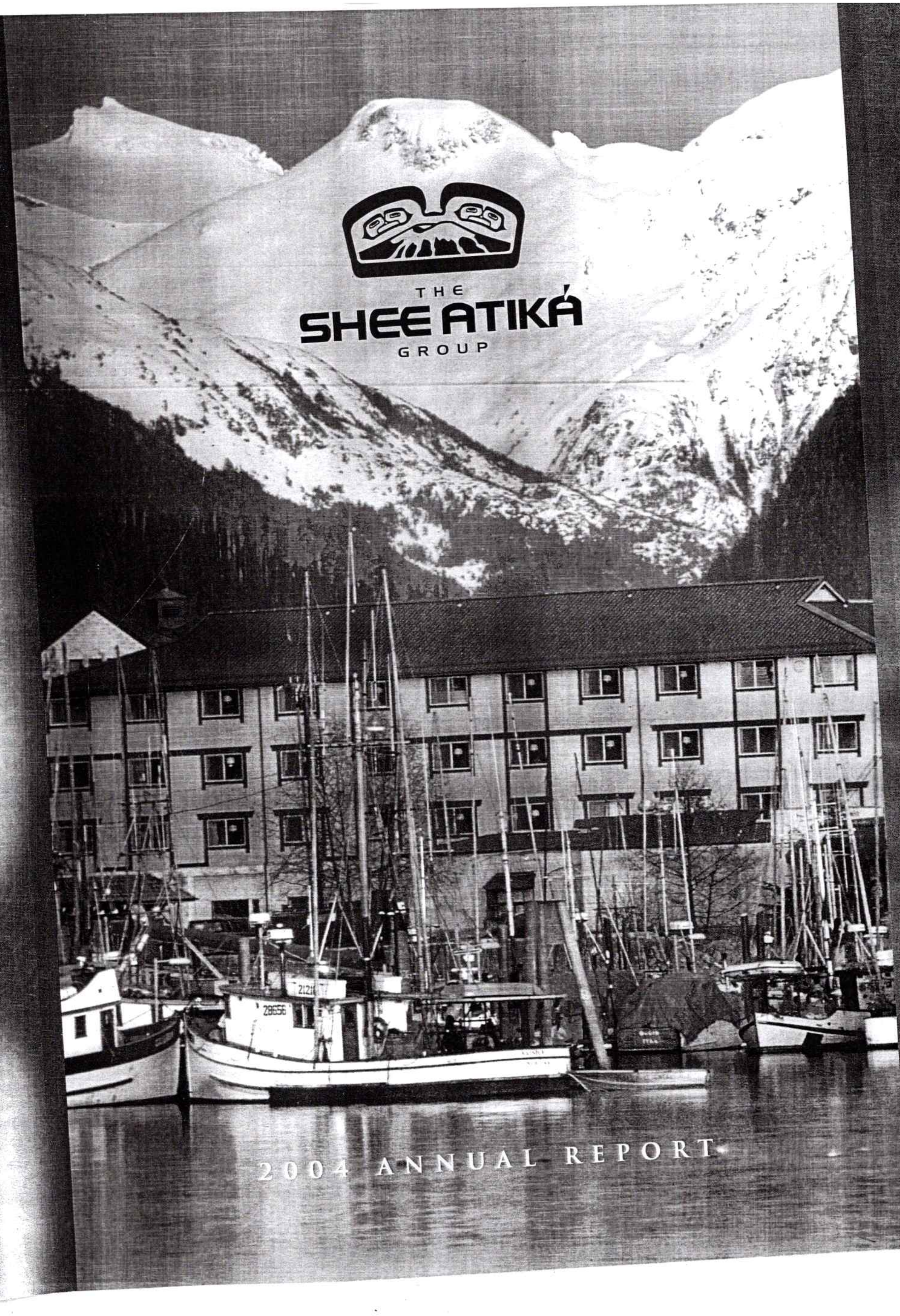
THE

SHEE ATIKÁ

GROUP



2004 ANNUAL REPORT

CORPORATE INFORMATION

Senior Management

Robert G. Loiselle
President & Chief Executive Officer

Victor R. Scarano
Chief Financial Officer

Staff

Lauren Burkhart
Senior Accounting Technician

Cathleen Bezezekoff
Accounting Technician

Lillian Nielsen Young
Shareholder Services Manager

Gary Bernhardt
Maintenance Director

Kay D. Simmons
Executive Assistant

Carol Breece
Administrative Assistant

Ronald James
Maintenance Technician

Corporate Office

315 Lincoln Street, Suite 300
Sitka, Alaska 99835
907-747-3534
800-478-3534 (shareholder line)

Independent Auditors

Peterson Sullivan P.L.L.C.
601 Union St., Suite 2300
Seattle, WA 98101

Corporate Counsel

Sorensen & Edwards, P.S.
1201 Third Avenue, Suite 2900
Seattle, WA 98101-3025

Stock Transfers

Shee Atiká, Incorporated

Inspector of Elections

Dapcevich Accounting Service
221 Lincoln Street
Sitka, Alaska 99835

Shee Atiká Benefits Trust
Scholarship Committee

Gillian Havrilla, Chairman
Dr. Pamela Steffes, Vice Chairman
Lavina Adams
June Koval
Francis Dunne
Pauline Duncan

Cover: Totem Square Inn from the Sitka waterfront. Photo by Dan Evans.

THE SHEE ATIKÁ GROUP

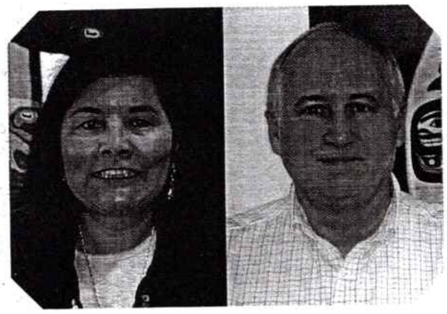
2004 ANNUAL REPORTS OF SHEE ATIKÁ, INCORPORATED SHEE ATIKÁ FUND ENDOWMENT SHEE ATIKÁ BENEFITS TRUST SHEE ATIKÁ INVESTMENTS, LLC

CONTENTS

BOARD OF DIRECTORS

Board Members, from top, left to right:

Marion Williams Berry, Chairman
Loretta J. Ness, Vice Chairman, Harold Donnelly Jr., Treasurer
Ethel Staton, Secretary, Gene Bartolaba, Kenneth M. Cameron
Francine Eddy Jones, Marta Ryman
Shirley Yocum



Dear Shareholder:

We are pleased to present the 2004 Annual Report for the Shee Atiká Group on the 31st anniversary of Shee Atiká, Incorporated. In keeping with the practice we established last year, we have consolidated the management reports for Shee Atiká, Incorporated (SAI), Shee Atiká Fund Endowment (SAFE) and Shee Atiká Benefits Trust (SABT), followed by the individual financial statements.

By combining the management reports we underline the very concept of the Shee Atiká Group: all shareholder assets are managed in concert to provide the greatest overall benefit to shareholders. Although managed in unity, each corporate entity within the Shee Atiká Group owns different assets and has unique tax and legal aspects designed to efficiently produce certain benefits.

In 2004 we were able to once again shelter both SAFE distributions and SABT benefit payments from tax at the shareholder level thanks to the unique tax characteristics of both trusts. The distributions were tax-exempt as a result of the IRS Section 646 election made by both trusts several years ago. While we cannot promise this result every year, we will certainly strive to achieve it when possible.

In last year's annual report, we introduced Shee Atiká Investments, LLC (SAIL). SAIL can be thought of as the Shee Atiká Group's in-house mutual fund, allowing each entity within the Shee Atiká Group — SAFE, SABT and SAI — to fully diversify investments, which reduces risks and promises better, more consistent returns. SAIL performed well in its first year of operation.

2004 also marked the end of an era for Shee Atiká with the sale of the Shee Atiká Lodge. Built in 1978, the hotel was the first major business for the corporation. The combination of low interest rates, and the hotel's recent track record of good earnings, made 2004 an ideal time to sell the lodge and realize maximum value for the property. We will now be able to concentrate on upgrading the Shee Atiká Totem Square Inn hotel to year-round operation.

We look forward to seeing you at the annual meeting and at our spring and fall shareholder meetings. We will continue to do our best to keep you informed through frequent newsletters and through our web site, sheeatika.com. Breaking news is posted on the web site immediately, so for the latest, that's the place to go.

On behalf of the Board of Directors and the entire staff, it is our pleasure, privilege and honor to serve you, our shareholders. Please feel free to contact us at any time with questions or concerns. Our door is always open.

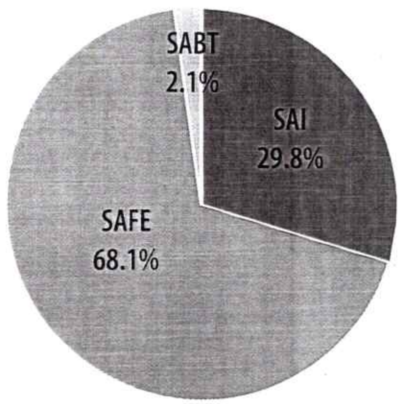
Gunalcheesh!

Marion Williams Berry

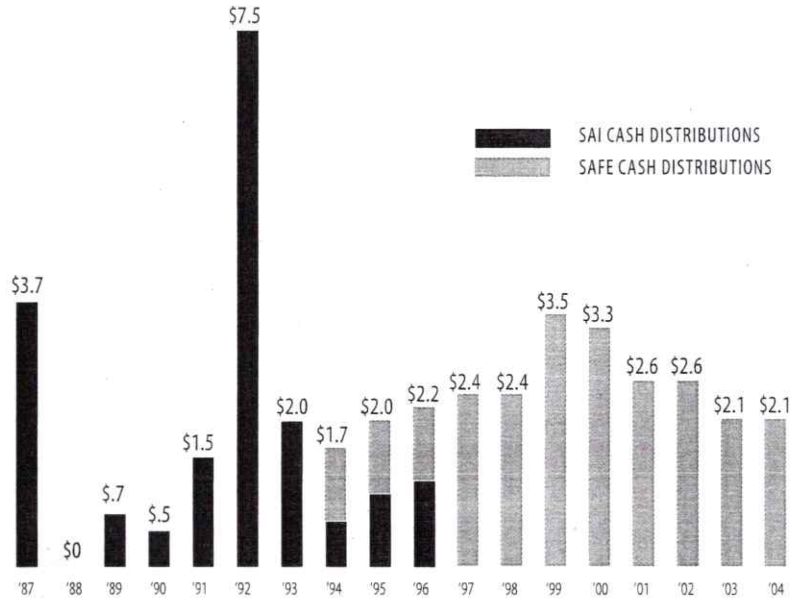
Marion Williams Berry
Chairman of the Board

Robert G. Loiselle

Robert G. Loiselle
President and Chief Executive Officer



COMBINED NET WORTH
SAI, SAFE & SABT
$89 MILLION
DECEMBER 31, 2004



SAI AND SAFE CASH DISTRIBUTIONS 1987 - 2004
($ MILLIONS)

SHEE ATIKÁ GROUP MANAGEMENT REPORT

Our objective for the Group continues to be maximization of the return on the total Group's assets, particularly on an after-tax basis. Stated more simply, we want to put as much tax-exempt money as possible into shareholder pockets each year. Because of the unique tax characteristics of each entity that comprise the Group, with some work we can achieve these goals on a regular basis. In particular, we can often (but not always) make distributions and benefit payments to shareholders that are entirely tax-free.

