



2015 ANNUAL REPORT



**SHEE ATIKÁ**  
*Incorporated*  
 And Affiliates

2015 ANNUAL REPORTS OF  
 SHEE ATIKÁ INCORPORATED • SHEE ATIKÁ FUND ENDOWMENT  
 SHEE ATIKÁ BENEFITS TRUST • SHEE ATIKÁ INVESTMENTS, LLC

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Sitka photos by Dan Evans  
 Portraits by Stephanie Lambdin



## SHEE ATIKÁ 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; Joshua Horan, Secretary

### Middle Row

Faleene Worrell, Treasurer; Heath Barger, Director; Gillian Havrilla, Director

### Bottom Row

Francine Eddy Jones, Director; Lori Stedman, Director; Shirley Yocum, Director

## LETTER FROM THE VICE-CHAIRMAN

Greetings fellow shareholders:

This letter provides your annual update, however your board wants to remind all shareholders that our corporate website [sheeatika.com](http://sheeatika.com) is your source for updated news and information throughout the year. In addition we email an electronic newsletter to our shareholders. If you have an email address and do not currently receive our newsletter, please email [newsletter@sheeatika.com](mailto:newsletter@sheeatika.com) to sign up.

We are proud of the Shee Atiká scholarship program and the benefits provided to our shareholders. This program remains highly utilized by our shareholders. Since 1990, over \$5.48 million has been paid out. Our 2015 educational benefits totaled just under \$200,000, to 139 shareholders including: 81 undergraduate students, 9 graduate students, 9 short term training awards, 20 cultural and heritage and 20 youth scholarships.

As you know, there is one academic deadline per year (the second Friday of every March) and scholarships are available to Class A shareholders seeking to become full or part-time undergraduate, graduate, vocational/technical or cultural & heritage students with a maximum award of \$2,400 annually. Short term training and short term cultural & heritage scholarships are also available and can be applied for at anytime. Applications are available at [sheeatika.com](http://sheeatika.com) or by contacting the Shee Atiká office at (800) 478-3534.

As we approach the 2016 annual meeting we encourage all shareholders to vote. You will again have the choice to submit either an electronic proxy at [www.sheeatikavote.com](http://www.sheeatikavote.com) or paper proxy. Shareholders whose proxy is received by the Inspector of Elections prior to the Early Bird Deadline of May 4, 2016 (either by paper or electronically) will be eligible for the Early Bird Prizes. In addition, all shareholders who submit an electronic proxy prior to the proxy deadline of 5 pm Alaska time on May 11, 2016 will be eligible for the Electronic Proxy Prizes. We encourage you to submit your proxy early and electronically (by May 4, 2016) so you will be eligible for both prize drawings. Your

vote is your voice and every vote matters, so regardless of the number of shares you hold, please vote.

If you do not have access to a computer or smart phone to submit an electronic proxy you may find computers with internet access available at your local library. For



shareholders in Sitka, there will be a computer available at the corporate office at 300 Lincoln St., Suite 300 during office hours that shareholders may use to submit an electronic proxy until the proxy deadline of May 11, 2016.

Finally, I would like to remind shareholders to complete and/or update your testamentary. The testamentary is the "will" for your Shee Atiká share(s). This is your opportunity to designate who you want to receive your share(s) upon your death. If you do not have a testamentary on file, the corporation must distribute your share(s) in accordance with Alaska state law. A testamentary packet is available on the

[sheeatika.com](http://sheeatika.com) website or by emailing the office at [info@sheeatika.com](mailto:info@sheeatika.com). You can also call the office at (907) 747-3534 or (800) 478-3534 for assistance. Please take the time to ensure you have an updated testamentary on file to ensure your share(s) are distributed as you designate.

On behalf of your Board, we thank you for the opportunity to serve you and appreciate your continued support of our corporation. We hope to see you at the Shee'ká Kwaan Náa Kahidi (Community House) in Sitka on Saturday, May 14, 2016 at 9:00 a.m. Please remember to submit your proxy early and if you are able, we encourage you to submit your proxy electronically.

Warm Regards,

Pamela Steffes  
Vice-Chairman

## LETTER FROM THE PRESIDENT/CEO

Dear fellow shareholders:

I am pleased as your President/CEO to report to you concerning Shee Atiká's operations in 2015, which was noteworthy for several reasons.

First, 2015 saw the completion of our last sale of property within the Ethel Staton Subdivision on Alice Island. Shee Atiká's efforts to subdivide this land for residential development began almost a decade ago when electrical and other utilities were installed in the Alice Loop Roadway. Over the years, the sales of these lots have brought in over \$2 million into our corporation. This \$2 million was used to pay down the loan that Shee Atiká Investments, LLC made to Shee Atiká in 2009 to help provide financing for the development.



Second, in addition to the Ethel Staton Subdivision, we have other land on Alice Island, and we are well on our way to completing the successful subdivision and sale of

this other land as well. In 2015 we completed the sale of the remaining lands within the Sealing Cove Subdivision (which lies on the north side of Alice Island adjacent to Sealing Cove) and also created the William Paul Subdivision. The William Paul Subdivision has five lots and lies on the southwestern portion of Alice Island. In early 2016, we completed the first sale of a lot in the William Paul Subdivision and the other lots are listed for sale. Our present plan is to subdivide our remaining lands on Alice Island over time.

Third, our efforts continued in 2015 to support the State's construction of a "road to recreation" in the Katlian Bay area north of Sitka. The Katlian Bay road will be built, maintained and owned by the State of Alaska using public

funds. The Katlian Bay road project is intended to connect public lands that lie between Sitka and Shee Atiká's Katlian Bay property, cross Shee Atiká's lands,

and then reconnect with public lands on the east side of our property. This road is considered a road to recreational resources for subsistence, hunting, fishing, camping, and hiking, all on public lands. Shee Atiká owns 3,000 acres in the Katlian Bay area and Sealaska owns the subsurface of Shee Atiká's lands. The road will permit natural resource extraction from both Shee Atiká's and Sealaska's properties and the State's roadway is of considerable importance to us and to the Sitka community.

Fourth, 2015 marked the first time that Shee Atiká has been able to fully lease all of its Sitka area commercial property to tenants. In the commercial leasing industry, 85% leasing is considered a benchmark, so 100% leasing is a significant achievement. Among our new tenants in 2015 in the Alice School Building on Alice Island are the City of Sitka, the Filipino Church and the Sitka Historical Society. Leases expire in 2016 for both the Transportation Security Administration and AT&T/Alascom, and we are working on new leases with these tenants as well.

