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APPRAISAL REPORT
Termination Point
EVOS Small Parcel #KAP 145
Kodiak Island, Alaska
Purchase Order #43-0109-7-0183

RECEIVED

AUG 22 1997

MEMORANDUM

State of Alaska

Department of Natural Resources - Division of Land and Water

TO: Marty Rutherford
Deputy Commissioner

DATE: September 17, 1997

THRU:

FILE NO:

TELEPHONE NO: 269-8512

SUBJECT: Appraisal Review
Appraisal #2925
EVOS #KAP 145
Termination Pt.

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

I have reviewed the appraisal. The purpose of the appraisal is to estimate the current market value of fee simple title less mineral rights.

Background information about the report is as follows:

OWNER OF RECORD: Lesnoi, Inc.

GENERAL LOCATION: Termination Pt., 4 miles north of the City of Kodiak

DATE RECEIVED: August 22, 1997

APPRAISER: Black-Smith & Richards, Inc.

INTENDED USE OF THE REPORT: The appraisal was requested by the EVOS Trustee Council. The Council is considering purchase of the property. The appraisal will be used to establish the price.

GENERAL REVIEW PROCESS: The US Forest Service hired the appraiser at the request of the Council. Per EVOS procedures the agency to ultimately receive management authority provides the lead review appraiser. In this instance, I am the lead reviewer. I acknowledge receipt of review comments related to this report from Richard M. Goossens, Review Appraiser for the USFS. His

EVOS #kap 145

September 17, 1997

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comments have been discussed and incorporated into this review. They are retained in my work file. The reviewer from the USFS has signed this document indicating concurrence with these review comments.

The following describes specifics considered in the review of this report, including a review appraiser certification.

EVOS #kap 145
September 17, 1997
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APPRAISAL NO.: 2925

EVOS NUMBER: KAP 145

DATE OF REVIEW: September 17, 1997

LEGAL DESCRIPTION: Tract C, T27S, R19W, SM

INTEREST BEING APPRAISED: Surface Estate under ANCSA

EFFECTIVE DATE OF APPRAISAL: June 24, 1997

ESTIMATED MARKET VALUE: \$1,865,000

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 as defined in The Uniform Standards of Professional Appraisal Practice (USPAP). The appraiser reports the appraisal is in compliance with USPAP and the Uniform Standards for Federal Acquisitions (UASFLA).

The appraiser was asked to submit a Self-Contained Appraisal Report (Standards Rule 2-2(a) under USPAP. The report has been reviewed to assure the following items have been adequately provided:

- | | |
|--|----------------------|
| A) Certification Page? | <u> X </u> |
| B) Letter of Transmittal? | <u> X </u> |
| C) Date of Appraisal/Date of Inspection? | <u> X </u> |
| D) Purpose of Appraisal? | <u> X </u> |

- 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. X
- F) Highest and Best Use? Provide a discussion of Highest and best use of the subject or subject subdivision, forming the basis for selection of comparable sales data. X
- G) Zoning Restrictions and Easements? X
- H) Legal Description(s)? X
- I) Subject Location Map? X
- J) Adequate on-site photographs? X
- K) Subject Plats or Survey? X
- L) Region or Area Data? X
- M) Neighborhood Description? To be included if a specific neighborhood character is evident. X
- N) Subject Description? Discuss individual subject particulars such as size, quality of access, soils, availability of utilities, topography, water frontage, view, etc. This may be in narrative for individual lots or graphic form (charts) for subdivision appraisals. Regardless of what form is used or where the information is placed in the report, individual descriptions of each property must be included. X
- O) Property Valuation Narrative? Sufficient explanation and market support of value conclusion? Adjustments fully discussed? X
- P) Lease Rate adequately discussed and supported? X

- Q) Comparable sales forms, map and photographs included? X
- R) Assumptions and Limiting conditions? X
- S) Appraiser Qualifications? X

COMMENTS: During the review, the appraiser was questioned about the valuation methodology for the cut-over lands, the absorption rate, and the potential for a downturn in the Kodiak economy and real estate market. He was also questioned about some technical aspects. His response is in a letter dated September 16, 1997, which is hereby referenced and made part of the appraisal report. Due to a technical error, the land value in the original report was estimated at \$726,000. The letter corrects that amount to \$709,000 for a total parcel value of \$1,865,000.

This is a summary report, and I regard it as a "broad brush" estimate. The timber value is based on a limited sample, rather than a complete cruise. However, the timber appraisers are confident that a complete cruise would not produce a significantly different estimate of value. Due to my lack of expertise in timber valuation, I am relying on the expertise of Sheal Anderson, and Jim Pierce, who provided the timber valuation report.

Similarly, the contributory value of the land in its cut-over condition is weak due to a lack of truly comparable sales. The appraiser has been forced to rely on a hypothetical subdivision approach. With a subdivision approach, value can vary widely as the discount rate and absorption rate change. It is difficult, if not impossible to determine these rates from market data.

Overall, the appraiser's assumptions are reasonable, and he has done a good job explaining the reasons behind his methodology and his conclusion of value.

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 personally inspect the subject property that is the subject of review in this report.
- ___ the assistance of Richard M. Goossens in the preparation of this report is recognized.

Reviewed and Approved By



Judy A. Robinson, SR/WA

Date

9-17-97

I Concur

Date

Richard M. Goossens

CC: Alex Swiderski
Carol Fries
Richard M. Goossens
Judy A. Robinson
Molly McCammon

EVOS #kap 145
September 17, 1997
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REVIEW APPRAISER CERTIFICATION

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- 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 personally inspect the subject property that is the subject of review in this report.
- the assistance of Richard M. Goossens in the preparation of this report is recognized.

Reviewed and Approved By


Judy A. Robinson, SR/WA

Date 9-17-97

I Concur


Richard M. Goossens

Date 9-18-97

CC: Alex Swiderski
Carol Fries
Richard M. Goossens
Judy A. Robinson
Molly McGannon

PART I - INTRODUCTION

APPRAISAL REPORT
Termination Point
EVOS Small Parcel #KAP 145
Kodiak Island, Alaska
Purchase Order #43-0109-7-0183

FOR
U. S. D. A. Forest Service
P. O. Box 21628
Juneau, Alaska 99802

Attn: Mr. Rich Goossens
Contracting Officer's Representative

Report Date
August 11, 1997

Date of Inspection and Valuation
June 24, 1996

FILE #8-97-082

BY
Diane Black-Smith, MAI
Steven E. Carlson, Appraiser

BLACK-SMITH & RICHARDS, INC.
2602 Fairbanks Street
Anchorage, Alaska 99503

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BLACK-SMITH & RICHARDS, INC.

Appraisers
2602 Fairbanks
Anchorage, Alaska 99503
907-274-4654
Fax #907-274-0889

August 11, 1997

U. S. D. A. Forest Service
P. O. Box 21628
Juneau, Alaska 99802

Attn: Mr. Rich Goossens
Contracting Officer's Representative

Re: Termination Point - EVOS Small Parcel #KAP 145
Kodiak Island, Alaska
Purchase Order #43-0109-7-0183

Dear Mr. Goossens,

In fulfillment of our agreement outlined in Purchase Order #43-0109-7-0183, we are pleased to transmit herewith; our *self-contained report of our complete appraisal* of the estimated market value of the property referenced above, as of June 24, 1997. The value opinions reported are qualified by certain definitions, assumptions, limiting conditions, and certifications. We particularly call your attention to the Special Assumptions following the Summary of Salient Facts.

This narrative appraisal report conforms to the Uniform Standards of Professional Practice (USPAP), the Uniform Appraisal Standards for Federal Land Acquisitions, and the specifications of Contract #53-0109-3-00377 and the specific instructions of Purchase Order #43-0109-7-0183. The report sets forth the identification of the property, the assumptions and limiting conditions, pertinent facts about the area and the subject property, comparable data, the results of the investigations and analyses, and the reasoning leading to the conclusions set forth.

Sincerely,

BLACK-SMITH AND RICHARDS, INC.


Diane Black-Smith, MAI


Steven E. Carlson, Appraiser

CERTIFICATION

We certify that, to the best of our 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 report assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.

We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

Our 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.

Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

This appraisal assignment was not based on a requested minimum valuation or specific valuation or approval of a loan. Our employment was not conditioned upon the appraisal producing a specific value or a value within a given range.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report I, Diane Black-Smith, MAI, have completed the requirements under the continuing education program of the Appraisal Institute.


Diane Black-Smith, MAI is currently certified by the State of Alaska as a General Real Estate Appraiser (Certificate No. AA 31). Steve Carlson is currently certified by the State of Alaska as a General Real Estate Appraiser (Certificate No. 231).

Steve Carlson and Diane Black-Smith have made personal inspections of the properties that are the subjects of this report.

Diane Black-Smith and Steven E. Carlson have the appropriate knowledge and experience necessary to complete this appraisal assignment competently.

Dated this 11th day of August 1997.


Diane Black-Smith, MAI


Steven E. Carlson, Appraiser

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Appraised

Tract C, Township 27 South Range 19 West, Seward Meridian. The property is briefly described as 1,028 acres of undeveloped wooded uplands at Termination Point on Kodiak Island. The tract is approximately 4 miles north of the city of Kodiak's central business district. It is identified by the EVOS Trustee Council as KAP145.

Ostensible Owner

We have not been provided with a title report. Title reportedly vests in:

Lesnoi, Inc.

P. O. Box 1186

Kodiak, Alaska 99615

Interest Appraised

Fee Simple Surface Estate

Report Date

August 11, 1997

Date of Inspection and Valuation

June 24, 1997

Highest and Best Use

Mixed Use: Forestry and Rural Residential

Market Value Estimate

Estimated Value of Merchantible Timber	\$1,156,000
Estimated Value of Cut-Over Land	<u>\$726,000</u>
Total Value Estimate	\$1,882,000

ASSUMPTIONS AND LIMITING CONDITIONS

General assumptions and limiting conditions are contained in the addenda of the report. Assumptions and limiting conditions specific to this report are summarized as follows:

We have assumed title to be marketable and have relied on the area estimates and legal descriptions provided with the appraisal instructions.

We have not been provided with any information regarding the presence of economically significant subsurface resources nor the potential for discovery. For the purposes of this report, we have assumed that related uses of the surface are not probable.

A merchantable timber resource has been identified and valued in a joint effort of Sheal Anderson¹ and Jim Pearce². Reliance on the accuracy of their findings is a Limiting Condition of our appraisal.

The subject properties are appraised as if "contaminant-free".

¹ Anderson & Associates; 503-662-4133

² U. S. Forest Service, Timber Management Specialist, Region 10

SCOPE OF THE APPRAISAL (REFERENCES)

As part of this appraisal, the appraisers made a number of independent investigations and analyses. The investigations undertaken and the major data sources used are summarized as follows:

Regional Data, Market Overview and Neighborhood Analysis.

Various publications, reports, and surveys were reviewed in order to identify significant trends and indicators that affect the area and the subject neighborhood. Those publications/reports include: *Alaska Economic Trends*; *Alaska Journal of Commerce*; U. S. Bureau of Labor Statistics, as well as regular newspaper articles and commentaries by local industry experts.

Description and Analysis

We conducted a physical on-site inspection of the property on June 24, 1997. We were accompanied by the owner's representative, Mr. Dave Nesheim. In addition, we reviewed topographical maps obtained from the U. S. Geological Service and aerial photos provided by the owner. We have relied on the legal descriptions and area estimates provided by the contracting agency. All information requested was provided.

Market Data Program - Land

In order to obtain the most recent sales data, we researched the files of the Kodiak Island and Kenai Peninsula Boroughs and reviewed sales reports of the Anchorage Multiple Listing Service. Sales data compiled by the U. S. Fish and Wildlife Service, the State Department of Natural Resources, the Bureau of Land Management, and the Bureau of Indian Affairs was also reviewed and analyzed. In addition, we spoke with several real estate professionals including real estate broker's/agents and other appraisers. Data sheets with photos are contained in the addenda. Transactions were confirmed primarily by telephone interviews with knowledgeable parties; buyers, sellers, agents, assessors, appraisers, etc.

Natural Resources

A merchantable timber resource has been identified and valued in a joint effort of Sheal Anderson³ and Jim Pearce⁴. Reliance on the accuracy of their findings is a Limiting Condition of our appraisal.

³ Anderson & Associates; 503-662-4133

⁴ U. S. Forest Service, Timber Management Specialist, Region 10

PART II - FACTUAL DATA

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the fee simple surface estate. The surface estate is defined as the fee simple estate less developable minerals. Developable minerals include sand and gravel (Chugach Natives Inc. v. Doyon Inc.) For the purposes of our analysis, we have assumed that the owner of the surface estate can penetrate the subsurface and utilize on-site sand and gravel for foundations and septic systems.

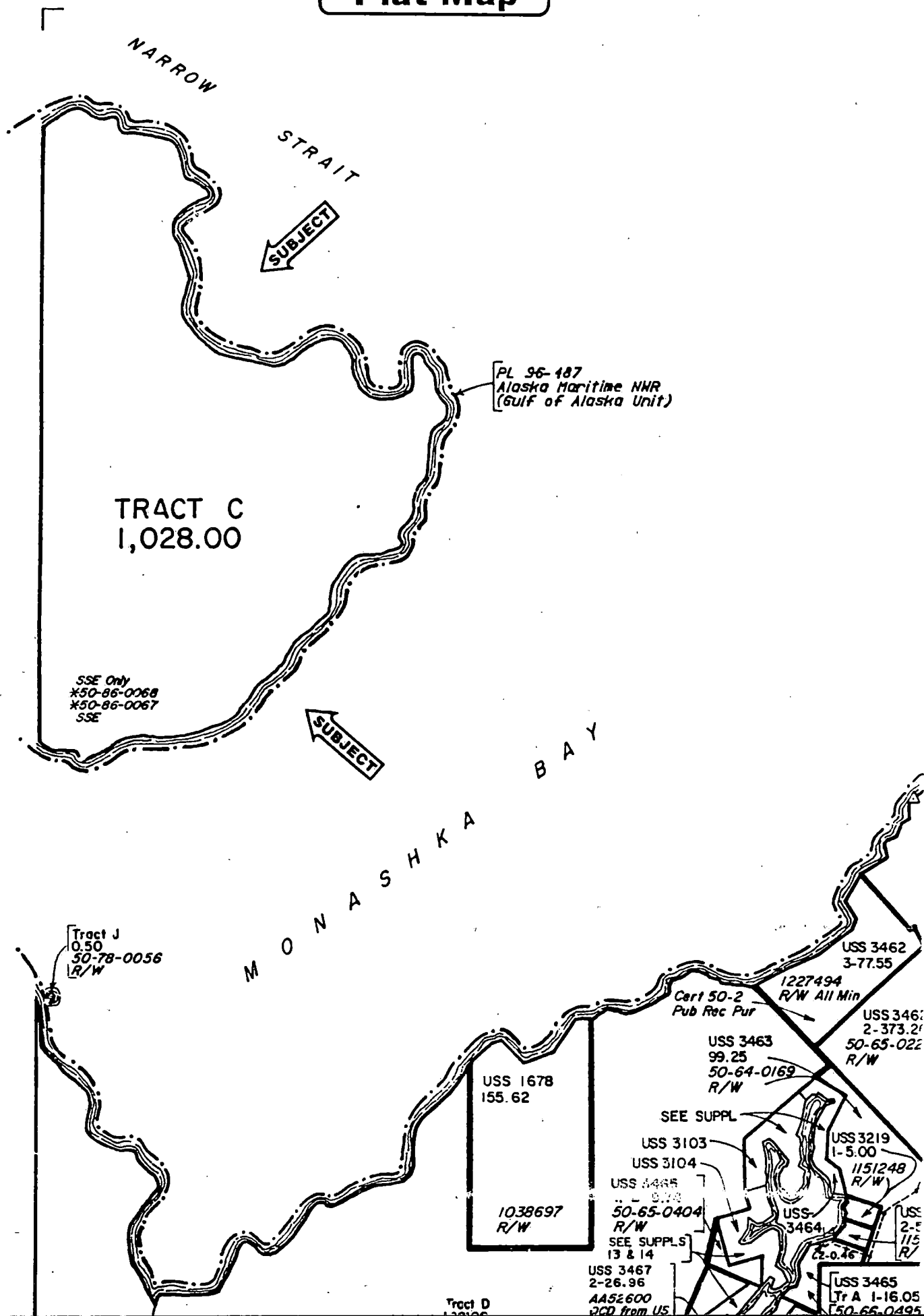
VALUE DEFINITION

The Uniform Appraisal Standards for Federal Land Acquisitions (1992) defines "fair market value" as;

"The amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would be sold by a knowledgeable owner willing but not obligated to sell to a knowledgeable purchaser who desired but is not obligated to buy."

Personal value concepts are clearly distinguished from the economic concept of market value. Several recent and pending acquisitions of similar large parcels may reflect the influence of personal value considerations for intrinsic qualities. Identifying those qualities, quantifying them, and ultimately expressing them as a component of, or contribution to, market value--is beyond the scope of this assignment.

Plat Map



IDENTIFICATION OF THE PROPERTY

Property Appraised

The property is briefly described as 1,028 acres of undeveloped wooded uplands at Termination Point on Kodiak Island. The tract is approximately 4 miles north of the city of Kodiak's central business district. It is identified by the EVOS Trustee Council as KAP 145. The interest appraised is the fee simple surface estate.

Legal Description

Tract C, Township 27 South Range 19 West, Seward Meridian.

Ostensible Owner

We have not been provided with a title report. Title reportedly vests in:

*Lesnoi, Inc.
P. O. Box 1186
Kodiak, Alaska 99615*

Property History

We are not aware of any sales of the subject during the past ten years nor efforts to market the property. The property has been identified for possible acquisition by the Exxon Valdez Oil Spill Trustee Council.

Tax Parcel #

The Kodiak Island Borough parcel identification number is #R5427190001. Although the current ownership is tax-exempt, the assessed valuation for 1995, 1996, and 1997 has been \$1,028,000.

AREA AND LOCAL DATA

General Area—Kodiak Island Borough

The Kodiak Island Borough is located on the eastern side of the Gulf of Alaska. It encompasses approximately 6,462.6 square miles in an archipelago that parallels the southeast coast of the Alaska Peninsula; separated from the Katmai National Park and Preserve by the Shelikof Strait. The northeast end of the archipelago is referenced by the Barren Islands and the southwest end by the Trinity Islands. Kodiak Island is the largest island and its largest city (Kodiak) is the seat of the Borough government.

Kodiak is accessible by air and sea. Airports and seaplane facilities serve air traffic island-wide. Yet most of the region is remote and undeveloped. The topography is diverse ranging from coastal wetlands to mountainous terrain. Much of uplands in the northern end of the archipelago are heavily forested with merchantable timber. Uplands in the southern end consist of alternating grasslands, alder thickets, and alpine tundra at higher elevations. January temperatures range from 14 to 46; July temperatures vary from 39 to 76. Average annual precipitation is 54.5 inches.

The Kodiak Island Borough has 3,200,060 acres within its boundaries. Major land owners include the Federal and State governments and native corporations. Ownership of this upland area is constantly changing. This trend has accelerated in recent years because of transfers from Native corporations to the Kodiak National Wildlife Refuge. The Refuge encompasses nearly 1.9 million acres on Kodiak and Afognak Islands. The latest estimate of acreage held by various owners is summarized as follows:

Federal	1,680,000 acres
State	935,480 acres
Local Government	70,000 acres
Private	32,000 acres

In 1996, the estimated population of the Kodiak Island Borough was 14,058. The Borough has experienced an average annual growth in population of approximately 4% from 1980, when the population was 9,939. Although figures show a decline in 1996, this may be due to the use of a new method of estimating population. The last time an official census was conducted was in 1990. The city of Kodiak is home to nearly one-half of the Borough's population. The populations of recognized second class cities are reported in the following table. All are located on Kodiak Island.

Akhiok	84
Larsen Bay	127
Old Harbor	316
Ouzinkie	259
Port Lions	264

The Island culture is grounded in commercial and subsistence fishing activities and is primarily non-Native. Fishing, fish processing and support services are the key employers.