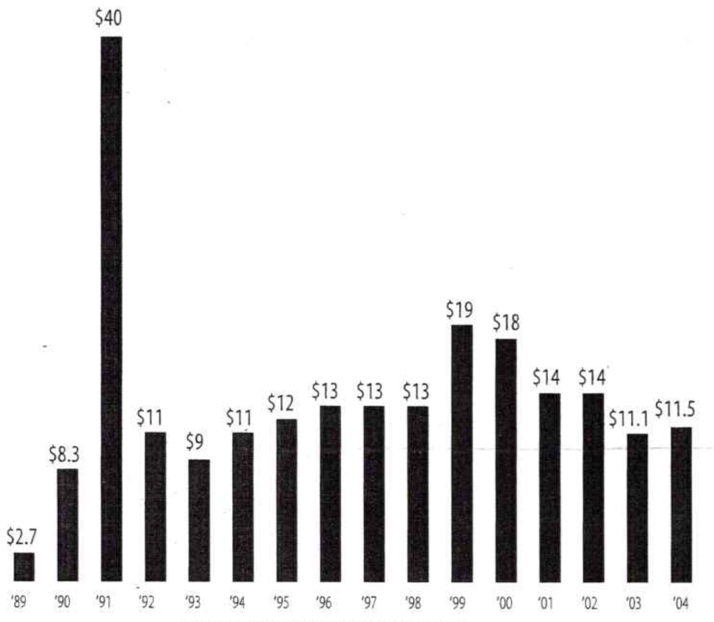
2004 was a good year for the Group, marking the first year of operation for Shee Atiká Investments, LLC (SAIL), the Group's in-house mutual fund. Shee Atiká, Inc. (SAI) invested $1 million of excess cash in SAIL, and most investment assets of the Shee Atiká Fund Endowment (SAFE) and Shee Atiká Benefits Trust (SABT) were placed there as well. The investment assets managed by SAIL achieved a return of 10.9% for the year.

Overall, SAFE earned $6.2 million (including its share of SAIL earnings), SAI had a loss of $163,000 and SABT had a loss of $59,000, for total group earnings of about $6.0 million. After distributions and benefit payments of $2.1 million, the Group's net worth increased by approximately $3.6 million.

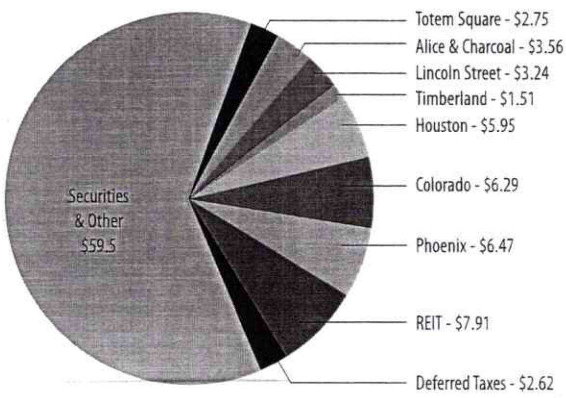
Having the majority of our earnings at SAFE is by design. As a settlement trust that has elected special treatment under Section 646 of the Internal Revenue Code, SAFE's distributions are, for the most part, tax-free to beneficiaries. Over the years, we have moved assets from SAI to SAFE to accomplish this objective.

Along with the start-up of SAIL, the other major financial event for the year was the sale of the Shee Atiká Lodge. This property was the center piece of SAI's holdings for many years, enduring hardship early on as it struggled to compete with the new Sheffield Hotel built next to Totem Square. In recent years, the Lodge has become quite profitable. This track record of profitability, coupled with low interest rates, raised the valuation of the property and made 2004 an ideal time to sell the Lodge.

The sale of the Shee Atiká Lodge not only allowed us to reap the rewards of years of hard work and investment, but also now allows us to concentrate on our other Sitka hotel, the Shee Atiká Totem Square Inn. The Totem Square Inn, of course, is the former Sheffield Hotel, which was purchased by Shee Atiká from Westmark in 1992. The newly remodeled, 67-room Inn will begin year-round operation in early May of this year.



DISTRIBUTION AMOUNTS PER SHARE 1987 - 2004



SHEE ATIKÁ GROUP
REAL ESTATE & OTHER ASSETS
$99.8 MILLION
DECEMBER 31, 2004

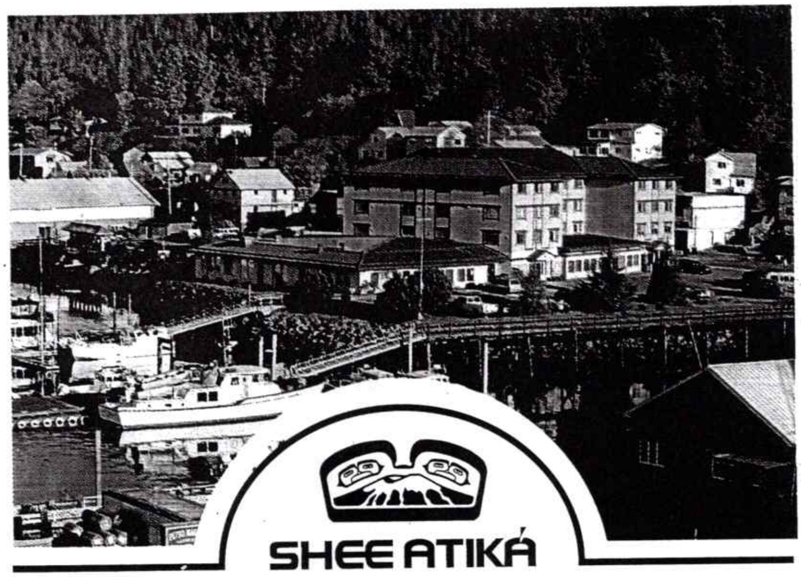
Finally, we reached almost $100 million in Group assets for the first time in 2004. Accounting rules require that we list most of our assets at net book value, which is the cost of the asset plus any capital improvements less depreciation. We do not get to realize appreciation in a property until it is sold (as we did this year with the Shee Atiká Lodge). Consequently, we believe that the true value of most of our properties is higher than this net book value and so we likely reached the $100 million mark some time ago on a market value basis.

SHEE ATIKÁ INCORPORATED

The net loss of $163,000 recorded in 2004 was a reduction from last year's loss of $253,000 and again reflects that most of the Group's earning assets reside within SAFE. This small loss also helped ensure that distributions from SAFE and benefit payments from SABT are tax-free to the beneficiaries. This is because of the rather complex provisions of the IRS Section 646 election mentioned above. The good news is that it works. As always, be assured that we are doing everything we can to maximize earnings for the Group as a whole, but under the rules governing taxation, where the income is earned makes a big difference when it comes to paying Uncle Sam.

Shee Atiká, Inc. is now clearly a commercial real estate company, with revenues from commercial rentals climbing from $1.9 million in 2003 to $2.25 million in 2004. Hotel revenues at SAI (excluding the Shee Atiká Lodge, which was most recently a SAFE asset) increased from $499,095 in 2003 to $609,752 in 2004. We expect to see hotel revenues increase during 2005 based on prospects for a strong summer season, and climb even farther in 2006 as Totem Square Inn begins year-round operations.

The current low interest rate environment has caused the value of all of our commercial properties in the Lower 48 to rise significantly. The low rates not only make it more affordable to buy and hold property, but they also make real estate investment more attractive. For investors faced with 10-year treasury note yields of less than 4.5%, real estate that yields 6-7% and has the potential for appreciation looks pretty good.



TOTEM SQUARE INN

As a result of the promising real estate market, we have decided to put our Boeing Building in Houston up for sale. This property has a remaining lease term of 6 ½ years and we are not certain Boeing will renew. A lease that has more than six years remaining is likely to attract investors, but if we wait much longer the lease term will be an issue. Plus, the current interest rate environment will not last forever (though it's lasted longer than most pundits expected).

Proceeds from the sale will be invested in additional commercial real estate, though we will likely hold off until the market cools a bit.

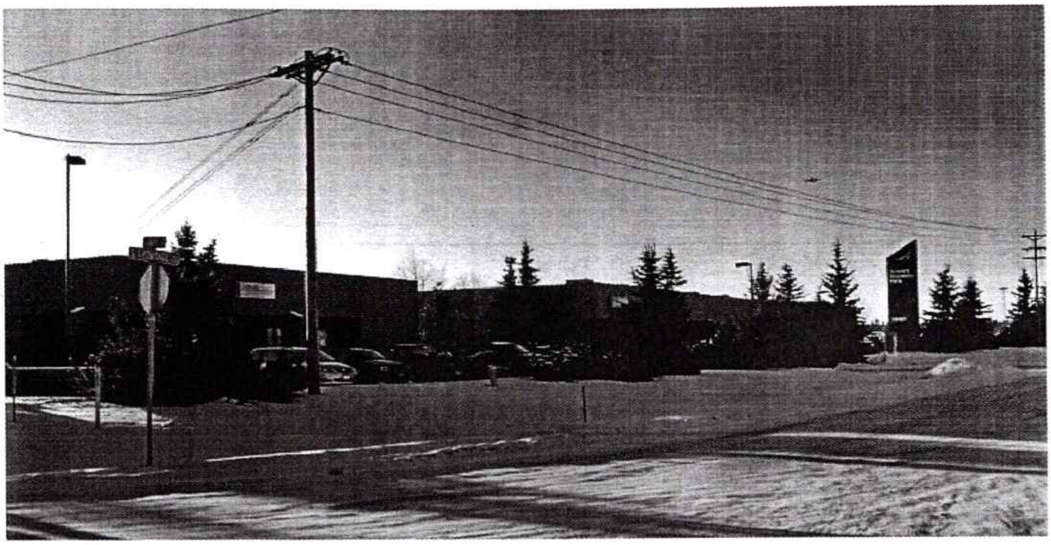
Both our Colorado Springs property (Mitre) and Phoenix property (ITT Tech) have remaining terms of at least ten years, so we will continue to hold these in our portfolio.

At Mitre we are in the process of a $2 million expansion. Occupancy of the new 16,200 square foot space is scheduled for early June, which will increase our annual lease income by an additional $312,000, yielding a 12% return on funds invested in the expansion.

At Totem Square we have had a busy winter and spring renovating the building to get ready for the grand opening of the new Shee Atiká Totem Square Inn on May 1. In addition to the renovation project, General Manager Dave Malone has been busy hiring staff and getting everything set up for our guests. Maintenance Director Gary Bernhardt and his staff have devoted a huge amount of effort to making the project a success as well.

With the amicable termination of our relationship with Westmark after the Lodge was sold, we were faced with the decision of whether or not to contract with another hotel franchise, such as Best Western. In the end, we concluded that the Totem Square Inn would produce better returns for us as an independent hotel and so we hired Dave Malone to make it happen. Dave has extensive experience with Marriott and comes highly recommended. He has been going non-stop since his arrival and will make a fine addition to both the Shee Atiká team and the community.

On the land management and development front, we are currently negotiating with an agency of the federal government to build warehouse space for them on Charcoal Island. We would own the building and lease it to the government on a ten-year lease. It's also a priority for us to come up with an acceptable development plan for Alice Island this year.



