

File: 17.2.1

Acquisition: Seal Bay

Lead Agency: DNR

Document(s): Appraisal  
Athlok-Kaguyak and Old Harbor Joint Venture  
May 14, 1993  
International Forestry Consultants  
including

\* 9/16/93 Appraisal Review - Seal Bay (memo)  
J. Robinson to M. Rutherford

File/Record Type: unbound copy, approx. 20 pages

Other Notes: The appraisal is specifically noted as released in a memo from M. McCammon → M. Phillips (4/14/95); however \* the 9/16/93 Appraisal Review from J. Robinson to M. Rutherford is specifically identified as not to be released in a memo from C. Tillery → M. Phillips (5/19/95)

\* Also, title report memo J. McAllister → M. Rutherford (7/7/93) indicates Attorney Client privilege not for distribution.

Original 17, 2, 1

RECEIVED  
SEP 2 1993

EXXON VALDEZ OIL SPILL  
TRUSTEE COUNCIL  
ADMINISTRATIVE RECORD

APPRAISAL  
SEAL BAY UNIT  
AKHIOK-KAGUYAK AND OLD  
HARBOR JOINT VENTURE

May 14, 1993

INTERNATIONAL  
FORESTRY  
CONSULTANTS,  
INC.

SEATTLE, WASHINGTON U.S.A.



MEMORANDUM


State of Alaska  
Department of Natural Resources - Division of Land and Water

TO: Marty Rutherford  
Deputy Commissioner

DATE: September 16, 1993

TELEPHONE NO: 762-2680

SUBJECT: Appraisal Review  
Seal Bay

FROM:  Judy A. Robinson, SR/WA  
Review Appraiser

This is a review of revisions received on September 14. The original appraisal was reviewed on August 18 by Dennis Lattery, Chief Review Appraiser. The purpose of the appraisal is to estimate market value of the surface estate.

I recommend the revised appraisal be used as the basis for purchase. It meets division criteria for being an acceptable report. It should also withstand federal review.

It is the appraiser's determination that market value as of May 14, 1993 was \$41,000,000 for the Seal Bay Unit. Most of the value is attributable to stands of commercial timber. I analyze the appraised values on the attached page.

Because DNR appraisers lack experience, an expert was hired to review the timber valuation portions of the original report. His written review is attached to and made part of this review. Based on his advice and my independent research of timber valuation methods, I believe I am competent to do this review.

This was a desk review. I did not personally inspect the property. The reports were reviewed for completeness, relevance of the data and appraisal methodologies, technical accuracy, and logic. The appraiser was phoned several times to clarify technical questions.

The appraiser was asked to revise the report for two reasons. First, the original report was based on a highest and best use of public ownership. Second, agency transactions were used as primary indicators of value, even though they failed the test of being arm's length transactions in an open, competitive market. These appraisal premises are clearly prohibited by the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA). They are also discouraged by DNR's General Appraisal Instructions.

The RFP and contract required that UASFLA be followed. The UASFLA requirement was deliberate for purposes of satisfying a majority of the Trustee Council who are bound by its standards.

Ethically, the appraiser has had a difficult time accepting the UASFLA premises. This is clear from reading the revised report

and from discussions during the review. UASFLA has existed for decades and is well grounded in case law. I suspect the appraiser's ethical struggle is due to a lack of experience in completing assignments under UASFLA.

The revised report uses private transactions as primary indicators of value. Agency transactions are used as secondary indicators to corroborate the final conclusion. While there are still a number of technical aspects about the report that trouble me, I am satisfied that the report now meets the standards required by DNR, UASFLA, and the Uniform Standards of Professional Appraisal Practice (USPAP).

My main source of discomfort with the report is highest and best use and the whole property approach to value. While it is entirely correct to value the whole property rather than sum the parts (timber value, plus mineral value, plus surface value), the technique used in this report was unexpected and seems to be a sum of the parts approach.

The approach is based on the premise that the highest and best use of the property is for management of natural resources and that the amenity value of the timber is equal to the commercial value of the timber. Therefore, there must be potential buyers willing to pay the present value of commercial timber plus the present surface value, who would then preserve the trees for their amenity, habitat, and recreational values.

In my opinion, lands with commercial timber are typically purchased solely for that reason, then harvested, then put to another surface use. Most of the private transactions in the report support my opinion. A notable exception is the Aleneva Joint Ventures/Russian Old Believers transaction on Afognak Island (Comparable 10). The appraiser has placed heavy reliance on this sale. While it may have been arm's length, with the buyers perfectly happy, I do not believe it is typical of the market. If it were, there would be other examples of buyers motivated by the desire to establish a remote residential enclave.

A more orthodox method for arriving at the residual land value would be to discount its present value for 9 years. The underlying logic is that the parcel is unavailable for any other use until the timber harvest is complete. Variations on this method would be acceptable appraisal practice. Another method would be to assign a nominal value. For example, the Internal Revenue Service usually requires buyers to assign \$100 to \$200 per acre to the land, with the remainder of the purchase price allocated to the timber. A third method would be to look for

market comparisons. That is what the valuation panel did with the SNC lands. The panel concluded that a discount of 50% was reasonable for cut over lands.

Another source of discomfort for me is the lack of a detailed comparison between each sale and the appraised property. In comparing the sales with the Seal Bay Unit, the appraiser has adjusted for known differences in the commercial value of the timber. In the case of wooded comparables with no commercial value, there has been no adjustment for amenity value. The appraiser placed most weight on two private sales (6 and 10). Those sales included the subsurface estate, which was not part of the appraisal.

Typically, a report will compare each sale with the subject, discussing such features as time, title interest, conditions of sale, location, and various physical features such as size and water frontage. Some reports will do this with a narrative. Others will use a comparison table noting which features are similar, inferior, and superior. Such a qualitative comparison approach helps bracket the subject value between sales that are superior overall and inferior overall.

This report uses many weighted averages, which is generally frowned on if it is the primary support for a conclusion of value. Fortunately, the reconciliation on page 46 makes it clear that there were other, more appropriate considerations besides averages in the final conclusion of value.

Finally, except for the agency transactions, it appears the appraiser was unable to verify many of the sales with the principals involved. It also appears that he did not personally inspect the sales, but used sale verifications and photos from other appraisers.

There are two sides to every coin. We need to remember that the appraiser was given a limited amount of time to complete a complex assignment. We have asked him for his opinion, and he has given it. His report complies with all the standards required.

In my opinion, even if other techniques were used and other fee appraisers consulted, the value of the Seal Bay Unit and the Tonki Cape Unit would still exceed \$38.7 million. The estimated timber values are \$36.5 and \$3.7 million, respectively.

It should be noted that the revised Tonki report has not been reviewed by anyone. I assume the revised report will pass review. It should also be noted that the timber expert has not

reviewed the revised timber values. However, based on his original comments, I believe the revised values are reasonable. Timber values changed slightly because the future values of the annual timber harvests have been discounted at a lower rate. The lower rate is based on a theoretical discount rate. The original discount rate was based on an agency transaction. Thus, the revision is consistent with instructions to the appraiser to place only secondary weight on agency transactions.

The timber reviewer had some reservation about the value of the Tonki unit being high due to its scattered distribution and poor quality. On the other hand, I believe most appraisers would develop a residual land value of at least \$100 per acre or \$4.1 million for both units. Some appraisers might develop a zero land value, and some appraisers might develop a land value in excess of \$250.

In conclusion, while I am not entirely comfortable with the methods and reasoning used in this report, I am comfortable with the value. That is why I recommend this report be used as the basis for purchase.

ANALYSIS OF APPRAISED VALUE

	SEAL BAY UNIT
PROPERTY VALUE	\$41,000,000
TIMBER VALUE	\$36,500,000
LAND VALUE	\$ 4,500,000
TOTAL ACRES	17,167 AC
TIMBERED ACRES	8,009 AC
MBF	139,209 MBF
VALUE/ACRE (PROPERTY VALUE ÷ TOTAL ACRES)	\$ 2,388
VALUE/ACRE (TIMBER VALUE ÷ TOTAL ACRES)	\$ 2,126
VALUE/ACRE (LAND VALUE ÷ TOTAL ACRES)	\$ 262
VALUE/ACRE (TIMBER VALUE ÷ TIMBERED ACRES)	\$ 4,557
VALUE/MBF	\$ 262

cc: Carol Shobe  
Alex Swiderski  
Dennis Lattery  
Rich Goossens

Appraisal Review  
Division of Land  
Dennis L. Lattery, Review Appraiser

Appraisal No. Seal Bay  
Date of Review 9-15-93  
Legal Description Plots T20S, R17W; 21S, 17W; 21S, 18W; & 21S, 19W, Sx.  
Interest Being Appraised Surface Estate  
Effective Date of Appraisal 5-14-93  
ADL No. N/A  
Narrative or Form Appraisal? Narrative  
Fair Market Value Or Fair annual rental? FMV

The above indicated appraisal has been reviewed. This review has been conducted considering correct mathematics, use of currently acceptable appraisal practices and techniques, adequate market support and sound appraisal logic leading to a convincing conclusion.

Value is predicated on a "market value" basis (reference the Dictionary or Real Estate Appraisal, 2nd Edition, American Institute of Real Estate Appraisers).

It is required that all reports be made in conformity with requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

The report under review is subject to adequately addressing and discussing each of the following items:

- A) Certification Page? ☒
- B) Letter of Transmittal? ☒
- C) Date of Appraisal/Date of Inspection? ☒
- D) Purpose of Appraisal? ☒
- E) Rights Appraised? Fee? Leased Fee? Fee less mineral rights? Unless otherwise instructed, all appraisals involving state land will consider valuation on a fee simple less mineral rights basis. ☒
- F) Highest and Best Use? Provide a discussion of Highest and best use of the subject or subject sub-





Page 3

Appraisal Review

Appraisal No. Acad Bay

\*\*\*\*\*

Review Appraiser Certification

I certify that, to the best of my knowledge and belief,

- the facts and data reported by the review appraiser and used in the review process are true and correct.
- The analysis, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or use of, this review report.
- my analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I did not (did) personally inspect the subject property of the report under review.
- the assistance of John Galea & Dennis L. Lattery in the preparation of this report is recognized.
- the value determination resulting from this review is \$41,000,000, as of (date) May 14, 1993

Dated the September 15, 1993

Judy A. Robinson  
~~Dennis L. Lattery~~ Judy A. Robinson  
Review Appraiser

United States  
Department of  
Agriculture

Forest  
Service

Alaska Region

P.O. Box 21628  
Juneau, AK 99802-1628

Reply to: 5410

Date: September 14, 1993

To: Alex Swiderski, Alaska Attorney General's Office

Subject: Seal Bay Appraisal

Approximately 47 pages of analysis and conclusions from an appraisal report prepared by International Forestry Consultants was telefaxed to our office in Juneau on September 13th. It was part of an appraisal prepared for the Seal Bay property proposed for acquisition by the Trustee Council.

In the original submission of the report which was reviewed by Dennis Lattery and Judy Robinson of the Department of Natural Resources staff, there were some significant problems associated with the highest and best use conclusion and the inclusion of other government sales as principle indications of value. This methodology clearly does not meet federal acquisition standards and in fact may arguably be in violation of the Uniform Standards of Professional Appraisal Practice. The appraiser was contacted by the reviewers and asked to submit a reanalysis. The faxed information referred to above is that reanalysis where the appraiser concludes a highest and best use as management for natural resources. The more recent work also places the previous government purchases as more secondary and supportive of the private transactions. This latter interpretation of the sales and highest and best use allows the report to be marginally acceptable as meeting federal standards.

I have not had the opportunity to review the finalized report in total and assume that the technical review and approval is being facilitated by the DNR reviewers. I have also not conducted a personal inspection of the subject property or the all of the comparables used in the analysis. I do have copies of the original reports and will incorporate the modifications into them to have a complete set. I would also appreciate a copy of DNR's review statements if possible.

RICHARD M. GOOSSENS  
Regional Review Appraiser

Judy Robinson  
Appraiser  
State of Alaska  
Department of Natural Resources  
Division of Land and Water Mgmt.  
3601 " C " Street - P.O. Box 107005  
Anchorage, Alaska 99510-7005

RE: Seal Bay / Tonki Cape Appraisals  
ASPS 10-94 0008  
CC 10005690

August 13, 1993

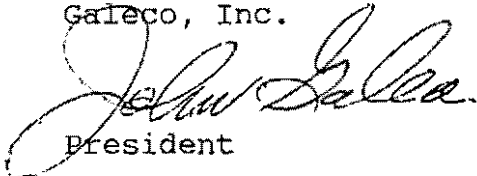
Dear Judy

Attached is my desk review report of the Seal Bay and Tonki  
Cape Appraisals submitted by International Forestry  
Consultants, Inc.

Included also are other documents that you requested in your  
FAX of 8/11/93.

Sincerely

Galeco, Inc.



President

## Seal Bay and Tonki Cape Appraisal Review

### A. Appraisal Review

This report encompasses a desk review of the timber valuation portion (Sections A and B) of the Seal Bay and Tonki Cape Appraisals as submitted by International Forestry Consultants, Inc. The effective date of the Appraisal is May 14, 1993 and the date of the review is the period August 11-13, 1993. My certification statement follows at the end of this review.

### B. Review Process

The extent of this review process is limited by the information contained in the Seal Bay and Tonki Cape appraisal reports submitted by INFO, Inc., conversations with INFO, Inc. Appraiser, Mr. William B. Wallace, and my personal experience and knowledge of the timber resource on Afognak Island.

My review is limited to timber valuation portions of Sections A and B of each Appraisal report. My opinions and comments, unless directed at either appraisal unit, pertain to both the Seal Bay and Tonki Cape reports

### C. Reports Completeness

The reports, as presented are complete. I did not have access to back-up or work papers that may have been developed by INFO, Inc. in the preparation of their appraisals. In my discussions with Mr. Wallace, I was informed that background appraisal information, (i.e. log values and logging costs obtained from existing operations) was obtained on the basis of confidentiality. However, I have personal knowledge of these costs, and am in general agreement with that information gathered by INFO, Inc. from existing operations on Afognak Island.

#### 1. Seal Bay Unit

Values for the Seal Bay unit were based as of May 14, 1993. Since that time, log values have been slowly but steadily dropping due to oversupply of round logs

in the Japan, Korea, Taiwan & China markets. It is my opinion that Afognak log prices will continue to drop and not recover for at least a 1-3 year period.

## 2. Tonki Cape Unit

The report, as presented, is complete, but I find it difficult to believe that there is significant, if any, value to the widely scattered and low grade timber found in the private land portion of the Tonki Cape Unit. I personally visited each timbered parcel during the summer of 1990 and found the bulk of the volume in the extremely lower end of #2, #3, and #4 log grades, according to the Puget Sound log grading rules. I feel that a detailed and intensive logging engineered harvest plan would result in a negative timber stumpage value. Lacking such effort and based on my discussions with Mr. Wallace, the appraisal estimates of INFO, Inc. for this unit are within reason.

## D. Relevance of Data

### 1. Appraisal Methods

It appears that INFO, Inc. used a timber sale Whipple Creek #2, located at Ketchikan, Alaska as an indicator of timber value for both the Seal Bay and Tonki Cape Unit.

In my conversation with Mr. Wallace, INFO, Inc. had considered values and costs obtained from existing operations on Afognak Island in calculating their Income Capitalization Approach method (Conversion Return) and sales information gathered from the Whipple Creek #2 sale near Ketchikan, Alaska and the sale of the Kachemak Bay property in 1993. The results of the two appraisal methods were combined and adjustments were made to the final results by INFO, Inc. based on other data gathered and personal judgements experience of the appraisers. A greater weight was placed on cost and values obtained from comparable operations on Afognak Island.

2. Methodology

I concur with the appraisal methodology used by INFO, Inc. from the standpoint of consistency.

3. Section A. Timber Land Value

INFO, Inc. used the Faustmann formula to determine the value of the land supporting the timber. This method of expressing land values considers all the costs of timber management on an acre of timberland including planting of seedlings, thinning young stands, administrative and management costs, and final harvest costs at the end of a rotation. INFO, Inc. chose a 90 year rotation as a model and expressed all those costs that would incur over a 90 year rotation period. Against these costs, including the cost of money over time, was the total expected return from the sale of the harvested timber at the end of the 90 year period. I agree with the end results which is \$0 per acre.

The data citing long term rates of return inflation rates, log price appreciation over time and custodial expenditures appear to be accurate.

The combined volume of the two appraised units total about 171 million board feet. A large logging operation could conceivably harvest the entire volume in a 5 year period. This being the case, the use of 30 year bonds rates of return would not be applicable as would 3-5 year corporate bond yields. However, in my discussions with Mr. Wallace, I was informed that existing road use agreements with adjoining timber owners would limit the amount of volume one could move on an annual basis. This would extend timber harvest operations beyond the 5 year period.

4. Section B. Timber Value

The combining of two appraisal methods, Conversion Return and Sales comparisons and reconciling the end results, is an acceptable practice when complete background information is lacking or not available.

I agree with the market value of logs as well as the

logging costs used to arrive at the final valuation for the Seal Bay and Tonki Cape Units. As mentioned earlier, I do have reservations on providing the same market value average prices used on the Seal Bay Unit, to those found on the Tonki Cape Unit. It is my opinion that a buyer would not realize or recover all of the volume inventoried as merchantable on the Tonki Cape Unit due to its scattered and widely disbursed location and poor quality when compared to the Seal Bay Unit timber.

Regarding the Kachemak Bay sale, INFO, Inc. recognized a 30% discount in determining the market value of the timber. A question is raised when referring to a reduced price by a willing owner, in order to sell property at a discount, in terms of adjusting a sale price to account for market appreciation and the cost of money. It is my opinion that the Kachemak Bay timber was over valued. In my discussions with Mr. Wallace, the information gathered by INFO, Inc. regarding the Kachemak Bay site, indicated to him that it was an arms length transaction and properly used that information in his appraisals.

E. Appropriateness of Appraisal

INFO, Inc. has appropriately followed accepted appraisal methods and techniques.

F. Report Conclusions

In considering the overall data and analysis of INFO, Inc.'s appraisals for the Seal Bay and Tonki Cape Units, it is my opinion that the timber values shown are generally acceptable based on the assumptions outlined in the appraisal reports.



SEAL BAY AND TONKI CAPE APPRAISAL REVIEW

GALECO, INC.

Certification

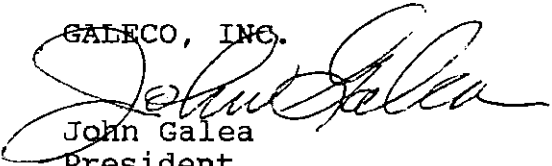
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I certify that, to the best of my knowledge and belief:

- \* the statements of fact contained in this report are true and correct.
- \* the reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
- \* I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- \* My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- \* My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- \* I have earlier made a personal inspection of the property that is the subject of this report.
- \* No one provided significant professional assistance in developing my review. I did have phone conversations with Mr. Bill Wallace, INFO, Inc., pertaining to questions on factual data in his original appraisals.

Respectfully submitted,

GALECO, INC.

  
John Galea  
President

SUME: JOHN GALEA

August 16, 1993

#### EDUCATION

Bachelor of Science Degree, Forest Management -  
University of Montana - 1958. Graduate School of  
Administrative Leadership - Univ. of Montana - 1968.

#### EXPERIENCE

- \* U.S. Navy, 1949/50 - 1950/52. Twenty- five years with the U.S. Forest Service, Alaska Region. Included positions as Logging Engineer at Sitka and District Ranger at Seward, Alaska and Moscow, Idaho.
- \* Assigned as Assistant to the Regional Forester as a member and subsequently Director of the Alaska Planning Team, 1975 - 1980. Have worked in, visited, and have first hand knowledge of all forest lands throughout the State of Alaska.
- \* Resigned from the Forest Service in 1980 and accepted a position with Sealaska Timber Corporation in January 1980 as Government Liaison Forester. Promoted to Vice President in 1982 and occupied that position through December 31, 1984. Galeco, Inc., Consultant practice through December 1985. General Manager, Alaska Loggers Association, January, 1986 through April, 1987.
- \* Accepted Governor's appointment as Alaska State Forester, May, 1987. Resumed private consulting practice. Galeco, Inc., on August, 1988 to present.
- \* Coordinated the timber cruise program on Afognak Island, including the Seal Bay, Tonki Cape, Laura Lake and Red Fox timber Units. Have visited and am familiar with all timber lands on Afognak.
- \* Conducted Appraisal Reviews and due diligence certifications on 21 large timber blocks, encompassing over 270,000 acres in Southeast Alaska, Prince William Sound and South Central Alaska. Appraisals were done by four different Appraisal Firms, located in Washington, Oregon and California.

#### ORGANIZATIONS

- \* Society of American Foresters - American Arbitration Association.

#### PAST ACCOMPLISHMENTS

- \* Councilman, City of Seward - President, Kenai Peninsula School Board - Member, Fed./State Land Use Advisory Committee - Alaska State Forester.



INTERNATIONAL FORESTRY CONSULTANTS, INC.

101 Eastwood Building 1020-108th Avenue N.E. Bellevue, WA 98004 U.S.A. (206) 455-8353

September 13, 1993

Mr. Dennis Lattery  
State of Alaska  
Department of Natural Resources  
P.O. Box 107005  
Anchorage, AK 99510-7005

RE: Personal Services Contract No. L&WM 93-1

Dear Mr. Lattery

Attached is our appraisal report for the Seal Bay Unit property on Afognak Island.

In our opinion the market value, as of May 14, 1993, of the property is:

\$41,000,000.

The Certification on page 3 as well as the Assumptions and Limiting Conditions found on page 10 are important elements of any appraisal. The reader is urged to read these pages and be sure the statements made therein are well understood.

If you have any questions or comments please call.

Sincerely,  
INTERNATIONAL FORESTRY CONSULTANTS, INC.

William B. Wallace, ACF, RPF  
Certified Real Estate Appraiser - General, Washington  
#270-11 WA-LL-AW-B670BZ

**PART I**  
**INTRODUCTION**

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## Certification

I certify that, to the best of my knowledge and belief:


- the statements of fact contained in this report are true and correct
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Both William B. Wallace and Thomas M. Hanson have made a personal inspection of the property that is the subject of this report.
- Significant professional assistance was provided by Mr. Charles Horan and Mr. James Corak of the firm Horan, Corak and Company; Mr. Larry Shorett of the Firm Shorett and Reily; and Mr. Thomas Dunagan of the firm Affiliated Appraisers of Alaska.

Respectfully submitted,

INTERNATIONAL FORESTRY CONSULTANTS, INC.



William B. Wallace ACF, RPF  
Certified Real Estate Appraiser - General  
Washington #270-11 WA-LL-AW-BZ670B



Thomas M. Hanson ACF

PHOTOGRAPHS OF SUBJECT



Looking southeast from setting 616



Looking north from setting 616, part of Seal Bay in background





Looking northeast from setting 616, showing Road 631  
Seal Bay and setting 624 in background



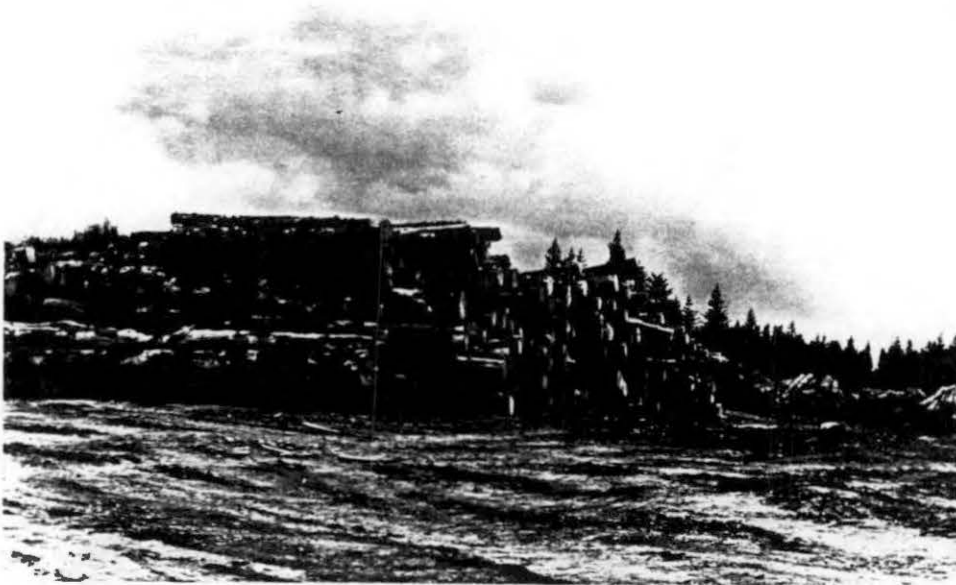
Typical logs of #3 sort quality



Above "Sort Yard" Looking East



Maximum defect in Sort #3



Typical logs of Sort #4 Quality



Typical logs of Sort #5 quality

## SUMMARY OF SALIENT FACTS AND CONCLUSIONS

### Subject Property: Portions of

Twp. 20 S., Rge. 17 W. S.M.  
Section 32

Twp. 21 S. Rge. 17 W.  
Sections 6-8, 17-20, (29) 30, 31

Twp. 21 S. Rge. 18 W.  
Sections 1, 11-14, 15-17, 20-29, 31-36

Twp. 21 S., Rge 19 W.  
Sections 35 & 36  
Metes & bounds description of a sort yard in  
Sections 26, 27, & 34

### Area:

Twp. 20 S., Rge. 17 W. S.M.	25.99 acres
Twp. 21 S. Rge. 17 W.	3,288.29 acres
Twp. 21 S. Rge. 18 W.	12,513.37 acres
Twp. 21 S., Rge 19 W.	1,338.96 acres
Aggregate	17,166.61 acres

### Timbered area:

8,009 acres

### Timber Volume:

As of 1991	169,773 M b.f.
Depletion to May 14, 1993 (Cruised)	22,209 M b.f.
As of May 14, 1993	147,564 M b.f.
Less Pulp	<u>8,355 M b.f.</u>
Marketable Volume	139,209 M b.f.

### Highest-and-Best Use:

Management for Natural Resources.

Date of Valuation: May 14, 1993

Access: Aircraft or Boat, and Private roads subject to  
cooperative right-of-way agreements.

Indications of Value:

Unit Values			
<u>Asset</u>	<u>Units</u>	<u>Income Approach</u>	<u>Sales Approach</u>
Timber	M b.f.	\$325	\$375
Total Property	Acres		\$2,400
Sale Agreement	Acres		\$2,255

Value Conclusions:

Timber only	\$36,500,000
Total	\$41,000,000

## ASSUMPTIONS AND LIMITING CONDITIONS.

This appraisal is subject to the following assumptions and limiting conditions:

1. The legal description is assumed to be correct.
2. No responsibility for matters legal in character is assumed.
3. All existing liens, encumbrances, and assessments, if any, have been disregarded (unless otherwise noted), and the property is appraised as though free and clear, under responsible ownership and competent management.
4. The exhibits in this report are included to assist the reader in visualizing the property, and are not necessarily shown to scale. The survey of the property is shown in U.S. Bureau of Land Management plat of survey officially filed December 2, 1989.
5. Information, estimates and opinions cited in the report are obtained from sources considered reliable to the extent of the information provided, however no liability for their accuracy can be assumed. Where possible, information has been confirmed with parties involved. If direct confirmation was not possible, earlier confirmations by other parties or confirmation from knowledgeable sources has been relied upon.
6. This report shall be used for its intended purpose only and by the parties to whom it is addressed. Possession of this report does not include the right of disclosure to news media, or its use in material for informational dissemination or publicity, without the consent of INFO.
7. The undersigned is not required to give testimony or appear in court, or at public hearings with reference to the property appraised by reason of preparation of this report unless such services are within the scope of another contract agreement.
8. No opinion is rendered as to the title of the property, or properties subject to appraisal.
9. No soils study was available at the time of the appraisal and no opinion is rendered on subsoil conditions.
10. Indications of possible environmental hazards observed on the surface during inspection of the property have been noted in the report for the information of the reader. No environmental survey has been conducted and no opinion is rendered as to the existence of indications or actual environmental problems beyond those noted. International

Forestry Consultants, Inc. is not qualified nor experienced in the assessment of environmental hazards. The facts of environmental concern that would reasonably be known to potential purchasers of the property have been reported to the best of our ability and analyzed as they would influence purchase and sale decisions. No responsibility is assumed for any conditions not generally known to the public.

11. No survey has been made of endangered plant and animal species. Except as noted in the report, the appraisal assumes management of the property without restraints for the protection of any such species.

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- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

14. The contract under which the appraisal is made requires adherence to "Part II - Individual Parcel Reports" within the "Uniform Appraisal Standards For Federal Land Acquisitions" circa 1992. These standards prohibit a conclusion of highest-and-best use as the use to which the government will put the property. They also preclude the use as primary evidence of value, of transactions in which the purchaser is an agency with power of condemnation. There are several such transactions. They have been reported in the appraisal report, but were considered only as secondary information in reaching the conclusion of value. A different conclusion might have been reached by considering these sales as primary indications of value. Therefore the Jurisdictional Exception of Uniform Standards of Professional Appraisal Practice is invoked by the appraisers.



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## PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the market value of the fee simple interest in the surface estate of the property. Market value is defined as

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

## SCOPE OF THE APPRAISAL

### Property Rights Appraised

The property rights appraised are the surface estate. The subsurface estate is owned by Koniag Corporation.

The subject is appraised as a fee simple absolute estate which is defined as follows:

"An absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power, and taxations."<sup>2</sup>

The appraisal assumes that title to the timber is vested in the owner of the underlying land.

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<sup>1</sup> Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, 1990.

<sup>2</sup> The Dictionary of Real Estate Appraisal, The Appraisal Institute, Chicago, 1984, p 123.

## The Appraisal Process

The appraisal process is an analysis of the forces of supply and demand, and the balance reached between those forces in the market place. An orderly process is applied to the appraisal assignment to provide a logical method for considering all the factors which influence property value. The problem is defined. The pertinent data is gathered and analyzed. The overall environment surrounding the subject property is studied to understand the specific factors which influence its value.

Appraisal methodology employs three approaches for determining value: the Cost Approach; the Income Capitalization Approach; and the Sales Comparison Approach. The applicability of each approach varies depending on the nature of the particular appraisal problem. Only the Income Capitalization and Sales Comparison Approaches were considered in forming an opinion of value of the subject property. The Cost Approach was not considered appropriate for the valuation of timber and land.

