Ahtna, Incorporated

2008
Annual Report

Ahtna, Incorporated

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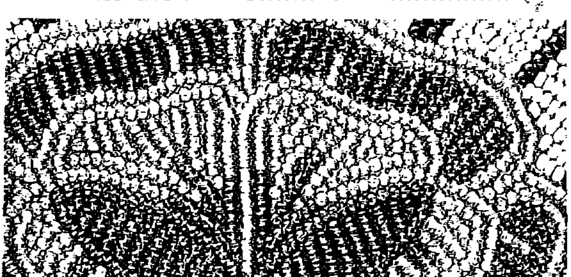
www.ahtna-inc.com

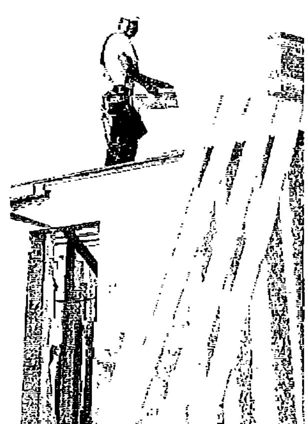
View of Klutina River which flows into the Copper River

ABOUT US

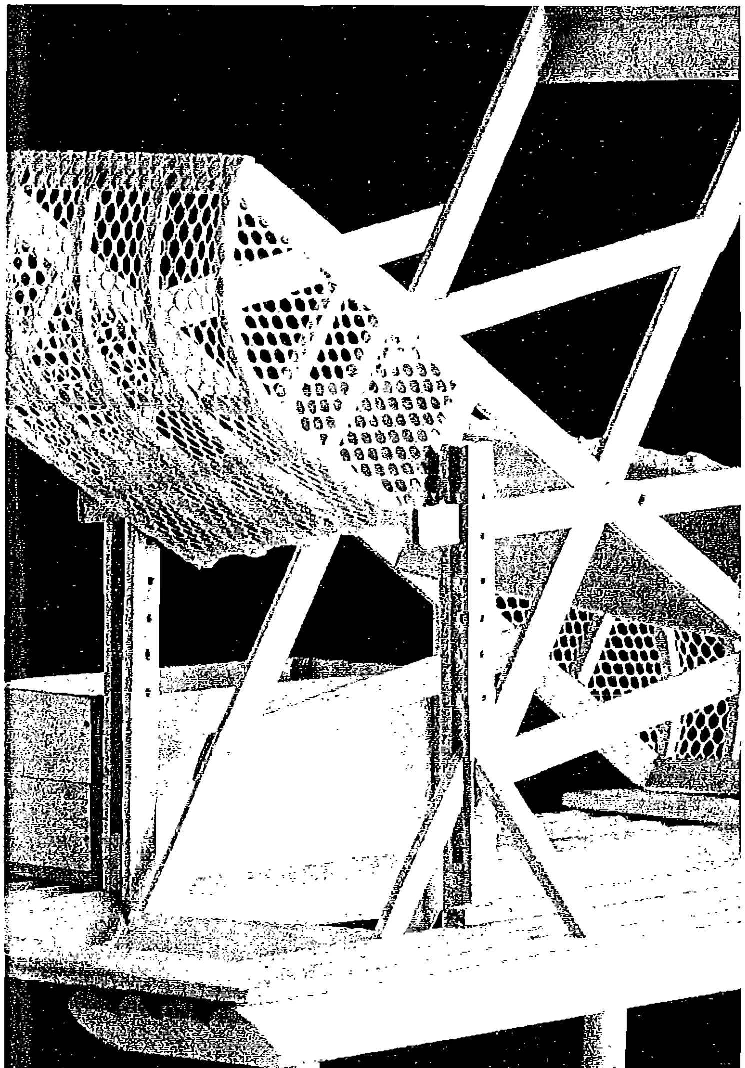


REPORTS

SUBSIDIARIES



FINANCIALS



AHTNA, INC.

Mission

Ahtna, Inc., an Alaska Native Corporation, is a global company providing exceptional construction and integrated services to both government and private sector clients.

Vision

Ahtna, Inc., with a strong sense of cultural pride and identity, will enhance the overall well being of our shareholders through the wise stewardship of our natural resources, sustained growth and economic development for future generations.

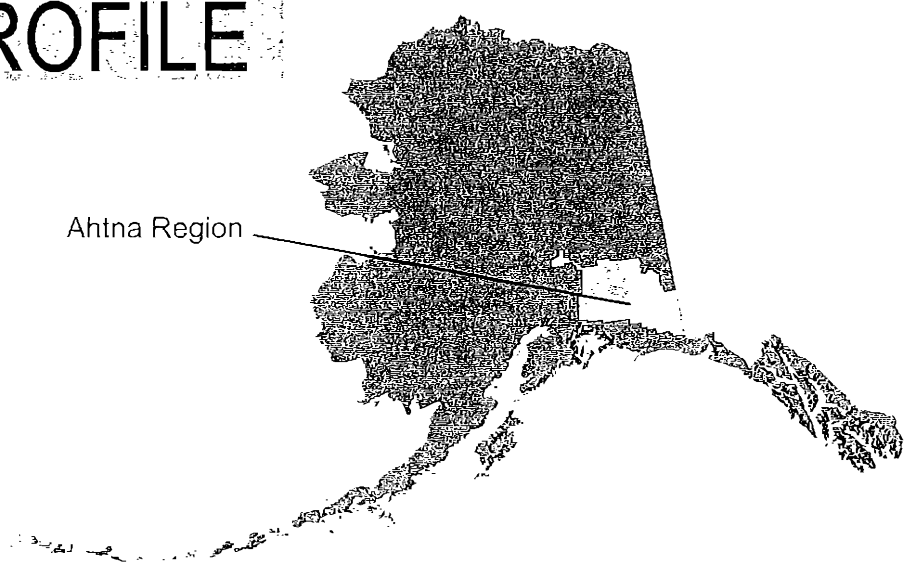
Values

- Cultural & Traditional Principles
- Integrity
- Professionalism
- Dedication
- Respect
- Sharing
- Ethics
- Perseverance
- Education
- Courtesy

The late Ruth Rose Hicks sheep hunting in the Mentasta Mountains with her favorite dog.

CORPORATE PROFILE

Ahtna, Inc. is one of thirteen Regional Corporations established by Congress under terms set forth in the Alaska Native Claims Settlement Act of 1971.



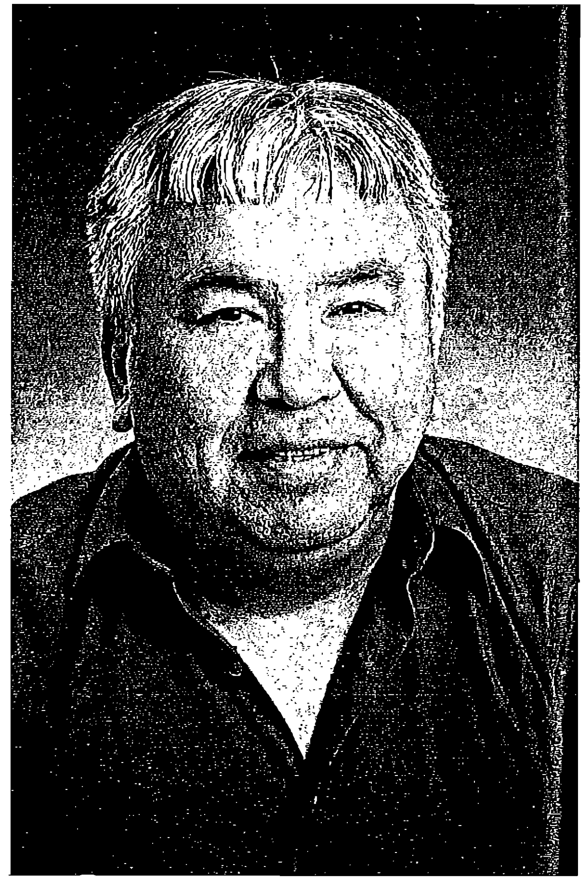
Ahtna, Inc. owns in fee title, approximately 1,528,000 acres of land conveyed in December 1998 from an entitlement of 1,770,000 acres.

Seven of the eight villages within the Ahtna Region merged with Ahtna, Inc. All eight are Federally Recognized Tribes.
A thirteen-member Board directs corporate operations. Ahtna, Inc. has approximately 1,200 shareholders, of which the majority reside within the Copper River Region.

Headquartered in Glennallen, Alaska, Ahtna, Inc. is committed to providing a broad range of opportunities for our shareholders and preserving our Native culture.

Ahtna, Inc. has ten operating subsidiaries, whose primary lines of business in 2008 were: civil construction, environmental remediation, facilities support services, food service contractors, fuels management, government contracting, janitorial services, oil and gas pipeline construction, surveying, tourism, and vertical construction.

PRESIDENT'S LETTER



Dear Shareholders,

Your company achieved outstanding results again in 2008, despite tougher market conditions. For the fifth straight year Ahtna increased revenues by double-digits, advancing 43% last year to $194 million. We could not have achieved this more than $57 million increase in revenues without the Lord's guidance and our perseverance to hurdle obstacles thrown in our path. A non-cash deferred tax expense of $2.1 million offset our final profit amount to $2.9 million for the year. Otherwise our operating profit was about $5.9 million for the year. Needless to say we have found a way to come out of a tough economic year with great success. Once again, government contracting in the service sector was the main growth driver as its revenue grew by 59%. In view of Ahtna's excellent full-year results, the Board of Directors once again made the decision to declare a dividend in 2008 for $2.79 per share.

The economic environment in 2008 was a turbulent time with many lives and businesses negatively affected. Ahtna was successful in navigating against the grain and concluded another successful year with substantial growth. For 2009, that means another step closer to achieving our goal of getting out of debt. Our subsidiaries have entered into lines of work that will have a positive sustainability for many years to come. This is due to the priorities imposed by the government on keeping these programs well funded. We continue to grow our operations in national defense, immigration enforcement, and facilities maintenance. While our existing lines of work remain strong, we will also be looking to be on the forefront of areas where we can expect to see major economic growth; areas such as alternative energy, health care, and human works projects.

Our goal is to build on the successes of the past few years and use it to advance our mission of providing benefits to our shareholders and the Ahtna region. Through our continued accomplishments we can expect to see more opportunities and overall benefits to the shareholders.

As you are aware, the change in administration at the White House will have an effect on how small business will be involved in future government contracts. What this means to us and how it will affect operations in the future is slowly coming to light. We know there are hard times ahead of us and we are taking the necessary precautions to limit the amount of impact it will have on us.

The world economy is facing hard times, and we are voicing our opinions to the Alaska Delegation in Washington D.C. on how we can help our shareholders. We are positioning ourselves to be ready for any and all work that will come from the Economic Stimulus Package that President Obama has presented to Congress. As we are continuing to monitor the progress of the Stimulus Package, we are lining up our subsidiaries to be aggressive in getting themselves ready to get some of the work that will be generated from it. We continue to be optimistic that our contacts and our experience will open some doors for us to be in position to obtain some profitable contracts.

Currently we are working on issues that hit close to home that include subsistence and energy. Based on current initiatives for alternative energy sources, we will be working with State and Federal organizations to benefit our region. Ahtna will continue to explore what we can do to participate in the advancing of an agenda that maximizes affordable energy for our people and benefit us in the long run. Currently, we have an application submitted to Alaska Energy Authority to assist in some of the financial burden of facilitating a regional energy summit as well as fund the necessary feasibility studies, etc., associated with alternative and renewable energy resource development. Additionally, staff is exploring the feasibility of a wood pellet and distribution center project as a regional development project. I am also working with the State of Alaska for assistance in securing a rig for continuation of our natural gas development.

We have created a Gasline Advancement Development Team (GLAD), to track and gather all information on the Gas Pipeline. This group is meeting every month and going over all the information to make sure Ahtna is in prime position to be competitive on getting work. We have numerous employees from Ahtna subsidiaries who sit on this team. We continue to have a close working relationship with Alaska Natural Gas Development Authority to help keep us abreast of any vital new information on this subject.

The Ahtna Tene Nene' Customary and Traditional Use Committee continues to monitor threats to our subsistence way of life. At a recent Board of Game meeting in March, there were new rules adopted for the Ahtna region. Under the new rules, people who live in villages that compose Ahtna Inc. will be able to subsistence hunt for up to 300 caribou and 100 moose in the roughly 23,000-square mile hunting grounds between Cantwell and Glennallen. The remaining game will be divided among other hunters. We view these new rules as a victory and culmination of our hard work. Many shareholders testified in front of the Board of Game to ensure our rights will be protected for generations to come.

