (See Endnote on page 99: "Shee Atiká's Long Term Debt.")

Page 38 – HOTEL FINANCING

The $6 million BIA-guaranteed loan came with a condition that led to later complications: a requirement that Shee Atiká hire a third party management company. With construction costs exceeding the loan amount by $1.5 million, a limited partnership was formed between Shee Atiká's wholly owned subsidiary, Shee Atiká Hotels, Inc., and limited partners who invested in the hotel for tax advantages. A limited partner is generally an investor who supplies cash without having a say in the business, although in this case the limited partners prevailed in the selection of the hotel management group, Village Green, which turned out

to be a poor choice under the circumstances. Shee Atiká Hotels, Inc. was the general partner, or operator, of the business.

Page 39 – BUYING OUT THE PARTNERS

According to Shee Atiká auditor John Ferris, "There was some real disappointment [among the limited partners] when it looked like the hotel might not make it. The corporation eventually settled with the limited partners for an amount less than what they had invested. Several didn't want to settle and threatened legal action."

"[We] bought back 85 percent of the limited partners who invested in the lodge at a price of about 15 cents for each dollar of potential liability," said Shee Atiká director Dr. Kenneth Cameron in the corporation's April-June 1990 newsletter. "John Davis, chairman of [Shee Atiká Hotels, Inc.], and his whole board deserve a lot of credit for making the repurchase go as well as it has for Shee Atiká."

The remaining limited partners were bought out shortly thereafter and eventually Shee Atiká Hotels was liquidated. The result was that Shee Atiká Inc. owned 100 percent of the Lodge.

Shee Atiká and Sheffield Enterprises entered into a joint venture agreement in 1986. Under the terms of the agreement, Sheffield assumed management of the Shee Atiká Lodge and suspended hotel functions at the Sheffield Hotel, using the rooms there as reserve capacity. While this agreement improved operating results, Shee Atiká still did not enjoy the profits originally expected, primarily because of the debt that still remained on the Lodge.

Westmark Hotels took over Sheffield Enterprises in 1987 and continued to operate the Shee Atiká Lodge under provisions of the joint venture agreement. The agreement was renegotiated in December 1991, at which time Shee Atiká acquired the Sheffield Hotel and renamed it Totem Square. Under a new agreement, Westmark continued to manage both properties. The Lodge was subsequently sold in 2004 and Shee Atiká has since managed Totem Square, a property that has been frequently upgraded in the years since it was acquired, including the construction in 2011 of a new restaurant, the Dock Shack Café.

Page 41 – TIMBER APPRAISAL

In his summary of the timber appraisal commissioned by Shee Atiká, Wesley Rickard wrote, "The objective of this appraisal is the fair market value of the subject timber and commercial forestland at August 15, 1981. The fair market value determined is applicable to the entire property if sold as a unit or if sold in major sub-units... The subject timber is well blocked. It is a prime commercial forest property, with export markets available for grade logs and with pulp log markets at Sitka and Ketchikan. If this subject property were offered for sale, it would receive a high level of market interest."

According to the appraisal, Shee Atiká's timber was worth $176,000,000 and its commercial forestland $700,000.

Page 41 – SEALASKA'S LINE OF CREDIT

In 1976, Shee Atiká entered an agreement with Sealaska for a $500,000 line of credit at 7 percent annual interest, collateralized "by surface rights to land selected under [ANCSA]." The advances and accrued interest would convert to a 5-year loan in 1981, payable at 7 percent in twenty quarterly installments. In 1978, another $300,000 was added to the line of credit, which was also to mature in 1981, but at a rate of 11 percent. In 1979, a $1,663,704 line of credit was arranged, which consolidated previous loans, at a floating interest rate, which at the time was 15 percent, due in 1989. The 1979 agreement included "...restrictions on the payment of dividends, mortgage encumbrances, harvesting of timber, and certain corporate activities *without the prior approval by Sealaska Corporation*." (Emphasis added.)

In 1980, the line of credit was renegotiated and reconsolidated at $3,035,713. Shee Atiká's financial statements for that year reported that Sealaska could call the note on demand. "However, Shee Atiká has obtained assurance from Sealaska that they will not demand payment for any of the debt... prior to January 1, 1982." (1980 Financial Statement, Note 5 [c].) The interest rate reported for 1980 was 14 percent. By year-end 1981, Shee Atiká's draw downs from the line of credit had indebted it to Sealaska for a total of $3,024,277, an amount that was accruing interest at a rate of 18 percent, adjusted quarterly. By 1987, when Shee Atiká repaid the line of credit, interest accruals had ballooned the debt to over $6 million.

Page 43 – THE SIERRA CLUB'S TACTICS

In November 1983, at oversight hearings chaired by Alaska Senator Frank Murkowski, William Horn, Deputy Undersecretary of the Department of Interior, provided a federal agency perspective on the Sierra Club's role in the Admiralty Island conflict. During his testimony, Horn noted that Shee Atiká was the only Native corporation forced to prepare an environmental impact statement (EIS) prior to conveyance. (Horn consistently erred in referring to events as occurring in 1974 that actually took place in 1975, corrected in the following copy.)

"At the time of the initial nominations [1975], neither Kootznoowoo, Inc. nor the village of Angoon voiced objections at the hearings held first in April [1975]. However, the Sierra Club, in May [1975], did object and informed Interior of its objections to Admiralty Island nominations and said that it, the Sierra Club, would sue if an environmental impact statement were not prepared on those withdrawals. Let me comment that this demand, nine years ago [sic] by the Sierra Club, was terribly unreasonable, because environmental impact statements

were not required and have not been required on any other land to be conveyed to any native corporation in the State of Alaska. No other withdrawal of land for natives has ever been so challenged, even in sensitive areas such as the Arctic National Wildlife Refuge, the Kodiak Wildlife Refuge, and the areas today that now comprise some of our prime parklands."

According to Ethel Staton, a director of Shee Atiká since its founding who ended her tenure on the board in 2007, the environmental impact statement, required before the corporation could begin timber operations at Cube Cove, cost more than half a million dollars. It is not possible to determine the exact expense of the legal, environmental, and procedural actions forced on Shee Atiká by the Sierra Club and Angoon, but is estimated to have exceeded $6 million, not including considerable "lost opportunity" costs.

