THE
SHEE ATIKÁ
GROUP

2007 ANNUAL REPORT

CORPORATE INFORMATION

Senior Management

Robert G. Loiselle
President & Chief Executive Officer

Sandi Dalton
Chief Financial Officer

Staff

Lillian Nielsen Young
Shareholder Services Manager

Lauren Burkhart Estes
Senior Accountant

Ptarmica McConnell
Accountant

Coyne VanderJack
Land Manager

Gary Bernhardt
Maintenance Director

Ronald James
Maintenance Technician

Kay D. Simmons
Executive Assistant

Carol Breece
Administrative Assistant

Corporate Office

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Sitka, Alaska 99835

907-747-3534
800-478-3534 (shareholder line)

Independent Auditors

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Anchorage, AK 99503

Corporate Counsel

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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

Falene Sele, Chairman

Brian James, Vice Chairman

Rhonda Bowen

Gillian Havrilla

Josh Horan

Cass Pook

CONTENTS

Cover Art:
This glass representation of a tinaa is the work of the accomplished glass artist Preston Singletary of Seattle. Mr. Singletary's Tlingit grandmother was from Sitka and Preston is a Shee Atiká shareholder. 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

2007 ANNUAL REPORTS OF

SHEE ATIKÁ, INCORPORATED

SHEE ATIKÁ FUND ENDOWMENT

SHEE ATIKÁ BENEFITS TRUST

SHEE ATIKÁ INVESTMENTS, LLC

BOARD OF DIRECTORS

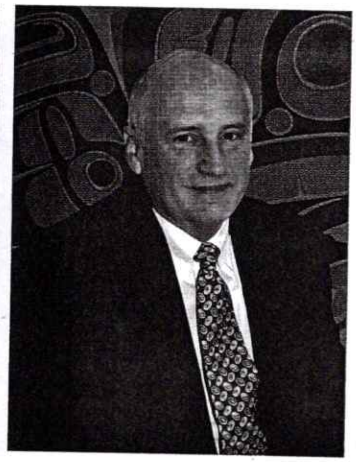
Board Members, standing, left to right:

Pamela Steffes; Shirley Yocum; Gene Bartolaba, Secretary; Harold Donnelly Jr.; Francine Eddy Jones, Treasurer; Kenneth Cameron

Seated, left to right:

Loretta J. Ness, Vice Chairman; Marion Williams Berry, Chairman; Marta Ryman

LETTER FROM THE CHAIRMAN AND CEO



Dear Shareholder:

We are pleased to present the 2007 Annual Report for the Shee Atiká Group, on the 34th anniversary of Shee Atiká, Incorporated. This 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), with individual financial statements attached.

By combining the management reports, we underline the very concept of the Shee Atiká Group: all shareholder assets are managed in concert to provide the greatest overall benefit to shareholders, regardless of which assets are owned by each entity. Although managed in unison, each corporate or trust entity within the Shee Atiká Group possesses unique tax and legal features designed to produce exceptional benefits.

In 2007, we were once again able to shelter SAFE distribution payments from taxation at the shareholder level, thanks to the unique tax benefits flowing from IRS Section 646 elections made by both SAFE and SABT several years ago. Unfortunately, we were not able to shelter SABT benefit payments. While SAFE produced adequate income to shelter distributions from tax liability at the shareholder level, SABT did not. At this point, we cannot yet be certain about the tax status of the 2008 distributions and benefit payments. Given today's stormy economic climate, achieving adequate after-tax income promises to be a challenge.

Despite turmoil in the national and international markets, the Shee Atiká Group as a whole continues to perform consistently well. Shee Atiká Investments, LLC produced an overall return on investments of 7.85% in 2007, down from 12.05% in 2006. We have reduced our commercial real estate portfolio to harvest previously unrealized gains in values at both the Anchorage Airport Business Park and the ITT Tech building in Phoenix.

Shee Atiká Technologies, LLC and Shee Atiká Languages, LLC both performed solidly in the black for 2007, with total income from the 8(a) contracting sector exceeding $2 million. These improvements helped to offset lower, yet still respectable, returns at Shee Atiká Investments, LLC.

The Shee Atiká Benefits Trust continues to play a positive role in the lives of our shareholders. The Trust's many innovative programs include academic, cultural, and vocational training for growing numbers of shareholders, and a funeral benefit program that continues to offer assistance and comfort to families of deceased shareholders during times of loss. In 2008, the Shee Atiká, Incorporated Board of Directors is implementing a plan of adding more assets to SABT that will bolster the trust's ability to serve beneficiaries.

We look forward to seeing you at the annual meeting and at our spring and fall shareholder meetings. We also plan to visit to our Northern California shareholders this year in conjunction with the Sealaska annual meeting, which will be held in San Francisco in June. We will continue to do our best to keep you informed through frequent newsletters and through our web site, www.sheeatika.com. For the latest, that's the place to go, as breaking news is posted on the web site immediately.

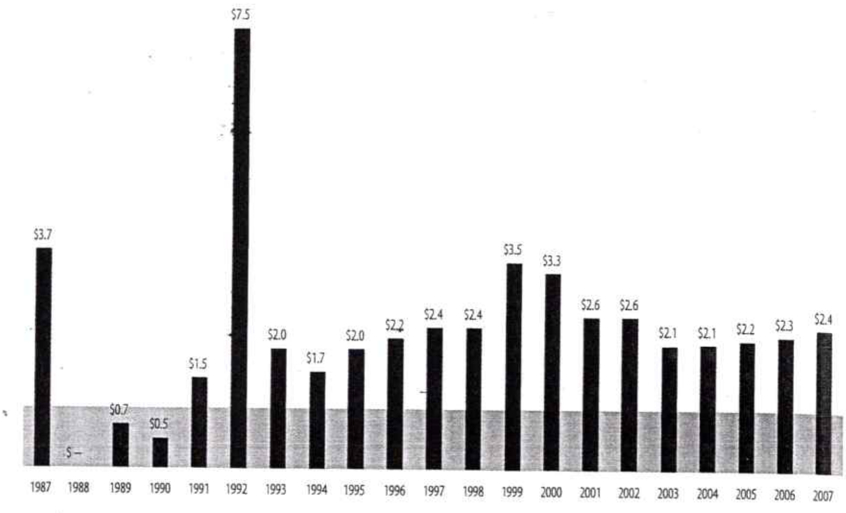
On behalf of the Board of Directors and the entire staff, it is our pleasure, privilege and honor to serve you, our shareholders. Please feel free to contact us at any time with questions or concerns. Our door is always open.

Gunalcheesh!

Marion Williams Berry

Marion Williams Berry
Chairman of the Board

Robert G. Loiselle
President and Chief Executive Officer



SHEE ATIKÁ DISTRIBUTIONS 1987 – 2007 ($MILLIONS)

SHEE ATIKÁ GROUP MANAGEMENT REPORT

Our objective is to put as much tax-exempt money as possible into shareholder pockets each year. Accordingly, we focus on maximizing the return on the Group's total assets, particularly on an after-tax basis. Because of the unique tax characteristics of the individual entities that comprise the Group, with some work we can achieve this goal on a regular basis. In particular, we can often (but not always) distribute tax-free shareholder dividends. Once again in 2007 we were able to provide SAFE distributions free of tax to the individual shareholder. Unfortunately, the Shee Atiká Benefits Trust did not generate sufficient income to shelter its benefits payments, which remained taxable.

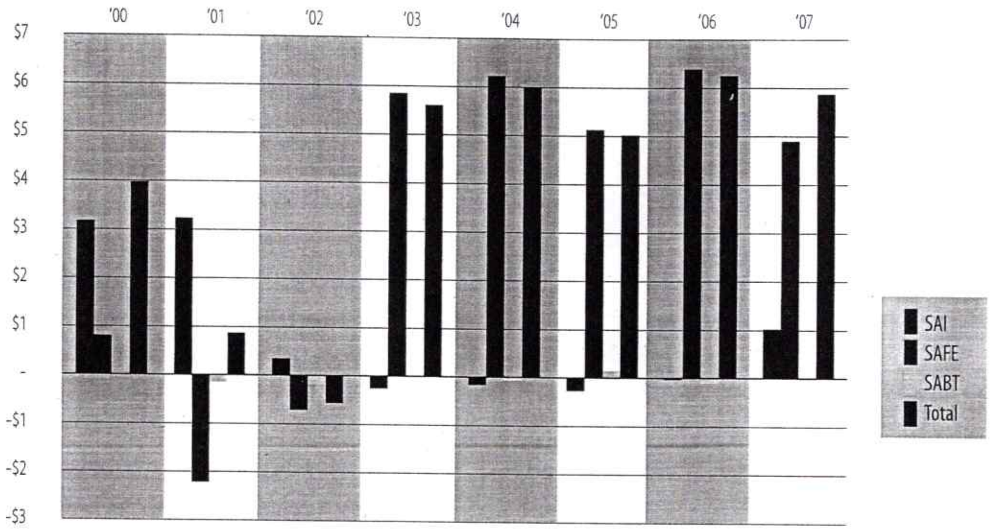
2007 was another good year for the Group, with Shee Atiká Investments, LLC (SAIL), the Group's in-house mutual fund, earning a total return of 7.85%. SAIL manages most of the assets of the Shee Atiká Fund Endowment (SAFE) and the Shee Atiká Benefits Trust (SABT). Currently, Shee Atiká, Incorporated (SAI), does not hold an investment in SAIL.

