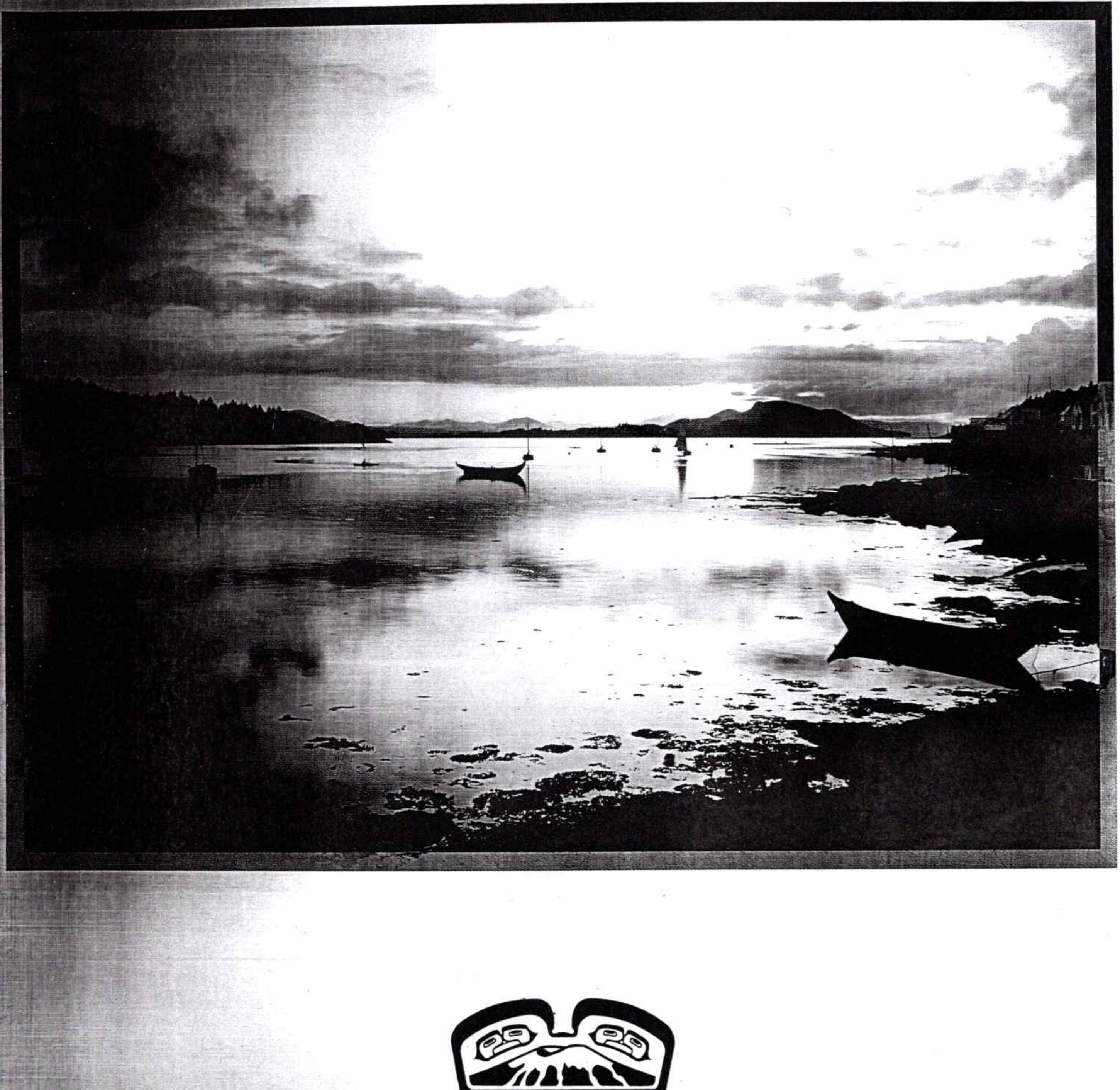


THE SHEE ATIKÁ GROUP

2005 ANNUAL REPORT

CORPORATE INFORMATION

Senior Management

Robert G. Loiselle
President & Chief Executive Officer

Victor R. Scarano
Chief Financial Officer

Staff

Sandi Dalton
Controller

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
Francis Dunne
Josh Horan
June Koval
Cass Pook

THE SHEE ATIKÁ GROUP

MISSION

The mission of The Shee Atiká Group (Shee Atiká) is to preserve and enhance our equity for all generations of Shee Atiká shareholders, and to provide benefits to shareholders consistently and on a fair and equitable basis.

Cover: Sitka waterfront, ca. 1900. Elbridge W. Merrill photo courtesy of the Alaska State Library/Historical Collections.

THE SHEE ATIKÁ GROUP

2005 ANNUAL REPORTS OF

SHEE ATIKÁ, INCORPORATED

SHEE ATIKÁ FUND ENDOWMENT

SHEE ATIKÁ BENEFITS TRUST

SHEE ATIKÁ INVESTMENTS, LLC

CONTENTS

BOARD OF DIRECTORS



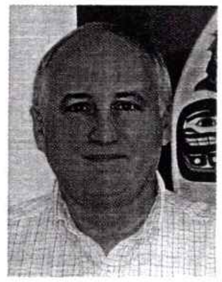






Board Members, from top, left to right:

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

Dear Shareholder:

We are pleased to present the 2005 Annual Report for the Shee Atiká Group on the 32nd anniversary of Shee Atiká, Incorporated. In keeping with recent practice, we have consolidated the management reports for Shee Atiká, Incorporated (SAI), Shee Atiká Fund Endowment (SAFE), Shee Atiká Benefits Trust (SABT), and Shee Atiká Investments, LLC (SAIL), 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, regardless of which assets are owned by each entity. Although managed in unison, each corporate or trust entity within the Shee Atiká Group possesses unique tax and legal features designed to efficiently produce certain benefits.

In 2005, we were once again able to shelter both SAFE distributions and SABT benefit payments from taxation at the shareholder level, thanks to the unique tax characteristics made possible by IRS Section 646 elections made by both trusts several years ago. At this point, we cannot yet be certain about the tax status of the 2006 distributions.

The Shee Atiká Group continues to perform well. Shee Atiká Investments, LLC produced an overall return on investments of 10.4% in 2005, placing it among the top 17% of endowments with less than $1 billion in assets. We are also proud of the progress that Dave Malone, Janice Johnson, and the rest of the staff have made during the first year of full-time operation of the Shee Atiká Totem Square Inn. Occupancy and revenue are rising and the Totem Square Inn is becoming *the* place to stay in Sitka. Check it out at www.totemsquareinn.com.

The Shee Atiká Benefits Trust continues to be a positive force in the lives of our shareholders through many innovative programs. These include academic, cultural and vocational training for growing numbers of shareholders, and a funeral benefit program that continues to provide assistance and comfort to families of deceased shareholders during times of loss.

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, www.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
Chairman of the Board

Robert G. Loiselle
President and Chief Executive Officer

SHEE ATIKÁ GROUP MANAGEMENT REPORT

Our objective for the Group continues to be maximization of the return on the Group's total assets, particularly on an after-tax basis. In other words, 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 that are entirely tax-free to shareholders. Once again in 2005 we were able to provide distributions and benefits free of tax to the individual shareholder.

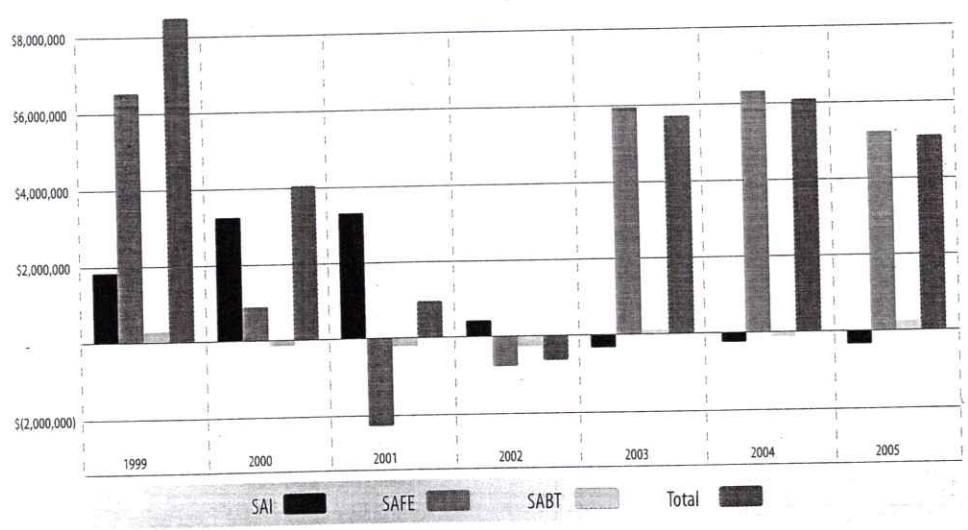
2005 was a good year for the Group, with Shee Atiká Investments, LLC (SAIL), the Group's in-house mutual fund, earning 10.4%, placing it in the top 17% of endowments with median assets of $1 billion or less. SAIL manages most of the assets of the Shee Atiká Fund Endowment (SAFE) and the Shee Atiká Benefits Trust (SABT). Currently, Shee Atiká, Incorporated (SAI) does not have an investment in SAIL.

Overall, SAFE earned $5.1 million (including its share of SAIL earnings), SAI incurred a loss of $271,000, and SABT earned $158,000, resulting in total group earnings of about $5.0 million in 2005. After distributions and benefit payments of $2.5 million, the Group's net worth increased by approximately $2.5 million.