Fifth, Shee Atiká continues to actively pursue new business opportunities. One of the areas that we have identified with considerable potential is to provide accounting and bookkeeping services throughout

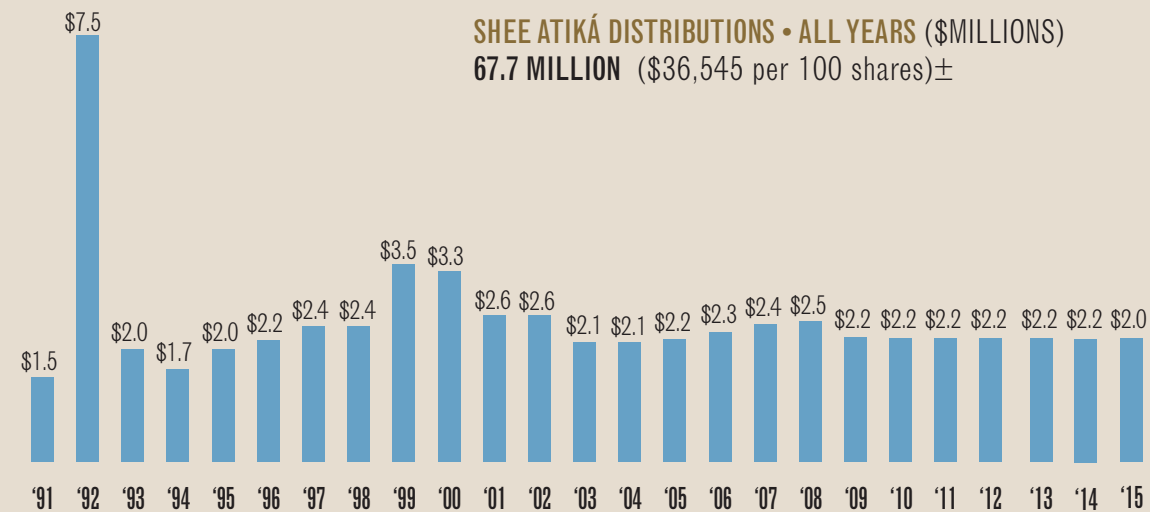
Alaska. On October 1, 2015, we opened a new wholly owned subsidiary to provide these services known as Balanced Accounting Solutions. Our staff is experienced in various aspects of accounting and bookkeeping, including that related to Government contracting and so far we have four new clients.

Sixth, 2015 was a difficult year in the investment markets, as many of the important indices such as the S&P lost value. It appears that 2016 may also be a very difficult year for the investment markets. We do not know what 2016 will bring, but we continue to monitor our portfolio in an attempt to be better prepared for what may happen.

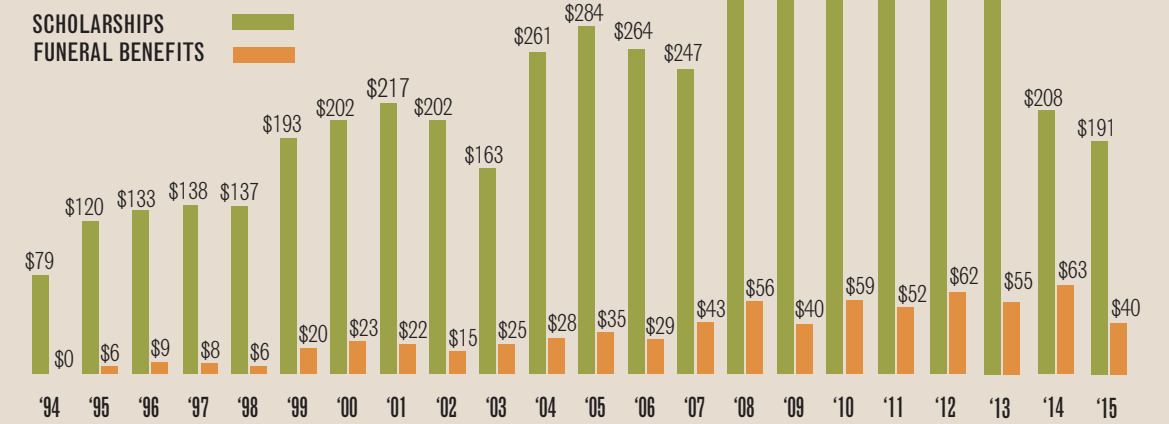
I sincerely appreciate the opportunity to serve as the President/CEO of Shee Atiká, and I look forward to another exciting and productive year in 2016.

Sincerely,

Kenneth M. Cameron  
President/CEO



**SCHOLARSHIPS & FUNERAL BENEFITS • ALL YEARS (\$THOUSANDS)**  
SCHOLARSHIPS - \$5.48 MILLION  
FUNERAL BENEFITS - \$696,000



## SHEE ATIKÁ STAFF



Left to Right:

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

Ptarmica McConnell, Chief Operating Officer

Lauren Estes, Director of Human Resources

Lillian Nielsen Young, Shareholder Services Manager

Haley LaDuke, Accounting Technician

Kevin Mosher, Accounting Technician

Kathy Thomas, Accounting Technician

Ron James, Lead Maintenance Technician

Kori Lindstrom,  
Administrative Coordinator

## CORPORATE INFORMATION

### SENIOR MANAGEMENT

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

Ptarmica McConnell  
Chief Operating Officer

### STAFF

Lauren Burkhart Estes  
Director of Human Resources  
Property Administrator

Lillian Nielsen Young  
Shareholder Services Manager

Haley LaDuke  
Accounting Technician

Kevin Mosher  
Accounting Technician

Kathy Thomas  
Accounting Technician

Kori Lindstrom  
Administrative Coordinator

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

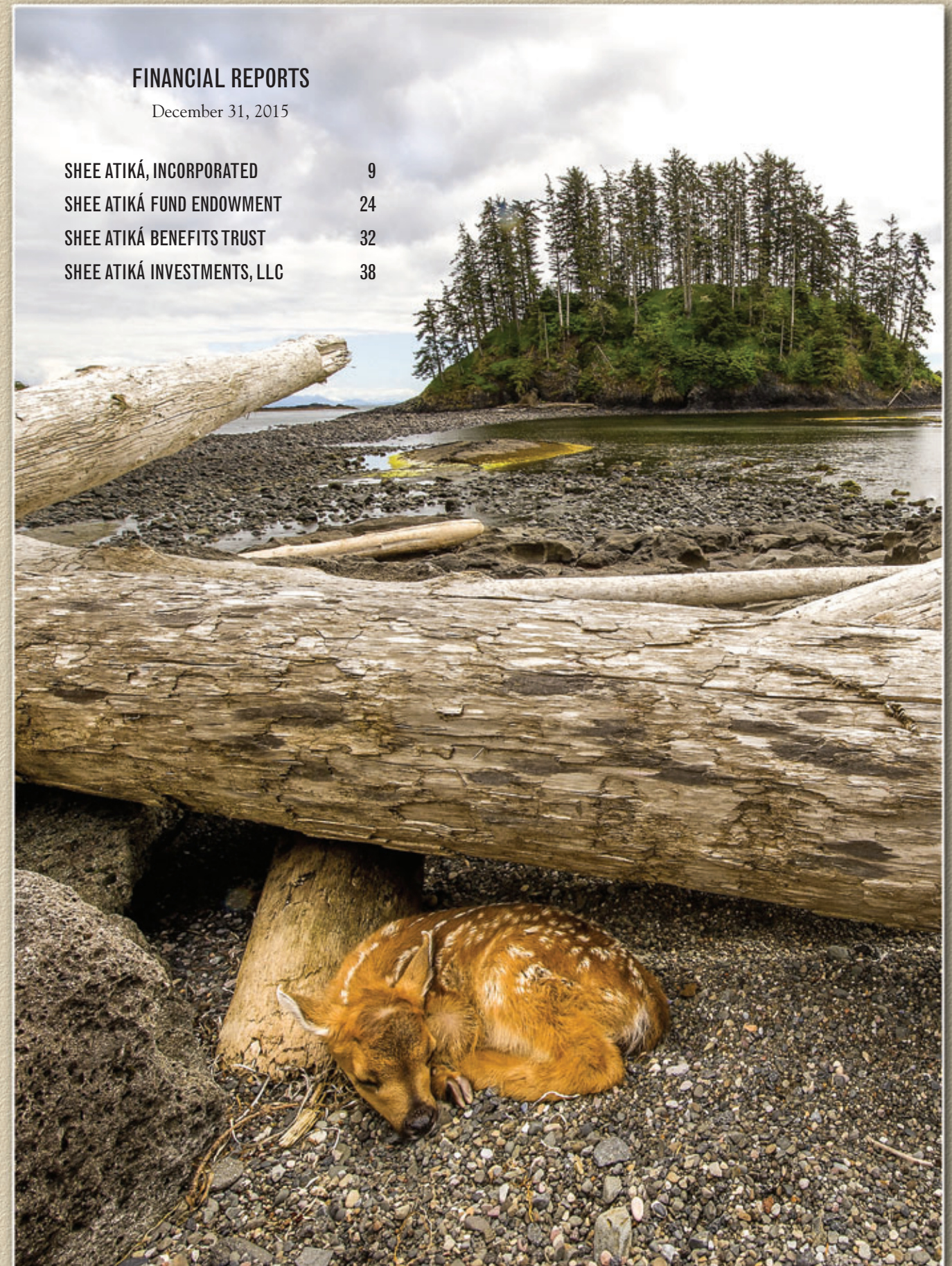
### SHEE ATIKÁ BENEFITS TRUST SCHOLARSHIP COMMITTEE

