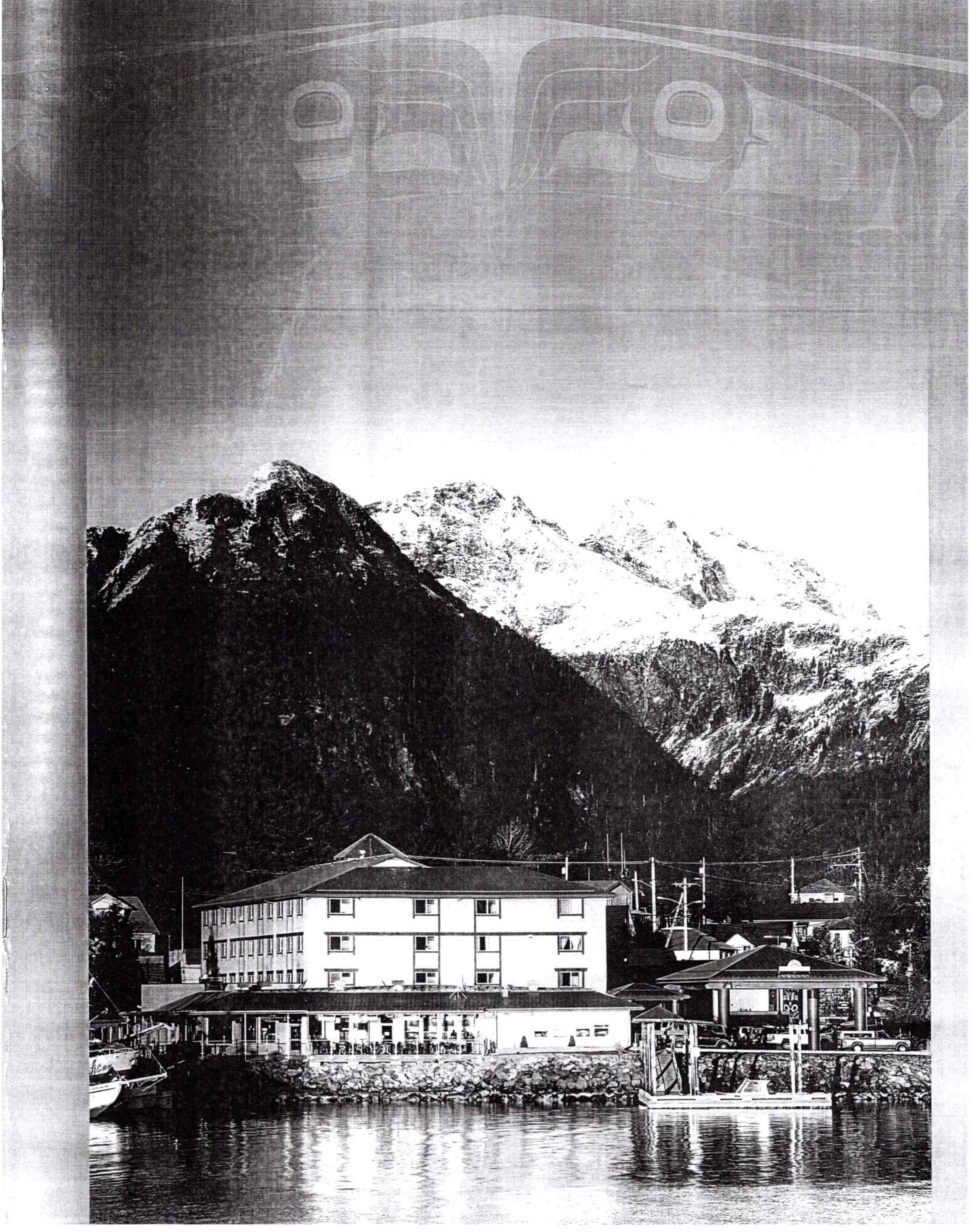
SHEE ATIKÁ, INCORPORATED 2012 ANNUAL REPORT



CORPORATE INFORMATION

SENIOR MANAGEMENT

Kenneth M. Cameron
President/CEO and
Chairman of the Board

STAFF

Ptarmica McConnell
Controller

Lauren Burkhart Estes
Director of Human Resources
Property Administrator

Lillian Nielsen Young
Shareholder Services Manager

Alicia Williams
Administrative Assistant

Heather Rogers
Accounting Technician

Kevin Mosher
Accounting Technician

James Craig
Clerk I

Ron James
Lead Maintenance Technician

CORPORATE OFFICE

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

INDEPENDENT AUDITORS

Peterson Sullivan LLP
601 Union Street, Ste. 2300
Seattle, WA 98101

CORPORATE COUNSEL

Sorensen & Edwards, P.S.
701 Fifth Avenue, Suite 3300
Seattle, WA 98104

STOCK TRANSFERS

Shee Atiká, Incorporated
Attn: Shareholder Services

INSPECTOR OF ELECTIONS

Sramek Hightower
Certified Public Accountants
2525 C Street, Suite 100
Anchorage, AK 99503

SHEE ATIKÁ BENEFITS TRUST SCHOLARSHIP COMMITTEE

Laverne Wise, Chairman: Kent, WA
Nancy Douglas: Sitka, AK
Adrianne Davis: Sitka, AK

CONTENTS

Photos by Dan Evans - www.alaskadanevans.com

SHEE ATIKÁ
Incorporated
And Affiliates

2012 ANNUAL REPORTS OF

SHEE ATIKÁ INCORPORATED

SHEE ATIKÁ FUND ENDOWMENT

SHEE ATIKÁ BENEFITS TRUST

SHEE ATIKÁ INVESTMENTS, LLC

BOARD OF DIRECTORS

Board Members, left to right

Top Row

Dr. Kenneth Cameron, President/CEO and Chairman of the Board;

Dr. Pamela Steffes, Vice Chairman; Loretta Ness, Secretary

Middle Row

Francine Eddy Jones, Treasurer; Gene Bartolaba, Director; Gillian Havrilla, Director;

Bottom Row

Joshua Horan, Director; Faleene Worrell, Director; Shirley Yocum, Director

LETTER FROM THE VICE-CHAIRMAN

Greetings fellow shareholders:

On behalf of your Board of Directors, I want to highlight some of the important developments this past year at Shee Atiká.

Your Board spent considerable time in the past year reviewing and improving our annual meeting procedures. One of the most exciting changes that we have implemented for our annual meeting on May 18, 2013 is the option to vote an electronic proxy at www.sheeatikavote.com. Every shareholder will be sent a traditional paper proxy, along with instructions on how to vote either by paper proxy or by electronic proxy. You can vote either way, the choice is yours. For those without internet access, you can still simply vote, sign and return the paper proxy you received using the postage prepaid envelope, just as you always have done.

However, we encourage everyone who can to try electronic voting rather than using a paper proxy as this offers a number of advantages to both our shareholders and our corporation. Because electronic voting is instantaneous, it allows you to vote right up until the proxy solicitation deadline of 5:00 p.m. on Wednesday May 15th. By contrast, when you vote using a traditional paper proxy which must be mailed or hand delivered, there is a risk of delay or that your proxy will not reach the inspector prior to the deadline.

Another advantage to electronic voting is that electronic proxies will have fewer errors than paper proxies because the voting process will automatically prompt the shareholder to correct any errors before submitting. Our research shows that other Native corporations have had an increased voter turnout using electronic voting and that electronic voting is more secure and confidential. Finally, electronic voting may lower our costs if we are able to reduce our return mailing costs.

To vote electronically, simply go to our voting website, www.sheeatikavote.com, and log in by typing your shareholder number, your personal identification number (PIN) and your social security number. Your shareholder number and PIN are included in your proxy packet. The PIN is unique to you and will change every year. Once you are logged in to the www.sheeatikavote.com website, the instructions guide you to vote. Once complete, you can even choose to receive a confirmation email. We hope this new process will encourage more shareholders to exercise their right to vote.

Turning from the annual meeting, your Board is very pleased that our long-standing efforts to make section 646 a permanent part of the Tax Code have finally been successful. This Tax Code provision makes the distributions you receive from the Shee Atiká Fund Endowment (SAFE) each year tax-free. Losing the protection of section 646 would have been costly to SAFE, the Shee Atiká Benefits Trust (which pays scholarship and funeral benefits) and to our shareholders. Your Board is proud that Shee Atiká was able to play a leading role in making 646 permanent.

Your Board has also worked during the past year to restructure SAIL's (Shee Atiká Investments, LLC's) investment policies to better assure continuation of SAFE's distributions. We are pleased that the changes made have been successfully implemented by our investment advisors. As you can see from SAIL's financial statements, SAIL had another successful year. Another ANCSA-type settlement is unlikely and therefore we must invest today so that future generations of Shee Atiká shareholders can also enjoy the benefits of being a Shee Atiká shareholder.

On behalf of your Board, we thank you for your support of our corporation and we hope to see you at the Sheet'ka Kwaán Naa Kahídi in Sitka on Saturday, May 18, 2013 at 9:00 a.m. Until then, remember to vote, and to those who can, please consider voting electronically.

Best wishes,

PSteffes

Pamela Steffes
Vice-Chairman

LETTER FROM THE PRESIDENT/CEO

Dear fellow shareholders:

It is my pleasure to report to you concerning the 2012 operations and financial conditions of our corporation.

All of the efforts we have made since 2008 to make section 646 a permanent part of the U.S. Tax Code finally were successful at the end of 2012. Section 646 is the provision that allows SAFE to make distributions of its income to you on a tax free basis, and also, caps the tax rate that SAFE has to pay on its income at 10%. Along the way on the road to permanence for section 646 we had to navigate the so-called "fiscal cliff" and "debt ceiling" negotiations between the White House and Congress. There were times when it looked like the best we could achieve were temporary extensions of one year (or even less) that would have provided us no opportunity to plan for the future. However, we kept going through all of this and were finally rewarded when 646 was made permanent. Our Alaska Congressional delegation worked hard on our behalf, and we had the support of several other Native corporations along the way. In the end, it was a great team effort and one of which I am proud to have been a part.

While we were working through the "fiscal cliff" negotiations late in December, 2012, another settlement trust issue surfaced. Specifically, the IRS proposed a set of regulations that would have caused a new 3.8% tax to apply to ANCSA settlement trusts such as SAFE. This 3.8% is one of the new taxes that were put in place to help pay for "Obamacare." Whatever else you may think about Obamacare, it is not right that ANCSA settlement trusts should have a new tax burden given the clear Congressional policy reflected in section 646 that settlement trusts should be encouraged rather than discouraged. Shee Atiká is now formally on record in opposing this new tax, and I will be testifying to the IRS that these new regulations should not apply to settlement trusts. We will keep you updated on this additional potential tax and our efforts to stop it.

