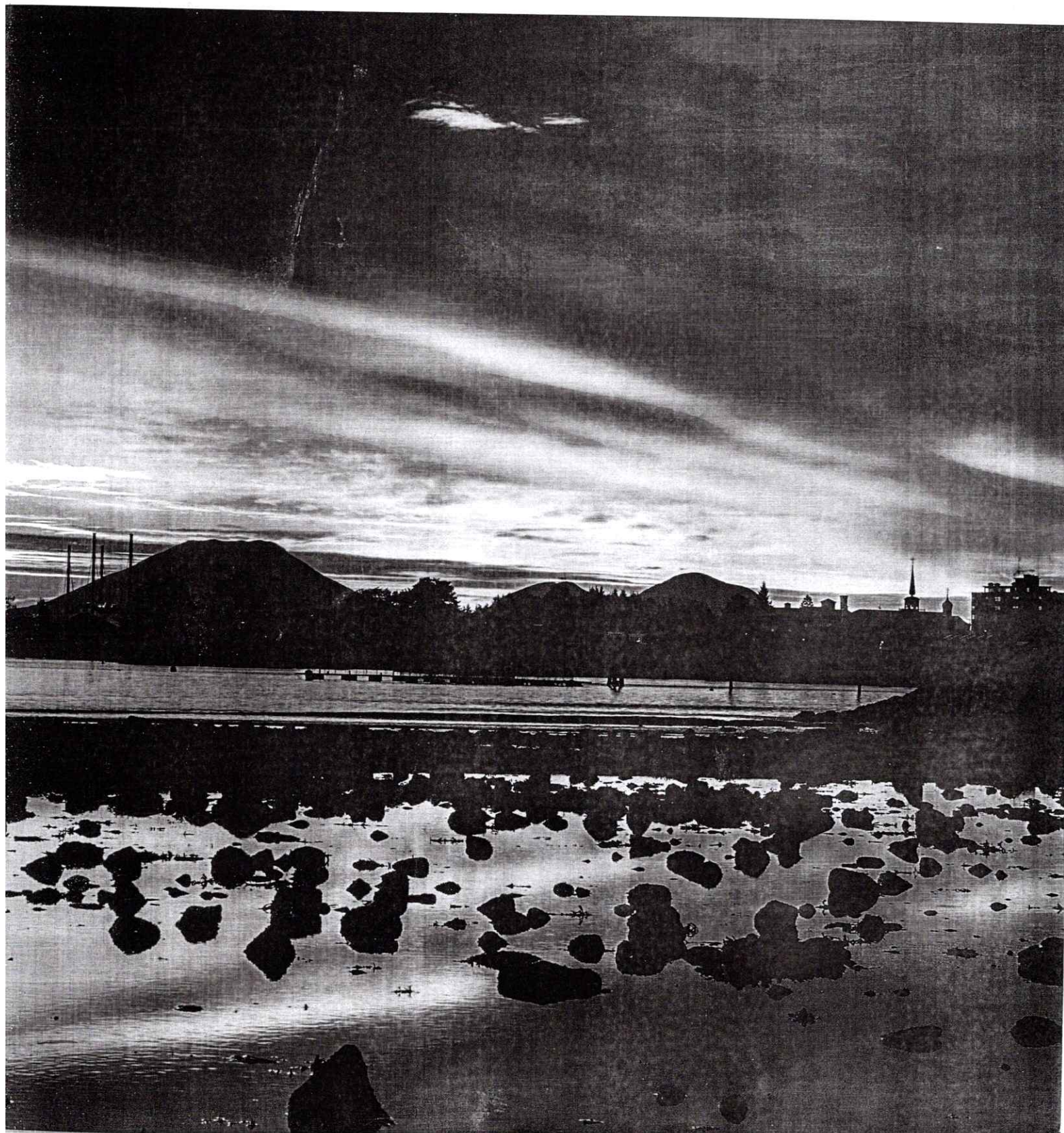
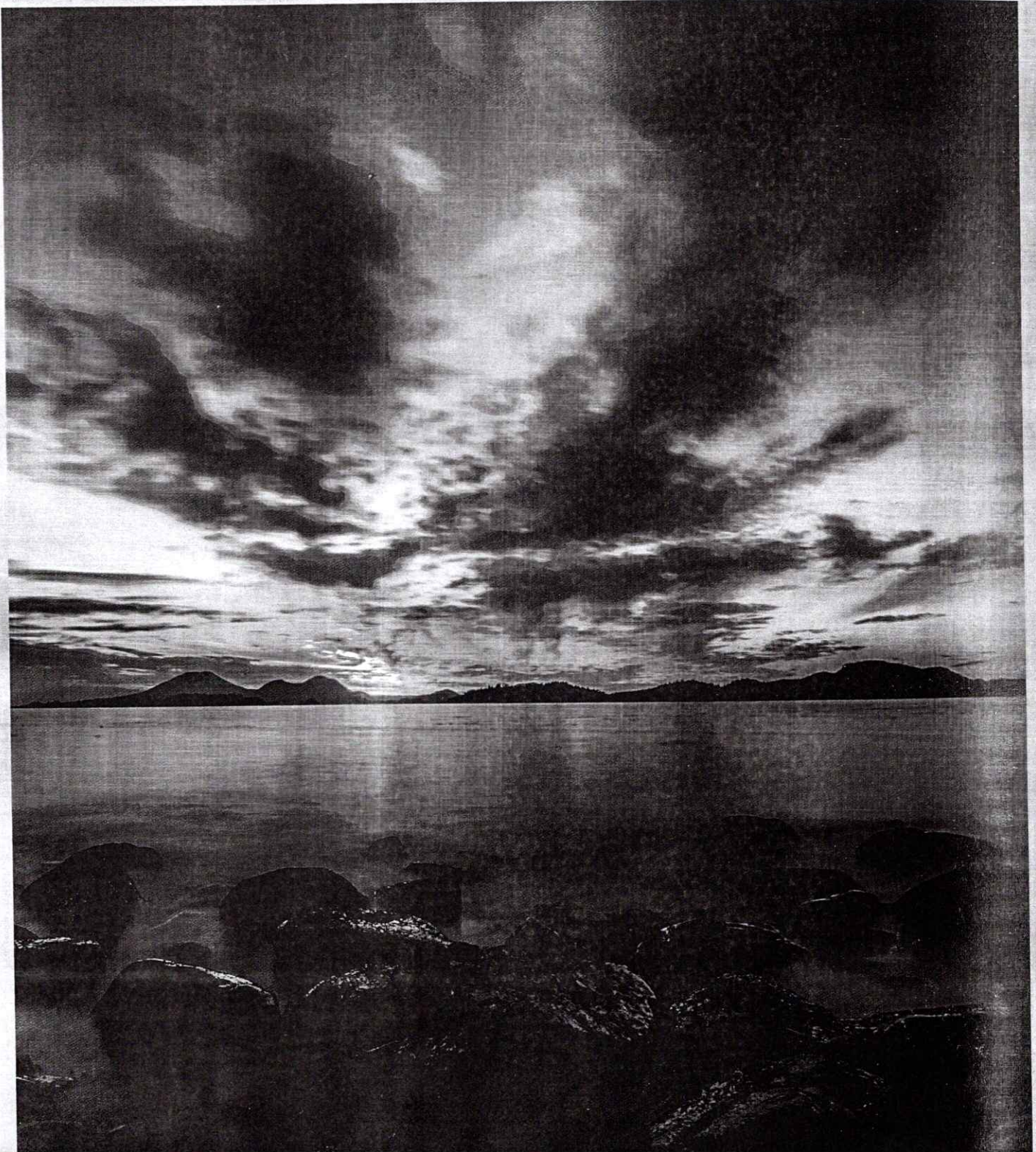




2018 ANNUAL REPORT
SHEE ATIKÁ, INCORPORATED
AND AFFILIATES





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**2018 ANNUAL REPORTS OF
 SHEE ATIKÁ INC.
 SHEE ATIKÁ INVESTMENTS, LLC
 SHEE ATIKÁ FUND ENDOWMENT
 SHEE ATIKÁ BENEFITS TRUST**

Sitka photos by Dan Evans
 Portraits by Keith Fredrickson

SHEE ATIKÁ BOARD OF DIRECTORS



Board Members, left to right

Top Row

Dr. Pamela Steffes, Chairman of the Board
Faleene Worrell, Vice Chairman; Joshua Horan, Secretary

Middle Row

Gillian Havrilla, Treasurer; Robert Allen, Jr., Director; Heath Barger, Director

Bottom Row

James Craig, Director; Roxanne Drake-Burkhart, Director; Laurence Garrity, Director

LETTER FROM THE CHAIRMAN OF THE BOARD

Greetings fellow shareholders:

On behalf of your Board of Directors, we hope you can join us in person or by live stream for our Forty-Fifth Annual Meeting of Shee Atiká's shareholders. The Meeting will be held on Saturday, May 4, 2019 at the Anchorage Marriott Downtown. Registration will open at 8:30 a.m. and the Meeting will start promptly at 9:00 a.m. so we encourage you to arrive early. To live stream the Meeting login at sheeatikavote.com using the information found on your Live Stream Info Sheet label, enclosed with this mailing.

This year we are asking our shareholders to consider Shareholder Resolution 2019-01 which reduces the quorum requirement for shareholder meetings from one-half to one-third of our voting shares.

