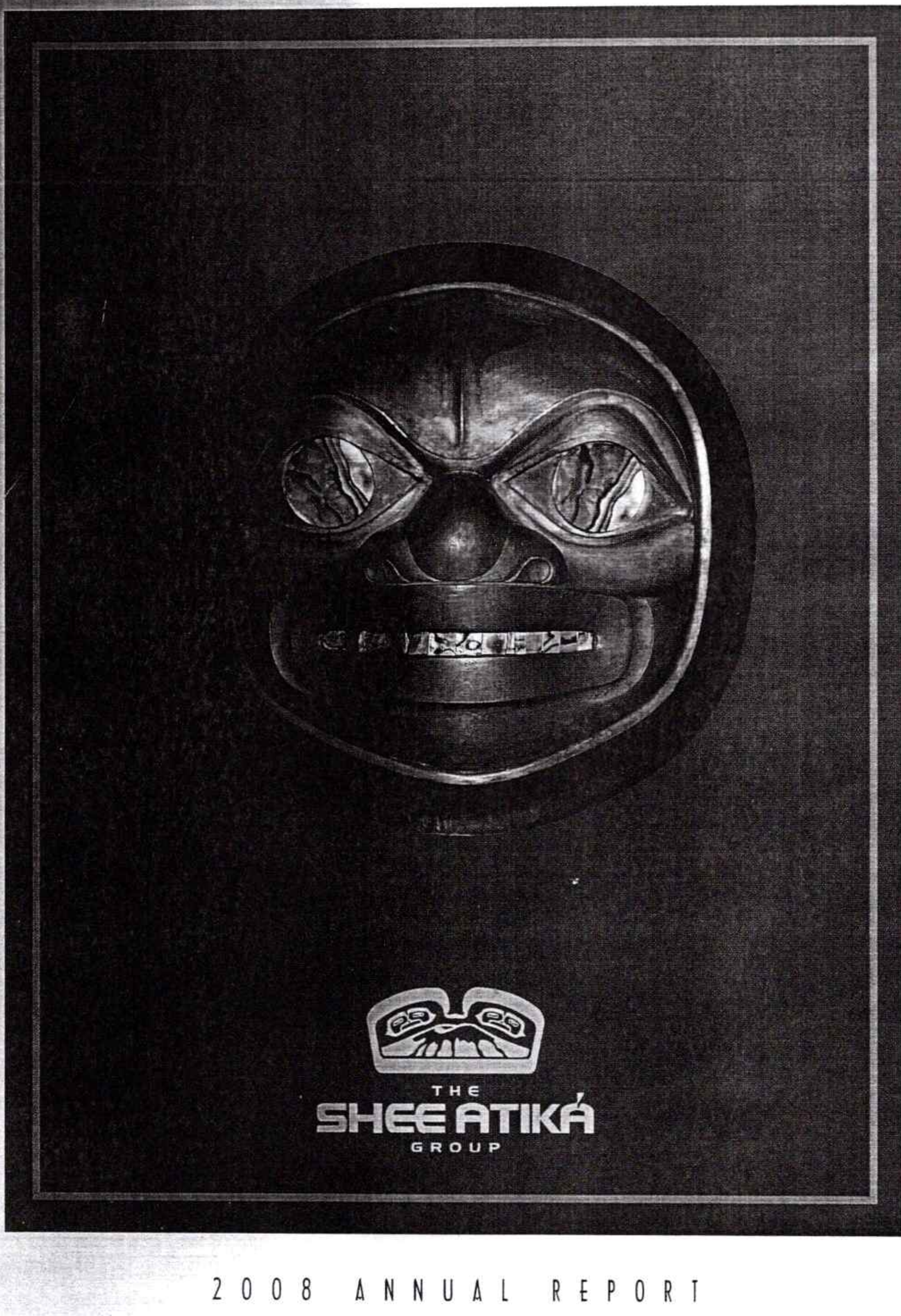


2008 ANNUAL REPORT

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
Accountant

Ptarmica McConnell
Accountant

Coyne VanderJack
Land Manager

Gary Bernhardt
Maintenance Director

Ronald James
Maintenance Technician

Kay D. Simmons
Executive Assistant

Alicia Williams
Administrative Assistant

CORPORATE OFFICE

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

INDEPENDENT AUDITORS

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

CORPORATE COUNSEL

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

STOCK TRANSFERS

Shee Atiká, Incorporated

INSPECTOR OF ELECTIONS

Dapcevich Accounting Service
221 Lincoln Street
Sitka, Alaska 99835

SHEE ATIKÁ BENEFITS TRUST SCHOLARSHIP COMMITTEE

Brian James, Chairman

Josh Horan, Vice Chairman

Falene Sele

Rhonda Bowen

Gillian Havrilla

Crystal Duncan

CONTENTS

FROM THE SHEE ATIKÁ ART COLLECTION

COVER ART: Shee Atiká acquired the copper mask in 2004 from shareholder/artist Nick Galanin of Sitka.

PAGE 11: The "octopus bag" is the work of shareholder/artist Esther Bernice James of Sitka. It was purchased by Shee Atiká from the Noow Tlein Dancers in 2008 and donated to SEARHC in May 2009 during the annual Memorial at Mt. Edgecumbe Hospital.

PAGE 40: Carved by shareholder/artist Willis Osbakken of Sitka, the halibut hook was acquired by Shee Atiká in 1997.

THE SHEE ATIKÁ GROUP

2008 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, Vice Chairman; Harold Donnelly Jr.; Francine Eddy Jones, Treasurer; Kenneth Cameron, Chairman

Seated, left to right:

Loretta J. Ness, Secretary; Marion Williams Berry; Marta Ryman

LETTER FROM THE CHAIRMAN

Dear fellow shareholders,

The year 2008 has been a time of transition for the Shee Atika Group.

Perhaps the biggest change has come in the way that your Board has restructured the investments of Shee Atika Investments, LLC, or SAIL. Your Board monitors SAIL's investments very closely, and we became very concerned when the worldwide credit markets froze before our eyes in mid-September 2008. Within two weeks, the Board voted to dramatically reduce our investments in stocks and mutual funds and replace those investments with cash. The result was that Shee Atika's investments missed much of the financial meltdown that took place in October and November. Yes, we still did suffer investment losses, but those losses were far less than they would have been had your Board not acted quickly and decisively. Our estimate is that over the months since September 2008, the Board's actions to "go to cash" have saved the investment funds several million dollars that ultimately belong to you the shareholders.

Everything we see presently indicates to us that it will be a long and difficult road back for the United States and world economies. We continue to watch the investment markets closely, but this means, in all likelihood, that we will not be reinvesting in the stock market any time soon. The large increase in SAIL's cash investments means that investment returns are greatly reduced at SAIL. That, in turn, underscores the importance of finding alternate sources of income for the Shee Atika Group.

This leads me to the discussion of the second important transition that your Board oversaw in 2008, which was a dramatic increase in the profits from 8(a) operations. Prior to 2008, we had modest profits from 8(a) business operations. 2008 was a break out year for our 8(a) operations, particularly for Shee Atika Languages, LLC, or SAL, which brought us several millions of dollars of profits. The challenge for all of us, going forward, is to make all of the 8(a) companies as profitable as possible – the Shee Atika Group depends on that income.

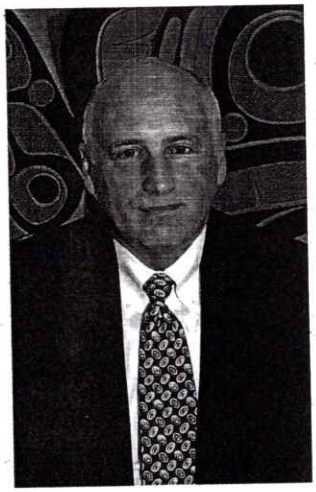
A third transition began in 2008 when we began the search to replace our long-time President/CEO Bob Loiselle. As I write this Chairman's letter, your Board is nearing the end of that search process. I know the Board joins me in publicly thanking Bob for his decade of successful service to our company when we transitioned from a timber company to a diversified structure where different types of legal entities perform different roles. We have much to thank Bob for, and we hope our new President/CEO can fill his shoes.

Your Board hopes to see as many of you as possible at the Annual Meeting on June 6 in Sitka. And on behalf of the Board, I thank you for the confidence you continue to place in each of us.

Best wishes,

Kenneth M. Cameron

Board Chair



LETTER FROM THE CEO

Dear Shareholder:

On this 35th Anniversary of Shee Atiká, Incorporated, we are pleased to present the 2008 Annual Report for the Shee Atiká Group. In this report, we have consolidated the management reports for Shee Atiká, Incorporated (SAI), Shee Atiká Fund Endowment (SAFE), Shee Atiká Benefits Trust (SABT), and Shee Atiká Investments, LLC, (SAIL), followed by the individual financial statements.

By combining the management reports, we underline the very concept of the Shee Atiká Group, under which all assets are managed in concert in order to ensure 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 maximize benefits to shareholders.

2008 was both a great year and a terrible year for the Shee Atiká Group.