The value indications from these approaches are then reconciled into a single estimate of Market Value.

The property was inspected and sample cruise plots were taken to validate the timber inventory that was provided. Operating conditions for timber management were evaluated and the extent of development for harvest was assessed. The proximity of other timber operations was determined. A general opinion of the marketability of the property was formulated.

Data were gathered from the present owners of the property. These consisted of a record of ownership, financial records of timber harvest operations, depletion of the timber inventory, investments in roads and other operating facilities, and other information.

Data were gathered from public sources and the files of other appraisers. This information was verified and inspected to determine comparability to the subject property. Sources of other information, and experts in Alaska properties and timber operations were interviewed.

The body of information was analyzed by the two applicable approaches to valuation in conformity with USPAP. An estimate was made of the value of the timber to a buyer or seller contemplating recovery of the value plus a return on investment through timber harvest. That value estimate was reported and also used as a unit of comparison to adjust comparable sale evidence to an estimate of the value of the property.

## Appraisal Problems

"Uniform Appraisal Standards For Federal Land Acquisitions" circa 1992. contains prohibitions against concluding that highest-and-best use is the intended use for which a government agency will acquire the property. These standards also generally prohibit the use of purchases by condemning authorities as sales evidence. The DNR contract for this appraisal strongly discourages the use of State purchases and infers that the use of such sales evidence in the absence of any private sales is prohibited.

The federal Appraisal Standards include language which permits departure from the standards. The statement is made, "Therefore, these standards should not be considered as rigid rules which must be applied, without modification, in every instance."<sup>3</sup> A further statement is made, "Appraisers should feel free to deviate from these standards in those unique cases in which deviation is required to properly solve the appraisal problem, and such deviation can be adequately justified."

The selection of sales for consideration as comparable sales has purposely included as many transactions as possible over a time spanning nearly a decade in order to consider the complete spectrum of sales and purchases in the market for lands similar to the subject property. State and other government purchases make up a large share of this body of information, in terms of acres. Government purchases, however, are a minority of the purchases in terms of the number of sales. When adjustment is made for timber value the spread in adjusted price from lowest to highest is 60% of the lowest. This is not uncommon and both private and government purchases are found in both the low and high ends of the range. When one private purchase is adjusted for size relative to the subject, the spread is reduced to 40% of the lowest adjusted price. Limitation of the comparable sales to private transactions would not appear to be a distortion.

In all the sales reported, sellers enjoyed the alternative of continued ownership, with attendant benefits; or sale of partial interests such as timber, and speculation on the future value of the land. The supply forces at work in this market include expectation for future use of their properties by the current owners. These expectations are as much a part of the supply/demand equation as alternatives for purchase or sale. In the negotiating process sellers

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<sup>3</sup>Uniform Appraisal Standards for Federal Land Acquisitions, Interagency Land Acquisition Conference, Washington D.C., 1992.

have established values below which such properties are not for sale.

A recent development is the creation of the Exxon Valdez Oil Spill Settlement Trustee Council. As of the valuation date of the appraisal the subject had been identified by the Restoration Trust as one of the most desirable properties for acquisition. Transcripts of the minutes of that organization's meetings give clear indication that it will act as a participant in the market for natural resource lands.<sup>4</sup> A strong element of market demand from that activity must be considered in order to reach the correct solution of the appraisal problem. Historic data of private market activity do not adequately reflect how the infusion of Restoration Trust money may affect the private market. Even the purchases by government agencies are not necessarily a good reflection of this relatively new force in the market.

#### FUNCTION OF THE APPRAISAL

The appraisal will be used in negotiation for acquisition of the property by the State of Alaska. The appraisal is a contingent condition of a purchase and sale agreement that has been reached.

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<sup>4</sup>Exxon Valdez Oil Spill Settlement Trustee Council, Transcript of meeting, May 13, 1993.



Typical logs of Sort #4 Quality



Typical logs of Sort #5 quality

## SUMMARY OF SALIENT FACTS AND CONCLUSIONS

### Subject Property: Portions of

Twp. 20 S., Rge. 17 W. S.M.  
Section 32

Twp. 21 S. Rge. 17 W.  
Sections 6-8, 17-20, (29) 30, 31

Twp. 21 S. Rge. 18 W.  
Sections 1, 11-14, 15-17, 20-29, 31-36

Twp. 21 S., Rge 19 W.  
Sections 35 & 36  
Metes & bounds description of a sort yard in  
Sections 26, 27, & 34

### Area:

Twp. 20 S., Rge. 17 W. S.M.	25.99 acres
Twp. 21 S. Rge. 17 W.	3,288.29 acres
Twp. 21 S. Rge. 18 W.	12,513.37 acres
Twp. 21 S., Rge 19 W.	1,338.96 acres
Aggregate	17,166.61 acres

### Timbered area:

8,009 acres

### Timber Volume:

As of 1991	169,773 M b.f.
Depletion to May 14, 1993 (Cruised)	22,209 M b.f.
As of May 14, 1993	147,564 M b.f.
Less Pulp	<u>8,355 M b.f.</u>
Marketable Volume	139,209 M b.f.

### Highest-and-Best Use:

Management for Natural Resources.

Date of Valuation: May 14, 1993

Access: Aircraft or Boat, and Private roads subject to  
cooperative right-of-way agreements.

Indications of Value:

Unit Values			
<u>Asset</u>	<u>Units</u>	<u>Income Approach</u>	<u>Sales Approach</u>
Timber	M b.f.	\$325	\$375
Total Property	Acres		\$2,400
Sale Agreement	Acres		\$2,255

Value Conclusions:

Timber only	\$36,500,000
Total	\$41,000,000



## ASSUMPTIONS AND LIMITING CONDITIONS.

This appraisal is subject to the following assumptions and limiting conditions:

1. The legal description is assumed to be correct.
2. No responsibility for matters legal in character is assumed.
3. All existing liens, encumbrances, and assessments, if any, have been disregarded (unless otherwise noted), and the property is appraised as though free and clear, under responsible ownership and competent management.
4. The exhibits in this report are included to assist the reader in visualizing the property, and are not necessarily shown to scale. The survey of the property is shown in U.S. Bureau of Land Management plat of survey officially filed December 2, 1989.
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PART II  
FACTUAL DATA

## DESCRIPTION OF THE PROPERTY

### Property Location and Description

The property consists of approximately 17,167 acres on Afognak Island in southwest Alaska. More specifically, the property includes Tolstoi Point, an area on the south side of Seal Bay and a strip of land between Tonki Bay and Discoverer Bay. A sort yard property adjoins Discoverer Bay. Access to the parcel is by air or water transportation. A network of gravel surfaced roads has been constructed for timber harvest operations. These roads connect to a system that has its terminus at the sort yard on Kazakof Bay. The present owners enjoy access to this network through their being parties to the Afognak Island Road Use Agreement and the Discoverer Bay Log Transfer Facility Agreements.

The terrain on the property is generally quite gentle. Elevation ranges from sea level to 1,209 feet at the Seal VABM on the east side of the property. Slopes are mostly under 50% except for some steep banks on Tonki Bay.

There is a logging camp at Danger Bay on Kazakof Bay, where the sort yard is equipped to prepare log rafts for loading logs on ships. There are no improvements on the subject property.

### Legal Description

The parcel contains portions of Townships 20 South through 21 South, and Range 17 west through 19 West, Seward Meridian. A complete legal description is provided in Addendum I. Maps are included in Addendum I.

### Statement of Ownership and History of the Subject Property

The property is owned by a joint venture consisting of the Akhiok-Kaguyak Native Corporation and the Old Harbor Native Corporation. The joint venture acquired title by partition from the Afognak Joint Venture, which was the original recipient of patent for the ANILCA selections on Afognak Island. The joint venture plans to transfer title to the land to a subsidiary corporation called Seal Bay Timber Company. Seal Bay Timber Co. already owns the cutting rights to the timber. A preliminary commitment for title insurance has been issued by Western Alaska Land Title Company. A title report has also been prepared by the Title and Contracts Section, Alaska Department of Natural Resources.

The DNR title report makes note of 2 sections included in the original patent that were omitted from the deed to Akhiok-Kaguyak/Old Harbor joint venture. This omission is

not significant to the appraisal because both sections are off shore in Tonki Bay.

#### Inspection of the Subject Property

The subject property was personally inspected by William B. Wallace, ACF, RPF and Thomas M. Hanson, ACF on June 15 through 18, 1993.

An inventory of the merchantable timber was made by Wes Rickard Associates in 1991. Thomas M. Hanson and William B. Wallace of International Forestry Consultants, Inc. examined plots taken by a Rickard subcontractor, measured additional plots of their own and compared actual volume cut with calculations of unit volumes from the Rickard inventory. The calculated unit volumes are compared to volume removed in a timber cruise summary found in ADDENDUM II. The inventory was found to be about 85% to 90% of the true volume, based on the cutout and INFO plots with current utilization standards.

There were no indications on any of the areas visited by the appraisers of any environmental hazards, toxic waste or spills of hazardous materials. Logging operations usually produce some spillage of oil and hydraulic fluids from equipment. On the operations on the subject property such spills appear to be very well contained and have been cleaned up to an unusually high standard on completed logging units. Information from the owners of the property indicates that beaches on the west side of Tolstoi Point were affected by oiling from the Exxon Valdez oil spill. There is no indication visible from the air at the present time of damage done by this oiling.

#### Date of Opinion of Value

The value of the property is appraised as of May 14, 1993.

#### Regional Analysis

For this appraisal, the region is defined as Southwest Alaska, which generally consists of the Alaska Peninsula, the Kodiak Island Borough and the Aleutian Islands.

The principal centers of population and economic activity are located in the Kodiak Island Borough and in the City of Kodiak. Transportation is provided exclusively by air and water carriers. There are limited public roads around the Kodiak vicinity and private logging roads on Afognak Island. There is a regional airport at Kodiak. Numerous lakes inlets, bays and coves provide landing opportunities for aircraft equipped with floats.

The primary sources of employment in the area are fishing, forest products harvest and tourism. The largest employers are businesses related to fishing and logging. Trade includes fish and fish products, and a significant volume of logs.

#### Neighborhood Analysis

The neighborhood is defined as Afognak Island.

The island is characterized by forests with a few homes, small farms and sites for recreational hunting and fishing. Electric power and telephone are provided by on-site facilities at each camp or home. Extensive timber harvest is supported by a network of private roads and logging camps.

A large proportion of the property on the island is owned by Alaska Native corporations.

Urban services and amenities are available in Kodiak which can be reached only by boat or by aircraft.

#### Merchantable Timber

Timber that is the subject of this appraisal is located over the entire property. See the attached map, in Addendum I, for location and timber type.

The timber was cruised by Wes Rickard Associates in 1990 and 1991. An extensive inventory was designed to provide reliable estimates of timber volume on reasonable subdivisions of the Seal Bay and Tonki Cape areas. The analysis of cut volume versus cruised volume does not show an unusual condition or indicate a serious flaw in the inventory data. It is a fairly common matter for prospective purchasers of large tracts of timber to find that timber inventories overstate or understate true volume as measured by the volumes actually cut from selected areas. A prudent buyer will usually test an inventory in much the same way as INFO did and then make appropriate recalculations in the process of formulating a bid for the property.

The total timber cruise is summarized in Table 1, of Addendum II. It was necessary to recalculate the inventory summary to conform to the boundaries of the Seal Bay and Tonki Cape Units as used in this appraisal.

Merchantable timber consists of 8 major types, identified in terms of stocking and elevation. Significant amounts of volume identified in the inventory are unavailable for harvest due to requirements for buffers on streams and around lakes, and because of operating considerations where

timber type islands are isolated from normal harvest unit design. The expectation of cutting 10% to 15% more than the inventory is believed to be adequate to offset these timber reservations. The volume in the timber inventory is considered to be the volume a prudent owner and prospective purchaser would recognize as available for harvest in their evaluations of the timber. Allowance for losses from the inventory in this way also would tend to lessen the risk perceived by the owner or a purchaser. The original inventory is reduced for this appraisal by the amount cut in operations through May of 1993. This allowance for timber depletion is not simply a deduction of the scaled volume. An estimate of volume based on calculations from the cruise plots located in the units cut has been deducted from the original cruise. This avoids the confusion of mixing estimated volume with actual measured volumes.

#### Timber Harvest Conditions

Logging conditions are reasonably good. The terrain is gentle over much of the timbered area. Generally, logging can be accomplished with a combination of highlead and shovel logging methods.

Construction of new road would be required to access the entire property. Existing road serves the logging units that have been harvested and intervening areas. The existing road system will need to be extended and spurs constructed into units already developed. Access to the property is available through existing right-of-way agreements between all the timberland owners in the vicinity. Provisions for cooperative access between owners are binding and transferable.

No unusual road construction and logging methods are anticipated.

**PART III**  
**DATA ANALYSIS AND CONCLUSIONS**

## HIGHEST AND BEST USE ANALYSIS

Legal considerations: The Seal Bay Unit is zoned C - Conservation District by the Kodiak Island Borough. The stated purpose of this zone is:

- A. To encourage the use of the land for large lot single-family residential and agricultural purposes;
- B. to encourage the continued use of land for open space areas; and
- C. To encourage the discontinuance of existing uses that are not permitted under provisions of this chapter.

Permitted uses in this zone include forestry activities and accessory buildings. Single family dwellings are permitted on large lots. The minimum lot is 5 acres. Actual uses of land on Afognak Island are almost exclusively limited to forestry activities and the ancillary residential facilities in logging camps. Log transfer facilities and camps have been constructed on Kazakof Bay. There are a very small number of single-family residences - mostly recreation cabins - and 2 commercial lodges, 1 on Seal Bay. A multi-family development is under construction by the Aleneva Joint Venture, overlooking Raspberry Strait. Under existing zoning, recreation uses such as hunting and fishing are encouraged as passive activities.

There are several very attractive sites for development of lodges on the island. The present owners of the property have identified a number of potential lodge sites and undertaken some preliminary investigation of the feasibility of lodge development. Such development would require rezoning to RD - Rural Development District. As of June, 1993 there was a backlog of 21 applications for rural development rezoning with the Borough. News articles in the local paper indicated a reluctance on the part of the Borough Assembly to approve any more such rezones. The Borough Assembly has subsequently adopted a de facto moratorium on Rural Development rezoning. Rezoning to permit lodge development or other use more intensive than the Conservation zone permits remains a possibility. It appears, however, to be very difficult and time-consuming. Rezoning could affect only a portion of the subject property, at significant cost, with lengthy delays. Rezoning and development could reasonably enter into long-range considerations for the use of the property.

Feasibility considerations: Most of the property is forested and suitable for the commercial production of forest crops. Forest site quality is somewhat low, producing a monoculture of Sitka spruce that is inferior in quality to the spruce grown in Southeast Alaska. The timber is attractive in the markets for log export. Conditions for

logging and logging road development are favorable. The topography is mostly level to rolling. Soils are gravelly and fairly well drained, even though there are numerous lakes and wetlands.

Non-forested areas support plentiful populations of native game species. A population of Roosevelt elk has been introduced on the island and it appears to be thriving. Streams on the property are used by anadromous fish runs. The waters around the island and adjoining the subject property support an active fishery resource. There are numerous beaches, small inlets and coves from which this resource could be utilized as a passive recreation activity. Along with a great deal of Alaska, the scenic beauty of the area and the property is impressive and is becoming well known to the world.

Market considerations: In Alaska during the 1980's and prior to the Exxon Valdez oil spill settlement, the market for the subject property would have been for continued forest management or speculation on residential and recreational development, with natural resources as an amenity base. Over most of the state the demand for the latter was fairly small and the supply of suitable land was very great. As a result the only cases where development potential was fully reflected in land value were limited to very specific properties where a particular development proposal had reached a stage where land acquisition was justified. A large surplus of land relative to a small demand kept land values for either forest land or other undeveloped property relatively low. Private purchases used in this appraisal do show a number of instances in which some value was specifically attributed to the speculative use of the property for recreation and/or development.

Local appraisers and others with knowledge of the markets feel that the supply of land in the Kodiak Island Borough has always been more limited than in many other areas of the state. There is a vast physical supply of undeveloped land, but very little of it is for sale in this market. Analysis of the sales transactions for this appraisal shows that prices for properties in the Kodiak Island Borough have been somewhat higher than prices in other areas. This is particularly true of one significant sale on Afognak Island.

The Exxon Valdez oil spill settlement and the creation of the so-called Restoration Trust has infused into the market a large amount of money that may be spent for the acquisition of properties with natural resources for preservation of natural ecosystem, wildlife, habitat and scenic values in public ownership. A reading by a legal lay person of the actions setting up the Restoration Trust finds no indication that its activity is supported by condemnation authority. The Trust is now another participant in the



market for natural resource and wild lands in Alaska.<sup>5</sup> The acquisition of park and wildlife properties has been identified as a priority by the national administration. That use for much of the Restoration Trust funds is also strongly supported by a number of interest groups. The time for such acquisitions is limited and there are only a few very attractive properties that have been identified. The market effect of the Restoration Trust funds will depend on the quality of available properties for the objectives of the Trust. The subject property has been identified by the Trust as number 2 in ranking of desirability for acquisition based on habitat values. A conditional purchase and sale agreement has been reached between the Trust and the owners of the Seal Bay Unit. The existence of this agreement imposes a very strong presumption that the property is one of those natural resource properties with quality characteristics making it attractive for acquisition through the Trust.

The point of this discussion is that the Restoration Trust has introduced a demand force that must have a competing effect in the private market. That effect will likely be greatest for properties that are suitable for the wide range of uses based on natural resources in fairly pristine condition. It is clear that the subject property fits that description.

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<sup>5</sup>Exxon Valdez Oil Spill Settlement Trustee Council, Transcript of meeting, May 13, 1993.

Conclusion: The subject property can legally be used for timber production, commercial recreation development, passive recreation, protection of natural resource amenities, and remote residential uses. Residential use is not supported by an infrastructure of public services. The property is physically best suited for timber production, recreation and other natural resource uses. Several similar properties have been purchased by private entities for market exploitation of the natural resource values and by public agencies for enhancement of public enjoyment of natural resources. The private market competition appears to have been timber buyers, developers, speculators, and the long-range objectives and plans of the sellers of such properties. Whether for private or public ownership, the primary supply and demand forces at work in the market for this kind of property all appear to be driven by anticipation of benefits from management of the property for its natural resources. The highest value of the property in the private market will be realized for its potential to satisfy the needs of those uses that are supported by the natural resources, as commodities for extraction or as amenity to non-extractive use. Taking the above factors into consideration, the highest and best use of the property is concluded to be: management for natural resources.

## VALUE ANALYSIS

### Income Capitalization Approach

The Income Capitalization Approach is based on the principle of anticipation and assumes that value is determined by the net income derived from exploitation of the property, after paying all factors of production at their market values. The indication of land value by the Income Capitalization Approach is a capitalization of the income to be expected from a continuous series of forest crops. The indication of timber value by the Income Capitalization Approach is calculated as a residual after harvest and sale of the timber in the best available market for logs, deducting logging costs, a margin for profit and risk on the logging operation, and a return on the money required to purchase the timber. This calculation is often referred to as the conversion return method. The Income Capitalization Approach is generally appropriate where transaction data involving comparable properties are not available.

### Sales Comparison Approach

The Sales Comparison Approach is based on the principle of substitution. The value of the property is estimated as the price necessary to purchase a substitute property of equivalent utility. The approach is dependent on the availability of comparable sales data. Sales of similar properties provide direct evidence of market activity.

The characteristics of the sale properties are analyzed for differences when compared to the subject. The sales prices may then be adjusted for differences in physical characteristics, geography, market, income or terms of sale. This approach is most reliable when there are sufficient comparable sales data.

A search was made for verifiable sales of timber and/or land in the region, going back as far as 1984. Sales of timber stumpage have been considered for valuation of the standing timber, and sales of land or land and timber have been considered for the value of the total property.

### A. Land Value

The value of the land supporting merchantable timber by the Income Capitalization Approach is the present worth of all future crops of timber less the present worth of all future costs of growing, harvesting and selling the timber. The best formula for calculation of this figure is a soil-rent capitalization called the Faustmann formula. This formula calculates the present worth of a perpetual series of forest crops on one acre of land.

The Faustmann formula can be expressed as:

$$S.E. = \frac{I_R - C_0(1+p)^{r-1} - C_a/p((1+p)^r - 1)}{(1+p)^{r-1}}$$

where S.E. = Soil Expectation value

$I_R$  = Income from final harvest in  $r$  years

$C_0$  = Stand establishment costs

$C_i$  = Intermediate management cost at year  $i$

$C_a$  = Annual management cost

$p$  = Market rate of return for investments of comparable risk.

A calculation which involves discounting for 80 to 100 years is very sensitive to the discount rate. It is also sensitive to expectations for future revenues and costs. The projection of prices and costs in the future introduces a very large element of uncertainty. It is possible, however, to reduce that uncertainty by projecting future revenue and cost at current levels. The markets for capital show reliable indications of rate of return net of inflation. Thus, inflation-free projections can be discounted at an inflation-free or "real" discount rate.

Long-term rates of return at the beginning of 1993 are listed below:

U.S. 30-year bonds	7-8% <sup>6</sup>
BBa Corporate bond yields (3-5 yrs)	9% <sup>7</sup>
Common stocks (S&P 500)	10% <sup>8</sup>

Rates near the upper end of these ranges would be appropriate for forest management investments, say 10%.

Inflation of the Consumer Price Index was running at about 3% in 1992. A perceived inflation rate of 3% would indicate a "real" discount rate of 7%. A long-term investor could expect that opportunity cost on investments when considering forest management alternatives in this period of time. Washington DNR has also made studies of long-term real rates of return in the forest industry of Washington state which show a fairly constant rate of 7%.

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<sup>6</sup>Source - Appraisal News, March, 1993, The Appraisal Institute.

<sup>7</sup>Source - Appraisal News, March, 1993, The Appraisal Institute.

<sup>8</sup>Source - Morningstar Mutual Fund Newsletter.

Other studies by DNR and the U.S. Forest Service have also shown that the value of timber stumpage has been increasing over the long run at a real rate of 1% to 2%. Over the previous 8 to 10 years the prices reported for logs exported from Alaska have increased at a rate approximately 1% greater than the rate of inflation. The current situation with respect to supply and demand of timber in Alaska fully supports the conclusion that stumpage value can be expected to increase at a real rate of 1%. The net real discount rate for income capitalization is, therefore, 6%.

Volume yield was assumed to be the same as the volume found on the property at the present time.

A stand of timber similar to the present forest in volume would likely take 80 to 100 years to grow. For the subject property the volume at rotation age is estimated to be 20 M b.f. per acre with values equal to the conversion returns based on Table 2 of Addendum II.

Annual management costs are estimated to be quite low due to the remote nature of the property. About \$5 per acre per year should cover minimal custodial expenditures. Restocking is estimated to cost an average of \$10 per acre. The current owners have expended between \$5 and \$10 per acre for reseedling of the areas cut to date. Observed restocking is adequate to meet Forest Practice standards and to reproduce the present forest. The Faustmann formula calculations are tabulated in Table 1, on the back of this page. It can be seen that the land has no value based on reasonable expectations of income from future crops of timber.

Timber land value by the Income Capitalization Approach is estimated to be:

\$0 per acre

This value applies only to the land suitable for timber growth and does not consider the effect of competing uses on the market expression of value.

#### B. Timber Value

The value of timber can be estimated by a variant of the Income Capitalization Approach called conversion return, and by the Sales Comparison Approach. Both methods have been used and reconciled. The details of the conversion return method are found in Table 2 of ADDENDUM II

The market value of logs was estimated from sales contracts with the present owners, prices paid to the owners in 1992 and 1993 operations, Prices reported to Customs for logs exported from the Port of Anchorage, and prices reported in

TABLE 1

SOIL EXPECTATION VALUES  
Based on Expected Future Harvest Revenue  
Afognak Island, Alaska  
Per Acre

<u>SITE</u>	<u>HARVEST</u>		<u>HARVEST VALUE</u>		<u>SOIL</u>
	<u>AGE</u>	<u>VOLUME</u>	<u>\$/M</u>	<u>\$/ACRE</u>	<u>EXPECT.</u>
	(Yrs)	(M/acre)			(\$/acre)
	90	20	350	7,000	-22
	90	20	325	6,500	-29
	90	20	375	7,500	-16
	90	20	450	9,000	3
	90	20	200	4,000	-60

Establishment cost = \$10 per acre

Annual management cost = \$5 per acre

Volume harvested = present volume per acre

Base stumpage = \$350 per M b.f.

"Real" interest rate = 6%

industry media<sup>9</sup>. Greatest weight was given to the prices contracted with the property owners and actually paid to them. Some adjustments were made to remove anomalies in the progression from one grade to another and to maintain consistency between the various sources of data. The timber is assumed to be free of any restrictions on its sale for export in log form.

Logging costs were estimated from actual experience of the current owners of the property, from USDA Forest Service data, and from the appraisers' personal experience. The experience data has been adjusted to exclude elements of cost not directly associated with ownership and harvest of timber. The estimate of logging cost includes profit and risk to the operator. The estimates of logging cost elements are summarized in Table 2 of Addendum II.

A value indication by the Income Capitalization Approach for the volume estimated to be available for harvest is summarized in Table 2 of ADDENDUM II. Two scenario Summary Reports follow that table and list market log price scenarios with the resulting stumpage indications. The market stumpage prices indicated represent the influence of the export market but without the competition likely to be encountered for a sale of marketable timber. The values indicated by the Income Capitalization Approach are shown on the last line of Table 2 and the Scenario Summary Reports as conversion return. The indicated conversion return for the subject timber ranges from \$166 per M to \$569 per M. The most reasonable indication is that based on log prices in March 1993. Log prices at that time, after a depressed period in late 1992, were back to the mid-range of 1992 and the trend seemed to be up.

In addition, timber harvest operations on the property generated conversion returns of \$470 per M b.f. in 1993 and \$188 per M in the combined 1992 and 1993. Prospective buyers, and the owners themselves, would probably discount the 1993 results as an indication of returns to be expected over the liquidation of the timber. On the other hand, the 92-93 results seem to be unusually depressed relative to calculations based on log prices realized in 1992. This may be due to marketing and costs that deviate from ideal management because of conditions encountered in the start-up of the operation. These operating results, however, must be given weight as factual data.

The appropriate value of timber to be estimated at this point in the appraisal process is the stumpage value that

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<sup>9</sup> Gruenfeld, Jay Associates, Inc., Pacific Rim Wood Market Report, No. 69, May, 1993, p. 9.

would be expected by a prospective buyer, or the seller of the property, during the period of time necessary to harvest the timber in an orderly manner with the constraints applied by Forest Practices law and operating conditions. Since harvest of nearly 150,000 M b.f. of timber should be expected to take several years, a prudent investor would probably not anticipate values like those seen in the market escalation of 1993, nor would he realistically expect to buy at a price reflecting the lowest returns. A conservative approach would be expected, anticipating returns in the middle of the range of estimates having the most credence. Table 3, on the back of page 33, shows the range of timber value indications generated by this conversion return calculation. Greatest weight is given to the indications of value from conversion return based on March 1993 log prices, conversion return from log prices reported in export trade for a 3-year period of 1990-1992, and the combined 92-93 operating returns.

The unit value of the subject timber by the Income Capitalization Approach is estimated to be:

\$325 per M b.f.

There have been no known private sales of similar timber, or of comparable timber volume, made recently for which information is available. Private sales are difficult to use for this purpose because reliable information about the properties or terms of sale is generally not available. Sales made by U.S.F.S. and other federal agencies in Alaska are restricted from export of logs, and are too infrequent to be considered a reliable supply in the market.

One University of Alaska sale in the Southeast region was considered to be comparable to the subject timber in volume and operating conditions. Details of the Whipple Creek 2 sale are found in ADDENDUM III. This sale was of a volume equivalent to a year's production on the subject property and contained a significant volume of spruce. There were no quality hazards from salvage conditions and the harvest methods were conventional for the region.

The subject timber is pure spruce while the Whipple Creek 2 sale contained other species. Bidding for the sale was limited to spruce. Therefore it was necessary to allocate the bid to species. Allocation was done by computing the ratio of the total bid to the total conversion return of the sale. In the systems for selling public stumpage, conversion return is represented by the minimum bid at which the timber was advertised for sale. In this calculation the volume and price of utility was excluded. The conversion return of each species was then multiplied by the bid/conversion return ratio to obtain an allocated bid for each species.



It is further necessary to adjust the bid for spruce to indicate the value of the subject. Adjustments are needed for differences between the sale and the subject in quality, operating cost and market period. These factors are quantified, through estimates of log value and logging costs, in the conversion returns estimated for the subject timber and the timber in the sale.

Table 2 and its associated Scenario Summary Report, on the following pages, lists the details of the bid price allocation and adjustments of the spruce bid to the subject timber for the Whipple Creek 2 sale. This sale indicates a range of stumpage values of \$237 per M to \$618 per M b.f. to be expected for the subject timber in sales of volume equivalent to a reasonable annual harvest rate.

Table 2

University of Alaska  
Whipple 2 Sale  
Related to Seal Bay Unit

Species	Volume M b.f.	Conversion	Bid \$/M	Allocatd	Subject	Bid re
		Return \$/M		Bid \$/M	S.N.W. \$/M	Subject \$/M
Spruce	8,257	510	575	559	410	459
Hemlock	6,523	175	175	192		
Cedar	60	50	50	55		
Yellow-cedar	540	400	400	439		
Utility	1,708	10	10	10		
	17,088	326	357	358		

Whipple Cr. 2 Adjusted to Seal Bay Unit

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**Scenario Summary Report**

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Basis of Conv. Ret.	Mar-93	Cust 92	Op 93	1\93	5\93	Cust 90-92	Op 92-93
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**Changing Cells:**

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Conversion

Return	410	395	470	166	569	374	188
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**Result Cells:**

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Adjusted

Bid-Subject	459	444	519	215	618	423	237
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These indications of timber value from the Sales Comparison Approach are also summarized in Table 3, on the back of this page. As in the Income Capitalization Approach, greatest weight is given to the values indicated by adjustment based on conversion return from March 1993 log prices, 90-93 export log prices and the combined 92-93 operating results. A prudent buyer or the seller would conservatively anticipate conversion returns from harvesting this timber in the mid range of these indicators. The indication of timber value by the Sales Comparison Approach is:

\$375 per M b.f.