When Shee Atiká was first established in 1974, we had approximately 1852 shareholders, each owning 100 shares. Today the number of shareholders has increased to approximately 3400 each owning on the average less than 55 shares. The number of shares needed to reach quorum has remained relatively constant at around 92,601 shares

(including Class B shares). This means that in order to reach quorum today, we need to have almost twice as many shareholders participate (vote) in our shareholder meetings compared to 1974. Although we encourage each and every shareholder to participate (vote) every year, it takes more effort to reach quorum each year which has become more and more costly both in terms of staff time and actual cash expenditures. Reducing the quorum requirement will reduce our costs for holding an Annual Meeting. For this reason, your Board of Directors has unanimously approved the proposal to reduce quorum and we ask all of our shareholders to vote "YES" on Shareholder Resolution 2019-01.

Once again you will be able to submit either an electronic proxy at sheeatikavote.com or a paper proxy. The deadline for submitting your proxy is 5:00 p.m. Alaska time on Wednesday, May 1, 2019 and we encourage you to submit your proxy as early as possible. You may also vote if you attend the May 4th Annual Meeting in person, however be sure to arrive and register starting at 8:30 a.m.

We encourage you to stay informed about your corporation: sign up for our e-newsletter, watch sheeatika.com for corporate news and keep in touch by emailing your comments to



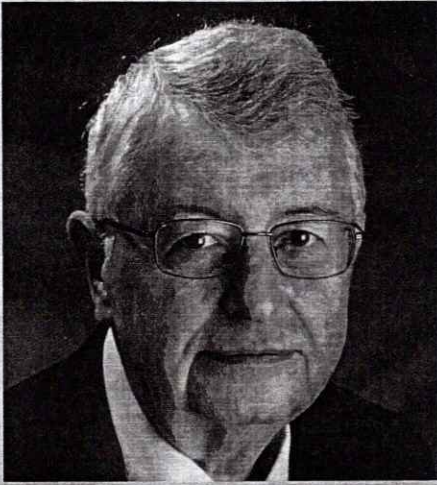
info@sheeatika.com or fill out the form on the "Contact Us" link on our website.

Every Board Member would like to thank you for the opportunity to serve you as a Director.

Gunalchéesh.

Pamela Steffes
Chairman of the Board

LETTER FROM THE PRESIDENT/CEO



Dear shareholders,

I approach this year's annual meeting with mixed emotions, as it will be my last as your President/CEO. As most of you know I am retiring as of December 31, 2019, and I thank each of you for the opportunity to serve you and lead our corporation.

I have been your President/CEO since February, 2010 and we have accomplished much in the past nine + years. I am most proud of the significant repayment of our debt that we have been able to achieve. Our overall debt stands at \$4.27M, which is 38.5% of the original borrowings. The remaining debt is now in the form of two long-term loans, one secured by the Lincoln Street headquarters building in Sitka and the other secured by the Colorado Springs property owned by SAFE. This significant reduction in our

debt over the years has greatly improved Shee Atiká's overall financial condition. While there is much to be done financially as there always is, the reduction in debt should allow the new President/CEO the chance to get off to a good start in 2020.

Accompanying this letter are charts showing how Shee Atiká's financial success over the years has translated into benefit for our shareholders. If you have owned 100 shares since our corporation was formed in April, 1974, you have received a total of \$39,145 in distributions, which is \$391.45 per share. In addition to these distributions (which have come from both Shee Atiká and SAFE), over \$6.7 million has been paid out in funeral and educational benefits. This is particularly impressive, I think, when you realize that Shee Atiká has never received the distributions under ANCSA 7(j) that our sister Village Corporations have received, and thus, has lacked this source of revenue that is so important to other Native Corporations.

Our efforts to build a solid government contracting business are continuing. We looked at several different acquisitions during the past year, but ultimately declined to pursue any of them because they did not fit the profile that Shee Atiká has established for what we want. We also are continuing to pursue development of American Marine & Technical Services, LLC ("AMTS") and Alaska Northstar Resources, LLC ("ANS"), Shee Atiká's newest 8(a) companies. We expect to receive the remaining certifications and approvals for AMTS sometime this year

(2019) and will then be able to pursue contracting opportunities in the ship repair and rebuilding industry, primarily in Philadelphia, which is where our strategic partner, Rhoads Industries, is located.

Another of the projects upon which we have been working for several years is the construction of an all-weather road from the end of Halibut Point Road near Starrigavan Bay into the Katlian Bay area. This road has been under discussion since the mid-1980s and has been particularly complicated to put in place. This is because the road will be built using Alaska state funds (approved by the voters in 2012) and will cross state, federal and Shee Atiká lands and will impact Sealaska's subsurface that underlies Shee Atiká's lands. Shee Atiká has been very proactive in the discussions to get the road in place, including negotiations with Sealaska over the subsurface issue. When the road is completed, you will be able to drive from the end of Halibut Point Road to the U.S. Forest Service lands lying immediately east of Shee Atiká's property alongside the upper Katlian River, adding a total distance of about 9 miles. According to the state, construction is expected to begin this summer (2019). During construction, some of the timber within the road right-of-way on Shee Atiká's lands will need to be cut and Shee Atiká will be able to sell this timber. This is the first road constructed in Sitka since about the 1960's.

Congress has now appropriated the final \$5.2 million to complete the Forest Service's acquisition of the Cube Cove property, which we expect to be complete sometime in May or June 2019. This is another multi-year project that I am pleased to see completed before I leave office.

Our rental properties in Sitka are at 81% occupancy, while the Colorado Springs property owned by SAFE is fully rented to MITRE and continues to perform well. MITRE's lease will continue through 2024. As to our land development activities in the Sitka area on Alice and Charcoal Island, only two lots remain unsold within the Charlie Joseph Subdivision. This subdivision began with eleven lots inside of the Alice Loop Road. Overall, therefore, our land development project is almost complete.

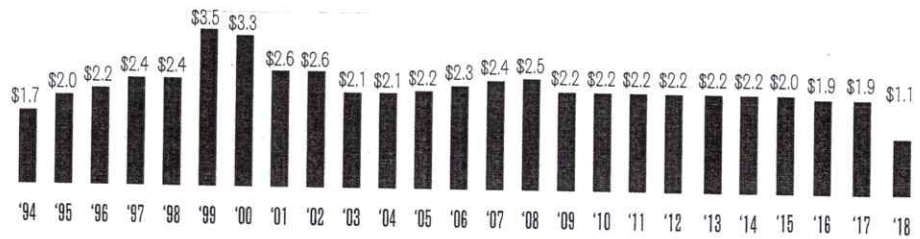
In closing, I want to thank all of you for the support that I and the Board have received over the years, particularly these last several when I have been your President/CEO. I deeply appreciate it, and I wish you and our corporation every success in the years to come.