Anchorage Business Park

We had the McDowell Group do a tourism development study of Katlian Bay for us last year. The results, while not entirely negative, did not point out any outstanding opportunities for Shee Atiká, Inc. itself. There may be opportunities for small independent operators and we intend to put out a request for proposals (RFP) to see if there are any independent businesses that could operate out there and provide some income and shareholder hire in the process.

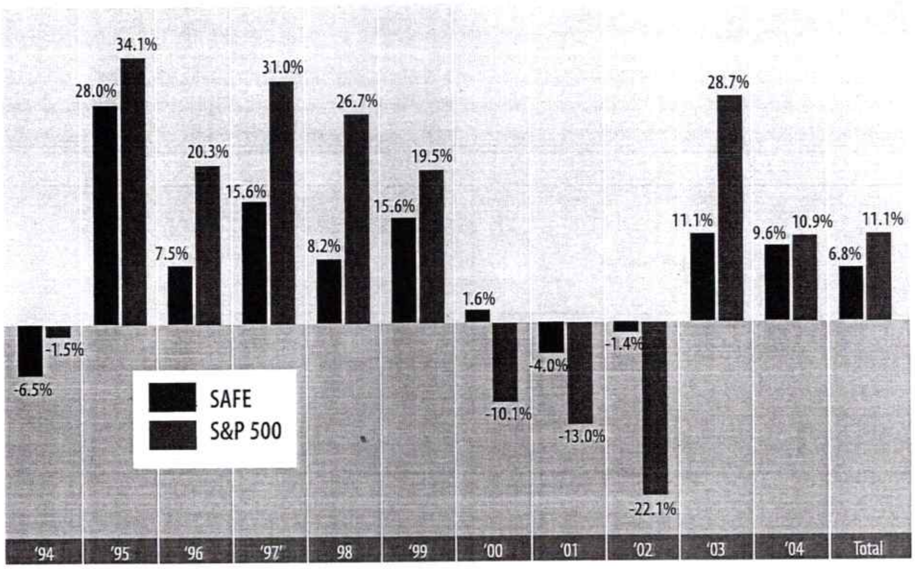
Similarly, at Cube Cove we are looking at opportunities to derive tourism-based income from our property. In 2005, Juneau is expecting approximately one million cruise ship passengers, and such a volume of visitors may present the opportunity to do some "soft adventure" tours at Cube Cove. Also, while shareholders have told us that they do not want us to sell the property, we have not ruled out the possibility of trading for property closer to Sitka if the right opportunity presents itself.

SHEE ATIKÁ FUND ENDOWMENT

The big news for SAFE in 2004 was the sale of the Shee Atiká Lodge to Yoo Jin Lodging of Anchorage. The combination of a solid earnings history over the last several years combined with a favorable interest rate climate allowed us to get top dollar for the property. The time to sell real estate is when conditions are good, not when times are bad. Knowing when to sell is key to maximizing the overall return from a real estate investment.

Part of the proceeds from the sale were used to acquire the Anchorage Airport Business Park, a four-building, 57,000 square-foot complex located at one of the busiest intersections in Anchorage—International Airport Road and Minnesota. This combination office and warehouse property houses a number of national and regional credit tenants, including FedEx, Ikon, Pitney Bowes, Johnson Controls, Nippon Express and Bristol Engineering (a subsidiary of Bristol Bay Regional Corporation).

We are currently looking for another property of similar size, but likely candidates are few and far between in this hot seller's market. We are well positioned to take advantage of opportunities, but we intend to be patient.



SHEE ATIKÁ FUND ENDOWMENT FUND PERFORMANCE COMPARED TO S&P 500

SAFE also transferred a majority of its non-real estate assets to Shee Atiká Investments, LLC (SAIL) last year. SAIL basically assumed the SAFE assets, so there was no significant change in investments or asset allocation.

SAFE earnings totaled $6.2 million for the year, in part due to decent returns at SAIL (10.9% for the year), as well as profit from the sale of the Shee Atiká Lodge. Equity (stock) markets were particularly strong in the 4th quarter, though they have not done much yet in 2005. In 2004 the S&P 500 Index of large U.S. stocks had an annual return of 10.9%, which is a good return by any standard, but which pales by comparison to the 2003 S&P 500 return of 28.7%. Fixed income investments returned slightly above 5% for the year, not bad considering continual short-term interest rate increases by the Federal Reserve. The value of bonds decline as rates increase, but the increases in short-term rates had little effect on longer term rates in 2004.

The accompanying chart shows the return (Internal Rate of Return or IRR) on SAFE assets over the years. These returns are based on investment income, less administrative expenses plus appreciation.

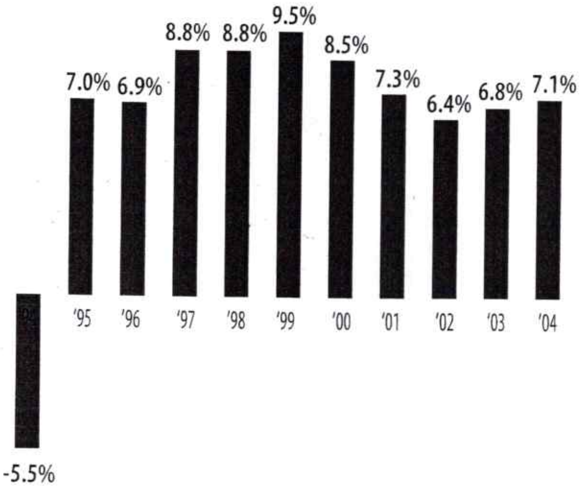
Distributions for 2004 were $2,129,800 ($11.50 per share) compared to $2,063,128 ($11.14 per share) in 2003. The May 2005 distribution has been declared at $5.95 per share.

Distributions in recent years have been determined in large part using the "Percent of Market Value" (POMV) approach. This is the same approach that most college endowments use and the approach the Alaska Permanent Fund Board has been recommending to the legislature for a number of years.

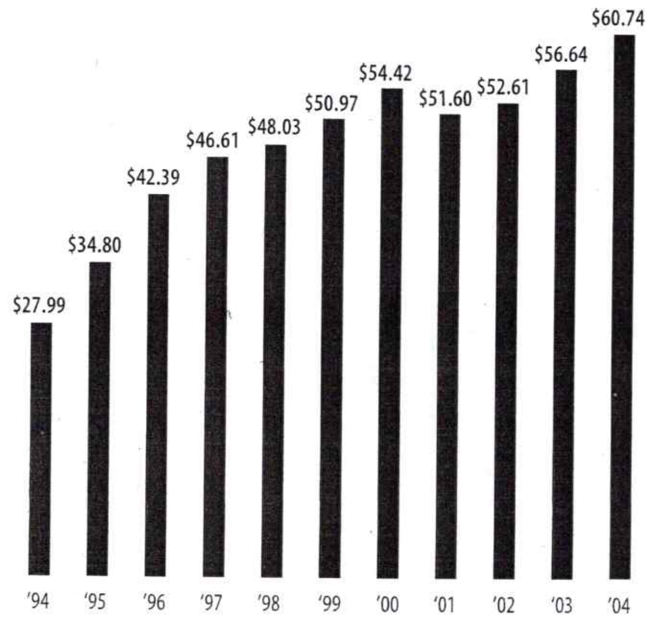
The method takes the 5-year average of the total value of the fund times 4%. This percentage is calculated by taking the anticipated return each year and subtracting inflation and expenses. In our case, we assume an 8% return subtracting 3% for inflation and 1% for expenses, leaving 4%, which can be distributed. This amount is more conservative than the 5% used by some endowments, but your board wants to make sure that future generations of shareholders can receive the same inflation-adjusted distributions as today's shareholders.

The use of this formula smoothes the annual distributions, since a bad year only drops the average by a small amount. Similarly, a rise in the market will not all be distributed in that year.

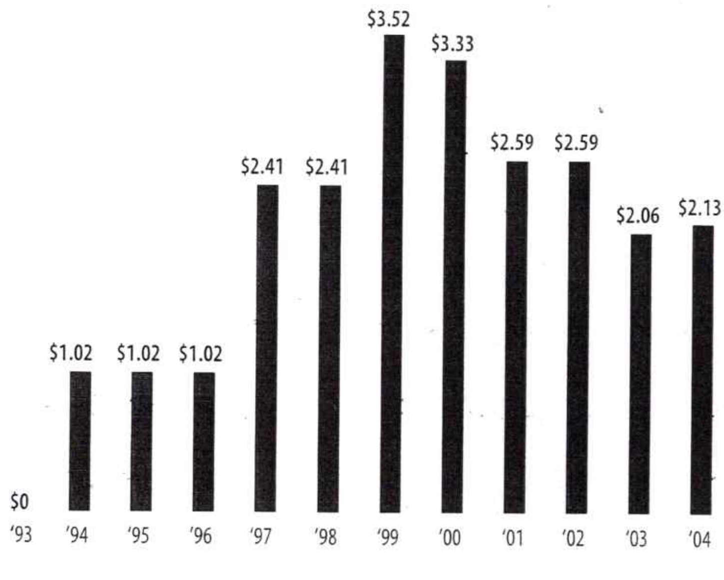
The SAFE trust document does not speak of POMV. Rather, it talks about distributing between 75% and 100% of "net cash income" (NCI). NCI is a somewhat imprecise concept that was designed to



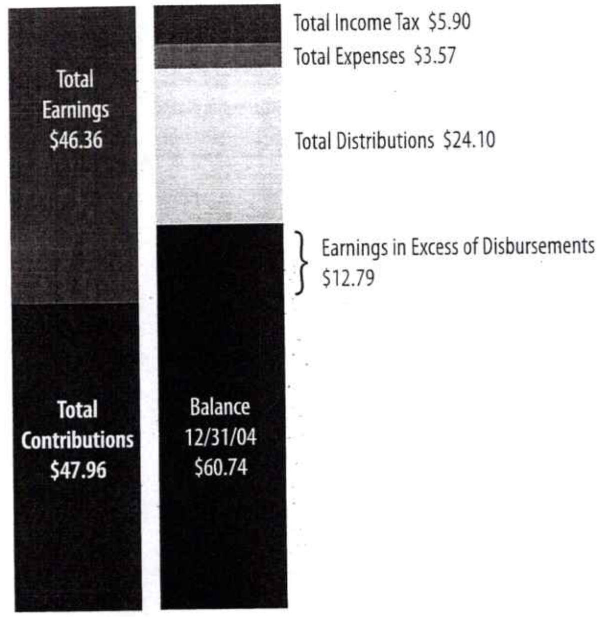
SHEE ATIKÁ FUND ENDOWMENT ROLLING INTERNAL RATE OF RETURN (IRR)



SHEE ATIKÁ FUND ENDOWMENT NET ASSETS 1993 - 2004
($ MILLIONS)



SHEE ATIKÁ FUND ENDOWMENT CASH DISTRIBUTIONS 1993 - 2004
($ MILLIONS)



SHEE ATIKÁ FUND ENDOWMENT OVER THE YEARS
($ MILLIONS)

prevent severe depletion of the trust principal, but in and of itself does not give strong guidance to decision makers on how much is prudent to distribute. So we use POMV as a guide in determining that amount.

As the fund grows over time, so does the amount of the distribution. While the POMV model gives us guidance with regard to the amount, we must still adhere to the Trust document and its NCI provision. Also, the board has the discretion to determine a different amount (within the NCI constraints) if the directors feel that it is prudent to do so. The $2.13 million in distributions paid in 2004 did, however, reflect 4% of the 5-year average market value of $53.2 million, as does the recently declared $5.95 per unit amount scheduled for distribution on May 16, 2005.

