

HB

447

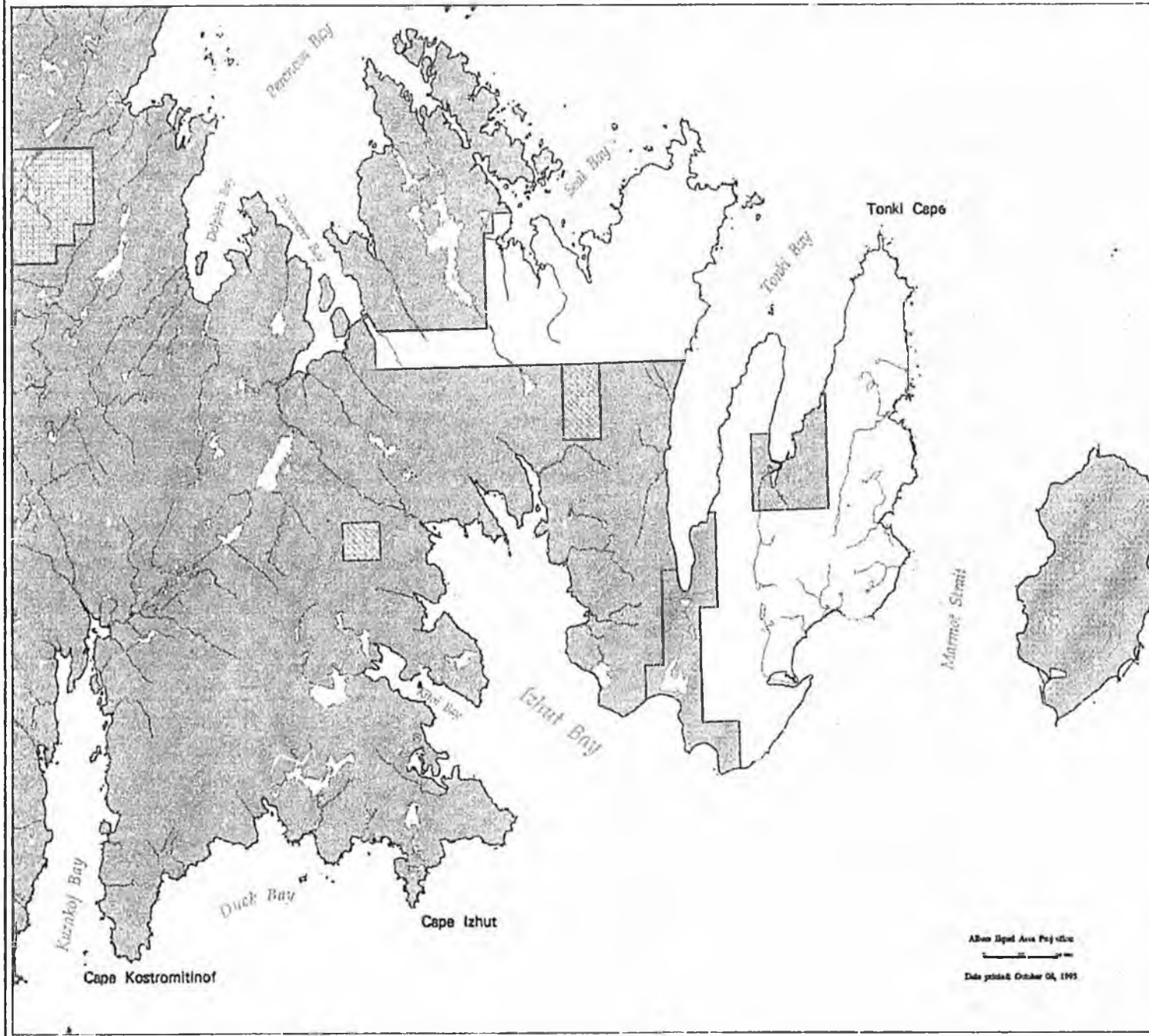
File 2

HABITAT PROTECTION ACQUISITION FOR SEAL BAY AND TONKI BAY

EASTERN AFOGNAK ISLAND, ALASKA



Prepared by:
Alaska Department of Natural Resources
Land Records Information Section



LEGEND

Acquisition Area

LAND STATUS

- National Forest
- National Wildlife Refuges
- State and Borough Lands
- Native or Private Lands
- Native Selected

OTHER

- Streams
- Anadromous Streams

SOURCES:
Land status provided by ADNR,
Land Records Information
Section, 1993.

Eagle information collected
and provided by US Fish and
Wildlife Service.

Streams were automated by
ADNR-LRIS from the USGS
topographic maps (1:63,360).
Anadromous streams classification
was determined by the ADF&G, 1991.

Alaska Department of Natural Resources

Date printed: October 04, 1995

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

March 9, 1994

Representative Bill H. Williams
House Resources, Chairman
Room 128, Capitol
Juneau, AK 99801-1182

Re: SB 280

Dear Representative Williams:

On August 23, 1993, the Exxon Valdez Settlement Trustee Council adopted a resolution approving, for restoration purposes, acquisition of approximately 42,000 acres of land on the northeast corner of Afognak Island, including Seal Bay and Tonki Cape. Although the federal government initially expressed a desire to include this land within the Kodiak National Wildlife Refuge, portions of which are located nearby, the State Trustees persuaded them that this land has a more logical connection with Shuyak Island State Park, located immediately to the north. Thus, the resolution adopted by the Trustee Council provided the State the first opportunity to acquire title to this invaluable property. The resolution further provided that, to fulfill its restoration purposes, the Seal Bay land was to be included in a state park and commercial timber harvest was not to be permitted. At the request of the State Trustees, the resolution specifically allowed limited commercial use as well as sport, personal use, and subsistence hunting, fishing, trapping and recreational uses insofar as they are permitted under law or regulation of the Board of Fisheries or Board of Game. Only if the State was unwilling or unable to meet these requirements, was the United States to take title.

Based on this resolution, the State entered into a purchase agreement with the owners of the property, Seal Bay Timber Company. The agreement provides for title to the property to first go to The Nature Conservancy to hold until the State has had an opportunity to establish a park to accept the property. Using the third party device to hold the land was adopted in order to avoid running afoul of mental health lands trust issues. The Nature Conservancy has signed the agreement, and title was transferred to it on November 23, 1993. The Governor has requested introduction of SB 280 and HB 447 to create the legislatively designated area needed for this land. Each of these proposed bills specifically provides for the continued use of these lands for hunting, fishing, trapping and other traditional activities. In the interim,

WALTER J. HICKEL, GOVERNOR

PLEASE REPLY TO:

1031 WEST 4TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 269-5100
FAX: (907) 276-3697

KEY BANK BUILDING
100 CUSHMAN ST., SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 451-2811
FAX: (907) 451-2846

P.O. BOX 110300 - STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 465-6735

although title will reside with The Nature Conservancy, management will be by the State.

To assist you in your consideration of this legislation, we are providing the attached package of information.

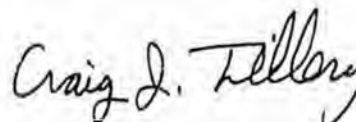
- (1) SE 280 and HB 447 and Governor's letters of transmittal
- (2) Map of the general area of the acquisition
- (3) Map of the specific acquisition
- (4) Trustee Council Resolution approving acquisition
- (5) Trustee Council Resolution requesting funds from the Court
- (6) Purchase Agreement
- (7) Ownership Agreement
- (8) Habitat analysis
- (9) Photographs of the area
- (10) Letter from the seller explaining what it intends to do with the proceeds from the sale
- (11) Letters from the Kodiak Island Borough, Kodiak Chamber of Commerce and others expressing their support for this acquisition
- (12) Appraisal of the surface estate for Seal Bay
- (13) Appraisal of the surface estate for Tonki Cape

I hope this information will be sufficient to answer any questions that may arise within the committee with regard to this bill. If you have further questions, please contact me. Thank you for your attention and I appreciate your earliest consideration of this matter.

Very truly yours,

BRUCE M. BOTELHO
ATTORNEY GENERAL

By:



Craig J. Tillery
Assistant Attorney General

CJT:vo

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P. O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500

Law 2003
HB 447

February 4, 1994

The Honorable Ramona L. Barnes
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Barnes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill creating the Afognak Island State Park.

On August 23, 1993, the Exxon Valdez Oil Spill Trustee Council (council) adopted a resolution approving, for restoration purposes, acquisition of approximately 41,549 acres of land in Alaska on the northeast corner of Afognak Island, including Seal Bay and Tonki Cape. Although the federal government initially expressed a desire to include this property within the Kodiak National Wildlife Refuge, portions of which are located nearby, the state trustees on the council persuaded the council as a whole that this property has a more logical connection with Shuyak State Park, located on an island immediately to the north of the Seal Bay property. Thus, the resolution adopted by the council provided the state the first opportunity to acquire title to this invaluable Alaska property. The resolution further provided that, to fulfill the council's restoration obligations, the property was to be included in a state park and commercial timber harvest was not to be permitted. The resolution specifically allowed limited commercial use as well as sport, personal use, and subsistence hunting and fishing, trapping, and recreational uses, insofar as they are permitted under law or regulations of the Board of Fisheries or Board of Game. Only if the state was unwilling or unable to establish a state park was the federal government to take title to this property.

Based on the council's resolution, the state entered into a purchase agreement on November 4, 1993 with the Seal Bay Timber Company, owner of the property, and The Nature Conservancy. The agreement provided for title to the property to first go to The Nature Conservancy to hold until the state has an opportunity to establish a park to accept the property.

Under AS 37.07.080(h) and AS 37.14.450, the Legislative Budget and Audit Committee approved the expenditure of EXXON VALDEZ civil trust money for the purchase at its November 5, 1993 meeting. The purchase was completed on November 23, 1993 when title to the property passed to The Nature Conservancy.

The Honorable Ramona Barnes
February 4, 1994
Page 2

In accordance with the purchase agreement, The Nature Conservancy will convey the property to the state for placement in a state park if the park is created by November 23, 1994, one year from the date of purchase. Otherwise, the property must be conveyed to the federal government for placement in a federal conservation unit. The purpose of this bill is to create that required state park.

The acquisition and protection of this land in a state park has widespread and nearly unanimous public support. Expressions of support for the acquisition have come from such diverse groups as the Kodiak Island Borough mayor and assembly, City of Kodiak, Kodiak Chamber of Commerce, various commercial fishing groups, local tour operators, and environmental organizations.

Seal Bay has historically supported high value wilderness-based recreation such as hunting, boating, and fishing. The area has high scenic value and excellent wildlife viewing. It contains important habitat for several species of wildlife for which significant injury resulting from the oil spill has been documented, including marbled murrelets, harlequin ducks, black oyster catchers, and river otters. Harbor seal haulouts and intertidal and subtidal biota are all found in substantial numbers along the shoreline. Concentrations of sea otters exist in this area. Anadromous streams and bald eagle nests are found on this property. Protection of this property will aid recovery of these injured resources and services.

The proposed park would include all lands acquired from Seal Bay Timber Company as well as tidelands. Submerged lands would not be included except those lying within lagoons on the property. The Department of Fish and Game would be responsible for the management of fish and game resources in the park, consistent with the principle of sustained yield. Sport and subsistence hunting and fishing, personal use fishing, trapping, recreational activities, and commercial fishing would be permitted in the park. These are the purposes for which Alaskans have traditionally used these lands. By creating a state park for this property, we will ensure that future generations will be able to continue to use and enjoy this magnificent part of our state.

I urge your prompt consideration and passage of this bill.

Sincerely,



Walter J. Hickel
Governor

Walter J. Hickel
WALTER J. HICKEL
GOVERNOR



122-2025
P. O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
SB 200

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 4, 1994

The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill creating the Afognak Island State Park.

On August 23, 1993, the Exxon Valdez Oil Spill Trustee Council (council) adopted a resolution approving, for restoration purposes, acquisition of approximately 41,549 acres of land in Alaska on the northeast corner of Afognak Island, including Seal Bay and Tonki Cape. Although the federal government initially expressed a desire to include this property within the Kodiak National Wildlife Refuge, portions of which are located nearby, the state trustees on the council persuaded the council as a whole that this property has a more logical connection with Shuyak State Park, located on an island immediately to the north of the Seal Bay property. Thus, the resolution adopted by the council provided the state the first opportunity to acquire title to this invaluable Alaska property. The resolution further provided that, to fulfill the council's restoration obligations, the property was to be included in a state park and commercial timber harvest was not to be permitted. The resolution specifically allowed limited commercial use as well as sport, personal use, and subsistence hunting and fishing, trapping, and recreational uses, insofar as they are permitted under law or regulations of the Board of Fisheries or Board of Game. Only if the state was unwilling or unable to establish a state park was the federal government to take title to this property.

Based on the council's resolution, the state entered into a purchase agreement on November 4, 1993 with the Seal Bay Timber Company, owner of the property, and The Nature Conservancy. The agreement provided for title to the property to first go to The Nature Conservancy to hold until the state has an opportunity to establish a park to accept the property.

Under AS 37.07.080(h) and AS 37.14.450, the Legislative Budget and Audit Committee approved the expenditure of EXXON VALDEZ civil trust money for the purchase at its November 5, 1993 meeting. The purchase was completed on November 23, 1993 when title to the property passed to The Nature Conservancy.

The Honorable Dick Halford
February 4, 1994
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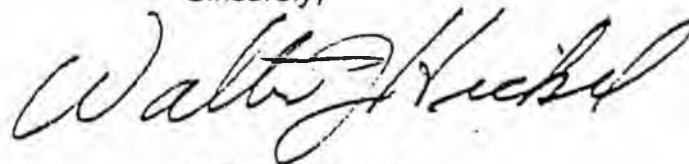
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The proposed park would include all lands acquired from Seal Bay Timber Company as well as tidelands. Submerged lands would not be included except those lying within lagoons on the property. The Department of Fish and Game would be responsible for the management of fish and game resources in the park, consistent with the principle of sustained yield. Sport and subsistence hunting and fishing, personal use fishing, trapping, recreational activities, and commercial fishing would be permitted in the park. These are the purposes for which Alaskans have traditionally used these lands. By creating a state park for this property, we will ensure that future generations will be able to continue to use and enjoy this magnificent part of our state.

I urge your prompt consideration and passage of this bill.

Sincerely,



Walter J. Hickel
Governor

8-GH2025.A

HOUSE BILL NO. 447

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/4/94

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing the Afognak Island State Park."

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 * Section 1. AS 41.21 is amended by adding new sections to read:

4 Sec. 41.21.184. PURPOSE OF AS 41.21.184 - 41.21.188. (a) The purpose
5 of AS 41.21.184 - 41.21.188 is to establish, subject to valid existing rights, the state-
6 owned or acquired land and water described in AS 41.21.185 as the Afognak Island
7 State Park. The primary purposes of establishing the Afognak Island State Park are
8 to protect the area's recreational and scenic resources; to protect the area's fish and
9 wildlife habitat; to preserve and enhance the continued use of the area for sport and
10 subsistence hunting and fishing, personal use fishing, trapping, recreational activities,
11 and commercial fishing; and to restore and enhance resources and services injured by
12 the EXXON VALDEZ oil spill.

13 (b) Under the provisions of AS 38.05.300, state land, water, or land and water
14 containing more than 640 acres may be closed to multiple purpose use only by act of

1 the legislature. Because the area described in AS 41.21.185 exceeds 640 acres,
2 AS 41.21.184 - 41.21.188 are intended to close the described land and water to
3 multiple purpose use in conformity with AS 38.05.300 and to dedicate them as a
4 special purpose site in accordance with art. VIII, sec. 7, Constitution of the State of
5 Alaska.

6 Sec. 41.21.185. AFOGNAK ISLAND STATE PARK ESTABLISHED. The
7 upland, shoreland, tideland, land underlying tidally influenced inland water, and water
8 overlying these lands owned or acquired by the state within the following described
9 parcels are established as the Afognak Island State Park:

10 Township 21 South, Range 16 West, Seward Meridian according to the
11 United States of America, Department of the Interior, Bureau of Land Management
12 plat accepted December 6, 1989, and filed December 22, 1989

13 Section 19: Lots 1, 2, and 3

14 Sections 30 and 31: (fractional) all

15 Township 22 South, Range 16 West, Seward Meridian according to the
16 United States of America, Department of the Interior, Bureau of Land Management
17 plat accepted December 6, 1989, and filed December 22, 1989

18 Section 6: (fractional) all

19 Section 7: Lots 1 and 2

20 Sections 18, 19, and 31: (fractional) all

21 Township 20 South, Range 17 West, Seward Meridian according to the
22 United States of America, Department of the Interior, Bureau of Land Management
23 plat accepted December 6, 1989, and filed December 22, 1989

24 Section 32: (fractional) all

25 Township 21 South, Range 17 West, Seward Meridian according to the
26 United States of America, Department of the Interior, Bureau of Land Management
27 plat accepted December 6, 1989, and filed December 22, 1989

28 Sections 6, 7, 8, 13, and 17: (fractional) all

29 Section 18: all

30 Sections 19, 20, 23, and 24: (fractional) all

31 Section 25: all

1 Sections 26, 29, 30, 31, 33, 34, and 35: (fractional) all
 2 Section 36: all
 3 Township 22 South, Range 17 West, Seward Meridian according to the
 4 United States of America, Department of the Interior, Bureau of Land Management
 5 plat accepted December 6, 1989, and filed December 22, 1989
 6 Section 1: all
 7 Sections 2, 3, 4, 5, 8, and 9: (fractional) all
 8 Section 11: all
 9 Section 12: (fractional) all
 10 Sections 13 and 14: all
 11 Sections 17, 19, and 20: (fractional) all
 12 Section 23: all
 13 Sections 24 and 25: (fractional) all
 14 Sections 26, 27, 28, and 29: all
 15 Sections 30 and 31: (fractional) all
 16 Sections 32, 33, 34, and 35: all
 17 Section 36: (fractional) all
 18 All of Township 23 South, Range 17 West, Seward Meridian according
 19 to the United States of America, Department of the Interior, Bureau of Land
 20 Management plat accepted December 6, 1989, and filed December 22, 1989; and the
 21 supplemental plat for Section 3 accepted April 11, 1990, and filed April 19, 1990 and
 22 the supplemental plat for Section 19 accepted November 9, 1990, and filed
 23 November 23, 1990
 24 Township 21 South, Range 18 West, Seward Meridian according to the
 25 United States of America, Department of the Interior, Bureau of Land Management
 26 plat accepted December 6, 1989, and filed December 22, 1989
 27 Section 1: Lots 1, 2, and 3
 28 Sections 11 and 12: (fractional) all
 29 Section 13: all
 30 Section 14: (fractional) all
 31 Section 15: Lots 1 and 2

1 Section 16: Lots 1 and 2

2 Section 17: Lot 1, excepting the property described as follows:

3 Commencing at the monument set for the northwest corner of Section 6,
 4 Township 21, South, Range 18 West, Seward Meridian, proceed South a
 5 distance of 10,560 feet along the westerly boundaries of Sections 6 and 7;
 6 thence proceed East along the section line common to sections 7 and 18 a
 7 distance of 4999 feet, more or less, to the protracted section corner common
 8 to sections 7, 8, 17, and 18, said corner being the True Point of Beginning;
 9 thence continuing East a distance of 1320 feet along the north boundary of
 10 Lot 1 of section 17; thence South a distance of 2640 feet; thence West a
 11 distance of 1320 feet, more or less, to the westerly boundary of Lot 1 of
 12 section 17; thence North a distance of 2640 feet, more or less, along the
 13 westerly boundary of said Lot 1 of section 17 to the True Point of Beginning;
 14 The foregoing exception having an area of 80 acres, more or less

15 Section 17, Lot 2: all

16 Sections 20, 21, and 22: (fractional) all

17 Sections 23, 24, 25, 26, 27, 28, 29, 31, 32, 33, 34, 35, and 36:
 18 all

19 Township 22 South, Range 18 West, Seward Meridian according to the
 20 United States of America, Department of the Interior, Bureau of Land Management
 21 plat accepted December 6, 1989, and filed December 22, 1989

22 Section 36: Lot 2

23 Township 23 South, Range 18 West, Seward Meridian according to the
 24 United States of America, Department of the Interior, Bureau of Land Management
 25 plat accepted December 6, 1989, and filed December 22, 1989

26 Section 1: Lot 1

27 Section 12: Lot 1

28 Section 13: Lots 1, 2, and 3

29 Sections 24 and 25: (fractional) all

30 Township 21 South, Range 19 West, Seward Meridian according to the
 31 United States of America, Department of the Interior, Bureau of Land Management

1 plat accepted December 6, 1989, and filed December 22, 1989

2 Sections 35 and 36: all

3 All of plat no. 93-40 within portions of Sections 26, 27, and 34,
4 as filed in the Kodiak Recording District October 19, 1993

5 All of Alaska Tideland Survey No. 1474

6 Sec. 41.21.186. DESIGNATION OF MANAGEMENT RESPONSIBILITY.

7 (a) The state land and water described in AS 41.21.185 is assigned to the Department
8 of Natural Resources as a unit of the state park system for control, maintenance, and
9 development consistent with the purposes and provisions of AS 41.21.184 - 41.21.188.

10 (b) The Department of Fish and Game is responsible for the management of
11 fish and game resources in the Afognak Island State Park, consistent with the sustained
12 yield principle and the purposes and provisions of this chapter. The Board of
13 Fisheries, the Board of Game, and the commissioner of fish and game are responsible
14 for adopting regulations governing uses of fish and game in accordance with AS 16.
15 The fish and game habitat and breeding areas shall be managed to ensure that the fish
16 and game resources of the park and habitat are maintained or enhanced.

17 (c) The Department of Natural Resources shall consult with the Department
18 of Fish and Game before adoption of regulations governing public use of the Afognak
19 Island State Park.

20 (d) The Board of Fisheries, the Board of Game, and the commissioner of fish
21 and game shall consult with the Department of Natural Resources before adoption of
22 regulations governing fish and game use in the Afognak Island State Park.

23 (e) Regulations under this section must be adopted in accordance with
24 AS 44.62 (Administrative Procedure Act).

25 (f) The Department of Public Safety and the Department of Fish and Game
26 shall have necessary access to the Afognak Island State Park for fish and game
27 management, research, and enforcement purposes.

28 Sec. 41.21.187. INCOMPATIBLE USES. (a) The commissioner of natural
29 resources may designate by regulation incompatible uses within the land and water of
30 the Afognak Island State Park.

31 (b) Lawful use of a weapon in the Afognak Island State Park shall be allowed

1 except in areas that may be closed for purposes of public safety by regulation by the
2 commissioner of natural resources.

3 (c) The regulations governing public use of the Afognak Island State Park shall
4 provide reasonable access for lawful sport and subsistence hunting and fishing,
5 personal use fishing, trapping, recreational uses, and commercial fishing. Except to
6 protect public safety, the commissioner of natural resources may not restrict the
7 exercise of sport or subsistence hunting or fishing, personal use fishing, trapping, or
8 commercial fishing permitted under law or under a regulation of the Board of Fisheries
9 or the Board of Game within the Afognak Island State Park.

10 Sec. 41.21.188. ADDITIONS TO PARK. Land may be added to the Afognak
11 Island State Park only by an act of legislature. The commissioner of natural resources
12 may not acquire land within the boundaries of the Afognak Island State Park by
13 eminent domain.

SENATE BILL NO. 280

IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/4/94
Referred: STA, RES, JUD, FIN

A BILL

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12 the EXXON VALDEZ oil spill.

13 (b) Under the provisions of AS 38.05.300, state land, water, or land and water
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1 the legislature. Because the area described in AS 41.21.185 exceeds 640 acres,
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13 Section 19: Lots 1, 2, and 3

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15 Township 22 South, Range 16 West, Seward Meridian according to the
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17 plat accepted December 6, 1989, and filed December 22, 1989

18 Section 6: (fractional) all

19 Section 7: Lots 1 and 2

20 Sections 18, 19, and 31: (fractional) all

21 Township 20 South, Range 17 West, Seward Meridian according to the
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24 Section 32: (fractional) all

25 Township 21 South, Range 17 West, Seward Meridian according to the
26 United States of America, Department of the Interior, Bureau of Land Management
27 plat accepted December 6, 1989, and filed December 22, 1989

28 Sections 6, 7, 8, 13, and 17: (fractional) all

29 Section 18: all

30 Sections 19, 20, 23, and 24: (fractional) all

31 Section 25: all

1 Sections 26, 29, 30, 31, 33, 34, and 35: (fractional) all
2 Section 36: all
3 Township 22 South, Range 17 West, Seward Meridian according to the
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6 Section 1: all
7 Sections 2, 3, 4, 5, 8, and 9: (fractional) all
8 Section 11: all
9 Section 12: (fractional) all
10 Sections 13 and 14: all
11 Sections 17, 19, and 20: (fractional) all
12 Section 23: all
13 Sections 24 and 25: (fractional) all
14 Sections 26, 27, 28, and 29: all
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Section 16: Lots 1 and 2

Section 17: Lot 1, excepting the property described as follows:

Commencing at the monument set for the northwest corner of Section 6, Township 21, South, Range 18 West, Seward Meridian, proceed South a distance of 10,560 feet along the westerly boundaries of Sections 6 and 7; thence proceed East along the section line common to sections 7 and 18 a distance of 4999 feet, more or less, to the protracted section corner common to sections 7, 8, 17, and 18, said corner being the True Point of Beginning; thence continuing East a distance of 1320 feet along the north boundary of Lot 1 of section 17; thence South a distance of 2640 feet; thence West a distance of 1320 feet, more or less, to the westerly boundary of Lot 1 of section 17; thence North a distance of 2640 feet, more or less, along the westerly boundary of said Lot 1 of section 17 to the True Point of Beginning; The foregoing exception having an area of 80 acres, more or less

Section 17, Lot 2: all

Sections 20, 21, and 22: (fractional) all

Sections 23, 24, 25, 26, 27, 28, 29, 31, 32, 33, 34, 35, and 36:

all

Township 22 South, Range 18 West, Seward Meridian according to the United States of America, Department of the Interior, Bureau of Land Management plat accepted December 6, 1989, and filed December 22, 1989

Section 36: Lot 2

Township 23 South, Range 18 West, Seward Meridian according to the United States of America, Department of the Interior, Bureau of Land Management plat accepted December 6, 1989, and filed December 22, 1989

Section 1: Lot 1

Section 12: Lot 1

Section 13: Lots 1, 2, and 3

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Township 21 South, Range 19 West, Seward Meridian according to the United States of America, Department of the Interior, Bureau of Land Management

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3 All of plat no. 93-40 within portions of Sections 26, 27, and 34,
4 as filed in the Kodiak Recording District October 19, 1993

5 All of Alaska Tideland Survey No. 1474

6 Sec. 41.21.186. DESIGNATION OF MANAGEMENT RESPONSIBILITY.

7 (a) The state land and water described in AS 41.21.185 is assigned to the Department
8 of Natural Resources as a unit of the state park system for control, maintenance, and
9 development consistent with the purposes and provisions of AS 41.21.184 - 41.21.188.

10 (b) The Department of Fish and Game is responsible for the management of
11 fish and game resources in the Afognak Island State Park, consistent with the sustained
12 yield principle and the purposes and provisions of this chapter. The Board of
13 Fisheries, the Board of Game, and the commissioner of fish and game are responsible
14 for adopting regulations governing uses of fish and game in accordance with AS 16.
15 The fish and game habitat and breeding areas shall be managed to ensure that the fish
16 and game resources of the park and habitat are maintained or enhanced.

17 (c) The Department of Natural Resources shall consult with the Department
18 of Fish and Game before adoption of regulations governing public use of the Afognak
19 Island State Park.

20 (d) The Board of Fisheries, the Board of Game, and the commissioner of fish
21 and game shall consult with the Department of Natural Resources before adoption of
22 regulations governing fish and game use in the Afognak Island State Park.

23 (e) Regulations under this section must be adopted in accordance with
24 AS 44.62 (Administrative Procedure Act).

25 (f) The Department of Public Safety and the Department of Fish and Game
26 shall have necessary access to the Afognak Island State Park for fish and game
27 management, research, and enforcement purposes.

28 Sec. 41.21.187. INCOMPATIBLE USES. (a) The commissioner of natural
29 resources may designate by regulation incompatible uses within the land and water of
30 the Afognak Island State Park.

31 (b) Lawful use of a weapon in the Afognak Island State Park shall be allowed

1 except in areas that may be closed for purposes of public safety by regulation by the
2 commissioner of natural resources.

3 (c) The regulations governing public use of the Afognak Island State Park shall
4 provide reasonable access for lawful sport and subsistence hunting and fishing,
5 personal use fishing, trapping, recreational uses, and commercial fishing. Except to
6 protect public safety, the commissioner of natural resources may not restrict the
7 exercise of sport or subsistence hunting or fishing, personal use fishing, trapping, or
8 commercial fishing permitted under law or under a regulation of the Board of Fisheries
9 or the Board of Game within the Afognak Island State Park.

10 Sec. 41.21.188. ADDITIONS TO PARK. Land may be added to the Afognak
11 Island State Park only by an act of legislature. The commissioner of natural resources
12 may not acquire land within the boundaries of the Afognak Island State Park by
13 eminent domain.

CS FOR SENATE BILL NO. 280(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered: 3/3/94
 Referred: RES, JUD, FIN

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing the Afognak Island State Park."

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 * Section 1. AS 41.21 is amended by adding new sections to read:

4 Sec. 41.21.185. PURPOSE OF AS 41.21.185 - 41.21.189. (a) The purpose
 5 of AS 41.21.185 - 41.21.189 is to establish, subject to valid existing rights, the state-
 6 owned or acquired land and water described in AS 41.21.186 as the Afognak Island
 7 State Park. The primary purposes of establishing the Afognak Island State Park are
 8 to protect the area's recreational and scenic resources; to protect the area's fish and
 9 wildlife habitat; to preserve and enhance the continued use of the area for sport and
 10 subsistence hunting and fishing, personal use fishing, trapping, recreational activities,
 11 and commercial fishing; and to restore and enhance resources and services injured by
 12 the Exxon Valdez oil spill.

13 (b) Under the provisions of AS 38.05.300, state land, water, or land and water
 14 containing more than 640 acres may be closed to multiple purpose use only by act of

1 the legislature. Because the area described in AS 41.21.186 exceeds 640 acres,
2 AS 41.21.185 - 41.21.189 are intended to close the described land and water to
3 multiple purpose use in conformity with AS 38.05.300 and to dedicate them as a
4 special purpose site in accordance with art. VIII, sec. 7, Constitution of the State of
5 Alaska.

6 Sec. 41.21.186. AFOGNAK ISLAND STATE PARK ESTABLISHED. The
7 upland, shoreland, tideland, land underlying tidally influenced inland water, and water
8 overlying this land, including both the surface and subsurface estate, owned or
9 acquired by the state within the following described parcels are established as the
10 Afognak Island State Park:

11 (1) Township 21 South, Range 16 West, Seward Meridian according
12 to the United States of America, Department of the Interior, Bureau of Land
13 Management plat accepted December 6, 1989, and filed December 22, 1989

14 Section 19: Lots 1 - 3

15 Sections 30 - 31: (fractional) all;

16 (2) Township 22 South, Range 16 West, Seward Meridian according
17 to the United States of America, Department of the Interior, Bureau of Land
18 Management plat accepted December 6, 1989, and filed December 22, 1989

19 Section 6: (fractional) all

20 Section 7: Lots 1 - 2

21 Sections 18 - 19: (fractional) all

22 Section 31: (fractional) all;

23 (3) Township 20 South, Range 17 West, Seward Meridian according
24 to the United States of America, Department of the Interior, Bureau of Land
25 Management plat accepted December 6, 1989, and filed December 22, 1989

26 Section 32: (fractional) all;

27 (4) Township 21 South, Range 17 West, Seward Meridian according
28 to the United States of America, Department of the Interior, Bureau of Land
29 Management plat accepted December 6, 1989, and filed December 22, 1989

30 Sections 6 - 8: (fractional) all

31 Section 13: (fractional) all

1 Section 17: (fractional) all
2 Section 18: all
3 Sections 19 - 20: (fractional) all
4 Sections 23 - 24: (fractional) all
5 Section 25: all
6 Section 26: (fractional) all
7 Sections 29 - 30: (fractional) all
8 Section 31: (fractional) all
9 Sections 33 - 35: (fractional) all
10 Section 36: all;

11 (5) Township 22 South, Range 17 West, Seward Meridian according
12 to the United States of America, Department of the Interior, Bureau of Land
13 Management plat accepted December 6, 1989, and filed December 22, 1989

14 Section 1: all
15 Sections 2 - 5: (fractional) all
16 Sections 8 - 9: (fractional) all
17 Section 11: all
18 Section 12: (fractional) all
19 Sections 13 - 14: all
20 Sections 17: (fractional) all
21 Sections 19 - 20: (fractional) all
22 Section 23: all
23 Sections 24 - 25: (fractional) all
24 Sections 26 - 29: all
25 Sections 30 - 31: (fractional) all
26 Sections 32 - 35: all
27 Section 36: (fractional) all;

28 (6) All of Township 23 South, Range 17 West, Seward Meridian
29 according to the United States of America, Department of the Interior, Bureau of Land
30 Management plat accepted December 6, 1989, and filed December 22, 1989; and the
31 supplemental plat for Section 3 accepted April 11, 1990, and filed April 19, 1990, and

1 the supplemental plat for Section 19 accepted November 9, 1990, and filed
2 November 23, 1990;

3 (7) Township 21 South, Range 18 West, Seward Meridian according
4 to the United States of America, Department of the Interior, Bureau of Land
5 Management plat accepted December 6, 1989, and filed December 22, 1989

6 Section 1: Lots 1 - 3

7 Sections 11 - 12: (fractional) all

8 Section 13: all

9 Section 14: (fractional) all

10 Section 15: Lots 1 and 2

11 Section 16: Lots 1 and 2

12 Section 17: Lot 1, excepting the property described as follows:

13 Commencing at the monument set for the northwest corner of Section 6,
14 Township 21, South, Range 18 West, Seward Meridian, proceed South a
15 distance of 10,560 feet along the westerly boundaries of Sections 6 and 7;
16 thence proceed East along the section line common to sections 7 and 18 a
17 distance of 4999 feet, more or less, to the protracted section corner common
18 to sections 7, 8, 17, and 18, said corner being the True Point of Beginning;
19 thence continuing East a distance of 1320 feet along the north boundary of
20 Lot 1 of section 17; thence South a distance of 2640 feet; thence West a
21 distance of 1320 feet, more or less, to the westerly boundary of Lot 1 of
22 section 17; thence North a distance of 2640 feet, more or less, along the
23 westerly boundary of said Lot 1 of section 17 to the True Point of Beginning;
24 The foregoing exception having an area of 80 acres, more or less

25 Section 17: Lot 2: all

26 Sections 20 - 22: (fractional) all

27 Sections 23 - 29: all

28 Sections 31 - 36: all;

29 (8) Township 22 South, Range 18 West, Seward Meridian according
30 to the United States of America, Department of the Interior, Bureau of Land
31 Management plat accepted December 6, 1989, and filed December 22, 1989

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Section 36: Lot 2;

(9) Township 23 South, Range 18 West, Seward Meridian according to the United States of America, Department of the Interior, Bureau of Land Management plat accepted December 6, 1989, and filed December 22, 1989

Section 1: Lot 1

Section 12: Lot 1

Section 13: Lots 1, 2, and 3

Sections 24 - 25: (fractional) all;

(10) Township 21 South, Range 19 West, Seward Meridian according to the United States of America, Department of the Interior, Bureau of Land Management plat accepted December 6, 1989, and filed December 22, 1989

Sections 35 - 36: all

All of plat no. 93-40 within portions of Sections 26, 27, and 34, as filed in the Kodiak Recording District October 19, 1993

All of Alaska Tideland Survey No. 1474.

Sec. 41.21.187. DESIGNATION OF MANAGEMENT RESPONSIBILITY.

(a) The state land and water described in AS 41.21.186 is assigned to the department as a unit of the state park system for control, maintenance, and development consistent with the purposes and provisions of AS 41.21.185 - 41.21.189.

(b) The Department of Fish and Game is responsible for the management of fish and game resources in the Afognak Island State Park, consistent with the sustained yield principle and the purposes and provisions of this chapter. The Board of Fisheries, the Board of Game, and the commissioner of fish and game are responsible for adopting regulations governing uses of fish and game in accordance with AS 16. The fish and game habitat and breeding areas shall be managed to ensure that the fish and game resources of the park and habitat are maintained or enhanced.

(c) The Department of Natural Resources shall consult with the Department of Fish and Game before adoption of regulations governing public use of the Afognak Island State Park.

(d) The Board of Fisheries, the Board of Game, and the commissioner of fish and game shall consult with the Department of Natural Resources before adoption of

1 regulations governing fish and game use in the Afognak Island State Park.

2 (e) Regulations under this section shall be adopted under AS 44.62
3 (Administrative Procedure Act).

4 (f) The Department of Public Safety and the Department of Fish and Game
5 shall have necessary access to the Afognak Island State Park for fish and game
6 management, research, and enforcement purposes.

7 Sec. 41.21.188. INCOMPATIBLE USES. (a) The commissioner may
8 designate by regulation incompatible uses within the land and water of the Afognak
9 Island State Park.

10 (b) Lawful use of a weapon in the Afognak Island State Park shall be allowed
11 except in areas that may be closed for purposes of public safety by regulation by the
12 commissioner.

13 (c) The regulations governing public use of the Afognak Island State Park
14 must provide reasonable access for lawful sport and subsistence hunting and fishing,
15 personal use fishing, trapping, recreational uses, and commercial fishing. Except to
16 protect public safety, the commissioner may not restrict the exercise of sport or
17 subsistence hunting or fishing, personal use fishing, trapping, or commercial fishing
18 permitted under law or under a regulation of the Board of Fisheries or the Board of
19 Game within the Afognak Island State Park.

20 Sec. 41.21.189. ADDITIONS TO PARK. Land and water outside the
21 boundaries established under AS 41.21.186 may be added to the Afognak Island State
22 Park only by an act of the legislature. The commissioner may acquire land and water
23 within the boundaries of the Afognak Island State Park except by eminent domain.

**THE FOLLOWING DOCUMENT
HAS NOT BEEN FILMED
BUT IS AVAILABLE IN THE
ORIGINAL FILE**

HABITAT PROTECTION ACQUISITION FOR SEAL BAY AND TONKI BAY

Afognak Island, Alaska



Alaska Department of Fish and Game
Habitat Protection Division

LEGEND

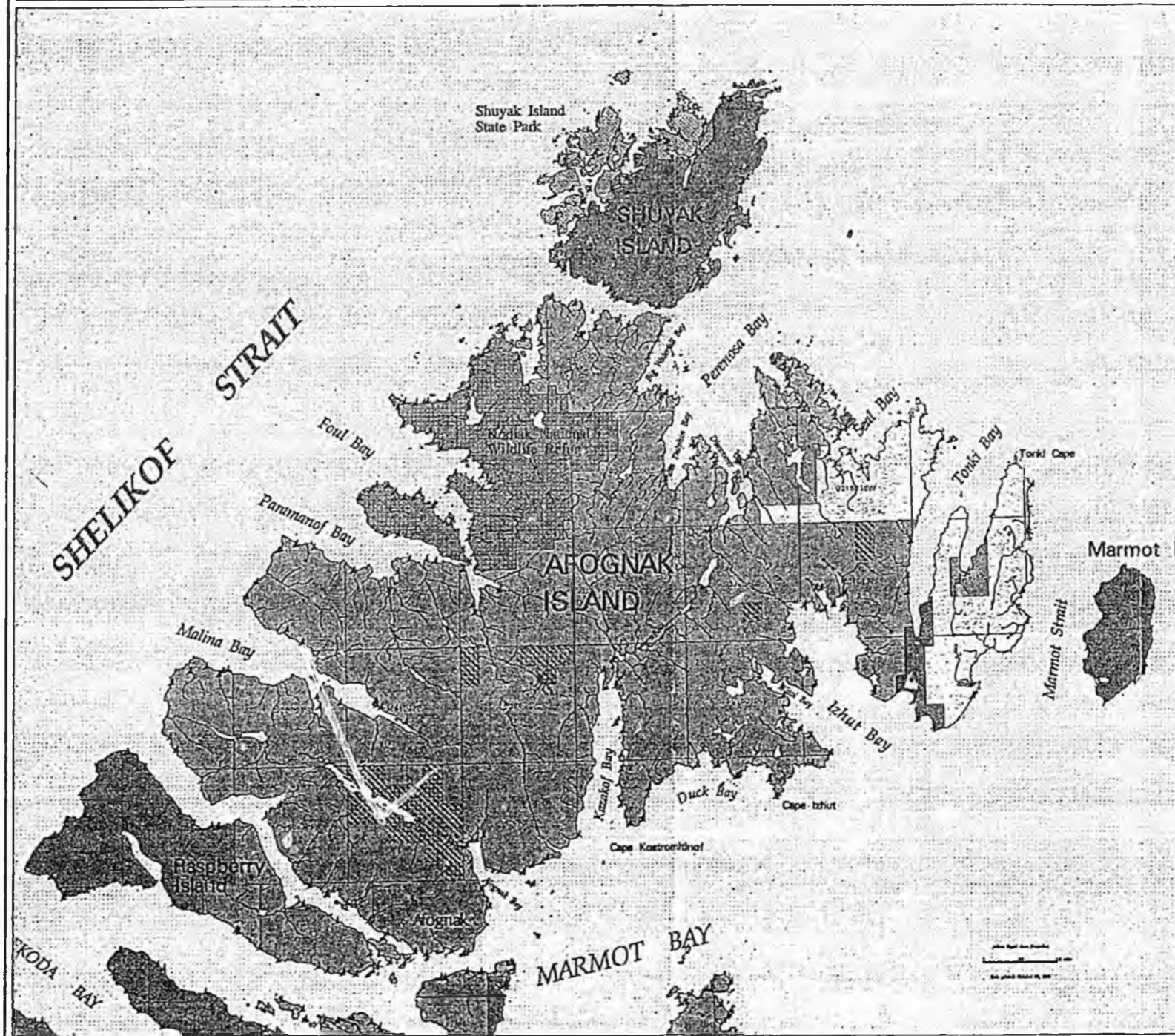
Acquisition Area

LAND STATUS

- National Forest
- National Wildlife Refugees
- State and Borough Lands
- State Parks
- Native or Private Lands
- Native Selected

OTHER

- Streams
- Anadromous Streams
- Eagle Nests



SOURCES:
Land status provided by ADNR,
Land Records Information
Section, 1983.