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

## FINANCIAL REPORTS

December 31, 2015

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## INDEPENDENT AUDITORS' 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, 2015 and 2014, 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 Responsibility 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 audit 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 the entity'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 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 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, 2015 and 2014, 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.*

March 25, 2016

## CONSOLIDATED BALANCE SHEETS

December 31, 2015 and 2014

ASSETS	2015	2014
Current Assets		
Cash and cash equivalents	\$ 1,446,336	\$ 3,991,816
Accounts receivable	8,604	4,954,990
Income tax receivable	100,000	229,000
Prepaid expenses and other	86,665	121,652
Total current assets	1,641,605	9,297,458
Leased Commercial Properties, net	5,615,831	5,547,366
Property and Equipment, net	1,798,753	1,926,959
Cube Cove Property	1,510,000	1,510,000
Deferred Costs Related to Cube Cove Property	2,358,487	1,165,255
Deferred Tax Asset	3,717,000	2,526,000
Total assets	<u>\$ 16,641,676</u>	<u>\$ 21,973,038</u>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 595,967	\$ 734,911
Current portion of long-term debt	59,748	56,097
Total current liabilities	655,715	791,008
Loan Payable to SAIL	803,962	1,080,826
Long-Term Debt, less current portion	808,054	868,149
Total liabilities	2,267,731	2,739,983
Equity		
Shee Atiká, Incorporated shareholders' equity		
Common stock, no par or stated value, authorized 250,000 shares		
Class A, voting, issued and outstanding 180,025 and 180,079 for 2015 and 2014, respectively		
Class B, nonvoting, issued and outstanding 5,175 and 5,121 for 2015 and 2014, respectively		
Contributed capital	5,956,000	5,956,000
Retained earnings	8,172,251	10,425,862
Total Shee Atiká, Incorporated shareholders' equity	14,128,251	16,381,862
Noncontrolling interest	245,694	2,851,193
Total equity	14,373,945	19,233,055
Total liabilities and equity	<u>\$ 16,641,676</u>	<u>\$ 21,973,038</u>

See Notes to Consolidated Financial Statements

## CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2015 and 2014

	2015	2014
Revenue		
Administrative fees from affiliated entities	\$ 1,891,502	\$ 924,343
Sales of developed lots	654,600	687,500
Rentals from leased commercial properties	277,795	258,921
Contracts	183,663	360,000
Other	27,880	51,765
Total revenue	3,035,440	2,282,529
Costs and expenses		
Leased commercial properties	112,905	124,217
Cost of developed lots and direct selling costs	337,646	588,464
Contracts	15,534	
Interest	93,300	217,922
Depreciation and amortization	307,780	226,262
Contributions	11,487	28,350
General and administrative	2,830,322	3,426,980
Other	854	24,326
Total costs and expenses	3,709,828	4,636,521
Loss before SAL receivable write-off and income tax benefit	(674,388)	(2,353,992)
Subsidiary activity: primarily the write-off of SAL receivable generated in prior years	4,948,875	
Loss before income tax benefit	(5,623,263)	(2,353,992)
Income tax benefit	1,191,000	1,726,000
Net loss	(4,432,263)	(627,992)
Net loss (income) attributable to noncontrolling interests	2,409,499	(42,282)
Net loss attributable to Shee Atiká, Incorporated	<u>\$ (2,022,764)</u>	<u>\$ (670,274)</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2015 and 2014

	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, 2013	180,392	4,808	\$5,956,000	\$11,366,828	\$17,322,828	\$2,759,911	\$20,082,739
Distributions to shareholders							
Scholarships				(208,213)	(208,213)		(208,213)
Funeral benefits				(62,479)	(62,479)		(62,479)
Contribution by noncontrolling interest						49,000	49,000
Net income (loss) for the year				(670,274)	(670,274)	42,282	(627,992)
Balances, December 31, 2014	180,392	4,808	5,956,000	10,425,862	16,381,862	2,851,193	19,233,055
Distributions to shareholders							
Scholarships				(191,113)	(191,113)		(191,113)
Funeral benefits				(39,734)	(39,734)		(39,734)
Distributions to noncontrolling interests						(196,000)	(196,000)
Net income (loss) for the year				(2,022,764)	(2,022,764)	(2,409,499)	(4,432,263)
Balances, December 31, 2015	<u>180,392</u>	<u>4,808</u>	<u>\$5,956,000</u>	<u>\$8,172,251</u>	<u>\$14,128,251</u>	<u>\$245,694</u>	<u>\$14,373,945</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Cash received from:		
Administrative and other fees from affiliated entities	\$ 1,891,502	\$ 1,900,263
Sales of developed lots, net of direct costs	613,162	616,699
Rentals from leased commercial properties	277,795	258,454
Contracts	183,663	
Other	27,880	51,765
Cash paid to/for:		
Contractors and suppliers	(1,908,450)	(2,467,524)
Employees	(1,002,018)	(1,013,589)
Interest	(93,300)	(217,922)
Net cash flows from operating activities	(9,766)	(871,854)
Cash Flows from Investing Activities		
Repayment of loan from SABT		327,000
Purchases of property and equipment	(582,327)	(794,061)
Payment for deferred costs capitalized	(1,193,232)	(1,165,255)
Net cash flows from investing activities	(1,775,559)	(1,632,316)
Cash Flows from Financing Activities		
Distributions to shareholders	(230,847)	(270,692)
Payment on loan payable to SAIL	(276,864)	(1,318,289)
Principal repayments on long-term debt	(56,444)	(52,799)
Capital contribution from (distributions to) noncontrolling interest	(196,000)	49,000
Net cash flows from financing activities	(760,155)	(1,592,780)
<b>Net change in cash and cash equivalents</b>	<b>(2,545,480)</b>	<b>(4,096,950)</b>
Cash and cash equivalents, beginning of year	3,991,816	8,088,766
Cash and cash equivalents, end of year	\$ 1,446,336	\$ 3,991,816
Reconciliation of net loss to net cash flows from operating activities:		
Net loss	\$ (4,432,263)	\$ (627,992)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	307,780	226,262
Cost of developed lots sold	296,208	517,663
Write-off of SAL receivable generated in prior years	4,948,875	
Deferred income tax benefit	(1,191,000)	(1,726,000)
Other	38,080	21,485
Changes in operating assets and liabilities		
Accounts receivable	126,511	(2,938)
Administrative fees receivable from Trusts		975,920
Prepaid expenses and other assets	34,987	78,331
Accounts payable and accrued expenses	(138,944)	(334,585)
Net cash flows from operating activities	\$ (9,766)	\$ (871,854)

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 that 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 property located on Admiralty Island ("the Cube Cove property"), 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 3,300 shareholders.

