SHEE ATIKÁ
Incorporated

ANNUAL REPORT 2016

SHEE ATIKÁ Incorporated

And Affiliates

2016 ANNUAL REPORTS OF

SHEE ATIKÁ INCORPORATED

SHEE ATIKÁ FUND ENDOWMENT

SHEE ATIKÁ BENEFITS TRUST

SHEE ATIKÁ INVESTMENTS, LLC

CONTENTS

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:

On behalf of your Board of Directors I am pleased to provide you with important details about our upcoming Annual Meeting. We encourage each of our shareholders to take the time to vote.

Shareholders once again have the option to submit either an electronic proxy at www.sheeatikavote.com or a paper proxy. Shareholders whose electronic or paper proxy is received by the Inspector of Elections prior to the Early Bird Deadline of May 10, 2017 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 17, 2017 will be eligible for the Electronic Proxy Prizes. We encourage each of you to submit an electronic proxy by May 10, 2017 so you will be eligible for both prize drawings. So please return your proxy early and if you can, do it electronically.

In addition to the election of three directors, the Board is also asking shareholders to vote on two binding resolutions at the 2017 Annual Meeting and unanimously recommends a YES vote on each resolution.

Shareholder Resolution 2017-01 concerns a proposed reduction in the number of directors from the present nine to seven. Under the proposal, directors will continue to serve three-year terms once elected, but the Bylaws will be amended to allow a reduction of directors from nine to seven over the next two elections. Regardless of whether Shareholder Resolution 2017-01 passes, three directors will still be elected at the 2017 annual meeting to serve three year terms.

The Board has identified a number of advantages to this proposal including: corporate cost savings from reduced Board fees and travel expenses and it will make it easier to coordinate travel and arrange for board meetings. To pass, a majority of the outstanding voting shares must vote in favor of Shareholder Resolution 2017-01 and we ask that you vote YES.

Shareholder Resolution 2017-02 concerns a proposed reduction in the quorum requirement for shareholder meetings from the present majority of outstanding voting shares to one-third of the voting shares. This would be accomplished through an amendment to the Articles of Incorporation.

We will always continue to encourage every shareholder to vote, however the advantages of a quorum reduction will be an immediate savings in the cost of annual meetings because quorum solicitation efforts (additional mail outs, proxy solicitors, advertisements) can be scaled back. To pass, two-thirds of the voting shares present in person or by proxy at the 2017 Annual Meeting must vote in favor, so we encourage you to vote YES on Shareholder Resolution 2017-02.

Our corporate website 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 to sign up.

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 Odess Theater in Allen Hall on the Sitka Fine Arts Campus located on the historic Sheldon Jackson Campus in Sitka, Alaska on Saturday, May 20, 2017 at 9:00 a.m. local time. Once again, please take the time to vote for three directors and we ask that you vote YES on both resolutions.

Thank you for your consideration,

Pamela Steffes
Vice-Chairman

LETTER FROM THE PRESIDENT/CEO

Fellow shareholders:

I am pleased to report to you on the financial affairs of Shee Atiká, Incorporated (SAI) and related entities for 2016. I am proud to say I am an original SAI shareholder and I am particularly pleased to report that in 2016 we were able to show audited net income of about $1.2 million. This is a significant improvement from our 2015 financial results and is one of which all of your SAI team is very proud.

I have been your President/CEO now for over seven years. When I was hired in March, 2010,

• SAI faced a serious cash flow shortfall in 2008 which led to a $5 million loan in January 2009, which was not being repaid and which was growing due to the accrual of unpaid interest on that debt.

• SAI's hotel was losing substantial amounts of money.

• SAI owned a subdivision in which SAI had invested significant amounts of money but no lots were being sold.

• SAI's 8(a) companies had a $5 million dollar accounting problem (an over accrual of revenue) relative to one of our U.S. Government contracts and were owed money by one of the prime contractors.

• SAI's 8(a) companies were heavily focused on the wars in Afghanistan and Iraq and had lost significant value and earning potential as those wars wound down.

• SAI owned two very significant non-performing assets: our properties at Cube Cove and Katlian Bay.

• SAI and its related entities owned commercial buildings that needed significant repairs and upgrades.

• SAI's buildings were only partially filled with tenants and what tenants we did have were generally paying below market rents.

All of the matters in these bullet points have been discussed in our corporate annual reports beginning with the one for 2009.

When I came aboard, there was no adequate business plan to address these problems even though these were significant problems which threatened the long term health of our corporation. My response was to put together a multi-year business plan to improve the long term health of our corporation, including the following:

• We made sure to make payments on all our debt including the January 2009 loan.

• We sold the hotel to stop the cash losses from that activity.

• We priced our subdivision lots to the Sitka market rate and then began to sell lots to recapture our costs.

• We addressed our government accounting issues and filed suit in an unsuccessful attempt to collect moneys that were owed us by a prime contractor.

• We refocused our 8(a) efforts away from the Afghanistan and Iraq wars, and looked for businesses that would not be so prone to rapid de-escalation when the Government changed its policies.

• We began two very important projects (discussed more fully below) to make our Cube Cove and Katlian Bay assets perform economically for our shareholders.

• We invested substantial amounts in our buildings to make them either marketable or suitable for leasing.

• We found tenants for all our buildings, we increased the rents to market rate and we negotiated provisions in our leases that will help keep the rents at market rate for the future.

Throughout these past seven years, we have continued to make regular distributions to our shareholders as well as to provide funeral and educational benefits. As shown by the charts on page 6, since inception we have paid out $69.5 million in distributions ($37,545 if you owned 100 shares since our formation), $5.6 million in educational benefits, and just over $700,000 in funeral benefits. These are impressive achievements by any measure, particularly when you remember that SAI received cash of only $250,000 in the ANCSA settlement and that we had numerous and very costly legal battles before we could vindicate our right to harvest the timber from our ANCSA lands.