The estimates of timber value by the conversion return method and the Sales Comparison Approach are reasonable estimates of the high and low anticipations on the part of prudent buyers and the sellers. The best estimate of an expected timber value is midway between the high and low or:

\$350 per M b.f.

These estimates of stumpage value for timber apply to the expectations of buyers and sellers for income in the future. As such they are not cash values. To determine the cash price that would be paid for the timber, it is necessary to account for the return on that price as an investment over the time required to realize the income stream from timber harvest. The appropriate calculation is to compute the net present value of expected income over a reasonably expected harvest period using a discount rate equal to the opportunity cost of money in investments of comparable risk.

A reasonable harvest period is most likely dictated by the limitations of the operating infrastructure on Afognak Island. The current owners have been cutting their timber over parts of the last 3 years at an annual rate of about 15,000 M b.f. The harvest period can be calculated as

139 MM b.f. @ 15 MM per year = 9.26 years - SAY 9 years.

The discount rate used above in the Faustmann Formula might be reasonable for this calculation. The value of \$1.00/9 per year for 9 years discounted at 6% per year equals a 24% discount of \$1.00. There is, however, a market indication of the discount to cash value for expected future income. That indication is found in the Seldovia Native Association sale to the State of Alaska of the Kachemak Bay property in 1993. In that transaction the owner of certain merchantable timber on the property agreed to accept a cash price equal to a 30% discount of the appraised value, which is an estimate of the total realization possible from its harvest.

Table 3  
Seal Bay Unit  
Comparison of Value Indicators

<u>TIMBER</u>			
Indicator	Weight	Value \$/M	Conclusion \$/M
<u>Subject</u>			350
<u>Conversion Return</u>			325
Con. Ret 3/93	High	410	
Con. Ret 1/93		166	
Con. Ret 5/93		569	
Con. Ret - 92 Cust		395	
Con. Ret - 90-92 Cust	High	374	
93 Operations		470	
92-93 Operations	High	188	
<u>Whipple 2 Sale</u>			375
Con. Ret 3/93	High	459	
Con. Ret 1/93		215	
Con. Ret 5/93		618	
Con. Ret - 92 Cust		444	
Con. Ret - 90-92 Cust	High	423	
93 Operations		519	
92-93 Operations	High	237	

The market indication of discount for future harvest of timber tends to support the theoretical calculation, but at a slightly higher figure. It is, however, affected by additional uncertainty and difficulties faced by the owner of timber without the operating infrastructure and permits already in place for the subject property. A discount of 25% is judged appropriate. The Market Value of the timber only is estimated to be:

High - 139,209 M @ \$375/M = \$52,203,375 less 25% or  
\$39,100,000

Low - 139,209 M @ \$325/M = \$45,242,925 less 25% or  
\$33,900,000

Expected - 139,209 M @ \$350/M = \$48,723,150 less 25% or  
\$36,500,000

### C. Value of the Property.

A search was made of data sources throughout Alaska for sales of real estate comparable to the subject property. Details of the selected sales are found in ADDENDUM III. They are listed and numbered in order of the date of the transaction, the most recent first. The assigned numbers of the transactions have been retained in tabulations made for analysis purposes. All of these sales have been confirmed by qualified appraisers, and reconfirmed by INFO if possible. Uses of the sales, whether by private or public owners, all involve management for various types of natural resources. This is true even for properties with development potential because the appropriate development will rely on natural resources being protected as amenity to the development. Some of the properties contained significant volumes of timber while others contained no timber value at all. All of the sales contained other non-commodity values, or amenities, such as mountains, views, populations of wildlife, beaches and ocean access, fresh water streams, proximity to population centers or transportation, etc. Except in the case of sale number 10, the only variable for which there is adequate information to make adjustments between the sales and the subject is timber. Differences in other units of comparison must be recognized subjectively in the analysis and final reconciliation. Sale number 10 has been adjusted for a difference in size compared to the subject.

The expected cash value of the subject timber has been converted to a value per acre, over the total area of the subject property. The same is done for timber values found in the comparable sales. In this way the unit of comparison expresses the relative importance of timber value in the overall sale. An adjustment is made in the price per acre of the comparable sale equal to the subject timber value per

acre minus the sale timber value per acre. The indicated value for the subject property from sales that contained no timber value is the sale price per acre plus the subject timber value per acre.

#### Discussion of sales.

Sale number 1 is the purchase by the parks department of the State of Alaska from Seldovia Native Association of lands within the Kachemak Bay State Park. The purchase price includes a sum to be paid to the owner of the subsurface estate. That price has been deducted for purposes of this appraisal. This is the only sale found of a size equivalent to the subject property. Its highest-and-best use is management for natural resources, the same as the subject. The transaction has been confirmed with both buyer and seller by INFO. The appraisers are also familiar with the property by virtue of having made other appraisals of SNA property in the vicinity. The sale was scheduled to close in July 1993. All conditions required for closing have been met. The only reasons for delay are details of records. The purchase and sale agreement was made before the effective valuation date of this appraisal so the sale is considered to be timely.

Sale number 1 is inferior to the subject in terms of the timber volume and quality. An adjustment has been made for that factor. It is also superior to the subject in that it contains land in areas where development for residential and recreational uses has taken place and would influence value in the future. This element is not found in the subject property to any appreciable degree. The acres affected and appraised value estimates from the Follette appraisal of the property were deducted from the sale size and price to adjust for this factor. This sale is somewhat superior to the subject because of its very visible location in a popular state park near an urbanizing area. That factor can only be taken into consideration in a subjective way through the appraisers' judgment in the final opinion of value.

Sale number 1 is given only secondary consideration for this appraisal because it is a purchase by the State of Alaska. Under other circumstances this would be considered a primary indication of value because of its timing, size, and close comparability in physical characteristics and potential for competing use.

Sale number 1 cannot be excluded under the federal Standards because the Alaska parks department does not have authority to condemn. This sale has been the subject of intense negotiation and appraisal over a period of several years. During that time it must be considered to have been on the market since the progress of negotiations was general public knowledge. Another competing purchaser could have stepped

in at any time the price level in discussions fell below the price that would attract a competitor. There can be no doubt that it is a valid arms-length transaction indicating the value of real estate in market purchases where full competition exists between both private parties and public agencies. Early in the negotiations, the seller set lower limits below which the property would not be for sale.

This sale was ranked number 1 for desirability of acquisition by the Restoration Trust. The subject property was ranked number 2. It is only reasonable to conclude that they are very comparable in quality in the current market where demand is affected by actions of the Restoration Trust.

At the expected level of timber value this sale supports a value of \$2,674 per acre for the subject.

Sale number 2 is a tract of 160 acres in the Chilkoot River Valley near Haines. The sale was confirmed by Horan, Corak and Company. A copy of the Statutory Warranty Deed has subsequently been obtained by INFO.

The property is best suited to private use for remote recreational/residential purposes. The sale apparently includes sub-surface rights, but they do not appear to have had a significant impact on the price paid.

Based on the expected level of timber value this sale supports a value of \$2,691 per acre for the subject.

Sale number 3 is a tract of 660 acres on Kodiak Island purchased by the Kodiak Island Borough for public use. There is no indication that any threat of condemnation entered into the negotiations. The sale was confirmed with the buyer and the seller through the Kodiak Borough Assessor's office.

This sale is considered important to the appraisal because of its location within the Kodiak Island Borough market. The sale is superior to the subject in location and potential for use. It is also superior in that it includes the subsurface estate. It is inferior in timber value.

At expected level of timber value sale number 3 supports a value of the subject of \$2,943 per acre.

Sale number 4 is the surface estate to a 229 acre parcel in the Johnson Creek area, north of Juneau. The sale was confirmed by Horan, Corak and Company. Circumstances of sale seem to have evolved around the operation of a subsurface mine by the purchaser. The property was purchased to provide surface support for the mine.



There were no known timber values involved in the sale, although a low-quality stand of timber is present on the property. It is inferior to the subject and supports a value of \$2,532 per acre after adjusting for timber value at the expected level.

Sale number 5 is a timberland transaction on Copper Harbor, Prince of Wales Island. The sale was confirmed by Horan, Corak and Company. The purchase was made with some speculation on future development, but the buyer expected timber harvest income to pay the entire purchase price.

The sale is superior to the subject in that it includes the sub-surface estate.

After adjusting for timber value at the expected level this sale indicates a value of the subject of \$2,129 per acre.

Sale number 6 was a transaction for more than 2,000 acres in 6 remote tracts near Anchor Point on the Kenai Peninsula. The sale was confirmed with the buyer.

The property appears to have been purchased for private speculation on remote recreation development. It is inferior to the subject in location and timber value. The transaction is more comparable to the subject in size than the sales of less than 2,000 acres. It is inferior to the subject in overall quality for natural resource management. It does not appear that inclusion of the subsurface estate made any difference in the sale price

After adjustment for timber value at expected levels sale number 6 indicates \$2,354 per acre for the subject.

Sale number 7 is a 160 acre parcel, including sub-surface estate, north of Chilkoot Lake near Haines. The sale was confirmed by Horan, Corak and Company.

Use of the property is expected to be remote recreation. The sale is inferior to the subject in timber value and location.

Sale number 7 indicates a value of \$2,597 per acre for the subject after adjusting for timber value at expected level.

Sale number 8 is a parcel of 512 acres on Kosciuko Island. The sale was confirmed and analyzed by Horan, Corak and Company. On inspection, INFO agreed with an estimate obtained in confirmation that the timber volume was approximately 2,000 M b.f. Sales number 5 and number 9 give good indication of timber value at about \$150 per M for similar quality and location, at about the same period of time. This translates into a timber value of \$586 per acre over the whole parcel.

This sale involves some speculation on future development for remote recreation home sites. Income from harvest of the timber was expected to recoup the purchase price. The sale is inferior to the subject in timber value and expected use. It apparently included the sub-surface estate, which may have contributed to the sale price since a quarry has been operated on the property.

After adjustment for timber value at expected level, sale number 8 indicates a value for the subject of \$2,324 per acre.

Sale number 9 is a sale of 623 acres on Wadleigh Island, west of Klawock. The sale was confirmed by Horan, Corak and Company. It includes the subsurface estate which appears to have had some value, at least to the seller.

The value of the timber involved in the transaction is firmly fixed by resale of the timber for \$1,000,000 within 2 months. The sale is quite comparable to the subject in timber value. It is superior in the inclusion of subsurface estate.

Sale number 9 indicates a value of the subject of \$2,129 per acre after adjusting for timber value at expected level.

Sale number 10 was a purchase of 2 Alaska native allotments for development of a remote group home. It is located on Afognak Island southwest of the subject property. This sale represents an indication of market activity unique to the Kodiak Island Borough market and specifically Afognak Island. The sale has been confirmed with the Bureau of Indian Affairs, who represented the sellers. The sale did not include sub-surface estate.

The sale included a cabin estimated to be worth \$30,000, which has been excluded from the price for this analysis. Timber on the property had an appraised value, according to work done by Affiliated Appraisers of Alaska, of \$717,312, or \$2,630 per acre. The sale is very comparable to the subject in location, and potential use. The buyers intend to maintain the natural habitats and timber stands for their enjoyment as amenity.

The sale size would indicate a need for some consideration of adjustment to reflect sale of a property as large as the subject. A potential buyer of the subject might consider a period of time as long as 10 years to subdivide the subject property into parcels with a market appeal equivalent to that of sale number 10. Discounting an even annual sale of parcels with market appeal equivalent to sale number 10, at a price per acre equal to the price of sale number 10, for ten years, at a "real" discount rate of 7%, results in a present value of \$2,691 per acre. Thus sale number 10

indicates a value of the subject property of \$2,691 per acre after adjusting for the difference in size. The value of timber as an amenity to the use of sale number 10 is included in the purchase price and is considered to be the equivalent of the liquidation value of timber on the subject. Timber value as an amenity must equal at least the alternative value generated by harvest or the seller would harvest the timber and sell the bare land. An additional adjustment for the difference in liquidation value of timber would be redundant and is not considered appropriate.

There has been some discussion that this sale is not representative of market activity - that the purchase was made with a special use in mind by a buyer with unusual financial resources who made no effort to negotiate a better price. There is no evidence from any source of reliable information that the buyer was anything other than a willing buyer. They would clearly have been in competition with timber operators on Afognak Island for the liquidation value of the timber. The price that is somewhat higher than prices of similar size tracts in other locations seems only to confirm the local appraisers' comments about tight supply conditions in the Kodiak market, and the recognition of pristine natural conditions on Afognak Island as logical factors contributing to Market Value.

This sale indicates a value for the subject of \$3,188 per acre after adjusting only for timber value at expected level and \$2,691 per acre after adjusting for size relative to the subject. The latter indication is used in analyses.

Sale number 11 consisted of 4 parcels totaling 139 acres located on Thorne Arm on Revillageado Island. The sale was confirmed with the buyer by Horan, Corak and Company and with the Seller by INFO. The seller is very knowledgeable of timber and timberland values.

The sale was purchased as a source of timber supply by a major forest products company in Alaska. The entire price was justified by the value of timber. Only the minimum land value required by IRS regulations was allocated on its books by the buyer. The sale appears to have included the sub-surface estate which apparently did not add to the value.

Sale number 11 indicates a value of \$2,129 per acre for the subject after adjusting for timber value at expected level.

Sale number 12 was a market purchase by USDA Forest Service of the Haida Corporation lands on Goat Island and the surrounding small islands. This agency has condemnation authority, but it was not exercised. The sale was confirmed by Shorett and Reilly and by INFO. INFO appraisers are quite familiar with the property, having appraised it as of the acquisition date in 1979. The sale did not include the sub-surface estate.

This sale was the subject of extensive and somewhat public negotiation. The seller obviously had financially significant alternatives to this sale if the property were retained for management of all its natural resource potential. Market conditions in May of 1988 were arguably quite different from those of May 1993.

Estimates of \$13 million worth of timber in this sale are very consistent with INFO's estimate of \$10 million in timber value in 1979. The sale is very comparable to the subject in timber value. It is also comparable in size and potential uses.

After adjusting for timber value at expected level, sale number 13 indicates \$2,129 per acre for the subject.

Sale number 13 was a purchase of a conservation easement on the surface estate of 9,173 acres on Lower Tazimina Lake, southwest of Anchorage. The subsurface estate was purchased in a parallel transaction. The sale was confirmed and analyzed by Affiliated Appraisers of Alaska. The conservation easement covered only development rights and non-exclusive rights of access. The seller retained various rights to subsistence use of the property. Reconfirmation disclosed that this was an installment sale with the price paid over a period of 4 years with no interest on the unpaid balance. Discounting for the interest-free financing indicates a cash equivalent price of \$246 per acre.

The sale is inferior to the subject in that there was no timber value and only part of the surface estate was transferred. It is very comparable to the subject in size and in potential uses. This was a negotiated transaction in which the purchaser held authority to condemn that was not exercised. The seller was aware of the risk and financial implications of a payment schedule spanning several years and dependent on congressional appropriations. Those factors could logically have been expected to be a basis for a minimum price below which the seller would remove the property from the market.

After adjusting for timber value at expected level, sale number 13 indicates \$2,375 per acre for the subject.

Sale number 14 was the purchase of 8,000 acres by the Interior Department in several parcels on St. George and St. Paul Islands in the Pribiloff Islands. The sale was confirmed by Shorett and Reily and reconfirmed by INFO. INFO appraisers have not inspected this sale. The sale apparently involved only the surface estate. The purchaser had condemnation authority that was not exercised.

This purchase was intended to protect wildlife nesting sites in the cliff areas of the islands. It is comparable to the subject in natural resource use and in size. It is inferior to the subject in timber value and location, there being no particular pressure for recreational use of these parcels through private development. This sale was selected for consideration because it involves the wildlife habitat which is supposed to be a major criterion for evaluation of properties to be acquired with Restoration Trust funds.

After adjusting for timber value at expected level, sale number 14 indicates \$3,029 per acre for the subject.

The vital data for the 14 selected transactions are summarized in Tables 4-A and 4-B on the following pages. Table 4-A is a tabulation of sales between private parties. Table 4-B is a tabulation of sales purchased by government agencies. The Tables and the associated Scenario Summary Reports contain acre weighted averages for all the sales in the Table, for sales of more than 2,000 acres and for sales judged most comparable to the subject. Weighting sales by acres gives heavier weight to the larger sales that are more comparable to the subject in size. The scenarios listed are the range of timber values found in Table 3, on Page 34 above. A conclusion has been drawn for each timber value scenario. In reaching these conclusions greatest weight has been given to the acre-weighted average of indications from sales number 1 and number 13, judged most comparable to the subject. This average best represents prices for properties with quality suitable for the highest-and-best use of the subject. Individual sales, and the subject, contain different mixes of the various elements of natural resource values, but all are potential sites for both exploitive use and protection of the amenities of natural resources. The conclusions are rounded to the nearest \$25 per acre in all three scenarios. Again, prudent buyers and the seller would most likely consider the mid-range expected scenario.

The primary indication of value is taken from Table 4-A and its associated Scenario Summary Report. Indications of value of the subject in this Table range from \$2,129 per acre to \$2,691 per acre. Only one of these sales is of a size comparable to the subject. Sale 10 has been adjusted to indicate a value for a property the size of the subject. The other sales are considered to be basically of different

Table 4-A  
Comparable Sales - Seal Bay Unit  
Private Transactions

No.	Date	Seller	Buyer	Acres	Price \$/acre	Timber \$/acre	Indicated Value \$/acre	Highest & Best Use
			Subject	17,167		2,129		Natural Resources
2	Nov-91	Cox	English et al	160	562	0	2,691	Remote recreation
	Adjustment					2,129		
4	May-91	U. Alaska	Hyak	229	546	0	2,674	Surface support for mine
	Adjustment					2,129		
5	Dec-91	Key Bank	Southcentral	341	2,348	2,348	2,129	Timberland
	Adjustment					-219		
6	Aug-90	Security	Holman	2,220	225	0	2,354	Recreation
	Adjustment					2,129		
7	Jul-90	Reeves	Turner et al	160	469	0	2,597	Lodge site
	Adjustment					2,129		
8	Jul-89	Alcoa	Ritcher	512	781	586	2,324	Timber, remote recreation
	Adjustment					1,543		
9	Jul-89	USX Corp.	B & M Logg	623	1,604	1,604	2,129	Timberland
	Adjustment					525		
10	May-89	BIA	Aleneva J.V.	273	3,831	2,630	3,330	Remote residence
	Adjustment					-501	2,691	(See text p.38) *
	Jan-89	Syre	Ketchikan	139	4,690	4,690	2,128	Timberland
	Adjustment					-2,561		
				4,656			2,353	All Private Acquisitions
				2,220			2,354	More Than 2,000 acres
				2,493			2,391	Most comparable

Private Sales Adjusted to Seal Bay Unit

**Scenario Summary Report**

	High	Low	Expected
<b>Changing Cells:</b>			
Stumpage Value	375	325	350
<b>Result Cells:</b>			
Sale 2	2,843	2,539	2,691
Sale 4	2,826	2,522	2,674
Sale 5	2,281	1,977	2,129
Sale 6	2,506	2,202	2,354
Sale 7	2,749	2,445	2,597
Sale 8	2,476	2,172	2,324
Sale 9	2,281	1,977	2,129
Sale 10	3,482	3,178	2,691
Sale 11	2,280	1,976	2,128
Private Average	2,496	2,209	2,353
Large Area Average	2,506	2,202	2,354
Most Comparable	2,526	2,255	2,391
Conclslion	2,525	2,250	2,400

Table 4-B  
Comparable Sales - Seal Bay Unit  
Public Purchases

No.	Date	Seller	Buyer	Acres	Price \$/acre	Timber \$/acre	Indicated Value \$/acre	Highest & Best Use
			Subject	17,167		2,129		Natural Resources
	Jul-93	SNA	State	22,492	746	201	2,674	Natural Resources, Recreation
	Adjustment					1,928		
3	Oct-91	Lesnoi	Kodiak	660	814	0	2,943	Public Recreation
	Adjustment					2,129		
12	May-88	Haida Corp.	USA	4,749	1,895	1,895	2,129	Timberland
	Adjustment					234		
13	Mar-87	Bristol Bay	Park Service	9,173	246	0	2,375	Natural Resources
	Adjustment					2,129		
14	Nov-84	St George &	Interior	8,000	900	0	3,029	Natural Resources
	Adjustment					2,129		
Acre-weighted Averages				45,074			2,622	Public Acquisitions
				44,414			2,618	More Than 2,000 acres
				31,665			2,587	Most Comparable



Public Purchases Adjusted to Seal Bay Unit

Scenario Summary Report

	High	Low	Expected
Changing Cells:			
Stumpage Value	375	325	350
Result Cells:			
Sale 1	2,826	2,522	2,674
Sale 3	3,095	2,791	2,943
Sale 12	2,527	2,223	2,375
Sale 13	2,281	1,977	2,129
Sale 14	3,181	2,877	3,029
Pulic Average	2,774	2,470	2,622
Large Area Average	2,770	2,466	2,618
Most Comparable	2,739	2,435	2,587
Conclusion	2,750	2,425	2,575

quality compared to the range and diversity of natural resource potential of the subject.

Table 4-B provides a secondary source of value indications from purchases by government agencies. Of those, sale number 1 was a market purchase by an agency with no power of condemnation. Most of the government purchases involved some element of compulsion for the government in that the private property purchased was a detractant from or even a threat to an area protected for a public purpose. Sales 1 and 13 are considered most comparable to the subject in terms of quality for management of natural resources. The conclusion from this secondary source is weighted heavily to Sales 1 and 13. The secondary sales evidence provides a strong corroboration of the opinion of value drawn from the primary evidence of private transactions. It certainly supports the implication that there is value in property with a variety of natural resources in excess of the liquidation value of commodity resources such as timber.

Using the primary evidence of Table 4-A, property value by the Sales Comparison Approach is estimated to be

between \$2,250 per acre and \$2,525 per acre.

The most probable value of the property is estimated to be

\$2,400 per acre.

## DISCUSSION AND RECONCILIATION OF VALUES

The Income Capitalization Approach is developed without the factor of competition and indicates a lower limit of value. The Sales Comparison Approach is developed from reported prices and confirmed sales that reflect the influence of the export timber market as well as competition among timber buyers and investors in land for management of natural resources. The influence of export values and increasing pressures for regulatory protection of natural and habitat values have been adequately taken into account in the analysis of market data.

The Income Capitalization Approach has further weakness for estimating land value in that long periods of time in the capitalization process can exaggerate the influence of relatively minor changes in the discount rate. It also is incapable of generating a value indication for the amenity influence of natural resources in some cases. The Faustmann formula method for valuation of timberland has little credibility and has been ignored.

The Sales Comparison Approach is considered to be the best indication of the value of the subject property. It includes the influence of alternative income expectations from timber harvest through the adjustments made to comparable sale prices. Some of the secondary evidence from public purchases represents price levels necessary to bring properties into the market place that would not be offered for sale at lower prices.

The expected value of \$2,400 per acre from the primary evidence translates to a total value of \$41,200,000. The expected value indicated by all private purchases is \$40,342,450.

Consideration of primary and secondary evidence that is the most comparable to the subject property would concentrate on sale number 1 (SNA to Alaska), Sale number 10 (BIA to Aleneva) and sale number 6 (Security to Holman). Sale 1 is the closest to the subject in time of sale, geographic proximity, market conditions reflecting the most current level of demand, and the range of potential uses. Sale 10 is very close to the subject in terms of geographic and market location and timber values. Its location on Afognak Island, in the same timber type makes it a very useful indication of value. Its size relative to the subject, and the need for a substantial adjustment, clouds the probative value of this indication. Sale number 6 is reasonably nearby, on the Kenai Peninsula, and is of a comparable size at 2,220 acres. The acre-weighted average of these sales is \$2,645 per acre.

The pending sale of the subject is a strong indication of value. Negotiations leading to the agreement were completely open to public scrutiny. They were preceded by careful and objective analyses by the Restoration Trust of the supply of lands and the quality available<sup>10</sup>. The agreed price is a compromise from a higher price originally asked by the seller, reached after additional proposals and counters-offers, in consideration of alternative opportunities for purchase, sale and use of the property. This process seems a reasonable assurance that the agreed price reflects all the considerations that go into Market Value. The pending sale must be given even disproportionate weight as long as the price is consistent with the body of data from other transactions in the market. The pending sale is for \$2,254 per acre, if the price is considered to be for just the Seal Bay unit. If the additional acres and volume of timber on the Tonki Cape unit is considered, the price is \$931 per acre. The total value of timber on both units is \$967 per acre. Thus the pending sale, considering both units indicates a timber-adjusted price of \$2,100 per acre. The conclusion of value from the Sales Comparison Approach (\$2,400 per acre) is slightly more than midway between the value indicated by the three most comparable transactions and the pending sale price.

The precision of the figures used in analysis does not justify an estimate closer than the nearest \$1,000,000. Giving strongest weight to the indication of value from the Sales Comparison Approach using primary evidence from private purchases, corroborated by sales number 1, number 6 and number 10, and the pending sale of the subject, it is our opinion that the Market Value of the subject property as of May 14, 1993 is \$41,000,000, rounded.

FORTY ONE MILLION DOLLARS

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<sup>10</sup>Exxon Valdez Oil Spill Settlement Trustee Council,  
Transcript of meeting, May 13, 1993.

PART IV

ADDENDA

Addendum I  
Legal Description and Maps

# JAMIN, EBELL, BOLGER & GENTRY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

300 MUTUAL LIFE BUILDING

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June 18, 1993

Mr. Bill Wallace  
International Forestry Consultants, Inc.  
1020 108th Avenue N.E.  
Suite 101  
Bellevue, WA 98004

Re: Seal Bay Timber Company  
Our File No. 5277-8(b)

Dear Bill:

You have requested a brief ownership history of the property owned by Seal Bay Timber Company on Afognak Island.

The United States of America conveyed the property, along with other lands, to the Afognak Joint Venture pursuant to the Alaska National Interest Lands Conservation Act (ANILCA). The date of the interim conveyance was June 24, 1988 (IC #1384). The date of the patent was September 26, 1990. A copy of the patent is enclosed for your review.

Akhiok-Kaguyak, Inc. (AKI) and Old Harbor Native Corporation (OHNC) decided to withdraw from the Afognak Joint Venture in 1989. The withdrawal process was completed in 1991 and the property was conveyed to AKI and OHNC, as tenants-in-common, on August 1, 1991. Following completion of a survey, the sort yard was conveyed on July 23, 1992. It is my understanding that DNR has provided you with copies of these deeds.

For purposes of conducting the timber harvesting operations, AKI formed a wholly-owned subsidiary named Eagle Rock Trading Company, Inc. and OHNC formed Big Creek Land & Timber Company, Ltd. These entities in turn formed a joint venture named Seal Bay Timber Company. The parent corporations assigned the timber rights to the subsidiary corporations, which then assigned the timber rights to the joint venture.

The title to the real property is still held by AKI and OHNC. However, it is our intention to transfer title to Seal Bay Timber Company prior to closing and Seal Bay Timber Company will be the entity conveying title to the State. Therefore, for purposes of the appraisal, it is appropriate to reflect Seal Bay Timber Company as the owner of the real property and the timber.

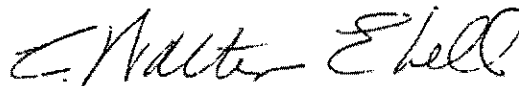
Mr. Bill Wallace  
June 18, 1993  
Page 2

If you have any additional questions regarding the history of the property, please do not hesitate to contact me.

Best regards.

Very truly yours,

JAMIN, EBELL, BOLGER & GENTRY

A handwritten signature in black ink, appearing to read "C. Walter Ebell". The signature is fluid and cursive, with the first name "C." and last name "Ebell" clearly distinguishable.

C. Walter Ebell

CWE/bhb

Enclosure

cc: Seal Bay Timber Company (w/o encl.)  
James K. Wilkens, Esq. (w/o encl.)  
Alex Swiderski, Esq. (w/o encl.)



# MEMORANDUM

Department of Natural Resources

# State of Alaska

Division of Land

TO: Marty Rutherford, Comm. Office  
Alex Swiderski, A.G.O.

DATE: July 7, 1993

FILE NO:

THRU: Carol Shobe, Chief  
Title & Contracts Section

TELEPHONE NO: 762-2352

FROM: James McAllister, NRM I  
Title Analysis

SUBJECT: Title Report  
Afognak Units —  
Seal Bay & Tonki Bay

THIS DOCUMENT IS CONFIDENTIAL UNDER ATTORNEY/CLIENT BASIS. IT IS PRODUCED FOR INTERNAL STATE USE ONLY AND MAY NOT BE DISPERSED TO THE PUBLIC, UNLESS APPROVED BY THE DIRECTOR, DIVISION OF LANDS.

We were requested to provide a Title Report in support of the acquisition of two parcels on the north side of Afognak Island. Included in the report is an analysis of title related management issues that we felt should be addressed in the purchase agreement or in the final conveyance document.

On May 28th, we were provided a copy of the Preliminary Commitment for Title Insurance accomplished by Western Alaska Land Title Co. for the attorney firm of Jamin, Ebell, Bolger & Gentry, who represent the Seal Bay Timber Company. The "Preliminary Commitment for Title Insurance" and attachments are incorporated into this report by reference.

For the purposes of this report the two parcels are called the "Seal Bay Unit" and the "Tonki Bay Unit." The Seal Bay Unit contains the following described land as established by the United States, Bureau of Land Management plat of survey officially filed December 22, 1989, which was used to pass title to Afognak Joint Venture (September 26, 1990; Patent # 50-90-0647 issued for surface estate only, subsurface estate created and reserved to United States) and Koniag, Inc. (September 26, 1990; Patent # 50-90-0648 issued for the reserved subsurface estate):

SEAL BAY UNIT

T. 20 S., R. 17 W., Seward Meridian,

Sec. 32.

Containing 25.99 acres.

T. 21 S., R. 17 W., Seward Meridian,

Secs. 6, 7 and 8;

Secs. 17 to 20, inclusive;

*Sec. 29 (still held by Afognak Joint Venture);<sup>1</sup>*

Secs. 30 and 31.

Containing 3,288.29 acres.