It was a great year in that we saw very substantive growth in our two major 8(a) subsidiaries, Shee Atiká Languages, LLC (SAL), and Shee Atiká Technologies, LLC (SAT). This growth led to a consolidated profit at Shee Atiká, Incorporated (SAI), of $2.7 million, the highest profit we've enjoyed since 2001, when net income reached $3.2 million. The difference, of course, is that in 2001 our timber operations at Cube Cove were still active and returning high profits.

On the other hand, 2008 was a terrible year for the world's financial markets, and Shee Atiká Investments, LLC (SAIL), shared the pain. Fortunately, your board took decisive action in both September of 2008 and once again in February of 2009 to reduce exposure to stock losses by converting investments to cash. Even though the fund balance dropped about 19% for the year, without board action our losses would have been much worse.

As you know by now, we are in the midst of a management transition at the Shee Atiká Group. As previously announced, after ten years as your President/CEO, I am leaving Shee Atiká to take a break and pursue new challenges.

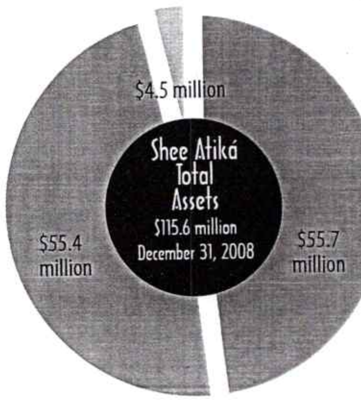
As I write this last annual report letter to you, I am mindful of Chairman Emeritus Ethel Staton's frequent observation that Shee Atiká has always been able to find the right CEO for the times. I certainly hope that has been the case with me and I believe it will be the case with your new CEO. I am very grateful for the opportunity to have served as your CEO, for your support, and that of the board of directors. I wish you all the very best, and look forward to following the continued success of the Shee Atiká Group!

Gunalchéesh!

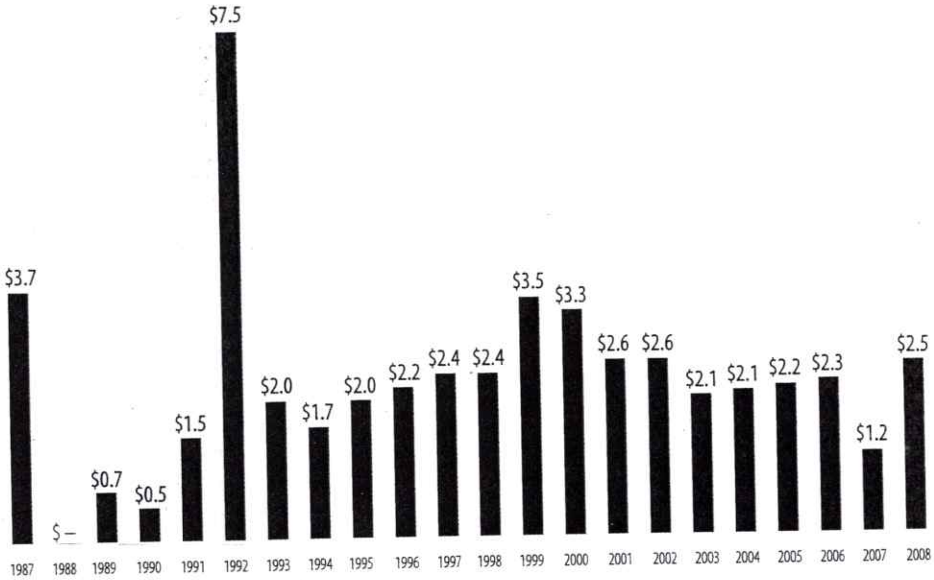
Bob

Robert G. Loiselle

Robert G. Loiselle
President and Chief Executive Officer



SHEE ATIKÁ GROUP GROSS ASSETS



SHEE ATIKÁ DISTRIBUTIONS 1987 – 2008 ($MILLIONS)

SHEE ATIKÁ GROUP MANAGEMENT REPORT

Our objective for the Group continues to be the maximization of return on the Group's combined assets, particularly on an after-tax basis so we can put as much tax exempt money as possible into shareholder pockets each year. Because of the unique tax characteristics of each entity within the Group, we have achieved this goal on a regular basis. In particular, we can often (but not always) make distributions that are entirely tax-free to shareholders. Once again, in 2008, we were able to provide SAFE distributions free of tax liability to the individual shareholder. We were able to do this in spite of our investment losses because we had unused income from previous years. Whether or not we can do the same for SAFE distributions in 2009 remains to be seen.

Unfortunately, the Shee Atiká Benefits Trust did not have adequate income to shelter its benefit payments in 2008 and those were taxable to recipients.

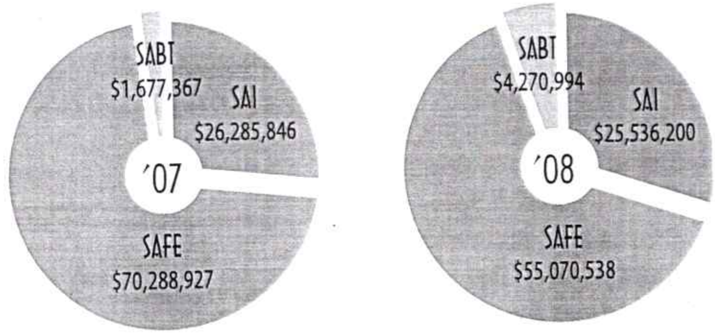
Overall, 2008 was not a good year for the Group, with Shee Atiká Investments, LLC (SAIL), the Group's in-house mutual fund, suffering a loss of 19%. SAIL manages most of the assets of the Shee Atiká Fund Endowment (SAFE) and the Shee Atiká Benefits Trust (SABT). Currently, Shee Atiká, Incorporated, (SAI) does not have an investment in SAIL.

In total, the Group incurred a loss of about $10.5 million in 2008, down from a profit of $5.9 million in 2007. After distributions and benefits payments of $2.7 million, the Group's net worth fell by approximately $13 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 accomplish this objective. Until 2007, this had resulted in 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. As expected, this strong performance improved in 2008, with earnings doubling to nearly $4.5 million.

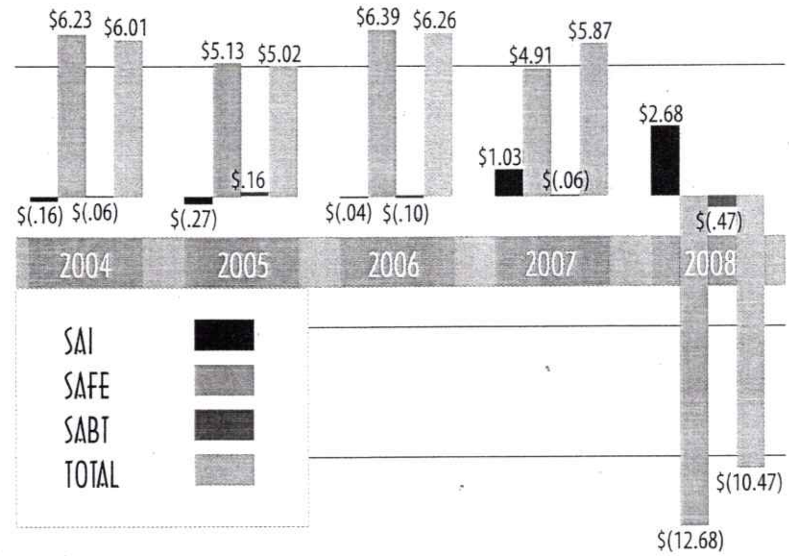
The robust returns from our 8(a) companies will likely lead to additional movement of assets to SAFE and SABT, both to enhance each entity's ability to meet its mission, but also to



12/31/07
Total – $98.3 million

12/31/08
Total – $84.9 million

NET ASSETS 2007 & 2008



SHEE ATIKÁ GROUP INCOME 2004 - 2008 ($MILLIONS)

ensure that we achieve the Shee Atiká Group's overall objective of providing the maximum possible after-tax benefits to shareholders. This becomes increasingly important given that in 2008 we burned through most of SAI's remaining net operating loss (NOL) carry-forwards, putting the corporation in the position of paying a combined 40% of earnings in state and federal income taxes, compared to SAFE's rate of less than 10%. At a 40% tax rate, for every $1 million earned, $400,000 goes to the state and federal government. While this can't be avoided initially, moving SAI's cash to SAFE or SABT stands to greatly reduce the pain in the coming years.

The Group's total assets grew to over $115 million in 2008. Accounting rules require that we list most of our assets at "net book value," which is the cost of the asset plus any capital improvements less depreciation. Because we are not allowed to realize appreciation in a property until it is sold, we believe our timberland properties are actually worth more than the amount reflected in their net book value.

SHEE ATIKÁ INCORPORATED

While the Shee Atiká Group still holds significant real estate, both in the form of directly owned properties, as well as in its interests in two REITS (Real Estate Investment Trusts), 2008 saw the completion of the transition of Shee Atiká, Incorporated, to a government contracting firm—thanks in large part to the Small Business Administration's 8(a) program for small businesses. Alaska Native Corporation-owned 8(a) enterprises, commonly referred to as ANCs, enjoy a number of advantages that have allowed them to prosper, and Shee Atiká's companies are no exception.