As I mentioned above, a major part of our multi-year business plan has concerned our Cube Cove asset. Our shareholders have told us in two separate surveys (one in 2003, another in 2010) that Cube Cove should be used to provide economic value for shareholders, including through a sale. The timber harvest at Cube Cove was finished almost two decades ago, and Cube Cove's status as an inholding to a National Monument/Wilderness makes any future development or business activity located there highly uncertain, problematic and prone to legal challenge. We spent several million dollars in the mid-1980s in litigation with environmental groups to obtain judicial confirmation of our right to harvest Cube Cove, and we would likely spend considerably more on any future attempts to achieve an economic return from the Cube Cove lands. The inherent problems with any business or development activity at Cube Cove because of its proximity to the National Monument/Wilderness prevents -- SAI from realizing the complete value of the ANCSA settlement promised SAI and its shareholders almost five decades ago.

In the years that I have been SAI's President/CEO, we have been working with the Alaska Congressional Delegation and the Forest Service to convert our Cube Cove asset into another form that will provide a meaningful return for our shareholders. Cube Cove was appraised in late 2015 with an $18.3 million value and in mid-2016, SAI entered an agreement with the United States Government under which the Forest Service has an option to acquire the Cube Cove property in installments. This option agreement lasts until July, 2021, and the total price of all installments equals the $18.3 million appraised value. In September, 2016 SAI and the Forest Service closed the first of these installments. In this first closing, the Forest Service acquired approximately 4500 acres in the southern portion of the Cube Cove property for approximately $4 million cash. The Government's acquisition of the remainder of the rest of the Cube Cove property is dependent on Congressional appropriations of the remaining $14.3 million.

Another part of our multi-year business plan has been to produce economic value from our other major non-performing asset, our 3,000 acres at Katlian Bay. SAI has been working hard since 2010 to develop concepts for an Alaska state road from the end of Halibut Point Road near Starrigavan Bay into the Katlian Bay area and across SAI lands from west to east to the Forest Service lands on the eastern border of SAI's Katlian Bay property. The Katlian Bay Road will provide excellent recreational opportunities by allowing access from Sitka to the Forest Service lands in the upper Katlian River drainage. An obvious benefit from the road to SAI is that our Katlian Bay lands will become more accessible to our shareholders and long term economic development of our lands will be encouraged. There are still some issues to be resolved with regard to the Katlian Bay Road before construction can begin, but the State has informed me that the funding is in place and that it plans to award the contract for road construction in the fall of 2017. The State will fund the road construction and maintenance costs. You can view the route of the Katlian Bay Road at the State's project website at http://dot.alaska.gov/sereg/projects/sitka_katlianbayroad/index.shtml#.

Our multi-year business plan has also included the pay down of all of SAI's debt as well as that of the Shee Atiká Fund Endowment (SAFE). These liabilities were all originally incurred prior to 2010, and have been refinanced since 2010 where possible. Total long term debt (SAI and SAFE combined) at December 31, 2016 was slightly in excess of $6.4 million, which is down substantially from the original borrowings on these loans of approximately $11.1 million. We anticipate being able to further reduce this debt within the next year or so from our development activity on Alice and Charcoal Island.

Further parts of our multi-year business plan to improve the long term health of our corporation are our efforts to develop new businesses.

Balanced Accounting Solutions (BAS) was established in late 2015 to service the bookkeeping and accounting needs of Sitka and the rest of Alaska. Since its formation, BAS (which has 8(a) status) has had significant growth and enjoys a solid customer base. It is well positioned for the future.

It is no secret that Government contracting has become far more challenging than it was in 2007 when we were able to obtain our first linguistics contract for Shee Atiká Languages, LLC (SAL). The wind down of the wars in Afghanistan and

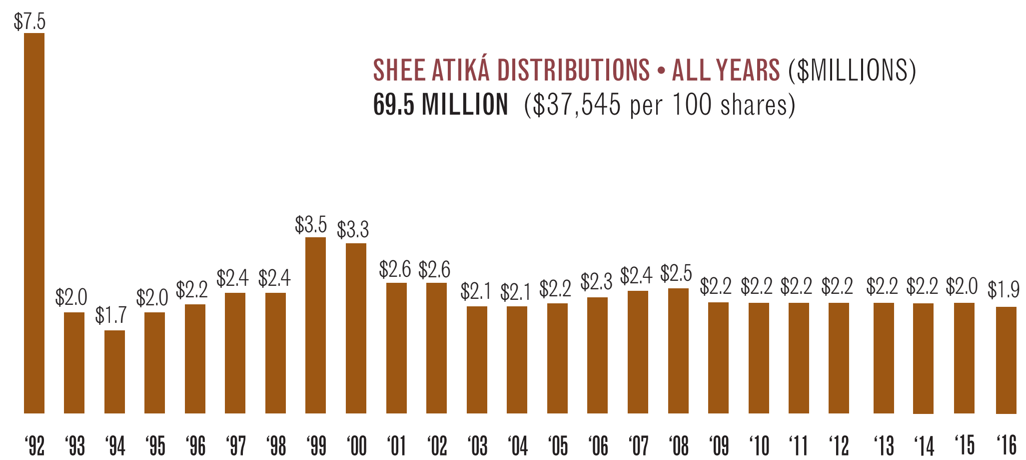
LETTER FROM THE PRESIDENT/CEO (continued)

Iraq hit our contracting business particularly hard and we have worked hard to replace that lost income. We believe that opportunities exist in the marine/naval repair industry and in December, 2016, we negotiated a strategic partnership with a Philadelphia-based naval contractor. We have formed a new 8(a) company, American Marine and Technical Services, LLC (AMTS) to pursue these opportunities. We are excited about the possibilities for AMTS because the Government has indicated significantly more dollars will be allocated to the U.S. Navy in the near future. Even after 8(a) status is achieved, it can take a period of time and the investment of funds to get an 8(a) company established and growing.