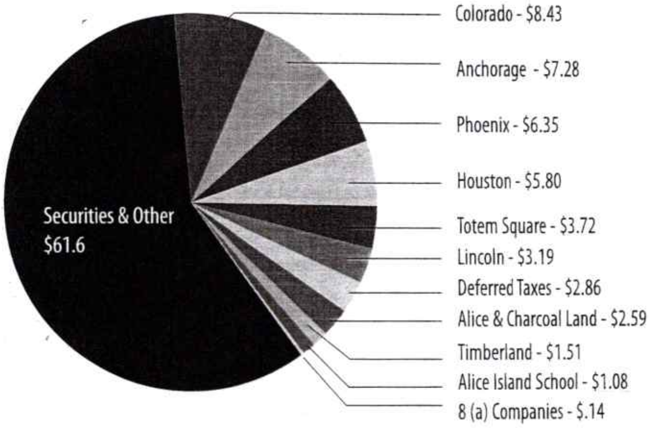
It is by design that the majority of our earnings come from SAFE. As a settlement trust that has elected special treatment under Section 646 of the Internal Revenue Code, SAFE's distributions are, for the most part, tax-free to beneficiaries. Over the years, we have moved assets from SAI to SAFE to accomplish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

SAIL, with the help of investment advisor R.V. Kuhns & Associates, continues to refine its asset allocation to increase return and reduce risk.

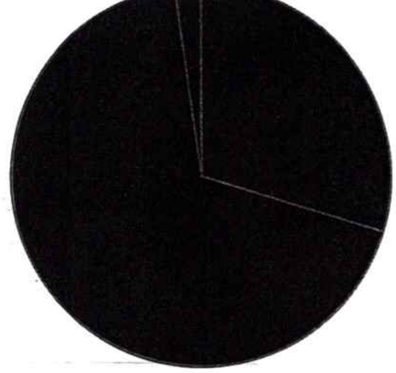
The Group's assets grew to over $104 million in 2005. Accounting rules require that we list most of our assets at "net book value," which is the cost of the asset plus any capital improvements less depreciation. Because we do not get to realize appreciation in a property until it is sold, we believe that most of our properties are actually worth much more than net book value, particularly in this era of high commercial real estate prices.



SHEE ATIKÁ GROUP EARNINGS 1999 - 2005



SHEE ATIKÁ GROUP
REAL ESTATE & OTHER ASSETS
$104 MILLION
DECEMBER 31, 2005



COMBINED NET WORTH
SAI, SAFE & SABT
$91.4 MILLION
DECEMBER 31, 2005

SHEE ATIKÁ INCORPORATED

SAI recorded a net loss of $270,985 in 2005, $107,505 more than last year's loss of $163,480. Again, this reflects our strategy of placing most of the Group's income producing assets within SAFE. SAI's small loss also helped to ensure that distributions from SAFE and benefit payments from SABT would be 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, taking into account that under the rules governing taxation, *where* the income is earned makes a big difference when it comes to paying Uncle Sam.

Shee Atiká, Inc. remains primarily a commercial real estate company, with revenues from commercial rentals climbing from $2.25 million in 2004 to $2.40 million in 2005. Hotel revenues from the Totem Square Inn fell slightly, from $609,752 in 2004 to $588,434 in 2005. A very weak off-season last fall and winter hurt overall sales, with the convention and meeting business almost non-existent. We intend to work actively with the Sitka Convention and Visitors Bureau to turn this situation around for 2006, and anticipate that aggressive marketing and a higher average daily rate will result in increased revenues this year. Our marketing goal is to raise the awareness of visitors to Sitka that the Totem Square Inn is not only a year-round lodging option, but also the *best option*.

The low interest rate environment that persisted through most of 2005 caused the value of all of our commercial properties in the Lower 48 to rise significantly, as investors bid up prices of commercial real estate as an alternative to bonds. The low rates have made it more affordable to buy and hold property, enhancing real estate as a more attractive investment alternative. For investors that were faced with 10-year treasury note yields of less than 4.5%, real estate that yields 6-7% with the potential for appreciation looks pretty good.

Recognizing an opportunity presented by 2005's robust real estate market, we put our Boeing Building in Houston up for sale. Less than six years remained on the property's lease term, and we could not be certain Boeing would renew. We were successful in selling the property in late March of 2006 for $6.75 million. The property performed well, with an overall internal rate of return of over 9.5% over the roughly four years that we owned it.

Proceeds from the sale will likely be re-invested in commercial real estate, although we intend to hold off until the market cools a bit.

Both our Colorado Springs property (Mitre) and Phoenix property (ITT Tech) enjoy remaining lease terms of ten years or more, so we intend to retain these in our portfolio.

Our $2 million expansion at Mitre was completed in 2005. Occupancy of the new 16,200 square foot space took place in June, increasing our annual lease income by $240,000, and yielding a 12% return on funds invested in the expansion.

Our downtown Sitka commercial buildings, the Totem Square Complex and the Shee Atiká Building (Kutees' Hit), are fully occupied. We are making progress getting new tenants into the former Alice Island school building following the departure of Sheldon Jackson Day Care. Our newest tenant in that building is the U.S. General Services Administration (GSA) on behalf of the Transportation Safety Administration (TSA), the folks we have all come to know so well in our air travels.

At Totem Square, Dave Malone and Janice Johnson have been working hard to establish our hotel as *the* place to stay in Sitka and are making great progress. They have assembled a core team dedicated to unequalled customer service and their quest for excellence is beginning to pay dividends.

We expect to announce very soon the construction of a new, single story commercial building near the beginning of Alice Loop Road. The yet-to-be-announced tenant is one that many of you will recognize. We also have secured the Board's approval to move forward with a development plan for the remainder of Alice Island and expect to be making an announcement about that in the near future as well.

We continue to pursue opportunities for Katlian Bay related to adventure tourism or ecotourism, and we are also looking at some creative alternatives for Cube Cove.

SBA (SMALL BUSINESS ADMINISTRATION) 8(A) COMPANIES

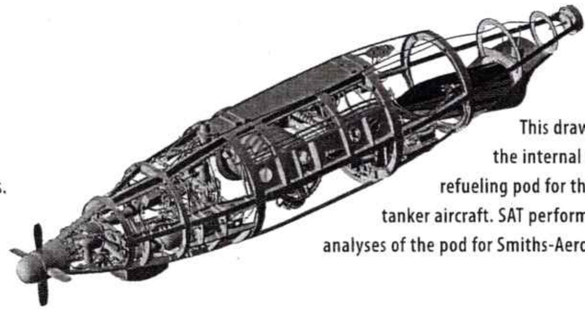
2005 marked the entrance of Shee Atiká, Incorporated into the 8(a) arena. The SBA's 8(a) BD Program, named for a section of the Small Business Act, helps small disadvantaged businesses compete in the American economy through access to the federal procurement market. Alaska Native Corporations, regardless of size, automatically qualify to participate in this program. This is done by forming a subsidiary, often a limited liability company (LLC) that is majority-owned by the Native corporation. The subsidiary must then be certified by the SBA as qualified to perform contracts under its industrial code.

In Shee Atiká's case, we have formed two of these companies: Shee Atiká Technologies, LLC (SAT) and Shee Atiká Languages, LLC (SAL). In each case, Shee Atiká, Incorporated is the 51% majority owner, with minority ownership made up of individuals with expertise in each company's specialty.

SAT was certified by the SBA in December, and SAL was certified in February 2006. Both are now actively seeking contracts with their recently acquired 8(a) designations.

SAT's primary industrial code certification is for engineering services on military and aerospace equipment and military weapons. SAT's new president, Harry Spies, is a retired Marine Corps

Harry Spies, President of Shee Atiká Technologies.



This drawing illustrates the internal systems of a wing refueling pod for the Boeing KC-767 tanker aircraft. SAT performed engineering analyses of the pod for Smiths-Aerospace.

colonel and aviator. Harry held various command and test pilot posts, as well as positions of responsibility at the Pentagon. After leaving active duty, Harry worked for Titan Corporation as Vice President and Director for the Joint Operations Department, JAYCOR Defense Systems. Most recently, he served as Vice President & Chief Operating Officer of the Pacific Council on International Policy, a prestigious California think tank.

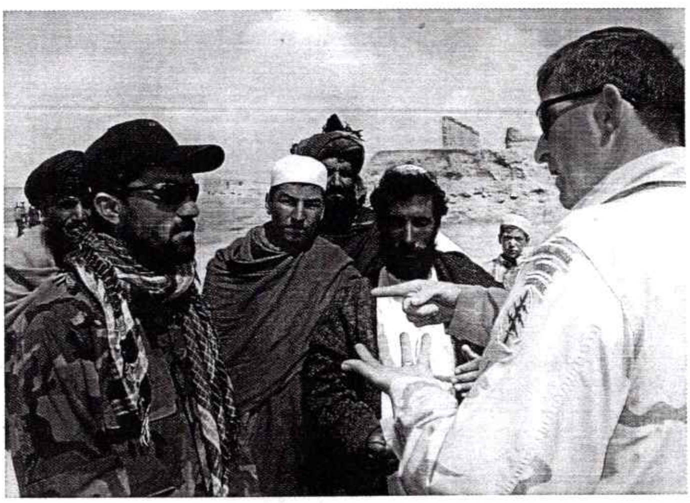
SAT will be performing contracts for both large defense contractors and directly for the U.S. government, primarily the Department of Defense.