Shee Atiká is in the process of selling certain developed lots located on Alice Island. Shee Atiká also leases commercial properties it owns, which are located in Sitka, Alaska.

In prior years, Shee Atiká's primary operations have been providing services (primarily linguistics services) under contracts with the United States Government. These services were provided by Shee Atiká's majority-owned subsidiaries that received certification under the U.S. Small Business Administration's 8(a) Business Development Program ("Section 8(a)"). This certification gives entities preference in obtaining contracts with the United States Government. Shee Atiká did not have any active service contracts during the years ended December 31, 2015 and 2014, but is currently seeking new contracts.

The sale of developed lots is subject to geographic risks (all are located in Sitka). Commercial leasing operations are also subject to geographic risks (all activities are also in Sitka) as well as the financial viability of the lessees. Shee Atiká's service contract activities are subject to competitive factors, program continuation, and appropriate contract management.

**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 Commercial Services LLC (majority-owned; indefinite life; related entity owns the minority interest - SAFE)
- Shee Atiká Enterprises, LLC (majority-owned; indefinite life; related entity owns the minority interest - SAFE)
- 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)
- Shee Atiká Languages LLC (majority-owned; dissolved in 2012; see discussion below on current status)

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. All references to SAL in these consolidated financial statements refer to Shee Atiká Languages LLC or the Liquidating Trust.



**USE OF ESTIMATES**

The preparation of consolidated 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 consolidated 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.

**PROPERTY AND EQUIPMENT/LEASED COMMERCIAL PROPERTIES/CUBE COVE PROPERTY**

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 from the sales of developed lots is recognized when the sales close (and adequate funding has been received) and title has passed to the purchaser. 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.

Five customers accounted for 84% and 89% of total rental revenue from leased commercial properties in 2015 and 2014, respectively.

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.

**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.

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, 2015 and 2014. The last three tax years remain open to examination by state and federal authorities.

**RECLASSIFICATIONS**

Certain amounts in the 2014 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 March 25, 2016.

**2 ACCOUNTS RECEIVABLE**

In prior years, Shee Atiká provided a significant amount of services to the United States Government through SAL. Services were provided with SAL acting as either a prime contractor or as a subcontractor. As December 31, 2014, almost all of the accounts receivable balance was owed to SAL by a company that was a prime contractor with the United States Government, and SAL was the subcontractor.

SAL and the prime contractor have disputed amounts due to SAL by the prime contractor since 2010, and in 2013, SAL filed a lawsuit against the prime contractor demanding, among other things, that SAL be paid amounts due. SAL did not win this lawsuit (including an appeal in 2015), and in 2015, SAL wrote off the amounts due from the prime contractor. In essence, Shee Atiká is taking a loss of about \$5,000,000 on the write-off of the receivable. The receivable was generated over five years ago (when SAL was profitable), but the write-off of the receivable was not recognized until 2015.

Of the total receivable write off, 49% is allocated to SAL's minority owner and 51% is allocated to Shee Atiká. The portion of the write-off recognized by Shee Atiká is in part offset by an increase in its new operating tax loss (through an increase in the deferred tax asset).

**3 CUBE COVE PROPERTY AND DEFERRED COSTS RELATED TO CUBE COVE PROPERTY**

The Cube Cove property recorded on the consolidated balance sheets as of December 31, 2015 and 2014, relates to land on Admiralty Island. For several years, Shee Atiká has been in negotiations with the United States Forest Service ("USFS") to sell a portion or all of this land to remedy the flaws in Shee Atiká's ANCSA conveyance. In relation to the efforts to sell the land to the USFS, Shee Atiká has incurred significant legal and other professional fees that are direct and incremental to the transaction. These costs amounted to \$2,358,487 and \$1,165,255 as of December 31, 2015 and 2014, respectively, and have been capitalized and are included in deferred costs related to Cube Cove property on the consolidated balance sheets.



#### 4 LEASED COMMERCIAL PROPERTIES

Leased commercial properties consist of properties that are held for lease and consists of the following at December 31:

	2015	2014
Buildings	\$ 6,103,304	\$ 5,804,020
Leasehold improvements	588,411	423,892
	<u>6,691,715</u>	<u>6,227,912</u>
Less: accumulated depreciation and amortization	(1,992,092)	(1,709,758)
	4,699,623	4,518,154
Land	916,208	990,924
Construction in progress		38,288
	<u>\$ 5,615,831</u>	<u>\$ 5,547,366</u>

Depreciation expense for leased commercial properties amounted to \$282,335 and \$198,376 in 2015 and 2014, respectively.

The leased commercial buildings are leased under various operating leases expiring in various years through 2022. The approximate minimum future lease payments to be received on noncancelable operating leases for years ending December 31 are as follows:

2016	\$ 316,364
2017	264,829
2018	228,242
2019	169,937
2020	105,859
Thereafter	115,592
	<u>\$ 1,200,823</u>

#### 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2015	2014
Furniture and equipment	\$ 518,683	\$ 506,012
Other	208,893	208,893
	<u>727,576</u>	<u>714,905</u>
Less: accumulated depreciation	(615,580)	(590,135)
	111,996	124,770
Land	1,686,757	1,802,189
	<u>\$ 1,798,753</u>	<u>\$ 1,926,959</u>

Depreciation expense for property and equipment amounted to \$25,445 and \$27,886 in 2015 and 2014, respectively.

Most of the land included above represents the Alice Island property (amounting to \$1,311,700 and \$1,427,200 at December 31, 2015 and 2014, respectively). Some of this property is in the process of being developed for eventual sale.

#### 6 LOAN PAYABLE TO SAIL

Shee Atiká has a loan arrangement with an affiliate, Shee Atiká Investments, LLC ("SAIL"), that bears interest at 4% and is due in full December 31, 2018. The loan 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. The balance due at December 31, 2015 and 2014, is \$803,962 and \$1,080,826, respectively.

#### 7 LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	2015	2014
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	\$ 867,802	\$ 924,246
Less: current portion	(59,748)	(56,097)
	<u>\$ 808,054</u>	<u>\$ 868,149</u>

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

2016	\$ 59,748
2017	64,307
2018	68,675
2019	73,340
2020	78,210
Thereafter	523,522
	<u>\$ 867,802</u>

## 8 INCOME TAXES

Income taxes for the years ended December 31, 2015 and 2014, consists of:

	2015	2014
Current expense	\$ -	\$ -
Deferred benefit	1,191,000	1,726,000
Income tax benefit	<u>\$ 1,191,000</u>	<u>\$ 1,726,000</u>

Shee Atiká's effective tax rate differs from statutory rates for 2015 and 2014. For 2015, this is primarily due to \$2,409,499 of the net loss which was allocated to noncontrolling interests as reported on the consolidated statement of operations. For 2014, this was due to the change in the valuation allowance on the net deferred tax assets. No income taxes were paid in 2015 or 2014.