The ANC 8(a) program has faced a fair amount of challenges recently, with some in the United States Congress feeling that ANCs should not enjoy these advantages. In reality, all this program has done is to open the government contracting door to Alaska Natives and Native Americans—a door to an arena that had previously been the exclusive domain of large public companies like Lockheed Martin, Northrop Grumman, Halliburton, and SAIC. Compared to these giants, the portion of the government's contracting budget awarded to ANCs remains miniscule.

SAI recorded net income of $2.7 million in 2008, over two times our profit of $1.03 million in 2007.

In early 2008, we closed on the sale of our ITT Tech property in Phoenix. We were fortunate to realize the appreciated value of this property before the commercial real estate market cooled down, due to lack of credit availability and other economic factors. Our real estate portfolio now only includes one property outside of Sitka—the Mitre Building in Colorado Springs. This property remains our best performer and we will likely hold on to it for some time, particularly in the face of the currently declining commercial real estate market.

In early 2009, the Mitre Building was contributed by SAI to the Shee Atiká Fund Endowment (SAFE), both in order to begin rebuilding SAFE capital and to move this significant asset away from the burdensome 40% tax rate under SAI, to SAFE's much more favorable 10% rate.

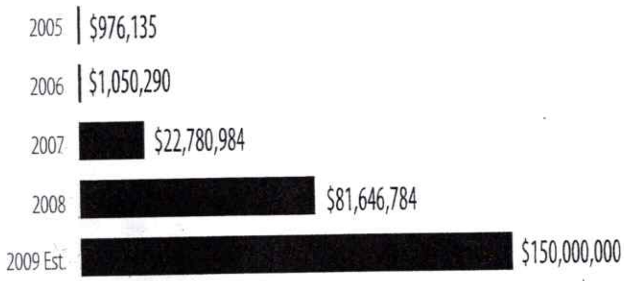
We plan to stay out of the real estate market until we see signs of recovery and the return of higher capitalization rates. The proceeds from our property dispositions have in part been invested in the growth of our government contracting businesses. Over the last decade, our real estate portfolio performed very well, with each property producing high rates of return.

This program played an important role in easing the transition from timber production to government contracting.

Hotel revenues from the Shee Atiká Totem Square Inn (TSI) increased again in 2008, to $1.34 million—up from $1.3 million in 2007. Strong marketing and great customer service have resulted in increased occupancy year-round. We remain at the mercy of off-season business to sustain good overall results. The Sitka Convention and Visitors Bureau (SCVB) is a key organization in getting this business. TSI General Manager Dave Malone, recently elected Chair of SCVB, has worked hard with the Bureau to increase visitation to Sitka. Dave also serves as Vice President of the Chamber of Commerce board, with whom he works diligently to promote the local economy.

In October, the Totem Square complex property was contributed to the Shee Atiká Benefits Trust in order to bolster the Trust's earning capacity so it can meet the increasing demands for scholarships and funeral benefits. The trust leases the property to Shee Atiká Management, LLC (SAM), which oversees both the hotel and commercial leasing operations.

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 recently welcomed Shee Atiká Languages, LLC (SAL), as its newest tenant, with SAL moving a number of payroll-related jobs to Sitka. SAL has proved to be a great addition, both as a tenant and as an employer providing shareholder hire opportunities.



GROWTH IN GOVERNMENT CONTRACTING REVENUE

Because of the slowdown in the local real estate market, we have not seen any lot sales of our high-end residential development, the Ethel Staton Subdivision on Alice Island. As we've said before, we have the luxury of waiting out the recession and will continue to do so.

We continue to consider options for generating additional income from our timberlands at Cube Cove and Katlian Bay, including possible land trades and the sale of carbon credits from the timber. Although both opportunities face particular challenges and neither is very far along at this point, President Obama's desire to institute a cap and trade system here in the United States may eventually boost the market for carbon credits. The "cap" would require CO2 producers to not increase emissions unless they purchase offsetting carbon credits, including credits generated by growing trees that naturally capture carbon as they grow.

SBA (Small Business Administration) 8(A) COMPANIES

2008 marked the third full year of operations for two of Shee Atiká's SBA 8(a) companies, Shee Atiká Technologies, LLC (SAT), and Shee Atiká Languages, LLC (SAL). It also marked the second year of significant profitability for these companies.

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

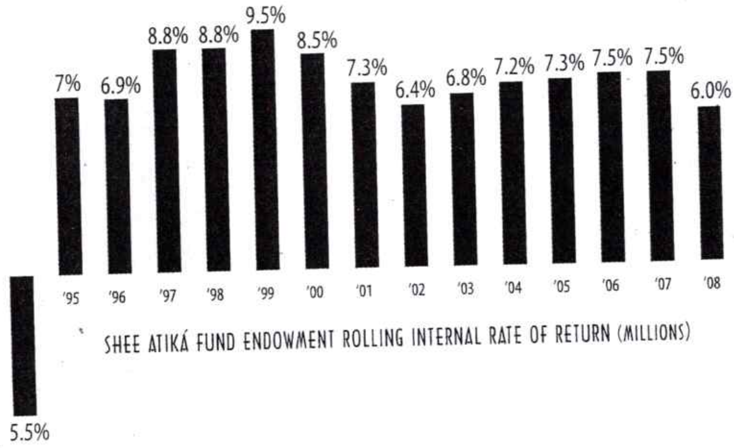
In the cases of both SAT and SAL, Shee Atiká, Incorporated, is the 51% majority owner, with minority ownership made up of individuals with expertise in each company's specialty.

SAT was certified by the SBA in December 2005, and SAL in February 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 the Department of Defense.

SAL's primary industrial classification involves language translation and interpretation services. SAL provides translation and interpretation services to U.S. military operations around the globe, including in Iraq and Afghanistan. This subsidiary also provides role players in various military training exercises — SAL hires people who can speak and act as residents of countries where our military forces are active. Such realistic exercises increase the ability of soldiers to distinguish between benign and truly threatening situations, and have helped reduce military personnel and civilian casualties. SAL also provides 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 up by Jamie Williamson, a former Army Special Forces officer, is offering services to the Special Forces and intelligence communities. SAM, currently managed by SAI CEO Bob Loiselle, is the former Shee Atiká Holdings Totem Square, LLC. SAM will pursue opportunities in facilities management and other government services.



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

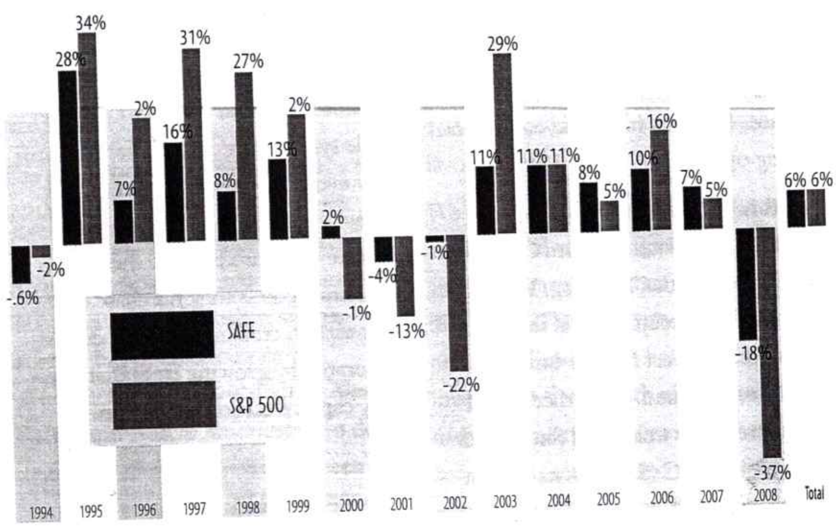
SHEE ATIKÁ FUND ENDOWMENT

SAFE's investment in SAIL did not do well in 2008, with a total return of -19.22%, down from 7.85% in 2007. SAIL's performance is discussed in greater detail below.

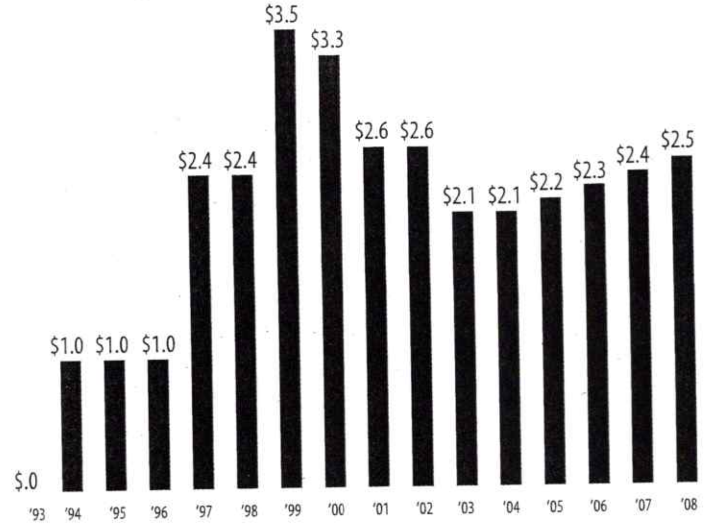
SAFE lost $12.7 million for the year, down significantly from a profit of $3.9 million in 2007. These negative returns reflect the meltdown in global financial markets. The SAIL board has taken steps to safeguard against further losses, as described below.

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.