Page 45 – PRE-ATIKON TIMBER HARVESTS

Some logging was done at Cube Cove on Admiralty Island in the years 1983 (7,351 mbf of export), 1984 (2,255 mbf of export), and 1986 (13,234 mbf of export). Such volumes were insufficient for the timber operations to be profitable. Shee Atiká's motives for conducting logging operations during this period were primarily related to the environmental litigation—to show the company's determination to harvest timber despite the best efforts of the Sierra Club.

["Export" refers to timber of better quality than pulp grade.]

Page 46 – SEALASKA'S SUBSURFACE RIGHTS

Sealaska's goal during the Admiralty Island land exchange negotiations was to acquire valuable mineral rights by separating its subsurface rights from Shee Atiká's surface rights. Each of the 12 regional ANCSA corporations in Alaska own subsurface estate underlying the village/urban corporation land within their respective regions. There are exceptions: certain village/urban corporations own surface as well as subsurface estates of some land acquired through amendment to ANCSA, usually through land exchanges. For example, Shee Atiká acquired the subsurface underlying its 33 acres at Alice and Charcoal Island through a land exchange with Sealaska.

In 1987, Robert Loescher, by then Senior VP of Resource Management for Sealaska, explained the regional corporation's support of the Admiralty Island Land Exchange Act: "Our intent was to preserve economic opportunities for our people through the exchange of our subsurface rights at Cube Cove to a 15,000 acre subsurface estate adjacent to Greens Creek mining claims." (Sealaska Shareholder, April/June 1987 newsletter.)

The "split estate" of village/urban corporate land, one of the unusual aspects of ANCSA, eventually led to litigation between Shee Atiká and Sealaska. Section 7 of ANCSA requires the regionals to share revenue derived from the development of the subsurface estate, so it appears the congressional intent of splitting the surface from the subsurface was to avoid inequitable distribution of wealth. "Mineral estate" is the better understood legal concept, but Congress chose to use the ill-defined term "subsurface estate." Left unanswered was if Congress intended to include sand, gravel, and rock as part of the subsurface estate.

In 1992, Shee Atiká brought a lawsuit against Sealaska over the issue. Often referred to as the "sand and gravel" issue, it was really about rock in the case of Cube Cove where the logging roads are built almost entirely of crushed rock. The exact dividing line of the split estate was as yet undetermined. Shee Atiká's position was that urban/village corporations could make free use of the subsurface rock, sand, and gravel for building roads and facilities necessary for surface developments on its own ANCSA land. Sealaska's view was that it owned everything beneath the surface; that it had the right to set whatever price it wanted for subsurface resources and could deny access if its unilaterally set price was not paid. After several years of litigation, the case was decided by the 9th U.S. Circuit Court of Appeals, which ruled that Sealaska and other regional corporations were able to charge for their rock, sand, and gravel but could only charge the fair market value. In the settlement discussions that followed, Sealaska agreed to sell Shee Atiká rock at a predetermined price and to limit increases to 1 cent per cubic yard per year through year 2002. Shee Atiká agreed to pay Sealaska's royalty charges—although at no interest—back to 1985. Sealaska also agreed to maintain a rebate program for Native corporations purchasing its rock. The net result of the rebate program was that subsequent payments by Shee Atiká to Sealaska were substantially less than the stated royalty rate.

Page 47 – THE COMPREHENSIVE EXCHANGE

An internal memo by Emily Fuhrer, an Angoon city employee, recorded the discussions about the proposed Shee Atiká land exchange during a meeting that took place in Angoon on July 10, 1985, with the main players from the Sierra Club, the Sierra Club Legal Defense Fund, the city of Angoon, and Kootznoowoo, Inc. As Fuhrer recorded, Dr. Edgar Wayburn, head of the National Sierra Club, objected to provisions that addressed the interests of Kootznoowoo, Haida Corporation, and Sealaska. Wayburn feared the extra baggage would derail the legislation. The main item of discussion was who would get behind the bill. Fuhrer wrote: "At present it appears that Angoon, Kootznoowoo, Sierra Club, and Shee Atiká are all on the same side. Noranda and Sealaska are less certain."

Noranda, owner of the Greens Creek Mine, was hostile to the idea of Sealaska grabbing an interest in mineral rights that "Noranda already feels it owns." Sterling Bolima, Kootznoowoo's legislative strategist, argued that a bill should be introduced in Congress by August 1, while others, Fuhrer noted, thought the date unrealistic, "especially since Shee Atiká has not yet

been able to conduct all the studies it needs to do to determine whether the Kuiu Island lands meet its needs." Bill Munday, a special assistant to the mayor of Angoon, told the group that Roger Snippen "has frequently told him that Shee Atiká would be going ahead more quickly if it had help from others. Sealaska has promised help but has been delinquent in providing it."

Fuhrer's notes are consistent with Roger Snippen's recollections. During an interview on December 14, 1999, Snippen said that if the Alaska delegation (Senators Ted Stevens and Frank Murkowski, and Representative Don Young) thought Shee Atiká wanted the bill, they would have helped. Snippen said he recalls being upset with what he viewed as a frivolous bill: "Everyone—Sealaska, the Forest Service—was pushing us onto timber that [wasn't any good]. For me, it was just additional work load, but I had to look at the timber to show the [Shee Atiká] board that the exchange wasn't feasible."

On September 4, 1986, the timber industry called in its chits. In a letter on that date from long-time timber industry counsel James F. Clark to Senator Frank Murkowski, Clark requested amendments he claimed had been promised by Sealaska.

Durwood Zaelke, attorney for the Sierra Club, responded in a hand-delivered letter, dated September 16, 1986, to Robert Loescher of Sealaska: "We must unequivocally reject the proposed changes... The agreement to go forward without an active effort to kill the bill was reached only after [environmentalists] were given assurances that the bill would not be changed further... Only the most minor of technical changes can be considered without destroying the careful compromise that has been worked out."