SAL's primary industrial classification involves language translation and interpretation services. SAL's new CEO, Michael Kershner, is a former Army Special Forces Colonel. Mike served in various positions in the 10th Special Forces Group, including Commanding Officer. He also served at the Army War College and as Deputy Commanding Officer of the U.S. Army Special Forces Command. Mike's civilian experience includes Senior Management Consultant, Operations Advisor for the U.S. Army Rapid Equipping Force, Fort Belvoir, VA, on behalf of The Wexford Group International.

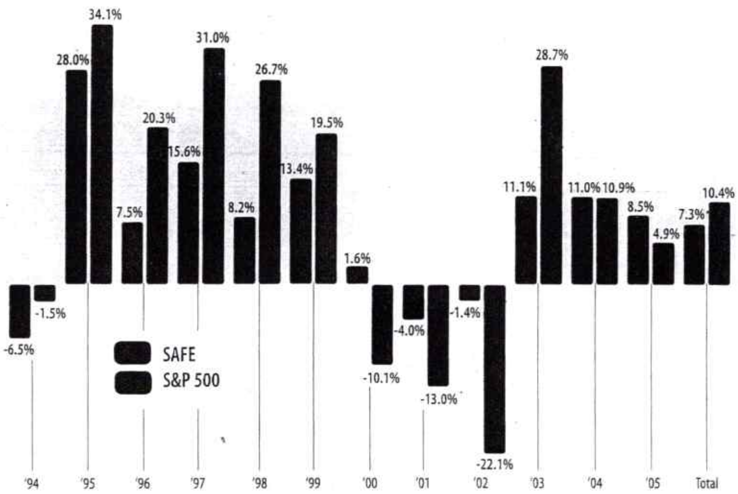
SAL will be providing translation and interpretation services to U.S. military operations around the globe, including in Iraq and Afghanistan.

The quality of both the operating personnel and the minority ownership groups at both SAT and SAL is simply outstanding, and we expect great results from both.

Mike Kershner, CEO of Shee Atiká Languages.



A SAL employee (left, sunglasses), serves as an escort interpreter for a senior US military officer (right) on a humanitarian mission in the remote tribal areas of Afghanistan.



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

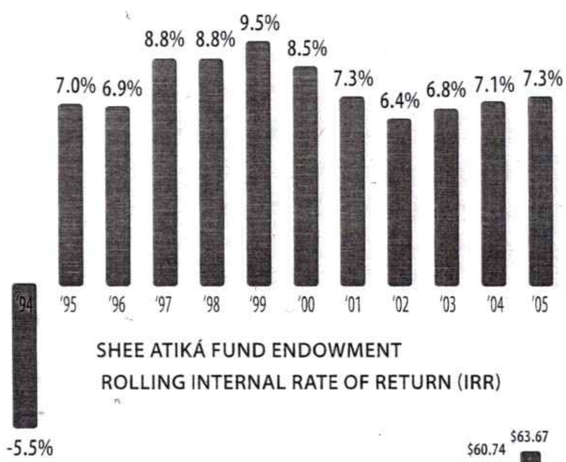
SHEE ATIKÁ FUND ENDOWMENT

We are pleased to report that our investment in the Anchorage Airport Business Park is performing as planned. You'll recall that we used roughly half the proceeds from the sale of the Shee Atiká Lodge to purchase this $7 million property, using $3.5 million in cash and $3.5 million in funds borrowed from National Cooperative Bank (NCB). We are holding another roughly $3 million in equity from the Lodge sale to invest in commercial real estate, believing it prudent to wait for real estate prices to settle down.

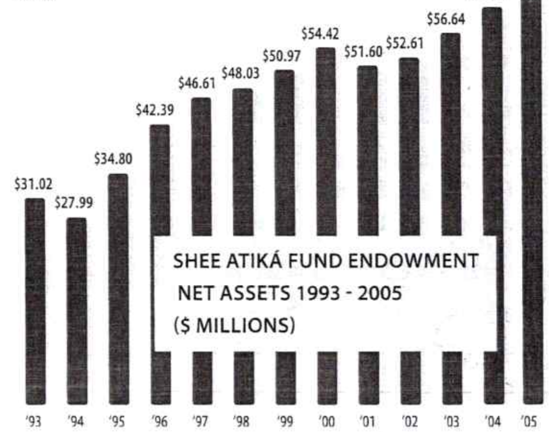
SAFE's investment in SAIL did well in 2005, with a total return of 10.4%, down from 10.9% in 2004. SAIL's asset allocation aspires to an annual return of about 7.5%. These "up" years are critical for maintaining that average in anticipation of the inevitable "down" years. SAIL's performance is discussed in greater detail below.

SAFE earnings totaled $5.1 million for the year, down from $6.2 million in 2004. Tied largely to the stock, bond and real estate markets, SAFE's returns for 2005, while good, were not as strong as those for 2004. By way of comparison, the S&P 500 stock index returned 11.0% in 2004 and 4.9% last year.

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. You can see that over the last four years this IRR has been slowly recovering from the serious decline experienced in the early years of this decade.



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



SHEE ATIKÁ FUND ENDOWMENT
NET ASSETS 1993 - 2005
($ MILLIONS)

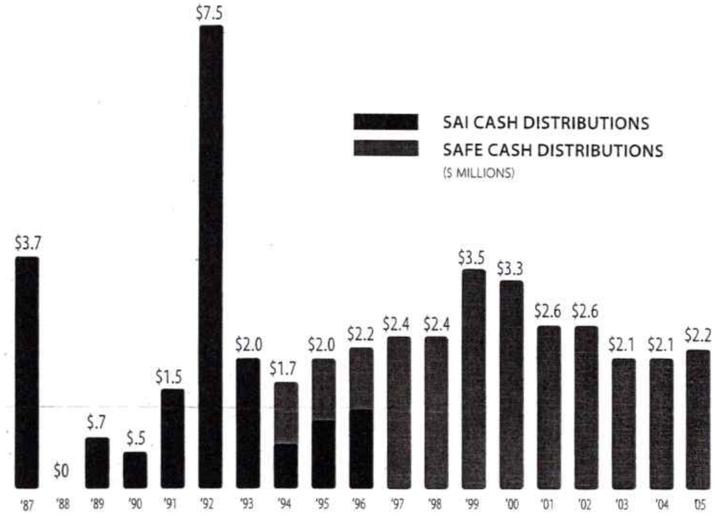
Distributions for 2005 totaled $2,203,880 ($11.90 per share), compared to $2,129,800 ($11.50 per share) in 2004. The May 2006 distribution has been declared at $6.15 per share, with a similar amount likely in November. As with investment income, after an earlier period of decline, distributions have risen steadily over the last several years.

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.

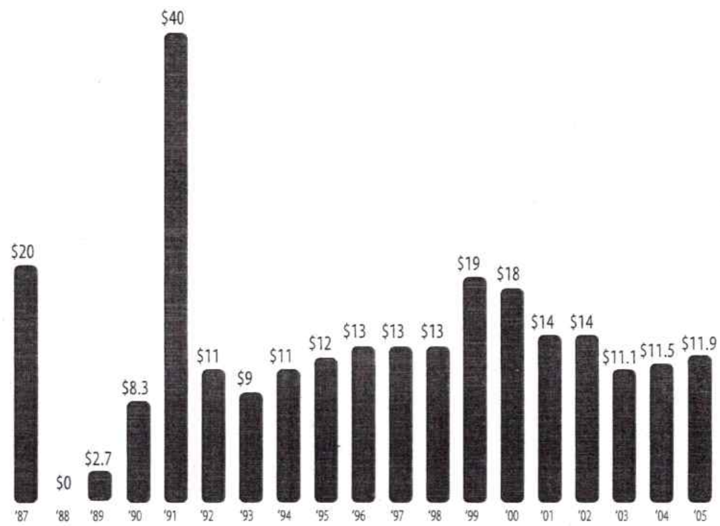
The method takes the 5-year average of the total value of the fund times 4%. This percentage is calculated by taking the anticipated net return each year and subtracting inflation and expenses. In our case, we assume a 7.5% return, subtract 2.5% for inflation and 1% for expenses, leaving 4%, which can be distributed. This amount is more conservative than the 5% used by many endowments, but your board wants to make sure that future generations of shareholders enjoy 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, increased assets resulting from a rise in the market in one year will not all be distributed in that year.

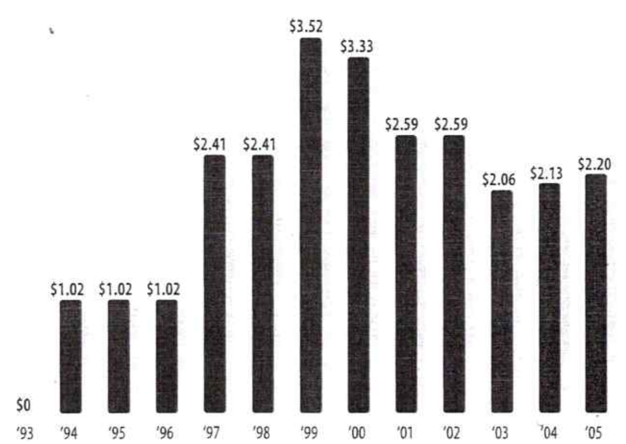
The SAFE trust document does not speak of POMV. Rather, it talks about distributing between 75% and 100% of "net cash income" (NCI). NCI, a somewhat imprecise measure used to help assure a trust's principal is not depleted, does not, in and of itself, serve as a strong guide to decision makers when it comes to determining how much is prudent to distribute. Consequently, we use POMV as a guide in determining that amount.