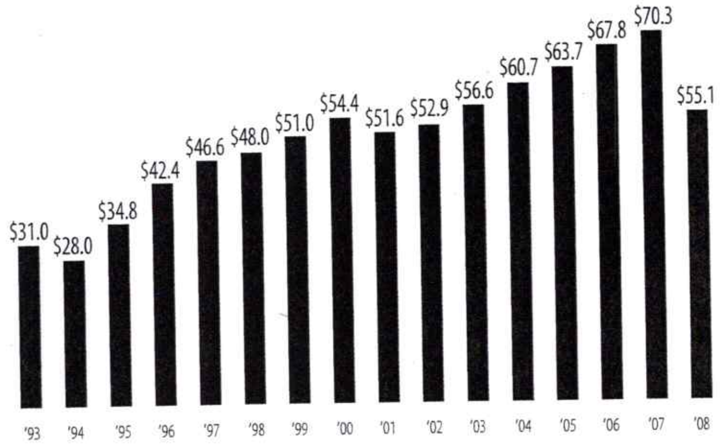
Distributions for 2008 totaled $2,537,240 ($13.70 per share), compared to $2,407,600 ($13.00 per share), in 2007. The May 2009 distribution has been declared at $5.95 per share, as compared with $6.85 per share in May 2007. This decrease is necessitated by the sharp drop in trust principal.



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



SHEE ATIKÁ FUND ENDOWMENT CASH DISTRIBUTIONS 1993 – 2008 (MILLIONS)



SHEE ATIKÁ FUND ENDOWMENT NET ASSETS 1993 – 2008 (MILLIONS)

In order to begin the process of rebuilding that principal, in late January of 2009, the Shee Atiká, Incorporated, board authorized the contribution of the Mitre property in Colorado Springs to SAFE. The transfer on April 1, 2009, added over $600,000 of additional cash flow to the trust annually.

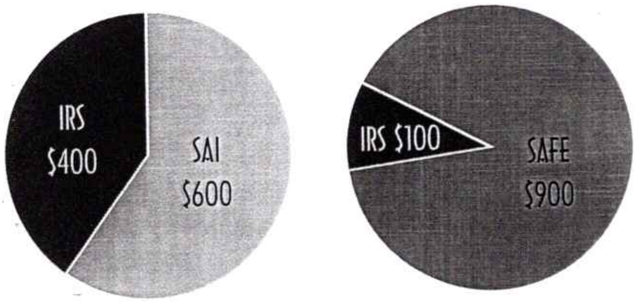
Despite recent market-related setbacks, our goal remains the distribution of dependable dividends that increase over time, while ensuring, to the greatest extent possible, that earning power remains at least constant. That way, future generations of shareholders will benefit from the same purchasing power per share that today's shareholders enjoy.

SAFE faces a potential challenge as 2010 approaches. At the end of 2010, the Bush tax cuts are expected to sunset; if this occurs, the favorable IRC Section 646 (646) election made by SAFE and SABT will sunset with them. There are three key aspects of 646 protections that need to be preserved:

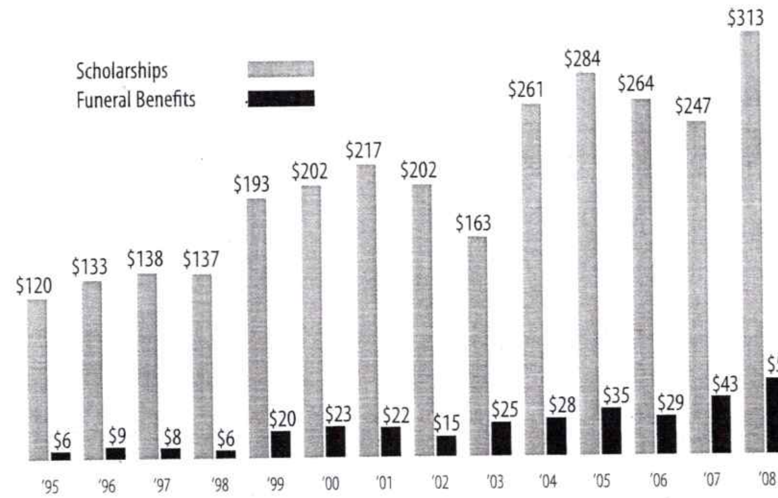
SAI's ability to make contributions to SAFE without shareholders taking a tax hit. Prior to 646, these contributions would have been deemed a distribution to shareholders, even though the money does not go directly to shareholders, but to the trust. This results in shareholder tax liability for "phantom income"—a situation where tax would be owed by the shareholder even though he or she had received no money with which to pay it. The return of taxing "Phantom Income" 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 40% without 646. Currently, long-term capital gains are taxed at a 0% rate.

The ability to shelter trust distributions from beneficiary (shareholder) level tax,



EARNINGS KEPT AND PAID TO IRS – SAI VS. SAFE FOR EVERY $1,000 EARNED



SCHOLARSHIPS & FUNERAL BENEFITS 1995 – 2008
(THOUSANDS)
TOTAL SCHOLARSHIPS – $2.87 MILLION TOTAL FUNERAL BENEFITS – $325,000

at least to the extent of trust after-tax income. This often means no tax at all for beneficiaries. The loss of 646 would guarantee that each year SAFE distributions and SABT benefit payments to beneficiaries would be taxable.

Seeing the 646 provisions extended or, better yet, made permanent, is a top priority for us over the next couple of years. Working with Chugach Alaska Corporation and other Alaska Native Corporations, we have been educating our congressional delegation on this issue. In early March, Representative Young introduced HR 1381 in the House to make 646 permanent; followed shortly thereafter by a companion bill in the U.S. Senate introduced by Senators Murkowski and Begich. Securing passage of this measure will take much additional work in the coming months—an effort to which Shee Atiká is strongly committed.

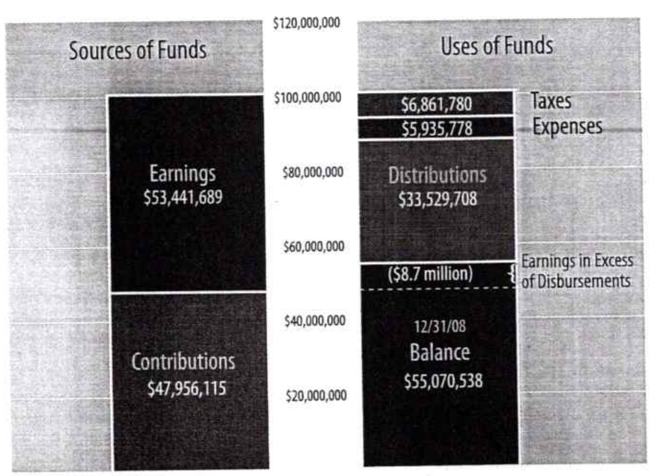
SHEE ATIKÁ BENEFITS TRUST

During 2008, the Shee Atiká Benefits Trust (SABT) disbursed $313,253 in scholarships to 184 recipients, and paid funeral benefits totaling $56,004 to the families of 31 deceased shareholders. Scholarship payments increased from $247,524 in 2007, while funeral benefits increased from $43,463 in 2007.

Shee Atiká, Inc. made a contribution to SABT of $250,000 in 2007 to bolster the fund's principal, as SABT's principal amount was no longer sufficient to cover its operating costs and benefits payments. In 2008, the company contributed the Totem Square complex to the trust, further strengthening its capital base. SABT held net assets of $4.3 million at year-end, compared to $1.7 million at the end of 2007.

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

It is the intent of the scholarship program to encourage attendance at college, trade, or vocational school, or in training programs reasonably



SHEE ATIKÁ FUND ENDOWMENT OVER THE YEARS
TOTAL CONTRIBUTIONS AND EARNINGS
$101,397,804

designed to help a shareholder with job preparation or job enhancement. Scholarships are also available to encourage training in the traditional arts, crafts, and customs of a shareholder's cultural heritage.

SABT also makes scholarships available for short-term training courses, like those for commercial drivers' licenses (CDLs), hazardous materials handling, flagging, and asbestos abatement, where completion of the course is required to secure 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, are allowed to 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've exceeded the normal annual payment. For example, someone granted $7,200 (three years' payment) would have to wait for two years after the year of the payment before becoming eligible for additional awards. This program provides the only practical way for students to be able to take some of the more expensive courses that lead directly to good jobs.

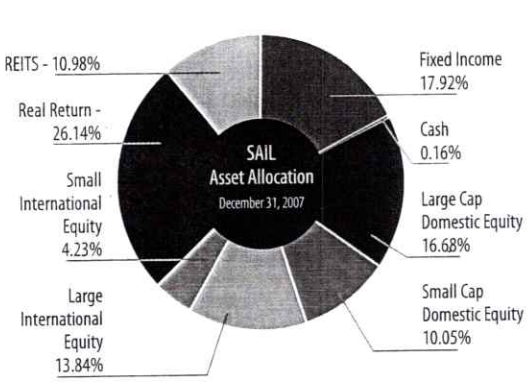
We have also established a special intern program for shareholder students majoring in finance/accounting or hotel administration, in hopes of encouraging more shareholders to follow courses of study that could lead to management positions within the Shee Atiká Group. While we strive for shareholder hire, generally achieving decent results (8 of 11 Shee Atiká, Inc., employees and roughly 30% of Totem Square Inn employees are shareholders), we have yet to consistently place shareholders into upper management positions.