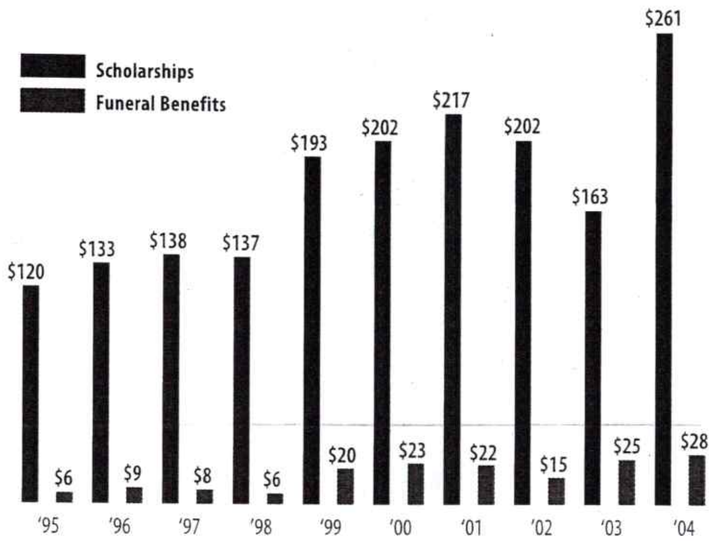
SHEE ATIKÁ BENEFITS TRUST

In 2004 the Shee Atiká Benefits Trust (SABT) paid $260,955 in scholarships to 94 recipients and funeral benefits of $27,814 to the families of 21 deceased shareholders. Scholarship payments increased dramatically from $163,253 in 2003, while funeral benefits increased only modestly from $24,960 in 2003.

Shee Atiká, Inc. made a contribution to SABT in 2004, in the amount of $200,000, to help shore up the principal of the fund as it experiences ever-increasing demand for services. Even though the trust participated in the 10.9% return at SAIL, the principal amount is no longer sufficient to cover its operating cost and benefit payments.

The Shee Atiká Benefits Trust Board of Trustees is looking at alternatives that would more fully fund the trust for the long-term and we should have more to report on this a bit later in the year.

Shareholders repeatedly emphasize the importance of education. Accordingly, we have continued to place great importance on our scholarship program. All Class A and Class B shareholders are eligible for scholarships of up to $2,200 (up from $2,000 in 2003) per academic year for undergraduate and vocational technical training. The maximum benefit for graduate studies (MA, MS, MBA, Ph.D., law school, medical school, dental school and the like) is $4,400 (up from $4,000 in 2003) per year.



SCHOLARSHIP AND FUNERAL BENEFITS
($ THOUSANDS)

It is the intent of the scholarship program to encourage attendance at college, trade or vocational school, or in training programs reasonably designed to help a shareholder with job preparation or job enhancement. Scholarships are also available to encourage training in the traditional arts, crafts and customs of a shareholder's culture or heritage.

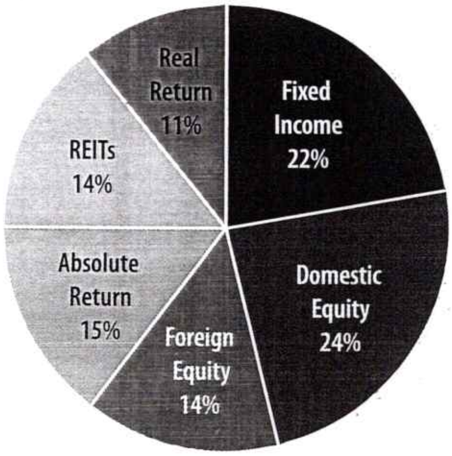
Funds are also available for short-term training courses like commercial driver's license (CDL), hazardous materials handling and flagging, and asbestos abatement where completion of the course is required for an immediate employment opportunity. These courses can be approved by the CEO and do not require Scholarship Committee approval.

We have also added a Concentrated Vocational Studies Program, whereby students wishing to take expensive, short-term training, such as attendance at a formal truck driving school, can exceed the normal yearly maximum scholarship amount by up to three times. Students must agree to forego future payments for the number of years that they exceeded the normal annual payment. For example, someone granted $6,600 (three years' payment), would have to wait for two years after the year of the payment before being eligible for additional awards. This program is the only practical way for some students to participate in expensive courses that can directly lead to employment.

New to SABT is a special intern program for students majoring in finance/accounting or hotel administration. The intent is to encourage more shareholders to take courses of study that would allow them to eventually take management positions with the Shee Atiká Group. While we strive for shareholder hire and generally achieve decent results (seven of nine Shee Atiká, Inc. employees are shareholders), we have yet to consistently place shareholders into upper management. This program provides an enhanced scholarship benefit at $4,400 per year and summer employment (here in Sitka with Shee Atiká) in the student's field. Unlike our regular academic scholarship, the student must have at least a "B" average to get in and must maintain at least that grade level throughout the program.

The Scholarship Committee continues its excellent work in reviewing applications and making awards. The committee is composed of Gillian Havrilla; Chairman, Dr. Pamela Steffes; Vice Chairman, Lavina Adams; June Koval, Francis Dunne and Pauline Duncan. Lillian Young, Shee Atiká's Shareholder Services Manager, serves as administrator for the program.

As always, we are sincerely grateful for the hard work of the committee and our administrator.



SHEE ATIKÁ INVESTMENTS, LLC
ASSET ALLOCATION
$56 MILLION
DECEMBER 31, 2004

The funeral benefit program provides a one-time cash payment to the family of any deceased Shee Atiká shareholder. The benefit is an amount up to $1,500 to help cover funeral and related expenses. The program is available to the families of all shareholders, and continues to be an important and welcome benefit at a time of grief.

SHEE ATIKÁ INVESTMENTS, LLC

Shee Atiká Investments, LLC (SAIL) began operation on April 1, 2004. SAIL was established to allow all of the Shee Atiká Group entities to take advantage of the investment opportunities that were previously only available to larger funds such as the Shee Atiká Fund Endowment.

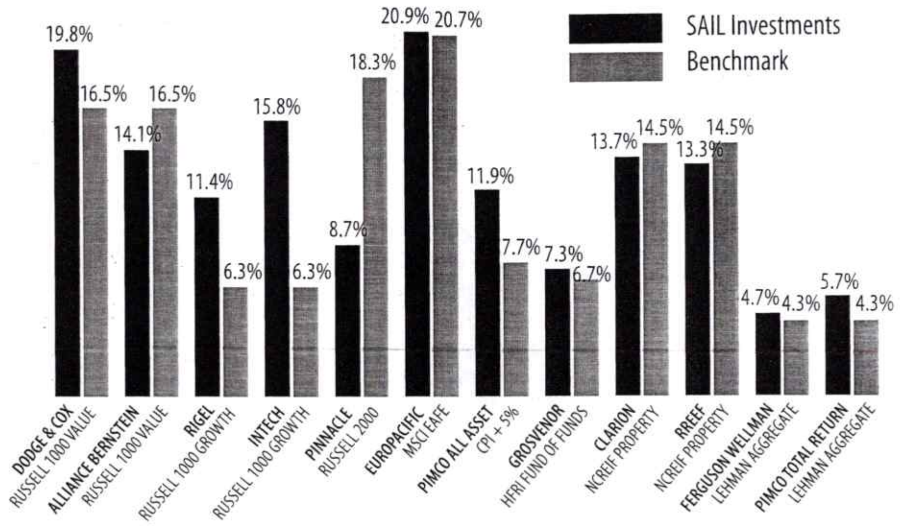
The key to success in investing is diversification—not having all your eggs in one basket, as they say. Over the last couple of years our investment advisor, R.V. Kuhns & Associates, has helped us achieve that diversification with a broad array of investments similar to those used by such large, successful endowments as those of Yale and Harvard. These include hedge funds, real estate investment trusts (REITS), real return funds and others.

Most of these investment vehicles require a minimum investment of at least $2 million, if not $5 million, which is tough for a small fund like the Shee Atiká Benefits Trust (SABT). Even at the $2 million threshold, SABT could only buy one of these investments and would have no diversification.

Although SAIL is not a true mutual fund in the legal sense, it operates just like one for the benefit of SAI, SAFE and SABT. Each entity can invest in SAIL and each shares in SAIL earnings in proportion to its investment.

The lion's share of SAIL is owned by SAFE (95% at year end), which transferred all of its assets except for the Shee Atiká Lodge and the remaining Atikon stock to SAIL. Likewise, SABT transferred virtually all of its assets except for a small amount of cash) to SAIL. Even Shee Atiká, Inc. took advantage of this new investment vehicle to invest excess cash in the amount of $1 million in SAIL.

In making this conversion, SAIL took on the basic asset allocation that had been developed for SAFE with the help of R.V. Kuhns & Associates.



As mentioned earlier, the portfolio returned 10.9% for the year, with realized income net of expenses of $1.1 million and an increase in unrealized gain on the portfolio of $2.4 million, for a total increase in net assets of $3.5 million.

Returns by asset class compared to the index for that class are shown in the accompanying chart.

OUTLOOK

We are guardedly optimistic about the prospects for 2005. In looking at our comments about 2004 in last year's annual report, things actually turned out pretty much as expected. The equity market finally came to life in the fourth quarter, thank goodness.

As this is being written in mid-April, equity markets are down for the year. The markets have a large impact on the Group's overall results. We can't control the markets, but we can control the asset allocation such that our exposure to any one market sector is limited. We have done that over the last several years by reducing our investment in traditional equities in favor of additional real estate, an absolute return fund and a real return fund.

Most pundits expect that 2005 will produce modest, single-digit returns for the equity market and low single-digit returns for bonds as interest rates finally begin to climb and bond prices decline as a result.

What we are really excited about are a couple of SAI projects coming on line in late spring—the Mitre building expansion in Colorado Springs and the opening of the new Shee Atiká Totem Square Inn here in Sitka. Both projects will have a significant positive impact on the SAI bottom line.

We anticipate a strong summer for tourism here in Sitka and the local economy is doing well. All of our commercial space is full and we may have the opportunity to build more.

Now about those markets...