SAI AND SAFE CASH DISTRIBUTIONS $45.2 MILLION 1987 - 2005



DISTRIBUTION AMOUNT PER SHARE 1987 - 2005 ($ MILLIONS)



SHEE ATIKÁ FUND ENDOWMENT CASH DISTRIBUTIONS 1993 - 2005

($ MILLIONS)

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 retains discretion to determine a different amount (within NCI constraints) if the trustees feel it prudent to do so.

Our goal remains the distribution of dependable dividends that increase over time, while ensuring, to the greatest extent possible, that earning power remains at least constant. That way, future generations of shareholders will benefit from the same purchasing power per share as today's shareholders.

SHEE ATIKÁ FUND ENDOWMENT OVER THE YEARS ($ MILLIONS)

SHEE ATIKÁ BENEFITS TRUST

The Shee Atiká Benefits Trust (SABT) disbursed $284,022 in scholarships to 198 recipients, and paid funeral benefits totaling $34,775 to the families of 24 deceased shareholders during 2005. Scholarship payments increased from $260,955 in 2004, while funeral benefits increased from $27,814 in 2004.

Shee Atiká, Inc. again made an additional contribution to SABT in 2005 of $200,000 to bolster the fund's principal, as demand for SABT's services continues to increase. Even though the trust participated in the 10.4% return at SAIL, the principal amount is no longer sufficient to cover its operating costs and benefits payments.

The Shee Atiká Benefits Trust Board of Trustees is looking at alternatives that would more fully fund the trust for the long term. The board has also commissioned an actuarial survey of trust beneficiaries in an attempt to predict the future growth of the beneficiary population and resulting demands on the trust. One thing is clear: with demands on the trust increasing each year, its principal balance is no longer adequate to sustain SABT's ongoing programs, much less provide for inflation proofing. Significant additional contributions will have to be made to ensure viability.

Shareholders consistently emphasize the importance of education. Accordingly, we continue to invest strongly in our scholarship program. All Class A and Class B shareholders are eligible for scholarships for undergraduate study and vocational technical training, up to $2,200 per academic year per shareholder. The maximum benefit for graduate studies (MA, MS, MBA, Ph.D., law school, medical school, dental school and the like) is currently $4,400 per year.

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 cultural heritage.

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

We have also added a Concentrated Vocational Studies Program, through which students wishing to attend expensive short-term training programs, such as 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 students to be able to take some of the more expensive courses that lead directly to good jobs.

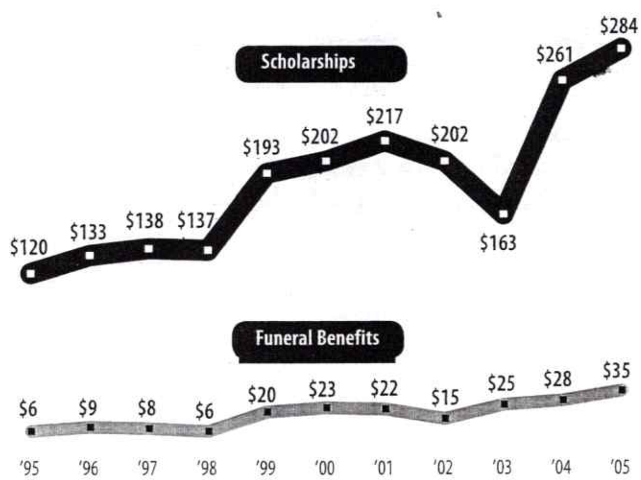
We have also established a special intern program for students majoring in finance/accounting or hotel administration, in the hope of encouraging more shareholders to follow courses of study that could lead to management positions within the Shee Atiká Group. While we strive for shareholder hire, generally achieving decent results (8 of 10 Shee Atiká, Inc. employees and roughly 30% of Totem Square Inn employees are shareholders), we have yet to consistently place shareholders into upper management positions.

Our internship program provides an enhanced scholarship benefit at $4,400 per year and summer employment here in Sitka in the student's field. The bar is set higher than for our regular academic scholarship, as a student must have at least a "B" average to become an intern, and maintain that average while in the program.

The Scholarship Committee continues its excellent work in reviewing applications and making awards. The committee includes Gillian Havrilla, Chairman; Dr. Pamela Steffes, Vice Chairman; and members June Koval, Francis Dunne, Cass Pook and Josh Horan. We would also like to recognize Lavina Adams and Pauline Duncan, who left the committee in 2005. 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.

The funeral benefit program makes a one-time cash payment to the family of any deceased Shee Atiká shareholder. The benefit, up to $1,500, helps 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.



SCHOLARSHIP AND FUNERAL BENEFITS ($ THOUSANDS)

SHEE ATIKÁ INVESTMENTS, LLC

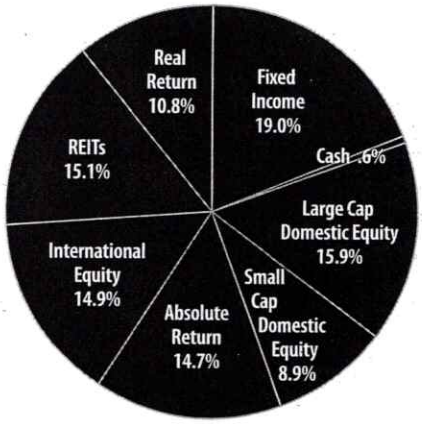
Shee Atiká Investments, LLC (SAIL) began operation on April 1, 2004. SAIL was established to allow all of the Shee Atiká Group entities to take advantage of investment opportunities previously available only to larger entities, such as the Shee Atiká Fund Endowment.

The key to success in investing is diversification — not "putting all your eggs in one basket," as they say. Over the last several years our investment advisor, R.V. Kuhns & Associates, has helped us to achieve diversification through a broad array of investments similar to that found in the portfolio of large, successful endowment like that of Yale or Harvard. Diversified investment portfolios of such endowments include, as does SAIL, 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 can be tough for a small fund like the Shee Atiká Benefits Trust (SABT) to amass. Even at the $2 million threshold, SABT might be able to buy only one of these investments, thus missing out on the benefits of diversification.

So we developed SAIL to be our own in-house "mutual fund." While not a true mutual fund in the legal sense, it operates just like one for the benefit of SAI, SAFE and SABT. Through this approach, each smaller entity can invest in SAIL, and then share in SAIL's earnings, each in proportion to its investment.

Due to potential state tax liability at the beneficiary level, at the end of 2005 SAIL sold its investment in Grosvenor Capital Management, a "hedge fund" that provides additional diversification of our investments. Given that the fund is a partnership, all income tax liability flows through to SAFE and SABT. The federal liability is taken care of by the trusts, but any state income tax liability could flow through to beneficiaries. Because we did not want our shareholders to have to file state tax returns in a number of states (to say nothing of possibly having to pay state income tax), we reluctantly decided to sell our Grosvenor fund investment. Our advisor, R.V. Kuhns & Associates is now helping us find replacement investments with similar investment characteristics, but without this potential tax problem.

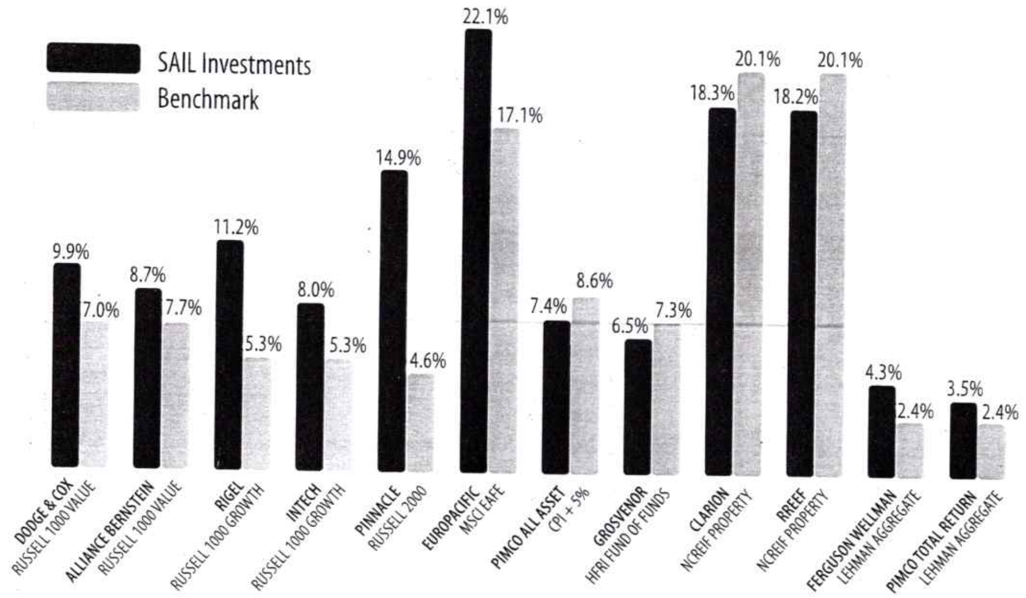


SHEE ATIKÁ INVESTMENTS, LLC ASSET ALLOCATION
$56 MILLION DECEMBER 31, 2005

The lion's share of SAIL is owned by SAFE (around 97% at year's end), with the balance owned by SABT. Though previously an investor, SAI does not currently hold a stake in SAIL.

As mentioned earlier, SAIL's portfolio returned 10.4% for the year, with realized income net of expenses of $3.8 million and an increase in unrealized gain on the portfolio of $1.6 million, for a total increase in net assets of $5.4 million.