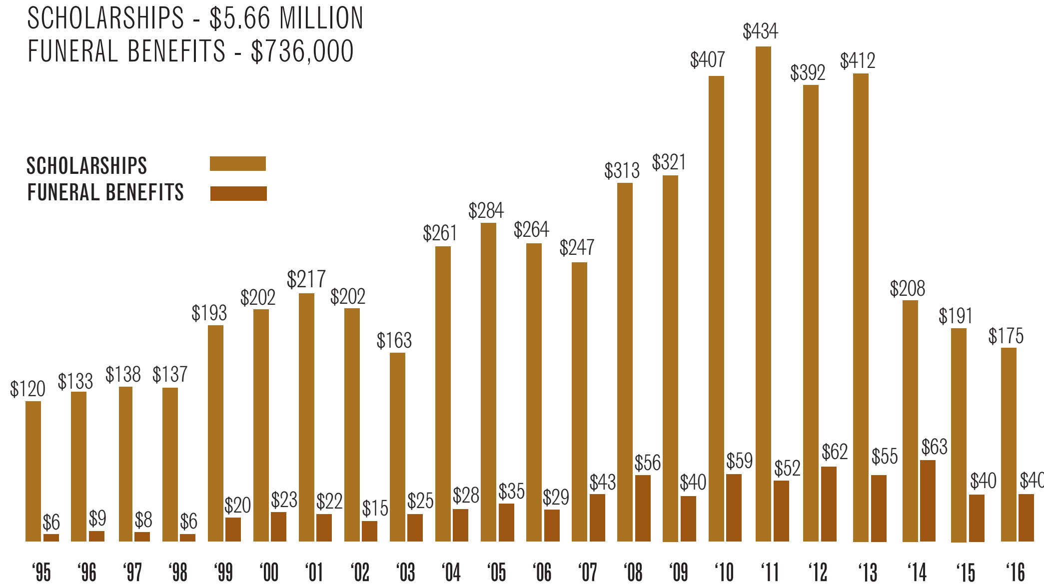
In summary, the multi-year business plan we put in place in 2010 has worked well. We have significantly reduced or eliminated problems, and stopped the hemorrhage of cash. The multi-year business plan is providing the way forward for our corporation while at the same time allowing us to continue to provide meaningful distributions and benefits to our shareholders. Our future is bright. Again, your corporation thanks you.

Kenneth M. Cameron
President/CEO

SHEE ATIKÁ DISTRIBUTIONS • ALL YEARS ($MILLIONS)
69.5 MILLION ($37,545 per 100 shares)

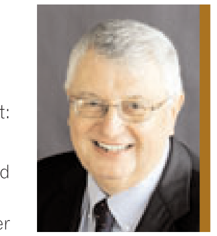


SCHOLARSHIPS & FUNERAL BENEFITS • ALL YEARS ($THOUSANDS)
SCHOLARSHIPS - $5.66 MILLION
FUNERAL BENEFITS - $736,000



SHEE ATIKÁ Incorporated

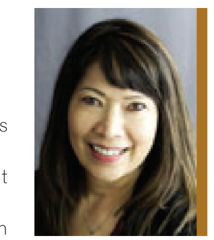
SHEE ATIKÁ STAFF

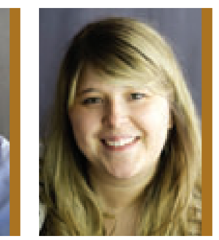



Left to Right:

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

Ptarmica McConnell, Chief Operating Officer

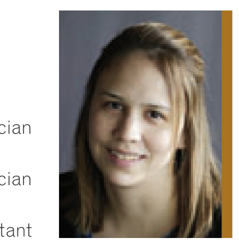
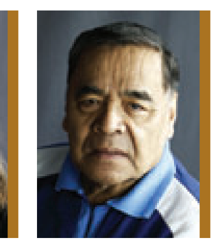




Lauren Estes, Director of Human Resources

Kevin Mosher, Accountant

Haley LaDuke, Accounting Technician


Kathy Thomas, Accounting Technician

Ron James, Lead Maintenance Technician

Kori Lindstrom, Executive Assistant

CORPORATE INFORMATION

SENIOR MANAGEMENT

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

Ptarmica McConnell
Chief Operating Officer

Steven Chapman
Chief Investment Officer

STAFF

Lauren Burkhart Estes
Director of Human Resources
Property Administrator

Kevin Mosher
Accountant

Haley LaDuke
Accounting Technician

Kathy Thomas
Accounting Technician

Kori Lindstrom
Executive Assistant

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: Stock Transfers

INSPECTOR OF ELECTIONS

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

SHEE ATIKÁ SCHOLARSHIP COMMITTEE

Nancy Douglas: Sitka, AK
Adrianne Davis: Sitka, AK
Brian James: Seattle, WA

INDEPENDENT AUDITORS' REPORT

peterson sullivan 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, 2016 and 2015, 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, 2016 and 2015, 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 L.L.P.

March 24, 2017

CONSOLIDATED BALANCE SHEETS

December 31, 2016 and 2015

ASSETS	2016	2015
Current Assets		
Cash and cash equivalents	$ 2,979,876	$ 1,446,336
Accounts receivable	7,444	8,604
Income tax receivable	100,000	100,000
Prepaid expenses and other	126,281	86,665
Total current assets	3,213,601	1,641,605
Leased Commercial Properties, net	5,317,761	5,615,831
Property and Equipment, net	1,861,047	1,798,753
Cube Cove Land	548,709	700,000
Katlian Bay Land	810,000	810,000
Deferred Costs Related to Cube Cove Property	2,890,343	2,358,487
Deferred Tax Asset	4,020,000	3,717,000
Total assets	$ 18,661,461	$ 16,641,676

LIABILITIES AND EQUITY	2016	2015
Current Liabilities		
Accounts payable and accrued expenses	$ 557,788	$ 595,967
Current portion of long-term debt	63,893	59,748
Total current liabilities	621,681	655,715
Loan Payable to SAIL	1,814,050	803,962
Long-Term Debt, less current portion	743,775	808,054
Total liabilities	3,179,506	2,267,731
Equity		
Shee Atiká, Incorporated shareholders' equity		
Common stock, no par or stated value, authorized 250,000 shares		
Class A, voting, issued and outstanding 180,071 and 180,025 for 2016 and 2015, respectively		
Class B, nonvoting, issued and outstanding 5,129 and 5,175 for 2016 and 2015, respectively		
Contributed capital	5,956,000	5,956,000
Retained earnings	9,336,630	8,172,251
Total Shee Atiká, Incorporated shareholders' equity	15,292,630	14,128,251
Noncontrolling interest	189,325	245,694
Total equity	15,481,955	14,373,945
Total liabilities and equity	$ 18,661,461	$ 16,641,676

See Notes to Consolidated Financial Statements

SHEE ATIKÁ, INC.