T. 21 S., R. 18 W., Seward Meridian,

Sec. 1, *lots 1, 2 and 3*;

Secs. 11 to 14, Inclusive;

Sec. 15, *lots 1 and 2*;

Sec. 16, *lots 1 and 2*;

Sec. 17, *lot 1 (fractional, needs supplemental survey) and lot 2*;

Secs. 20 to 29, inclusive;

Secs. 31 to 36, inclusive.

Containing 12,513.37 acres.

T. 21 S., R. 19 W., Seward Meridian,

Secs. 35 and 36.

Containing 1,280.00 acres.

---

<sup>1</sup> The italicized descriptions indicate where the legal description has varied from how the land was surveyed and patented to Afognak Joint Venture from the United States; or, as noted, where an isolated parcel of land was left out of the description of the original conveyance from Afognak Joint Venture to Akhiok-Kaguyak, Inc. and Old Harbor Naive Corporation. The subsurface estate appears to be held by Koniag, Inc. in all cases (based on the post-patent recorded transactions), but a more extensive title search may be required.

**Sortyard:** A parcel of land situated within Sections 26, 27, and 34, T. 21 S., R. 19 W., Seward Meridian, more fully described as follows:

Commencing at the intersection of the easterly boundary of the Ouzinkie log storage site and the southerly edge of the 1100 Road, this point being the true point of beginning and being Cor. No. 1 for this description, [which] bears S. 36° 00' E. a dist. of 219.36 ft. from the mean high water line of Discover Bay. (This distance is a portion of the easterly boundary of the Ouzinkie log storage site).

THENCE along the southerly edge of the 1100 Road on the following courses:

N. 63° 00' E. a dist. of 127.38 ft.  
N. 55° 00' E. a dist. of 175.00 ft.  
N. 46° 30' E. a dist. of 404.00 ft.  
N. 29° 00' E. a dist. of 117.00 ft.  
N. 07° 45' E. a dist. of 83.00 ft.  
N. 01° 15' E. a dist. of 265.00 ft. to Cor. No. 2,

THENCE S. 28° 24' E. a dist. of 2892.99 ft. to Cor. No. 3, this line traversing westerly near Mallard Creek,

THENCE West along the section line between Secs. 26 and 35, a dist. of 374.00 ft. to Cor. No. 4, which is the section corner common to Secs. 26, 27, 34, 35 of said township and range,

THENCE S. 00° 02' 48" E. along the section line between Secs. 34 and 35, a dist. of 1316.70 ft. to Cor. No. 5,

THENCE N. 28° 45' W. a dist. of 2204.16 ft. to Cor. No. 6, marking a point on the southerly boundary of Ouzinkie log storage yard,

THENCE N. 54° 00' E. along the southerly boundary of the Ouzinkie log storage yard, a dist. of 137.41 ft. to Cor. No. 7,

THENCE N. 36° 00' W. along the easterly boundary of the Ouzinkie log storage yard, an approx. dist. of 1179.25 ft. to Cor. No. 1, the true point of beginning.

Containing 58.96 acres.

Aggregating 17,166.61 acres for the Seal Bay Unit.

The Tonki Bay Unit contains the following described land based on the United States, Bureau of Land Management plat of survey officially filed December 22, 1989, unless stated otherwise, which was used to pass title to Afognak Joint Venture (September 26, 1990; Patent # 50-90-0647 issued for surface estate only, subsurface estate created and reserved to United States) and Koniag, Inc. (September 26, 1990; Patent # 50-90-0648 issued for the reserved subsurface estate):

TONKI BAY UNIT

T. 21 S., R. 16 W., Seward Meridian,  
    Sec. 19, *lots 1, 2 and 3*;  
    Secs. 30 and 31.  
Containing 298.17 acres.

T. 21 S., R. 17 W., Seward Meridian,  
    Sec. 13;  
    Secs. 23 to 26, inclusive;  
    Sec. 33;  
    *Sec. 34(still held by Afognak Joint Venture)*;  
    Secs. 35 and 36.  
Containing 2,439.65 acres.

T. 22 S., R. 16 W., Seward Meridian,  
    Sec. 6;  
    *Sec. 7, lots 1 and 2*;  
    Secs. 18, 19 and 31.  
Containing 435.57 acres.

T. 22 S., R. 17 W., Seward Meridian,

Secs. 1 to 5, inclusive;

Secs. 8 and 9;

Secs. 11 to 14, inclusive;

Sec. 17;

Secs. 19 and 20;

Secs. 23 to 29, inclusive;

Secs. 32 to 36, inclusive.

Containing 13,639.13 acres.

T. 23 S., R. 17 W., Seward Meridian,

Secs. 1 to 5, inclusive;

Sec. 6, SE<sup>1</sup>/<sub>4</sub>;

Sec. 7, E<sup>1</sup>/<sub>2</sub>;

Secs. 8 to 10, inclusive;

Sec. 15;

Sec. 16, *lots 1 and 2*;

Sec. 17;

Sec. 18, E<sup>1</sup>/<sub>2</sub>;

Sec. 19, NE<sup>1</sup>/<sub>4</sub>;

Sec. 20, N<sup>1</sup>/<sub>2</sub>, SE<sup>1</sup>/<sub>4</sub>;

Secs. 21, 22 and 28;

Sec. 29, *lot 1*.

Containing 7,571.21 acres, as shown on the plat of survey officially filed December 22, 1989, and supplemental plat of survey for Sec. 3, T. 23 S., R. 17 W., Seward Meridian, officially filed April 19, 1990.

Aggregating 24,383.73 acres for the Tonki Bay Unit, more or less.

Together the two units total 41,550.34 acres, more or less. The interests to be acquired are the surface estate, and the associated timber rights which have been constructively severed from the surface estate and held by the Seal Bay Timber Company. The subsurface estate would be acquired separately from Koniag, Inc.

## OWNERSHIP:

*Afognak Joint Venture* holds title to the surface estate to the following described isolated tracts of land within the land to be acquired, received from United States under Patent No. 50-90-0647 issued September 26, 1990, and recorded in the Kodiak Island Recording District on July 8, 1991 in Book 107 at Page 839:

T. 21 S., R. 17 W., Seward Meridian,

Sec. 29,

Sec. 34.

*Akhiok-Kaguyak, Inc. and Old Harbor Native Corporation*, as tenants in common, hold title to the surface estate of the remainder of the land, as successor in interest to *Afognak Joint Venture*, pursuant to the Partition Parcel Limited Warranty Deed issued August 1, 1991, and recorded in the Kodiak Island Recording District on August 6, 1991 in Book 108 at Page 389. The "Sortyard," contiguous parcel, was received by a Sortyard Limited Warranty Deed issued on July 23, 1992, recorded in the Kodiak Island Recording District on August 6, 1992 in Book 114 at Page 637.

*Seal Bay Timber Company*, a joint venture, holds the timber rights in the subject land, except for the two isolated tracts of land still held by the *Afognak Joint Venture*.

*Koniag, Inc., Regional Native Corporation*, holds title to the subsurface estate in all the land described above, and "all the rights, privileges, immunities, and appurtenances, of whatever nature, accruing unto said estate pursuant to Sec. 1427(c) of the Alaska National Interest Lands Conservation Act of December 2, 1980, 94 Stat. 2371,2523(c) and the Alaska Native Claims Settlement Act of December 18, 1971, 43 U.S.C. 1601, 1613(f)" received from United States under Patent No. 50-90-0648 issued September 26, 1990. There is no indication on the computerized data base that the patent was recorded. However, there is the possibility that an entry error occurred when recorded document was entered on the database. (See reference to Patent # 50-90-0647 under *Koniag, Inc.*, which is the surface patent to *Afognak Joint Venture*).

## ENCUMBRANCES OF RECORD:

*Deed of Trust Fixture Statement* between Seal Bay Trading Company/Eagle Rock Trading Company Inc./Big Creek Land and Timber Company Inc./Akhiok Kaguyak Inc./Old Harbor Native Corporation/Afognak Joint Venture (grantors) and Koncor Forest Products Company/(WALTCO) (grantees) for an undisclosed amount; recorded in the Kodiak Island Recording District on August 6, 1991 in Book 108 at Page 424. Corrected as to the name of one of the parties and the legal description of one parcel on August 24, 1992 and recorded in the Kodiak Island Recording District in Book 114 at Page 891 (Note: the legal description is still technically incorrect after attempt to correct).

Memorandum "*First Amended Discoverer Bay Log Transfer Facilities Agreement*," as amended, recorded on August 6, 1991 in Book 108 at Page 364. Multiple parties - Afognak Joint Venture, Afognak Native Corporation, Ouzinkie Native Corporation, and Natives of Kodiak, Inc. (Note: the actual agreement was not recorded).

Memorandum "*First Amended Afognak Island Road Use Agreement*," as amended, recorded on August 6, 1991 in Book 108 at Page 323. Multiple parties - Afognak Joint Venture, Afognak Native Corporation, Ouzinkie Native Corporation, and Natives of Kodiak, Inc. (Note: the actual agreement was not recorded).

*Deed of Trust* between Afognak Joint Venture (grantor) and (TT)/ Afognak Native Corporation/ Koniag, Inc. (grantees) for the amount of \$680,675.00; recorded on May 4, 1989 in Book 96 at page 39. Amended to "\$1,100,000.00 and \$1,700,000.00" on August 5, 1991 and recorded in Book 108 at Page 313 (no legal description on document).

*Patent No. 50-90-0647: - United States Reserved Easement* (EIN 103,J) Tonki Cape Lighthouse, located in Sec. 13, T. 21 S., R. 17 W., Seward Meridian. "The easement is circular, having a 235 foot radius whose center is the center of the navigation aid and includes the right to ingress and egress to the site. The uses allowed include those uses associated with the construction, reconstruction, operation, and maintenance of the navigational aid, the right to clear and keep the lands clear from any obstruction infringing upon or penetrating the airspace, the right to remove buildings or obstructions of any type which may infringe upon or extend into the airspace, and the

right to prohibit use on and remove from the lands beneath the airspace any object which would create interference for users of the navigation aid."

*Patent No. 50-90-0647: - United States Reserved Easement (EIN 104,J)* An easement twenty-five (25) feet in width for an existing access trail from EIN 105,J, in Sec. 24, T. 21 S., R. 17 W., Seward Meridian, northerly to the navigational aid (EIN 103,J).

*Patent No. 50-90-0647: -United States Reserved Easement (EIN 105,J)* An One (1) acre site easement upland of the mean high tide line in Sec. 24, T. 21 S., R. 17 W., Seward Meridian, "in a small bight on the west side of Tonki Cape." Reserved in United States Patent No. 50-90-0647.

*Patent No. 50-90-0647 - Other Title Restriction :* "The provisions of Sec. 1427(c) of the Alaska National Interest Lands Conservation Act of December 2, 1980, Pub. L. 96-487, 94 Stat. 2524, that no action will be taken or permitted which may be inimical to bear denning activities on the Tonki Cape Peninsula." Restriction found also in Patent # 50-90-0648 issued for the subsurface estate.

*Patent No. 50-90-0647 - Other Title Restriction :* "The provisions of Sec. 1427(b)(5) of the Alaska National Interest Lands Conservation Act of December 2, 1980, Pub. L. 96-487, 94 Stat. 2523, that the lands shall remain open and available to sport hunting and fishing and other recreational uses by the public under applicable law, subject only to reasonable restrictions necessary to insure the public safety and minimize conflicts between those persons recreating and ongoing logging or other commercial operations . . . ." Restriction found also in Patent # 50-90-0648 issued for the subsurface estate.

*Patent No. 50-90-0647 - Other Title Restriction :* "Requirements of Sec. 14 (c) of the Alaska Native Claims Settlement Act of December 18, 1971, 43 U.S.C. 1601, 1613(c) as amended, that the grantee hereunder convey those portions, if any, of the lands hereinabove granted, as are prescribed in said section."

*Patent No. 50-90-0648- Other Title Restriction :* "All the easements and rights-of-way referenced in the aforementioned patent (Patent # 50-90-0647) of the surface estate, and to valid existing rights therein, if any, in the said subsurface estate, including but not limited to those created by any



lease, contract, permit, right-of-way, or easement, and the right to enjoyment of all rights, privileges, and benefits thereby granted to him."

STATE RECORDS:

The State of Alaska has patent to lands in the vicinity of the subject lands pursuant to National Forest Community Grant #72 (NFCG-72), which may be considered in any legislative action designating these lands for a specific use. Patent No. 50-93-0084, issued January 13, 1993, was for the following described land:

T. 22 S., R. 17 W., Seward Meridian,  
Secs. 30 and 31.

T. 22 S., R. 18 W., Seward Meridian,  
Sec. 36, lot 2.

T. 23 S., R. 17 W., Seward Meridian,  
Sec. 6, NE<sup>1</sup>/<sub>4</sub>;  
Sec. 7, lot 1;  
Sec. 18, lots 1 and 2;  
Sec. 19, lot 1, SE<sup>1</sup>/<sub>4</sub>;  
Sec. 20, SW<sup>1</sup>/<sub>4</sub>;  
Sec. 29, lot 2;  
Sec. 30.

T. 23 S., R. 18 W., Seward Meridian,  
Sec. 1, lot 1;  
Sec. 12, lot 1;  
Sec. 13, lots 1, 2 and 3;  
Sec. 24;  
Sec. 25.

Containing 3,579.11 acres.

On October 4, 1990 the State of Alaska received title by Quitclaim Deeds from Afognak Joint Venture (surface estate) and Koniag, Inc. (subsurface estate) for lots 1 and 2 of section 6, T. 23 S., R. 17 W., Seward Meridian 234.21 acres (recorded October 15, 1990 in Book 103 page 434 and Book 103 page 432, respectively). Our File - OSL 1056. These lands may be considered in any legislative action designating these and the land to be acquired for a specific use.

A portion of the log transfer facility on Discoverer Bay is located on State-owned tide and submerged lands adjacent to the subject lands, and is currently operating under a pending application for a tideland lease ADL 221676. Early entry was authorized on November 8, 1991, but no lease has been issued to date (awaiting appraisal). Alaska Tidelands Survey 1029 is being revised to support the lease application. This log transfer facility is the subject of the "First Amended Discoverer Bay Log Transfer Facilities Agreement - July 24, 1991. Apparently, access to this facility is one purpose for the First Amended Afognak Island Road Use Agreement.

#### KNOWN ENCUMBRANCES NOT OF RECORD:

Navigable waters were not addressed by the Bureau of Land Management.<sup>2</sup> There exists the possibility that these waters were not segregated by survey prior to the conveyance from the United States to Afognak Joint Venture and Koniag, Inc. We may be purchasing some land we already own under the equal footing doctrine as confirmed by the 1953 Submerged Lands Act extended by Section 6(m) of the Alaska Statehood Act.

Former Forest Service recreation cabins were apparently conveyed to the native corporation with the conveyance of the surface estate. These cabins represent potential liability and occupancy trespass problems, since we will not be able to restrict sport hunting and fishing in the surrounding area. We were unable to determine the number and location of these cabins. If personal property, a time limit should be imposed to have them removed.

A network of forest development roads exist on the land. Some of these roads were sanctioned with Forest Service road permits (1100, 1110, 1120 roads, and the 1200 road). The 1100 road is

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<sup>2</sup> July 21, 1991 U.S.D.I., Bureau of Land Management, Memorandum - *Navigable Water Bodies on Land Conveyed by Interim Conveyances 053, 064, 641 and 863, Within Survey Group 133 (Window 1570).*

"Navigability determinations are not made for water bodies on Afognak Island. Title to the beds of water bodies within the Chugach National Forest at the time of statehood, if navigable in fact, did not pass to the State of Alaska."

used in locating one boundary of the "Sortyard" parcel. The road system remaining after the acquisition must be determined. Liability for the roads must be addressed. Maintenance and the life of the improvements (such as bridges) must be considered for public safety reasons. In addition, the State may become a "party" in the Afognak Island Road use Agreement by acquiring a participating party's interest (and obligations) in the subject land. This agreement appears to create private easements, that may survive even if an "owner" terminate participation in the agreement. These easements is not limited to road access, but may include easements for utilities needed in support of logging operations. This agreement should be closely reviewed by the Attorney General's Office.

#### DISCUSSION:

Some of the land has been logged and may not now possess a forest stand of marketable timber. These logged areas may have to be identified and the acreage determined, if reforestation requirements have been imposed and not waived.

Timber harvesting was made possible by the construction of forest development roads throughout the area. These roads are not public roads, at present, but some of these roads may be necessary for Afognak Joint Venture, Seal Bay Timber Company, Akhiok-Kaguyak, Inc. or Old Harbor Native Corporation [collectively called the grantor(s)] to gain access to other timber lands or resource development areas outside of the area to be acquired. If any portion of the road system will continue in existence after the acquisition, the ownership of this road system needs to be addressed.

Two small parcels of land<sup>3</sup> identified above may have been inadvertently left out of the original conveyance from Afognak Joint Venture to Akhiok-Kaguyak, Inc. and Old Harbor Native Corporation, as tenants in common. If the Seal Bay Timber Company is going to acquire the fee interest in the land where they presently hold timber rights, then it is possible that they may acquire the two small isolated parcels that were left out of the original conveyance.

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<sup>3</sup> One parcel in the Seal Bay unit being all of section 29, T. 21 S., R. 17 W., Seward Meridian (0.09 acres), and the other in the Tonki Bay unit being all of section 34, T. 21 S., R. 17 W., Seward Meridian (0.12 acres).

The Preliminary Commitment for Title Insurance indicates that section line easements are in place for the subject land. No dedication for section line easements under AS 19.10.010 will occur until the State gains ownership of the land. No acceptance of RS 2477 easements under AS 19.10.010 was possible while the land was reserved under federal ownership and unsurveyed (it was not surveyed until 1989). There are no surveyed sections - the sections are protracted. We do not believe that section line easements exist for the area.

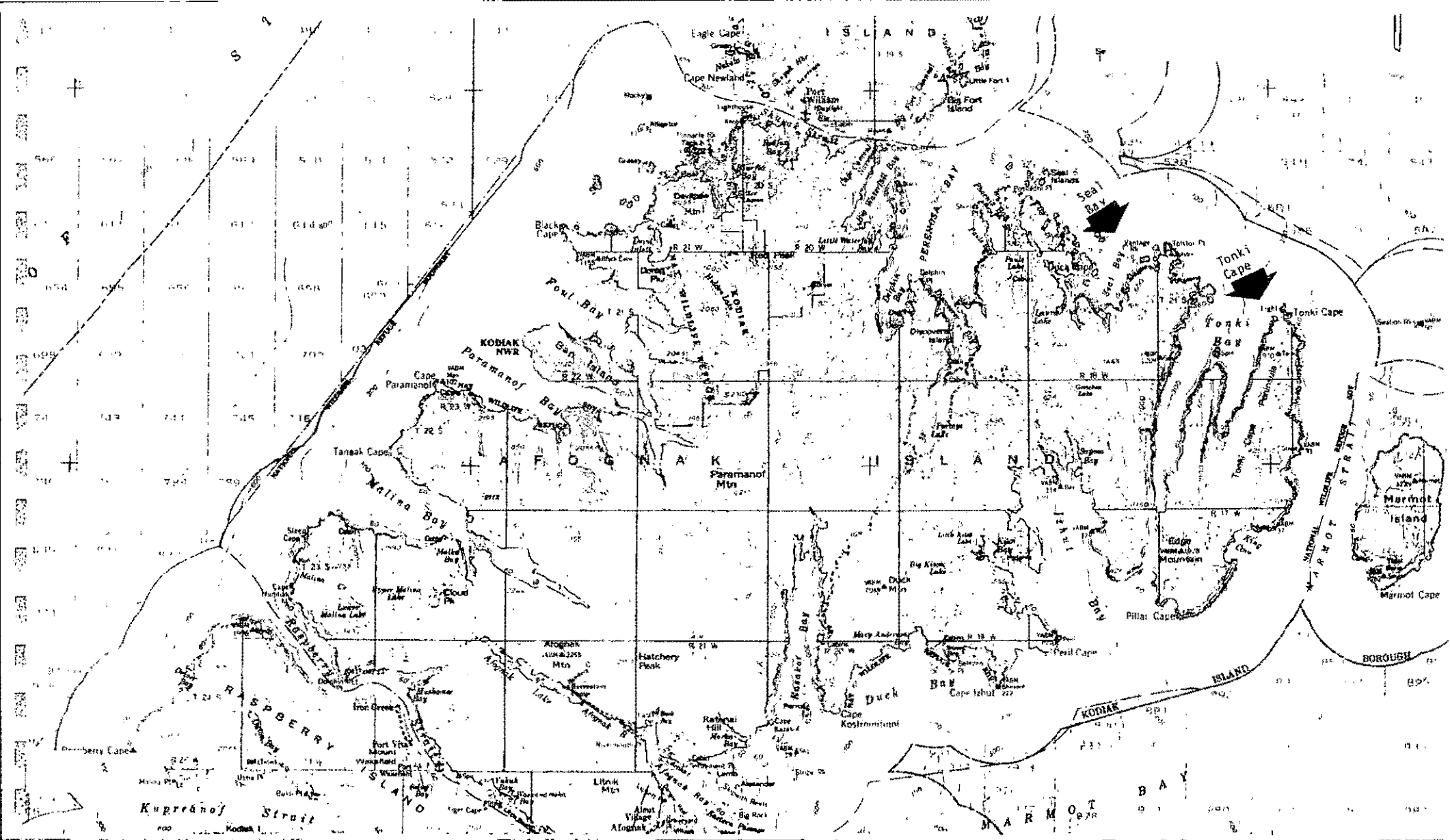
Finally, the conveyance we receive should reflect the legal description found in the current plat(s) of survey for the land involved. Any deviation from the approved plat of survey is a subdivision and must be supported by an approved and recorded plat of survey.<sup>4</sup> Lots in an approved cadastral survey cannot be legally subdivided and described as aliquot parts as was done in Sec. 17, T. 21 S., R. 18 W., Seward Meridian. If the whole lot is not to be conveyed then the lot must be subdivided. This also holds true for the "Sortyard" parcel, which is unsurveyed.

#### ATTACHMENTS:

- A copy of the computerized title record as indicated on the State recording system.
- Survey Plats for the subject land.
- Bureau of Land Management- Master Title Plats
- State of Alaska - Status Plats
- U.S.G.S. Quads
- United States Patent No. 50-90-0647
- United States Patent No. 50-90-0648
- Preliminary Commitment for Title Insurance accomplished by Western Alaska Land Title Co.

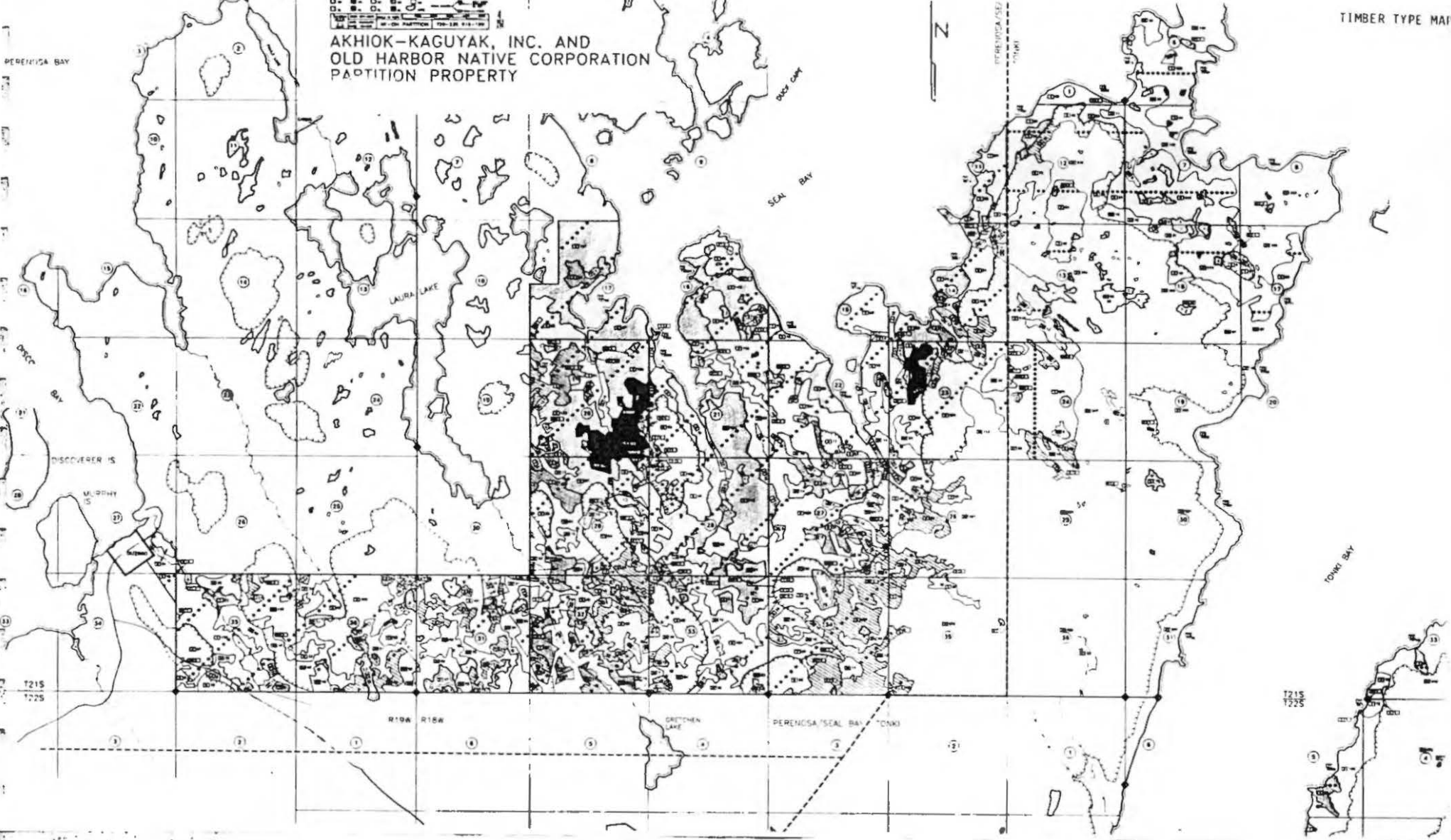
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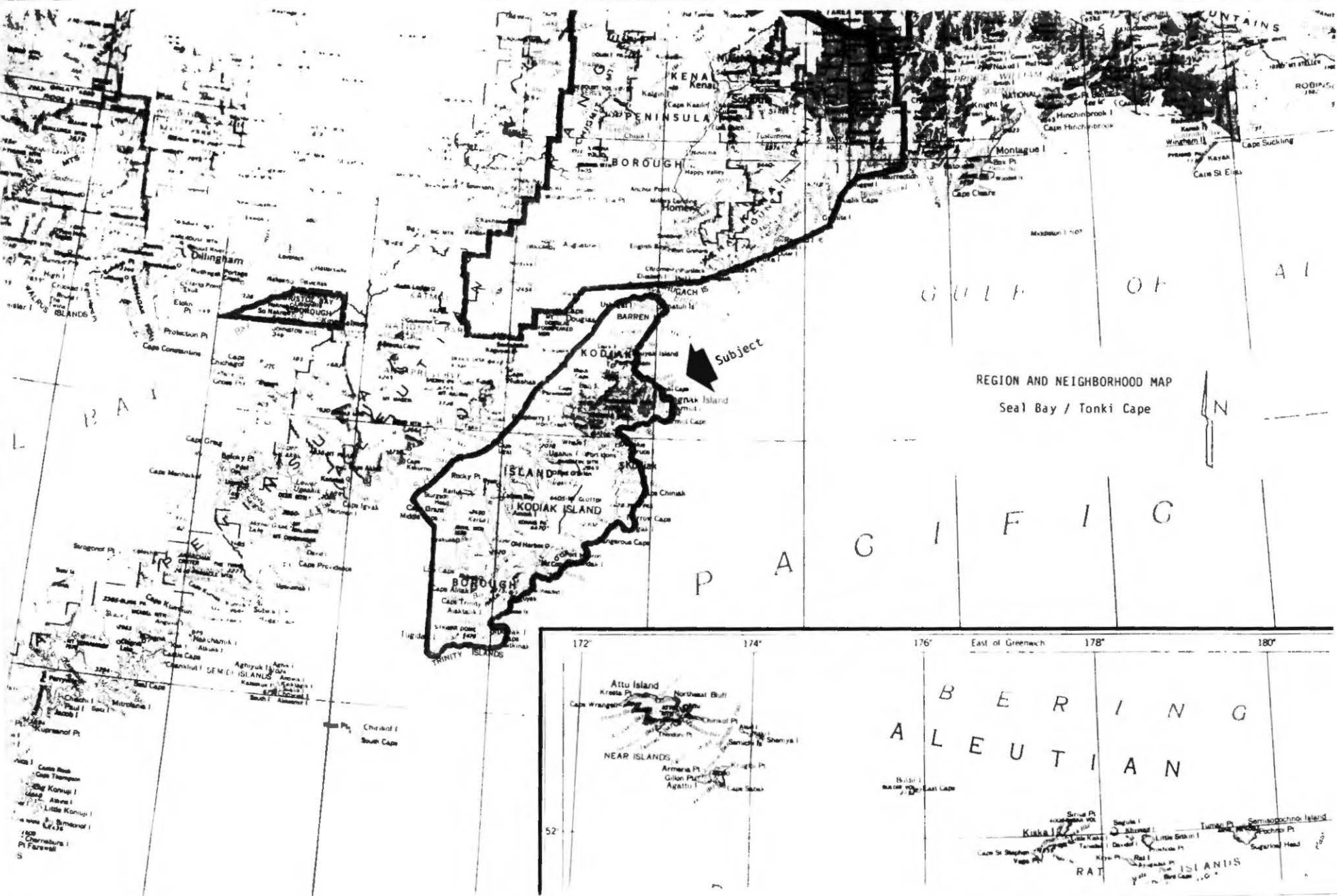
<sup>4</sup> Ch.115 SLA 1953; codified as AS 40.15.010; See also July 10, 1989, Att'y Gen Opin # 661-89-0111, *Dedicated Easements in Rocky Lake Subdivision*.