Both private and commercial recreational use has been on the upswing. The area offers spectacular scenery and represents prime habitat for many species of land and sea mammals, birds, and both fresh and saltwater fishes. The islands boast world class salmon fishing, a large deer population, and world record class brown bear. In addition to being a frequent destination of sport-fishermen and hunters, the archipelago has become increasingly popular with ocean-kayakers, hikers, and photographers. "Its a land of stark and spellbinding contrasts, ranging from coastal wetlands and meadows to glacial valleys, alpine lakes, and ice-sculpted 4,000-foot mountains. Fingers of the sea reach in, so that nowhere on Kodiak can you stand and be more than 15 miles from salt water".⁵

⁵ John L. Eliot, "KODIAK: Alaska's Island Refuge", *National Geographic* Vol. 184, No. 5 (11-93) 38.

Vicinity Map



General Neighborhood—City of Kodiak⁶

The city of Kodiak is located on the northeast end of Kodiak Island, approximately 250 air miles southwest of Anchorage. The city was incorporated in 1940. It currently encompasses 3.2 square miles of land and 1.3 square miles of water.

Kodiak is accessible by air and sea. The State-owned Kodiak Airport (7,500'), Kodiak Municipal Airport (2,500'), and City-owned seaplane bases at Lilly Lake, Trident Basin/Inner Harbor and Near Island Channel serve air traffic. Three scheduled airlines serve Kodiak with several daily flights, and a number of air taxi services provide flights to other communities on the Island. The Alaska Marine Highway System operates a ferry service to and from Seward and Homer. Travel time to Homer by ferry is 12 hours. Two boat harbors serve commercial and transient vessels. A new \$20 million breakwater, to be completed by summer 1997, will add another 90 acres of mooring space. Approximately 140 miles of state roads connect island communities on the east side of the island.

During the Aleutian Campaign of World War II, the Navy and the Army built bases on the Island. Fort Abercrombie was constructed in 1939, and later became the first secret radar installation in Alaska. Development continued, and the 1960s brought growth in commercial fisheries and fish processing. The 1964 earthquake and subsequent tidal wave virtually leveled downtown Kodiak. The fishing fleet, processing plant, canneries, and 158 homes were destroyed - \$30 million in damage. The infrastructure was rebuilt, and by 1968, Kodiak had become the largest fishing port in the U.S., in terms of dollar value. The Magnusson Act in 1976 extended the U.S. jurisdiction of marine resources to 200 miles offshore, which reduced competition from the foreign fleet, and over time, allowed Kodiak to develop a groundfish processing industry.

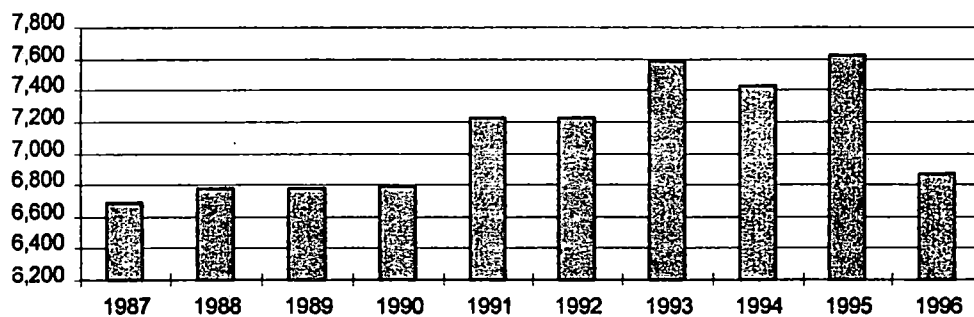
The Kodiak economy is based on fishing, seafood processing and government. Adaptability and diversification in a variety of fisheries has enabled the Kodiak economy to develop and stabilize. It is the nation's second highest port in seafood volume and third in value. 274 million pounds of seafood were landed in Kodiak

⁶ Alaska Department of Community and Regional Affairs, City of Kodiak, Kodiak Island Borough

in 1992, at a value of \$90 million. 625 residents hold commercial fishing permits, and thirteen fish processing companies operate here year-round. City, Borough, state and federal agencies rank second as local employers. The largest U.S. Coast Guard station lies just south of the city.

The ten-year population trend-line indicates that a recent decline erased most of the growth recorded for the previous five years.⁷

City of Kodiak Population 87-96



The 1996 population was estimated at 6,869. Less than 13% are Native; Sugpiaq Eskimos or Aleuts. The Coast Guard comprises a significant portion of the community, and there is a large seasonal population. Filipinos are a large subculture in Kodiak due to their work in the canneries.

During the April 1990 U.S. Census, there were 2,177 total housing units, and 126 of these were vacant. 3,644 jobs were estimated to be in the community. The official unemployment rate at that time was 4.4%. 23.0% of all adults were not in the work force. The median household income was \$46,050, and 6.2% of residents were living below the poverty level.

Pillar Creek Reservoir and Monashka Reservoir provide water, which is distributed by pipe throughout the area. Piped sewage is processed in a secondary treatment plant. Garbage collection services are provided by the Borough. The landfill is located north of the City, at Monashka Bay. Kodiak Electric Association, a cooperative utility, operates and purchases power from the state-owned Terror Lake Hydroelectric Facility. It also operates a Coast

⁷ Kodiak Island Borough report of State certified revenue sharing population figures.

Guard-owned plant, and owns three additional diesel-powered plants at Swampy Acres, Kodiak and Port Lions. There are 8 schools located in the community, attended by 2,252 students. Medical care facilities include the Kodiak Island Hospital & Care Center, KANA Clinic, and the USCG Medical Center.

The Alaska Aerospace Development Corporation (AADC), a public corporation of the State of Alaska, is proposing to construct an \$18 million commercial spaceport on Kodiak Island. The proposed site for Kodiak Launch Complex (KLC) is 3,100 acres of land at Narrow (Interagency Land Management Assignment). The State of Alaska, U.S. government, communities of Kodiak Island and private aerospace companies are supporting the development. Upon completion, the Kodiak Launch Complex will be the only non-federally run commercial launch range in the United States. Between 50 and 140 full-time jobs could be created.

Immediate Neighborhood

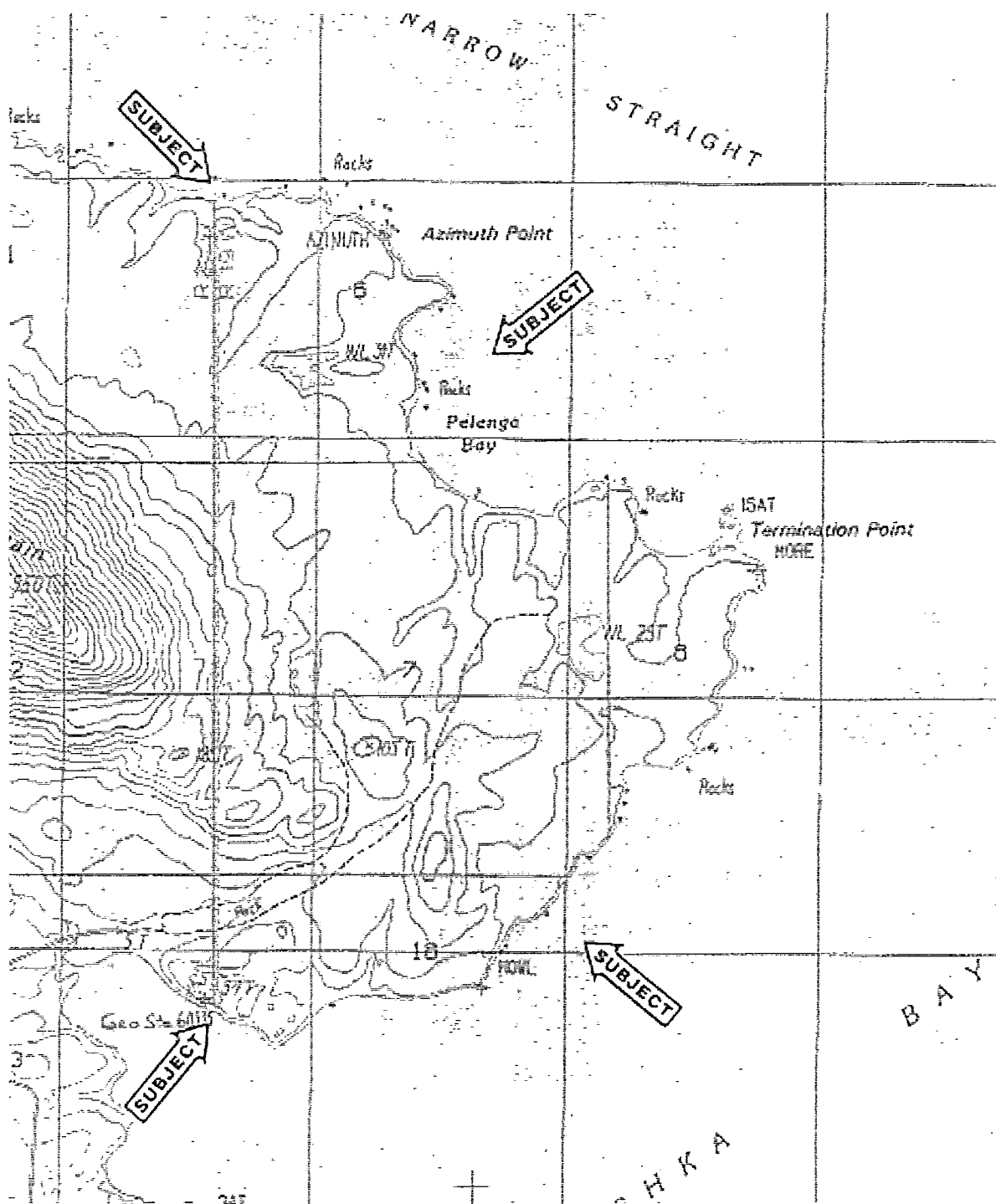
The immediate neighborhood is referenced by Monashka Bay--approximately 4 air-miles north of Kodiak's central business district. The area is accessed by Monashka Bay Road, a 2-lane, 2-way gravel road that extends from Mill Bay Road. Mill Bay Road is the main arterial accessing the city. The road terminates approximately 12 miles from Kodiak's central business district. A power line ends approximately 1/4 mile from the end of Monaska Bay Road. Public water and sewer are not available.

At the entrance to the bay on its south side, subdivided tracts are zoned Rural Residential 1. As the bay extends inland, most of the land is owned by public agencies. The Kodiak Island Borough maintains a land fill; an adjacent tract is leased to VFW. The State of Alaska owns a parcel where Pillar Creek crosses the road. The uplands at the head of the bay are designated as "watershed".

Just past the end of the road, Lesnoi, Inc.; a local Native corporation; owns a 1,028-acre tract at Termination Point (subject property). It is the only significant privately-owned oceanfront property in the vicinity. A merchantable timber resource has been identified. The tract is zoned "Conservation" but forestry and residential uses are permitted. General market conditions favor forestry over other land uses. The Ouzinkie Native Corporation owns a large tract of adjacent backlands to the west.

Monashka and Virginia Creeks empty into the northwest corner of the Bay near the end of Monashka Bay Road. The area provides recreational and subsistence-related opportunities for area residents. The Monashka Bay Comprehensive Plan was forged with input from area residents. It is a general guide intended to preserve the existing rural residential lifestyle of the area.

We are not aware of any recent events nor proposed developments that impact the area; positively or negatively. However, the eventual harvest of timber on the Termination Point tract is probable. The negative impact of operations would prove positive over the long term by extending the infrastructure; effectively staging the tract for rural residential uses.



PROPERTY DATA

Location

The subject fronts on Monashka Bay along the northeast coast of Kodiak Island. The tract is located approximately 4 air-miles north of the City of Kodiak; within the boundaries of the Kodiak Island Borough. Kodiak Island is situated in the Gulf of Alaska, approximately 250 air miles southwest of Anchorage.

Area

The BLM master title plat records the area at 1,028 acres.

Access

Access to Kodiak Island is by plane or marine transport. Kodiak has only a limited road system. It is connected to the state highway system only by ferry. Monaska Bay Road terminates approximately 1/4 mile west of the subject's southwest corner.

A December 1983 Statutory Quitclaim Deed from Ouzinkie Native Corporation and Koniag, Inc., to the Kodiak Island Borough, grants "...a 200 foot wide public highway easement for the extension of State of Alaska Highway Project SO-391 (2) Pillar Creek to Monashka Creek to Tract C of T27S, R19W, S.M...".

In summary, the subject has dedicated legal access but no improved access.

Utilities

There are no public utilities available. Electricity extends out Monashka Bay Road but terminates approximately 1/2 mile from the subject's southwest corner. Public water and sewer are not available.

Topography, Soils, and Vegetation

The topography is generally described as rolling wooded uplands to 500 feet. Soils generally consist of a thin layer of organics over a base of bedrock or sand/gravel deposits. "...This relatively flat coastal tract is forested with Sitka spruce and has a(n) understory of shrubs and grasses. The parcel's four miles of convoluted shoreline is characterized by rocky cliffs and protected beaches..."⁸

Natural Resources

A merchantable timber resource has been identified and valued in a joint effort of Sheal Anderson⁹ and Jim Pearce¹⁰. Reliance on the accuracy of their findings is a Limiting Condition of our appraisal. A valuation summary is presented in the Addenda.

We have not been provided with any information regarding the presence of economically significant subsurface resources nor the potential for discovery.

Environmental Issues

The March 24, 1989 event known as the Exxon Valdez Oil Spill (EVOS) resulted in the oiling of several miles of shoreline in Prince William Sound and the Gulf of Alaska. Slicks emanating from the Bligh Reef grounding site drifted southwesterly toward the Kodiak Archipelago but did not contact Termination Point.¹¹ The date of inspection follows EVOS by more than eight years. No evidence of oiling or other environmental issues were noted during our aerial inspection. As instructed, the subject properties are appraised as if "contaminant-free".

⁸ EVOS Restoration Office Habitat Work Group Comprehensive Habitat Protection Process: Small Parcel Evaluation & Ranking Volume III; February 13, 1995

⁹ Anderson & Associates; 503-662-4133

¹⁰ U. S. Forest Service, Timber Management Specialist, Region 10

¹¹ Map --245 KODIAK ISLAND - ALASKA PENINSULA, Cumulative Oiling, Based on Fall 1989, Spring 1990 and Spring 1991 Shoreline Surveys by ADEC; 7/7/92

Zoning

The subject parcels are zoned "C-Conservation District". The "...District is established for the purpose of maintaining open space areas while providing for single-family residential, and limited commercial land uses." Regulations permit forestry and rural residential use.

Easements

We have not been provided with a preliminary title report and are not otherwise aware of any easements affecting the subject property.

Land Use Management

In 1984, the State of Alaska approved the Kodiak Island Borough's coastal management program (plan). According to Linda Freed, the Borough's Planning Director, the "plan" is somewhat vague but its function is regulatory; its purpose is "guidance" that is more likely to place conditions on a proposed project rather than result in denial. The plan may or may not provide additional regulatory constraints for specific development projects--particularly those that require more than a local land use permit. Uses requiring the filling-in of wetlands, large-scale sanitary land fills, logging transfer stations, are examples of projects that would typically require a higher level of review.

Real Estate Taxes

The subject parcels lie within the boundaries of the Kodiak Island Borough but the current ownership is exempt from real estate taxes.

Wild and Scenic Resources

The parcel reportedly "...provides subsistence resources for the village residence of Ouzinkie..." and "...possesses high recreational qualities for the residents of Kodiak and is used by the public on a regular basis...".¹²

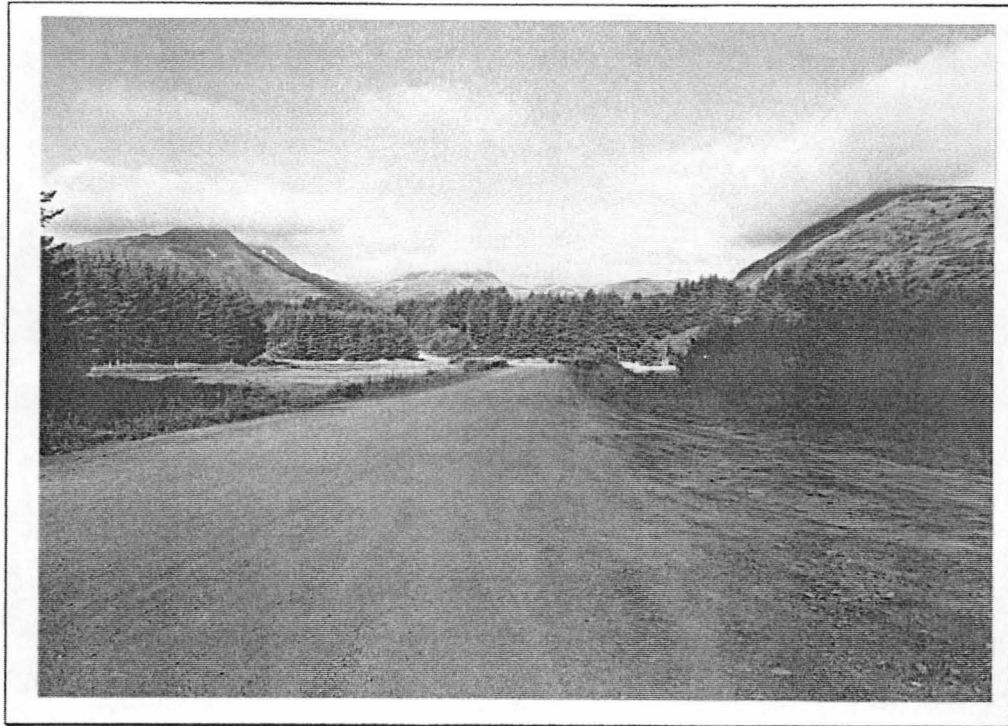
Cultural resource sites are documented but have not been identified to the appraisers.