Under such conflicting demands, the carefully crafted land exchange legislation unraveled and died with the Congress that ended at the close of 1986.

Page 49 –SHEE ATIKÁ'S LONG-TERM DEBT

The corporation's 1983 financial statement listed the following as loans: $4.3 million owed to Sealaska, payable upon demand; $6 million owed to the BIA for the construction of the hotel; just over $1 million to the Alaska Lumber & Pulp; and under "subsequent event," the financial statements note an agreement with the Bureau of Indian Affairs of a $4 million draw down loan, of which $1.8 million had been received by March 1984.

By 1987, Shee Atiká's debt exceeded $29 million:

BIA	$13,950,903
Sealaska	6,098,827
Silver Bay Logging	3,000,000
Lawyers	2,514,701
Lodge Partners	1,779,813
Alaska Lumber & Pulp Co.	1,272,818
Engineers and suppliers	628,258
Other loans	240,201
Total	$29,485,521

Page 49 – NOL TRANSACTIONS

Section 21(c) of ANCSA permitted Native corporations to establish a tax basis in timberlands received from the U.S. government equal to the higher of the timberland's value at the time of conveyance or at the time the timberland was first commercially developed. Most Southeast ANCSA corporations received their timber during the late 1970s through 1981, a period of time when timber values were particularly high, and thus were able to establish a high tax basis for their timberlands.

Shortly after ANILCA was enacted, Shee Atiká acquired its Cube Cove timberlands. The corporation then hired Wesley Rickard, an independent timber appraiser. His 1981 appraisal concluded that the timber was worth $176 million and the timberland $700,000 at the time of conveyance.

In succeeding years, timber prices plummeted. Timber that was sold when prices were low resulted in a tax loss.

Net operating losses sheltered income from taxation. Normally, a corporation will carry forward excess net operating losses to offset future income, thereby reducing future taxation. A more complicated alternative was to transfer net operating losses from one corporation to another, thereby sheltering from taxation the income of the profitable corporation.

The Tax Reform Act of 1984 eliminated the NOL transaction loophole for all but Native corporations. Alaska Senator Ted Stevens introduced clarifying language that was added to the "Deficit Reduction Act of 1986," which stated that "No rule of law shall interfere with... the opportunity of ANCSA corporations to engage in net operating loss transactions." With this clarification of the 1984 act, profitable corporations seeking tax shelters actively courted ANCSA corporations.

The cash value of NOLs depended on the corporate tax rate at the time the deal was transacted. During this period, most of the potential purchasers of NOLs were paying a 46 percent corporate tax rate on income, and each dollar of net operating loss would therefore save 46 cents.

The typical NOL transactions with Native corporations that occurred before 1986 were 50/50, or about 23 cents on the dollar–a rate that reflected uncertainty that the transaction would withstand the scrutiny of the Internal Revenue Service

The terms improved for Native corporations after Sen. Stevens added the language that made it clear such NOL transactions had congressional approval. By mid-1987, Native corporations were receiving as much as 37 cents out of every 46 cents in tax savings for each NOL dollar sold. In the words of Shee Atiká's accountant John Ferris, this is how it worked:

"At first the transactions were looked at as normal NOL deals, like prior to the 1984 act, when they were selling at 10 cents on the dollar. Then Drexel was talking 20 cents. Then it crawled up to 50/50 [23 cents on the dollar at a 46 percent tax rate], then the terms moved up to 80 percent of the tax [80 percent of the 46 percent corporate tax rate was 37 cents on the dollar]. It depended on the year-end corporate tax rate, which could have stepped down from 46 percent to 44 percent to 42 percent — all a part of the 1986 act. Some of those NOL deals were layered; in other words, you got less for smaller amounts: first $15 million you got less, you got more for the next $15 million, and so on. Sometimes it was reversed, especially for the hard losses versus 'enhanced' losses. Typically, [Native corporations] got 80 percent on a blended basis. Many of the corporations were losing hard money versus the kind developed by depletion. Depletion depended on valuation losses on timber."

Shee Atiká's initial NOL transaction, in October 1986 with Drexel Burnham Lambert, involved hard losses associated with the Shee Atiká Lodge and the losses acquired through years of doing corporate business without sufficient income. This amounted to $16.7 million.

Ten times greater was the 1987 transaction with Quaker Oats. The $160 million in losses sold to Quaker Oats were realized by Shee Atiká's sale of timber to Atikon for approximately $10 million. These were considered "soft" losses since they were derived from depletion: the difference between the tax basis of the timber and the amount it sold for.

The NOLs sold by Shee Atiká to Drexel and Quaker add up to $176.7 million, which is very close to the original basis value of timber and timberland as established by the Rickard appraisal in 1981. This is pure coincidence since the determination of total net operating losses involved many considerations: the income from the timber and other assets at Cube Cove sold to Atikon, income from timber sold prior to the Atikon sale, losses realized through business operations, and many other details, all of which factored into the total net operating loss calculation.

Page 51 – THE SEALASKA OFFER

Among the timber buyers interested in Shee Atiká's timber was Sealaska. The 1987 offer by the regional corporation was approximately $13 million, but did not include any cash. In February 1987, Shee Atiká's board unanimously rejected this offer. When Jim Senna became CEO in late 1987, he examined the proposal and determined that Sealaska had seen an opportunity to force Shee Atiká into an unsatisfactory sale.

Page 52 – SALE TO ATIKON

Atikon was capitalized with $2,400,000, which was provided by Shee Atiká and Koncor Forest Products (Koncor) in the amounts of $1,176,000 and $1,224,000 respectively.

In June 1987, a sales agreement with Atikon was signed for all of Shee Atiká's standing timber at Cube Cove. Shee Atiká did not sell the land or the rights to the second growth timber. The principal sales agreement amounted to $10.25 million with additional terms providing for the purchase of harvested but unsold timber, equipment, and improvements such as roads, buildings, utilities and other assets. The breakwater issue complicated the sale. Atikon insisted Shee Atiká was obligated to build a breakwater to protect the loading facilities at Cube Cove, and Shee Atiká disagreed. Subsequent negotiations with Atikon resolved the issue, but at some expense to Shee Atiká. As of year end 1988, Atikon owed Shee Atiká $9,090,287 to be paid in annual installments of $1,101,120 including interest at 8 percent.