Shee Atiká also worked hard during 2012 to keep the possible acquisition of Cube Cove by the Forest Service moving forward. Following passage of special Congressional legislation supporting a Cube Cove acquisition, Shee Atiká met in Washington, D.C., with Undersecretary of Agriculture Harris Sherman who has responsibility for the Forest Service. Also in attendance were various senior Forest Service personnel. Undersecretary Sherman indicated that including Cube Cove within the Admiralty Island National Monument/Kootznoowoo Wilderness was a high priority item for the Government and he instructed the Forest Service personnel to be creative to make it happen.

Since that January meeting, we have met four times with Forest Service personnel from the Alaska Region and have worked through several technical issues. The state of our legal title to Cube Cove has now been reviewed and found satisfactory. A Phase One Environmental Study as well as a separate mineral assessment was conducted concerning Cube Cove, and again, both were found to be satisfactory for the possible government acquisition. Also, Forest Service personnel did field work at Cube Cove in the summer of 2012 to analyze regrowth of the timber and to review the physical state of the property, and all these reviews were satisfactory as well.

These are all very positive, and it was necessary to complete these items before we could move to the subject of the Government's appraisal of the value of the financial value of Cube Cove. Our view has been and remains that the appraiser of Cube Cove should be a highly qualified appraiser with experience in appraising national interest, trophy properties such as Cube Cove and that the appraiser must be mutually agreeable to both the Forest Service and Shee Atiká. Unless the appraiser has the qualifications and experience, and is mutually agreeable, it is very unlikely that we will ever reach agreement as to a sales price for Cube Cove. The Forest Service has been resistant to our position, preferring to use one of the stand by appraisers that the Forest Service already has under contract. Our Alaska Congressional delegation has backed Shee Atiká's position and has been working with the Forest Service to get the appraisal issue resolved. We are still working on this issue as 2013 begins.

The year 2012 also saw our first lot sales at Alice Island. We sold three lots for approximately $850,000. A fourth sale took place in early 2013, and we still have about ten lots that are for sale. Also, we understand that some of the new owners may begin construction activity in 2013.

Our subsidiary Shee Atiká Management, LLC owns Totem Square, the Dock Shack Café and the Dock Shack Lounge. 2012 was another busy year for SAM at the Totem Square. We completed construction of the Dock Shack Lounge, expanded the Dock Shack Café, remodeled the reception area at the hotel, and added a walk up window for an espresso stand. We also redid some of the structural aspects of the building and completed the build out of the Legislative Information Office space, which we moved from the second floor to a prime location on the first floor. We are quite satisfied with all these improvements. All of our efforts have sparked interest in third parties in buying Totem Square, and last year we received an unsolicited offer to purchase Totem Square. While we declined this offer, the renewed interest in our property may lead to a sale of Totem Square if the right price can be obtained.

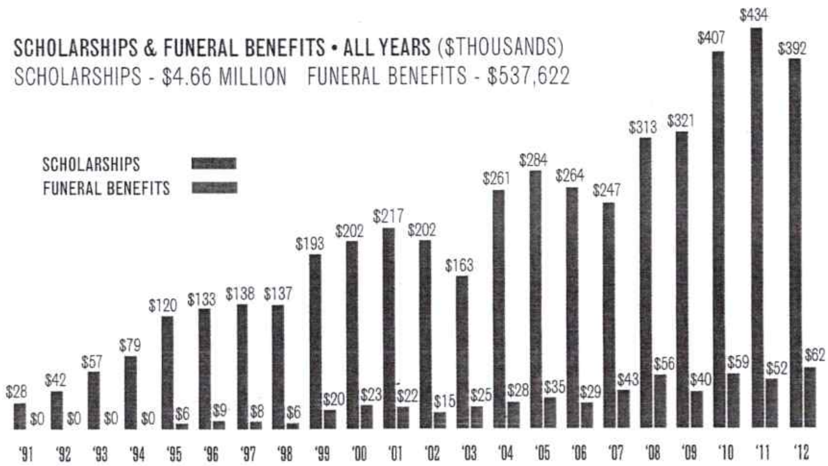
My last topic is Government contracting. In addition to owning Totem Square, SAM also has 8(a) and small disadvantaged business (SDB) status, and SAM has been actively pursuing strategic partnerships with other successful Government contractors in particular business niches, including linguists, architect/engineering, and remediation. 2012 was a tough year for Government contractors throughout the U.S., as the Government is trying to decrease its contracting activities due to the financial problems the Government has. The Government is also now frequently using a type of contracting known as "multiple award IDIQ" which is negative for contractors. Under the multiple award IDIQ approach, the Government conducts a first round solicitation, receives the offers from the contractors, and then announces the three or four (or even more) contractors that have "won" the first round. However, all that these contractors actually "win" is the right to compete in the future against each other when the Government issues task orders to perform specific work. In essence, the multiple award IDIQ process requires a contractor to bid against itself in the first round for the right to bid against others in the second round. The Government is doing this because the Government thinks it can get a lower price, but the reality is that this process simply drives contractors out of the process. SAM has decided not to bid on several possible contracts because the award would have simply been a multiple award IDIQ.

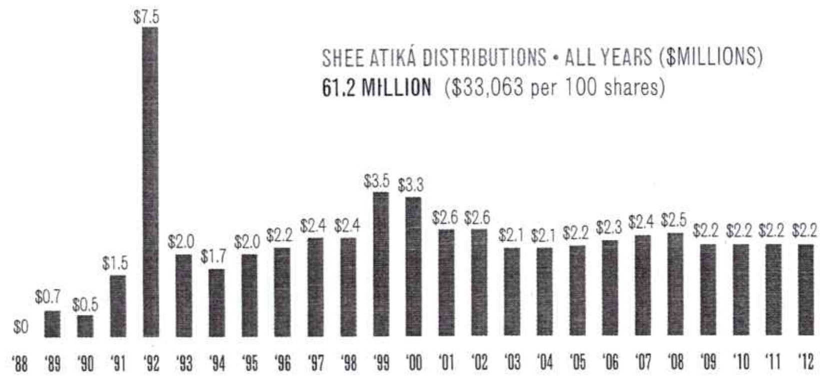
SAM will continue to aggressively pursue Government contracting opportunities, but only when it makes sense to us to do so because we can add shareholder value.

I close by thanking you for the opportunity to serve as Shee Atiká's CEO.

Kenneth M. Cameron

President/CEO





SHEE ATIKÁ STAFF


Left to Right:

Dr. Kenneth Cameron, President/CEO and Chairman of the Board

Ptarmica McConnell, Controller



Lauren Estes, Director of Human Resources

Lillian Nielsen Young, Shareholder Services Manager

Alicia Williams, Administrative Assistant




Kevin Mosher, Accounting Technician

Heather Rogers, Accounting Technician

Ron James, Lead Maintenance Technician

James Craig, Clerk I

TOTEM SQUARE INN STAFF

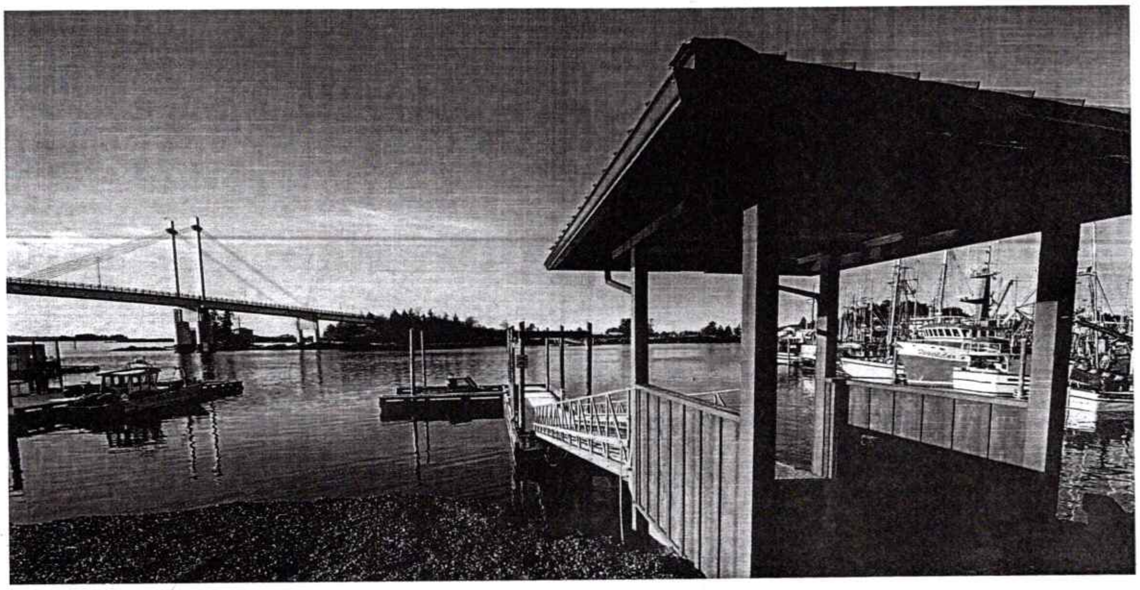
left to right: Back Row: Diane Jackson, Christian Knapp, Ellen Littlefield, Maureen Frailey, Delbert Kanosh, Trista Elixman, Marcelino Mabalot.

Front Row: Ashley Workman, Madison Younger, Deborah Warringer, Rose Phillips, Mercidita Hartley.

DOCK SHACK CAFÉ & LOUNGE STAFF

left to right: Back Row: Christopher Johnson, Jason Mears, Rhonda Conine, Lindy Eliason, Christi Stalkfleet, Kylee Jones, Danielle Strain, Pamela Kristovich, Eva Brevick, Linda Olsen.

Front Row: Levi Harriman, Ron Lindberg, Jr., Jordon Smith, Peggy Lindberg, Daniel Moreno, Daniel Corduan.