SHEE ATIKÁ STAFF

Robert G. Loiselle, President and CEO
Victor R. Scarano, Chief Financial Officer, Lauren Burkhart, Senior Accounting Technician
Cathleen Bezezekoff, Accounting Technician, Kay D. Simmons, Executive Assistant, Carol Breece, Administrative Assistant
Lillian Nielsen Young, Shareholder Services Manager, Gary Bernhardt, Maintenance Director
Ronald James, Maintenance

Shee Atiká Totem Square Inn Management
David Malone, General Manager and Janice Johnson, Assistant General Manager

INDEPENDENT AUDITORS' REPORT

PETERSON SULLIVAN PLLC

To the Board of Directors and Shareholders
Shee Atiká, Incorporated
Sitka, Alaska

We have audited the accompanying consolidated balance sheets of Shee Atiká, Incorporated and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, capital, and cash flows for the years then ended. These financial statements are the responsibility of Shee Atiká, Incorporated's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shee Atiká, Incorporated and Subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Peterson Sullivan PLLC

January 27, 2005

SHEE ATIKÁ, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31, 2004 and 2003

ASSETS	2004	2003
Current Assets		
Cash and cash equivalents	$ 961,126	$ 950,727
Trading securities	1,002,501	2,849,601
Prepaid expenses and other	90,229	137,006
Total current assets	2,053,856	3,937,334
Other Assets		
Leased commercial properties	29,055,961	28,488,970
Property and equipment	2,063,969	2,102,478
Investment in Shee Atiká Investments LLC	1,000,000	—
Deferred income tax benefit	2,620,000	2,540,000
Other	372,138	486,776
	35,112,068	33,618,224
	$ 37,165,924	$ 37,555,558

LIABILITIES AND CAPITAL	2004	2003
Current Liabilities		
Accounts payable and other current liabilities	$ 553,821	$ 296,163
Current portion of long-term debt	279,754	261,659
Total current liabilities	833,575	557,822
Long-Term Debt, less current portion	10,062,926	10,364,833
Capital		
Common stock, no par or stated value, authorized 250,000 shares Class A, voting, issued and outstanding 181,821 shares in 2004 and 182,014 shares in 2003 Class B, nonvoting, issued and outstanding 3,373 shares in 2004 and 3,186 shares in 2003		
Contributed capital	5,956,000	5,956,000
Retained earnings	20,313,423	20,676,903
	26,269,423	26,632,903
	$ 37,165,924	$ 37,555,558

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2004 and 2003

	2004	2003
Revenue		
Rentals from leased commercial properties	$ 2,248,300	$ 1,903,312
Hotel	609,752	499,095
Sales of residential houses	—	872,984
Investment income	50,419	118,538
Trust administrative fees	508,244	411,083
Other	9,747	40,632
	3,426,462	3,845,644
Costs and Expenses		
Leased commercial properties	410,989	437,082
Hotel	218,859	168,390
Residential houses sold	—	938,579
General and administrative	1,617,115	1,624,815
Contributions	40,425	23,965
Interest	611,751	490,395
Depreciation	770,803	625,912
	3,669,942	4,309,138
(Loss) before deferred income tax benefit	(243,480)	(463,494)
Income tax benefit	80,000	210,000
Net (loss)	$ (163,480)	$ (253,494)

CONSOLIDATED STATEMENTS OF CAPITAL

Years Ended December 31, 2004 and 2003

	Shares of Common Stock Class A	Shares of Common Stock Class B	Contributed Capital	Retained Earnings	Total Net Worth
Balances, December 31, 2002	182,173	3,027	$ 5,956,000	$ 21,130,397	$ 27,086,397
Net transfers from nonvoting to voting shares	(159)	159			
Net income for the year				(253,494)	(253,494)
Distribution of cash to Shee Atiká Benefits Trust				(200,000)	(200,000)
Balances, December 31, 2003	182,014	3,186	5,956,000	20,676,903	26,632,903
Net transfers from voting to nonvoting shares	(187)	187			
Net loss for the year				(163,480)	(163,480)
Distribution of cash to Shee Atiká Benefits Trust				(200,000)	(200,000)
Balances, December 31, 2004	182,827	3,373	$ 5,956,000	$ 20,313,423	$ 26,269,423

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2004 and 2003

	2004	2003
Cash Flows From Operating Activities		
Cash received from:		
Rentals from leased commercial properties	$ 2,250,970	$ 1,883,168
Hotel operations	609,752	501,706
Sale of residential houses	—	872,984
Trust administration fees	508,244	411,083
Interest	77,480	130,607
Trading securities	1,847,100	—
Other	32,071	50,290
	5,325,617	3,849,838
Cash paid to/for:		
Contractor, suppliers and employees	2,015,072	2,227,332
Trading securities	—	2,892,827
Interest	610,446	445,885
	2,625,518	5,566,044
Net cash flows from operating activities	2,700,099	(1,716,206)
Cash Flows From Investing Activities		
Purchases of leased commercial properties	(1,305,863)	(9,305,181)
Purchases of property and equipment	(14,663)	(89,092)
Acquisition of interest in Shee Atiká Investments LLC	(1,000,000)	—
Other	114,638	530,653
Net cash flows from investing activities	(2,205,888)	(8,863,620)
Cash Flows From Financing Activities		
Proceeds from long-term debt	—	4,494,164
Principal repayments on long-term debt	(283,812)	(167,672)
Distribution to Shee Atiká Benefits Trust	(200,000)	(200,000)
Net cash flows from financing activities	(483,812)	4,126,492
Net change in cash and cash equivalents	10,399	(6,453,334)
Cash and cash equivalents, beginning of year	950,727	7,404,061
Cash and cash equivalents, end of year	$ 961,126	$ 950,727
Reconciliation of net (loss) to net cash flows from operating activities:		
Net (loss)	$ (163,480)	$ (253,494)
Adjustments to reconcile net (loss) to net cash flows from operating activities		
Depreciation	770,803	625,912
Loss on abandoned property and equipment	21,241	—
Deferred income tax benefit	(80,000)	(210,000)
Change in operating assets and liabilities		
Trading securities	1,847,100	(2,849,601)
Residential homes and related land	—	868,177
Prepaid expenses and other	46,777	(39,032)
Accounts payable and other current liabilities	257,658	141,832
Net cash flows from operating activities	$ 2,700,099	$ (1,716,206)

See Notes to Consolidated Financial Statements

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atiká, Incorporated ("Shee Atiká") is an urban corporation organized pursuant to the Alaska Native Claims Settlement Act ("ANCSA"). ANCSA also created regional corporations which represent geographic areas. Shee Atiká is located in the Sealaska Corporation region. Pursuant to ANCSA, Shee Atiká received the surface estate of approximately 23,000 acres of timberland located on Admiralty Island, 3,000 acres at Katlian Bay and 30 acres on Alice and Charcoal Islands located near Sitka, Alaska, as well as $250,000 in cash. The subsurface estate in this land was conveyed to Sealaska Corporation under ANCSA.

One hundred shares of Shee Atiká's voting common stock were issued pursuant to ANCSA to each Native person enrolled. Nonvoting common stock is issued to any person who acquires Shee Atiká's stock and is not a "Native" or "Descendant of a Native" within the meaning of ANCSA.

SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements include the accounts of Shee Atiká and five wholly-owned limited liability companies ("the LLCs"). All transactions between these entities have been eliminated in consolidation. The LLCs limit Shee Atiká's liability exposure to the amount of Shee Atiká's investment in them and are scheduled to terminate December 31, 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Property and Equipment

The estimated value of the land, including structures, along with cash received under ANCSA were recorded as contributed capital. The surface resources associated with ANCSA land were not recorded based on uncertainties associated with the valuation of these resources. Other land, buildings, and equipment are stated at cost.

Depreciation of buildings and equipment is provided on the straight-line method over the estimated lives of the assets.

Revenue Recognition

Lease revenues are recognized ratably over the life of the lease.

In prior years, Shee Atiká built some residential houses which were offered for sale. All of the houses were sold prior to December 31, 2003. Profit or loss on the sale of residential homes was recognized when the amount of revenue was determinable, certain down payment requirements met, and no significant further involvement remained with respect to the property sold. Costs were allocated to property sold using a method that considered elements of area, relative selling prices, and specifically identified costs.

All other revenues are recognized as earned.

Note 1 (Continued)

Cash

Shee Atiká considers all highly liquid securities purchased with a maturity of three months or less to be cash equivalents for purposes of the statements of cash flows. Shee Atiká regularly has cash and cash equivalents in excess of federally insured limits.

Trading Securities

Trading securities represent bonds payable by agencies of the United States Government and are stated at market value. The portion of trading losses that related to trading securities held at December 31, 2004, was $154 and at December 31, 2003, was $43,226. Realized gains and losses on trading securities transactions are determined on the specific identification method and are recorded on the trade date.

Investment in Shee Atiká Investments LLC

The investment in Shee Atiká Investments LLC ("SAIL") is stated at cost unless the cost of the investment becomes other than temporarily impaired. If this occurs, the carrying amount will be reduced to fair value through a charge to operations.

Income Taxes

Shee Atiká accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in Shee Atiká's financial statements or income tax returns. In estimating future tax consequences, Shee Atiká generally considers all expected future events other than enactments of changes in income tax laws or rates.

Reclassifications

Certain reclassifications were made to the 2003 financial statements to conform to the 2004 presentation.

NOTE 2 LEASED COMMERCIAL BUILDINGS

	2004	2003
Buildings – Alaska	$ 8,638,171	$ 8,040,940
Building – Texas	5,728,492	5,728,492
Building – Colorado	6,057,986	6,057,986
Building – Arizona	4,635,778	4,635,778
Land	6,066,649	6,066,649
	31,127,076	30,529,845
Less accumulated depreciation	(2,753,691)	(2,040,875)
	28,373,385	28,488,970
Construction in progress – Colorado	682,576	—
	$ 29,055,961	$ 28,488,970

Depreciation expense for leased commercial properties amounted to $712,816 and $590,317 in 2004 and 2003, respectively.

The commercial buildings and equipment are leased under operating leases expiring in various years through 2016. The approximate minimum future lease payments to be received by location on the operating leases for the next five years are:

	Alaska	Texas	Colorado	Arizona	Total
2005	$ 420,000	$ 558,000	$ 565,000	$ 547,000	$ 2,090,000
2006	402,000	576,000	574,000	547,000	2,099,000
2007	324,000	601,000	582,000	547,000	2,054,000
2008	222,000	601,000	591,000	558,000	1,972,000
2009	129,000	601,000	600,000	569,000	1,899,000
Thereafter	361,000	952,000	1,434,000	3,762,000	6,509,000
	$ 1,858,000	$ 3,889,000	$ 4,346,000	$ 6,530,000	$ 16,623,000

Leases in Alaska are to various lessees in the Sitka area. The leases for the other buildings are each to one lessee: the building in Texas is leased to the Boeing Company, the building in Colorado is leased to the Mitre Corporation, and the building in Arizona is leased to ITT Tempe JP/PI, LLC (ITT Educational Services, Inc.).

Construction in progress represents costs incurred to construct a commercial building adjacent to the existing building in Colorado. Construction is scheduled to be completed in 2005. The construction commitment outstanding amounts to $1.9 million at December 31, 2004. The building will also be leased to the Mitre Corporation. The term of the existing lease with Mitre will start over on the same terms upon completion of the second building. The term of this new lease will be ten years. Future lease payments to be received for the newly constructed building are expected to be approximately $312,000 per year for ten years.