As you are aware the amendments to the articles of incorporation were passed at last year's annual meeting to allow issuance of Class L stock to new shareholders. Open enrollment began on January 1, 2009. Staff attended all SVO, Anchorage and Fairbanks informational meetings to educate the shareholders on the process and application requirements. In 2009, this will continue per the schedule approved by the Board of Directors and there will be joint meetings with the land department. New enrollees will have their applications reviewed/approved on a quarterly basis.

The Elder Benefits Program has been identified as a priority for 2009. Staff will, in collaboration with Shareholder and Investment committees, establish recommendations for the Board of Directors and seek to implement this program in 2009.

The SBA's 8(a) program has played a vital role in keeping our company on the road to recovery and I'm pleased to announce that Ahtna Facility Services, Inc was awarded their 8(a) status on January 21, 2009. The AFSI staff worked diligently to get this goal achieved. We currently have 10 operating subsidiaries with 4 of them in the 8(a) program.

On this same note, we also had two Subsidiaries graduate from the 8(a) program in 2008, Ahtna Government Service Corporation and Ahtna Technical Service Inc. These subsidiaries are the two largest in the Ahtna family and their futures look bright with a good amount of work backlogged for 2009. Added effort has been made companywide to continue our focus on shareholder hire. We will continue to defend our unique rights in the program and provide the best benefits to our shareholders.

Ahtna is committed to moving along at an awarding pace to make sure we stay competitive in today's market as we continue to grow and position ourselves to be one of the fresh faces among the top revenue producing native corporations for the future.

I also want to emphasize that we cannot achieve our potential without a talented and committed workforce, guided by a new generation of shareholder leaders that will take the Ahtna family of companies to even greater success. I extend my sincere gratitude to all our companies' employees for their hard work, dedication and commitment to innovation and responsibility. It is a privilege to be associated with them and to serve you, our shareholders.

Please continue to keep Ahtna in your prayers as we begin 2009; the coming year looks to be more challenging with the economy continuing to have shortfalls.

Respectfully,

Ken Johns
President/CEO

BOARD OF DIRECTORS

2008 Ahtna, Inc. Board of Directors

Seated:
Karen L. Linnell, Secretary
Leonard F. John, Treasurer
Nicholas Jackson, Chair
John E. Craig, Vice-Chair

Standing:
Dorothy M. Shinn, Director
Franklin R. John, Director
Eleanor Dementi, Director
Angela M. Vermillion, Director
Roy J. Tansy, Sr., Director
Christine Craig, Director
Albert L. Fleury, Director
Tonilee Jackson, Director
Linda M. Tyone, Director

EXECUTIVE STAFF

2008 Ahtna, Inc. Management Team

Standing: Kathryn Martin, Vice President of Land & Resources; Mike Robbins, In-House Counsel; Melanie Osborne, Director of Human Resources; Laura Edmondson, Vice President/Chief Financial Officer. Seated: Roy J. Tansy, Jr., Chief Operating Officer; Kenneth P. Johns, President/Chief Executive Officer; Brenda Rebne, Vice President of Corporate Affairs.

SUBSIDIARY MANAGEMENT

Ahtna Contractors, LLC
Brenda Rebne, Manager

Ahtna Construction & Primary Products Company
Susan Taylor, President & CEO

Ahtna Development Corporation
Michelle Anderson, President & CEO

Ahtna Support & Training Services, LLC
Pamela Finnesand, Manager

Ahtna Enterprises Corporation / Koht'aene Enterprises Company, LLC
Roy J. Tansy, Jr., President & CEO / Manager

Ahtna Facility Services, Inc.
Anna Abrahamson, President & CEO

Ahtna Government Services Corporation / Ahtna Engineering Services, LLC
Christopher Smith, President & CEO / Manager

Ahtna Technical Services, Inc.
Carolyn Craig, President & CEO

Beautiful sunrise along Tazlina Mountain

LAND & RESOURCES

Land Prioritization

The Land Department completed prioritization on regional selections. Ahtna, Inc. will be submitting for the 638 contract for the survey work as soon as it's available.

Agency Partnership

The Land Department is continuing to work with both State and Federal agencies for the betterment of protection and education of our lands.

Leases and Permits

The Land Department is continuing to issue leases and permits for land use. The Land Department has renewed some leases and entered into new ones. Permit sales have continued to increase.

Trespass

Incidents:
- 2006 – 203 incidents reported and logged
- 2007 – 660 incidents reported and logged
- 2008 – 125 incidents reported and logged

Signs Posted:
- 2006 – 1706 signs posted and GPS in the Ahtna Region
- 2007 – 1914 signs posted and GPS in the Ahtna Region
- 2008 – 1934 signs posted and GPS in the Ahtna Region

Mileage Patrol:
- 2006 – 40,121.5 miles, 867.5 hours on ATV
- 2007 – 56,163 miles, 803 hours on ATV
- 2008 – 56,421 miles, 324 hours on ATV

Aircraft Patrol:
- 2006 - 19 hours
- 2007 – 31 hours
- 2008 – 0 hours

Boat Patrol:
- 2006 – 8 hours
- 2007 – 44 hours
- 2008 – 8 hours

Permits Issued In the Field:
- 2006 – 146 Permits
- 2007 – 223 Permits
- 2008 – 277 Permits

Land Protection Officers deal with all complaints of trespass, hunting disputes, trap line disputes, theft, wood cutting disputes, vandalism, criminal mischief, littering, hazardous material dumping, and clean up issues. Ahtna siezed two structures in 2008.

Bison	7
Cantwell	102
Kluti-Kaah	22
Tazlina	9
Mentasta	12
Chistochina	4
Gakona	5
Gulkana	7
Chitina	5
Regional/Identified	66
Shareholder	38
2008 Total Permits	277

Caribou spotted on the way to Mentasta, AK

LAND & RESOURCES (continued)

View of Mt. Drum.

Geographic Information Systems (GIS)

This past year the GIS Department assisted in the selection of the final regional priorities. While selecting the regional priorities was the main project last year, the GIS Department continued to provide support and research for all land status matters.

The GIS Department assisted in the research of mining, oil and gas, and timber proposals while also assisting shareholders in problems or questions concerning their native allotments. The GIS Department continues field mapping via GPS of 17(b) trails and sites as well as illegal trails and trespass incidents.

Subsistence

The Ahtna Land Department continues to be involved in protecting our customary and traditional practices. We review and submit proposals, and attend meetings concerning both state and federal laws and regulations.

Shareholder Hire

As of December 2008, the Ahtna, Inc. Glennallen office has 23 full-time employees; 20 of the employees are shareholders, descendants, or shareholder spouses. Three have no affiliation to Ahtna.

CLASS L STOCK


Ahtna's First Enrolled Class L Shareholder, Elli Marie Tansy.

Ahtna's First Enrolled Class L Shareholder
Ahtna would like to recognize our first Life Estate Stock Shareholder, Elli Marie Tansy. Elli is the daughter of Roy and Martha Tansy and the granddaughter of Roy and the late Irene Tansy.

To date, we are pleased to announce Shareholder Records has processed 106 new Class L applicants, which now are holders of Life Estate Stock and will be voting at this years Thirty-Sixth Annual Meeting of Shareholders.

Congratulations to all of our new shareholders!

About Class L Stock
Ahtna shareholders voted on June 7, 2008 to approve Class L Stock to lineal descendants of original Ahtna shareholders meeting the eligibility requirements and born after December 18, 1971. Ahtna is one of five ANCSA Regional Corporations to have extended this benefit to our children.

Class L Eligibility Criteria:
- Lineal descendant of an original Ahtna shareholder (meaning a direct descendant such as a child, grandchild, etc.) and;
- Must have 1/4 or more Alaska Native blood quantum and;
- Born after December 18, 1971 and;
- United States Citizen and;
- Are not shareholders of another ANCSA Regional Corporation (except by gifting or inheritance)

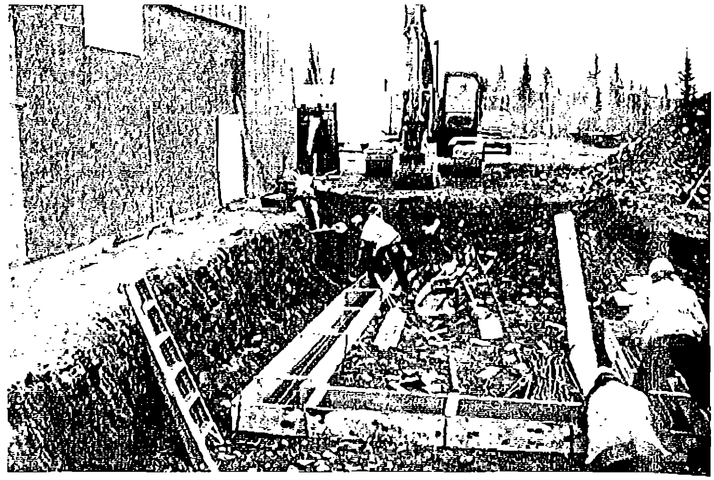
For more information on Class L Stock, contact Shareholder Records at (907) 868-8250 or download an application online at www.ahtna-inc.com.

AHTNA, INCORPORATED

2008 SUBSIDIARY REPORTS

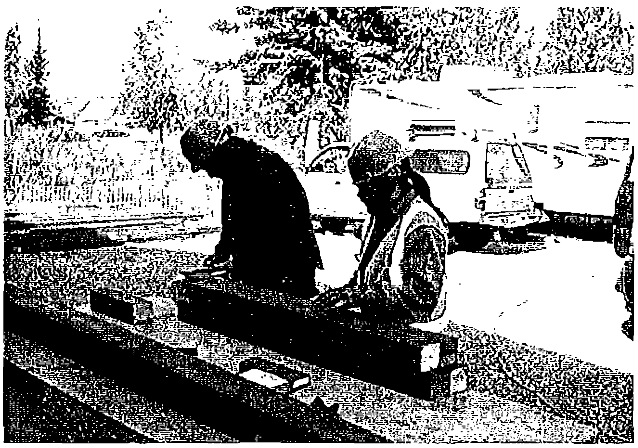
- AHTNA CONTRACTORS, LLC
- AHTNA CONSTRUCTION & PRIMARY PRODUCTS COMPANY
- AHTNA DEVELOPMENT CORPORATION
- AHTNA ENGINEERING SERVICES, LLC
- AHTNA ENTERPRISES CORPORATION
- AHTNA FACILITY SERVICES, INC.
- AHTNA GOVERNMENT SERVICES CORPORATION
- AHTNA SUPPORT & TRAINING SERVICES, LLC
- AHTNA TECHNICAL SERVICES, INC.
- KOHT'AENE ENTERPRISES COMPANY, LLC

AHTNA CONTRACTORS, LLC



Ahtna Contractors, LLC (ACL) was established in 2005 to be a civil and vertical construction subsidiary of Ahtna, Inc. The company has been dormant for several years until 2008 when ACL became a viable competitive contractor within the region. During the course of the year, ACL developed a shareholder work force and successfully completed many projects.

Shareholder hire is a priority for all employment positions including year around staff and seasonal construction employees. ACL is proud to report shareholder hire for 2008 at 69% with $205,666 in wages earned by shareholders from January through November.



The following projects contributed to the total of $1,411,000 in revenue:

Talon Gold Dozer Services - $123,342.41
Provide operator & bulldozer for dredging and excavation work; Shareholder Hire at 100%

New Horizons Surveying - $49,094.10
Surveying services for areas from Glennallen Tower to Ft. Greely Phase I; Shareholder Hire at 0%

Public Safety Office Remodel - $199,453.00
Remodel existing Public Safety Office in Gulkana, AK; Shareholder Hire at 67%

Chitina Power Plant Foundation - $78,750.00
Provide aggregate materials and construct gravel foundation for Chitina Power Plant; Shareholder Hire at 70%

Kluti-Kaah Recreation & Learning Facility - $319,122.63 (Ongoing)
Construct gymnasium and clinic facility for Native Village of Kluti-Kaah, project phase completion; Shareholder Hire at 83%

HAARP Services - $46,151.12 (Ongoing)
Continuing janitorial & security services at HAARP Facilities in Gakona, AK; Shareholder Hire at 100%

ADC Cabin Relocation - $22,655.38
Construct foundation and relocate 7 cabins and miscellaneous repairs; Shareholder Hire at 67%

Kluti-Kaah Miscellaneous Repairs - $13,857.11
Repairs on Native Village of Kluti-Kaah Garage, Clinic & Hall; Shareholder Hire at 80%

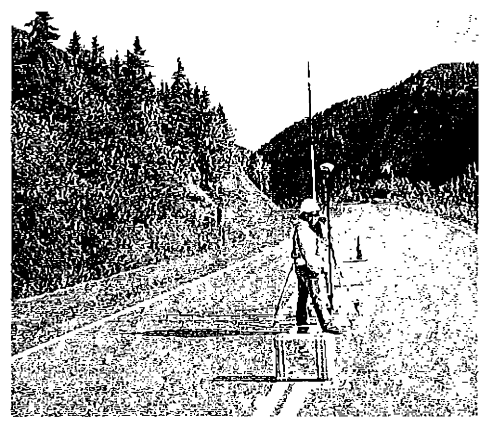
ACL views 2008 as a modest beginning to a company that will thrive to bring construction infrastructure, employment, training and profit in the coming years to the Ahtna region and all of Alaska.