¹² EVOS Restoration Office Habitat Work Group Comprehensive Habitat Protection Process: Small Parcel Evaluation & Ranking Volume III; February 13, 1995

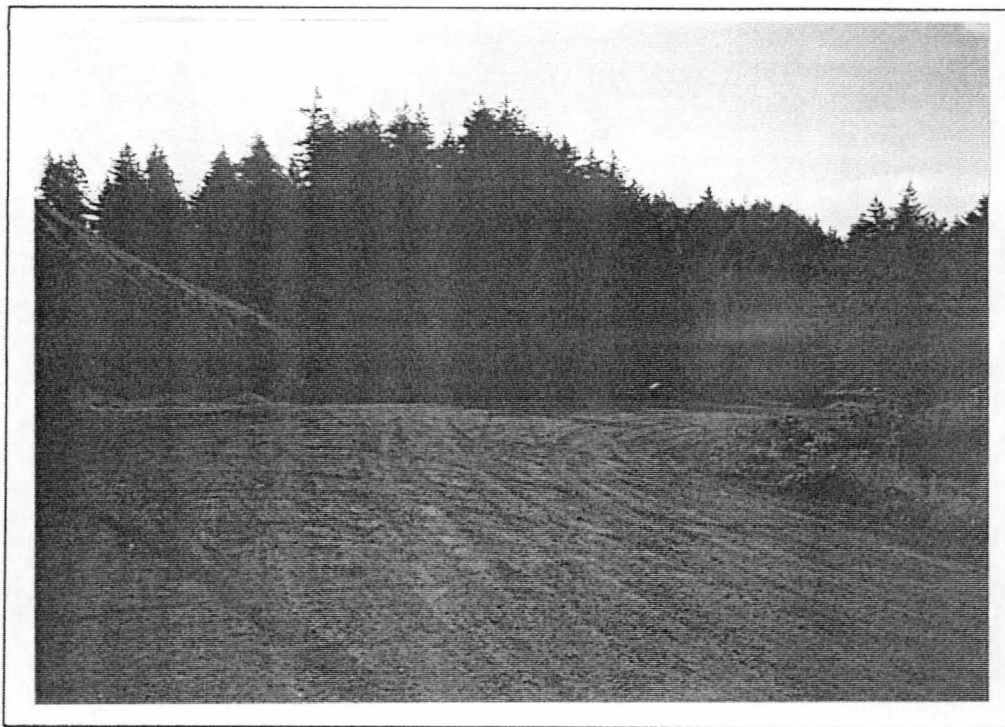


6-24-97 (SEC)

SUBJECT PHOTOGRAPHS



Looking southwest from termination of Monashka Bay Road

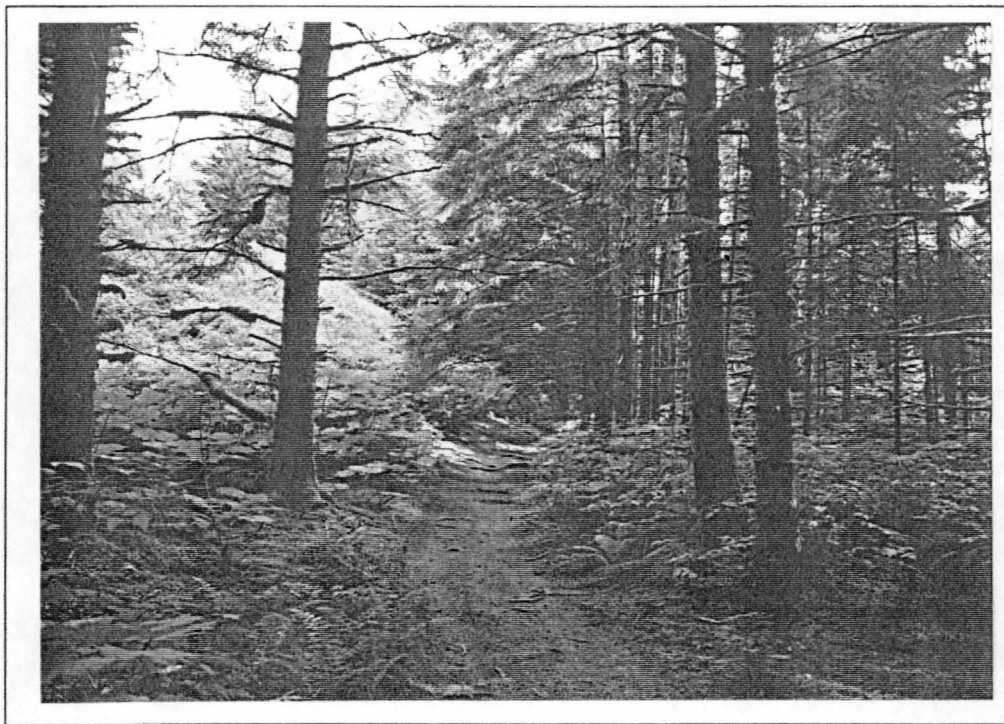


Looking northeast at termination of Monashka Bay Road; subject in background

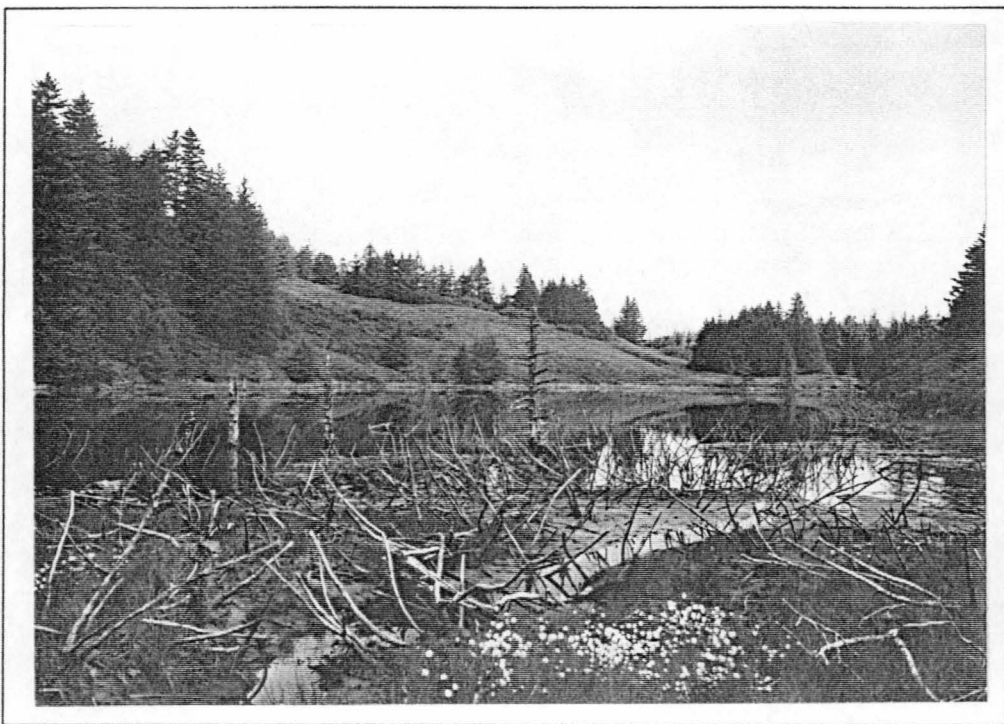


6-24-97 (SEC)

SUBJECT PHOTOGRAPHS



ATV trail in Section 18 near SWC of subject



Looking north from south end of unnamed lake in west half of Section 7

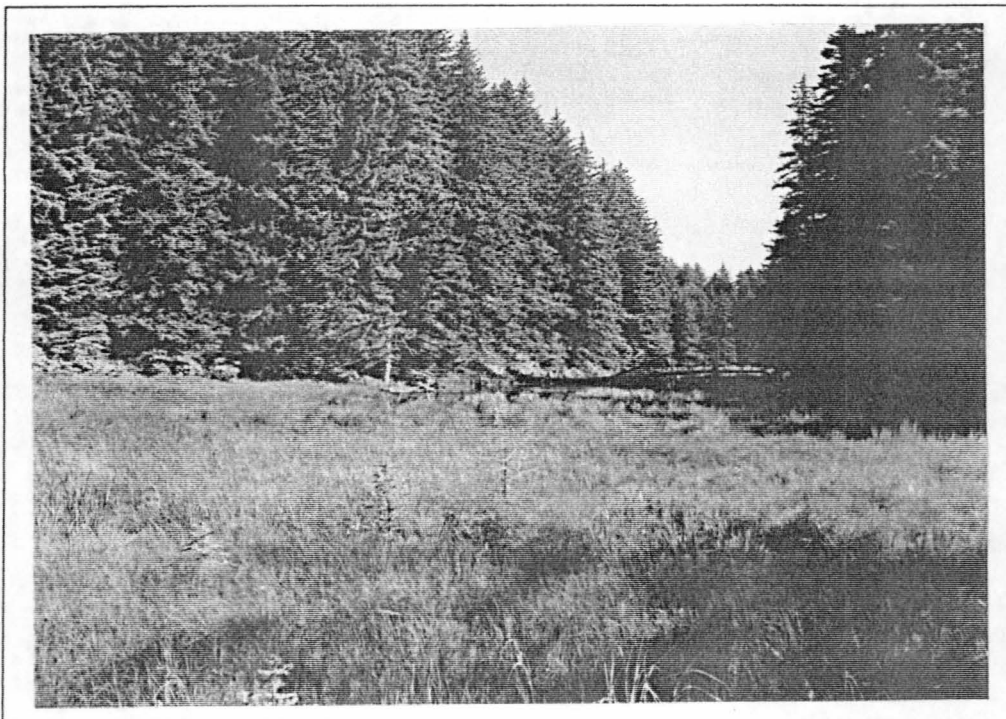


6-24-97 (SEC)

SUBJECT PHOTOGRAPHS



ATV trail east of unnamed lake in west half of Section 7



Looking northeasterly at southwest finger of unnamed lake in eastern half of Section 7



6-24-97 (SEC)

SUBJECT PHOTOGRAPHS



Looking northeasterly along shore from beach in the southwest corner of Section 8



Looking southwesterly along shore from beach in the southwest corner of Section 8

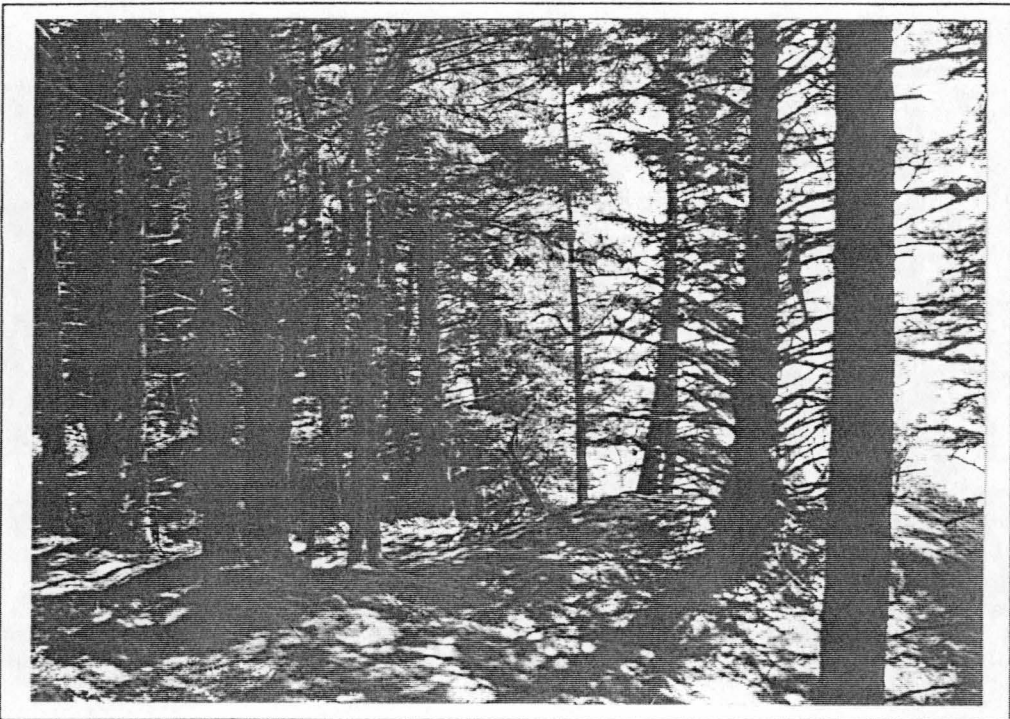


6-24-97 (SEC)

SUBJECT PHOTOGRAPHS



Looking southwesterly along coastal trail near the southeast corner of Section 7

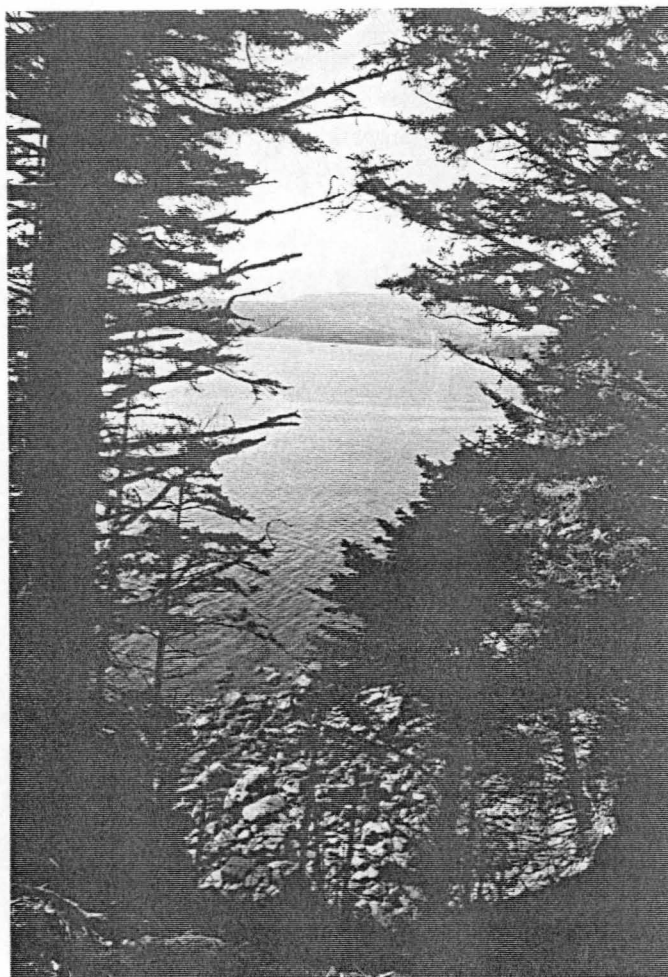


Looking northeasterly along coastal trail near the northeast corner of Section 18



6-24-97 (SEC)

SUBJECT PHOTOGRAPHS



Looking southeast across Monashka Bay from the subject's bluff in Section 18



6-24-97 (SEC)

SUBJECT PHOTOGRAPHS

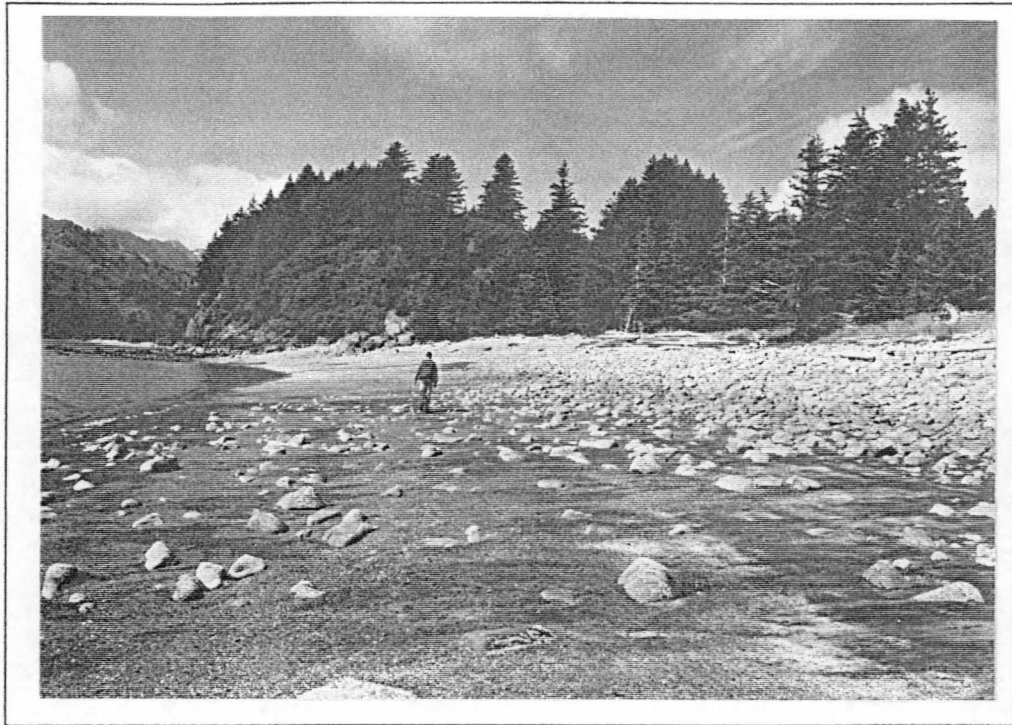


Looking westerly along bluff in Section 18



6-24-97 (SEC)

SUBJECT PHOTOGRAPHS



Looking southwest along beach near the subject's SWC in Section 18



Looking easterly at beach in Section 18 from near the subject's SWC

PART III - ANALYSES AND CONCLUSIONS

DATA/TREND ANALYSIS - (MARKET OVERVIEW)

The purpose of the Market Overview is to identify the market(s) within which the subject would be traded and determine its adequacy. An "adequate" market for purposes of estimating market value is one characterized by numerous sellers exposing alternative choices to the market and numerous buyers driving values. Sub-markets defined by size and/or location are evaluated in the following subsections

Large Tracts (> 640 acres)

For remote and rural properties with merchantable timber, eventual harvest is the most probable use. However, while there is demand for the resource, there is little demand for timberlands. In Alaska, the major players already own long-term inventories with no hard capital investment in the land itself. With little to no prospects for the cut-over land, competitors generally seek only the resource itself. Other land uses that provide an economic basis for valuation elsewhere are generally not physically possible in Alaska let alone economically feasible. For large tracts lacking a valuable natural resource, demand is simply not measurable.

A limited sub-market on the lower Kenai Peninsula is a rare exception. In 1990, a local developer-broker acquired six non-contiguous foreclosed tracts containing 2,200 acres near Anchor Point. The tracts were already paper-platted into 10-acre (+/-) lots. The developer has been successful in selling lots with low down payments and seller financing. In 1992, he acquired another 480 acres in the same locale and in 1997 another 1,040. The per-acre purchase prices reflected were \$203, \$219, and \$192.

Again, this sub-market is an exception. The Kenai Peninsula Borough allows "paper-platting"—subdividing without constructing roads or providing electricity. However, the wood-chip logging industry has developed inroads into the backlands removed from the Sterling Highway. With diverse recreation opportunities and road access, the general area is one of Alaska's most popular destinations for both in-state and out-of-state visitors. Proximal to the communities of Homer, Anchor Point, Ninilchik, Kasilof, Soldotna, and Kenai; the area is also well-suited for rural residents. This combination of qualities is

unique. Development opportunities similar in size and scope are not foreseeable for other regions of state in the near term.

In October of 1991, Lesnoi Native Corporation sold 660 acres on Salonie Creek, approximately 3 miles southwest of Kodiak's CBD. The property has road access and electricity. It had been utilized as a military firing range. The tract was zoned Rural Residential but subdivision into home-sites was a probable use of less than 50% due to soils/topography conditions. The Kodiak Island Borough (KIB) acquired the property for a public recreation use. The parties were presumably knowledgeable and negotiations were reported as arm's length. However, the property was not exposed to the market prior to sale and it was acquired for a non-economic use. Given local demand characteristics, it is questionable whether a developer would have undertaken a project of this size. What the developer would have paid is unknown. In summary, the transaction is not evidence of an adequate market for large parcels.

In conclusion, the overall "market" for large tracts is characterized by a large supply and no measurable demand. The most probable disposition is an eventual breakdown into marketable denominations. The market for tracts larger than 640 acres is inadequate for purposes of estimating the value of the subject.

Small Tracts (>160 ≤ 640 acres)

Recent sales are summarized in the following table.

#	Location	Date	Acres	\$/AC	Intended Use
A	Afognak	11-89	274	\$3,889	private colony/community
B	Fidalgo Bay PWS	4-92	264	\$348	clear-cut logging
C	Anchor Point	10-92	480	\$219	recreation subdivision
D	Anchor Point	4-93	520	\$183	selective logging & subdivision
E	Anchor Point	5-93	361	\$194	selective logging & subdivision
F	Anchor Point	8-93	560	\$250	selective logging & subdivision
G	Homer	8-93	600	\$392	selective logging & subdivision
H	Ninilchik	8-94	302	\$3,468	subdivision & resale
I	Uyak Bay, Kodiak	3-95	318	\$1,887	conservation
J	Kashwitna River	11-96	360	\$167	rural homestead; speculation
K	Sterling	11-96	240	\$1,333	rural homestead; speculation

Data A and I are noteworthy because they are located in the Kodiak Archipelago. However, neither qualify as evidence of market value and reliable indicators cannot be inferred (analyses of these transactions is presented in the Addenda).

Data B is an isolated sale of a remote mineral claim in Prince William Sound. It was acquired for its timber resource. Prospects for the cut-over land were poor and the purchase price was supported by the timber value alone.

Data D through G were acquired during a boom in the pulp-wood industry on the lower Kenai Peninsula. The low-end per-acre indicators are attributable to a low-volume, low-quality resource and poor prospects for the cut-over land. Demand has tapered off and the activity is an anomaly.

Data H is a parcel on the lower Kenai Peninsula that is bisected by the Sterling Highway (paved). A portion had approximately ½ mile of frontage on Cook Inlet. A preliminary plat creating 100 lots had been approved. The buyer; Ninilchik Native Association; recorded the plat and has sold some lots.

Data J is located on the Kashwitna River; approximately 6.5 miles east of the Parks Highway; 45 miles north of Anchorage. The river-frontage is estimated at approximately 1/2 mile and the tract featured an unusually high percentage of usable wooded uplands. Access is by a 4WD trail. Electricity is not immediately available. The property sold after three years on the market to a real estate agent speculating on subdividing opportunities.

