THE
SHEE ATIKÁ
GROUP

2006 ANNUAL REPORT

CORPORATE INFORMATION

Senior Management

Robert G. Loiselle
President & Chief Executive Officer

Staff

Sandi Dalton
Finance Director

Lauren Burkhart
Senior Accounting Technician

Coyne VanderJack
Land Manager

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

Mikunda, Cottrell & Co., Inc.
3601 C Street, Suite 600
Anchorage, AK 99503

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

Dr. Pamela Steffes, Chairman
Cass Pook, Vice Chairman
Gillian Havrilla
Josh Horan
June Koval
Faleene Sele

CONTENTS

Cover Art:
This glass representation of a bentwood box is the work of the accomplished glass artist Preston Singletary of Seattle. Mr. Singletary's Tlingit grandmother was from Sitka. He studied the art of glass blowing and design at the Pilchuck School of Glass in Seattle, and has shown his work throughout the United States and in Europe.
Photograph by Russell Johnson.

THE
SHEE ATIKÁ
GROUP

2006 ANNUAL REPORTS OF

Shee Atiká, Incorporated

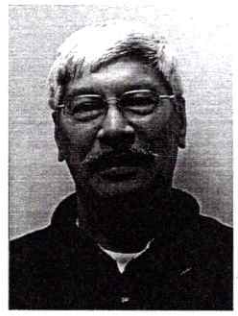
Shee Atiká Fund Endowment

Shee Atiká Benefits Trust

Shee Atiká Investments, LLC

BOARD OF DIRECTORS






Board Members, from top, left to right:

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


DEAR SHAREHOLDER:

We are pleased, on this 33rd anniversary of Shee Atiká, Incorporated, to present the 2006 Annual Report for the Shee Atiká Group. The Annual Report consolidates 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.

These entities comprise the Shee Atiká Group, which manages the collective assets in concert to provide the greatest overall benefit to shareholders. Although managed in unison, each corporate or trust entity within the Shee Atiká Group possesses unique tax and legal features designed to efficiently produce particular benefits to shareholders.

In 2006, we were once again able to shelter SAFE distribution payments from taxation at the shareholder level, thanks to the unique tax characteristics of the IRS Section 646 elections made by both SAFE and SABT several years ago. Unfortunately, we were not able to shelter SABT benefit payments in 2006. While SAFE had adequate income to shelter the distribution from shareholder-level tax, SABT did not. At this point, we cannot yet be certain about the tax status of the 2007 SAFE distributions or SABT benefits payments.

The Shee Atiká Group continues to perform consistently and well. Shee Atiká Investments, LLC (SAIL) produced an overall return on investments of 12.05% in 2006, up from 10.4% in 2005. We are also proud of the continued progress that Dave Malone, Janice Johnson, and the rest of the staff have made at the Shee Atiká Totem Square Inn. Occupancy and revenue continue to rise and the Totem Square Inn is the place to stay in Sitka. Check it out at www.totemsquareinn.com.

Our 8(a) companies, Shee Atiká Technologies, LLC, and Shee Atiká Languages, LLC, are in the process of securing new contracts that we expect will put them in the black this year. We hope to have exciting news for you in this regard in the near future.

The Shee Atiká Benefits Trust continues to be a positive force in the lives of our shareholders. The Trust's many innovative programs provide academic, cultural, and vocational training opportunities for increasing numbers of shareholders, while the funeral benefit program offers assistance and comfort to families of deceased shareholders during times of loss. The Shee Atiká Board of Directors is working on a plan to augment the principal of the trust to ensure its capacity to meet future needs of shareholders.

With this report, we bid a fond farewell to our Chief Financial Officer Vic Scarano who is leaving us to be with his family in Juneau. Vic is Goldbelt's new CFO and our loss is certainly their gain. Vic did a great job for us and we will miss him. Controller and Shee Atiká shareholder Sandi Dalton has been promoted to Finance Director and will take over many of Vic's duties.

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

Marion Williams Berry
Chairman of the Board

Robert G. Loiselle

Robert G. Loiselle
President and Chief Executive Officer

SHEE ATIKÁ GROUP MANAGEMENT REPORT

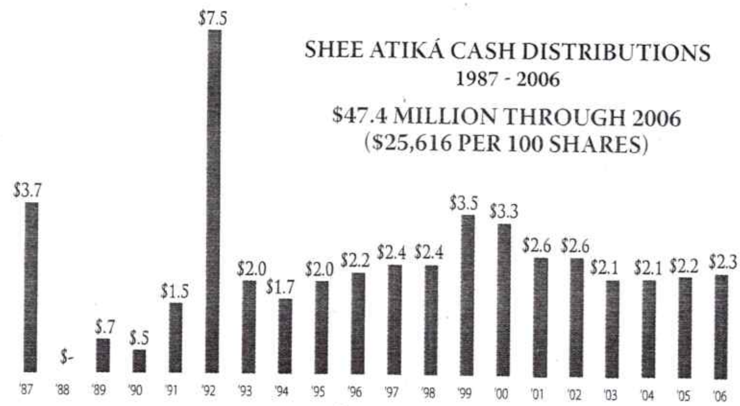
Our objective for the Group continues to be the maximization of return on total assets, particularly on an after-tax basis. In other words, we want to put as much tax-exempt money as possible into shareholder pockets each year. Because of the unique tax characteristics of each entity in the Group it takes some work, we have been able to achieve these goals on a regular basis, usually (but not always) making distributions and benefit payments that are entirely tax-free to shareholders. Once again in 2006 we were able to provide SAFE distributions free of tax to the individual shareholder. Unfortunately, the Shee Atiká Benefits Trust did not have adequate income to shelter all benefit payments.

2006 was another good year for the Group, with Shee Atiká Investments, LLC (SAIL), the Group's in-house mutual fund, earning a total return of 12.05%. 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, Shee Atiká Group earned $6.2 million in 2006, up from $5.0 million in 2005. After distributions and benefit payments of $2.57 million, the Group's net worth increased by approximately $3.7 million. SAFE earned $6.4 million (including its share of SAIL earnings), while SAI incurred a loss of $37,779, and SABT a loss of $96,036.

By design, 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, so that SAI will continue to report roughly break-even results, which allows us to maximize the tax-free benefits to shareholders.

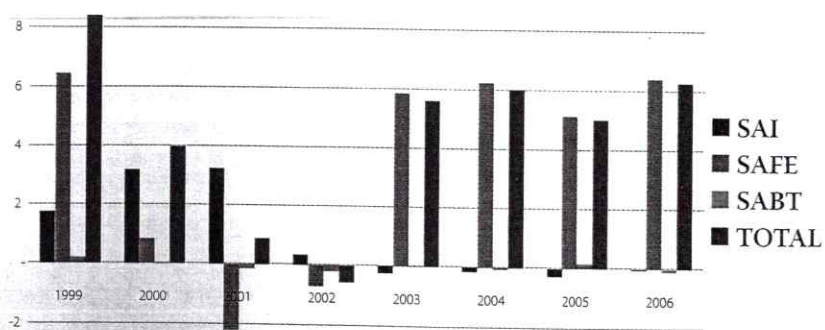
The Group's assets grew to over $108 million in 2006. Accounting rules require that we list most of our assets at "net book value," which is the cost of the asset plus any capital improvements less depreciation. Because we do not get to realize appreciation in a property until it is sold, we believe that most of our properties are actually worth much more than net book value, particularly in this era of high commercial real estate prices.



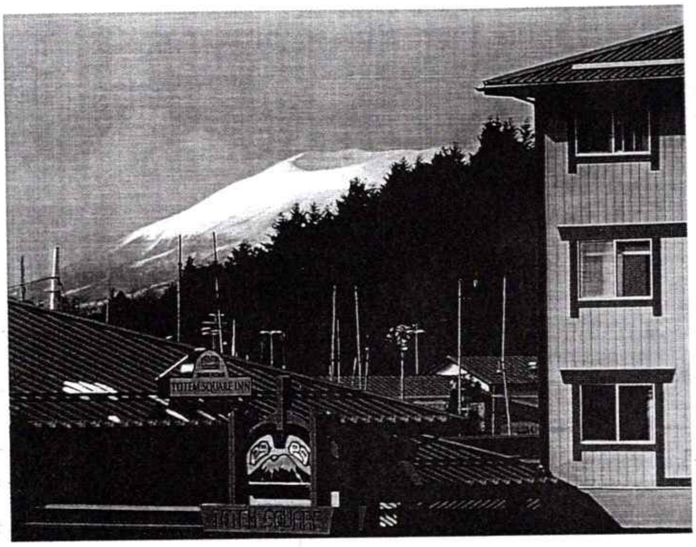
SHEE ATIKÁ CASH DISTRIBUTIONS
1987 - 2006
$47.4 MILLION THROUGH 2006
($25,616 PER 100 SHARES)
($MILLIONS)