Eagle information collected
and provided by IJS Fish and
Wildlife Service.

Streams were automated by
ADNR-LRIS from the USGS
topographic maps (1:63,360).
Anadromous streams classification
was determined by the ADF&G, 1991.

HABITAT PROTECTION ACQUISITION FOR SEAL BAY AND TONKI BAY

Afognak Island, Alaska



Alaska Department of Fish and Game
Land Record Information Section

LEGEND

Acquisition Area

LAND STATUS

- National Forest
- National Wildlife Refuges
- State and Borough Lands
- State Parks
- Native or Private Lands
- Native Selected

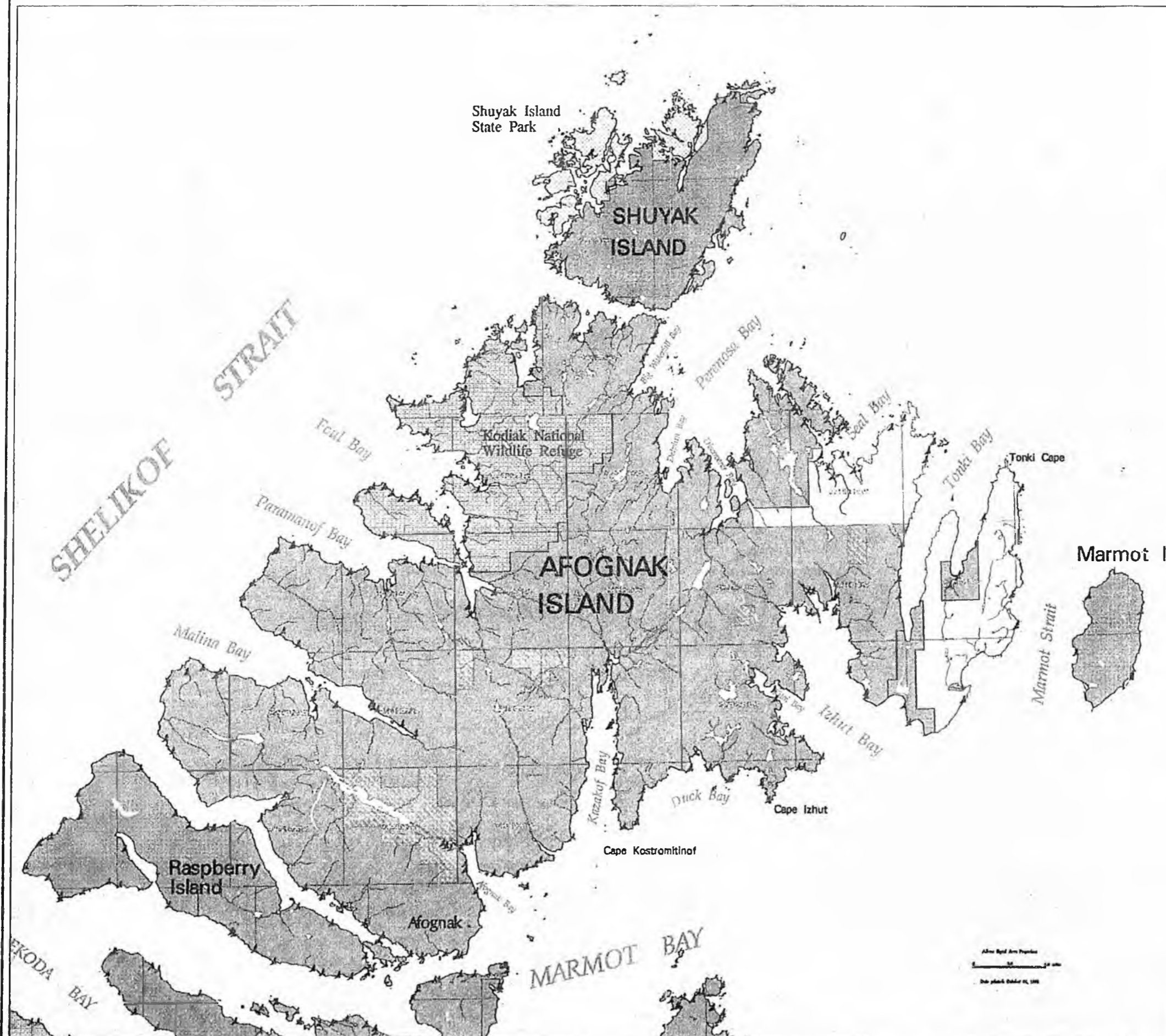
OTHER

- Streams
- Anadromous Streams
- Eagle Nests

SOURCES:
Land status provided by ADNR,
Land Records Information
Section, 1993.

Eagle information collected
and provided by US Fish and
Wildlife Service.

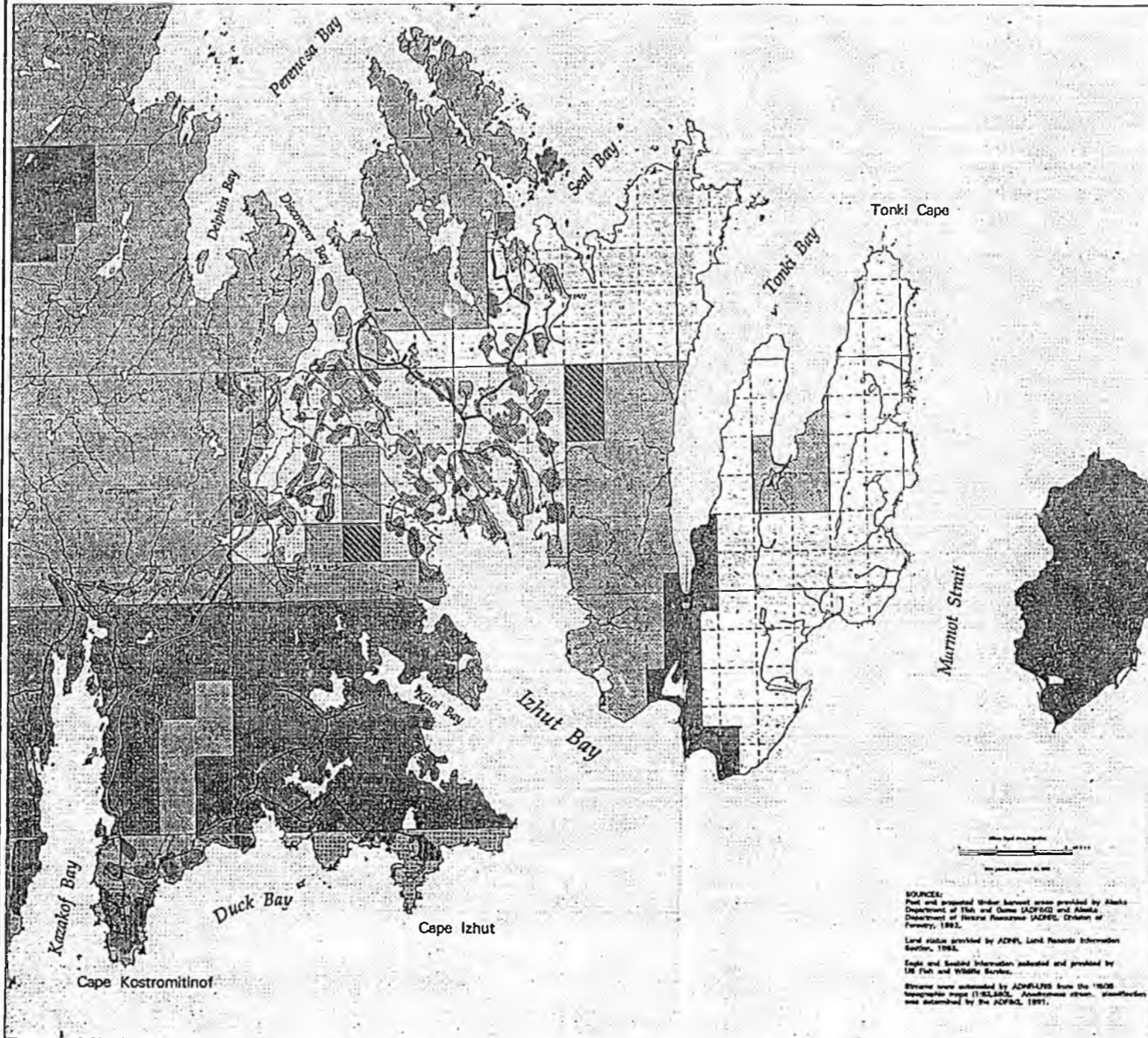
Streams were automated by
ADNR-LRIS from the USGS
topographic maps (1:63,360).
Anadromous streams classification
was determined by the ADF&G, 1991.



**THE FOLLOWING DOCUMENT
HAS NOT BEEN FILMED
BUT IS AVAILABLE IN THE
ORIGINAL FILE**

HABITAT PROTECTION ACQUISITION FOR SEAL BAY AND TONKI BAY

Land Status Including Native Ownership



LEGEND

- Acquisition Area
- LAND STATUS**
- National Forest
- National Wildlife Refuges
- State and Borough Lands
- Afognak Joint Venture
- Natives of Kodiak, Incorporated
- Natives of Afognak, Incorporated
- Ouzinkie Native Corporation
- Native Selected

- TIMBER HARVEST**
- Proposed Timber Harvest
- 1983 - 1992
- 1977 - 1982

- OTHER**
- Streams
- Anadromous Streams
- Eagle Nests
- ANCSA 17B Roads
- ANILCA Roads
- Private Roads
- Roads of Unknown Status
- Proposed Roads

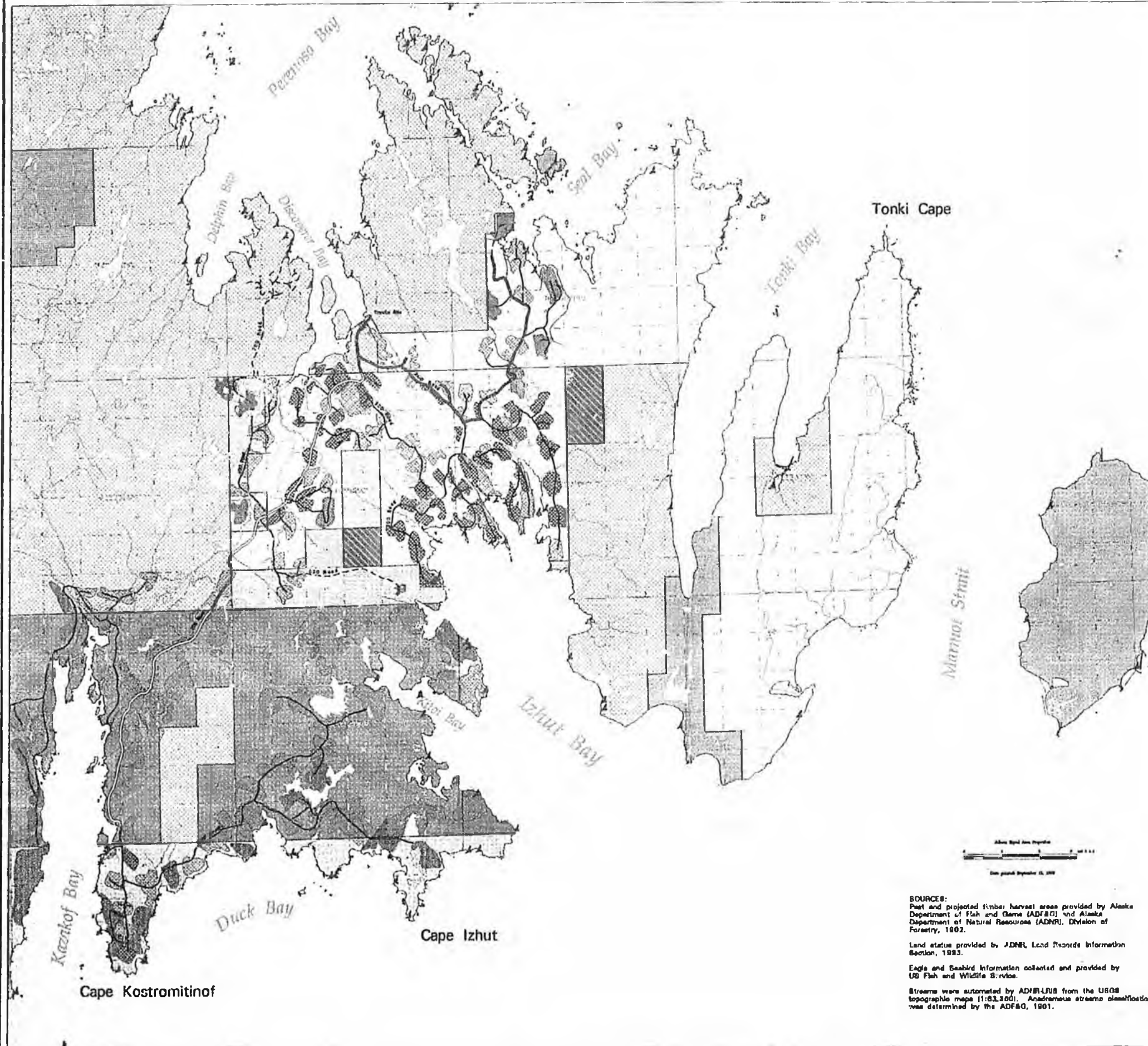
SOURCES:
 Post and proposed timber harvest areas provided by Alaska Department of Fish and Game (ADF&G) and Alaska Department of Natural Resources (ADNR), Division of Forestry, 1993.
 Land status provided by ADNR, Land Records Information Section, 1993.
 Eagle and Nesting information collected and provided by US Fish and Wildlife Service.
 Stream were submitted by ADNR/USFWS from the 1978 topographic map (1:50,000). Anadromous stream classification was determined by the ADF&G, 1991.

HABITAT PROTECTION ACQUISITION FOR SEAL BAY AND TONKI BAY

Land Status Including Native Ownership



Published by
Alaska Department of Fish and Game
Land Status Information Section



SOURCES:
Past and projected timber harvest areas provided by Alaska Department of Fish and Game (ADF&G) and Alaska Department of Natural Resources (ADNR), Division of Forestry, 1992.
Land status provided by ADNR, Land Records Information Section, 1993.
Eagle and Seabird information collected and provided by US Fish and Wildlife Service.
Streams were automated by ADNR-LRS from the USGS topographic maps (1:63,300). Anadromous stream classification was determined by the ADF&G, 1991.

LEGEND

Acquisition Area

LAND STATUS

- National Forest
- National Wildlife Refuges
- State and Borough Lands
- Afognak Joint Venture
- Natives of Kodiak, Incorporated
- Natives of Afognak, Incorporated
- Ouzinkie Native Corporation
- Native Selected

TIMBER HARVEST

- Proposed Timber Harvest
- 1983 - 1992
- 1977 - 1982

OTHER

- Streams
- Anadromous Streams
- Eagle Nests
- ANCSA 17B Roads
- ANILCA Roads
- Private Roads
- Roads of Unknown Status
- Proposed Roads

RESOLUTION OF THE
EXXON VALDEZ SETTLEMENT TRUSTEE COUNCIL

We, the undersigned, duly authorized members of the Exxon Valdez Settlement Trustee Council, after extensive review and after consideration of the views of the public, find as follows:

1. Seal Bay Timber Company ("Seller") owns the surface estate of lands on Afognak Island, including timber rights and consisting of approximately 41,549 acres, more or less, in two parcels, the Seal Bay parcel consisting of approximately 17,166 acres, more or less ("Seal Bay parcel") and the Tonki Cape parcel consisting of approximately 24,383 acres, more or less ("Tonki Cape parcel") (together the "Lands"), more particularly described in Attachment A. These Lands were selected pursuant to the Alaska Native Claims Settlement Act. The subsurface rights are held by Koniag, Inc.

2. The Lands are within the oil spill affected area and the tidelands adjoining the Lands were oiled in 1989.

3. A substantial portion of the Seal Bay parcel is threatened with imminent clearcut logging. Approximately 1158 acres have been logged, logging operations were ongoing on additional acreage until the Trustee Council resolved to purchase the Lands, and permits have been secured or are pending for the logging of additional acreage. The majority of the commercial timber in the Seal Bay parcel is slated for harvest by clearcut logging over the next few years.

4. The Lands include important habitat for several species of wildlife for which significant injury resulting from the oil spill has been documented. There is substantial evidence that the Lands are important marbled murrelet nesting areas. The extent to which marbled murrelets are naturally recovering from the oil spill is unknown. Harlequin ducks, a species that continues to suffer injury, are believed to nest in both parcels and forage on nearshore rocks and beaches adjacent to both parcels. Logging may directly affect these foraging and nesting activities and hence the rehabilitation of these two species. Restoration of black oyster catchers and river otters, which utilize the shore adjacent to uplands slated for logging, may be impacted by logging activities. River otters forage, rest, and may den on uplands. Harbor seal haul outs and intertidal and subtidal biota are all found in substantial quantity along the shore line in the threatened areas and could be impacted. There are known concentrations of sea otters off Tolstoi Point as well as otters that feed in the near shore waters of Seal Bay and Tonki Cape. Sea otters were injured by the oil spill. There are six documented anadromous streams in the Seal Bay parcel and two in the Tonki Cape parcel. There are ten documented bald eagle nests in Seal Bay with feeding and roosting along the shoreline and seven documented nests in the Tonki Cape parcel. Seal Bay has historically supported high value wilderness-based recreation such as hunting, boating and fishing. The area has high scenic value.

5. Existing laws and regulations, including but not limited to the Alaska Forest Practices Act, the Anadromous Fish Protection Act, the Clean Water Act, the Alaska Coastal Management Act, the Bald Eagle Protection Act and the Marine Mammals Protection Act, are intended, under normal circumstances, to protect resources from serious adverse affects from logging and other developmental activities. However, restoration, replacement and enhancement of resources injured by the EXXON VALDEZ oil spill present a unique situation. Without passing on the adequacy or inadequacy of existing law and regulation to protect resources, biologists, scientists and other resource specialists agree that, in their best professional judgment, protection of habitat in the spill affected area to levels above and beyond that provided by existing law and regulation will likely have a beneficial affect on recovery of injured resources and lost or diminished services provided by these resources.

6. There has been widespread public support for the acquisition of the Lands.

7. The purchase of the Lands is an appropriate means to restore a portion of the injured resources and services in the oil spill area.

THEREFORE, we resolve to accept the Seller's proposal to sell the Seal Bay parcel consisting of approximately 17,166 acres, more or less, and the Tonki Cape parcel consisting of approximately 24,383 acres, more or less, including timber rights for both parcels, for \$38,700,000 pursuant to the following conditions:

(a) the appraised value of the Seal Bay parcel and the Tonki Cape parcel combined is not less than \$38,700,000. If the appraised value of the Lands is less than \$38,700,000 Seller may exercise an option to sell and the Trustee Council agrees to provide the funds for purchase of the Lands at the appraised value. If the appraised value of the Seal Bay parcel alone is greater than \$38,700,000 but less than \$42,000,000, the sale of the Lands will proceed at \$38,700,000. If the appraised value of the Seal Bay parcel is greater than \$42,000,000, Seller may elect not to proceed with the sale of the Lands, or Seller may exercise an option to sell at \$38,700,000 and the sale of the Lands shall proceed at \$38,700,000. The appraised value will be determined by an appraiser to be selected by the Trustee Council. The appraisal will determine the fair market value of the Lands as of May 14, 1993;

(b) Seller will be paid \$29,950,000 at the time of closing. The balance will be paid in three annual equal installments with interest accruing on the unpaid balance at a rate equal to the fifty-two week United States treasury bill rate, with the rate to be adjusted annually and compounded annually. The final payment will be contingent upon the extinction, including final adjudication, of any claims or potential claims pursuant to sections 14(c) and (g) of the Alaska Native Claims Settlement Act;

(c) a satisfactory hazardous substances survey is completed;

(d) there is satisfactory compliance with the National Environmental Policy Act.

(e) a satisfactory title search is completed and Seller is able to convey fee simple title by warranty deed to the surface estate for the Lands;

(f) no timber harvesting or further road development will be done on these Lands by Seller prior to closing;

(g) the appraisal, National Environmental Policy Act compliance, and title search will be completed within 90 days after May 13, 1993 or as soon thereafter as the parties may agree;

(h) Seller agrees to promptly undertake all measures necessary to comply with the applicable requirements of AS 41.17 concerning reforestation, revegetation, brush, slash, and debris, salvage of trees, and soil erosion and wasting of logged lands and roads. Seller will place water bars, pull culverts and bridges, and hydroseed roads in accordance with a plan to be developed in cooperation with the Trustee Council. This plan will include compliance by Seller with the applicable road closure requirements of 11 AAC 95.320 and the applicable reforestation requirements of 11 AAC 95.375-390.

To facilitate protection of this key habitat and to eliminate the potential for encumbrances on the Lands, title to the Lands shall initially be conveyed to The Nature Conservancy ("TNC") which shall convey title to the State of Alaska at such time as the Lands have been designated by the Alaska legislature as a state park. The State and TNC will enter into an appropriate agreement

for the management of the Lands consistent with the this Resolution. If these Lands have not been so designated within 12 months of the date of conveyance to TNC, TNC shall, upon acceptance by the United States, convey title to the Lands to the United States of America for inclusion in an appropriate federal conservation system unit as defined at section 102 of the Alaska National Interest Lands Conservation Act, Public Law 96-487 ("Conservation System Unit") and having restrictions consistent with Paragraphs (i) through (k) of this Resolution. During the time that title is held by TNC the Lands shall be managed by the State of Alaska consistent with the terms of this Resolution.

Title to the Lands shall be conveyed to the State of Alaska or the United States subject to the following conditions:

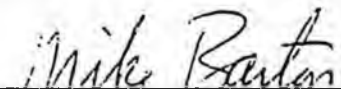
(i) there shall be no commercial timber harvest on these Lands nor any other commercial use of these Lands excepting such limited commercial use as may be consistent with state and federal law and the goals of restoration to its prespill condition of any natural resource injured, lost, or destroyed as a result of the EXXON VALDEZ oil spill and the services provided by that resource or replacement or substitution for the injured, lost or destroyed resources and affected services as described in the Memorandum of Agreement and Consent Decree between the United States and the State of Alaska entered August 28, 1991;

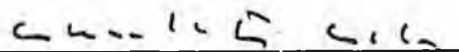
(j) if the Lands are designated as a state park, public use of the Lands shall include sport, personal use, and subsistence hunting, fishing, trapping, and recreational uses insofar as

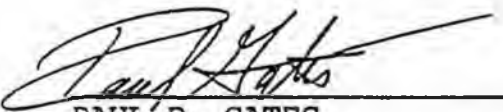
consistent with public safety and permitted under law or under a regulation of the Board of Fisheries or Board of Game.


(k) once the Lands have been conveyed to the State of Alaska or the United States of America, they may not be conveyed to any other entity for any purpose, and in the event that there is an attempt by the State to convey the Lands to any entity, in lieu of that conveyance, title to the Lands shall revert to TNC and as soon thereafter as possible, upon acceptance by the United States, be conveyed to the United States of America for inclusion in an appropriate federal conservation system unit as defined at section 102 of the Alaska National Interest Lands Conservation Act, Public Law 96-487 ("Conservation System Unit") and having restrictions consistent with Paragraphs (i) through (k) of this Resolution.

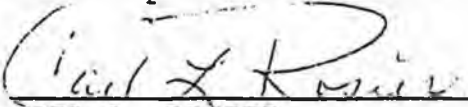
Dated this 23 day of August, 1993 at Anchorage, Alaska.

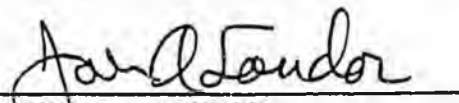

MICHAEL A. BARTON
Regional Forester
Alaska Region
USDA Forest Service


CHARLES E. COLE
Attorney General
State of Alaska


PAUL D. GATES
Regional Environmental Officer
for Alaska
U.S. Department of the Interior


STEVEN PENNOYER
Director, Alaska Region
National Marine
Fisheries Service


CARL L. ROSIER
Commissioner
Alaska Department of
Fish and Game


JOHN A. SANDOR
Commissioner
Alaska Department of
Environmental Conservation

RESOLUTION OF THE
EXXON VALDEZ SETTLEMENT TRUSTEE COUNCIL

We, the undersigned, duly authorized members of the Exxon Valdez Settlement Trustee Council, after review and after consideration of the views of the public, find as follows:

1. The State of Alaska should proceed to acquire the lands held by the Seal Bay Timber Company at Seal Bay and Tonki Bay on Afognak Island, Alaska as set forth in the Resolution of the EXXON VALDEZ Settlement Trustee Council adopted at the May 13, 1993 meeting of the Trustee Council and then executed in writing August 23, 1993.

2. Pursuant to the above referenced Resolution of the Trustee Council and consistent with the appraisal prepared by International Forestry Consultants, Inc., \$38,700,000 will be the purchase price for the lands.

THEREFORE, we request the Attorney General of the State of Alaska and the Assistant Attorney General of the Environmental and Natural Resources Division of the United States Department of Justice to petition the United States District Court for the District of Alaska for withdrawal of the sum of \$29,950,000 from the EXXON VALDEZ Oil Spill Settlement Account established in the Court Registry Investment System as a result of the governments' settlement with the Exxon companies. These funds shall be paid into an interest bearing account of the State of Alaska and used to purchase fee simple title to the above described lands in the

manner described in the Resolution of Trustee Council dated August 23, 1993.

Dated this 16th day of September 1993 at Anchorage, Alaska.

James A. Wolfe
for MICHAEL A. BARTON
Regional Forester
Alaska Region
USDA Forest Service

Charles E. Cole
CHARLES E. COLE
Attorney General
State of Alaska

George Traphy
PAUL D. GATES
Regional Environmental Officer
for Alaska
U.S. Department of the Interior

Steven Pennoyer
STEVEN PENNOYER
Director, Alaska Region
National Marine Fisheries
Service

Carl L. Rosier
CARL L. ROSIER
Commissioner
Alaska Department of
Fish and Game

John A. Sandor
JOHN A. SANDOR
Commissioner
Alaska Department of
Environmental Conservation

AGREEMENT FOR SALE AND PURCHASE OF LANDS AND INTERESTS ON
AFOGNAK ISLAND

THIS AGREEMENT is made by and between the Seal Bay Timber Company ("Seller"), The Nature Conservancy ("TNC"), and the State of Alaska ("State") (collectively, the "Parties").

1. SALE OF PROPERTY. Seller hereby agrees to sell all Seller's property rights on Afognak Island, Alaska, consisting of 17,166 acres, more or less, at Seal Bay ("Seal Bay parcel") and 24,383 acres, more or less, at Tonki Bay ("Tonki Cape parcel"), as more particularly described in Exhibit A ("the Property"), such sale to be made in accordance with the terms and conditions of this Agreement.

2. PAYMENT OF PURCHASE PRICE. The EXXON VALDEZ Oil Spill Trustee Council ("Trustee Council") has resolved to provide for payment of the purchase price in accordance with the terms and conditions of the resolution attached as Exhibit B.

3. INTEREST CONVEYED. The Seller does hereby warrant and represent to the Trustee Council, the State, and the United States as follows: (1) that the Seller is vested with title to the surface estate to the Property, (2) that all rights which may have been created by Section 14 of the Alaska Native Claims Settlement Act will be extinguished prior to final payment, and (3) that no liens, encumbrances, defects or third party interests have been granted by Seller in the Property except for a deed of trust and security interest to Koncor Forest Products Company, which deed of trust and security interest will be released at closing. At closing, Seller shall execute and deliver to TNC warranty deeds to the Property ("the Deeds"), in substantially the form attached hereto as Exhibits C and D, which exhibits are incorporated herein by reference. The Deeds shall convey the Property free and clear of all claims, liens and encumbrances other than the noted exceptions. In addition, Seller shall execute and deliver to TNC at closing such assignment documents as may be necessary to convey Seller's other interests in the Property to TNC.

4. TERMS OF SALE. Seller will be paid \$29,950,000 at the time of closing. The balance of the purchase price (\$8,750,000) will be paid in three annual equal installments of \$2,916,666.67, plus interest accruing on the unpaid balance at a rate equal to the fifty-two week United States treasury bill rate compounded and adjusted annually. The final payment will be contingent upon the extinction, including final adjudication, of any claims or potential claims pursuant to Section 14 of the Alaska Native Claims Settlement Act.

5. CONDITIONS OF SALE. Prior to closing the following conditions must be satisfied: (a) a completed hazardous substance survey must establish that there are no hazardous substances on the Property, and (b) there must be satisfactory compliance with the National Environmental Policy Act. Seller agrees to promptly undertake all measures necessary to comply with the applicable requirements of AS 41.17 concerning reforestation, revegetation, brush, slash, and debris, salvage of trees, and soil erosion and wasting of logged lands and roads. Seller will place water bars, pull culverts and bridges, and hydroseed roads in accordance with a plan to be developed in cooperation with the Trustee Council. This plan will include compliance by Seller with the applicable road closure requirements of 11 AAC 95.320 and the applicable reforestation requirements of 11 AAC 95.375-390.

6. FURTHER CONVEYANCE. TNC shall convey title to the Property to the State at such time as the Property has been designated by the Alaska legislature as a state park. If the Property has not been so designated within 12 months of the date of conveyance to TNC, TNC shall, upon acceptance by the United States, convey title to the Property to the United States for inclusion in an appropriate federal conservation system unit as defined at Section 102 of the Alaska National Interest Lands Conservation Act, Public Law 96-487 ("Conservation System Unit") and having restrictions consistent with Paragraph 6(a). Title to the Property shall be conveyed to the State or the United States subject to the following conditions:

(a) there shall be no commercial timber harvest on the Property nor any other commercial use of the Property excepting such limited commercial use as may be consistent with state law and the goals of restoration to its pre-spill condition of any natural resource injured, lost, or destroyed as a result of the EXXON VALDEZ oil spill and the services provided by that resource or replacement or substitution for the injured, lost or destroyed resources and affected services as described in the Memorandum of Agreement and Consent Decree between the United States and the State entered August 28, 1991;

(b) once the Property has been conveyed to the State or the United States, the Property may not be conveyed to any other entity for any purpose, and in the event that there is an attempt by the State to convey the Property to any entity, in lieu of that conveyance, title to the Property shall revert to TNC and as soon thereafter as possible, be conveyed to the United States for inclusion in a federal Conservation System Unit, and shall be subject to the conditions of subparagraph (a).

7. RIGHT TO ENTER PROPERTY. Seller agrees that from the date this Agreement is fully executed by the Parties, the Trustee Council, the State and the United States and their agents, upon reasonable notice, shall have the right to enter the Property for all lawful purposes in connection with this Agreement, including environmental audit purposes.

8. CLOSING PLACE AND DATE. The Parties agree to endeavor in good faith to close on or before 10 days after \$29,950,000, the funds for the initial payment to Seller, have been provided by the Trustee Council and are available for lawful expenditure by the State, and all documents that are required to be provided or completed and executed by the Parties have been tendered. The date, time and location of closing shall be set by the State in concurrence with Seller and TNC.

9. OTHER AGREEMENTS AND ACTIONS. The Parties agree to take other action or enter into other agreements reasonably necessary to the exercise and closing of this Agreement.

10. SIGNATURE AUTHORITY. Each signatory to this Agreement represents that he has the authority to bind his principal to this Agreement.

11. NOTICE. Written notices shall be provided to the parties at the following addresses:

State of Alaska
Department of Natural Resources
Director, Division of Land
P.O. Box 107005
Anchorage, AK 99510-7005

State of Alaska
Craig Tillery
Attorney General's Office
1031 West 4th Avenue, Suite 200
Anchorage, AK 99501

The Nature Conservancy
Attn: Steve Planchon
601 West 5th Avenue, Suite 500
Anchorage, AK 99501

Seal Bay Timber Company
P.O. Box 71
Old Harbor, AK 99643

James K. Wilkens, Esq.
Bliss, Riordan
431 W. 7th Avenue, Suite 201
Anchorage, AK 99501

C. Walter Ebell, Esq.
Jamin, Ebell, Bolger & Gentry
300 Mutual Life Building
605 First Avenue
Seattle, WA 98104

STATE OF ALASKA

By: Charles C. C. C.

Its: Attorney General

Date: 9/17/93

SEAL BAY TIMBER COMPANY

By: Emil Christensen

Its: PRESIDENT

Date: 9-17-93

THE NATURE CONSERVANCY

By: _____

Its: _____

Date: _____

527708D.025

SEAL BAY TIMBER COMPANY

PARCEL ONE: Property situated in the Kodiak Recording District, Third Judicial District, State of Alaska, more fully described as follows:

Seward Meridian

T.20 S., R. 17 W
Sec. 32

T.21 S., R. 16 W
Sec. 19
Sec. 30 and 31

T.21 S., R. 17 W.
Sec. 6, 7 and 8
Sec. 13
Sec. 17 to 20
Sec. 23 to 26
Sec. 29, 30 and 31
Sec. 33 and 34
Sec. 35 and 36

T.21 S., R. 18 W.
Sec. 1
Sec. 11 to 16
Sec. 17 S 1/2; NE 1/4; NW 1/4, E 1/2
Sec. 20 to 29
Sec. 31 to 36

T. 21 S., R. 19 W.
Sec. 35 and 36

T. 22 S., R. 16 W.
Sec. 6 and 7
Sec. 18 and 19
Sec. 31

T.22 S., R. 17 W.
Sec. 1 to 5
Sec. 8 and 9
Sec. 11 to 14
Sec. 17
Sec. 19 and 20
Sec. 23 to 29

EXHIBIT A

Sec. 32 to 35
Sec. 36

T.23 S., R. 17 W.

Sec. 1
Sec. 2 to 5
Sec. 6, SE 1/4
Sec. 7, E 1/2
Sec. 8 to 10
Sec. 15 to 17
Sec. 18, E 1/2
Sec. 19, NE 1/4
Sec. 20, E 1/2; NW 1/4
Sec. 21 to 22
Sec. 28
Sec. 29, E 1/2

PARCEL TWO: Property situated in Sections 26, 27 and 34, Township 21 South, Range 17 West, Seward Meridian, situated Southwest of Mallard Creek on Afognak Island, in the Kodiak Recording District, Third Judicial District, State of Alaska, more fully described as follows:

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

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

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

THENCE S. 28°45' E. a dist. of 2892.99 ft. to Cor. No. 3, this line traversing westerly near Mallard Creek,

EXHIBIT A

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

THENCE S. $00^{\circ}02'48''$ E. along the section line between Secs. 34 and 35, a dist. of 1316.70 ft. to Cor. No. 5,

THENCE N. $28^{\circ}45'$ W. a dist. of 2204.16 ft. to Cor. No. 6, marking a point on the southerly boundary of Ouzinkie log storage yard,

THENCE N. $54^{\circ}00'$ E. along the southerly boundary of the Ouzinkie log storage yard, a dist. of 137.41 ft. to Cor. No. 7,

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

This parcel contains approximately 58.96 acres.

COPY

RESOLUTION OF THE
EKKON VALDEZ SETTLEMENT TRUSTEE COUNCIL

We, the undersigned, duly authorized members of the Exxon Valdez Settlement Trustee Council, after extensive review and after consideration of the views of the public, find as follows:

1. Seal Bay Timber Company ("Seller") owns the surface estate of lands on Afognak Island, including timber rights and consisting of approximately 41,549 acres, more or less, in two parcels, the Seal Bay parcel consisting of approximately 17,166 acres, more or less ("Seal Bay parcel") and the Tonki Cape parcel consisting of approximately 24,383 acres, more or less ("Tonki Cape parcel") (together the "Lands"), more particularly described in Attachment A. These Lands were selected pursuant to the Alaska Native Claims Settlement Act. The subsurface rights are held by Koniag, Inc.

2. The Lands are within the oil spill affected area and the tidelands adjoining the Lands were oiled in 1989.

3. A substantial portion of the Seal Bay parcel is threatened with imminent clearcut logging. Approximately 1158 acres have been logged, logging operations were ongoing on additional acreage until the Trustee Council resolved to purchase the Lands, and permits have been secured or are pending for the logging of additional acreage. The majority of the commercial timber in the Seal Bay parcel is slated for harvest by clearcut logging over the next few years.

4. The Lands include important habitat for several species of wildlife for which significant injury resulting from the oil spill has been documented. There is substantial evidence that the Lands are important marbled murrelet nesting areas. The extent to which marbled murrelets are naturally recovering from the oil spill is unknown. Harlequin ducks, a species that continues to suffer injury, are believed to nest in both parcels and forage on nearshore rocks and beaches adjacent to both parcels. Logging may directly affect these foraging and nesting activities and hence the rehabilitation of these two species. Restoration of black oyster catchers and river otters, which utilize the shore adjacent to uplands slated for logging, may be impacted by logging activities. River otters forage, rest, and may den on uplands. Harbor seal haul outs and intertidal and subtidal biota are all found in substantial quantity along the shore line in the threatened areas and could be impacted. There are known concentrations of sea otters off Tolstoi Point as well as otters that feed in the near shore waters of Seal Bay and Tonki Cape. Sea otters were injured by the oil spill. There are six documented anadromous streams in the Seal Bay parcel and two in the Tonki Cape parcel. There are ten documented bald eagle nests in Seal Bay with feeding and roosting along the shoreline and seven documented nests in the Tonki Cape parcel. Seal Bay has historically supported high value wilderness-based recreation such as hunting, boating and fishing. The area has high scenic value.

5. Existing laws and regulations, including but not limited to the Alaska Forest Practices Act, the Anadromous Fish Protection Act, the Clean Water Act, the Alaska Coastal Management Act, the Bald Eagle Protection Act and the Marine Mammals Protection Act, are intended, under normal circumstances, to protect resources from serious adverse affects from logging and other developmental activities. However, restoration, replacement and enhancement of resources injured by the EXXON VALDEZ oil spill present a unique situation. Without passing on the adequacy or inadequacy of existing law and regulation to protect resources, biologists, scientists and other resource specialists agree that, in their best professional judgment, protection of habitat in the spill affected area to levels above and beyond that provided by existing law and regulation will likely have a beneficial affect on recovery of injured resources and lost or diminished services provided by these resources.

6. There has been widespread public support for the acquisition of the Lands.

7. The purchase of the Lands is an appropriate means to restore a portion of the injured resources and services in the oil spill area.

THEREFORE, we resolve to accept the Seller's proposal to sell the Seal Bay parcel consisting of approximately 17,166 acres, more or less, and the Tonki Cape parcel consisting of approximately 24,333 acres, more or less, including timber rights for both parcels, for \$33,700,000 pursuant to the following conditions:

(a) the appraised value of the Seal Bay parcel and the Tonki Cape parcel combined is not less than \$38,700,000. If the appraised value of the Lands is less than \$38,700,000 Seller may exercise an option to sell and the Trustee Council agrees to provide the funds for purchase of the Lands at the appraised value. If the appraised value of the Seal Bay parcel alone is greater than \$38,700,000 but less than \$42,000,000, the sale of the Lands will proceed at \$38,700,000. If the appraised value of the Seal Bay parcel is greater than \$42,000,000, Seller may elect not to proceed with the sale of the Lands, or Seller may exercise an option to sell at \$38,700,000 and the sale of the Lands shall proceed at \$38,700,000. The appraised value will be determined by an appraiser to be selected by the Trustee Council. The appraisal will determine the fair market value of the Lands as of May 14, 1993;

(b) Seller will be paid \$29,950,000 at the time of closing. The balance will be paid in three annual equal installments with interest accruing on the unpaid balance at a rate equal to the fifty-two week United States treasury bill rate, with the rate to be adjusted annually and compounded annually. The final payment will be contingent upon the extinction, including final adjudication, of any claims or potential claims pursuant to sections 14(c) and (g) of the Alaska Native Claims Settlement Act;

(c) a satisfactory hazardous substances survey is completed;

(d) there is satisfactory compliance with the National Environmental Policy Act.

(e) a satisfactory title search is completed and Seller is able to convey fee simple title by warranty deed to the surface estate for the Lands;

(f) no timber harvesting or further road development will be done on these Lands by Seller prior to closing;

(g) the appraisal, National Environmental Policy Act compliance, and title search will be completed within 90 days after May 13, 1993 or as soon thereafter as the parties may agree;

(h) Seller agrees to promptly undertake all measures necessary to comply with the applicable requirements of AS 41.17 concerning reforestation, revegetation, brush, slash, and debris, salvage of trees, and soil erosion and wasting of logged lands and roads. Seller will place water bars, pull culverts and bridges, and hydroseed roads in accordance with a plan to be developed in cooperation with the Trustee Council. This plan will include compliance by Seller with the applicable road closure requirements of 11 AAC 95.320 and the applicable reforestation requirements of 11 AAC 95.375-390.

To facilitate protection of this key habitat and to eliminate the potential for encumbrances on the Lands, title to the Lands shall initially be conveyed to The Nature Conservancy ("TNC") which shall convey title to the State of Alaska at such time as the Lands have been designated by the Alaska legislature as a state park. The State and TNC will enter into an appropriate agreement

for the management of the Lands consistent with the this Resolution. If these Lands have not been so designated within 12 months of the date of conveyance to TNC, TNC shall, upon acceptance by the United States, convey title to the Lands to the United States of America for inclusion in an appropriate federal conservation system unit as defined at section 102 of the Alaska National Interest Lands Conservation Act, Public Law 96-487 ("Conservation System Unit") and having restrictions consistent with Paragraphs (i) through (k) of this Resolution. During the time that title is held by TNC the Lands shall be managed by the State of Alaska consistent with the terms of this Resolution.

Title to the Lands shall be conveyed to the State of Alaska or the United States subject to the following conditions:

(i) there shall be no commercial timber harvest on these Lands nor any other commercial use of these Lands excepting such limited commercial use as may be consistent with state and federal law and the goals of restoration to its prespill condition of any natural resource injured, lost, or destroyed as a result of the EXXON VALDEZ oil spill and the services provided by that resource or replacement or substitution for the injured, lost or destroyed resources and affected services as described in the Memorandum of Agreement and Consent Decree between the United States and the State of Alaska entered August 28, 1991;

(j) if the Lands are designated as a state park, public use of the Lands shall include sport, personal use, and subsistence hunting, fishing, trapping, and recreational uses insofar as

COPY

consistent with public safety and permitted under law or under a regulation of the Board of Fisheries or Board of Game.