AHTNA CONSTRUCTION & PRIMARY PRODUCTS COMPANY

Ahtna Construction and Primary Products Company (AC&PPC) is proud to be a part of the construction industry in Alaska. July 1, 2008 marked 34 years since Ahtna, Inc. formed this wholly owned subsidiary specializing in civil projects. Revenue for 2008 was $15.7 million. We had an excellent year and are pleased to provide both profit and jobs to our shareholders and other Alaskans.

Over the years AC&PPC has maintained a strong commitment to shareholder hire and training. This past year is no different; we have recruited, trained and employed several Ahtna shareholders in our civil construction work and our project and maintenance work in the oil industry. We ended the year with an average of 41% shareholder hire among field and craft personnel despite fluctuations due to the seasonal nature of our work. This effort provided nearly $3 million dollars of wages earned by shareholders through employment with our subsidiary.

Alyeska Pipeline Service Company
In 2008 AC&PPC performed work under our contract with Alyeska on the Trans Alaska Pipeline System (TAPS) in the following areas:



Projects:
- F908 Mainline Integrity Investigations
- X198 Rivers & Floodplains, Tiekel River, Brown's Creek & Unnamed Creek
- F554 Cathodic Protection, Solomon Gulch, RGV 125 & Keystone Canyon
- F928 Line Wide Pipeline Integrity Testing Program

Glennallen Response Base:
- Oil Spill Response
- TAPS Right-of-Way Maintenance

Valdez Baseline Maintenance at the Valdez Marine Terminal (January - November)
- Terminal Wide Snow Removal
- Terminal Wide Maintenance & Various Project Support

We continue to look forward to providing high quality work, qualified staff and craft labor that maintain a safe and healthy work environment for many years on TAPS.

Price-Gregory/Ahtna (PG/A)
Our limited liability company with HC Price-Gregory was created to perform engineering, maintenance and capital construction services on TAPS. This past year has secured considerable work at the Valdez Marine Terminal for the Ballast Water Treatment/Biological Treatment Tanks replacement project.

Hard Dollar
Our hard dollar business sector managed the equipment shop in Copper Center and completed the following projects:
- Bike Path, Chitina
- Three Crushing Jobs Producing Approximately 50,000 cy of Material
- Survey Projects
- Equipment Rental

AHTNA DEVELOPMENT CORPORATION Est. in 1975

Mission: To promote development that benefits Ahtna shareholders.

Tourism: Ahtna Development Corporation (ADC) successfully completed its second season as a small tour operator in Copper Center. In addition to our existing ATV/Rhino Tour we added two new tours: a hiking tour on the Princess property and a village tour. Positive outcomes from the season include increased revenue from 2007 for the ATV tour, a shareholder developed village tour, and continued business promotion and development of the tourism division. ADC is a member of the Alaska Travel Industry Association, Alaska Cruise Association, and American Indian Alaska Native Tourism Association.

- Tourism Jobs Fair: ADC co-sponsored the Tourism Jobs Fair in Glennallen.
- Regional Tourism Action Plan: The Ahtna Board adopted a Regional Tourism Plan based on a market study conducted by the McDowell Group.
- Business Growth: ADC purchased six rental cabins which will be added to the tour program in 2009. ADC will rent the cabins through our tour website: **www.copperriveradventure.com.**
- Shareholder Development: Kluti-Kaah shareholder Travis Cronin was our tourism manager for the 2007 & 2008 seasons. For the first time, ADC incorporated a cultural component to the seasonal employees' orientation and training.

Shareholder Spotlight: The Cheesh'Na Village Tour was created by shareholder Evelyn Beeter. Evelyn developed the concept into a 3-hour tour that was incredibly popular with guests, as well as Princess and Ahtna staff. The tour covered the history of Cheesh'Na, how the village was settled, how it has evolved over time, how our ancestors survived off of the land, the importance of dog teams, and the concept of sharing and other cultural values which are clearly visible in the pride that village residents have today. The tour was a Charley and Beeter family collaboration. Evelyn's parents, Jerry and Lena Charley, sister Agnes Denny, and Evelyn's husband Jim participated in the tour as they were available. Evelyn's grandson Bjorn was the youngest member of Evelyn's tour staff and completely comfortable talking about how to take care of Evelyn's racing dogs, to the construction company he's going to own when he's an adult (he's 9 now).

On tour days, ADC provided transportation from the Princess Lodge to Chistochina. Evelyn was the tour guide once the guests arrived in the village. Our shareholder gained valuable business experience, developed a relationship with Princess Tours, trained shareholders in giving tours, and as a business endeavor integrated the Ahtna culture in an educational, respectful and meaningful way. The Chistochina village tour is a one-of-a-kind, authentic cultural experience and the very first Alaska Native tour offered by Princess Tours.

Top Left: Picture of client standing with Yamaha Rhino.

Above: Ahtna Elder Lena Charley

Right: Bjorn Beeter - Evelyn Beeter's grandson.

Exploring New Development Opportunities: *Alaska Natural Gas Development Authority and Alternative Energy* - In addition to tourism development and office building management ADC will be expanding its capabilities to include project development and proactive collaboration with our regional partners to be prepared for opportunities that may come to the region. ADC is part of an intercompany team preparing for Alaska Gas Line work and project opportunities. ADC is also looking at alternative energy. In 2009 ADC will be working more closely with parent company, Ahtna, Inc., to focus on the development of alternative energy options within the region.

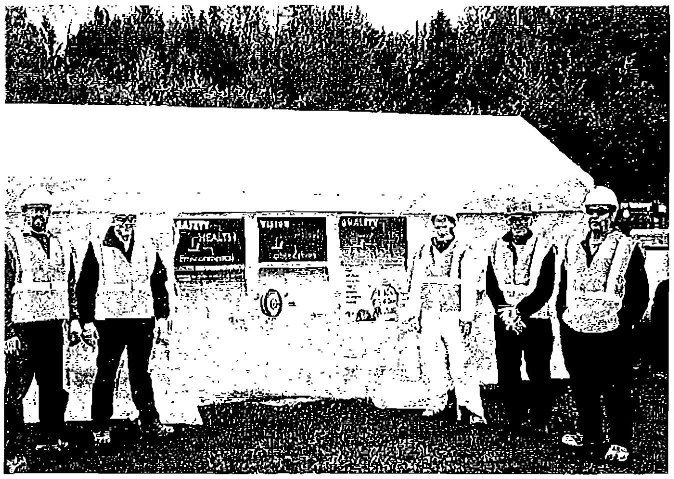
I'm excited to be working with our villages and shareholders. At ADC we're committed to finding development opportunities that are culturally respectful, provide shareholder jobs, are supported by our villages, and sustainable with our land and our resources.

MICHELLE ANDERSON
ADC President & Ahtna Shareholder

AHTNA ENGINEERING SERVICES, LLC

The year 2008 was a highly profitable year for Ahtna Engineering Services, LLC (AES). AES was awarded two MATOC contracts, one IDIQ contract, started a new Joint Venture, has a work backlog for 2009, and grew the company 157 personnel to 290. Even with the current challenges of the economic downturn, and the unknowns of the new Presidential Administration, AES projects 2009 and 2010 to exceed minimum expectations and goals.

AES currently has corporate offices located in Anchorage, California, Washington State, and Hawaii, and project offices in Missouri, Maryland, and Pennsylvania.



SERVICE CONTRACTS

SOCIAL SECURITY ADMINISTRATION (SSA) RECORDS MANAGEMENT SERVICES — The SSA contracts continue to be highly profitable for AES. A 10 year National Records Center contract was signed last year. This site employs up to 190 personnel and manages over 30 million records. AES has provided contract management services since 2007 to the SSA Baltimore and Pennsylvania sites which fall under an AEC contract. However, AES expects to enter into a contract in March for the Baltimore location. AES success with the SSA contracts has created the ability to standardize processes, leverage resources, and enhance operations across all three sites.

LANGUAGE SERVICES — AES teamed with SM Consulting (SMC) in 2006 who provides Administrative, Intelligence, Language, and Operations Services to the federal government. In April 2008, Science Applications International Corporation (SAIC) acquired SM Consulting, Inc. (SMC). SAIC is a leading provider of scientific, engineering, systems integration and technical services and solutions with a focus on federal agencies. SAIC had annual revenues of $8.3 billion for its fiscal year ended January 31, 2007. AES services continue with SAIC and are successfully providing a linguist in Iraq, and a Cleared Analyst for the Federal Bureau of Investigation. AES goals are to continue nurturing a winning partnership and building mutual loyalty driven by the integrity, teamwork, and innovation of our integrated teams.

ALASKA ARMY NATIONAL GUARD — AES continues to provide support to the Alaska Army National Guard, providing program analysis and administrative assistance in support of the Director of Logistics office.

FORT SHAFTER, HAWAII — AES provides data entry and budget analyst support to the Budget Analyst in the areas of formulation, execution, and review for the U.S. Army 196th Infantry Brigade in Fort Shafter, HI.

CONSTRUCTION PROJECTS

AES was very successful in 2008, receiving several large and small new contract awards. The larger awards are as follows:

NEW! FORTS RICHARDSON AND WAINWRIGHT MATOC — A proposal was submitted September 3, 2008 for USA RAK Installation Range Control Requirement, Forts Richardson and Wainwright Range Control Properties, IDIQ Multiple Award Task Order Contract (MATOC) 8(a). On September 18, 2008, AES was awarded this contract and four task orders for the construction of two steel and two wood building structures. Work will begin in spring 2009. The contract has four 1-year extensions with an annual potential value of $12-15M task orders issued annually.

NEW! AKHI JOINT VENTURE — AES partnered as Prime with TMG Construction to support the Department of the Army, Baltimore District, with a USACE sole source contract for construction projects for the Fort Belvoir Project. TMG, located in Purcell, Virginia, is a a full service general contractor that builds and renovates commercial and institutional projects, and provides miscellaneous general contracting services to government agencies and private owners. TMG will provide invaluable logistical expertise, bonding capacity, heavy equipment, labor, and insight for the Fort Belvoir Project having successfully completed many projects in this location. Work is expected to commence in February 2009. This Joint Venture aligns with AES' goal to expand services to the east coast.

NEW! FAA SMALL CONSTRUCTION FOR CALIFORNIA — AES was awarded this contract in December 12, 2008. The FAA intended to award three contracts, however only two were awarded; one to AES and the other to Doyon Services. The contract maximum quantity (aggregate value of all delivery/task orders), in terms of dollars, is not to exceed $10M. The FAA guarantees a minimum order of $10,000 over the course of the entire contract period. The scope of this contract consists of engineering and construction services related to the construction and maintenance of navigational, communications, surveillance, and lighting systems; power lines, power plants, and radio and telecommunications transmitting and receiving towers. The work could include, but is not limited to: site investigations, tank testing, removal and replacements; remediation system design and installation; and could also include site preparation, new work, reconstruction, rehabilitation, site restoration, and demolition at sites located at various active and former installations within California. Several small and large task orders are expected in 2009.

NEW! HAWAII AIR NATIONAL GUARD — AES was awarded an IDIQ MATOC for maintenance, repair, construction, and design-build services on June 26, 2008. AES is currently pursuing task order work on this contract.

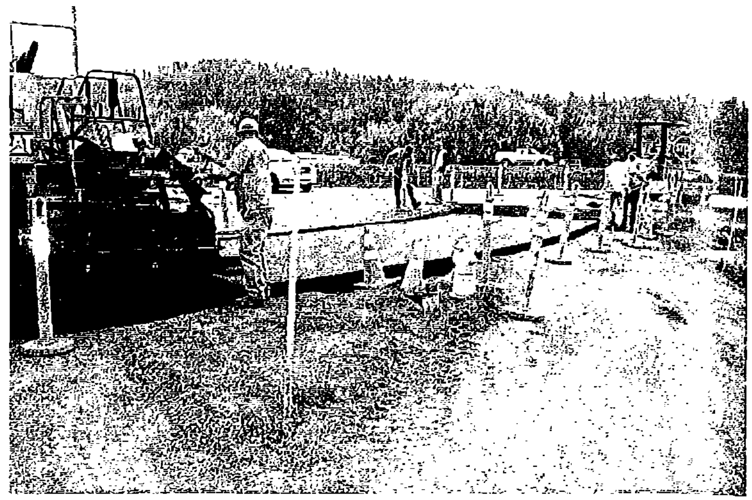
Following are other large ongoing contracts:

RADIATION PORTAL MONITOR PROJECT, NATIONWIDE — Nationwide construction and monitoring in support of the Radiation Portal Monitoring (RPM) Project for the Pacific Northwest National Laboratory.