FINANCIAL REPORTS

December 31, 2012

Newly remodeled lobby area, Totem Square Inn

INDEPENDENT AUDITOR'S REPORT

petersonsullivan LLP
Certified Public Accountants
& Advisors

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

We have audited the accompanying consolidated financial statements of Shee Atiká, Incorporated and Subsidiaries ("Shee Atiká"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Shee Atiká's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Shee Atiká's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shee Atiká, Incorporated and Subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Peterson Sullivan LLP

Seattle, Washington
March 26, 2013

CONSOLIDATED BALANCE SHEETS

December 31, 2012 and 2011

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents	$ 7,904,996	$ 11,137,116
Accounts receivable	5,027,161	22,128,462
Investments	1,041,391	1,840,204
Income tax receivable	229,000	954,000
Prepaid expenses and other	422,272	1,869,713
Total current assets	14,624,820	37,929,495
Leased Commercial Properties, net	11,684,682	10,180,534
Property and Equipment, net	2,022,985	2,088,028
Deferred Tax Asset	800,000	377,000
Total assets	$ 29,132,487	$ 50,575,057

LIABILITIES AND EQUITY	2012	2011
Current Liabilities		
Accounts payable and accrued expenses	$ 1,354,321	$ 10,361,199
Current portion of long-term debt	49,181	46,372
Loan payable to SAIL		5,786,837
Deferred tax liability		227,000
Total current liabilities	1,403,502	16,421,408
Loan Payable to SAIL	3,689,798	
Long-Term Debt, less current portion	977,307	1,026,225
Total liabilities	6,070,607	17,447,633
Equity		
Shee Atiká, Incorporated shareholders' equity		
Common stock, no par or stated value, authorized 250,000 shares		
Class A, voting, issued and outstanding 180,644 for 2012 and 181,143 for 2011		
Class B, nonvoting, issued and outstanding 4,556 for 2012 and 4,057 for 2011		
Contributed capital	5,956,000	5,956,000
Retained earnings	13,803,347	16,899,724
Total Shee Atiká, Incorporated shareholders' equity	19,759,347	22,855,724
Noncontrolling interest	3,302,533	10,271,700
Total equity	23,061,880	33,127,424
Total liabilities and equity	$ 29,132,487	$ 50,575,057

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Revenue		
Contracts	$ 31,007,701	$ 182,925,938
Hotel and gift shop	1,199,318	1,087,560
Restaurant and lounge	831,323	455,465
Rentals from leased commercial properties	385,772	535,334
Administrative fees from affiliated entities	2,324,904	
Gain on sale of property	205,791	
Net gain (loss) on investments	(798,813)	281,654
Interest and dividends	510,520	221,812
Other	165,062	72,577
Total revenue	35,831,578	185,580,340
Costs and expenses		
Contracts	29,603,617	167,843,473
Hotel and gift shop	1,487,042	1,188,327
Restaurant and lounge	1,337,878	773,234
Leased commercial properties	651,469	526,502
General and administrative	6,092,309	8,988,206
Interest	256,220	957,259
Depreciation and amortization	421,727	314,498
Total costs and expenses	39,850,262	180,591,499
Income (loss) before income tax benefit (expense)	(4,018,684)	4,988,841
Income tax benefit (expense)	622,140	(493,278)
Net income (loss)	(3,396,544)	4,495,563
Net loss (income) attributable to noncontrolling interests	550,167	(4,594,224)
Net loss attributable to Shee Atiká, Incorporated	**$ (2,846,377)**	**$ (98,661)**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2012 and 2011

	Shee Atiká, Incorporated Shareholders' Equity						
	Shares of Common Stock Class A	Class B	Contributed Capital	Retained Earnings	Total	Noncontrolling Interest	Total Equity
Balances, December 31, 2010	181,143	4,057	$ 5,956,000	$ 17,266,385	$ 23,222,385	$ 5,955,795	$ 29,178,180
Net income (loss) for the year				(98,661)	(98,661)	4,594,224	4,495,563
Distributions to noncontrolling interests						(278,319)	(278,319)
Distribution of cash to Shee Atiká Benefits Trust				(268,000)	(268,000)		(268,000)
Balances, December 31, 2011	181,143	4,057	5,956,000	16,899,724	22,855,724	10,271,700	33,127,424
Net transfers from voting to nonvoting shares	(499)	499					
Net loss for the year				(2,846,377)	(2,846,377)	(550,167)	(3,396,544)
Distributions to noncontrolling interests						(6,419,000)	(6,419,000)
Distribution of cash to Shee Atiká Benefits Trust				(250,000)	(250,000)		(250,000)
Balances, December 31, 2012	180,644	4,556	$ 5,956,000	$ 13,803,347	$ 19,759,347	$ 3,302,533	$ 23,061,880

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Cash received from:		
Contracts	$ 48,045,183	$ 189,849,967
Hotel and restaurant operations	2,030,662	1,541,018
Rentals from leased commercial properties	406,016	532,428
Interest and dividends	510,520	221,812
Income tax refund	697,140	64,722
Administrative and other fees from affiliated entities	2,324,904	
Other	159,642	67,407
Cash paid to/for:		
Contractors, suppliers, and employees	(46,587,957)	(188,854,936)
Interest	(256,426)	(651,609)
Net cash flows from operating activities	7,329,684	2,770,809
Cash Flows from Investing Activities		
Proceeds from sale of property	793,518	
Proceeds from sale of investments		3,077,329
Purchases of property and equipment	(2,448,559)	(1,280,538)
Other		(9,333)
Net cash flows from investing activities	(1,655,041)	1,787,458
Cash Flows from Financing Activities		
Principal repayments on long-term debt	(46,109)	(3,689,887)
Payment on loan payable to SAIL	(2,191,654)	
Proceeds on long-term debt		351,734
Distributions to noncontrolling interests	(6,419,000)	(278,319)
Distribution of cash to Shee Atiká Benefits Trust	(250,000)	(268,000)
Net cash flows from financing activities	(8,906,763)	(3,884,472)
Net change in cash and cash equivalents	**(3,232,120)**	**673,795**
Cash and cash equivalents, beginning of year	11,137,116	10,463,321
Cash and cash equivalents, end of year	$ 7,904,996	$ 11,137,116
Reconciliation of net income (loss) to net cash flows from operating activities:		
Net income (loss)	$ (3,396,544)	$ 4,495,563
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	421,727	314,498
Gain on sale of property	(205,791)	
Net loss (gain) on investments	798,813	(281,654)
Deferred income tax expense (benefit)	(650,000)	460,000
Changes in operating assets and liabilities, net		
Accounts receivable	17,101,301	6,957,705
Income tax receivable	725,000	98,000
Prepaid expenses and other assets	1,447,441	(932,683)
Accounts payable and accrued expenses	(9,006,878)	(8,596,359)
Accrual of interest on loan payable to SAIL	94,615	255,739
Net cash flows from operating activities	$ 7,329,684	$ 2,770,809

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

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

One hundred shares of Shee Atiká's voting common stock were issued pursuant to ANCSA to each Native person enrolled. Nonvoting common stock is issued to any person who acquires Shee Atiká's stock and is not a "Native" or "Descendant of a Native" within the meaning of ANCSA. Shee Atiká has approximately 3,000 shareholders.

Shee Atiká's primary operations have been providing services (primarily linguistics services) under contracts with the United States Government. These services are provided by Shee Atiká's majority-owned subsidiaries that 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 contracts with the United States Government. Shee Atiká's contracts were primarily with the United States Department of Defense (an agency of the United States Government) and a substantial amount of services were provided in Iraq and Afghanistan. The services provided included customized language services, role players, regional subject matter experts, and cultural advisors.

Shee Atiká had active service contracts through August 2012, but as of December 31, 2012, did not have any active contracts. Shee Atiká is currently seeking new contracts.

Shee Atiká also leases commercial properties it owns, which are located in Sitka, Alaska, and operates a hotel, restaurant, and lounge in Sitka, Alaska.

Shee Atiká's service contract activities are subject to competitive factors, program continuation, and appropriate contract management. Commercial leasing operations are subject to geographic risks (all activities are in Sitka) as well as the financial viability of the lessees. Hotel and restaurant operations are affected by tourism and business travel in the Sitka area.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Shee Atiká and its wholly-owned and majority-owned subsidiaries. All the subsidiaries are organized as limited liability companies ("the LLCs"). All material transactions between these entities have been eliminated in the consolidation. The LLCs limit Shee Atiká's financial exposure to the amount of Shee Atiká's investment in them. Shee Atiká's various subsidiaries are summarized as follows:

- Shee Atiká Languages LLC (majority-owned; dissolved in 2012 and in the process of winding up as of December 31, 2012)
- Shee Atiká Commercial Services LLC (majority-owned; indefinite life)
- Shee Atiká Management LLC (wholly-owned; termination date of 2022)
- Shee Atiká Holdings Alice Island LLC (wholly-owned; termination date of 2027)
- Shee Atiká Holdings Lincoln Street LLC (wholly-owned; termination date of 2022)

The effective date of dissolution of Shee Atiká Languages LLC ("SAL") was February 6, 2013. Prior to the effective dissolution of SAL, certain claims, rights, and causes of action of SAL were conveyed to The Shee Atiká Languages, LLC Liquidating Trust ("the Liquidating Trust") in order to allow for those claims, rights, and causes of action to continue to be pursued. The owners of SAL are the beneficiaries of the Liquidating Trust, and the ownership of the beneficiaries is in the same proportion as their ownership percentage was in SAL. Thus, Shee Atiká is the majority beneficiary of the Liquidating Trust.

NOTE 1, CONTINUED

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 in the financial statements. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Shee Atiká considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Shee Atiká has cash and cash equivalent balances in excess of federally insured limits.

INVESTMENTS

Investments are classified as trading securities and are stated at fair value. The primary investment is a partnership. The fair value of the partnership at December 31, 2012, was determined based on the sales price of the investment negotiated between Shee Atiká and a third-party in January 2013. The fair value of the partnership at December 31, 2011, was determined by multiplying Shee Atiká's proportionate interest by the total value of the fund (or net asset value). 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. Liquidity for these investments may be limited under certain market conditions.

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

FAIR VALUE MEASUREMENTS

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

The following tables present information about Shee Atiká's assets that have been measured at fair value on a recurring basis as of December 31, 2012 and 2011, and indicates the classification by level of input within the fair value hierarchy:

Fair Value Measurements at December 31, 2012, using:

	LEVEL 1 INPUTS	LEVEL 2 INPUTS	LEVEL 3 INPUTS	TOTAL FAIR VALUE AT DECEMBER 31, 2012
Investments	$ 4,500	$ -	$ 1,036,891	$ 1,041,391

Fair Value Measurements at December 31, 2011, using:

	LEVEL 1 INPUTS	LEVEL 2 INPUTS	LEVEL 3 INPUTS	TOTAL FAIR VALUE AT DECEMBER 31, 2011
Investments	$ 4500	$ -	$ 1,835,704	$ 1,840,204

The following is a reconciliation of investments for which significant unobservable inputs were used in determining fair value (Level 3 inputs) for the years ended December 31:

	2012	2011
Balance, beginning of year	$ 1,835,704	$ 1,544,717
Unrealized gain (loss)	(798,813)	281,654
Other		9,333
Balance, end of year	$ 1,036,891	$ 1,835,704

ACCOUNTS RECEIVABLE

Accounts receivable are primarily from service contracts with the United States Government and are stated at their principal amounts. Management believes all amounts outstanding will be collected (based on prior payment history) and, accordingly, no allowance is considered necessary. If an account was considered uncollectible, an allowance would be established. After appropriate collection efforts, the bad debt would be written off against the allowance. Receivables are generally unsecured and payment terms can vary.

Billing practices related to service contracts are governed by the contract terms for each project. When billings on contracts are less than the recognized revenue, the difference is recorded as unbilled revenue in accounts receivable. Unbilled work is usually billed during the next normal billing process following completion of work or achievement of contractual requirements.

PROPERTY AND EQUIPMENT/LEASED COMMERCIAL PROPERTIES

The estimated value of the land, including structures, along with cash received under ANCSA was 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 (including leased commercial properties) are stated at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from three to seven years.

REVENUE RECOGNITION

Revenue on fixed price service contracts is recognized systematically over the term of the contract, as services are performed, or based on the specific terms of the contracts. Revenue from time and material contracts is recognized as follows:

- For time, revenue is recognized as hours or days are worked multiplied by billable rates provided for in the contract.
- For materials, revenue is recognized when the applicable expense is incurred.