($ millions)

COMBINED NET WORTH
SAI, SAFE & SABT
$95.1 MILLION
DECEMBER 31, 2006



SHEE ATIKÁ GROUP EARNINGS
1999 - 2006
($MILLIONS)



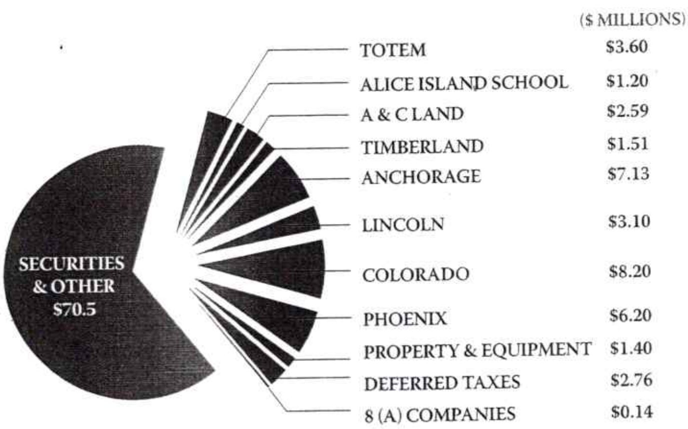
SHEE ATIKÁ INCORPORATED

Shee Atiká, Inc. remains primarily a commercial real estate company. Revenues from commercial rentals decreased from $2.4 million in 2005 to $2.2 million in 2006, largely because of the sale of the Boeing property in Houston, which had previously generated lease income.

The Company recorded a net loss of $37,779 in 2006, $233,206 less than the previous year's loss of $270,985. Again, this reflects our strategy of placing most of the Group's income producing assets within SAFE. SAI's small loss helps to ensure that distributions from SAFE and benefit payments from SABT are tax-free to the beneficiaries. This is because of the rather complex provisions of the IRS Section 646 election mentioned above. Our tax strategy did not work in 2006, due to what are called "book-tax" differences. While we showed a small loss for financial statement ("book") purposes, we actually had positive earnings and profits for tax purposes due to the differing accounting techniques used for each.

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.

Hotel revenues from the Totem Square Inn (TSI) increased significantly, from $588,434 in 2005 to $1,102,189 in 2006. Strong marketing and great customer service has increased year-round occupancy. We are still at the mercy of off-season business for good year-round results. The Sitka Convention and Visitors Bureau (SCVB) is key to attracting this business, and TSI General Manager Dave Malone, now a member of the SCVB board of directors,



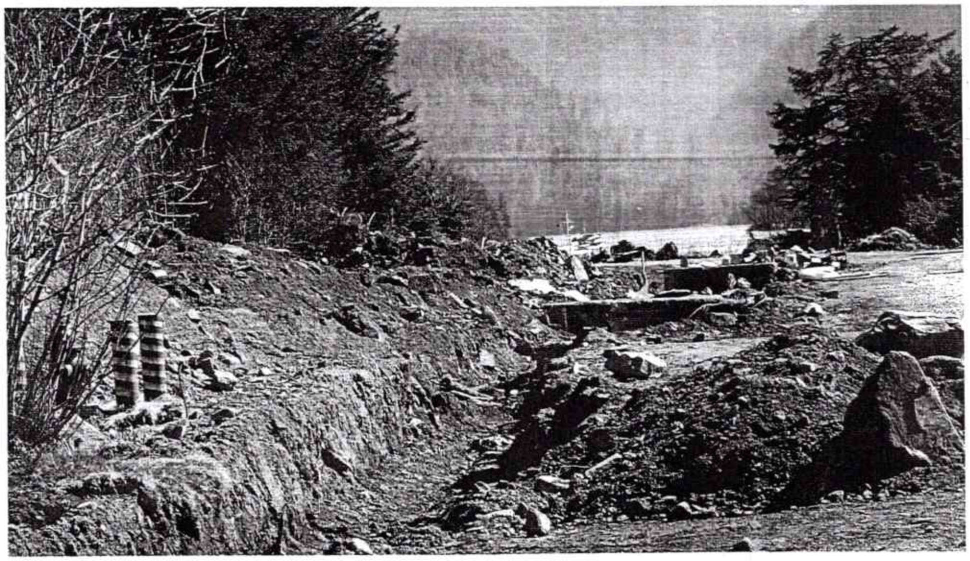
SHEE ATIKÁ GROUP
REAL ESTATE & OTHER ASSETS
$108.3 MILLION
DECEMBER 31, 2006

Work has begun on the Ethel Staton Subdivision. One aspect of this project is the need to remove much of the WWII infrastructure. Shareholders are now doing most of this work.

has worked hard with the organization to entice year-round visitors to Sitka.

The low interest rate environment that persisted through 2006 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. Low interest rates have also made it more affordable to buy and hold property, however, enhancing real estate as a more attractive investment alternative. For investors that were faced with 10-year treasury note yields of less than 4.75%, real estate that yields 5-6% with the potential for appreciation looks pretty good.

Recognizing an opportunity presented by the 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 $7 million. Ultimately, this property performed quite well for us, with an overall internal rate of return of over 9.5% over the roughly four years that we owned it.



As we said in last year's report, the intention is to re-invest the proceeds from the Boeing sale in commercial real estate. We continue to hold off reinvestment until the market cools a bit, though we hope that attractive purchase opportunities will materialize before the end of this year.

Our Colorado Springs property (Mitre) enjoys a remaining lease term of nearly ten years and we intend to keep this asset in our portfolio. We also own four acres adjoining Mitre, on which we may be able to build additional expansion space for them at some point in the future.

Given the extremely favorable market in Phoenix, Arizona, we are taking a look at selling the ITT Tech property this spring. We are just beginning the process, but are optimistic about the opportunity to sell at a good profit.

Our downtown Sitka commercial buildings, the Totem Square Complex and the Shee Atiká Building, Kutees' Hit, are fully occupied, as is the Alice Island School. The Boys and Girls Club, operated by Sitka Tribe, recently took the last remaining space in the school building.

At Totem Square, Dave Malone, Janice Johnson and the rest of the Totem Square Inn team have established our hotel as the place to stay in Sitka. They have assembled a core team dedicated to delivering unparalleled customer service — and their quest for excellence is paying dividends.

We have just completed the latest addition to our Sitka real estate portfolio, the 5,000 square foot West Marine store on Alice Loop Road adjacent to Sealing Cove harbor. West Marine sells a variety of boating, fishing, and other marine supplies.

This project was a so-called "build to suit" project, whereby we built the store to their specifications on Shee Atiká property, and they now lease it from us.

Further down Alice Loop Road, S & S General Contractors has recently begun work on the Ethel Staton Subdivision. S & S will be completing road, water, sewer and electric infrastructure improvement begun when we built the townhouses several years ago. One of the unique aspects of this project is the need to remove much of the WWII infrastructure, consisting of underground water, sewer, and steam lines. Some of these lines either contain asbestos or have asbestos insulation. SABT provided grants to Shee Atiká shareholders to receive asbestos abatement training, and these shareholders are now doing most of this work as employees of Cascade Environmental.

Shee Atiká shareholder Candi Barger of Sitka Realty will be handling lot sales, with help from shareholder Carlton Smith of The Carlton Smith Company. We hope to have these lots ready for sale by late June of 2007.

We continue to pursue opportunities for Katlian Bay related to adventure tourism or ecotourism, working in concert with Allen Marine. We currently have a specific project that we are investigating, and hope to have news on that later in the summer.