Page 53 – CASH DISTRIBUTIONS

Typically, when Southeast ANCSA corporations distributed cash generated from timber harvests to shareholders, the money was considered a return of capital, not dividends from earnings and profits, and under federal tax law shareholders did not have to pay income tax for such distributions. From a technical tax perspective the distributions of NOL proceeds were also a return of capital.

Shee Atiká's first distribution of $30 per share made in 1987 paled in comparison to the hundreds of dollars per share made at the time by other corporations, but it was a disparity that had much to do with the relative numbers of shareholders in each Southeast Native corporation. Shee Atiká, with more than 1,850 original shareholders, was second in shareholder population only to the other Southeast urban corporation, Goldbelt (2,722), but much larger than the 10 Southeast village corporations, with three times more shareholders than Kootznoowoo (629), seven times more than Klukwan (253), and 15 times more than Kavilco (120).

Page 53 – SNIPPEN RESIGNS

By early 1987, the accumulated pressures had taken their toll, and Snippen made known his intention to resign. By mutual agreement, his departure was delayed to give the board sufficient time to recruit a replacement.

Because of Snippen's announced resignation, and in consideration that he had a job offer with Atikon, Dr. Kenneth Cameron, at the time Chairman of the Shee Atiká Board of Directors, and director Gene Bartolaba conducted negotiations with Atikon in October and November of 1987 to conclude the second part of the timber sale, which cleared up most outstanding issues.

Following his departure from Shee Atiká on December 15, 1987, Snippen was hired as Atikon's first CEO, an arrangement that was short-lived. He later attended law school, and

is now a practicing attorney. In the corporate newsletter, first quarter of 1988, Dr. Kenneth Cameron paid tribute to Roger Snippen in his Message from the Chairman — "Our past President/CEO, Mr. Roger Snippen, was instrumental during the survival stage. I believe your directors could not have hired a better person to lead the Company through those many years of defensive litigation."

Page 55 – RECALL ELECTIONS

In the decade following the 1986 sale of NOLs, dissident shareholders throughout Southeast Alaska forced elections to recall the boards of each ANCSA corporation with the sole exception of Kavilco, the smallest of Southeast's village corporations. Dissidents organized around many issues, but common to all was the demand for large cash distributions to shareholders.

Alaska law provides that a corporation must call a special meeting for certain purposes if petitioned to do so by shareholders holding at least 10 percent of a corporation's stock. The purpose for calling the meeting must be properly disclosed on the petition, and the business transacted at such a meeting, if called, is limited to the stated purpose.

A high bar is established in the rules governing the recall of directors. Of the dozen or more recall elections that wracked Southeast ANCSA corporations in the years following the NOL transactions, none was successful.

Page 60 – AUDIT CALCULATIONS

Shee Atiká sold Quaker Oats approximately $160 million of NOLs and received $57.6 million in cash, of which $34.6 million was escrowed. The terms of the NOL transaction required Shee Atiká to assume 75 percent of the tax liability for whatever portion of the NOLs was not recognized by the IRS. If the IRS refused to recognize 30 percent of the value of Cube Cove timber, then $52.8 million of tax shelter would have vanished. With the resulting penalties and interest, Shee Atiká could have been stuck owing the IRS more than the amount held in escrow.

Page 60 – TWO THREATENING ISSUES

The original value of Shee Atiká's Cube Cove timber holdings is explained on page 97 (see Endnote: "Timber Appraisal"). Any appraisal is an estimate and therefore subject to negotiation during a review of tax issues with the IRS. The IRS hired its own appraiser who came up with a basis value of $67 million for Shee Atiká's timber as opposed to Rickard's appraisal of $176 million. Shee Atiká knew it would lose something; the challenge was to lose as little as possible. Among ANCSA corporations the issue was usually discussed in terms of the percentage of the original valuation that was retained, as in "We got 90% of our basis." But this was comparing apples to oranges.

The ANCSA corporations of Southeast owned different volumes and mixes of timber that were valued by several different timber appraisal methodologies. The contest for Shee Atiká was between the competing appraisals: Rickard's on behalf of Shee Atiká and that of the IRS appraisers.

The second issue involved Shee Atiká's sale of timber to Atikon, of which Shee Atiká owned 49 percent. How could a corporation sell almost all of its assets to another corporation, of which it owned nearly half, and then declare the sale a loss on its tax returns? There is a substantial body of tax law that recognizes as valid the sale of assets by one corporate entity to another corporation partially owned by the seller so long as the transaction is truly "arm's length." The deciding factor is whether or not the seller retains controlling interest of the asset that is sold. Shee Atiká proved, conclusively, that it did not control Atikon, thereby sustaining the validity of the arm's length business relationship.

Page 63 – THE DREXEL FLAMEOUT

The Wall Street Journal reported on Thursday, February 15, 1990, that Drexel Burnham Lambert had defaulted two days earlier on $100 million in loans, forcing it to seek bankruptcy protection. The report traced Drexel's financial meltdown back to September 1989 when it paid $500 million of $650 million in fines and restitution to settle charges stemming from the government's insider-trading investigation. A series of catastrophes followed: the firm lost tens of millions of dollars from a failed takeover, which led to a lowering of its credit rating. Then junk-bond prices plummeted, leading Drexel to take a huge write-down on its $1 billion portfolio of the high-yield, high-risk securities (junk bonds) in December 1989.

When a company files for bankruptcy, the bankruptcy court may recover recent payments made to creditors. Generally, debt payments made more than one year prior to declaration of bankruptcy are not subject to seizure by the court. Shee Atiká had redeemed the Drexel promissory note and converted it to an escrow account in early 1989, almost 14 months before the bankruptcy filing. Two other Native corporations did the same, and retained the NOL funds realized through NOL transactions with Drexel. Other Native corporations were not so fortunate and lost substantial amounts.

Shee Atiká received the final payment of the Drexel escrow funds, plus interest, on January 7, 1992. According to the press release by the corporation on that date, Shee Atiká received $3.6 million.