Overall, the Group had earnings of about $5.3 million, down from $6.2 million in 2006. After distributions and benefit payments of $2.7 million, the Group's net worth increased by approximately $2.6 million.

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 to take full advantage of this tax benefit. In the years leading up to 2007, this shift resulted in a roughly break-even performance for SAI. In 2007, our two 8(a) companies—Shee Atiká Technologies, LLC, and Shee Atiká Languages, LLC—gained traction, with total combined earnings of over $2 million. We expect this strong performance to continue and even improve in coming years. This will likely lead to additional movement of assets to SAFE and SABT, both to enhance their ability to meet their respective missions, but also to ensure that we achieve the Shee Atiká Group's overall objective of providing the maximum possible after-tax benefits to shareholders.

This strategy gains increasing importance in light of our expectation that Shee Atiká, Incorporated will completely exhaust its net operating loss carryforwards in 2008, putting the corporation in the position of paying a combined 40% of earnings in state and federal income taxes, compared to less than 10% at SAFE.

The Group's assets grew to over $113 million in 2007. Accounting rules



SHEE ATIKÁ GROUP EARNINGS 2000 – 2007 ($MILLIONS)

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 many of our properties are actually worth more than net book value. We did realize gains in the sale of both the Anchorage Airport Business Park in 2007 and the ITT Tech Building in Phoenix in early 2008.

SHEE ATIKÁ INCORPORATED

For the last several years we, have characterized Shee Atiká, Incorporated (SAI), as a commercial real estate company (as well as being an ANCSA corporation, of course). While real estate remains an important generator of income for SAI, 2007 saw what can truly be characterized as a paradigm shift for the company. SAI is rapidly becoming a government contractor. Entry into this area has been facilitated by the SBA 8(a) program, which gives certain advantages to minority-owned companies, particularly Alaska Native and American Indian owned firms. It took us a number of years to identify opportunities in this area, but now that we have, the future looks bright.

SAI recorded net income of $1.5 million in 2007.

SAI's real estate operations generated profits of $790,000 in 2007. All properties were fully leased. In early 2008 we closed on the sale of our ITT Tech property in Phoenix. We were fortunate to be able to realize the appreciated value of this property before the commercial real estate market cooled due to credit and other economic concerns. Our portfolio now only includes one property outside of Sitka–the Mitre Building in Colorado Springs, Colorado. This property remains our best performer, and we will likely hold on to it for some time, particularly in the face of a declining commercial real estate market.

We expect to refrain from getting back into the real estate market until we see signs of recovery and higher capitalization rates. The proceeds from property dispositions have been, in part, invested in growing our government contracting businesses.

Hotel revenues from the Shee Atiká Totem Square Inn (TSI) increased again in 2007 to $1.3 million, up from $1.1 million in 2006. Strong marketing and great customer service are paying off in increased occupancy. Because our year-round results depend on shoring up off-season occupancy, we continue to work with the Sitka Convention and Visitors Bureau (SCVB), a key partner in bringing more visitors to Sitka in the off-season. TSI General Manager Dave Malone, who was successful in getting appointed as a director of the

SCVB, continues to make significant contributions to this effort. Dave also serves on the Chamber of Commerce board and has become a real fixture in the community.

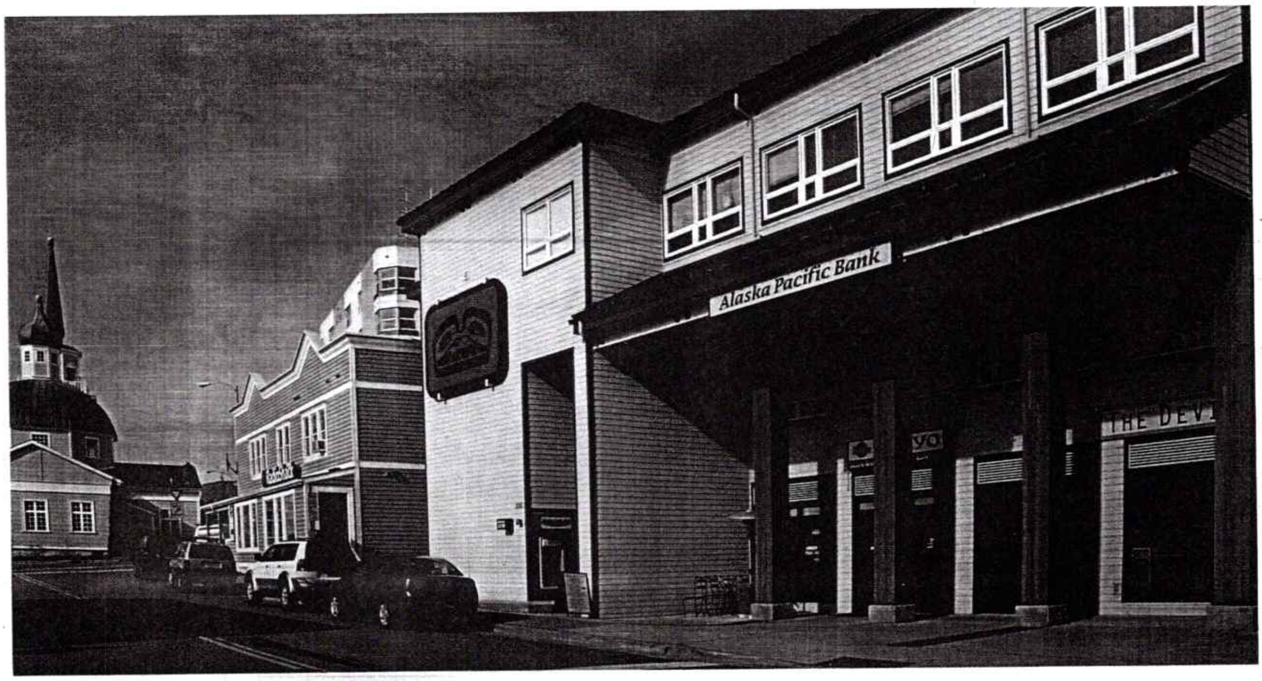
Our downtown Sitka commercial buildings, the Totem Square Complex and the Shee Atiká Building, Kutees' Hit, are fully occupied, as is the single tenant West Marine building on Charcoal Island. The Alice Island School was fully occupied at year end, but lost the Boys and Girls Club when it moved to the Sheldon Jackson College campus at the end of March. CFO Sandi Dalton, who also serves as SAI's property manager, is aggressively pursuing replacement tenants.

Last year in this space we reported that we hoped to have residential lots for sale in the Ethel Staton Subdivision on Alice Island by June of 2007. After missing that projected opening date by nearly six months due to permitting and construction delays, the 15 lot subdivision finally hit the market in December. This put us into a far from optimum marketing season. Potential purchasers who had followed the project closely seemed to have disappeared by the time the lots finally hit the market. Sitka has been afflicted with the same real estate malaise that affects the rest of the country. Nonetheless, these are quality waterfront lots and we are under no pressure to sell. Shee Atiká shareholder Candi Barger of Sitka Realty is handling lot sales, in association with shareholder Carlton Smith of The Carlton Smith Company in Juneau. All involved agree that patience will be key to realizing the best possible return for our shareholders on this project.

Last year we also reported that we were pursuing, with Allen Marine, adventure tourism or ecotourism opportunities in Katlian Bay. Under the concept for this project, Allen Marine will shuttle passengers out to Katlian Bay via hovercraft, where they will partake in 4-wheeler excursions utilizing the old logging road (with improvements) up the Katlian valley. The project has advanced through several permitting stages, and Allen Marine is now working with the U.S. Coast Guard to permit the vessel. It is unlikely that there will be activity this season. Typical of many projects in this day and age, permitting is a major consideration that comes with major constraints.