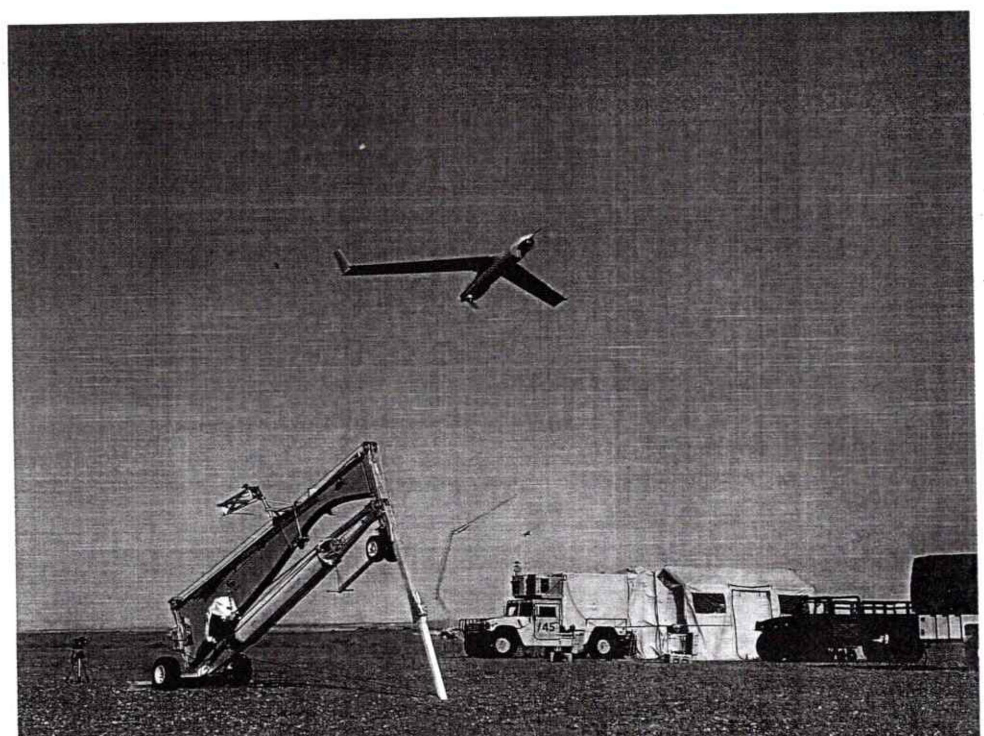
Our new Land Manager, Coyne VanderJack (former Atikon General Manager and William Paul Award recipient), has as a top priority the investigation of a possible trade of Cube Cove lands for lands with mineral potential. We expect to have more to report on this later this summer.

SBA (SMALL BUSINESS ADMINISTRATION) 8(A) COMPANIES

2006 marked the first full year of operation for Shee Atiká Technologies, LLC (SAT) and about three-quarters of a year for Shee Atiká Languages, LLC (SAL). The SBA's 8(a) Program, named for a section of the Small Business Act, helps minority-owned businesses compete in the American economy through access to the federal procurement market. Alaska Native Corporations 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 be certified by the SBA as qualified to perform contracts under its industrial code.

Shee Atiká, Incorporated is the 51% majority owner of both SAT and SAL, with the remaining ownership made up of individuals with expertise in each company's specialty.

SAT's primary industrial code certification is for engineering services on military and aerospace projects.



The SBA certified Shee Atiká Technologies in December 2005, and Shee Atiká Languages in February 2006. Both have now acquired contracts and are actively pursuing others.

SAT's primary industrial code certification is for engineering services on military and aerospace projects. 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. Its mission is to provide translation and interpretation services to U.S. military operations around the globe, including in Iraq and Afghanistan. The company also provides role players for various military training exercises. Role players act as if they are

people indigenous to an area. By speaking in their native language, they add realism to the exercise, particularly in this day of counterinsurgency and urban warfare.

Finally, there has been much discussion in the ANCSA community regarding the proposed issuance of stock to "New Natives" — those Natives born after the passage of the Alaska Native Claims Settlement Act (ANCSA) in 1971.

Currently, the only way these folks can become shareholders is to be gifted shares by their close relatives or to receive shares through inheritance. This is a complex topic and beyond the scope of this report, but more information can be found on Shee Atiká's web site at: www.sheeatika.com.

The position of the Shee Atiká Board of Directors is that the New Native issue is adequately addressed through the board's liberal policy with regard to the Shee Atiká Benefits Trust, under which every shareholder, even those holding only one share, enjoy full and equal access to benefits provided by this trust. Because it is not difficult to gift one share to a young descendent, this policy openly provides for trust benefits to descendents of shareholders. • • •

SHEE ATIKÁ FUND ENDOWMENT

We are pleased to report that SAFE's investment in the Anchorage Airport Business Park is continuing to perform as anticipated and is now for sale because of the strong market. At press time we are negotiating the purchase and sale agreement with a prospective buyer.

SAFE's investment in SAIL did well in 2006, with a total return of 12.05%, up from 10.4% in 2005. 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 $6.4 million for the year, up from $5.1 million in 2005. SAFE's 2006 returns reflect the strong performance of both the Anchorage Airport Business Park and SAFE's investment in SAIL.

The accompanying chart shows the return (Internal Rate of Return or IRR) of SAFE assets over the years. These returns are based on investment income, less administrative expenses, plus appreciation. You can see that over the last five years this IRR has slowly recovered from the serious decline experienced in the early years of this decade.

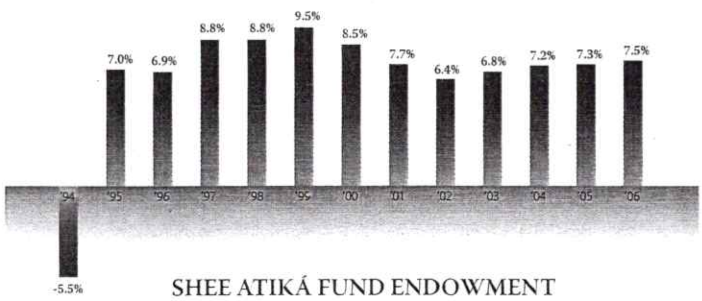
Distributions for 2006 totaled $2,277,960 ($12.30 per share), compared to $2,203,880 ($11.90 per share) in 2005. The May 2007 distribution has been declared at $6.50 per share, with a similar amount likely in November. As with investment income, after an earlier period of decline, distributions have 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 to calculate dividends.

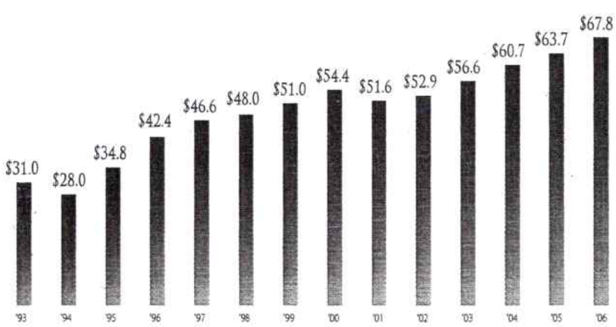
The method takes the 5-year average of the total value of the fund times 4%. This percentage is calculated by taking the anticipated net return each year and subtracting inflation and expenses. In our case, we assume a 7.5% return, subtract 2.5% for inflation and 1% for expenses, leaving 4%, which can 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 asset values resulting from a temporary rise in the market in one year will not increase the amount of the annual distributions dramatically.

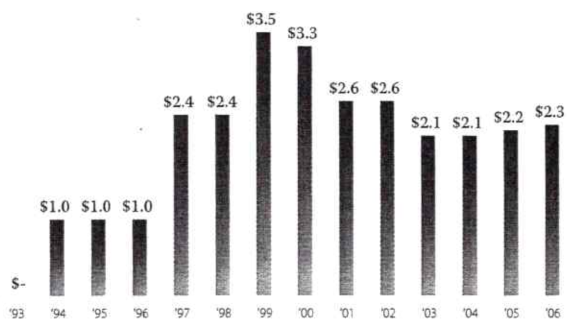
The SAFE trust document does not speak of POMV. Rather, it talks about distributing between 75% and 100% of "net cash income" (NCI). NCI, a somewhat imprecise measure used to help assure a trust's principal is not depleted, cannot, in and of itself, reliably serve as a strong guide to decision makers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



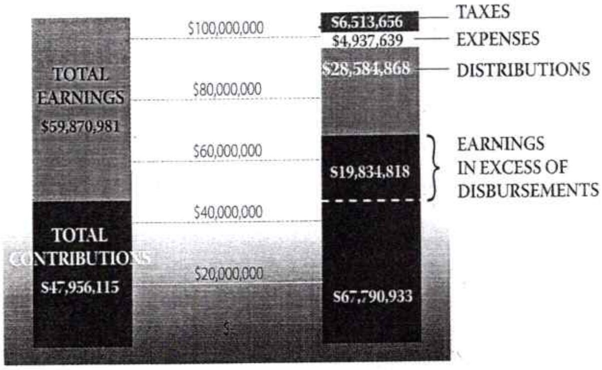
SHEE ATIKÁ FUND ENDOWMENT
ROLLING INTERNAL RATE OF RETURN
(MILLIONS)



SHEE ATIKÁ FUND ENDOWMENT
NET ASSETS 1993 - 2006
(MILLIONS)



SHEE ATIKÁ FUND ENDOWMENT
CASH DISTRIBUTIONS 1993 - 2006
(MILLIONS)



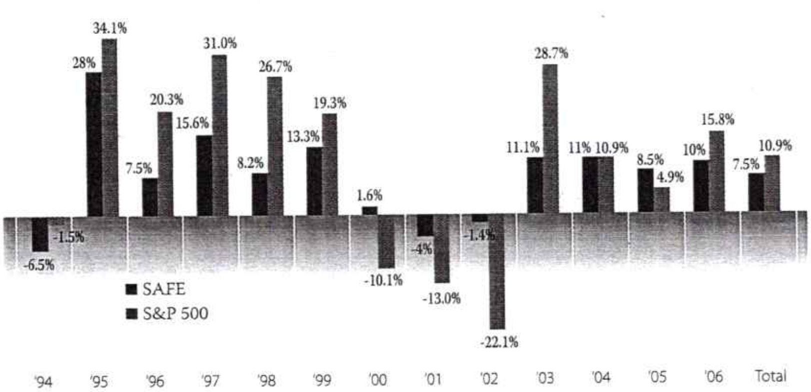
SHEE ATIKÁ FUND ENDOWMENT OVER THE YEARS
TOTAL CONTRIBUTIONS AND EARNINGS
$107,827,096

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 directors feel it prudent to do so.