NOTE 3 PROPERTY AND EQUIPMENT

	2004	2003
Land	$ 1,884,989	$ 1,884,989
Equipment	285,905	305,006
Other	138,385	134,135
	2,309,279	2,369,130
Less accumulated depreciation	(245,310)	(266,652)
	$ 2,063,969	$ 2,102,478

NOTE 4 LONG-TERM DEBT

	2004	2003
Note payable to an insurance company in monthly installments of $18,950 including interest at 5.13%, due in full December 31, 2009, secured by commercial property in Colorado; nonrecourse to Shee Atiká	$ 3,067,101	$ 3,140,774
Note payable to an insurance company in monthly installments of $22,659 including interest at 6.25%, due in full January 1, 2012, secured by commercial property in Texas; guaranteed by Shee Atiká	2,940,004	3,028,622
Note payable to a bank in monthly installments of $10,621 including interest at 6.5%, due in full September 1, 2018, secured by commercial property in Alaska; guaranteed by Shee Atiká	1,152,253	1,206,773
Note payable to a limited liability company owned by an insurance company. The note is due in monthly installments of $20,663 including interest at 5.78%, due in full July 1, 2017, secured by commercial property in Arizona; guaranteed by Shee Atiká	3,183,319	3,250,323
	10,342,680	10,626,492
Less: Current portion	(279,754)	(261,659)
	$ 10,062,926	$ 10,364,833

Principal payments on long-term debt due over the next five years are as follows:

2005	$ 279,754
2006	296,800
2007	314,894
2008	333,432
2009	3,023,193
Thereafter	6,094,607
	$ 10,342,680

NOTE 5 INCOME TAXES

The significant components of the deferred income tax asset for years ended December 31 are as follows (in thousands):

Deferred Tax Assets	2004	2003
Net operating loss carryforwards	$ 3,473	$ 3,465
Alternative minimum tax credit carryforwards	180	180
Other	—	19
Deferred tax asset	3,653	3,664
Deferred Tax Liabilities		
Excess of book basis in buildings and equipment	(1,033)	(1,124)
Net deferred tax asset	$ 2,620	$ 2,540

As of December 31, 2004, Shee Atiká has net operating tax loss carryforwards of approximately $9,387,000 and alternative minimum tax credit carryforwards of $180,000. The tax loss carryforwards expire primarily in 2021, while the alternative minimum tax credit carryforwards do not expire. Management believes that it is more likely than not that the net deferred tax asset will be realized.

The income tax benefit is composed of a deferred benefit of $39,000 and $69,000 in 2004 and 2003, respectively, and a tax benefit of net operating tax loss carryforwards of $41,000 and $141,000 in 2004 and 2003, respectively.

NOTE 6 SETTLEMENT TRUSTS

Shee Atiká established two settlement trusts which are entities authorized by ANCSA and organized under the laws of Alaska to provide benefits to Shee Atiká's shareholders. However, the trusts are separate from Shee Atiká even though the trustees are the same people who are members of Shee Atiká's Board of Directors. The trustees are responsible for investing the assets of the trusts, use of income to accomplish the trusts' primary purpose, and making distributions to unit holders who are also Shee Atiká shareholders. Further, the trusts are prohibited by ANCSA from operating a business.

The first settlement trust, the Shee Atiká Fund Endowment ("SAFE"), was established to maintain assets and pay distributions from its income to SAFE's beneficiaries. SAFE has net assets of approximately $53,500,000 at December 31, 2004.

The second settlement trust, Shee Atiká Benefits Trust ("SABT"), was established to provide scholarships and funeral benefits to Shee Atiká's shareholders who are also beneficiaries of the trust. Due to anticipated future distributions by SABT, it may require additional funding. In 2004, Shee Atiká transferred $200,000 to SABT and is considering future transfers to SABT at similar dollar amounts over the next few years. SABT has net assets of approximately $1,900,000 at December 31, 2004.

During 2004, Shee Atiká formed Shee Atiká Investments LLC ("SAIL") to pool some cash and certain investments with the above settlement trusts. Management believes that pooling investments at SAIL permits greater diversification, thereby reducing risk and enhancing returns. During 2004, Shee Atiká contributed cash of $1,000,000 to SAIL in return for a 1.86% ownership interest. SAIL limits Shee Atiká's liability exposure to the amount of its interest in SAIL. SAIL is scheduled to terminate in 2023.

Note 6 (Continued)

Shee Atiká provides administrative services to SAIL, SAFE, and SABT. Administrative fees were earned as follows:

	2004	2003
SAIL	$ 157,364	$ —
SAFE	199,327	229,322
SABT	151,553	181,761
	$ 508,244	$ 411,083

NOTE 7 RELATED PARTY TRANSACTIONS

During 2004 and 2003, Shee Atiká leased commercial space to Alaska Pacific Bank for $49,597 and $81,000, respectively, where a Shee Atiká director is also a director. Shee Atiká contributed $5,000 in 2004 and $10,000 in 2003 to a local college where two directors serve as trustees. Shee Atiká also leases space to the college. The revenue from the lease amounted to $28,275 and $73,101 for 2004 and 2003, respectively. During 2003, a director purchased a townhouse condominium from Shee Atiká for $290,800 in cash. During 2003, commissions amounting to $27,466 were paid by Shee Atiká on the sales of townhouse condominiums to a realty company in which a relative of a Shee Atiká director, who is also a shareholder, is a non-owner employee and where another shareholder is also employed.

Shee Atiká has had other transactions with shareholders for purchases of artwork and janitorial services.

INDEPENDENT AUDITORS' REPORT

PETERSON SULLIVAN PLLC

To the Board of Trustees and Unit Holders
Shee Atiká Fund Endowment
Sitka, Alaska

We have audited the accompanying statements of net assets—modified income tax basis of Shee Atiká Fund Endowment as of December 31, 2004 and 2003, and the related statements of revenues and expenses—modified income tax basis, and changes in net assets—modified income tax basis for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of accounting the Trust uses for income tax purposes, except that it adjusts certain investments to reflect market value (investments are valued at cost on the basis of accounting the Trust uses for income tax purposes) ("the modified income tax basis"). The purpose of using the modified income tax basis of accounting is to make the statements easier to use for the Trust unit holders. The modified income tax basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the net assets of Shee Atiká Fund Endowment as of December 31, 2004 and 2003, and its revenues and expenses and changes in net assets for the years then ended, on the modified income tax basis of accounting as described in Note 1.

Peterson Sullivan PLLC

January 27, 2005

STATEMENT OF NET ASSETS — MODIFIED INCOME TAX BASIS

December 31, 2004 and 2003

	2004	2003
ASSETS		
Investments		
SAIL	$ 54,267,676	—
Securities	5,800,000	50,821,357
Investment in Shee Atiká Holdings Lodge, LLC	15,393	4,821,895
Investment in Atikon Forest Products, Inc.	339,954	339,954
Total investments	60,423,023	55,983,206
Distribution receivable	—	105,690
Cash and cash equivalents	359,709	569,600
Total assets	60,782,732	56,658,496
LIABILITIES		
Income tax payable	20,000	15,679
Other	18,077	—
Net assets	$ 60,744,655	$ 56,642,817

SHEE ATIKÁ FUND ENDOWMENT

See Notes to Financial Statements

STATEMENT OF REVENUES AND EXPENSES — MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2004 and 2003

	2004	2003
Revenues		
Interest	$ 243,461	$ 922,182
Dividends	95,962	1,114,398
Net capital gains (losses)	230,915	(3,000)
Equity share in SAIL taxable incomee	1,077,720	—
Other income on investments	586,986	376,905
	2,235,044	2,410,485
Administrative expenses		
Management, custodian, and professional fees	348,233	478,520
Other expenses	3,641	31,916
	351,874	510,436
Taxable income	1,883,170	1,900,049
Income tax expense	193,511	174,679
Income before adjusting portfolio to market value	1,689,659	1,725,370
Adjustment to market value		
SAIL	2,245,538	—
Other investments	2,296,441	4,127,284
Change in net assets	$ 6,231,638	$ 5,852,654

STATEMENT OF CHANGES IN NET ASSETS — MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2004 and 2003

	2004	2003
Change in net assets	$ 6,231,638	$ 5,852,654
Distributions to unit holders	(2,129,800)	(2,063,128)
Total increase	4,101,838	3,789,526
Net assets, beginning of year	56,642,817	52,853,291
Net assets, end of year	$ 60,744,655	$ 56,642,817

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atiká Fund Endowment ("SAFE") is an irrevocable settlement trust formed by Shee Atiká, Incorporated ("SAI") under Alaska statute. SAFE was established to maintain assets and pay distributions to unit holders who are also shareholders of SAI. Members of the Board of SAI act as the trustees.

SAI is an Urban Corporation organized pursuant to the Alaska Native Claims Settlement Act ("ANCSA"). ANCSA, as amended, authorizes the conveyance of assets by a Native corporation to a settlement trust.

SAFE's voting trust units are issued to SAI's shareholders in direct proportion to their shares of voting common stock. Nonvoting trust units are issued to any person who acquires SAI's shares and who is not a "Native" or a "Descendant of a Native" within the meaning of ANCSA, in direct proportion to their shares of nonvoting common stock. The trust units are not generally transferable. At December 31, 2004, there were 185,200 trust units (of which 181,827 were voting and 3,373 were nonvoting) held by over 2,500 beneficiaries.

The Settlement Trust Agreement requires that a minimum of 75% and a maximum of 100% of annual net cash income, as defined, is to be distributed to beneficiaries, semi-annually. The amount of distributions ($11.50 per unit in 2004 and $11.14 per unit in 2003) are ultimately determined by the board of trustees, but must be between the minimum and maximum amounts. Distributions are pro rata based on the number of trust units owned. SAFE has adopted a goal whereby it is to distribute approximately 4% of net assets (based on a five-year rolling average) each year, not to exceed the limits discussed above. In meeting this goal, realized gains of approximately $155,000 were allocated to net cash income in 2004 ($27,000 in 2003) and distributed to beneficiaries. These realized gains are included in the determination of net realized gains (losses) on the sale of investments in the statements of revenue and expenses—modified income tax basis.

After the fifteenth anniversary of SAFE (January 4, 2008), the trustees may modify the terms of the trust agreement with unit holder approval. The modifications may include changing the percentage of net cash income that is distributed, modifying the principal distribution provisions, or terminating SAFE and distributing all principal and accrued income to the beneficiaries.

SAI provides administrative services to SAFE. It charged administrative fees of $199,327 in 2004, and $229,322 in 2003. These fees are included in management, custodian, and professional fees on the statement of revenues and expenses—modified income tax basis.

During 2003, SAI formed Shee Atiká Investments LLC ("SAIL") to pool cash and certain investments owned by SAFE, SAI, and Shee Atiká Benefits Trust ("SABT"). SABT is also a settlement trust with the same unit holders and trustees as SAFE. SAIL's board of directors consists of the same people who are the trustees and board members of SAFE, SAI, and SABT. SAFE's trustees believe that pooling investments at SAIL permits greater diversification, thereby reducing risk and enhancing returns. During 2004, SAFE contributed cash of $16,937,414 and investments with a market value of $34,006,994 to SAIL in return for a 95% ownership interest. SAIL limits SAFE's liability exposure to the amount of the interest in SAIL. SAIL is scheduled to terminate on December 31, 2023.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

SAFE's policy is to prepare its financial statements on the income tax basis of accounting, except that it adjusts certain investments to reflect market value rather than cost ("the modified income tax basis"). Consequently, certain revenues are recognized when received (rather than when earned) and certain expenses are recognized when paid (rather than when the expense is incurred).

Note 1 (Continued)

Investments at Market Value

The investment in SAIL represents SAFE's ownership interest (95% at December 31, 2004) in SAIL's net assets. SAIL's basis of accounting is identical to SAFE's in that it also uses the modified income tax method. SAIL's investments are subject to various market, liquidity, and credit risks. Further, at December 31, 2004, SAFE's investment in United States Treasury bills and notes is carried at a value based on the public market for these securities.