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

	2015	2014
Deferred tax assets:		
Net operating loss	\$ 3,454,000	\$ 2,266,000
Alternative minimum tax credit carryforwards	174,000	174,000
Accrued compensation	132,000	123,000
Capital loss carryforwards	68,000	68,000
Excess of tax basis in buildings and equipment	14,000	28,000
Other	49,000	45,000
	<u>3,891,000</u>	<u>2,704,000</u>
Deferred tax liabilities:		
Excess of book basis in prepaid expenses and deferred costs	174,000	178,000
Net deferred tax asset	<u>\$ 3,717,000</u>	<u>\$ 2,526,000</u>

As of December 31, 2015, Shee Atiká has Federal net operating tax loss carryforwards and alternative minimum tax credit carryforwards of approximately \$9,335,000 and \$174,000, respectively. The net operating tax loss carryforwards expire in 2032 to 2035. 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 (primarily related to anticipated gains resulting from the sale of any Cube Cove property), a valuation allowance was not considered necessary as of December 31, 2015 or 2014. The change in the valuation allowance was a decrease of \$1,192,000 for 2014. There was no change in the valuation allowance for 2015.

## 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 \$50.8 million and \$54.9 million at December 31, 2015 and 2014, respectively.

The second settlement 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 will require additional funding. Shee Atiká loaned funds to SABT of \$327,000 in 2013 which were repaid in full in 2014. SABT has net assets of approximately \$27,000 and \$37,000 at December 31, 2015 and 2014, respectively. In November 2013, the Board of Directors of Shee Atiká decided that beginning January 1, 2014, scholarship and funeral benefits will be distributed by Shee Atiká instead of SABT. The Board of Directors of Shee Atiká is determining the future of SABT.

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, 2015 and 2014, are as follows:

- 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 2018.
- As discussed in Note 9, in 2013 Shee Atiká loaned SABT \$327,000, which was paid in full in 2014.
- Shee Atiká provides administrative services to SAFE, SABT, and SAIL. In 2015 and 2014, Shee Atiká charged administrative fees of \$1,891,502 and \$924,343, respectively, to these three entities.

## 11 401(K) PLAN

Shee Atiká sponsors a 401(k) plan for the benefit of its employees. In general, employees are eligible to participate in the plan after reaching age 21 and after being with Shee Atiká for at least 6 months. Employer contributions made totaled \$29,061 and \$30,710 in 2015 and 2014, respectively.



## INDEPENDENT AUDITORS' 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, 2015 and 2014, and our report thereon dated March 25, 2016, which contains an unmodified opinion on those consolidated financial statements, appears on page 9. 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 22 and 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.*

March 25, 2016

## SUPPLEMENTAL CONSOLIDATING BALANCE SHEET December 31, 2015

ASSETS	Total	Consolidating Entries	Shee Atiká Incorporated	Shee Atiká Holdings Alice Island LLC	Shee Atiká Holdings Lincoln St. LLC	Shee Atiká Languages LLC	Shee Atiká Commercial Services LLC	Shee Atiká Management LLC	Shee Atiká Enterprises LLC
<b>Current Assets</b>									
Cash and cash equivalents	\$ 1,446,336	\$ -	\$ 952,434	\$ 33,662	\$ 27,941	\$ 346,986	\$ 1,282	\$ 2,636	\$ 81,395
Accounts receivable	8,604	(27,078)	29,547	(4,589)	(1,560)	11,315			969
Income tax receivable	100,000		100,000						
Prepaid expenses and other	86,665		74,611	2,174	7,973				1,907
Total current assets	1,641,605	(27,078)	1,156,592	31,247	34,354	358,301	1,282	2,636	84,271
Leased Commercial Properties, net	5,615,831		464,822	2,028,107	3,122,902				
Property and Equipment, net	1,798,753		486,985	1,311,768					
Cube Cove Property	1,510,000		1,510,000						
Deferred Costs Related to Cube Cove Property	2,358,487		2,358,487						
Deferred Tax Asset	3,717,000		3,717,000						
Due from (to) related company			(536,208)	1,174,131	(352,049)		(684)	(285,190)	
Equity in Subsidiaries		(9,297,513)	9,297,513						
Total assets	\$ 16,641,676	\$ (9,324,591)	\$ 18,455,191	\$ 4,545,253	\$ 2,805,207	\$ 358,301	\$ 598	\$ (282,554)	\$ 84,271
<b>LIABILITIES AND EQUITY</b>									
<b>Current Liabilities</b>									
Accounts payable and accrued expenses	\$ 595,967	\$ (27,078)	\$ 572,105	\$ 10,323	\$ 12,892	\$ 27,078	\$ -	\$ -	\$ 647
Current portion of long-term debt	59,748				59,748				
Total current liabilities	655,715	(27,078)	572,105	10,323	72,640	27,078			647
Loan Payable to SAIL	803,962		803,962						
Long-Term Debt, less current portion	808,054				808,054				
Total liabilities	2,267,731	(27,078)	1,376,067	10,323	880,694	27,078			647
<b>Equity</b>									
Shee Atiká, Incorporated shareholders' equity									
Contributed capital	5,956,000	(7,231,151)	5,956,000	4,763,316	1,971,968	184,620	51,000	209,247	51,000
Retained earnings (deficit)	8,172,251	(2,066,362)	11,123,124	(228,386)	(47,455)	(59,870)	(48,647)	(491,801)	(8,352)
Total Shee Atiká, Incorporated shareholders' equity	14,128,251	(9,297,513)	17,079,124	4,534,930	1,924,513	124,750	2,353	(282,554)	42,648
Noncontrolling interests	245,694					206,473	(1,755)		40,976
Total equity	14,373,945	(9,297,513)	17,079,124	4,534,930	1,924,513	331,223	598	(282,554)	83,624
Total liabilities and equity	\$ 16,641,676	\$ (9,324,591)	\$ 18,455,191	\$ 4,545,253	\$ 2,805,207	\$ 358,301	\$ 598	\$ (282,554)	\$ 84,271

## SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS For the Year Ended December 31, 2015

	Total	Consolidating Entries	Shee Atiká Incorporated	Shee Atiká Holdings Alice Island LLC	Shee Atiká Holdings Lincoln St. LLC	Shee Atiká Languages LLC	Shee Atiká Commercial Services LLC	Shee Atiká Management LLC	Shee Atiká Enterprises LLC
<b>Revenues</b>									
Administrative fees from affiliated entities	\$ 1,891,502	\$ -	\$ 1,891,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales of developed lots	654,600		485,600	169,000					
Rentals from leased commercial properties	277,795	(119,481)	14,123	101,811	281,342				
Contracts	183,663					181,255			2,408
Other	27,880	(109,163)	135,430		1,613				
Total revenue	3,035,440	(228,644)	2,526,655	270,811	282,955	181,255			2,408
<b>Costs and expenses</b>									
Leased commercial properties	112,905		2,624		110,281				
Costs of developed lots and direct selling costs	337,646		185,437	152,209					
Contracts	15,534								15,534
Interest	93,300		34,124		59,176				
Depreciation and amortization	307,780		25,445	178,810	103,525				
Contributions	11,487		11,487						
General and administrative	2,830,322	(228,644)	2,733,789	185,545		131,398	1,950	3,034	3,250
Other	854		854						
Total costs and expenses	3,709,828	(228,644)	2,992,906	517,418	272,982	131,398	1,950	3,034	18,784
Income (loss) before SAL receivable write-off and income tax benefit	(674,388)		(466,251)	(246,607)	9,973	49,857	(1,950)	(3,034)	(16,376)
Subsidiary activity; primarily the write-off of SAL receivable generated in prior years	4,948,875					4,948,875			
Loss before income tax benefit	(5,623,263)	-	(466,251)	(246,607)	9,973	(4,899,018)	(1,950)	(3,034)	(16,376)
Income tax benefit	1,191,000		1,191,000						
Net income (loss)	(4,432,263)		724,749	(246,607)	9,973	(4,899,018)	(1,950)	(3,034)	(16,376)
Net loss (income) attributable to noncontrolling interests	2,409,499					2,400,519	956		8,024
Net income (loss) attributable to Shee Atiká, Incorporated	\$ (2,022,764)	\$ -	\$ 724,749	\$ (246,607)	\$ 9,973	\$ (2,498,499)	\$ (994)	\$ (3,034)	\$ (8,352)