Thank you,

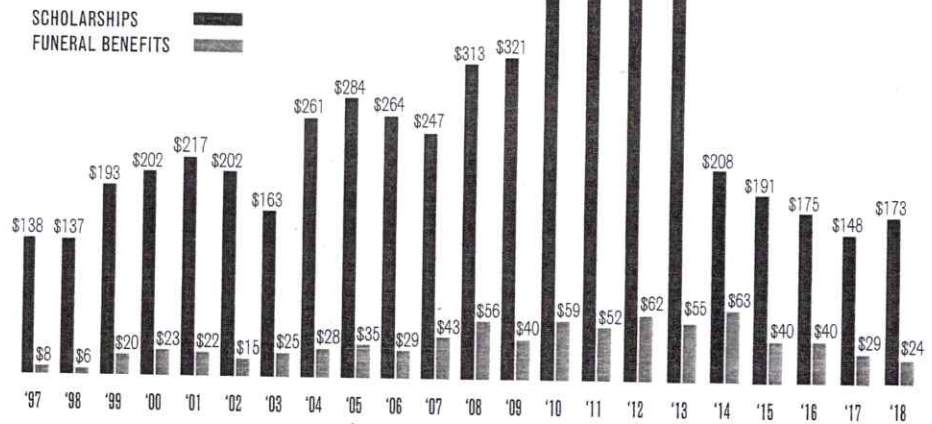


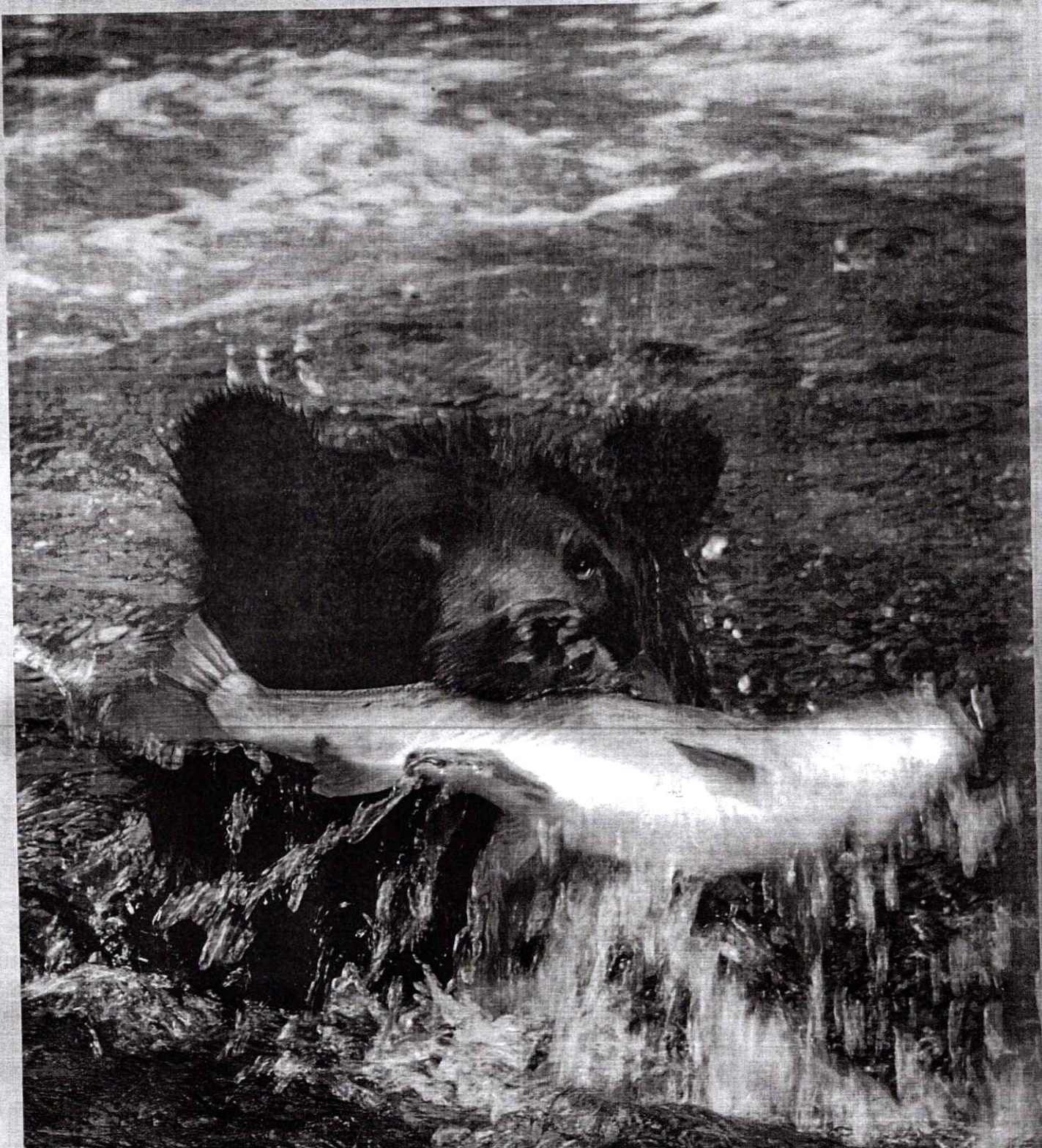
Kenneth Cameron

SHEE ATIKÁ DISTRIBUTIONS • ALL YEARS (\$MILLIONS)
72.5 MILLION (\$39,145 per 100 shares)



SCHOLARSHIPS & FUNERAL BENEFITS • ALL YEARS (\$THOUSANDS)
SCHOLARSHIPS - \$5.98 MILLION
FUNERAL BENEFITS - \$800,000





 2018 ANNUAL REPORT
SHEE ATIKÁ STAFF


Left to Right:

Dr. Kenneth Cameron, President/CEO

Ptarmica McConnell, Chief Operating Officer

Michael McHenry, Senior Vice President of Government Services



Faleene Worrell, Senior Vice President and Vice Chairman of the Board

Lauren Estes, Director of Human Resources and Property Administrator

Kevin Mosher, Accountant



Kori Lindstrom, Executive Assistant

Haley LaDuke, Accounting Technician

Kathy Thomas, Accounting Technician



CORPORATE INFORMATION
SENIOR MANAGEMENT

Kenneth M. Cameron
President/CEO

Ptarmica McConnell
Chief Operating Officer

Michael McHenry
Senior Vice President of
Government Services

Faleene Worrell
Senior Vice President and
Vice Chairman of the Board

STAFF

Lauren Burkhart Estes
Director of Human Resources
Property Administrator

Kevin Mosher
Accountant

Kori Lindstrom
Executive Assistant

Haley LaDuke
Accounting Technician

Kathy Thomas
Accounting Technician

Tracy Orona
Janitorial

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
Brian James: Seattle, WA
Katherine Staton: Eugene, OR

INDEPENDENT AUDITORS' REPORT

petersonsullivan LLP

Certified Public Accountants
& Advisors

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

We have audited the accompanying consolidated financial statements of Shee Atiká, Incorporated and Subsidiaries ("Shee Atiká"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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 Consolidated 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, 2018 and 2017, 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.



March 22, 2019

CONSOLIDATED BALANCE SHEETS

December 31, 2018 and 2017

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	\$ 7,827,210	\$ 5,606,731
Accounts receivable	12,754	17,633
Income tax receivable	174,850	59,850
Prepaid expenses and other	36,872	38,801
Total current assets	8,051,686	5,723,015
Leased Commercial Properties, net	4,835,947	5,035,026
Property and Equipment, net	1,115,488	2,016,966
Cube Cove Land	198,326	360,240
Katlian Bay Land	810,000	810,000
Deferred Selling Costs Related to Cube Cove Property	1,577,865	2,384,592
Long-Term Income Tax Receivable	113,000	
Deferred Tax Asset	1,584,000	2,500,000
Total assets	\$ 18,286,312	\$ 18,829,839
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 388,733	\$ 466,192
Current portion of long-term debt	72,832	68,240
Deferred revenue	36,115	
Total current liabilities	497,680	534,432
Loan Payable to SAIL		1,871,131
Long-Term Debt, less current portion	601,868	675,130
Total liabilities	1,099,548	3,080,693
Equity		
Shee Atiká, Incorporated shareholders' equity		
Common stock, no par or stated value, 250,000 shares authorized		
Class A, voting, 179,860 and 179,996 shares issued and outstanding for 2018 and 2017, respectively		
Class B, nonvoting, 5,340 and 5,204 shares issued and outstanding for 2018 and 2017, respectively		
Contributed capital	5,956,000	5,956,000
Retained earnings	11,025,777	9,562,182
Total Shee Atiká, Incorporated shareholders' equity	16,981,777	15,518,182
Noncontrolling interest	204,987	230,964
Total equity	17,186,764	15,749,146
Total liabilities and equity	\$ 18,286,312	\$ 18,829,839

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenue		
Sales of Cube Cove parcels	\$ 4,233,238	\$ 4,927,599
Sales of lots on Alice Island	1,004,945	
Administrative fees from affiliated entities	2,385,482	2,018,075
Rentals from leased commercial properties	358,788	378,745
Contracts	35,120	62,862
Total revenue	<u>8,017,573</u>	<u>7,387,281</u>
Costs and Expenses		
General and administrative	2,951,760	3,567,783
Cost of Cube Cove parcels and direct selling costs	1,328,645	1,295,392
Costs of Alice Island Lots and direct selling costs	492,084	
Depreciation and amortization	337,700	336,208
Katlian Bay project expenses	325,552	
Scholarship and funeral benefit payments	196,525	176,850
Leased commercial properties	128,058	78,410
Interest	92,608	122,238
Contributions	19,600	7,350
Contracts	8,562	32,624
Other	35,841	6,025
Total costs and expenses	<u>5,916,935</u>	<u>5,622,880</u>
Income before income tax expense	<u>2,100,638</u>	<u>1,764,401</u>
Income Tax Expense		
Provision related to current operations	713,000	867,000
Provision related to effects of changes in tax rates		694,000
	<u>713,000</u>	<u>1,561,000</u>
Net income	<u>1,387,638</u>	<u>203,401</u>
Net Loss Attributable to Noncontrolling Interests	<u>75,957</u>	<u>22,151</u>
Net income attributable to Shee Atiká, Incorporated	<u>\$ 1,463,595</u>	<u>\$ 225,552</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2018 and 2017

	Shee Atiká, Incorporated Shareholders' Equity				Total	Noncontrolling Interest	Total Equity
	Shares of Common Stock Class A	Shares of Common Stock Class B	Contributed Capital	Retained Earnings			
Balances, December 31, 2016	180,071	5,129	\$5,956,000	\$9,336,630	\$ 15,292,630	\$189,325	\$15,481,955
Class transfer due to change in ownership	(75)	75				63,790	63,790
Contributions				225,552	225,552	(22,151)	203,401
Net income (loss) for the year				9,562,182	15,518,182	230,964	15,749,146
Balances, December 31, 2017	179,996	5,204	5,956,000	9,562,182	15,518,182	230,964	15,749,146
Class transfer due to change in ownership	(136)	136					
Contributions				1,463,595	1,463,595	49,980	49,980
Net income (loss) for the year				11,025,777	16,981,777	(75,957)	1,387,638
Balances, December 31, 2018	<u>179,860</u>	<u>5,340</u>	<u>\$5,956,000</u>	<u>\$11,025,777</u>	<u>\$16,981,777</u>	<u>\$204,987</u>	<u>\$17,186,764</u>

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received from:		
Sales of Cube Cove parcels	\$ 4,233,238	\$ 4,927,599
Sales of developed lots	1,004,945	
Administrative and other fees from affiliated entities	2,385,482	2,018,075
Rentals from leased commercial properties	358,788	378,745
Contracts and Other	39,999	61,875
Cash paid to/for:		
Contractors and suppliers	(2,201,304)	(2,129,028)
Salaries, including related taxes and benefits	(1,296,120)	(1,589,614)
Scholarship and funeral benefit payments	(196,525)	(176,850)
Interest	(92,608)	(122,238)
Net cash flows from operating activities	4,235,895	3,368,564
Cash Flows from Investing Activities		
Proceeds from sale of property	347,424	
Purchases of property and equipment	(115,505)	(196,252)
Payment for deferred selling costs related to the Cube Cove property	(357,514)	(602,030)
Net cash flows from investing activities	(125,595)	(798,282)
Cash Flows from Financing Activities		
Net borrowing (payments) on loan payable to SAIL	(1,871,131)	57,081
Amounts received from noncontrolling interests	49,980	63,790
Principal repayments on long-term debt	(68,670)	(64,298)
Net cash flows from financing activities	(1,889,821)	56,573
Net change in cash and cash equivalents	2,220,479	2,626,855
Cash and Cash Equivalents, beginning of year	5,606,731	2,979,876
Cash and Cash Equivalents, end of year	\$ 7,827,210	\$ 5,606,731
Reconciliation of Net Income to		
Net Cash Flows from Operating Activities		
Net income	\$ 1,387,638	\$ 203,401
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation and amortization	337,700	336,208
Cost of Cube Cove parcels sold	1,328,685	1,295,392
Cost of developed lots sold	492,084	
Loss on sale of property	(27,565)	
Deferred income tax expense	803,000	1,520,000
Other	(18,799)	(12,282)
Changes in operating assets and liabilities		
Income tax receivable	(115,000)	
Accounts receivable	4,879	(10,189)
Prepaid expenses and other assets	1,929	127,630
Accounts payable, accrued expenses, and deferred revenue	41,344	(91,596)
Net cash flows from operating activities	\$ 4,235,895	\$ 3,368,564

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atiká, Incorporated ("Shee Atiká") is an urban corporation organized pursuant to the Alaska Native Claims Settlement Act ("ANCSA"). ANCSA also created regional corporations that represent geographic areas. Shee Atiká is located in the Sealaska Corporation region. Pursuant to ANCSA, Shee Atiká received the surface estate of approximately 23,000 acres of property located on Admiralty Island ("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.