Revenue from rentals of leased commercial properties is recognized ratably over the life of the lease. Lease payments received in advance of the period to which they relate are deferred. Hotel and restaurant revenue is recognized as services are provided.

A significant portion of Shee Atiká's contract revenue is generated through SAL. Shee Atiká has the following revenue concentrations related to its contracting activities:

- Two separate contracts with the United States Department of Defense (one of which is with Shee Atiká as a subcontractor to a third-party company that has the contract with the United States Department of Defense) accounted for 99% of contract revenue for 2012.
- Three separate contracts with the United States Department of Defense (one of which was with Shee Atiká as a subcontractor to a third-party company that had the contract with the United States Department of Defense) accounted for 99% of contract revenue for 2011.
- Contracts where the services performed by Shee Atiká are in Iraq and Afghanistan accounted for 28% and 70%, respectively, of revenue in 2012.
- Contracts where the services performed by Shee Atiká are in Iraq and Afghanistan accounted for 74% and 25%, respectively, of revenue in 2011.

In addition, three customers accounted for 43% and 31% of total rental revenue from leased commercial properties in 2012 and 2011, respectively.

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 consolidated 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.

NOTE 1, CONTINUED

Shee Atiká reports a liability, if any, for unrecognized tax benefits resulting from uncertain income tax positions taken or expected to be taken in an income tax return. Estimated interest and penalties, if any, are recorded as a component of interest expense and other expense, respectively. No liability has been recorded for uncertain tax positions, or related interest or penalties as of December 31, 2012 and 2011. The tax years 2009 through 2012 remain open to examination by federal authorities.

RECLASSIFICATIONS

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to the current year presentation.

SUBSEQUENT EVENTS

Shee Atiká has evaluated subsequent events through the date these financial statements were available to be issued, which was the same date as the independent auditors' report.

2 INVESTMENTS

Investments are summarized as follows at December 31:

	2012	2011
Partnership - INVESCO Partnership Fund IV	$ 1,036,891	$ 1,835,704
Other	4,500	4,500
	$ 1,041,391	$ 1,840,204

The INVESCO Partnership Fund IV, L.P. ("INVESCO") is a limited partnership investing in other partnerships. These partnerships invest in other collective investment funds investing in alternative assets.

Subsequent to December 31, 2012, Shee Atiká sold its investment in INVESCO to a third-party for net proceeds of $1,036,891.

3 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31:

	2012	2011
Amounts billed under contracts	$ 4,019,019	$ 20,190,756
Unbilled revenue	929,934	1,795,679
Other accounts receivable	78,208	142,027
	$ 5,027,161	$ 22,128,462

Substantially all billed and unbilled accounts receivable are from contracts with the United States Government through Shee Atiká's subsidiary called SAL (including a contract where SAL is a subcontractor to a third-party company that has the contract with the United States Government) at both December 31, 2012 and 2011. All amounts billed under contracts and unbilled revenue at December 31, 2012, are owed to SAL by the prime contractor on a contract with the United States Government under which SAL operated as a subcontractor. Approximately $4 million relates to amounts in dispute as further discussed below.

The United States Government has the right to audit all records and other evidence sufficient to properly reflect all costs claimed to have been incurred or anticipated to be incurred directly or indirectly in performance of these contracts. In 2010, an agency of the United States Government commenced an audit of the activity associated with SAL's largest contract, related to activity under the contract in 2009 and 2008. Due to the preliminary findings on this audit, SAL reimbursed the prime contractor for a portion of the costs that were deemed unallowable by the agency of the United States Government. Additionally, certain other costs totaling approximately $4 million were also deemed unallowable by this agency, but SAL is disputing these costs, so no disputed funds have been returned. SAL believes that the eventual outcome over these remaining disputed costs will not result in any material payments back to the prime contractor. The costs discussed above that are currently disputed (amounting to approximately$4 million) are included with accounts receivable but the contractor has advised SAL that payment of these amounts will be withheld from SAL until the dispute is resolved.

4 LEASED COMMERCIAL PROPERTIES

Leased commercial properties consist of the following at December 31:

	2012	2011
Buildings	$ 5,388,793	$ 5,277,757
Leasehold improvements	2,771,844	923,684
Furniture and fixtures	292,789	188,984
Other	43,909	39,279
	8,497,335	6,429,704
Less: accumulated depreciation and amortization	(1,668,833)	(1,332,274)
	6,828,502	5,097,430
Land	4,084,387	4,632,107
Construction in progress	771,793	450,997
	$ 11,684,682	$ 10,180,534

Construction in progress relates to various projects being conducted on various Shee Atiká properties. There are no significant commitments as of December 31, 2012, related to these projects.

Depreciation expense for leased commercial properties amounted to $336,557 and $200,681 in 2012 and 2011, respectively.

The commercial buildings are leased under various operating leases expiring in various years through 2020. The approximate minimum future lease payments to be received on noncancelable operating leases for years ending December 31 are as follows:

2013	$ 253,637
2014	166,122
2015	144,999
2016	118,412
2017	110,409
Thereafter	236,443
	$ 1,030,022

5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2012	2011
Furniture and equipment	$ 453,137	$ 663,112
Other	276,858	352,972
	729,995	1,016,084
Less: accumulated depreciation	(591,999)	(813,045)
	137,996	203,039
Land	1,884,989	1,884,989
	$ 2,022,985	$ 2,088,028

Depreciation expense for property and equipment amounted to $85,170 and $113,817 in 2012 and 2011, respectively.

6 LOAN PAYABLE TO SAIL

Shee Atiká has a loan arrangement with an affiliate, Shee Atiká Investments, LLC ("SAIL"), that bears interest at 4%, is due in full December 31, 2014, and is secured by a first position security interest in Shee Atiká's equity interest in one of its wholly-owned subsidiaries, Shee Atiká Holdings Alice Island, LLC, and a first position security interest in approximately 3,000 acres of land owned by Shee Atiká at Katlian Bay, Alaska. The balance due of $3,689,798 and $5,786,837 at December 31, 2012 and 2011, respectively, includes the unpaid principal balance as well as $94,615 and $786,837 of accrued interest, respectively. The loan was amended January 1, 2012, to extend the maturity date (previously due in 2012) and include accrued interest at that date in the principal balance.

7 LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2012 and 2011:

	2012	2011
Note payable to a bank in monthly installments of $9,635 including interest at 6.5%, due in full May 1, 2021, secured by commercial property in Sitka, Alaska	$ 1,026,488	$ 1,072,597
Less: current portion	(49,181)	(46,372)
	$ 977,307	$ 1,026,225

Principal payments on long-term debt for years ending December 31 are as follows:

2013	$ 49,181
2014	52,524
2015	56,091
2016	59,740
2017	63,960
Thereafter	744,992
	$ 1,026,488

8 INCOME TAXES

Income tax expense for the years ended December 31, 2012 and 2011, consists of:

	2012	2011
Current expense	$ (27,860)	$ (33,278)
Deferred benefit (expense)	650,000	(460,000)
	$ 622,140	$ (493,278)

Shee Atiká's effective tax rate differs from statutory rates due to (1) a significant portion of its operations are performed by LLCs and Shee Atiká does not own the entire LLC interest, (2) the change in the valuation allowance on the net deferred tax asset, and (3) investments are accounted for at cost for income tax purposes, but at fair value for financial reporting purposes.

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

	2012	2011
Deferred tax assets: Net operating loss	$ 1,318,000	$ 124,000
Alternative minimum tax credit carryforwards	174,000	174,000
Accrued compensation	106,000	205,000
Unrealized holding losses on investments	84,000	
Excess of tax basis in buildings and equipment		79,000
Other	68,000	68,000
	1,750,000	650,000
Deferred tax liabilities:		
Excess of book basis in buildings and equipment	384,000	
Prepaid expenses	66,000	289,000
Unrealized holding gains on investments		211,000
	450,000	500,000
	1,300,000	150,000
Less: valuation allowance	(500,000)	
Net deferred tax asset	$ 800,000	$ 150,000

The net deferred tax asset is classified in the consolidated balance sheets as of December 31 as follows:

	2012	2011
Deferred tax asset:		
Long-term	$ 800,000	$ 377,000
Deferred tax liability:		
Current		227,000
	$ 800,000	$ 150,000

As of December 31, 2012, Shee Atiká has Federal net operating tax loss carryforward and alternative minimum tax credit carryforwards of approximately $3,600,000 and $174,000, respectively. The net operating tax loss carryforwards expire in 2031 and 2032. The alternative minimum tax credit carryforwards do not expire. Based on management's assessment of available positive and negative evidence which included, among other things, Shee Atiká's recent results of operations and expected future profitability, a valuation allowance was deemed necessary at December 31, 2012, for the portion of the net deferred tax asset that management believes is not more likely than not to be realized. Accordingly, a partial valuation allowance has been provided at December 31, 2012. The change in the valuation allowance was $500,000 for 2012 (no change for 2011).

9 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, determining the appropriate 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, 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 $59.1 million and $57.6 million at December 31, 2012 and 2011, 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 and $268,000 of cash in 2012 and 2011, respectively, to SABT. Shee Atiká is considering future transfers to SABT at times and amounts yet to be determined. SABT has net assets of approximately $3,200,000 and $3,800,000 at December 31, 2012 and 2011, respectively.

During 2003, Shee Atiká formed SAIL to pool 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. SAFE and SABT are the only members/owners of SAIL.

10 RELATED PARTY TRANSACTIONS

Related party transactions for the years ended December 31, 2012 and 2011, are as follows:

- Included in contract costs and expenses in the consolidated statements of operations for 2012 and 2011 is $13,026,926 and $40,636,610, respectively, in costs incurred primarily for subcontract work on various service contracts to a company that is owned by a minority interest owner of certain subsidiaries of Shee Atiká. In addition, Shee Atiká owed $12,236 and $6,359,662 to these companies at December 31, 2012 and 2011, respectively, which is included in accounts payable and accrued expenses in the consolidated balance sheets.
- As further discussed in Note 6, in February 2009, SAIL provided a loan to Shee Atiká which accrues interest at 4% and is due in December 2014.
- In 2012 and 2011, Shee Atiká incurred $264,000 in lease expense to SABT related to the lease Shee Atiká Management, LLC has for the Totem Square Complex. The lease is payable in monthly installments of $22,000 until September 30, 2013.
- Shee Atiká provides administrative services to SAFE, SABT, and SAIL. In 2012, Shee Atiká charged administrative fees of $2,324,904 to these three entities (including costs that had been incurred but not charged from prior years). There were no such fees charged in 2011.
- Shee Atiká has had other transactions with shareholders for purchases of artwork and janitorial and other services.