SHEE ATIKÁ, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Revenue		
Sales of Cube Cove parcels	$ 3,955,465	$ -
Sales of developed lots	295,000	654,600
Administrative fees from affiliated entities	1,337,632	1,891,502
Rentals from leased commercial properties	395,705	277,795
Contracts	33,645	183,663
Other	1,215	27,880
Total revenue	6,018,662	3,035,440
Costs and Expenses		
General and administrative	3,447,329	2,830,322
Cost of Cube Cove parcels and direct selling costs	846,800	
Cost of developed lots and direct selling costs	85,079	337,646
Depreciation and amortization	328,280	307,780
Scholarship and funeral benefit payments	214,704	
Interest	107,925	93,300
Leased commercial properties	105,635	112,905
Contributions	22,753	11,487
Contracts	18,607	15,534
Other	21,540	854
Total costs and expenses	5,198,652	3,709,828
Income (loss) before SAL receivable write-off and income tax benefit	820,010	(674,388)
Subsidiary Activity: primarily the write-off of SAL receivable generated in prior years		4,948,875
Income (loss) before income tax benefit	820,010	(5,623,263)
Income Tax Benefit	288,000	1,191,000
Net Income (loss)	1,108,010	(4,432,263)
Net Loss Attributable to Noncontrolling Interests	56,369	2,409,499
Net income (loss) attributable to Shee Atiká, Incorporated	**$ 1,164,379**	**$ (2,022,764)**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2016 and 2015

	Shee Atiká, Incorporated Shareholders' Equity						
	Shares of Common Stock Class A	Shares of Common Stock Class B	Contributed Capital	Retained Earnings	Total	Noncontrolling Interest	Total Equity
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)
Class transfer due to change in ownership	(367)	367					
Distributions to noncontrolling interest						(196,000)	(196,000)
Net loss for the year				(2,022,764)	(2,022,764)	(2,409,499)	(4,432,263)
Balances, December 31, 2015	180,025	5,175	5,956,000	8,172,251	14,128,251	245,694	14,373,945
Class transfer due to change in ownership	46	(46)					
Net income (loss) for the year				1,164,379	1,164,379	(56,369)	1,108,010
Balances, December 31, 2016	180,071	5,129	$5,956,000	$9,336,630	$15,292,630	$189,325	$15,481,955

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Cash received from:		
Sales of Cube Cove parcels, net of direct costs	$ 3,955,465	$ -
Sales of developed lots, net of direct costs	281,883	613,162
Administrative and other fees from affiliated entities	1,337,632	1,891,502
Rentals from leased commercial properties	375,267	277,795
Contracts	31,605	183,663
Other	1,215	27,880
Cash paid to/for:		
Contractors and suppliers	(2,683,715)	(1,908,450)
Employees	(1,001,306)	(1,002,018)
Scholarship and funeral benefit payments	(214,704)	
Interest	(107,925)	(93,300)
Net cash flows from operating activities	1,975,417	(9,766)
Cash Flows from Investing Activities		
Purchases of property and equipment	(172,662)	(582,327)
Payment for deferred costs capitalized	(1,219,169)	(1,193,232)
Net cash flows from investing activities	(1,391,831)	(1,775,559)
Cash Flows from Financing Activities		
Net borrowing (repayments) on loan payable to SAIL	1,010,088	(276,864)
Principal repayments on long-term debt	(60,134)	(56,444)
Distributions to shareholders		(230,847)
Capital distributions to noncontrolling interest		(196,000)
Net cash flows from financing activities	949,954	(760,155)
Net change in cash and cash equivalents	**1,533,540**	**(2,545,480)**
Cash and Cash Equivalents, beginning of year	1,446,336	3,991,816
Cash and Cash Equivalents, end of year	$ 2,979,876	$ 1,446,336
Reconciliation of net loss to net cash flows from operating activities		
Net income (loss)	$ 1,108,010	$ (4,432,263)
Adjustments to reconcile net income (loss) to net cash flows rom operating activities		
Depreciation and amortization	328,280	307,780
Cost of Cube Cove parcels sold	846,800	
Cost of developed lots sold	71,962	296,208
Write-off of SAL receivable generated in prior years		4,948,875
Deferred income tax benefit	(303,000)	(1,191,000)
Other		38,080
Changes in operating assets and liabilities		
Accounts receivable	1,160	126,511
Prepaid expenses and other assets	(39,616)	34,987
Accounts payable and accrued expenses	(38,179)	(138,944)
Net cash flows from operating activities	$ 1,975,417	$ (9,766)

See Notes to Consolidated Financial Statements

SHEE ATIKÁ, INC.

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 ("Cube Cove"), 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 3,385 shareholders as of December 31, 2016.

As discussed in Note 2, Shee Atiká sold two parcels of land (out of 13) at Cube Cove in 2016. Shee Atiká is also selling certain lots it is developing located on Alice Island. In addition, Shee Atiká 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, 2016 or 2015, but is currently seeking new contracts.

The sale of parcels at Cube Cove is subject to the risk of the buyer electing not to make additional purchases. 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 parcels at Cube Cove and developed lots on Alice Island 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. Revenue from administrative fees from affiliated entities is recognized as assessed.

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, 2016 or 2015.