Pursuant to ANCSA, 100 shares of Shee Atiká's voting common stock were issued 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 3,423 shareholders as of December 31, 2018.

As discussed in Note 2, Shee Atiká sold four parcels of land in both 2018 and 2017 (out of 13) at Cube Cove. Shee Atiká also sold seven developed lots located on Alice Island in 2018. In addition, Shee Atiká leases commercial properties that 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, 2018 or 2017, 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 Holdings Lincoln Street LLC ("Lincoln Street") is wholly owned with a termination date of 2022. Lincoln Street owns and leases real property in Sitka, Alaska.
- Shee Atiká Holdings Alice Island LLC ("Alice Island") is wholly owned with a termination date of 2027. Alice Island owns and leases real property in Sitka, Alaska. Alice Island is also in the process of developing lots on owned property to be sold or leased. During 2018, seven lots were sold on Alice Island. None were sold in 2017. There are four lots remaining on Alice Island to be sold.
- Balanced Accounting Solutions, LLC ("BAS") is majority-owned with an indefinite life; a related entity owns the minority interest – Shee Atiká Fund Endowment ("SAFE"). BAS was formed during 2017 to provide a wide array of accounting services to businesses primarily located in Sitka, Alaska.
- American Marine Technical Services, LLC ("AMTS") is majority-owned with an indefinite life; the related entity SAFE holds a 39% interest, and an unrelated entity owns a 10% interest. AMTS holds certification under Section 8(a). AMTS was formed in 2017 for the purpose of partnering with the minority owner to provide contract services in the future. It did not have any significant operations during 2018 or 2017.
- Alaska Northstar Resources, LLC ("ANR") is wholly owned with an indefinite life. ANR was formed in 2017 for the purpose of providing contract services in the future. ANR holds certification under Section 8(a). It did not have any significant operations during 2018 or 2017.

- Shee Atiká Enterprises LLC ("SAE") is majority-owned with an indefinite life; a related entity owns the minority interest – SAFE. SAE holds certification under Section 8(a). SAE did not have any significant operations during the years ended December 31, 2018 or 2017. Management believes that SAE could be used in the future to provide services under contracts with the United States government.
- Shee Atiká Commercial Services LLC ("SACS") is majority-owned with an indefinite life; a related entity owns the minority interest – SAFE. SACS holds certification under Section 8(a) (final year of eligibility). SACS did not have any significant operations during 2018 or 2017. Management is in the process of winding down SACS and does not expect SACS to have any significant future operations.
- Shee Atiká Management LLC ("SAM") was a wholly owned subsidiary that was dissolved in 2018.
- Shee Atiká Languages LLC (majority-owned; dissolved in a prior year; 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.

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.

LEASED COMMERCIAL PROPERTIES/PROPERTY AND EQUIPMENT/CUBE COVE LAND/KATLIAN BAY LAND

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.

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, 2018 or 2017.

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, 2018, Shee Atiká recognized expenses of \$196,525 related to these benefits. During the year ended December 31, 2017, Shee Atiká recognized expenses of \$176,850 related to these benefits.

RECLASSIFICATIONS

Certain amounts in the prior-year financial statements have been reclassified to conform to the current-year presentation.

SUBSEQUENT EVENTS

Shee Atiká has evaluated subsequent events through the date these consolidated financial statements were available to be issued, which was March 22, 2019.

2 CUBE COVE AND DEFERRED COSTS RELATED TO CUBE COVE

The Cube Cove property recorded on the consolidated balance sheets as of December 31, 2018 and 2017, 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 years ended December 31, 2018 and 2017, Shee Atiká sold four (out of 13) parcels each year of this property to the USFS. During the years ended December 31, 2018 and 2017, total proceeds of \$4,233,238 and \$4,927,599, respectively, have been reported as revenue in the consolidated statements of operations. The sales of these parcels resulted in a net gain of \$2,904,593 and \$3,632,207 for the years ended December 31, 2018 and 2017, respectively.

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 \$1,557,865 and \$2,384,592 as of December 31, 2018 and 2017, respectively, and have been capitalized and are included in deferred selling 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 years ended December 31, 2018 and 2017, Shee Atiká allocated \$1,155,442 and \$1,096,581, respectively, of these deferred selling costs against the gain on sale.

3 LEASED COMMERCIAL PROPERTIES

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

	2018	2017
Buildings	\$ 6,168,411	\$ 6,168,411
Leasehold improvements	<u>590,160</u>	<u>590,160</u>
	6,758,571	6,758,571
Less: accumulated depreciation and amortization	<u>(2,927,760)</u>	<u>(2,615,374)</u>
	3,830,811	4,143,197
Land and land improvements	<u>1,005,136</u>	<u>891,829</u>
	<u>\$ 4,835,947</u>	<u>\$ 5,035,026</u>

Depreciation expense for leased commercial properties amounted to \$312,386 and \$314,078 in 2018 and 2017, respectively.

The leased commercial buildings are leased under various operating leases expiring in various years through 2023. The approximate minimum future lease payments to be received on noncancelable operating leases are as follows for years ending December 31:

2019	\$ 341,599
2020	261,706
2021	157,903
2022	60,403
2023	<u>42,724</u>
	<u>\$ 864,335</u>

4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2018	2017
Furniture and equipment	\$ 543,706	\$ 541,508
Other	<u>173,918</u>	<u>185,207</u>
	717,624	726,715
Less: accumulated depreciation	<u>(664,896)</u>	<u>(639,582)</u>
	52,728	87,133
Land (primarily land at Alice Island)	<u>1,062,760</u>	<u>1,929,833</u>
	<u>\$ 1,115,488</u>	<u>\$ 2,016,966</u>

Depreciation expense for property and equipment amounted to \$25,314 and \$22,130 in 2018 and 2017, respectively. Most of the land on Alice Island is in the process of being developed for sale.

5 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, 2020. 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, 2017, was \$1,871,131. The loan was paid in full during 2018.

6 LONG-TERM DEBT

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

	2018	2017
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.	\$ 674,700	\$ 743,370
Less: current portion	(72,832)	(68,240)
	<u>\$ 601,868</u>	<u>\$ 675,130</u>

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

2019	\$ 72,832
2020	78,210
2021	523,658
	<u>\$ 674,700</u>

At December 31, 2018 and 2017, the basis of the commercial property pledged as security for the above note was \$2,848,134 and \$2,961,015, respectively.

7 INCOME TAXES

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

	2018	2017
Current benefit (expense)	\$ 90,000	\$ (41,000)
Deferred provision related to current operations	(803,000)	(826,000)
	(713,000)	(867,000)
Deferred provision related to effects of changes in tax rates		(694,000)
Income tax expense	<u>\$ (713,000)</u>	<u>\$(1,561,000)</u>

Shee Atiká's effective tax rate differs from statutory rates for 2018 and 2017. For 2018, the difference is due to non-deductible items (such as scholarships). For 2017, the difference between the statutory tax rate and the tax rate in these financial statements is related to a corporate tax rate reduction (part of the 2017 Tax Cuts and Jobs Act). In general, the federal corporate tax rate reduced from 34% to 21%, reducing the value of the deferred tax asset (and creating more deferred tax expense). During the year ended December 31, 2018, Shee Atiká received a credit of \$90,000 of federal alternative minimum taxes. During the year ended December 31, 2017, Shee Atiká paid \$41,000 of federal alternative minimum taxes. No other federal income taxes were paid in 2018 or 2017.

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

	2018	2017
Deferred tax assets		
Net operating loss	\$ 1,243,000	\$ 1,925,000
Deferred costs	157,000	198,000
Excess of tax basis in buildings and equipment	114,000	84,000
Accrued compensation	44,000	40,000
Other	26,000	39,000
Alternative minimum tax credit carryforwards		214,000
Deferred tax asset	<u>\$ 1,584,000</u>	<u>\$ 2,500,000</u>

As of December 31, 2018 and 2017, Shee Atiká has federal net operating tax loss carryforwards of approximately \$4,376,000 and \$6,780,000, respectively. The alternative minimum tax credit carryforwards do not expire. Shee Atiká used approximately \$2,513,000 and \$1,930,000 of net operating loss carryforwards during the years ended December 31, 2018 and 2017, respectively. 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, 2018 or 2017. There was no change in the valuation allowance for 2018 or 2017.

8 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 \$39.0 million and \$43.8 million at December 31, 2018 and 2017, 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 \$5,000 and \$14,000 at December 31, 2018 and 2017, 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 SABT 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.