Page 64 – THE GRAVEL LAWSUIT

Mike Gravel (pronounced grah-VELL) lost the lawsuit he filed in 1988 against Shee Atiká's auditor, John Ferris, and others. Gravel eventually had to rescind the allegations of criminal misconduct— that Ferris had solicited a bribe from Gravel in 1987 when the NOL transactions were being negotiated. Gravel was representing the Heinz Corporation, famous for its ketchup.

The matter proceeded to litigation. The lawsuit was still active in 1991 at the time of the second recall attempt. Eventually, Shee Atiká's advisers were vindicated and the court imposed substantial penalties—including attorney fees—against Gravel and his attorneys.

In 2008, Gravel enjoyed a brief and improbable last hurrah as a candidate for president during the national Democratic primaries.

Page 64 – THE SECOND RECALL

The Reform Group's strategy was to hold the recall vote during the annual meeting of 1991, in effect "piggy-backing" on the corporation's annual proxy solicitation drive. By issuing their own proxy, the group hoped to generate sufficient support to recall the entire board and elect nine new directors.

According to The Reform Group's proxy statement, "Senator Gravel has agreed to serve as Shee Atiká's President/CEO if the Reform Group's slate of directors is elected. Like any employee, Senator Gravel would work for us through our Board of Directors."

Several newsletters issued by The Reform Group listed numerous allegations against Jim Senna, Bruce Edwards, and John Ferris. The recall effort was defeated decisively at the annual meeting on May 18, 1991, and there has been no similar effort since that time.

Page 65 – REBUTTING THE IRS APPRAISAL

In its August 1991 audit report, the IRS concluded that Shee Atiká's stumpage sale to Atikon produced recognizable losses for federal income tax purposes. The remaining issue involved the original value of Shee Atiká's timber. In the following excerpt of a letter by attorney Bruce Edwards, the timber appraisal by International Forestry Consultants commissioned by the IRS is subjected to a vigorous challenge:

"The IRS appraisal, among other things, (1) was done in retrospect at least eight years after the valuation date; (2) failed to recognize several substantial disparities between southeast Alaska and the Oregon/Washington timber markets from which its data was derived; (3) erroneously dismissed the most meaningful arm's length Alaska sale of comparable timber (Kavilco) in favor of relatively small volume salvage sales often involving Washington species (e.g., Douglas fir) not prevalent in Alaska (particularly at Cube Cove); (4) worked from incomplete and suspect market data; (5) inappropriately discounted and double-weighted that market data; (6) misused other domestic sales data, incorrectly assuming some of it to be related to export sales; and (7) employed a conversion return valuation analysis that has numerous flaws, such as overstated logging costs and inadequate data base." (Letter from Bruce Edwards to the District Director of the IRS, October 8, 1991.)

Page 67 – THE NOL TAX AUDIT SETTLEMENT

Shee Atiká's settlement with the IRS was the first large scale NOL audit to conclude. For other ANCSA corporations with audits pending, the settlement demonstrated that the agency was willing to settle at terms more favorable than many had thought likely when the audit process began.

As a result of the tax settlement, Shee Atiká had to return $6.5 million of the NOL purchase price to Quaker along with $3.3 million in interest.

Page 67 – THE "1991 AMENDMENTS"

Passed by Congress in 1988, the amendments are known, collectively and somewhat confusingly, as the "1991 Amendments," in reference to a provision of the Alaska Native Claims Settlement Act of 1971, which provided that shares issued could not be sold until 20 years after the date of enactment [see ANCSA Section 7(h)(1)]. This meant the shares could be sold to any willing buyer after December 18, 1991. The threat was clear by the early 1980s: unless Section 7(h)(1) was amended, shares in Native corporations would be marketable at the end of 1991, with the likely result that the most valuable Native land would eventually end up owned by non-Native interests. This concern was to occupy Alaska Native leadership for roughly six years (1982-88).

The issue was explained in a 1985 essay by Dr. Rosita Worl, anthropologist and commentator on Native affairs:

"The Alaska Native Claims Settlement Act represents a cultural encounter between two differing societies. ANCSA conveyed fee simple title to corporate entities in which stock is owned by individual Natives. It made no provisions to guarantee Natives born after 1971 access to land and it allowed non-Natives to inherit stock. In 1991, the restriction on ANCSA stock will be lifted.

"The 1991 issues, as Natives have defined them, revolve around the potential loss of land through the alienation of stock, loss of control of corporations that hold title to Native land and exclusion of Natives born after 1971. The Alaska Federation of Natives has formulated eight resolutions [that] offer varying solutions to these problems. The resolutions also call for approval of the issues by a vote of the shareholders" ("1991: Group Rights Versus Individual Rights," by Rosita Worl, Publisher, *Alaska Native News*, v. 3, April 1985, page 2).

While keeping in place the prohibition on the sale of ANCSA stock, the 1991 Amendments allowed the transfer of stock to the descendants of living shareholders, a process now referred to as "gifting." The amendments also provided added protections for ANCSA land conveyances, the creation of "settlement trusts" for a variety of purposes, and provisions to allow the issuance of new types of stock that could allow for the inclusion of Natives born after 1971 by means other than inheritance or gifting.

Page 67 – THE MCDOWELL SURVEYS

The McDowell survey of January 1992 randomly sampled the opinions of 300 shareholders, accurate to within plus-or-minus four percentage points. On the question of for or against a permanent fund, 89 percent of those surveyed supported the fund. This was found consistent with the first shareholder survey, conducted in 1989, when the opinions of 404 shareholders were sampled and 89 percent agreed that "a permanent fund for dividends" would be "important or very important."

The McDowell Group has conducted several other surveys for Shee Atiká since 1992.

Page 68 – THE SETTLEMENT TRUST ADVANTAGE

Settlement trusts offer three distinct advantages over the corporate form. First, because a settlement trust is a legal entity separate from the sponsoring Native corporation, the settlement trust is not liable for that corporation's debts and liabilities. Second, the duration of the settlement trust is established by its trust agreement. Such flexibility is not available to corporations. Third, settlement trusts are allowed to provide benefits – such as educational scholarships and elders' benefits – without running afoul of the rule that requires corporations to treat every shareholder equally, on a per share basis.