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



SAIL 2005 RETURNS BY ASSET VERSUS INDEX

OUTLOOK

We are optimistic about the Group's performance in 2006. At SAI, additional development at Alice and Charcoal Islands should begin to impact earnings positively by late in the year and into 2007. Both Shee Atiká Technologies, LLC (SAT) and Shee Atiká Languages, LLC (SAL) have received their SBA 8(a) certifications and are working diligently to add additional contracts. Both of these companies should have an increasingly significant impact on earnings in the second half of 2006, into 2007, and beyond.

Our commercial properties are performing well overall and should contribute to earnings as anticipated. Based on early bookings, we are expecting superior results this year at the Totem Square Inn, as our focus on quality service and value begin to pay dividends.

As always, with over half of our assets in stocks and bonds, the Group is at the mercy of the markets for a significant portion of its performance. We feel that we have made significant strides in the last couple of years in achieving greater diversification and lower correlation among asset classes. This means that poor performance in any one area will have less of an impact on the entire portfolio. The SAIL portfolio rose nearly 4% for the first quarter of 2006, but results for the full year of course remain to be seen.

We encourage your comments and questions. Please feel free to stop by, call or send us an email. For breaking news, check our web site at www.sheeatika.com. This is where we announce any significant developments, including the posting of distribution amounts as soon as they are declared by the SAFE Board of Trustees. It's also a great resource for all shareholder related materials, such as scholarship forms, testamentary dispositions, and for making changes to your mailing address or direct deposit information.

SHEE ATIKÁ STAFF










left to right:

Robert G. Loiselle, President and CEO; Victor R. Scarano, Chief Financial Officer; Sandi Dalton, Controller; 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

Shee Átika Totem Square Inn staff, left to right:
Sonovia Chalepah, Housekeeping Service Agent
Dorcy Hatmaker, Maintenance Technician
Nikki Bandy, Guest Service Agent

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 Atika, Incorporated and Subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, capital, and cash flows for the years then ended. These financial statements are the responsibility of Shee Atika, 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 Atika, Incorporated and Subsidiaries as of December 31, 2005 and 2004, 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, 2006

CONSOLIDATED BALANCE SHEETS

December 31, 2005 and 2004

ASSETS	2005	2004
Current Assets		
Cash and cash equivalents	$ 762,231	$ 961,126
Held-to-maturity investments	1,097,855	—
Trading securities	—	1,002,501
Accounts receivable	186,582	28,697
Receivable from Shee Atika Benefits Trust	151,553	—
Land and building held for sale	5,741,626	—
Prepaid expenses and other	74,191	61,532
Total current assets	8,014,038	2,053,856
Other Assets		
Leased commercial properties	25,282,972	29,055,961
Property and equipment	2,115,052	2,063,969
Investment in Shee Atika Investments LLC	—	1,000,000
Deferred income tax benefit	2,860,000	2,620,000
Other	201,420	372,138
	30,459,444	35,112,068
	$ 38,473,482	$ 37,165,924
LIABILITIES AND CAPITAL		
Current Liabilities		
Accounts payable and other current liabilities	$ 310,574	$ 498,029
Deferred revenue	131,878	55,792
Current portion of long-term debt	318,028	279,754
Total current liabilities	760,480	833,575
Long-Term Debt, less current portion	11,733,914	10,062,926
Minority Interests	180,650	—
Capital		
Common stock, no par or stated value, authorized 250,000 shares		
Class A, voting, issued and outstanding 181,583 shares in 2005 and 181,827 shares in 2004		
Class B, nonvoting, issued and outstanding 3,617 shares in 2005 and 3,373 shares in 2004		
Contributed capital	5,956,000	5,956,000
Retained earnings	19,842,438	20,313,423
	25,798,438	26,269,423
	$ 38,473,482	$ 37,165,924

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2005 and 2004

		2005	2004
Revenue			
	Rentals from leased commercial properties	$ 2,400,602	$ 2,248,300
	Hotel	588,434	609,752
	Contracts	976,135	—
	Administrative fees from affiliated entities	508,244	508,244
	Investment income	54,538	50,419
	Other	26,755	9,747
		4,554,708	3,426,462
Costs and Expenses			
	Leased commercial properties	410,701	410,989
	Hotel	435,952	218,859
	Contracts	663,848	—
	General and administrative	1,840,614	1,617,115
	Contributions	11,447	40,425
	Interest	740,122	611,751
	Depreciation and amortization	904,859	770,803
		5,007,543	3,669,942
	Loss before minority interests and deferred income tax benefit	(452,835)	(243,480)
Minority interests		(58,150)	—
	Loss before deferred income tax benefit	(510,985)	(243,480)
Deferred income tax benefit		240,000	80,000
	Net loss	$ (270,985)	$ (163,480)

CONSOLIDATED STATEMENTS OF CAPITAL

Years Ended December 31, 2005 and 2004

	Shares of Common Stock Class A	Shares of Common Stock Class B	Contributed Capital	Retained Earnings	Total Net Worth
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	181,827	3,373	5,956,000	20,313,423	26,269,423
Net transfers from voting to nonvoting shares	(244)	244			
Net loss for the year				(270,985)	(270,985)
Distribution of cash to Shee Atiká Benefits Trust				(200,000)	(200,000)
Balances, December 31, 2005	181,583	3,617	$ 5,956,000	$ 19,842,438	$ 25,798,438

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities		
Cash received from:		
Rentals from leased commercial properties	$ 2,407,660	$ 2,250,970
Hotel operations	566,230	609,752
Administrative fees from affiliated entities	356,691	508,244
Contracts	808,701	—
Interest	38,366	77,480
Trading securities	1,002,501	1,847,100
Other	24,051	32,071
	5,204,200	5,325,617
Cash paid to/for:		
Contractor, suppliers and employees	3,481,097	2,015,072
Interest	732,956	610,446
	4,214,053	2,625,518
Net cash flows from operating activities	990,147	2,700,099
Cash Flows from Investing Activities		
Purchases of leased commercial properties	(2,924,579)	(1,305,863)
Purchases of property and equipment	—	(14,663)
Disposal (acquisition) of interest in Shee Atika Investments LLC	1,030,912	(1,000,000)
Purchases of held-to-maturity investments	(1,097,855)	—
Other	170,718	114,638
Net cash flows from investing activities	(2,820,804)	(2,205,888)
Cash Flows from Financing Activities		
Proceeds from long-term debt	5,000,000	—
Principal repayments on long-term debt	(3,290,738)	(283,812)
Minority interest investment in consolidated subsidiaries	122,500	—
Distribution to Shee Atika Benefits Trust	(200,000)	(200,000)
Net cash flows from financing activities	1,631,762	(483,812)
Net change in cash and cash equivalents	(198,895)	10,399
Cash and cash equivalents, beginning of year	961,126	950,727
Cash and cash equivalents, end of year	$ 762,231	$ 961,126
Reconciliation of net loss to net cash flows from operating activities:		
Net loss	$ (270,985)	$ (163,480)
Adjustments to reconcile net loss to net cash flows from operating activities		
Minority interests	58,150	—
Depreciation and amortization	904,859	770,803
Loss on abandoned property and equipment	—	21,241
Gain on liquidation of interest in Shee Atika Investments LLC	(30,912)	—
Deferred income tax benefit	(240,000)	(80,000)
Change in operating assets and liabilities		
Trading securities	1,002,501	1,847,100
Receivables	(309,438)	56,291
Prepaid expenses and other	(12,659)	(9,514)
Accounts payable and other current liabilities	(187,455)	248,577
Deferred revenue	76,086	9,081
Net cash flows from operating activities	$ 990,147	$ 2,700,099

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atika, Incorporated ("Shee Atika") is an urban corporation organized pursuant to the Alaska Native Claims Settlement Act ("ANCSA"). ANCSA also created regional corporations which represent geographic areas. Shee Atika is located in the Sealaska Corporation region. Pursuant to ANCSA, Shee Atika 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 Atika'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 Atika's stock and is not a "Native" or "Descendant of a Native" within the meaning of ANCSA.

Shee Atika's operations primarily consist of leasing of its own commercial properties located in various states. However, recently, one of Shee Atika's 51%-owned subsidiaries has received certification under the U.S. Small Business Administration's 8(a) Business Development Program ("Section 8(a)"). A second 51%-owned subsidiary is currently applying for certification under Section 8(a). This certification gives the subsidiaries preference in obtaining U.S. government contracts. These two subsidiaries are not yet currently involved in any activities under U.S. government contracts, but they are providing services (aeronautical engineering and linguistics) under contracts with third-party companies. Shee Atika also owns and operates a hotel in Sitka, Alaska.

Shee Atika's commercial leasing operations are subject to geographic risks as well as the financial viability of leasees. Section 8(a) activities are subject to competitive factors, program continuation, and appropriate contract management. Hotel operations are affected by tourism and business travel in the Sitka area.

SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements include the accounts of Shee Atika and seven majority-owned limited liability companies ("the LLCs"). All transactions between these entities have been eliminated in consolidation. The LLCs limit Shee Atika's liability exposure to the amount of Shee Atika's investment in them and five are scheduled to terminate December 31, 2022, with the others scheduled to terminate December 31, 2009.

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.

Cash and Cash Equivalents

Shee Atika 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 Atika regularly has cash and cash equivalents in excess of federally insured limits.

Held-to-Maturity Investments and Trading Securities

Held-to-maturity investments consist of bonds payable by agencies of the United States Government and are stated at amortized cost. Amortized cost approximates market value. Gross unrecognized holding gains and losses on held-to-maturity investments at December 31, 2005, were $2,859 and $3,013, respectively. All held-to-maturity investments at December 31, 2005, are scheduled to mature in 2006.