## INDEPENDENT AUDITORS' REPORT



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, 2015 and 2014, 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 Responsibility 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 described in Note 1; this includes determining that the modified income tax basis is an acceptable basis of accounting for the preparation of the financial statements in the circumstances. Management is also responsible for 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 SAFE as of December 31, 2015 and 2014, 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*

March 25, 2016

## STATEMENTS OF NET ASSETS — MODIFIED INCOME TAX BASIS

December 31, 2015 and 2014

ASSETS	2015	2014
Investment in Shee Atiká Investments, LLC	\$ 46,630,860	\$ 50,907,617
Investment in Shee Atiká Enterprises, LLC	40,976	49,000
Leased commercial property, net	6,939,432	7,104,979
Cash and cash equivalents	1,163,571	540,943
Income tax receivable	147,074	110,324
Other assets	384	314,877
Total assets	54,922,297	59,027,740
LIABILITIES		
Long-term debt	3,871,705	3,934,529
Distributions payable	163,562	150,039
Total liabilities	4,035,267	4,084,568
NET ASSETS	\$ 50,887,030	\$ 54,943,172



See Notes to Financial Statements

**STATEMENTS OF REVENUE AND EXPENSES – MODIFIED INCOME TAX BASIS**

For the Years Ended December 31, 2015 and 2014

	2015	2014
Revenue		
Equity share in Shee Atiká Investments, LLC taxable income (loss)(realized losses allocated limited to \$3,000 for income tax purposes)	\$ 1,033,246	\$ (450,282)
Equity share in Shee Atiká Enterprises, LLC taxable income (loss)	(8,024)	
Rentals from leased commercial property	991,356	1,009,984
Other income	2,225	300
Total revenue	2,018,803	560,002
Expenses		
SAI administrative fees	1,397,117	1,150,422
Professional and custodian fees	90,068	93,040
Interest	204,441	219,095
Depreciation	222,935	222,935
Leased commercial property expenses	240,871	331,679
Other administrative expenses	6,627	1,189
Total expenses	2,162,059	2,018,360
Change in net assets before adjusting investment in Shee Atiká Investments, LLC to fair value (and taxable loss)	(143,256)	(1,458,358)
Adjustment to fair value of investment in Shee Atiká Investments, LLC	(1,875,686)	3,149,032
<b>Change in net assets</b>	<b><u><u>\$(2,018,942)</u></u></b>	<b><u><u>\$ 1,690,674</u></u></b>

**STATEMENTS OF CHANGES IN NET ASSETS – MODIFIED INCOME TAX BASIS**

For the Years Ended December 31, 2015 and 2014

	2015	2014
Change in net assets	\$ (2,018,942)	\$ 1,690,674
Distributions to unit holders	(2,037,200)	(2,222,400)
<b>Total decrease in net assets</b>	<b>(4,056,142)</b>	<b>(531,726)</b>
Net assets, beginning of year	54,943,172	55,474,898
Net assets, end of year	<u><u>\$ 50,887,030</u></u>	<u><u>\$ 54,943,172</u></u>

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.

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 the Alaska Native Claims Settlement Act ("ANCSA"), in direct proportion to their shares of SAI nonvoting common stock. The trust units are not generally transferable. At December 31, 2015, there were 185,200 trust units (of which 180,025 were Class A and 5,175 were Class B) held by approximately 3,300 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 (\$11.00 per trust unit in 2015 and \$12.00 per trust unit in 2014) 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.

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.

**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).

**RELATED PARTY TRANSACTIONS**

For 2015, SAI charged administrative fees of \$1,397,117. SAFE paid these fees in full during 2015. For 2014, SAI charged administrative fees of \$587,508. SAFE paid this amount plus \$562,914 for 2013 in 2014, for a total of \$1,150,422. As noted above, expenses are generally recognized when paid.

**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.

**INVESTMENT IN SHEE ATIKÁ INVESTMENTS, LLC**

The investment in SAIL is stated at fair value using the Net Asset Value ("NAV"), which is determined by management of SAIL and is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying assets (primarily investments), less any liabilities, and then divided by the number of units outstanding. The investments of SAIL are publicly traded mutual funds whose fair values are generally determined based on quoted prices in an active market. The NAV of the investment in SAIL is classified as Level 2 of the fair value hierarchy. There are no funding commitments or restrictions on redemptions for SAIL.

**INVESTMENT IN SHEE ATIKÁ ENTERPRISES, LLC**

SAFE has a 49% ownership interest in Shee Atiká Enterprises, LLC ("SAE"). SAI owns 51% of SAE. The investment in SAE 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 (loss) 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 2015 and 2014 was from one lessee.

**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.

**INCOME TAXES**

SAFE has elected to be taxed at a rate of 10% on taxable income (no tax on certain dividends received and on long-term capital gains) 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, 2015, SAFE had approximately \$8.6 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 2015 or 2014.

**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 was March 25, 2016.

**2 INVESTMENT IN SAIL**

SAIL exists to pool investment activity of SAFE 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. As an LLC, 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:

	2015	2014
Investments, at fair value	\$ 37,360,031	\$ 41,809,030
Cash and cash equivalents	8,411,114	7,960,267
Other assets	875,171	1,154,060
Members' equity	46,646,316	50,923,357
Revenue (loss), including adjustments to fair value of investments	(165,214)	3,267,372
Net income (loss)	(842,725)	2,699,699

SAFE's ownership interest in SAIL was 99.97% of SAIL's total equity at both December 31, 2015 and 2014. At December 31, 2015 and 2014, 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:

	2015	2014
Building	\$ 6,975,574	\$ 6,975,574
Land improvements	571,772	514,384
Land	722,000	722,000
	<u>8,269,346</u>	<u>8,211,958</u>
Less: accumulated depreciation	(1,329,914)	(1,106,979)
	<u>\$ 6,939,432</u>	<u>\$ 7,104,979</u>

SAFE leases the commercial building in Colorado under a non-cancelable operating lease expiring on June 30, 2024. The minimum future lease payments scheduled to be received on this non-cancelable operating lease for years ending December 31 are as follows:

2016	\$ 936,696
2017	950,748
2018	965,010
2019	979,482
2020	994,176
Thereafter	<u>3,596,562</u>
	<u>\$ 8,422,674</u>

Under the terms of the lease, SAFE has committed to paying for certain tenant improvements to the property on behalf of the lessee, up to a maximum of \$799,919. During the year ended December 31, 2015, \$57,388 was incurred by SAFE for these tenant improvements. No amounts were incurred for these improvements before 2015.

### 4 LONG-TERM DEBT

SAFE had 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 was secured by the leased commercial property in Colorado Springs, Colorado. The note was repaid in full during 2015.