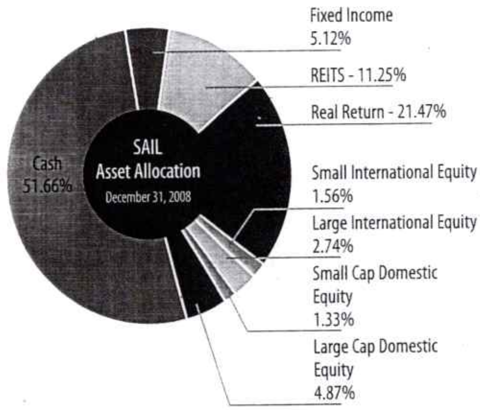
Our internship program provides an enhanced scholarship benefit at $4,800 per year, along with summer employment here in Sitka in the student's field. The bar is set higher than for our regular academic scholarship—a student must have at least a "B" average to become an intern, and maintain that average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

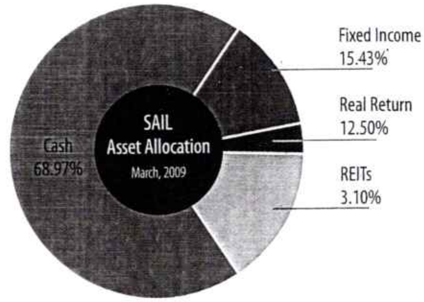
Finally, the SABT board recently made permanent a program that pays the tuition of young beneficiaries attending the Sitka Fine Arts Camp. This nationally recognized program has long provided outstanding training in the arts to young people from the region and beyond each summer.

The Scholarship Committee continues its excellent work in reviewing applications and making awards. The committee includes Brian James, Chairman; Josh Horan, Vice Chairman; and Faleene Sele, Gillian Havrilla, Rhonda Bowen, and Crystal Duncan. Lillian Young, Shee Atiká's Shareholder Services Manager, serves as administrator for the program. As always, we are sincerely grateful for the hard work of the committee and our administrator.

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







SHEE ATIKÁ INVESTMENTS, LLC

The financial meltdown of 2008 took a severe toll on the accumulated savings of institutions and individuals alike, with losses totaling in the trillions of dollars. Shee Atiká Investments, LLC was not immune from this disaster. But, beginning in September of last year, your board began taking steps to reduce the fund's exposure to equity related losses. The board further reduced the exposure to equities at the beginning of February 2009. These actions saved our portfolio from several million dollars in losses. Indeed, SAIL's portfolio ranked in the top 5% of portfolios of under $1 billion for the fourth quarter of 2008, and in the top 8% of portfolios for the full year. This relatively good performance is cold comfort, however, when millions have been lost.

The accompanying charts show the transformation that took place in September, where we went to 52% cash, and the further transformation in February 2009, to a portfolio that now contains almost 70% cash and 15% fixed income holdings.

At a recent client conference, PIMCO executives warned the audience that we are not out of the woods yet and that the old asset allocation models no longer work. This is a view that we share and one that will undoubtedly shape the company's decision making as we continue regularly to review our asset allocation going forward.

OUTLOOK

The only thing that we are certain of at this time is that all things economic remain uncertain. Despite recent (1st Quarter 2009) gains in the equity markets, it's hard to predict with any precision the timing and speed of the recovery—most economists seem to be placing their bets on late 2009 or sometime in 2010, at the earliest.

Our investment portfolio at SAIL is defensively postured and likely will remain so for some time. While this will preserve capital, it comes at the cost of lower returns for the time being. Thus, over the coming months it will be key to continue to grow our government contracting businesses.

As earnings flow from the 8(a) companies, they will find their way to SAFE and SABT, and the SAIL portfolio will be bolstered. Key to the continuation of this strategy is the passage of legislation making Section 646 of the Internal Revenue Code permanent.

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



Kay D. Simmons, Executive Assistant
Lillian Nielsen Young, Shareholder Services Manag
Alicia Williams, Administrative Assistant



Coyne VanderJack, Land Manager
Gary Bernhardt, Maintenance Director
Ronald James, Maintenance Technician

SHEE ATIKÁ TOTEM SQUARE INN MANAGEMENT AND STAFF

left to right:

Janice Meabon, Hotel Manager
Fred Dugdale, Supervisor
Kale Vilandre, Front Desk Associate
David Malone, General Manager
Silvia Malone, Housekeeping Supervisor
Dan Berlad, Supervisor

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, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2008 and 2007, 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 13, 2009

CONSOLIDATED BALANCE SHEETS

December 31, 2008 and 2007

ASSETS	2008	2007
Current assets:		
Cash and cash equivalents	$ 7,710,523	1,240,735
Accounts receivable	26,272,880	7,452,868
Land and building held for sale	—	6,127,469
Prepaid expenses and other	644,512	239,300
Deferred tax asset	884,000	2,410,000
Total current assets	35,515,815	17,470,372
Other assets:		
Leased commercial properties	16,742,664	20,571,428
Property and equipment	2,038,786	2,019,078
Deferred tax asset	190,000	199,000
Other	1,232,372	1,013,647
Total other assets	20,203,822	23,803,153
Total assets	$ 55,719,637	41,273,525

LIABILITIES AND SHAREHOLDERS' EQUITY	2008	2007
Current liabilities:		
Accounts payable and other current liabilities	$ 13,856,101	3,354,703
Deferred revenue	84,002	106,086
Income tax payable	—	39,832
Line of credit	—	586,139
Loan payable	6,294,047	—
Current portion of long-term debt	225,733	315,012
Total current liabilities	20,459,883	4,401,772
Long-term debt, less current portion	5,397,439	8,495,942
Minority interests	4,326,115	2,089,965
Total liabilities	30,183,437	14,987,679
Shareholders' equity:		
Common stock, no par or stated value, authorized 250,000 shares:		
Class A, voting, issued and outstanding 181,061 shares in 2008 and 181,261 shares in 2007		
Class B, nonvoting, issued and outstanding 4,139 shares in 2008 and 3,939 shares in 2007		
Contributed capital	5,956,000	5,956,000
Retained earnings	19,580,200	20,329,846
Total shareholders' equity	25,536,200	26,285,846
Total liabilities and shareholders' equity	$ 55,719,637	41,273,525

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2008 and 2007

	2008	2007
Revenue:		
Contracts:		
8(a) revenue	$ 80,720,299	22,054,886
Non 8(a) revenue	926,485	726,098
Rentals from leased commercial properties	1,747,469	2,157,839
Hotel	1,335,123	1,301,207
Administrative fees from affiliated entities	516,145	575,733
Investment income	106,419	163,434
Gain on sale of land and building	1,654,761	—
Loss on distribution of property	(228,339)	—
Other	190,594	98,504
Total revenue	86,968,956	27,077,701
Costs and expenses:		
Contracts	67,113,034	16,949,205
General and administrative	8,384,228	4,269,428
Hotel	1,161,400	950,181
Depreciation	622,384	768,029
Interest	824,483	564,160
Leased commercial properties	378,675	365,854
Contributions	36,144	24,712
Total costs and expenses	78,520,348	23,891,569
Income before minority interest and income tax expense	8,448,608	3,186,132
Minority interest	(4,202,979)	(1,769,548)
Income before income tax expense	4,245,629	1,416,584
Income tax expense	(1,564,453)	(391,397)
Net income	$ 2,681,176	1,025,187

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2008 and 2007

	Shares of Common Stock Class A	Shares of Common Stock Class B	Contributed Capital	Retained Earnings	Total Net Worth
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
Net transfers from voting to nonvoting shares	(200)	200	—	—	—
Net income for the year	—	—	—	2,681,176	2,681,176
Distribution to Shee Atika Benefits Trust	—	—	—	(3,430,822)	(3,430,822)
Balances, December 31, 2008	181,061	4,139	$ 5,956,000	19,580,200	25,536,200

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from:		
Contracts	$ 63,697,114	15,888,371
Rentals from leased commercial properties	1,697,309	2,189,029
Hotel operations	1,335,123	1,283,528
Administrative fees from affiliated entities	—	583,019
Interest	106,419	163,434
Other	(91,359)	32,901
	66,744,606	20,140,282
Cash paid to/for		
Contractor, suppliers and employers	67,021,463	19,935,455
Interest	824,483	564,160
Income taxes	73,185	89,640
	67,919,131	20,589,255
Net cash flows from operating activities	(1,174,525)	(448,973)
Cash flows from investing activities:		
Purchases of leased commercial properties	(165,711)	(2,096,799)
Sale of leased commercial properties	7,806,142	—
Purchases of property and equipment	(80,691)	(47,951)
Other	(218,725)	(412,589)
Net cash flows from investing activities	7,341,015	(2,557,339)
Cash flows from financing activities:		
Proceeds from loan payable	6,294,047	—
Principal repayments on long-term debt	(3,187,782)	(247,523)
Proceeds from line of credit	—	1,110,000
Principal repayments on line of credit	(586,139)	(523,861)
Minority interest	(1,966,828)	275,378
Distribution to Shee Atika Benefits Trust	(250,000)	(250,000)
Net cash flows from financing activities	303,298	363,994
Net change in cash and cash equivalents	6,469,788	(2,642,318)
Cash and cash equivalents, beginning of year	1,240,735	3,883,053
Cash and cash equivalents, end of year	$ 7,710,523	1,240,735
Reconciliation of net income to net cash flows from operating activities:		
Net income	$ 2,681,176	1,025,187
Adjustments to reconcile net income to net cash flows from operating activities:		
Minority interest	4,202,979	1,769,548
Depreciation	622,384	768,029
Gain on sale of land and building	(1,654,761)	—
Loss on distribution on property	228,339	—
Deferred income tax benefit	1,535,000	151,000
Change in operating assets and liabilities:		
Accounts receivables	(18,820,012)	(6,966,808)
Income tax receivable	—	110,925
Prepaid expenses and other	(405,212)	(144,340)
Accounts payable and other current liabilities	10,501,398	2,768,265
Deferred revenue	(22,084)	29,389
Income tax payable	(43,732)	39,832
Net cash flows from operating activities	$ (1,174,525)	(448,973)
Supplemental cash flow disclosures:		
Distribution of property and equipment to SABT	$ 3,180,822	—

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. Three 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 three 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 material transactions between these entities have been eliminated in the consolidation. The LLCs limit Shee Atiká's liability exposure to the amount of Shee Atiká's investment in them. One is scheduled to terminate in 2012, two in 2022, one in 2025, and one in 2027.