Our goal is to distribute dependable dividends that increase over time, while ensuring, to the greatest extent possible, that inflation protected 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.

The SAFE trust document calls for a periodic review over a specified length of time during which the trust document can be reviewed and certain changes made. For SAFE, this review period occurs every 15 years and is "open" for 180 days. Thus, SAFE's first review period will begin on its 15th anniversary, January 3, 2008, and end on June 30, 2008. While the number of specific changes possible is limited, consideration of the partial or total liquidation of the trust during the review period is allowable under the provisions of the Trust Agreement.

Any change would first require a two-thirds majority of the Shee Atiká Fund Endowment Board of Trustees voting in favor, followed by at least 50% of the outstanding shares voting in favor at a shareholder meeting (either regular or special).



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

It is important to note that the initiation of any changes must come from the Shee Atiká Fund Endowment Board of Trustees. It is not possible for beneficiaries of the trust (shareholders) to independently initiate this process. Unless two-thirds of the board take action, no shareholder vote is possible.

Both the SAFE and SABT trust reviews have been the subject of considerable study and consideration by your board over the last couple of years. Your directors, unanimously concluding that no changes are required for either trust, passed the following resolution on February 24, 2007:

> *WHEREAS, the Trust Agreement (the "Trust Agreement") for the Shee Atiká Fund Endowment (the "Trust") provides that the Trust may be reviewed beginning upon the fifteenth anniversary of the Trust in January, 2008;*
>
> *WHEREAS, the Board of Trustees has determined, in the exercise of its fiduciary judgment, that no amendment to the Trust is appropriate at this time;*
>
> *NOW THEREFORE BE IT RESOLVED that no amendment to the Trust is appropriate at this time and that the Trustees shall not propose any amendment to the Unitholders of the Trust.*
>
> *BE IT FURTHER RESOLVED that the Trust's officers and agents are hereby authorized to take such steps as shall be necessary to implement the foregoing resolution.*

The change we most often hear discussed involves the partial or total liquidation of the trust. The board feels strongly and unequivocally that any liquidation would be wrong, that these assets belong to all generations of shareholders and that assets be managed in a fashion that will provide equal benefits for future generations of shareholders to the extent humanly possible. • • •

SHEE ATIKÁ BENEFITS TRUST

The Shee Atiká Benefits Trust (SABT) disbursed $263,929 in scholarships to 193 recipients, and paid funeral benefits totaling $29,661 to the families of 19 deceased shareholders during 2006. Scholarship payments decreased from $284,022 in 2005, while funeral benefits decreased from $34,775 in 2005.

Shee Atiká, Inc. established SABT in 1998 with an initial contribution of $1.5 million. The Company periodically adds to the principal as needed, and did so again in 2006 by bolstering the fund with a $250,000 contribution.

The Shee Atiká Benefits Trust Board of Trustees is looking at alternatives that would more fully fund the trust for the long term. The results of earnings in 2006 reinforces the need for this planning: the trust, through its participation in SAIL, earned a 12.05% rate of return, excellent results but inadequate to cover current benefits payments and operating costs. During 2006, the McDowell Group of Juneau conducted an actuarial and opinion survey of Shee Atiká shareholders. This survey reinforced our view that we must prepare for future generations of shareholders, which means at least another $3 million in principal will need to be contributed by SAI to the trust. We believe that future income from our 8(a) companies, SAT and SAL, as well as the proceeds from real estate sales, will provide the funds necessary to accomplish this.

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 for up to $2,200 per academic year per shareholder. The maximum benefit for graduate studies (MA, MS, MBA, PhD, law school, medical school, dental school and the like) is currently $4,400 per year.

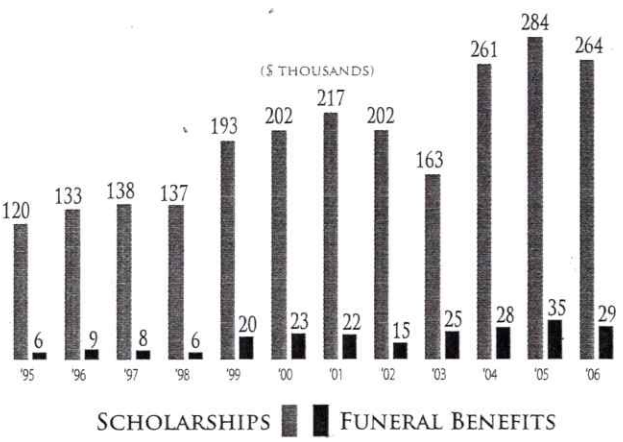
It is the intent of the scholarship program to encourage attendance at college, trade or vocational school, or in training programs reasonably designed to help a shareholder with job preparation or job enhancement. Scholarships are also available to encourage training in the traditional arts, crafts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

SABT also makes scholarships available for short-term training courses, like those for commercial driver's licenses (CDLs), 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 that provides shareholders financial support to attend expensive short-term training programs, such as formal truck driving school. The cost of such programs 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 receipt of the payment before being eligible for additional awards. This program provides a practical means for shareholders to attend the more expensive courses that can lead directly to good jobs.

We have also established a special internship 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 (7 of 10 Shee Atiká, Inc. employees and roughly 30% of Totem Square Inn employees are shareholders), we aspire to place many more shareholders in upper management positions.

The Shee Atiká 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



SCHOLARSHIPS & FUNERAL BENEFITS 1995 - 2006
TOTAL SCHOLARSHIPS - $2.31 MILLION
TOTAL FUNERAL BENEFITS $226,000

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 Dr. Pamela Steffes, Chairman; Cass Pook, Vice Chairman; and members Gillian Havrilla, June Koval, Faleene Sele, and Josh Horan. We would also like to recognize Francis Dunne, who left the committee in 2006. Lillian Young, Shee Atiká's Shareholder Services Manager, serves as administrator for the program.

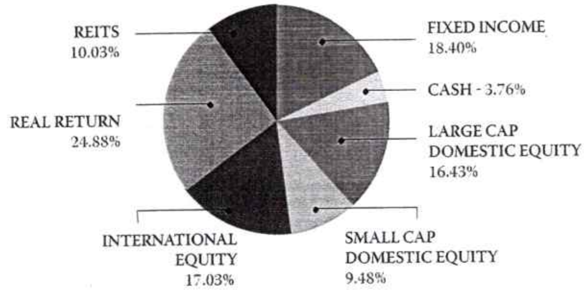
As always, we are sincerely grateful for the hard work of the committee and our administrator.

The funeral benefit program makes a one-time cash payment to the family of any deceased Shee Atiká shareholder. In 2006, the Shee Atiká Benefits Trust Board of Trustees increased the benefit to a maximum of $2,000. This benefit 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 during a time of grieving.

Finally, it just so happens that the first trust review for SABT nearly coincides with that of SAFE. The SABT review begins on November 8, 2007 and ends on May 6, 2008. The only significant difference between the SAFE and SABT reviews is that SAFE was set up on a 15-year cycle and SABT is on a 10-year cycle.

As with SAFE, nothing happens during the review period without action by the Shee Atiká Benefits Trust Board of Trustees. The SABT board has also passed a resolution stating that there will be no changes to the trust during this review period, for similar reasons that no action will be taken on SAFE. • • •

SAIL ASSET ALLOCATION
DECEMBER 31, 2006



SHEE ATIKÁ INVESTMENTS, LLC ASSET ALLOCATION $65 MILLION DECEMBER 31, 2006

SHEE ATIKÁ INVESTMENTS, LLC

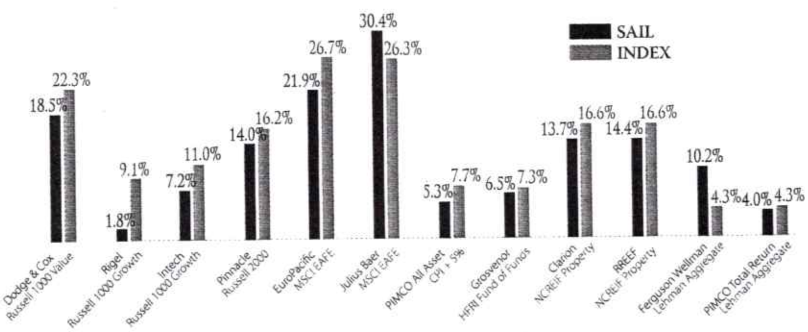
Shee Atiká Investments, LLC (SAIL), established on April 1, 2004, has allowed the Shee Atiká Group entities to pool funds and share investment opportunities previously available only to larger entities, such as the Shee Atiká Fund Endowment.