Elsewhere on the lands front, Land Manager Coyne VanderJack has been working on a possible exchange of Cube Cove for lands with mineral potential.

We are also looking at the possibility of selling carbon credits derived from

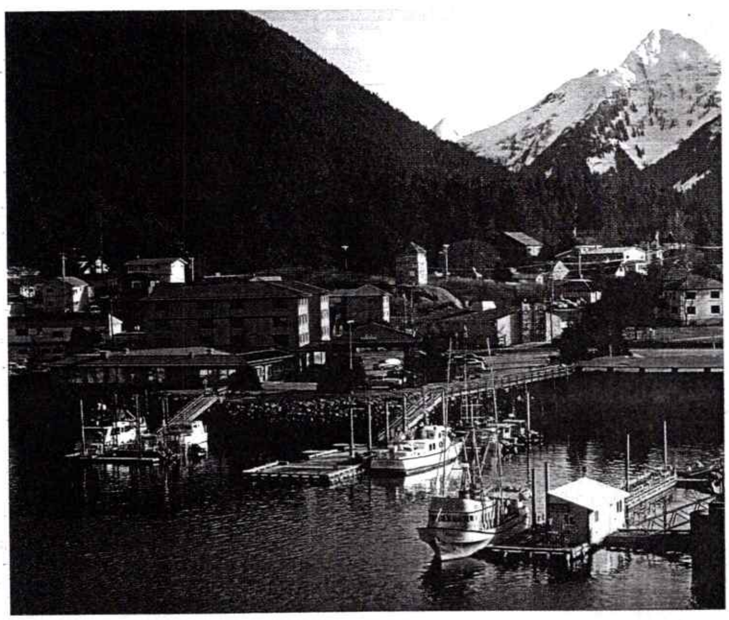


Kutees' Hit, corporate headquarters, on Lincoln Street in downtown Sitka.

the growth of trees at Cube Cove and Katlian Bay. As global warming becomes a central issue in the United States, governments and businesses are looking for ways to mitigate and reduce carbon emissions, including allowing companies to offset their emissions by purchasing credits. Growing trees utilize CO2 in photosynthesis and, being mostly carbon and water, are logical sources of carbon credits.

The market for carbon credits is in its infancy, particularly in this country, but will likely grow as concern grows over global warming. There is significant potential for generating near term income from our timberlands through this mechanism. Depending on the type of sale, there may remain an opportunity to harvest timber after having sold carbon credits, since at least some wood products serve as long-term reservoirs for carbon.

Sitka's premier hotel, Totem Square Inn, is owned by Shee Atiká, Incorporated.



SBA (SMALL BUSINESS ADMINISTRATION) 8(a) COMPANIES

2007 marked the second full year of operations for Shee Atiká's two SBA 8(a) companies, Shee Atiká Technologies, LLC (SAT), and Shee Atiká Languages, LLC (SAL). It also marked the first year of significant profitability for these companies.

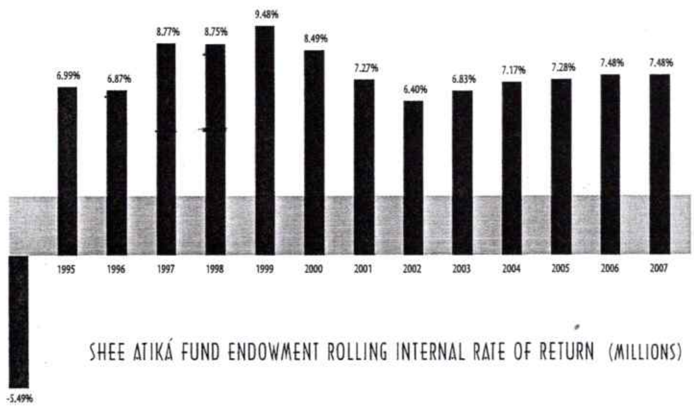
The SBA's 8(a) Business Development (BD) Program helps small disadvantaged businesses compete in the American economy through access to the federal procurement market. Alaska Native Corporations, regardless of size, automatically qualify to participate in this program. This is done by forming a subsidiary,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

In the cases of both SAT and SAL, Shee Atiká, Incorporated is the 51% majority owner, with minority ownership made up of individuals with expertise in each company's specialty. SAT was certified by the SBA in December of 2005, and SAL was certified in February of 2006. Both have acquired contracts and are actively pursuing others. SAT's primary industrial code certification is for engineering services on military and aerospace projects.

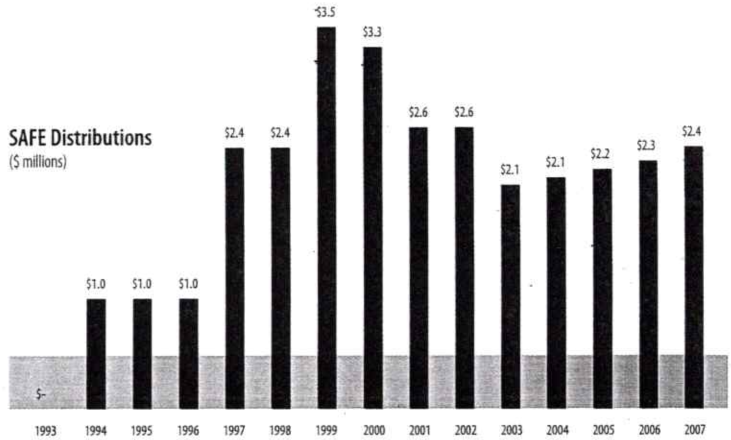
SAT is performing contracts for both large defense contractors and directly for the U.S. government, primarily for the Department of Defense.

Through its primary industrial classification of language translation and interpretation services, SAL provides translation and interpretation services to U.S. military operations around the globe, including in Iraq and Afghanistan, as well as to role players participating in various military training exercises. SAL is also providing subject matter experts to the Department of State for Provincial Reconstruction Teams in Iraq.

SAI established two new 8(a) companies in late 2007, Shee Atiká Services, LLC (SAS) and Shee Atiká Management, LLC (SAM). SAS, headed by Jamie Williamson, a former Army Special Forces officer, will offer specialized services to the Special Forces Community. SAM will pursue opportunities in facilities management and other government services. SAI CEO Bob Loiselle currently manages this new LLC, which supplants the former Shee Atiká Holdings Totem Square, LLC, an arrangement that minimizes overhead. SAM acquired its 8(a) certification in early April of 2008.



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



SHEE ATIKÁ FUND ENDOWMENT CASH DISTRIBUTIONS 1993 – 2007 (MILLIONS)

SHEE ATIKÁ FUND ENDOWMENT

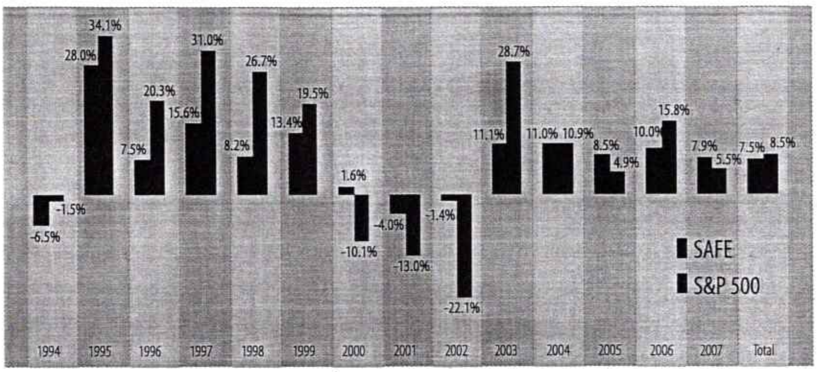
The basic principal of investment strategy is to minimize risk and maximize benefits, which we succeeded in realizing with the sale of the Anchorage Airport Business Park in October 2007. This property, purchased in part with proceeds from the sale of the Shee Atiká Lodge, was transferred from the corporation to the SAFE trust. We did this, as with other earning assets of the Shee Atiká Group, to reduce our exposure to taxes on income earned and, in this case, capital gains from the sale. By completing the sale when we did, we avoided the downturn in the real estate market, thereby minimizing risk and maximizing benefits.

SAFE's investment in SAIL did well in 2007, with a total return of 7.85%, down from 12.05% in 2006, but better than our benchmark, the S&P 500, which had an average 2007 return of 5.49%. SAIL's asset allocation aspires to an annual return of about 8.9%. SAIL's performance is discussed in greater detail below.