AKHIOK-KAGUYAK, INC. AND  
OLD HARBOR NATIVE CORPORATION  
PARTITION PROPERTY





REGION AND NEIGHBORHOOD MAP  
Seal Bay / Tonki Cape

B E R I N G  
A L E U T I A N

RAT ISLANDS



Addendum II  
Timber Appraisal

ADDENDUM II  
INTERNATIONAL FORESTRY CONSULTANTS, INC.  
Project: Seal Bay Unit  
Parcel: Logged Units, Type: Selected plots in units

August 4, 1993 Page 2

Spruce

Age: Max log len: 45  
Form factor: .65 Min log len: 12  
Bark Ratio: 962 N:G ratio .828

----- Stand Table (per acre) -----

DBH	T/AC	--- Bd Ft ---		--- Cubic ---	
		GROSS	NET	GROSS	NET
8-10	2.5	81	67	37	30
12-14	22.9	1140	944	599	496
16-18	26.9	3112	2577	1365	1130
20-22	21.1	5311	4398	1930	1598
24-26	11.7	4840	4008	1583	1311
28-30	7.1	4392	3637	1305	1081
32+	4.5	4285	3548	1166	966
Total	96.6	23161	19179	7985	6613
Ave Tree		240	198	83	68
Unit Totals		26820	22210	92471	76575

on 1158 acres

Species: Form Class Net:Gross Log Min Max Minimum Inch %DBH BTR: 962  
Spruce or Factor 65 Ratio:.828 Lengths---> 12 45 Top DIB---> 06 01 Age: Acres: 1158

Spp Code	Sort/Grade	UNIT TOTALS		PER ACRE DATA			AVERAGE LOG SIZE INFORMATION						VOLUME BY LOG LENGTH CLASS				
		Net Bdft	# of Logs	Net Bdft	Net Cubic	# of Logs	Scaling	DIB	Log Length	Net Bdft	Net Cubic		Total	Net	Scribner	on Unit	
SS	Spec. Mill	163644	538	141	39	0.5	16	17.5	99	12	30.3	40	351	96			
SS	No. 1 Saw	52450	179	45	12	0.2	19.0	99	16	25.0	44	337	87		13987	80423	69234
SS	No. 2 Saw	812136892													20980	31470	
SS	No. 3 Saw	6870113	52750	10481	3294	45.6	12	14.0	99	12	37.3	44	266	84	26575	148958	126719410694174
SS	No. 4 Saw	813327	31489	702	315	27.2	01	6.2	99	12	24.5	44	30	13	41918	107698	871316 5849191
SS	Pulp	2173519	12290	1877	588	10.6	01	12.4	99	12	32.1	44	204	64	125181	311204	320995 55947
SS	TOTALS:	22209842	183907	19179	6613	158.8		9.7			33.3		146	50	87417	171337	690929 1223836
SS	Scaled Volume	25556020															

Cruise = 87% of volume scaled.

ADDENDUM  
TABLE 1  
Timber Inventory - Seal Bay Unit

Type No.	Acres	Species	Volume Net M b.f.	S.M.	No 1	No 2	No 3	No 4	pulp	SEE%
3-H	41	Spruce	844		3	586	175	42	38	
3-L	1,516	Spruce	38,957	299	170	21,692	11,649	2,633	2,514	
4-L	184	Spruce	3,124	19	55	1,810	830	342	68	
5-H	2,607	Spruce	42,035	23	99	21,427	14,758	3,347	2,380	
5-L	3,284	Spruce	62,583	207	161	34,653	19,786	3,747	4,029	
6-H	826	Spruce	10,474		132	5,030	3,783	897	631	
6-L	709	Spruce	11,757	38	66	6,169	3,981	635	868	
Original Cruise (Adjusted) Cut Through 5/93	9,167	Spruce	169,773	585	686	91,367	54,962	11,644	10,528	3.0
	1,158	Spruce	22,209	163	52	12,137	6,870	813	2,174	7.0
Total -- Ownership Remaining Cruise	8,009	Spruce	147,564	422	634	79,230	48,092	10,831	8,355	

ADDENDUM II

TABLE 2

Conversion Return - Seal Bay Unit

Species	Grade	Volume		Market
		(M b.f.)	(%)	Price (\$/M) as of 3/93
Spruce	S.M.	422		975
	No 1	634		925
	No 2	79,230	57	775
	No 3	48,092	35	750
	No 4	10,831	8	450
	pulp			250
	Total	139,209	100	742
Grand Total		139,209		742
Less marketing commissions (5%)				-37
				705

<u>Harvest Costs</u>	<u>\$/M</u>
Logging	260.00
Roads	15.00
Handling	20.00
Total	295.00

Conversion Return 410

**Seal Bay Unit****Scenario Summary Report****Estimate as of:** 3/93 1/93 5/93**Changing Cells:**

S M	975	750	1,100
No 1	925	725	1,050
No 2	775	525	950
No 3	750	450	925
No 4	450	325	525
Pulp	250	250	250

**Result Cells:**

log value	742	485	909
conversion			
Return	410	166	569

**Seal Bay Unit****Scenario Summary Report****Source of Data** Cust 92 Cust 90-92 Op 93 Op 92-93**Changing Cells:**

log value	726	704		
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**Result Cells:**

Conversion				
Return	395	374	470	188

Addendum III  
Comparable Sales

**Statewide Office of**

**Interior Alaska Regional Office**  
Fairbanks, Alaska  
(907) 474-7421  
FAX: (907) 474-7554

**Main Office**  
Carlton Trust Building, Suite 213  
2221 E. Northern Lights Blvd.  
Anchorage, Alaska 99508  
(907) 272-5380 FAX: (907) 272-5466

**Southeast Alaska Regional Office**  
Auke Bay, Alaska  
(907) 789-4551  
FAX: (907) 789-4527

**REQUEST FOR PROPOSALS****WHIPPLE CREEK 2 TIMBER SALE  
KETCHIKAN, ALASKA****GENERAL INFORMATION**

The University of Alaska, Statewide Office of Land Management, 2221 East Northern Lights Boulevard - Suite 213, Anchorage, Alaska 99508, requests proposals from qualified individuals or firms (hereinafter called "PROPOSERS") interested in purchasing approximately 16.5 MMBF of timber from approximately 440 acres located in Sections 20, 21, 28 and 29, Township 74 South, Range 90 East, Copper River Meridian (hereinafter called "Property"). The Property is located 7 miles north of Ketchikan, Alaska. Please refer to Attachment A which generally depicts the location of the Property and contains its legal description.

The University of Alaska is a Land Grant Institution. Revenue from this timber sale will be deposited in the University's Land Grant Trust Fund. The proceeds of this Fund are used for, among other things, natural resources related research. The goals of this timber sale are: 1) to maximize timber revenue for deposit into the Fund, 2) to insure that this renewable resource is properly utilized and regenerates for future use, and 3) to provide that the property is effectively managed and available for additional uses.

In order to insure that these goals are met, the University will select a PROPOSER with proven experience, a high level of operational efficiency, the financial capability to properly and timely complete the project and a commitment to environmentally sound timber harvesting.

The successful PROPOSER will be required to operate in accordance with an approved operating plan and comply with all applicable laws, rules and regulations, including Federal EPA and State of Alaska DEC water quality standards, Federal wetlands regulations as well as Alaska Statute 16 regarding anadromous fish streams and Alaska Statute 41 regarding forest resources and practices.

**GENERAL REQUIREMENTS**

**TERM:** The term of the Timber Sale Agreement (hereinafter called "Agreement") shall be a maximum of twenty-four (24) months from the mailing date of the Notice of Intent to Award (hereinafter called "Sale Date").

Whipple 2 RFP

Page 2

**MERCHANTABILITY STANDARDS:** Merchantable trees shall contain at least one merchantable product. Minimum specified merchantable products shall be 16 feet long and 8 inches in diameter inside bark at the small end meeting minimum Northwest Log Rules Advisory Group Official Log Scaling and Grading Rules ("Bureau") for scaling and grading specifications for utility or better log grades. Net log volumes shall be a minimum of 50 board feet and shall be measured utilizing Scribner Log Rule, long log basis.

**COMPENSATION TO THE UNIVERSITY:** This is a scaled sale. The PROPOSER must specify in its financial offer the price it will pay for each species of timber removed from the Property. Minimum acceptable offers are as follows:

Spruce sawlogs	\$ 510.00	per thousand board feet
Spruce utility logs	\$ 10.00	per thousand board feet
Hemlock sawlogs	\$ 175.00	per thousand board feet
Hemlock utility logs	\$ 10.00	per thousand board feet
Yellow Cedar sawlogs	\$ 400.00	per thousand board feet
Yellow Cedar utility logs	\$ 10.00	per thousand board feet
Red Cedar sawlogs	\$ 50.00	per thousand board feet
Red Cedar utility logs	\$ 10.00	per thousand board feet

*Sold to Aloha  
Lumber at  
base rates  
except spruce  
at \$575/M*

Timber located within riparian and other restricted zones, if so designated, shall be excluded from the provisions of this sale.

Financial offers must be submitted on the form entitled Financial Offer Schedule (Attachment B of this RFP).

The University reserves the right to negotiate final price and terms with the three PROPOSERS that submit the three highest offers.

**PAYMENT SCHEDULE:** An initial payment equal to the greater of \$835,000.00 or 15% (fifteen percent) of the value of PROPOSER'S offer shall be remitted upon signing the Agreement. Such initial payment shall be calculated as follows:

Species	Estimated Volume		Stumpage Price Offered by PROPOSER (Illustration Only)		Subtotal
Spruce	8,257 MBF	x	\$525.00 per thousand	=	\$4,335,000
Hemlock	6,523 MBF	x	\$185.00 per thousand	=	\$1,207,000
Yellow Cedar	540 MBF	x	\$400.00 per thousand	=	\$ 216,000
Red Cedar	60 MBF	x	\$ 50.00 per thousand	=	\$ 3,000
	15,380 MBF				\$5,761,000

Initial payment = .15 x \$5,761,000 = \$864,150

Subsequent payments shall be made by the tenth of each month thereafter for logs presented for scaling during the prior one month period.

The above is an example. PROPOSER'S initial payment may vary and will be based on price offered by PROPOSER and accepted by the University.



Whipple 2 RFP  
Page 3

**INSURANCE:** The successful PROPOSER shall be required to keep and maintain broad form comprehensive commercial general liability insurance including loggers broad form, worker's compensation insurance, employer's liability insurance, and automobile liability insurance. With the exception of worker's compensation and employer's liability insurance, all such insurance shall name the University of Alaska as an additional insured party and loss payee to the extent of its interest therein. The minimum amount of general liability and automobile liability insurance shall be two million dollars (\$2,000,000.00) each.

**INDEMNIFICATION:** The successful PROPOSER shall be required to defend, indemnify and hold harmless the University of Alaska, its Board of Regents, officers, agents and employees from and against all claims, demands, judgments, costs and expenses including reasonable attorney's fees which may arise by reason of injury or death to any person or damage to any property attributable to the negligent or wrongful acts or omissions of the PROPOSER, its officers, agents, employees, successors or assigns in connection with PROPOSER'S performance of its obligations under the Agreement and its use or enjoyment of or presence on the Property.

**OPERATING PLAN:** Prior to commencing operations, PROPOSER will be required to submit for the University's approval an operating plan covering harvest unit designation, proposed road location and construction specifications, rock source sites and development plans, logging methods, scheduling, slash disposal and demobilization. PROPOSER will be responsible for compliance with the State of Alaska Forest Practices Act regeneration requirements and could be required to plant areas that do not meet the State's stocking requirements as determined by the post-logging regeneration survey that is conducted by State of Alaska Division of Forestry personnel. PROPOSER and the University will work together to design this sale to recover the maximum volume of timber possible while taking into consideration that portions of this sale may require special treatment due to terrain considerations. The University, at its option, and where appropriate as determined by topographic and soil conditions, may require full span ("skyline") yarding of certain units within this sale. If practicable, the harvest unit design will attempt, to the extent possible, to create a "softened" or non-geometric look to the units so as to minimize the visual impact of the units on the viewshed of the area.

**PROPOSAL DEPOSIT:** Each proposal must include a proposal deposit in the amount of \$100,000.00 in the form of either a certified or cashier's check payable to the University of Alaska. This deposit will be returned to unsuccessful PROPOSERS but will be retained as liquidated damages, and not as a penalty, in the event the successful PROPOSER fails to execute an agreement with the University.

**SECURITY AND PERFORMANCE DEPOSIT:** Upon signing the Agreement, the successful PROPOSER must provide, in a form acceptable to the University, a negotiable security and performance deposit in the amount of \$500,000.00. This deposit will be returned upon complete compliance with the terms of the Agreement and road easements.

## Whipple 2 RFP

## Page 4

**BUSINESS QUESTIONNAIRE:** The PROPOSER must submit with its proposal a completed, signed copy of Attachment C - Business Questionnaire.

**ACCESS/ROAD CONSTRUCTION:** The successful PROPOSER shall be responsible for acquiring, if necessary, additional legal access to the Property. Road access currently is available to within several hundred yards of the Property and an access easement exists through land owned by the Ketchikan Gateway Borough. Copies of the easement across Ketchikan Gateway Borough Property are available upon request and should be reviewed by all interested parties. PROPOSER must make arrangements directly with Cape Fox Corporation which has agreed to allow the use of its access road. All roads shall be built by the successful PROPOSER in accordance with specifications now in effect for similar roads in the Tongass National Forest and maintenance shall be the responsibility of the successful PROPOSER. In addition to other requirements, it will be the successful PROPOSER'S responsibility to upgrade and maintain all roads at its own expense.

**LOG EXPORT:** There are no restrictions on the export of timber from this sale.

**FIRE PRECAUTIONS:** Normal fire precautionary measures for the Tongass National Forest shall be required for this sale.

**LOCATION/DESCRIPTION OF TIMBER:** Refer to Attachment A for location of the Property. This sale of approximately 16.5 MMBF of timber is located on 440 acres in Sections 20, 21, 28 and 29, Township 74 South, Range 90 East, Copper River Meridian. It is estimated that 380 acres contain merchantable timber. The sale area is located approximately 7 miles north of Ketchikan, Alaska. This unit has been surveyed and a copy of that survey is available upon request. The unit is to be clearcut and yarded by cable yarder or other acceptable method. The yarder shall not operate off of the road or landing without approval. Some streams and topography may require logs to be fully or partially suspended when yarding. This will require helicopter yarding and/or rigging a running skyline or some other type of skyline configuration to protect these resources. Other protection measures for streams, such as bridges and culverts, may be necessary. There will be no yarding down V notches and V notches must be kept clear of all debris. All slash remaining on or near landings must be stockpiled in areas not exceeding 50 feet in circumference and burned if permissible. The sale area must be left free of all litter, debris, machinery, cable and all foreign materials.

It will be the successful PROPOSER'S responsibility to properly locate the sale area, access and its operations on the Property.

Where appropriate, 1-2 stable snags (5-6 along channels of Whipple Creek) per acre shall be left standing to provide wildlife perching and nesting areas.

A report on the soil conditions of Whipple 2 has been prepared by a soil scientist and should be reviewed by PROPOSERS prior to submitting proposals. Special attention must be given to mapping units 54F and 75F since they will require special yarding techniques.

Whipple 2 RFP

Page 5

Whipple Creek is an anadromous fish stream below the sale area. This may require permits pursuant to Alaska Statute 16.

This is a scaled sale. Timber shall be scaled by an independent scaling bureau approved by the University. All merchantable trees are to be cut and maximum volume removed. All costs associated with this sale shall be paid by the successful PROPOSER.

PROPOSER will be required to repair and maintain the gate controlling access to the Property.

Successful PROPOSER will be required to execute an agreement with the University substantially similar to the one on file in the offices of the University of Alaska Statewide Office of Land Management.

**PROPOSERS ARE ADVISED TO INSPECT THE HIGH VOLUME AND  
HIGH GRADE SPRUCE STAND ON THE WESTERN SLOPES OF THE  
PROPERTY.**

**Whipple 2 RFP**  
**Page 6**

Following is a summary of the most recent cruise:

SPECIES	SORT	VOLUME (MBF)
<u>SPRUCE</u>		
	High Grade	1607
	J-Sort	3884
	K-Sort	2277
	Shop	260
	Saw Pulp	229
	Utility Pulp	313
	Subtotal	8570
<u>HEMLOCK</u>		
	High Grade	1115
	J-Sort	1947
	K-Sort	2808
	Shop	283
	Saw Pulp	370
	Utility Pulp	1240
	Subtotal	7763
<u>RED CEDAR</u>		
	Sawtimber	60
	Utility	5
	Subtotal	65
<u>YELLOW CEDAR</u>		
	Sawtimber	540
	Utility	150
	Subtotal	690
<b>TOTAL</b>		<b>17,088</b>

## Whipple 2 RFP

## Page 7

The cruise is based on the following sort specifications:

HIGHGRADE

SM and better with highline #2 sawlogs

Minimum diameter	12 in
Minimum length	20 ft
Maximum defect	20 %
Rings/in (Spruce)	12 outer 1/3

J-SORT

#2 sawlog and better

Scattered knots	
Twist	2 in per foot
Minimum diameter	12 in
Minimum length	20 ft
Maximum defect	25 %

K-SORT

#3 sawlog and better

Some oversized knots if scattered

Minimum diameter	6 in
Minimum length	13 ft
Maximum defect	25 %
(No rough tops)	

SHOP

Highgrade, high defect

Clear cutting equivalent to 1 quadrant

Minimum diameter	(Hemlock) 20 in
	(Spruce) 24 in
Minimum length	13 ft
Maximum defect	50 %

PULP

Minimum 50% chips

Minimum diameter	6 in
Minimum length	12 ft

INFORMATION LISTED HEREIN IS MADE AVAILABLE WITH THE UNDERSTANDING THAT VALUES AND VOLUMES SHOWN ARE NOT ESTIMATES OF A PROPOSER'S OWN RECOVERY OF SUCH VALUES AND VOLUMES. WILL NOT BE GUARANTEED AND WILL NOT BE MADE PART OF THE TIMBER SALE CONTRACT. THE VOLUMES AND VALUES OF THE TIMBER OFFERED FOR SALE ARE EXCLUSIVELY THE RESPONSIBILITY AND LIABILITY OF THE SUCCESSFUL PROPOSER.

EXCLUSION OF WARRANTIES: LIMITATION OF LIABILITY: THE UNIVERSITY MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO QUANTITY, QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE CONCERNING THE TIMBER OFFERED HEREIN FOR SALE. THE UNIVERSITY SHALL NOT BE LIABLE UNDER ANY CIRCUMSTANCES FOR ANY DAMAGES RELATING TO THE USE OF SUCH TIMBER OR FOR ANY SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES. FURTHERMORE, IN NO EVENT SHALL THE UNIVERSITY'S LIABILITY EXCEED THE AGGREGATE AMOUNT OF PAYMENTS ACTUALLY RECEIVED BY THE UNIVERSITY.

# MEMORANDUM

DEPARTMENT OF NATURAL RESOURCES

State of Alaska

DIVISION OF LAND

762-2425

TO: Paul Fuhs  
Office of the Governor

FROM: Dick Mylius  
Land and Resources Section

DATE: March 26, 1992

SUBJECT: Kachemak Bay Appraisals

This memo responds to your request for background on the values of Seldovia Native Association's (SNA) inholdings within Kachemak Bay State Park. From 1988 to 1990, I served as the department's lead staff for a land exchange to acquire this land. The current land and timber values evolved through the exchange process.

For fifteen years DNR worked on various land exchange proposals to acquire SNA's 24,000 acres of inholdings within Kachemak Bay State Park. The land was state owned when the park was established in 1970, but then it was acquired by SNA under the Alaska Native Claims Settlement Act. In 1987, the timber on a portion of SNA's land was sold to Timber Trading Company (TTC), a subsidiary of Koncor Forest Products.

From October 1988 until March 1990, DNR, SNA, and TTC were involved in developing a land exchange. DNR was working towards separate exchanges with SNA for the land and TTC for the timber rights. Efforts to develop a final exchange agreement were slowed because of significant disagreements over the appraised value of the land and public opposition to some of the land and timber parcels proposed for exchange.

An appraiser hired by SNA arrived at two different values of SNA's land (excluding commercial timber) in the park - \$ 22.7 million and \$25.6 million. DNR disagreed with both appraisals because the appraiser used only parklands as comparable properties to set the value of SNA land and made few adjustments to the comparables used in the appraisals. DNR contracted for an independent appraisal that valued the land (also excluding commercial timber) at \$12 million, which SNA disagreed with.

In February, DNR established an appraisal review panel to render their opinion of the value of SNA's land. The panel concluded that the value of SNA's land, with the timber still in place, is \$17.82 million. Assuming that the timber was cut on a portion of the land, the panel arrived at values for SNA's land that ranged from \$11.6 to \$15.49 million. A separate re-appraisal of the timber, agreed to by DNR and TTC, valued the timber at \$ 6.4 million.

The \$22 million value that is included in current legislation is a negotiated value that is based

Appraisals of Seldovia Native Association's Inholdings in Kachemak Bay State Park

LAND APPRAISALS

**Land Appraisals Prepared for Seldovia Native Association (SNA):**

September 1989 appraisal of 19,367 acres prepared by Mundy-Day-Bunn: \$25,170,000

September 1989 appraisal of 4,435 acres of cut-over timber land prepared by Mundy-Day-Bunn: \$443,500

November 1989 supplemental appraisal of 19,367 acres prepared by Mundy-Day-Bunn: \$22,277,050

**Land Appraisal Prepared for Department of Natural Resources:**

December 26, 1989 appraisal of entire SNA parcel prepared by Follett and Associates: \$11,950,000 - \$12,575,000 depending on assumptions regarding the impacts of timber harvest. This appraisal included information that 1,269 acres in residential quality lands was valued at \$3,213,500.

**Land Appraisal Arbitration Report**

February 16, 1990 letter containing appraisal review panel report on SNA land by Charles Horan, David Derry and John Dillman: \$17,820,000 for entire parcel -- \$11,620,000 to \$15,490,000 with timber cut.

TIMBER APPRAISALS

**Timber Cruise Prepared for Timber Trading Company and Department of Natural Resources**

May 1989 Kachemak Bay Timber Cruise prepared by Kerr and Associates 48 million board feet - commercially viable

**Timber Cruise Prepared for Timber Trading Company (TTC)**

June 30, 1989 Kachemak Bay Fair Market Valuation by Cronk and Holmes: \$7,422,855

December 1, 1989 letter to TTC with revisions to timber valuation: \$10,632,231

**Timber Appraisal Prepared for Department of Natural Resources**

March 12, 1990 Timber Appraisal by Cascade Appraisals: \$5,875,000

**Timber Mediation Letter**

March 21, 1990 letter from Al Cronk and Ray Granvall: \$6,400,000

on the land and timber appraisals and an estimated value of the surface resources. The \$22 million includes \$15.49 million for SNA's land, \$4.51 million for Timber Trading Company (TTC) timber, and \$2 million for Cook Inlet Region, Inc. (CIRI) subsurface. These values were arrived at as follows:

\$15.49 million - the value of the land determined by the appraisal arbitration panel, assuming that a portion (4432 acres) of SNA's land was logged, but the remainder was in its pristine condition (that is, not adjacent to logged off land). This is the lowest amount that SNA would agree to as the cash value for their land.

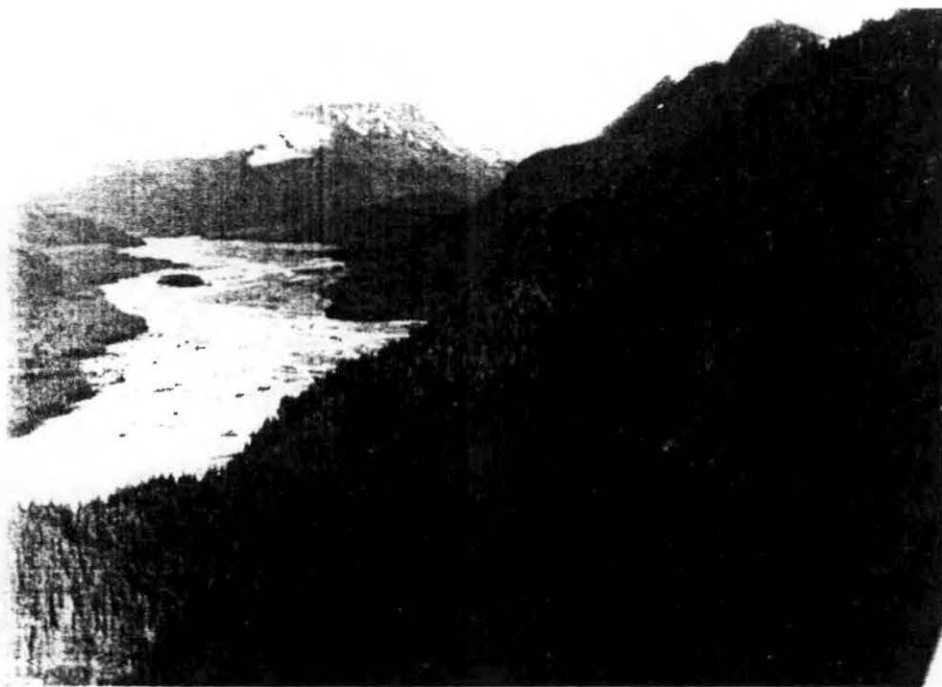
\$4.51 million - is a negotiated value for commercial timber based on discounting the appraised value of the timber (\$6.4 million) to its net present value. Net present value is today's value of the \$6.4 million, recognizing that it will take several years for TTC to actually harvest and receive full payment for its timber. \$6.4 million is the value of TTC's timber reached through agreement by DNR's and TTC's appraisers. DNR's appraiser valued the timber at \$5.9 million, while TTC's appraised values ranged from \$7.4 million to \$10.6 million.

\$2 million - is a value for subsurface resources owned by Cook Inlet Region, Inc. (CIRI). There is no appraisal of the subsurface because CIRI was not involved in the land exchange process. The legislature added acquisition of the CIRI subsurface to the package, and the value was arrived at through negotiations between CIRI, DNR, and several legislators. The primary subsurface resource is gravel.

The attached summary of land appraisals shows numerous values for the land. As you can see, the land exchange process resulted in a wide variety of potential values.

cc: Harold C. Heinze, Commissioner  
Ron Swanson, Director, Division of Land  
Janet Burleson, DNR, Southeast Regional Office





Block B China Poot Mud Flats



Block E China Poot Bay



Block C, Peterson Point



Barbata Heights Subdivision

## VACANT LAND

COMPARABLE NO. 2

LOCATION: Chilkoot River Valley about 9 miles north of Lukat Road  
north of Chilkoot Lake by 4 1/2 miles, Haines, Alaska

LEGAL DESCRIPTION: USS 6989, Haines, AK See Attached Deed

RECORDING INSTRUMENT: BOOK: PAGE:

GRANTOR: Bob Lee Cox GRANTEE: ~~NA~~ English & Austin  
\$90,000

DATE: 11/25/91 Listed April 1988, has exp. ~~ASKING PRICE: \$120,000~~  
8-90, for sale by owner. May negotiate down, if terms right

TERMS: Negotiable, would prefer cash

PROPERTY DESCRIPTION: ZONE:  
UTILITIES: WATER: River SEWER: No POWER: No TELEPHONE: NO  
SIZE: 160 Acres FRONTAGE: Nearly 3000' on river  
ACCESS: Road without easement on Chilkoot River, 9 mi. to State rd.  
TOPO/VEG/SOIL: River bottom, grass marsh, light timber of unknown commercial value. It  
was logged several years ago. Land had been partially farmed as a  
homestead.

PRESENT USE: Old homestead, deteriorating cabin with snow caved roof. Log structures  
partially built. No value for log structures. Property borders Bald Eagle  
Preserve

INTENDED USE: Possible lodge site, or recreation/resort site

CONFIRMED WITH: Barbara Craig Realtor DATE: 4/6/89 BY: C. Horan  
Mrs. JoeAnn Cox 8/23/90 C. Horan

REMARKS: In April of 1989 a tentative offer to buy for \$110,000 was never completed.  
According to local sources the property  
could sell for as low as \$100,000. According to Mrs. Cox, the asking price  
is still \$120,000 but seller would consider offers.

ANALYSIS: @ \$120,000 = \$750/acre; @ \$100,000 = \$625/acre







TransAlaska  
Title

391-619

FILED FOR RECORD AT REQUEST OF

TransAlaska Title Insurance Agency, Inc.

GRANTOR'S MAILING ADDRESS:

BOBBY LEE COX

Box 123

Haines, Alaska 99827

GRANTEE'S MAILING ADDRESS:

JOSEPH E. ENGLISH, III and NOAH G. AUSTIN

2497 N. Beachwood Drive

Hollywood, California 90068

BOOK α1 PAGE 204THIS SPACE PROVIDED FOR  
RECORDER'S USE:

9 1-0 453

1500

RECORDED—FILED  
HAINES REC.  
DISTRICT

Dec 16 9 43 AM '91

REQUESTED BY TT  
ADDRESS \_\_\_\_\_

## STATUTORY WARRANTY DEED

THE GRANTOR BOBBY LEE COX and JOANNE J. COX, husband and wife as tenants by the entirety for and in consideration of Ten dollars and other consideration

In hand paid, conveys and warrants to JOSEPH E. ENGLISH, III and NOAH G. AUSTIN, each a single person

the following described real estate situated in the \_\_\_\_\_ Haines \_\_\_\_\_ Recording District, \_\_\_\_\_ First \_\_\_\_\_ Judicial District, State of Alaska:

U.S. Survey 6989, Haines Recording District, First Judicial District, State of Alaska.

Subject to patent reservation, conditions, restrictions, easements and taxes of record, if any.

SP. 90.000 PM  
DAN RICHARD

Dated November 25, 1991

Bobby Lee Cox  
BOBBY LEE COX

Joanne J. Cox  
JOANNE J. COX

STATE OF ALASKA  
Haines RECORDING DISTRICT 55.  
First JUDICIAL DISTRICT

On this day personally appeared before me BOBBY LEE COX & JOANNE J. COX to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 16th day of November 1991.

Notary Public in and for the State of Alaska  
My commission expires: 6-16-93

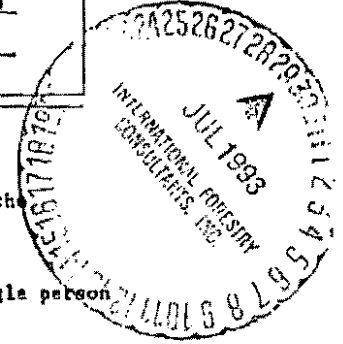
STATE OF ALASKA  
RECORDING DISTRICT 55.  
JUDICIAL DISTRICT

On this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared \_\_\_\_\_

and \_\_\_\_\_ to me known to be the \_\_\_\_\_ President and \_\_\_\_\_ Secretary, respectively, of \_\_\_\_\_ the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that \_\_\_\_\_ authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

Witness my hand and official seal hereto affixed the day and year first above written.