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 the portfolios of large, successful endowments like those of Yale or Harvard universities. Diversified investment portfolios of such endowments include, as does SAIL, real estate investment trusts (REITS) and real return funds, as well as the more conventional stocks, bonds, and mutual funds.

Most of these investment vehicles require a minimum investment of at least $2 million, usually $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 pool investments in SAIL, and share SAIL's earnings in proportion to its investment.

The SAIL board made several changes in 2006. The Alliance Bernstein large



SAIL 2006 RETURNS BY ASSET VERSUS INDEX

cap value stock fund was dropped and the funds transferred to the Dodge and Cox stock fund. While both Alliance and Dodge and Cox have similar investment objectives, Dodge and Cox has delivered superior long-term performance.
The board also added the Julius Baer International Fund and the UBS Dynamic Alpha fund, a real return fund. The board and management continually monitor the performance of the various investment managers and, in consultation with R.V. Kuhns & Associates, make changes as necessary.

We will continue to refine SAIL's asset allocation to increase return and reduce risk. Our five-year return on the portfolio is 9.15%, compared with the median return of 9.33% for endowments and foundations with less than $1 billion in assets. However, when we compare the portfolio's standard deviation (a measure of risk), ours is only 4.03% compared to the median of 7.73%. In this case, lower is better. In fact, the Sharpe Ratio for the portfolio, which measures return per unit of risk, places SAIL in the top 1% of this universe of endowments and foundations with less than $1 billion in assets.

These statistics provide an objective measure that confirm we are doing very well for the amount of risk we are willing to take on. Other comparable funds may do better from a pure return perspective, but only by taking on more risk.

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 12.05% for the year, with net income of $6,714,765, an increase of $1,322,375 over the previous year.

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

OUTLOOK

In last year's report we expressed optimism about 2006 and it did turn out to be a very good year, but not necessarily for all the expected reasons. The primary driver of our success was SAIL, our collective investment fund. Strong equity performance continued for the fourth year in a row, while fixed income continued to produce more moderate returns due to long-term interest rates remaining below 5%. Our REITs also performed very well.

Challenges by several groups opposed to our Alice Island development project delayed the approval processes, but after a total of seven public meetings held over more than six months we received final approval from the City of Sitka Assembly. In the final analysis, the Assembly concluded that our plans were legal and proper in every respect.

With construction now underway, we are confident that we will have lots on the market by early summer.

With all of our commercial properties fully tenanted, this sector will perform well for us in 2007. The sale of Phoenix, should it occur, will enhance this return. At the Totem Square Inn, occupancy so far is about on par with 2006 and we should have another good year.

Shee Atiká Technologies (SAT) and Shee Atiká Languages (SAL) did not perform up to expectations in 2006, but both are garnering additional contracts and should be solid performers in 2007. All of the adverse publicity that ANCSA 8(a) companies have received over the last couple of years made business acquisition that much more difficult, but our talented management teams, led by Harry Spies at SAT and Mike Kershner at SAL, are overcoming the hurdles with experienced and talented personnel, competitive pricing, and excellent service.

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 several of years in achieving greater diversification and lower correlation among asset classes, with one sector's gains offsetting another sector's losses.

The rates of return on our REITs are coming down, as yields are driven lower by the high prices that have been paid for commercial real estate. It might be said that we are crying all the way to the bank: the price increases caused real estate values to greatly appreciate, so while those prices may now be moderating, and real estate returns presently declining, they are doing so from very high levels. Taking all this into account, we expect returns this year to range in the low teens.

Equity and fixed income returns are anyone's guess at this point. We weathered a strong but brief downturn earlier this year and now many indices are reaching all-time highs, even in the face of uncertain inflation and other economic factors.

In the past year we had strong returns from the stock market (equities), moderate returns from our bond (fixed income) investments, and good but declining returns from our real estate portfolio (REITs) — and we expect similar results for the next year, but perhaps with each sector performing differently. One of the great things about diversification is that while you might not make all of the calls on the money, unexpected downside surprises are often offset by the unexpected upside. Check back again this time next year to see how we did.

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 where you'll find the latest announcements on 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 shareholder related materials, such as scholarship forms, testamentary dispositions, direct deposit information, and for making changes to your mailing address. We are in the midst of a major upgrade to the website. Look for it soon.

SHEE ATIKÁ STAFF

Robert G. Loiselle
President and CEO

Sandi Dalton
Finance Director

Lauren Estes
Senior Accounting Technician

Lillian Young
Shareholder Services Manager

Kay D. Simmons
Executive Assistant

Coyne VanderJack
Land Manager

Gary Bernhardt
Maintenance Director

Carol Breece
Administrative Assistant

Ronald James
Maintenance Technician





Shee Atiká Totem Square Inn management and staff, left to right:

David Malone, General Manager, Janice Meabon, Assistant General Manager, Fred Dugdale, Supervisor, Silvia Malone, Housekeeping Supervisor, and Veronica Coyle, Housekeeper

INDEPENDENT AUDITORS' REPORT

Mikunda,
Cottrell & Co.
Certified Public Accountants & Consultants

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

We have audited the accompanying consolidated balance sheet of Shee Atiká, Incorporated and Subsidiaries (the Company) as of December 31, 2006, and the related consolidated statements of operations, capital, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Shee Atiká, Incorporated and Subsidiaries for the year ended December 31, 2005 were audited by other auditors whose report, dated January 27, 2006, expressed an unqualified opinion on those statements.

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

In our opinion, the 2006 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shee Atiká, Incorporated and Subsidiaries as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mikunda, Cottrell & Co.

February 23, 2007

CONSOLIDATED BALANCE SHEETS

December 31, 2006 and 2005

ASSETS		2006	2005
Current assets:			
Cash and cash equivalents	$	3,883,053	762,231
Held-to-maturity investments		—	1,097,855
Accounts receivable		486,060	186,582
Receivable from Shee Atika Benefits Trust		—	151,553
Income tax receivable		110,925	—
Land and building held for sale		—	5,741,626
Prepaid expenses and other		94,960	74,191
Total current assets		4,574,998	8,014,038
Other assets:			
Leased commercial properties		25,325,656	25,282,972
Property and equipment		2,015,598	2,115,052
Deferred income tax benefit		2,760,000	2,860,000
Other		601,058	201,420
Total other assets		30,702,312	30,459,444
Total assets	$	35,277,310	38,473,482
LIABILITIES AND CAPITAL			
Current liabilities:			
Accounts payable and other current liabilities		586,438	310,574
Deferred revenue		76,697	131,878
Current portion of long-term debt		291,351	318,028
Total current liabilities		954,486	760,480
Long-term debt, less current portion		8,767,126	11,733,914
Minority interests		45,039	180,650
Total liabilities		9,766,651	12,675,044
Capital			
Common stock, no par or stated value, authorized 250,000 shares:			
Class A, voting, issued and outstanding 181,451 shares in 2006 and 181,583 shares in 2005			
Class B, nonvoting, issued and outstanding 3,749 shares in 2006 and 3,617 shares in 2005			
Contributed capital		5,956,000	5,956,000
Retained earnings		19,554,659	19,842,438
		25,510,659	25,798,438
	$	35,277,310	38,473,482

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2006 and 2005

	2006	2005
Revenue:		
Rentals from leased commercial properties	$ 2,167,379	2,400,602
Hotel	1,102,189	588,434
Contracts	1,050,290	976,135
Administrative fees from affiliated entities	575,733	508,244
Investment income	166,020	54,538
Other	851,372	26,755
Total revenue	5,912,983	4,554,708
Costs and expenses:		
Leased commercial properties	382,340	410,701
Hotel	780,096	435,952
Contracts	640,996	663,848
General and administrative	2,549,882	1,840,614
Contributions	32,761	11,447
Interest	745,080	740,122
Depreciation	809,374	904,859
Total costs and expenses	5,940,529	5,007,543
Loss before minority interest and income tax (expense) benefit	(27,546)	(452,835)
Minority interest	118,945	(58,150)
Income (loss) before income tax (expense) benefit	91,399	(510,985)
Income tax (expense) benefit	(129,178)	240,000
Net loss	$ (37,779)	(270,985)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2006 and 2005