Shee Atiká's board recognized these advantages, and in 1992, after shareholder approval, formed one of the first settlement trusts in Alaska – the Shee Atiká Fund Endowment (SAFE), which it capitalized with $24 million of the proceeds from the Quaker Oats NOL transaction. As of this writing, SAFE is the largest of all ANCSA settlement trusts, with assets exceeding $58 million.

When the settlement trust provisions were added to ANCSA by the "1991 Amendments" no special tax benefits were provided for such trusts. Shee Atiká, along with several other Native corporations, lobbied Congress for more than a decade for enactment of a comprehensive set of tax rules, which were added in 2001 as a part of the so-called Bush Tax cuts. These tax rules provide a fourth advantage for settlement trusts compared with corporations.

This new provision to the federal Tax Code, known as "section 646" is elective and the decision whether to make the election can be complex (see Footnote for this page). In general, section 646 provides that settlement trusts are taxable at much lower income tax rates than are corporations, and protects beneficiaries from being taxed when they receive a distribution of trust income. By contrast, distributed corporate income is taxed twice: once to the corporation and a second time to the shareholders (to the extent of the distributions they receive). This double level of tax on distributed corporate income can approach 55 percent, effectively giving the government the lion's share of a corporation's income, while the total tax on distributed settlement trust income can be 10 percent or less. The favorable tax treatment for settlement trusts means that more of the trust's income can be either distributed or reinvested to grow the trust than is the case with a corporation. At this writing, section 646 is scheduled to expire at December 31, 2012, but even if section 646 does expire, the other advantages to settlement trusts will remain.

Page 68 – SHEE ATIKÁ FUND ENDOWMENT

On January 4, 1993, shareholders voted in favor of establishing the Shee Atiká Fund Endowment (SAFE), a settlement trust.

The first meeting of the SAFE Board of Trustees (composed of the directors of Shee Atiká Inc.) convened on March 5, 1993, beginning the process of establishing investment policies and goals. Favorable IRS rulings were received in May 1993, and, by the end of 1993, the directors of Shee Atiká had capitalized SAFE with two separate transfers of funds that totaled $30 million. Subsequent transfers have been made (see "Capitalizing SAFE," next page), and SAFE's market value, as of this writing, exceeds $58 million.

Distributions are made twice each year on a pro rata basis. Since the first distributions in 1994, shareholders had, as of year end 2010, received a total of $204.85 per share/unit from SAFE, or $20,485 per 100 shares.

Page 69 – CAPITALIZING SAFE

1993: Initial capitalization of SAFE by SAI Board with two transfers totalling $30 million.

1996: The Board transfers $6 million to SAFE.

2000: An additional $6 million is transferred.

2001: On October 24, SAI Board passes resolution to contribute to SAFE the stock of Shee Atiká's 49% ownership in Atikon Forest Products, Inc. The transfer is valued at $1,176,000.

2002: At year end, the Westmark Shee Atika Lodge, valued at $4,550,150, is contributed to SAFE.

2009: SAI transfers all of its membership units (100% of the ownership) in Shee Atika Holdings Colorado Springs, LLC, to SAFE. The net value of the transfer, after debt assumption by SAFE, was $3,018,895.

Transfers to SAFE authorized by the Shee Atiká Board of Directors totaled $51,281,519 as of 12/31/2010.

Page 69 – SHEE ATIKÁ BENEFITS TRUST

Established in 1997, SABT is, like SAFE, an irrevocable settlement trust. SABT provides educational grants and funeral benefits.

The trust was funded in November 1998 with $1.5 million. Another $1.5 million was added in March 2000.

In 2008, Shee Atiká contributed the Totem Square complex to SABT. Shee Atiká Management, LLC (or SAM) leases the Totem Square complex from SABT and presently operates the Totem Square Inn and the Dock Shack Café.

Under the present rules anyone holding one

share of Shee Atiká stock qualifies for full benefits of SABT. All shareholders are eligible for education grants of up to $2,000 per academic year, and up to $4,000 per year for graduate studies. Shareholders seeking vocational or cultural training qualify for education grants. The families of deceased shareholders qualify for up to $1,000 for funeral expenses.

PAGE 71 – PASSIVE INVESTMENT: STOCKS & BONDS

Passive investment in this context means managing financial investments rather than participating in operating businesses. The trustees of SAFE and SABT chose to make their passive investments through Shee Atiká's private mutual fund, Shee Atiká Investments, LLC, (or SAIL). The directors of SAIL in turn established an investment policy and allocated assets. Third party money managers and mutual fund managers actually buy and sell stocks, bonds, and other financial instruments.

"Stocks are ownership, bonds are loanership," was how Jim Senna often explained to shareholders the difference between the two principal types of investments. The value of stocks, sometimes referred to as equities since to own a company's stock is to own equity in that company, soared during the 1990s, the longest running "bull market" in the history of the United States. The returns or earnings from bonds, by comparison, were lackluster.

Bonds are also referred to as fixed-income investments, since most pay a fixed amount of income to the investor on a regular schedule. And while the value of a given bond will fluctuate over time as interest rates move up and down, investment-grade bonds held to maturity will always return the investor's principal. The active trading of bonds, however, can result in gains or losses based on this price movement.

PAGE 72 – SHEE ATIKÁ'S INCOME FROM ATIKON

1989	$ 2,867,179
1990	2,929,019
1991	2,277,950
1992	3,398,017
1993	6,291,359
1994	5,393,946
1995	5,886,616
1996	5,320,665
1997	3,250,351
1998	320,725
1999	2,450,000
Total	$ 40,385,827

While income from Atikon peaked in 1993, the high point for pulp grade timber was 1995 when prices reached $450 per thousand board feet. Such prices allowed Atikon to profitably harvest low grade/low volume tracts of timber.