(k) once the Lands have been conveyed to the State of Alaska or the United States of America, they may not be conveyed to any other entity for any purpose, and in the event that there is an attempt by the State to convey the Lands to any entity, in lieu of that conveyance, title to the Lands shall revert to TNC and as soon thereafter as possible, upon acceptance by the United States, be conveyed to the United States of America for inclusion in an appropriate federal conservation system unit as defined at section 102 of the Alaska National Interest Lands Conservation Act, Public Law 96-487 ("Conservation System Unit") and having restrictions consistent with Paragraphs (i) through (k) of this Resolution.

Dated this 23 day of August, 1993 at Anchorage, Alaska.

Mike Barton
MICHAEL A. BARTON
Regional Forester
Alaska Region
USDA Forest Service

Charles E. Cole
CHARLES E. COLE
Attorney General
State of Alaska

Paul D. Gates
PAUL D. GATES
Regional Environmental Officer
for Alaska
U.S. Department of the Interior

Steven Pennoyer
STEVEN PENNOYER
Director, Alaska Region
National Marine
Fisheries Service

Carl L. Rosier
CARL L. ROSIER
Commissioner
Alaska Department of
Fish and Game

John A. Sandor
JOHN A. SANDOR
Commissioner
Alaska Department of
Environmental Conservation

WARRANTY DEED

GRANTOR Seal Bay Timber Company, whose address is P.O. Box 71, Old Harbor, Alaska 99643, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration in hand paid, grants, conveys and sells to GRANTEE The Nature Conservancy, whose address is 501 West 5th Avenue, Suite 500, Anchorage, Alaska 99501, the following described property situated in the Kodiak Recording District, Third Judicial District, State of Alaska, more fully described as follows:

Seward Meridian

T.20 S., R. 17 W.
Sec. 32

T.21 S., R. 16 W.
Sec. 19
Sec. 30 and 31

T.21 S., R. 17 W.
Sec. 6, 7 and 8
Sec. 13
Sec. 17 to 20
Sec. 23 to 26
Sec. 29, 30 and 31
Sec. 33 and 34
Sec. 35 and 36

T.21 S., R. 18 W.
Sec. 1
Sec. 11 to 16
Sec. 17 S 1/2; NE 1/4; NW 1/4, E 1/2
Sec. 20 to 29
Sec. 31 to 36

T. 21 S., R. 19 W.
Sec. 35 and 36

T. 22 S., R. 16 W.
Sec. 6 and 7
Sec. 18 and 19
Sec. 31

T.22 S., R. 17 W.

Sec. 1 to 5
Sec. 8 and 9
Sec. 11 to 14
Sec. 17
Sec. 19 and 20
Sec. 23 to 29
Sec. 32 to 35
Sec. 36

T.23 S., R. 17 W.

Sec. 1
Sec. 2 to 5
Sec. 6, SE 1/4
Sec. 7, E 1/2
Sec. 8 to 10
Sec. 15 to 17
Sec. 18, E 1/2
Sec. 19, NE 1/4
Sec. 20, E 1/2; NW 1/4
Sec. 21 to 22
Sec. 28
Sec. 29, E 1/2

Together with any and all of the easements and appurtenances thereto, and improvements located thereon ("Property"); and

Subject to any and all easements, restrictions, covenants and encumbrances of record or imposed by law, including but not limited to those contained in Patent No. 50-90-0647 dated September 26, 1990, from the United States of America to Afognak Joint Venture.

Also subject to Afognak Island Road Use Agreement, including the terms and provisions thereof, as disclosed by Memorandum recorded August 6, 1991 in Book 108 at Page 323 in the Kodiak Recording District, Third Judicial District, State of Alaska; and Discoverer Bay Log Transfer Facilities Agreement, including the terms and provisions thereof, as disclosed by Memorandum recorded August 6, 1991 in Book 108 at Page 364 in the Kodiak Recording District, Third Judicial District, State of Alaska.

Grantor warrants that the Property is free and clear of any encumbrances created since the conveyance of the Property to Grantor, except for those encumbrances created by the exercise of federal, state, and local police powers, including building and zoning regulations, and agrees to forever defend the Property as to Grantee, its successors and assigns.

DATED this ____ day of _____, 1993, at _____, Alaska.

GRANTOR:

SEAL BAY TIMBER COMPANY

By: _____
Its: _____

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this ____ day of _____, 1993, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared _____, of SEAL BAY TIMBER COMPANY, a joint venture organized and existing under the laws of the State of Alaska, to me known and known to me to be the _____ of said joint venture and acknowledged to me that he signed the foregoing Warranty Deed freely and voluntarily for and on behalf of said joint venture by authority of its Board of Directors for the uses and purposes therein mentioned.

GIVEN UNDER MY HAND and official seal the day and year last above written.

Notary Public in and for Alaska
My Commission Expires: _____

527708D.022

WARRANTY DEED
Page 3

EXHIBIT C

SORT YARD WARRANTY DEED

Grantor Seal Bay Timber Company, whose address is P.O. Box 71, Old Harbor, Alaska 99643 ("Grantor"), for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration in hand paid, grants, conveys and sells to Grantee The Nature Conservancy, whose address is 601 West 5th Avenue, Suite 500, Anchorage, Alaska 99501, the following described property situated in Sections 26, 27 and 34, Township 21 South, Range 19 West, Seward Meridian, situated Southwest of Mallard Creek on Afognak Island, in the Kodiak Recording District, Third Judicial District, State of Alaska, more fully described as follows:

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

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

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

THENCE S. 28°45' E. a dist. of 2892.99 ft. to Cor. No. 3, this line traversing westerly near Mallard Creek,

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

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

THENCE N. 23°45' W. a dist. of 2204.16 ft. to Cor. No. 6, marking a point on the southerly boundary of Ouzinkie log storage yard,

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

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

This parcel contains approximately 58.96 acres.

Together with any and all of the easements and appurtenances thereto ("Property");
and

Subject to any and all easements, restrictions, covenants and encumbrances of record or imposed by law, including but not limited to those contained in Patent No. 50-90-0647 dated September 26, 1990, from the United States of America to Afognak Joint Venture.

Also subject to Afognak Island Road Use Agreement, including the terms and provisions thereof, as disclosed by Memorandum recorded August 6, 1991 in Book 108 at Page 323 in the Kodiak Recording District, Third Judicial District, State of Alaska; and Discoverer Bay Log Transfer Facilities Agreement, including the terms and provisions thereof, as disclosed by Memorandum recorded August 6, 1991 in Book 108 at Page 364 in the Kodiak Recording District, Third Judicial District, State of Alaska.

Grantor warrants that the Property is free and clear of any encumbrances created since the conveyance of the Property to Grantor, except for those encumbrances created by the exercise of federal, state, and local police powers, including building and zoning regulations, and agrees to forever defend the Property as to Grantee, its successors and assigns.

DATED this ____ day of _____, 1993, at _____, Alaska.

GRANTOR:

SEAL BAY TIMBER COMPANY

By: _____
Its: _____

STATE OF ALASKA)
)
THIRD JUDICIAL DISTRICT) ss.

THIS IS TO CERTIFY that on this ___ day of _____, 1993, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared _____, of SEAL BAY TIMBER COMPANY, a joint venture organized and existing under the laws of the State of Alaska, to me known and known to me to be the _____ of said company and acknowledged to me that he signed the foregoing Warranty Deed freely and voluntarily for and on behalf of said joint venture by authority of its Board of Directors for the uses and purposes therein mentioned.

GIVEN UNDER MY HAND and official seal the day and year last above written.

Notary Public for _____
My commission expires: _____

527708E.023

OWNERSHIP AGREEMENT
(Afognak Island - Seal Bay)

This AGREEMENT, effective as of November 4, 1993, is entered into by and between THE STATE OF ALASKA ("State"), and THE NATURE CONSERVANCY, a District of Columbia non-profit corporation, whose address is 1815 N. Lynn Street, Arlington, Virginia 22209 (the "Conservancy").

The following Exhibits are attached to this Agreement:

- Exhibit 1 - Resolution of the Exxon Valdez Settlement Trustee Council dated August 23, 1993
- Exhibit 2 - "Agreement for Sale and Purchase of Lands and Interests on Afognak Island"
- Exhibit 3 - Seller's Indemnification, Representations and Warranties Agreement
- Exhibit 4 - Assignment of Warranties
- Exhibit 5 - Form of Invoice

Whereas, the Exxon Valdez Settlement Trustee Council resolved (the "Resolution", attached as Exhibit 1) on August 23, 1993, to acquire from Seal Bay Timber Co. approximately 41,549 acres, more or less, on Afognak Island, Alaska, (the "Property") (more fully described in the attached Exhibit 2), for the purpose of protecting and restoring the natural and recreational values described in the Resolution; and

Whereas, the Resolution provides that the Property will be conveyed to the Conservancy from Seal Bay Timber Co., to be held by the Conservancy for approximately one year, and then conveyed by the Conservancy to the State for inclusion in a state park designated by the Alaska legislature (or, alternatively, to the United States, if the Property is not designated as a state park); and

Whereas, the Conservancy has agreed to enter into an "Agreement for Sale and Purchase of Lands and Interests on Afognak Island" between Seal Bay Timber Co., as Seller, the State and the Conservancy, (the "Purchase Agreement"), a copy of which is attached hereto as Exhibit 2, subject to the terms and conditions of this Agreement;

Whereas, the State shall have full responsibility for payment of all amounts owing to Seal Bay Timber Co. under the Purchase Agreement, and for management of the Property, and for all obligations related to the Property, while the Property is owned by the Conservancy, as provided herein; and

Whereas, the State intends to indemnify, defend and hold the Conservancy harmless from certain liability and costs resulting from this Agreement, the Purchase Agreement and the Conservancy's ownership of the Property, to the extent provided herein;

Now, therefore, the parties agree as follows:

1. Conditions Precedent to the Conservancy's Obligations. The Conservancy agrees to enter into the Purchase Agreement, and to accept title to the Property subject to satisfaction of the following conditions which are for the sole benefit of the Conservancy: (a) Before the Closing, the Board of Governors of the Conservancy shall have approved this transaction in its sole discretion; (b) The condition of the title to, the proposed deed for, the environmental hazards assessment of, and the appraisal of the Property, shall be satisfactory to the Conservancy, in its sole discretion; (c) The Property shall be exempt from real estate taxes; (d) The State, Seal Bay Timber Company, Akhiok-Kaguyak, Inc., and Old Harbor Native Corporation shall enter into the attached Indemnification Agreement (Exhibit 3).

2. Reconveyance of Property. Subject to acquisition of the Property by the Conservancy, and subject to the payment by the State of all amounts it owes hereunder, and all amounts it would owe hereunder were the indemnification and hold harmless obligations of the State not subject to appropriations for the purposes stated herein, the Property shall be reconveyed by the Conservancy as follows:

a. If the State of Alaska has designated the Property as a state park within 12 months of the date that title was conveyed to the Conservancy, then the Conservancy shall convey the Property to the State. If the Property is not designated as a state park within 12 months, then the Conservancy shall, upon acceptance by the United States, convey the Property to the United States of America for inclusion in an appropriate federal conservation system unit as defined in section 102 of the Alaska National Interest Lands Conservation Act, Public Law 96-487 or the Chugach National Forest.

b. The Property shall be conveyed by the Conservancy by quit claim deed, and the warranties of title shall be assigned in the form of the attached Exhibit 4, subject to the liens, encumbrances, restrictions, reservations, and other limitations of title as existed on the date title was conveyed to the Conservancy, and any other liens, encumbrances, restrictions, reservations and limitations which have been agreed to or suffered by the State.

c. The Property shall be conveyed by the Conservancy without

any warranties or representations whatsoever concerning the condition, use or any other aspect of the Property. The Conservancy shall have no obligation whatsoever to investigate, manage or monitor the use or condition of the Property.

d. Title shall be conveyed to the State, or to the United States, subject to the following conditions:

i. There shall be no commercial timber harvesting on the Property, nor any other commercial use of the Property, except such limited commercial use as may be consistent with state and federal law and the goals of restoration of the Property to its prespill condition of any natural resource injured, lost, or destroyed as a result of the Exxon Valdez oil spill and the services provided by that resource or replacement or substitution for the injured, lost or destroyed resources and affected service as described in the Memorandum of Agreement and Consent Decree between the United States and the State of Alaska entered into August 28, 1991;

ii. Public use of the Property shall include sport, personal use, and subsistence hunting, fishing, trapping, and recreational uses insofar as consistent with public safety and permitted under law or under a regulation of the Board of Fisheries or Board of Game;

iii. Once the Property has been conveyed to the State or to the United States, it may not be conveyed to any other entity for any purpose. In the event that there is an attempt by the State to convey the Property to any entity, then, upon notice from the Conservancy of its acceptance of the reversion, recorded in the real estate records for the Kodiak Island Borough, the Property shall revert to the Conservancy. As soon thereafter as possible, upon acceptance by the United States, the Property shall be conveyed to the United States for inclusion in an appropriate federal conservation system unit as defined in section 102 of the Alaska National Interest Lands Conservation Act, Public Law 96-487, or the Chugach National Forest. The Conservancy shall not be required to pay any costs or amounts for conveyance of the property to the State or to the United States, including, without limitation, any costs for title insurance and any amounts which may be owing Seal Bay Timber Co.

3. Management of the Property. Subject to acquisition of the Property by the Conservancy, the State shall have full responsibility for management of the Property during the Conservancy's ownership of the Property. During the management

period the Property shall be managed subject to the limitations described in paragraph 2(d)(i), above, and subject to the following:

a. The State shall pay any and all amounts owing on the Property, including taxes and assessments on the Property, and any liens, or encumbrances, when due or according to their terms;

b. The State shall promptly pay for any services, labor and materials provided for, or used on the Property, and shall not allow any mechanic's, laborman's, materialman's, or any other lien for services to attach to the Property;

c. The State shall comply in all material respects with all applicable laws, ordinances, regulations, statutes and rules relating to the Property, and every part thereof, and promptly notify the Conservancy of any notification from any governmental authority having jurisdiction, of any potential non-compliance with such laws or regulations, requiring any work to be done on the Property or advising of any condition (including without limitation hazardous wastes) which would render the Property unsafe.

d. The State shall not enter into any leases, trust deeds, mortgages, restrictions, encumbrances, liens, licenses or other instruments or agreements affecting the Property (each, an "Instrument") without the prior written consent of the Conservancy from and after the date of this Agreement. The Conservancy shall not assume nor be deemed to have assumed any obligation or liability under any such Instrument.

e. The State warrants and represents that neither the execution nor delivery of this Agreement, nor consummation of the transaction contemplated hereby, nor fulfillment of nor compliance with the terms and conditions hereof contravenes any provision of any law, statute, rule or ordinance to which the State or the Property is subject, or conflicts with or results in a breach of or constitutes a default under any of the terms or conditions of any agreement or instrument to which State is a party or by which it is bound, or constitutes a default under any of the foregoing, and there exists no default in respect of any obligation pertaining to the Property.

f. The Conservancy shall not be required to pay any amounts under the Purchase Agreement, nor toward management of the Property, nor to satisfy any obligation related to the Property or any obligation of the State arising hereunder.

g. The State represents and warrants to the best of its information and belief after diligent inspection of the Property

6. Reimbursement of Costs. Quarterly, upon receipt from the Conservancy of an invoice in substantially the same form as the attached Exhibit 5, the State shall pay to the Conservancy all of its direct costs, including out-of pocket expenditures and salary costs, and overhead at the rate of 21.5% of the salary costs. Unless otherwise agreed to by the State, costs incurred by the Conservancy during the Agreement term will not exceed \$5,000 for services such as but not limited to staff salaries, telephone charges, supplies, and travel. The Conservancy may request additional funds if they are necessary to comply with the terms of this agreement. The Conservancy request for additional funds shall be submitted in writing prior to incurring the obligation and will not be unreasonably denied.

Reimbursements in excess of \$5,000 shall be subject to state appropriation and Trustee Council approval. All Conservancy invoices shall be submitted to the Commissioner, Department of Natural Resources.

The State may request the Conservancy to procure services from other vendors that may be required in the performance of this agreement. Such requests will be made in writing by the State and invoices shall be submitted by the vendor to the Commissioner, Department of Natural Resources.

7. Notice. Any notice or communications required or permitted to be given hereunder shall be given in writing and shall be delivered (i) in person, against receipt, (ii) by certified mail, postage prepaid, return receipt requested, or (iii) by U.S. Express Mail or a commercial overnight courier that guarantees delivery within the next two business days. Such notices shall be addressed as follows:

TO THE CONSERVANCY:

The Nature Conservancy
Alaska Field Office
601 W. Fifth Ave., Ste. 550
Anchorage, AK 99501
Attn: Steve Planchon

The Nature Conservancy
Western Regional Office
2060 Broadway, Suite 230
Boulder, Colorado 80302
Attn: Regional Attorney

TO THE STATE:

State of Alaska
Department of Natural Resources
3601 C Street, Suite 1210
Anchorage, AK 99503
Attn: Marty K. Rutherford

State of Alaska
Department of Natural Resources
Director, Division of Land
P.O. Box 107005
Anchorage, AK 99510-7005

Notice of change of address shall be effective only when done in accordance with this Paragraph. All notices complying with this Paragraph shall be effective only upon delivery.

8. Remedies. In addition to any other remedies at law or in equity, the parties shall have the right to specific performance of this agreement.

9. Consistent With Trustee Council Resolutions. The State acknowledges that this Agreement and its Exhibits, and the Seller's Indemnification, Representations and Warranties and its Exhibits, and such additional documents as are executed by the Conservancy for the purpose of completing this transaction, are consistent with the Exxon Valdez Settlement Trustee Council Resolutions authorizing purchase of the Property, and are in furtherance of those Resolutions.

10. Miscellaneous.

a. This Agreement is the full and complete agreement between the parties and shall not be modified except in writing signed by each.

b. The representations, warranties, agreements and obligations of the State shall survive the conveyance of the Property to the State or to the United States, for the benefit of the Conservancy.

c. The Conservancy has no fiduciary responsibility to the State, to the United States, to the Exxon Valdez Settlement Trustee Council, or to any other person or entity as a result of this transaction or ownership of the Property. No fiduciary relationship, partnership, joint venture or other relationship, other than a contractual relationship, exists between the parties.

Executed this 4th day of November, 1993.

THE CONSERVANCY:

THE NATURE CONSERVANCY,
a District of Columbia
non-profit corporation

By: [Signature]
Its [Signature] President

THE STATE:

THE STATE OF ALASKA

By: [Signature]
Commissioner, DNR
Hon. Comm. No. 1

EXHIBIT 5

November 2, 1993
Tracking #
TNC Center #
Seal Bay

State of Alaska

Invoice #1

Reference: Cooperative agreement between The Nature Conservancy of Alaska and the Alaska Department of Law for agreement # in regards to the Seal Bay Project.

Salaries	\$0
Travel	\$0
Lodging/Meals	\$0
Supplies	\$0
Overhead (21.5%)	\$0
TOTAL	\$0

~~Total due~~ \$0

Please make check payable to The Nature Conservancy and remit to The Nature Conservancy, 601 West Fifth Avenue, Suite 550, Anchorage, Alaska 99501.

Thank you.

Sincerely,

Kathleen George
Contract Administrator

Interim Protection Process

Seal Bay was selected by the Trustee Council for possible protection and acquisition as a result of an Interim Protection Process developed by the Council in response to widespread public comment about the ongoing destruction of habitat in the oil spill area. Its purpose was to identify those high value habitat areas in the oil spill area that were threatened with imminent habitat degradation.¹ Nineteen parcels, including Seal Bay, were identified as imminently threatened and ranked as to their value for restoration purposes (See **Parcel Ranking and Acreage Summary**, page 14). The Trustee Council decided to pursue protection measures for the top five parcels. The Kachemak Bay State Park inholdings were ranked number one and Seal Bay number two.

The steps in the Interim Protection Process are summarized on page 2. As part of the Interim Protection Process, the Council determined that Seal Bay met the **Interim Threshold Criteria** which are described on page 3.

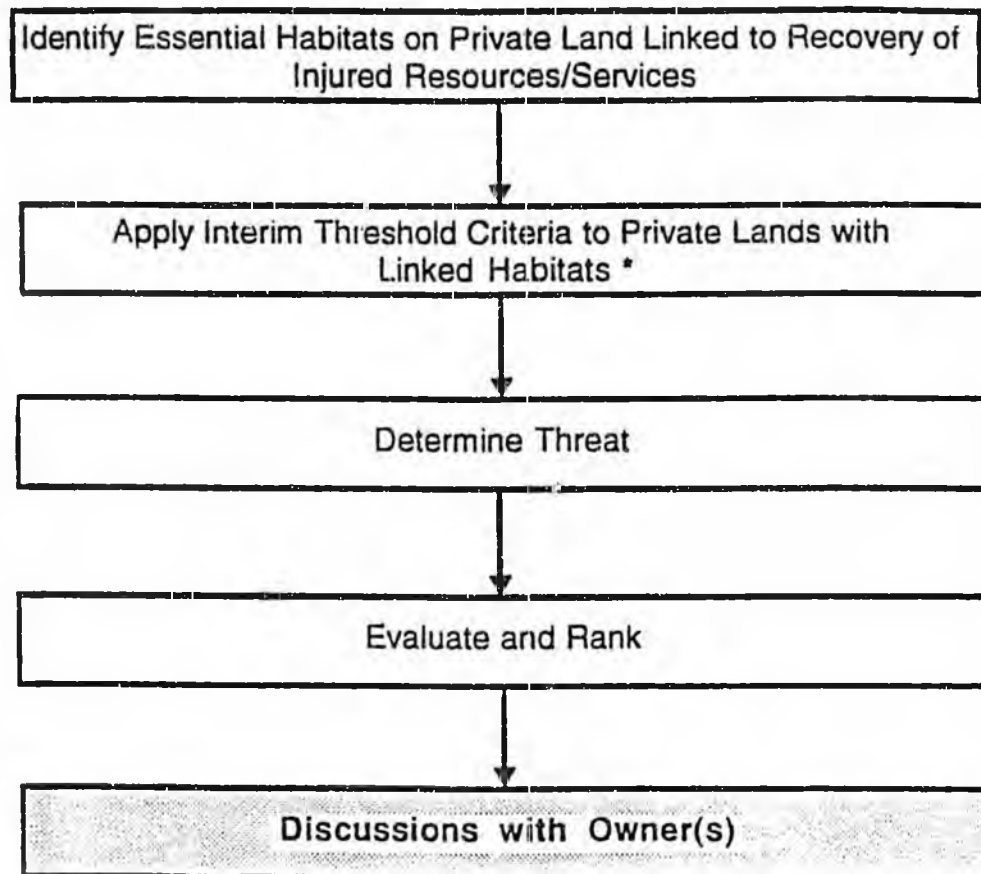
Parcels which satisfied the Interim Threshold criteria were evaluated using the **Interim Evaluation/Ranking Criteria** (page 4) and **Criteria for Rating Benefit of Parcel to injured Resources/Services** (pages 5-7). These criteria detail to what degree specific resources and services would benefit from acquisition of a particular parcel. The application of these criteria to the Seal Bay parcel is found on pages 8-10. This analysis details the potential benefit Seal Bay is expected to provide for each of the resources and services identified, as well as consideration of the parcel's ecological significance, adjacent land management, imminent threat status, protection objectives, available protection tools and recommended protection actions.

Following negotiations with the landowner, the Tonki Cape parcel was added to the acquisition and evaluation process. The analysis of the Tonki Cape parcel is found on pages 11 and 12.

A numerical scoring and ranking system was applied to the evaluation process. This ranking, the **Seal Bay Option Ranking Analysis**, is included on page 13.

¹ A comprehensive evaluation of private lands in the spill area for purposes of restoration is also being developed. It should be ready for public comment in December.

SUMMARY OF INTERIM PROTECTION PROCESS



Abstracted from Figures 1 & 2 of the Framework Supplement.

- * Criteria #1 and #3 cannot be applied until approval is received from the Trustee Council to obtain this information from landowners.

Interim Threshold Criteria *

1. There is a willing seller of the parcel or property right.
2. The parcel contains key habitats that are linked to, replace, provide the equivalent of, or substitute for injured resources or services based on scientific data or other relevant information.
3. The seller acknowledges that the government cannot purchase the parcel or property rights in excess of fair market value.
4. Recovery of the injured resource or service would benefit from protection in addition to that provided by the owner and applicable laws and regulations.
5. The acquired property rights can reasonably be incorporated into public land management systems.

*Approved by the Trustee Council at their January 19, 1993 meeting.

Interim Evaluation/Ranking Criteria *

1. The parcel contains essential habitat(s)/sites for injured species or services. Essential habitats include feeding, reproductive, molting, roosting, and migration concentrations; essential sites include known or presumed high public use areas. Key factors for determining essential habitat/sites are:
 - a. population or number of animals or number of public users.
 - b. number of essential habitats/sites on parcel, and
 - c. quality of essential habitats/sites.
2. The parcel can function as an intact ecological unit or essential habitats on the parcel are linked to other elements/habitats in the greater ecosystem.
3. Adjacent land uses will not significantly degrade the ecological function of the essential habitat(s) intended for protection.
4. Protection of the habitats on parcel would benefit more than one injured species/service (unless protection of a single species/service would provide a high recovery benefit).
5. The parcel contains critical habitat for a depleted, rare, threatened, or endangered species.
6. Essential habitat/sites on parcel are vulnerable or potentially threatened by human activity.
7. Management of adjacent lands is, or could easily be made compatible with protection of essential habitats on parcel.
8. The parcel is located within the oil spill affected area.

*Approved by the Trustee Council at their January 19, 1993 meeting.

CRITERIA FOR RATING BENEFIT OF PARCEL TO INJURED RESOURCES / SERVICES

INJURED RESOURCE / SERVICE	HIGH	MODERATE	LOW
Anadromous Fish	High density of anadromous streams per parcel; multiple injured species; and/or system known to have exceptional productivity.	Average density of anadromous streams for area; two or more injured species present.	Few or no streams on parcel; one or less injured species.
Bald Eagle	High density of nests on parcel; and/or known critical feeding area.	Average density of nests on or immediately adjacent to parcel (at least one); important feeding area.	Few or no nests on parcel; may be used for perching and/or feeding.
Black Oystercatcher	Area known to support nesting or concentration area for feeding.	Possible nesting; known feeding area.	Probable feeding.
Common Murre	Known nesting on or immediately adjacent to parcel.	Nesting in vicinity of parcel; known feeding concentration adjacent to parcel.	Possible feeding in area adjacent to parcel.
Harbor Seal	Known haul out on or immediately adjacent to parcel.	Probable haul outs in vicinity of parcel; probable feeding in nearshore waters adjacent to parcel.	Probable feeding in nearshore waters.
Harlequin Duck	Known nesting or molting on parcel; feeding concentration area.	Probable nesting on or adjacent to parcel; probable feeding in stream, estuary, or intertidal adjacent to parcel.	Probable feeding and loafing in area adjacent to parcel.

CRITERIA FOR RATING BENEFIT OF PARCEL TO INJURED RESOURCES / SERVICES

INJURED RESOURCE / SERVICE	HIGH	MODERATE	LOW
Intertidal/subtidal Biota	Known high productivity/species richness. Oiled or adjacent to oiled area where recruitment may be important.	High productivity/species richness; not oiled or near oiled area.	Average productivity/species richness; no documented shoreline oiling.
Marbled Murrelet	Known nesting or high confidence that nesting occurs; concentrated feeding in nearshore waters.	Good nesting habitat characteristics; known feeding in nearshore waters adjacent to parcel.	Low likelihood of nesting; possible feeding in nearshore waters.
Pigeon Guillemot	Known nesting on or immediately adjacent to parcel; feeding concentrations in nearshore waters.	Good nesting habitat characteristic; known feeding in nearshore waters adjacent to parcel.	Low likelihood of nesting; possible feeding in nearshore waters.
River Otter	Known high use of parcel for denning/latrine sites.	Known or probable latrine and/or denning sites; known feeding in adjacent intertidal/streams/nearshore area.	Probable feeding in adjacent intertidal/streams.
Sea Otter	Known haulout or pupping concentrations.	Concentration area for feeding and/or shelter; potential pupping.	Feeding in adjacent waters.

CRITERIA FOR RATING BENEFIT OF PARCEL TO INJURED RESOURCES / SERVICES

INJURED RESOURCE / SERVICE	HIGH	MODERATE	LOW
Recreation/Tourism	Receives high public use; highly visible to a large number of recreationists/tourists; area nominated for special recreational designation.	Accessible by road, boat, or plane; adjacent area used for recreational boating; adjacent area receives high public use.	Occasional recreational use; access may be difficult.
Wilderness	Area remote; little or no evidence of human development.	Area remote; evidence of human development.	Area accessible; high/moderate evidence of human development (roads, clearcuts, cabins).
Cultural Resources	Documented concentration or significant cultural resources/sites on parcel.	Evidence of cultural resources/sites on or adjacent to parcel.	Possible cultural resources/sites on parcel.
Subsistence	Known resource harvest area; multiple resource use.	Known harvest area for at least one resource.	Possible harvest area.

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HABITAT PROTECTION PARCEL ANALYSIS

PARCEL #: KAP 01		PARCEL NAME: Seal Bay	
LANDOWNER: Akhiok Kaguyak/ Old Harbor		PARCEL ACREAGE: 15,000	TOTAL ACREAGE: 253,000
		AFFECTED ACREAGE: 1,600	
INJURED RESOURCE / SERVICE	POTENTIAL FOR BENEFIT	COMMENT	
Anadromous Fish	Moderate	Six documented anadromous streams; pink. sockeye, coho, Dolly Varden, steelhead.	
Bald Eagle	High	Fourty two documented nest sites; feeding and roosting along shoreline.	
Black Oystercatcher	Moderate	Feeding in intertidal; probable nesting along shoreline and nearshore islets.	
Common Murre	None		
Harbor Seal	Moderate	Area historically supported large numbers of seals. Feeding in nearshore waters and haul-outs on nearshore rocks.	
Harlequin Duck	Moderate	Up to 64 birds observed in Seal Bay. Nearshore habitat appears good for feeding and molting. Potential for nesting appears low.	
Intertidal/subtidal biota	Moderate	Productive sheltered rocky intertidal and shallow subtidal habitat. Steep slopes adjacent to intertidal may become source of erosion sedimentation. No documented oiling of shoreline.	
Marbled Murrelet	High	High confidence that nesting occurs on parcel; good nesting habitat characteristics: high use of adjacent marine waters for feeding.	

HABITAT PROTECTION PARCEL ANALYSIS

PARCEL #: KAP 01		PARCEL NAME: Seal Bay
Pigeon Guillemot	Moderate	Documented nesting of up to 36 birds on or immediately adjacent to parcel; feeding in nearshore waters.
River Otter	Moderate	Probable feeding and latrine sites along shoreline. Possible denning. Habitat characteristics appear very favorable for river otters.
Sea Otter	Moderate	Known concentration area off Tolstoi Point. Feeding in nearshore waters.
Recreation/Tourism	Moderate	Area has historically supported high value wilderness-based recreation for boats and lodge. Access was previously difficult but is now road accessible.
Wilderness	Moderate	Wilderness characteristics are declining. Recent clearcuts and road are visible.
Cultural Resources	Moderate	Six archeological sites documented on parcel.
Subsistence	Low	Marine invertebrates, deer, elk, possibly marine mammals.
<p>ECOLOGICAL SIGNIFICANCE: This parcel contains old growth forest habitat adjacent to highly productive marine waters. Streams within the parcel support a diversity of anadromous fish. Forests on this parcel are suspected of providing high value marbled murrelet nesting habitat. Wilderness recreation values, particularly for fishing and hunting are high. Parcel supports non-injured species including deer, elk, and brown bear.</p>		
<p>ADJACENT LAND MANAGEMENT: Afognak Joint Venture; primarily for timber harvest and tree farming.</p>		

HABITAT PROTECTION PARCEL ANALYSIS

PARCEL #: KAP 01	PARCEL NAME: Seal Bay
IMMINENT THREAT/OPPORTUNITY: A portion of this parcel is proposed for logging in 1993 as an extension of an ongoing timber management operation by Koncor Forest Products. Akhiok-Kaguyak has expressed an interest in discussing habitat protection for remainder of parcel.	
PROTECTION OBJECTIVE: 1) Maintain water quality and riparian habitat for anadromous fish; 2) maintain marbled murrelet and bald eagle nesting habitat; 3) maintain and enhance wilderness-based recreational opportunities.	
USEFUL PROTECTION TOOL(S): Timber acquisition; fee title acquisition; cooperative management agreement; conservation easement.	
RECOMMENDED ACTION: This is one of highest priority imminent threat parcels: request Akhiok/Kaguyak/Old Harbor joint venture to provide interim protection; discuss options for long-term protection.	

1. Parties other than landowner may own partial rights (e.g., timber, minerals).
2. Area evaluated.
3. Estimated acreage held by the owner in the spill area.
4. Estimated area to be affected by imminent development activity.

HABITAT PROTECTION / ACQUISITION PARCEL SUMMARY

PARCEL #: KAP 01A	PARCEL NAME: Tunki Cape	
LANDOWNER: Akhiok/Kaguyak dba Seal Bay Timber Company	PARCEL ACREAGE: 24,384	² TOTAL ACREAGE: 253,000
INJURED SPECIES / SERVICE	POTENTIAL FOR BENEFIT	COMMENT
Anadromous Fish	Low	One documented anadromous stream/lake #10010-0010; sockeye, Dolly Varden; probable rearing habitat along shoreline in little Tonki Bay.
Bald Eagle	Moderate	Seven documented nest sites; feeding and perching along shoreline.
Black Oystercatcher	Moderate	Feeding and loafing along shoreline; potential nesting on gravel beaches.
Common Murre	Low	Potential feeding in nearshore waters.
Harbor Seal	Low	Potential feeding in nearshore waters.
Harlequin Duck	Low	Potential feeding and loafing on nearshore rocks.
Intertidal/subtidal biota	Moderate	Predominantly exposed rocky habitat; scattered kelp beds.
Marbled Murrelet	Moderate	Forested slopes; potential feeding areas nearshore.
Pigeon Guillemot	Moderate	Suitable nesting habitat in places; probable feeding in nearshore waters.
River Otter	Low	Generally steep shorelines with no anadromous streams.

Habitat Protection Working Group 07/13/93

HABITAT PROTECTION / ACQUISITION PARCEL SUMMARY

Sea Otter	Moderate	Feeding and shelter concentrations near kelp beds and heads of bays.
Recreation/Tourism	Low	Remote; difficult access; area receives low levels of use for bear, deer and elk hunting.
Wilderness	High	Minimal evidence of human activity.
Cultural Resources		
Subsistence	Low	Potential deer and elk hunting, marine mammals, marine invertebrates.
<p>ECOLOGICAL SIGNIFICANCE: This includes predominantly steep forested slopes with high bench meadows. Tonki Peninsula is major denning area for brown bears on Afognak Island and has historically supported high elk and deer populations. Portion of the watershed of anadromous stream/lake #10020-2009 in little Tonki Bay are within parcel.</p>		
<p>ADJACENT LAND MANAGEMENT: Afognak Joint Venture has four section inholding at head of little Tonki Bay; State of Alaska owns lands at isthmus between peninsula and Afognak Island.</p>		
<p>IMMINENT THREAT/OPPORTUNITY: Area contains potential commercial forest.</p>		
<p>PROTECTION OBJECTIVE: Maintain wilderness characteristics; maintain access for recreational use including hunting and fishing.</p>		
<p>USEFUL PROTECTION TOOL(S): Fee title</p>		

Habitat Protection Working Group 07/13/93

SEAL BAY OPTION RANKING ANALYSIS

PARCEL		RANKING CRITERIA								SCORE
PARCEL #	NAME	1	2	3	4	5	6	7	8	
KAP 01	Seal Bay	2-H, 11-M	Y	N	Y	N	Y	N	Y	30
KAP 01A	Tonki Cape	1-H, 6-M	Y	N	Y	N	Y	N	Y	6

1. Parties other than landowner may own partial rights (e.g., timber, minerals).
2. Estimated acreage held by the owner in the spill area.
3. Refer to Interim Evaluation and Ranking Criteria.

Criteria 2 - 8

N = No (does not meet criteria)

Y = Yes (does meet criteria)

Criteria 1 from table: "Criteria for Rating Benefit of Parcel to Injured Resources/Services"

H = High Benefit

M = Moderate Benefit

L = Low Benefit (not included in this analysis)

4. Scoring Formula: Parcel Score = (Sum of H + (0.5 x Sum of M)) x Sum of Y
 Example: KAP 08 Score = (3 + (0.5 x 10)) x 6 = (3 + 5) x 6 = 48
 Note: Formula emphasizes degree of linkage to injured resource/service.

PARCEL RANKING AND ACREAGE SUMMARY

RANK	PARCEL #	NAME	ACREAGE	SCORE
<i>Imminent Threat Parcels</i>				
1	CIK 01	China Poot, Kachemak Bay	7,500	45
2	KAP 01	Seal Bay, Afognak I.	15,000	30
3	PWS 04	Fish Bay, Port Fidalgo	1,700	27
4	PWS 02	Power Creek, Cordova	1,300	24
5	CIK 05	Lower Kenai Peninsula	3,000	22.5
6	PWS 06	Patton Bay, Montague I.	3,300	18
7	PWS 03	Two Moon Bay, Port Fidalgo	2,100	14
8	PWS 01	Orca Narrows / Nelson Bay	3,500	12
9	KAP 03	Izhut Bay, Afognak I.	1,000	10
9	KAP 04	Kazakof Bay, Afognak I.	1,500	10
10	CIK 04	Port Graham Allotments	200	8
11	CIK 02	Sadie Cove, Kachemak Bay	400	7.5
12	CIK 03	Jakalof Bay, Kachemak Bay	600	6
12	KAP 02	Pauls Lake, Afognak I.	500	6
13	PWS 05	Eyak River, Cordova	100	5
14	CIK 07	Rocky Bay	100	3
15	KAP 05	Danger Creek, Afognak I.	120	1
15	KAP 06	Paramanof Cr., Afognak I.	500	1
16	CIK 06	Windy Bay	400	0
TOTAL IMMINENT THREAT ACRES			42,320	
<i>Opportunity Parcels</i>				
1	PWS 07	Chenega I./Eshamy/Jackpot	57,000	60
2	KAP 08	Shuyak Strait, Afognak I.	51,000	48
3	KAP 07	Alitak Bay, Kodiak I.	230,000	30
TOTAL OPPORTUNITY ACRES			338,000	
TOTAL ACRES ANALYZED			380,320	



Seal Bay, Afognak, Alaska



Seal Bay, Afognak, Alaska



Seal Bay, Afognak, Alaska



Akhiok-Kaguyak, Inc.
5028 Mills Drive
Anchorage, Alaska 99508

**Old Harbor
Native Corporation**
P.O. Box 71
Old Harbor, Alaska 99643

November 4, 1993

Charles Cole, Esq.
Attorney General for the
State of Alaska
Department of Law
Capitol Building, Fourth Floor
120 Fourth Street
Juneau, Alaska 99801

Mr. Carl Rosier
Commissioner
State of Alaska
Department of Fish & Game
1255 West Eighth Street
Juneau, Alaska 99802

Mr. John Sandor
Commissioner
State of Alaska
Department of Environmental
Conservation
410 Willoughby Avenue, Suite 105
Juneau, Alaska 99801-1795

Mr. Mike Barton
Regional Forester
United States Department
of Agriculture
United States Forest Service
709 West Ninth Street, Room 249
Juneau, Alaska 99802

Mr. Paul Gates
Regional Environmental Officer
United States Department
of Interior
Office of the Secretary
1689 "C" Street, Suite 119
Anchorage, Alaska 99501

Mr. Steve Pennoyer
Director
National Marine Fisheries
Service
United States Department
of Commerce
Federal Building Annex
9109 Mendenhall Road, Suite 6
Juneau, Alaska 99801

Dear Members of the Trustee Council:

Recently, we have learned of the interest of governmental officials and others in the plans that Native corporations have for the use of the proceeds of the sale of some of their lands received under the Alaska Native Claims Settlement Act (ANCSA) through the EXXON VALDEZ Oil Spill Trustee Council process.

Even though you and other members of the EXXON VALDEZ Oil Spill Trustee Council have not requested information from us regarding our corporations' lands which are part of the Council's Seal Bay acquisition proposal, we would like to share with you our

EXXON VALDEZ Oil Spill
Trustee Council
November 4, 1993
Page 2

general plan for the use of the net proceeds of the sale of those lands.

Although, as you are aware, the decision as to what to do with ANCSA lands under the law rests solely with the Native corporations involved, we have chosen to provide to the Trustee Council (and by separate letter, to the State Legislative Budget and Audit Committee), the following information to help facilitate and expedite the final steps in the land acquisition process as it pertains to Seal Bay Timber Company.

In order to (1) provide the shareholders of Old Harbor Native Corporation and Akhiok-Kaguyak, Inc., owners of Seal Bay Timber Company, with a very modest, but stable, income source, and (2) provide a perpetual economic development stimulus (and diversification) for our region, our corporations have determined that the net proceeds from the sale of any of our lands at Seal Bay are to be invested in respective permanent "Shareholder Funds."

The corpus of these Funds will be protected from invasion and the interest income will be used to inflation-proof the Funds and provide for their real growth. Our corporations are relying on this approach so that the Funds can produce dividends to shareholders in perpetuity, and help provide for economic and job development opportunities in our area.

Among the basic purposes of ANCSA is to assist Alaska Natives in becoming more economically self-sustaining through the use of their own lands and effort, while preserving to the greatest degree possible, their culture and the viability of the rural Alaskan way of life. Our corporations have determined that the acquisition at Seal Bay by the Trustee Council represents a major and appropriate step in the fulfillment of the central purposes of ANCSA. It would also provide a substantial public benefit to the citizens of Alaska and to the wildlife resources of the region.

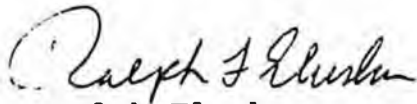
Not only will our shareholders and their descendants benefit, but also other Natives and non-Natives alike, from the income generated by these permanent Funds *forever* through future consumer spending, the multiplier effect of such spending on the free-enterprise system and through economic development projects made possible from investment income generated by the Funds.