At December 31, 2003, SAFE's investments in securities are based on the following:

- Investments in common stocks, corporate bonds, and United States Treasury bills and notes were carried at a value based on the applicable price on an exchange, or the bid price on the last trading day of the year.
- Investments in mutual funds were based on redemption prices quoted by the fund on the last day of the year.
- Real estate mortgage investment conduits ("remics") were carried at a value determined by a recognized investment valuation service because no organized trading market exists for these securities.
- Investments in other mortgage-backed and asset-backed securities are traded by market-makers and were carried at values determined by brokerage houses on the last day of the year.
- Investments in partnerships and similar investments are carried at a value determined by the entity organizing the investment because no formal organized trading market exists for these securities.

The difference between cost and the investment in SAIL and the market value of securities held at year-end represents unrealized gains or losses on investments. Realized gains or losses from securities transactions are determined on the specific identification method and are recorded on the trade date.

Shee Atiká Holdings Lodge, LLC ("SAHL") owned the Shee Atiká Lodge ("the Lodge") located in Sitka, Alaska. The Lodge was originally transferred to SAFE by SAI during a prior year. The investment in SAHL reflected the net book value of its assets and liabilities using the income tax basis of accounting. The Lodge was sold in 2004 for $6,608,240 in cash which resulted in a gain of $1,319,055 included in net capital gains. Operating income from the Lodge amounting to $585,894 in 2004 and $447,764 in 2003 is included in other income.

The investment in Atikon Forest Products, Inc. ("Atikon") represents a 49% ownership interest which was transferred by SAI in a prior year. The investment is stated at cost less any return of original capital.

Cash and Cash Equivalents

SAFE considers money market funds and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. SAFE regularly has cash and investments in excess of government sponsored insurance limits.

Income Taxes

SAFE has elected to be taxed at a rate of approximately 10% on taxable income (5% on certain dividends received) as defined in the Internal Revenue Code. SAFE cannot carry non-capital taxable losses back to previous years or forward to future years to offset taxable income. SAFE can carry capital losses realized on sales of investments back to previous years and forward to future years to offset capital gains realized. In 2004 SAFE carried $1,751,410 of capital losses forward from 2003 which were used to offset capital gains. In 2003, SAFE carried $443,151 of capital losses forward from 2002 which were used to offset capital gains. At December 31, 2004, SAFE has $33,229 of capital loss carryforwards which can be used to offset future capital gains. These carryforward losses do not expire.

Certain partnerships and similar investments described in Note 2 can require SAFE to pay state income taxes. These taxes were not significant in 2004, but may be in the future.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications were made to the 2003 financial statements to conform to the 2004 presentation.

NOTE 2 INVESTMENTS IN SECURITIES

Investments in securities presented at market value are summarized as follows:

	2004 Market Value	2004 Cost	2003 Market Value	2003 Cost
Common stocks	$ —	$ —	$ 4,875,537	$ 4,512,216
Corporate bonds	—	—	3,225,661	3,522,490
United States Treasury bills and notes	5,800,000	5,772,624	1,274,671	1,260,769
Mutual funds				
American Euro Pacific Growth International Fund	—	—	5,670,115	5,350,010
Pimco Total Return Bond Fund	—	—	8,570,322	8,720,081
Dodge and Cox Stock Fund	—	—	1,871,483	1,769,782
Unit Trust holding shares in the Russell 1000 Index	—	—	2,017,717	1,754,931
Remics and mortgage-backed debt securities issued by an agency of the United States Government or by an entity originally sponsored by the United States Government	—	—	3,943,028	3,840,656
Other mortgage-backed and asset-backed debt securities	—	—	1,972,097	2,582,996
Partnerships and similar investments				
RREEF America REIT II, Inc.	—	—	1,055,163	1,028,297
Grosvenor Multi-Strategy Fund LP	—	—	7,742,355	7,116,340
Clarion Lion Properties Fund LLC	—	—	6,603,208	6,448,782
Rigel Growth Fund LLC	—	—	2,000,000	2,000,000
	$ 5,800,000	$ 5,772,624	$ 50,821,357	$ 49,907,350

SAFE pays custodial fees to U.S. Bank at a varying annual rate that averages .05% of SAFE's average daily net assets at market value, and $7.50 for each security transaction. SAFE pays management fees to certain of its investment managers computed at an annual rate varying from .375% to 2.0% of the SAFE's average daily net assets under their management at market value. Finally, SAFE paid an investment advisory fee of $37,500 in 2004 and $75,000 in 2003.

INDEPENDENT AUDITORS' REPORT

PETERSON SULLIVAN PLLC

To the Board of Trustees
Shee Atiká Benefits Trust
Sitka, Alaska

We have audited the accompanying statements of net assets – modified income tax basis of Shee Atiká Benefits Trust as of December 31, 2004 and 2003, and the related statements of revenues and expenses – modified income tax basis, and changes in net assets – modified income tax basis for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of accounting the Trust uses for income tax purposes, except that it adjusts certain investments to reflect market value (investments are valued at cost on the basis of accounting the Trust uses for income tax purposes) ("the modified income tax basis"). The purpose of using the modified income tax basis of accounting is to make the statements easier to use for the Trust unit holders. The modified income tax basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the net assets of Shee Atiká Benefits Trust as of December 31, 2004 and 2003, and its revenues and expenses and changes in net assets for the years then ended, on the modified income tax basis of accounting as described in Note 1.

Peterson Sullivan PLLC

January 27, 2005

STATEMENTS OF NET ASSETS - MODIFIED INCOME TAX BASIS

December 31, 2004 and 2003

ASSETS	2004	2003
Investments		
SAIL	$ 1,781,889	—
Securities	—	1,653,105
Total investments	1,781,889	1,653,105
Cash and cash equivalents	92,652	366,300
Income tax receivable	—	3,000
Net assets	1,874,541	2,022,405

STATEMENTS OF REVENUES AND EXPENSES - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2004 and 2003

	2004	2003
Revenues		
Interest and dividends	$ 36,920	$ 61,608
Net capital (losses)	(11,516)	(3,000)
Equity share in SAIL taxable income	38,411	—
	63,815	58,608
Administrative expenses	178,919	203,673
Taxable loss	(115,104)	(145,065)
Adjustment to market value		
SAIL	68,479	—
Other investments	(12,470)	161,913
Change in net assets	$ (59,095)	$ 16,848

STATEMENTS OF CHANGES IN NET ASSETS - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2004 and 2003

	2004	2003
Change in net assets	$ (59,095)	$ 16,848
Transfer of cash from Shee Atiká, Incorporated	200,000	200,000
Distributions to unit holders		
Scholarships	(260,955)	(163,253)
Funeral benefits	(27,814)	(24,960)
Total distributions	(288,769)	(188,213)
Total increase (decrease)	(147,864)	28,635
Net assets, beginning of year	2,022,405	1,993,770
Net assets, end of year	$ 1,874,541	$ 2,022,405

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atiká Benefits Trust ("SABT") is an irrevocable settlement trust formed by Shee Atiká, Incorporated ("SAI") under Alaska statute. SABT was established to provide educational and funeral benefits to unit holders who are also shareholders of SAI. Members of the Board of SAI act as the trustees.

SAI is an Urban Corporation organized pursuant to the Alaska Native Claims Settlement Act ("ANCSA"). ANCSA, as amended, authorizes the conveyance of assets by a Native corporation to a settlement trust.

SABT's voting trust units were issued to SAI's shareholders in direct proportion to their shares of SAI voting common stock. Nonvoting trust units were issued to any person who had acquired SAI's shares and who is not a "Native" or a "Descendant of a Native" within the meaning of ANCSA, in direct proportion to their shares of SAI nonvoting common stock. The trust units are not generally transferable. At December 31, 2004 and 2003, there were 185,200 trust units (of which 181,827 were voting and 3,374 were nonvoting) held by over 2,500 beneficiaries.

The Settlement Trust Agreement allows annual distributions up to 100% of net cash income, as defined, and up to 20% of principal, to provide educational and funeral benefits. There is no minimum required distribution.

After the tenth anniversary of SABT (November 8, 2007), the trustees may modify the terms of the trust agreement with unit holder approval. The modifications may include changing the percent of net cash income that may be used to provide benefits, modifying the principal distribution provisions, or terminating SABT and distributing all principal and accrued income to the beneficiaries.

SAI provides administrative services to SABT. It charged administrative fees of $151,553 in 2004 and $181,761 in 2003. These fees are included in administrative expenses on the statement of revenues and expenses—modified income tax basis for 2004 and 2003, respectively.

During 2003, SAI formed Shee Atiká Investments LLC ("SAIL") to pool cash and certain investments owned by SABT, SAI and Shee Atiká Fund Endowment ("SAFE"). SAFE is also a settlement trust with the same unit holders and trustees as SABT. SAIL's board of directors consists of the same people who are the trustees and board members of SABT, SAI, and SAFE. SABT's trustees believe that pooling investments at SAIL permits greater diversification, thereby reducing risk and enhancing returns. During 2004, SABT contributed cash of $1,675,000 to SAIL in return for a 3% ownership interest. SAIL limits SABT's liability exposure to the amount of its interest in SAIL. SAIL is scheduled to terminate in 2023.

Due to anticipated future distributions by SABT, it may require additional funding. In both 2004 and 2003, SAI transferred $200,000 to SABT and is considering future transfers to SABT at similar dollar amounts over the next few years.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

SABT's policy is to prepare its financial statements on the income tax basis of accounting, except it adjusts certain investments to reflect market value rather than cost ("the modified tax basis"). Consequently, certain revenues are recognized when received (rather than when earned) and certain expenses are recognized when paid (rather than when the expense is incurred).

Note 1 (Continued)

Investments

The investment in SAIL represents SABT's ownership interest (3% at December 31, 2004) in SAIL's assets. SAIL's basis of accounting is identical to SABT's in that it also uses the modified income tax method. SAIL's investments are subject to various market, liquidity, and credit risks.

SABT's investments in securities are stated at market value at December 31, 2003, based on prices in a recognized trading market. SABT sold all securities during 2004.

The difference between cost and the investment in SAIL and market value of securities held at year-end represents unrealized gains or losses on investments. Realized gains and losses from securities transactions are determined on the specific identification method and are recorded on the trade date.

Cash and Cash Equivalents

SABT considers money market funds and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. SABT regularly has cash and investment balances in excess of government sponsored insurance limits.

Income Taxes

SABT has elected to be taxed at a rate of 10% on taxable income (5% on certain dividends received) as defined in the Internal Revenue Code. SABT cannot carry non-capital taxable losses back to previous years or forward to future years to offset taxable income. In 2004, SABT carried $99,232 of capital losses forward from 2003 which were used to offset capital gains. At December 31, 2004, SABT has $286,944 of capital loss carryforwards which can be used to offset future capital gains. These carryforward losses do not expire.

Reclassifications

Certain reclassifications were made to the 2003 financial statements to conform to the 2004 presentation.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts an disclosures. Actual results could differ from those estimates.

NOTE 2 INVESTMENT IN SECURITIES

Investments in securities presented at market value at December 31, 2003, are summarized as follows:

	Market Value	Cost
Mortgage-backed debt securities issued by an agency of the United States Government or by an entity originally sponsored by the United States Government	$ 785,121	$ 759,427
Unit Trust holding shares in all companies in Standard & Poor's 500 companies	867,984	782,730
	$ 1,653,105	$ 1,542,157

INDEPENDENT AUDITORS' REPORT

PETERSON SULLIVAN PLLC

To the Board of Directors and Members
Shee Atiká Investments, LLC
Sitka, Alaska

We have audited the accompanying balance sheet—modified income tax basis of Shee Atiká Investments, LLC as of December 31, 2004, and the related statements of operations and members' equity – modified income tax basis, cash flows—modified income tax basis for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of accounting the Company uses for income tax purposes, except that it accounts for investments at market value (investments are valued at cost on the basis of accounting the Company uses for income tax purposes) ("the modified income tax basis"). The purpose of using the income tax basis of accounting is to make the statements easier to use for the Company's members and their unit holders. The income tax basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Shee Atiká Investments, LLC as of December 31, 2004, and the results of its operations and its cash flows for the year then ended, on the modified income tax basis of accounting as described in Note 1.