Notary Public in and for the State of Alaska  
My commission expires: \_\_\_\_\_



COMPARABLE ACREAGE LAND SALE 1. 3

LOCATION: Salonie Creek Rifle Range area, Kodiak, Alaska

LEGAL DESCRIPTION: Lot 9, U.S. Survey 2539

GRANTOR: Leisnoi Native Corporation

GRANTEE: Kodiak Island Borough

RECORD NUMBER: 6

DATE OF SALE: 10-91                      RECORDING DATE: Unknown

INSTRUMENT: Offering                      BOOK/PAGE: 112/635

SALES PRICE: \$537,500                      TOTAL ASSESSMENTS: None

TERMS: Cash

CE/ADJ. PRICE: \$537,500                      AREA (ACRE): 660.00

PRICE/ACRE: \$814

PRESENT USE: Rifle range                      ANTICIPATED USE: Rifle range

SOILS: Good                      FLOOD ZONE: Unknown

WATERFRONT: Stream

ELECTRIC/PHONE: Yes

TOPOGRAPHY: Level to hilly                      PUBLIC SEWER: No

ROAD IMPROVEMENTS: Gravel                      PUBLIC WATER: No

ROAD ACCESS: Gravel                      NATURAL GAS: No

SITE SHAPE: Rectangular                      EASEMENTS: Normal

ROAD GRADE: At grade                      ZONING: RR, Rural Residential

CONFIRMED WITH: Bud Cassidy, Kodiak Island Borough and  
Mike Pagano, Leisnoi Native Corporation

BY/DATE: TRD/6-91 and 11-91  
SDD/5-92  
TRD/5-92

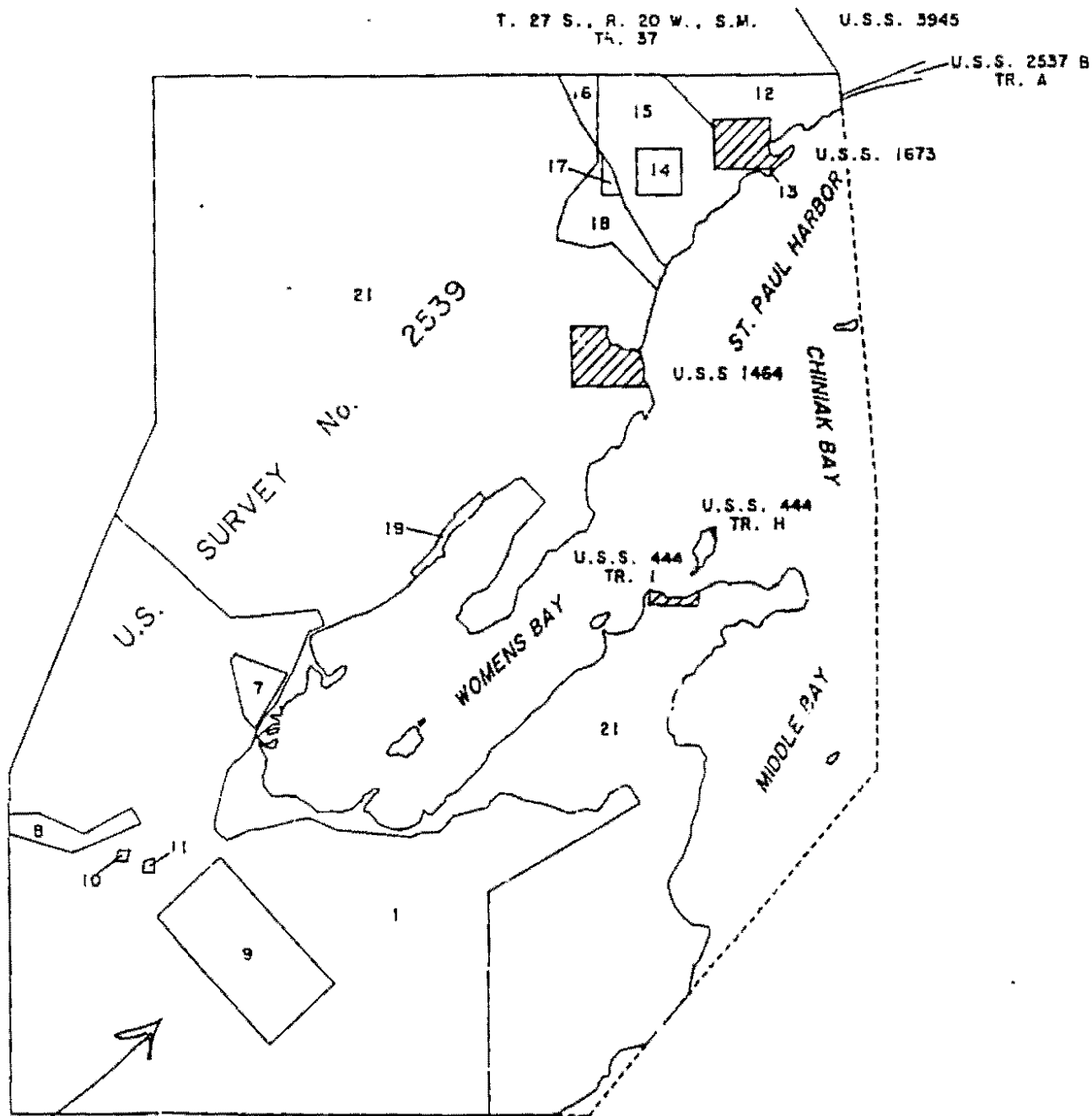
PROPERTY DESCRIPTION:

This is a large rectangular shaped tract of land encompassing two hillside/mountain areas and river valley containing Salonie Creek. The river valley area tends to be low and wet, and the mountain area has little organic overburden and substantial rock outcroppings. The intent of the purchase by Kodiak Island Borough is to make use of an old existing military rifle range located near the center of the parcel. The sales price is to include Koniag, Inc.'s subsurface rights.

ST. PAUL HARBOR

Comparal Sale No. 3

VICINITY DIAGRAM



100 0 100 200  
Chains

KIBS178815

## VACANT LAND

COMPARABLE NO. 4

ADDRESS: Johnson Creek Above Burners Bay, 60± miles north of downtown Juneau

LEGAL DESCRIPTION: US Mineral Surveys 261, 264, 265, 266, and 578 within sections 10, 11, 14, and 15, T35S, R62E, CRM

RECORDING INSTRUMENT: BOOK: PAGE:

GRANTOR: University of Alaska GRANTEE: Hyak Mining Co.

SALES DATE: 5/22/91 PRICE: \$125,000

TERMS: 10% down, DOT \$112,500, 10% interest, 60 quarters

PROPERTY RIGHTS: Surface only

PROPERTY DESCRIPTION: ZONE: None

UTILITIES: None

SIZE: 229.06 Acres reported, 247.85 estimated by seller

ACCESS: Logging road on site; not touching shore. Buyer extended road to shore.

TOPO/VEG/SOIL: Some rocky hillsides, timber and creek bottom land, varies in soil and topography.

PRESENT USE: Was an underground mine site, purchased by subsurface land owner.

INTENDED USE: Develop surface support for industrial mine, shops, roads, etc. on surface.

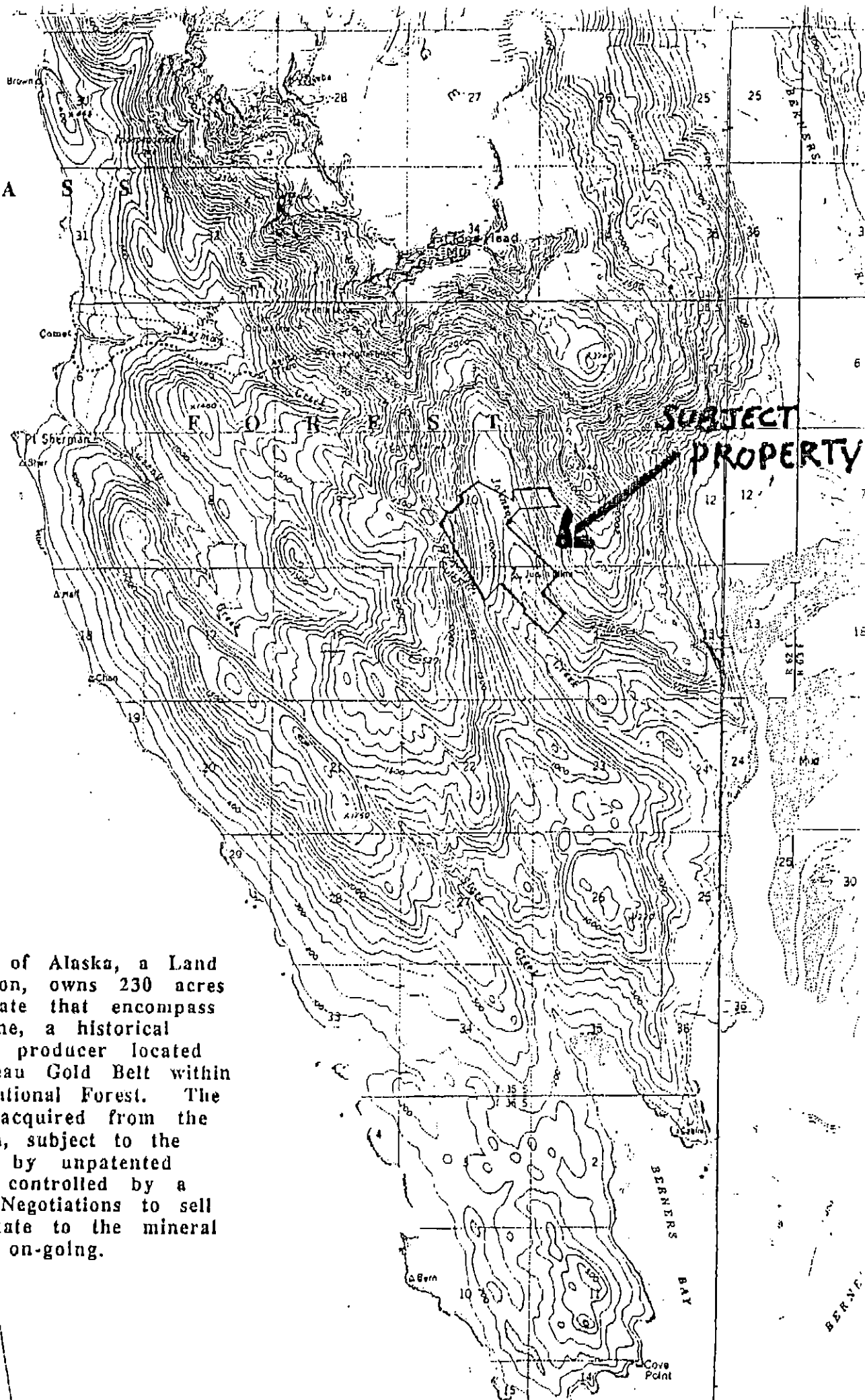
CONFIRMED WITH: Gene Whiting, Broker DATE: 9/11/91 BY: C Horan  
Univ of AK, Mary Montgomery 9/1/92 BY: K Williams

ANALYSIS: \$545.71/Acre @ 229.06 acres; or \$504.34 @ 247.85 acres

NEGOTIATIONS & MOTIVATION: Apparently the buyer and seller had negotiated this price over a long period of time and both felt it was an arms length transaction. The buyer was operating mine under the subject and nearby adjacent properties and wanted to purchase to develop surface support facilities. The seller had no other immediate buyer prospects and wanted to limit the liability. Both properties felt it was a clear up of a nuisance situation.







The University of Alaska, a Land Grant Institution, owns 230 acres of surface estate that encompass the Jualin Mine, a historical hardrock gold producer located along the Juneau Gold Belt within the Tongass National Forest. The property was acquired from the State of Alaska, subject to the interests held by unpatented mining claims controlled by a third party. Negotiations to sell the surface estate to the mineral claimant are on-going.

## LARGE LAND SALE

COMPARABLE NO. 5

LOCATION: Northeasterly shore of Copper Harbor off Hetta Inlet, Prince of Wales Island, 20 miles southeast of Craig, Alaska.

LEGAL DESCRIPTION: USMS 419A and portions of USMS 419B, USMS 1023 within Sections 3, 4, 5, 8 and 9, T77S, R58E, CRM, Ketchikan Recording District.

RECORDING INSTRUMENT: QCD BOOK: 197 PAGE: 659

GRANTOR: Key Bank of Alaska GRANTEE: Southcentral Timber Development, Inc.  
Dan Mock 564-0446 Joe Henry 279-1493

SALES DATE: 12/31/91 PRICE: \$800,000

TERMS: Mostly financed with extra collateral. Note to be paid off out of logging operations within one year.

PROPERTY DESCRIPTION: This is a remote parcel, not within any zoning or municipal taxing jurisdiction. There are no public utilities available to the site. Access to the site is by water or float plane or helicopter only. The site is very irregular, having about 1,410' of salt water frontage on copper harbor. The combined 23 mining claims stretch up to the highest parts of the mountain laying against the steep mountain, rising in a northward direction, extending approximately 6,000', having a width of 3,000' rising in elevations to nearly 3,500'. It contains 340.7 acres. Two creeks run through the site. Approximately 15 acres are fairly level and cleared near the beach. There is a relatively well protected anchorage in Copper Harbor. Vegetation is mostly old growth hemlock, spruce and cedar. Merchantable timber volumes have been estimated as high at 8 to 10 MMBF and as low as 5 MMBF. Seller felt most likely volume was between 5 and 7 MMBF. Buyer would not comment on volume.

PRESENT USE: Prior owner, T. Ferguson Construction of Anchorage, had been foreclosed on by Key Bank. The property had been purchased in 12/84 for \$370,000 with allocation of timber value of \$125,000. Property was eventually foreclosed on. Prior owner had an idea of developing some hydro-electric potential on the site with a possibility of a lodge/resort.

INTENDED USE: The buyer presently logging the site. There was no formal stumpage value estimate or detailed logging program developed at time of purchase. The purchasers obtained Sullivan Logging Company to do the logging and Charlie Nash is on-site consultant. Buyer tried to sell stumpage but could not find a purchaser, perhaps due to high asking price.

BUYER MOTIVATION: The buyer had five or six different ideas of what type of development could occur on the site. He felt at the time of purchase that the timber had to pay the entire price with no particular residual to the cut over land or sub-surface mineral estate. Buyer was vague on timber values or stumpage estimates. His subjective analysis was that there was enough margin on his estimate of timber sales price beyond the purchase price to make it work. He also pointed out that this appeared to be his only investment idea with the relative risk at the time. A realtor had listed the site a year or so prior to the sale for in excess of \$1.5 million. There were several offers and inquiries between \$1.0 and \$1.2 million but the seller (Ferguson) never excepted or fully executed any of these offers. The property then went into foreclosure, the lender/owner (Key Bank) tries to market it for \$1.2 Million and was eventually resold.

CONFIRMATION: Realtor, Lelf Stanford

DATE: 11/5/92

BY: C. Horan

PRICING: Key Bank, Dan Mock

DATE: 11/17/92

BY: C. Horan

BUYER MOTIVATION: Joe Henry

DATE: 11/12/92

BY: C. Horan

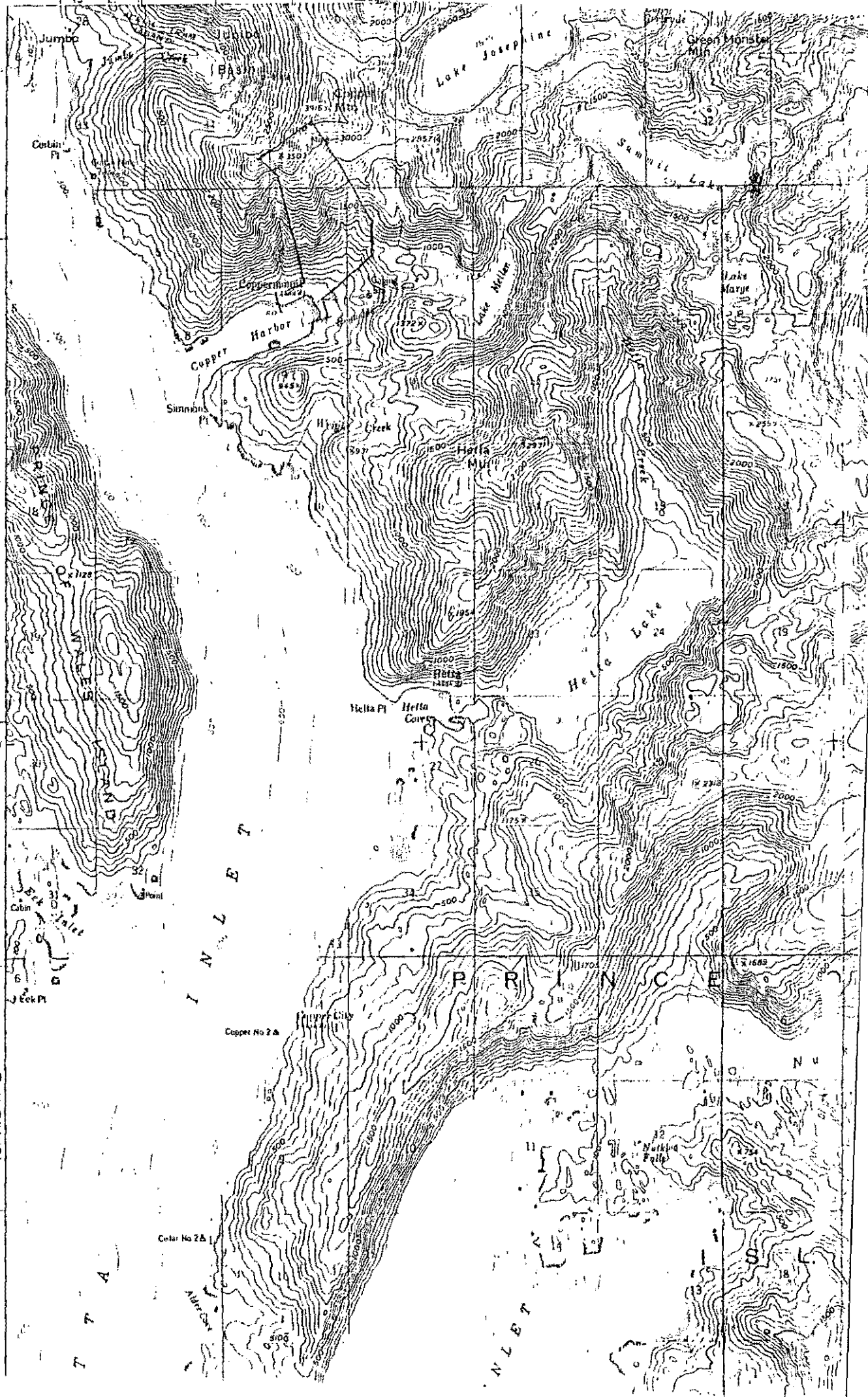
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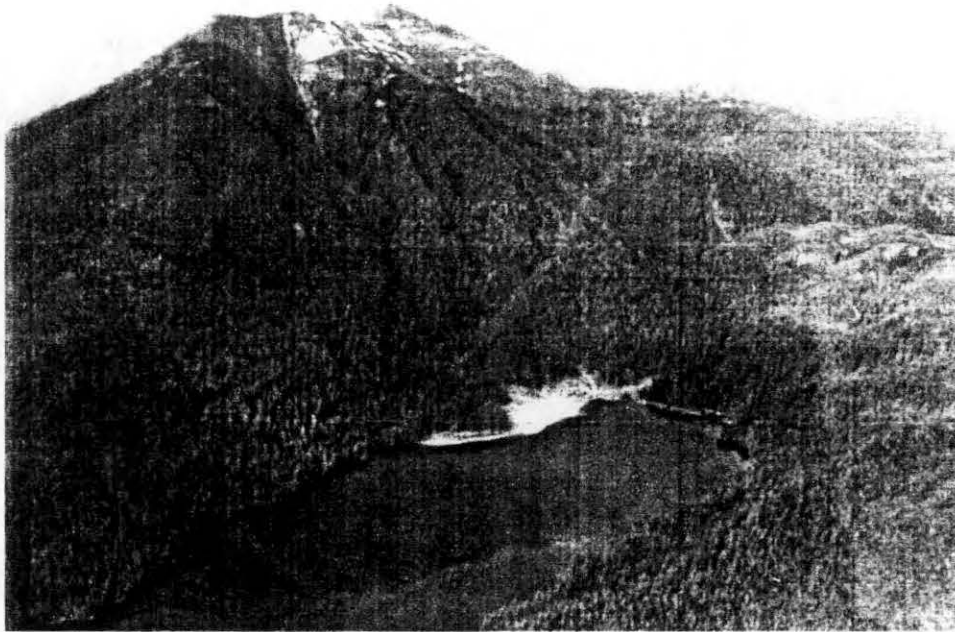
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(CRAIG A-3)



Sale No. 5

Comparable Photograph  
Comparable LRG-009



COMP. # LT-1                      TYPE: Vacant Land                      KL93-18

LOCATION:      Six remote tracts within 8 miles north, south and east of Anchor Point on the Kenai Peninsula

LEGAL DESCRIPTION:      See attached - within T3S - T5S, R14W, SM

PRICE:              \$450,000                      ZONING:      None

CASH EQUIV:      \$500,000<sup>(1)</sup>                      H&B USE:      Recreational

DATE:              8/3/90                      ACCESS:      Generally no access  
*Does have access*

INSTR:              Deed (closed)                      SIZE:              222 paper plat  
10 acre lots

TERMS:              \$50,000 down,                      AREA:              2,220 acres  
DT \$400,000 at 10% for 30 years  
Buyer/broker put in 10% commission

GRANTOR:              Security National Trust (SNT)

GRANTEE:              Charles Holman, Jr. (40%), & Clyde Moser (60%) et al

VERIFIED:              Chuck Holman by S. McSwain and closing statement;  
(EGF 4/93)

PROPERTY DETAILS:      The property is in six subdivisions, subdivided into 222 paper plat undeveloped 10-acre tracts; seller paid all closing costs. These "Paper Plat" lots can be sold individually "as is" without physical access, since they were platted prior to newer subdivision regulations. The tracts are typically located 1/2 to 3 miles from existing roads or the Sterling Highway, with section line easements for future road access. The Inlet View Tract (200 Ac.) has gravel road access, east one mile from the Highway. This is a popular recreation area with good hunting in the fall and snow machining in the winter. Vegetation ranges from low bog plants in the wet peat areas (40%) to good gravel soils on the higher ground (60%) with birch and spruce trees. There are no lakes, ponds nor fishable creeks located on the property.

ANALYSIS:      \$500,000 ÷ 2,220 acres = \$225/acre

- (1)      The closing document indicates the property sold for \$450,000 and the seller did not pay a commission. The buyer (Moser) was also the broker, and he in effect used his commission as part of the down payment. Thus, the purchase price was effectively \$500,000 with \$100,000 down.

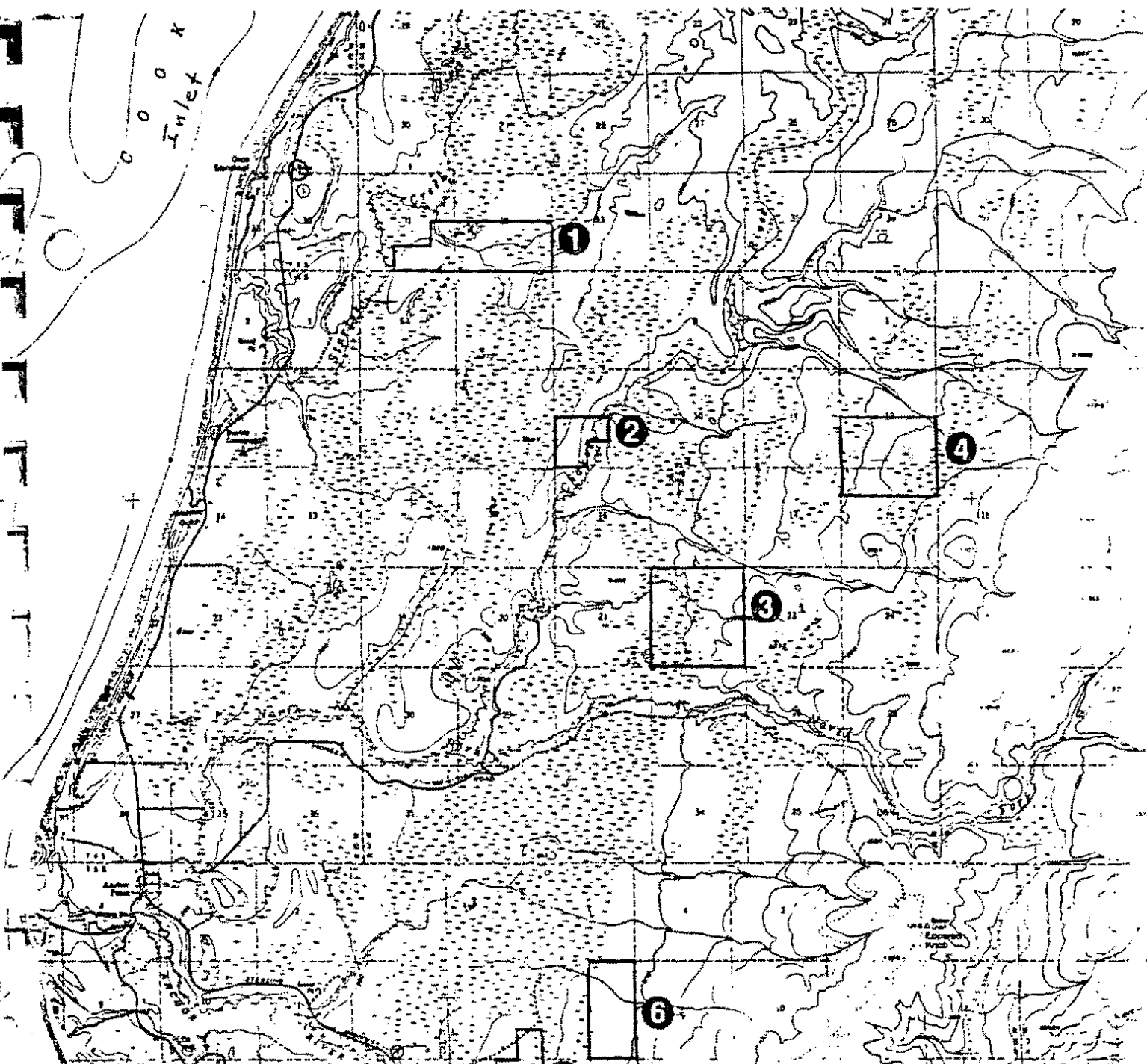
Note:

There was a March, 1990 Liquidation Sale from First National Bank of Anchorage to Security National Trust for \$250,000.

Comp. # LT-1, Vacant Land - Anchor Point, #KL93-18 continued

LEGAL DESCRIPTION:

1. Tr 1-46 Stariski Creek Acres #2 (460 acres)  
Section 31 & 32, T3S R14W, S.M.
2. Tr 1-8 & 11-14 Chakok Acres (120 acres)  
Section 9, T4S, R14W, S.M.
3. Tr 1-64 Terrace View (640 acres), Sec. 22, T4S, R14W, S.M.
4. Tr 1-48 High Line Acres (480 acres), Sections 12, 13,  
T4S, R14W, S.M.
5. Tr 1-20 Inlet View (200 acres, Sec. 7 & 18, T5S, R14W, S.M.
6. Tr 1-32 Salmon Heights (320 acres), Sec. 8, T5S, R14W, S.M.



Revised and published by the Geological Survey  
 under USGS

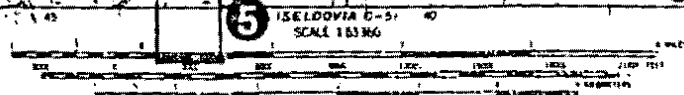
Topographic maps from British Columbia  
 the 1951, and annotated 1961. These maps have checked  
 against data compiled from USGS charts  
 and from 1959 and 1964. USGS charts  
 are not intended for navigation purposes.

Vertical datum: International 1927 North American datum  
 All horizontal distances on this map are in feet. All  
 vertical distances are in feet.

Horizontal datum: International 1927 North American datum  
 All horizontal distances on this map are in feet. All  
 vertical distances are in feet.

Vertical datum: International 1927 North American datum  
 All horizontal distances on this map are in feet. All  
 vertical distances are in feet.

APPROXIMATE MEAN  
 DECLINATION 1960



CONTOUR INTERVAL 100 FEET  
 DATUM IS MEAN SEA LEVEL  
 DEPTH SOUNDINGS IN FEET - SOUNDINGS IN METERS (1 METRE = 3.28 FEET)  
 SHOWN ARE SOUNDINGS IN FEET AND METERS. CASE OF SOUNDINGS IN METERS  
 THE MEAN DEPTH OF THE SOUNDINGS IS 100 FEET

FOR SALE BY U.S. GEOLOGICAL SURVEY  
 FAIRBANKS, ALASKA 99701, DENVER, COLORADO 80225, OR WASHINGTON, D.C. 20542  
 A FOLDER DESCRIBING TOPOGRAPHIC MAPS AND SYMBOLS IS AVAILABLE ON REQUEST



Comparable LT-1  
 also LT-4



VACANT LAND

COMPARABLE NO. 7

LOCATION: Approx. 7 miles north of Lutak Highway on Cox Homestead trail/road about 1 mile north of Chilkoot Lake, Haines

LEGAL DESCRIPTION: USS 7314, Haines, AK

RECORDING INSTRUMENT: NA BOOK: PAGE:

GRANTOR: Erma Reeves

GRANTEE: Chris & Dan Turner; Heathe & Claire Eversmeyer; Robert & Karen Day

SALES DATE: EM 7/1/90; Scheduled to close with probate of estate 12/15/90

PRICE: \$80,000 (\$5,000 allocated to bldg, \$75,000 to land)

TERMS: \$18,000 down, 10%, 10 year on balance

PROPERTY DESCRIPTION:

UTILITIES: None public; They must be developed on site

SIZE: 160 acres FRONTAGE: NE corner touches river

ACCESS: Over dirt logging road without easement

TOPO/VEG/SOIL: Slopes, has been logged, located in Bald Eagle Preserve

PRESENT USE: 30' x 40' cabin with loft built in 1970. Significant rot at time of purchase, Buyer assign maximum value of \$5,000.