BUREAU OF INDIAN AFFAIRS (BIA) — Site characterization and remedial alternatives for oil contamination plumes.

AES exceeded its growth and revenue goals for 2008, and continues to offer the ideal combination of experience, capabilities, and size for the most cost-effective and performance-centric delivery of required services, and has a proven track record of delivering services to the Government.

AHTNA ENTERPRISES CORPORATION

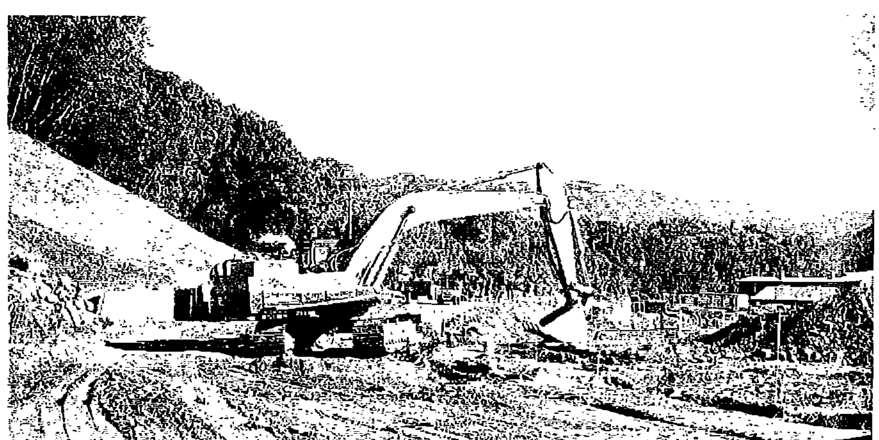


2008 WAS A TRANSITION YEAR FOR Ahtna Enterprises Corporation (AEC) – As AEC entered into its 24th year of operation; we knew that 2008 was going to be a year with unique challenges and changes. By the end of 2007, AEC was already moving in a direction of utilizing expertise at other subsidiaries and a change in management was already in motion. Ultimately the job done by previous management in 2007 was exceptional, but there needed to be a change to the strategy on how AEC would manage their existing contracts.

STRATEGIC REALIGNMENT WAS THE THEME FOR 2008 - In December of 2007, AEC initiated the largest organizational change ever taken on by an Ahtna subsidiary—realigning our service contracts and our construction contracts into inter-company contract agreements with our sister companies—Ahtna Engineering Services LLC (AES), Ahtna Government Services Corporation (AGSC) and Koht'aene Enterprises Company LLC (KEC). By structuring our construction business into sub-contract agreements with AGSC and KEC we were able to utilize their experience and past performance to reduce the risk and streamline the management of these projects. Also, realigning our Social Security service business with an agreement with AES, where we have local knowledge and resources, we positioned AEC to more effectively focus the competencies of our employees and more efficiently utilize our assets. Our continued objective is to consistently deliver outstanding financial performance on both large and small projects, as well as providing benefits to the shareholders.

WORKING HARD BEHIND THE SCENES - Our employees embraced these changes wholeheartedly and thanks to their hard work, AEC has been able to make the transition a smooth process. By rightsizing our business to concentrate on streamlining operations and allowing our sister company to manage our Social Security projects, we kept the profits within the Ahtna family. Equally as important was to keep the profits of our construction business within the Ahtna family. Two of our construction projects were managed by experienced sister subsidiaries, which utilized their experience and close proximity to the projects sites as assets to completing these contracts.

WHAT WE CAN EXPECT IN 2009 - Under our agreements with other Ahtna, Inc. subsidiaries, much of the profit from AEC's contracts will be realized at those companies. Operationally, those subsidiaries assume more of the risk and responsibility and so they were rewarded with a higher percentage of the profit. Strategically, those subsidiaries have placed themselves in position to renew those contracts once they expire for AEC and keep them in the Ahtna Family. AEC looks forward to the new challenges of 2009 and we truly appreciate the trust and support from the Shareholders, Ahtna, Inc., and our sister subsidiaries.



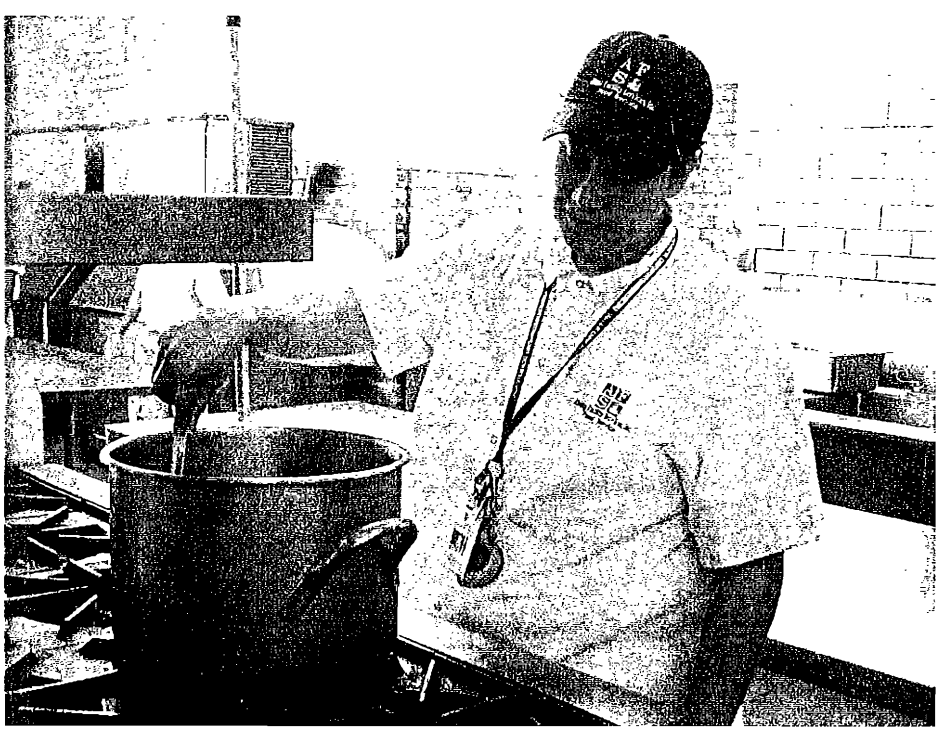
AHTNA FACILITY SERVICES, INC.

Ahtna Facility Services, Inc. (AFSI) is entering a very exciting period of opportunity and growth. In 2008, AFSI achieved two very significant milestones: we were awarded our first Government contract, and we completed our application for 8(a) certification with the Small Business Administration.

In addition to our contract to provide custodial services to Ahtna, Inc. offices in Anchorage, Alaska, AFSI now provides food services at Port Isabel Detention Center in Los Fresnos, Texas. This is a subcontract under our sister subsidiary Ahtna Technical Services, Inc.'s (ATSI) larger contract with Department of Homeland Security (DHS), Immigration and Customs Enforcement (ICE). This contract is a great starting point for us as we pursue more and bigger Government contracts!

With this new contract, AFSI's revenues increased significantly in 2008. AFSI reported revenues in 2008 of $424,588. Revenues totaled $46,599 in 2007.

Also in 2008, Anna Abrahamson was named President/CEO for AFSI. Anna is a long-time Ahtna, Inc. employee, and previously served as Vice President, Finance at ATSI. While she was at ATSI, Anna was involved in proposal development, contract negotiations, contract transitions, operations, and day-to-day management. This gave her the broad foundation necessary to take on the task of growing AFSI. She is joined by Vice President Robert Towne, a shareholder spouse who worked his way up from Housekeeper at an ATSI contract site to Operations Support Specialist in the ATSI corporate office, before he moved to AFSI.

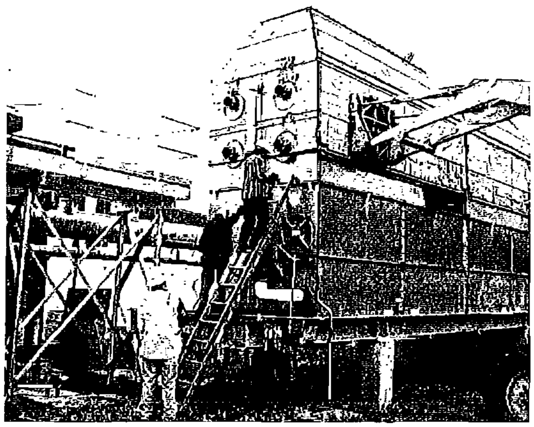


With our new management team in place, we conducted a thorough strategic planning session in 2008, charting our course and goals for the coming years. We have identified opportunities of interest and are pursuing teaming arrangements with our sister subsidiaries and other partners to strengthen our position as we submit proposals for new work.

2009 promises to be a very active year. AFSI was awarded our 8(a) certification in January 2009, which allows us to move forward in submitting proposals for 8(a) work with such agencies as DHS/ICE and the Department of the Air Force.

AHTNA GOVERNMENT SERVICES CORPORATION

2008 was a profitable year for Ahtna Government Services Corporation (AGSC). AGSC continued to receive task orders from our 2 largest customers; the Department of Energy (DOE) and the Federal Aviation Administration (FAA), as well as receiving new contracts from several new customers, with a strong backlog of work for 2009. AGSC underwent a significant reorganization in 2008—transferring personnel to our sister subsidiary, Ahtna Engineering Services (AES), as customers migrated over to the new company. AGSC graduated from the SBA 8(a) program in October '08 and continues to thrive in the competitive small business environment. Even with the current challenges of the economic downturn, and the unknowns of the new Presidential Administration, AGSC projects a strong fiscal year 2009. AGSC currently has corporate offices located in Anchorage, California, Washington DC, Washington State, and Hawaii, and project personnel assigned in locations around the world.



CONSTRUCTION OPERATIONS

FAA — At the start of 2009, AGSC was awarded a total of 47 task orders under the FAA Western Region IDIQ contract valued at approximately $10M. The tasks performed in 2008 included design/build construction, electrical upgrades, and air conditioning upgrades. The most notable design projects included preparation of plans and specifications for the installation of an upgraded version of the FAA's Airport Surface Detection Equipment (ASDE) for the Honolulu, Las Vegas, Orange County, and San Diego airports. The projects also include installation and coordination of antenna sites at strategic locations throughout the airfield that collect and transmit data to the monitors at the control tower. In 2008, AGSC continued to provide electrical design and/or construction services for the FAA by upgrading lightning protection, bonding, and grounding of FAA facilities and upgrading emergency generators in the Western Region. AGSC also provided air conditioning design and/or construction services for the FAA's TRACON buildings in Denver, CO and Anchorage, AK.

DOE — AGSC manages 2 contracts with a total award value of $257M for the DOE National Nuclear Security Administration Second Line of Defense (SLD) Program. The SLD program mission is to reduce the probability of nuclear materials being fashioned into a weapon of mass destruction and used in acts of terrorism against the U.S., its key allies, and international partners. AGSC works collaboratively with international partners to equip border crossings, airports, and seaports with radiation detection equipment. The legacy sole source contract is the Design, Construction and Integration contract with ongoing projects for the last 5 years, with no new work scheduled, has a current value of $235M. The relatively new contract is Design, Integration, Construction, Communications and Engineering, and is a competitive source of work divided among 3 awardees worth $700M over 7 years, and has currently been funded to AGSC at $22M. One component of the contract, the Core Program, focuses on installation of radiation detection equipment at borders, airports, and strategic feeder ports in Russia, former Soviet Union states, and other key countries. A key element that makes installations challenging is the remote locations of the sites. Since January '08, AGSC has installed equipment at 18 sites, and completed work in 6 countries, with over 296 monitors installed. The AGSC Core Program also designed and built a new technology for mobile radiation detection for use in areas that are chokepoints on certain international events. The second part of the program is the Megaports Initiative which provides radiation detection equipment to large international seaports to screen cargo containers, rail cars, and commercial trucks for nuclear and other radioactive materials. A key element that makes installations challenging is integrating the multiple complicated communications systems, combined with the massive amounts of port traffic to scan. AGSC has worked in 14 ports and equipped 9 with radiation detection equipment in '08, totaling over 141 monitors installed.

ENVIRONMENTAL OPERATIONS

AGSC continues to retain a number of environmental experts although some environmental work has been transitioned to AES. The 2 major clients AGSC completed environmental work for in 2008 were the Alaska Army National Guard (AKARNG) and the U.S. Navy.