11 401(K) PLAN

Shee Atiká and some of its subsidiaries sponsor 401(k) plans for the benefit of its employees. In general, employees are eligible to participate in the plan after reaching age 21 and after being with the company for at least 6 months. Employer contributions made totaled $105,429 and $369,718 in 2012 and 2011, respectively.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

petersonsullivan LLP
Certified Public Accountants
& Advisors

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

We have audited the consolidated financial statements of Shee Atiká, Incorporated and Subsidiaries ("Shee Atiká") as of and for the years ended December 31, 2012 and 2011, and our report thereon dated March 26, 2013, which contains an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information presented in the following section of this report (pages 21 through 23) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management of Shee Atiká and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Peterson Sullivan LLP

Seattle, Washington
March 26, 2013

SUPPLEMENTAL SCHEDULE OF CONTRACT EXPENSES

For the Years Ended December 31, 2012 and 2011

	2012	2011
Labor	$ 15,059,880	$ 121,435,689
Subcontractors	12,748,486	40,744,376
Transportation	352,836	1,335,236
Other job expenses	1,442,415	4,328,172
	$ 29,603,617	$ 167,843,473

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET December 31, 2012

ASSETS	Shee Atiká Incorporated	Shee Atiká Languages LLC	Shee Atiká Commercial Services LLC
Current Assets			
Cash and cash equivalents	$ 5,866,529	$ 1,847,221	$ 11,644
Accounts receivable	723,352	4,948,953	
Investments	1,041,391		
Income tax receivable	229,000		
Prepaid expenses and other	87,352	219,409	1,593
Total current assets	7,947,624	7,015,583	13,237
Leased Commercial Properties, net	1,219,007		
Property and Equipment, net	2,001,972	21,013	
Deferred Tax Asset	800,000		
Due from (to) Related Company	3,589,541		
Equity in Subsidiaries	10,424,120		
Total assets	$ 25,982,264	$ 7,036,596	$ 13,237
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	$ 631,711	$ 395,940	$ -
Current portion of long-term debt			
Total current liabilities	631,711	395,940	
Loan Payable to SAIL	3,689,798		
Long-Term Debt, less current portion			
Total liabilities	4,321,509	395,940	
Equity			
Shee Atiká, Incorporated shareholders' equity			
Contributed capital	5,956,000	184,620	51,000
Retained earnings (deficit)	15,704,755	3,157,941	(42,201)
Total Shee Atiká, Incorporated shareholders' equity	21,660,755	3,342,561	8,799
Noncontrolling interests		3,298,095	4,438
Total equity	21,660,755	6,640,656	13,237
Total liabilities and equity	$ 25,982,264	$ 7,036,596	$ 13,237

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS For the Year Ended December 31, 2012

	Shee Atiká Incorporated	Shee Atiká Languages LLC	Shee Atiká Commercial Services LLC
Revenues			
Contracts	$ -	$ 31,007,701	$ -
Hotel and gift shop			
Restaurant and lounge			
Rentals from leased commercial properties	14,120		
Administrative fees from affiliated entities	2,840,646		
Gain on sale of property			
Net loss on investments	(798,813)		
Interest and dividends	510,520		
Other	153,595		2,007
Total revenue	2,720,068	31,007,701	2,007
Costs and expenses			
Contracts		29,517,894	85,723
Hotel and gift shop			
Restaurant and lounge			
Leased commercial properties	35,847		
General and administrative	4,330,305	2,078,105	291,296
Interest	94,615	92,098	
Depreciation and amortization	42,662	60,197	
Total costs and expenses	4,503,429	31,748,294	377,019
Income (loss) before income tax benefit	(1,783,361)	(740,593)	(375,012)
Income tax benefit	622,140		
Net income (loss)	(1,161,221)	(740,593)	(375,012)
Net loss attributable to noncontrolling interests		362,891	183,756
Net income (loss) attributable to Shee Atiká, Incorporated	**$ (1,161,221)**	**$ (377,702)**	**$ (191,256)**

Shee Atiká Management LLC	Shee Atiká Holdings Alice Island LLC	Shee Atiká Holdings Lincoln St. LLC	Consolidating Entries	Total
$ 140,286	$ 7,342	$ 31,974	$ -	$ 7,904,996
21,141	6,149	50,611	(723,045)	5,027,161
				1,041,391
				229,000
103,363	2,145	8,410		422,272
264,790	15,636	90,995	(723,045)	14,624,820
2,927,866	4,246,828	3,290,981		11,684,682
				2,022,985
				800,000
(3,751,363)	559,834	(398,012)	(10,424,120)	
$ (558,707)	$ 4,822,298	$ 2,983,964	$ (11,147,165)	$ 29,132,487
$ 985,490	$ 14,002	$ 50,223	$ (723,045)	$ 1,354,321
		49,181		49,181
985,490	14,002	99,404	(723,045)	1,403,502
				3,689,798
		977,307		977,307
985,490	14,002	1,076,711	(723,045)	6,070,607
209,247	4,763,316	1,971,968	(7,180,151)	5,956,000
(1,753,444)	44,980	(64,715)	(3,243,969)	13,803,347
(1,544,197)	4,808,296	1,907,253	(10,424,120)	19,759,347
				3,302,533
(1,544,197)	4,808,296	1,907,253	(10,424,120)	23,061,880
$ (558,707)	$ 4,822,298	$ 2,983,964	$ (11,147,165)	$ 29,132,487

Shee Atiká Management LLC	Shee Atiká Holdings Alice Island LLC	Shee Atiká Holdings Lincoln St. LLC	Consolidating Entries	Total
$ -	$ -	$ -	$ -	$ 31,007,701
1,199,318				1,199,318
831,323				831,323
240,438	97,195	233,603	(199,584)	385,772
			(515,742)	2,324,904
	205,791			205,791
				(798,813)
				510,520
6,133	3,327			165,062
2,277,212	306,313	233,603	(715,326)	35,831,578
				29,603,617
1,539,042			(52,000)	1,487,042
1,337,878				1,337,878
417,663	122,228	110,398	(34,667)	651,469
15,006			(622,403)	6,092,309
		69,507		256,220
161,035	77,109	80,724		421,727
3,470,624	199,337	260,629	(709,070)	39,850,262
(1,193,412)	106,976	(27,026)	(6,256)	(4,018,684)
				622,140
(1,193,412)	106,976	(27,026)	(6,256)	(3,396,544)
			3,520	550,167
$ (1,193,412)	$ 106,976	$ (27,026)	$ (2,736)	$ (2,846,377)

SHEE ATIKÁ FUND ENDOWMENT

INDEPENDENT AUDITOR'S REPORT

petersonsullivan LLP
Certified Public Accountants
& Advisors

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

We have audited the accompanying financial statements of Shee Atiká Fund Endowment ("SAFE"), which comprise the statements of net assets as of December 31, 2012 and 2011, and the related statements of revenue and expenses and changes in net assets (all on the modified income tax basis) for the years then ended, and the related notes to the financial statements.

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified income tax basis; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Shee Atiká Fund Endowment as of December 31, 2012 and 2011, and its revenue and expenses and changes in net assets for the years then ended, on the modified income tax basis of accounting described in Note 1.

Basis of Accounting
As described in Note 1, these financial statements were prepared on the basis of accounting SAFE uses for income tax purposes, except that it adjusts its investments to fair value (investments are valued at cost on the basis of accounting SAFE uses for income tax purposes). This is referred to as "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 SAFE's 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. Our opinion is not modified with respect to this matter.

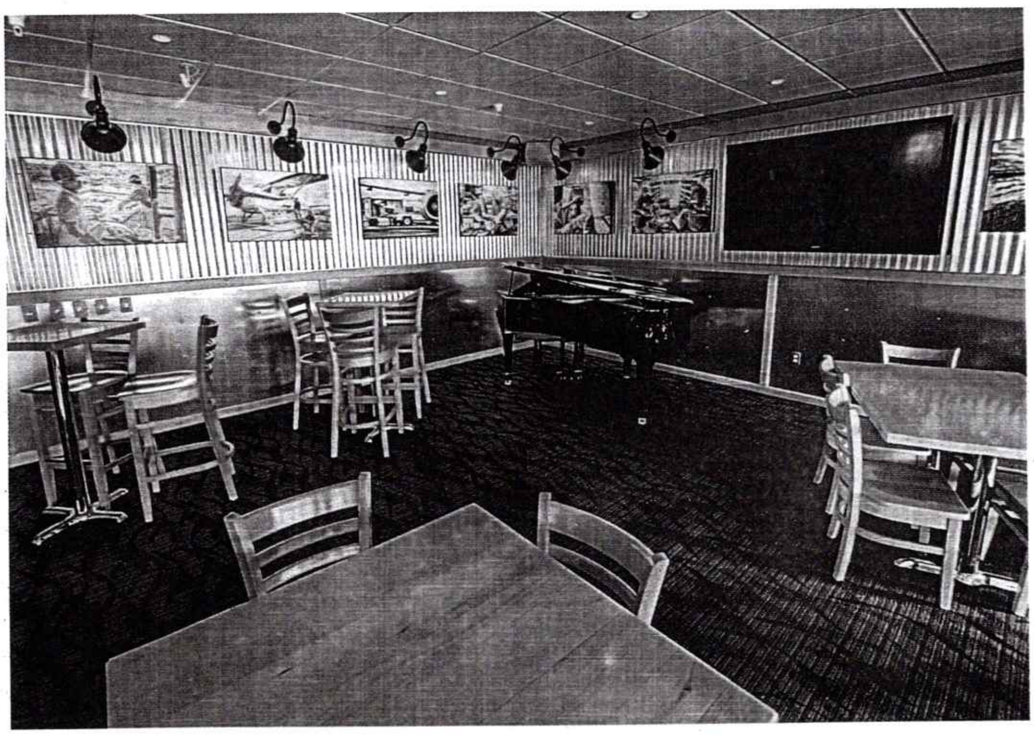
Peterson Sullivan LLP

Seattle, Washington
March 26, 2013

STATEMENTS OF NET ASSETS – MODIFIED INCOME TAX BASIS

December 31, 2012 and 2011

ASSETS	2012	2011
Investment in Shee Atiká Investments, LLC	$ 54,902,575	$ 53,654,369
Investment in Shee Atiká Commercial Services, LLC	2,307	188,194
Leased commercial property, net	7,555,929	7,218,857
Cash and cash equivalents	634,851	899,511
Income tax receivable	76,710	
Other assets	219,441	193,342
Total assets	63,391,813	62,154,273
LIABILITIES		
Long-term debt	4,225,281	4,359,115
Distributions payable	102,362	91,930
Income tax payable		59,328
Other	41	2,702
Total liabilities	4,327,684	4,513,075
NET ASSETS	$ 59,064,129	$ 57,641,198



Dock Shack Lounge, Totem Square Inn

See Notes to Financial Statements

STATEMENTS OF REVENUE AND EXPENSES – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Revenue		
Equity share in Shee Atiká Investments, LLC taxable income (realized losses allocated limited to $3,000 for income tax purposes)	$ 1,424,101	$ 2,920,648
Equity share in Shee Atiká Commercial Services, LLC taxable loss	(186,139)	(18,302)
Rentals from leased commercial property	980,620	966,264
Other income	668	1,425
	2,219,250	3,870,035
Expenses		
SAI administrative fees	538,320	
Custodian and professional fees	27,239	24,176
Interest	234,619	241,766
Depreciation	177,312	177,312
Leased commercial property expenses	9,367	24,207
Other	3,500	527
	990,357	467,988
Taxable income	1,228,893	3,402,047
Income tax expense	169,987	322,105
Change in net assets before adjusting investment in Shee Atiká Investments, LLC to fair value	1,058,906	3,079,942
Adjustment to fair value of investment in Shee Atiká Investments, LLC	2,586,425	(1,616,761)
Change in net assets	**$ 3,645,331**	**$ 1,463,181**

STATEMENTS OF CHANGES IN NET ASSETS – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Change in net assets	$ 3,645,331	$ 1,463,181
Distributions to unit holders	(2,222,400)	(2,213,140)
Total increase (decrease)	**1,422,931**	**(749,959)**
Net assets, beginning of year	57,641,198	58,391,157
Net assets, end of year	$ 59,064,129	$ 57,641,198

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 SAFE trustees.