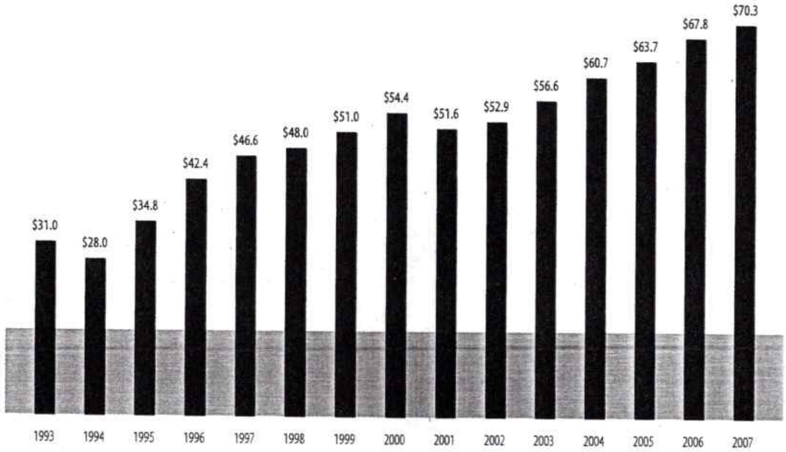
SAFE earnings totaled $3.9 million for the year, down from $6.4 million in 2006. SAFE's 2007 returns reflect weaker performance at SAIL, partially offset by profit from the sale the Anchorage Airport Business Park. This weaker performance, which can be expected to occur from time to time, is below what we would like to see for the longer term, but follows several years of above average performance.

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

Distributions for 2007 totaled $2,407,600 ($13.00 per share), compared to $2,277,960 ($12.30 per share) in 2006. The May 2008 distribution has been declared at $6.85 per share, with a similar amount likely in November. As with investment income,



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



SHEE ATIKÁ FUND ENDOWMENT NET ASSETS 1993 – 2007 (MILLIONS)

after an earlier period of decline, distributions have risen steadily over the last several years.

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

The method multiplies the 5-year average of the total value of the fund by 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, the average is increased only slightly with rise in the market in one year. The principal benefit is a dependable and largely predictable annual distribution that does not reflect wild market swings.

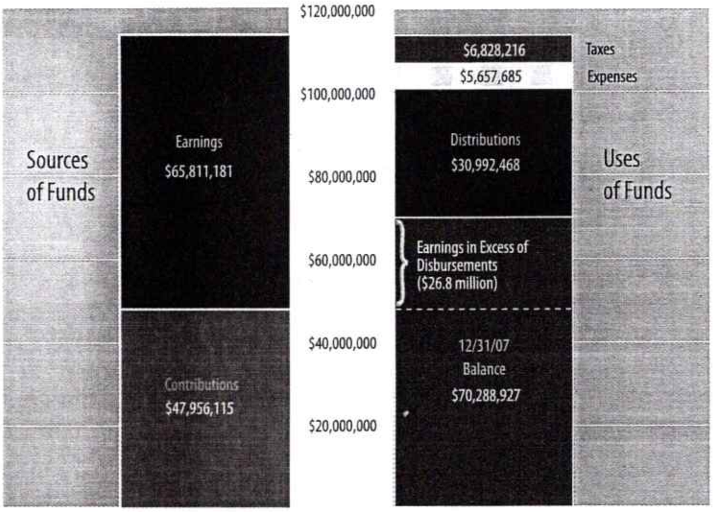
The SAFE trust document does not speak of POMV. Rather, it talks about distributing between 75% and 100% of "net cash income" (NCI). NCI, a somewhat imprecise measure used to help assure a trust's principal is not depleted, does not, in and of itself, serve as a strong guide to decision makers when it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

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

SAFE faces a potential challenge as 2010 approaches. At the end of 2010, when the Bush tax cuts sunset, the favorable IRC Section 646 ("646") election made by SAFE and SABT will sunset along with them. There are three key aspects of 646 that we feel must be preserved:

The ability for SAI to make contributions to SAFE without negative tax consequences for shareholders. Prior to 646, these contributions would have been deemed a distribution to share-



SHEE ATIKÁ FUND ENDOWMENT OVER THE YEARS
TOTAL CONTRIBUTIONS AND EARNINGS
$113,767,296

holders, even though the money did not go to the shareholders, but rather to the trust. Shareholders would thus be liable for taxes on this "phantom income," even though they did not receive the money. With the sunset of section 646, the reemergence of "phantom income" provisions would have a chilling effect on new contributions to settlement trusts across Alaska, including SAFE and SABT.

A more favorable tax rate at the trust level—10% under 646, compared to a 40% rate without that provision.

The ability to shelter trust distributions from beneficiary (shareholder) level taxation. This often means no tax at all is levied against beneficiaries. The loss of 646 would guarantee that each year SAFE distributions and SABT benefit payments would be taxable to individual beneficiaries.

Securing the extension, or, optimally, the permanent enactment of the 646 provisions stands as a top priority for us over the next couple of years. Indeed, we have already begun working with other Native corporations to educate our Congressional delegation about this issue towards the goal of initiating legislation that would resolve the problem.

SHEE ATIKÁ BENEFITS TRUST

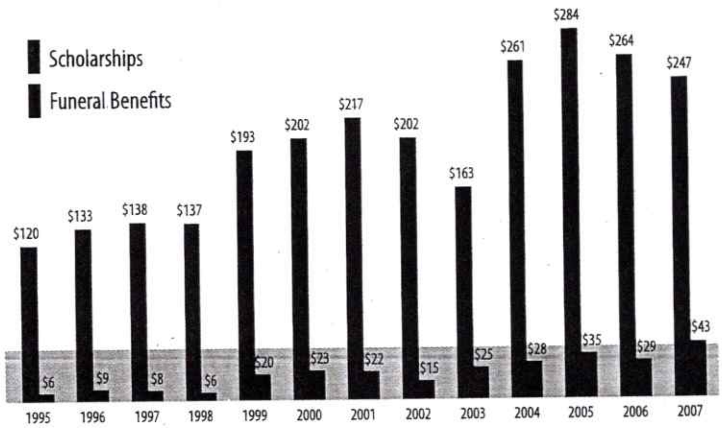
The Shee Atiká Benefits Trust (SABT) disbursed $247,524 in scholarships to 131 recipients, and paid funeral benefits totaling $43,463 to the families of 23 deceased shareholders during 2007. Scholarship payments decreased from $264,127 in 2006, while funeral benefits increased from $29,661 in 2006.

Shee Atiká, Inc. again made an additional contribution to SABT in 2007 of $250,000 to bolster the fund's principal. SABT's principal amount is no longer sufficient to cover its operating costs and benefits payments.

The Shee Atiká, Incorporated Board of Directors recently voted to contribute the Shee Atiká Totem Square Inn to the Shee Atiká Benefits Trust. After it is contributed, the earnings from the hotel will be used to help fund SABT's operations and bring the trust closer to self-sufficiency.

Shareholders consistently emphasize the importance of education. Accordingly, we continue to invest strongly in our scholarship program. Every Class A and Class B shareholder is eligible for a $2,400 scholarship each academic year for undergraduate study and vocational technical training. The benefit for graduate studies (MA, MS, MBA, Ph.D., law school, medical school, dental school, and the like) is currently $4,800 per year.

It is the intent of the scholarship program to encourage attendance at college, trade, or vocational school, or at training programs reasonably designed to help a shareholder with job preparation or job enhancement.



SCHOLARSHIPS & FUNERAL BENEFITS 1995 – 2007
(THOUSANDS)
TOTAL SCHOLARSHIPS – $2.56 MILLION
TOTAL FUNERAL BENEFITS – $269,000

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 offered for commercial driver's license (CDL), hazardous materials handling, flagging, and asbestos abatement, where completion of the course is required for an immediate employment opportunity. Funding assistance for these courses can be approved by the CEO and do not require Scholarship Committee approval.

We have also added a Concentrated Vocational Studies Program, through which students wishing to attend expensive short-term training programs, such as formal truck driving school, can exceed the normal yearly maximum scholarship amount by up to three times. Students must agree to forego future payments for the number of years that they exceeded the normal annual payment. For example, someone granted $7,200 (three years' payments) would have to wait for two years after the year of the payment before being eligible for additional awards. This program provides the type of financial aid many of our shareholders need to take expensive vocational training courses that can lead directly to good jobs.