AKARNG — From May to September '08, AGSC conducted corrective actions to remove petroleum-contaminated soil from the AKARNG Federal Scout Armories in Ambler, Shungnak, Selawik, Kivalina, and Wainwright, AK. These corrective actions were completed to restore the sites to conditions that are protective of human health and the environment. Due to the remote work locations, unique logistical problems were overcome for performance of the project. Prior to commencing excavation activities, AGSC moved or raised the Armory buildings and associated fuel storage tanks to access the contaminated soil extending beneath the structures. As a prime contractor, AGSC coordinated with many local stakeholders to provide equipment and personnel to support the project field activities. AGSC's field staff, including an Ahtna shareholder, successfully guided the removal of all residual petroleum-contaminated soil from these 5 sites. Approximately 1,000 tons of contaminated soil was excavated and placed in super sacks. Soil from the Northwest Arctic Borough was barged to Seattle and then shipped via railway to Arlington, OR for disposal. Soil from the North Slope Borough was barged to Prudhoe Bay for disposal at Alaska Interstate Construction. All 5 sites received closure from the Alaska Department of Environmental Conservation, serving as a beacon of success for AGSC's Environmental program.

U.S. NAVY — Newport Naval Station Middletown, RI—AGSC is under contract to perform soil remediation activities for leaks from a former underground storage tank for fuel oil at the Newport Naval Station. Despite previous remediation activities, contamination remains at the base of the excavation. AGSC is leading the effort to remediate the residual contaminants via in-situ chemical oxidation (ISCO). Prior to ISCO treatment, groundwater monitoring wells were installed to establish water quality baseline and geochemical parameters. The ISCO treatment was injected at 13 points; analytical samples indicated the need for repeat injections at 2 locations. These repeat injections were completed at 4 points. Samples will be collected in March '09 to analyze the effectiveness of this second round of injections.

Former Naval Air Facility Adak, AK—In August and September '08, AGSC conducted land use control and landfill repair activities on Adak Island as a subcontract to the SES-TECH. Adak covers 280 square miles and is the largest of the Andreanoff Islands. This remote work location provided logistical challenges that were overcome by mobilizing all supplies, equipment, and personnel by plane. An Ahtna shareholder was utilized to complete the tasks associated with this project. Specific tasks included installing signage, and repairing fencing, well-heads, drainage, and landfill liners.

In December, AGSC received the Society of Military Engineers (SAME) Sacramento Post Sustaining Member Firm of the Year Award. This award is given to firms that have provided significant support to the Post to include supporting college scholarship fundraising, high school and college internships, and SAME Post Board and Committee Chairs positions.

AGSC continues to provide quality products to our customers with a strong focus on safety and client satisfaction. AGSC is a recognized leader in the industry with numerous commendations for commitment to our mission and the mission of Ahtna, Inc.

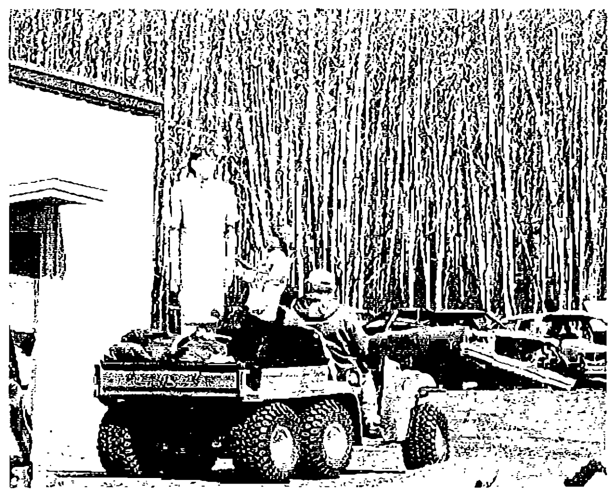
AHTNA SUPPORT & TRAINING SERVICES, LLC

Ahtna Support & Training Services (AhtnaSTS) was formed in July 2005 from the Simulations & Training Division of Ahtna Development Corporation (ADC). AhtnaSTS received its 8(a) certification in March 2007 and completed 2008, the first partial year without managing ADC, with a small profit. The management team lead by Shareholder Pamela Finnesand focused its efforts in finishing up the PEO STRI ACT Contract (also managed by Pamela) under ADC and on the start up of the 10 year WTA contract.

AhtnaSTS is proud to be a part of the U.S. Army training effort to ensure our soldiers are trained to be successful in combat and come home safe and sound. AhtnaSTS is an information technology support company.

AhtnaSTS Capabilities

- Simulations O&M
- Management of Training Aids & Devices
- Training Range O&M
- Life Cycle Contractor Support (LCCS)
- Logistics Support
- Obsolescence Management
- Program Management
- Service Desk
- Technical Information Services
- Comprehensive Educational Support Services
- Facilities O&M
- Management Consulting & Process Engineering
- Logistics & Warehouse Operations
- Training Data Collection & Processing
- Audio Visual Support
- Desktop Management Services



2008 Contracts

Battle Combat Training Center (BCTC) at Ft. Richardson, AK

This contract was transferred from ADC in 2007. Contract was completed in 2008:

- Responsible for directly assisting the prime contractor, General Dynamics, in all facets of the daily operations of the BCTC, including coordination of digital training events with the Digital Multi-Purpose Range Complex (DMPRC) and the Battle Simulation Center (BSC).

Training Support Centers (TSC) at Fort Richardson and Fort Wainwright, AK

- Provide training aide device support and minor repair services
- Provide training in the use, care & operation of products, training aids & devices, simulators, MILES and utilization of all TSC products and services.

Warfighter Focus

Subcontractor to Raytheon on the Warfighter Training Alliance (WTA) team started May 2008. This is a 10 year contract, worth $69 million to Ahtna and AhtnaSTS has been selected as one of the small business subcontractors to work with Raytheon. Raytheon's customer is PEOSTRI. AhtnaSTS is very fortunate to be on this team and expects to see tremendous growth over the years as work is brought to Raytheon and they look to meet their small business goals utilizing AhtnaSTS. AhtnaSTS will be supporting the Live Training arena at Ft. Wainwright and Ft. Richardson, AK and Ft. Irwin, CA.

2009 Contracts

STOC II

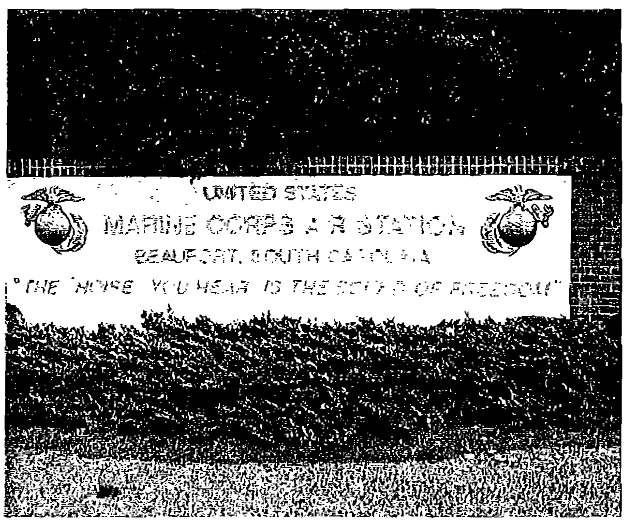
AhtnaSTS is one of the companies to be selected for award for the STRI Omnibus Contract known as STOC II contract under PEOSTRI. This is a 10 year contract, worth $17.5 billion dollars. AhtnaSTS has been prequalified to bid on individual task orders.

AHTNA TECHNICAL SERVICES,

2008 was a year of success and rapid growth for Ahtna Technical Services, Inc. (ATSI). We underwent numerous and exciting changes, from the award of two new contracts to moving our corporate headquarters.

ATSI's core competencies include: Facilities Operations and Maintenance and Base Operations Support Services, Detention Services, Food Services, and Hospital Aseptic Maintenance Services (HAMS)/ Janitorial Services. Our clients include Department of Homeland Security (DHS) Immigration and Customs Enforcement (ICE), Department of Veterans Affairs, and the Department of the Navy.

In 2008, ATSI won extensions and renewals on a number of existing contracts as well as two new contracts. Under one of these new contracts, we provide facility operations and maintenance services at Marine Corps Air Station Beaufort in South Carolina. Also in 2008, we were awarded our largest contract to date – at Port Isabel Detention Center in Los Fresnos, Texas, where we provide detention, transportation, and food services.



Also in 2008, under existing contracts, ATSI provided HAMS services at Fort Wainwright and Fort Richardson, Alaska, and Fort Huachuca, Arizona, as well as Veterans Affairs medical facilities in Anchorage, Alaska and Sacramento, California. Other contracts included food services at ICE facilities in California, Texas, Arizona, New York, and Florida, and facilities operations and maintenance services to ICE facilities in New York and Florida. We also provided detention, transportation, and food services at the Varick Federal Detention Facility in New York City.

Additional accomplishments for 2008 included submission of 12 proposals (as either the prime contractor or as a subcontractor); successful negotiations for several contract extensions; meeting our SBA requirements; working with partners to pursue both 8(a) and non-8(a) work; expanding our corporate infrastructure; holding our first-ever Site Manager Conference; and coaching and mentoring Shareholders and descendants into meaningful careers.

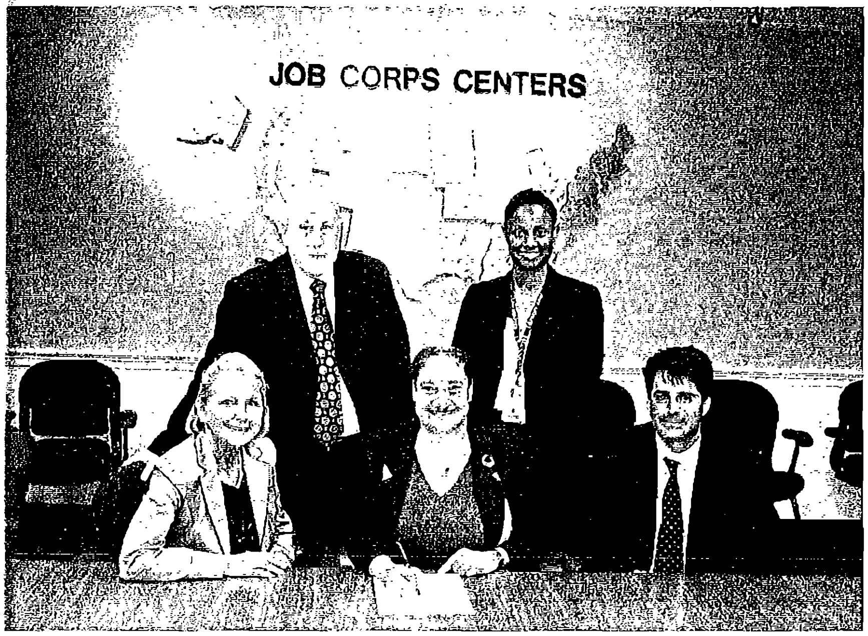
One sign of this growth was our need for additional office space. In August, we moved into our new offices in Anchorage. Our new offices total about 15,000 square feet – this is more than seven times the size of our former location!

In 2008, ATSI added corporate staff in positions ranging from Human Resources Director to Chief Financial Officer to support our continued growth. At the end of 2008, we had a total of seven Shareholders and two descendants in positions at our corporate offices and project sites. ATSI has developed a thorough and detailed Shareholder Development Plan to ensure that we continue to focus on supporting and developing Shareholders in every aspect of our operations.

ATSI reported revenues in 2008 of $67 million. This continues our trend of solid growth. Revenues totaled $26 million in 2007, $12.2 million in 2006, and $11.1 million in 2005. At the end of 2008, ATSI had 875 employees; this is nearly four times the 223 employees we had just a year ago!

Under the leadership of President/CEO Carolyn Craig, ATSI's management team conducted thorough strategic planning sessions, monthly reviews, and weekly team meetings. We are carefully planning for continued growth, our graduation from the 8(a) program, and working to meet or exceed all of our client expectations. We are confident that 2009 will bring continued success and we look forward to working with Ahtna, Inc. and our Board of Directors for the benefit of our Shareholders.

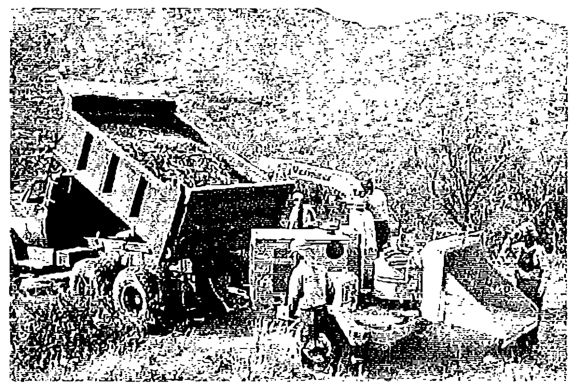
KOHT'AENE ENTERPRISES COMPANY



For Koht'aene Enterprises Company (KEC), there were many notable achievements in 2008, such as a profitable Joint Venture with Angel Menendez Environmental Services Corporation (AMES Corp.), the building of strong relationships with clients, and our first SBA 8(a) Service contract. KEC is consistently striving for what will be needed in the years ahead to reach the level of success in which we envision and what is expected from an Ahtna subsidiary.