9 RELATED PARTY TRANSACTIONS

Related party transactions for the years ended December 31, 2018 and 2017, are as follows:

- As discussed in Note 5, in February 2009, SAIL loaned funds to Shee Atiká. The loan was paid in full in 2018.
- Shee Atiká provides administrative services to SAFE, SABT, and SAIL. In 2018 and 2017, Shee Atiká charged administrative fees of \$2,385,482 and \$2,018,075, respectively, to SAFE and SAIL. There were no administrative fees charged to SABT during 2018 or 2017.

10 401(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 \$26,237 and \$28,016 in 2018 and 2017, respectively.

11 CONTINGENCIES

From time to time, Shee Atiká (and its subsidiaries) may be involved in litigation. One of Shee Atiká's subsidiaries is involved with litigation regarding federal contracting from a prior year. Management intends to vigorously defend any such litigation. The ultimate outcome of such litigation and any potential range of loss currently cannot be determined, but management does not expect it to materially affect Shee Atiká's operations.



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, 2018 and 2017, and our report thereon dated March 22, 2019, which contains an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary 2018 consolidating balance sheet and statement of operations presented in the following section of this report are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management of Shee Atiká and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Peterson Sullivan LLP

March 22, 2019

SUPPLEMENTARY INFORMATION

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET December 31, 2018

	Total	Consolidating Entries	Shee Atiká Incorporated	Shee Atiká Holdings Lincoln St. LLC	Shee Atiká Holdings Alice Island LLC
ASSETS					
Current Assets	\$ 7,827,210	\$ -	\$ 7,302,540	\$ 24,040	\$ 73,486
Cash and cash equivalents	12,754			79	4,375
Accounts receivable	174,850		174,850		
Income tax receivable	36,872		26,134	8,258	2,092
Prepaid expenses and other	8,051,686		7,503,524	32,377	79,953
Total current assets	4,835,947		553,750	2,848,134	1,434,063
Leased Commercial Properties, net	1,115,488		52,728		1,062,760
Property and Equipment, net	198,326		198,326		
Cube Cove Land	810,000		810,000		
Katlian Bay Land	1,577,865		1,577,865		
Deferred Selling Costs Related to Cube Cove Property	113,000		113,000		
Long-Term Income Tax Receivable	1,584,000		1,584,000		
Deferred Tax Asset			(38,195)	25,000	13,305
Due from (to) Related Company		(5,026,462)	5,026,462		
Equity in Subsidiaries					
Total assets	\$ 18,286,312	\$ (5,026,462)	\$ 17,381,460	\$ 2,905,511	\$ 2,590,081
LIABILITIES AND EQUITY					
Current Liabilities	\$ 388,733	\$ -	\$ 365,613	\$ 12,242	\$ 5,084
Accounts payable and accrued expenses	72,832			72,832	
Current portion of long-term debt	36,115		28,592		7,523
Deferred revenue	497,680		394,205	85,074	12,607
Total current liabilities	601,868			601,868	
Long-Term Debt, less current portion	1,099,548		394,205	686,942	12,607
Total liabilities					
Equity					
Shee Atiká, Incorporated shareholders' equity	5,956,000	(5,549,914)	5,956,000	2,187,044	2,857,836
Contributed capital	11,025,777	523,452	11,031,255	31,525	(280,362)
Retained earnings (deficit)	16,981,777	(5,026,462)	16,987,255	2,218,569	2,577,474
Total Shee Atiká, Incorporated shareholders' equity	204,987				
Noncontrolling interest	17,186,764	(5,026,462)	16,987,255	2,218,569	2,577,474
Total equity	\$ 18,286,312	\$ (5,026,462)	\$ 17,381,460	\$ 2,905,511	\$ 2,590,081
Total liabilities and equity					

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS For the Year Ended December 31, 2018

	Total	Consolidating Entries	Shee Atiká Incorporated	Shee Atiká Holdings Lincoln St. LLC	Shee Atiká Holdings Alice Island LLC
Revenues					
Sales of Cube Cove parcels	\$ 4,233,238	\$ -	\$ 4,233,238	\$ -	\$ 1,004,945
Sales of other Lots	1,004,945				
Administrative fees from affiliated entities	2,385,482		2,385,482		111,488
Rentals from leased commercial properties	358,788	(100,000)	56,779	290,521	
Contracts and Other	35,120	(70,000)	69,187		
Total revenue	8,017,573	(170,000)	6,744,686	290,521	1,116,433
Costs and Expenses					
General and administrative	2,951,760	(100,000)	2,788,370		85,789
Costs of Cube Cove parcels and direct selling costs	1,328,645		1,328,645		
Costs of Alice Island Lots and direct selling costs	492,084	(70,000)		112,983	562,084
Depreciation and amortization	337,700		25,314		199,403
Katlian Bay project expenses	325,552		325,552		
Scholarship and funeral benefit payments	196,525		196,525		
Leased commercial properties	128,058		6,945	121,113	
Interest	92,608		45,660	46,948	
Contributions	19,600		19,600		
Contracts	8,562				
Other	35,841		29,366		(35)
Total costs and expenses	5,916,935	(170,000)	4,765,977	281,044	847,241
Income (loss) before income tax expense	2,100,638		1,978,709	9,477	269,192
Income Tax Expense	(713,000)		(713,000)		
Net income (loss)	1,387,638		1,265,709	9,477	269,192
Net Loss (Income) Attributable to Noncontrolling Interests	75,957				
Net income (loss) attributable to Shee Atiká, Incorporated	\$ 1,463,595	\$ -	\$ 1,265,709	\$ 9,477	\$ 269,192

Balanced Accounting Solutions LLC	American Marine Technical Services LLC	Alaska Northstar Resources LLC	Shee Atiká Enterprises LLC	Shee Atiká Commercial Services LLC	Shee Atiká Management LLC	Shee Atiká Languages LLC
\$ 130,617 8,300	\$ 94,891	\$ 98,145	\$ 82,118	\$ 469	\$ -	\$ 20,904
388						
<u>139,305</u>	<u>94,891</u>	<u>98,145</u>	<u>82,118</u>	<u>469</u>		<u>20,904</u>

(110)

<u>\$ 139,305</u>	<u>\$ 94,781</u>	<u>\$ 98,145</u>	<u>\$ 82,118</u>	<u>\$ 469</u>	<u>\$ -</u>	<u>\$ 20,904</u>
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\$ 375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,419
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375						5,419
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375						5,419
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51,000	51,000	100,000	51,000	67,414		184,620
19,855	(2,950)	(1,855)	(9,120)	(65,127)		(220,896)

70,855	48,050	98,145	41,880	2,287		(36,276)
68,075	46,731		40,238	(1,818)		51,761

138,930	94,781	98,145	82,118	469		15,485
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<u>\$ 139,305</u>	<u>\$ 94,781</u>	<u>\$ 98,145</u>	<u>\$ 82,118</u>	<u>\$ 469</u>	<u>\$ -</u>	<u>\$ 20,904</u>
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Balanced Accounting Solutions LLC	American Marine Technical Services LLC	Alaska Northstar Resources LLC	Shee Atiká Enterprises LLC	Shee Atiká Commercial Services LLC	Shee Atiká Management LLC	Shee Atiká Languages LLC
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

35,933						
<u>35,933</u>						

		1,145		2,306		174,150
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8,562	2,882		1,847	1,781		
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8,562	2,882	1,145	1,847	4,087		174,150
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27,371	(2,882)	(1,145)	(1,847)	(4,087)		(174,150)
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27,371	(2,882)	(1,145)	(1,847)	(4,087)		(174,150)
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(13,412)	1,124		908	2,003		85,334
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<u>\$ 13,959</u>	<u>\$ (1,758)</u>	<u>\$ (1,145)</u>	<u>\$ (939)</u>	<u>\$ (2,084)</u>	<u>\$ -</u>	<u>\$ (88,816)</u>
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INDEPENDENT AUDITORS' REPORT

petersonsullivan LLP

Certified Public Accountants
& Advisors

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

We have audited the accompanying financial statements of Shee Atiká Investments, LLC ("SAIL"), which comprise the statements of assets and members' equity as of December 31, 2018 and 2017, 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, 2018 and 2017, and its revenue, expenses, and changes in members' equity for the years then ended on the modified income tax basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of accounting SAIL uses for income tax purposes, except that it adjusts its investment portfolio to fair value (investments are valued at cost on the basis of accounting SAIL uses for income tax purposes). This is referred to as "the modified income tax basis." The purpose of using the modified income tax basis of accounting is to make the statements easier to use for SAIL's members and their unit holders. The modified income tax basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

Peterson Sullivan LLP

March 22, 2019

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

December 31, 2018 and 2017

ASSETS	2018	2017
Investments, at fair value	\$ 30,461,572	\$ 36,541,941
Cash and cash equivalents	4,620,947	1,260,327
Dividends receivable	15,398	85,624
Accounts receivable	4,354	
Loan receivable from Shee Atiká, Incorporated		1,871,131
Total assets	<u>\$ 35,102,271</u>	<u>\$ 39,759,023</u>
MEMBERS' EQUITY		
Members' equity	<u>\$ 35,102,271</u>	<u>\$ 39,759,023</u>

STATEMENTS OF REVENUE AND EXPENSES – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenue		
Dividends	\$ 1,026,198	\$ 986,520
Interest	105,039	78,141
Net realized gain (loss) on sales of investments	(4,445,544)	86,958
Total revenue	<u>(3,314,307)</u>	<u>1,151,619</u>
Expenses		
SAI administrative fees	779,529	681,397
Professional fees	80,516	13,836
Investment management and custodian fees	112,136	20,855
Other	6,175	
Total expenses	<u>978,356</u>	<u>716,088</u>
Taxable income (loss)	<u>(4,292,663)</u>	<u>435,531</u>
Adjustment to Fair Value of Investments	1,751,806	(665,968)
Net loss	<u>\$ (2,540,857)</u>	<u>\$ (230,437)</u>

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

For the Years Ended December 31, 2018 and 2017

	2018	2017
Members' equity, beginning of year	\$ 39,759,023	\$ 42,627,637
Net loss	(2,540,857)	(230,437)
Distributions	(2,115,895)	(2,638,177)
Members' equity, end of year	<u>\$ 35,102,271</u>	<u>\$ 39,759,023</u>

See Notes to Financial Statements

SHEE ATIKÁ INVESTMENTS, LLC

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 the 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 on December 31, 2023, but its members can vote to extend its existence.