Data K is located between Sterling and Soldotna on the Kenai Peninsula. The tract was a component of a large rural homestead known as the Tennessee Miller Ranch. The buyer had recently purchased the adjacent 120-acre parcel that was improved with an airstrip, large residence, several cabins, a barn and other outbuildings. Electricity is available and access is by gravel road. Approximately 75% of the acreage is well-suited for rural residential use. The buyer intends to incorporate the airstrip feature into a subdivision.

Summary

The data reflects spotty activity over an 8-year period and a wide range of value indicators. The locations of the properties are random, physical attributes are dissimilar, and probable uses are diverse. In conclusion, the market for parcels larger than 160 acres (and less than 640 acres) is inadequate for purposes of estimating the value of the subject.

Kodiak Remote Parcels

In recent years there have been numerous sales of remote sites/parcels ranging in size from 5 to 160 acres. The data indicates that the most marketable denominations range in size from 5 to 20 acres. For the smaller sites, the local marketplace is adequate for estimating value. Demand for larger sites/parcels progressively decreases and an expanded data search is necessary. However, an active market for remote sites/parcels in the Kodiak Archipelago has little relevance to the subject. The subject can be fairly described as "rural" as opposed to "remote".

Kodiak Rural Sites/Parcels

The most probable near-term use of the subject is forestry. The most probable use within a foreseeable period after harvesting is rural residential. With an extensive shoreline and rolling backlands, both oceanfront and non-oceanfront home-sites could be created.

Historically, the supply of land has been limited. And, surface soils are typically so shallow that public sewer is preferred over expensive engineered on-site systems. Most often, the platting of sub-dividable parcels maximizes the number of home-sites. Where public sewer and water are available, lot sizes typically range from 1/8 to 1/2 acre. Where on-site systems are required, lots typically range from 1 to 10 acres.

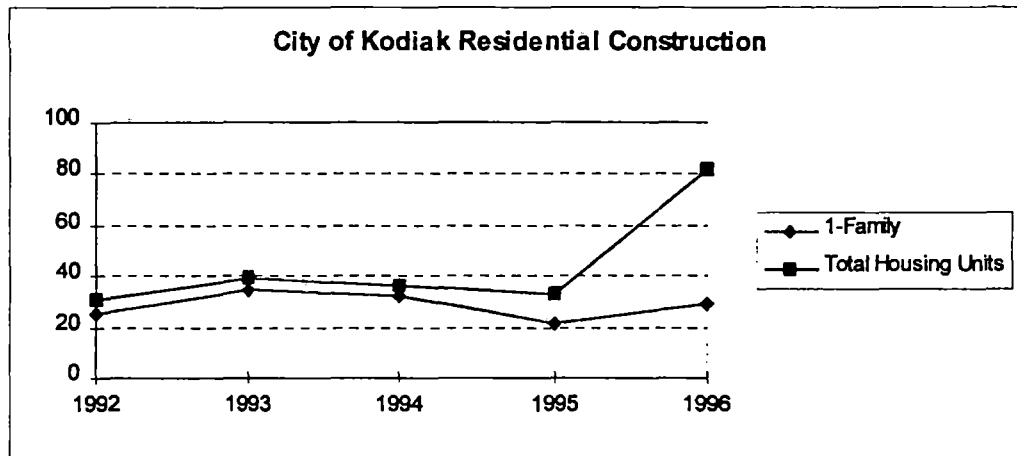
Local associate-broker¹³ Andy Brumbaugh reported that there has been a lot of building over the past two to three years following a moratorium necessitated by an inadequate public sewer system. Where public sewer and water is available,

¹³ Chelsea Realty & Development; Andy Brumbaugh, Associate Broker 1-907-486-3424

small sub-dividable parcels are likely to be acquired by a builder planning 2 to 5 new housing starts.

In spite of the recent activity, market conditions will not support large-scale developments. Per Mr. Brumbaugh, demand has been attributable to "churning" by upgrading locals; a limited market expected to slow in the near term. Current demand is reported as "quite low".

A five-year history of residential construction activity is illustrated in the following chart. "Total Housing Units" includes multi-family dwellings and mobile homes. The spike in 1996 is attributed to a low-income housing project.¹⁴ Permitting is reported to be down for 1997.



Another local broker; Sharlene Sullivan¹⁵; reports that a slowdown should be expected. The fishing industry has become increasingly volatile. The Tyson cannery burned in the spring (1997) and no rebuilding plans have been announced. Peak season employment ranged from 300 to 400.

In summary, the supply of non-oceanfront urban and rural residential lots is more than adequate. During a windshield survey, several for-sale signs were observed. Lengthy marketing periods are the norm. Projecting absorption is highly speculative.

¹⁴ Kodiak Island Housing Authority

¹⁵ Associated Island Brokers; Sharlene Sullivan 1-907-486-2000

In contrast, local agents report that bluff lots would be marketable; particularly those with southern exposure. KIB Assessor Pat Carlson believes that there is pent-up demand in face of a limited supply. In late 1987 a developer subdivided a small parcel fronting on the bluff overlooking Woody Island Channel only 1.5 miles from the CBD (Tona Subdivision). Six bluff lots and 12 removed view lots were created. The developer-seller reported that they went like "wildfire". KIB records indicate that all six bluff lots may have been sold within one year. At least one agreement pre-dated the plat recording by several months.

However, the supply may not be as limited as reported. In 1991-92, sewer and water lines were extended out **Spruce Cape** to serve the Navy Seals barracks. The extensions effectively positioned a 55-acre tract of land owned by the Natives of Kodiak¹⁶ for development. A phased project of 122 lots is proposed. Lots would range from 8,500 to 22,000 square feet. Twenty-four of the lots would front on the bluff overlooking Woody Island Channel.

The owner's representative; Mr. Tony Drabek; reported that the location of a sewer lift-station requires an initial phase of at least 33 lots, 18 of which would be bluff lots. While prospects for the bluff lots appear to be favorable, the project has not been undertaken. Uncertain market conditions and the holding costs of unsold inventory are deterrents. Absorption projections are too speculative.

Lesnoi Native Corporation (owners of the subject) owns 50% of a joint venture¹⁷ in a subdivided tract (467 acres) at **Cliff Point** on Middle Bay. The project is accessed by a WWII service road extending from Mile 14.1 of the Chiniak Highway, southwest of the City of Kodiak's CBD. Approximately 40 lots are inventoried, 25 of which have frontage on Middle Bay. The average lot size is approximately 10 acres. Soils are reportedly suitable for on-site waste-water disposal systems.

A cloud on the title that had precluded active marketing for several years has recently been removed. According to Lesnoi representative Bill Longbrake, the direction of the JV is currently undetermined but the project is a potential

¹⁶ Natives of Kodiak, Tony Drabek 1-907-486-3606

¹⁷ Trillium Development Corp. (Washington) is the managing partner with 50%.

source of rural lots within the foreseeable future. Mr. Longbrake reported that high holding costs (real estate taxes) are a consideration.

An extension of the power line would be necessary to serve the sites. The main road was reportedly widened but the improvements are minimal. Additional roads would have to be constructed. Private restrictions intended to maintain a certain quality may deter rural residents. Further subdividing and temporary structures are reportedly prohibited. Nevertheless, such large rural home-sites; particularly those with ocean frontage; would occupy a distinct market "niche".

In summary, if solid demand were demonstrated, it is likely that an adequate supply of both urban bluff lots with public utilities and rural lots without--would be made available almost immediately.

Summary

The market-place is small and isolated. The economy is volatile. A recent decline in the population is reported. A slowdown in residential building activity is detected. The supply of urban and rural home-sites appears to be more than adequate for the foreseeable future. Nevertheless, the local market is adequate for estimating value. For larger rural homesteads; generally 20 to 160 acres; comparisons from other regional markets can be meaningful.

CONCLUSION

In the absence of a measurable market for parcels much larger than 160 acres, it is necessary to measure value in terms of smaller marketable components.

HIGHEST AND BEST USE

Highest and Best Use is defined in the Eleventh Edition of the Appraisal of Real Estate, Appraisal Institute, as:

"That reasonable and probable use that supports the highest present value, as defined, as of the date of the appraisal. Alternatively, highest and best use is the use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and that results in the highest present land value.

PERMISSIBLE USES

Legal restrictions, as they apply to the subject tract, may include easements, zoning regulations, if any, and land-use plans. Limitations and/or restrictions that may impact the utilization of the subject property and ultimately market value, are discussed in the following subsections.

Zoning

The subject parcels are zoned "C-Conservation District". The "...District is established for the purpose of maintaining open space areas while providing for single-family residential, and limited commercial land uses." Regulations permit most of the probable uses of the subject including the harvest of merchantable timber.

The Borough's coastal management program (plan) may or may not provide additional regulatory constraints for specific development projects--particularly those that require more than a local land use permit. Uses requiring the filling-in of wetlands, large-scale sanitary land fills, logging transfer stations, are examples of projects that would typically require a higher level of review. However, the plan's purpose is "guidance"; more likely to place conditions on a proposed project rather than result in denial. Logging operations have been established in the northern part of the Kodiak Archipelago for several years. In summary, the Coastal Management Plan is not considered to adversely impact the utilization of the subject properties; nor select sites within their boundaries; to their Highest and Best Uses.

Resource Management

The subjects lie outside the boundaries of the Kodiak National Wildlife Refuge.

Easements

We have not been provided with a preliminary title report and are not otherwise aware of any easements affecting the subject property.

POSSIBLE USES

The subject properties exhibit a variety of topographical features and physical characteristics. It is likely that several land uses could be physically accommodated at various locations. Possible uses include:

- agriculture-livestock
- industrial (petro-chemical/mining)
- marine commercial
- commercial recreation
- rural homesteading
- forestry

Agriculture-Livestock

Cattle ranching on Kodiak Island has been on the decline for several years. The probability that farming and/or livestock production on the subject properties will be financially feasible in the near term is considered to be very low.

Industrial (Petro-Chemical/Mining)

As the subsurface estate is dominant, the presence of valuable resources could interfere with the intended use as well as limit Highest and Best Use; ultimately impacting the value of the surface estate. We have not been provided with any information regarding the presence of economically significant subsurface resources nor the potential for discovery. For the purposes of this report, we have assumed that related uses of the surface are not probable. THIS IS A SPECIAL ASSUMPTION OF THE REPORT.

Marine Commercial

Some marine commercial uses are permissible in the Conservation District while others require a conditional use permit. However; existing shore-based facilities for the fishing, shipping, and timber industries, appear to be adequate. Demand for additional sites is not evidenced. In summary, marine commercial uses are not probable within the foreseeable future.

Commercial Recreation

Given the subject's proximity to the City of Kodiak, it is not well-suited for a "remote" lodge operation. Special-use permits and licensing to sportsmen, outdoor enthusiasts, or commercial guides, represents a possible source of income. However, user fees cannot begin to support even nominal per acre values for large tracts.

Rural Residential

Given the subject's proximity to the City of Kodiak, the existing infrastructure, and generally favorable topographical conditions; the subject is suitable for rural residential use. In spite of current market conditions, there is certainly a product; at a price; that would sell-out within a reasonably foreseeable period. View lots fronting on Monashka Bay (southern exposure) would be the most marketable.

Forestry

Merchantable timber has been identified. Operations are reported as physically possible and economically feasible. Clear-cutting is probable within the foreseeable future.

FEASIBLE USES

Although there is a reasonable probability that some or all of the subject parcels will be acquired for preservation/conservation, the intended use (non-economic) does not represent the Highest and Best Use. Forestry and rural residential uses are the only known physically possible and probable, economic uses.

MAXIMALLY PRODUCTIVE USE

Market conditions in the short term favor forestry. However, the extension of Monashka Bay Road and on-site logging roads would effectively stage the acreage for rural residential uses. Natural qualities will be re-established by a progressive regeneration. Recognizing that second growth would not likely be merchantable for 80 to 100 years, the most probable eventual disposition of the cut-over land is subdivision into marketable denominations for rural residential use. In conclusion, Highest and Best Use can be fairly described in terms of a mixed use: forestry and rural residential use.

ESTIMATE OF VALUE

VALUATION PREMISE

Where prospects for the cut-over land are speculative, timber buyers cannot commit substantial additional resources. Margins in this volatile industry are too thin to justify an additional undertaking that significantly increases risk. The Alaska timber industry is dominated by companies that already own long-term supplies. To competitors, cut-over land is an unwanted burden; potentially a drag on timber profits. However, transactions in which only the timber rights are conveyed signal an acknowledgment that the value of timberlands consists of two measurable components: the market value of the timber resource and the value of the cut-over land.

Timber

Timber is valued at \$1,156,000 (rounded). A valuation summary is presented in the addenda.

Cut-over Land

"A market in which nothing is happening is no market at all. There must be enough representative transactions to display a clear pattern."¹⁸ While there is virtually no qualified market evidence of what someone would pay for a 1,028 acre tract containing both shoreline acres and removed backlands; there is market evidence to support the marketability and price of various-size smaller parcels.

The most probable eventual use of the cut-over land is for rural homesteads and ocean-front home-sites. Although market conditions do not favor major developments, the subdivision approach to value is an appropriate method. Certainly there is a product; at a price; that would assure a sell-out within a satisfactory period.

The Conservation Zone requires a minimum lot size of 5-acres; however; the average home-site is likely to be larger due to road placement and topographical obstacles. Usable acreage would be reduced by the area dedicated for roads and common areas, if any. Allocating 6.5 acres per lot to account for these

¹⁸. Jared Shlaes, MAI, "The Market in Market Value," *The Appraisal Journal* (10/84) 494-518.

considerations suggests that as many as 160 conforming lots could be created (1,028 acres ÷ 6.5 ac/lot, rounded).

Given current and anticipated market conditions, predicting the absorption of so many lots would be philosophical. In order to assure a return of and on the investment at an acceptable level of risk, a subdivision plan must target a short-term sellout before "resales" begin to hinder the marketability of remaining inventory. Three to five years is perceived as a reasonably foreseeable period. Fewer lots and competitive pricing is perceived as the most effective strategy.¹⁹

Based on our investigation, market prospects are the most favorable for the shoreline acreage. Prospects for conforming home-sites removed from the waterfront are perceived as relatively poor. An optimum subdivision would recognize the distinctions in terms of the site/parcel sizes likely to sell-out within the targeted period; say 4 years. For the purposes of our analysis, we have recognized two components allocated as follows:

Bluff Lots

At 330 feet of frontage²⁰, roughly 48 oceanfront home-sites could be created from approximately 3 miles of general shoreline (excludes intricate meanders). Due to the meander of the shoreline and other physical obstacles, lot sizes would probably range from the minimum 5 acres to 7 acres. At an average of 6 acres, the 48 lots would consume an estimated 288 acres. Dedicated 60 foot road right-of-ways would consume another 22 (±). Acreage allocated to bluff lots is 310.

However, 48 lots represents a gargantuan inventory for this marketplace--twice the number of lots inventoried at Cliff Point (10+ acre rural lots w/o public sewer and water) and Spruce Cape (smaller urban lots with public sewer and water).

¹⁹ The current owner is in a unique position to maximize value via a comprehensive "master plan". Native corporation lands are generally free-and-clear. And, they are not taxable until developed so that holding costs can be further minimized by phasing a project. However, this situation cannot be passed on in the marketplace. The owner's "investment value" is arguably higher than "market value", the objective of the appraisal.

²⁰ 330' x 660' = 5 acres

Recognizing the potential for these to come on-line and extend the sell-out period, halving the number of lots to 24 would have strategic advantages. First, there is some evidence that an annual absorption of 6 lots per year (4-year absorption) is not unreasonable.²¹ Second, at a minimum size of 10 acres, the lots would be well-positioned in the marketplace in spite of the timber harvest. The larger size would tend to offset the lack of public water and sewer while offering a future opportunity to split the lot into two.

Remaining Backlands

The remaining acreage is described as rolling uplands. Three inland ponds, available electricity, and road access; are positive characteristics. The remaining acreage is calculated as follows:

Total Acreage	1,028 acres
Less: Allocation to Shoreline Acreage	(310 acres)
Less: Miscellaneous Dedication for Additional ROW (1 mile ±)	<u>(8 acres)</u>
Removed Backlands	710 acres

There is already a more-than-adequate supply of conforming non-waterfront rural home-sites (approximately 1-acre) with road access. In other rural areas (Kenai Peninsula and Mat-Su Boroughs) where conditions are similar, buyers have increasingly targeted larger parcels (5-160 acres) that offer additional privacy plus a speculative opportunity at a marginal cost. Rural mini-homesteads would be a novelty in the local marketplace with no competitive offerings.

²¹ See discussion of Tona Subdivision in the Market Overview--Kodiak Rural Sites/Parcels

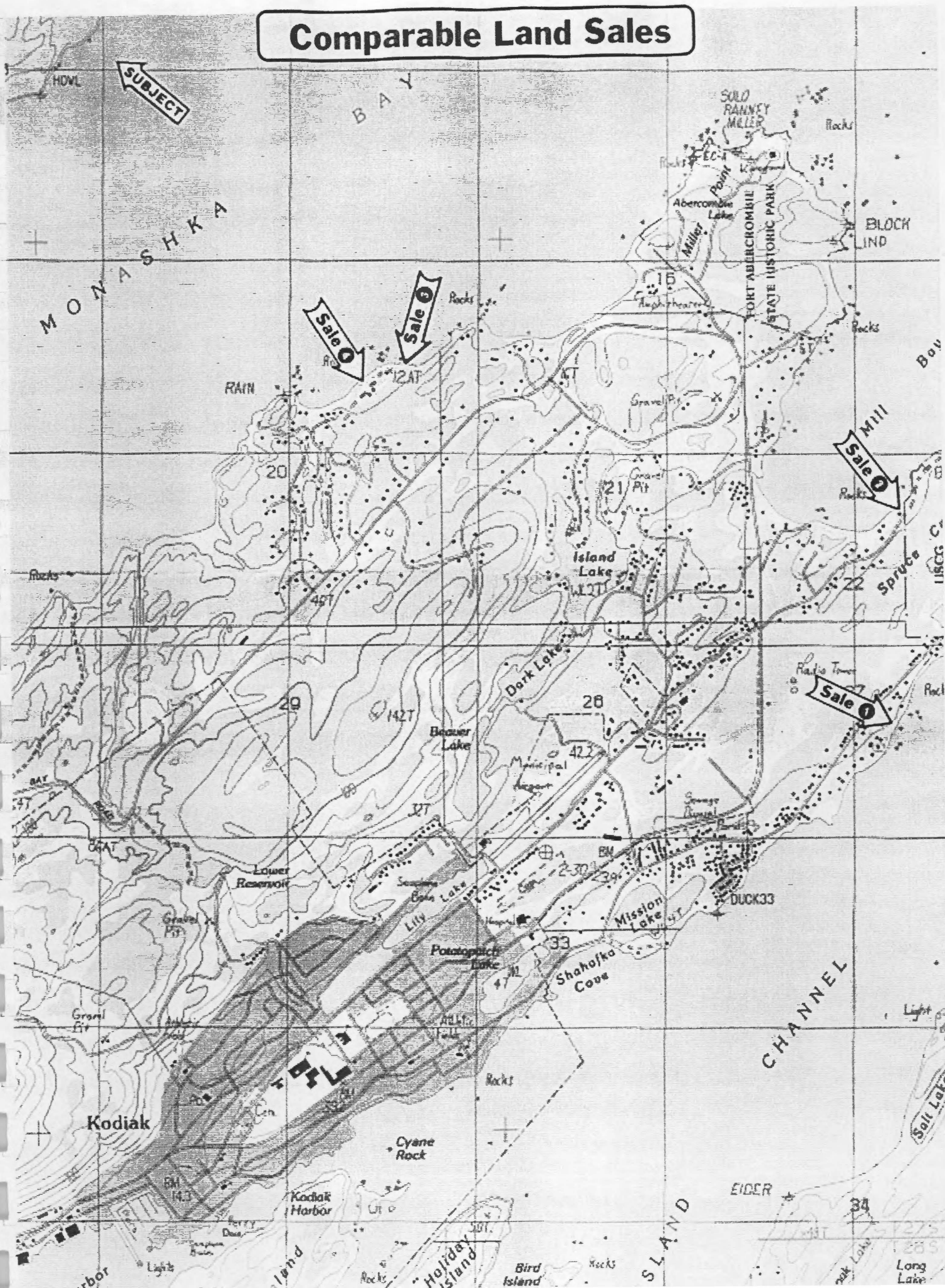
VALUATION OF THE CUT-OVER LAND (BY THE SUBDIVISION APPROACH)

Value is estimated by discounting the net cash flows from sales over the sell-out period. Annual cash flows are calculated as follows:

Annual Gross Retail Sales	- Costs	= Annual Cash Flows
<ul style="list-style-type: none">• number and type of lots• estimated retail value• projected absorption	<ul style="list-style-type: none">• development costs• holding costs• costs of sale• entrepreneurial profit	

Annual cash flows are discounted by an appropriate rate to indicate the present value of the subject (un-subdivided bulk-value). Component values and assumptions are developed in subsequent analyses.