SAFE has a new note payable to a bank due in monthly installments of \$14,034, including interest, with a final payment due on August 3, 2022. The note bears interest at the one-month LIBOR rate plus 1.9% (resulting in a rate of interest of 2.2% at December 31, 2015). However, SAFE has an interest rate swap in place that effectively fixes the interest rate of the loan over its term at 4.4%. The swap has a settlement value of approximately (\$49,000) at December 31, 2015. This amount is not recognized in the financial statements under the modified income tax basis of accounting.

Future principal payments for the years ended December 31 are as follows:

2016	\$ 87,225
2017	91,792
2018	96,011
2019	100,424
2020	104,594
Thereafter	<u>3,391,659</u>
	<u>\$ 3,871,705</u>



## INDEPENDENT AUDITORS' REPORT



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, 2015 and 2014, 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 Responsibility 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 described in Note 1; this includes determining that the modified income tax basis is an acceptable basis of accounting for the preparation of the financial statements in the circumstances. Management is also responsible for 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 SABT as of December 31, 2015 and 2014, 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.*

March 25, 2016

## STATEMENTS OF NET ASSETS - MODIFIED INCOME TAX BASIS

December 31, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
Investment in Shee Atiká Investments, LLC	\$ 15,440	\$ 15,725
Cash and cash equivalents	13,815	23,503
Total assets	<u>29,255</u>	<u>39,228</u>
<b>LIABILITIES</b>		
Amounts payable to Shee Atiká, Incorporated	2,469	2,469
NET ASSETS	<u>\$ 26,786</u>	<u>\$ 36,759</u>

## STATEMENTS OF REVENUE AND EXPENSES - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>Revenue</b>		
Equity share in Shee Atiká Investments, LLC taxable income (loss) (realized losses allocated limited to \$3,000 for income tax purposes)	\$ 350	\$ (138)
Total revenue	350	(138)
<b>Expenses</b>		
SAI administrative fees		374,767
Other administrative expenses	9,687	7,309
Total expenses	<u>9,687</u>	<u>382,076</u>
Taxable loss and change in net assets before adjusting investment in Shee Atiká Investments, LLC to fair value	(9,337)	(382,214)
Adjustment to fair value of investment in Shee Atiká Investments, LLC	(636)	956
Change in net assets	<u>\$ (9,973)</u>	<u>\$ (381,258)</u>

See Notes to Financial Statements

## STATEMENTS OF CHANGES IN NET ASSETS - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2015 and 2014

	2015	2014
Change in net assets	\$ (9,973)	\$ (381,258)
Scholarships awarded but not used		5,001
<b>Total decrease in net assets</b>	<b>(9,973)</b>	<b>(376,257)</b>
Net assets, beginning of year	36,759	413,016
Net assets, end of year	<u>\$ 26,786</u>	<u>\$ 36,759</u>

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### ORGANIZATION AND FUTURE PLANS

##### 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.

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 the Alaska Native Claims Settlement Act ("ANCSA"), in direct proportion to their shares of SAI nonvoting common stock. The trust units are not generally transferable. At December 31, 2015, there were 185,200 trust units (of which 180,025 were Class A and 5,175 were Class B) held by approximately 3,300 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.

##### FUTURE PLANS

In November 2013, the Board of Directors of SAI decided that beginning January 1, 2014, scholarship and funeral benefits will be distributed by SAI instead of SABT. The Board of Directors of SAI is determining whether SAI will fund SABT in the future in order to allow it to resume paying funeral and scholarship benefits.

##### 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).

#### RELATED PARTY TRANSACTIONS

From time to time, SAI provides administrative services to SABT. For 2015, SAI did not charge SABT administrative fees, but \$2,469 was due from SABT to SAI at year-end for expenses paid by SAI on behalf of SABT and not reimbursed by year-end. Administrative fees of \$374,767 were paid by SABT to SAI in 2014 (for services provided in 2013). As noted above, expenses are generally recognized when paid. SAI did not charge SABT administrative fees in 2014, but \$2,469 (the same amount as 2015) was due from SABT to SAI at year-end for expenses paid by SAI on behalf of SABT.

#### 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.

#### INVESTMENT IN SHEE ATIKÁ INVESTMENTS, LLC

The investment in SAIL is stated at fair value using the Net Asset Value ("NAV"), which is determined by management of SAIL and is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying assets (primarily investments), less any liabilities, and then divided by the number of units outstanding. The investments of SAIL are publicly traded mutual funds whose fair values are generally determined based on quoted prices in an active market. The NAV of the investment in SAIL is classified as Level 2 of the fair value hierarchy. There are no funding commitments or restrictions on redemptions for SAIL.

#### 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.

#### INCOME TAXES

SABT has elected to be taxed at a rate of 10% on taxable income (no tax on certain dividends received and on long-term capital gains) 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, 2015, SABT had approximately \$174,000 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 2015 or 2014.