SAI provides administrative services to SAIL. SAI charged administrative fees of \$779,529 and \$681,397 in 2018 and 2017, 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 ("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. Certificates of deposit are stated at cost plus accrued interest.

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.

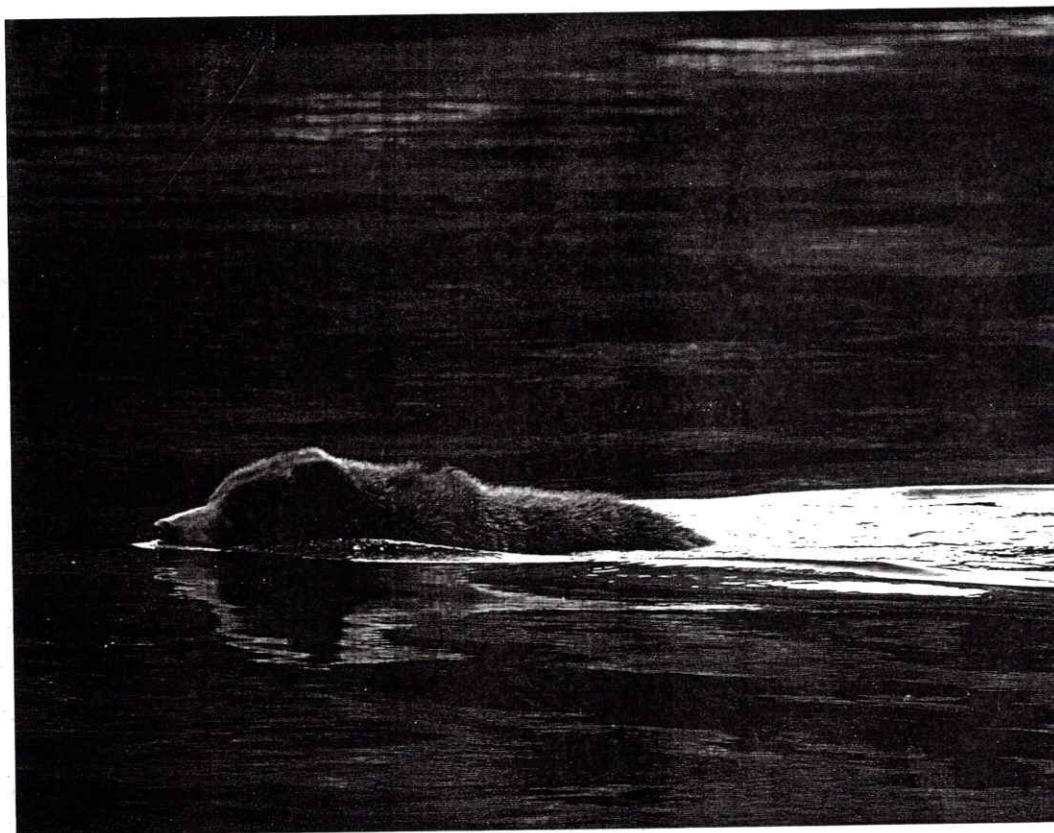
SUBSEQUENT EVENTS

SAIL has evaluated subsequent events through the date these financial statements were available to be issued, which was March 22, 2019.

2 INVESTMENTS

Investments consist of fixed income and equity mutual and exchange-traded funds, U.S. Treasury securities, and certificates of deposit at December 31, 2018. See the table that follows for a summary of SAIL's investments held at December 31, 2018 and 2017.

During 2018, SAIL engaged Mesirow Financial as its investment advisor. Most investment management and custodian fees were paid to Mesirow in 2018.



Investments are summarized in the following table at December 31:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Fixed Income Mutual and Exchange				
Traded Funds				
DFA Short-Term Extended Quality I	\$2,530,222	\$ 2,558,253	\$ -	\$ -
BBH Limited Duration I	2,268,490	2,277,416		
DFA Five-Year Global Fixed-Income I	2,042,905	2,092,820		
Pimco Investment Grade Credit Bond Fund	1,911,751	2,027,844	1,997,094	2,000,000
Doubleline Total Return Bond Fund	1,864,805	1,997,128	1,872,864	1,973,623
Templeton Global Bond Adv	1,742,017	1,821,538		
Guggenheim Total Return Bond Fund	1,658,387	1,716,265	1,671,317	1,694,224
Vanguard Inflation-Protected Secs Adm	1,485,960	1,531,295		
iShares TIPS Bond ETF	1,479,686	1,514,062		
International Business Machines Note	498,374	494,146	1,970,107	2,500,000
Victory Fund for Income Fund				
Pimco Extended Duration Bond Fund			3,911,844	3,550,251
Pimco Income Fund			3,560,375	3,000,000
Fidelity Intermediate Treasury Bond Index Premium			2,234,645	2,196,729
TCW Total Return Bond Fund			2,124,761	2,114,683
Vanguard Long-Term Bond Fund			2,114,176	2,000,000
Vanguard Long-Term Corporate Bond Fund			2,083,074	2,000,000
Vanguard Fixed Income Long-Term Investment Grade Fund			2,025,528	2,000,000
Equity Mutual and Exchange-				
Traded Funds				
T Rowe Price Capital Appreciation	2,226,073	2,404,903		
Oakmark Equity & Income Investor	2,083,311	2,440,781		
IVA Worldwide Fund Class I	2,074,854	2,444,692		
First Eagle Global Class I	2,047,945	2,378,082		
FPA Crescent Fund	2,050,659	2,404,840		
U.S. Treasury Securities				
United States Treasury Notes	1,995,982	1,986,411		
Certificates of Deposit				
Community First Bank				
Indiana Kokomo	250,006	249,943		
Zions Bancorporation	250,145	249,943		
Leveraged Fixed Income Funds				
Profunds Long-Term U.S. Government Bond Fund 1.25X			2,633,158	2,491,089
Direxion 7-10YR Treasury Bond Bull 2X Fund			2,022,794	2,000,000
Inverse-Fixed Income Funds				
Profunds Inverse Long-Term U.S. Government Bond Fund 1.25X			1,622,296	2,000,000
Direxion 7-10YR Treasury Bond Bear 2X Fund			886,034	1,000,000

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Inverse-Equity Funds				
Rydex Dynamic Inverse Nasdaq 100 2X H			684,356	2,000,000
Rydex Inverse Dynamic Russell 2000 2X			666,119	2,000,000
Rydex Inverse Dynamic S&P 500 2X H			426,055	1,000,000
Rydex Inverse Dow 2X Strategy H			365,104	1,000,000
U.S. Dollar Performance Fund			1,670,240	2,000,000
Rydex Strengthening Dollar 2X				
	<u>\$30,461,572</u>	<u>\$32,590,362</u>	<u>\$36,541,941</u>	<u>\$40,520,599</u>

LOAN RECEIVABLE FROM SAI

- 3 SAIL had a loan receivable from SAI with an outstanding balance of \$1,871,131 at December 31, 2017. This loan was repaid in full during 2018.



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, 2018 and 2017, 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.

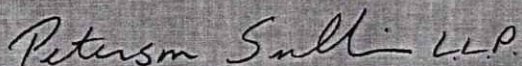
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, and its revenue, 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.



March 22, 2019

STATEMENTS OF NET ASSETS – MODIFIED INCOME TAX BASIS

December 31, 2018 and 2017

ASSETS	2018	2017
Investment in Shee Atiká Investments, LLC	\$ 35,097,583	\$ 39,745,797
Investment in Shee Atiká Enterprises, LLC	43,321	44,229
Investment in American Marine & Technical Services, LLC	36,965	38,089
Investment in Balanced Accounting Solutions, LLC	68,075	5,663
Investment in Shee Atiká Commercial Services, LLC	230	1,253
Leased commercial property, net	6,929,808	7,188,142
Cash and cash equivalents	698,297	632,957
Income tax receivable	30,184	30,184
Total assets	42,904,463	47,686,314
LIABILITIES		
Accounts payable	134	4,545
Long-term debt	3,590,663	3,691,664
Distributions payable	298,515	195,572
Total liabilities	3,889,312	3,891,781
NET ASSETS	<u>\$ 39,015,151</u>	<u>\$ 43,794,533</u>

STATEMENTS OF REVENUE AND EXPENSES – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenue		
Equity share in Shee Atiká Investments, LLC taxable income (realized losses allocated limited to \$3,000 for income tax purposes)	\$ 137,083	\$ 435,380
Equity share in Shee Atiká Enterprises, LLC taxable loss	(908)	(1,459)
Equity share in Shee Atiká Commercial Services, LLC taxable loss	(2,003)	(1,595)
Equity share in American Marine & Technical Services, LLC taxable loss	(1,124)	(911)
Equity share in Balanced Accounting Solutions, LLC taxable income	13,412	5,663
Rentals from leased commercial property	966,789	952,045
Other income	3,327	1,021
	1,116,576	1,390,144
Expenses		
SAI administrative fees	1,605,953	1,336,677
Depreciation	293,698	220,595
Interest	159,258	167,823
Leased commercial property expenses	4,901	15,872
Professional and custodian fees	24,750	18,446
Other administrative expenses	18,618	7,637
	2,107,178	1,767,050
Taxable loss	(990,602)	(376,906)
Income Tax Expense		47,660
Change in net assets before adjusting investment in Shee Atiká Investments, LLC to fair value	(990,602)	(424,566)
Adjustment to Fair Value of Investment in Shee Atiká Investments, LLC	(2,677,580)	(665,738)
Change in net assets	<u>\$ (3,668,182)</u>	<u>\$ (1,090,304)</u>

See Notes to Financial Statements

STATEMENTS OF CHANGES IN NET ASSETS – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Change in net assets	\$ (3,668,182)	\$ (1,090,304)
Distributions to unit holders	(1,111,200)	(1,852,000)
Total decrease in net assets	(4,779,382)	(2,942,304)
Net assets, beginning of year	43,794,533	46,736,837
Net assets, end of year	<u>\$ 39,015,151</u>	<u>\$ 43,794,533</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atiká Fund Endowment ("SAFE") is an irrevocable settlement trust formed by Shee Atiká, Incorporated ("SAI") under Alaska statute. SAFE was established to maintain assets and pay distributions to unit holders who are also shareholders of SAI. Members of the Board of Directors of SAI act as the SAFE trustees.