Comparable Land Sales



Estimated Value of Bluff Lots

Comparables selected for direct comparison are inventoried in the following table in order of date-of-sale. Detailed information and photos are presented in the Addenda.

No.	BSR #	Location	Area	Wtf.	Date	Adj. CEV	Utilities
1	126	Tona Lane	11,913 SF	70'	8-92	\$80,000	E, W, S
2	127	Woodland Drive	41,174 SF	265'	9-93	\$90,000	E, W, S
3	128	Bay View Drive	57,183 SF	209'	5-94	\$55,000	E
4	129	Three Sisters Way	72,800 SF	40'	11-95	\$98,400	E

Description of Comparables

Comparable No. 1 is an urban bluff lot fronting on the Woody Island Channel (southern exposure). Electricity, public water and sewer are available. KIB records indicate the grantor acquired the lot in November of 1990 for \$69,000. The bluff lots in Tona Subdivision originally sold for \$55,000 to \$59,000 in 1987-88.

Comparable No. 2 fronts on Mill Bay facing north. It is a relatively large site with extensive frontage, electricity, public sewer and water.

Comparable No. 3 fronts on Monashka Bay facing northwest. The site is a flag lot created by the subdivision of a larger single home-site. The buyer bought both together and built on the bluff lot. The price for the bluff lot represents an allocation by the seller.

Comparable No. 4 fronts on Monashka Bay facing northwest. The seller had constructed a foundation, drilled a well, and installed an engineered mound-type septic system. The seller is rumored to have been motivated but declined to comment. However, the price reflects the upper-end of the value range--particularly for a site requiring on-site systems and only 40' frontage. The reported price represents an allocation to the unimproved site. According to a local appraiser, the grantor had acquired the lot in August of 1988 for \$70,000.

Explanation of Adjustment Process

Financing Terms

The Adjusted Cash Equivalent Value reported in the table reflects previous considerations for terms of sale and allocations for improvements or non-realty components if any.

Conditions of Sale (motivation)

Undue stimulus and/or atypical influences, if any, are considered in the Reconciliation of Adjustments.

Market Conditions (sale date)

The data confirms an upward trend. Comparable No. 1 reflects a 16% increase over 21 months and roughly 40% over 64 months (\pm). Comparable No. 4 reflects a 41% increase over 87 months. The two longer-term comparisons suggest an average annual compound rate of appreciation from 5% to 7%, say 6%. Given the lack of subsequent data and current market conditions, continued appreciation since the most recent confirmed sale (11-95) is not evidenced. In our analysis, Comparables 1, 2, and 3 will be adjusted up to the last confirmed sale (11-95) at an annual rate of 6%--.5% per month.

Zoning

In spite of different zoning classifications, the most probable use of the subject and the comparables is for residential home-sites.

Physical Features and Characteristics

Physical features and characteristics include; location, access; soils and topography; size and shape. It is extremely difficult to isolate reliable adjustments for various inequalities. Therefore, we have correlated the comparables to the subject in a qualitative analysis described as a "relative comparison analysis"²². In this analysis, various physical features and characteristics are perceived as comparable/equal, superior or inferior. This technique illustrates the relative market position of the subject. A Market Data Grid and Relative Comparison Analysis is presented on the following page.

²² Appraisal Institute, *The Appraisal of Real Estate*, Tenth Addition (1992)

Market Data Grid and Relative Comparison Analysis

Element of Comparison	Subject	1	2	3	4
Adj. CEV	n/a	\$80,000	\$90,000	\$55,000	\$98,400
Conditions of Sale	n/a	no adjustment	no adjustment	no adjustment	no adjustment
Zoning	Conservation	Residential (R-2) <i>(no adj.)</i>	Residential (RR-1) <i>(no adj.)</i>	Residential (RR-1) <i>(no adj.)</i>	Residential (RR-1) <i>(no adj.)</i>
Market Conditions	6-97	8-92 <i>+6%/yr for 3.25 yrs</i>	9-93 <i>+6%/yr for 2.17 yrs</i>	5-94 <i>+6%/yr for 1.5 yrs</i>	11-95 <i>current</i>
Time Adjusted CEV	n/a	\$96,700	\$102,200	\$60,000	\$98,400
Physical Features					
Location	12 to 15 miles out Monashka Bay Road	Tona Lane; 2 miles east of CBD <i>(superior)</i>	Woodland Dr.; 3.5 miles east of CBD <i>(superior)</i>	Bay View Dr.; 5 miles north-east of CBD <i>(superior)</i>	3-Sisters Way; 5.5 miles NE of CBD <i>(superior)</i>
Access	rural gravel road	rural gravel road <i>(approx. =)</i>	rural gravel road <i>(approx. =)</i>	rural gravel road <i>(approx. =)</i>	rural gravel road <i>(approx. =)</i>
Utilities	electricity	E, W, & S <i>(superior)</i>	E, W, & S <i>(superior)</i>	electricity <i>(equal)</i>	electricity <i>(equal)</i>
Topography	clear-cut	some natural vegetation <i>(superior)</i>	some natural vegetation <i>(superior)</i>	some natural vegetation <i>(superior)</i>	some natural vegetation <i>(superior)</i>
Size	10 + acres	11,913 SF .27 acres <i>(inferior)</i>	41,174 SF .95 acres <i>(inferior)</i>	57,183 SF 1.31 acres <i>(inferior)</i>	72,800 SF 1.67 acres <i>(inferior)</i>
Shape	irregular	irregular <i>(approx. =)</i>	quadrangle <i>(approx. =)</i>	irregular flag lot <i>(inferior)</i>	triangular <i>(inferior)</i>
Bluff Frontage	660' ±	70' <i>(inferior)</i>	265' <i>(inferior)</i>	209' <i>(inferior)</i>	40' <i>(inferior)</i>
Net Adjustment		*	*	*	*

The Relative Comparison Analysis is inconclusive. Physical features and characteristics vary dramatically with no observable trend. This can be attributed to the nature of this unique sub-market.

For nearly ten years, there has not been enough of a selection for the market to recognize premiums for various features and characteristics. The data reflects only four sales in four years; an indicator of short supply as opposed to little

demand. In this small "sellers" market, an owner is able to adequately expose the property to the market by word-of-mouth, yard sign, or local publication.

The data reflects a general range of site values from \$60,000 to \$100,000. The range is recognized by owners, buyers, the KIB assessor, local agents and appraisers. The low-end indicator is attributable to a combination of shape (flag-lot), a package purchase (adjacent lot), northeast exposure, and the lack of public water and sewer. The consistency of the three comparables bracketing the upper-end (Nos. 1, 2, & 4) suggests an acknowledgment of a benchmark price for bluff-lots in spite of various off-setting inequalities. However, this indicator (\$100,000) should be tempered by a recognition that at the time each of these lots were sold, there were probably no other bluff lots available. The market advantage enjoyed by a single bluff lot would be significantly diluted by the availability of several at one time.

In the absence of a larger data sample it is difficult to narrow the indicated range. The subject's location and lack of public water and sewer negatively impact value. However, while a close-in location is arguably preferable, that is generally all that has been available. And, while public utilities are generally preferred to on-site systems, the advantage has been eroded by refinements to engineered systems that reduce cost.

The significance of a clear-cut harvest is diluted by several observations.

Although clear-cutting is the probable method of harvest, pockets of natural vegetation would remain. Following clear-cut operations on nearby Afognak Island, random stands of un-merchantable timber alternate with clear-cut patches.

The natural canopy blocks sunlight and obscures the view shed. Site plans often include the removal of the majority of trees. Privacy afforded by natural vegetation may be effectively maintained by the separation provided for by the minimum lot size in the Conservation Zone (5 acres).

Given the supply/demand characteristics of this sub-market, any aesthetic unpleasantness is likely to be perceived as a temporary condition. According to Mr. Clare Doig, low brush would be evident within three years. Within five years, young trees would have topped the brush; stumps would be largely obscured. At ten years, second growth would be well on its way with heights of 10 to 12 feet.²³

²³ Forest & Land Management Inc., (Anchorage, AK). Telephone interview on 4-19-96

In summary, it is our opinion that the sum of negative attributes would be offset by the size of the subject bluff lots--large enough to subdivide into two 5-acre (minimum) sites when market conditions permit.

Again, it is difficult to narrow the indicated range (\$60,000 to \$100,000). Acknowledging the inferior qualities of Comparable No. 3 and the consistency of Nos. 1, 2, and 4, an appropriate price for the subject bluff lots should be well-above the low-end indicator. Conversely, an appropriate price for a bluff lot in a market with an adequate supply should be well-below the prices commanded by "one-of-a-kind" offerings.

In conclusion, a price that would appeal to a larger pool of prospective purchasers; thereby contributing to a foreseeable absorption period; would lie nearer the middle of the range. In the absence of other significant data, it is our opinion that market value of the subject bluff lots is fairly represented at a mid-range price of \$80,000.

We recognize that the subject bluff lots would exhibit various inequalities; some would have a clear market advantage over others. However, a constant price is projected for all because a declining inventory tends to pressure prices upward. The most desirable lots would sell first. Buyer resistance to less desirable lots decreases as scarcity increases.

Estimated Value of Remaining Backlands

There are no recent sales of large rural parcels accessed by the Kodiak road system. This is not because they are unmarketable. KIB appraiser, Mr. Martin Lydick, reports that privately-owned rural tracts larger than 5 acres are generally non-existent. As a result, the local market is inadequate and an expanded data search is necessary.

Other regional markets offer some meaningful comparisons. Rural areas with road access in the Matanuska Valley and on the Kenai Peninsula offer alternatives to urban living. Arguably, the locales are superior. Both are connected to the state highway system; both have a larger population base; both have a more diversified economic base. On the other hand, Kenai and Soldotna's median household incomes (\$42,889 & \$38,004) are lower than Kodiak's (\$46,050)²⁴.

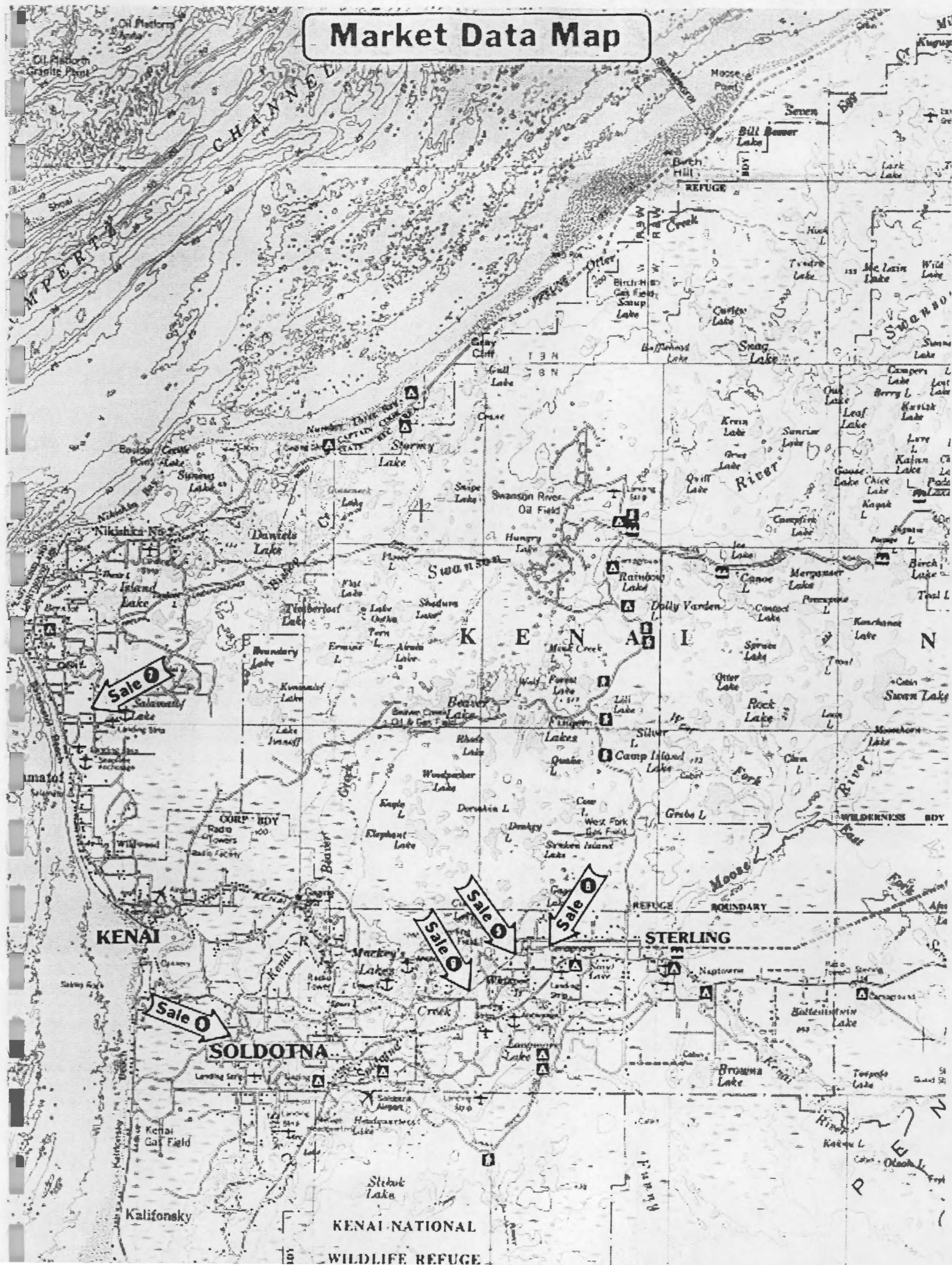
The differences do not preclude a comparison because supply and demand characteristics are somewhat similar. Like Kodiak, the supply of DEC conforming lots (40,000 SF minimum) in both the Matanuska Valley and on the Kenai Peninsula exceeds demand. Such conditions depress the current price and long-term prospects. Subdivision is generally practical only for close-in parcels with both gas and electricity (gas is not available on Kodiak).

For parcels further out-of-town and without natural gas, larger sizes contribute toward offsetting the negatives. Tracts from 40 to 160 acres have been marketable as rural homesteads that offer both a private home-site and a speculative opportunity at a marginal cost.

The absorption of 710 acres would require average annual sales of approximately 180 acres over a targeted sell-out period of 4-years. Recognizing that smaller denominations may be more marketable; yet the pool of prospective purchasers is small; we've projected two sales per year and an average of 90 acres.

²⁴ Alaska Department of Community and Regional Affairs

Market Data Map



The Matanuska-Valley is within commuting distance to Anchorage while the Kenai Peninsula is not. In our analysis, we have focused on rural areas near the communities of Soldotna and Kenai on the Kenai Peninsula. Data selected for the analysis is summarized in the following table.

Market Data Summary

No.	BSR #	General Location	Date	Acres	\$/Ac	Remarks
5	350	near Sterling Hwy. between Sterling & Soldotna	3-95	78.11	\$935	electricity is available; rural gravel road
6	348	near Sterling Hwy. between Sterling & Soldotna	6-95	120	\$745	electricity; gas is available (200' south); paved rural road
7	391	near North Kenai Rd between Kenai & Nikishka	6-96	160	\$756	electricity; gas is available nearby; paved rural road
8	392	near K-Beach Rd between Soldotna & Kenai	9-96	80	\$1,750	electricity & gas immediately available; paved rural road
9	390	near Sterling Hwy. between Sterling & Soldotna	11-96	240	\$1,333	electricity & gas available; rural gravel road

Description of Comparables

Comparable No. 5 is located approximately 7 miles from Soldotna. Access is via a good gravel road within 1 mile of the pavement. The topography is hilly; heavily wooded with non-merchantable birch and spruce. Gas is not available.

Comparable No. 6 is located in the same vicinity as No. 5. However, it fronts on paved Robinson Loop Road. The topography is rolling; heavily wooded with non-merchantable birch and spruce. A gas line easement bisects the tract but service is only available from a line near a corner set back from the road approximately 1/2 mile.

Comparable No. 7 is located approximately 8 miles north of Kenai. Access is good via a paved but narrow rural road. The topography is generally level and heavily wooded. The broker reported that the buyers intended to sell-off selected spruce trees and later subdivide the acreage. The KPB appraiser for the area reported that nothing has been done in the past year. Although access is good, electricity is available and gas is nearby, the supply of rural home-sites in the area is more than adequate.

Comparable No. 8 is located approximately equidistant from Soldotna and Kenai (5 miles \pm). This in-between location enhances marketability. Plus, access is paved and both gas and electricity are immediately available. The topography is fairly level; some had been cleared for pasture land. The acreage was bought for subdivision into DEC conforming home-sites (approx. 1 acre).

Comparable No. 9 is located approximately 5 miles out of Soldotna (toward Sterling). Access is via a rural gravel road within 1.25 miles of the pavement. The topography is rolling; partially wooded. The per-acre price appears to be high given the large size. However, the property was marketed as a whole but was available in parcels as small as 20-to-40 acres. The larger tract effectively represents an assemblage of smaller tracts. The buyer acquired the tract after purchasing an adjacent 120-acre improved property that also featured an airstrip. The buyer planned to utilize a landing strip as a subdivision amenity. Electricity is available and gas is nearby.

Explanation of Adjustment Process

Financing Terms

The Adjusted Cash Equivalent Value reported in the table reflects previous considerations for terms of sale and allocations for improvements or non-realty components if any.

Conditions of Sale (motivation)

Undue stimulus and/or atypical influences, if any, are considered in the Reconciliation of Adjustments.

Market Conditions (sale date)

All of the sales have occurred since March of 1995. The market remains generally oversupplied and the adjustment for time is not measurable.

Zoning

In spite of different zoning classifications, the most probable use of the subject and the comparables is for rural home-sites.

Physical Features and Characteristics

Physical features and characteristics include; location, access; soils and topography; size and shape. It is extremely difficult to isolate reliable adjustments for various inequalities. Therefore, we have correlated the comparables to the subject in a qualitative analysis described as a "relative comparison analysis"²⁵. In this analysis, various physical features and characteristics are perceived as comparable/equal, superior or inferior. This technique illustrates the relative market position of the subject. A Market Data Grid and Relative Comparison Analysis is presented on the following page.