SCHOLARSHIP AND FUNERAL BENEFIT PAYMENTS

Shee Atiká recognizes benefits paid to shareholders for scholarship and funeral benefits as expenses when a shareholder has applied to receive such benefits and the related benefit application has been approved. Scholarship benefit applications are reviewed and approved by Shee Atiká's scholarship committee while funeral benefit applications are reviewed and approved by management. During the year ended December 31, 2016, Shee Atiká recognized expenses of $214,704 related to these benefits. During the year ended December 31, 2015, Shee Atiká had recognized benefit payments of $230,847. During 2015, these payments were reported as distributions to shareholders in the consolidated statements of changes in equity rather than expenses in the consolidated statements of operations. During 2016, management determined these payments are more accurately reported as expenses and are included as expenses in the consolidated statements of operations. The shareholder benefit payments recognized in 2015 have not been reclassified to conform to the current year presentation as the amount of the 2015 payments are not material to the consolidated financial statements as a whole.

SUBSEQUENT EVENTS

Shee Atiká has evaluated subsequent events through the date these consolidated financial statements were available to be issued, which was March 24, 2017.

SHEE ATIKÁ, INC.

2 CUBE COVE AND DEFERRED COSTS RELATED TO CUBE COVE

The Cube Cove property recorded on the consolidated balance sheets as of December 31, 2016 and 2015, 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. During the year ended December 31, 2016, Shee Atiká sold two parcels (out of 13) of this property to the USFS. Total proceeds of $3,955,465 have been reported as revenue in the consolidated statements of operations. Shee Atiká also recognized $846,800 related to the cost (or basis) of the parcels sold (including direct selling costs). The sale of these two parcels in 2016 resulted in a net gain on sale of $3,108,665. There were no sales of Cube Cove parcels during the year ended December 31, 2015.

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 $2,890,343 and $2,358,487 as of December 31, 2016 and 2015, respectively, and have been capitalized and are included in deferred costs related to Cube Cove property on the consolidated balance sheets. As sales of Cube Cove parcels occur, Shee Atiká allocates a portion of the capitalized costs against the gross proceeds received on the sale based on a pro rata basis in proportion to the fair value of each parcel sold. For the year ended December 31, 2016, Shee Atiká allocated $697,859 of these deferred selling costs against the gain on sale. These allocated expenses have been included in the total cost basis of the parcels as reported above.

3 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 a subcontractor. As of 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 took a loss of about $5,000,000 in 2015 on the write-off of the receivable. The receivable was generated when SAL was profitable, but the write-off of the receivable was not recognized until 2015. There were no similar receivable write-offs for the year ended December 31, 2016.

Of the total receivable written off in 2015, 49% was allocated to SAL's minority owner and 51% was allocated to Shee Atiká. The portion of the write-off recognized by Shee Atiká was in part offset by an increase in its new operating tax loss (through an increase in the deferred tax asset).

4 LEASED COMMERCIAL PROPERTIES

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

	2016	2015
Buildings	$ 6,155,132	$ 6,103,304
Leasehold improvements	588,411	588,411
	6,743,543	6,691,715
Less: accumulated depreciation and amortization	(2,301,296)	(1,992,092)
	4,442,247	4,699,623
Land	875,514	916,208
	$ 5,317,761	$ 5,615,831

Depreciation expense for leased commercial properties amounted to $309,204 and $282,335 in 2016 and 2015, 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 are as follows for years ending December 31:

2017	$ 373,735
2018	338,540
2019	281,662
2020	219,047
2021	148,746
Thereafter	315,760
	$ 1,677,490

5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2016	2015
Furniture and equipment	524,157	$ 518,683
Other	198,347	208,893
	722,504	727,576
Less: accumulated depreciation	(634,656)	(615,580)
	87,848	111,996
Land	1,773,199	1,686,757
	$ 1,861,047	$ 1,798,753

Depreciation expense for property and equipment amounted to $19,076 and $25,445 in 2016 and 2015, respectively.

Most of the land included above represents the Alice Island property (amounting to $1,398,210 and $1,311,700 at December 31, 2016 and 2015, 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 on 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, 2016 and 2015, is $1,814,050 and $803,962, respectively. At December 31, 2016 and 2015, Shee Atiká's equity interest in Shee Atiká Holdings Alice Island LLC was $4,386,030 and $4,534,930, respectively.

7 LONG-TERM DEBT

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

	2016	2015
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.	$ 807,668	$ 867,802
Less: current portion	(63,893)	(59,748)
	$ 743,775	$ 808,054

SHEE ATIKÁ, INC.

NOTE 7 CONTINUED

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

2017	$ 63,893
2018	68,675
2019	73,340
2020	78,210
2021	523,550
	$ 807,668

At December 31, 2016 and 2015, the basis of the commercial property pledged as security for the above note was $3,062,426 and $3,122,902, respectively

8 INCOME TAXES

Income taxes consist of the following for the years ended December 31:

	2016	2015
Current expense	$ (15,000)	$ -
Deferred benefit	303,000	1,191,000
Income tax benefit	$ 288,000	$ 1,191,000

Shee Atiká's effective tax rate differs from statutory rates for 2016 and 2015. For 2016, this is primarily due to current year adjustments made to the prior year's estimated temporary book to tax differences. For 2015, this is primarily due to $2,409,499 of the net loss, which was allocated to noncontrolling interests. During the year ended December 31, 2016, Shee Atiká paid $12,000 of federal alternative minimum taxes (none in 2015). No other federal income taxes were paid in 2016 or 2015.

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

	2016	2015
Deferred tax assets		
Net operating loss	$ 3,217,000	$ 3,454,000
Deferred costs	387,000	
Alternative minimum tax credit carryforwards	186,000	174,000
Accrued compensation	123,000	132,000
Capital loss carryforwards		68,000
Excess of tax basis in buildings and equipment	80,000	14,000
Other	65,000	49,000
	4,058,000	3,891,000
Deferred tax liabilities		
Excess of book basis in prepaid expenses and deferred costs	38,000	174,000
Net deferred tax asset	$ 4,020,000	$ 3,717,000

As of December 31, 2016 and 2015, Shee Atiká has federal net operating tax loss carryforwards of approximately $8,690,000 and $9,310,000, respectively. Shee Atiká also has alternative minimum tax credit carryforwards of $186,000 and $174,000 at December 31, 2016 and 2015, respectively. The net operating tax loss carryforwards expire in 2032 to 2035. The alternative minimum tax credit carryforwards do not expire. Shee Atiká used approximately $618,000 of net operating loss carryforwards during the year ended December 31, 2016 (none used in 2015). Based on management's assessment of available positive and negative evidence that 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 the Cube Cove property), a valuation allowance was not considered necessary as of December 31, 2016 or 2015. There was no change in the valuation allowance for 2016 or 2015.