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.

ACCOUNTS RECEIVABLE

Amounts due from two contract customers represent 78% of the total accounts receivable at December 31, 2008 and amounts due from one contract customer represents 88% of total accounts receivable at December 31, 2007.

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.

One customer accounted for 53% of total rental revenue from leased commercial properties in 2008 and two customers accounted for 67% of total rental revenue from leased commercial properties in 2007. Contracts with the U.S. Government accounted for approximately 98% of contract revenues in 2008 and 2007.

CONTRACT COSTS

Contract costs and expenses include general and administrative costs and are accounted for by the accrual basis.

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.

2 LEASED COMMERCIAL PROPERTIES

	2008	2007
Buildings and equipment – Alaska	$ 5,339,556	12,392,742
Building – Colorado	8,524,787	8,524,787
Land	4,919,442	3,467,942
	18,783,785	24,385,471
Less accumulated depreciation and amortization	(2,041,121)	(3,814,043)
	$ 16,742,664	20,571,428)

Depreciation expense for leased commercial properties amounted to $534,086 and $723,561 in 2008 and 2007, 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
2009	$ 557,000	937,000	1,494,000
2010	471,000	951,000	1,422,000
2011	310,000	965,000	1,275,000
2012	148,000	979,000	1,127,000
2013	78,000	994,000	1,072,000
Thereafter	—	1,432,000	1,432,000
	$ 1,564,000	6,258,000	7,822,000

Leases in Alaska are subject to various lessees in the Sitka area. The building in Colorado is leased to the Mitre Corporation.

3 PROPERTY AND EQUIPMENT

	2008	2007
Land	$ 1,884,989	1,884,989
Equipment	451,510	346,465
Other	147,386	162,962
	2,483,885	2,394,416
Less accumulated depreciation and amortization	(445,099)	(375,338)
	$ 2,038,786	2,019,078

Depreciation expense for property and equipment amounted to $88,298 and $42,380 in 2008 and 2007, respectively.

4 NOTE PAYABLE

The Company has sold contract receivables with full recourse to a financial institution. The financial institution retains portions of the proceeds from the contract receivable sales as reserves, which are released to the Company as the receivables are repaid. The outstanding balance of this recourse loan at December 31, 2008, was $6,294,047. Interest is accrued based on the highest prime rate published by Wells Fargo Bank, N.A. plus 1.5%. At December 31, 2008 the interest rate was approximately 8% per annum. The loan is fully collateralized by all of Shee Atika Languages, LLC's assets.

5 LINE OF CREDIT

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 $0 and $586,139 due at December 31, 2008 and 2007, respectively. The line is to expire November 15, 2010, and bears interest at the prime rate of interest published in the Wall Street Journal less .25% (resulting in a rate of 3.5% at December 31, 2008) and is unsecured.

6 LONG-TERM DEBT

		2008	2007
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	$	4,699,557	4,826,700
Note payable to a limited liability company owned by an insurance company. This note was fully paid off in 2008.		—	2,995,021
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		923,615	989,233
		5,623,172	8,810,954
Less current portion		(225,733)	(315,012)
	$	5,397,439	8,495,942

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

2009	$	225,733
2010		193,573
2011		205,278
2012		217,696
2013		230,871
Thereafter		4,550,021
	$	5,623,172

7 INCOME TAXES

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

		2008	2007
Current (expense) benefit	$	(29,453)	(240,397)
Deferred (expense) benefit		(1,535,000)	(151,000)
	$	(1,564,453)	(391,397)

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

		2008	2007
Deferred tax assets:			
Net operating loss carryforwards	$	704,000	2,230,000
Alternative minimum tax credit carryforwards		180,000	180,000
Other		13,000	13,000
Excess of tax basis in buildings and equipment		177,000	186,000
Deferred tax asset	$	1,074,000	2,609,000

As of December 31, 2008, Shee Atiká has net operating tax loss carryforwards of approximately $1,903,000 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, 2008 or 2007.

The deferred income tax expense of $1,535,000 and $151,000 recognized for the years ended December 31, 2008 and 2007, respectively, consists primarily of the utilization of the tax benefit of net operating loss carryforwards.

8 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 $55,070,538 and $70,288,927 at December 31, 2008 and 2007, 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 of cash in 2008 and 2007 to SABT. Shee Atiká is considering future transfers to SABT at times and amounts yet to be determined. SABT has net assets of approximately $5,284,018 and $1,677,367 at December 31, 2008 and 2007, respectively.

During 2008, Shee Atiká, Inc. distributed the Shee Atiká Totem Square Inn and all property located at or used in conjunction with the property to Shee Atiká Benefits Trust. The property had a book value of $3,409,164 and a fair market value of $3,180,822. A gain of $228,339 was recorded to adjust the book value of the property to the fair market value as a result of the property distribution to Shee Atiká Benefits Trust. After the property distribution, Shee Atiká Management, LLC entered into an operating lease with Shee Atiká Benefits Trust for the Shee Atiká Totem Square Complex. The lease is payable in monthly installments of $22,000 until September 30, 2013.

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.

9 BACKLOG

The following schedule shows a reconciliation of backlog representing signed contracts in existence at December 31, 2008 and 2007:

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
Balance, December 31, 2007	$ 18,564,132
New contracts awarded and change orders on existing contracts	95,889,007
Less contract income earned, 2008	(81,646,734)
Balance, December 31, 2008	$ 32,806,405

10 RELATED PARTY TRANSACTIONS

During 2007, Shee Atiká leased commercial space to Alaska Pacific Bank for $52,716 where a Shee Atiká director was also a director. Shee Atiká contributed $15,000 in 2007, to Sheldon Jackson College where one director served as a trustee. Included in accounts receivable is $325,117 and $92,033 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 at December 31, 2008 and 2007, respectively. These companies and subsidiary frequently pay for the expenses of one another and are later reimbursed. Included in contract and general and administrative expenses is $24,436,375 and $8,866,723 in costs paid to companies which are in part owned by one of its minority interest owners during 2008 and 2007, respectively. In addition, Shee Atiká owed $2,768,478 and $2,302,195 in payables to these companies at December 31, 2008 and 2007, respectively. Shee Atiká has had other transactions with shareholders for purchases of artwork and janitorial and other services.

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

	2008	2007
Shee Atiká Investments LLC	$ 74,382	253,248
Shee Atiká Fund Endowment	227,507	178,835
Shee Atiká Benefits Trust	214,256	143,650
Shee Atiká Management, LLC	94,103	—
	$ 610,248	575,733

11 401(K) PLAN

The Company provided employees with a 401(k) plan. Employees were eligible to participate in the plan after reaching age 21 and after being with the company for at least 6 months. There were no other eligibility requirements. Employer contributions made totaled $387,538 and $234,723 in 2008 and 2007, respectively.

12 COMMITMENTS AND CONTINGENCIES

CONTRACT AUDITS

The Company incurred costs on federal contracts during 2008 and 2007 that are subject to direct reimbursement from the federal government. The federal government has the right to audit these costs. Disallowed costs, if any, would have to be reimbursed by the Company to the federal government. Management believes that disallowed costs, if any, would be insignificant to the Company. At this time no material audit adjustments or audit issues are outstanding on the U.S. Government contracts.

13 SUBSEQUENT EVENTS

In January 2009, the board of directors of Shee Atiká, Incorporated passed a resolution to transfer of all of its ownership in Shee Atiká Holdings Colorado Springs, LLC to the Shee Atiká Fund Endowment. The transfer is expected to be completed later in 2009.

In February 2009, SAIL provided a $5,000,000 loan to Shee Atiká which accrues interest at 8% and is due in December 2010. The loan is secured by a 100% interest in the profits, losses, and capital of Shee Atiká Holdings Alice Island, LLC and a security interest in about 3,000 acres at Katlian Bay north of Sitka.