²⁵ Appraisal Institute, *The Appraisal of Real Estate*, Tenth Addition (1992)

Market Data Grid and Relative Comparison Analysis

Element of Comparison	Subject	5	6	7	8	9
Adj. CEV/AC	n/a	\$935	\$745	\$756	\$1,750	\$1,333
Conditions of Sale	n/a	no adj.	no adj.	no adj.	no adj.	no adj.
Zoning	Conservation probable use is rural residential	unclassified; probable use is rural residential	unclassified; probable use is rural residential	unclassified; probable use is rural residential	unclassified; probable use is rural residential	unclassified; probable use is rural residential
Market Conditions	6-97	3-95 no adj.	6-95 no adj.	6-96 no adj.	9-96 no adj.	11-96 no adj.
Adjusted CEV	n/a	\$935	\$745	\$756	\$1,750	\$1,333
Physical Features						
Location	12 to 15 miles out Monashka Bay Road	7 miles out of Soldotna <i>(superior)</i>	7 miles out of Soldotna <i>(superior)</i>	8 miles out of Kenai <i>(superior)</i>	5 miles between Soldotna & Kenai <i>(superior)</i>	5 miles out of Soldotna <i>(superior)</i>
Access	rural gravel road	rural gravel road w/in 1 mile of pavement <i>(superior)</i>	rural paved road <i>(superior)</i>	rural paved road <i>(superior)</i>	rural paved road <i>(superior)</i>	rural gravel road w/in 1.25 mile of pavement <i>(superior)</i>
Utilities	electricity available	electricity available <i>(equal)</i>	electricity available; gas nearby <i>(superior)</i>	electricity available; gas nearby <i>(superior)</i>	electricity & gas immediately available <i>(superior)</i>	electricity available; gas nearby <i>(superior)</i>
Soils	on-site septic requires engineered mount system	adequate for improved uses and on-site septic systems <i>(superior)</i>	adequate for improved uses and on-site septic systems <i>(superior)</i>	adequate for improved uses and on-site septic systems <i>(superior)</i>	adequate for improved uses and on-site septic systems <i>(superior)</i>	adequate for improved uses and on-site septic systems <i>(superior)</i>
Topography	hilly; clear-cut	hilly; wooded <i>(no adj.)</i>	rolling; wooded <i>(superior)</i>	level; wooded <i>(superior)</i>	level; partially cleared <i>(superior)</i>	rolling; partially wooded <i>(superior)</i>
Size	90 acres ±	78.11 <i>(approx. =)</i>	120 <i>(inferior)</i>	160 <i>(inferior)</i>	80 <i>(approx. =)</i>	240 <i>(inferior)</i>
Minimum Lot Size	5 acres	40,000 SF <i>(superior)</i>	40,000 SF <i>(superior)</i>	40,000 SF <i>(superior)</i>	40,000 SF <i>(superior)</i>	40,000 SF <i>(superior)</i>
Net Adjustment		<i>Negative</i>	<i>Negative</i>	<i>Negative</i>	<i>Negative</i>	<i>Negative</i>

Based on the comparison grid, the market position of the subject is illustrated in the following summary.

Comparable	CEV/AC	Adjustment
No. 8	\$1,750	Negative (↓)
No. 9	\$1,333	Negative (↓)
No. 5	\$935	Negative (↓)
No. 7	\$756	Negative (↓)
No. 6	\$745	Negative (↓)

Reconciliation of Adjustments

Ideally, value indicators will bracket the subject. In this case all are superior--suggesting that \$700 per acre approximates the upper-end of an appropriate value range.

The low-end of the range is suggested by the market price for alternatives in the Kodiak marketplace. Recent sales of generic urban residential lots in Woodland Acres (with public sewer & water but gravel street) range from \$40,000 (8,050 SF) to \$45,000 (18,732 SF). The lots are so dissimilar, they were not included as comparables. Nevertheless, the sales are relevant. A per site value of \$45,000 applied to a 90-acre parcel reflects a per acre price of \$500.

In summary, the per-acre value of the subject backlands; in denominations of 90 acres; is fairly represented within a range from \$500 to \$700. In the absence of an adequate data sample of truly similar properties, the per acre value is estimated at the mid-range indicator of \$600.

SUMMARY OF COMPONENT VALUES

<u>Property Type</u>	<u>Quantity</u>	<u>Estimated Value</u>	<u>Gross Retail Value</u>
Bluff Lots	24	\$80,000 per lot	\$1,920,000
Remaining Backlands	710 acres (net of ROWs)	\$600 per acre	<u>\$426,000</u>
			\$2,346,000

The bulk value of the cut-over land (un-subdivided) is represented by the present value of annual sales over the sell-out period. The important components of the calculations (Discounted Cash Flow Analysis) include:

- projected sell-out period (absorption)
- holding costs
- costs of sale
- entrepreneurial profit (developer's overhead and profit)
- discount rate
- development costs

These components represent variables; combinations of which would yield a range of value estimates. Our analysis is based on several assumptions developed in the following paragraphs.

Projected Sell-Out Period/Absorption

The sell-out period is projected at four years (see discussion in Valuation Premise). Although there appears to be pent-up demand for bluff lots, a subdivision of the subject would temporarily flood the market. If initial sales are brisk, it is likely that other projects would come on-line (Cliff Point, Spruce Cape). Added inventory would tend to keep a lid on prices. In summary, an increase in values is not anticipated in the near term. Although the timber harvest would preclude alternative uses during the first year, marketing of lots could begin immediately. The opportunity to choose the best sites first is likely to assure pre-sales that could close by the end of the first year.

Holding Costs

During the marketing/holding period, the owner/seller would be required to pay annual real estate taxes. State law requires that properties be assessed at 100% of market value. Assessed valuations/taxes generally reflect the property status for the previous year. During the first year, the subject would most likely be assessed and taxed as an un-subdivided tract. The assessed value has been \$1,028,000 for at least the past three years; the current mill rate is 9.25%.

A two-phase subdivision would minimize real estate taxes on unsold inventory while creating an inventory sufficient to afford a selection. Projections recognize that the valuation (and taxes) would peak in the second year before declining as the first phase sells-out. The valuation and taxes would partially rebound as the remaining bulk acreage is developed. Mill rates may increase to offset declines in the tax base and vice versa. In our analysis we have projected stabilized values and a constant mill rate of 9.25.

Costs of Sale

Although "word-of-mouth" has effectively exposed bluff lots to the market, available lots have been "one-of-a-kind" offerings. Reliance on a sell-out of several lots within a projected period would require the services of a professional broker. Typical fees on unimproved lot sales are 10%. In our analysis, we have projected costs of sale at 11% to include title insurance and a share of miscellaneous escrow and closing fees.

Entrepreneurial Profit (developer's overhead and profit)

"In a subdivision appraisal there are no clear-cut rules concerning entrepreneurial profit".²⁶ It is often calculated as a percentage of total costs including land. However, in this case, the bulk land value of the subject is unknown. Therefore, entrepreneurial profit may be expressed as a percentage of the present value of cash flows; or as a lesser percentage of gross sales. Arguably, profit would correspond with sell-out.

The incentive necessary to attract investment is difficult to establish. It would be unusual for a developer to reveal his bottom line. And a survey of developers would yield a wide range of responses attributable to personal objectives, project specifics, and to what the percentage is applied. Volunteered estimates generally range from 10% to 50% depending on these variables. Assuming that the element of risk is adequately addressed in planning strategies and the discount rate, entrepreneurial profit should reflect the scope of the project and the role of the developer.

A mid-range indicator is reflected in the analysis of purchase and proposed subdivision of a 56-acre parcel on the Kenai River near Soldotna. With values, absorption and costs predictable, the entrepreneurial profit (calculated as a percentage of gross sales) necessary to equate the present value with the actual purchase price can be estimated. The analysis indicates an entrepreneurial profit of approximately 32%. The scope of the project included road construction (gravel) and the extension of electric and gas lines. Although all eleven river-front lots were pre-sold, the prospects for 33 removed lots were poor.

²⁶. Douglas D. Lovell, MAI and Robert S. Martin, MAI, SRA; Subdivision Analysis; Appraisal Institute 1993; Page 92.

Development of the subject would be relatively passive. Roads would have been constructed within the scope of forestry operations. Electricity is the only available public utility. Bluff lots comprise 75% of the lots/parcels in our subdivision scenario. In our analysis, entrepreneurial profit is projected at 20% of gross sales.

Discount Rate

A discount rate that provides a return of and on the cost of capital; say 12%; is necessary. In addition, the rate must be weighted with a consideration for risk that absorption will not occur as projected. In our analysis, Annual Net Cash Flows are discounted at 14%.

Development Costs

Developing a reliable cost estimate for such an undertaking would require the expertise of engineers and competitive bids from contractors. For the purposes of our analysis, we have developed the following rough estimates.

Roads

We previously noted that timber operations could effectively stage the cut-over land for rural residential uses. Incorporating a subdivision plan in the layout and construction of logging roads would be a value-maximizing strategy. In our analysis, we have assumed that a conforming primary access road would be constructed within the scope of timber operations.

Electricity

Approximately 1 mile would be necessary to extend the existing line to the southwest corner of the property and another 2.5 miles along a route that parallels the shore. Mr. Clay Koplin of Kodiak Electric Association (KEA) estimates the number of poles per mile at 30. Per Mr. Koplin, the engineer's estimate for a recent 21-pole extension was \$113,000; \$5,400 per pole (rounded). At 105 poles (3.5 miles x 30 poles per mile) the cost of electricity would be \$567,000. Absorption of the total cost by the developer would be a worst-case scenario. KEA's extension policy provides for various levels of participation and/or reimbursement depending on feasibility--measured as a recovery of costs from monthly billings.

The options formulas are complex. In our analysis, we've assumed the first mile (30 poles) is a feasible undertaking of KEA; the on-site extension (75 poles) is funded by the developer. The developer's cost is estimated at \$405,000 (75 poles x \$5,400/pole).

Survey/Platting

Mr. San Osterman of Roy Ecklund Surveying in Kodiak reported that there are so many variables that only a range of costs could be suggested. Based on the scenario described, total cost would likely fall within a range from \$25,000 to \$45,000. In our analysis, we've used a mid-range cost of \$35,000.

Estimated Bulk Value (Cut-Over Land)

Based on the estimates and assumptions developed, the bulk value of the subject tract is calculated on the following page.

Subdivision Analysis

1

			Year 1		Year 2		Year 3		Year 4	
			Aborption	Sales	Aborption	Sales	Aborption	Sales	Aborption	Sales
Bluff Lots	\$80,000	per lot	6	\$480,000	6	\$480,000	6	\$480,000	6	\$480,000
Backlands	\$600	per acre	180	<u>\$108,000</u>	180	<u>\$108,000</u>	180	<u>\$108,000</u>	170	<u>\$102,000</u>
				\$588,000		\$588,000		\$588,000		\$582,000
Cost of Sale	10%			(\$58,800)		(\$58,800)		(\$58,800)		(\$58,200)
Entrepreneurial Profit	20%			(\$117,600)		(\$117,600)		(\$117,600)		(\$116,400)
Holding Costs (R. E. Taxes)				<u>(\$9,509)</u>		<u>(\$15,882)</u>		<u>(\$4,671)</u>		<u>(\$11,146)</u>
Annual Net Sales				\$402,091		\$395,718		\$406,929		\$396,254
Present Value Discounted @	14%			\$352,711		\$304,492		\$274,665		\$234,614

Present Value of Annual Sales		\$1,166,483
Less: Development Costs		
Electricity		(\$405,000)
Platting/Engineering		<u>(\$35,000)</u>
Estimated Bulk Value of Cut-Over Land		\$726,483
	(rounded)	\$726,000
Indicated Price Per Acre	1,028 acres	\$706

Real Estate Taxes Calculator			Year 1		Year 2		Year 3		Year 4	
Bulk Value	\$1,000	per acre	\$1,028,000							
Unsold developed bluff lots	\$80,000	per lot			12	\$960,000	0	\$0	12	\$960,000
Unsold subdivided acres (4-tracts)	\$700	per acre			360	\$252,000	0	\$0	350	\$245,000
Remaining Bulk Acreage (2nd Phase)	backland acres			350			350			\$0
	shoreline acres			<u>155</u>			<u>155</u>			
	\$1,000	per acre		505	\$505,000		505	\$505,000		
Total Assessed Value			\$1,028,000		\$1,717,000		\$505,000		\$1,205,000	
Projected Real Estate Taxes	0.00925 mills		\$9,509		\$15,882		\$4,671		\$11,146	

SUMMARY AND FINAL VALUE ESTIMATE

The estimated component values are summarized as follow:

Estimated Value of Merchantible Timber	\$1,156,000
Estimated Value of Cut-Over Land	\$726,000

The total "as-is" value of the subject is: **\$1,882,000**

Although the total value is calculated as the sum of component values, the analyses reflect the bulk-value aspects of the subject property. Project specific economics result in value estimates that represent only a fraction of gross sales.

PART IV - ADDENDA

Afognak Island - Kodiak Archipelago, Alaska (11-89)

This parcel is an assemblage of two contiguous parcels (127 & 147 acres) fronting on Raspberry Straights approximately 25 air miles northwest of the City of Kodiak. The topography is moderately sloping and the assembled site features extensive water frontage. A small creek runs through the property but the site is not considered strategic. The waters are protected but access is poor at low tide. The estimated value of merchantable timber was reported to be the major component of the purchase price. Only the surface estate was conveyed. However, the indicated price per acre is clearly an anomaly and can be given no weight. It is not supported by sales of either similar properties or strategic sites. The price was reportedly negotiated prior to appraisals indicating a value approximately 50% less. The property was not marketed prior to sale and the marketplace offered no alternatives suitable for the intended use; a private colony.

Uyak Bay - Kodiak, Alaska (3-95)

Uyak Bay is located on the northwest side of Kodiak Island. Primary access is by floatplane. A marine route from Kodiak would be in excess of 100 miles. The parcel has approximately 1/2 mile of frontage on the bay and extends inland along an anadromous stream approximately one mile. This 318 acre parcel represents an inholding within a federal land unit. The Work Group's recreation/tourism ratings for nearby large parcels (KON 01 & 03) are "high". More than one strategic site could be created by replat but the parcel has a low ratio of water frontage to depth. And, roughly 40 percent of the ocean frontage is backed by steep terrain reaching 500 feet within 1/4 mile. The head of the bay offers protected waters but shallow depths complicate access. There is no merchantable timber in the area and the subsurface estate was included. The buyer's representative reported that the subsurface rights were not an issue in terms of value contribution or allocation.

The parcel was acquired by a private preservation/conservation organization for donation to USFWS. The negotiated price of \$600,000 was supported by a March 1995 appraisal reported at \$700,000. However, the reliability of the appraisal is suspect for several reasons.

Although inholdings command a premium, qualified market transactions suggest prospective buyers could not justify \$600,000 cash (let alone the \$700,000 appraised value) for any economic or personal use. Such transactions are simply not happening in Alaska. And, given the parcel's physical characteristics and the nature of inholdings, the price would have to be supported by only half the acreage. The parcel has a low waterfront-to-depth ratio. The parcel's water frontage (1/2 mile) is typical of 160-acre homesteads and allotments. The other 160 acres (+/-) is effectively surplus. Inholdings enjoy the assurance that surrounding acreage will not be developed. Therefore, with the same amount of water frontage, a 160 acre parcel can provide the exact same utility as a 320 acre parcel. The excess acreage contributes little if any value. Sales of inholdings in federal land units suggest that price-per-acre indicators may be less meaningful than price-per-site indicators.

Curiously, the same appraiser valued the same property less than two years earlier (July 1993) at \$478,000. A list of the "comparables" used in the 1995 appraisal was provided by Mr. Brad Meiklejohn, head of the Conservation Fund's Alaska office. Six of the seven sales used in the analysis occurred between May 1989 to July 1992; so it is likely they were relevant to the appraiser's 1993 valuation. Only one subsequent sale is included; the August 1994 sale of a 60 acre parcel. Yet the appraiser concluded a value more than 40 percent higher than his previous estimate. This dramatic discrepancy may be easily reconciled by a buyer not burdened with economic support nor the recovery of the investment. Also, of the seven sales reported, three represent parcels too small to correlate in a Direct Comparison; three others do not meet the test of a market transaction.

Finally, a prudent seller, knowledgeable enough to avoid underselling the property in 1993, would not likely leave \$100,000 on the table in 1995; particularly if the buyer's procedural confines required only the ratification of an appraisal as opposed to the practical tests of Highest and Best Use that would be applied by competing buyers.

Ultimately, even if the appraisal and negotiated price was supportable, the transaction does not meet the market test. The owner/seller had started a commercial wildlife viewing operation. No buildings had been constructed but

the buyer sought to limit access and prevent development--effectively, undue stimulus that eliminates the "principal of substitution"; the availability of alternatives. But most important, the property was not exposed to the market prior to the negotiations. One of the owner/sellers, Mr. Roy Ecklund, reported that the property had not been listed nor was it otherwise advertised. After rejecting the USFWS 1993 offer, the owners anticipated a continuing effort to acquire this strategic inholding for inclusion into the Refuge.

Without the optimization process of exposing the offering to numerous buyers with alternative choices; there is simply no assurance that the price paid to remove the property from production; did not substantially eclipse potential free open-market bids. Qualified market data suggests it did. In summary, the transaction can be given no weight in our analysis.

ZONING:

R-2

USABLE AREA IN SF

11,913

ADJ. CEV PER SF

\$6.72

DATE:

August 1992

LOCATION: Tona Lane off Spruce Cape Road**LEGAL DESCRIPTION:** Lot 16, Tona Subdivision**TAX ID:** R7360000160**ACCESS:** gravel road**MAP:****SHAPE/DIMENSIONS:** irregular; approx. 70' on the bluff**AREA in SF:** 11,913**ADJUSTMENTS TO AREA:** none**NET USABLE SF:** 11,913**UTILITIES:** electricity, public water & public sewer**SOILS/TOPOGRAPHY:** bluff lot overlooking Woody Island Channel; soils adequate for residential use**EASEMENTS/RESTRICTIONS:** none noted**HIGHEST & BEST USE:** homesite**INTENDED USE:** homesite**SALES PRICE:** \$80,000 **TERMS:** undisclosed**CEV:** \$80,000 **CALCULATION:** n/a**ADJ. CEV:** \$80,000 **BASIS FOR ADJUSTMENT:** no adjustment**GRANTOR:** C. W. Ebell**CONFIRMED W/:** grantee**GRANTEE:** Mel Stevens**BY/DATE:** SEC 7-97**E. M. DATE** n/a**REC:** 8-18-92**INSTRUMENT:** WD**BOOK/PAGE:** 114/822**MARKET EXPOSURE:** seller told buyer he was going to put it on the market; buyer bought it right away**MARKET CHARACTERISTICS:** demand for oceanfront/bluff lots exceeds supply**BASIS FOR PURCHASE PRICE:** buyer reported he had other dealings with the seller but both considered lot price FMV**BUYER/SELLER MOTIVATION:** no undue stimulus reported.**COMMENTS:** Grantor had acquired the lot in November of 1990 for \$69,000

ZONING:

RR1

USABLE AREA IN SF

41,174

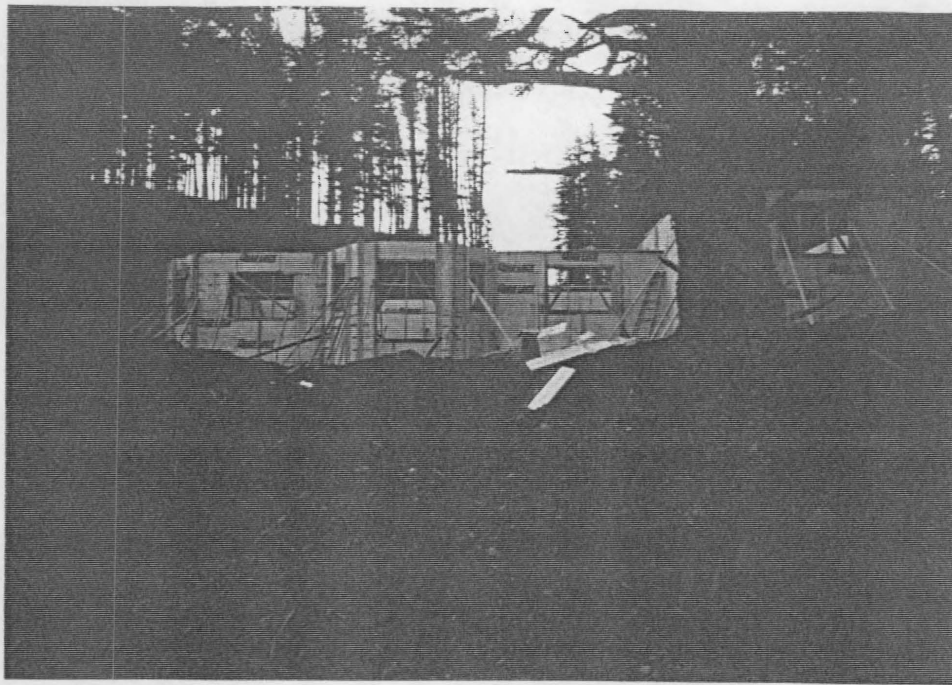
ADJ. CEV PER SF

\$2.19

DATE:

September 1993

LOCATION: Woodland Drive off Rezanof Drive East; fronts on Mill Bay**LEGAL DESCRIPTION:** Lot 1, Woodland Acres 1st Add.**TAX ID:** R7255000010**ACCESS:** gravel road**MAP:****SHAPE/DIMENSIONS:** irregular; 265' frontage on Mill Bay**AREA in SF:** 41,174**ADJUSTMENTS TO AREA:** none**NET USABLE SF:** 41,174**UTILITIES:** electricity, public water, public sewer**SOILS/TOPOGRAPHY:** bluff lot on Mill Bay; soils adequate for residential use**EASEMENTS/RESTRICTIONS:** none noted**HIGHEST & BEST USE:** homesite**INTENDED USE:** homesite**SALES PRICE:** \$90,000**TERMS:** undisclosed; assumed equivalent to cash**CEV:** \$90,000**CALCULATION:** \$90,000**ADJ. CEV:** \$90,000**BASIS FOR ADJUSTMENT:** none**GRANTOR:** J. Abbott**CONFIRMED W/:** Martin Lydick; KIB Appraiser**GRANTEE:** L & C White**BY/DATE:** SEC 7-97**E. M. DATE** n/a**REC:** 9-23-93**INSTRUMENT:** SWD**BOOK/PAGE:** 122/766**MARKET EXPOSURE:** unknown; buyer and seller could not be reached; word-of-mouth is adequate in this market**MARKET CHARACTERISTICS:** demand for oceanfront/bluff lots exceeds supply**BASIS FOR PURCHASE PRICE:** n/a**BUYER/SELLER MOTIVATION:** n/a**COMMENTS:**

ZONING:

RR1

USABLE AREA IN SF

57,183

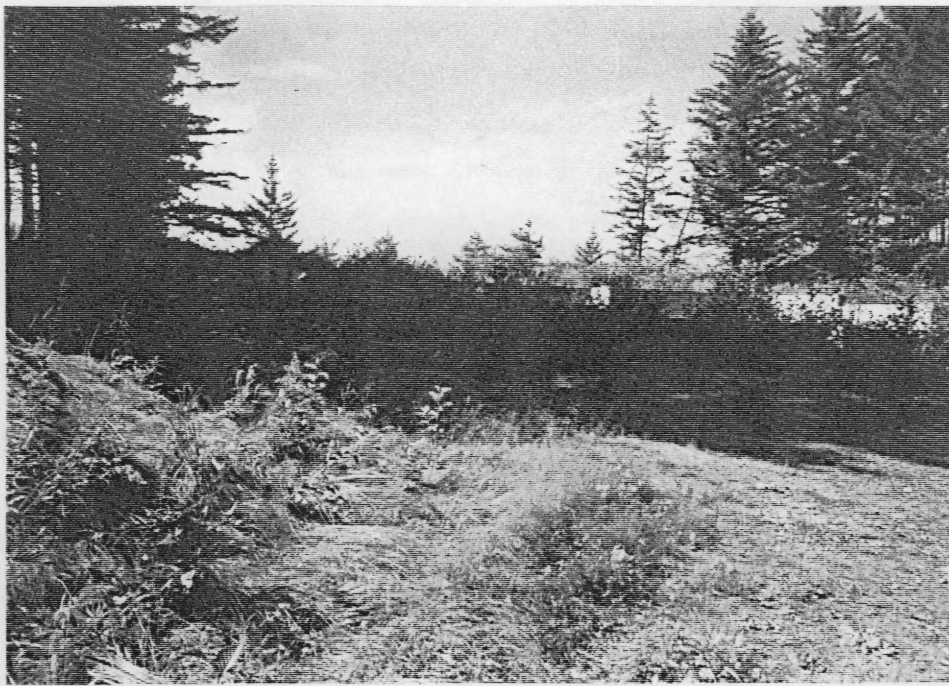
ADJ. CEV PER SF

\$0.96

DATE:

May 1994

LOCATION: Bay View Drive off Monashka Bay Road**LEGAL DESCRIPTION:** Lot 13B, Block 1, Monashka Bay Alaska Subd.**TAX ID:** R4555010131**ACCESS:** gravel road**MAP:****SHAPE/DIMENSIONS:** flag lot; 209' of frontage on Monashka Bay**AREA in SF:** 57,183**ADJUSTMENTS TO AREA:** none**NET USABLE SF:** 57,183**UTILITIES:** electricity**SOILS/TOPOGRAPHY:** bluff lot; soils adequate for residential use**EASEMENTS/RESTRICTIONS:** none noted**HIGHEST & BEST USE:** homesite**INTENDED USE:** homesite**SALES PRICE:** \$55,000**TERMS:** seller financing but grantor would not confirm terms**CEV:** \$55,000**CALCULATION:** n/a**ADJ. CEV:** \$55,000**BASIS FOR ADJUSTMENT:** no adjustment**GRANTOR:** T. Hendel**CONFIRMED W/:** Grantor**GRANTEE:** Zeloof & Baker**BY/DATE:** SEC 7-97**E. M. DATE** n/a**REC:** 5/5/94**INSTRUMENT:** SWD**BOOK/PAGE:** 129/307**MARKET EXPOSURE:** sold by grantor; word-of-mouth is adequate for bluff lots in this marketplace**MARKET CHARACTERISTICS:** demand for oceanfront/bluff lots exceeds supply**BASIS FOR PURCHASE PRICE:** arm's length negotiations**BUYER/SELLER MOTIVATION:** no undue stimulus reported**COMMENTS:** Lot 13B is a flag lot with frontage on Monashka Bay. The lot was created by a replat of Lot 13. Lot 13A was purchased by the same buyer at the same time for \$45,000.

ZONING:

RR1

USABLE AREA IN SF

72,800

ADJ. CEV PER SF

\$1.35

DATE:

November 1995

LOCATION: 2317 Three Sisters Way off Monashka Bay Road**LEGAL DESCRIPTION:** Tr. D1A-1 USS 1678**TAX ID:** R6115050001**ACCESS:** gravel road**MAP:****SHAPE/DIMENSIONS:** irregular; 40' frontage on Monashka Bay**AREA in SF:** 72,800**ADJUSTMENTS TO AREA:** none**NET USABLE SF:** 72,800**UTILITIES:** electricity; previous owner had drilled well and installed mound-type septic system**SOILS/TOPOGRAPHY:** bluff lot; soils adequate for residential uses**EASEMENTS/RESTRICTIONS:** none noted**HIGHEST & BEST USE:** homesite**INTENDED USE:** homestie**SALES PRICE:** \$130,000 **TERMS:** \$15,000 down; terms on balance undisclosed***CEV:** \$130,000 **CALCULATION:** n/a**ADJ. CEV:** \$98,400 **BASIS FOR ADJUSTMENT:** KIB allocated \$31,600 to improvements**GRANTOR:** Thummel**CONFIRMED W/:** Martin Lydick; KIB Appraiser**GRANTEE:** Randolph**BY/DATE:** SEC 7-97**E. M. DATE** n/a**REC:** 11/13/95**INSTRUMENT:** SWD**BOOK/PAGE:** 139/789**MARKET EXPOSURE:** believed to have been marketed by grantor; word-of-mouth is adequate for Kodiak bluff lots**MARKET CHARACTERISTICS:** demand for oceanfront/bluff lots exceeds supply**BASIS FOR PURCHASE PRICE:** undisclosed**BUYER/SELLER MOTIVATION:** undisclosed**COMMENTS:** Local appraiser Bill Roberts reported that the grantor had acquired the lot in August of 1988 for \$70,000

COMPARABLE DATA NO. 5

DATE OF SALE: 3-95 **SIZE (ACRE):** 78.11 **PRICE/ACRE:** \$935 **RECORD NO.:** 350

STATE: Alaska **RECORDING DISTRICT:** Kenai

USGS QUAD MAP NO.:

REGION: Southcentral

SUB-REGION: Kenai Peninsula

COMMUNITY/NEIGHBORHOOD: Sterling

LOCATION: South side of Moose Range Drive approximately 1 mile west of Robinson Loop Road

LEGAL DESCRIPTION: N 1/2 of the NE 1/4, Sec. 18 T5N, R9W, SM.

RIGHTS CONVEYED: Fee simple surface

GRANTOR: Estate of Hildie Suates

GRANTEE: James Cofske (Dutch Harbor)

TAX ID: 063-091-06

INSTRUMENT: W D

BOOK/PAGE: 460/967

RECD'G DATE: 3-95

SALES PRICE: \$77,000

TERMS: Recorded D/T for \$67,000. Payable monthly @ \$650 including 9% interest.

CEV/ADJ. PRICE: \$73,000

BASIS FOR ADJUSTMENT: Note discounted at 10%

CONFIRMED Ken Bryant, KPB appraiser

BY/ SEC 9-95

WITH: Paul Maney, Broker, Alaskan Real Estate (274-2634)

DATE: SEC 9-95

USE AT SALE: Vacant

INTENDED USE: Rural residential

IMPROVEMENTS: None

HIGHEST & BEST USE: Rural residential

LEGAL ACCESS: Yes

TOPOGRAPHY: Hilly

PHYSICAL ACCESS: 40' on Delville from Moose Range Dr.

SOILS: Adequate for probable uses

ROAD IMPROVEMENTS: Gravel

SITE SHAPE: Rectangular

UTILITIES: Electric & phone

WATERFRONT: None

ZONING: Unzoned

EASEMENTS: None noted

VEGETATION: Heavily wooded with birch and spruce

MARKET EXPOSURE: Listed for less than 30 days prior to sale

SUPPLY & DEMAND CHARACTERISTICS: Active market; numerous buyers and sellers

BASIS FOR PURCHASE PRICE: Arm's length negotiations

BUYER/SELLER MOTIVATION: No undue stimulus reported.

COMMENTS:

Property was purchased at same time as an adjacent 43.22 acre parcel (Record #349).

The two properties were listed as one offering of 121 acres. Two friends wrote separate agreements to buy them individually. Values were allocated at the same per acre rate (\$1,000/ac). Broker reported this parcel could have sold for more as a stand alone property.

Buyers allocation reflected tradeoffs. The 78.11 acre parcel was 100% usable and had electricity. Access is via an easement. The smaller parcel is approximately 90% usable and has some lake frontage but electric service requires a line extension.



N 2 of the NE 4, Sec. 18, T5N, R9W, SM.	78.11 Ac.	South of Moose Range Rd 1 mile w. of Robinson Loop	Sold March 1995
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COMPARABLE DATA NO. 6

DATE OF SALE: 6-95 **SIZE (ACRE):** 120 **PRICE/ACRE:** \$745 **RECORD NO.:** 348

STATE: Alaska **RECORDING DISTRICT:** Kenai

USGS QUAD MAP NO.:

REGION: Southcentral

SUB-REGION: Kenai Peninsula

COMMUNITY/NEIGHBORHOOD: Sterling

LOCATION: South side of Robinson Loop Road 1 mile north of Sterling Highway at Mile 86.5

LEGAL DESCRIPTION: NE 1/4 of the NW 1/4 & SE 1/4 of NW 1/4 & SW 1/4 of NE 1/4 Sec. 9, T5N, R9W, SM.

RIGHTS CONVEYED:

GRANTOR: Nina Edwards

GRANTEE: Jerry & Patsy Holland (Soldotna--262-4316)

TAX ID: 063-012-11

INSTRUMENT: WD

BOOK/PAGE: 466/652

RECD'G DATE: 6-95

SALES PRICE: \$100,000 **TERMS:** Recorded D/T for \$80,000. Broker reported monthly payments of \$673 including 8%.

CEV/ADJ. PRICE: \$89,460 **BASIS FOR ADJUSTMENT:** Note discounted at 10%

CONFIRMED WITH: Ken Bryant, KPB appraiser
Paul Maney; Broker, Alaska Real Estate

BY/ DATE: SEC 9-95
SEC 9-95

USE AT SALE: Vacant

INTENDED USE: Grantee expects to retire soon and is unsure of plans. May live on part and subdivide the rest. May construct personal airstrip.

IMPROVEMENTS: None

HIGHEST & BEST USE: Rural residential

LEGAL ACCESS: Yes

TOPOGRAPHY: Fairly level

PHYSICAL ACCESS: Robinson Loop Road

SOILS: Adequate for probable uses

ROAD IMPROVEMENTS: Paved

SITE SHAPE: Rectangular

UTILITIES: Electric & phone; gas within 200' of south 40 ac. **WATERFRONT:** None

ZONING: Unzoned

EASEMENTS: Gas pipeline

VEGETATION: Wooded with small diameter birch, spruce, and aspen

MARKET EXPOSURE: Marketed since September 1991 with Alaskan Real Estate. Asking price had been \$154,000.

SUPPLY & DEMAND CHARACTERISTICS: Active market; numerous buyers and sellers

BASIS FOR PURCHASE PRICE: Arm's length negotiations

BUYER/SELLER MOTIVATION: No undue stimulus reported

COMMENTS:



NE 4 of the NW 4 SE 4 of the NW 4 SW 4 of the NE 4, Sec. 9, T5N, R9W, SM.	120.00 Ac.	South side of Robinson Loop Road approx. 9 miles NE of Soldotna	Sold June 1995
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COMPARABLE DATA NO. 7

DATE OF SALE: 5-96 **SIZE (ACRE):** 160 **PRICE/ACRE:** \$756 **RECORD NO.:** 391

STATE: Alaska **RECORDING DISTRICT:** Kenai

USGS QUAD MAP NO.:

REGION: Southcentral

SUB-REGION: Kenai Peninsula

COMMUNITY/NEIGHBORHOOD: North Kenai

LOCATION: West boundary is 1/4 east of mile 20 of the North Kenai Road--east boundary @ Mile 1.5 Miller Loop Road

LEGAL DESCRIPTION: S 1/2 NW 1/4 & S 1/2 NE 1/4, Section 35, T7N, R12W

RIGHTS CONVEYED: believed to be fee simple surface

GRANTOR: John & Clara Rhodes

GRANTEE: Robert & Pauline Dukowitz

TAX ID: 01516009

INSTRUMENT: W D

BOOK/PAGE: 485/308

RECD'G DATE: 5-96

SALES PRICE: \$121,000 **TERMS:** \$20K down; balance over 8 years at 9% (\$1,468.16 per month)--DT contains release clause

DEV/ADJ. PRICE: \$121,000 **BASIS FOR ADJUSTMENT:** no adjustment

CONFIRMED WITH: Saylor Rehm; KPB Appraiser (confirmed via grantee mailer)
Paul Palmer; brokder, Real Estate Company

BY/ DATE: SEC 7-97
SEC 7-97

USE AT SALE: vacant

INTENDED USE: select timber harvest & future subdivision

IMPROVEMENTS: none

HIGHEST & BEST USE: rural homestead

LEGAL ACCESS: yes

TOPOGRAPHY: reported as level

PHYSICAL ACCESS: yes--rural gravel road

SOILS: adequate for probable uses

ROAD IMPROVEMENTS: gravel

SITE SHAPE: rectangular

UTILITIES: electricity--gas is near NEC

WATERFRONT: none

ZONING: unclassified

EASEMENTS: none noted

VEGETATION: heavily wooded with birch & spruce

MARKET EXPOSURE: MLS reportes market time at 393 days. Listed with the RE Co. on 5/17/95 for \$180,000

SUPPLY & DEMAND CHARACTERISTICS: adequate supply--limited demand

BASIS FOR PURCHASE PRICE: arm's length negotiations

BUYER/SELLER MOTIVATION: no undue stimulus reported

COMMENTS:

The Broker reported that the buyers acquired the acreage for a select timber harvest and future subdivision. Release clauses that would facilitate subdivision were negotiated into the terms of the seller financing. The timber industry cooled off and there is an adequate supply of rural homesites in the area.



S 1/2 NW 1/4 S 1/2 NE 1/4 S35, T7N, R12W	160 ac.	Mile 1.5 Miller Loop Road 1/4 mile east of N. Kenai Rd.	Sold 5-96	#391
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COMPARABLE DATA NO. 8

DATE OF SALE: 9-96 **SIZE (ACRE):** 80 **PRICE/ACRE:** \$1,750 **RECORD NO.:** 392

STATE: Alaska **RECORDING DISTRICT:** Kenai

USGS QUAD MAP NO.:

REGION: Southcentral

SUB-REGION: Kenai Peninsula

COMMUNITY/NEIGHBORHOOD: Kalifornsky Beach Road between Soldotna & Kenai

LOCATION: North side of Murwood approximately 3/4 miles west of Mile 20 K-Beach Road

LEGAL DESCRIPTION: E 1/2 SE 1/4, Section 22, T5N, R11W,

RIGHTS CONVEYED:

GRANTOR: Estate of M. E. Miller

GRANTEE: Carol & JoAnn Martin

TAX ID: 05503136

INSTRUMENT: Personal Rep Deed **BOOK/PAGE:** 491/730

RECD'G DATE: 9-96

SALES PRICE: \$140,000

TERMS: No Deed of Trust was recorded. KPB appraiser confirmed terms were cash.

CEV/ADJ. PRICE: \$140,000

BASIS FOR ADJUSTMENT: none

CONFIRMED WITH: Larry Norene, Broker (272-1227)
Tim Tennis; KPB Appraiser

BY/ DATE: SEC 7-97
SEC 7-97

USE AT SALE: none

INTENDED USE: subdivision

IMPROVEMENTS: none

HIGHEST & BEST USE: rural homesites

LEGAL ACCESS: yes

TOPOGRAPHY: fairly level

PHYSICAL ACCESS: yes--paved rural road

SOILS: adequate for probable uses

ROAD IMPROVEMENTS: paved

SITE SHAPE: rectangular

UTILITIES: electricity & gas immediately available

WATERFRONT: none

ZONING: unclassified

EASEMENTS: none noted

VEGETATION: mostly cleared

MARKET EXPOSURE: MLS reportes market time at 175 days. Listed on 1/1/96 for \$160,000

SUPPLY & DEMAND CHARACTERISTICS: adequate supply--limited demand

BASIS FOR PURCHASE PRICE: arm's length negotiations

BUYER/SELLER MOTIVATION: estate sale but no undue stimulus reported; not a liquidation. KPB appraiser reports price is well supported

COMMENTS:

Because Murwood is paved and gas and electricity is immediately available, the acreage is well-suited for subdivision into DEC and KPB conforming rural homesites (approximately 1 acre).