We have attempted to work with the Trustee Council to ensure that through valid appraisals and through our corporations' contribution of certain additional wildlife habitat to the acquisition package, the public's interest will be well served by the Seal Bay acquisition.

EXXON VALDEZ Oil Spill
Trustee Council
November 4, 1993
Page 3

We appreciate the interest of the Council in pursuing this acquisition, and believe that it could turn out to be one of the most positive achievements of government to result from the tragic oil spill which injured the lands of the Kodiak archipelago and the wildlife and other natural resources of our region, as well as adversely affected our people, their lives and their livelihoods.

Sincerely,



Ralph Eluska
President
AKHTOK-KAGUYAK, INC.



Emil Christiansen
President
OLD HARBOR NATIVE CORPORATION



Kodiak Island Borough

710 MILL BAY ROAD
KODIAK, ALASKA 99615-6340
PHONE (907) 486-5736

October 1, 1993

Charles S. Cole, Esq.
Attorney General
State of Alaska
Department of Law
Office of the Attorney General
Environmental Section
1031 West 4th Ave., Suite 200
Anchorage, AK 99501

Dear Charlie:

The Kodiak Island Borough supports the efforts of the Exxon Valdez Oil Spill Trustee Council to acquire the Seal Bay and Tonki Cape land located on Afognak Island. We are very pleased that an agreement could be reached which stopped the logging of these lands and provided a fair economic return to the owners of the property.

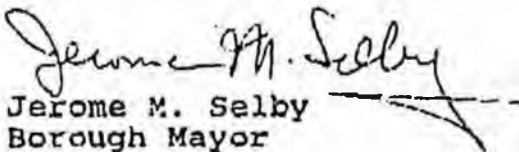
The opportunity to protect and preserve pristine wilderness habitat does not present itself often. The Trustee Council is to be commended for moving decisively and swiftly in negotiating the purchase.

Congratulations on a job well done.

Of course, if we may be of any assistance to you in consummating this transaction, please do not hesitate to call me:

Sincerely,

KODIAK ISLAND BOROUGH


Jerome M. Selby
Borough Mayor

NOV 05 '93 10:43 KODIAK ISLAND BOR.

P.3

Introduced by: Mayor Selby
Requested by: Mayor Selby
Drafted by: Mayor Selby
Introduced: 11/04/93
Adopted: 11/04/93

**KODIAK ISLAND BOROUGH
RESOLUTION NO. 93-37**

**A RESOLUTION IN SUPPORT OF THE ACQUISITION
OF THE SEAL BAY AND TONKI CAPE LAND
BY THE EXXON VALDEZ SETTLEMENT TRUSTEE COUNCIL**

- WHEREAS,** the Exxon Valdez Settlement Trustee Council has come to an agreement to purchase approximately 41,000 acres of land on Afognak Island located at Seal Bay and Tonki Cape from Seal Bay Timber Company; and
- WHEREAS,** the lands are within the area affected by the Exxon Valdez oil spill; and
- WHEREAS,** the lands are threatened with imminent clear-cut logging; and
- WHEREAS,** the lands include important habitat for several species of wildlife including marbled murrelet, harlequin ducks, black oyster catches, river otters, harbor seals, sea otters, bald eagles, brown bear, deer, and elk; and
- WHEREAS,** Seal Bay has historically supported high value wilderness based recreation, including commercial guiding, and recreational and subsistence deer and elk hunting; and
- WHEREAS,** the land contains important salmon habitat which is vital to the commercial fishing industry; and
- WHEREAS,** commercial fishing, guiding and tourism are all important elements of the local economy; and
- WHEREAS,** there is widespread public support within the Kodiak Island Borough for the acquisition of the land; and
- WHEREAS,** the purchase of the land is an appropriate method to restore a portion of the resources damaged in the Exxon Valdez oil spill; and

WHEREAS, this purchase presents a unique opportunity to protect and preserve a wilderness habitat which is important for recreation and for the long-term interests of the local economy; and

WHEREAS, the acquisition of these lands adjacent to other State owned wildlife habitats is in the best interest of the State of Alaska and for many residents from the Kenai Peninsula and Kodiak Island who recreate in this area;

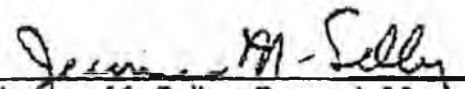
NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH THAT:

Section 1: The Kodiak Island Borough supports the acquisition by the Exxon Valdez Settlement Trustee Council of the Seal Bay and Tonki Cape land located on Afognak Island.

Section 2: The Kodiak Island Borough wholeheartedly supports the approval of this acquisition by the State of Alaska Legislature Budget and Audit Committee.

**ADOPTED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
THIS 4th DAY OF NOVEMBER, 1993**

KODIAK ISLAND BOROUGH

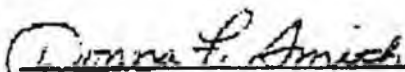


Jerome M. Selby, Borough Mayor



Jack L. McFarland, Presiding Officer

ATTEST:



Donna F. Smith, CMC, Borough Clerk



CITY MANAGER
POST OFFICE BOX 1397, KODIAK, ALASKA 99615

TELEPHONE (907) 486-8640
FAX (907) 486-8600

November 4, 1993

Charles S. Cole, Esq., Attorney General
State of Alaska, Department of Law
1031 West 4th Avenue, Suite 200
Anchorage, Alaska 99501

RECEIVED
Department of Law
NOV 08 1993
Office of the Attorney General
Anchorage Branch
Anchorage, Alaska

Dear Charlie:

The City of Kodiak supports the efforts of the Exxon Valdez Oil Spill Trustee Council to acquire the Afognak Island land located at Seal Bay and Tonki Cape. We are pleased that an agreement could be reached which stopped the logging of these lands and provided a fair economic return to the owners of the property.

The opportunity to protect and preserve pristine wilderness habitat does not present itself often. The Trustee Council is to be commended for moving decisively and swiftly in negotiating the purchase and we support efforts to keep this property in State, not Federal hands.

If we can be of any assistance in this transaction, please call me. Congratulations on a job well done!

Sincerely,

CITY OF KODIAK

Gary Bloomquist
City Manager



**KODIAK
CHAMBER
OF COMMERCE**

P.O. Box 1485, Kodiak, Alaska 99615

(907) 486-5557

FAX: (907) 486-7605

February 28, 1994

Honorable Walter J. Hickel
Governor
State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Hickel,

The Board of Directors of the Kodiak Chamber of Commerce has voted to support the creation of a State Park on Afognak Island. This park would be created from lands acquired by the Exxon Valdez Settlement Trustee Council at Seal Bay and Tonki Cape. This land has been conveyed to the Nature Conservancy who is now required to convey the lands to the State of Alaska. We are pleased that the council agreed to purchase these lands and provide a fair economic return to the owners of the property.

The opportunity to protect and preserve pristine wilderness habitat does not present itself often. Likewise, the opportunity to gather as much community support for a project of this magnitude is also rare. The creation of a State Park on Afognak Island will encourage the continued development of the visitor industry in Kodiak. The visitor industry has the potential to bring benefits to this community long after the benefits derived from logging have expired.

Additionally, the ability of the State to manage this land for the benefit of all State residents is a much more palatable idea than the alternative. By not creating a State park with these lands, we allow the land to fall into the hands of the Federal government by default. The proposed regulations contained in the legislation provide for reasonable access for lawful sport and subsistence hunting and fishing, personal use fishing, trapping, recreational use, and commercial fishing. These are uses that the Federal government will not allow on their lands.

The Kodiak Chamber of Commerce urges you to give this land on Afognak Island the final approval it needs to become a State park. We believe that the acquisition of these lands will pay dividends to the landowners, and our community, well into the future. We appreciate your careful attention and thoughtful consideration of this matter.

Yours in economic prosperity,

Alan L. Schmitt
President

Dedicated to Kodiak's Future



Northwest Setnetters Association

Box 870, Kodiak, Alaska 99815

November 2, 1993

VIA FAX AND MAIL

Randy Phillips
Chairman,
Legislative Budget and Audit Committee
P.O. Box 142
Eagle River, Ak 99577

Re: Seal Bay Purchase

Dear Mr. Phillips:

The Northwest Setnetters Association wishes to express its support for the Exxon Valdez Trustee Council's purchase of Seal Bay and surrounding area. Our group represents all of the setnet fishermen in proximity to Seal Bay. We don't know of a single member of the Northwest setnetters who opposes the Seal Bay sale. Moreover, we have not heard of anyone in the entire Kodiak fishing community who opposes this sale.

We believe the Seal Bay sale is a win/win situation for all involved. The Native corporations obtain fair compensation for their resources, preservation of important salmon habitat will benefit fishermen and the people of Alaska will be able to manage, use and enjoy a large pristine natural area. On the other hand, if Seal Bay is not purchased, it will be logged. Both the people of Alaska and Kodiak fishermen will lose out. As you may know, fishermen are already greatly concerned about changes to salmon habitat resulting from logging elsewhere on Afognak island.

Thank you for your consideration of the Northwest Setnetters' support for the purchase of Seal Bay. We encourage you to do whatever you can to see that the Seal Bay sale is finalized.

Sincerely Yours,

Virginia Adams
Virginia Adams,
Vice-President

cc. Legislative Audit &
Budget Committee

Kodiak Refuge Project
 4104 Denfeld Avenue
 Kensington, MD 20885

FAX TO: JIM WILKENS & ROY JONES
 c/o CONNIE LINNEAR
 Page 1 of 1

PRISTINE CHARTERS
 1218 Baranof
 Kodiak, AK 99616

November 4, 1993

Honorable Randy Phillips
 Chairman, Legislative Budget
 & Audit Committee
 Juneau, Alaska

Dear Chairman Phillips and Members of the Committee:

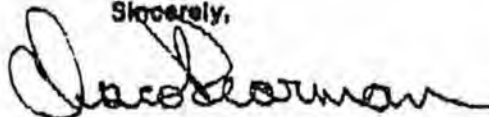
As a charter boat operator in Kodiak, I wish to convey my strong support of the Exxon Valdez Trustee Council acquisition of wildlife habitat at Seal Bay on nearby Afognak Island.

My business involves the traditional sport fishing activities enjoyed in Alaska, but also has a growing clientele for pleasure cruises, nature viewing and photography.

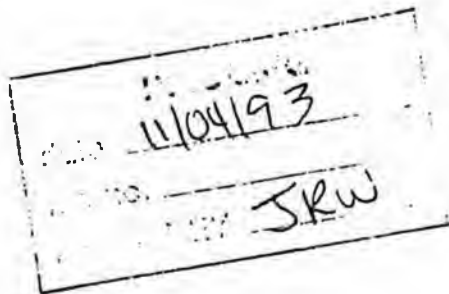
The outdoor recreation industry is a growth industry in Kodiak and our future depends upon offering clients the outstanding scenery that we appreciate here in Kodiak. The likelihood of clearcutting Seal Bay if it is not purchased by the Exxon Valdez Trustee Council would be an economic setback as well as a tragedy for the abundant wildlife in that area.

Thank you for your consideration of the people of Kodiak in your important decision.

Sincerely,



Chaco Pearman,
 Owner



Area K Seiners Association
P.O. Box 2399 Kodiak, Alaska 99616
Phone 907/486-4686 FAX 907/486-7655



November 4, 1993

Senator Randy Phillips, Chairman
Legislative Budget and Audit Committee
P.O. Box 142
Eagle River, Alaska 99577

Senator Phillips:

Area K Seiners Association (AKSA) fully supports the actions of the Exxon Valdez Oil Spill Trustee Council to acquire the Seal Bay and Tonki Cape land located on Afognak Island. It is clearly in the interest of Kodiak salmon fishermen to have these areas and the associated salmon streams protected. We are concerned that any delays in consummating the transaction will invite Federal intervention. Please note that the State receives a 3% raw fish tax on salmon caught commercially in this area and that the Federal Government has no such incentive to enhance production of systems or to manage for a maximum sustainable yield. This area has been wisely chosen by the Trustee Council and we unconditionally stand behind the decision. We see no benefit to holding this action up as long as the land is to be held by the State.

Please take whatever action is necessary to approve the transaction.

Sincerely,

Charles W. Treiner
President

State of Alaska
Legislative Budget and Audit Committee
Senator Randy Phillips, Chairman
Room 513
State Capitol
Juneau, AK 99801-1182

November 4, 1993

Dear Senator Phillips:

I am writing to the committee to voice my support of the proposed Afognak Island, Seal Bay land purchase by the Exxon Valdez Trustee Board.

As part of the Exxon Valdez trustee process I believe this to be one of the valid and productive uses of the Exxon settlement funds. Considerable public input has gone into the decision to spend these funds to protect Seal Bay from logging thereby providing protection to the salmon rearing streams and providing habitat for the many species of wild life that inhabit the area.

This land purchase is an issue that fishermen, hunters, kayakers and bird watchers can all agree would be of benefit to the community and the State of Alaska. The local private land owner of these parcels has voluntarily offered them up for purchase and the money will benefit Alaskans.

As Mayor of the City of Kodiak and Chairman of the Oiled Mayors during the Exxon Valdez spill, I know first hand the diverse opinions that come out of a community during a crisis and post crisis situation. But the decision to make this land purchase came as part of the restoration process. Public hearings, testimony and mail surveys have all been conducted and the decision to buy arrived at through the established process.

It is about time the people of Alaska see some material result of all the money spent so far by the trustees. I would hope that the Legislature could approve this purchase in such a way that the land would be under State of Alaska management jurisdiction because I believe the purchase will otherwise happen and the federal government will be in control.

Once again let me say that I support this Afognak Island land purchase. I think it is one of the many valid applications of the restoration money.

Please do not hesitate to call if you have questions.

Sincerely,
Bob Brodie

Bob Brodie
PO Box 296
Kodiak, Alaska 99615
wk 486-2000 hm 486-3079

Kodiak Refuge Project
4104 Dumbell Avenue
Kodiak, AK 99516

FAX TO: JIM WILKENS + ROY JONES
c/o CONNIE LINNEAR
Page 1 of 1

PRISTINE CHARTERS
1218 Baranof
Kodiak, AK 99516

November 4, 1993

Honorable Randy Phillips
Chairman, Legislative Budget
& Audit Committee
Juneau, Alaska

Dear Chairman Phillips and Members of the Committee:

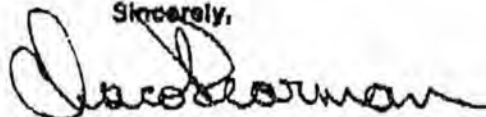
As a charter boat operator in Kodiak, I wish to convey my strong support of the Exxon Valdez Trustee Council acquisition of wildlife habitat at Seal Bay on nearby Afognak Island.

My business involves the traditional sport fishing activities enjoyed in Alaska, but also has a growing clientele for pleasure cruises, nature viewing and photography.

The outdoor recreation industry is a growth industry in Kodiak and our future depends upon offering clients the outstanding scenery that we appreciate here in Kodiak. The likelihood of clearcutting Seal Bay if it is not purchased by the Exxon Valdez Trustee Council would be an economic setback as well as a tragedy for the abundant wildlife in that area.

Thank you for your consideration of the people of Kodiak in your important decision.

Sincerely,



Chaco Pearman,
Owner

date	11/04/93
init. no.	
BY	JKW

THE
FOLLOWING
DOCUMENTS
ARE
POOR
ORIGINAL
COPIES

Wavetamer Kayaking

KAYAK KODIAK TOURS - KAYAK KATMAI ADVENTURES
 FEATHERCRAFT FOLDING KAYAKS - NICKY KAYAKS - ACCESSORIES
 POB 228, Kodiak, Alaska 99613 - PH & FAX: 907-486-2604

February 28, 1994

Governor Walter Hickel
 PDS 10001
 Juneau, AK 99811-0001

Dear Governor Hickel,

I wanted to express my gratitude to you for your action calling for the designation of Afognak Island State Park. Many of us here in Kodiak realize the rare resource we have in Afognak Island - from its cultural significance to its present day wealth of natural amenities.

I have had a chance to review SB 280 and find it to be well-defined and broad in scope - to the hopeful satisfaction of all potential user groups.

I intend to write to our legislators as well and encourage them to continue activity on this bill. I feel it will be a valuable addition to the wonderful state park program we have in Alaska and will be yet another priceless resource from the Kodiak region to share with the state and our outside guests.

Thank you for your foresight in proposing this legislation.

Sincerely,



Tom Watson, Owner
 WAVETAMER KAYAKING

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

May 14, 1993

PREPARED FOR
STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
Under Personal Services Contract L&WM 93-1

August 6, 1993

RECEIVED
AUG 09 1993



INTERNATIONAL FORESTRY CONSULTANTS, INC.

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

MEMORANDUM


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

TO: Marty Rutherford
Deputy Commissioner

DATE: September 16, 1993

TELEPHONE NO: 762-2680

SUBJECT: Appraisal Review
Seal Bay

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ANALYSIS OF APPRAISED VALUE

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

cc: Carol Shobe
Alex Swiderski
Dennis Lattery
Rich Goossens

sealbay2.rev

United States
Department of
Agriculture

Forest
Service

Alaska Region

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

Reply to: 5410

Date: September 14, 1993

To: Alex Swiderski, Alaska Attorney General's Office

Subject: Seal Bay Appraisal

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

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

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

RICHARD M. GOOSSENS
Regional Review Appraiser

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

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

August 13, 1993

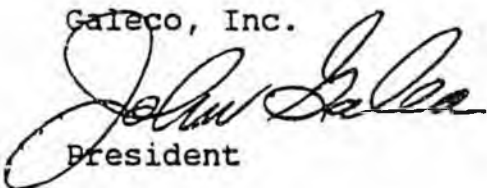
Dear Judy

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

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

Sincerely

Galeco, Inc.



President

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

2. Tonki Cape Unit

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

D. Relevance of Data

1. Appraisal Methods

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

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

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

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

E. Appropriateness of Appraisal

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

F. Report Conclusions

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

RESUME: JOHN GALEA

August 16, 1993

EDUCATION

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

EXPERIENCE

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

ORGANIZATIONS

- * Society of American Foresters - American Arbitration Association.

PAST ACCOMPLISHMENTS

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



INTERNATIONAL FORESTRY CONSULTANTS, INC.

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

September 13, 1993

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

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

Dear Mr. Lattery

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

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

\$41,000,000.

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

If you have any questions or comments please call.

Sincerely,
INTERNATIONAL FORESTRY CONSULTANTS, INC.

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

PART I
INTRODUCTION

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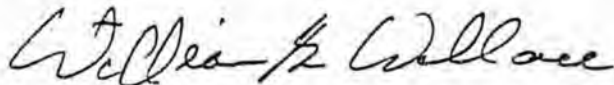
Certification

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

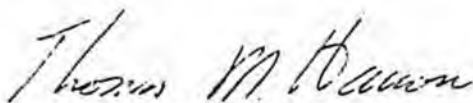
- the statements of fact contained in this report are true and correct
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or prospective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

Respectfully submitted,

INTERNATIONAL FORESTRY CONSULTANTS, INC.

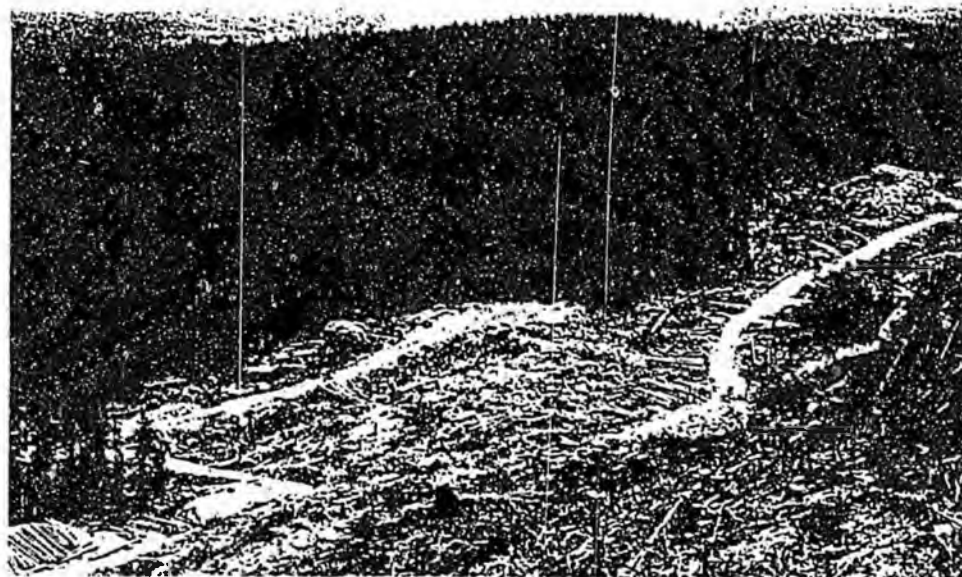


William B. Wallace ACF, RPF
Certified Real Estate Appraiser - General
Washington #270-11 WA-LL-AW-BZ670B

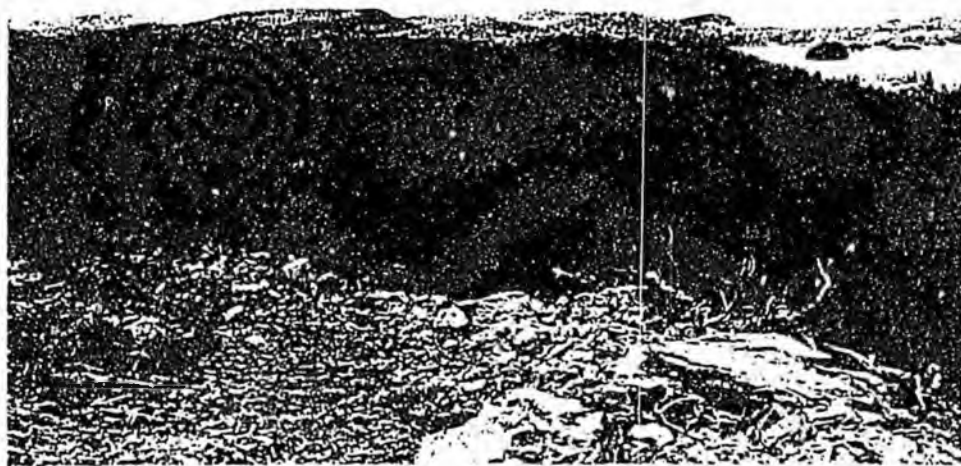


Thomas M. Hanson ACF

PHOTOGRAPHS OF SUBJECT



Looking southeast from setting 616



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



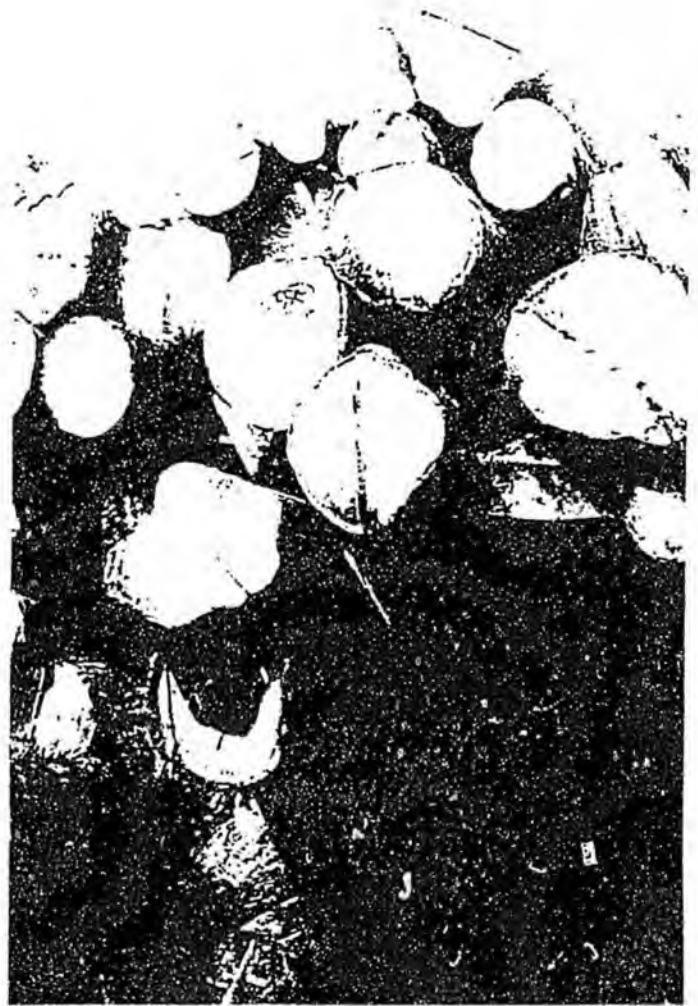
Looking northeast from setting 616, showing Road 631
Seal Bay and setting 624 in background



Typical logs of #3 sort quality



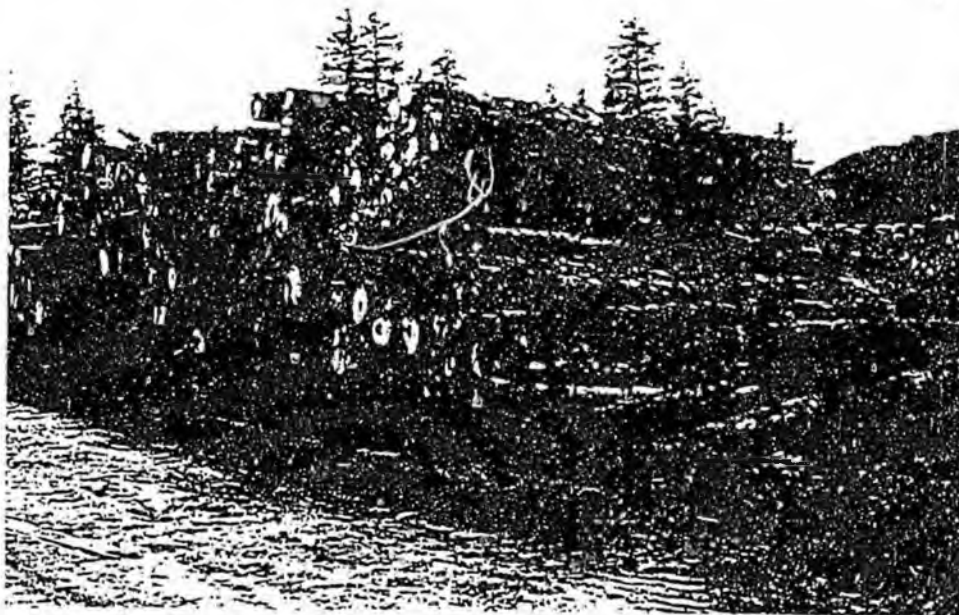
Above "Sort Yard" Looking East



Maximum defect in Sort #3



Typical logs of Sort #4 Quality



Typical logs of Sort #5 quality

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Subject Property: Portions of

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

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

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

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

Area:

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

Timbered area:

8,009 acres

Timber Volume:

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

Highest-and-Best Use:

Management for Natural Resources.

Date of Valuation: May 14, 1993

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

Indications of Value:

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

Value Conclusions:

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

ASSUMPTIONS AND LIMITING CONDITIONS.

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

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

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

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

12. Considerable financial data concerning timber harvest operations on the subject property have been provided by Koncor Forest Products, Company International Forestry Consultants, Inc. has agreed to keep that data confidential. Therefore, it is not shown in this report. The data will be made available only to review appraisers employed by the State of Alaska, upon their agreement to protect its confidentiality, and to any court having jurisdiction.

13. Contact has been made with one of the appraisers by an Assistant Attorney General of the State of Alaska the Assistant Attorney General had seen preliminary analyses submitted to the client for review as to methodology and approach. He was specifically concerned that the appraisal would be inconsistent with the conditional purchase and sale agreement reached with the owners of the property. He was assured that a necessary part of professional appraisal practice is to recognize and analyze recent and pending sales of the subject property. On further discussion, information about the history, terms and conditions of the agreement was provided to the appraisers. This information was incorporated into the appraisal analysis and the final conclusion of value. Although the contact impressed upon the appraiser the sensitivity of the valuation, it has not altered the fully professional approach taken to the appraisal problem. This contact does not compromise the certification statement:

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

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

REFERENCES

The legal description of the subject property was provided by Alaska Department of Natural Resources in the form of a copy of the PARTITION PARCEL WARRANTY DEED from The Afognak Joint Venture to Old Harbor Native Corporation and Akhiok-Kaguyak, Inc. A preliminary title report was also provided. The title report and its legal description is reproduced in ADDENDUM I.

Maps and aerial photographs were provided by Alaska D.N.R. and representatives of Seal Bay Timber Company and were obtained from commercial sources. Maps are also reproduced in ADDENDUM I.

Information about zoning was provided by the Planning Department of the Kodiak Island Borough. Forest Practice regulations, shoreline management requirements, and environmental regulations were provided by the Alaska Department of Natural Resources.

Data for possible comparable sales transactions were provided by the Kodiak Island Borough Assessor; the Assessor's office of the Kenai Borough; Horan, Corak and Company; Shorett and Reily; and Affiliated Appraisers of Alaska. The latter 3 appraisal firms supplied confirmed information, analyses of the data and photographs. Additional reconfirmations were made where possible and analyses were redone with additional information when appropriate.

PURPOSE OF THE APPRAISAL

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

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

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

SCOPE OF THE APPRAISAL

Property Rights Appraised

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

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

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

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

¹ Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, 1990.

² The Dictionary of Real Estate Appraisal, The Appraisal Institute, Chicago, 1984, p 123.

The Appraisal Process

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

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

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

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

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

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

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

Appraisal Problems

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

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

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

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

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

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

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

FUNCTION OF THE APPRAISAL

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

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

PART II
FACTUAL DATA

DESCRIPTION OF THE PROPERTY

Property Location and Description

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

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

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

Legal Description

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

Statement of Ownership and History of the Subject Property

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

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

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

Inspection of the Subject Property

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

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

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

Date of Opinion of Value

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

Regional Analysis

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

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

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

Neighborhood Analysis

The neighborhood is defined as Afognak Island.

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

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

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

Merchantable Timber

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

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

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

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

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

Timber Harvest Conditions

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

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

No unusual road construction and logging methods are anticipated.

PART III

DATA ANALYSIS AND CONCLUSIONS

HIGHEST AND BEST USE ANALYSIS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUE ANALYSIS

Income Capitalization Approach

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

Sales Comparison Approach

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

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

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

A. Land Value

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

The Faustmann formula can be expressed as:

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

where S.E. = Soil Expectation value

I_r = Income from final harvest in r years

C_0 = Stand establishment costs

C_i = Intermediate management cost at year i

C_a = Annual management cost

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

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

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

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

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

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

⁶Source - Appraisal News, March, 1993, The Appraisal Institute.

⁷Source - Appraisal News, March, 1993, The Appraisal Institute.

⁸Source - Morningstar Mutual Fund Newsletter.

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

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

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

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

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

\$0 per acre

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

B. Timber Value

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

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

industry media⁹. Greatest weight was given to the prices contracted with the property owners and actually paid to them. Some adjustments were made to remove anomalies in the progression from one grade to another and to maintain consistency between the various sources of data. The timber is assumed to be free of any restrictions on its sale for export in log form.

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

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

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

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

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

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

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

\$325 per M b.f.

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

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

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

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

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

Table 2

University of Alaska
Whipple 2 Sale
Related to Seal Bay Unit

Species	Volume M b.f.	Conversion		Allocatd Bid \$/M	Subject S.N.W. \$/M	Bid re Subject \$/M
		Return \$/M	Bid \$/M			
Spruce	9,257	510	575	559	410	459
Hemlock	6,523	175	175	192		
Cedar	60	50	50	55		
Yellow-cedar	540	400	400	439		
Utility	1,708	10	10	10		
	17,088	326	357	358		

Whipple Cr. 2 Adjusted to Seal Bay Unit

Scenario Summary Report							
<u>Basis of Conv. Ret.</u>	<u>Mar-93</u>	<u>Cust 92</u>	<u>Op 93</u>	<u>1\93</u>	<u>5\93</u>	<u>Cust 90-92</u>	<u>Op 92-93</u>
Changing Cells:							
Conversion							
Return	410	395	470	166	569	374	188
Result Cells:							
Adjusted							
Bid-Subject	459	444	519	215	618	423	237

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

\$375 per M b.f.

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

\$350 per M b.f.

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

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

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

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

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

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

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

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

C. Value of the Property.

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

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

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

Discussion of sales.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Estimates of \$15 million worth of timber in this sale are very consistent with INFO's estimate of \$10 million in timber value in 1979. The sale is very comparable to the subject in timber value. It is also comparable in size and potential uses.

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

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

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

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

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

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

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

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

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

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

No.	Date	Seller	Buyer	Acres	Price \$/acre	Timber \$/acre	Indicated Value \$/acre	Highest & Best Use
			Subject	17,167		2,129		Natural Resources
2	Nov-91 Adjustment	Cox	English et al	160	562	0	2,691	Remote recreation
4	May-91 Adjustment	U. Alaska	Hyak	229	546	0	2,674	Surface support for mine
5	Dec-91 Adjustment	Key Bank	Southcentral	341	2,348	2,348 -219	2,129	Timberland
6	Aug-90 Adjustment	Security	Holman	2,220	225	0	2,354	Recreation
7	Jul-90 Adjustment	Reeves	Turner et al	160	469	0	2,597	Lodge site
8	Jul-89 Adjustment	Alcoa	Ritcher	512	781	586 1,543	2,324	Timber, remote recreation
9	Jul-89 Adjustment	USX Corp.	B & M Logg	623	1,604	1,604 525	2,129	Timberland
10	May-89 Adjustment	BIA	Aleneva J.V.	273	3,831	2,630 -501	3,330 2,691	Remote residence (See text p.38) *
11	Jan-89 Adjustment	Syre	Ketchikan	139	4,650	4,650 -2,561	2,128	Timberland
				4,656			2,353	All Private Acquisitions
				2,220			2,354	More Than 2,000 acres
				2,493			2,391	Most comparable

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

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

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

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

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

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

The most probable value of the property is estimated to be

\$2,400 per acre.

DISCUSSION AND RECONCILIATION OF VALUES

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

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

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

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

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

The pending sale of the subject is a strong indication of value. Negotiations leading to the agreement were completely open to public scrutiny. They were preceded by careful and objective analyses by the Restoration Trust of the supply of lands and the quality available¹⁰. The agreed price is a compromise from a higher price originally asked by the seller, reached after additional proposals and counters-offers, in consideration of alternative opportunities for purchase, sale and use of the property. This process seems a reasonable assurance that the agreed price reflects all the considerations that go into Market Value. The pending sale must be given even disproportionate weight as long as the price is consistent with the body of data from other transactions in the market. The pending sale is for \$2,254 per acre, if the price is considered to be for just the Seal Bay unit. If the additional acres and volume of timber on the Tonki Cape unit is considered, the price is \$931 per acre. The total value of timber on both units is \$967 per acre. Thus the pending sale, considering both units indicates a timber-adjusted price of \$2,100 per acre. The conclusion of value from the Sales Comparison Approach (\$2,400 per acre) is slightly more than midway between the value indicated by the three most comparable transactions and the pending sale price.

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

FORTY ONE MILLION DOLLARS

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

PART IV
ADDENDA

Addendum I
Legal Description and Maps

JAMIN, EBELL, BOLGER & GENTRY

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*ADMITTED TO ALASKA
AND WASHINGTON BARS
ALL OTHERS ADMITTED TO
ALASKA BAR

June 18, 1993

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

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

Dear Bill:

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

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

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

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

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

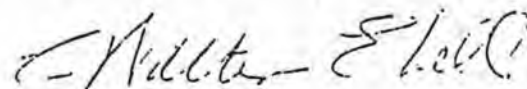
Mr. Bill Wallace
June 18, 1993
Page 2

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

Best regards.

Very truly yours.

JAMIN, EBELL, BOLGER & GENTRY



C. Walter Ebell

CWE/bhb

Enclosure

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

5277\08(b)L.001

MEMORANDUM

Department of Natural Resources

State of Alaska

Division of Land

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

DATE: July 7, 1993

FILE NO:

THRU: Carol Shobe, Chief
Title & Contracts Section

TELEPHONE NO: 762-2352

FROM: James McAllister, NRM I
Title Analysis

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

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

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

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

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

SEAL BAY UNIT

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

Sec. 32.

Containing 25.99 acres.

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

Secs. 6, 7 and 8;

Secs. 17 to 20, inclusive;

Sec. 29 (still held by Afognak Joint Venture);¹

Secs. 30 and 31.

Containing 3,288.29 acres.

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

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

Secs. 11 to 14, Inclusive;

Sec. 15, *lots 1 and 2;*

Sec. 16, *lots 1 and 2;*

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

Secs. 20 to 29, inclusive;

Secs. 31 to 36, inclusive.

Containing 12,513.37 acres.

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

Secs. 35 and 36.

Containing 1,280.00 acres.

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

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

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

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

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

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

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

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

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

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

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

Containing 58.96 acres.

Aggregating 17,166.61 acres for the Seal Bay Unit.

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

TONKI BAY UNIT

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

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

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

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

Secs. 1 to 5, inclusive;
Secs. 8 and 9;
Secs. 11 to 14, inclusive;
Sec. 17;
Secs. 19 and 20;
Secs. 23 to 29, inclusive;
Secs. 32 to 36, inclusive.

Containing 13,639.13 acres.

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

Secs. 1 to 5, inclusive;
Sec. 6, SE¹/₄;
Sec. 7, E¹/₂;
Secs. 8 to 10, inclusive;
Sec. 15;
Sec. 16, *lots 1 and 2*;
Sec. 17;
Sec. 18, E¹/₂;
Sec. 19, NE¹/₄;
Sec. 20, N¹/₂, SE¹/₄;
Secs. 21, 22 and 28;
Sec. 29, *lot 1*.

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

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

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

OWNERSHIP:

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

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

Sec. 29,

Sec. 34.

Akhiok-Kaguyak, Inc. and Old Harbor Native Corporation, as tenants in common, hold title to the surface estate of the remainder of the land, as successor in interest to *Afognak Joint Venture*, pursuant to the Partition Parcel Limited Warranty Deed issued August 1, 1991, and recorded in the Kodiak Island Recording District on August 6, 1991 in Book 108 at Page 389. The "Sortyard," contiguous parcel, was received by a Sortyard Limited Warranty Deed issued on July 23, 1992, recorded in the Kodiak Island Recording District on August 6, 1992 in Book 117 at Page 637.

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

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

ENCUMBRANCES OF RECORD:

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE RECORDS:

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

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

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

T. 23 S., R. 17 W., Seward Meridian,
Sec. 6, NE¹/₄;
Sec. 7, lot 1;
Sec. 18, lots 1 and 2;
Sec. 19, lot 1, SE¹/₄;
Sec. 20, SW¹/₄;
Sec. 29, lot 2;
Sec. 30.

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

Containing 3,579.11 acres.

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

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

KNOWN ENCUMBRANCES NOT OF RECORD:

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

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

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

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

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

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

DISCUSSION:

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

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

Two small parcels of land³ identified above may have been inadvertently left out of the original conveyance from Afognak Joint Venture to Akhiok-Kaguyak, Inc. and Old Harbor Native Corporation, as tenants in common. If the Seal Bay Timber Company is going to acquire the fee interest in the land where they presently hold timber rights, then it is possible that they may acquire the two small isolated parcels that were left out of the original conveyance.

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

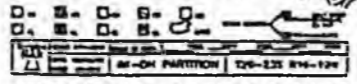
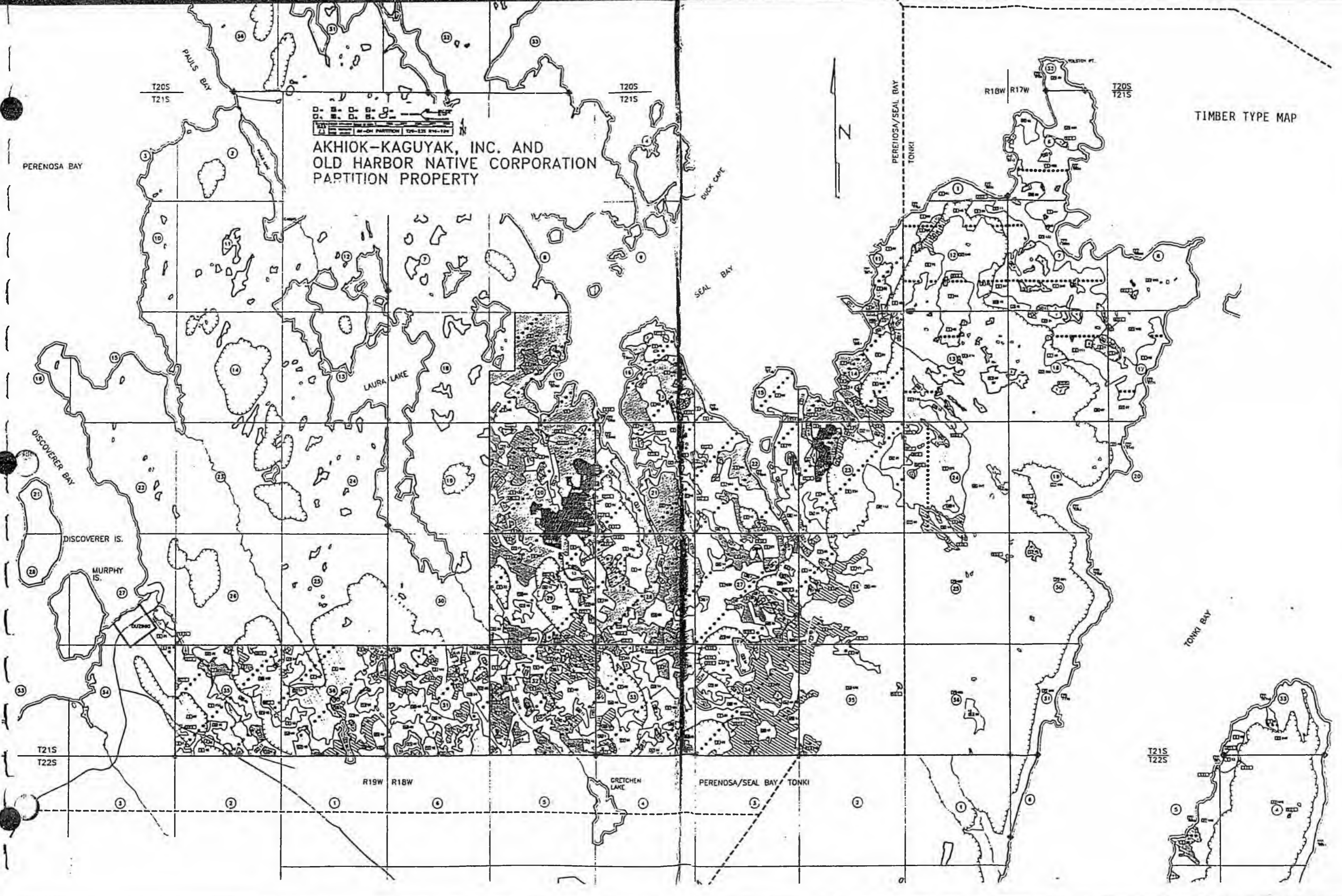
The Preliminary Commitment for Title Insurance indicates that section line easements are in place for the subject land. No dedication for section line easements under AS 19.10.010 will occur until the State gains ownership of the land. No acceptance of RS 2477 easements under AS 19.10.010 was possible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

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

ATTACHMENTS:

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

⁴ Ch.115 SLA 1953; codified as AS 40.15.010; See also July 1, 1989, Att'y Gen Opin # 661-89-0111, *Dedicated Easements in Rocky Lake Subdivision*.