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

SAFE's Class A trust units are issued to SAI's shareholders in direct proportion to their shares of SAI 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 SAI nonvoting common stock. The trust units are not generally transferable. At December 31, 2012, there were 185,200 trust units (of which 180,644 were Class A and 4,556 were Class B) held by approximately 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. The amount of distributions ($12.00 and $11.95 per unit in 2012 and 2011, respectively) is ultimately determined by the Board of Trustees, but must be between the minimum and maximum amounts. 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. 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 and losses were allocated to net cash income as necessary in 2012 and 2011 and distributed to beneficiaries.

After the fifteenth anniversary of SAFE and each subsequent fifteen year period measured from the fifteenth anniversary (the next modification date is 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. In 2012, SAI charged administrative fees of $538,320 to SAFE. There were no such fees charged in 2011.

BASIS OF ACCOUNTING

SAFE's policy is to prepare its financial statements on the income tax basis of accounting, except that it recognizes its investment in Shee Atiká Investments, LLC ("SAIL") at fair 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).

INVESTMENT IN SHEE ATIKÁ INVESTMENTS, LLC

The investment in SAIL is stated at fair value and 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. Accordingly, SAIL's investments are stated at fair value based on quoted market prices on active exchanges (Level 1 inputs in the fair value hierarchy discussed below). Investments account for approximately 85% of total assets of SAIL. For all of SAIL's other assets (there are no liabilities), carrying value approximates fair value. As a result, net assets of SAIL are stated at fair value. SAIL's investments are subject to various market, liquidity, and credit risks. The difference between cost and the fair value of the investment in SAIL at year-end represents unrealized appreciation or depreciation on the investment. There are no restrictions on redemptions in SAIL

INVESTMENT IN SHEE ATIKÁ COMMERCIAL SERVICES, LLC

SAFE has a 49% ownership interest in Shee Atiká Commercial Services, LLC ("SACS"). SAI owns 51% of SACS. The investment in SACS is recorded at its tax basis which is accounted for by increasing the investment for contributions made, decreasing the investment for distributions received, and adjusting the investment for SAFE's share of taxable income each year.

LEASED COMMERCIAL PROPERTY

The leased commercial property is located in Colorado Springs, Colorado, and is stated at cost. Depreciation is provided on the straight line method, and is recognized over the estimated useful lives of the assets.

Revenue from rental of leased commercial property is recognized as received. All rental revenue in both 2012 and 2011 was from one customer.

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 has cash balances in excess of government sponsored insurance limits.

FAIR VALUE MEASUREMENTS

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

The investment in SAIL is the only asset or liability of SAFE which is measured at fair value on a recurring basis. Fair value of the investment in SAIL is determined using Level 3 inputs within the fair value hierarchy as SAIL is privately held and not traded on an active market, although a substantial portion of its assets are traded on active markets.

INCOME TAXES

SAFE has elected to be taxed at a rate of 10% on taxable income (no tax on certain dividends received) as defined in the Internal Revenue Code ("IRC"). 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 forward to future years to offset capital gains (capital losses cannot be carried back to previous years). At December 31, 2012, SAFE had approximately $7.9 million in capital loss carryforwards available which can be used to offset future capital gains.

Because SAIL is a limited liability company, SAFE's share of its net taxable income or loss is passed through to SAFE. Also, certain partnerships and similar investments held by SAIL can require SAFE to pay state income taxes. These taxes were not significant in either 2012 or 2011.

Tax years 2009 through 2012 are open to examination by federal tax authorities.

USE OF ESTIMATES

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

SUBSEQUENT EVENTS

SAFE has evaluated subsequent events through the date these financial statements were available to be issued, which is the same date as the independent auditors' report.

2 INVESTMENT IN SAIL

SAI formed 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 investment 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 is as follows:

	2012	2011
Investments, at fair value	$ 48,750,426	$ 45,717,157
Cash and cash equivalents	3,028,461	3,210,369
Other assets	3,846,677	5,914,122
Members' equity	55,625,564	54,841,648
Revenue, including adjustments to fair value of investments	5,868,228	1,498,364
Net income	4,036,626	1,328,972

Activity related to SAFE's investment in SAIL for 2012 and 2011 is summarized as follows:

Balance, December 31, 2010	$ 54,559,024
Share in taxable income	2,920,648
Adjustment to fair value	(1,616,761)
Distributions	(2,210,000)
Other	1,458
Balance, December 31, 2011	53,654,369
Share in taxable income	1,424,101
Adjustment to fair value	2,586,425
Distributions	(2,762,320)
Balance, December 31, 2012	$ 54,902,575

SAFE's ownership interest in SAIL was 99.35% and 98.22% of SAIL's total equity at December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, SAFE and SABT are the only members of SAIL.

3 LEASED COMMERCIAL PROPERTY

Leased commercial property is located in Colorado Springs, Colorado, and consists of the following at December 31, 2012 and 2011:

	2012	2011
Building	$ 6,975,574	$ 6,975,574
Land improvements	514,384	
Land	722,000	722,000
	8,211,958	7,697,574
Less: accumulated depreciation	(656,029)	(478,717)
	$ 7,555,929	$ 7,218,857

SAFE leases the commercial building in Colorado under a non-cancelable operating lease expiring on June 30, 2015. The minimum future lease payments scheduled to be received on this non-cancelable operating lease for years ending December 31 are as follows:

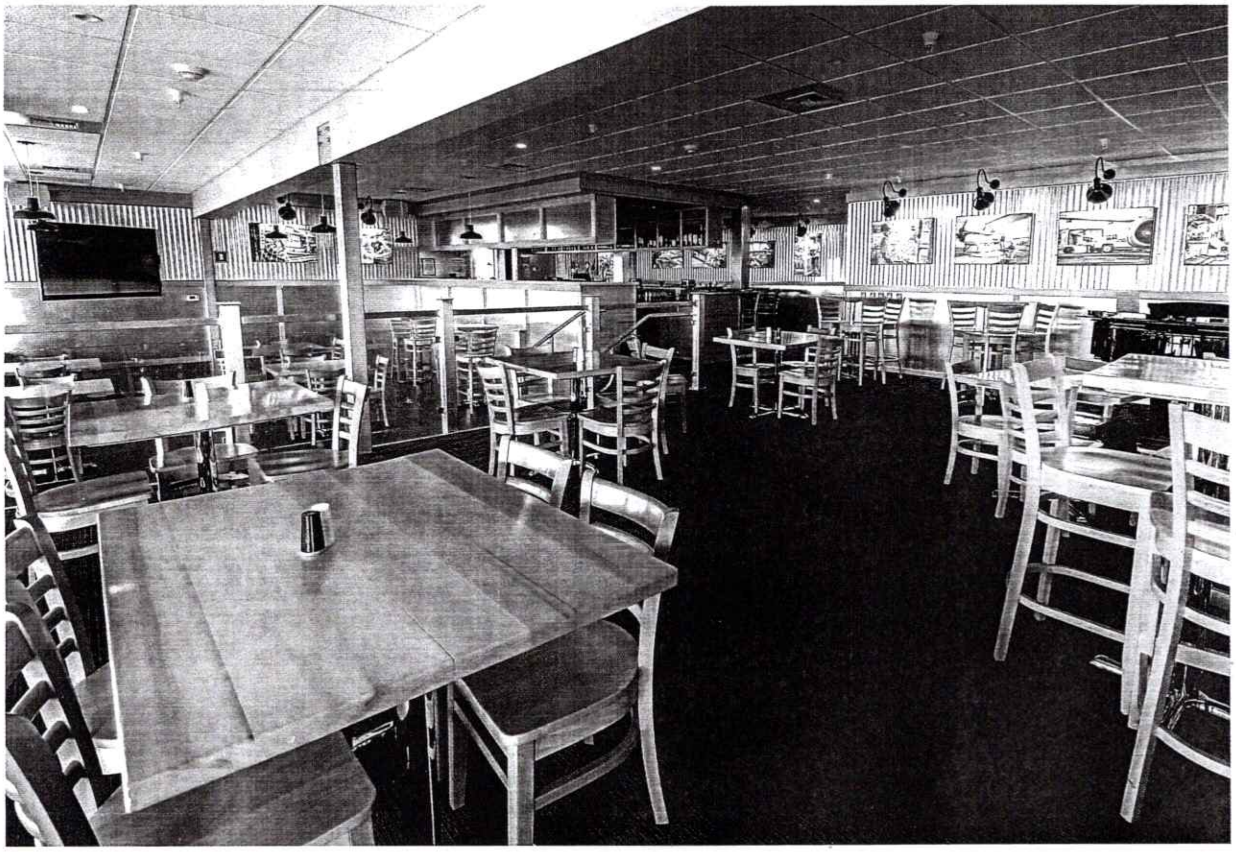
2013	$ 993,975
2014	1,008,746
2015	507,468
	$ 2,510,189

4 LONG-TERM DEBT

SAFE has a note payable to a bank due in monthly installments of $30,704 (including interest at 5.50%) with a final payment due on November 1, 2015. The note is secured by the leased commercial property in Colorado Springs, Colorado.

Principal payments on long-term debt for years ending December 31 are as follows:

2013	$ 173,835
2014	149,350
2015	3,902,096
	$ 4,225,281



Dock Shack Lounge, Totem Square Inn

INDEPENDENT AUDITOR'S REPORT

petersonsullivan LLP

Certified Public Accountants
& Advisors

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

We have audited the accompanying financial statements of Shee Atiká Benefits Trust, ("SABT"), which comprise the statements of net assets as of December 31, 2012 and 2011, and the related statements of revenue and expenses and changes in net assets (all on the modified income tax basis) for the years then ended, and the related notes to the financial statements.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified income tax basis; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Shee Atiká Benefits Trust as of December 31, 2012 and 2011, and its revenue and expenses and changes in net assets for the years then ended, on the modified income tax basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of accounting SABT uses for income tax purposes, except that it adjusts its investments to fair value (investments are valued at cost on the basis of accounting SABT uses for income tax purposes). This is referred to as "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 SABT's 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. Our opinion is not modified with respect to this matter.