INTENDED USE: Future development as possible lodge

CONFIRMED WITH: Dan Turner DATE: 7/31/90 BY: C. Horan

ANALYSIS: \$75,000 land; \$468.75 Acre





MTP

AA 0170 Encl. From RCA ES C/L Mincum  
Re: SI AM 1/4 (SI Dist. 941-944)

PLQ BUREAU VISITORS WILL RETURN TO F.I.B. PUBLIC  
[REDACTED]

Alaska National Interest Lands  
Conservation Act withdrawals have  
been plotted to the land status  
records using the USGS Quadrangle  
maps of 1:250,000 scale. Discrepancies  
may occur due to the actual  
boundaries and those which are  
plotted in the records. As  
appropriate scale maps become  
available, those discrepancies will  
be corrected.

~~UNCLASSIFIED~~  
~~THIS MAIL IS THE PROPERTY OF THE U.S. AIR FORCE AND IS TO BE RETURNED TO THE OFFICE OF THE AIR FORCE ATTORNEY GENERAL, 1111 K STREET, N.W., WASHINGTON, D.C. 20540, IF IT IS NOT DELIVERED TO THE ADDRESSEE. IT IS NOT TO BE REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM. IT IS THE PROPERTY OF THE U.S. AIR FORCE AND IS TO BE RETURNED TO THE OFFICE OF THE AIR FORCE ATTORNEY GENERAL, 1111 K STREET, N.W., WASHINGTON, D.C. 20540, IF IT IS NOT DELIVERED TO THE ADDRESSEE. IT IS NOT TO BE REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM.~~

\* CURRENT TO

APR 11 1961

## VACANT LAND

COMPARABLE NO. 8

ADDRESS: Edna Bay on Kosciuko Island, West of Prince of Wales Island, 60 miles west of Wrangell, Alaska  
LEGAL DESCRIPTION: Within Section 28, 29 and 33, T68S, R 76E, CRM, Ketchikan Recording District, First Judicial District, State of Alaska  
RECORDING INSTRUMENT: WD BOOK: 169 PAGE: 650-657  
GRANTOR: Alcoa Aluminum  
GRANTEE: William (Skip) Ritcher, WAP 7917, Flying Tiger Rats Mountain or Craig Marine Operator  
SALES DATE: 07/21/89 PRICE: \$400,000  
TERMS: Cash to seller; buyers financing unknown.

PROPERTY DESCRIPTION: Varied most 20% +/- slope, approx. 25% high ridge with 50% + slope vegetation hemlock and spruce. According to the buyer, there was about 130 acres of harvestable land, about 360 acres of land that was logged in 1966, about a 20 acre lake. The timber mix is about 22% spruce, 77% hemlock, 1% cedar. No public on site utilities.

FRONTAGE/VIEW: 3,520' Edna Bay  
ACCESS: Boat and float plane, island logging roads estimated at 4 to 8 miles through the site.

PRESENT USE: Old abandoned limestone quarry, overgrown, some squatter cabins may be on site. Land had been listed in 1986 for \$550,000. Price dropped to \$450,000 in March of 1987.

INTENDED USE: The purchaser intended to log the timber lands had unspecific future development plans for the remainder. He supposes that it could be used for home sites. It was important to the purchaser that there was waterfront for deep water access with possible shipping potential. Other potential uses include reinvestigating the limestone quarry potential as the sites were originally patent. The site was also important because it represented a large contiguous ownership in an area where these types of large pieces are extremely rare.

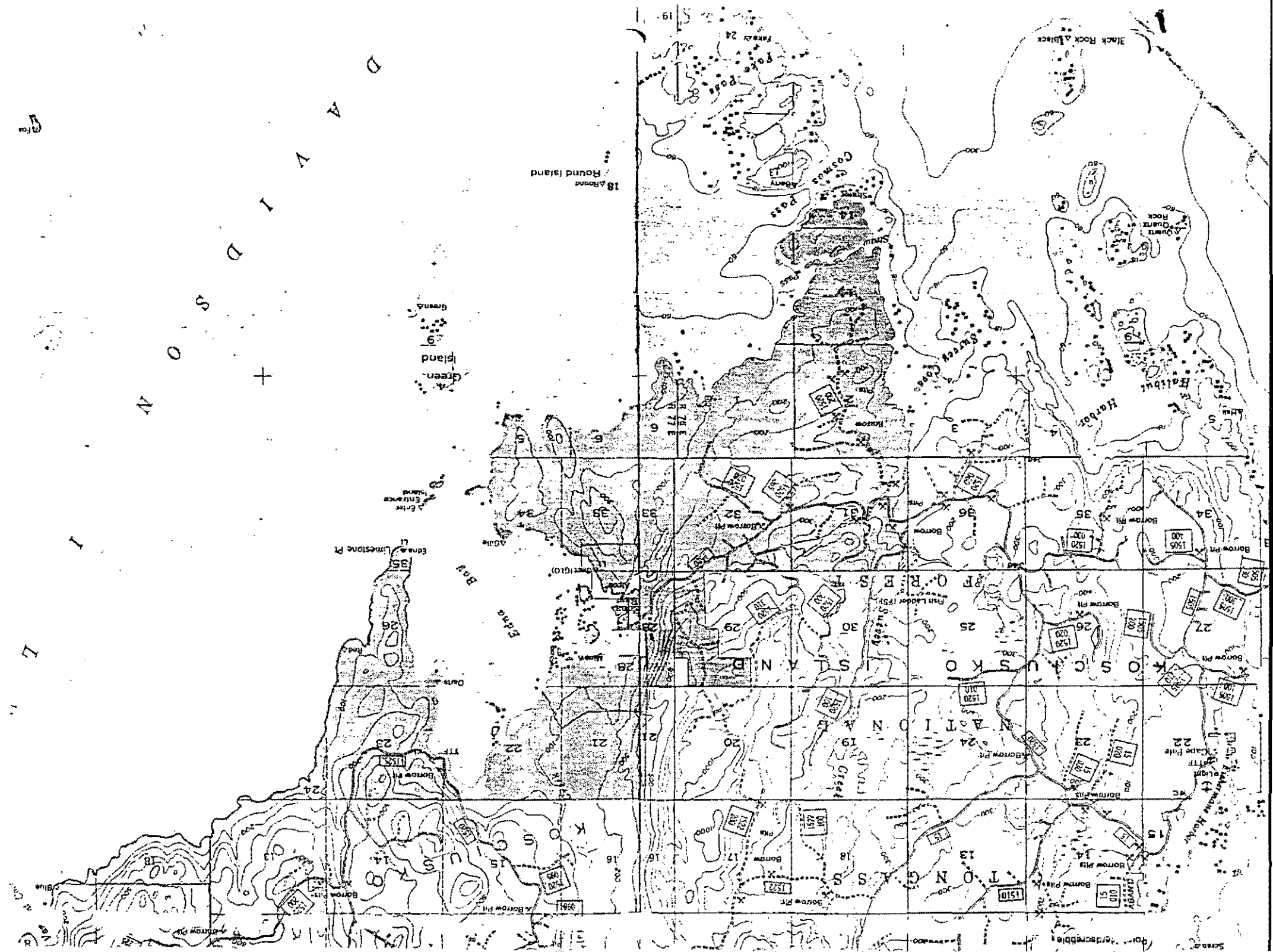
### BUYER MOTIVATION

The buyer felt there was about 2 MMBF of merchantable timber. After logging about 800 MBF he felt there was only about 200,000 left to log. The project ran in to cost overruns and the expectations of a return on logging was not achieved. Originally, he had estimated that the logging should have netted the value of the land with no increment of value cutover land, sub-surface or mineral value.

### CONFIRMED

PRICE AT \$450,000: Capital Realty, Bev Davis DATE: 9/5/91 BY: C. Horan INVESTORS  
MOTIVE: Skip Ritcher DATE: 9/7/91 BY: C. Horan  
PRICE AT \$400,000: Broker & Buyer via Marty McDowell of DOT  
DATE: 11/3/92 BY: C. Horan  
PRICE: Linda at Capital Investments DATE: 5/19/92 BY: KLFW

ANALYSIS: \$400,000 + 512 Acres = \$781.25/Acre



Comparable Photographs  
Comparable MV2-066

Sale No. 8



Comparable Photographs  
Comparable MV2-066



## LARGE LAND SALE

COMPARABLE NO. 9

LOCATION: Wadleigh Island; approximately 1.5 miles west of Klawock, Alaska

LEGAL DESCRIPTION: This site is an assemblage of 33 patented mining claims within T72S, R80E, CRM, Sections 33 and 34; and T73S, R80E, CRM, Sections 5, 6, 7 and 8, totaling 623.427 acres, and more particularly described in Book of Deeds 171, Pages 261, Ketchikan Recording District, First Judicial Districts, State of Alaska.

RECORDING INSTRUMENT: Mining Deed BOOK: 171 PAGE: 257-262

GRANTOR: USX Corporation of Delaware GRANTEE: Robert Reed & Mike Blair dba B & M Logging of Estacada, Oregon

SALES DATE: July 18, 1989 PRICE: \$1,000,000

TERMS: Unspecified down payment, a minimum \$50,000 deposit was paid. Balance paid out of logging royalty within 2.3 years. In our understanding of the transaction, the terms approximate cash.

PROPERTY DESCRIPTION: The site consist of contiguous mining claims which comprise a large portion of Wadleigh Island, consisting of 623.427 acres. There is an estimated 7,000' of salt water frontage. The topography is moderate to undulating with elevations generally below 500' down to water level. There are several drainages and draws on the site. The site has thin organic soil, typical for the region, and supports a heavy growth of timber. The site is remote and has no utilities. The site is not within a municipal boundary and their are no zoning designations or tax assessments on the property. Merchantable timber quantity estimates ranged from 10.7 MMBF to 22 MMBF. Estimated 75% hemlock, 24% spruce and 1% cedar. The sale held out 2% gross revenue FOB site from limestone quarrying.

PRESENT USE: This site was originally patented as mining claims. It was reported while in USX's ownership, assaying had been done to identify its limestone quarrying potential.

INTENDED USE: Purchasers were motivated by its timber potential and had at least two offers to sell stumpage when the sale took place. The stumpage was sold for \$1,000,000 to Murphy Timber on September 29, 1989, Book 171, Page 266. Buyers felt there was about 12 to 15 MMBF of exportable timber on the site at time of sale.

NEGOTIATIONS AND SALES MOTIVATION: The buyers had been negotiating with an option holder for a price of about \$800,000. The option holder lost his position and the land went to bid. The buyers bid \$1,000,000 and put in a 2% limestone royalty since they felt the sellers had a higher regard for its mining potential. The buyers were motivated, primarily, by timber and the buyer felt that there offer price could be recouped through stumpage sales alone. No portion of the price was allocated as an increment for sub-surface mineral or cut over land values. There was, of course, some thought to the residual values in so far as they were not willing to give them away with the timber sale.

CONFIRMED WITH: Michael Blair DATE: 11/13/92 BY: C. Horan

ANALYSIS:  $\$1,000,000 + 623,427 \text{ Acres} = \$1,604/\text{Acre}$  *6.267*  
 $\$1,000,000 + 12 \text{ to } 15 \text{ MMBF} = \$83.30 \text{ to } \$71.42/\text{MMBF}$

WADLEIGH

CLAIM

GROUP

UNITED STATES STEEL CORPORATION

PLACER CLAIMS (Wadleigh) PATENTED

SCALE IN FEET



INDEX MAP

SCALE - MILES



ALASKA

Hutchinson Island

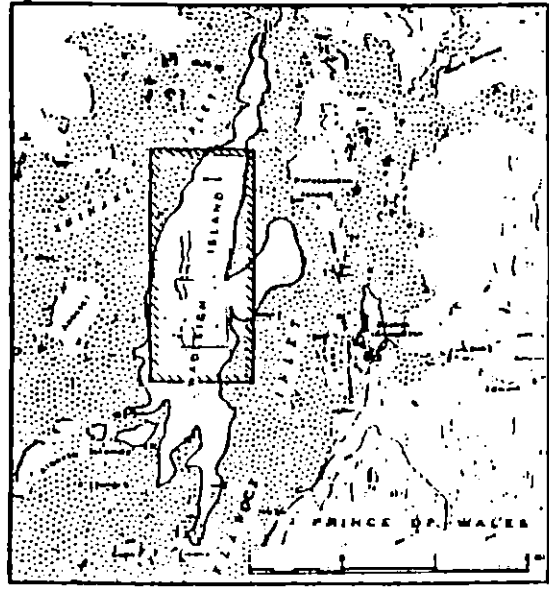
ANCHORAGE

Kodiak Island

SEASIDE

WAINES

SEICHMAN



PRINCE OF WALES



UNITED STATES STEEL CORPORATION  
RAW MATERIALS SERVICES DIVISION  
RAW MATERIALS EXPLORATION

PROPERTY MAP  
WADLEIGH LIMESTONE  
ALASKA

IRON TON - UTAH

BOOK 171 PAGE 267

BOOK 171 PAGE 266

BOOK 171 PAGE 268

[illegible]

894455  
19-  
RECORDED - 100



Sale No. 9

Comparable Photograph  
Comp LRG-008



Comparable Sale Number 10 .

PROPERTY TYPE: REMOTE

LOCATION: Narrow Straits on Raspberry Island AREA: North End

LEGAL DESCRIPTION: T25S, R22W, Southerly Portions of Section 17 & 18

GRANTOR: BIA for Mullan M. & E. GRANTEE: Aleneva Joint Venture

SALES PRICE: \$1,194,375 AGREEMENT DATE: 5/1/89

CASH EQUIVALENT: \$1,044,937 TERMS: Owner

LOT SIZE: 272.73 MEA: Acre ZONING: CON USE AT SALE: Fish Site

PLANNED USE: New Village ACCESS: Float Plane, Boat

UTILITIES: None EASEMENTS/RESTRICTIONS: Typical

SALE CONFIRMED WITH: BIA/USFW BY/DATE: PC-1/90

INSTRUMENT: QCD DEED BOOK: 92 PAGE: 766 DATE: 11/27/89

PROPERTY DESCRIPTION: This is two native allotments, and although there is no beach and boat access and anchorage is poor, the parcel offers very good topography and is nicely wooded with large stands of spruce. The sale included improvements valued at \$30,000.  
UNIT VALUE: 3,831.40

OCEAN FRONTAGE: 10,067 FRONTAGE/SIZE FACTOR: 37 \$PER F/F: 104

>

COMPARA ACREAGE LAND SALE NO. 10

LOCATION: Southwest side of Afognak Island facing Raspberry Straits, Alaska

LEGAL DESCRIPTION: Tract B, Sheet No. 2 of 2 sheets, Plat 89-8-RS, Sections 17 and 20,  
Township 25 South. Range 22 West. Seward Meridian. Kodiak Recording

GRANTOR: Enola Mullan

GRANTEE: Aleneva Joint Ventures

RECORD NUMBER: 7

DATE OF SALE: 11-89

RECORDING DATE: 11-89

INSTRUMENT: MOA

BOOK/PAGE: 977/66

SALES PRICE: \$585,000

TOTAL ASSESSMENTS: None known

TERMS: \$100,000 down, 7% interest, \$99,252.22 per year till paid in full.

CE/ADJ. PRICE: \$165,839

AREA (ACRE): 146.89

PRICE/ACRE: \$1,129

PRESENT USE: Vacant

ANTICIPATED USE: Religious community

SOILS: Good

FLOOD ZONE: No

WATERFRONT: Ocean

ELECTRIC/PHONE: No

TOPOGRAPHY: Gently rolling

PUBLIC SEWER: No

ROAD IMPROVEMENTS: N/A

PUBLIC WATER: No

ROAD ACCESS: None

NATURAL GAS: No

SITE SHAPE: Irregular

EASEMENTS: Normal

ROAD GRADE: N/A

ZONING: Conservation/5 acre

CONFIRMED Dick Larson, Bureau of Indian Affairs

BY/DATE: TRD/1-15-90

WITH: Rose Brady, Bureau of Indian Affairs

Sharon Sullivan, Real Estate Agent,

Associates, Inc.

PROPERTY DESCRIPTION:

This land was purchased in tandem with Comparable No. 35 by the same grantee and from related grantors. The site is irregularly shaped, has approximately one-half mile of waterfront and has marketable timber. According to the timber appraisal comparable data sheet, the timber's estimated market value was \$400,826. This leaves a net value to the land of \$1,254 as forested. If the low interest rate is discounted for a cash equivalent yield of 11%, the adjusted price is a proportional cash equivalent allocation for untimbered land of  $(\$1,254 \times .90)$  \$1,129 per acre. Access is by boat or float plane. The property is in a fairly well protected area fronting Raspberry Strait Narrows. It is well drained with rolling hillside and in close proximity to good fishing. The property was purchased by a Russian religious group formerly known as the Old Believers for the establishment of a new community.

COMPARABLE ACREAGE LAND SALE , 10

LOCATION: Southwest side of Afognak Island facing Raspberry Straits, Alaska

LEGAL DESCRIPTION: Tract B, Sheet No. 2 of 2 sheets, Plat 89-8-RS, Sections 17 and 20, Township 25 South. Range 22 West. Seward Meridian. Kodiak Recording

GRANTOR: Mike Mullan

GRANTEE: Aleneva Joint Ventures

RECORD NUMBER: 10

DATE OF SALE: 11-89

RECORDING DATE: 11-89

INSTRUMENT: MOA

BOOK/PAGE: 977/66

SALES PRICE: \$609,375

TOTAL ASSESSMENTS: None

TERMS: \$100,000 down, 7% interest, \$99,252.22 per year till paid in full.

CE/ADJ. PRICE: \$233,075

AREA (ACRE): 126.74

PRICE/ACRE: \$1,839

PRESENT USE: Vacant

ANTICIPATED USE: Religious community

SOILS: Good

FLOOD ZONE: No

WATERFRONT: Ocean

ELECTRIC/PHONE: No

TOPOGRAPHY: Gently rolling

PUBLIC SEWER: No

ROAD IMPROVEMENTS: N/A

PUBLIC WATER: No

ROAD ACCESS: None

NATURAL GAS: No

SITE SHAPE: Irregular

EASEMENTS: None

ROAD GRADE: N/A

ZONING: Conservation/5 acre

CONFIRMED WITH: Dick Larson, Bureau of Indian Affairs  
Rose Brady, Bureau of Indian Affairs  
Sharon Sullivan, Real Estate Agent,  
Associates, Inc.

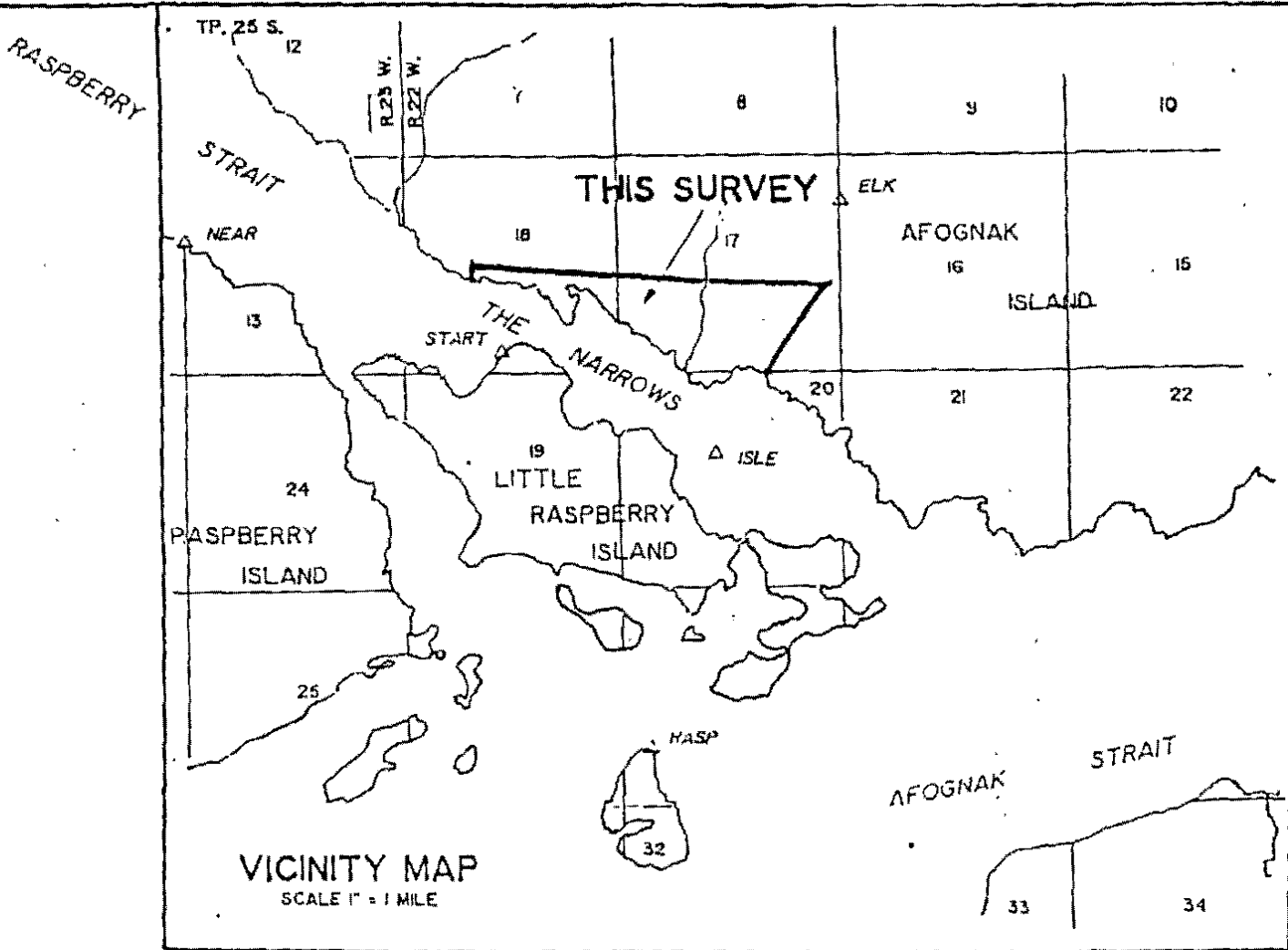
BY/DATE: TRD/1-15-90

**PROPERTY DESCRIPTION:**

This is the property that purchased in tandem with Comparable No. 34 with related grantors to the same grantee. It is immediately adjacent to Comparable No. 34 and has approximately a mile of waterfront. It is irregular in shape and has no utilities or road access. The BIA timber appraisal comparable data sheet indicates that of the 126.74 acres about 86 acres has marketable timber with an appraised value of \$316,489. This leaves a net price to the land of \$2,043 per acre excluding \$34,000 to cabin and outbuilding as stated in a BIA appraisal. If the low 7% interest rate is discounted for a cash equivalent yield of 11%, the adjusted price is (\$448,152 + \$100,000) \$548,152. Subtracting out cash equivalent (\$34,000 x .90) \$30,600 for the cabin indicates a price of \$517,552 or \$4,084 per acre. Allocation to land without timber is (.90 x \$2,043) \$1,839. This property is accessed only by boat or float plane and is located in a relatively protected area

*Affiliated Appraisers of Alaska*

Comparable Sale No. 10



## LARGE LAND SALE

COMPARABLE NO. 11

LOCATION: This sale consists of four parcels, two are located at the northeast end of Thome Arm on Revillagigado Island near Ketchikan and two are located on the north end of Prince of Wales Island at Red Bay & California Bay.

LEGAL DESCRIPTION:	Parcel 1	USMS 1598 (Waterfront)	40.7± acres
	Parcel 2	USMS 423	20.0 acres
	Parcel 3	USMS 1040	40.0 acres
	Parcel 4	USMS 1042 (Waterfront)	37.9 acres

These parcels are legally describe in Book of Deeds 163, Page 214 at Ketchikan.

RECORDING INSTRUMENT: QCD BOOK: 163 PAGE: 213

Valuable mineral deposits are excluded from Parcels 3 and 4 which were discovered or known prior to the patent dates.

GRANTOR: David & Kay Syre  
Bellingham, WA

GRANTEE: Ketchikan Pulp Co.  
Ketchikan, Alaska

SALES DATE: 1/6/89

PRICE: \$650,000

TERMS: Cash

PROPERTY DESCRIPTION: These four parcels contained a total of 138.627 acres. Parcel 1 has about 600' of frontage. It is very close to Parcel 2, lying in a hillside creek drainage. These sites are located in the Misty Fjords National Monument and are timbered. Parcel 3 consists of two adjacent mining claims, forming two offset rectangles. They are on a knoll above Red Bay and sloping downward to within 1,200' of the bay. They are heavily forested with hemlock and spruce. The site is well drained and has thin layer of overburden on marble bedrock. The immediate adjacent lands are USFS and have been clearcut. There is a logging road which ends near the subject. Parcel 4 is 13 miles east of Pt. Baker, 35 miles NW of Wrangell, 118 miles NW Ketchikan. The site has about 400' of frontage on Sumner Strait, is heavily forested, gentle sloping and well drained. The beach may be exposed to strong easterly winds during the winter months. Logging roads are in the area but not extended to the site.

PRESENT USE: Patented mining claims, undeveloped in recent times.

INTENDED USE: Purchased for timber value with no significant residual value assigned to the cutover land or mineral potential. Price paid was for timber only.

### CONFIRMATION

#### BUYER MOTIVATION &

INTENDED USE: Ralph Lewis of Ketchikan Pulp

DATE: 11/12/92

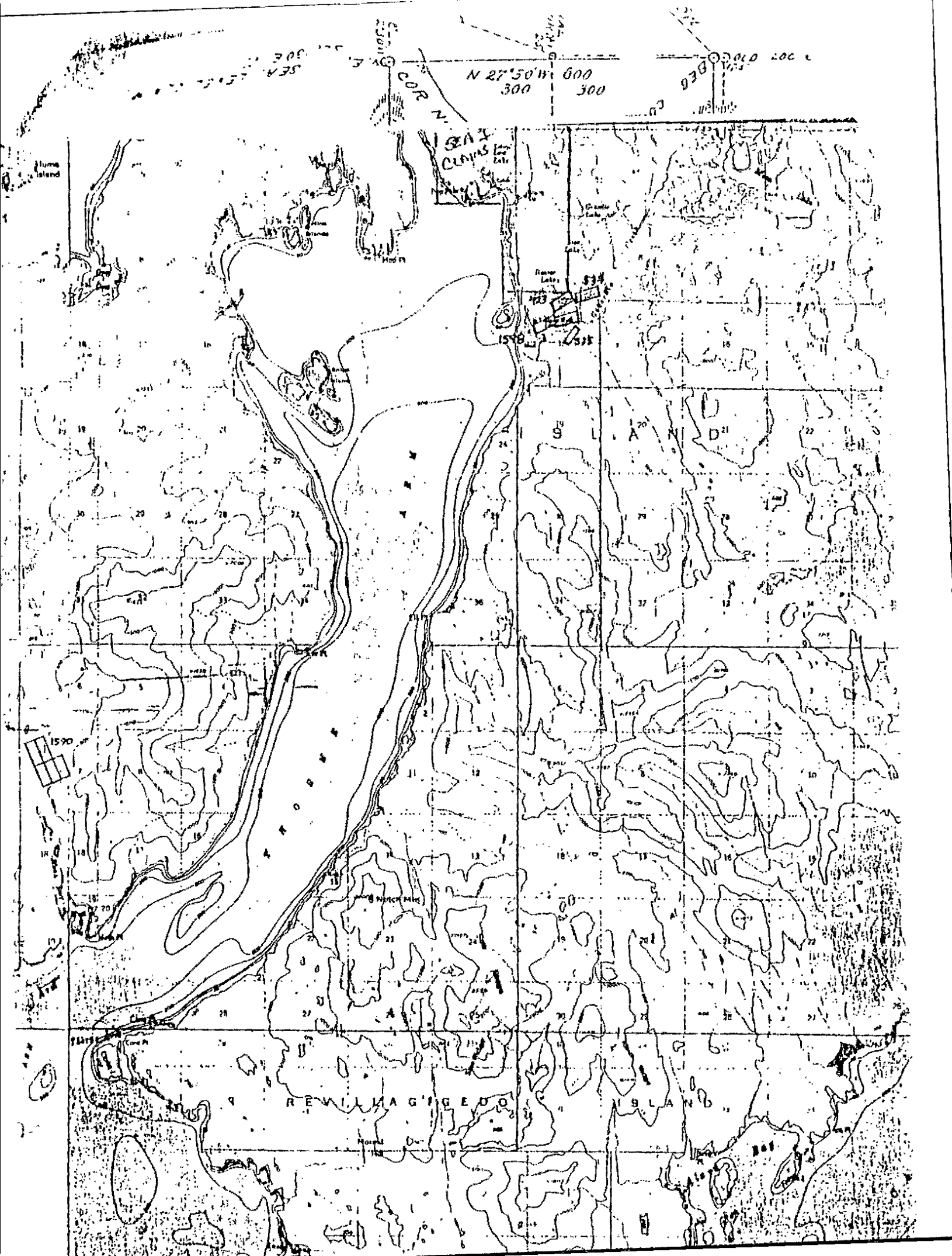
BY: C. Horan

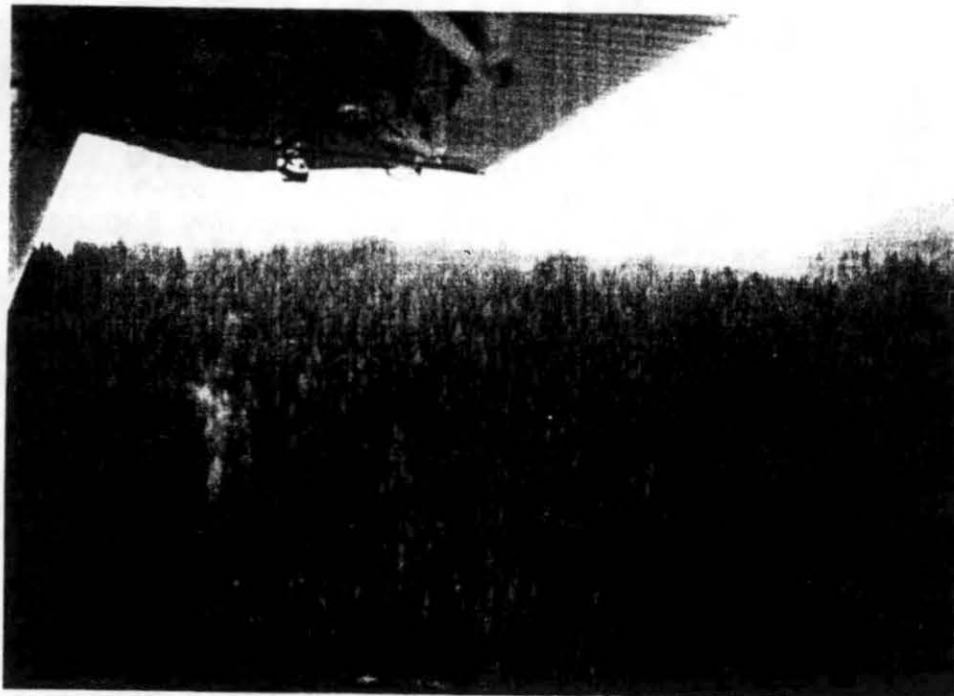
PRICE: Ralph Lewis, Ketchikan Pulp

DATE: 11/16/92

BY: C. Horan

Appraiser Wold allocated land value after logging at between \$200 and \$1,000 per acre. Lewis felt waterfront lands would have more demand as cutover land than non-waterfront parcels. Also, the Misty Fjords property was felt to have a higher demand. Lewis allocated land at nominal book value of \$100/acre, but the sale was not motivated by the value of timber.