SAFE's Class A trust units are issued to SAI's shareholders in direct proportion to their shares of SAI voting common stock. Class B trust units are issued to any person who acquires SAI's shares and who is not a "Native" or a "Descendant of a Native" within the meaning of the Alaska Native Claims Settlement Act ("ANCSA") in direct proportion to their shares of SAI nonvoting common stock. The trust units are not generally transferable. At December 31, 2018, there were 185,200 trust units (of which 179,860 were Class A and 5,340 were Class B) held by 3,423 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 (\$6.00 and \$10.00 per trust unit in 2018 and 2017, respectively) is ultimately determined by the Board of Trustees but must be between the minimum and maximum amounts. While semi-annual distributions have been the normal practice, the trust document actually calls for them to be made at the time or times determined by the trustees. Distributions are pro rata based on the number of trust units owned.

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 ("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 2018, SAI charged administrative fees of \$1,605,953. SAFE paid these fees in full during 2018. For 2017, SAI charged administrative fees of \$1,336,677. SAFE paid these fees in full during 2017. As noted above, expenses are generally recognized when paid.

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. There are no funding commitments to SAIL or restrictions on redemptions from SAIL.

SAIL's investments are all primarily in fixed income and equity mutual and exchange-traded funds, U.S. Treasury securities, and certificates of deposit at December 31, 2018. See Note 2 for a summary of SAIL's investments held at December 31, 2018 and 2017.

INVESTMENT IN SHEE ATIKÁ ENTERPRISES, LLC

SAFE has a 49% ownership interest in Shee Atiká Enterprises, LLC ("SAE"). SAE holds certification under the U.S. Small Business Administration's 8(a) Business Development Program ("Section 8(a)"). SAE did not have any significant operations during the years ended December 31, 2018 or 2017. Management believes that SAE could be used in the future to provide services under contracts with the United States government. 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 ATIKÁ COMMERCIAL SERVICES, LLC

SAFE has a 49% ownership interest in Shee Atiká Commercial Services, LLC ("SACS"). SACS did not have any significant operations during the years ended December 31, 2018 or 2017. Management is in the process of winding down SACS and does not expect SACS to have any significant future operations. 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.

INVESTMENT IN AMERICAN MARINE & TECHNICAL SERVICES, LLC

SAFE has a 39% ownership interest in American Marine & Technical Services, LLC ("AMTS"). AMTS was formed in 2017 for the purpose of partnering with the minority owner to provide contract services in the future. AMTS did not have any significant operations during the years ended December 31, 2018 or 2017. SAI owns 51% of AMTS, and another entity owns 10%. The investment in AMTS 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 BALANCED ACCOUNTING SOLUTIONS, LLC

SAFE has a 49% ownership interest in Balanced Accounting Solutions, LLC ("BAS"). BAS was formed during 2017 to provide a wide array of accounting services to businesses primarily located in Sitka, Alaska. SAI owns 51% of BAS. The investment in BAS 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 2018 and 2017 was from one lessee.

CASH AND CASH EQUIVALENTS

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

INCOME TAXES

SAFE has elected to be taxed at a rate of 10% on taxable income (no tax on certain dividends received and currently a lower tax rate on long-term capital gains) as allowed by the Internal Revenue Code. SAFE cannot carry non-capital taxable losses back to previous years or forward to future years to offset taxable income. SAFE can carry capital losses realized on sales of investments forward to future years to offset capital gains (capital losses cannot be carried back to previous years). At December 31, 2018, SAFE had approximately \$12,870,000 in capital loss carryforwards available, which, under current tax law, can be carried forward indefinitely and can be used to offset future capital gains.

Because SAIL is a limited liability company, SAFE's share of its net taxable income or loss is passed through to SAFE. Also, certain partnerships and similar investments held by SAIL can require SAFE to pay state income taxes. These taxes were not significant in either 2018 or 2017.

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 22, 2019.

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:

	2018	2017
Investments, at fair value		
Fixed income mutual and exchange-traded funds	\$ 17,482,597	\$ 25,565,785
Equity mutual and exchange-traded funds	10,482,842	
U.S. Treasury securities	1,995,982	
Certificates of deposit	500,151	
Leveraged fixed income funds		4,655,952
Inverse-fixed income funds		2,508,330
Inverse-equity funds		2,141,634
U.S. dollar performance fund		1,670,240
Total investments, at fair value	30,461,572	36,541,941
Cash and cash equivalents	4,620,947	1,260,327
Other assets	19,752	1,956,755
Members' equity	35,102,271	39,759,023
Gain (loss) on investment activity, including adjustment to fair value	(1,562,501)	485,651
Net loss	(2,540,857)	(230,437)

SAFE's ownership interest in SAIL was 99.99% and 99.97% of SAIL's total equity at December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, 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:

	2018	2017
Building	\$ 6,975,574	\$ 6,975,574
Land improvements	571,772	571,772
Leasehold improvements	689,899	689,899
Land	<u>722,000</u>	<u>722,000</u>
	8,959,245	8,959,245
Less: accumulated depreciation	<u>(2,029,437)</u>	<u>(1,771,103)</u>
	<u>\$ 6,929,808</u>	<u>\$ 7,188,142</u>

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

2019	\$ 979,482
2020	994,176
2021	1,009,092
2022	1,024,224
2023	1,039,584
Thereafter	<u>523,662</u>
	<u>\$ 5,570,220</u>

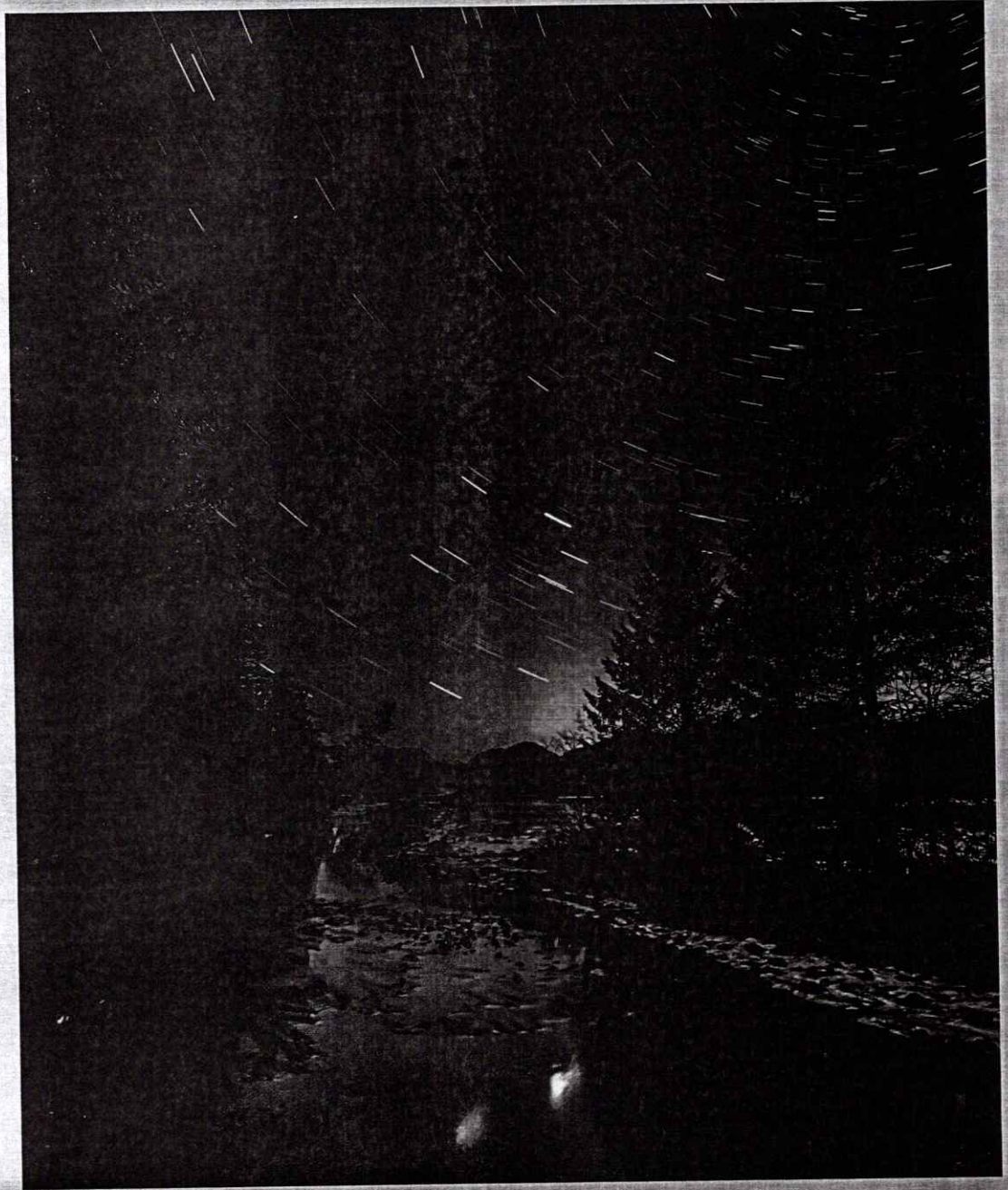
Under the terms of the lease, SAFE has committed to paying for certain tenant improvements to the property on behalf of the lessee, up to a maximum of \$799,919. As of December 31, 2018, SAFE has \$74,655 of this commitment remaining.