KEC's profit was disappointing in 2008; we fell well short of our goals set in our budget due to a few projects anticipated, but were delayed into 2009, as well as a major factor attributing to our disappointing year to one project in particular. This forced us to take a long hard look at our internal controls and formulate a plan.

Since then, we have made fundamental changes to the Koht'aene Enterprises Company of old, bringing in a team of professionals who have all contributed to what looks to be a great year in 2009. We have initiated many changes, building a core management team to correct problems in accounting, controls, and structure. Our overall ambition is to build an ever-stronger, more capable business. After the establishment of new strategies, roles, responsibilities, governance, and culture – we are closer to the company we want to be. We thank you for your patience and encouragement as we move forward.

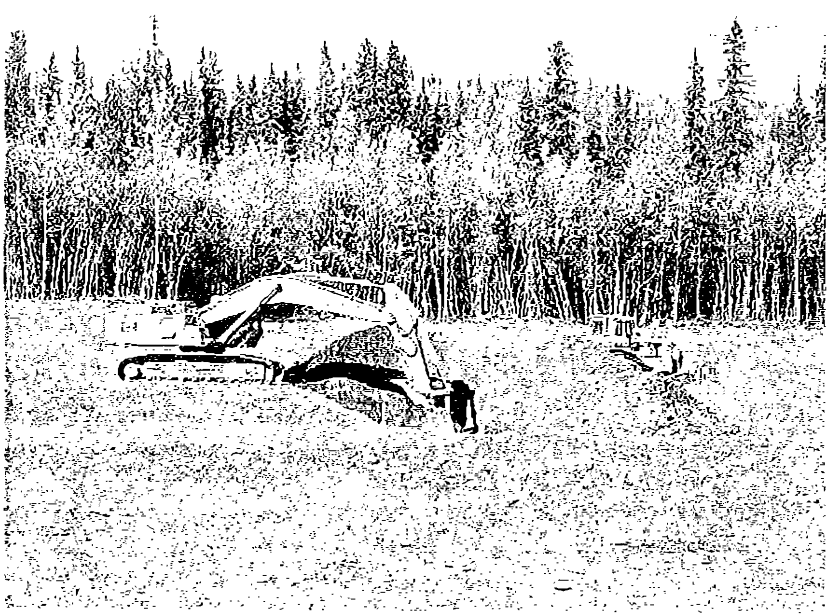


Today, as we continue to strengthen our company, we are focused on working with our Joint Venture partners to help reduce the risk of doing business and to weather one of the toughest times in the recent history of the economy. After the overhaul of our strategic plan, the alignment of our mission and our business has never been clearer. By serving our mission to help provide a quality product to our customers while employing shareholders, KEC is poised to have one of their strongest years of growth ever.

KEC Project Overview in 2009
Eklutna Estates, Cook Inlet Housing Authority Anchorage, Alaska – KEC and Cornerstone Construction have teamed up to start the construction of a new senior housing facility 59-unit four-story apartment complex. This project has a 100% Native Hire Preference for qualified personnel. The contract amount is $19.4M and is scheduled for completion in July 2010.

Kodiak Readiness Center, United States Coast Guard/Department of Transportation Kodiak, Alaska – KEC has designed and is constructing an addition and alteration to the existing Kodiak Readiness Center (armory).

Modular Housing Project, Department of Labor, Gulfport, Mississippi – KEC and AMES Corp. have designed and begun construction this year of a 16,000 sq. ft. modular housing project post-Hurricane Katrina disaster.



Contract Administration Support Services (CASS) for Department of Labor Arlington, Virginia – KEC, in a joint venture teaming agreement with AMES Corp. are providing management for the Job Corps Design and Construction Facilities Program, of whom is responsible for all facilities throughout North America. This contract will bring in $13 million over a 5 year period, generating a constant flow in revenue.

Koht'aene/Heery Mentor Protégé – KEC has teamed with Heery International to provide full service design, engineering, and construction management. This firm employs 1,100 employees throughout 30 offices in the United States and Europe. Heery has provided bonding capacities beyond our reach, as a sole proprietor. We look forward to a continually beneficial and growing relationship with Heery in the years ahead.

Caribou spotted just outside Cantwell, AK

AUDIT COMMITTEE REPORT

The Audit Committee was formed on May 16, 1983 and is currently comprised of four directors of the Ahtna, Inc. Board of Directors.

The primary responsibilities of the Audit Committee are to ensure that the Corporation's accounts are properly maintained and adequately verified by the Corporation's certified public accountants, to review and approve major changes in Ahtna's accounting policies, and to report to the Board of Directors.

To fulfill our obligations, we met jointly and separately during the year with the independent certified public accountants and Laura Edmondson, Vice President/Chief Financial Officer for Ahtna, Inc. Among the matters discussed and reviewed were the general accounting practices of the corporation, the scope of the examination to be performed by the certified public accountants and the adequacy of Ahtna's system of internal controls.

We believe that the Committee has been fully informed by management and the certified public accountants of the accounting and financial aspects of the corporation.

Angela Vermillion

Angela Vermillion
Chair, Audit Committee

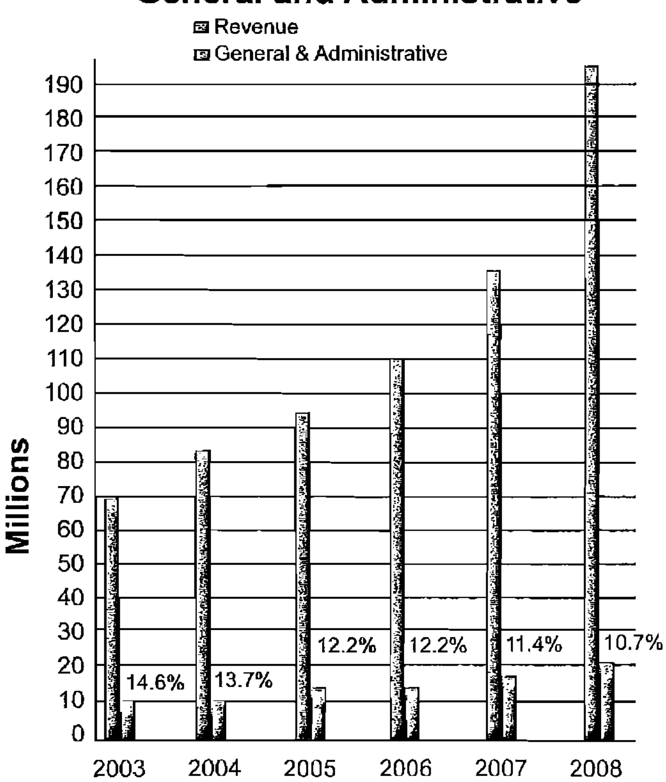
AHTNA, INC. & SUBSIDIARIES

Selected Financial Data

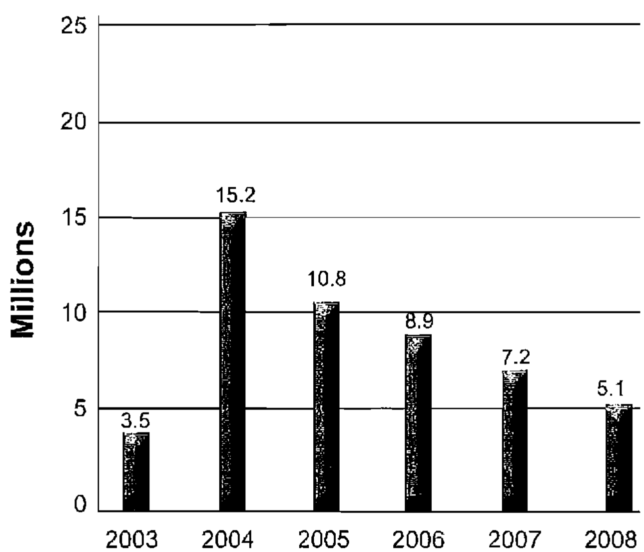
	2008	2007
CONSOLIDATED BALANCE SHEETS:		
Assets	$ 54,180,561	$ 49,194,848
Liabilities	$ 41,350,905	$ 38,417,637
Shareholders' Equity	$ 12,829,656	$ 10,777,211
CONSOLIDATED INCOME STATEMENTS:		
Operating Revenues	$ 194,171,628	$ 136,185,513
Operating Expenses	$ (188,284,849)	$ (129,420,777)
Operating Profit	$ 5,886,779	$ 6,764,736
*** **Other Income/Expense, net**	$ (3,022,913)	$ (1,342,100)
Net Income Prior to Extraordinary Item	$ 2,863,866	$ 5,422,636
Legal Settlements	$ 13,762	$ 904,000
Net Income	$ 2,877,628	$ 6,326,636
Income Per Share	$ 16	$ 35

*** **Other Includes Tax Benefits/Expenses**

General and Administrative



Long-term Debt



AHTNA, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

Mikunda, Cottrell & Co., Inc.
Certified Public Accountants & Consultants

RSM McGladrey Network
An Independently Owned Member

Offices in Anchorage & Kenai

Independent Auditor's Report

Board of Directors
Ahtna, Incorporated and Subsidiaries
Glennallen, Alaska

We have audited the accompanying consolidated balance sheets of Ahtna, Incorporated and Subsidiaries (the Corporation) as of December 31, 2008 and 2007, and the related consolidated statement's of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mikunda, Cottrell & Co.

Anchorage, Alaska
April 9, 2009

3601 "C" Street, Suite 600 * Anchorage, Alaska 99503 * (907) 278-8878 * Fax (907) 278-5779 * www.mcc-cpa.com

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 & 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,314,445	$ 2,155,819
Accounts and notes receivable, net	28,737,046	26,772,128
Investment securities	1,582,992	2,182,834
Cost and estimated earnings in excess of billings on uncompleted contracts, and unbilled receivables	3,944,489	1,713,644
Inventory	84,863	81,325
Prepaid and other	446,080	1,154,284
Deferred tax asset	1,292,609	671,728
Total current assets	41,402,524	34,731,762
INVESTMENTS JOINT VENTURES AND AFFILIATES	988,690	370,504
PROPERTY AND EQUIPMENT, net	7,095,793	6,545,059
DEFERRED TAX ASSET	3,513,760	6,295,854
LAND AND SUBSURFACE RIGHTS, unvalued (Note 2)	-	-
OTHER ASSETS:		
Notes and contracts receivable, net, less current portion	-	71,875
Goodwill, deferred costs, and other, net	1,179,794	1,179,794
Total other assets	1,179,794	1,251,669
TOTAL	$ 54,180,561	$ 49,194,848

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS (continued)
DECEMBER 31, 2008 & 2007

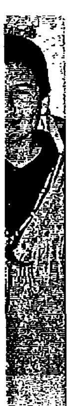
LIABILITIES AND SHAREHOLDERS' EQUITY	2008	2007
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ 12,487,670	$ 11,408,062
Accounts payable	13,957,672	12,025,354
Accrued liabilities	8,780,343	5,911,030
Billings in excess of costs	743,283	1,473,984
Other current liabilities	294,221	417,404
Total current liabilities	36,263,189	31,235,834
LONG-TERM OBLIGATIONS, less current maturities	5,077,716	7,171,803
OTHER NONCURRENT LIABILITIES	10,000	10,000
CONTINGENCIES (Note 13)	-	-
SHAREHOLDERS' EQUITY:		
Common stock, no par value, 2,500,000 shares authorized; 179,000 shares issued and outstanding	-	-
Contributed capital	5,190,996	5,690,406
Unrealized gain (loss) on investment securities	(148,606)	177,167
Retained earnings	7,787,266	4,909,638
Total shareholders' equity	12,829,656	10,777,211
TOTAL	$ 54,180,561	$ 49,194,848

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
DECEMBER 31, 2008 & 2007

	2008	2007
REVENUES:		
Service contracts	$ 99,848,357	$ 62,983,911
Construction contracts and equipment	91,835,442	71,136,854
Real estate	111,931	112,882
Other natural resources	2,368,642	1,863,916
Investment income, net	7,256	87,950
Total revenues	194,171,628	136,185,513
EXPENSES:		
Service contracts	85,754,569	48,844,825
Construction contracts and equipment	80,008,293	62,383,460
Real estate	885,449	988,389
Other natural resources	570,913	529,177
Interest	1,009,236	1,479,441
General and administrative	20,776,575	15,467,935
Total expenses	189,005,035	129,693,227
CORPORATION'S SHARE OF NET INCOME UNCONSOLIDATED SUBSIDIARIES AND JOINT VENTURES	720,186	272,450
Income from operations	5,886,779	6,764,736
OTHER INCOME (LOSS), net	319,150	193,831
Income before taxes	6,205,929	6,958,567
INCOME TAX BENEFIT (EXPENSE)	(3,342,063)	(1,535,931)
Income before extraordinary item	2,863,866	5,422,636
EXTRAORDINARY ITEM - LEGAL SETTLEMENTS (Note 13)	13,762	904,000
NET INCOME	$ 2,877,628	$ 6,326,636
INCOME PER SHARE	$ 16	$ 35

See notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
DECEMBER 31, 2008 & 2007

	Contributed capital	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
BALANCE, January 1, 2007	$ 6,189,816	$ 112,709	$ (1.416,998)	$ 4,885,527
Change in unrealized gain on investment securities, net of tax	-	64,458	-	64,458
Other comprehensive income				64,458
Net income	-	-	6,326,636	6,326,636
Comprehensive income	-	-	-	6,391,094
Dividends declared	(499,410)	-	-	(499,410)
BALANCE, December 31, 2007	5,690,406	177,167	4,909,638	10,777,211
Change in unrealized gain on investment securities, net of tax	-	(325,773)	-	(325,773)
Other comprehensive income				(325,773)
Net income	-	-	2,877,628	2,877,628
Comprehensive income	-	-	-	2,551,855
Dividends declared	(499,410)	-	-	(499,410)
BALANCE, December 31, 2008	$ 5,190,996	$ (148,606)	$ 7,787,266	$ 12,829,656

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
DECEMBER 31, 2008 & 2007

	2008	2007
OPERATING ACTIVITIES:		
Net income	$ 2,877,628	$ 6,326,636
Adjustments to reconcile net income to net cash used by operating activities		
	1,322,865	998,813
(Gain) loss on sale of fixed assets	(10,840)	(5,407)
Earnings on joint ventures	(720,186)	(272,450)
Net (gain) loss on sale of securities	91,200	(8,503)
Deferred income taxes	2,161,213	623,536
(Increase) decrease in assets:		
Receivables	(1,893,043)	(8,133,966)
Costs and estimated earnings in excess of billings on uncompleted contracts and unbilled receivables	(2,856,566)	(875,383)
Inventory	(3,538)	(8,820)
Prepaid expenses	708,204	(534,076)
Goodwill, deferred costs and other	-	(1,123,213)
Increase (decrease) in liabilities:		
Accounts payable	1,932,318	(24,547)
Accrued liabilities	3,513,411	932,106
Billings in excess of costs	(749,078)	(667,191)
Other current liabilities	(123,183)	237,507
Net cash provided (used) by operating activities	6,250,405	(2,534,958)
INVESTMENT ACTIVITIES:		
Purchase of investments	(621,049)	(598,909)
Proceeds from sale of investments	803,918	615,998
Purchase of property and equipment	(1,931,362)	(1,575,804)
Proceeds from sale of property and equipment	68,603	26,200
Additional investment in joint venture	(51,000)	(70,000)
Distributions from joint ventures and affiliates	153,000	-
Net cash (used) by investing activities	(1,577,890)	(1,602,515)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
DECEMBER 31, 2008 & 2007

	2008	2007
FINANCING ACTIVITIES:		
Borrowings of long-term debt	$ 6,324,261	2,279,549
Payments on long-term debt	(7,171,595)	(3,840,966)
Net increase (decrease) on line of credit	(167,145)	4,303,562
Dividends paid	(499,410)	(499,410)
Net cash (used) provided by financing activities	(1,513,889)	2,242,735
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	3,158,626	(1,894,738)
CASH AND CASH EQUIVALENTS:		
Beginning of year	2,155,819	4,050,557
End of year	$ 5,314,445	$ 2,155,819
Supplemental cash flow disclosures:		
Debt incurred in the acquisition of property and equipment	$ 120,294	$ 343,982
Cash paid during the year:		
Income taxes	$ 1,263,466	$ 487,476
Interest	$ 1,029,122	$ 1,365,863

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles Of Consolidation: The consolidated financial statements include the accounts of Ahtna, Incorporated, its wholly-owned subsidiaries (Ahtna Construction & Primary Products Corporation, Ahtna Development Corporation, Ahtna Minerals Company, Inc., Ahtna Enterprises Corporation, Barricades & Safety Equipment, Inc., Ahtna Forest Products, Inc., Ahtna Facilities Services, Inc., Ahtna Technical Services, Inc., Ahtna Government Services Corporation, Ahtna Engineering Services, LLC., Ahtna Contractors LLC, Koht'aene Enterprises Company, LLC. and Ahtna Support and Training Services, Inc.), which are collectively referred to as the Corporation. All significant inter-company accounts and transactions have been eliminated in consolidation.

Operations: The Corporation has diversified operations in both government and private sector contracts. These business opportunities continue to grow the Corporation in volume and capabilities for service and construction related projects. In 2007 and continuing through 2008, the Corporation took the following steps: (1) maintained operational profitability; (2) continued its emphasis to obtain service contracts, cost-plus contracts and negotiated construction contracts as opposed to hard dollar construction contracts; and (3) took steps to hold general and administrative expenses in line relative to increased gross revenues. Since year 2000 general and administrative expenses have been reduced, as a percentage of revenue, from 23% to 11.4% in 2007 and 10.7% in 2008. In 2008, the Corporation continued its emphasis to maximize the quality performance in all operational activities.

Estimates: Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements. Actual results may differ from the estimates.

Cash and Cash Equivalents: The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories: Inventories consist primarily of rock and gravel, communication supplies and miscellaneous construction and environmental clean-up materials. Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Investment Securities: The Corporation has classified its investments in marketable equity securities as available-for-sale. Investments considered available-for-sale securities are stated at fair value. Net unrealized gains and losses are recorded as a component of other comprehensive income in shareholders' equity. When securities are sold, realized gains and losses are determined using the specific-identification method.

Fair Value of Financial Instruments: The carrying value of cash and cash equivalents approximates fair value because of the short-term maturity of those instruments. The fair value of the investments in marketable debt and equity securities is based upon the quoted market price on the last business day of the fiscal year. The carrying value of long-term debt approximates fair value.

Investments in Joint Ventures And Affiliates: Investments in incorporated and unincorporated joint ventures and affiliates which the Corporation has a controlling ownership interest, but not a significant operating influence, were recorded on the equity method.

NOTE 2: ALASKA NATIVE CLAIMS SETTLEMENT ACT (ANCSA)

Alaska Native Fund: ANCSA entitled Alaska Natives to approximately 44 million acres of land and monies totaling $962,500,000. ANCSA established the Alaska Native Fund and thirteen regional corporations to receive and distribute this entitlement. Ahtna, Incorporated is one of the regional corporations.

The Corporation is entitled to receive approximately 1,770,000 acres of land. As of December 31, 2008, the Corporation had received conveyance to approximately 1,528,000 acres. The value of the land, timber, and mineral rights has not been recorded.

Alaska Native Fund distributions and real property interests received pursuant to the Act are not subject to any form of income taxation. Real property interests are exempt from real property taxes imposed by any governmental entity until commercially developed, leased, or sold to a third party.

Natural resource revenue: Section 7(i) of ANCSA provided that 70% of revenues, net of certain costs, derived by each regional corporation from timber and subsurface estate is to be divided annually among the twelve regional corporations in Alaska in proportion to the number of shareholders enrolled in each.

Section 7(j) Distribution: Section 7(j) of ANCSA requires that 50% of the monies received from the Alaska Native Fund and received under Section 7(i) must be distributed to village corporations and at-large shareholders. Most of the village corporations within the Ahtna region merged with the Corporation. As a result, the Corporation now distributes approximately 17% of its Section 7(i) receipts.

NOTE 3: CASH AND CASH EQUIVALENTS

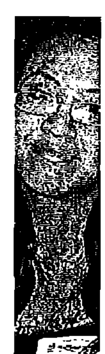
Cash and cash equivalents at December 31, 2008 are comprised of the following:

	Book Balance	Bank Balance
Checking and savings accounts	$ 4,839,610	$ 6,077,786
Money market	467,651	467,651
Petty cash	7,184	-
	$ 5,314,445	$ 6,545,437

Cash and cash equivalents at December 31, 2007 are comprised of the following:

	Book Balance	Bank Balance
Checking and savings accounts	$ 1,840,047	$ 2,605,335
Money market	307,744	307,744
Petty cash	8,028	-
	$ 2,155,819	$ 2,913,079

The Corporation places its demand deposits with high credit quality commercial banks. The Corporation had demand deposit bank balances of $6,077,786 and $2,605,335 at December 31, 2008 and 2007, respectively, of which $522,889 and $2,034,785 were in excess of insured deposits. The Corporation's cash equivalent money market fund investments totaled $467,651 and $307,744 at December 31, 2008 and 2007, respectively of which neither were in excess of investments covered by the Securities Investor Protection Corporation (SIPC). In 2008 and 2007, the first $250,000 and $100,000 of deposits, respectively, were covered by FDIC and the first $500,000 of investments are covered by the SIPC.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable consist of the following at December 31:

	2008	2007
CURRENT:		
Trade accounts	$ 28,729,674	$ 26,952,466
Shareholder receivables	-	163,285
Board of Directors receivables	1,539	1,489
Employee receivables	18,546	27,970
	28,749,759	27,145,210
Less allowance for doubtful accounts	(12,713)	(373,082)
	$ 28,737,046	$ 26,772,128
Long-term - notes	$ -	$ 71,875

Following is a schedule of notes receivable at December 31:

	2008	2007
Note receivable from the Ahtna Heritage Foundation, no interest bearing, no specific repayment period	$ -	$ 71,875
Less current portion	-	-
Long-term portion	$ -	$ 71,875

The Corporation's master line of credit (Note 9) is secured by its eligible trade accounts receivable.

NOTE 5: INVESTMENT SECURITIES

All of the Corporation's investment securities are classified as available-for-sale and are recorded at fair value. Unrealized holding gains and losses are recorded as a component of other comprehensive income in shareholders' equity. Available-for-sale securities at December 31, 2008 and 2007 have been classified as current assets as the investments are security for a master line of credit note (Note 9) that is due November 1, 2009.

Investment securities consist of the following at December 31:

	2008		2007	
	Cost	Market	Cost	Market
U.S. government securities	$ 405,785	$ 422,543	$ 455,058	$ 467,624
Bonds	546,708	531,874	647,493	657,207
Equity securities	765,407	614,877	883,572	1,038,459
	1,717,900	1,569,294	1,986,123	2,163,290
Interest receivable	13,698	13,698	19,544	19,544
	$ 1,731,598	$ 1,582,992	$ 2,005,667	$ 2,182,834

NOTE 5: INVESTMENT SECURITIES, CONTINUED

During 2008 and 2007, the Corporation had gross realized gains of $30,608 and $16,626 as well as gross realized losses of $121,808 and $25,129, respectively. Interest and dividend income totaled $98,456 for the year ended December 31, 2008 and $96,453 for the year ended December 31, 2007. These amounts are included in investment income in the statements of operations.

At December 31, 2008 and 2007, the Corporation had gross unrealized holding gains (losses) of ($148,606) and $177,167, respectively.