Peterson Sullivan LLP

Seattle, Washington
March 26, 2013

STATEMENTS OF NET ASSETS - MODIFIED INCOME TAX BASIS

December 31, 2012 and 2011

ASSETS	2012	2011
Investment in Shee Atiká Investments, LLC	$ 722,976	$ 1,187,263
Leased commercial property, net	2,463,199	2,599,405
Cash and cash equivalents	44,771	25,390
Income tax receivable	13,784	
Total assets	3,244,730	3,812,058
LIABILITIES		
Income tax payable and other liabilities	4,250	5,348
NET ASSETS	$ 3,240,480	$ 3,806,710

STATEMENTS OF REVENUE AND EXPENSES - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Revenue		
Equity share in Shee Atiká Investments, LLC taxable income (realized losses allocated limited to $3,000 for income tax purposes)	$ 5,766	$ 49,898
Rentals from leased commercial property	264,000	264,000
	269,766	313,898
Expenses		
SAI administrative fees	490,393	
Depreciation	136,205	136,141
Other administrative expenses	22,912	21,465
	649,510	157,606
Taxable income (loss)	(379,744)	156,292
Income tax expense	-	16,418
Change in net assets before adjustment to fair value of investment in Shee Atiká Investments, LLC	(379,744)	139,874
Adjustment to fair value of investment in Shee Atiká Investments, LLC	16,833	(26,291)
Change in net assets	**$ (362,911)**	**$ 113,583**

See Notes to Financial Statements

SHEE ATIKÁ BENEFITS TRUST

STATEMENTS OF CHANGES IN NET ASSETS - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Change in net assets	$ (362,911)	$ 113,583
Transfer of cash from Shee Atiká, Incorporated	250,000	268,000
Distributions to unit holders		
Scholarships	(391,697)	(433,994)
Funeral benefits	(61,622)	(52,195)
Total distributions	(453,319)	(486,189)
Total decrease in net assets	**(566,230)**	**(104,606)**
Net assets, beginning of year	3,806,710	3,911,316
Net assets, end of year	$ 3,240,480	$ 3,806,710

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 SABT 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 are issued to SAI's shareholders in direct proportion to their shares of SAI 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 SAI nonvoting common stock. The trust units are not generally transferable. At December 31, 2012, there were 185,200 trust units (of which 180,644 were Class A and 4,556 were Class B) held by approximately 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 (the next modification date is 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.

Due to anticipated future distributions to be made by SABT, SAI transferred $250,000 and $268,000 to

SABT in 2012 and 2011, respectively, and is considering future transfers to SABT at similar dollar amounts over the next few years.

A wholly-owned subsidiary of SAI, Shee Atiká Management, LLC ("SAM"), has an operating lease with SABT for the Shee Atiká Totem Square Inn. All rental revenue in both 2012 and 2011 was from SAM.

SAI provides administrative services to SABT. In 2012, SAI charged administrative fees of $490,393 to SABT. There were no such fees charged in 2011.

BASIS OF ACCOUNTING

SABT's policy is to prepare its financial statements on the income tax basis of accounting, except that it recognizes its investment in Shee Atiká Investments, LLC ("SAIL") at fair 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).

INVESTMENT IN SHEE ATIKÁ INVESTMENTS, LLC

The investment in SAIL is stated at fair value and 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. Accordingly, SAIL's investments are stated at fair value based on quoted market prices on active exchanges (Level 1 inputs in the fair value hierarchy discussed below). Investments account for approximately 85% of total assets of SAIL. For all of SAIL's other assets (there are no liabilities), carrying value is equal to fair value. As a result, net assets of SAIL are stated at fair value. SAIL's investments are subject to various market, liquidity, and credit risks. The difference between cost and the fair value of the investment in SAIL at year-end represents unrealized appreciation or depreciation on the investment. There are no restrictions on redemptions from SAIL.

LEASED COMMERCIAL PROPERTY

The leased commercial property is located in Sitka, Alaska, and is stated at cost. Depreciation is provided on a tax method referred to as the MACRS method, and is recognized over the estimated useful lives of the assets.

Revenue from the rental of leased commercial property is recognized as received.

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. Occasionally, SABT has cash balances in excess of government sponsored insurance limits.

FAIR VALUE MEASUREMENTS

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

The investment in SAIL is the only asset or liability of SABT which is measured at fair value on a recurring basis. Fair value of the investment in SAIL is determined using Level 3 inputs within the fair value hierarchy as SAIL is privately held and not traded on an active market, although a substantial portion of its assets are traded on active markets.

INCOME TAXES

SABT has elected to be taxed at a rate of 10% on taxable income (no tax on certain dividends received) as defined in the Internal Revenue Code ("IRC"). SABT cannot carry non-capital taxable losses back to previous years or forward to future years to offset taxable income. SABT can carry capital losses realized on sales of investments forward to future years to offset capital gains (capital losses cannot be carried back to previous years). At December 31, 2012, SABT had approximately $165,000 in capital loss carryforwards available which can be used to offset future capital gains.

Because SAIL is a limited liability company, SABT's share of its taxable income or loss is passed through to SABT. Also, certain partnerships and similar investments held by SAIL can require SABT to pay state income taxes. These taxes were not significant in either 2012 or 2011.

Tax years 2009 through 2012 are open to examination by federal tax authorities.

USE OF ESTIMATES

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

SUBSEQUENT EVENTS

SABT has evaluated subsequent events through the date these financial statements were available to be issued, which is the same date as the independent auditors' report.

INVESTMENT IN SAIL

2 SAI formed 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 investment 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 is as follows:

	2012	2011
Investments, at fair value	$ 48,750,426	$ 45,717,157
Cash and cash equivalents	3,028,461	3,210,369
Other assets	3,846,677	5,914,122
Members' equity	55,625,564	54,841,648
Revenue, including adjustments to fair value of investments	5,868,228	1,498,364
Net income	4,036,626	1,328,972

Activity related to SABT's investment in SAIL for 2012 and 2011 is summarized as follows:

Balance, December 31, 2010	$ 1,163,649
Share in taxable income	49,898
Adjustment to fair value	(26,291)
Other	7
Balance, December 31, 2011	1,187,263
Share in taxable income	5,766
Adjustment to fair value	16,833
Distributions	(490,390)
Other	3,504
Balance, December 31, 2012	$ 722,976

SABT's ownership interest in SAIL was 0.65% and 1.78% of SAIL's total equity at December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, SABT and SAFE are the only members of SAIL.

3 LEASED COMMERCIAL PROPERTY

Leased commercial property consists of the following at December 31:

	2012	2011
Building and improvements	$ 1,370,496	$ 1,370,496
Furniture and equipment	317,764	317,764
Land	1,429,000	1,429,000
	3,117,260	3,117,260
Less: accumulated depreciation	(654,061)	(517,855)
	$ 2,463,199	$ 2,599,405

As noted previously, SABT leases the Shee Atiká Totem Square Inn and all property located at or used in conjunction with the property to SAM. The lease is payable in monthly installments of $22,000 until September 30, 2013.

INDEPENDENT AUDITOR'S REPORT

petersonsullivan LLP

Certified Public Accountants
& Advisors

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

We have audited the accompanying financial statements of Shee Atiká Investments, LLC ("SAIL"), which comprise the statements of assets and members' equity as of December 31, 2012 and 2011, and the related statements of revenue and expenses and changes in members' equity (all on the modified income tax basis) for the years then ended, and the related notes to the financial statements.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified income tax basis; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and members' equity of Shee Atiká Investments, LLC as of December 31, 2012 and 2011, and its revenue and expenses and changes in members' equity for the years then ended, on the modified income tax basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of accounting SAIL uses for income tax purposes, except that it adjusts its investment portfolio to fair value (investments are valued at cost on the basis of accounting SAIL uses for income tax purposes). This is referred to as "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 SAIL's members and their 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. Our opinion is not modified with respect to this matter.

Peterson Sullivan LLP

Seattle, Washington
March 26, 2013

STATEMENTS OF ASSETS AND MEMBERS' EQUITY – MODIFIED INCOME TAX BASIS

December 31, 2012 and 2011

ASSETS	2012	2011
Investments, at fair value	$ 48,750,426	$ 45,717,157
Cash and cash equivalents	3,028,461	3,210,369
Loan receivable from Shee Atiká, Incorporated	3,689,798	5,786,837
Dividends receivable	144,735	115,141
Other	12,144	12,144
Total assets	$ 55,625,564	$ 54,841,648
MEMBERS' EQUITY		
Members' equity	$ 55,625,564	$ 54,841,648

STATEMENTS OF REVENUE AND EXPENSES – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Revenue		
Interest	$ 94,643	$ 400,046
Dividends	2,425,901	2,747,372
Net realized gains (losses) on sales of investments	744,426	(250,050)
Total revenue	3,264,970	2,897,368
Expenses		
Professional fees	1,297,650	33,892
SAI administrative fees	403,560	
Investment management and custodian fees	123,399	131,751
Other expenses	6,993	3,749
Total expenses	1,831,602	169,392
Taxable income	1,433,368	2,727,976
Adjustment to fair value of investments	2,603,258	(1,399,004)
Net income	**$ 4,036,626**	**$ 1,328,972**

STATEMENTS OF CHANGES IN MEMBERS' EQUITY – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2012 and 2011

Balance, December 31, 2010	$ 55,722,676
Net income	1,328,972
Distributions	(2,210,000)
Balance, December 31, 2011	54,841,648
Net income	4,036,626
Distributions	(3,252,710)
Balance, December 31, 2012	$ 55,625,564

See Notes to Financial Statements

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. 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. These three entities have been the only members of SAIL. During 2005, SAIL reacquired all of SAI's interest, leaving SAFE and SABT as the remaining members. The members believe that pooling of investments at SAIL permits greater diversification, thereby reducing risk and enhancing returns. SAI's Board of Directors, the trustees of SAFE and SABT, and SAIL's Board of Directors consist of all the same people. Members' liability is limited to the amount of each member's investment in SAIL. SAIL is scheduled to terminate December 31, 2023.

SAI provides administrative services to SAIL. In 2012, SAI charged administrative fees of $403,560 to SAIL. There were no such fees charged in 2011.

Also, in 2012, SAI compiled legal and other costs it incurred and paid on behalf of SAIL for 2012 and prior years and determined that it would charge these costs to SAIL. The total amount charged to SAIL was $1,185,479 in 2012, which is included in professional fees on the statement of revenue and expenses – modified income tax basis for 2012.

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 fair 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.

FAIR VALUE MEASUREMENTS

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

INVESTMENTS, AT FAIR VALUE

Investments are stated at fair value based on the following:

- Investments in mutual funds are carried at current market prices on active exchanges on the last trading day of the year (Level 1 inputs in aforementioned fair value hierarchy). These investment securities are traded on various United States exchanges and are subject to the market volatility in those exchanges.