~~COMPARABLE~~  
12 ~~comparable to the~~  
~~13~~ ~~Air Force Sales~~  
COMPARABLE LAND SALE NO. 13

LOCATION: Goat Island, one mile west of Hydaburg, Alaska

LEGAL DESCRIPTION: Goat island and South Pass Islands within Township 77 South, Range 83 East, Copper River Meridian Sec 2,3,4,5,8,9,10,16,17,20,21,22

GRANTOR: Haida Corporation

INSTRUMENT: WD

GRANTEE: USA

SALES PRICE: \$9,000,000

DATE OF SALE: 5-88

TERMS: Cash

AREA: Goat Island 4,146.25 Ac.  
41 other Isl. 593.00 Ac.  
Hydaburg 10.00 Ac.  
Total 4,749.25 Ac.

ZONING: None

PRESENT USE: Vacant

ANTICIPATED USE:  
Public Interest

ACCESS: Boat or float plane

ASSESSMENTS: None  
Known

UTILITIES: None

EASEMENTS/  
RESTRICTIONS: Normal

CONFIRMED WITH: Charles Horan, MAI

BY/DATE: Paul Dirkson

PROPERTY DESCRIPTION: Goat Island and the surrounding South Pass Islands (41 islands ranging from 1/4 to 173 acres) is a unique recreational area of pristine wilderness containing its own ecosystem. It contains many protected coves and over 37 miles of coastline ranging from rugged rocky coastline to sandy beaches. It contains estuary and habitat areas for many species of birds and animals. The islands are ringed with eagle nests and there are several streams, including one salmon stream headed by a lake. Recreational opportunities include boating, kayaking, picnicking, camping, clam digging, fishing, berry picking, deer hunting, wildlife viewing etc. The property is heavily wooded with "old growth" timber with a value estimated by the grantor \$13 million, less about \$4 million for setbacks, buffer strips, etc., based on a timber cruise made in 1979, updated with 1988 timber values.

The Goat Island sale was one part of a three part transaction between the Haida Corporation and the U.S. Government (U.S. Forest Service). The Goat Island portion of the transaction sales for \$9 million, cash. The second part of the sale involved 667 acres of nonmarine landlocked timberland located on a hillside north of Eek

G. Hayden Green, Ph.D

12

COMPARABLE LAND SALE NO. 13 (Con't)

Inlet about four miles southeast of Hydaburg. This property sold for \$2 million. The third part of the transaction involved a land trade where Haida Corporation traded 4,222 acres of mostly forested uplands for 4,395 acres (consisting of 11 parcels) of considerably more valuable "Haida Traditional Use" timbered waterfront property. This part of the transaction was an attempt to correct an inequity in the original land selections settlement under the Native Claims Act.

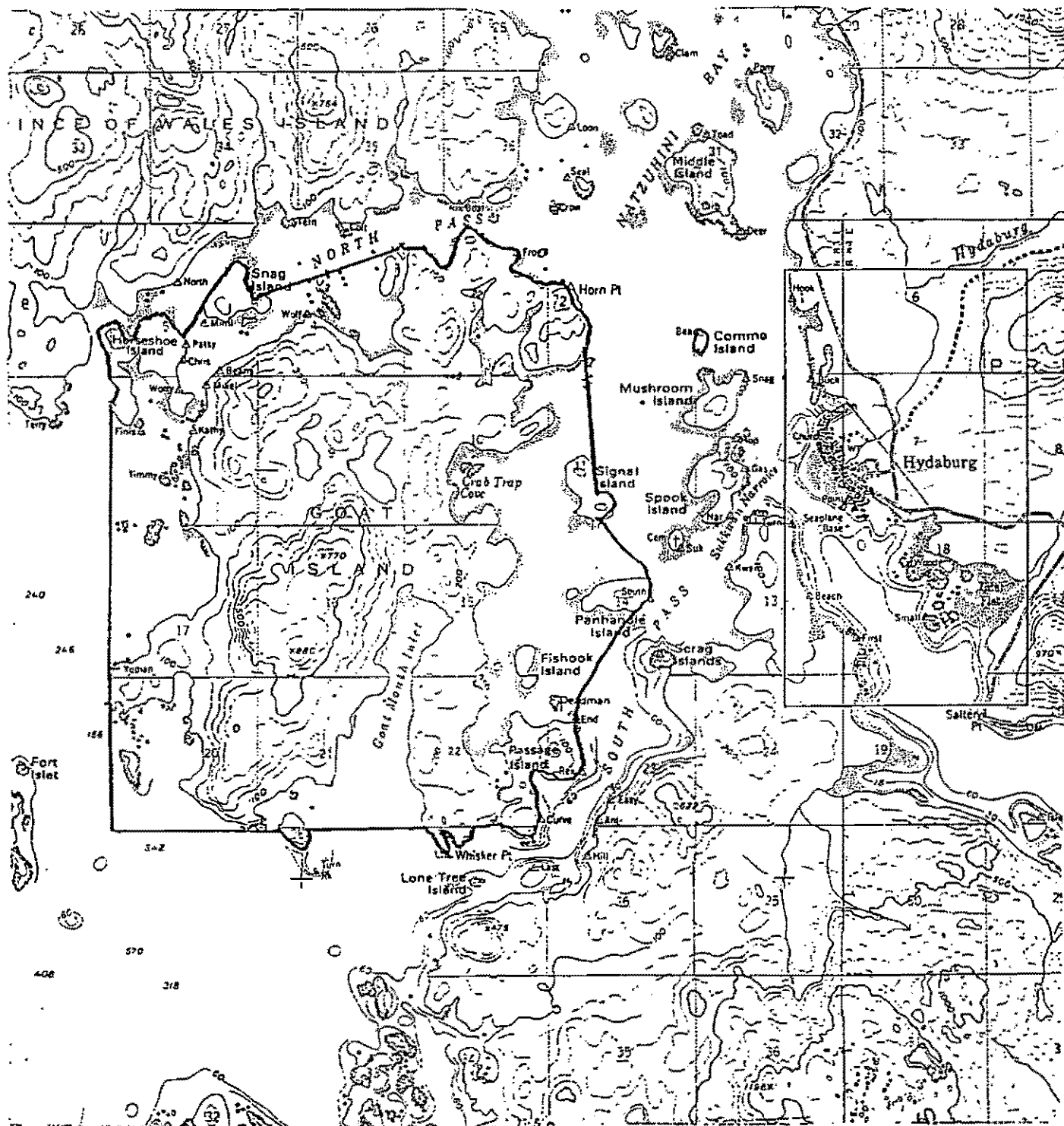
Part 2 and 3 of the transaction were not considered to be armslength market transactions by either parties.

The Goat Island portion of the transaction was considered a sale, negotiated between Haida Corporation and the U.S. Forest Service. Originally Haida Corporation wanted in excess of \$20 million for the property but was turned down. Then they asked Congress (through Don Young) to legislate a sale asking \$18 million. The U.S. Forest Service made an in-house rough evaluation at \$6 million for the property. After much debate and testimony in Congress, including the Chief of the U.S. Forest Service testifying before the House Interior Committee in Washington DC that \$9 million was a fair price to pay for Goat Island, a sales price of \$9 million was finally agreed upon. At the time of sale, Haida Corporation was \$11 million in debt and foreclosure was threatened against the corporation's holdings. Since the Goat Island sale was insufficient to satisfy the debt, part 2 of the transaction was mandated by Congress in order to satisfy the remaining debt obligation. In an interview with John Morris, manager of Haida Corporation, he said the stumpage value of the timber on Goat Island and South Pass Islands totaled about \$13 million. However, this would be considerably reduced by the costs of logging scattered pockets of good timber, the numerous Eagle trees surrounding the islands and regulations. He said that Haida Corporation was satisfied with the price paid in this negotiated sale.

ANALYSIS:  $\$9,000,000 \div 4,749.25 \text{ Acres} = \$1,895/\text{Acre}$



Comparable Sale Number <sup>12</sup><sub>13</sub>



SALE NO. 13

LOCATION: Lower Tazimina Lake, approximately six miles east of Lake Clark and 180 miles southwest of Anchorage, Alaska

LEGAL DESCRIPTION: Sections 18, 19 & 30, T2S, R30W and Sections 23 to 26, 35 and 36, T2S, R31W, Seward Meridian

GRANTOR: Bristol Bay Native Corporation

INSTRUMENT: Conservation Easement

GRANTEE: U.S. Department of the Interior National Park Service

BOOK/PAGE: 17/480 and various others

SALES PRICE: \$858,180 (allocated to subsurface rights)

DATES OF SALE: 12-88/\$3,715,065, 03-90/\$1,467,855 & 07-91/\$901,210

TERMS: Cash

AREA: 9,173 acres (total)

ZONING: None

PRESENT USE: Vacant

ANTICIPATED USE: Recreational

ACCESS: ATU and fly-in

UTILITIES: None

CONFIRMED WITH: Norman Lee, Chief Appraiser, National Park Service  
Jack Moore, Bristol Bay Native Corporation

BY/DATE: TRD/6-23-93

TRD/6-23-93

PROPERTY DESCRIPTION: This is the composite sale of 9,173 acres for \$3,715,065 or \$405 per acre from Kijik Corporation, surface estate owner, and Bristol Bay Native Corporation, subsurface estate owner to the U.S. Department of the Interior National Park Service. The surface owner sold their interest for \$2,856,885 or \$311 per acre. The subsurface owner sold their interest for \$858,180. The interest sold by the surface owner was a conservation easement effectively transferring development rights, non-exclusive rights of access and right for general public to use for recreation, with various traditional rights for subsistence use retained by the grantors. According to Norman Lee, Chief Appraiser for the National Park Service, not all of the surface estate was transferred, such as oil and gas rights. However, he felt effectively none of the rights were purchased. This area is accessed by fly-in or all-terrain vehicle and is mostly well drained alluvial plain along the Tazimina Lake. Topography is a gradual to moderate steep slope up from Tazimina Lake, with an elevation of about 655 feet to

SALE NO. 13 (Continued)

about 1,800 feet elevation in Section 30, mostly between 700 and 1,000 foot elevation. Ground cover tends to be spruce, birch and brush. This property has approximately eight to nine miles of frontage along the shores of Tazimina Lake.

SUBSURFACE RIGHTS ANALYSIS:  $\$858,180 \div 9,173 \text{ Acres} = \$94/\text{Acre}$

INFO Reconfirmation: Norman Lee, U.S. Park Service

Sale date was March, 1987. Payment was made in three installments, dependent on congressional appropriation of funds. Recalculation of a cash equivalent price is necessary. Surface owner receives 76.9% of the price.

<u>Date</u>	<u>Payment</u>	<u>76.9%</u>	<u>Present Value <sup>6</sup> 3/87 *</u>
10/88	\$1,346,000	\$1,035,074	\$911,586
3/90	\$1,467,855	\$1,128,780	\$868,519
7/91	<u>\$901,210</u>	<u>\$693,030</u>	<u>\$473,349</u>
Total	\$3,715,065	\$2,856,884	\$2,253,454

$\$2,253,454 \div 9173 \text{ acres} = \$245.66 \text{ per acre}$

\* The discount rate for present value calculations was 10%. This is the high end of the range of Prime Rate, yield on 5-year Treasury bonds and yield on Baa corporate bonds during 1987-1989. The high end was used to reflect the higher risk of this seller financing. *Agreement signed 6/87*

L 2

COMPARABLE LAND SALE NO. 14

LOCATION: Generally a high land surrounding the islands in the cliff areas in a bank surrounding a portion of St. George and St. Paul Islands, Alaska.

LEGAL DESCRIPTION: Very long involved legal description of coastal lands surrounding St. George and St. Paul Islands, Alaska.

GRANTOR: St. George Tanaq Corp.  
& St. Paul Tanadgusix Corp.

INSTRUMENT: WD

GRANTEE: U.S. Department of the Interior

BOOK/PAGE: 23/665

SALES PRICE: \$7,200,000

DATE OF SALE: 11-2-84

TERMS: Cash

AREA: 8,000 Acres

ZONING: None

PRESENT USE: Vacant

ANTICIPATED USE:  
Public

ACCESS: Road/water

ASSESSMENTS: None  
Known

UTILITIES: Electric/telephone

EASEMENTS/  
RESTRICTIONS: Normal

CONFIRMED WITH: Affiliated Appraisers  
of Alaska

BY/DATE: Paul Dirkson.  
5-92

PROPERTY DESCRIPTION: This is the sale of various parcels of land in the St. George and St. Paul area that generally encompasses strips of land 150 to 200 feet inland from cliff coastal areas. The purchase was by the United States Department of the Interior with the intent of preserving these areas for bird and seal sanctuaries. Negotiations on this sale began in 1982 with the final date of sale on November 2, 1984. This sale has additional complications. In the early portion of the transaction in 1982 a one acre lease for \$1 million, nonrenewable for 99 years, was included. This lease was supposed to be for future use of a Fish and Wildlife administration building. However, this was done strictly for internal purposes and was irrelevant in that the actual transaction just encompassed 8,000 acres for \$7,200,000. This did not involve power to condemn. This sale had elements of both market and possibly non-market factors. For example, both corporations needed to sell this land in order to obtain the \$7,200,000 which they strongly needed at the time of transaction. In addition, they were more or less indirectly involved in the negotiations in that most of the negotiations took place between the native lawyers and officials of the U.S. Department of the

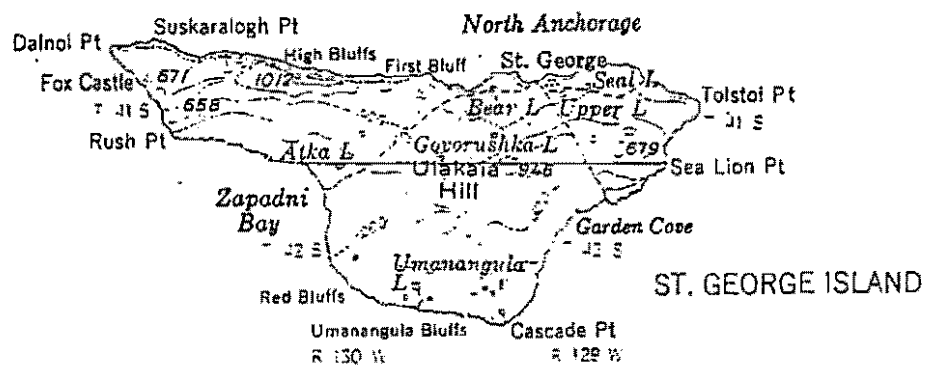
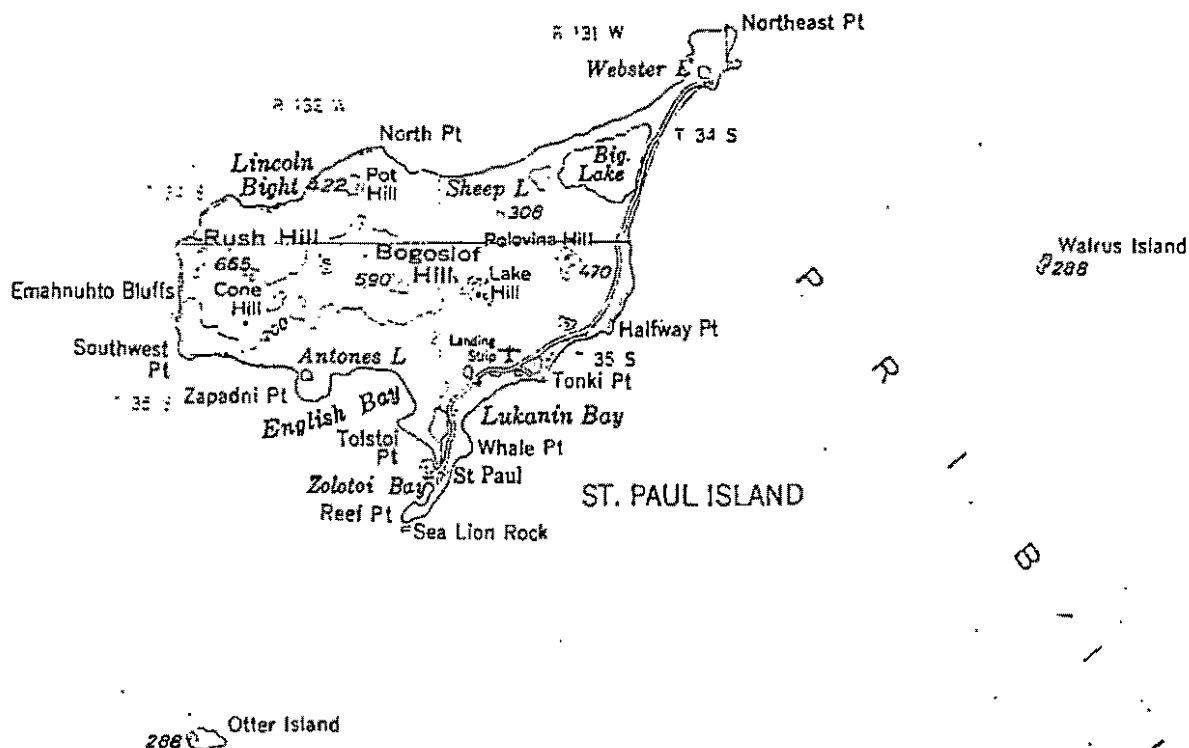
*G. Hayden Green, Ph.D*

COMPARABLE LAND SALE NO. 14 (Cont'd)

Interior. However, it appears they did have the option of refusing the offer, even though they had a prior signed agreement mandating this sale at a later to be determined price.

ANALYSIS:  $\$7,200,000 \div 8,000 \text{ acres} = \$900/\text{Acre}$

# Comparable Land Sale Number 14





Addendum IV  
Qualifications of Appraisers

INTERNATIONAL FORESTRY CONSULTANTS, INC.  
1020 - 108th Avenue N.E. #101  
Bellevue, Washington 98004  
(206) 455-8353

WILLIAM B. WALLACE, ACF, RPF, VICE PRESIDENT

Project Experience

Western U.S.A., Southern U.S.A., Canada. Valid Passport.

Specialization

Appraisal of timber and timberland; business valuation and feasibility analysis; forest management and planning; land use planning; timber supply analysis; forest tax compliance and planning; timber marketing and purchases; sale and acquisition of forest properties; development of forest recreation and residential properties; timber sale administration; logging operations; forest practices compliance; industry affairs and lobbying; coordination of expert testimony.

Significant Projects

- \* Appraised significant tracts of timber and timberland for Washington DNR and Washington Natural Heritage program.
- \* Analyzed application of I.R.S. timber accounting regulations to a large timberland transaction in California.
- \* Appraised more than 1,200 acres of timber and timberland for Clackamas County, Oregon.
- \* Appraised land and timber of Native Alaska Village Corporations.
- \* Appraised forestland and forest residential lands in the Columbia River Gorge National scenic area.
- \* Helped form real estate subsidiary to market forest lands with higher and better use. Appraised properties and formulated marketing plans.
- \* Maintained market analyses and timber supply studies; monitored competitor activity; developed timber purchase and bidding strategies; appraised and administered timber sales for major timberland owner.
- \* Provided administration and valuations for timber taxation at federal/state levels on more than one million acres in the West and South. Conducted audit negotiations and provided expert support for tax litigation.
- \* Took part in negotiation of four major forest products acquisitions valued at \$30 million to \$285 million.
- \* Developed forest management, roading and development plans for several large timberland blocks in the west and the south.
- \* Conducted research in young growth timber management. Developed small timber harvest methods and equipment.

Employment

INFO, Vice President (1989-Present).

Oregon Department of Revenue, Salem, Oregon, Tax Appeals Hearings Officer, 1989.

Appraisal Group, Inc., Portland, Oregon, Contract Consultant (1987-1988).

Cavenham Forest Industries Inc., Portland, Oregon, Valuation Manager (1986).

Crown Zellerbach Corporation, San Francisco, California; Portland, Oregon; Bogalusa, Louisiana. Valuation Supervisor (1975-1986). Timber Value Analyst (1966-1975). Forester (1955-1966).

Professional Education

Master of Forestry, Forest Economics, University of California (1959).

Bachelor of Science, Forest Management, University of Idaho, Xi Sigma Pi Forestry Honorary (1955).

The Appraisal Institute Courses 1-A (1 and 2), 1-B (A and B), 3, SPP (A).

Continuing education in forest management, computer applications, appraisal practice and real estate practice.

Professional Associations

The Appraisal Institute, MAI Candidate.

Association of Consulting Foresters.

Licenses and Certificates

Registered Professional Forester, California #2063.

Certified Real Estate Appraiser -- General, Washington. #270-11 WA-LL-AW-BZ670B

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THOMAS M. HANSON, ACF, SECRETARY TREASURER

Project Experience

Western U.S.A., Canada, Alaska. Valid Passport.

Specialization

Management of forest tree farms including negotiation of timber sale agreements and supervision of cutting contracts, arranging for silvicultural practices and site preparation. ---Timber and timberland appraisal, log market analysis and valuation of minor species and products. ---Forest inventory design, organization and implementation. --- Aerial photo interpretation, forest type mapping, and processing of inventory data for stand volume, growth and yield studies. --- Reconstruction of forest stands for damage appraisal as evidence in court testimony and trespass suits. ---Appraisal of urban trees.

Significant Projects

- \* Manager of 15,000+ acres of forest land in Western Washington for non-resident owners. (Witzleben Holdings, Toerring, K.G.)
- \* Appraiser for Department of Natural Resources, Lands & Minerals Division and Parks and Recreation Division.
- \* Review Appraiser/Check cruiser for Department of Natural Resources, Land and Water Conservation Division.
- \* Appraised land and timber on several Alaska Native Village Corporation Allotments.
- \* Designed and supervised conversion of pastureland to conifer and hybrid poplar plantations (ARCO).
- \* Cruises and Appraisals: Retained jointly on several exchange projects by State of Washington with City of Everett, Pierce County, Weyerhaeuser Company, Plum Creek Timber, Publishers Paper, Longview Fibre and Champion International.
- \* Check cruiser for U.S.F.S./Forest Industry timberland exchanges.
- \* Urban tree appraisals for damage and trespass assessments
- \* Consultant to Municipality of Metropolitan Seattle for selection, appraisal and management of forest lands. (METRO, Seattle)
- \* Planned and supervised forest inventory and appraisal of 180,000 acres of private timberlands and prepared data as a basis for determining values for arbitration hearings (Pack River Company)

Employment

INFO, Forester (1971-1978). Principal and Secretary-Treasurer, (1978-Present).

U.S. Corps of Engineers, Forestry Division, Ft. Lewis, Washington, (1971-1972).

Darrington Tree Seed Company, Seattle, Washington, (1970-1971).

U.S.F.S. Summer Employment while attending university (1966-1971)

Professional Education

Bachelor of Science, Forest Management, University of Washington, (1971).

Continuing Education: State Appraiser Certification Courses, Micro Computer Capabilities, Herbicide Applications, Federal Forest Taxation and Estate Planning; Washington State Real Estate Broker preparatory classes, Forest Taxation Workshop. Courses of the Practicing Foresters Institute.

Certificates of Continuing Forestry Education from the Society of American Foresters, (1983 and 1986).

Professional Associations

Association of Consulting Foresters (Past Regional Chairman).

Society of American Foresters.

Licenses and Certificates

Licensed Real Estate Broker, Washington

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
ENVIRONMENTAL HAZARD ASSESSMENT FORM

Please complete all sections of this form. If you are unable to provide answers, respond unknown or "not applicable". Attach maps or sketches of the subject properties showing bodies of water, swamps, wetlands, water wells, improvements, structures, man-made features, and any areas of environmental sensitivity or concern.

I. Site History and Operations

1. List all known historical and current uses of the property. This might include: residential, commercial, agricultural, forestry, timber harvest, etc. Identify all owners, operators, contractors, etc. that used the property.

Timber Harvest - Koncor Forest Products Co.; Silver Bay Logging Co.

2. List all known historic and current uses of adjacent properties.

Same

3. List all structures or development on the property and their uses.

Road Construction - Haul of logs from timber harvest.

4. What type of "hazardous substances" were evident on the property? How were they used and where? Where and how were they stored?

NOTE: Hazardous substances are defined as an element or compound which, when it enters the atmosphere, water or land presents an imminent or substantial danger to the public health or welfare, including but not limited to fish, animals, vegetation, or any part of the natural habitat in which they are found.

They might include oil, industrial materials or compounds such as cleaning solvents, lubricating agents, greases, heating fuels, petroleum hydrocarbons, pesticides, metals, and any substances defined under 42 USC 9601(14).

Gasoline, Deisel oil, motor oil and hyfraulic fluid were used in logging machinery. They were not stored on the property, but at a shop facility at the Konco log transfer facility.

5. Were any above or below ground storage tanks located on the property? If yes show locations on the property sketch and, for each tank, indicate: No
- a. Is the tank above ground? \_\_\_\_\_  
Age \_\_\_\_\_  
Size \_\_\_\_\_  
Product stored in tank \_\_\_\_\_
- b. Is the tank still there? \_\_\_\_\_  
If not - describe removal operation.
- c. Have permits ever been issued for the tanks? \_\_\_\_\_
- d. Have the tanks or associated piping ever been tested? If yes - attach results. \_\_\_\_\_
- e. Describe the area around the tanks, identifying any evidence of leaking, spills, soil staining, etc.
6. Does the property contain any septic tanks or leach fields? Did they receive industrial materials? \_\_\_\_\_  
If yes -- explain. No
7. Are there any water wells on the property? No \_\_\_\_\_  
If so - has the water ever been tested? \_\_\_\_\_
8. Have there ever been any transformers or power generating facilities located on the property? No \_\_\_\_\_  
If so:
- a. Indicate types of devices.  
Are (or were) they labeled as containing PCB's? \_\_\_\_\_
- b. Is there any indication of leaking or damage?  
\_\_\_\_\_
9. Have there ever been any oil or gas wells on the property? No \_\_\_\_\_  
If so - identify locations on sketch map.  
Are there any pipelines? \_\_\_\_\_  
If so - any indication of leaks or spills? \_\_\_\_\_  
Identify the owner/operator of the wells.

## II. Waste Disposal/Spills

1. Does the property indicate areas (ie. soil staining, stressed vegetation, etc.) used as waste disposal sites?  
No \_\_\_\_\_

If so - indicate the kinds of materials disposed of and the methods of disposal (eg. burning, discharge to water body, dump, land fill, recycle, settling ponds, surface impoundment, etc.).

appliances \_\_\_\_\_  
asbestos containing material \_\_\_\_\_  
automobiles \_\_\_\_\_  
batteries \_\_\_\_\_  
chemicals \_\_\_\_\_  
construction debris \_\_\_\_\_  
garbage (food waste) \_\_\_\_\_  
household trash \_\_\_\_\_  
incinerator ash \_\_\_\_\_  
industrial wastes \_\_\_\_\_  
mining wastes \_\_\_\_\_  
pesticide/herbicide \_\_\_\_\_  
petroleum products \_\_\_\_\_  
sewage sludge \_\_\_\_\_  
tires \_\_\_\_\_  
other (identify) \_\_\_\_\_

- a. Indicate of the sketch map where these activities occurred.
- b. How long were these activities conducted? \_\_\_\_\_
2. Has there ever been a chemical spill or leak on the property? Not known - no indications  
If so - indicate what was spilled, how much, and what response actions were employed.
3. Are there any known or suspected chemical spills on adjacent property? Not known - not considered likely.

### III. Studies, Records, and Enforcement

1. Has there ever been an environmental assessment been conducted on the property? Not known  
If so - describe by what company and when. Also, attach a copy if available.
2. Has the current owner or operator had any communications with any government agency concerning environmental conditions on the property? \_\_\_\_\_  
If so - explain. Exxon Valdez oil spill.
3. Has any government agency investigated, cited or been involved with violations of any environmental laws regarding this property or adjacent properties?  
Not known



4. Does this property (or property within 1/2 mile) appear on any lists of contaminated facilities or land maintained by any environmental agency? Yes

If so - explain. Inventory of beaches affected by the Exxon Valdez oil spill.

#### IV. Summary

Summarize the history of this site in regards to its environmental history, to the best of your knowledge.

Development and activity that would affect the environment has taken place only recently. (since 1990) Activity has been limited to timber harvest and associated road building. There is no evidence of any environmental degradation from this activity. Beaches on Tolstoi Point and Tonki Cape were oiled by the Exxon Valdez oil spill. The extent of oiling is listed as light to moderate, with expected breakdown of the oil within 4 to 7 years of the oiling.

Statements in this assessment form are based, in part, on both personal observation and information provided by the owners of the property, The State of Alaska and other agencies. These statements are subject to limiting condition number 10 of the appraisal report for the property prepared for the State of Alaska dated August 6, 1993.

William B. Wallace ACF, RPF

August 19, 1993

Name of Person Preparing the Form

Date

William B. Wallace  
Signature of Person Preparing the Form

August 19, 1993  
Date