Peterson Sullivan PLLC.

January 27, 2005

BALANCE SHEET - MODIFIED INCOME TAX BASIS

December 31, 2004

ASSETS	
Investments, at market value	$ 55,965,204
Distribution receivable	98,647
Cash and cash equivalents	1,047,985
Total assets	$ 57,111,836
MEMBERS' EQUITY	
Members' equity	$ 57,111,836

STATEMENT OF OPERATIONS AND MEMBERS' EQUITY - MODIFIED INCOME TAX BASIS

For the Year Ended December 31, 2004

Revenues	
Interest	$ 686,164
Dividends	982,931
Net capital gains	268,340
Other (losses) on investments	(155,915)
	1,781,520
Expenses	
Management, custodian, and professional fees	363,420
Other expenses	293,933
	657,353
Taxable income	1,124,167
Adjustment to market value	2,368,261
Net income	3,492,428
Members' equity, beginning year	—
Contributions from members	53,619,408
Members' equity, end of year	$ 57,111,836

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atiká Investments, LLC ("SAIL") was formed on July 1, 2003, by Shee Atiká Incorporated ("SAI") as a limited liability company in Alaska. No activities occurred in 2003. SAIL was formed to pool the investment activity for SAI, Shee Atiká Fund Endowment ("SAFE"), and Shee Atiká Benefits Trust ("SABT") to the extent assets are transferred by these entities to SAIL. During 2004, SAI transferred cash of $1,000,000, SAFE transferred cash of $16,937,4114 and investments stated at market value of $34,006,994, and SABT transferred cash of $1,675,0000 in exchange for their relative ownership percentages in SAIL. These three entities are the only members of SAIL. The members believe that pooling of investments at SAIL permits greater diversification, thereby reducing risk and enhancing returns. SAI's board of directors, the trustees of SAFE and SABT, and SAIL's board of directors consist of all the same people. Members' liability is limited to the amount of each member's investment in SAIL. SAIL is scheduled to terminate December 31, 2023.

SAI provides administrative services under contract to SAIL. In 2004, SAI charged administrative fees of $157,364 to SAIL. These fees are included in management, custodian, and professional fees on the statement of operations and members' equity—modified income tax basis.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

SAIL's policy is to prepare its financial statements on the income tax basis of accounting, except it recognizes its investments at market value rather than cost ("the modified income tax basis"). Consequently, certain revenues are recognized when received (rather than when earned) and certain expenses are recognized when paid (rather than when the expense is incurred).

Cash and Cash Equivalents

SAIL considers money market funds and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. SAIL has cash and investments in excess of government sponsored insurance limits.

Investments at Market Value

- Investments in common stocks, corporate bonds, and United States Treasury bills and notes are carried at a value based on the applicable price on an exchange, or the bid price on the last trading day of the year. These investment securities are traded on various United States exchanges and are therefore subject to the market volatility in those exchanges.
- Investments in mutual funds are based on redemption prices quoted by the fund on the last day of the year. The international mutual fund invests in securities of various entities in many different countries to mitigate risk.
- Investments in mortgage-backed and asset-backed securities are traded by market-makers and are carried at values determined by brokerage houses on the last day of the year.
- Investments in partnerships and similar investments are carried at a value determined by the entity organizing the investment because no formal organized trading market exists for these securities. Sale of investment units can only be redeemed at certain times, and with varying amounts of notice. Units can only be redeemed at certain times, and with varying amounts of notice. Due to the lack of an organized trading market and the restrictions associated with investment redemption, liquidity for these investments may be impaired under certain market conditions.

The difference between cost and market value of securities held at year-end represents unrealized gains or losses on investments. Realized gains or losses from securities transactions are determined on the specific identification method and are recorded on the trade date.

INCOME TAXES

SAIL is treated as a partnership for income tax reporting purposes. As such, no liability for income taxes is included in these financial statements.

ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 INVESTMENTS, AT MARKET VALUE

Investments presented at market value are summarized as follows at December 31, 2004:

	Market Value	Cost
Common stocks	$ 6,889,659	$ 5,835,850
Corporate bonds	4,291,781	4,618,272
United States Treasury bills and notes	2,313,451	2,257,385
Mutual funds		
American Euro Pacific Growth International Fund	8,070,307	7,268,486
Pimco Total Return Bond Fund	2,818,602	2,882,209
Pimco All Asset Fund	6,120,865	6,151,977
Dodge and Cox Stock Fund	2,217,135	2,026,818
Mortgage-backed and asset-backed debt securities	2,371,715	2,328,825
Partnerships and similar investments		
RREEF America REIT II, Inc.	1,147,972	1,062,548
Grosvenor Multi-Strategy Fund LP	8,314,658	7,405,043
Clarion Lion Properties Fund LLC	6,984,077	6,363,618
Intech Risk-Managed Large Cap Growth Fund LLC	2,197,549	2,039,746
Rigel Growth Fund LLC	2,227,433	1,984,716
	$ 55,965,204	$ 52,225,493

Partnerships and similar investments are summarized as follows:

- RREEF America REIT II, Inc. – This is a real estate investment trust investing in apartment, industrial, retail, and office properties located throughout the United States.
- Grosvenor Multi-Strategy Fund LP – This is a limited partnership investing in over 40 mutual funds. Its goal is to have positive investment returns in all investment climates (a hedge fund).
- Clarion Lion Properties Fund LLC – This is a limited liability company investing in residential, industrial, retail, and office properties located throughout the Unites States.
- Intech Risk-Managed Large Cap Growth Fund LLC – This is a limited liability company investing in the common stock of large publicly traded companies in the United States.
- Rigel Growth Fund LLC – This is a limited liability company investing in the common stock of larger publicly traded companies in the United States.

SAIL pays custodial fees to U.S. Bank at a varying annual rate that averages .05% of SAIL's average daily net assets at market value, and $7.50 for each security transaction. SAIL pays management fees to certain of its investment managers computed at an annual rate varying from .375% to 2.0% of SAIL's average daily net assets under their management at market value. Finally, SAIL paid an annual investment advisory fee of $37,500 in 2004.

THE
SHEE ATIKÁ
GROUP

DEFINITIONS

Class A Shareholder – a shareholder who is Alaska Native, as defined by the Alaska Native Claims Settlement Act, or their legal descendants. Only Class A shareholders can vote in ANCSA corporate elections.

Class B Shareholder – a non-Native who has inherited shares. While Class B shareholders cannot vote in ANCSA corporate elections, they receive the same benefits as Class A shareholders.

Equity Investment – Any investment that gives the investor an ownership position in something. A share of stock is our primary example. When we purchase stock we buy an ownership share in a corporation. We buy it because we believe that its value will increase. Some stocks pay dividends and some do not.

Fixed Income Investment – Usually called a bond, which is the most common type of fixed income investment. A fixed income investment is any investment that is in the form of a loan. When a bond is purchased, the investor is loaning his money. A Treasury note, bill, or bond is a loan to the U.S. Government. A corporate bond is a loan to the corporation issuing the bond.

Federal Reserve – The central banking system of the U.S., composed of the Federal Reserve Board, the 12 Federal Reserve Banks, and the national and state member banks. Its primary purpose is to regulate the flow of money and credit in the country. The Federal Reserve's monetary policies have a powerful effect on interest rates.

Gifting Shares – an option provided through the so-called "1991 Amendments" to ANCSA that allows a shareholder to give shares to legal descendents. An amendment was necessary to allow such a transaction since shares cannot be sold, and prior to the 1991 amendments, the only way shares could be passed on to descendents was through inheritance following a death.

Index Funds – investments in a pool of stocks (equities) that mirror an index such as the S&P 500 or the Dow Jones Industrials. By indexing, an investor usually buys the stocks of the same companies that comprise an index (through a mutual fund or index shares), and remains invested, thereby minimizing stock transactions and taxable short-term gains. The value of such investments will grow at the same rate as the index. In other words, if the S&P 500 gains 10% in value in a given period of time, the index funds will grow at the same rate.

LLC: Limited Liability Company – A business structure that is a hybrid of a partnership and a corporation. Its owners are shielded from personal liability and all profits and losses pass directly to the owners without taxation of the entity itself. Shee Atiká's LLCs are 100% owned and are consolidated with Shee Atiká, Incorporated for financial statement and tax reporting. The Shee Atiká President & CEO is also the Manager of the LLCs.

Net Asset Value – This is the "net worth" or the "equity value" of a trust. The net asset value is equal to the market value of all assets less the liabilities of the trust.

ROI: Return on Investment – Earnings from an investment expressed as a percentage of the amount invested.

SAFE – Shee Atiká Fund Endowment. SAFE is a trust fund, often referred to as the "settlement trust" or the "permanent fund." All of these terms mean the same thing and will be referred to as SAFE.

SABT – Shee Atiká Benefits Trust. Established by shareholder vote in 1997, and funded in 1998 following receipt of a satisfactory IRS ruling. The earnings of this trust provide shareholder education and funeral benefits. Like SAFE, SABT is a settlement trust.

SAI – Shee Atiká Incorporated, the for-profit Alaska Native Claims Settlement Act (ANCSA) urban corporation of Sitka, Alaska. SAI is a separate legal entity, operating under different rules and tax regulations than the two settlement trusts, SAFE and SABT.

Security or Investment Security – These terms can mean either stocks or bonds, or both.

SPDRs – Standard & Poors Depository Receipts, nicknamed "spiders," is an index fund that mirrors the composition of the S&P 500, an assortment of 500 publicly traded companies.

Deferred Tax Assets – Deferred tax assets are tax benefits (such as unused net operating tax losses, or NOLs) that are expected to be used in the future. Deferred tax liabilities are the result of income being recognized in the financial statements, but not yet in the tax return (such as increases in the market value of investments, where income taxes aren't paid until the investment is sold). The changes in deferred tax assets and liabilities between years are reflected in the income statement as a deferred tax benefit or a deferred tax provision.

Trust – A legal entity created by a person or organization. SAFE and SABT are settlement trusts created by SAI under the terms of the Alaska Native Claims Settlement Act. A trust is governed by different principles and rules than a corporation.

Trust Agreement – Rules that govern the trust. The trust agreement takes the place of Articles of Incorporation and Bylaws that govern the activities of a corporation.

Trustee – A member of the board of trustees. Like a corporation, trusts are managed by a board. In trust law a board member is a "trustee." In corporate law a board member is a "director." Therefore, a trust board is called a "board of trustees" and a corporate board is called a "board of directors." The persons who serve on the board of trustees of SAFE and SABT are the same persons who serve on the board of directors of SAI.

Unit – An ownership share in a trust, and means the same as "share" when referring to a corporation.

Unit Holder – A part owner of a trust, and means the same as "shareholder" when referring to a corporation. Sometimes, "unit holders" are referred to as "beneficiaries" because they mean the same thing. All SAI shareholders are also unit holders of SAFE and SABT.

THE
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