- Investments in real estate investment trusts are carried at a value determined by the entity managing the investment because no formal organized trading market exists for these securities (Level 3 inputs in aforementioned fair value hierarchy). The value of the investments reflects SAIL's proportionate interest in the net assets of the investment. 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. Liquidity for these investments may be impaired under certain market conditions.

The difference between cost and fair value of securities held at year-end represents unrealized appreciation or depreciation on investments. Realized gains and losses from securities transactions are determined on the basis of the cost of the specific securities sold and are recorded on the trade date.

The following is a reconciliation of investments valued using Level 3 inputs (investment in a real estate investment trust) for which significant unobservable inputs were used in determining fair value. SAIL's only investment valued using Level 3 inputs was sold in 2011.

Balance, December 31, 2010	$ 806,465
Sales	(806,442)
Other	(12,152)
Change in fair value	12,129
Balance, December 31, 2011	$ -

NCOME 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. Tax years 2009 through 2012 are open to examination by federal tax authorities.

USE OF ESTIMATES

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

SUBSEQUENT EVENTS

SAIL has evaluated subsequent events through the date these financial statements were available to be issued, which is the same date as the independent auditors' report.

2 INVESTMENTS

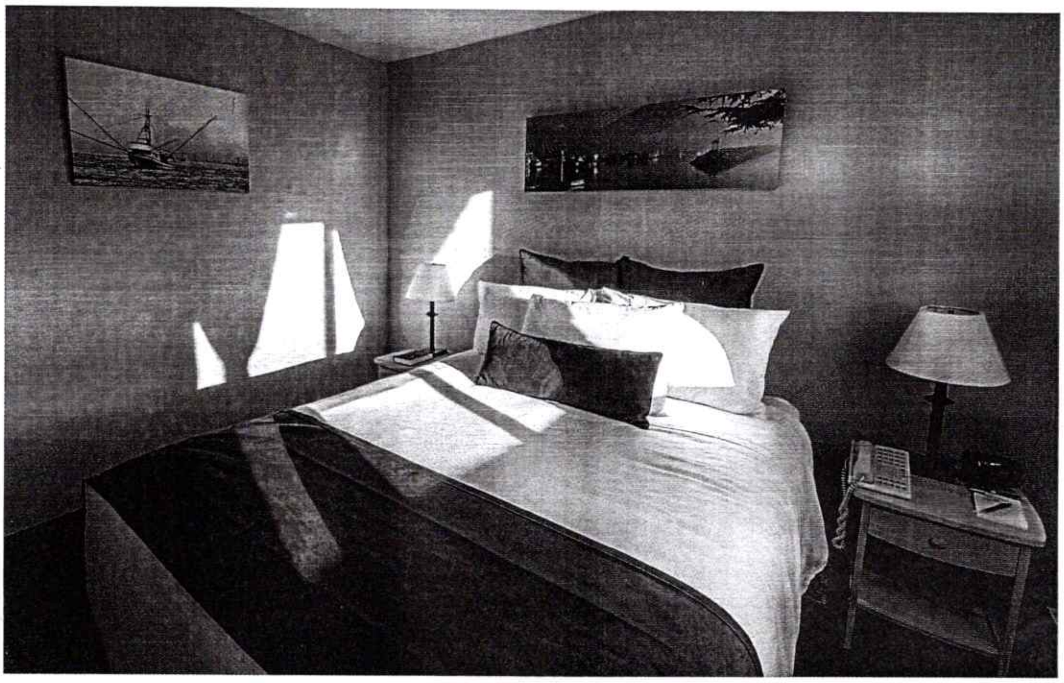
Investments are summarized as follows at December 31:

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
Mutual funds:				
World Bond Funds				
Pimco All Asset Fund	$ 7,289,018	$ 7,427,193	$ 9,167,611	$ 9,949,998
Templeton Global Bond Fund	3,097,539	3,068,173	2,835,442	3,028,840
Pimco Global Bond Fund	1,919,008	1,995,783	1,925,946	1,995,044
Pimco Foreign Bond Fund	1,889,887	1,995,974	1,889,939	1,996,026
Prudential Total Global Return Fund	2,018,395	1,993,255	1,853,209	1,992,874
Intermediate-term Bond Funds				
Pimco Total Return Bond Fund	6,295,147	5,926,471	5,943,204	5,775,866
TCW Total Return Bond Fund	3,204,183	3,103,721	3,001,781	3,103,722
Fidelity Spartan Intermediate Term Bond Fund	2,314,927	2,124,362	2,284,241	2,054,204
TCW Core Fixed Income Bond Fund	2,238,709	2,091,553	2,137,273	2,069,055
Metropolitan West Total Return Bond Fund			2,090,771	2,047,238
Doubleline Total Return Bond Fund	2,018,557	1,989,909	1,958,977	1,984,044
Pimco Investment Grade Corporate Bond Fund	2,187,224	2,151,696		
Emerging Markets Bond Funds				
Eaton Vance Emerging Markets Fund	3,830,296	3,977,884	3,528,328	3,974,875
TCW Emerging Markets Bond Fund	2,390,788	2,084,713	2,066,032	2,037,701
High Yield Bond Fund				
Metropolitan West High Yield Bond Fund	2,052,198	2,039,278	1,922,158	2,027,470
Multisector Bond Fund				
Pimco Income Fund	3,545,965	2,984,006	3,111,528	2,984,727
Short-term Government Securities Fund				
Victory Fund for Income Fund	2,458,113	2,500,000		
Other	472	435	717	667
	$ 48,750,426	$ 47,454,406	$ 45,717,157	$ 47,022,351

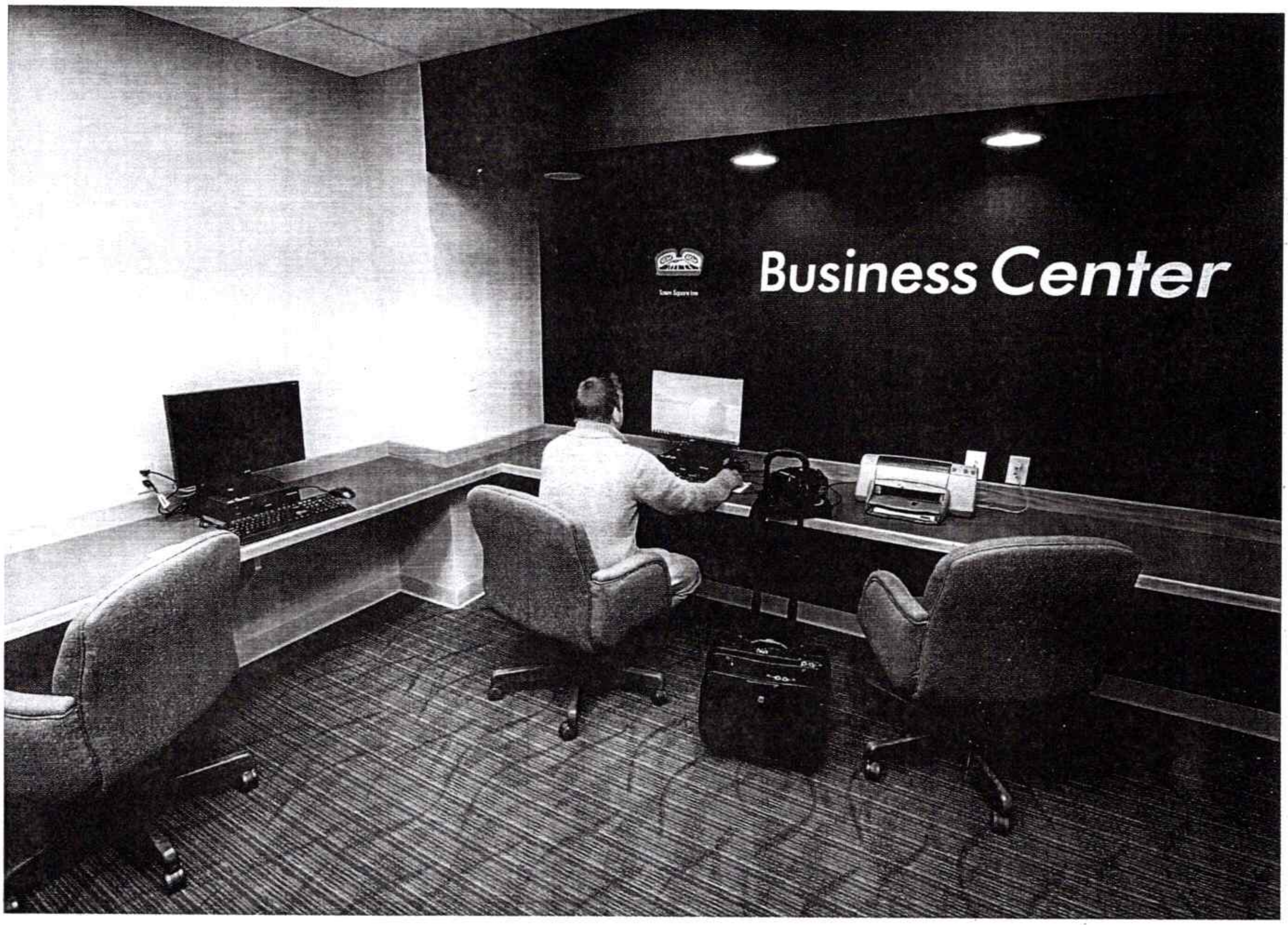
SAIL pays custodial fees to U.S. Bank at a varying annual rate that averages 0.05% of SAIL's average daily net assets at market value, and $7.50 for each security transaction. SAIL pays management fees to certain of its investment managers computed at an annual rate varying from .068% to 1.00% of SAIL's average daily net assets under their management (based on market value).

3 LOAN RECEIVABLE FROM SAI

SAIL has provided a $5,000,000 loan to SAI. The loan bears interest at 4% and is due in full December 31, 2014. The loan is secured by a first position security interest in SAI's ownership of Shee Atiká Holdings Alice Island, LLC and a first position security interest in approximately 3,000 acres of land owned by SAI at Katlian Bay, Alaska. During the year ended December 31, 2012, the balance owing under this loan was reduced in part by the legal and other costs paid by SAI on behalf of SAIL discussed in Note 1. At December 31, 2012 and 2011, the loan balance includes $94,615 and $786,837 of accrued interest, respectively.



Refurbished guest room, Totem Square Inn



Business Center for guest use, Totem Square Inn

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), are: Shee Atiká Management (SAM) and Shee Atiká Commercial Services (SACS).

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.

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.

Non-controlling interest — Non-controlling interests represent the portion of the financial activity attributable to minority owners of a business. Usually, the 8(a) Companies have non-controlling interests that are highlighted when these companies are combined with their parent company (in this case, Shee Atiká, Incorporated).

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.

Unrealized gain or loss — These represent gains or losses in investments that are still owned. The gains or losses are not "realized" until the investment is sold.

SHEE ATIKÁ
Incorporated
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