Page 72 – HARVESTING CUBE COVE

Shee Atiká successfully converted timber from a non-productive asset (i.e., one that did not produce income) to cash, mostly through the sale of its Cube Cove timber to Atikon Forest Products Inc., of which Shee Atiká owned 49 percent. The timber was sold to Atikon for approximately $10 million, and then the resulting net operating losses were sold for cash, which earned Shee Atiká, when all was said and done, approximately $45 million. Shee Atiká also received over $40 million in income from Atikon, which harvested and sold the timber at Cube Cove.

The money realized through the sale of Cube Cove timber saved the corporation from almost certain financial ruin. Timber derived income contributed the majority of cash that funded SAFE and SABT, paid for early distributions to shareholders and the acquisition of various properties, and financed corporate operations.

Economically, there was no reasonable alternative to clearcutting at Cube Cove. Shee Atiká simply did not have sufficient timber for a rotational harvest program.

Lost in all the arguments and hyperbole over the consequences of clearcutting Alaska Native corporation lands is the obvious: there may be no environment more robust than that of a temperate rain forest. Following a half century of commercial logging throughout Southeast Alaska, the great majority supervised by the U.S. Forest Service, contemporary salmon runs have been among the strongest in history, deer and bear populations are healthy, and the region remains a top tourist destination.

Page 84 – DEMOGRAPHICS

Original Shareholders	1,852
Total as of 3/31/11	3,135
Class A shares	97.8%*

Gender:		Ages:	
Male	1481	9 and under	57
Female	1607	10 to 19	231
		20 to 29	540
Residing in:		30 to 39	511
Sitka	960	40 to 49	607
Other U.S.	997	50 to 59	611
Other Alaska	368	60 to 69	271
Anchorage	315	70 to 79	185
Juneau	281	80 to 89	68
Seattle	82	90 to 99	6
Unknown	73	100 to 109	1
Foreign	12		
		Deceased	47**

* Class A (voting) shares can only be held by Alaska Natives, as defined by ANCSA, or by their legal descendants. Class B (nonvoting) shares are held by non-Natives.

**The subcategories (e.g., male + female) total 3,088 shareholders, 47 short of the shareholder total of 3,135 due to the 47 estates unresolved as of 3/31/11.

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Page 5: "Baranov wanted to check foreign trade..." and "[The Russians] chose a location..." Dauenhauers, *Anóoshi Lingít,* p. XXVIII; "These people are numerous, strong, and audacious..." Kan, p. 52.

Page 6: "The various Russian eyewitness..." Kan, p. 58.

Page 7: "[Barnov's successor] decided that if..." Kan, p. 73; "Tlingit society is organized into two major..." Oleksa, p. 60.

Page 8: "The dissatisfaction among the tribes..." Kan, p. 184.

Page 9: "Indians are not good for much..." Shales, p. 64. The quote was overheard by Henry Martyn Field and included on p. 138 of his book *Our Western Archipelago* (1895).

Page 9 "We should let the old tongues with their..." Dauenhauers, *Haa Kusteeyí,* p. 55.

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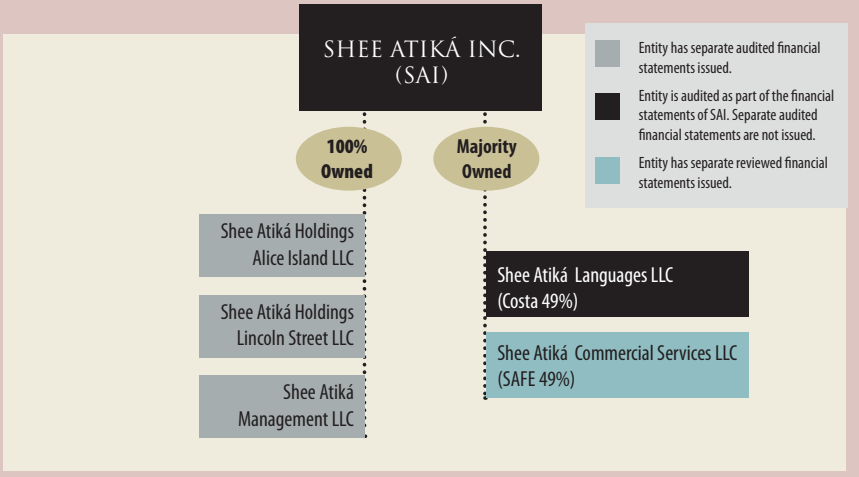
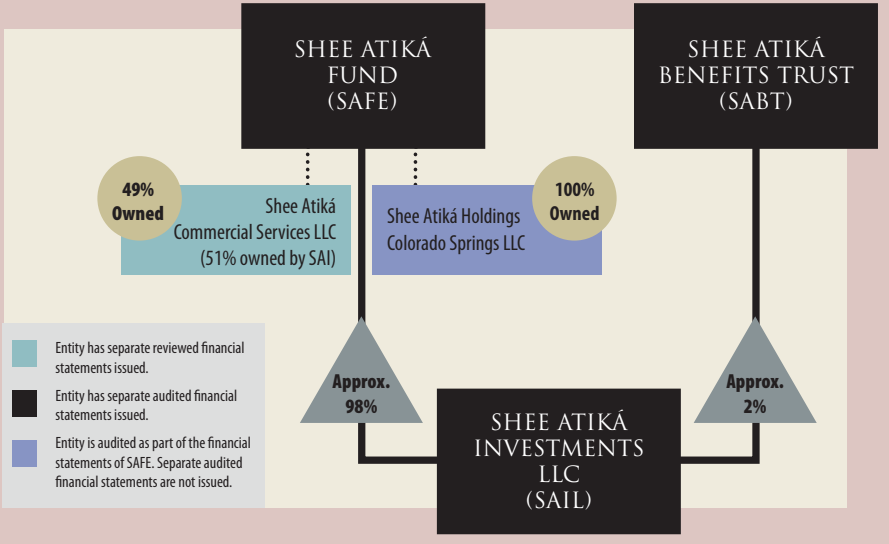
SHEE ATIKÁ
INCORPORATED

THE CORPORATION AND ITS SUBSIDIARIES



THE SETTLEMENT TRUSTS



WILLIAM PAUL AWARD

The William Paul Award is periodically bestowed on an individual or group for outstanding service to Shee Atiká. It is named in memory of William Paul, Sr., for his contribution in helping to form the corporation. While the award bears his name, the honor is symbolic of all those who made significant contributions to the corporation's founding and early development.