Maturities of debt securities at December 31 are as follows:

	2008		2007	
	Cost	Market	Cost	Market
Maturity				
Within one year	$ 303,595	$ 308,098	$ 298,985	$ 301,202
After one, but within five years	551,353	543,201	803,566	823,629
After five years	97,545	103,118	-	-
	$ 952,493	$ 954,417	$ 1,102,551	$ 1,124,831

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

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

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

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

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

NOTE 5: INVESTMENT SECURITIES, CONTINUED

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

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

The following table provides information as of December 31, 2008 and 2007 about the Corporation's financial assets and liabilities measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total
2008:				
Assets at fair value – Investments	$ 1,582,992	-	-	$ 1,582,992
2007:				
Assets at fair value – Investments	$ 2,182,834	-	-	$ 2,182,834

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

NOTE 6: COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Work in progress on uncompleted contracts at year end consists of the following at December 31:

	2008	2007
Costs incurred on uncompleted contracts	$ 264,152,120	$ 230,294,561
Estimated earnings	19,262,120	27,903,244
	283,414,240	258,197,805
Less billings to date	281,538,295	258,764,900
Unbilled receivables on contracts, net	1,875,945	(567,095)
Unbilled receivables on service contracts	1,325,261	806,755
	$ 3,201,206	$ 239,660
Costs and estimated earnings in excess of billings on uncompleted contracts, and unbilled receivables	$ 3,944,489	$ 1,713,644
Billings in excess of estimated costs on uncompleted contracts (in other current liabilities)	(743,283)	(1,473,984)
	$ 3,201,206	$ 239,660

NOTE 7: INVESTMENT IN JOINT VENTURES AND AFFILIATES

Equity Method Investments:

The Corporation is a 51% participant in KEC/AMES Joint Venture, which is a service and construction contractor. The Corporation is also a 35% participant in Price/Ahtna, LLC, which is also a service and construction contractor. Summary financial information recorded in 2008 is as follows:

	KEC/AMES JV	PRICE/AHTNA, LLC
Summary of Financial Position:		
Current assets	$ 1,381,676	$ 4,076,634
Noncurrent assets	-	-
	$ 1,381,676	$ 4,076,634
Current liabilities	$ 805,560	$ 418,062
Noncurrent liabilities	-	1,707,009
Equity:		
Ahtna	293,819	683,047
Others	282,297	1,268,516
	$ 1,381,676	$ 4,076,634
Summary of Financial Earnings:		
Revenues	$ 1,977,007	$ 7,700,961
Cost and expenses	(1,200,894)	(6,771,134)
Net income	776,113	929,827
Ahtna's reported share of calendar year net income	$ 395,818	$ 325,440
Corporation's share of JV	51%	35%

The Corporation is also a 51% participant in Price/Ahtna, Joint Venture, which is a construction contractor. Summary financial information recorded in 2008 is as follows:

	PRICE/AHTNA, JV
Summary of Financial Position:	
Current assets	$ 23,184
Noncurrent assets	-
	$ 23,184
Current liabilities	$ -
Noncurrent liabilities	-
Equity:	
Ahtna	11,824
Others	11,360
	$ 23,184
Summary of Financial Earnings:	
Revenues	$ -
Cost and expenses	(2,102)
Net income	(2,102)
Ahtna's reported share of calendar year net income	$ (1,072)
Corporation's share of JV	51%

NOTE 7: INVESTMENT IN JOINT VENTURES AND AFFILIATES, CONTINUED

The Corporation is a 51% participant in Price/Ahtna Joint Venture, which is a construction contractor. The Corporation is also a 35% in Price/Ahtna, LLC, a construction contractor. Summary financial information recorded in 2007 is as follows:

	PRICE/AHTNA JV	PRICE/AHTNA, LLC
Summary of Financial Position:		
Current assets	$ 25,301	$ 1,762,461
Noncurrent assets	-	-
	$ 25,301	$ 1,762,461
Current liabilities	$ 16	$ 740,725
Noncurrent liabilities	-	-
Equity:		
Ahtna	12,896	357,608
Others	12,389	664,128
	$ 25,301	$ 1,762,461
Summary of Financial Earnings:		
Revenues	$ 1,349,852	$ 7,667,625
Cost and expenses	(1,244,574)	(7,042,603)
Net income (loss)	105,278	625,022
Ahtna's reported share of calendar year net income	$ 53,692	$ 218,758
Corporation's share of JV	51%	35%

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2008	2007
ANCSA land (1.5 million acres) and natural resources received under the Act (Note 2)	not valued	not valued
Land and land improvements	$ 1,635,613	$ 1,565,448
Buildings	5,623,359	5,406,915
Furniture and equipment	3,072,029	2,567,635
Vehicles and construction equipment	5,719,965	4,845,599
Total property and equipment	16,050,966	14,385,597
Less accumulated depreciation	(8,955,173)	(7,840,538)
	$ 7,095,793	$ 6,545,059

NOTE 9: NOTES PAYABLE AND LONG-TERM OBLIGATIONS

The Corporation has notes payable under line of credit at one lending institution as follows:

Line of credit available	Terms	Borrowings at December 31, 2008	Borrowings at December 31, 2007
$ 15,000,000	variable 8.50%	$ -	$ 10,792,466
$ 25,000,000	variable 3.25%	10,625,320	-
		$ 10,625,320	$ 10,792,466

At December 31, 2008, the line of credit was collateralized by the eligible consolidated trade accounts receivable, the investment securities, and cash held in the investment portfolio. During 2008, the Corporation restructured its debt with new financial institutions. At December 31, 2008, the collateral balance securing the line of credit was $19,626,900. At December 31, 2007, the line of credit was collateralized by eligible consolidated trade accounts receivable, the investment securities, the net book value of certain real estate, and cash held in the investment portfolio. At December 31, 2007, the collateral balance securing the line of credit was $18,961,275. In 2007, the Bureau of Indian Affairs provided an 80% guaranty on the line of credit. This guarantee arrangement was cancelled upon the restructuring of debt during 2008.

Long-term obligations consist of the following at December 31:

	2008	2007
Equipment notes payable, due in aggregate monthly installments of $37,524, including interest rates ranging from 0.00% to 9.50%; final installment due at varying dates through September 2013	$ 776,066	$ 1,098,574
Mortgage payable to a bank, due in monthly installments of $16,416, including fixed interest at 7.75%, with final installment due December 2013	1,744,000	-
Mortgage payable to a bank, due in monthly installments of $14,307, including fixed interest at 7.75%, with final installment due December 2013	1,520,000	-
Mortgage payable to a bank, due in monthly installments of $18,804, including fixed interest at 10.54%, with final installment due July 2013	-	934,429
Mortgage payable to a bank, due in monthly installments of $10,573, including variable interest at 9.50%, with final installment due July 2013	-	678,378
Working capital term note payable to bank, due in monthly installments of $124,967, including variable interest at 3.25%, with final installment due December 2010	2,900,000	
Working capital note payable to bank, due in interest only installments approximating $11,795 at 9.25%, with final principal and interest due March 2009	-	1,500,000

NOTE 9: NOTES PAYABLE AND LONG-TERM OBLIGATIONS, CONTINUED

	2008	2007
Working capital note payable to bank, due in interest only installments approximating $12,924 at 9.25%, with final principal and interest installment due March 2009.	$ -	$ 1,663,955
Working capital note payable to bank, due in interest only installments approximating $11,607 at 7.25%, with final principal and interest installment due March 2009.	-	1,912,063
Total long-term obligations	6,940,066	7,787,399
Less current maturities	1,862,350	615,596
	$ 5,077,716	$ 7,171,803

Certain notes payable and long-term obligations at December 31, 2008 and 2007 are collateralized by assets with book values as follows:

	2008	2007
Current assets	$ 2,050,642	$ 2,490,577
Equipment	1,138,617	1,167,078
Building	3,872,469	2,859,710
	$ 7,061,728	$ 6,517,365

Principal maturities on long-term debt are as follows:

Year ended December 31:	
2009	$ 1,862,350
2010	1,833,565
2011	295,376
2012	198,050
2013	2,750,725
Thereafter	-
	$ 6,940,066

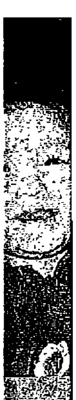
NOTE 10: COMMON STOCK

Under provisions of ANCSA, each qualified Alaska Native originally enrolled in the Corporation was entitled to 100 shares of Class A voting stock.

One hundred shares of Class A Series 1 common stock were issued to each qualified enrollee in the Ahtna region who was a shareholder in one of the village corporations in the Ahtna region.

One hundred shares of Class A Series 2 common stock were issued to Alaska Natives enrolled in the Ahtna region who were not enrolled as shareholders in one of the village corporations in the Ahtna region.

Class C, D, F, G, H, I, and J, shares of no par value common stock were subsequently issued in exchange for the outstanding shares of Ahtna village corporations that merged with Ahtna, Incorporated. These shares have the same characteristics as Class A stock, except as to electing members of the Board of Directors. (Class E shares were authorized for a village corporation that decided not to merge.)



NOTE 10: COMMON STOCK, CONTINUED

These stock, related stock dividends or distributions, and any other stock rights may not be sold, pledged, assigned, treated as an asset in a bankruptcy proceeding, or otherwise alienated, except in limited circumstances by court decree, by gift to certain relatives, and by death. These restrictions on stock alienation originally were scheduled to terminate on December 18, 1992. Under a 1988 amendment to ANCSA, that deadline was eliminated and the stock restrictions may remain in effect for as long a time thereafter as the shareholders decide. Class B shares are available for issuance to replace the restricted stock, if shareholders would so decide.

During the period that restrictions on stock alienation are in effect, the stock carries voting rights only if the holder is an Alaska Native or a descendant of a Native, as defined in the amended ANSCA.

All outstanding shares participate in dividends. ANCSA corporations are allowed to declare dividends from monies originally received from the Alaska Native Fund (Note 2). Such dividends are a return of capital and are nontaxable to shareholders. Dividends of $499,410 were declared and paid in both 2008 and 2007.

Shares authorized, issued, and outstanding at December 31, 2008, and 2007, are as follows:

	Number of Shares	
Class	Authorized	Issued and outstanding
A	250,000	-
- Series 1	-	95,400
- Series 2	-	12,000
B	250,000	-
C	250,000	7,300
D	250,000	3,200
E	250,000	-
F	250,000	3,500
G	250,000	25,700
H	250,000	9,700
I	250,000	10,600
J	250,000	11,600
Total all classes	2,500,000	179,000

NOTE 11: PROVISION FOR INCOME TAXES

Income tax expense (benefit) consists of the following:

	December 31,	
	2008	2007
Current	$ 1,180,850	$ 836,359
Deferred	2,161,213	699,572
	$ 3,342,063	$ 1,535,931

NOTE 11: PROVISION FOR INCOME TAXES, CONTINUED

Deferred tax asset and liabilities at December 31, 2008 and 2007, are as follows:

2008	Current	Long-term	Total
Deferred tax assets	$ 1,292,609	$ 4,072,672	$ 5,365,281
Deferred tax liabilities	-	(558,912)	(558,912)
Net asset (liability)	$ 1,292,609	$ 3,513,760	$ 4,806,369

2007	Current	Long-term	Total
Deferred tax assets	$ 671,728	$ 6,629,428	$ 7,301,156
Deferred tax liabilities	-	(333,574)	(333,574)
Net asset (liability)	$ 671,728	$ 6,295,854	$ 6,967,582

Temporary differences that give rise to significant portions of deferred tax assets and liabilities consist of depreciation, basis differences in assets, allowances for doubtful accounts, accrued vacation, unrealized holding gains and losses on investments, equity in earnings of affiliates, net operating loss (NOL) carryforwards of approximately $9,677,719 for tax purposes at December 31, 2008, expiring beginning 2026, and charitable contributions carry-forwards.

Adjustments between income taxes at federal statutory rates and income taxes reported by the Corporation result primarily from the dividend received exclusion, net operating loss carryforwards, gravel depletion, timber depletion, goodwill amortization, and state taxes.

NOTE 12: PENSION PLAN

The Corporation sponsors a 401(k) plan administered by a financial services company. The Corporation matches employee contributions up to 3% of wages. Contributions for the years ended December 31, 2008 and 2007, were $393,851 and $309,553, respectively.

The Corporation also participates in a multi-employer defined benefit noncontributory pension plan with various unions. Substantially all employees represented by bargaining agents are covered under the plan. Contributions for the cost of the plan amounted to $903,819 and $1,488,835 for 2008 and 2007, respectively. Contributions are based on wages paid to employees.

NOTE 13: CONTINGENCIES

In December 2003, the Corporation and its subsidiary obtained a judgment against a former officer of the subsidiary that required the former officer to convey his 49% interest in the stock of the subsidiary. In 2007, this case was settled in favor of the Corporation. As a result, in 2007, $954,000 has been recognized in income.

In December 2006, the purchaser of the Corporation's 51% interest in a subsidiary company asserted a claim against the Corporation. The lawsuit sought rescission of the sale and refund of the purchase price, as well as damages in the amount of $1.6 million and punitive damages. This case was settled in 2007 and the Corporation has recognized $50,000 in expense.

NOTE 13: CONTINGENCIES, CONTINUED

Claims have been made upon a subsidiary company of the Corporation relating to wrongful termination by former employees. Settlement negotiations are being conducted to resolve these matters. Management believes that any eventual outcome will not have a material impact, if any, on the Corporation's financial position or results of operations.

As of December 31, 2008 and 2007, the Corporation held letters of credit with lending institutions in the amount of $2,500,000 and $3,500,000, respectively, for the purposes of collateralizing its bonded projects. During 2008 and 2007, no claims had been asserted. As a result, no liability has been recorded.

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

In addition, the Corporation is subject to various small claims, which arise in the normal course of business. In the opinion of management, the ultimate disposition of these claims will not have a material effect on the financial position or results of operations of the Corporation.

Front Cover: *(from left to right) Jacob Goodlataw, Rene' Rock-Albert, Samson Frank, Georgiea McConkey, Elijah Neeley-Sanders, Elli Tansy, Danielle Boston and peter Ewan; (below) the Gulkana River.*
Back Cover: *Amiah Kroto, Zachariah Martin, Eleanor Teagan Layland, Gabriel Goodlataw, Taliylah Patrick, Derrick Sinyon, Alece Miller, and Joshua Gene; (below) fish wheels along the Copper River.*

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