9 SETTLEMENT TRUSTS

Shee Atiká established two settlement trusts that 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 $46.7 million and $50.8 million at December 31, 2016 and 2015, respectively.

The second settlement trust, 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. SABT had net assets of approximately $18,000 and $27,000 at December 31, 2016 and 2015, respectively. In November 2013, the Board of Directors of Shee Atiká decided that beginning January 1, 2014, scholarship and funeral benefits would be paid 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, 2016 and 2015, are as follows:

- As further discussed in Note 6, in February 2009, SAIL provided a loan to Shee Atiká that accrues interest at 4% and is due in December 2018.
- Shee Atiká provides administrative services to SAFE, SABT, and SAIL. In 2016 and 2015, Shee Atiká charged administrative fees of $1,337,632 and $1,891,502, 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 six months of employment. Employer contributions totaled $29,868 and $29,061 in 2016 and 2015, respectively.

SHEE ATIKÁ, INC.

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, 2016 and 2015, and our report thereon dated March 24, 2017, which contains an unmodified opinion on those consolidated financial statements, appears on page 8. 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 20 and 21) 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 L.L.P.

March 24, 2017

SHEE ATIKÁ, INC.

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET December 31, 2016

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
Current Assets									
Cash and cash equivalents	$ 2,979,876	$ -	$ 2,516,296	$ 13,744	$ 33,171	$ 328,543	$ 3,473	$ 2,636	$ 82,013
Accounts receivable	7,444	(90,714)	90,714	4,435					3,009
Income tax receivable	100,000		100,000						
Prepaid expenses and other	126,281		113,946	2,079	7,972				2,284
Total current assets	3,213,601	(90,714)	2,820,956	20,258	41,143	328,543	3,473	2,636	87,306
Leased Commercial Properties, net	5,317,761		424,128	1,831,207	3,062,426				
Property and Equipment, net	1,861,047		462,837	1,398,210					
Cube Cove Land	548,709		548,709						
Katlian Bay Land	810,000		810,000						
Deferred Costs Related to Cube Cove Property	2,890,343		2,890,343						
Deferred Tax Asset	4,020,000		4,020,000						
Due from (to) Related Company			(486,880)	1,141,303	(342,049)		(27,184)	(285,190)	
Equity in Subsidiaries		(6,549,997)	6,549,997						
Total assets	$ 18,661,461	$ (6,640,711)	$ 18,040,090	$ 4,390,978	$ 2,761,520	$ 328,543	$ (23,711)	$ (282,554)	$ 87,306
LIABILITIES AND EQUITY									
Current Liabilities									
Accounts payable and accrued expenses	$ 557,788	$ (90,714)	$ 540,432	$ 4,948	$ 11,390	$ 90,714	$ 662	$ -	$ 356
Current portion of long-term debt	63,893				63,893				
Total current liabilities	621,681	(90,714)	540,432	4,948	75,283	90,714	662		356
Loan Payable to SAIL	1,814,050		1,814,050						
Long-Term Debt, less current portion	743,775				743,775				
Total liabilities	3,179,506	(90,714)	2,354,482	4,948	819,058	90,714	662		356
Equity									
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)	9,336,630	681,154	9,729,608	(377,286)	(29,506)	(107,501)	(61,382)	(491,801)	(6,656)
Total Shee Atiká, Incorporated shareholders' equity	15,292,630	(6,549,997)	15,685,608	4,386,030	1,942,462	77,119	(10,382)	(282,554)	44,344
Noncontrolling interests	189,325					160,710	(13,991)		42,606
Total equity	15,481,955	(6,549,997)	15,685,608	4,386,030	1,942,462	237,829	(24,373)	(282,554)	86,950
Total liabilities and equity	$ 18,661,461	$ (6,640,711)	$ 18,040,090	$ 4,390,978	$ 2,761,520	$ 328,543	$ (23,711)	$ (282,554)	$ 87,306

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS For the Year Ended December 31, 2016

	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
Revenues									
Sales of Cube Cove parcels	$ 3,955,465	$ -	$ 3,955,465	$ -	$ -	$ -	$ -	$ -	$ -
Sale of developed lots	295,000		295,000						
Administrative fees from affiliated entities	1,337,632		1,337,632						
Rentals from leased commercial properties	395,705	(100,000)	34,562	176,967	284,176				
Contracts	33,645					1,373			32,272
Other	1,215	(81,038)	81,951		247		55		
Total revenue	6,018,662	(181,038)	5,704,610	176,967	284,423	1,373	55		32,272
Costs and Expenses									
General and administrative	3,447,329	(181,039)	3,390,809	128,967		94,767	3,486		10,339
Costs of Cube Cove parcels and direct selling costs	846,800		846,800						
Costs of developed lot and direct selling costs	85,079		85,079						
Depreciation and amortization	328,280		19,076	196,900	112,304				
Scholarship and funeral benefit payments	214,704		214,704						
Interest	107,925		52,445		55,480				
Leased commercial properties	105,635		6,945		98,690				
Contributions	22,753		22,753						
Contracts	18,607								18,607
Other	21,540						21,540		
Total costs and expenses	5,198,652	(181,039)	4,638,611	325,867	266,474	94,767	25,026		28,946
Income (loss) before minority interest and income tax benefit	820,010		1,065,999	(148,900)	17,949	(93,394)	(24,971)		3,326
Income Tax Benefit	288,000		288,000						
Net income (loss)	1,108,010		1,353,999	(148,900)	17,949	(93,394)	(24,971)		3,326
Net Loss (Income) Attributable to Noncontrolling Interests	56,369					45,763	12,236		(1,630)
Net income (loss) attributable to Shee Atiká, Incorporated	**$ 1,164,379**	**$ -**	**$ 1,353,999**	**$ (148,900)**	**$ 17,949**	**$ (47,631)**	**$ (12,735)**	**$ -**	**$ 1,696**

SHEE ATIKÁ, INC.