Few men had a greater influence on Alaska Native claims than William Paul, Sr. He played a key role in orchestrating the decision by the 1929 Grand Camp of the Alaska Native Brotherhood/Sisterhood that initiated the Alaska Native claims movement. During the 1930s, he lobbied on behalf Alaska Natives in Washington, D.C., helping to secure legislation that allowed the Tlingit and Haida people to bring suit against the government for lost lands and rights. In the early 1950s, Paul's efforts both in court and before Congress staved off an all but certain termination of Alaska aboriginal claims; and in 1966, he filed a notice with the U.S. Bureau of Land Management that precipitated the "Alaska Land Freeze," compelling state and national leaders to resolve Alaska Native claims. During the later years of his life, he mentored several Alaska Native leaders who were to play key roles in the lobbying effort that led to the Alaska Native Claims Settlement Act. Among these leaders was Ethel Staton. With Paul's encouragement, Staton led the way to the incorporation of Shee Atiká.

CHARLIE JOSEPH CULTURAL & HERITAGE AWARD

In memory of Kaal.átk' (Charlie Joseph), the Cultural & Heritage Award is given to a group or individual who strives to perpetuate the Tlingit culture through example or by teaching others the traditions and lifestyles of the Tlingit people.

Kaagwaantaan, L'uknax.ádi yádi, Koohittaan (a member of the Eagle Wolf clan/Box House, and a child of the Raven Coho clan), Charlie Joseph was born in Sitka in 1895 and spent much of his young life at Lituya Bay. Raised in a traditional manner, he married Annie Young (Aanyaanax Tlaa) in 1916 through a match arranged in accordance with Tlingit customs. They remained together until his death in 1986.

Charlie spent much of his life as a commercial fisherman, but his major influence and contributions were to the perpetuation of the Tlingit culture through the example of his subsistence lifestyle, and as a consultant with the Sitka Native Education Program. He taught SNEP students—as well as his children and grandchildren—Tlingit language, values, stories, songs, dance, drumming, and ecological knowledge. For his selfless efforts, Sitka and Shee Atiká owe Charlie Joseph, Sr. a debt of gratitude for passing on the knowledge and traditions of Tlingit people still being used today, decades after his passing. Gunalcheesh!

Past winners of the William Paul Award, from left: Buck Carroll, Mark Jacobs Jr., Herman Kitka, and Margaret McVey.

WILLIAM PAUL AWARD

1989	Herman Kitka, Sr.
1990	Elders of ANB Camp 1 & ANS Camp 4
1991	All former Shee Atiká Directors
1992	Richard Baenen
1993	Mark Jacobs, Jr.
1994	Bruce Edwards
1995	Dr. Kenneth M. Cameron
1996	Margaret McVey
1997	Warren Weathers
1998	James P. Senna
1999	John Sturgeon
2000	Robert "Buck" Carroll Sr.
2001	Coyne Vanderjack
2002	John Ferris
2003	All former Wm. Paul Award Winners
2004	Ethel Staton
2005	F. Brook Voght
2007	Mike Sorensen

CHARLIE JOSEPH AWARD

2006	Pauline Duncan
2008	Isabella Brady
2009	Dr. Walter Soboleff
2010	Herman Kitka, Sr.
2011	Ethel Makinen

SHEE ATIKÁ
INCORPORATED

SHEE ATIKÁ DIRECTORS

CHAIRMEN

Nelson D. Frank
1974 - 1981

Ethel Staton
1981 - 1984

Theodore C. Borbridge
1984 - 1986 • 87*

Dr. Kenneth M. Cameron
1986 • 1987 - 1993

Marta A. Ryman
1993 - 1994**

Shirley I. Yocum
1994 - 1995

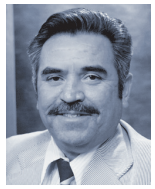
Marta A. Ryman
1995 - 2000

Marion W. Berry
2000 - 2008

Dr. Kenneth M. Cameron
2008 - Present

Theodore Borbridge
1974 – 1987

William M. Brady
1974 – 1978


Robert F. Carroll
1974 – 1981

Nelson Frank
1974 – 1986

Herman Kitka, Sr.
1974 – 1986

Phillip Lauth, Jr.
1974 – 76 • 1978 – 82

Harold Lewis, Sr.
1974 – 1978

Ethel Staton
1974 – 2007

Gil Truitt
1974 – 1978

Fenton Dennis, Jr.
1976 – 1978

William Aragon, Sr.
1978 – 1981

Andrew J. Hope, III
1979 – 1988

Gary L. Eddy
1983 – 1986

Raymond Perkins
1980 – 83 • 1986 – 92

Margaret McVey
1980 – 1987

Charlie Carlson
1981 – 1985

John K. Davis
1982 – 2000

Gene M. Bartolaba
1986 – present

Dr. Kenneth M. Cameron
1986 – 93 • 2000 – present

Marta Ryman
1987 – 2010

Shirley Yocum
1987 – present

Marietta Williams
1988 – 91 • 1992 – 95

Lloyd Lee
1988 – 1994

Loretta Ness
1991 – present

Ted A. Wright
1993 – 1996

Mary A. Miller
1994 – 1997

Francine Eddy Jones
1995 – present

Harold Donnelly, Jr.
1996 – present

Marion Williams Berry
1997 – present

Dr. Pamela Steffes
2007 – present

Joshua Horan
2010 – present

The chairman is elected by majority vote of the board of directors.

* Ted Borbridge served as chairman from 1984 until the annual meeting in November 1986 when he was succeeded by Dr. Kenneth Cameron, who served until the June 1987 annual meeting when Borbridge was again elected chairman. Six weeks later Borbridge resigned, succeeded by Cameron who served until May 1993.

** Marta Ryman served as chairman from May 1993 until the May 1994 annual meeting, when Shirley Yocum was elected as chairman, who served until late January 1995, when she was replaced by Marta Ryman.

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