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

TIMBER TYPE MAP

PERENOSA BAY

T205
T215

T205
T215

R18W R17W

T205
T215

PAULS BAY



PERENOSA/SEAL BAY
TONKI

DUCK CAPE

SEAL BAY

LAURA LAKE

DISCOVERER BAY

DISCOVERER IS.

MURPHY IS.

T215
T225

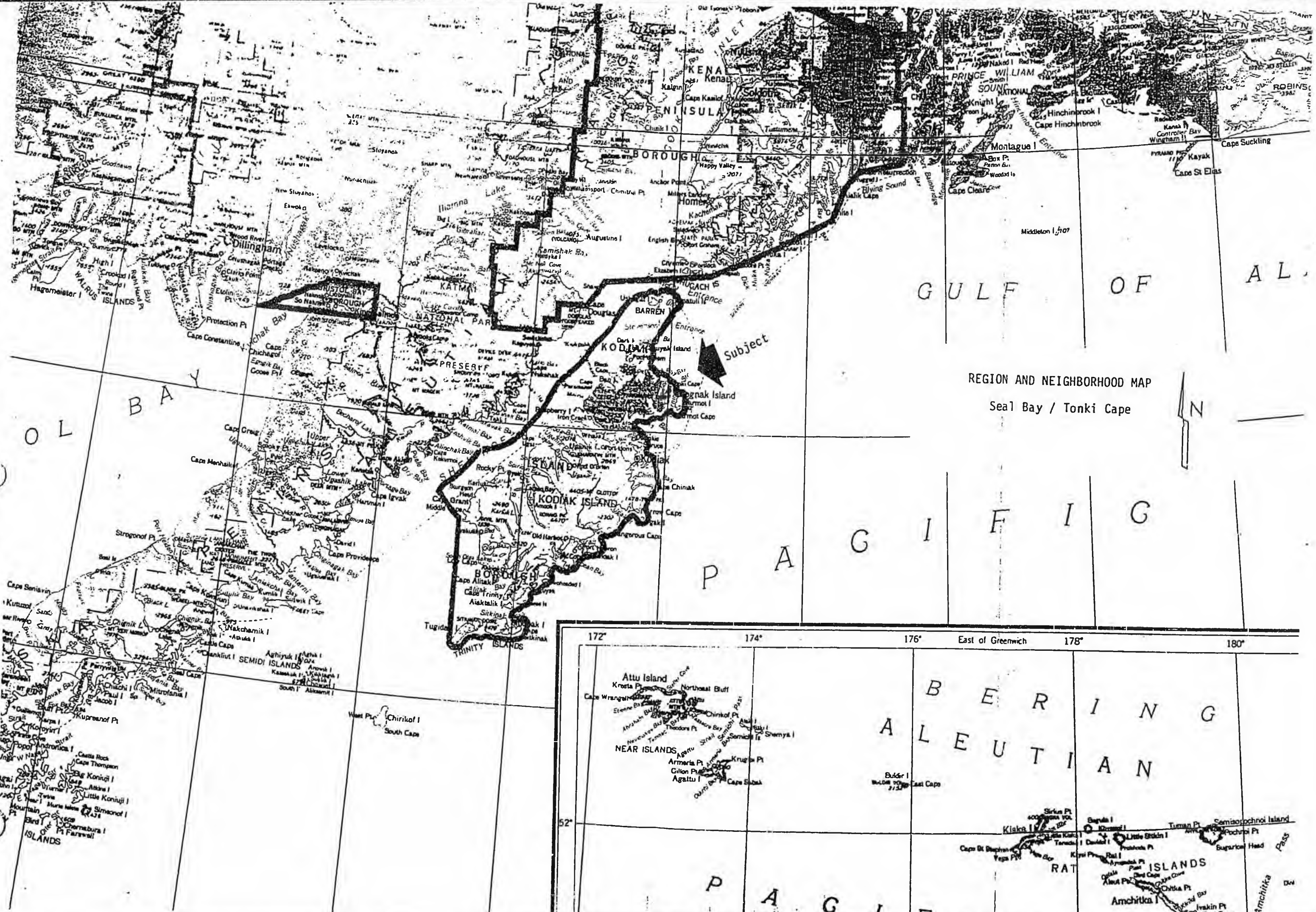
T215
T225

R19W R18W

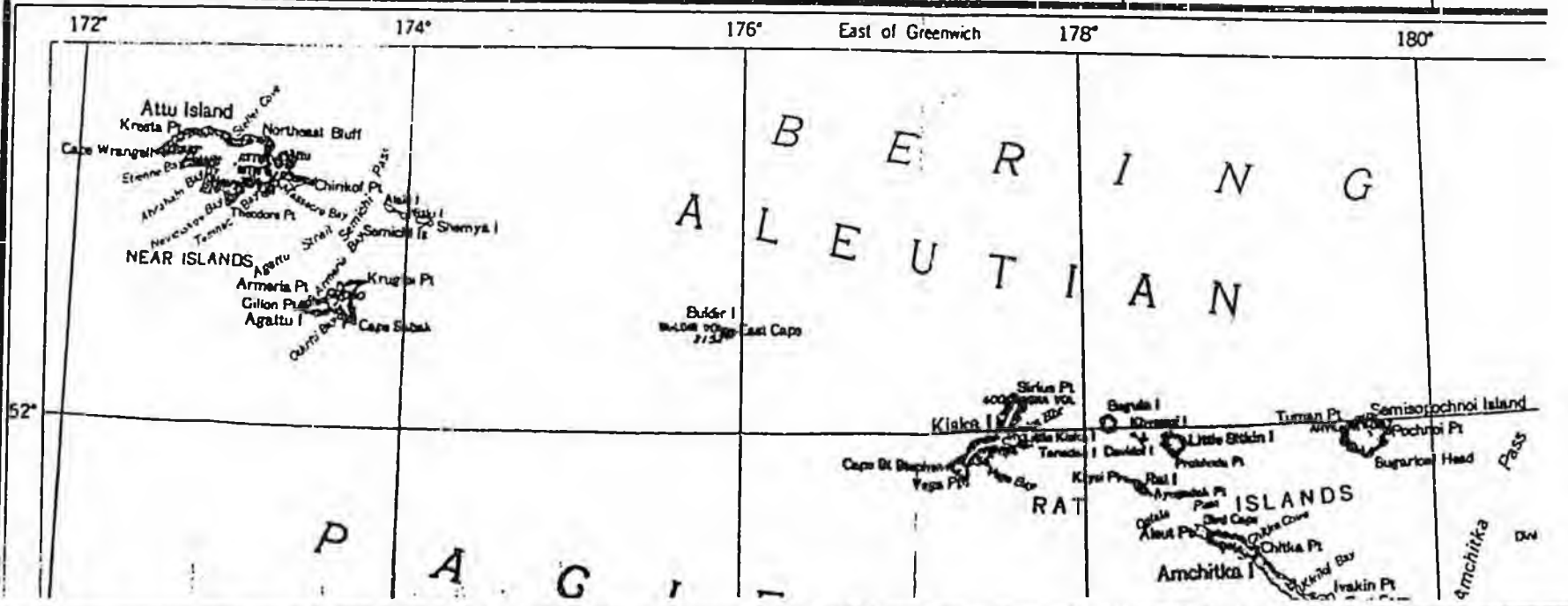
GRETCHEN LAKE

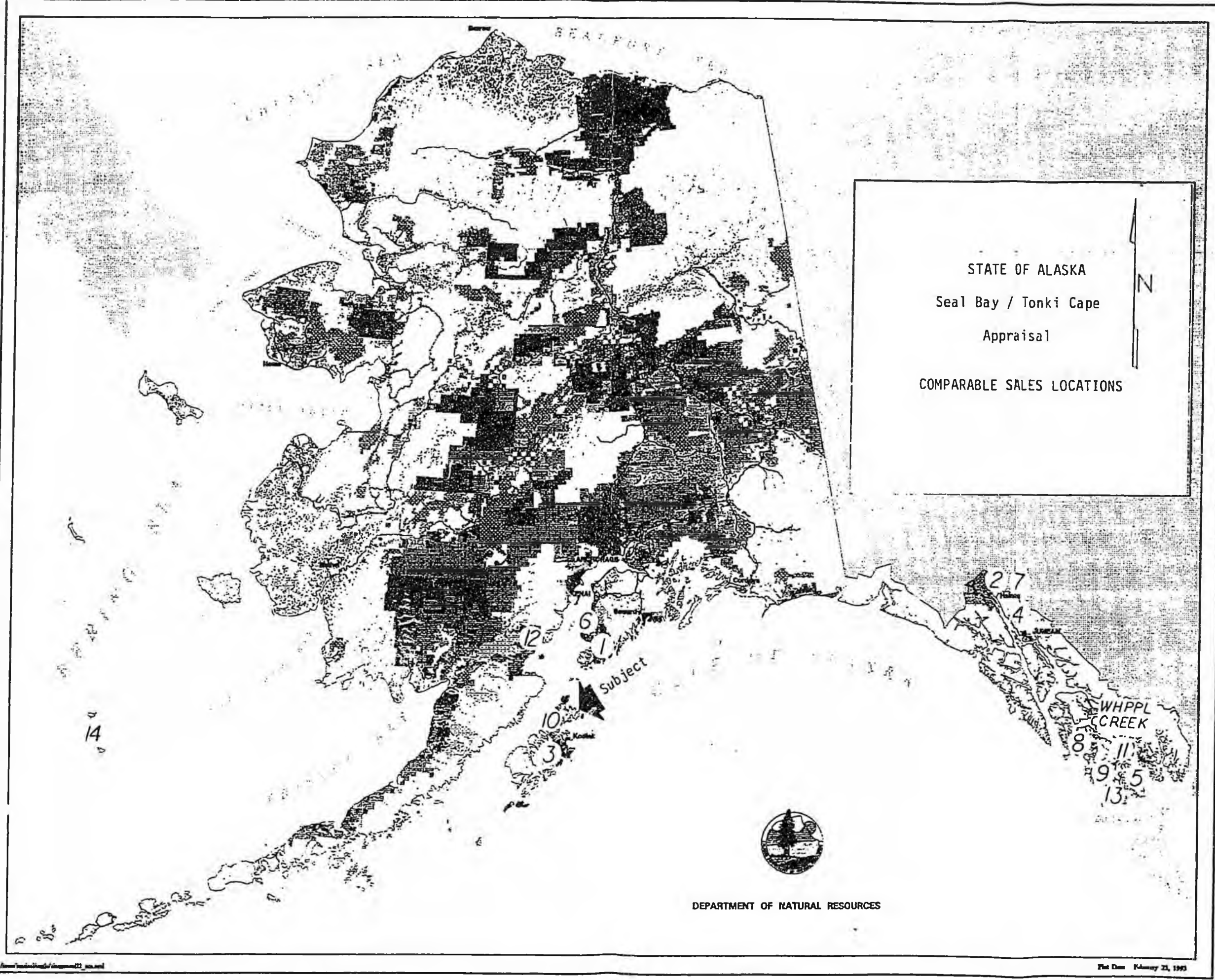
PERENOSA/SEAL BAY TONKI

TONKI BAY



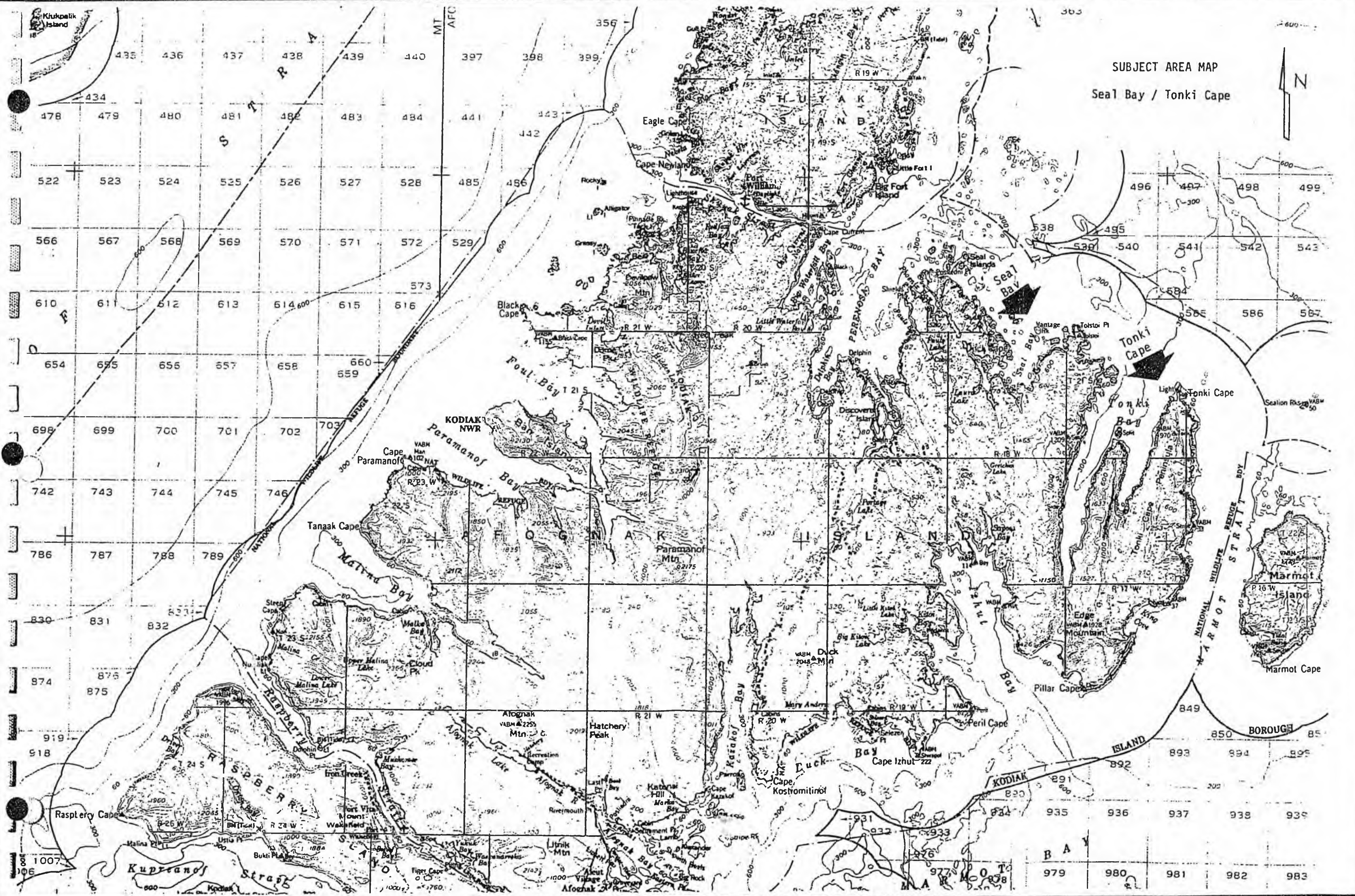
REGION AND NEIGHBORHOOD MAP
Seal Bay / Tonki Cape



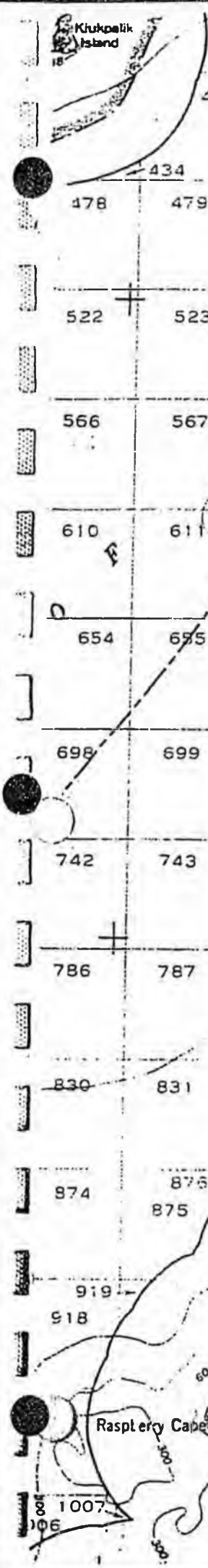


STATE OF ALASKA
Seal Bay / Tonki Cape
Appraisal
COMPARABLE SALES LOCATIONS

DEPARTMENT OF NATURAL RESOURCES



SUBJECT AREA MAP
Seal Bay / Tonki Cape



Addendum II
Timber Appraisal

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

August 4, 1993 Page 2

Spruce

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

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

DBH	T/AC	--- Bd Ft ---		--- Cubic ---	
		GROSS	NET	GROSS	NET
8-10	2.5	81	67	37	30
12-14	22.9	1140	944	599	496
16-18	26.9	3112	2577	1365	1130
20-22	21.1	5311	4398	1930	1598
24-26	11.7	4840	4008	1583	1311
28-30	7.1	4392	3637	1305	1081
32+	4.5	4285	3548	1166	966

Total	96.6	23161	19179	7985	6613

Ave Tree		240	193	83	68

Unit Totals		26820	22210	92471	76575
on 1158 acres					

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

Spp Code	Sort/Grade	UNIT TOTALS		PER ACRE DATA			AVERAGE LOG SIZE INFORMATION						VOLUME BY LOG LENGTH CLASS						
		Net Bdft	% of Logs	Net Bdft	Net Cubic	% of Logs	Scaling DIB			Log Length			Net Bdft	Net Cubic	Total	Net	Scribner	on Unit	
							Min	Ave	Max	Min	Ave	Max	Bdft	Cubic	<12	12-19	20-25	26-34	35-40
SS	Spec. Mill	163644	538	141	39	0.5	16	17.5	99	12	30.3	40	351	96			13987	80423	69234
SS	No. 1 Saw	52450	179	45	12	0.2	19.0	99	16	25.0	44	337	87			20980	31470		
SS	No. 2 Saw	12136892																	
		52750	10401	3294	45.6	12	14.0	99	12	37.3	44	266	84		26575	148958	1267194	10694174	
SS	No. 3 Saw	6870113	86661	5933	2365	74.8	06	8.0	99	12	36.8	44	92	37	41918	107698	871316	5849191	
SS	No. 4 Saw	813327	31489	702	315	27.2	01	6.2	99	12	24.5	44	30	13	125181	311204	320995	55947	
SS	Pulp	213519	12290	1877	588	10.6	01	12.4	99	12	32.1	44	204	64	87417	171337	690929	1223836	

SS	TOTALS:	22209842	183907	19179	6613	158.8		9.7		33.3			146	50					
Scaled																			
Volume		25556020	Cruise = 87% of volume scaled.																

ADDENDUM
TABLE 1
Timber Inventory - Seal Bay Unit

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

ADDENDUM II
TABLE 2
Conversion Return - Seal Bay Unit

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

Grand Total	139,209	742
Less marketing commissions (5%)		-37
		<u>705</u>

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

Conversion Return 410

Sorts
#3
#4
#5

360 1.5
400

Seal Bay Unit

Scenario Summary Report

<u>Estimate as of:</u>	<u>3\93</u>	<u>1\93</u>	<u>5\93</u>
<u>Changing Cells:</u>			
S M	975	750	1,100
No 1	925	725	1,050
No 2	775	525	950
No 3	750	450	925
No 4	450	325	525
Pulp	250	250	250
<u>Result Cells:</u>			
log value	742	485	909
conversion			
Return	410	166	569

Seal Bay Unit

Scenario Summary Report

<u>Source of Data</u>	<u>Cust 92</u>	<u>Cust 90-92</u>	<u>Op 93</u>	<u>Op 92-93</u>
<u>Changing Cells:</u>				
log value	726	704		
<u>Result Cells:</u>				
Conversion				
Return	395	374	470	188

Addendum III
Comparable Sales

**Statewide Office of i**

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

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

Southeast Alaska Regional Office
Auke Bay, Alaska
(907) 789-4531
FAX: (907) 789-4527

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

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

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

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

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

GENERAL REQUIREMENTS

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

Whipple 2 RFP
Page 2

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

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

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

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

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

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

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

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

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

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

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

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

Whipple 2 RFP

Page 3

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

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

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

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

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

Whipple 2 RFP

Page 4

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

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

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

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

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

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

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

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

Whipple 2 RFP
Page 5

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

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

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

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

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

Whipple 2 RFP
Page 6

Following is a summary of the most recent cruise:

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

Whipple 2 RFP

Page 7

The cruise is based on the following sort specifications:

HIGHGRADE

SM and better with highline #2 sa. wlogs

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

J-SORT

#2 sawlog and better

Scattered knots

Twist 2 in per foot

Minimum diameter 12 in

Minimum length 20 ft

Maximum defect 25 %

K-SORT

#3 sawlog and better

Some oversized knots if scattered

Minimum diameter 8 in

Minimum length 13 ft

Maximum defect 25 %

(No rough tops)

SHOP

Highgrade, high defect

Clear cutting equivalent to 1 quadrant

Minimum diameter (Hemlock) 20 in

(Spruce) 24 in

Minimum length 13 ft

Maximum defect 50 %

PULP

Minimum 50% chips

Minimum diameter 8 in

Minimum length 12 ft

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

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

MEMORANDUM

DEPARTMENT OF NATURAL RESOURCES

State of Alaska

DIVISION OF LAND

762-2425

TO: Paul Fuhs
Office of the Governor

FROM: Dick Mylius
Land and Resources Section

DATE: March 26, 1992

SUBJECT: Kachemak Bay Appraisals

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

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

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

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

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

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

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

LAND APPRAISALS

Land Appraisals Prepared for Seldovia Native Association (SNA):

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

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

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

Land Appraisal Prepared for Department of Natural Resources:

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

Land Appraisal Arbitration Report

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

TIMBER APPRAISALS

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

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

Timber Cruise Prepared for Timber Trading Company (TTC)

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

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

Timber Appraisal Prepared for Department of Natural Resources

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

Timber Mediation Letter

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

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

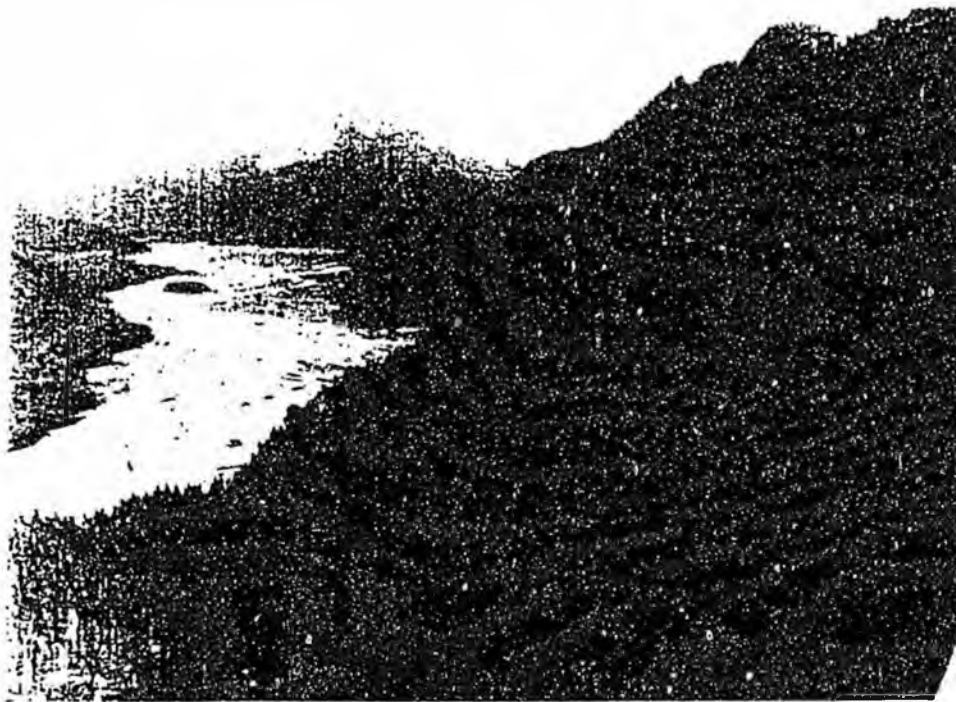
\$15.49 million - the value of the land determined by the appraisal arbitration panel, assuming that a portion (4432 acres) of SNA's land was logged, but the remainder was in its pristine condition (that is, not adjacent to logged off land). This is the lowest amount that SNA would agree to as the cash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

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

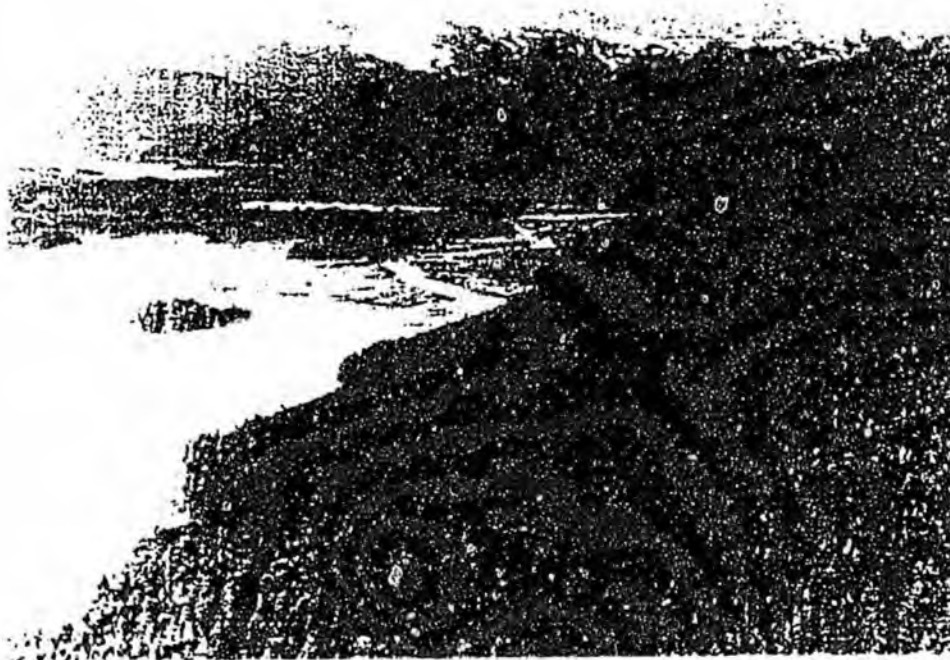
\$2 million - is a value for subsurface resources owned by Cook Inlet Region, Inc. (CIRI). There is no appraisal of the subsurface because CIRI was not involved in the land exchange process. The legislature added acquisition of the CIRI subsurface to the package, and the value was arrived at through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

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

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



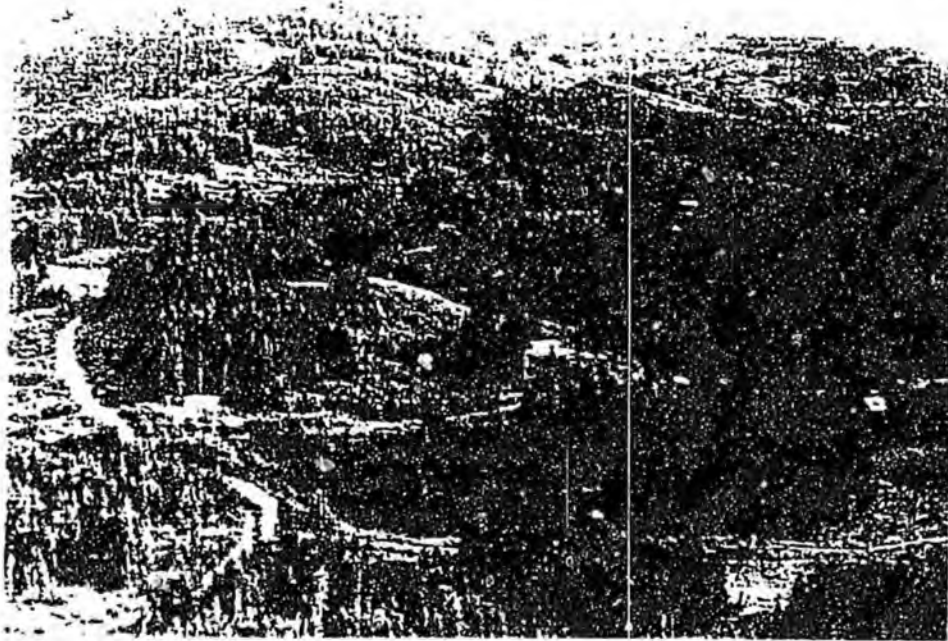
Block F China Foot Mud Flats



Block F China Foot Mud Flats



Block 7. Peterson Point



Block 8. Peterson Point

VACANT LAND

COMPARABLE NO. 2

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

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

RECORDING INSTRUMENT: BOOK: PAGE:

GRANTOR: Bob Lee Cox GRANTEE: ~~NA~~ English & Austin

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

TERMS: Negotiable, would prefer cash

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

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

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

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

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

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



HVL-03

13 210 05-6987



TransAlaska Title

391-619

FILED FOR RECORD AT REQUEST OF TransAlaska Title Insurance Agency, Inc.

GRANTOR'S MAILING ADDRESS:

BOBBY LEE COX

Box 123

Haines, Alaska 99827

GRANTEE'S MAILING ADDRESS:

JOSEPH E. ENGLISH, III and NOAH C. AUSTIN

2497 N. Beachwood Drive

Hollywood, California 90068

BOOK 21 PAGE 204

THIS SPACE PROVIDED FOR RECORDER'S USE:

9 1-0 453

1500

RECORDED - FILED HAINES REC. DISTRICT

Dec 16 9 42 AM '91

REQUESTED BY TT ADDRESS



STATUTORY WARRANTY DEED

THE GRANTOR BOBBY LEE COX and JOANNE J. COX, husband and wife as tenants by the entirety for and in consideration of Ten dollars and other consideration in hand paid, conveys and warrants to JOSEPH E. ENGLISH, III and NOAH C. AUSTIN, each a single person

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

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

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

S.P. 90.000 PER DAN TURNER

Dated November 25 19 91

Bobby Lee Cox ROBBY LEE COX

Joanne J. Cox JOANNE J. COX

STATE OF ALASKA Haines RECORDING DISTRICT SS. Fleet JUDICIAL DISTRICT

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

Witness my hand and official seal this 25th day of November 19 91

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



STATE OF ALASKA RECORDING DISTRICT SS. JUDICIAL DISTRICT

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

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

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

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

COMPARABLE ACREAGE LAND SALE NO. 3

LOCATION: Salonie Creek Rifle Range area, Kodiak, Alaska

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

GRANTOR: Leisnoi Native Corporation

GRANTEE: Kodiak Island Borough

RECORD NUMBER: 6

DATE OF SALE: 10-91

RECORDING DATE: Unknown

INSTRUMENT: Offering

BOOK/PAGE: 112/635

SALES PRICE: \$537,500

TOTAL ASSESSMENTS: None

TERMS: Cash

CE/ADJ. PRICE: \$537,500

AREA (ACRE): 660.00

PRICE/ACRE: \$814

PRESENT USE: Rifle range

ANTICIPATED USE: Rifle range

SOILS: Good

FLOOD ZONE: Unknown

WATERFRONT: Stream

ELECTRIC/PHONE: Yes

TOPOGRAPHY: Level to hilly

PUBLIC SEWER: No

ROAD IMPROVEMENTS: Gravel

PUBLIC WATER: No

ROAD ACCESS: Gravel

NATURAL GAS: No

SITE SHAPE: Rectangular

EASEMENTS: Normal

ROAD GRADE: At grade

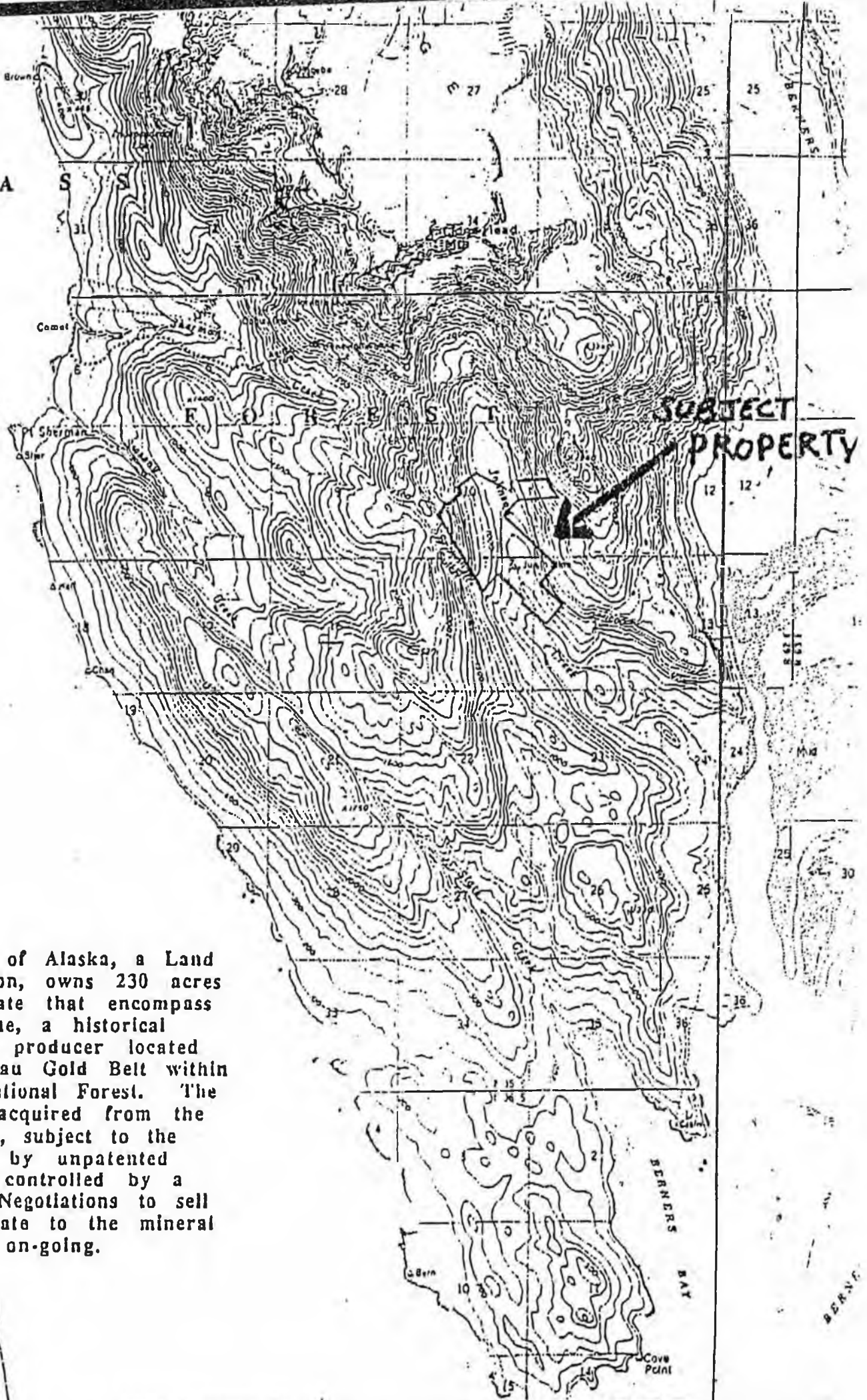
ZONING: RR, Rural Residential

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

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

PROPERTY DESCRIPTION:

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



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

VACANT LAND

COMPARABLE NO. 4

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

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

RECORDING INSTRUMENT: BOOK: PAGE:

GRANTOR: University of Alaska GRANTEE: Hyak Mining Co.