Trading securities consist of bonds payable by agencies of the United States Government and are stated at market value. The portion of trading gains that related to trading securities held at December 31, 2004, was $154.

Note 1 (Continued)

Realized gains and losses on held-to-maturity investments and trading securities transactions are determined on the specific identification method and are recorded on the trade date.

Accounts Receivable

Accounts receivable are stated at their principal amounts and are due principally from contract customers. Management reviews the collectibility of accounts receivable on a periodic basis and determines the appropriate amount of any allowance. Shee Atika charges off receivables to any allowance when management determines that a receivable is not collectible. Payment terms vary by customer (the majority of receivables are due 10 days after the issuance of an invoice). Shee Atika generally does not require collateral from its customers or charge interest on past due accounts.

Amounts due from two contract customers represent 87% of total accounts receivable at December 31, 2005.

Land and Building Held for Sale

In 2005, management and the Board of Directors of Shee Atika developed a plan to sell its commercial building and related land located in Houston, Texas, with a carrying value of $5,741,626. The decision to sell these assets was the result of a determination by Shee Atika to diversify its investments. Shee Atika is currently in negotiations to sell the property for $7,000,000. Shee Atika plans to continue to lease the property until a sale can be completed which is expected to occur during 2006.

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 and amortization of buildings, equipment, and other is provided on the straight-line method over the estimated useful lives of the assets.

Revenue Recognition

Revenue from rentals of leased commercial properties are recognized ratably over the life of the lease. Revenues from contracts are recorded as costs are incurred for time and materials contracts and systematically over the contract term for fixed fee contracts. All other revenues are recognized as earned. Deferred revenue represents lease payments received in advance of the period to which it relates.

Three customers accounted for 77% and 74% of total rental revenue from leased commercial properties for 2005 and 2004, respectively. One customer accounted for 92% of contract revenues in 2005.

Income Taxes

Shee Atika 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 Atika's financial statements or income tax returns. In estimating future tax consequences, Shee Atika generally considers all expected future events other than enactments of changes in income tax laws or rates.

Reclassifications

Certain reclassifications were made to the 2004 financial statements to conform to the 2005 presentation.

NOTE 2 LEASED COMMERCIAL PROPERTIES

	2005	2004
Buildings and equipment – Alaska	$ 9,591,160	$ 8,638,171
Building – Texas	—	5,728,492
Buildings – Colorado	8,524,786	6,057,986
Building – Arizona	4,635,778	4,635,778
Land	5,456,649	6,066,649
	28,208,373	31,127,076
Less accumulated depreciation and amortization	(2,925,401)	(2,753,691)
	25,282,972	28,373,385
Construction in progress (adjacent to existing Colorado building, completed during 2005)	—	682,576
	$ 25,282,972	$ 29,055,961

Depreciation expense for leased commercial properties amounted to $776,093 and $698,209 in 2005 and 2004, respectively.

The commercial buildings 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 (sale expected during 2006)	Colorado	Arizona	Total
2006	$ 464,000	$ 576,000	$ 896,000	$ 547,000	$ 2,483,000
2007	383,000	601,000	910,000	547,000	2,441,000
2008	267,000	601,000	923,000	558,000	2,349,000
2009	157,000	601,000	937,000	569,000	2,264,000
2010	140,000	601,000	951,000	569,000	2,261,000
Thereafter	263,000	351,000	4,370,000	3,193,000	8,177,000
	$ 1,674,000	$ 3,331,000	$ 8,987,000	$ 5,983,000	$ 19,975,000

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 buildings in Colorado are leased to the Mitre Corporation, and the building in Arizona is leased to ITT Tempe JP/PI, LLC (ITT Educational Services, Inc.).

NOTE 3 PROPERTY AND EQUIPMENT

	2005	2004
Land	$ 1,884,989	$ 1,884,989
Equipment	303,634	285,905
Other	236,715	138,385
	2,425,338	2,309,279
Less accumulated depreciation and amortization	(310,286)	(245,310)
	$ 2,115,052	$ 2,063,969

Depreciation expense for property and equipment amounted to $41,302 and $42,031 in 2005 and 2004, respectively.

NOTE 4 NOTE PAYABLE

Shee Atika has a line of credit arrangement with a bank under which it may borrow up to $1,000,000. There was no balance due under the line at December 31, 2005 and 2004. The line is to expire June 1, 2006, and bears interest at the prime rate of interest as published in the Wall Street Journal (resulting in a rate of 7.25% at December 31, 2005) and is unsecured.

NOTE 5 LONG-TERM DEBT

	2005	2004
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 Atika	$ —	$ 3,067,101
Note payable to a bank in monthly installments of $30,704 including interest at 5.50%, due in full November 1, 2015, secured by commercial property in Colorado; guaranteed by Shee Atika	4,984,389	—
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 Atika	3,117,639	3,183,319
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 Atika	2,851,832	2,940,007
Note payable to a bank in monthly installments of $10,621 including interest at 6.50%, due in full September 1, 2018, secured by commercial property in Alaska; guaranteed by Shee Atika	1,098,082	1,152,253
	12,051,942	10,342,680
Less: Current portion	(318,028)	(279,754)
	$ 11,733,914	$ 10,062,926

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

2006	$ 318,028
2007	337,613
2008	357,742
2009	380,450
2010	410,693
Thereafter	10,247,416
	$ 12,051,942

NOTE 6 INCOME TAXES

The significant components of the deferred income tax asset as of December 31 are as follows:

Deferred Tax Assets	2005	2004
Net operating loss carryforwards	$ 3,702,000	$ 3,473,000
Alternative minimum tax credit carryforwards	180,000	180,000
Other	16,000	—
Deferred tax asset	3,898,000	3,653,000
Deferred Tax Liabilities		
Excess of book basis in buildings and equipment	(1,038,000)	(1,033,000)
Net deferred tax asset	$ 2,860,000	$ 2,620,000

As of December 31, 2005, Shee Atika has net operating tax loss carryforwards of approximately $10,000,000 and alternative minimum tax credit carryforwards of $180,000. The tax loss carryforwards expire primarily in 2020, 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, and thus no valuation allowance has been provided at December 31, 2005 or 2004.

The deferred income tax benefit of $240,000 and $80,000 recognized for the years ended December 31, 2005 and 2004, respectively, consists primarily of the tax benefit of net operating loss carryforwards.

NOTE 7 SETTLEMENT TRUSTS

Shee Atika established two settlement trusts which are entities authorized by ANCSA and organized under the laws of Alaska to provide benefits to Shee Atika's shareholders. However, the trusts are separate from Shee Atika even though the trustees are the same people who are members of Shee Atika'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 Atika shareholders. Further, the trusts are prohibited by ANCSA from operating a business.

The first settlement trust, the Shee Atika Fund Endowment ("SAFE"), was established to maintain assets and pay distributions from its income to SAFE's beneficiaries. SAFE has net assets of approximately $63,675,000 at December 31, 2005.

The second settlement trust, the Shee Atika Benefits Trust ("SABT"), was established to provide scholarships and funeral benefits to Shee Atika's shareholders who are also beneficiaries of the trust. Due to anticipated future distributions by SABT, it may require additional funding. In 2005 and 2004, Shee Atika 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 $1,914,000 at December 31, 2005.

During 2004, Shee Atika formed Shee Atika Investments LLC ("SAIL") to pool some cash and certain investments with the above settlement trusts. Management believed that pooling investments at SAIL permitted greater diversification, thereby reducing risk and enhancing returns. The board members of Shee Atika are the same people who are SAIL's board members. During 2004, Shee Atika contributed cash of $1,000,000 to SAIL in return for a 1.86% ownership interest. However, SAIL reacquired this interest during 2005 for $1,030,912 in cash.

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

	2005	2004
SAIL	$ 157,364	$ 157,364
SAFE	199,327	199,327
SABT	151,553	151,553
	$ 508,244	$ 508,244

NOTE 8 RELATED PARTY TRANSACTIONS

During 2005 and 2004, Shee Atika leased commercial space to Alaska Pacific Bank for $50,140 and $49,597, respectively, where a Shee Atika director is also a director. Shee Atika contributed $5,000 in 2005 and 2004 to a local college where two directors serve as trustees. Shee Atika also leased space to the college. The revenue from the lease amounted to $13,120 and $28,275 for 2005 and 2004, respectively. Included in accounts receivable at December 31, 2005, is $4,527 owed to a subsidiary of Shee Atika by companies which are in part owned by one of its minority interest owners. These companies and the subsidiary frequently pay for the expenses of one another and are later reimbursed. Shee Atika has had other transactions with shareholders for purchases of artwork and janitorial and other 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 Atika Fund Endowment as of December 31, 2005 and 2004, 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 Atika Fund Endowment as of December 31, 2005 and 2004, 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, 2006

STATEMENT OF NET ASSETS — MODIFIED INCOME TAX BASIS

December 31, 2005 and 2004

ASSETS	2005	2004
Investments		
Shee Atika Investments, LLC	$ 58,108,770	$ 54,267,666
Securities	1,215,158	5,800,010
Investment in Atikon Forest Products, Inc.	339,954	339,954
Investment in Shee Atika Holdings Lodge, LLC	—	15,393
Total investments	59,663,882	60,423,023
Cash and Cash Equivalents	95,387	359,709
Receivable from Leased Commercial Property Manager	214,777	—
Leased Commercial Property, net	7,285,941	—
Other Assets	7,485	—
Total assets	67,267,472	60,782,732