SHEE ATIKÁ FUND ENDOWMENT

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, 2008 and 2007, 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, 2008 and 2007, 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, 2008 and 2007

ASSETS	2008	2007
Investment in Shee Atiká Investments, LLC	$ 54,930,243	65,893,388
Cash and cash equivalents	155,643	4,435,059
Income tax receivable	330,976	69,371
Other assets	789	—
Total assets	55,417,651	70,397,818
LIABILITIES		
Accounts payable	227,507	—
Distributions payable	119,606	108,891
Total liabilities	347,113	108,891
Net assets	$ 55,070,538	70,288,927

SHEE ATIKÁ FUND
ENDOWMENT

See Notes to Financial Statements

STATEMENTS OF REVENUES AND EXPENSES - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2008 and 2007

	2008	2007
Revenues:		
Equity share in Shee Atiká Investments, LLC taxable income	$ 520,181	4,185,808
Rentals from leased commercial property	—	800,269
Gain on sale of leased commercial property	—	514,519
Interest	87,493	47,741
Net capital gains (losses)	—	(125,084)
Other income on investments, net	6,158	3,718
Total revenues	613,832	5,426,971
Expenses:		
Leased commercial property	—	251,889
Management, custodian, and professional fees	275,768	192,647
Interest	—	152,628
Depreciation	—	122,882
Other expenses	2,325	—
Total expenses	278,093	720,046
Taxable income	335,739	4,706,925
Income tax expense	33,564	314,560
Income before adjusting portfolio to market value	302,175	4,392,365
Adjustment to market value - Shee Atiká Investments, LLC	(12,983,324)	513,229
Change in net assets	$ (12,681,149)	4,905,594

STATEMENTS OF CHANGES IN NET ASSETS - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2008 and 2007

	2008	2007
Changes in net assets	$ (12,681,149)	4,905,594
Distributions to unit holders	(2,537,240)	(2,407,600)
Total increase	(15,218,389)	2,497,994
Net assets, beginning of year	70,288,927	67,790,933
Net assets, end of year	$ 55,070,538	70,288,927

See Notes to Financial Statements

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 Class A trust units are issued to SAI's shareholders in direct proportion to their shares of voting common stock. Class B 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, 2008, there were 185,200 trust units (of which 181,061 were Class A and 4,139 were Class B) held by over 3,000 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 ($13.70 per unit in 2008 and $13.00 per unit in 2007) are ultimately determined by the board of trustees, but must be between the minimum and maximum amounts. Distributions are pro rata based on the number of trust units owned. SAFE has adopted a goal whereby it is to distribute approximately 4% of net assets (based on a five-year rolling average) each year, not to exceed the limits discussed above. In meeting this goal, realized gains were allocated to net cash income in 2008 and no realized gains were allocated to net cash income in 2007 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 and each subsequent fifteen year period measured from the fifteenth anniversary (January 4, 2023), 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 $227,507 and $178,835 in 2008 and 2007, respectively. These fees are included in management, custodian, and professional fees on the statements of revenues and expenses – modified income tax basis.

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

SHEE ATIKÁ FUND ENDOWMENT

	2008	2007
Investments, at market value	$ 27,912,673	66,825,643
Other assets	28,401,051	625,956
Members equity	56,239,343	67,451,599
Revenues	802,764	4,870,085
Taxable income	530,577	4,272,193
Adjustment to market value	(13,242,833)	523,821
Net income (loss)	(12,712,256)	4,796,014

SAFE's investment in SAIL is summarized below:

Balance, January 1, 2007	$ 63,453,962
Distributions	(2,259,611)
Share in taxable income	4,185,808
Adjustment to market value	513,229
Balance, December 31, 2007	65,893,388
Contributions	1,900,000
Distributions	(400,000)
Share in taxable income	520,178
Adjustment to market value	(12,983,323)
Balance, December 31, 2008	$ 54,930,243

SAFE's ownership interest in SAIL was 98.04% and 97.98% at December 31, 2008 and 2007, respectively. At December 31, 2008, 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).

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, 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.

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, 2008, 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 2008 and 2007.

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.

3 RISKS, UNCERTAINTIES AND SUBSEQUENT EVENTS

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, SAIL divested its equity holdings in February 2009, resulting in realized investment losses of approximately $8,700,000 in assets with a market value of $10,600,000. The equity investment sales represented approximately 40% of SAIL's investments at December 31, 2008. SAFE's share of this net loss is approximately $7,058,000. As these investments were converted to cash, the change in SAFE's investment in SAIL is minimal.

In January 2009, the board of directors of Shee Atiká, Incorporated passed a resolution to transfer all of it's ownership in Shee Atiká Holdings Colorado Springs, LLC to Shee Atiká Fund Endowment. The transfer is expected to be completed later in 2009.

In February 2009, SAIL sold investments to Shee Atiká, Inc. resulting in a realized gain of approximately $1,500,000.

In February 2009, SAIL provided a loan to Shee Atiká, Inc. which is due in December 2010. The loan is secured by a 100% interest in the profits, losses and capital of Shee Atiká Holdings Alice Island, LLC and a security interest in about 3,000 acres at Katlian Bay north of Sitka.

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, 2008 and 2007, 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, 2008 and 2007, 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
February 20, 2009

STATEMENTS OF NET ASSETS - MODIFIED INCOME TAX BASIS

December 31, 2008 and 2007

ASSETS		2008	2007
Investment in Shee Atiká Investments, LLC	$	1,309,100	1,558,211
Cash and cash equivalents		39,188	119,156
Leased commercial property, net		3,131,939	—
Other assets		5,023	—
Total assets		4,485,250	1,677,367
LIABILITIES			
Accounts payable		214,256	—
Net assets	$	4,270,994	1,677,367

STATEMENTS OF REVENUES AND EXPENSES - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2008 and 2007

		2008	2007
Revenues:			
Equity share in Shee Atiká Investments, LLC taxable income	$	10,397	86,385
Rentals from leased commercial property		66,000	—
Interest and dividends		2,927	13,524
Total revenues		79,324	99,909
Depreciation		48,883	—
Administrative expenses		238,871	166,517
Loss before adjusting portfolio to market value		(208,430)	(66,608)
Adjustment to market value - Shee Atiká Investments, LLC		(259,508)	10,592
Change in net assets	$	(467,938)	(56,016)

STATEMENTS OF CHANGES IN NET ASSETS - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2008 and 2007

		2008	2007
Changes in net assets	$	(467,938)	(56,016)
Transfer of property from Shee Atiká, Incorporated		3,180,822	—
Transfer of cash from Shee Atiká, Incorporated		250,000	250,000
Distributions to unit holders:			
Scholarships		(313,253)	(247,524)
Funeral benefits		(56,004)	(43,463)
Total distributions		(369,257)	(290,987)
Total increase (decrease)		2,593,627	(97,003)
Net assets, beginning of year		1,677,367	1,774,370
Net assets, end of year	$	4,270,994	1,677,367

See Notes to Financial Statements

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 Class A trust units were issued to SAI's shareholders in direct proportion to their shares of voting common stock. Class B 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, 2008, there were 185,200 trust units (of which 181,061 were Class A and 4,139 were Class B) held by over 3,000 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 and each subsequent ten year period measured from the tenth anniversary (November 8, 2017), 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 $214,256 and $143,650 in 2008 and 2007, respectively.

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:

	2008	2007
Investments, at market value	$ 27,912,673	66,825,643
Other assets	28,401,051	625,956
Members' equity	56,239,343	67,451,599
Revenues	802,764	4,870,085
Taxable income	530,577	4,272,193
Adjustment to market value	(13,242,833)	523,821
Net income	(12,712,256)	4,796,014

SHEE ATIKÁ BENEFITS TRUST

SABT's investment in SAIL is summarized below:

Balance, January 1, 2007	$	1,509,117
Distributions		(47,883)
Share in taxable income		86,385
Adjustment to market value		10,592
Balance, December 31, 2007		1,558,211
Distributions		—
Share in taxable income		10,397
Adjustment to market value		(259,508)
Balance, December 31, 2008	$	1,309,100

SABT's ownership interest in SAIL was 1.96% and 2.02% at December 31, 2008 and 2007, respectively. At December 31, 2008, SABT and SAFE are the only members of SAIL.

Finally, due to anticipated future distributions of SABT, SAI transferred $250,000 to SABT in 2008 and 2007 and is considering future transfers to SABT at similar dollar amounts over the next few years.

During 2008, Shee Atiká Management, LLC, a majority –owned limited liability company of SAI, distributed the Shee Atiká Totem Square Inn and all property located at or used in conjunction with the property to SABT. The property had a book value of $3,409,164 and a fair market value of $3,180,822. After the property distribution, Shee Atiká Management, LLC entered into an operating lease (Note 2) with SABT for the Shee Atiká Totem Square Inn.

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.

LEASED COMMERCIAL PROPERTY

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

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. At December 31, 2008, SABT had no available capital loss carryforwards which could be used to offset future capital gains.

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.