INDEPENDENT AUDITORS' 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, 2016 and 2015, 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, 2016 and 2015, 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 24, 2017

STATEMENTS OF NET ASSETS – MODIFIED INCOME TAX BASIS

December 31, 2016 and 2015

ASSETS	2016	2015
Investment in Shee Atiká Investments, LLC	$ 42,612,827	$ 46,630,860
Investment in Shee Atiká Enterprises, LLC	45,688	40,976
Leased commercial property, net	7,014,174	6,939,432
Cash and cash equivalents	964,052	1,163,571
Income tax receivable	67,544	147,074
Other assets	101	384
Total assets	50,704,386	54,922,297
LIABILITIES		
Long-term debt	3,784,073	3,871,705
Distributions payable	171,534	163,562
Investment in Shee Atiká Commerical Services, LLC	11,942	
Total liabilities	3,967,549	4,035,267
NET ASSETS	$ 46,736,837	$ 50,887,030

STATEMENTS OF REVENUE AND EXPENSES – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Revenue		
Equity share in Shee Atiká Investments, LLC taxable income (realized losses allocated limited to $3,000 for income tax purposes)	$ 1,066,814	$ 1,033,246
Equity share in Shee Atiká Enterprises, LLC taxable income (loss)	4,712	(8,024)
Equity share in Shee Atiká Commercial Services, LLC taxable income (loss)	(12,236)	2,217
Rentals from leased commercial property	938,419	991,356
Other income	96	8
	1,997,805	2,018,803
Expenses		
SAI administrative fees	1,009,042	1,397,117
Depreciation	220,594	222,935
Interest	172,632	204,441
Leased commercial property expenses	39,618	240,871
Professional and custodian fees	26,480	90,068
Other administrative expenses	592	6,627
	1,468,958	2,162,059
Taxable income (loss)	528,847	(143,256)
Income Tax Expense	3,321	
Change in net assets before adjusting investment in Shee Atiká Investments, LLC to fair value	525,526	(143,256)
Adjustment to Fair Value of Investment in Shee Atiká Investments, LLC	(2,823,719)	(1,875,686)
Change in net assets	**$(2,298,193)**	**$(2,018,942)**

See Notes to Financial Statements

STATEMENTS OF CHANGES IN NET ASSETS – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Change in net assets	$ (2,298,193)	$ (2,018,942)
Distributions to unit holders	(1,852,000)	(2,037,200)
Total decrease in net assets	**(4,150,193)**	**(4,056,142)**
Net assets, beginning of year	50,887,030	54,943,172
Net assets, end of year	$ 46,736,837	$ 50,887,030

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, 2016, there were 185,200 trust units (of which 180,071 were Class A and 5,129 were Class B) held by 3,385 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 ($10.00 per trust unit in 2016 and $11.00 per trust unit in 2015) 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 15-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 2016, SAI charged administrative fees of $1,009,042. SAFE paid these fees in full during 2016. For 2015, SAI charged administrative fees of $1,397,117. SAFE paid these fees in full during 2015. 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 that 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 or loss each year.

INVESTMENT IN SHEE 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 or 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 2016 and 2015, 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 or 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, 2016, SAFE had approximately $7.5 million in capital loss carryforwards available that 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 2016 or 2015.

SHEE ATIKÁ FUND ENDOWMENT

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 24, 2017.

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 is as follows as of December 31:

	2016	2015
Investments, at fair value	$ 39,654,800	$ 37,360,031
Cash and cash equivalents	1,091,231	8,411,114
Other assets	1,881,606	875,171
Members' equity	42,624,637	46,646,316
Loss on investment activity, including adjustment to fair value	(1,364,425)	(165,214)
Net loss	(1,757,637)	(842,725)

SAFE's ownership interest in SAIL was 99.96% and 99.97% of SAIL's total equity at December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, 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:

	2016	2015
Building	$ 6,975,574	$ 6,975,574
Land improvements	571,772	571,772
Leasehold improvements	295,336	
Land	722,000	722,000
	8,564,682	8,269,346
Less: accumulated depreciation	(1,550,508)	(1,329,914)
	$ 7,014,174	$ 6,939,432

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 are as follows for years ending December 31:

2017	$ 950,748
2018	965,010
2019	979,482
2020	994,176
2021	1,009,092
Thereafter	2,587,470
	$ 7,485,978

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. As of December 31, 2016, SAFE has $447,195 of this commitment remaining.

4 LONG-TERM DEBT

SAFE has a 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 2.67% at December 31, 2016). 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 ($3,000) at December 31, 2016. This amount is not recognized in the financial statements under the modified income tax basis of accounting.

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

2017	$ 91,792
2018	96,011
2019	100,424
2020	104,594
2021	109,845
Thereafter	3,281,407
	$ 3,784,073

SHEE ATIKÁ FUND ENDOWMENT

INDEPENDENT AUDITORS' 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, 2016 and 2015, 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, 2016 and 2015, 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.

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Peterson Sullivan LLP

March 24, 2017

STATEMENTS OF NET ASSETS - MODIFIED INCOME TAX BASIS

December 31, 2016 and 2015

ASSETS	2016	2015
Investment in Shee Atiká Investments, LLC	$ 14,795	$ 15,440
Cash and cash equivalents	4,051	13,815
Total assets	18,846	29,255
LIABILITIES		
Amounts payable to Shee Atiká, Incorporated		2,469
Other accounts payable	507	
Total liabilities	507	2,469
NET ASSETS	$ 18,339	$ 26,786

STATEMENTS OF REVENUE AND EXPENSES - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Revenue		
Equity share in Shee Atiká Investments, LLC taxable income (realized losses allocated limited to $3,000 for income tax purposes)	$ 392	$ 350
Total revenue	392	350
Expenses		
Other administrative expenses	7,802	9,687
Total expenses	7,802	9,687
Taxable loss and change in net assets before adjusting investment in Shee Atiká Investments, LLC to fair value	(7,410)	(9,337)
Adjustment to Fair Value of Investment in Shee Atiká Investments, LLC	(1,037)	(636)
Change in net assets	**$ (8,447)**	**$ (9,973)**

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, 2016 and 2015

	2016	2015
Change in net assets	**$ (8,447)**	**$ (9,973)**
Net assets, beginning of year	26,786	36,759
Net assets, end of year	$ 18,339	$ 26,786

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, 2016, there were 185,200 trust units (of which 180,071 were Class A and 5,129 were Class B) held by 3,385 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.