LIABILITIES	2005	2004
Income Tax Payable	95,000	20,000
Long-term Debt	3,472,763	—
Other	25,052	18,077
Net assets	$ 63,674,657	$ 60,744,655

SHEE ATIKÁ FUND
ENDOWMENT

See Notes to Financial Statements

STATEMENT OF REVENUES AND EXPENSES — MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2005 and 2004

	2005	2004
Revenues		
Equity share in Shee Atika Investments, LLC taxable income	$ 3,659,900	$ 1,077,720
Interest	53,198	243,461
Dividends	24,444	95,962
Net capital gains	—	230,915
Rentals from leased commercial property	710,512	—
Other income on investments, net	497	586,986
	4,448,551	2,235,044
Expenses		
Management, custodian, and professional fees	233,843	348,233
Leased commercial property	164,061	—
Depreciation	115,940	—
Interest	77,350	—
Other expenses	18,697	3,641
	609,891	351,874
Taxable income	3,838,660	1,883,170
Income tax expense	277,000	193,511
Income before adjusting portfolio to market value	3,561,660	1,689,659
Adjustment to market value		
Shee Atika Investments, LLC	1,581,204	2,245,538
Securities	(8,982)	2,296,441
Change in net assets	$ 5,133,882	$ 6,231,638

STATEMENT OF CHANGES IN NET ASSETS — MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2005 and 2004

	2005	2004
Change in net assets	$ 5,133,882	$ 6,231,638
Distributions to unit holders	(2,203,880)	(2,129,800)
Total increase	2,930,002	4,101,838
Net assets, beginning of year	60,744,655	56,642,817
Net assets, end of year	$ 63,674,657	$ 60,744,655

See Notes to Financial Statements

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atika Fund Endowment ("SAFE") is an irrevocable settlement trust formed by Shee Atika, 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 directors 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, 2005, there were 185,200 trust units (of which 181,583 were voting and 3,617 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 ($11.90 per unit in 2005 and $11.50 per unit in 2004) 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 none and approximately $155,000 were allocated to net cash income in 2005 and 2004, respectively, and distributed to beneficiaries. These realized gains are included in the determination of net realized gains on the sale of investments in the statements of revenues 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 2005 and 2004. These fees are included in management, custodian, and professional fees on the statements of revenues and expenses – modified income tax basis.

SAI formed Shee Atika Investments LLC ("SAIL") in 2003 to pool cash and certain investments owned by SAFE, SAI, and Shee Atika 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. SAIL limits SAFE's liability exposure to the amount of the interest in SAIL. SAIL is scheduled to terminate on December 31, 2023.

A summary of SAIL's financial position and operating results as of December 31 follows:

	2005	2004
Investments, at market value	$ 50,336,639	$ 55,965,204
Other assets	9,736,675	1,146,632
Members' equity	60,073,314	57,111,836
Revenues	$ 4,638,095	$ 1,781,520
Taxable income	3,783,654	1,124,167
Adjustment to market value	1,608,736	2,368,261
Net income	5,392,390	3,492,428

SAFE's investment in SAIL is summarized below:

Balance, January 1, 2004	$ —
Contributions	50,944,408
Share in net income	1,077,720
Adjustment to market value	2,245,538
Balance, December 31, 2004	54,267,666
Distributions	(1,400,000)
Share in net income	3,659,900
Adjustment to market value	1,581,204
Balance, December 31, 2005	$ 58,108,770

SAFE's ownership interest in SAIL was 97% and 95% at December 31, 2005 and 2004, respectively. A portion of SAFE's increased ownership was caused by SAIL's reacquisition of SAI's membership interest for cash of $1,030,912 (original contribution by SAI was $1,000,000 in cash). At December 31, 2005, SAFE and SABT are the only members in SAIL.

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 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). SAFE has an investment in Shee Atika Holdings Anchorage, LLC ("SAHA"). SAHA owns an office building located in Anchorage, Alaska, which is leased to commercial businesses. SAHA is owned 100% by SAFE and is not considered a separate entity for tax purposes. Consequently, all accounts of SAHA are included in the financial statements of SAFE. All inter-entity balances and transactions have been eliminated.

Investments

The investment in SAIL represents SAFE's ownership interest 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. SAFE's investment in United States Treasury bills and notes are classified as securities in the statements of net assets – modified income tax basis and carried at a value based on the public market for them, which was $1,215,158 (cost $1,196,755) and $5,800,010 (cost $5,772,624) at December 31, 2005 and 2004, respectively.

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 Atika Holdings Lodge, LLC ("SAHL") owned the Shee Atika Lodge ("the Lodge") located in Sitka, Alaska. 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 on the statements of revenues and expenses – modified income tax basis. Operating income from the Lodge amounting to $585,894 in 2004 is included in net other income on the statements of revenues and expenses – modified income tax basis.

The investment in Atikon Forest Products, Inc. ("Atikon") represents an ownership interest of 49%. 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 investment balances in excess of government sponsored insurance limits.

Leased Commercial Property

The leased commercial property is located in Anchorage, Alaska, and is stated at cost. Depreciation is provided on the MACRS method over the estimated lives of the assets.

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. At December 31, 2005, SAFE had no available capital loss carryforwards which could be used to offset future capital gains.

Since SAIL is an LLC, SAFE's share of its net taxable income or loss is passed through to SAFE based on its nature. Also, certain partnerships and similar investments held by SAIL can require SAFE to pay state income taxes. These taxes were not significant in 2005 and 2004.

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 LEASED COMMERCIAL PROPERTY

Building	$ 6,137,878
Land	1,148,000
Other	116,003
	7,401,881
Less accumulated depreciation	(115,940)
	$ 7,285,941

The commercial building is leased under operating leases expiring in various years through 2009. The approximate minimum future lease payments to be received on non-cancelable operating leases are:

	Total
2006	$ 874,000
2007	741,000
2008	373,000
2009	64,000
	$ 2,052,000

Four separate companies account for 30%, 25%, 11%, and 10%, respectively, of the aggregate future rentals to be received. Three of these companies accounted for 56% of rental revenue from leased commercial property in 2005.

NOTE 3 LONG-TERM DEBT

Long-term debt consists of a note payable to a bank in monthly installments of $20,871, including interest at 5.2%, due in full July 1, 2015, secured by leased commercial property.

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

2006	$ 71,552
2007	75,363
2008	79,377
2009	83,604
2010	88,057
Thereafter	3,074,810
	$ 3,472,763

NOTE 4 CUSTODIAL AND INVESTMENT FEES

In 2004 SAFE paid custodial fees to U.S. Bank at a varying annual rate that averages 0.05% of SAFE's average daily net assets at market value, and $7.50 for each security transaction. SAFE paid management fees to certain of its investment managers computed at an annual rate varying from 0.375% to 2.0% of the SAFE's average daily net assets under their management at market value. In 2004 SAFE paid $37,500 in investment advisory fees which are included in management, custodian, and professional fees on the statements of revenues and expenses – modified income tax basis. In 2005 these fees are paid at SAIL and passed through to SAFE and is included in equity share in SAIL taxable income on the statements of revenues and expenses – modified income tax basis.

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 Atika Benefits Trust as of December 31, 2005 and 2004, 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 the Note, 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 Atika Benefits Trust as of December 31, 2005 and 2004, 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 the Note.

Peterson Sullivan PLLC

January 27, 2006

STATEMENTS OF NET ASSETS - MODIFIED INCOME TAX BASIS

December 31, 2005 and 2004

ASSETS	2005	2004
Investment in Shee Atika Investments, LLC	$ 1,964,545	$ 1,781,889
Cash and cash equivalents	26,698	92,652
Total assets	1,991,243	1,874,541
LIABILITIES		
Checks issued in excess of bank balance	76,747	—
Income tax payable	500	—
Net assets	$ 1,913,996	$ 1,874,541

STATEMENTS OF REVENUES AND EXPENSES - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2005 and 2004

	2005	2004
Revenues		
Equity share in Shee Atika Investments, LLC taxable income	$ 118,650	$ 38,411
Interest and dividends	1,512	36,920
Net capital losses	—	(11,516)
	120,162	63,815
Administrative expenses	25,416	178,919
Taxable income (loss)	94,746	(115,104)
Income tax expense	500	—
Income before adjusting portfolio to market value	94,246	(115,104)
Adjustment to market value		
Shee Atika Investments, LLC	64,006	68,478
Other investments	—	(12,469)
Change in net assets	$ 158,252	$ (59,095)

STATEMENTS OF CHANGES IN NET ASSETS - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2005 and 2004

	2005	2004
Change in net assets	$ 158,252	$ (59,095)
Transfer of cash from Shee Atika, Incorporated	200,000	200,000
Distributions to unit holders		
Scholarships	(284,022)	(260,955)
Funeral benefits	(34,775)	(27,814)
Total distributions	(318,797)	(288,769)
Total increase (decrease)	39,455	(147,864)
Net assets, beginning of year	1,874,541	2,022,405
Net assets, end of year	$ 1,913,996	$ 1,874,541

See Note to Financial Statements

NOTE TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atika Benefits Trust ("SABT") is an irrevocable settlement trust formed by Shee Atika, 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 Directors 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, 2005, there were 185,200 trust units (of which 181,583 were voting and 3,617 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 percentage 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 2005 and 2004. In 2005 these fees were not paid as of year end and consequently were not recorded in these financial statements. In 2004 these fees are included in administrative expenses on the statements of revenues and expenses – modified income tax basis.