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

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

PROPERTY RIGHTS: Surface only

PROPERTY DESCRIPTION: ZONE: None

UTILITIES: None

SIZE: 229.06 Acres reported, 247.85 estimated by seller

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

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

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

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

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

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

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



LARGE LAND SALE

COMPARABLE NO. 5

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

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

RECORDING INSTRUMENT: QCD BOOK: 197 PAGE: 659
GRANTOR: Key Bank of Alaska GRANTEE: Southcentral Timber Development, Inc.
Dan Mock 564-0446 Joe Henry 279-1493

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

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

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

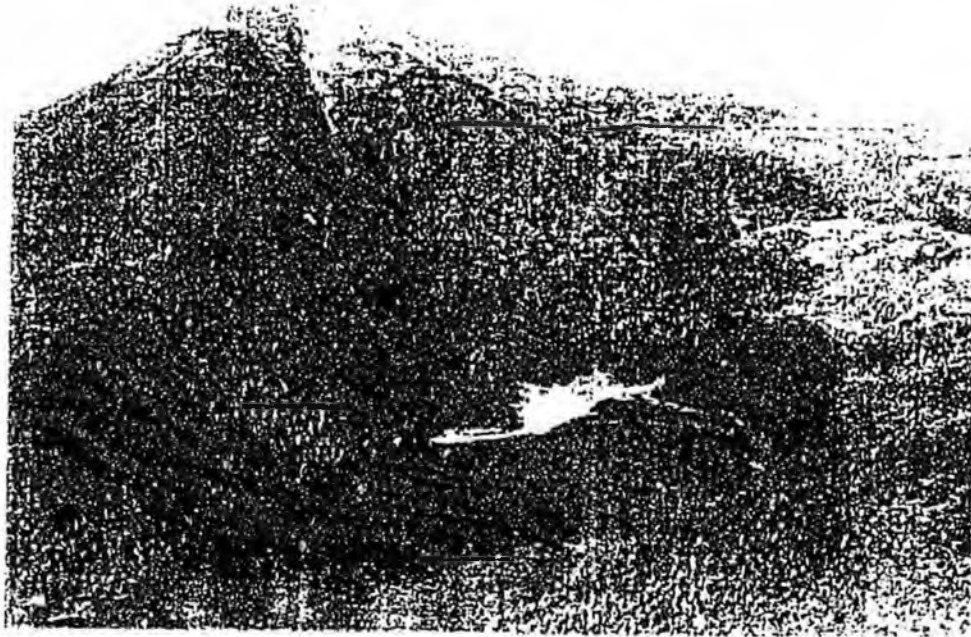
PRESENT USE: Prior owner, T. Ferguson Construction of Anchorage, had been foreclosed on by Key Bank. The property had been purchased in 12/84 for \$370,000 with allocation of timber value of \$125,000. Property was eventually foreclosed on. Prior owner had an idea of developing some hydro-electric potential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

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

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

CONFIRMATION:	Realtor, Leif Stanford	DATE: 11/5/92	BY: C. Horan
PRICING:	Key Bank, Dan Mock	DATE: 11/17/92	BY: C. Horan
BUYER MOTIVATION:	Joe Henry	DATE: 11/12/92	BY: C. Horan

Comparable Photograph
Comparable LRG-009



Comparable Sale Number 6 Obtained from Norman Lee

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

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

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

PRICE: \$450,000 ZONING: None

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

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

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

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

GRANTOR: Security National Trust (SNT)

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

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

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

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

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

Note:

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

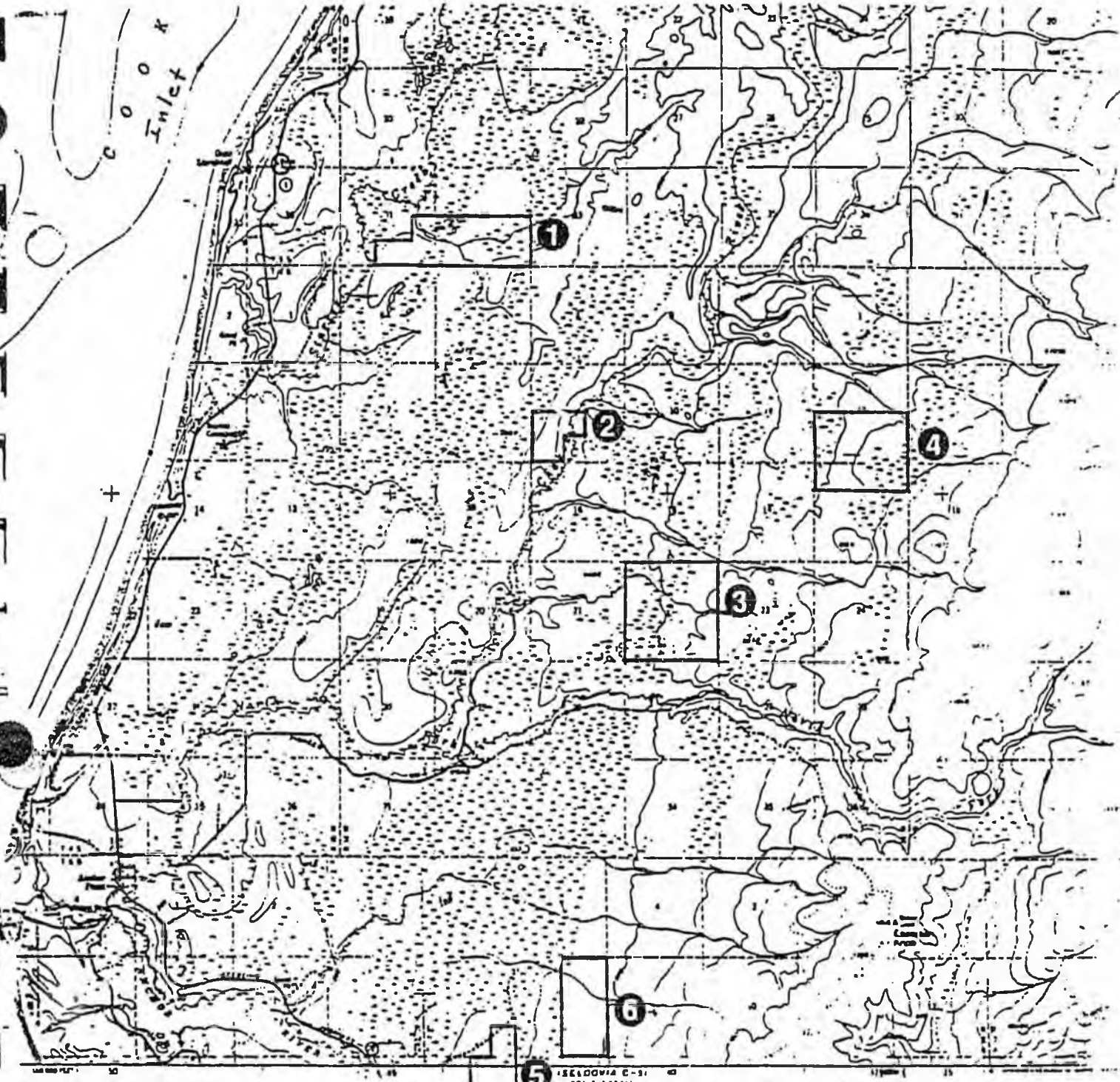
Comparable Sale Number 6

Comp. # LT-1, Vacant Land - Anchor Point, #KL93-13 continued

LEGAL DESCRIPTION:

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

FOLLETT & ASSOCIATES



Scale 1:63,000
 1 inch = 1 mile
 1 centimeter = 1000 meters

- 1. Photoreproduction of original maps
- 2. All maps are published by the Geological Survey
- 3. All maps are published by the Geological Survey
- 4. All maps are published by the Geological Survey
- 5. All maps are published by the Geological Survey
- 6. All maps are published by the Geological Survey
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- 8. All maps are published by the Geological Survey
- 9. All maps are published by the Geological Survey
- 10. All maps are published by the Geological Survey



SELODZIA C-3
 SCALE 1:63,000

CONTOUR INTERVAL 100 FEET
 20 30 40 50 60 70 80 90 100 110 120 130 140 150 160 170 180 190 200 210 220 230 240 250 260 270 280 290 300 310 320 330 340 350 360 370 380 390 400 410 420 430 440 450 460 470 480 490 500 510 520 530 540 550 560 570 580 590 600 610 620 630 640 650 660 670 680 690 700 710 720 730 740 750 760 770 780 790 800 810 820 830 840 850 860 870 880 890 900 910 920 930 940 950 960 970 980 990 1000

FOR SALE BY U.S. GEOLOGICAL SURVEY
 FAIRBANKS ALASKA 99701 DENVER COLORADO 80275 OR WASHINGTON D.C. 20242
 A FOLDER DESCRIBING TOPOGRAPHIC MAPS AND SYMBOLS IS AVAILABLE ON REQUEST



SELO

Comparable LT-1
 also LT-4

VACANT LAND

COMPARABLE NO. 7

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

LEGAL DESCRIPTION: USFS 7114 Haines AE

RECORDING INSTRUMENT: NA RONE: PAGE:

GRANTOR: Erma Reeves

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

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

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

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

PROPERTY DESCRIPTION:

UTILITIES: None public; They must be developed on site

SIZE: 160 acres FRONTAGE: NE corner touches river

ACCESS: Over dirt logging road without easement

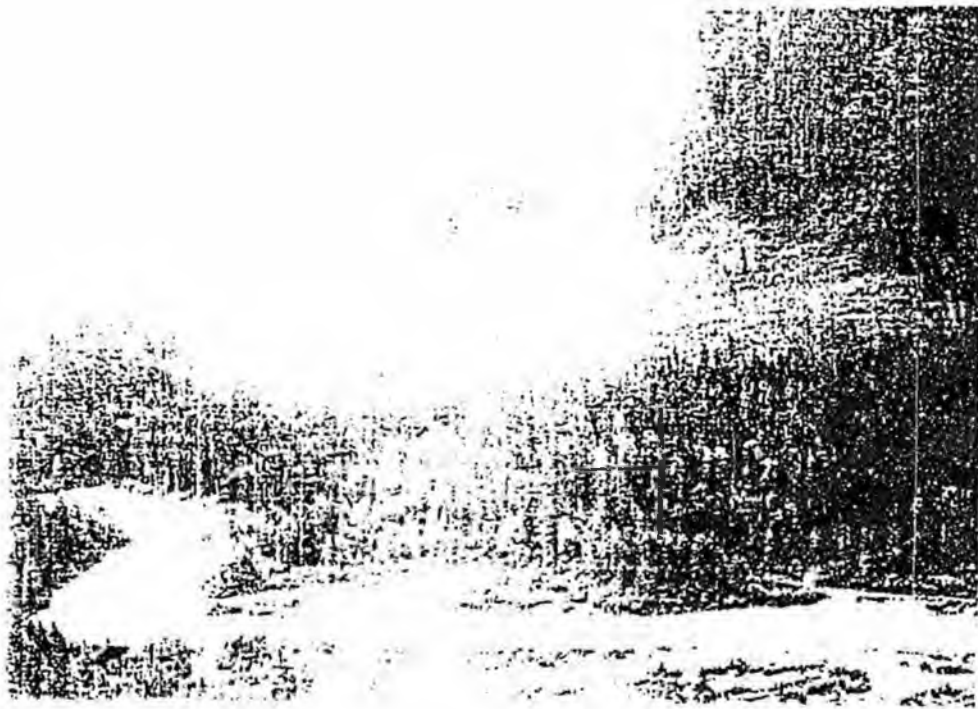
TOPO/VEG. SOIL: Slopes, has been logged, located in Bald Eagle Preserve

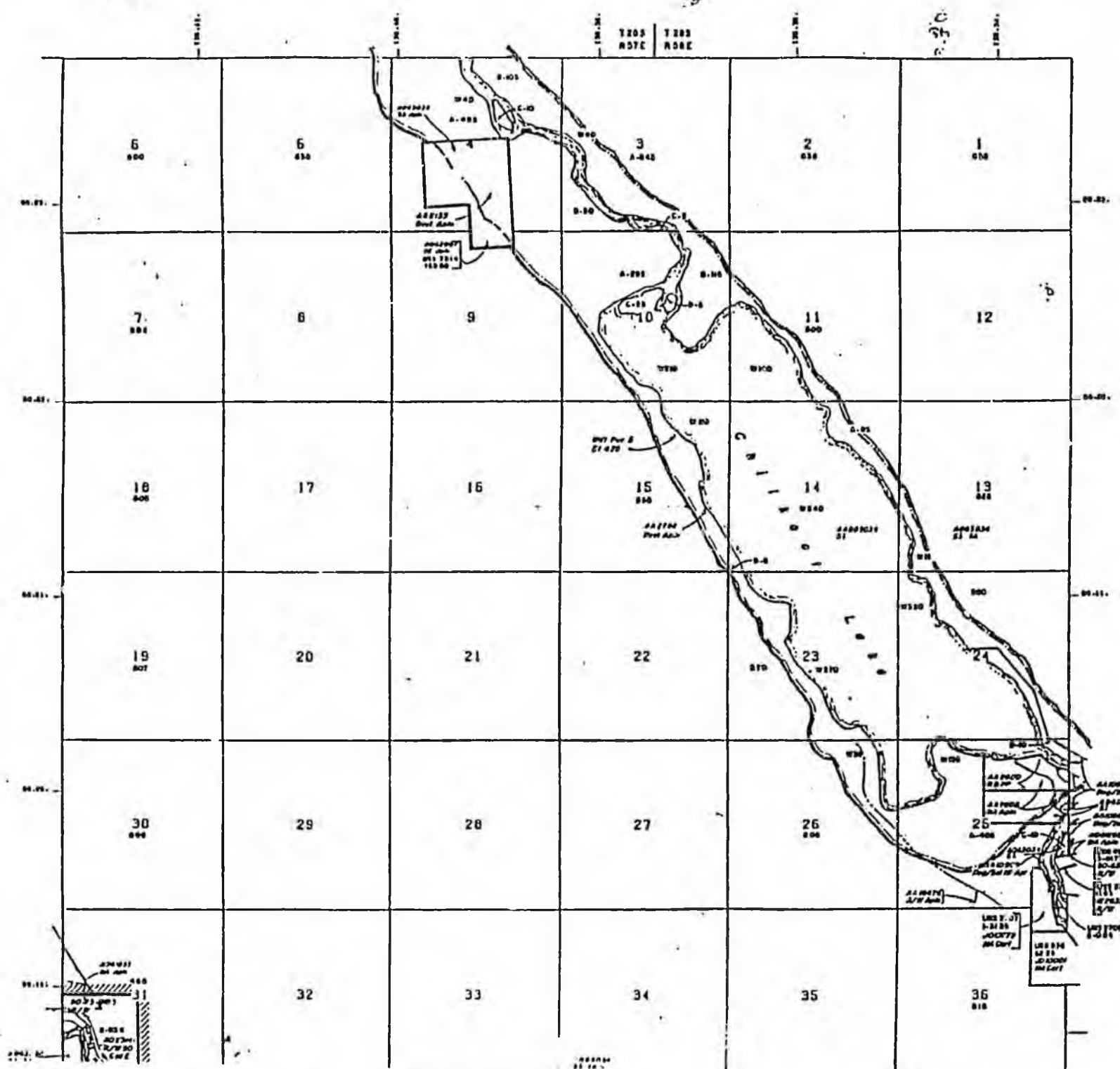
PRESENT USE: 30' x 40' cabin with loft built in 1970. Significant rot at time of purchase. Buyer assign maximum value of \$5,000.

INTENDED USE: Future development as possible lodge

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

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





FOR ORDERS SPECIFIC DISPOSAL OR USE OF UNIDENTIFIED LANDS. REFER TO INDEX OF MISCELLANEOUS DOCUMENTS.

BASED ON THE 1954 U.S.G.S. 2 1/2" X 3 1/2" QUAD

FILE NO. 20150777

CAUTION

Actual National Wildlife Lands Conservation Act with 1973/74 have been plotted to the land status records using the USGS Quadrangle maps of 1:250,000 scale. Discrepancies may occur between the actual boundaries and those which are plotted in the records. As appropriate scale maps become available, these discrepancies will be corrected.

CURRENT TO

APR 22 1953

VACANT LAND

COMPARABLE NO. 8

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

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

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

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

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

BUYER MOTIVATION

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

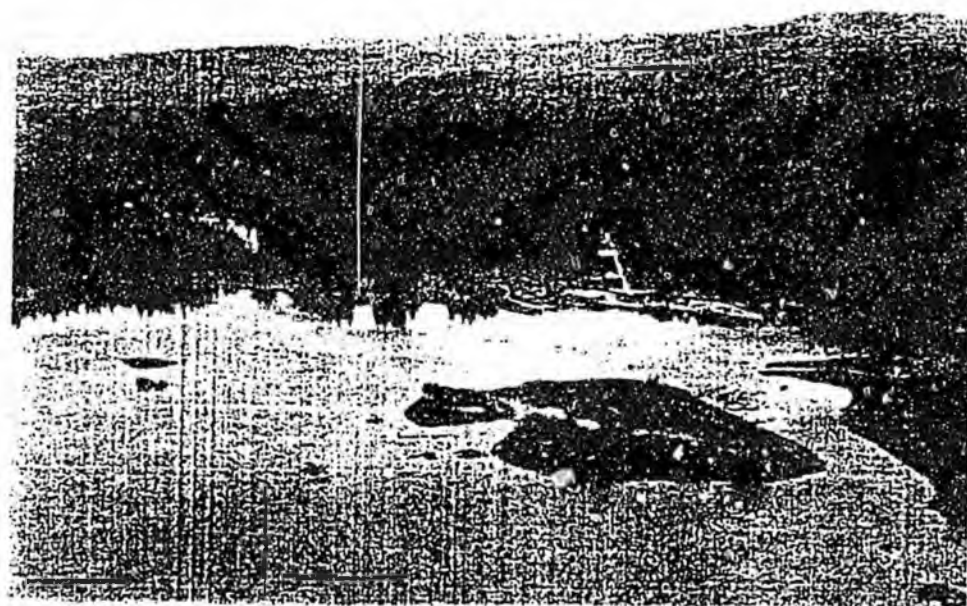
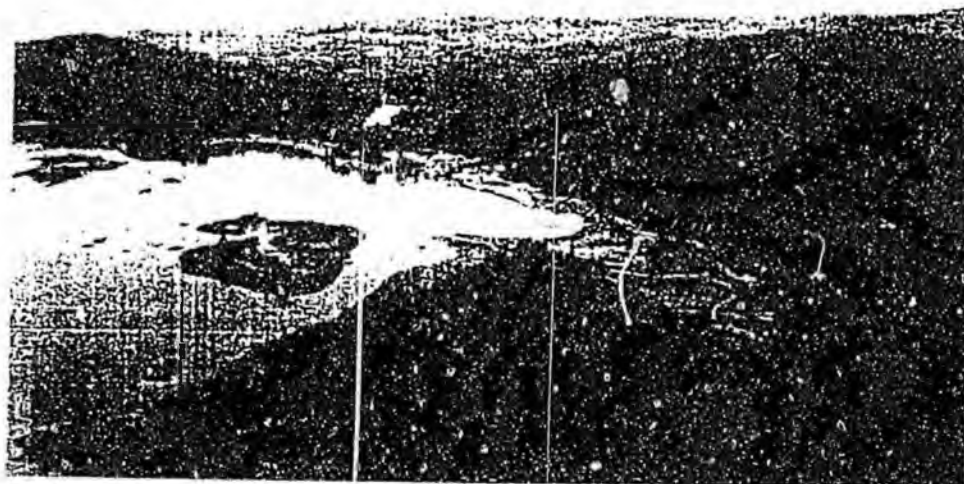
CONFIRMED

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

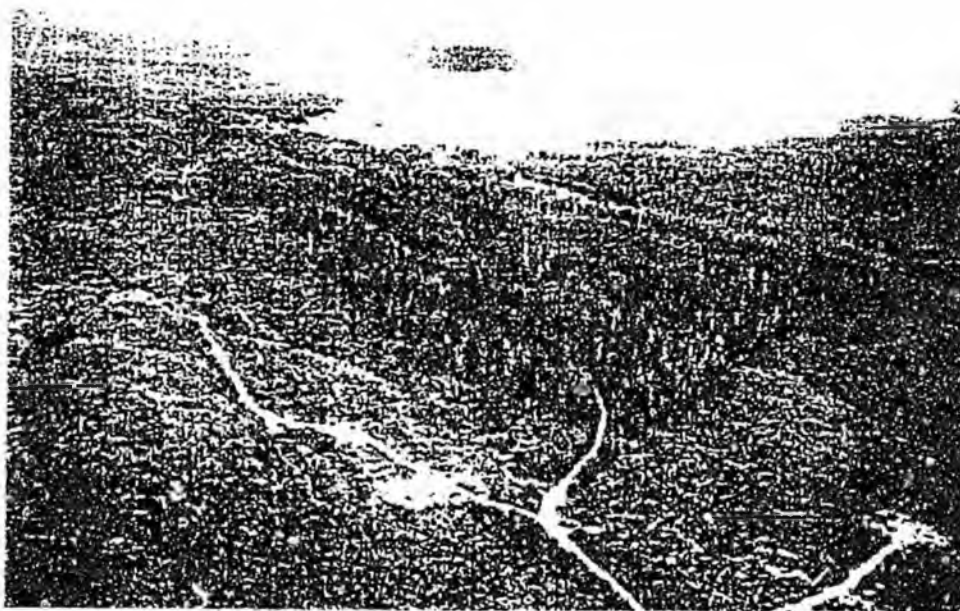
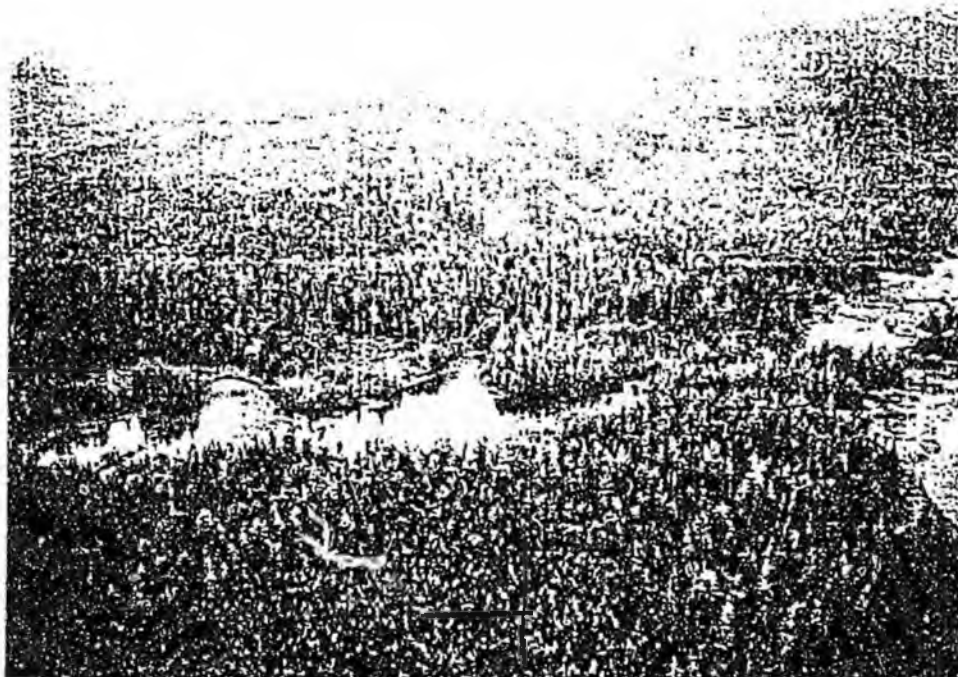
ANALYSIS: \$400,000 + 512 Acres = \$781.25/Acre

Comparable Photographs
Comparable MV2-066

Plate No. 8



Comparable Photographs
Comparable MV2-066



LARGE LAND SALE

COMPARABLE NO. 9

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

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

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

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

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

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

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

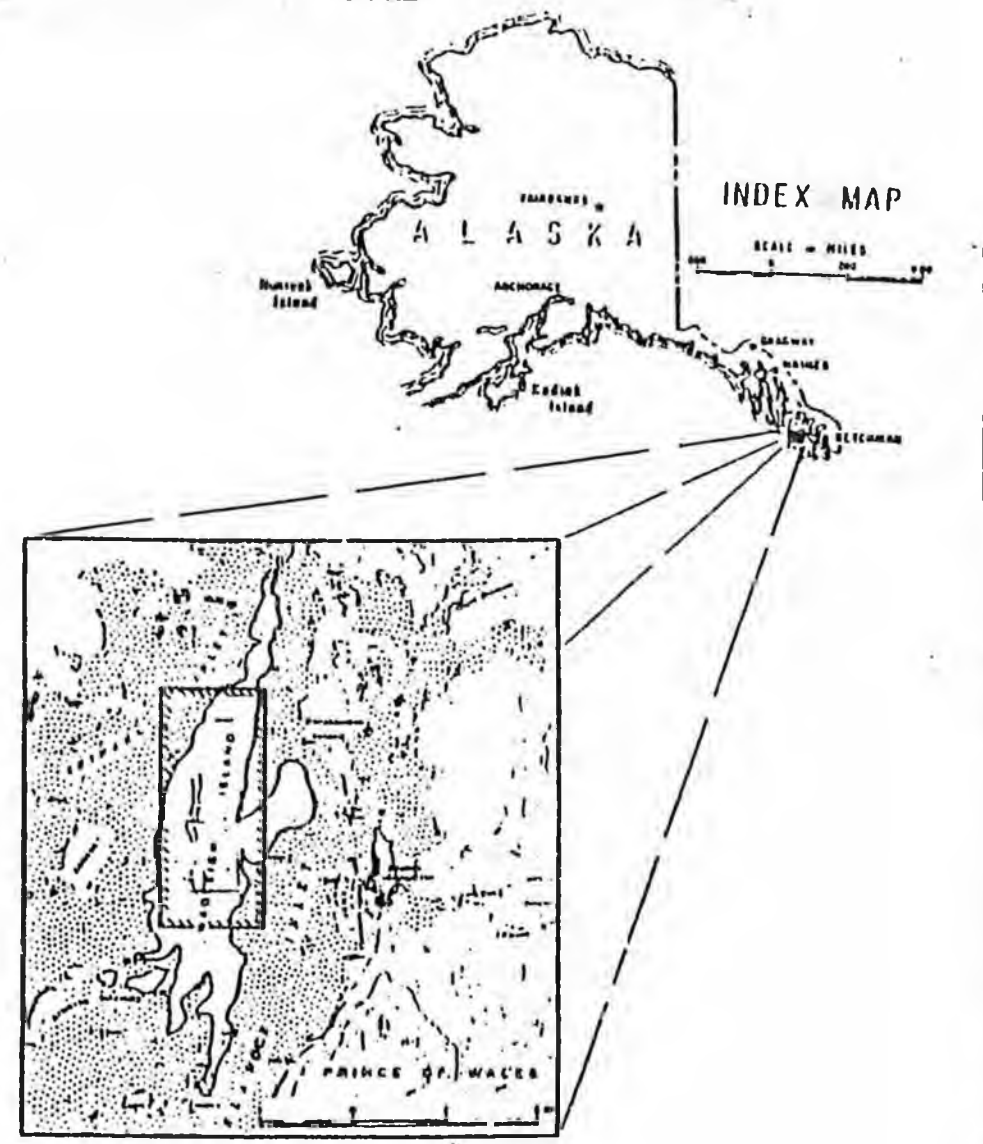
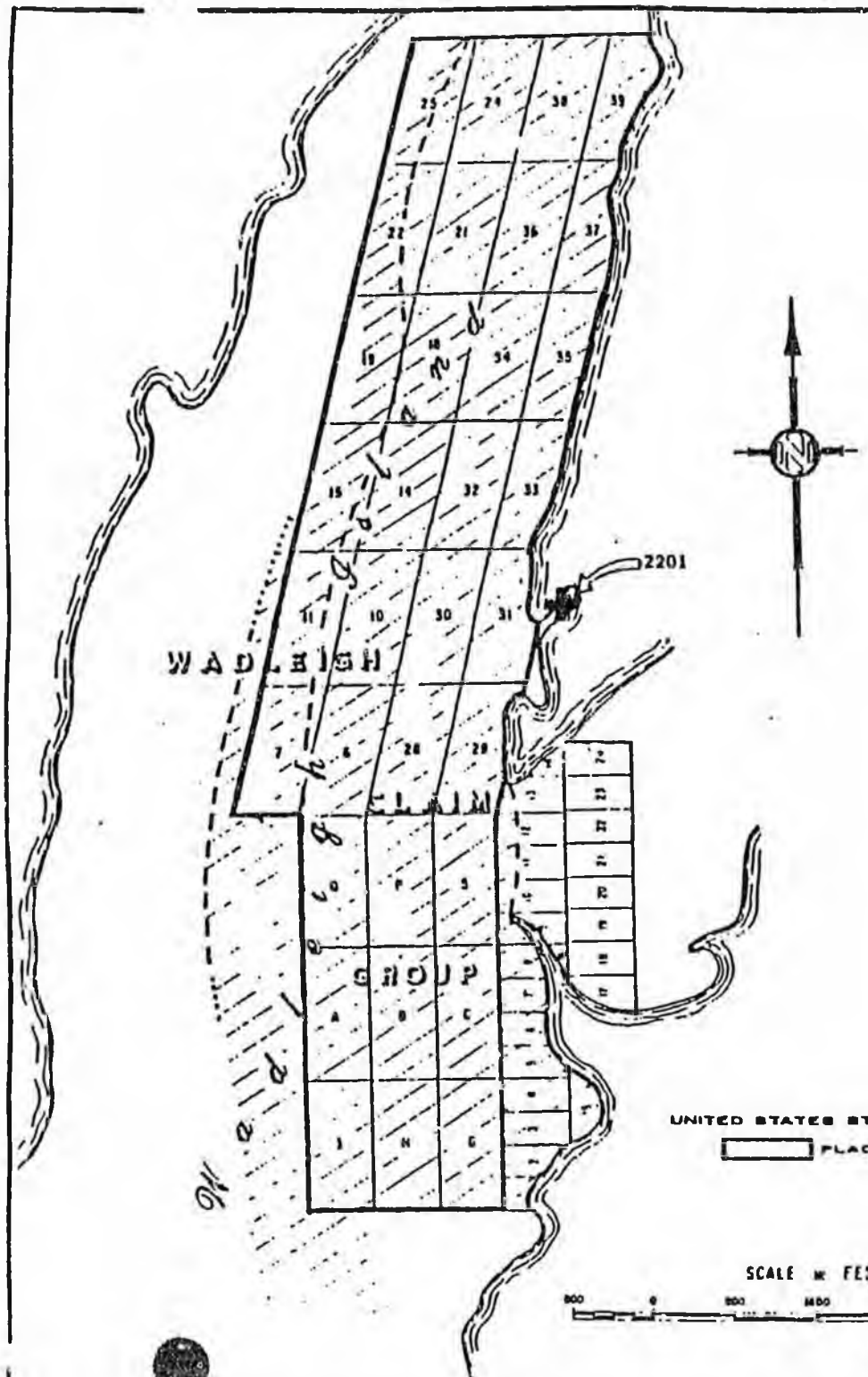
PRESENT USE: This site was originally patented as mining claims. It was reported while in USX's ownership, assaying had been done to identify its limestone quarrying potential.

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

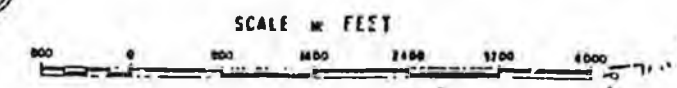
NEGOTIATIONS AND SALES MOTIVATION: The buyers had been negotiating with an option holder for a price of about \$800,000. The option holder lost his position and the land went to bid. The buyers bid \$1,000,000 and put in a 2% limestone royalty since they felt the sellers had a higher regard for its mining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

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

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



UNITED STATES STEEL CORPORATION
 [] PLACER CLAIMS (Wadleigh) PATENTED



(1950-1951)

UNITED STATES STEEL CORPORATION
 RAW MATERIALS SERVICES DIVISION
 RAW MATERIALS EXPLORATION

U.S.G.S

PROPERTY MAP
 WADLEIGH LIMESTONE
 ALA
 IRMINON - U7

34-486

Wadleigh 9/54/5, Wadleigh 9/54/6, Wadleigh 10/54/7, Wadleigh 11/54/10, 12/54/11, Wadleigh 1/55/14, Wadleigh 2/55/15, Wadleigh 3/55/18, Wadleigh 4/55/19, Wadleigh 3/56/21, Wadleigh 3/56/22, Wadleigh 4/56/24, Wadleigh 6/56/25, Wadleigh 7/56/28, Wadleigh 8/56/29, Wadleigh 8/56/30, Wadleigh 9/56/31, Wadleigh 9/56/32, Wadleigh 10/56/33, Wadleigh 10/56/34, Wadleigh 11/56/35, Wadleigh 11/56/36, Wadleigh 12/56/37, Wadleigh 12/56/38, Wadleigh 1/57/39, mining claim designated as Mineral Survey No. 2201, situated at Latitude 55 degrees 34' North, Longitude 133 degrees 08' West in the Ketchikan Recording District, First Judicial District, State of Alaska.

EXCEPTING THEREFROM these claims all of that portion of ground within the boundaries of the Wadleigh 10/53/D, Wadleigh 10/53/E, Wadleigh 10/53/F, 10/53/J, Wadleigh 3/54/K, Wadleigh 3/54/L, Wadleigh 4/54/M, Wadleigh 4/54/N, Wadleigh 5/54/O, Wadleigh 6/54/R, Wadleigh 7/54/1, Wadleigh 7/54/2, Wadleigh 8/54/3, Wadleigh 8/54/4, Wadleigh 10/54/8 Wadleigh 11/54/9, Wadleigh 12/54/12, Wadleigh 1/55/13, Wadleigh 2/55/16, Wadleigh 3/55/17, Wadleigh 4/55/20, Wadleigh 4/56/23, Wadleigh 6/56/26 and Wadleigh 7/56/27.

ALSO EXCEPTING THEREFROM: any veins or lodes of quartz or other rock in place bearing gold, silver, cinnabar, lead, tin, copper or other valuable deposits within the land above described which may have been discovered or known to exist prior to the dates of those respective patents to said placer mining claims.

EXHIBIT "B"

1. Reservations and exceptions as contained in the U.S. Patent and acts relating thereto.
2. The provisions and reservations contained in the Patent from the United States of America recorded in Book 24 at Page 48.
3. Unpatented tunnel claims and millsite claims.
4. The right of the proprietor and any placer claim, the vein or lode of which has its top or apex outside of the land herein described and which vein or lode will be found to penetrate, intersect, pass through or dip into said land through the side lines of said claim, to enter said land along the dip of said vein or lode for the purpose of extracting and removing the ore therefrom.
5. Rights of the public and/or governmental bodies as to any portion hereof lying below the mean high tide line.
6. Rights of the public and/or governmental bodies as to any portion hereof lying below the mean high water mark, of Klawok Inlet.

894455

19-

RECORDED

WARRANTY DEED - STATUTORY FORM

ROBERT REED and MICHAEL BLAIR, dba R & M LOGGING, Grantors, convey and warrant to MURPHY TIMBER COMPANY, an Oregon corporation Grantee, the following described property situated in Ketchikan Recording District, First Judicial District, State of Alaska, to-wit: All timber and logs standing, lying or fallen upon the described real property in Exhibit "A" attached hereto and by this reference incorporated herein.

The said property is free from encumbrances except: See, Exhibit "B" attached hereto and by this reference incorporated herein.

The true consideration for this conveyance is \$1,000,000.00.

Dated this 29 day of September, 1989.

Robert Reed
ROBERT REED, dba
B & M LOGGING

Michael Blair
MICHAEL BLAIR, dba
B & M LOGGING, by Robert Reed,
Attorney in Fact

STATE OF ALASKA, Ketchikan Recording District) ss.

This instrument was acknowledged before me on September 29, 1989, by ROBERT REED.

(S E A L)

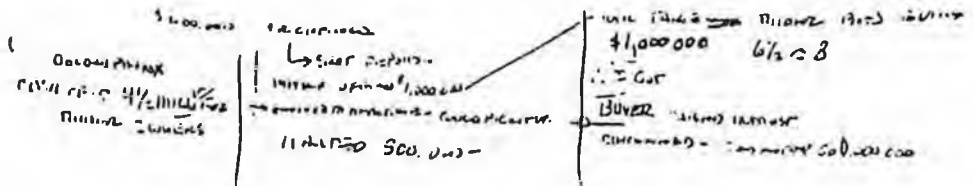
Jennifer D. Hunter
Notary Public for Alaska
My Commission Expires: 08-09-92

STATE OF ALASKA, Ketchikan Recording District) ss.

This instrument was acknowledged before me on September 29, 1989, by MICHAEL BLAIR. By Robert Reed, Attorney in fact.

(S E A L)

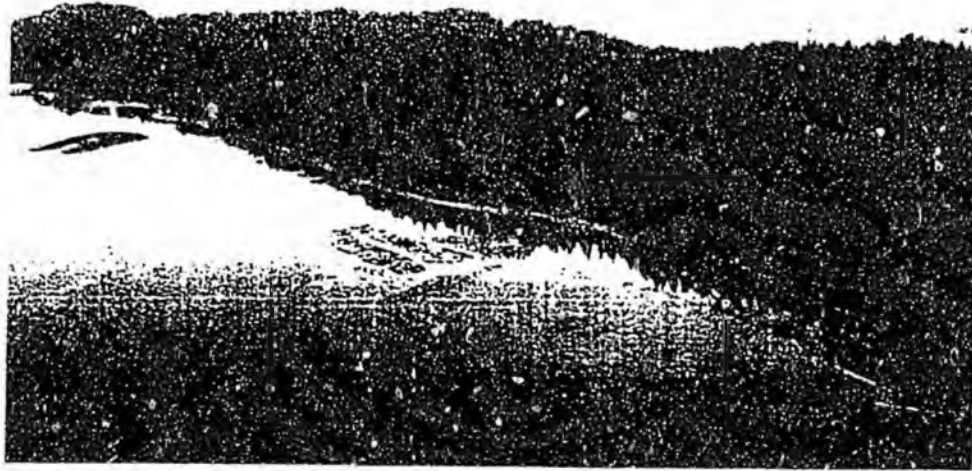
Jennifer D. Hunter
Notary Public for Alaska
My Commission Expires 08-09-92



RECORDED
INDEXED
SEP 20 1989

Sale No. 3

Comparable Photograph
Comp LRG-008



Comparable Sale Number 10

PROPERTY TYPE: REMOTE

LOCATION: Narrow Straits on Raspberry Island AREA: North End

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

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

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

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

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

PLANNED USE: New Village ACCESS: Float Plane, Boat

UTILITIES: None EASEMENTS/RESTRICTIONS: Typical

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

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

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

UNIT VALUE: 3,831.40

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

COMPARABLE ACREAGE LAND SALE NO. 10

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

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

GRANTOR: Enola Mullan

GRANTEE: Aleneva Joint Ventures

RECORD NUMBER: 7

DATE OF SALE: 11-89

RECORDING DATE: 11-89

INSTRUMENT: MOA

BOOK/PAGE: 977/66

SALES PRICE: \$585,000

TOTAL ASSESSMENTS: None known

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

CE/ADJ. PRICE: \$165,839

AREA (ACRE): 146.89

PRICE/ACRE: \$1,129

PRESENT USE: Vacant

ANTICIPATED USE: Religious community

SOILS: Good

FLOOD ZONE: No

WATERFRONT: Ocean

ELECTRIC/PHONE: No

TOPOGRAPHY: Gently rolling

PUBLIC SEWER: No

ROAD IMPROVEMENTS: N/A

PUBLIC WATER: No

ROAD ACCESS: None

NATURAL GAS: No

SITE SHAPE: Irregular

EASEMENTS: Normal

ROAD GRADE: N/A

ZONING: Conservation/5 acre

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

BY/DATE: TRD/1-15-90

PROPERTY DESCRIPTION:

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

COMPARABLE ACREAGE LAND SALE NO. 10

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

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

GRANTOR: Mike Mullan

GRANTEE: Aleneva Joint Ventures

RECORD NUMBER: 10

DATE OF SALE: 11-89

RECORDING DATE: 11-89

INSTRUMENT: MOA

BOOK/PAGE: 977/66

SALES PRICE: \$609,375

TOTAL ASSESSMENTS: None

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

CE/ADJ. PRICE: \$233,075

AREA (ACRE): 126.74

PRICE/ACRE: \$1,839

PRESENT USE: Vacant

ANTICIPATED USE: Religious community

SOILS: Good

FLOOD ZONE: No

WATERFRONT: Ocean

ELECTRIC/PHONE: No

TOPOGRAPHY: Gently rolling

PUBLIC SEWER: No

ROAD IMPROVEMENTS: N/A

PUBLIC WATER: No

ROAD ACCESS: None

NATURAL GAS: No

SITE SHAPE: Irregular

EASEMENTS: None

ROAD GRADE: N/A

ZONING: Conservation/5 acre

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

BY/DATE: TRD/1-15-90

PROPERTY DESCRIPTION:

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

Affiliated Appraisers of Alaska

LARGE LAND SALE

COMPARABLE NO. 11

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

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

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

RECORDING INSTRUMENT: QCD **BOOK:** 163 **PAGE:** 213

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

GRANTOR: David & Kay Syre
Bellingham, WA

GRANTEE: Ketchikan Pulp Co.
Ketchikan, Alaska

SALES DATE: 1/6/89

PRICE: \$650,000

TERMS: Cash

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

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

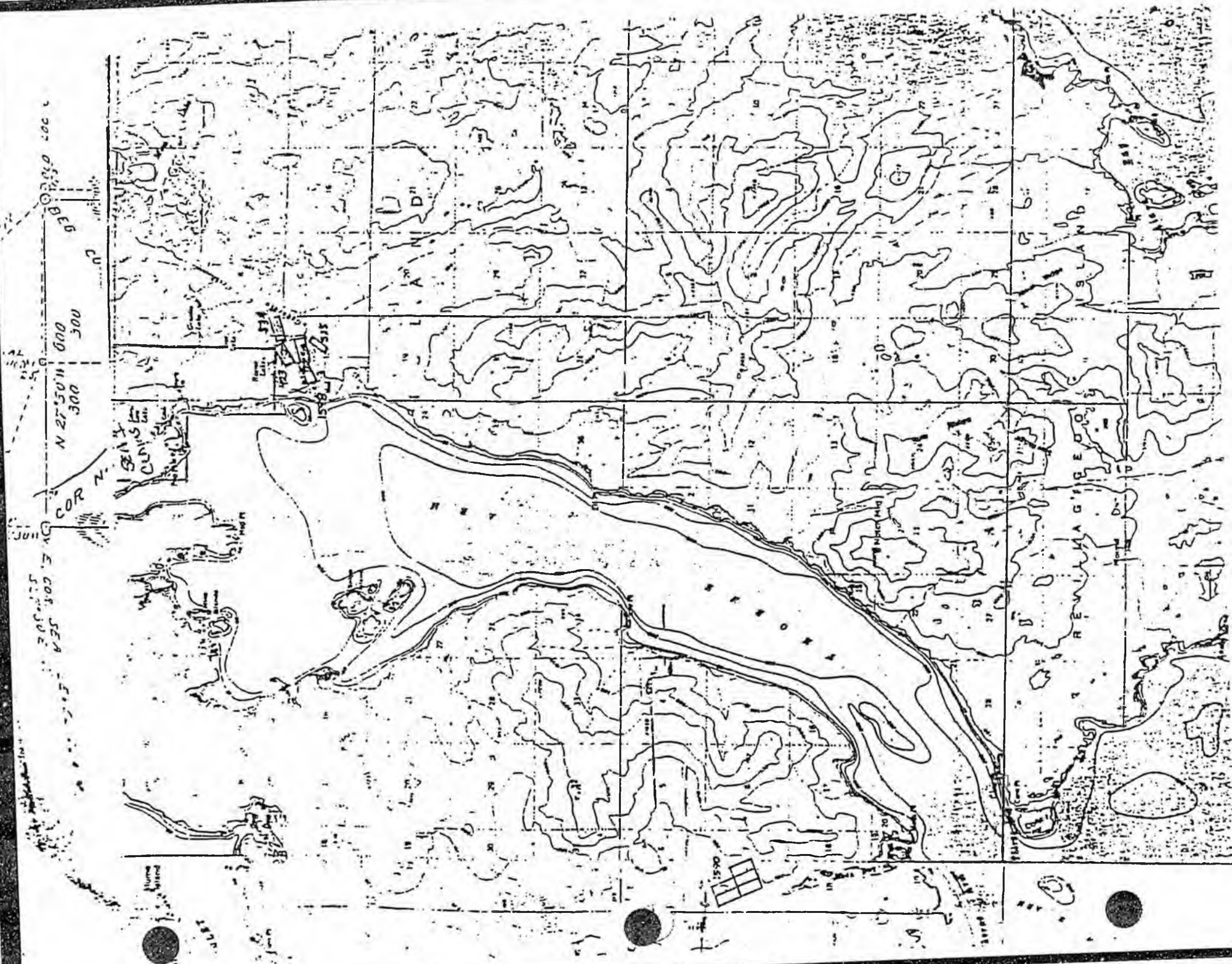
INTENDED USE: Purchased for timber value with no significant residual value assigned to the cutover land or mineral potential. Price paid was for timber only.