In November 2013, the Board of Directors of SAI decided that beginning January 1, 2014, scholarship and funeral benefits would 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 2016, SAI did not charge SABT administrative fees, but $2,469 was due from SABT to SAI at December 31, 2015, for expenses paid by SAI on behalf of SABT during the year ended December 31, 2015. These expenses were reimbursed to SAI during 2016.

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 that 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 to SAIL or restrictions on redemptions from 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 or 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, 2016, 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 2016 or 2015.

SHEE ATIKÁ BENEFITS TRUST

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 24, 2017.

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 is as follows as of December 31:

	2016	2015
Investments (fixed income mutual funds), at fair value	$ 39,654,800	$ 37,360,031
Cash and cash equivalents	1,091,231	8,411,114
Other assets	1,881,606	875,171
Members' equity	42,627,637	46,646,316
Loss on investment activity, including adjustment to fair value	(1,364,425)	(165,214)
Net loss	(1,757,637)	(842,725)

SABT's ownership interest in SAIL was 0.04% and 0.03% of SAIL's total equity at December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, SABT and SAFE were the only members of SAIL.

SHEE ATIKÁ BENEFITS TRUST

INDEPENDENT AUDITORS' REPORT

peterson sullivan 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, 2016 and 2015, 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, 2016 and 2015, 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 L.L.P.

March 24, 2017

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

December 31, 2016 and 2015

ASSETS	2016	2015
Investments, at fair value	$ 39,654,800	$ 37,360,031
Cash and cash equivalents	1,091,231	8,411,114
Loan receivable from Shee Atiká, Incorporated	1,814,050	803,962
Dividends receivable	67,556	71,209
Total assets	$ 42,627,637	$ 46,646,316
MEMBERS' EQUITY		
Members' equity	$ 42,627,637	$ 46,646,316

STATEMENTS OF REVENUE AND EXPENSES – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Revenue		
Interest	$ 53,000	$ 35,810
Dividends	1,059,613	1,195,561
Net realized gain on sales of investments	347,717	479,737
Total revenue	1,460,330	1,711,108
Expenses		
SAI administrative fees	328,590	494,384
Investment management and custodian fees	37,690	120,131
Professional fees	26,932	62,996
Total expenses	393,212	677,511
Taxable income	1,067,118	1,033,597
Adjustment to Fair Value of Investments	(2,824,755)	(1,876,322)
Net loss	**$(1,757,637)**	**$ (842,725)**

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

For the Years Ended December 31, 2016 and 2015

Balance, December 31, 2014	$ 50,923,357
Net loss	(842,725)
Distributions	(3,434,316)
Balance, December 31, 2015	46,646,316
Net loss	(1,757,637)
Distributions	(2,261,042)
Balance, December 31, 2016	$ 42,627,637

See Notes to Financial Statements

SHEE ATIKÁ INVESTMENTS

SHEE ATIKÁ INVESTMENTS

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 $328,590 and $494,384 in 2016 and 2015, 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 that 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 24, 2017.

SHEE ATIKÁ INVESTMENTS

2 INVESTMENTS

Investments are all in fixed income mutual funds and summarized as follows at December 31::

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Intermediate-term Bond Funds				
Pimco Extended Duration Bond Fund	$3,587,838	$3,550,251	$4,297,123	$4,000,000
TCW Total Return Bond Fund	3,160,145	3,144,496	3,188,796	3,094,602
Doubleline Total Return Bond Fund	2,864,351	3,000,000	2,907,505	3,000,000
Fidelity Spartan Intermediate Term Bond Fund	2,232,102	2,196,729	2,252,225	2,168,439
Pimco Investment Grade Corporate Bond Fund	1,941,065	2,000,000	1,885,932	2,000,000
Guggenheim Total Return Bond Fund	1,921,540	2,000,000	1,895,387	2,000,000
Trading Leveraged Funds				
Profunds US Government Plus Investments Fund	2,395,439	2,491,089	2,891,027	3,000,000
Rydex Strengthening Dollar 2X	2,040,295	2,000,000	1,921,257	2,000,000
Direxion Monthly 10YR Bull 2X Investment Fund	1,969,024	2,000,000	1,997,662	2,000,000
Profunds Rising Rates Opp In	1,842,346	2,000,000	1,936,772	2,000,000
Direxion Monthly 7-10YR Treasury Bear 2X	937,122	1,000,000	984,885	1,000,000
Multisector Bond Fund				
Pimco Income Fund	3,475,504	3,000,000	3,380,403	3,000,000
Short-term Government Securities				
Victory Fund for Income Fund	2,074,515	2,500,000	2,160,494	2,500,000
Long-term Bond Funds				
Vanguard Long-term Bond Fund	1,986,765	2,000,000	1,941,176	2,000,000
Vanguard Fixed Income Long-term Investment Grade Fund	1,919,847	2,000,000	1,889,313	2,000,000
Rydex Dynamic Inverse Nasdaq	1,228,170	2,000,000		
Rydex Inverse Dynamic Russell 2000 2X	907,697	2,000,000		
Rydex Inverse Dynamic S&P 500 H	631,593	1,000,000		
Rydex Inverse Dow 2X Strategy H	600,183	1,000,000		
Corporate Bond Fund				
Vanguard Long-term Corporate Bond Fund	1,939,259	2,000,000	1,830,074	2,000,000
	$39,654,800	$42,882,565	$37,360,031	$37,763,041

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 $1,814,050 and $803,962 at December 31, 2016 and 2015, 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 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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