We have also established a special intern program for students majoring in finance/accounting or hotel administration, in the hope of encouraging more shareholders to follow courses of study that could lead to management positions within the Shee Atiká Group. We now have two shareholders in upper management positions: Sandi Dalton, Chief Financial Officer for the corporation, and Janice Meabon, Assistant Manager of Totem Square Inn.

Our internship program provides an enhanced scholarship benefit at $4,800 per year and summer employment here in Sitka in the student's field. The bar is set higher than for our regular academic scholarship, as a student must have at least a "B" average to become an intern, and maintain that average while in the program.

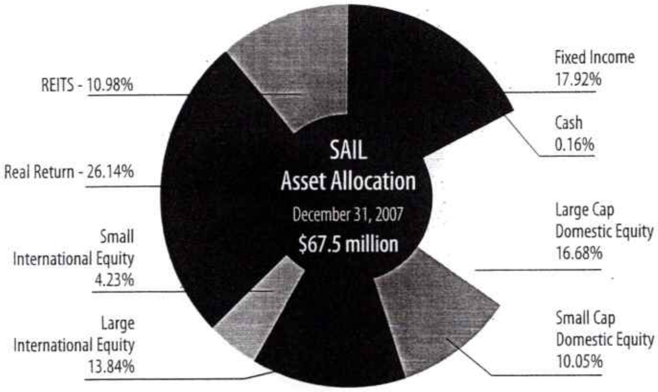
Finally, the SABT board recently made permanent a program that pays for the tuition of young beneficiaries to attend the Sitka Fine Arts Camp. This nationally recognized program has long provided outstanding training in the arts to young people from the region, and beyond, each summer.

The Scholarship Committee continues its excellent work in reviewing applications and making awards. The committee includes Faleene Sele, Chairman; Brian James, Vice Chairman; and members Rhonda Bowen, Gillian Havrilla, Cass Pook and Josh Horan. We also want to recognize the excellent work of June Koval, who left the committee in 2007. June always went above and beyond the call of duty to help the committee succeed.

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, which makes a one-time cash payment of up to $2,000 to the family of any deceased Shee Atiká shareholder, helps cover funeral and related expenses. The program is available to the families of all shareholders, and continues to be an important and welcome benefit at a time of grief.



SHEE ATIKÁ INVESTMENTS, LLC

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

The key to success in investing is diversification—not "putting all your eggs in one basket," as they say. Over the last several years, our investment advisor, R.V. Kuhns & Associates, has helped us achieve greater diversification through a broad array of investments similar to that found in the portfolio of a large, successful endowment like that of Yale or Harvard. Diversified investment portfolios of such endowments include, as does SAIL, real estate investment trusts (REITS) and real return funds, as well as more conventional stocks, bonds, and mutual funds.

Most of these investment vehicles require a minimum investment of $2 million, if not $5 million—a threshold that can be tough for a small fund like the Shee Atiká Benefits Trust (SABT) to meet. 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 as our own in-house "mutual fund." While not a true mutual fund in the legal sense, it operates just like one for the benefit of SAI, SAFE, and SABT. Through this approach, each smaller entity can invest in SAIL, and then share in SAIL's earnings, each in proportion to its investment.

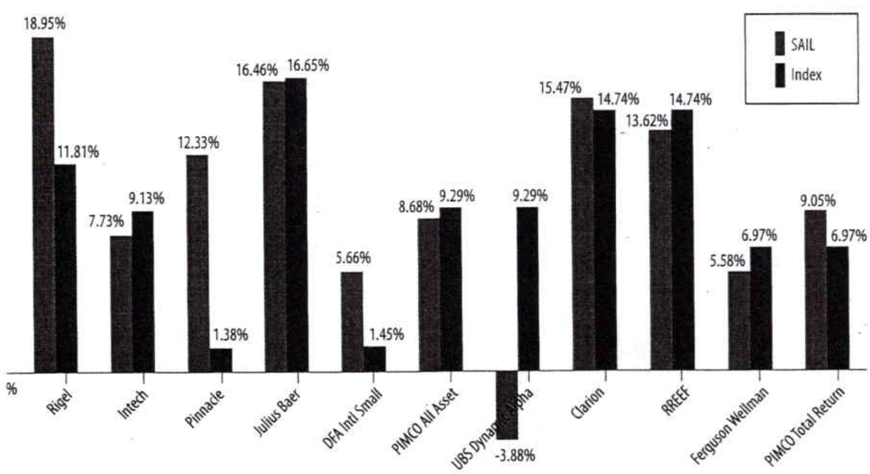
The SAIL board made only one change to the portfolio in 2007, dropping the EuroPacific Growth Fund (an international stock fund) and moving most of those assets to the Julius Baer International Equity Fund, a similar investment with better results.

SAIL, with the help of R.V. Kuhns & Associates, continues to refine its asset allocation to increase returns and reduce risk. Our five-year return on the portfolio currently stands at 10.07%.

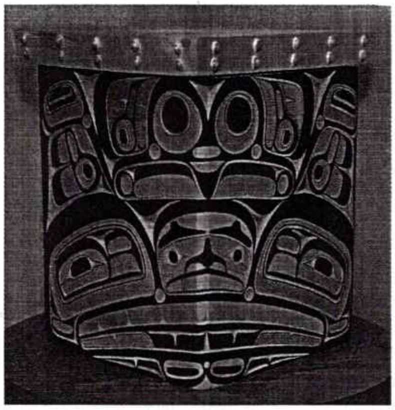
The lion's share of SAIL is owned by SAFE (around 97% at year's end), with the balance owned by SABT. Though previously an investor, SAI does not currently hold a stake in SAIL.

As mentioned earlier, SAIL's portfolio returned 7.85% for the year, with net income of $4.1 million, down from $6.7 million in 2006.

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



SAIL 2007 RETURNS BY ASSET VERSUS INDEX



Bentwood box by George Bennett

OUTLOOK

Over the last few years our outlook has been generally optimistic, and the results have generally been good. SAIL's 2007 returns fell below what we had hoped for, with a rocky fourth quarter spoiling an otherwise fairly strong year. Nationwide economic turmoil has continued into the first quarter of 2008 and will likely persist for some time. While it is still early in the year, we are not optimistic about the rate of return in the market over the coming period. It will likely take some time for the waves caused by the bursting of the credit bubble to subside.

One thing we can be sure of is that we will not see the double digit returns that we have previously enjoyed from our Real Estate Investment Trusts (REITs). We have already seen the appreciation returns from these trusts level off. 2008 returns, which will rely heavily on income from rents, are anticipated to yield returns in the 5-8% range.

The amounts of both domestic and international equity (stock) returns to be expected in the coming period are anyone's guess; these asset classes are not doing well so far in 2008.

On the other hand, we are optimistic that the good results we have been enjoying at SAI, particularly in our subsidiaries SAT and SAL, will continue. Neither SAT's nor SAL's performance is tied to the U.S. market economy, at least for the time being. Both have government contracts that extend beyond 2008. Now that SAM has received and SAS awaits its SBA 8(a) certification, these entities should start to make progress as well.

As suggested earlier, these companies represent a real paradigm shift for the Shee Atiká Group. The earnings from these companies will not only augment the Group's earnings, but will provide an additional measure of stability and diversification to those earnings, as well. The diversification principle that has worked so well at SAIL is now bolstered by additional diversification coming from SAI.

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.sheea-tika.com. This is where we announce any significant developments, including the posting of distribution amounts as soon as they are declared by the SAFE Board of Trustees. The web site is also a great resource for shareholder materials, such as scholarship forms, testamentary dispositions, and provides a convenient way to make changes to your mailing address or direct deposit information.

SHEE ATIKÁ STAFF

Robert G. Loiselle
President and CEO



Shee Atiká Staff

left to right:

Sandi Dalton, Chief Financial Officer

Lauren Burkhart Estes, Senior Accountant

Ptarmica McConnell, Accountant

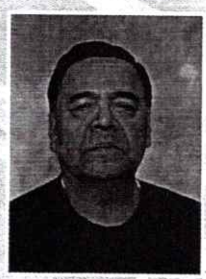


Kay D. Simmons, Executive Assistant

Lillian Nielson Young, Shareholder Services Manager

Carol Breece, Administrative Assistant





Coyne VanderJack, Land Manager

Gary Bernhardt, Maintenance Director

Ronald James, Maintenance Technician

Shee Atiká Totem Square Inn Management and Staff

clockwise from front:

David Malone, General Manager

Silvia Malone, Housekeeping Supervisor

Sheila Lawson, Guest Service Associate

Janice Meabon, Assistant General Manager

Fred Dugdale, Supervisor

Dan Berlad, Guest Service Associate

Roxyann Didrickson, Guest Service Associate

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 sheets of Shee Atiká, Incorporated and Subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mikunda, Cottrell & Co.