	Shares of Common Stock Class A	Shares of Common Stock Class B	Contributed Capital	Retained Earnings	Total Net Worth
Balance, 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 Atika Benefits Trust	—	—	—	(200,000)	(200,000)
Balances, December 31, 2005	181,583	3,617	5,956,000	19,842,438	25,798,438
Net transfers from voting to nonvoting shares	(132)	132	—	—	—
Net loss for the year	—	—	—	(37,779)	(37,779)
Distribution of cash to Shee Atika Benefits Trust	—	—	—	(250,000)	(250,000)
Balances, December 31, 2006	181,451	3,749	$ 5,956,000	19,554,659	25,510,659

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Cash received from:		
Rentals from leased commercial properties	$ 2,094,323	2,407,660
Hotel operations	1,102,189	566,230
Administrative fees from affiliated entities	719,962	356,691
Contracts	777,037	808,701
Interest	166,020	38,366
Trading securities	—	1,002,501
Other	66,535	24,051
	4,926,066	5,204,200
Cash paid to/for:		
Contractor, suppliers and employers	4,133,582	3,481,097
Interest	745,079	732,956
Income taxes	140,103	—
	5,018,764	4,214,053
Net cash flows from operating activities	(92,698)	990,147
Cash flows from investing activities:		
Purchases of leased commercial properties	—	(2,924,579)
Sale of leased commercial properties	6,544,418	—
Purchases of property and equipment	(768,984)	—
Disposal (acquisition) of interest in Shee Atika Investments LLC	—	1,030,912
Purchases of held-to-maturity investments	1,097,855	(1,097,855)
Other	(399,638)	170,718
Net cash flows from investing activities	6,473,651	(2,820,804)
Cash flows from financing activities:		
Proceeds from long-term debt	13,979	5,000,000
Principal repayments on long-term debt	(3,007,443)	(3,290,738)
Minority interest	(16,667)	122,500
Distribution to Shee Atika Benefits Trust	(250,000)	(200,000)
Net cash flows from financing activities	(3,260,131)	1,631,762
Net change in cash and cash equivalents	3,120,822	(198,895)
Cash and cash equivalents, beginning of year	762,231	961,126
Cash and cash equivalents, end of year	$ 3,883,053	762,231
Reconciliation of net loss to net cash flows from operating activities:		
Net loss	(37,779)	(270,985)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Minority interest	(118,945)	58,150
Depreciation	809,374	904,859
Gain on liquidation of interest in Shee Atika Investments LLC	—	(30,912)
Gain on sale of land and building	(784,837)	—
Deferred income tax benefit	100,000	(240,000)
Change in operating assets and liabilities:		
Trading securities	—	1,002,501
Receivables	(258,848)	(309,438)
Prepaid expenses and other	(22,344)	(12,659)
Accounts payable and other current liabilities	274,838	(187,455)
Deferred revenue	(54,157)	76,086
Net cash flows from operating activities	$ (92,698)	990,147

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006 and 2005

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

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

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

Shee Atiká's operations primarily consist of leasing of its own commercial properties located in various states. Two of Shee Atiká's 51%-owned subsidiaries have received certification under the U.S. Small Business Administration's 8(a) Business Development Program ("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 Atiká also owns and operates a hotel in Sitka, Alaska.

Shee Atiká's commercial leasing operations are subject to geographic risks as well as the financial viability of leases. 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 Atiká and seven majority—owned limited liability companies ("the LLCs"). All transactions between these entities have been eliminated in consolidation. The LLCs limit Shee Atiká's liability exposure to the amount of Shee Atiká's investment in them. Five are scheduled to terminate December 31, 2022 and the others are 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 Atiká considers all highly liquid securities purchased with a majority of three months or less to be cash equivalents for purposes of the statements of cash flows. Shee Atiká regularly has cash and cash equivalents in excess of federally insured limits.

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 was $2,859. All held-to-maturity investments at December 31, 2005 matured in 2006.

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.

Note 1 (Continued)

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 Atiká charges off receivables to any allowance when management determines that a receivable is not collectable. Payment terms vary by customer (the majority of receivables are due 10 days after the issuance of an invoice). Shee Atiká generally does not require collateral from its customers or charge interest on past due accounts.

Amounts due from two contract customers represent 71% and 87% of total accounts receivable at December 31, 2006 and 2005, respectively.

LAND AND BUILDING HELD FOR SALE

In 2005, management and the Board of Directors of Shee Atiká 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 Atiká to maximize the total return on this property given the current strong market and shrinking remaining lease term. Shee Atiká sold the property for $7,000,000 in 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.

Two customers accounted for 58% of total rental revenue from leased commercial properties in 2006. Three customers accounted for 77% of total rental revenue from leased commercial properties in 2005. Three customers accounted for 99% of contract revenues in 2006. One customer accounted for 92% of contract revenues in 2005.

INCOME TAXES

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

RECLASSIFICATION

Certain reclassifications were made to the 2005 financial statements to conform to the 2006 presentation.

2 LEASED COMMERCIAL PROPERTIES

		2006	2005
Buildings and equipment – Alaska	$	10,320,375	9,591,160
Building – Colorado		8,524,786	8,524,786
Building – Arizona		4,635,778	4,635,778
Land		5,497,942	5,456,649
		28,978,881	28,208,373
Less accumulated depreciation and amortization		(3,653,225)	(2,925,401)
	$	25,325,656	25,282,972

Depreciation expense for leased commercial properties amounted to $765,117 and $776,093 in 2006 and 2005, 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	Colorado	Arizona	Total
2007	$	436,000	910,000	565,000	1,911,000
2008		360,000	923,000	569,000	1,852,000
2009		264,000	937,000	569,000	1,770,000
2010		196,000	951,000	569,000	1,716,000
2011		149,000	965,000	569,000	1,683,000
Thereafter		149,000	3,405,000	1,866,000	5,420,000
	$	1,554,000	8,091,000	4,707,000	14,352,000

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

3 PROPERTY AND EQUIPMENT

		2006	2005
Land	$	1,884,989	1,884,989
Equipment		316,595	303,634
Other		144,884	236,715
		2,346,468	2,425,338
Less accumulated depreciation and amortization		(330,870)	(310,286)
	$	2,015,598	2,115,052

Depreciation expense for property and equipment amounted to $44,257 and $41,302 in 2006 and 2005, respectively.

4 NOTE PAYABLE

Shee Atiká 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, 2006 and 2005. The line is to expire November 15, 2008, and bears interest at the prime rate of interest published in the Wall Street Journal less .25% (resulting in a rate of 8% at December 31, 2006) and is unsecured.

5 LONG-TERM DEBT

	2006	2005
Demand note payable to minority members of majority owned subsidiary, interest accruing at Prime, unsecured until paid	$ 13,979	—
Note payable to a bank in monthly installments $30,704 included interest at 5.50%, due in full November 1, 2015, secured by commercial property in Colorado; guaranteed by Shee Atiká	4,924,867	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 Atiká	3,068,727	3,117,639
Note payable to an insurance company in monthly installments of $22,659 including interest at 6.25%, due in full January 1, 2012, secured by commercial property in Texas; guaranteed by Shee Atiká	$ —	2,851,832
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 Atiká	1,050,904	1,098,082
	9,058,477	12,051,942
Less current portion	(291,351)	(318,028)
	$ 8,767,126	11,733,914

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

2007	$ 291,351
2008	250,112
2009	265,141
2010	281,076
2011	297,975
Thereafter	7,672,822
	$ 9,058,477

6 INCOME TAXES

Income tax (expense) benefit for the years ended December 31, consists of:

		2006	2005
Current expense	$	(29,178)	–
Deferred (expense) benefit		(100,000)	240,000
	$	(129,178)	240,000

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

		2006	2005
Deferred tax assets:			
Net operating loss carryforwards	$	2,546,000	3,702,000
Alternative minimum tax credit carryforwards		122,000	180,000
Other		13,000	16,000
Excess of tax basis in buildings and equipment		79,000	–
Deferred tax asset		2,760,000	3,898,000
Deferred tax liabilities –			
Excess of book basis in buildings and equipment		–	(1,038,000)
Net deferred tax asset	$	2,760,000	2,860,000

As of December 31, 2006, Shee Atiká has net operating tax loss carryforwards of approximately $6,881,000 and alternative minimum tax credit carryforwards of $122,000. 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, 2006 or 2005.

The deferred income tax (expense) benefit of $(100,000) and $240,000 recognized for the years ended December 31, 2006 and 2005, respectively, consists primarily of the tax benefit of net operating loss carryforwards.

7 SETTLEMENT TRUSTS

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

The first settlement trust, the Shee Atiká Fund Endowment ("SAFE"), was established to maintain assets and pay distributions from its income to SAFE's beneficiaries. SAFE has net assets of approximately $67,790,933 at December 31, 2006.