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 an interest rate of 4.42% at December 31, 2018). 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 \$34,792 at December 31, 2018. 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:

2019	\$ 100,424
2020	104,594
2021	109,845
2022	<u>3,275,800</u>
	<u>\$ 3,590,663</u>



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, 2018 and 2017, 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, 2018 and 2017, and its revenue, 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.



March 22, 2019

STATEMENTS OF NET ASSETS - MODIFIED INCOME TAX BASIS

December 31, 2018 and 2017

ASSETS	2018	2017
Investment in Shee Atiká Investments, LLC	\$ 4,675	\$ 13,213
Cash and cash equivalents	952	502
Total assets	<u>5,627</u>	<u>13,715</u>
LIABILITIES		
Accounts payable	800	
Total liabilities	<u>800</u>	
NET ASSETS	<u>\$ 4,827</u>	<u>\$ 13,715</u>

STATEMENTS OF REVENUE AND EXPENSES - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenue		
Equity share in Shee Atiká Investments, LLC taxable income (loss) (realized losses allocated limited to \$3,000 for income tax purposes)	\$ (3,052)	\$ 148
Scholarship refund income		1,200
Total revenue	<u>(3,052)</u>	<u>1,348</u>
Expenses		
Administrative expenses	8,551	5,742
Taxable loss and change in net assets before adjusting investment in Shee Atiká Investments, LLC to fair value	(11,603)	(4,394)
Adjustment to Fair Value of Investment in Shee Atiká Investments, LLC	2,715	(230)
Change in net assets	<u>\$ (8,888)</u>	<u>\$ (4,624)</u>

See Notes to Financial Statements

STATEMENTS OF CHANGES IN NET ASSETS - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Change in net assets	\$ (8,888)	\$ (4,624)
Net assets, beginning of year	13,715	18,339
Net assets, end of year	\$ 4,827	\$ 13,715

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND FUTURE PLANS

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, 2018, there were 185,200 trust units (of which 179,860 were Class A and 5,340 were Class B) held by 3,423 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, 2027), 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 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 ("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).

NOTE 1, CONTINUED

RELATED PARTY TRANSACTIONS

From time to time, SAI provides administrative services to SABT. SAI did not charge SABT administrative fees for 2018 or 2017.

During the year ended December 31, 2018, SAIL loaned \$800 to SABT to fund operations. This amount was payable from SABT to SAIL at December 31, 2018.

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. There are no funding commitments to SAIL or restrictions on redemptions from SAIL.

SAIL's investments are all primarily in fixed income and equity mutual and exchange-traded funds, U.S. Treasury securities, and certificates of deposit at December 31, 2018. See Note 2 for a summary of SAIL's investments held at December 31, 2018 and 2017.

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 (with no tax on certain dividends received and currently a lower tax rate on long-term capital gains) as allowed by the Internal Revenue Code. 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, 2018, SABT had approximately \$176,500 in capital loss carryforwards available, which, under current tax law, can be carried forward indefinitely and 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 2018 or 2017.

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 22, 2019.

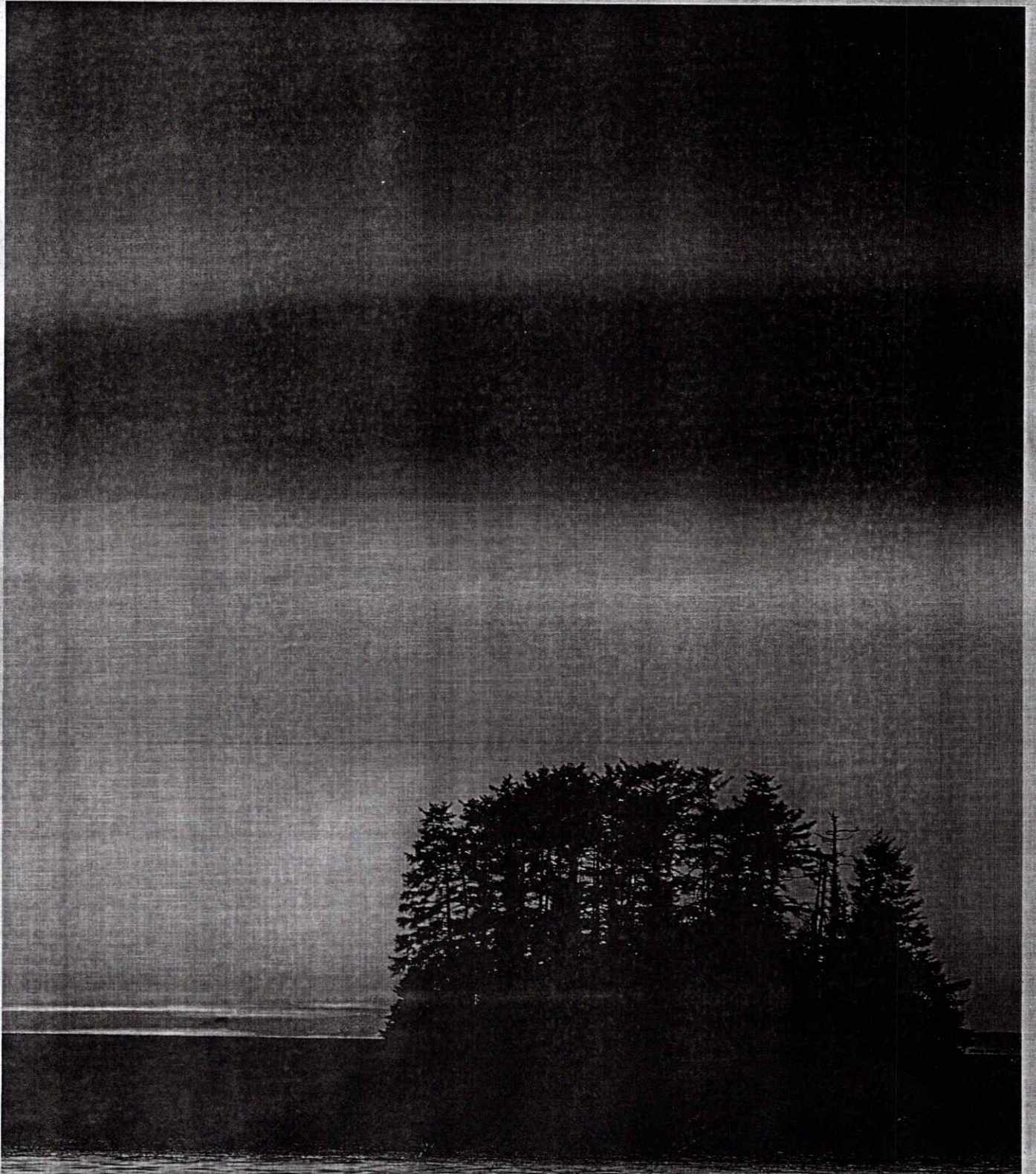
2 INVESTMENT IN SAIL

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:

	2018	2017
Investments, at fair value		
Fixed income mutual and exchange-traded funds	\$ 17,482,597	\$ 25,565,785
Equity mutual and exchange-traded funds	10,482,842	
U.S. Treasury securities	1,995,982	
Certificates of deposit	500,151	
Leveraged fixed income funds		4,655,952
Inverse-fixed income funds		2,508,330
Inverse-equity funds		2,141,634
U.S. dollar performance fund		1,670,240
Total investments, at fair value	30,461,572	36,541,941
Cash and cash equivalents	4,620,947	1,260,327
Other assets	19,752	1,956,755
Members' equity	35,102,271	39,759,023
Gain (loss) on investment activity, including adjustment to fair value	(1,562,501)	485,651
Net loss	(2,540,857)	(230,437)

SABT's ownership interest in SAIL was 0.01% and 0.03% of SAIL's total equity at December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, SABT and SAFE were the only members of SAIL.



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: American Marine and Technical Services, Alaska Northstar Resources, Shee Atiká Commercial Services (SACS) and Shee Atiká Enterprises.

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

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

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

Equity Investment — Any investment that gives the investor an ownership position in something. A share of stock is our primary example. When we purchase stock we buy an ownership share in a corporation. We buy it because we believe that its value will increase.

Some stocks pay dividends and some do not.

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

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

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

LLC: Limited Liability Company — A business structure that is a hybrid of a partnership and a corporation. Its owners are shielded from personal liability and all profits and losses pass directly to the owners without taxation of the entity itself. Shee Atiká's LLCs are consolidated with Shee Atiká, Incorporated for financial statement and tax reporting. The Shee Atiká President/CEO is also the Manager of the LLCs.

Money Market Fund — An investment fund with the objective to earn interest for shareholders while main-

taining 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.