Anchorage, Alaska
March 28, 2008

CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006

ASSETS	2007	2006
Current assets:		
Cash and cash equivalents	$ 1,240,735	3,883,053
Accounts receivable	7,452,868	486,060
Income tax receivable	—	110,925
Land and building held for sale	6,127,469	—
Prepaid expenses and other	239,300	94,960
Total current assets	15,060,372	4,574,998
Other assets:		
Leased commercial properties	20,571,428	25,325,656
Property and equipment	2,019,078	2,015,598
Deferred tax asset	2,609,000	2,760,000
Other	1,013,647	601,058
Total other assets	26,213,153	30,702,312
Total assets	$ 41,273,525	35,277,310

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other current liabilities	$ 3,354,703	586,438
Deferred revenue	106,086	76,697
Income tax payable	39,832	—
Line of credit	586,139	—
Current portion of long-term debt	315,012	291,351
Total current liabilities	4,401,772	954,486
Long-term debt, less current portion	8,495,942	8,767,126
Minority interests	2,089,965	45,039
Total liabilities	14,987,679	9,766,651
Shareholders' equity:		
Common stock, no par or stated value, authorized 250,000 shares:		
Class A, voting, issued and outstanding 181,261 shares in 2007 and 181,451 shares in 2006		
Class B, nonvoting, issued and outstanding 3,939 shares in 2007 and 3,749 shares in 2006		
Contributed capital	5,956,000	5,956,000
Retained earnings	20,329,846	19,554,659
Total shareholders' equity	26,285,846	25,510,659
Total liabilities and shareholders' equity	$ 41,273,525	35,277,310

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2007 and 2006

	2007	2006
Revenue:		
Contracts:		
8(a) revenue	$ 22,054,886	433,974
Non 8(a) revenue	726,098	616,316
Rentals from leased commercial properties	2,157,839	2,167,379
Hotel	1,301,207	1,102,189
Administrative fees from affiliated entities	575,733	575,733
Investment income	163,434	166,020
Other	98,504	851,372
Total revenue	27,077,701	5,912,983
Costs and expenses:		
Contracts	16,949,205	640,996
General and administrative	4,269,428	2,549,882
Hotel	950,181	780,096
Depreciation	768,029	745,080
Interest	564,160	809,374
Leased commercial properties	365,854	382,340
Contributions	24,712	32,761
Total costs and expenses	23,891,569	5,940,529
Income (loss) before minority interest and income tax expense	3,186,132	(27,546)
Minority interest	(1,769,548)	118,945
Income before income tax expense	1,416,584	91,399
Income tax expense	(391,397)	(129,178)
Net income (loss)	$ 1,025,187	(37,779)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2007 and 2006

	Shares of Common Stock Class A	Shares of Common Stock Class B	Contributed Capital	Retained Earnings	Total Net Worth
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
Net transfers from voting to nonvoting shares	(190)	190	—	—	—
Net income for the year	—	—	—	1,025,187	1,025,187
Distribution of cash to Shee Atika Benefits Trust	—	—	—	(250,000)	(250,000)
Balances, December 31, 2007	181,261	3,939	$ 5,956,000	20,329,846	26,285,846

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Cash received from:		
Contracts	$ 15,888,371	777,037
Rentals from leased commercial properties	2,189,029	2,094,323
Hotel operations	1,283,528	1,102,189
Administrative fees from affiliated entities	583,019	719,962
Interest	163,434	166,020
Other	32,901	66,535
	20,140,282	4,926,066
Cash paid to/for:		
Contractor, suppliers and employers	19,935,455	4,133,582
Interest	564,160	745,079
Income taxes	89,640	140,103
	20,589,255	5,018,764
Net cash flows from operating activities	(448,973)	(92,698)
Cash flows from investing activities:		
Purchases of leased commercial properties	(2,096,799)	—
Sale of leased commercial properties	—	6,544,418
Purchases of property and equipment	(47,951)	(768,984)
Purchases of held-to-maturity investments	—	1,097,855
Other	(412,589)	(399,638)
Net cash flows from investing activities	(2,557,339)	6,473,651
Cash flows from financing activities:		
Proceeds from long-term debt	—	13,979
Principal repayments on long-term debt	(247,523)	(3,007,443)
Proceeds from line of credit	1,110,000	—
Principal repayments on line of credit	(523,861)	—
Minority interest	275,378	(16,667)
Distribution to Shee Atika Benefits Trust	(250,000)	(250,000)
Net cash flows from financing activities	363,994	(3,260,131)
Net change in cash and cash equivalents	(2,642,318)	3,120,822
Cash and cash equivalents, beginning of year	3,883,053	762,231
Cash and cash equivalents, end of year	$ 1,240,735	3,883,053
Reconciliation of net loss to net cash flows from operating activities:		
Net income (loss)	$ 1,025,187	(37,779)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Minority interest	1,769,548	(118,945)
Depreciation	768,029	809,374
Gain on sale of land and building	—	(784,837)
Deferred income tax benefit	151,000	100,000
Change in operating assets and liabilities:		
Accounts receivables	(6,966,808)	(258,848)
Income tax receivable	110,925	—
Prepaid expenses and other	(144,340)	(22,344)
Accounts payable and other current liabilities	2,768,265	274,838
Deferred revenue	29,389	(54,157)
Income tax payable	39,832	—
Net cash flows from operating activities	$ (448,973)	(92,698)

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

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

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

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 involved in activities under U.S. government contracts, and 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 eight 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, one is scheduled to terminate on August 1, 2027, 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, 2006 was $2,859. All held-to-maturity investments at December 31, 2006 matured in 2007.

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 one contract customer represent 88% of the total accounts receivable at December 31, 2007 and amounts due from two contract customers represent 71% of total accounts receivable at December 31, 2006.

LAND AND BUILDING HELD FOR SALE

In 2007, management and the Board of Directors of Shee Atiká developed a plan to sell its commercial building and related land located in Phoenix, Arizona, with a carrying value of $6,127,469. 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 $8,100,000 in 2008.

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 67% and 58% of total rental revenue from leased commercial properties in 2007 and 2006, respectively. One customer accounted for 98% of contract revenues in 2007. Three customers accounted for 99% of contract revenues in 2006.

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 2006 financial statements to conform to the 2007 presentation.

2 LEASED COMMERCIAL PROPERTIES

	2007	2006
Buildings and equipment – Alaska	$ 12,392,742	10,320,375
Building – Colorado	8,524,787	8,524,786
Building – Arizona	—	4,635,778
Land	3,467,942	5,497,942
	24,385,471	28,978,881
Less accumulated depreciation and amortization	(3,814,043)	(3,653,225)
	$ 20,571,428	25,325,656

Depreciation expense for leased commercial properties amounted to $723,561 and $765,117 in 2007 and 2006, 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	Total
2008	$ 399,000	923,000	1,322,000
2009	397,000	937,000	1,334,000
2010	364,000	951,000	1,315,000
2011	308,000	965,000	1,273,000
2012	148,000	980,000	1,128,000
Thereafter	78,000	2,425,000	2,503,000
	$ 1,694,000	7,181,000	8,875,000

Leases in Alaska are subject to various lessees in the Sitka area. The leases for the buildings in Colorado are leased to the Mitre Corporation.

3 PROPERTY AND EQUIPMENT

	2007	2006
Land	$ 1,884,989	1,884,989
Equipment	346,465	316,595
Other	162,962	144,884
	2,394,416	2,346,468
Less accumulated depreciation and amortization	(375,338)	(330,870)
	$ 2,019,078	2,015,598

Depreciation expense for property and equipment amounted to $42,380 and $44,257 in 2007 and 2006, respectively.

4 NOTE PAYABLE

Shee Atiká has a line of credit arrangement with Alaska Pacific Bank under which it may borrow up to $1,000,000. There was a balance of $586,139 and no balance due at December 31, 2007 and December 31, 2006, respectively. 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 7% at December 31, 2007) and is unsecured.