The second settlement trust, the Shee Atiká Benefits Trust ("SABT"), was established to provide scholarships and funeral benefits to Shee Atiká's shareholders who are also beneficiaries of the trust. Due to anticipated future distributions by SABT, it may require additional funding. Shee Atiká transferred $250,000 in 2006 and $200,000 in 2005 to SABT and is considering future transfers to SABT at similar dollar amounts over the next few years. SABT has net assets of approximately $1,774,370 at December 31, 2006.

During 2004, Shee Atiká formed Shee Atiká 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 Atiká are the same people who are SAIL's board members. During 2004, Shee Atiká 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 Atiká provides administration services to SAIL, SAFE, and SABT. Administrative fees were earned as follows:

	2006	2005
SAIL	$ 253,248	157,364
SAFE	178,835	199,327
SABT	143,650	151,553
	$ 575,733	508,244

8 RELATED PARTY TRANSACTIONS

During 2006 and 2005, Shee Atiká leased commercial space to Alaska Pacific Bank for $51,084 and $50,140, respectively, where a Shee Atiká director is also a director. Shee Atiká contributed $10,000 and $5,000 in 2006 and 2005, respectively, to a local college where two directors serve as trustees. Shee Atiká also leased space to the college. The revenue from the lease amounted to $9,888 and $13,120 for 2006 and 2005, respectively. Included in accounts receivable at December 31, 2005, is $4,527 owed to a subsidiary of Shee Atiká by companies which are in part owned by one of its minority interest owners. These companies and subsidiary frequently pay for the expenses of one another and are later reimbursed. Shee Atiká has had other transactions with shareholders for purchases of artwork and janitorial and other services.

INDEPENDENT AUDITORS' REPORT

Mikunda,
Cottrell & Co.
Certified Public Accountants & Consultants

To the Board of Trustees and Unit Holders

Shee Atiká Fund Endowment

Sitka, Alaska

We have audited the accompanying statement of net assets – modified income tax basis of Shee Atiká Fund Endowment as of December 31, 2006, and the related statements of revenues and expenses – modified income tax basis, and changes in net assets – modified income tax basis for the year 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 audit. The financial statements of Shee Atiká Fund Endowment for the year then ended December 31, 2005 were audited by other auditors whose report, dated January 27, 2006, expressed an unqualified opinion on those statements.

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

As described in Note 1, these financial statements were prepared on the basis of accounting the 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 2006 financial statements referred to in the first paragraph present fairly, in all material respects, the net assets of Shee Atiká Fund Endowment as of December 31, 2006, and its revenues and expenses and changes in net assets for the year then ended, on the modified income tax basis of accounting as described in Note 1.

Mikunda, Cottrell & Co.

February 23, 2007

STATEMENTS OF NET ASSETS — MODIFIED INCOME TAX BASIS

December 31, 2006 and 2005

		2006	2005
ASSETS			
Investments:			
Shee Atika Investments, LLC	$	63,453,962	58,108,770
Securities		—	1,215,158
Investment in Atikon Forest Products, Inc.		339,954	339,954
Total investments		63,793,916	59,663,882
Cash and cash equivalents		365,230	95,387
Receivable from leased commercial property manager		—	214,777
Leased commercial property, net		7,134,114	7,285,941
Other assets		25,428	7,485
Total assets		71,318,688	67,267,472
LIABILITIES			
Income tax payable		22,497	95,000
Other		5,440	25,052
Long-term debt		3,403,749	3,472,763
Distributions payable		96,069	—
Total liabilities		3,527,755	3,592,815
Net assets	$	67,790,933	63,674,657

See Notes to Financial Statements

STATEMENTS OF REVENUES AND EXPENSES — MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2006 and 2005

	2006	2005
Revenues:		
Equity share in Shee Atika Investments, LLC taxable income	$ 4,088,245	3,659,900
Interest	54,569	53,198
Dividends	—	24,444
Rentals from leased commercial property	906,136	710,512
Other income on investments, net	54,479	497
Total revenues	5,103,429	4,448,551
Expenses:		
Management, custodian, and professional fees	199,108	233,843
Lease commercial property	209,177	164,061
Depreciation	166,544	115,940
Interest	181,782	77,350
Other expenses	254	18,697
Total expenses	756,865	609,891
Taxable income	4,346,564	3,838,660
Income tax expense	340,871	277,000
Income before adjusting portfolio to market value	4,005,693	3,561,660
Adjustment to market value:		
Shee Atika Investments, LLC	2,406,937	1,581,204
Securities	(18,394)	(8,982)
Change in net assets	$ 6,394,236	5,133,882

STATEMENTS OF CHANGES IN NET ASSETS — MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2006 and 2005

	2006	2005
Changes in net assets	$ 6,394,236	5,133,882
Distributions to unit holders	(2,277,960)	(2,203,880)
Total increase	4,116,276	2,930,002
Net assets, beginning of year	63,674,657	60,744,655
Net assets, end of year	$ 67,790,933	63,674,657

NOTES TO FINANCIAL STATEMENTS

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

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

While semi-annual distributions have been the normal practice, the trust document actually calls for them to be made at the time or times determined by the trustees. 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, 2006, there were 185,200 trust units (of which 181,451 were voting and 3,749 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 ($12.30 per unit in 2006 and $11.90 per unit in 2005) 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, no realized gains were allocated to net cash income in 2006 and 2005 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 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 $178,835 and $199,327 in 2006 and 2005, respectively. These fees are included in management, custodian, and professional fees on the statements of revenues and expenses – modified income tax basis.

SAI formed Shee Atiká Investments LLC ("SAIL") in 2003 to pool cash and certain investments owned by SAFE, SAI, and Shee Atiká Benefits Trust ("SABT"). SABT is also a settlement trust with the same unit holders and trustees as SAFE. SAIL's board of directors consists of the same people who are the trustees and board members of SAFE, SAI, and SABT. SAFE's trustees believe that pooling investments at SAIL permits greater diversification, thereby reducing risk and enhancing returns. 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:

		2006	2005
Investments, at market value	$	62,196,753	50,336,639
Other assets		2,766,326	9,736,675
Members equity	$	64,963,079	60,073,314
Revenues	$	4,686,971	4,638,095
Taxable income		4,226,460	3,783,654
Adjustment to market value		2,488,305	1,608,736
Net income		6,714,765	5,392,390

SAFE's investment in SAIL is summarized below:

Balance, January 1, 2005	$	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
Distributions		(1,150,000)
Share in net income		4,088,255
Adjustment to market value		2,406,937
Balance, December 31, 2006	$	63,453,962

SAFE's ownership interest in SAIL was 96.73% at December 31, 2006 and 2005. At December 31, 2006, SAFE and SABT are the only members of 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 Atiká Holdings Anchorage, LLC ("SAHA"). SAHA owns a four building office park with a variety of offices and commercial tennants 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) at December 31, 2005. No investment in United States Treasury bills and notes existed at December 31, 2006.

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.

The investment in Atikon Forest Producers, 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. At December 31, 2006, 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 2006 and 2005.

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.

2 LEASED COMMERCIAL PROPERTY

	2006	2005
Building	$ 6,137,878	6,137,878
Land	1,148,000	1,148,000
Other	130,720	116,003
	7,416,598	7,401,881
Less accumulated depreciation	(282,484)	(115,940)
	$ 7,134,114	7,285,941

The commercial buildings are 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:

2007	$ 741,000
2008	373,000
2009	64,000
	$ 1,178,000

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 2006 and 2005.

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:

2007	$	75,445
2008		79,251
2009		83,472
2010		87,918
2011		92,600
Thereafter		2,985,063
	$	3,403,749

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 fees which are included in management, custodian, and professional fees on the statements of revenues and expenses – modified income tax basis. In 2006 and 2005, these fees were 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

Mikunda, Cottrell & Co.
Certified Public Accountants & Consultants

To the Board of Trustees

Shee Atiká Benefits Trust

Sitka, Alaska

We have audited the accompanying statement of net assets – modified income tax basis of Shee Atiká Benefits Trust as of December 31, 2006, and the related statements of revenues and expenses – modified income tax basis, and changes in net assets – modified income tax basis for the year 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 audit. The financial statements of Shee Atiká Benefits Trust for the year then ended December 31, 2005 were audited by other auditors whose report, dated January 27, 2006, expressed an unqualified opinion on those statements.

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

As described in the 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 2006 financial statements referred to in the first paragraph present fairly, in all material respects, the net assets of Shee Atiká Benefits Trust as of December 31, 2006, and its revenues and expenses and changes in net assets for the year then ended, on the modified income tax basis of accounting as described in the Note 1.

Mikunda, Cottrell & Co.