CONFIRMATION

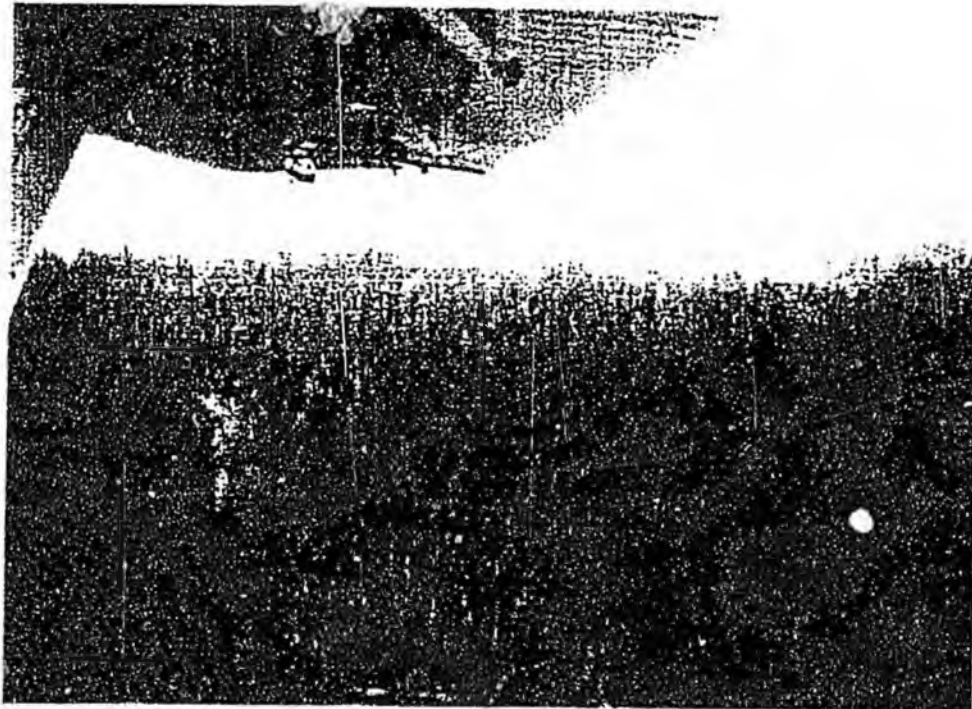
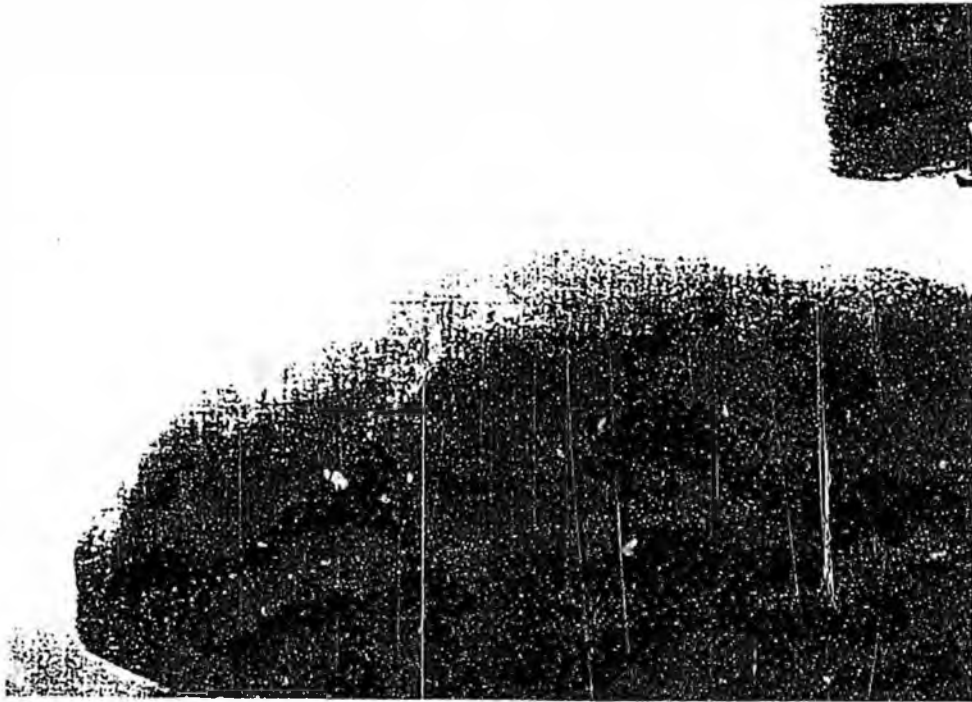
BUYER MOTIVATION &

INTENDED USE:	Ralph Lewis of Ketchikan Pulp	DATE: 11/12/92	BY: C. Horan
PRICE:	Ralph Lewis, Ketchikan Pulp	DATE: 11/16/92	BY: C. Horan

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



Comparable Photographs
Comparable LRG-010



~~COMPARABLE~~
L1

Probably a better
12
comparison to the
Air Force Sales

COMPARABLE LAND SALE NO. 12

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

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

GRANTOR: Haida Corporation

INSTRUMENT: WD

GRANTEE: USA

SALES PRICE: \$9,000,000

DATE OF SALE: 5-88

TERMS: Cash

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

ZONING: None

PRESENT USE: Vacant

ANTICIPATED USE: Public Interest

ACCESS: Boat or float plane

ASSESSMENTS: None Known

UTILITIES: None

EASEMENTS/
RESTRICTIONS: Normal

CONFIRMED WITH: Charles Horan, MAI

BY/DATE: Paul Dirkson

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

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

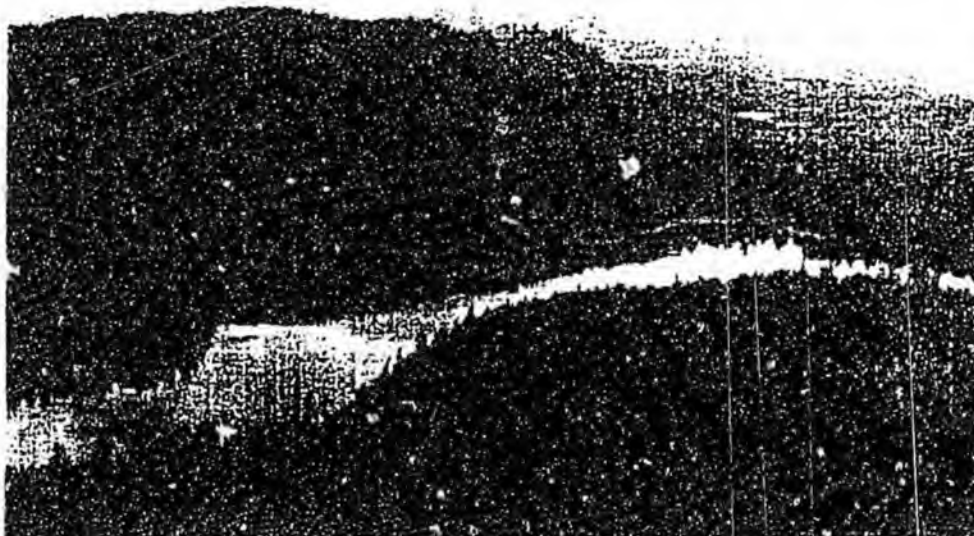
COMPARABLE LAND SALE NO. 12 (Con't)

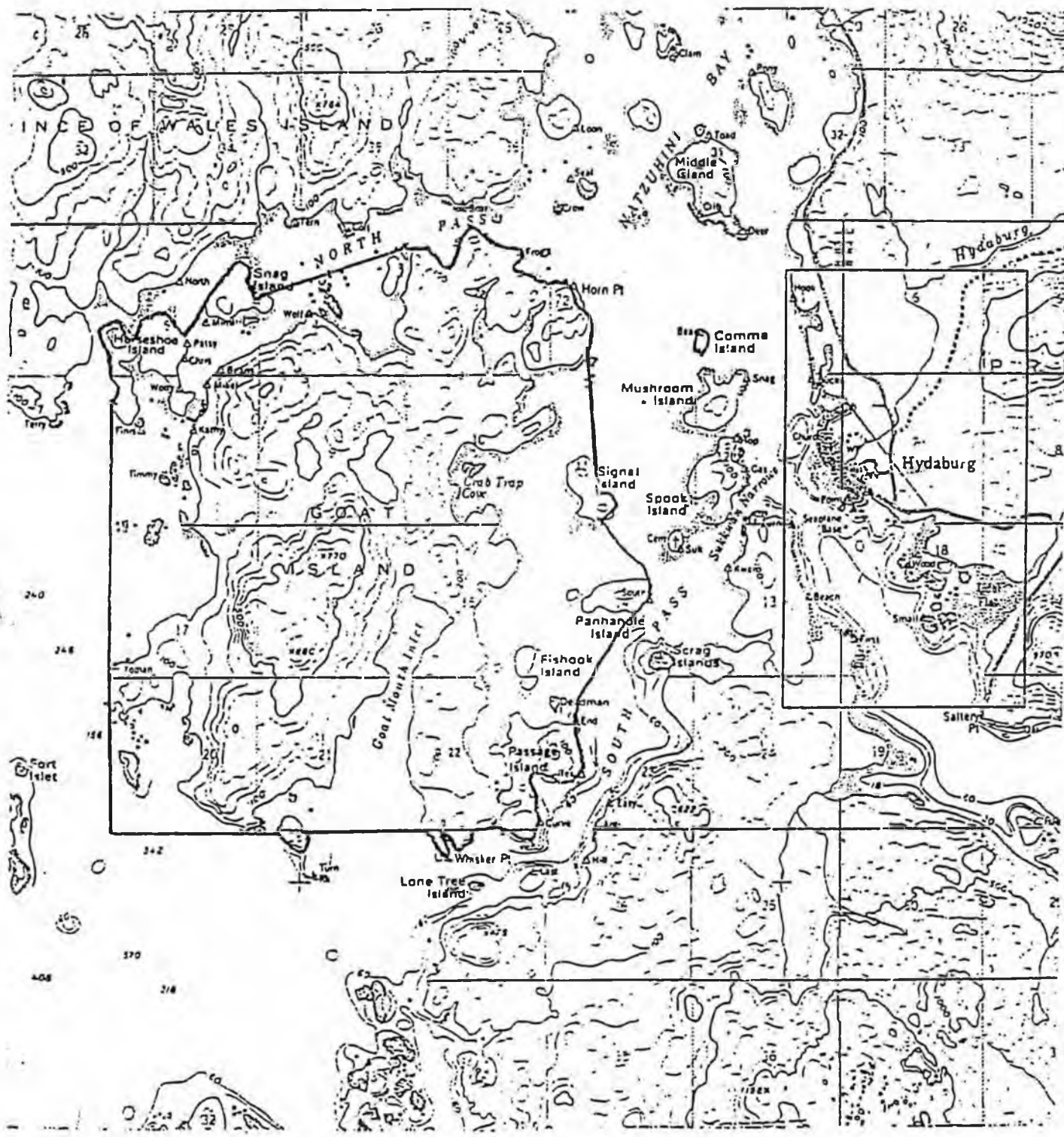
Inlet about four miles southeast of Hydaburg. This property sold for \$2 million. The third part of the transaction involved a land trade where Haida Corporation traded 4,222 acres of mostly forested uplands for 4,395 acres (consisting of 11 parcels) of considerably more valuable "Haida Traditional Use"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

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

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

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





SALE NO. 13

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

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

GRANTOR: Bristol Bay Native Corporation INSTRUMENT: Conservation Easement

GRANTEE: U.S. Department of the Interior National Park Service BOOK/PAGE: 17/480 and various others

SALES PRICE: \$858,180 (allocated to subsurface rights) DATES OF SALE: 12-88/\$3,715,065, 03-90/\$1,467,855 & 07-91/\$901,210

TERMS: Cash

AREA: 9,173 acres (total) ZONING: None

PRESENT USE: Vacant ANTICIPATED USE: Recreational

ACCESS: ATU and fly-in

UTILITIES: None

CONFIRMED WITH: Norman Lee, Chief Appraiser, National Park Service BY/DATE: TRD/6-23-93
Jack Moore, Bristol Bay Native Corporation TRD/6-23-93

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

SALE NO. 13 (Continued)

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

SUBSURFACE RIGHTS ANALYSIS: \$858,180 ÷ 9,173 Acres = \$94/Acre

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

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

<u>Date</u>	<u>Payment</u>	<u>76.9%</u>	<u>Present Value 2/87 *</u>
10/88	\$1,346,000	\$1,035,074	\$911,586
3/90	\$1,467,855	\$1,128,780	\$868,519
7/91	<u>\$301,210</u>	<u>\$693,030</u>	<u>\$473,349</u>
Total	\$3,715,065	\$2,856,884	\$2,253,454

\$2,253,454 ÷ 9173 acres = \$245.66 per acre

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

L2

COMPARABLE LAND SALE NO. 14

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

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

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

INSTRUMENT: WD

GRANTEE: U.S. Department of the Interior

BOOK/PAGE: 23/665

SALES PRICE: \$7,200,000

DATE OF SALE: 11-2-84

TERMS: Cash

AREA: 8,000 Acres

ZONING: None

PRESENT USE: Vacant

ANTICIPATED USE:
Public

ACCESS: Road/water

ASSESSMENTS: None
Known

UTILITIES: Electric/telephone

EASEMENTS/
RESTRICTIONS: Normal

CONFIRMED WITH: Affiliated Appraisers
of Alaska

BY/DATE: Paul Dirkson.
5-92

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

G. Hayden Green, Ph.D

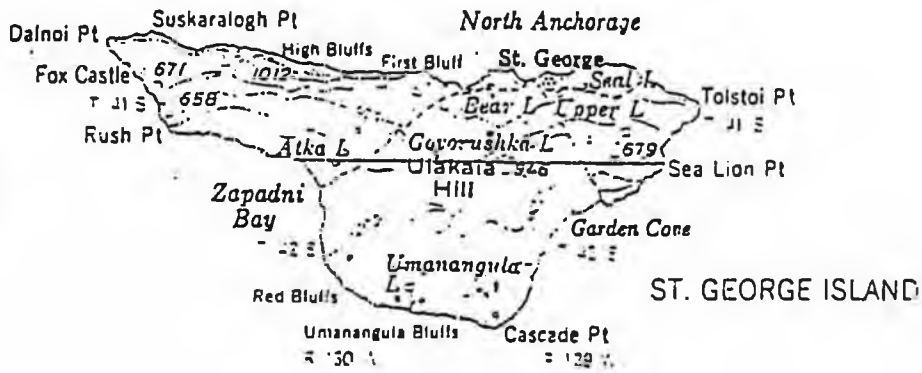
COMPARABLE LAND SALE NO. 14 (Cont'd)

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

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

G. Hayden Green, Ph.D

Comparable Land Sale Number 14



Addendum IV
Qualifications of Appraisers

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

WILLIAM B. WALLACE, ACF, RPF, VICE PRESIDENT

Project Experience

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

Specialization

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

Significant Projects

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

Employment

INFO, Vice President (1989-Present).

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

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

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

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

Professional Education

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

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

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

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

Professional Associations

The Appraisal Institute, MAI Candidate.

Association of Consulting Foresters.

Licenses and Certificates

Registered Professional Forester, California #2063.

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

INTERNATIONAL FORESTRY CONSULTANTS, INC.

1020 - 108th Avenue N.E. #101

Bellevue, Washington 98004

(206) 455-8353

THOMAS M. HANSON, ACF, SECRETARY TREASURER

Project Experience

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

Specialization

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

Significant Projects

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

Employment

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

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

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

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

Professional Education

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

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

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

Professional Associations

Association of Consulting Foresters (Past Regional Chairman).

Society of American Foresters.

Licenses and Certificates

Licensed Real Estate Broker, Washington

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
ENVIRONMENTAL HAZARD ASSESSMENT FORM

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

I. Site History and Operations

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

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

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

Same

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

Road Construction - Haul of logs from timber harvest.

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

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

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

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

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

9. Have there ever been any oil or gas wells on the property? No _____
If so - identify locations on sketch map.
Are there any pipelines? _____
If so - any indication of leaks or spills? _____
Identify the owner/operator of the wells.

II. Waste Disposal/Spills

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

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

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

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

III. Studies, Records, and Enforcement

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

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

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

IV. Summary

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

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

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

William B. Wallace ACF, RPF

August 19, 1993

Name of Person Preparing the Form

Date

William B. Wallace

August 19, 1993

Signature of Person Preparing the Form

Date

APPRAISAL
TONKI CAPE UNIT
AKHIOK-KAGUYAK AND OLD
HARBOR JOINT VENTURE

May 14, 1993

PREPARED FOR
STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
Under Personal Services Contract L&WM 93-1

August 6, 1993

RECEIVED

AUG 09 1993



INTERNATIONAL FORESTRY CONSULTANTS, INC.

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



INTERNATIONAL FORESTRY CONSULTANTS, INC.

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

September 14, 1993

RECEIVED
SEP 16 1993

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

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

Dear Mr. Lattery

Attached is our appraisal report for the Tonki Cape Unit property on Afognak Island.

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

\$11,000,000.

The Certification on page 3 as well as the Assumptions and Limiting Conditions found on page 9 are important elements of any appraisal. The reader is urged to study these pages and be sure the statements made therein are well understood.

If you have any questions or comments please call.

Sincerely,
INTERNATIONAL FORESTRY CONSULTANTS, INC.

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

PART I
INTRODUCTION

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Certification

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

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

Respectfully submitted,

INTERNATIONAL FORESTRY CONSULTANTS, INC.

William B. Wallace

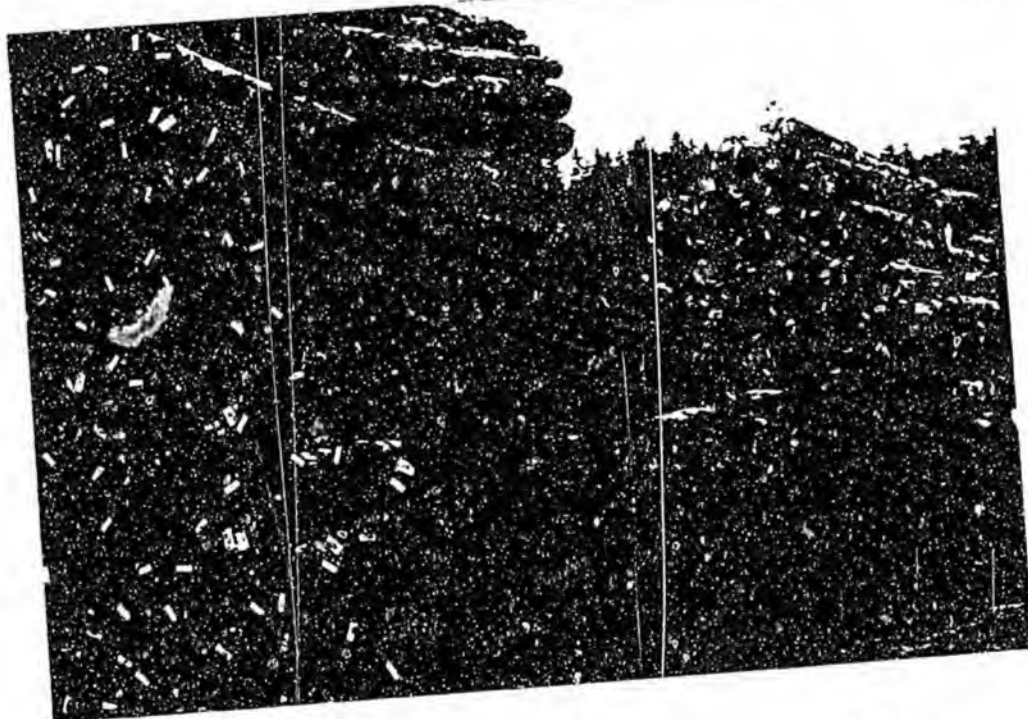
William B. Wallace ACF, RPF
Certified Real Estate Appraiser - General
Washington-#270-11 WA-LL-AW-BZ670B

Thomas M. Hanson
Thomas M. Hanson ACF

THE
FOLLOWING
DOCUMENTS
ARE
POOR
ORIGINAL
COPIES



Good Timber & Level Ground
Near North Tip of Tonki Cape



Typical Logs of #7 Sort Quality
Typical of Much of Tonki Cape Timber

PHOTOGRAPHS OF SUBJECT



Timber on Steep Topography



Good Timber & Moderate Topography
Potential LTF on East Arm of Tonki Bay



Scattered Patches of Merchantable Timber in Areas of
Non-Merchantable Timber



Potential Lodge Site at King Cove

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Subject Property: Portions of

- Twp. 21 S., Rge. 16 W. S.M.
Section 19, 30 & 31
- Twp. 21 S. Rge. 17 W.
Sections 6-8, 17-20, 30, 31
- Twp. 21 S. Rge. 17 W.
Sections 13, 23-26, 33, (34), 35 & 36
- Twp. 22 S., Rge 16 W.
Sections 6, 7, 18, 19 & 31
- Twp. 22 S., Rge 17 W.
Sections 1-5, 8, 9, 11-14, 17, 19, 20, 23-29,
32-36
- Twp. 23 S., Rge 17 W.
Sections 1-5, 6-10, 15-22, 28 & 29

Area:

Twp. 22 S., Rge. 16 W. S.M.	298.17 acres
Twp. 21 S., Rge. 17 W.	2,439.65 acres
Twp. 22 S., Rge. 16 W.	435.57 acres
Twp. 22 S., Rge. 17 W.	13,639.13 acres
Twp. 23 S., Rge. 17 W.	7,571.21 acres
Aggregate	24,383.73 acres

Timbered area:

2,242 acres

Timber Volume:

As of 1991	32,018 M b.f.
Depletion to May 14, 1993 (Cruised)	None.
As of May 14, 1993	32,018 M b.f.
Less Pulp	<u>1,364</u> M b.f.
Marketable Volume	30,654 M b.f.

Highest-and-Best Use:

Management for Natural Resources.

Date of Valuation: May 14, 1993

Access: Aircraft or Boat.

Indications of Value:

<u>Asset</u>	<u>Unit Values</u>		
	<u>Units</u>	<u>Income Approach</u>	<u>Sales Approach</u>
Timber	M b.f.	\$125	\$175
Total Property	Acres		\$450

Value Conclusions:

Timber only	\$3,700,000
Total	\$11,000,000

ASSUMPTIONS AND LIMITING CONDITIONS.

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

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

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

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

12. Considerable financial data concerning timber harvest operations on the subject property has been provided by Koncor Forest Products Company. International Forestry Consultants, Inc. has agreed to keep that data confidential. Therefore, it is not shown in this report. The data will be made available only to review appraisers employed by the State of Alaska, upon their agreement to protect its confidentiality, and to any court having jurisdiction.

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

REFERENCES

The legal description of the subject property was provided by Alaska Department of Natural Resources in the form of a copy of the PARTITION PARCEL WARRANTY DEED from The Afognak Joint Venture to Old Harbor Native Corporation and Akhiok-Kaguyak, Inc. A preliminary title report was also provided. These documents are reproduced in ADDENDUM I.

Maps and aerial photographs were provided by Alaska D.N.R. and representatives of Seal Bay Timber Company, and were obtained from commercial sources. Maps are also reproduced in ADDENDUM I.

Information about zoning was provided by the Planning Department of the Kodiak Island Borough. Forest Practice regulations, shoreline management requirements, and environmental regulations were provided by the Alaska Department of Natural Resources.

Data for possible comparable sales transactions were provided by the Kodiak Island Borough Assessor; the Assessor's office of the Kenai Borough; Horan, Corak and Company; Shorett and Reily; and Affiliated Appraisers of Alaska. The latter 3 appraisal firms supplied confirmed information, analyses of the data and photographs. Additional reconfirmations were made where possible and analyses were redone with additional information when appropriate.

PURPOSE OF THE APPRAISAL

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

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

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

SCOPE OF THE APPRAISAL

Property Rights Appraised

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

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

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

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

¹ Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, 1990.

² The Dictionary of Real Estate Appraisal, The Appraisal Institute, Chicago, 1984, p 123.

The Appraisal Process

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

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

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

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

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

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

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

Appraisal Problems

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

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

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

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

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

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

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

FUNCTION OF THE APPRAISAL

The appraisal will be used in negotiation for acquisition of the property by the State of Alaska, as a donation in conjunction with the purchase by the State of Alaska of the Seal Bay Unit. A conditional purchase and sale agreement, including this donation, has been reached.

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

PART II
FACTUAL DATA

DESCRIPTION OF THE PROPERTY

Property Location and Description

The property consists of approximately 24,384 acres on Afognak Island in southwest Alaska. More specifically, the property is located on Tonki Cape. Access to the parcel is by air or water transportation. The property is unroaded. The present owners enjoy access to the Afognak Island road network and log transfer facilities through their being parties to the Afognak Island Road Use Agreement and the Discoverer Bay Log Transfer Facility Agreements.

The terrain on the property is quite variable. Elevation ranges from sea level to about 1,900 feet on Edge Mountain in the south end of the property. Slopes are mostly under 50% except for some steep banks on Tonki Bay and steep slopes off Edge Mountain. Road development for access to the property would have to cross a very steep area southeast of the south end of Tonki Bay and another steep pass on the south side of Edge Mountain. Some of the merchantable timber is on steep slopes and might require skyline or helicopter logging.

There is a logging camp at Danger Bay on Kazakof Bay, where the sort yard is equipped to prepare log rafts for loading logs on ships. Access to this facility would require construction of nearly 15 miles of road across other ownership. The last 2 miles of that access road would be at very high cost. There are no improvements on the subject property.

Legal Description

The parcel contains portions of Townships 21 South through 23 South, and Ranges 16 west and 19 West, Seward Meridian. A complete legal description is provided in Addendum I. Maps are included in Addendum I.

Statement of Ownership and History of the Subject Property

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

The DNR title report makes note of 2 sections included in the original patent that were omitted from the deed to Akhiok/Old Harbor joint venture. This omission is not significant to the appraisal because both sections are off shore in Tonki Bay.

Inspection of the Subject Property

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

An inventory of the merchantable timber was made by Wes Rickard Associates in 1991. Thomas M. Hanson and William B. Wallace of International Forestry Consultants, Inc. made a field check of the inventory on the Seal Bay Unit by examining plots taken by a Rickard subcontractor, measuring additional plots of their own and comparing actual volume cut with calculations of unit volumes from the Rickard inventory. The calculated unit volumes are compared to volume removed in a timber cruise summary found in ADDENDUM II. The inventory was found to be about 85% to 90% of the true volume, based on the cutout and INFO plots with current utilization standards. Based on observations in the field inspection of the property this analysis is believed to be applicable to the Tonki Bay Unit.

There were no indications on any of the areas visited by the appraisers of any environmental hazards, toxic waste or spills of hazardous materials. A map provided by the owners indicates light oiling from the Exxon Valdez oil spill on beaches at the very tip of Tonki Cape and in King Cove. There is no visible evidence of damage in those areas at the present time.

Date of Opinion of Value

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

Regional Analysis

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

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

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

Neighborhood Analysis

The neighborhood is defined as Afognak Island.

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

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

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

Merchantable Timber

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

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

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

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

timber type islands are isolated from normal harvest unit design. The expectation of cutting 10% to 15% more than the inventory is believed to be adequate to offset these timber reservations. The volume in the timber inventory is considered to be the volume a prudent owner and prospective purchaser would recognize as available for harvest in their evaluations of the timber. Allowance for losses from the inventory in this way also would tend to lessen the risk perceived by the owner or a purchaser.

Timber Harvest Conditions

Logging conditions are reasonably good. The terrain is gentle over much of the timbered area, but some timber types along the east shore of Tonki Cape and the slopes of Edge Mountain are on very steep ground. Generally, logging can be accomplished with a combination of highlead and shovel logging methods. Skyline or helicopter logging may be required for much of the timber on the steepest ground.

The property is unroaded at the present time. The present owners or a buyer would need to plan on a major development of access road or a new log transfer facility on the property. Access by road would require about 15 miles of new construction across other ownership. The last 2 miles would be at very high cost to negotiate a steep divide between Tonki Cape and the rest of the Island. A new log transfer facility would also be very costly and time consuming to build. Construction of new road and spurs would be required to develop logging units. Access to the property is available through existing right-of-way agreements between all the timberland owners in the vicinity. Provisions for cooperative access between owners are binding and transferable.

No unusual road construction and logging methods are anticipated, other than possible helicopter logging.

PART III
DATA ANALYSIS AND CONCLUSIONS

HIGHEST AND BEST USE ANALYSIS

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

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

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

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

Feasibility considerations: About 10% of the property is forested and suitable for the commercial production of forest crops. Forest site quality is somewhat low, producing a monoculture of Sitka spruce that is inferior in

quality to the spruce grown in Southeast Alaska. The timber is attractive in the markets for log export. Conditions for logging and logging road development are reasonable to difficult. The topography is variable with some level to rolling and some very steep. Soils are gravelly and fairly well drained, even though there are several lakes and wetlands.

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

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

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

The Exxon Valdez oil spill settlement and the creation of the so-called Restoration Trust has infused into the market a large amount of money that may be spent for the acquisition of properties with natural resources for preservation of natural ecosystem, wildlife, ~~habitat~~ and scenic values in public ownership. A reading by a legal lay

person of the actions setting up the Restoration Trust finds no indication that its activity is supported by condemnation authority. The Trust is now another participant in the market for natural resource and wild lands in Alaska.⁵ The acquisition of park and wildlife properties has been identified as a priority by the national administration. That use for much of the Restoration Trust funds is also strongly supported by a number of interest groups. The time for such acquisitions is limited and there are only a few very attractive properties that have been identified. The market effect of the Restoration Trust funds will depend on the quality of available properties for the objectives of the Trust. The subject property has been identified by the Trust as number 2 in ranking of desirability for acquisition based on habitat values. A conditional purchase and sale agreement has been reached between the Trust and the owners of the Seal Bay Unit. The existence of this agreement imposes a very strong presumption that the property is one of those natural resource properties with quality characteristics making it attractive for acquisition through the Trust.

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

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

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

VALUE ANALYSIS

Income Capitalization Approach

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

Sales Comparison Approach

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

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

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

A. Land Value

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

The Faustmann formula can be expressed as:

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

where S.E. = Soil Expectation value

I_r = Income from final harvest in r years

C_o = Stand establishment costs

C_i = Intermediate management cost at year i

C_a = Annual management cost

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

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

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

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

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

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

⁶Source - Appraisal News, March, 1993, The Appraisal Institute.

⁷Source - Appraisal News, March, 1993, The Appraisal Institute.

⁸Source - Morningstar Mutual Fund Newsletter.

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

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

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

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

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

\$0 per acre

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

B. Timber Value

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

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

prices reported in industry media⁹. Greatest weight was given to the prices contracted with the property owners and actually paid to them. Some adjustments were made to remove anomalies in the progression from one grade to another and to maintain consistency between the various sources of data. The timber is assumed to be free of any restrictions on its sale for export in log form.

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

The estimate of the cost of road amortization is the result of an analysis of alternatives. The road necessary to link the Afognak Island logging road network with the Tonki Cape Unit is estimated to be about 15 miles. At an overall cost estimated to be \$100,000 per mile, the link would cost about \$1,500,000. Representatives of the current operations contractor for the owners estimates a new log transfer facility, in the current regulatory climate would cost in excess of \$1,500,000. That opinion has been confirmed with other logging operators and with operators in other areas of the state. The lower-cost alternative of access by road has been used for this appraisal. A total road cost of \$5,500,000 for about 50 miles is estimated.

A value indication by the Income Capitalization Approach for the volume estimated to be available for harvest is summarized in Table 2 of ADDENDUM II. Two scenario Summary Reports follow that table and list market log price scenarios with the resulting stumpage indications. The market stumpage prices indicated represent the influence of the export market but without the competition likely to be encountered for a sale of marketable timber. The values indicated by the Income Capitalization Approach are shown on the last line of Table 2 and the Scenario Summary Reports as conversion return. The indicated conversion return for the subject timber ranges from a \$22 per M deficit to \$377 per M. The most reasonable indication is that based on log prices in March 1993. Log prices at that time, after a depressed period in late 1992, were back to the mid-range of 1992 and the trend seemed to be up.

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

In addition, timber harvest operations on the Seal Bay Unit generated conversion returns of \$470 per M b.f. in 1993 and \$188 per M in the combined 1992 and 1993. These figures are adjusted to an indication of possible results on Tonki Cape by deducting the difference in estimated logging costs between the 2 units. Prospective buyers, and the owners themselves, would probably discount the 1993 results as an indication of returns to be expected over the liquidation of the timber. On the other hand, the 92-93 results seem to be unusually depressed relative to calculations based on log prices realized in 1992. This may be due to marketing and costs that deviate from ideal management because of conditions encountered in the start-up of the operation. These operating results, however, must be given weight as factual data.

The appropriate value of timber to be estimated at this point in the appraisal process is the stumpage value that would be expected by a prospective buyer, or the seller of the property, during the period of time necessary to harvest the timber in an orderly manner with the constraints applied by Forest Practices law and operating conditions. Since development of access and roads, and harvest of some 30,000 M b.f. of timber should be expected to take several years, a prudent investor would probably not anticipate values like those seen in the market escalation of 1993, nor would he realistically expect to buy at a price reflecting the lowest returns. A conservative approach would be expected, anticipating returns in the middle of the range of estimates having the most credence. Table 3, on the back of page 32, shows the range of timber value indications generated by this conversion return calculation. Greatest weight is given to the indications of value from conversion return based on March 1993 log prices, conversion return from log prices reported for a 3-year period of 1990-1992, and the 92-93 operating return adjusted to Tonki logging cost.

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

\$125 per M b.f.

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

One University of Alaska sale in the Southeast region was considered to be comparable to the subject timber in volume and operating conditions. Details of the Whipple Creek 2

sale are found in ADDENDUM III. This sale was of a volume equivalent to a year's production on the subject property and contained a significant volume of spruce. There were no quality hazards from salvage conditions and the harvest methods were conventional for the region.

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

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

Table 2 and its associated Scenario Summary Report, on the following pages, lists the details of the bid price allocation and adjustments of the spruce bid to the subject timber for the Whipple Creek 2 sale. This sale indicates a range of stumpage values of \$27 per M to \$426 per M b.f. to be expected for the subject timber in sales of volume equivalent to a reasonable annual harvest rate.

Table 2

University of Alaska
Whipple 2 Sale
Related to Tonki Cape Unit

Species	Volume M b.f.	Conversion Return \$/M	Bid \$/M	Allocatd Bid \$/M	Subject S.N.W. \$/M	Bid re Subject \$/M
Spruce	8,257	510	575	559	220	269
Hemlock	6,523	175	175	192		
Cedar	60	50	50	55		
Yellow-cedar	540	400	400	439		
Utility	1,708	10	10	10		
	<u>17,088</u>	<u>326</u>	<u>357</u>	<u>358</u>		

Whipple Cr. 2 Adjusted to Tonki Cape Unit

Scenario Summary Report

Basis of Conv. Ret. Mar-93 Cust 92 Op 93 1\93 5\93 Cust 90-92 Op 92-93

Changing Cells:

Conversion

Return 220 210 285 -22 377 189 3

Result Cells:

Adjusted

Bid-Subject 269 259 334 27 426 238 52

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

\$175 per M b.f.

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

\$150 per M b.f.

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

A reasonable harvest period is most likely dictated by the limitations of the operating infrastructure on Afognak Island. The current owners have been cutting their timber on the Seal Bay Unit over parts of the last 3 years at an annual rate of about 15,000 M b.f. Because of the more scattered nature of the timber, the longer haul, and more difficult conditions for road development and logging, the rate of cut on Tonki Cape would probably be only about 10,000 M per year. The harvest period can be calculated as

30 MM b.f. @ 10 MM per year = 3 years.

The discount rate used above in the Faustmann Formula might be reasonable for this calculation. The value of \$1.00/3 per year for 3 years discounted at 6% per year equals \$0.89. This must be further discounted for the time necessary to develop the access road and enough internal logging roads and spurs to start logging. That would take at least 2 years on the front end of the operation. The present value

of \$0.89 realized 2 years in the future at 6% discount rate is \$0.79, indicating a discount of about 20% rounded. There is, however, a market indication of the discount to cash value for expected future income. That indication is found in the Seldovia Native Association sale to the State of Alaska of the Kachemak Bay property in 1993. In that transaction the owner of certain merchantable timber on the property agreed to accept a cash price equal to a 30% discount of the appraised value, which is an estimate of the total realization possible from its harvest.

The market indication of discount for future harvest of timber is derived from circumstances quite different from those of the subject and involves a different pattern of income realization. Therefore, the calculated discount of 20% is judged to be more appropriate. The Market Value of the timber only is estimated to be:

High - 30,654 M @ \$175/M = \$5,364,450 less 20% or
\$4,300,000

Low - 30,654 M @ \$125/M = \$3,831,750 less 20% or
\$3,100,000

Expected - 30,654 M @ \$150/M = \$4,598,100 less 20% or
\$3,700,000

C. Value of the Property.

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

reconciliation. Sale number 10 has been adjusted for a difference in size compared to the subject.

The expected cash value of the subject timber has been converted to a value per acre, over the total area of the subject property. The same is done for timber values found in the comparable sales. In this way the unit of comparison expresses the relative importance of timber value in the overall sale. An adjustment is made in the price per acre of the comparable sale equal to the subject timber value per acre minus the sale timber value per acre. The indicated value for the subject property from sales that contained no timber value is the sale price per acre plus the subject timber value per acre. From sales in which the entire purchase price is accounted for in timber value, the indicated value of the subject is the timber value of the subject.

Discussion of sales.

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

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

Sale number 1 is given only secondary consideration for this appraisal because it is a purchase by the State of Alaska. Under other circumstances this would be considered a primary

indication of value because of its timing, size, and close comparability in physical characteristics and potential for competing use.

Sale number 1 cannot be excluded under the federal Standards because the Alaska parks department does not have authority to condemn. This sale has been the subject of intense negotiation and appraisal over a period of several years. During that time it must be considered to have been on the market since the progress of negotiations was general public knowledge. Another competing purchaser could have stepped in at any time the price level in discussions fell below the price that would attract a competitor. There can be no doubt that it is a valid arms-length transaction indicating the value of real estate in market purchases where full competition exists between both private parties and public agencies. Early in the negotiations, the seller set lower limits below which the property would not be for sale.

This sale was ranked number 1 for desirability of acquisition by the Restoration Trust. The Seal Bay Unit property was ranked number 2. Discussions in the minutes of the Trust indicate the subject was considered a potential part of any acquisition of the Seal Bay property. It is only reasonable to conclude that the subject and sale number 1 are very comparable in quality in the current market where demand is affected by actions of the Restoration Trust.

At the expected level of timber value this sale supports a value of \$697 per acre for the subject.

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

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

Based on the expected level of timber value this sale supports a value of \$712 per acre for the subject.

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

This sale is considered important to the appraisal because of its location within the Kodiak Island Borough market and the fact it was acquired by a public agency through market

purchase. The sale is superior to the subject in location and potential for use. It is also superior in that it includes the subsurface estate. It is inferior in timber value.

At expected level of timber value sale number 3 supports a value of the subject of \$965 per acre.

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

There were no known timber values involved in the sale, although a low-quality stand of timber is present on the property. Sale number 4 is about equal to the subject and supports a value of \$696 per acre after adjusting for timber value at the expected level.

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

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

After adjusting for timber value at the expected level this sale indicates a value of the subject of \$151 per acre.

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

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

After adjustment for timber value at expected levels sale number 6 indicates \$375 per acre for the subject.

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

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

location. It is not given much weight because of its relatively small size.

Sale number 7 indicates a value of \$619 per acre for the subject after adjusting for timber value at expected level.

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

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

After adjustment for timber value at expected level, sale number 8 indicates a value for the subject of \$346 per acre.

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

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

Sale number 9 indicates a value of the subject of \$150 per acre after adjusting for timber value at expected level.

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

The sale included a cabin estimated to be worth \$30,000 and timber with an appraised value, according to work done by Affiliated Appraisers of Alaska, of \$717,312, or \$2,630 per acre. The sale is very comparable to the subject in

location, and intended use. The buyers intend to maintain the natural habitats and timber stands for their enjoyment as amenity.

The sale size would indicate a need for some consideration of adjustment to reflect sale of a property as large as the subject. The sale was superior to the subject in quantity and quality of timber. After adjusting for timber value, sale number 10 indicates \$1,352 per acre for the subject. A potential buyer of the subject might consider a period of time as long as 10 years to subdivide the subject property into parcels with a market appeal equivalent to that of sale number 10. Discounting an even annual sale of parcels with market appeal equivalent to sale number 10, at a price per acre equal to the timber-adjusted price of sale number 10, for ten years, at a "real" discount rate of 7%, results in a present value of \$950 per acre. Thus sale number 10 indicates a value of the subject property of \$950 per acre after adjusting for the differences in both timber value and size.

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

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

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

Sale number 11 indicates a value of \$150 per acre for the subject after adjusting for timber value at expected level.

Sale number 12 was a market purchase by USDA Forest Service of the Haida Corporation lands on Goat Island and the

surrounding small islands. This agency has condemnation authority, but it was not exercised. The sale was confirmed by Shorett and Reily and by INFO. INFO appraisers are quite familiar with the property, having appraised it as of the acquisition date in 1979. The sale did not include the sub-surface estate.

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

After adjusting for timber value at expected level, sale number 13 indicates \$150 per acre for the subject.

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

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

After adjusting for timber value at expected level, sale number 12 indicates \$397 per acre for the subject.

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

This purchase was intended to protect wildlife nesting sites in the cliff areas of the islands. It is comparable to the subject in natural resource use and in size. It is inferior

to the subject in timber value and location, there being no particular pressure for recreational use of these parcels through private development. This sale was selected for consideration because it involves the wildlife habitat which is supposed to be a major criterion for evaluation of properties to be acquired with Restoration Trust funds.

After adjusting for timber value at expected level, sale number 14 indicates \$1,051 per acre for the subject.

The vital data for the 14 selected transactions are summarized in Tables 4-A and 4-B on the following pages. Table 4-A is a tabulation of sales purchased by private parties. Table 4-B is a tabulation of sales purchased by government agencies. The Tables and the associated Scenario Summary Reports contain acre weighted averages for all the sales in the Table, for sales of more than 2,000 acres and for sales judged most comparable to the subject. Weighting sales by acres gives heavier weight to the larger sales that are more comparable to the subject in size. The scenarios listed are the range of timber values found in Table 3, on Page 30 above. A conclusion has been drawn for each timber value scenario. In reaching these conclusions greatest weight has been given to the acre-weighted average of indications from sales number 6 and number 10, judged most comparable to the subject. This average best represents prices for properties with quality suitable for the highest-and-best use of the subject. Individual sales, and the subject, contain different mixes of the various elements of natural resource values, but all are potential sites for both exploitive use and protection of the amenities of natural resources. The conclusions are rounded to the nearest \$25 per acre in all three scenarios. Again, prudent buyers and the seller would most likely consider the mid-range expected scenario.

The primary indication of value is taken from Table 4-A and its associated Scenario Summary Report. Indications of value of the subject in this Table range from \$150 per acre to \$950 per acre. Only one of these sales is of a size comparable to the subject. Sale 10 has been adjusted to indicate a value for a property the size of the subject. The other sales are considered to be basically of different quality compared to the range and diversity of natural resource potential of the subject.

Table 4-B provides a secondary source of value indications from purchases by government agencies. Of those, sale number 1 was a market purchase by an agency with no power of condemnation. Most of the government purchases involved some element of compulsion for the government in that the

Table 4-A
 Comparable Sales - Tonki Cape Unit
 Private Purchases

No.	Date	Seller	Buyer	Acres	Price \$/acre	Timber \$/acre	Indicated Value \$/acre	Highest & Best Use
			Subject	24,384		150		Natural Resources
2	Nov-91	Cox	English et al	160	562	0	712	Remote recreation
	Adjustment					150		
4	May-91	U. Alaska	Hyak	229	546	0	696	Surface support for mine
	Adjustment					150		
5	Dec-91	Key Bank	Southcentral	341	2,348	2,348	151	Natural Resources
	Adjustment					-2,198		
6	Aug-90	Security	Holman	2,220	225	0	375	Recreation
	Adjustment					150		
7	Jul-90	Reeves	Turner et al	160	469	0	619	Lodge site
	Adjustment					150		
8	Jul-89	Alcoa	Ritcher	512	781	586	346	Timber, remote recreation
	Adjustment					-436		
9	Jul-89	USX Corp.	B & M Logg	623	1,604	1,604	150	Natural Resources
	Adjustment					-1,454		
10	May-89	BIA	Aleneva J.V.	273	3,831	2,630	1,352	Remote residence,
	Adjustment					-2,480	950	(See text - page 38) *
11	Jan-89	Syre	Ketchikan	139	4,690	4,690	150	Natural Resources
	Adjustment					-4,539		
Acre-weighted Averages				4,656			388	Private Acquisitions
				2,220			375	More Than 2,000 acres
				2,493			438	Most Comparable

Table 4-B
 Comparable Sales - Tonki Cape Unit
 Public Purchases

No.	Date	Seller	Buyer	Acres	Price \$/acre	Timber \$/acre	Indicated Value \$/acre	Highest & Best Use
			Subject	24,384		151		Natural Resources
1	Jul-93	SNA	State	22,492	746	201	697	Natural Resources
	Adjustment					-50		
3	Oct-91	Lesnoi	Kodiak	660	814	0	965	Natural Resources
	Adjustment					151		
12	Dec-88	Haida Corp.	USA	4,749	1,895	1,895	151	Natural Resources
	Adjustment					-1,744		
13	Mar-87	Bristol Bay	Park Service	9,173	246	0	397	Natural Resources
	Adjustment					151		
14	Nov-84	St George &	Interior	8,000	900	0	1,051	Natural Resources
	Adjustment					151		
Acre-weighted Averages				45,074			645	Public Acquisitions
				44,414			640	More Than 2,000 acres
				31,665			610	Most Comparable

private property purchased was a detractant from or even a threat to an area protected for a public purpose. Public purchases indicate a range of values from \$150 per acre to \$1,051 per acre. Sales 1 and 13 are considered most comparable to the subject in terms of quality for management of natural resources. The conclusion from this secondary source is weighted heavily to Sales 1 and 13. The secondary sales evidence provides a good corroboration, at somewhat higher level, of the opinion of value drawn from the primary evidence of private transactions. It certainly supports the implication that there is value in property with a variety of natural resources in excess of the liquidation value of commodity resources such as timber.