5 LONG-TERM DEBT

	2007	2006
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	$ 4,826,700	4,924,867
Demand note payable to minority members of majority owned subsidiary, interest accruing at Prime, unsecured until paid	—	13,979
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	2,995,021	3,068,727
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	$ 989,233	1,050,904
	8,810,954	9,058,477
Less current portion	(315,012)	(291,351)
	$ 8,495,942	8,767,126

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

2008	$ 315,012
2009	265,548
2010	281,506
2011	298,429
2012	306,605
Thereafter	7,343,854
	$ 8,810,954

6 INCOME TAXES

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

	2007	2006
Current expense	$ (240,397)	(29,178)
Deferred (expense) benefit	(151,000)	(100,000)
	$ (391,397)	(129,178)

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

	2007	2006
Deferred tax assets:		
Net operating loss carryforwards	$ 2,230,000	2,546,000
Alternative minimum tax credit carryforwards	180,000	122,000
Other	13,000	13,000
Excess of tax basis in buildings and equipment	186,000	79,000
Deferred tax asset	$ 2,609,000	2,760,000

As of December 31, 2007, Shee Atiká has net operating tax loss carryforwards of approximately $6,026,000 and alternative minimum tax credit carryforwards of $180,000. The tax loss carryforwards expire primarily in 2020, while the alternative minimum tax credit carryforwards do not expire. Management believes that it is more likely than not that the net deferred tax asset will be realized, and thus no valuation allowance has been provided at December 31, 2007 or 2006.

The deferred income tax expense of $151,000 and $100,000 recognized for the years ended December 31, 2007 and 2006, respectively, consists primarily of the utilization 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 $70,288,927 and $67,790,933 at December 31, 2007 and 2006, respectively.

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 2007 and 2006 to SABT and is considering future transfers to SABT at similar dollar amounts over the next few years. SABT has net assets of approximately $1,677,367 and $1,774,370 at December 31, 2007 and 2006, respectively.

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 2006 for $1,030,912 in cash.

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

	2007	2006
SAIL	$ 253,248	253,248
SAFE	178,835	178,835
SABT	143,650	143,650
	$ 575,733	575,733

8 BACKLOG

The following schedule shows a reconciliation of backlog representing signed contracts in existence at December 31, 2007 and 2006:

Balance, December 31, 2005	$ 629,645
New contracts awarded and change orders on existing contracts	1,351,005
Less contract income earned, 2006	(1,050,290)
Balance, December 31, 2006	$ 930,260

Balance, December 31, 2006	$ 930,260
New contracts awarded and change orders on existing contracts	40,414,856
Less contract income earned, 2007	(22,780,984)
Balance, December 31, 2007	$ 18,564,132

9 RELATED PARTY TRANSACTIONS

During 2007 and 2006, Shee Atiká leased commercial space to Alaska Pacific Bank for $52,716 and $51,084, respectively, where a Shee Atiká director is also a director. Shee Atiká contributed $15,000 and $10,000 in 2007 and 2006, respectively, to Sheldon Jackson College where two directors serve as trustees. Shee Atiká also leased space to the Sheldon Jackson College. The revenue from the lease amounted to $9,888 for 2006. Included in accounts receivable is $92,033 and $4,527 owed to Shee Atiká or to a subsidiary of Shee Atiká by companies which are in part owned by one of its minority interest owners for December 31, 2007 and 2006, respectively. These companies and subsidiary frequently pay for the expenses of one another and are later reimbursed. Included in contract expenses is $8,866,723 in labor costs paid to companies which are in part owned by one of its minority interest owners during 2007. In addition, Shee Atiká owed $2,302,195 in payables to these companies at December 31, 2007. Shee Atiká has had other transactions with shareholders for purchases of artwork and janitorial and other services.

10 CONTINGENCIES

A subsidiary of the Company has brought litigation against one of its former employees. The employee has not yet filed a response to the legal action brought against him, but it is possible the former employee will assert claims against the subsidiary. The Company believes that the position it has asserted in the litigation to be correct and that it intends to defend its position vigorously. The ultimate outcome of the litigation cannot presently be determined. Accordingly, adjustments, if any, that might result from the resolution of this matter, have not been reflected in the financial statements.

INDEPENDENT AUDITORS' REPORT

Mikunda,
Cottrell & Co.
Certified Public Accountants & Consultants

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

We have audited the accompanying statements of net assets–modified income tax basis of Shee Atiká Fund Endowment as of December 31, 2007 and 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.

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 financial statements referred above present fairly, in all material respects, the net assets of Shee Atiká Fund Endowment as of December 31, 2007 and 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.

Anchorage, Alaska
March 28, 2008

STATEMENTS OF NET ASSETS - MODIFIED INCOME TAX BASIS

December 31, 2007 and 2006

ASSETS	2007	2006
Investments:		
Shee Atika Investments, LLC	$ 65,893,388	63,453,962
Investment in Atikon Forest Products, Inc.	—	339,954
Total investments	65,893,388	63,793,916
Cash and cash equivalents	4,435,059	365,230
Income tax receivable	69,371	—
Leased commercial property, net	—	7,134,114
Other assets	—	25,428
Total assets	70,397,818	71,318,688
LIABILITIES		
Income tax payable	—	22,497
Other	—	5,440
Long-term debt	—	3,403,749
Distributions payable	108,891	96,069
Total liabilities	108,891	3,527,755
Net assets	$ 70,288,927	67,790,933

See Notes to Financial Statements

STATEMENTS OF REVENUES AND EXPENSES - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2007 and 2006

	2007	2006
Revenues:		
Equity share in Shee Atika Investments, LLC taxable income	$ 4,185,808	4,088,245
Rentals from leased commercial property	800,269	906,136
Gain on sale of leased commercial property	514,519	—
Interest	47,741	54,569
Net capital gains (losses)	(125,084)	—
Other income on investments, net	3,718	54,479
Total revenues	5,426,971	5,103,429
Expenses:		
Leased commercial property	251,889	209,177
Management, custodian, and professional fees	192,647	199,108
Interest	152,628	181,782
Depreciation	122,882	166,544
Other expenses	—	254
Total expenses	720,046	756,865
Taxable income	4,706,925	4,346,564
Income tax expense	314,560	340,871
Income before adjusting portfolio to market value	4,392,365	4,005,693
Adjustment to market value:		
Shee Atika Investments, LLC	513,229	2,406,937
Securities	—	(18,394)
Change in net assets	$ 4,905,594	6,394,236

STATEMENTS OF CHANGES IN NET ASSETS - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2007 and 2006

	2007	2006
Changes in net assets	$ 4,905,594	6,394,236
Distributions to unit holders	(2,407,600)	(2,277,960)
Total increase	2,497,994	4,116,276
Net assets, beginning of year	67,790,933	63,674,657
Net assets, end of year	$ 70,288,927	67,790,933

See Notes to Financial Statements

SHEE ATIKÁ FUND ENDOWMENT

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, 2007, there were 185,200 trust units (of which 181,261 were voting and 3,939 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 ($13 per unit in 2007 and $12.30 per unit in 2006) 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 2007 and 2006 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 in 2007 and 2006. 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:

	2007	2006
Investments, at market value	$ 66,825,643	62,196,753
Other assets	625,956	2,766,326
Members equity	$ 67,451,599	64,963,079
Revenues	$ 4,870,085	4,686,971
Taxable income	4,272,193	4,226,460
Adjustment to market value	523,821	2,488,305
Net income	4,796,014	6,714,765

SAFE's investment in SAIL is summarized below:

Balance, January 31, 2006	$ 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
Distributions	(2,259,611)
Share in net income	4,185,808
Adjustment to market value	513,229
Balance, December 31, 2007	$ 65,893,388

SAFE's ownership interest in SAIL was 97.98% and 96.73% at December 31, 2007 and 2006, respectively. At December 31, 2007, 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 owned a four building office park with a variety of offices and commercial tenants located in Anchorage, Alaska, which was 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, no investment in United States Treasury bills and notes existed at at December 31, 2006. No investment in United States Treasury bills and notes existed at December 31, 2007.

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. The Atikon investment was disposed of for $214,870 in 2007.

Note 1 (Continued)

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 was 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, 2007, 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 2007 and 2006.

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

In 2007, management and the Board of Directors of SAFE developed a plan to sell its commercial building and related land located in Anchorage, Alaska. The decision to sell these assets was the result of a determination by SAFE to maximize the total return on this property given the current strong market and shrinking remaining lease term. SAFE sold the property for $7,950,000 in October 2007.

	2007	2006
Building	$ —	6,137,878
Land	—	1,148,000
Other	—	130,720
	—	7,416,598
Less accumulated depreciation	—	(282,484)
	$ —	7,134,114

3 CUSTODIAL AND INVESTMENT FEES

SAFE pays 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 2007 and 2006, 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.