SAI formed Shee Atika Investments LLC ("SAIL") in 2003 to pool cash and certain investments owned by SABT, SAI and Shee Atika 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. SAIL limits SABT's liability exposure to the amount of its interest in SAIL. SAIL is scheduled to terminate December 31, 2023.

A summary of SAIL's financial position and operating results as of December 31 follows:

	2005	2004
Investments, at market value	$ 50,336,639	$ 55,965,204
Other assets	9,736,675	1,146,632
Members' equity	60,073,314	57,111,836
Revenues	$ 4,638,095	$ 1,781,520
Taxable income	3,783,654	1,124,167
Adjustment to market value	1,608,736	2,368,261
Net income	5,392,390	3,492,428

SABT's investment in SAIL is summarized below:

Balance, January 1, 2004	$ —
Contributions	1,675,000
Share in taxable income	38,411
Adjustment to market value	68,478
Balance, December 31, 2004	1,781,889
Share in taxable income	118,650
Adjustment to market value	64,006
Balance, December 31, 2005	$ 1,964,545

SABT's ownership interest in SAIL was 3.27% and 3.12% at December 31, 2005 and 2004, respectively. A portion of SABT's increased ownership was caused by SAIL's reacquisition of SAI's membership interest for cash of $1,030,912 (original contribution by SAI was $1,000,000 in cash). At December 31, 2005, SABT and SAFE are the only members in SAIL.

Finally, due to anticipated future distributions by SABT, it may require additional funding. In both 2005 and 2004, 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 recognizes its investments at 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).

Investment in SAIL

The investment in SAIL represents SABT's ownership interest in SAIL's net 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. The difference between cost and the investment in SAIL at year-end represents unrealized gains or losses on investments.

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 in excess of government sponsored insurance limits. Checks were issued in excess of bank balance at December 31, 2005, because of distributions made to unit holders which were funded subsequent to year-end.

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 2005, SABT carried $85,634 of capital losses forward from 2004 which were used to offset capital gains. In 2004, SABT carried $99,253 of capital losses forward from 2003 which were used to offset capital gains. At December 31, 2005, SABT has $204,289 of capital loss carryforwards which can be used to offset future capital gains. These carryforward losses do not expire.

Since SAIL is an LLC, SABT's share of its taxable income or loss is passed through to SABT based on its nature. Also, certain partnerships and similar investments held by SAIL can require SABT to pay state income taxes. These taxes have not been significant.

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.

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 sheets – modified income tax basis of Shee Atika Investments, LLC as of December 31, 2005 and 2004, and the related statements of operations – modified income tax basis and members' equity – modified income tax basis, for the years 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 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 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 modified 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 Atika Investments, LLC as of December 31, 2005 and 2004, and the results of its operations for the years then ended, on the modified income tax basis of accounting as described in Note 1.

Peterson Sullivan PLLC

January 27, 2006

SHEE ATIKÁ INVESTMENTS, LLC

BALANCE SHEET - MODIFIED INCOME TAX BASIS

December 31, 2005 and 2004

ASSETS	2005	2004
Investments, at market value	$ 50,336,639	$ 55,965,204
Cash and cash equivalents	628,850	1,047,985
Receivables:		
Distributions	83,834	98,647
Proceeds from investments sold	9,023,991	—
Total assets	$ 60,073,314	$ 57,111,836

MEMBERS' EQUITY		
Members' equity	$ 60,073,314	$ 57,111,836

STATEMENTS OF OPERATIONS – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2005 and 2004

	2005	2004
Revenues		
Interest	$ 923,247	$ 686,164
Dividends	1,256,829	982,931
Net capital gains	2,684,359	268,340
Other losses on investments	(226,340)	(155,915)
	4,638,095	1,781,520
Expenses		
Management, custodian, and professional fees	487,230	363,420
Other expenses	367,211	293,933
	854,441	657,353
Taxable income	3,783,654	1,124,167
Adjustment to market value	1,608,736	2,368,261
Net income	$ 5,392,390	$ 3,492,428

STATEMENTS OF MEMBERS' EQUITY – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2005 and 2004

	Shee Atika Incorporated	Shee Atika Fund Endowment	Shee Atika Benefits Trust	Total
Balance, January 1, 2004	$ —	$ —	$ —	$ —
Contributions	1,000,000	50,944,408	1,675,000	53,619,408
Net income	64,767	3,307,839	119,822	3,492,428
Balances, December 31, 2004	1,064,767	54,252,247	1,794,822	57,111,836
Distributions	—	(1,400,000)	—	(1,400,000)
Equity adjustment to income tax basis	(33,855)	32,748	1,107	—
Reacquisitions	(1,030,912)	—	—	(1,030,912)
Net income	—	5,223,775	168,615	5,392,390
Balance, December 31, 2005	$ —	$ 58,108,770	$ 1,964,544	$ 60,073,314

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atika Investments, LLC ("SAIL") was formed on July 1, 2003, by Shee Atika 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 Atika Fund Endowment ("SAFE"), and Shee Atika 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 $16,937,414 and investments stated at market value of $34,006,994, and SABT transferred cash of $1,675,000 in exchange for their relative ownership percentages in SAIL. These three entities were 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. During 2005, SAIL reacquired all of SAI's interest for $1,030,912 in cash, leaving SAFE and SABT as the remaining members.

SAI provides administrative services under contract to SAIL. In 2005 and 2004, SAI charged administrative fees of $157,364. These fees are included in management, custodian, and professional fees on the statements of operations – 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 managing the investment because no formal organized trading market exists for these securities. Sale of investment units can only be done through redemption by the entity managing the investment. 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, 2005 and 2004:

	2005		2004	
	Market Value	Cost	Market Value	Cost
Common stocks	$ 7,346,281	$ 5,927,179	$ 6,889,659	$ 5,835,850
Corporate bonds	3,403,716	3,842,675	4,291,781	4,618,272
United States Treasury bills and notes	1,088,286	1,017,279	2,313,451	2,257,385
Mutual funds				
American Euro Pacific Growth International Fund	8,926,697	7,082,450	8,070,307	7,268,486
Pimco Total Return Bond Fund	2,382,483	2,475,032	2,818,602	2,882,209
Pimco All Asset Fund	6,517,338	6,562,360	6,120,865	6,151,977
Dodge and Cox Stock Fund	2,424,839	2,113,510	2,217,135	2,026,818
Mortgage-backed and asset-backed debt securities	4,340,369	4,349,764	2,371,715	2,328,825
Partnerships and similar investments				
RREEF America REIT II, Inc.	1,309,453	1,088,628	1,147,972	1,062,548
Grosvenor Multi-Strategy Fund LP	—	—	8,314,658	7,405,043
Clarion Lion Properties Fund LLC	7,765,054	6,218,974	6,984,077	6,363,618
Intech Risk-Managed Large Cap Growth Fund LLC	2,359,768	2,169,030	2,197,549	2,039,746
Rigel Growth Fund LLC	2,472,355	2,141,306	2,227,433	1,984,716
	$ 50,336,639	$ 44,988,187	$ 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). In 2005, the board of SAIL decided to liquidate their investment in this limited partnership.
- Clarion Lion Properties Fund LLC – This is a limited liability company investing in residential, industrial, retail, and office properties located throughout the United 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 0.05% 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 0.375% to 2.0% of SAIL's average daily net assets under their management at market value. Finally, SAIL paid an investment advisory fee of $75,000 and $37,500 in 2005 and 2004, respectively, included in management, custodian, and professional fees on the statements of operations – modified income tax basis.

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.

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.

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.

REIT - Real Estate Investment Trust – A corporation or trust that uses the pooled capital of many investors to purchase and manage income property, including office, retail, industrial and multifamily residential properties.

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.

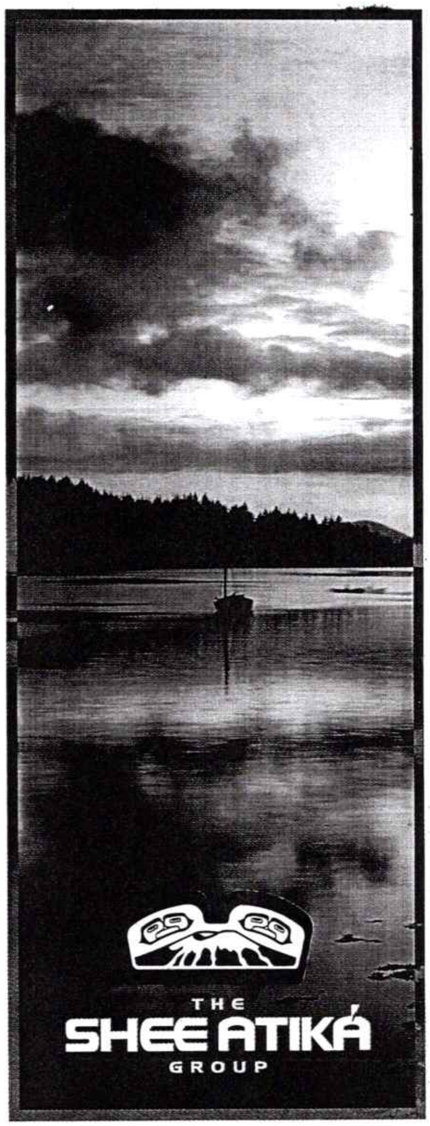
Trust – A legal entity created by a person or organization. SAFE and SABT are settlement trusts created by SAI under the terms of the Alaska Native Claims Settlement Act. A trust is governed by different principles and rules than a corporation.

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.



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