**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 was March 25, 2016.

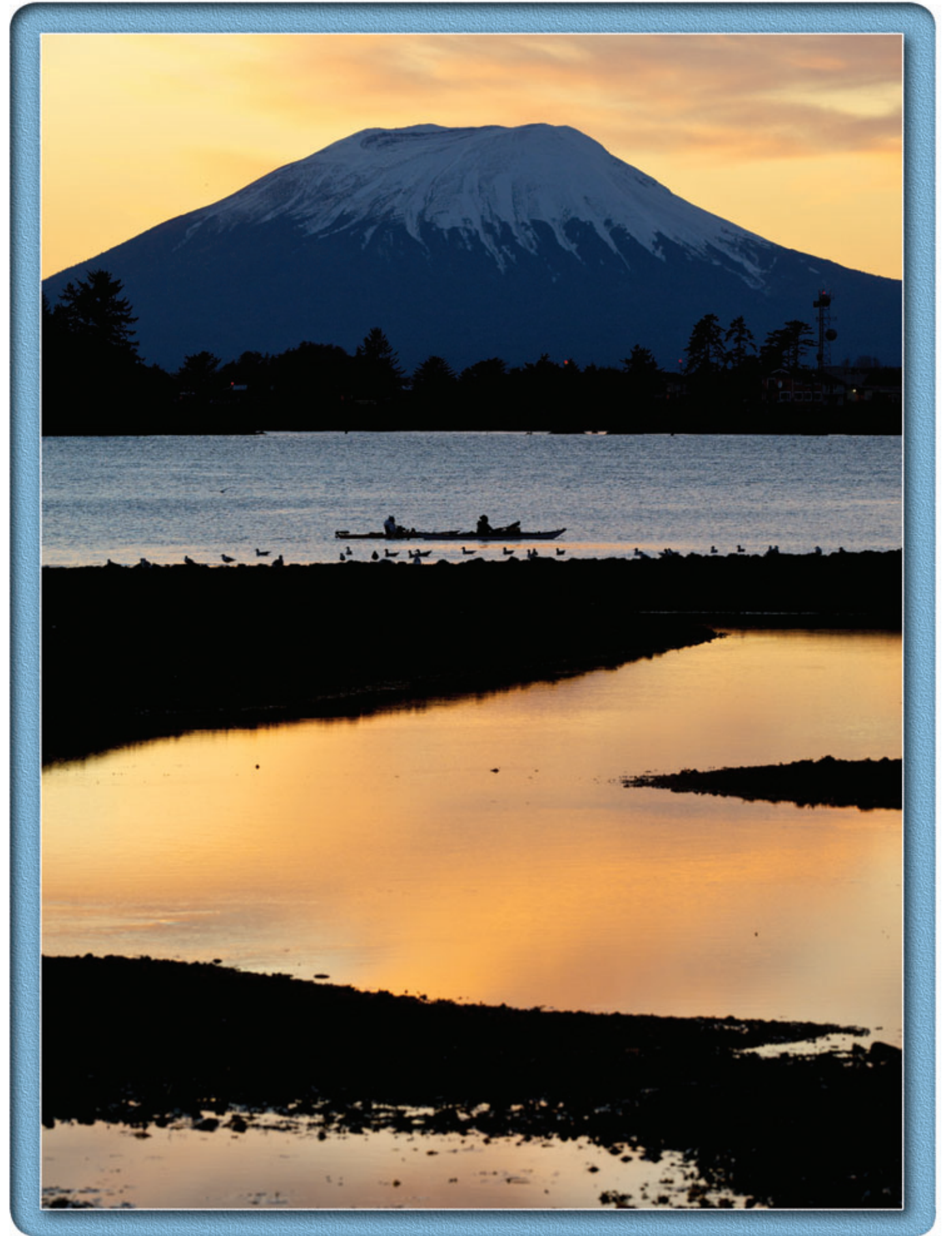
**2 INVESTMENT IN SAIL**

SAIL exists to pool investment activity for SABT 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. As an LLC, 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:

	2015	2014
Investments, at fair value	\$ 37,360,031	\$ 41,809,030
Cash and cash equivalents	8,411,114	7,960,267
Other assets	875,171	1,154,060
Members' equity	46,646,316	50,923,357
Revenue (loss), including adjustment to fair value of investments	(165,214)	3,267,372
Net income (loss)	(842,725)	2,699,699

SABT's ownership interest in SAIL was 0.03% of SAIL's total equity at both December 31, 2015 and 2014. At December 31, 2015 and 2014, SABT and SAFE are the only members of SAIL.



## INDEPENDENT AUDITORS' REPORT



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, 2015 and 2014, 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 Responsibility 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 described in Note 1; this includes determining that the modified income tax basis is an acceptable basis of accounting for the preparation of the financial statements in the circumstances. Management is also responsible for 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 SAIL as of December 31, 2015 and 2014, 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.*

March 25, 2016

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

December 31, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
Investments, at fair value	\$ 37,360,031	\$ 41,809,030
Cash and cash equivalents	8,411,114	7,960,267
Loan receivable from Shee Atiká, Incorporated	803,962	1,080,826
Dividends receivable	71,209	73,234
<b>Total assets</b>	<b>\$ 46,646,316</b>	<b>\$ 50,923,357</b>
<b>MEMBERS' EQUITY</b>		
Members' equity	<b>\$ 46,646,316</b>	<b>\$ 50,923,357</b>

## STATEMENTS OF REVENUE AND EXPENSES – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>Revenue</b>		
Interest	\$ 35,810	\$ 156,434
Dividends	1,195,561	1,367,998
Net realized gain (loss) on sales of investments	479,737	(1,407,048)
<b>Total revenue</b>	<b>1,711,108</b>	<b>117,384</b>
<b>Expenses</b>		
SAI administrative fees	494,384	375,084
Investment management and custodian fees	120,131	123,294
Professional fees	62,996	13,412
Other expenses	55,883	55,883
<b>Total expenses</b>	<b>677,511</b>	<b>567,673</b>
<b>Taxable income (loss)</b>	<b>1,033,597</b>	<b>(450,289)</b>
Adjustment to fair value of investments	(1,876,322)	3,149,988
<b>Net income (loss)</b>	<b>\$ (842,725)</b>	<b>\$ 2,699,699</b>

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

For the Years Ended December 31, 2015 and 2014

Balance, December 31, 2013	\$ 51,795,120
Net Income	2,699,699
Distributions	(3,571,462)
Balance, December 31, 2014	50,923,357
Net Loss	(842,725)
Distributions	(3,434,316)
Balance, December 31, 2015	<b>\$ 46,646,316</b>

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### ORGANIZATION

Shee Atiká Investments, LLC ("SAIL") exists to pool investment activity for Shee Atiká Fund Endowment ("SAFE") and Shee Atiká Benefits Trust ("SABT") to the extent assets are transferred by these entities to SAIL. The members believe that pooling of investments at SAIL permits greater diversification, thereby reducing risk and enhancing returns. SAIL, SAFE, and SABT are affiliated entities of Shee Atiká, Incorporated ("SAI"). The Board of Directors of SAI, the trustees of SAFE and SABT, and SAIL's Board of Directors consist of all the same people. SAIL is a limited liability company and 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. SAI charged administrative fees of \$494,384 and \$375,084 in 2015 and 2014, respectively.

#### 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 in mutual funds are stated at fair value based on 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.

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.

#### INCOME TAXES

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

#### 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 was March 25, 2016.



## 2 INVESTMENTS

Investments are summarized as follows at December 31:

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Mutual funds:				
Intermediate-term Bond Funds				
Pimco Extended Duration Bond Fund	\$ 4,297,123	\$ 4,000,000	\$ 4,699,806	\$ 4,000,000
TCW Total Return Bond Fund	3,188,796	3,094,602	3,222,878	3,072,439
Doubleline Total Return Bond Fund	2,907,505	3,000,000	2,958,750	3,000,000
Fidelity Spartan Intermediate Term Bond Fund	2,252,225	2,168,439	2,259,895	2,151,125
Guggenheim Total Return Bond Fund	1,895,387	2,000,000	1,960,044	2,000,000
Pimco Investment Grade Corporate Bond Fund	1,885,932	2,000,000		
Metropolitan West Total Return Bond Fund			2,230,684	2,232,729
Trading Leveraged Funds				
Profunds US Government Plus Investments Fund	2,891,027	3,000,000	3,696,824	3,120,998
Direxion Monthly 10YR Bull 2X Investment Fund	1,997,662	2,000,000	3,294,317	3,000,000
Profunds Rising Rates Opp In	1,936,772	2,000,000		
Rydex Strengthening Dollar 2X	1,921,257	2,000,000		
Direxion Monthly 7-10YR Treasury Bear 2X	984,885	1,000,000		
Multisector Bond Fund				
Pimco Income Fund	3,380,403	3,000,000	3,553,314	3,000,000
Short-term Government Securities				
Victory Fund for Income Fund	2,160,494	2,500,000	2,237,654	2,500,000
Long-term Bond Funds				
Vanguard Long-term Bond Fund	1,941,176	2,000,000	2,097,059	2,000,000
Vanguard Fixed Income Long-term Investment Grade Fund	1,889,313	2,000,000	2,051,527	2,000,000
Corporate Bond Fund				
Vanguard Long-term Corporate Bond Fund	1,830,074	2,000,000	2,006,074	2,000,000
World Funds				
Pimco All Asset Fund			2,042,853	2,258,435
Pimco Global Bond Fund			1,777,351	2,000,000
Pimco Foreign Bond Fund			1,720,000	2,000,000
	<u>\$37,360,031</u>	<u>\$37,763,041</u>	<u>\$41,809,030</u>	<u>\$40,335,726</u>

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 loan to SAI with an outstanding balance of \$803,962 and \$1,080,826 at December 31, 2015 and 2014, respectively. The loan bears interest at 4% and is due in full December 31, 2018. The loan is secured by a first position security interest in SAI's ownership of Shee Atiká Holdings Alice Island, LLC.





## 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 descendants. 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 descendants 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

315 LINCOLN STREET SUITE 300 SITKA, ALASKA 99835