SHEE ATIKÁ FUND
ENDOWMENT

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 statements of net assets–modified income tax basis of Shee Atiká Benefits Trust as of December 31, 2007 and 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.

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 financial statements referred above present fairly, in all material respects, the net assets of Shee Atiká Benefits Trust as of December 31, 2007 and 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.

Anchorage, Alaska
March 28, 2008

STATEMENTS OF NET ASSETS - MODIFIED INCOME TAX BASIS

December 31, 2007 and 2006

ASSETS	2007	2006
Investment in Shee Atika Investments, LLC	$ 1,558,211	1,509,117
Cash and cash equivalents	119,156	265,079
Income tax refundable	—	174
Total assets	1,677,367	1,774,370
Net assets	$ 1,677,367	1,774,370

STATEMENTS OF REVENUES AND EXPENSES - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2007 and 2006

	2007	2006
Revenues:		
Equity share in Shee Atika Investments, LLC taxable income	$ 86,385	144,502
Interest and dividends	13,524	9,103
Total revenues	99,909	153,605
Administrative expenses	166,517	331,009
Loss before adjusting portfolio to market value	(66,608)	(177,404)
Adjustment to market value - Shee Atika Investments, LLC	10,592	81,368
Change in net assets	$ (56,016)	(96,036)

STATEMENTS OF CHANGES IN NET ASSETS - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2007 and 2006

	2007	2006
Changes in net assets	$ (56,016)	(96,036)
Transfer of cash from Shee Atika, Incorporated	250,000	250,000
Distributions to unit holders:		
Scholarships	(247,524)	(263,929)
Funeral benefits	(43,463)	(29,661)
Total distributions	(290,987)	(293,590)
Total increase (decrease)	(97,003)	(139,626)
Net assets, beginning of year	1,774,370	1,913,996
Net assets, end of year	$ 1,677,367	1,774,370

See notes to Financial Statements

SHEE ATIKA BENEFITS TRUST

NOTES TO FINANCIAL STATEMENTS

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, 2007, there were 185,200 trust units (of which 181,261 were voting and 3,939 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 $143,650 and $139,650 in 2007 and 2006, respectively. The 2005 fees were not paid as of year end and consequently the sum total of $295,203 for 2006 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:

	2007	2006
Investments, at market value	$ 66,825,643	62,196,753
Other assets	625,956	2,766,326
Members equity	$ 67,451,599	64,963,079
Revenues	$ 4,870,085	4,686,971
Taxable income	4,272,193	4,226,460
Adjustment to market value	523,821	2,488,305
Net income	4,796,014	6,714,765

SABT's investment in SAIL is summarized below:

Balance, January 31, 2006	$	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
Distributions		(47,883)
Share in net income		86,385
Adjustment to market value		10,592
Balance, December 31, 2007	$	1,558,211

SABT's ownership interest in SAIL was 2.02% and 3.27% at December 31, 2007 and 2006, respectively. At December 31, 2007, SABT and SAFE are the only members of SAIL.

Finally, due to anticipated future distributions of SABT, SAI transferred $250,000 to SABT in 2007 and 2006 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.

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 2006, SABT carried $85,634 of capital losses forward from 2005 which were used to offset capital gains. In December 31, 2007, 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 statements of net assets – modified income tax basis of Shee Atiká Investments, LLC as of December 31, 2007 and 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 Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred above present fairly, in all material respects, the net assets of Shee Atiká Investments, LLC as of December 31, 2007 and 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.

Anchorage, Alaska
March 28, 2008

BALANCE SHEETS - MODIFIED INCOME TAX BASIS

December 31, 2007 and 2006

ASSETS	2007	2006
Investments, at market value	$ 66,825,643	62,196,753
Cash and cash equivalents	625,956	2,766,326
Total assets	$ 67,451,599	64,963,079
MEMBERS' EQUITY		
Members' equity	$ 67,451,599	64,963,079

STATEMENTS OF OPERATIONS - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2007 and 2006

	2007	2006
Revenues:		
Interest	$ 579,291	850,778
Dividends	1,798,884	884,238
Net capital gains	2,491,910	2,951,955
Total revenues	4,870,085	4,686,971
Expenses:		
Management, custodian, and professional fees	597,892	460,086
Other expenses	—	425
Total expenses	597,892	460,511
Taxable income	4,272,193	4,226,460
Adjustment to market value	523,821	2,488,305
Net income	$ 4,796,014	6,714,765

STATEMENTS OF MEMBERS' EQUITY - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2007 and 2006

	Shee Atiká Fund Endowment	Shee Atiká Benefits Trust	Total
Balance, January 1, 2006	$ 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
Distributions	(2,259,611)	(47,883)	(2,307,494)
Net income	4,699,037	96,977	4,796,014
Balance, December 31, 2007	$ 65,893,388	1,558,211	67,451,599

NOTES TO FINANCIAL STATEMENTS

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 2006, 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 2007 and 2006, SAI charged administrative fees of $253,248. 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, 2007 and 2006:

	2007		2006	
	Market Value	Cost	Market Value	Cost
Common stocks	$ 6,594,123	4,639,954	6,029,786	4,541,780
Corporate bonds	886,942	911,967	1,498,025	1,518,567
United States Treasury bills and notes	3,386,157	3,193,630	2,043,537	1,998,459
Mutual funds:				
UBS Dynamic Alpha Fund CI A	7,887,516	8,718,394	7,214,440	7,000,254
Dodge and Cox Stock Fund	5,653,106	5,379,909	5,645,135	4,796,907
DFA International Small Company Fund	2,853,271	3,269,616	—	—
American Euro Pacific Growth International Fund	—	—	5,445,149	3,981,610
Julius Baer International	9,324,682	7,921,642	5,632,233	5,041,661
Pimco All Asset Fund	9,736,949	9,803,996	8,952,546	9,097,052
Pimco Total Return Bond Fund	2,693,599	2,735,447	2,477,616	2,597,441
Mortgage-backed and asset-backed debt securities	4,893,041	4,883,815	5,765,944	5,786,420
Partnerships and similar investments:				
Clarion Lion Properties Fund, LLC	5,593,207	2,600,882	4,959,495	2,600,882
Intech Risk-Managed Large Cap Growth Fund, LLC	2,702,086	2,169,030	2,530,316	2,169,030
Rigel Growth Fund, LLC	2,863,444	2,150,582	2,508,152	2,141,306
RREEF America REIT II, Inc.	1,757,520	1,549,745	1,494,379	1,088,628
	$ 66,825,643	59,928,609	62,196,753	54,359,997

SHEE ATIKA INVESTMENTS

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 $59,097 and $57,376 in 2007 and 2006, respectively, included in management, custodian, and professional fees on the statements of operations – modified income tax basis.

DEFINITIONS

8(a) Companies – The Small Business Administration's 8(a) Business Development Program is designed to use federal prime contracts to help minority owned companies grow, mature, and become competitive with similar firms. ANCSA corporations like Shee Atiká are eligible to qualify subsidiaries under this program. Our 8(a) companies, each a limited liability corporation (LLC), include: Shee Atiká Languages (SAL), Shee Atiká Technologies (SAT), and our newest 8(a) LLCs, Shee Atiká Services (SAS), and Shee Atiká Management (SAM).

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

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

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

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

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

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

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

IRR: Internal Rate of Return – The interest rate that is equivalent to the dollar returns you expect from an investment over a certain period of time.

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 consolidated with Shee Atiká, Incorporated for financial statement and tax reporting. The Shee Atiká President & CEO is also the Manager of the LLCs.

Money Market Fund – An investment fund with the objective to earn interest for shareholders while maintaining a net asset value of $1 per share. Typically, cash is invested in a money market fund short-term while managers wait for the opportunity to move it into higher-yield investments.

Mutual Fund – An investment vehicle that is made up of a pool of funds collected from many investors. The pooled funds are used to purchase securities such as stocks, bonds, money market instruments and similar assets. A mutual fund is operated by money managers who make investments for the purpose of producing capital gains and income for the investors.

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.

Real Return Fund – A fund that preserves purchasing power by combined investments in inflation-protected instruments such as Treasury Inflation-Protected Securities (TIPS), bonds, currencies, and non-U.S. debt.

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

S&P 500 – An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities.

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.

SAIL – Shee Atiká Investments, LLC. SAIL was formed in 2003 so that the assets of various Shee Atiká entities could be pooled and managed together. This structure allows SAI, SAFE, and SABT to minimize risk on their individual investments.

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

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

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

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

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

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

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