February 23, 2007

STATEMENTS OF NET ASSETS – MODIFIED INCOME TAX BASIS

December 31, 2006 and 2005

ASSETS		2006	2005
Investment in Shee Atika Investments, LLC	$	1,509,117	1,964,545
Cash and cash equivalents		265,079	26,698
Income tax refundable		174	–
Total assets		1,774,370	1,991,243
LIABILITIES			
Checks issued in excess of bank balance		–	76,747
Income tax payable		–	500
Total liabilities		–	77,247
Net assets	$	1,774,370	1,913,996

STATEMENTS OF REVENUES AND EXPENSES – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2006 and 2005

		2006	2005
Revenues:			
Equity share in Shee Atika Investments, LLC taxable income	$	144,502	118,650
Interest and dividends		9,103	1,512
Total revenues		153,605	120,162
Administrative expenses		331,009	25,416
Taxable income (loss)		(177,404)	94,746
Income tax expense		–	500
Income (loss) before adjusting portfolio to market value		(177,404)	94,246
Adjustment to market value - Shee Atika Investments, LLC		81,368	64,006
Change in net assets	$	(96,036)	158,252

STATEMENTS OF CHANGES IN NET ASSETS – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2006 and 2005

		2006	2005
Changes in net assets	$	(96,036)	158,252
Transfer of cash and Shee Atika, Incorporated		250,000	200,000
Distributions to unit holders:			
Scholarships		(263,929)	(284,022)
Funeral benefits		(29,661)	(34,775)
Total distributions		(293,590)	(318,797)
Total increase (decrease)		(139,626)	39,455
Net assets, beginning of year		1,913,996	1,874,541
Net assets, end of year	$	1,774,370	1,913,996

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atiká Benefits Trust ("SABT") is an irrevocable settlement trust formed by Shee Atiká, Incorporated ("SAI") under Alaska statute. SABT was established to provide educational and funeral benefits to unit holders who are also shareholders of SAI. Members of the Board of 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 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, 2006, there were 185,200 trust units (of which 181,451 were voting and 3,749 were nonvoting) held by over 2,500 beneficiaries.

The Settlement Trust Agreement allows annual distributions of 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 the 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 $139,650 and $155,553 in 2006 and 2005, respectively. In 2005, these fees were not paid as of year end and consequently the sum total of $295,203 for both 2006 and 2005 is included in administrative expenses on the statement of revenues and expenses – modified income tax basis for 2006.

SAI formed Shee Atiká Investments LLC ("SAIL") in 2003 to pool cash and certain investments owned by SABT, SAI, and Shee Atiká Fund Endowment ("SAFE"). SAFE is also a settlement trust with the same unit holders and trustees as SABT. SAIL's board of directors consists of the same people who are the trustees and board members of SABT, SAI, and SAFE. SABT's trustees believe that pooling investments at SAIL permits greater diversification, thereby reducing risk and enhancing returns. SAIL limits SABT'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:

		2006	2005
Investments, at market value	$	62,196,753	50,336,639
Other assets		2,766,326	9,736,675
Members equity	$	64,963,079	60,073,314
Revenues	$	4,686,971	4,638,095
Taxable income		4,226,460	3,783,654
Adjustment to market value		2,488,305	1,608,736
Net income		6,714,765	5,392,390

SABT's investment in SAIL is summarized below:

Balance, January 1, 2005	$ 1,795,929
Share in taxable income	116,009
Adjustment to market value	52,606
Balance, December 31, 2005	1,964,544
Distributions	(675,000)
Share in net income	138,205
Adjustment to market value	81,368
Balance, December 31, 2006	$ 1,509,117

SABT's ownership interest in SAIL was 3.27% at December 31, 2006 and 2005. At December 31, 2006, SABT and SAFE are the only members of SAIL.

Finally, due to anticipated future distributions of SABT, SAI transferred $250,000 and $200,000 to SABT for 2006 and 2005, respectively 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 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).

INVESTMENTS 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 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 December 31, 2006, SABT has $85,634 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

Mikunda,
Cottrell & Co.
Certified Public Accountants & Consultants

To the Board of Directors and Members

Shee Atiká Investments, LLC

Sitka, Alaska

We have audited the accompanying balance sheet – modified income tax basis of Shee Atiká Investments, LLC as of December 31, 2006, and the related statements of operations – modified income tax basis and members' equity – modified income tax basis for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Shee Atiká Investments, LLC for the year ended December 31, 2005 were audited by other auditors whose report, dated January 27, 2006, expressed an unqualified opinion on those statements.

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

As described in Note 1, these financial statements were prepared on the basis of accounting the 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 2006 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Shee Atiká Investments, LLC as of December 31, 2006 and the results of its operation for the year ended, on the modified income tax basis of accounting as described in Note 1.

Mikunda, Cottrell & Co.

February 23, 2007

BALANCE SHEETS – MODIFIED INCOME TAX BASIS

December 31, 2006 and 2005

ASSETS	2006	2005
Investments, at market value	$ 62,196,753	50,336,639
Cash and cash equivalents	2,766,326	628,850
Receivables:		
Distributions	–	83,834
Proceeds from investments sold	–	9,023,991
Total assets	$ 64,963,079	60,073,314
MEMBERS' EQUITY		
Members' equity	$ 64,963,079	60,073,314

STATEMENTS OF OPERATIONS – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2006 and 2005

	2006	2005
Revenues:		
Interest	$ 850,778	923,247
Dividends	884,238	1,256,829
Net capital gains	2,951,955	2,684,359
Other losses on investments	–	(226,340)
Total revenues	4,686,971	4,638,095
Expenses:		
Management, custodian, and professional fees	460,086	487,230
Other expenses	425	367,211
Total expenses	460,511	854,441
Taxable income	4,226,460	3,783,654
Adjustment to market value	2,488,305	1,608,736
Net income	$ 6,714,765	5,392,390

STATEMENTS OF MEMBERS' EQUITY – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2006 and 2005

	Shee Atiká Incorporated	Shee Atiká Fund Endowment	Shee Atiká Benefits Trust	Total
Balance, January 1, 2005	$ 1,064,767	54,252,247	1,794,822	57,111,836
Distributions	–	(1,400,000)	–	(1,400,000)
Equity adjustments to income tax basis	(33,855)	32,748	1,107	–
Reacquisition	(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
Distributions	–	(1,150,000)	(675,000)	(1,825,000)
Net income	–	6,495,192	219,573	6,714,765
Balance, December 31, 2006	–	63,453,962	1,509,117	64,963,079

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atiká Investments, LLC ("SAIL") was formed on July 1, 2003, by Shee Atiká Incorporated ("SAI") as a limited liability company in Alaska. No activities occurred in 2003. SAIL was formed to pool investment activity for SAI, Shee Atiká Fund Endowment ("SAFE"), and Shee Atiká Benefits Trust ("SABT") to the extent assets are transferred by these entities to SAIL. During 2004, SAI transferred cash of $1,000,000, SAFE transferred cash of $16,937,414 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 to SAIL. In 2006 and 2005, SAI charged administrative fees of $253,248 and $157,364, respectively. 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 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).

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 the 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.

2 INVESTMENTS, AT MARKET VALUE

Investments presented at market value are summarized as follows at December 31, 2006 and 2005:

	2006		2005	
	Market Value	Cost	Market Value	Cost
Common stocks	$ 6,029,786	4,541,780	7,346,281	5,927,179
Corporate bonds	1,498,025	1,518,567	3,403,716	3,842,675
United States Treasury bills and notes	2,043,537	1,998,459	1,088,286	1,017,279
Mutual funds:				
UBS Dynamic Alpha Fund CI A	7,214,440	7,000,254	—	—
Dodge and Cox Stock Fund	5,645,135	4,796,907	2,424,839	2,113,510
American Euro Pacific Growth International Fund	5,445,149	3,981,610	8,926,697	7,082,450
Julius Baer International	5,632,233	5,041,661	—	—
Pimco All Asset Fund	8,952,546	9,097,052	6,517,338	6,562,360
Pimco Total Return Bond Fund	2,477,616	2,597,441	2,382,483	2,475,032
Mortgage-backed and asset-backed debt securities	5,765,944	5,786,420	4,340,369	4,349,764
Partnerships and similar investments:				
Clarion Lion Properties Fund, LLC	4,959,495	2,600,882	7,765,054	6,218,974
Intech Risk-Managed Large Cap Growth Fund, LLC	2,530,316	2,169,030	2,359,768	2,169,030
Rigel Growth Fund, LLC	2,508,152	2,141,306	2,472,355	2,141,306
RREEF America REIT II, Inc.	1,494,379	1,088,628	1,309,453	1,088,628
	$ 62,196,753	54,359,997	50,336,639	44,988,187

Partnerships and similar investments are summarized as follows:

- Clarion Lion Properties Fund, LLC— This is a real estate investment trust investing in apartment, 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.
- 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.

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% and 2.0% of SAIL's average daily net assets under their management at market value. Finally, SAIL paid an investment advisory fee of $57,376 and $75,000 in 2006 and 2005, respectively, included in management, custodian, and professional fees on the statements of operations – modified income tax basis.

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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