2 LEASED COMMERCIAL PROPERTY

In 2008, Shee Atiká Management, LLC, a majority-owned limited liability company of SAI, contributed property to SABT. The property is recorded at cost and consists of the following at December 31, 2008:

Building	$ 1,870,493
Land	1,429,000
Other	381,329
	3,180,822
Less accumulated depreciation	(48,883)
	$ 3,131,939

SABT leases the Shee Atiká Totem Square Inn and all property located at or used in conjunction with the property to Shee Atiká Management; LLC. The lease is payable in monthly installments until September 30, 2013. The approximate minimum future lease payments to be received on this noncancellable operating lease are:

2009	$ 264,000
2010	264,000
2011	264,000
2012	264,000
2013	198,000
	$ 1,254,000

3 RISKS, UNCERTAINTIES AND SUBSEQUENT EVENTS

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, SAIL divested its equity holdings in February 2009, resulting in realized investment losses of approximately $8,700,000 in assets with a market value of $10,600,000. The equity investment sales represented approximately 40% of SAIL's investments at December 31, 2008. SABT's share of this net loss is approximately $141,000. As these investments were converted to cash, the change in SABT's investment in SAIL is minimal.

In February 2009, SAIL sold investments to Shee Atiká, Inc. resulting in a realized gain of approximately $1,500,000.

In February 2009, SAIL provided a loan to Shee Atiká, Inc. which is due in December 2010. The loan is secured by a 100% interest in the profits, losses and capital of Shee Atiká Holdings Alice Island, LLC and a security interest in about 3,000 acres at Katlian Bay north of Sitka.

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, 2008 and 2007, 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, 2008 and 2007, 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
February 20, 2009

SHEE ATIKÁ INVESTMENTS

BALANCE SHEETS - MODIFIED INCOME TAX BASIS

December 31, 2008 and 2007

ASSETS	2008	2007
Investments, at market value	$ 27,912,673	66,825,643
Cash and cash equivalents	28,401,051	625,956
Total assets	$ 56,313,724	67,451,599
LIABILITIES AND MEMBERS' EQUITY		
Liabilities	74,381	—
Members' equity	56,239,343	67,451,599
Total liabilities and members' equity	$ 56,313,724	67,451,599

STATEMENTS OF OPERATIONS - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2008 and 2007

	2008	2007
Revenues:		
Interest	$ 413,932	579,291
Dividends	1,230,568	1,798,884
Net capital gains	(841,736)	2,491,910
Total revenues	802,764	4,870,085
Expenses:		
Management, custodian, and professional fees	268,478	597,892
Other expenses	3,709	—
Total expenses	272,187	597,892
Taxable income	530,577	4,272,193
Adjustment to market value	(13,242,833)	523,821
Net income	$ (12,712,256)	4,796,014

STATEMENTS OF MEMBERS' EQUITY - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2008 and 2007

	SHEE ATIKÁ FUND ENDOWMENT	SHEE ATIKÁ BENEFITS TRUST	TOTAL
Balance, January 1, 2007	$ 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
Contributions	1,900,000	—	1,900,000
Distributions	(400,000)	—	(400,000)
Net income	(12,463,145)	(249,111)	(12,712,256)
Balance, December 31, 2008	$ 54,930,243	1,309,100	56,239,343

See 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 2008 and 2007, SAI charged administrative fees of $74,381 and $253,248, respectively. These fees are included in management, custodian, and professional fees on the statements of operations – modified income tax basis.

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS AT MARKET VALUE

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

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

INCOME TAXES

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

ESTIMATES

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

2 INVESTMENTS, AT MARKET VALUE

Investments presented at market value are summarized as follows at December 31, 2008 and 2007:

	2008		2007	
	MARKET VALUE	COST	MARKET VALUE	COST
Common stocks	$ 733,742	1,109,493	6,594,123	4,639,954
Corporate bonds	120,080	112,477	886,942	911,967
United States Treasury bills and notes	—	—	3,386,157	3,193,630
Mutual funds:				
UBS Dynamic Alpha Fund CI A	4,536,840	8,108,044	7,887,516	8,718,394
Dodge and Cox Stock Fund	1,070,599	2,036,620	5,653,106	5,379,909
DFA International Small Company Fund	857,909	1,862,061	2,853,271	3,269,616
Julius Baer International	1,513,983	2,502,387	9,324,682	7,921,642
Pimco All Asset Fund	6,400,077	8,084,773	9,736,949	9,803,996
Pimco Total Return Bond Fund	2,823,170	3,006,484	2,693,599	2,735,447
Blackrock Global Allocation Fund	906,539	1,125,729	—	—
J.P. Morgan Asset Management	771,266	1,070,381	—	—
Mortgage-backed and asset-backed debt securities	1,624	1,576	4,893,041	4,883,815
Partnerships and similar investments:				
Clarion Lion Properties Fund, LLC	5,588,748	2,600,882	5,593,207	2,600,882
Intech Risk-Managed Large Cap Growth Fund, LLC	—	—	2,702,086	2,169,030
Rigel Growth Fund, LLC	845,842	1,008,581	2,863,444	2,150,582
RREEF America REIT II, Inc.	1,742,254	1,628,984	1,757,520	1,549,745
	$ 27,912,673	34,258,472	66,825,643	59,928,609

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 .068% and 1.00% of SAIL's average daily net assets under their management at market value. Finally, SAIL paid an investment advisory fee of $94,185 and $59,097 in 2008 and 2007, respectively, included in management, custodian, and professional fees on the statements of operations-modified income tax basis.

3 FAIR VALUE MEASUREMENTS

Included in investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stock when carried at the lower of cost or market.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, SAIL estimates fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

SAIL's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by SFAS No. 157, Fair Value Measurements. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

LEVEL 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

LEVEL 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

LEVEL 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the SAIL's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following table provides information as of December 31, 2008 about SAIL's financial assets and liabilities measured at fair value on a recurring basis

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets at fair value –				
Investments	$ 27,912,673	—	—	27,912,673

Given the narrow definition of Level 1 and SAIL's investment asset strategy, all of SAIL's investment assets are classified in Level 1. These assets include actively-traded exchange-listed equity securities and some short-term money market mutual funds. Unadjusted quoted prices for these securities are provided to SAIL by independent pricing services. Separate account assets in Level 1 primarily include actively-traded institutional and retail mutual fund investments valued by the respective mutual fund companies.

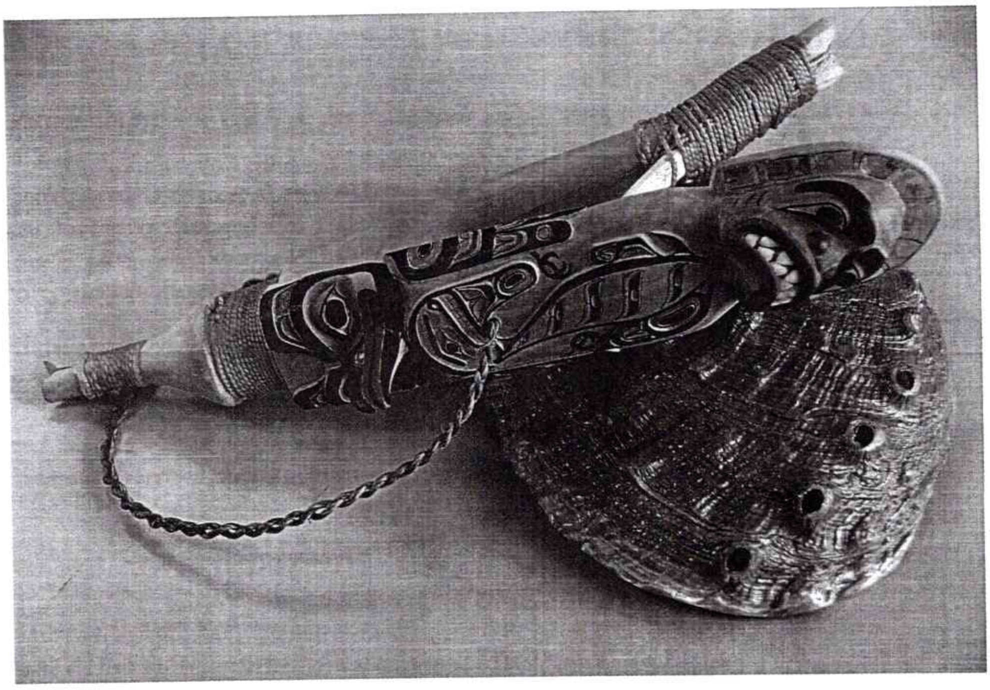
4 RISKS, UNCERTAINTIES AND SUBSEQUENT EVENTS

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, SAIL's investments have likely incurred a significant decline in fair value since December 31, 2008. In addition, certain non-readily marketable investments are significantly less liquid than they have been historically.

In February 2009, SAIL provided a $5,000,000 loan to Shee Atiká, Inc. which accrues interest at 8% and is due in December 2010. The loan is secured by a 100% interest in the profits, losses and capital of Shee Atiká Holdings Alice Island, LLC and a security interest in about 3,000 acres at Katlian Bay north of Sitka.

In February 2009, SAIL sold their ownership in the Clarion Lion Properties Fund investment to Shee Atiká, Inc. at the market value of $4,685,704 resulting in a realized gain of approximately $1,500,000. Clarion Lion Properties Fund represented approximately 10% of SAIL's investments at December 31, 2008.

SAIL also recognized approximately $8,700,000 in investment losses due to the sale of other equity investments with a market value of $10,600,000. The equity investment sales represented approximately 40% of the investments at December 31, 2008.



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.

THE
SHEE ATIKÁ
GROUP

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