E 1/2 SE 1/4 S22, T5N, R11W	80 ac.	N. side of Murwood approx. 3/4 mile west of K-Beach Road	Sold 9-96	#392
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COMPARABLE DATA NO. 9

DATE OF SALE: 11-96 **SIZE (ACRE):** 240 **PRICE/ACRE:** \$1,333 **RECORD NO.:** 390

STATE: Alaska **RECORDING DISTRICT:** Kenai

USGS QUAD MAP NO.:

REGION: Southcentral

SUB-REGION: Kenai Peninsula

COMMUNITY/NEIGHBORHOOD: Sterling

LOCATION: Jim Dahler Road

LEGAL DESCRIPTION: NE 1/4 and N1/2 SE1/4, Sec. 13, T5N, R10W

RIGHTS CONVEYED: believed to be fee simple surface

GRANTOR: Estate of M. E. Miller

GRANTEE: Kent Bangerter, 4255 S. 300 W. #6, Salt Lake City Utah 84107

TAX ID: 05803225

INSTRUMENT: n/a

BOOK/PAGE: n/a

RECD'G DATE: n/a

SALES PRICE: \$320,000

TERMS: \$160,000 cash down; balance due in 1 year

CEV/ADJ. PRICE: \$320,000

BASIS FOR ADJUSTMENT: no adjustment

CONFIRMED Larry Norene, broker 272-1227

WITH: Paul Tufte; KPB Appraiser

BY/ SEC 7-97

DATE: SEC 7-97

USE AT SALE: vacant

INTENDED USE: speculation; probable subdivision

IMPROVEMENTS: none

HIGHEST & BEST USE: rural residential

LEGAL ACCESS: yes

TOPOGRAPHY: approximately 180 acres usable

PHYSICAL ACCESS: yes

SOILS: various

ROAD IMPROVEMENTS: gravel road

SITE SHAPE: rectangular

UTILITIES: electricity

WATERFRONT: none

ZONING: unclassified

EASEMENTS: none noted

VEGETATION: partially wooded; partially cleared

MARKET EXPOSURE: Listed as part of a larger package (865 acre Tennessee Miller Range) on

SUPPLY & DEMAND CHARACTERISTICS: supply exceeds demand

BASIS FOR PURCHASE PRICE: arm's length negotiations

BUYER/SELLER MOTIVATION: purchased by same buyer that acquired the adjacent improved 120 acre parcel (#05803247) & 40-ac> (05803248)

COMMENTS:



NE 1/4 & N 1/2 of SE 1/4 S13, T5N, R10W	240 ac.	Jim Dahler Rd., approx. 1 mile north of M. 90 Sterling Hwy	Sold 11-96	#390
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Sheet1											
Plot/Tree	Dbh	Dib	Height	GVBAR	HDef/Brk	1st 16	2nd 16	3rd 16	4th 16	5th 16	Log
1.1	34	17	2.5	320	272	87.04	73.44	57.12	38.08	16.32	
1.2	31	15.5	2	226	182.1	78.761	59.551	38.42	15.368		
1.3	28	14	2	218	185.3	75.973	57.443	37.08	14.824		
1.4	29	15	2	225	181.25	78.4125	59.2875	38.25	15.3		
2.1	23	13.8	1.5	148	124.1	68.255	43.435	12.41			
2.2	20	12	1.5	162	137.7	75.735	48.195	13.77			
2.3	28	14	2	218	185.3	75.973	57.443				
2.4	16	9.8	0.5	81	68.85	68.85					
3.1	20	12	2	202	171.7	70.397	53.227	34.34	13.736		
3.2	20	12	2	202	171.7	70.397	53.227	34.34	13.736		
3.3	16	9.8	1.5	174	147.9	81.345	51.765	14.79			
3.4	28	13	2	210	178.5	73.185	55.335	35.7	14.28		
4.1	21	12.8	1.5	182	137.7	75.735	48.195	13.77			
4.2	32	16	2	233	198.05	81.2005	61.3955	39.51	15.508		
4.3	20	12	1.5	162	137.7	75.735	48.195	13.77			
5.1	24	12	2	202	171.7	70.397	53.227	34.34	13.736		
5.2	28	14	2.5	297	252.45	80.784	68.1615	50.49	35.543	15.177	
5.3	12	7.2	1	78	64.6	54.91	9.69				
5.4	16	9.8	1	73	62.05	52.7425	9.3075				
5.5	22	13.2	1.5	168	141.1	77.605	49.385	14.11			
5.6	20	12	2	249	211.65	86.7785	65.6115	42.33	16.932		
5.7	15	9	2	81	68.85	28.2285	21.3435	13.77	5.508		
5.8	13	7.8	1.5	81	68.85	37.8875	24.0975	6.885			
6.1	20	12	2	202	171.7	70.397	53.227	34.34	13.736		
6.2	16	9.8	2	178	149.8	61.336	46.376	29.92	11.968		
6.3	24	12	2	202	171.7	70.397	53.227	34.34	13.736		
6.4	28	13	2	210	178.5	73.185	55.335	35.7	14.28		
6.5	34	17	2	237	201.45	82.5945	62.4495	40.29	16.116		
6.6	13	7.8	1	81	68.85	58.5225	10.3275				
6.7	14	8.4	1.5	81	68.85	37.8875	24.0975	6.885			
6.8	20	12	2	202	171.7	70.397	53.227	34.34	13.736		
7.1	12	7.2	2.5	81	68.85	22.032	18.6885	13.77	9.639	4.131	
7.2	20	12	2.5	275	233.75	74.8	63.1125	46.75	32.725	14.025	
7.3	16	9.8	2	178	149.8	61.336	46.376	29.92	11.968		
7.4	17	10.2	2.5	178	149.8	47.872	40.382	29.92	20.944	8.976	
8.1	28	13	2.5	288	243.1	77.792	65.637	48.62	34.034	14.586	
8.2	22	13.2	2.5	275	233.75	74.8	63.1125	46.75	32.725	14.025	
8.3	22	13.2	2.5	275	233.75	74.8	63.1125	46.75	32.725	14.025	
8.4	18	9.8	2	81	68.85	28.2285	21.3435	13.77	5.508		
8.5	26	13	2.5	288	243.1	77.792	65.637	48.62	34.034	14.586	
9.1	24	12	2.5	275	233.75	74.8	63.1125	46.75	32.725	14.025	
9.2	26	13	2.5	288	243.1	77.792	65.637	48.62	34.034	14.586	
9.3	32	16	2.5	314	268.9	86.4756	72.063	53.38	37.368	16.014	
9.4	34	17	2.5	320	272	87.04	73.44	54.4	38.08	16.32	
9.5	16	9.8	2	81	68.85	28.2285	21.3435	13.77	5.508		
10.1	22	13.2	2	202	171.7	70.397	53.227	34.34	13.736		
10.2	18	10.8	2	178	149.8	61.336	46.376	29.92	11.968		
10.3	18	9.8	2	81	68.85	28.2285	21.3435	13.77	5.508		
10.4	30	15	2	225	191.25	78.4125	59.2875	38.25	15.3		
10.5	30	15	2.5	225	191.25	61.2	51.6375	38.25	26.775	11.475	
10.6	32	16	2.5	314	268.9	86.408	72.063	53.38	21.352	16.014	
10.7	24	12	2	202	171.7	70.397	53.227	34.34	13.736		
11.1	12	7.2	1	81	68.85	58.5225	10.3275				
11.2	14	8.4	1.5	81	68.85	37.8875	24.0975	6.885			
11.3	24	12	1.5	162	137.7	75.735	48.195	13.77			
12.1	24	12	2.5	275	233.75	74.8	63.1125	46.75	32.725	14.025	
12.2	18	9.8	1	81	68.85	58.5225	10.3275				
12.3	30	15	2.5	225	191.25	61.2	51.6375	38.25	26.775	11.475	
12.4	18	10.8	1	79	67.15	57.0775	10.0725				
12.5	26	13	2	210	178.5	73.185	55.335	35.7	14.28		
12.6	26	13	2.5	288	243.1	77.792	65.637	48.62	34.034	14.586	
12.7	12	7.2	1	81	68.85	58.5225	10.3275				
12.8	26	13	2	211	179.35	73.5335	55.5985	35.87	14.348		
12.9	24	12	1.5	162	137.7	75.735	48.195	0			
12.10	22	13.2	1.5	162	137.7	75.735	48.195	12.41			
13.1	14	8.4	1	81	68.85	58.5225	24.0975				
13.2	24	12	2	202	171.7	70.397	53.227	34.34	13.736		

13.3	12	7.2	1	81	68.85	58.5225	24.0975		
13.4	10	6	1	81	68.85	58.5225	24.0975		
13.5	12	7.2	1	81	68.85	58.5225	15		
13.6	24	12	2	202	171.7	70.397	53.227	34.34	13.738
13.7	16	9.8	1.5	174	147.9	81.345	51.765	14.79	
13.8	12	7.2	1.5	81	68.85	37.8675	24.0975	6.885	
13.9	14	8.4	2	81	68.85	28.2285	21.3435	13.77	5.508
13.10	12	7.2	2	81	68.85	28.2285	21.3435	13.77	5.508
14.1	12	7.2	1	81	68.85	58.5225	10.3275		
14.2	16	9.8	1.5	174	147.9	81.345	51.765	14.79	
14.3	22	13.2	2	202	171.7	70.397	53.227	34.34	13.738
14.4	24	12	2	202	171.7	70.397	53.227	34.34	13.738
14.5	18	10.8	1.5	174	147.9	81.345	51.765	14.79	
14.6	20	12	2	202	171.7	70.397	53.227	34.34	13.738
14.7	34	17	2	225	191.25	78.4125	59.2875	38.25	15.3
14.8	38	19	2	248	209.1	85.731	64.821	41.82	16.728
15.1	28	14	1.5	148	124.1	68.256	43.435	12.41	
15.2	18	10.8	1	81	68.85	58.5225	10.3275		
15.3	26	13	1.5	153	130.05	71.5275	45.5175	13.005	
15.4	18	10.8	1	81	68.85	58.5225	10.3275		
15.5	24	12	1.5	162	137.7	75.735	48.195	13.77	
15.6	32	16	1.5	153	130.05	71.5275	45.5175	13.005	
15.7	18	10.8	1	81	68.85	58.5225	10.3275		
15.8	16	9.6	1.5	153	130.05	71.5275	45.5175	13.005	
15.9	16	9.6	1.5	153	130.05	71.5275	45.5175	13.005	
NOTE: there were 4 prism plots with NULL tree counts									
TC= 82	SUMMARY			16079	13667.15	6111.165	4044.978	2229.21	1015.359
G Vol/square ft of b.a. inside bk @ 16 ft				174.7717					
N Vol/square ft of b.a. inside bk @ 16 ft				148.556					
Ave Tree Count per plot				4.842105	Includes effect of 4 null count plots				
Basal Area/acre outside bk				193.6842					
Basal Area/acre inside bk				174.3158					
Gross Vol/Acre				30.46547					
Net Vol/Acre				25.89565					
Net Net Vol/Acre				22.78817					
Net Merch/Ac +10% Util				19.82571					
Total Volume = 647 acres less estimated null (void plots) = 600 acres =							11895.43	includes 10% GVol Utility	
Logging Cost Estimation									
Mobilization:				\$50,000	5.15				
Fall & Buck:					30				
Yard & Load					75				
Haul					30				
Rd const 10 @ 55				550000	46.22				
Rd. Mtnce					1.5				
Sort-reload-FOB					110	as per Dave			
Scaling					8				
Admin					7				
P&R					60				
Marketing					12				
Total FOB					382.87	x11900	4556153	Expense	
Selling Value FOB				Scale Vol	x FOB =		Revenue		
Current Selling Values are not readily available for Kodiak wood. It was decided to use the latest AJV appraisal values for spruce with an adjustment of \$50/Mbf to reflect slightly lower quality observed in the timber stands on Termination Point.									
Revenue = 11900 Mbf x (\$530 - \$50) =					5712000				
Return = Revenue - Expense =					1155847 = \$97.13/Mbf net value				

United States Department of Agriculture

PURCHASE ORDER

(See back or attached)

AD838 - Vendor (APOS 6/94)

Order Number: 43-0109-7-0183 Sub:

Page 1 of 01	Contract Number	Order Date June 11, 1997	This Number must appear on all Invoices, Packages, and Papers Relating to this Order.
Buyer's Ident. No.	Form 1099 Yes	Taxpayer's Ident. No. 92-0091753	
To: (Seller's Name and Address) BLACK-SMITH & RICHARDS INC. ATTN: DIANE BLACK-SMITH 2602 FAIRBANKS STREET ANCHORAGE AK 99503			
Consignee: USDA FOREST SERVICE ALASKA REGION ATTN: RICH GOOSSENS P.O. BOX 21628 JUNEAU AK 99802-1628			

Line Item	Description	Quantity	Unit	Price	Amount
01	Provide an appraisal report for the Termination Point parcel located near Kodiak, Alaska. The legal description of this 1029 acre parcel is Tract C, Township 27 South, Range 19 West, Seward Mountain. Unit Price includes estimated fee and associated travel.	1	EA	15100.000	15100.00

F. O. B. Point Destination	Deliver to Consignee Address on or Before August 30, 1997	TOTAL >	15100.00
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Ship Via

Discount Terms

Net 30 Days

Billing Address (DO NOT SHIP ORDER HERE) (Ship to Consignee Address above) USDA FOREST SERVICE ALASKA REGION ATTN: PROCUREMENT (7-0183) P.O. BOX 21628 JUNEAU, AK 99802-1628	BILLING INSTRUCTIONS: Do not submit bill in advance of shipment. Send invoice with our Order Number to Billing Address at left. Failure to show our Order Number will delay payment. If available, include your nine position DUNS number on each invoice. Freight charge over \$100 requires bill of lading.
Issuing Office: USDA FOREST SERVICE ALASKA REGION PROCUREMENT P.O. BOX 21628, 709 W. 9TH, RM 213b JUNEAU, AK 99802-1628	Ordered By: (Name and Title) Marietta Wellman Purchasing Agent Phone Number: (907) 586-8746 Authorized Signature: <i>Marietta Wellman</i>

(Printed on Recycled Paper)

SELLER'S ORIGINAL

6/11/97

THE FOLLOWING TERMS AND CONDITIONS AS WELL AS THOSE ON THE ATTACHED SHEETS, IF ANY, APPLY TO THIS ORDER:

52.252-2 CLAUSES INCORPORATED BY REFERENCE (JUN 1988)

This contract incorporates the following clauses by reference with the same full force and effect as if they were given in full text. Upon request the full text will be made available.

- I. Federal Acquisition Regulations (48 CFR Chapter 1) clauses.
- II. Agriculture Acquisition Regulations (48 CFR Chapter 4) clauses.

52.252-6 AUTHORIZED DEVIATIONS IN CLAUSES (APR 1984)

(a) The use in this solicitation or contract of any Federal Acquisition Regulation (48 CFR Chapter 1) clause with an authorized deviation is indicated by the addition of "(Deviation)" after the date of the clause. (b) The use in this solicitation or contract of any Agriculture Acquisition Regulation (48 CFR Chapter 4) with an authorized deviation is indicated by the addition of "(Deviation)" after the name of regulation.

GENERAL - THE FOLLOWING CLAUSES APPLY TO ALL PURCHASE ORDERS:

- 52.203-3 Gratuities (APR 1984) (not applicable to personal services)
- 52.204-3 Taxpayer Identification (SEP 1992)
- 52.222-3 Convict Labor (APR 1984) (unless precluded by FAR 22.2)
- 52.225-11 Restrictions on Certain Foreign Purchases (May 1995)
- 52.232-1 Payments (APR 1984) (not applicable to personal services)
- 52.232-8 Discounts for Prompt Payment (APR 1989)
- 52.232-11 Extras (APR 1984)
- 52.232-25 Prompt Payment (MAR 1994)
- 52.233-1 Disputes (OCT 1995)
- 52.233-3 Protest After Award (OCT 1995)
- 52.246-1 Contractor Inspection Requirements (APR 1984)

ADDITIONAL CLAUSES THAT APPLY WHEN APPLICABLE:

- 52.209-6 Protecting the Government's Interest When Subcontracting With Contractors Debarred, Suspended, or Proposed for Debarment (JUL 1995) (applicable over \$25,000)
- 52.213-1 Fast Payment Procedure (AUG 1988) (applicable to orders under \$1,000 except when "R" appears in Block 9)
- 52.213-2 Invoices (APR 1984) (applicable when advance payments are authorized for subscriptions and other publications)
- 52.219-6 Notice of Total Small Business Set-Aside (Apr 1984)
- 52.222-6 Davis-Bacon Act (FEB 1995)
- 52.222-8 Payrolls and Basic Records (FEB 1988)
- 52.222-21 Certification of Nonsegregated Facilities (APR 1984) (applicable over \$10,000)
- 52.222-22 Previous Contracts and Compliance Reports (APR 1984) (applicable over \$10,000)
- 52.222-25 Affirmative Action Compliance (APR 1984) (applicable over \$10,000)
- 52.222-26 Equal Opportunity (APR 1984) (applicable over \$10,000)
- 52.222-35 Affirmative Action for Special Disabled and Vietnam Era Veterans (APR 1984) (applicable to orders of \$10,000 or more)
- 52.222-36 Affirmative Action for Handicapped workers (APR 1984) (applicable to orders over \$2,500)
- 52.222-37 Employment Reports on Special Disabled Veterans and Vets of the Vietnam Era (JAN 1988) (applicable to orders of \$10,000 or more)
- 52.223-4 Recovered Material Certification (APR 1984)
- 52.223-6 Drug-Free Workplace (JUL 1990) (applicable to all orders to individuals)
- 52.225-5 Buy American Act - Construction Materials (MAY 1992)
- 52.227-19 Com. Computer Software, Restricted Rights (for commercial software) (JUN 1987)
- 52.232-5 Payments Under Fixed Price Construction Contracts (APR 1989)
- 52.232-18 Availability of Funds (APR 1984) (applicable if stated in the order text where order is issued before new fiscal year funds are available)
- 52.232-23 Assignment of Claims (JAN 1986) (applicable to orders over \$1,000)
- 52.232-27 Prompt Payment for Construction Contracts (MAR 1994)

- 52.232-28 Electronic Funds Transfer Payment Methods (APR 1989)
- 52.236-5 Material and Workmanship (APR 1984)
- 2.236-7 Permits and Responsibilities (NOV 1991)
- 52.237-1 Site Visit (APR 1984)
- 52.237-2 Protection of Government Buildings, Equipment and Vegetation (APR 1984)
- 2.246-20 Warranty of Services (APR 1984)
- 2.246-21 Warranty of Construction (APR 1984)
- 52.249-8 Default (Fixed-Price Supply and Service) (APR 1984)
- 52.249-10 Default (Fixed-Price) Construction (APR 1984)

EQUIPMENT AND SUPPLIES - ADDITIONAL CLAUSES FOR THE PURCHASE OF EQUIPMENT AND SUPPLIES:

- 52.211-5 New Material (May 1995)
- 2.222-20 Walsh-Healey Public Contracts Act (APR 1984) (applicable to orders over \$10,000 unless exempt by statute or regulation)
- 52.223-3 Hazardous and Material Safety Data (NOV 1991)
- 2.225-3 Buy American Act - Supplies (JAN 1994)
- 2.243-1 Changes - Fixed Price (AUG 1987)
- 52.247-29 F.O.B. Origin (if invoked in the text) (JUN 1988)
- 52.247-34 F.O.B. Destination (NOV 1991)
- 2.247-35 F.O.B. Destination within Consignee's Premises (APR 1984) (applicable if inside delivery is specified)
- 52.249-1 Termination for Convenience of the Govt. (Fixed Price) (Short Form) (APR 1984)

SERVICES - ADDITIONAL CLAUSES APPLICABLE TO PURCHASE OF SERVICES:

- 52.222-40 Service Contract Act of 1965, as Amended Contracts of \$2,500 or less (MAY 1989)
- 52.222-41 Service Contract Act of 1965, as Amended (MAY 1989)
- 52.222-42 Statement of Equivalent Rates for Federal Hires (MAY 1989)
- 52.222-44 Fair Labor Standards Act and Service Contract Act - Price Adjustment (May 1989)
- 52.242-17 Government Delay of Work (APR 1984)
- 2.243-1 Changes - Fixed Price - Alternate I (APR 1984)
- 2.246-4 Inspection of Services - Fixed Price (FEB 1992)
- 52.249-4 Termination for Convenience of the Government (Services) (Short Form) (APR 1984)
- 2.249-5 Termination for Convenience of the Government (Educational and Other Non-profit Institutions) (APR 1984)

PERSONAL SERVICES - SUBSTITUTE THE FOLLOWING CLAUSES IF FOR PERSONAL SERVICES:

- 2.232-3 Payments Under Personal Services Contracts (APR 1984)
- 52.249-12 Termination (Personal Services) (APR 1984) (unless precluded by FAR 22.3)

DETACH HERE

CONTRACTOR ACCEPTANCE - By signing below, the contractor accepts all of the terms and conditions of this purchase order.

Diane Black-Smith, MAI

Typed or printed name of person
authorized to bind the company.

Signature

____/____/____
Date

SIGN AND RETURN TO:

USDA FOREST SERVICE ALASKA REGION
PROCUREMENT
P.O. BOX 21628, 709 W. 9TH, RM 213b
JUNEAU, AK 99802-1628
Fax: () -

FOR GOVERNMENT USE ONLY:

Order Number: 43-0109-7-0183
BLACK-SMITH & RICHARDS INC.
ATTN: DIANE BLACK-SMITH
2602 FAIRBANKS STREET
ANCHORAGE AK 99503