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

between \$425 per acre and \$450 per acre.

The most probable value of the property is estimated to be

\$450 per acre.

DISCUSSION AND RECONCILIATION OF VALUES

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

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

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

The expected value of \$450 per acre from the primary evidence translates to a total value of \$10,972,800. The expected value indicated by all private purchases is \$9,460,992.

Consideration of primary and secondary evidence that is the most comparable to the subject property would concentrate on sale number 1 (SNA to Alaska), Sale number 10 (BIA to Aleneva) and sale number 6 (Security to Holman). Sale 1 is the closest to the subject in time of sale, geographic proximity, market conditions reflecting the most current level of demand, and the range of potential uses. Sale 10 is very close to the subject in terms of geographic and market location. Its location on Afognak Island, in a similar timber type makes it a very useful indication of value. Its size relative to the subject, and the need for a substantial adjustment, clouds the probative value of this indication. Sale number 6 is reasonably nearby, on the Kenai Peninsula, and is of a comparable size at 2,220 acres. The acre-weighted average of these sales is \$670 per acre. This translates to a total value of \$16,337,280.

The conclusion of value from the Sales Comparison Approach using primary evidence of private purchases (\$450 per acre) is somewhat less than midway between the value indicated by the three most comparable transactions and the average of all private purchases. Sub-surface rights are not a significant factor in the conclusion. The sale on which greatest reliance is placed either did not include sub-surface estate or the sub-surface had very little impact on the price.

The precision of the figures used in analysis does not justify an estimate closer than the nearest \$1,000,000. Giving strongest weight to the indication of value from the Sales Comparison Approach using primary evidence from private purchases, it is our opinion that the Market Value of the subject property as of May 14, 1993 is \$11,000,000, rounded.

ELEVEN MILLION DOLLARS

PART IV

ADDENDA

Addendum I
Legal Description and Maps

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ADMITTED TO ALASKA
AND WASHINGTON BARS
ALL OTHERS ADMITTED TO
ALASKA BAR

June 18, 1993

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

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

Dear Bill:

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

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

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

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

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

Mr. Bill Wallace
June 18, 1993
Page 2

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

Best regards.

Very truly yours,

JAMIN, EBELL, BOLGER & GENTRY



C. Walter Ebell

CWE/blhb

Enclosure

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

527708(b)L.001

MEMORANDUM

Department of Natural Resources

State of Alaska

Division of Land

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

DATE: July 7, 1993

FILE NO:

THRU: Carol Shobe, Chief
Title & Contracts Section

TELEPHONE NO: 762-2352

FROM: James McAllister, NRM I
Title Analysis

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

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

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

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

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

SEAL BAY UNIT

T. 20 S., R. 17 W., Seward Meridian,
Sec. 32.
Containing 25.99 acres.

T. 21 S., R. 17 W., Seward Meridian,
Secs. 6, 7 and 8;
Secs. 17 to 20, inclusive;
Sec. 29 (still held by Afognak Joint Venture);¹
Secs. 30 and 31.
Containing 3,288.29 acres.

T. 21 S., R. 18 W., Seward Meridian,
Sec. 1, *lots 1, 2 and 3*;
Secs. 11 to 14, Inclusive;
Sec. 15, *lots 1 and 2*;
Sec. 16, *lots 1 and 2*;
Sec. 17, *lot 1 (fractional, needs supplemental survey) and lot 2*;
Secs. 20 to 29, inclusive;
Secs. 31 to 36, inclusive.
Containing 12,513.37 acres.

T. 21 S., R. 19 W., Seward Meridian,
Secs. 35 and 36.
Containing 1,280.00 acres.

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

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

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

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

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

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

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

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

THENCE N. 2° 45' W. a dist. of 2204.16 ft. to Cor. No. 6, marking a point on the southerly boundary of Ouzinkie log storage yard,

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

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

Containing 58.96 acres.

Aggregating 17,166.61 acres for the Seal Bay Unit.

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

TONKI BAY UNIT

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

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

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

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

Secs. 1 to 5, inclusive;

Secs. 8 and 9;

Secs. 11 to 14, inclusive;

Sec. 17;

Secs. 19 and 20;

Secs. 23 to 29, inclusive;

Secs. 32 to 36, inclusive.

Containing 13,639.13 acres.

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

Secs. 1 to 5, inclusive;

Sec. 6, SE¹/₄;

Sec. 7, E¹/₂;

Secs. 8 to 10, inclusive;

Sec. 15;

Sec. 16, lots 1 and 2;

Sec. 17;

Sec. 18, E¹/₂;

Sec. 19, NE¹/₄;

Sec. 20, N¹/₂, SE¹/₄;

Secs. 21, 22 and 28;

Sec. 29, lot 1.

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

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

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

OWNERSHIP:

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

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

Sec. 29,

Sec. 34.

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

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

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

ENCUMBRANCES OF RECORD:

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

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

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

Deed of Trust between Afognak Joint Venture (grantor) and (TT)/ Afognak Native Corporation/ Koniag, Inc. (grantees) for the amount of \$689,675.00; recorded on May 4, 1989 in Book 96 at page 39. Amended to "\$1,100,000.00 and \$1,700,000.00" on August 5, 1991 and recorded in Book 108 at Page 313 (no legal description on document).

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

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

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

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

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

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

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

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

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

STATE RECORDS:

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

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

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

T. 23 S., R. 17 W., Seward Meridian,
Sec. 6, NE¹/₄;
Sec. 7, lot 1;
Sec. 18, lots 1 and 2;
Sec. 19, lot 1, SE¹/₄;
Sec. 20, SW¹/₄;
Sec. 29, lot 2;
Sec. 30.

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

Containing 3,579.11 acres.

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

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

KNOWN ENCUMBRANCES NOT OF RECORD:

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

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

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

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

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

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

DISCUSSION:

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

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

Two small parcels of land³ identified above may have been inadvertently left out of the original conveyance from Afognak Joint Venture to Akhiok-Kaguyak, Inc. and Old Harbor Native Corporation, as tenants in common. If the Seal Bay Timber Company is going to acquire the fee interest in the land where they presently hold timber rights, then it is possible that they may acquire the two small isolated parcels that were left out of the original conveyance.

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

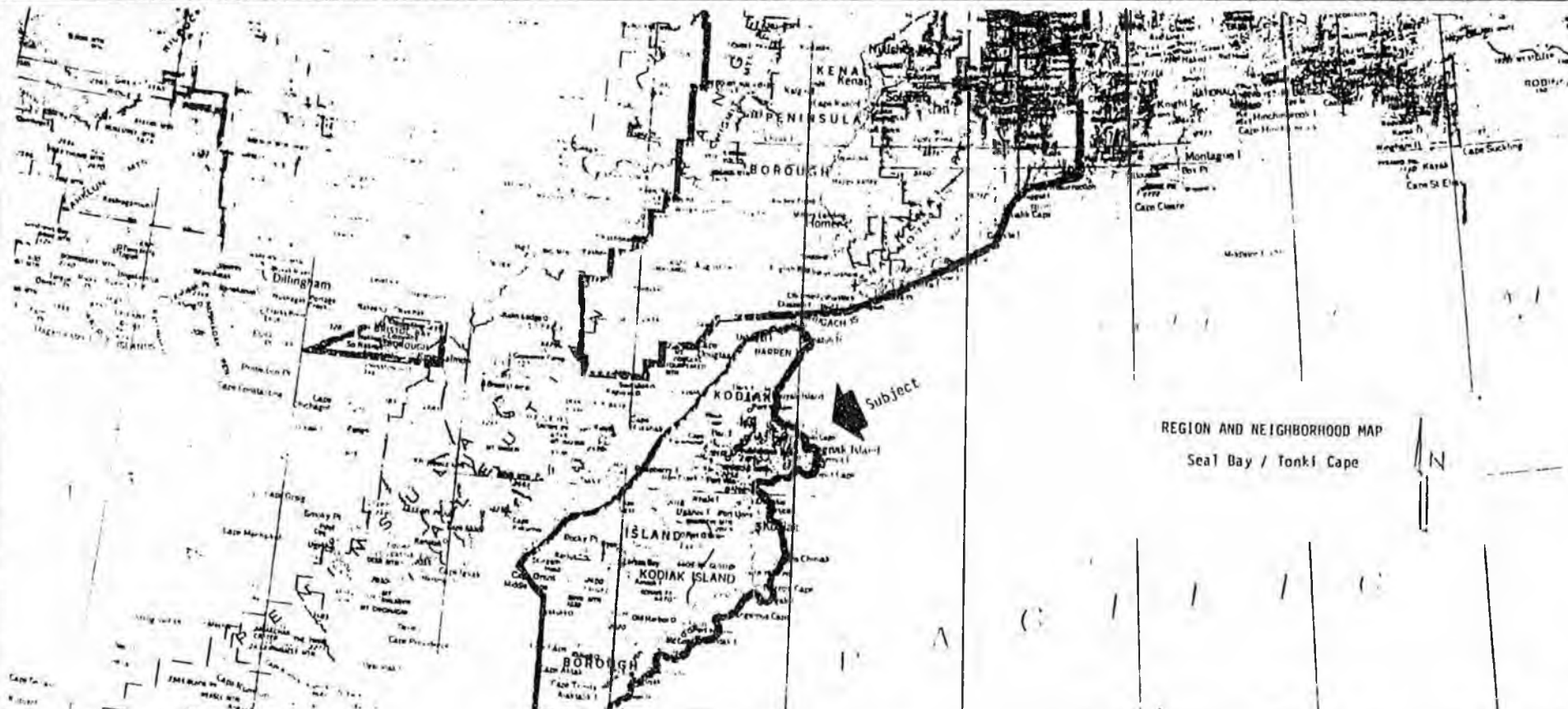
The Preliminary Commitment for Title Insurance indicates that section line easements are in place for the subject land. No dedication for section line easements under AS 19.10.010 will occur until the State gains ownership of the land. No acceptance of RS 2477 easements under AS 19.10.010 was possible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

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

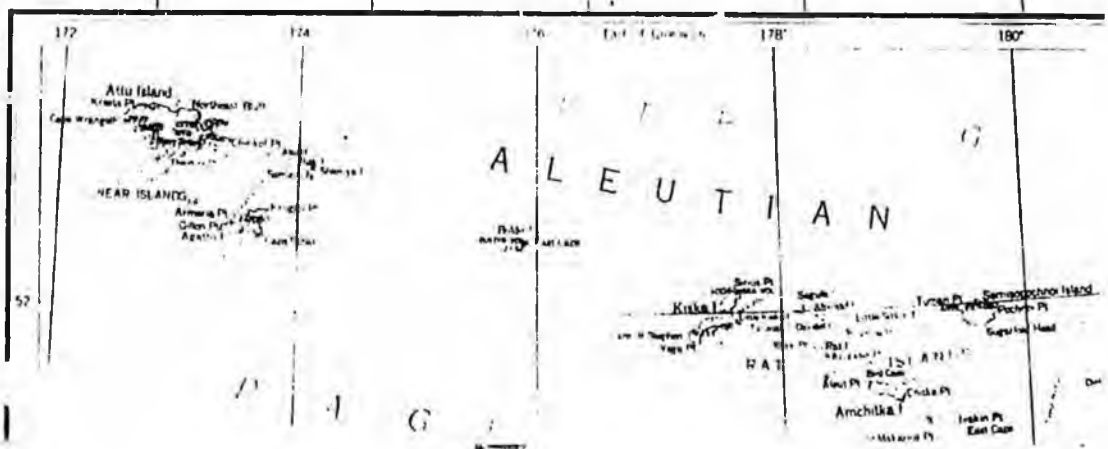
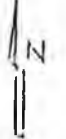
ATTACHMENTS:

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

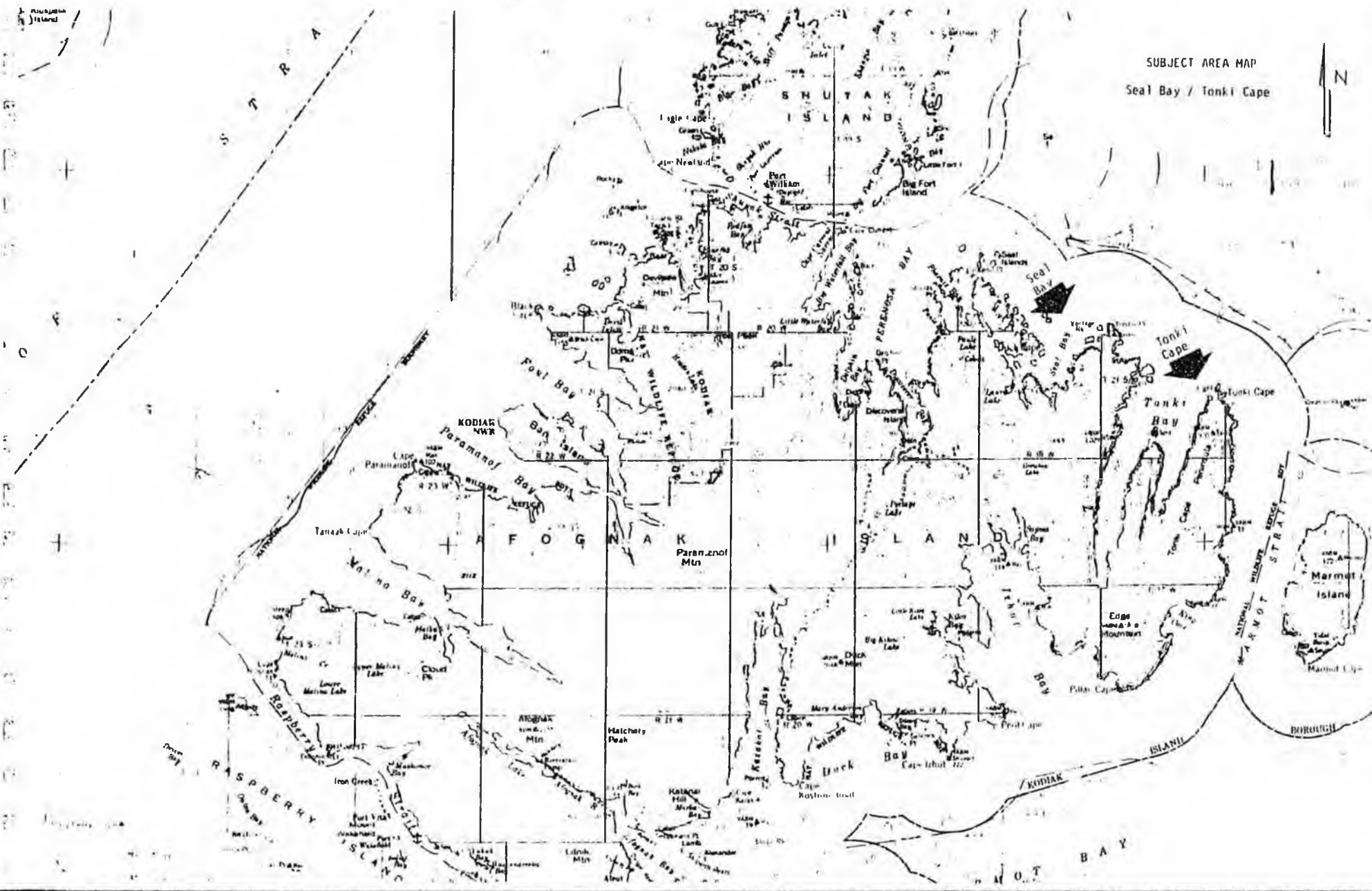
⁴ Ch.115 SLA 1953; codified as AS 40.15.010; See also July 10, 1989, Att'y Gen Opin # 661-89-0111, *Dedicated Easements in Rocky Lake Subdivision*.

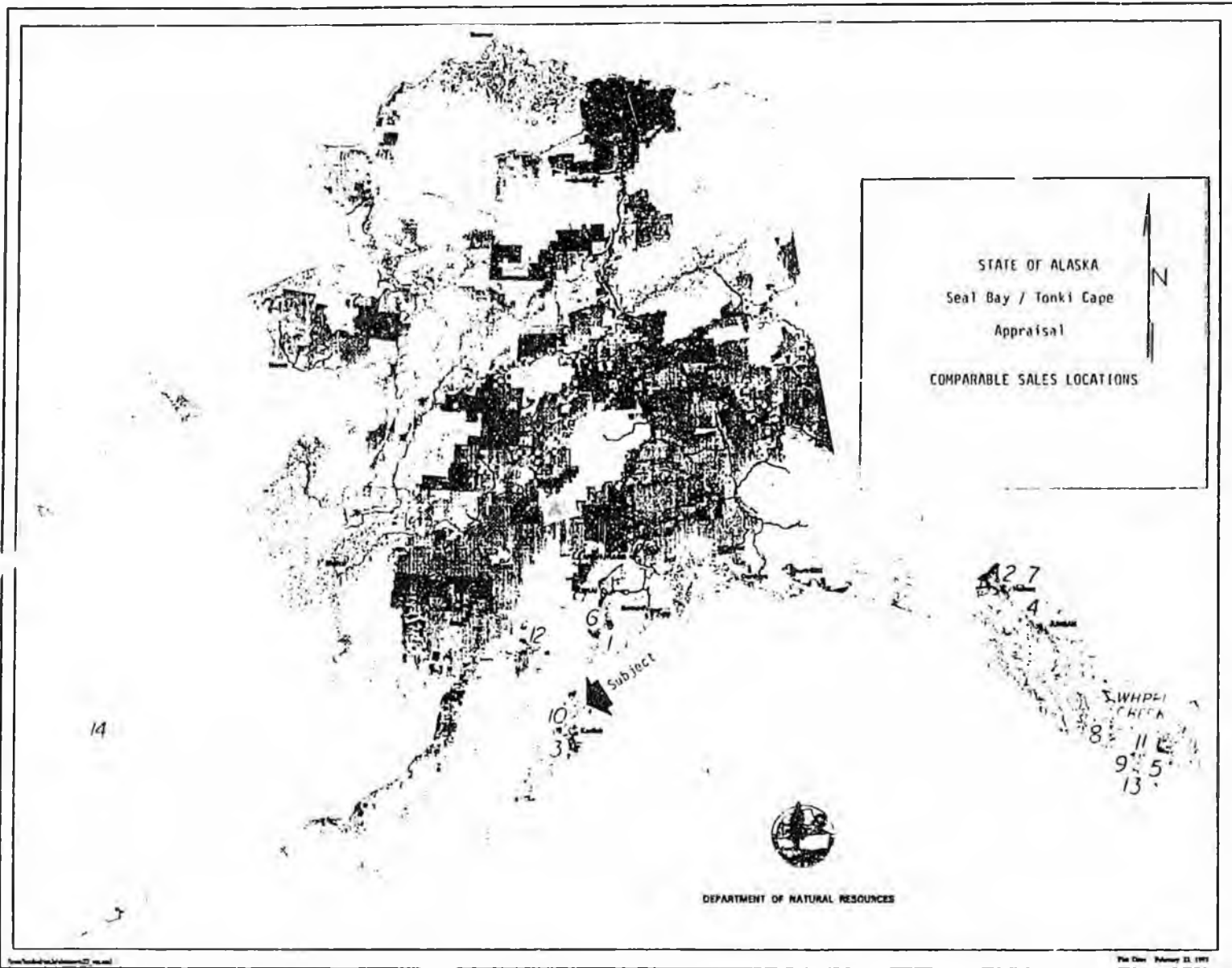


REGION AND NEIGHBORHOOD MAP
Seal Bay / Tonki Cape

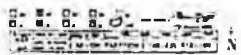


SUBJECT AREA MAP
Seal Bay / Tonki Cape

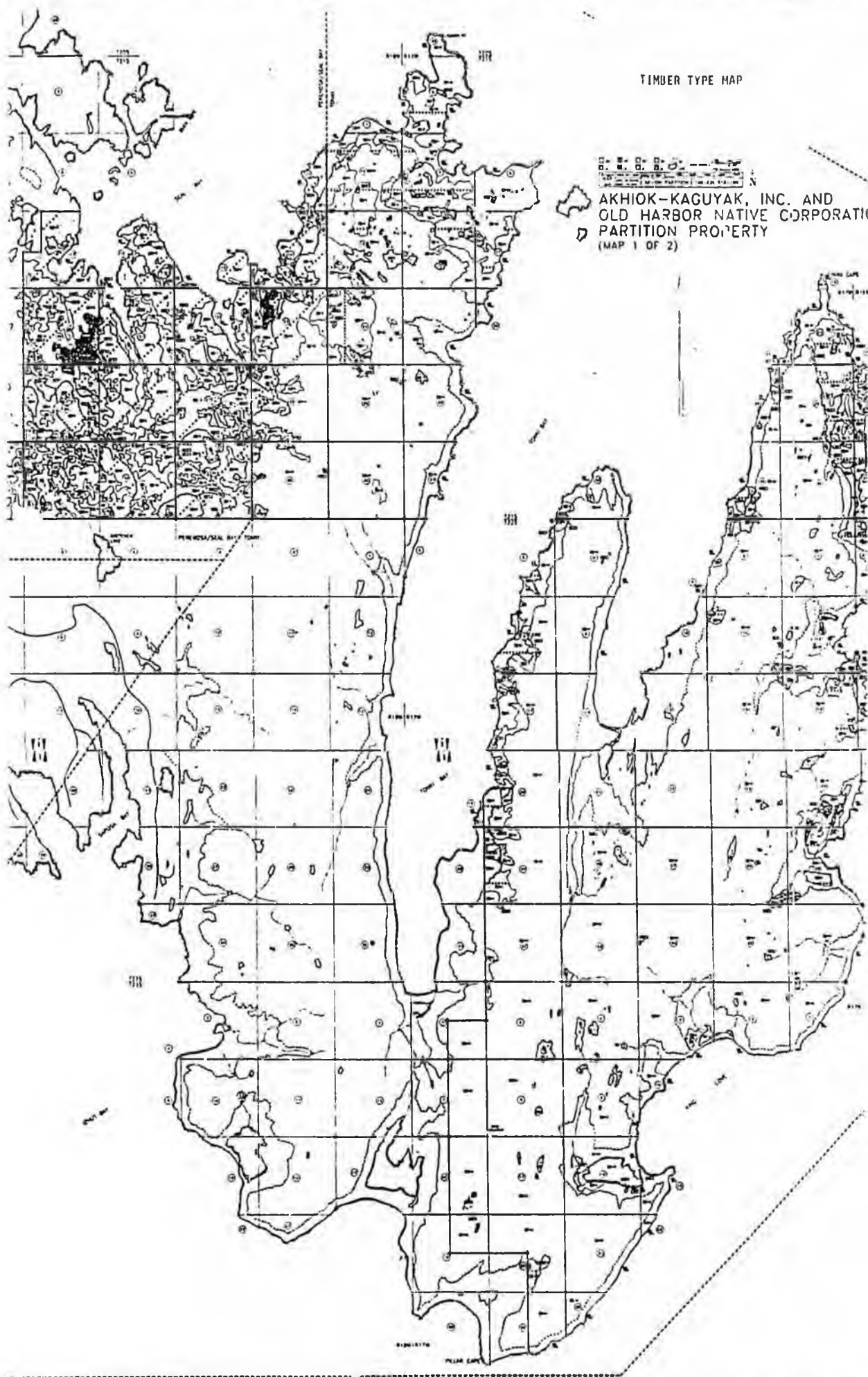




TIMBER TYPE MAP



AKHIOK-KAGUYAK, INC. AND
OLD HARBOR NATIVE CORPORATI
D PARTITION PROPERTY
(MAP 1 OF 2)



Addendum II
Timber Appraisal

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

August 4, 1993 Page 2

Spruce

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

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

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

on 1158 acres

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

Spp Code	Sort/Grade	UNIT TOTALS		PER ACRE DATA			AVERAGE LOG SIZE INFORMATION						VOLUME BY LOG LENGTH CLASS						
		Net Bdft	% of Logs	Net Bdft	Net Cubic	% of Logs	Scaling	DIB	Log Length	Net Bdft	Net Cubic	Total	Net	Scribner	on Unit				
SS	Spec. Mill	163644	538	141	39	0.5	16	17.5	99	12	30.3	40	351	96					
SS	No. 1 Saw	52450	179	45	12	0.2	19.0	99	16	25.0	44	337	87		13987	80423	69234		
SS	No. 2 Saw	12136892													20980	31470			
SS	No. 3 Saw	6870113	86661	5933	2365	74.8	06	8.0	99	12	36.8	44	92	37	26575	148958	1267194	10694174	
SS	No. 4 Saw	813327	31489	702	315	27.2	01	6.2	99	12	24.5	44	30	13	41918	107698	871316	5849191	
SS	Pulp	2173519	12290	1877	588	10.6	01	12.4	99	12	32.1	44	204	64	125181	311204	320995	55947	
SS	TOTALS:	22209842	183907	19179	6613	158.8		9.7			33.3		146	50	87417	171337	690929	1223836	
Scaled Volume		25556020	Cruise = 87% of volume scaled.																

ADDENDUM II
TABLE 1
Timber Inventory - Tonki Cape Unit

Type No.	Acres	Species	Volume							
			Net M b.f.	S.M.	No 1	No 2	No 3	No 4	pulp	SE%
5-H	298	Spruce	3,751	21	5	2,007	1,177	409	131	
5-L	1,083	Spruce	17,362	88	32	9,120	5,911	1,438	772	
6-H	183	Spruce	1,457	3		615	564	239	36	
6-L	678	Spruce	9,449	28		5,389	2,787	820	425	
Original Cruise (Adjusted) Cut Through 5/93	2,242	Spruce	32,018	139	38	17,131	10,440	2,905	1,364	3.0
Total -- Ownership	0	Spruce	0							
Remaining Cruise	2,242	Spruce	32,018	139	38	17,131	10,440	2,905	1,364	

ADDENDUM II

TABLE 2

Conversion Return - Tonki Cape Unit

Species	Sort	Volume		Market
		(M b.f.)	(%)	Price
				as of 3/93
Spruce	S.M.	139		975
	No 1	38		925
	No 2	17,131	56	775
	No 3	10,440	34	750
	No 4	2,905	9	450
	pulp			250
Total		30,654	100	737
Grand Total		30,654		737
Less marketing commissions (5%)				-37
				700

Harvest Costs	\$/M
Logging	280
Roads	180
Handling	20
Total	480

Conversion Return 220

Tonki Cape Unit

Scenario Summary Report

Estimate as of: May-93 Jan-93 Mar-93

Changing Cells:

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

Result Cells:

Log			
Value	902	482	737
Conversion			
Return	377	-22	220

Tonki Cape Unit

Scenario Summary Report

Estimate basis: Cust 92 Cust 90-92 Op 93 Op 92-93

Changing Cells:

log value	726	704		
-----------	-----	-----	--	--

Result Cells:

Conversion				
Return	210	189	285	3

Addendum III
Comparable Sales



Statewide Office of

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

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

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

REQUEST FOR PROPOSALS

**WHIPPLE CREEK 2 TIMBER SALE
KETCHIKAN, ALASKA**

GENERAL INFORMATION

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

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

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

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

GENERAL REQUIREMENTS

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

Whipple 2 RFP
Page 2

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

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

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

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

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

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

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

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

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

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

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

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

Whipple 2 RFP

Page 4

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

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

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

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

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

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

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

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

Whipple 2 RFP
Page 3

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

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

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

PROPOSAL DEPOSIT: Each proposal must include a proposal deposit in the amount of \$100,000.00 in the form of either a certified or cashier's check payable to the University of Alaska. This deposit will be returned to unsuccessful PROPOSERS but will be retained as liquidated damages, and not as a penalty, in the event the successful PROPOSER fails to execute an agreement with the University.

SECURITY AND PERFORMANCE DEPOSIT: Upon signing the Agreement, the successful PROPOSER must provide, in a form acceptable to the University, a negotiable security and performance deposit in the amount of \$500,000.00. This deposit will be returned upon complete compliance with the terms of the Agreement and road easements.

Whipple 2 RFP
Page 5

Whipple Creek is an anadromous fish stream below the sale area. This may require permits pursuant to Alaska Statute 16.

This is a scaled sale. Timber shall be scaled by an independent scaling bureau approved by the University. All merchantable trees are to be cut and maximum volume removed. All costs associated with this sale shall be paid by the successful PROPOSER.

PROPOSER will be required to repair and maintain the gate controlling access to the Property.

Successful PROPOSER will be required to execute an agreement with the University substantially similar to the one on file in the offices of the University of Alaska Statewide Office of Land Management.

**PROPOSERS ARE ADVISED TO INSPECT THE HIGH VOLUME AND
HIGH GRADE SPRUCE STAND ON THE WESTERN SLOPES OF THE
PROPERTY.**

Whipple 2 RFP

Page 7

The cruise is based on the following sort specifications:

HIGHGRADE

SM and better with highline #2 sawlogs

Minimum diameter	12 in
Minimum length	20 ft
Maximum defect	20 %
Rings/in (Spruce)	12 outer 1/3

J-SORT

#2 sawlog and better

Scattered knots	
Twist	2 in per foot
Minimum diameter	12 in
Minimum length	20 ft
Maximum defect	25 %

K-SORT

#3 sawlog and better

Some oversized knots if scattered	
Minimum diameter	6 in
Minimum length	13 ft
Maximum defect	25 %
(No rough tops)	

SHOP

Highgrade, high defect

Clear cutting equivalent to 1 quadrant

Minimum diameter	(Hemlock)	20 in
	(Spruce)	24 in
Minimum length		13 ft
Maximum defect		50 %

PULP

Minimum 50% chips

Minimum diameter	6 in
Minimum length	12 ft

INFORMATION LISTED HEREIN IS MADE AVAILABLE WITH THE UNDERSTANDING THAT VALUES AND VOLUMES SHOWN ARE NOT ESTIMATES OF A PROPOSER'S OWN RECOVERY OF SUCH VALUES AND VOLUMES. WILL NOT BE GUARANTEED AND WILL NOT BE MADE PART OF THE TIMBER SALE CONTRACT. THE VOLUMES AND VALUES OF THE TIMBER OFFERED FOR SALE ARE EXCLUSIVELY THE RESPONSIBILITY AND LIABILITY OF THE SUCCESSFUL PROPOSER.

EXCLUSION OF WARRANTIES: LIMITATION OF LIABILITY: THE UNIVERSITY MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO QUANTITY, QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE CONCERNING THE TIMBER OFFERED HEREIN FOR SALE. THE UNIVERSITY SHALL NOT BE LIABLE UNDER ANY CIRCUMSTANCES FOR ANY DAMAGES RELATING TO THE USE OF SUCH TIMBER OR FOR ANY SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES. FURTHERMORE, IN NO EVENT SHALL THE UNIVERSITY'S LIABILITY EXCEED THE AGGREGATE AMOUNT OF PAYMENTS ACTUALLY RECEIVED BY THE UNIVERSITY.

Whipple 2 RFP
Page 6

Following is a summary of the most recent cruise:

SPECIES	SORT	VOLUME (MBF)
<u>SPRUCE</u>		
	High Grade	1607
	J-Sort	3884
	K-Sort	2277
	Shop	260
	Saw Pulp	229
	Utility Pulp	313
	Subtotal	8570
<u>HEMLOCK</u>		
	High Grade	1115
	J-Sort	1947
	K-Sort	2808
	Shop	283
	Saw Pulp	370
	Utility Pulp	1240
	Subtotal	7763
<u>RED CEDAR</u>		
	Sawtimber	60
	Utility	5
	Subtotal	65
<u>YELLOW CEDAR</u>		
	Sawtimber	540
	Utility	150
	Subtotal	690
TOTAL		17,088

MEMORANDUM
DEPARTMENT OF NATURAL RESOURCES

State of Alaska
DIVISION OF LAND
762-2425

TO: Paul Fuhs
Office of the Governor

FROM: Dick Mylius
Land and Resources Section

DATE: March 26, 1992

SUBJECT: Kachemak Bay Appraisals

This memo responds to your request for background on the values of Seldovia Native Association's (SNA) inholdings within Kachemak Bay State Park. From 1988 to 1990, I served as the department's lead staff for a land exchange to acquire this land. The current land and timber values evolved through the exchange process.

For fifteen years DNR worked on various land exchange proposals to acquire SNA's 24,000 acres of inholdings within Kachemak Bay State Park. The land was state owned when the park was established in 1970, but then it was acquired by SNA under the Alaska Native Claims Settlement Act. In 1987, the timber on a portion of SNA's land was sold to Timber Trading Company (TTC), a subsidiary of Koncor Forest Products.

From October 1988 until March 1990, DNR, SNA, and TTC were involved in developing a land exchange. DNR was working towards separate exchanges with SNA for the land and TTC for the timber rights. Efforts to develop a final exchange agreement were slowed because of significant disagreements over the appraised value of the land and public opposition to some of the land and timber parcels proposed for exchange.

An appraiser hired by SNA arrived at two different values of SNA's land (excluding commercial timber) in the park - \$ 22.7 million and \$25.6 million. DNR disagreed with both appraisals because the appraiser used only parklands as comparable properties to set the value of SNA land and made few adjustments to the comparables used in the appraisals. DNR contracted for an independent appraisal that valued the land (also excluding commercial timber) at \$12 million, which SNA disagreed with.

In February, DNR established an appraisal review panel to render their opinion of the value of SNA's land. The panel concluded that the value of SNA's land, with the timber still in place, is \$17.82 million. Assuming that the timber was cut on a portion of the land, the panel arrived at values for SNA's land that ranged from \$11.6 to \$15.49 million. A separate re-appraisal of the timber, agreed to by DNR and TTC, valued the timber at \$ 6.4 million.

The \$22 million value that is included in current legislation is a negotiated value that is based

Appraisals of Seldovia Native Association's Inholdings in Kachemak Bay State Park

LAND APPRAISALS

Land Appraisals Prepared for Seldovia Native Association (SNA):

September 1989 appraisal of 19,367 acres prepared by Mundy-Day-Bunn: \$25,170,000
September 1989 appraisal of 4,435 acres of cut-over timber land prepared by Mundy-Day-Bunn: \$443,500
November 1989 supplemental appraisal of 19,367 acres prepared by Mundy-Day-Bunn: \$22,277,050

Land Appraisal Prepared for Department of Natural Resources:

December 26, 1989 appraisal of entire SNA parcel prepared by Follett and Associates: \$11,950,000 - \$12,575,000 depending on assumptions regarding the impacts of timber harvest. This appraisal included information that 1,269 acres in residential quality lands was valued at \$3,213,500.

Land Appraisal Arbitration Report

February 16, 1990 letter containing appraisal review panel report on SNA land by Charles Horan, David Derry and John Dillman: \$17,820,000 for entire parcel -- \$11,620,000 to \$15,490,000 with timber cut.

TIMBER APPRAISALS

Timber Cruise Prepared for Timber Trading Company and Department of Natural Resources

May 1989 Kachemak Bay Timber Cruise prepared by Kerr and Associates 48 million board feet - commercially viable

Timber Cruise Prepared for Timber Trading Company (TTC)

June 30, 1989 Kachemak Bay Fair Market Valuation by Cronk and Holmes: \$7,422,855
December 1, 1989 letter to TTC with revisions to timber valuation: \$10,632,231

Timber Appraisal Prepared for Department of Natural Resources

March 12, 1990 Timber Appraisal by Cascade Appraisals: \$5,875,000

Timber Mediation Letter

March 21, 1990 letter from Al Cronk and Ray Granvall: \$6,400,000

on the land and timber appraisals and an estimated value of the surface resources. The \$22 million includes \$15.49 million for SNA's land, \$4.51 million for Timber Trading Company (TTC) timber, and \$2 million for Cook Inlet Region, Inc. (CIRI) subsurface. These values were arrived at as follows:

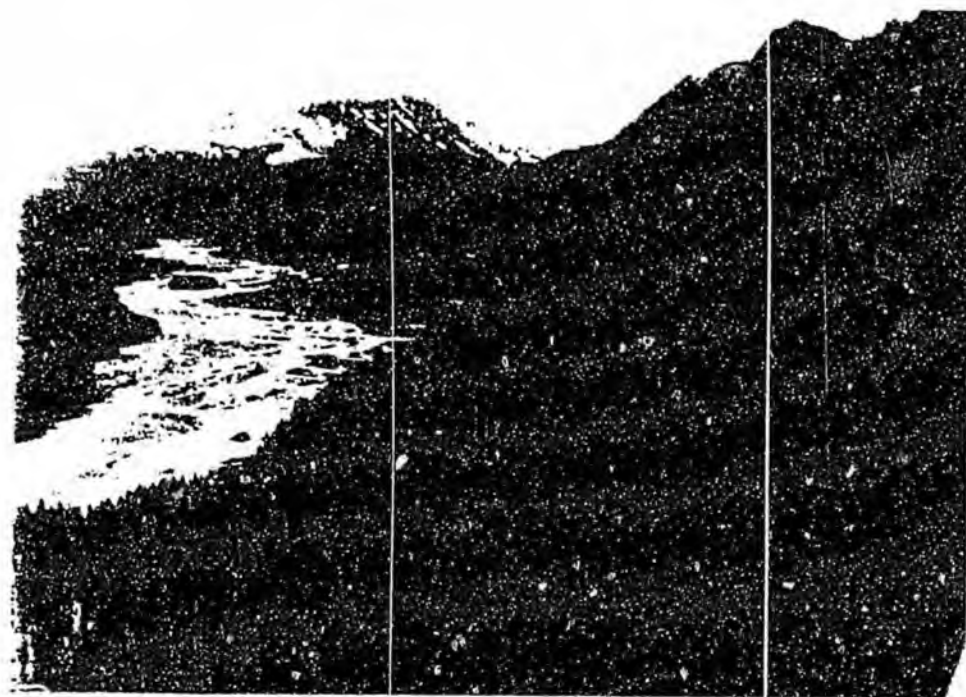
\$15.49 million - the value of the land determined by the appraisal arbitration panel, assuming that a portion (4432 acres) of SNA's land was logged, but the remainder was in its pristine condition (that is, not adjacent to logged off land). This is the lowest amount that SNA would agree to as the cash value for their land.

\$4.51 million - is a negotiated value for commercial timber based on discounting the appraised value of the timber (\$6.4 million) to its net present value. Net present value is today's value of the \$6.4 million, recognizing that it will take several years for TTC to actually harvest and receive full payment for its timber. \$6.4 million is the value of TTC's timber reached through agreement by DNR's and TTC's appraisers. DNR's appraiser valued the timber at \$5.9 million, while TTC's appraised values ranged from \$7.4 million to \$10.6 million.

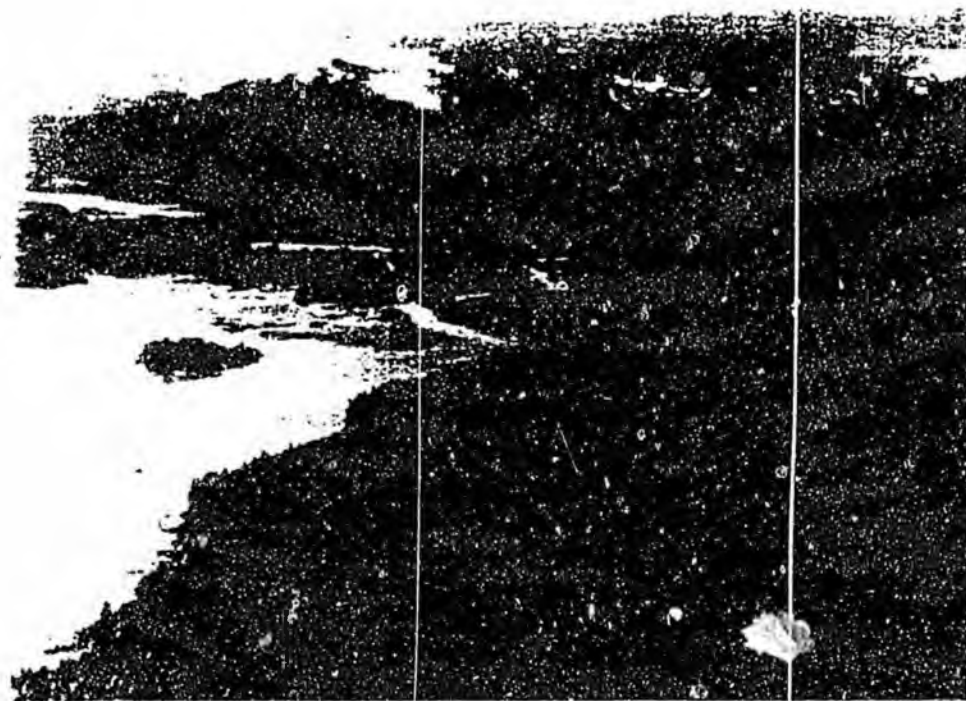
\$2 million - is a value for subsurface resources owned by Cook Inlet Region, Inc. (CIRI). There is no appraisal of the subsurface because CIRI was not involved in the land exchange process. The legislature added acquisition of the CIRI subsurface to the package, and the value was arrived at through negotiations between CIRI, DNR, and several legislators. The primary subsurface resource is gravel.

The attached summary of land appraisals shows numerous values for the land. As you can see, the land exchange process resulted in a wide variety of potential values.

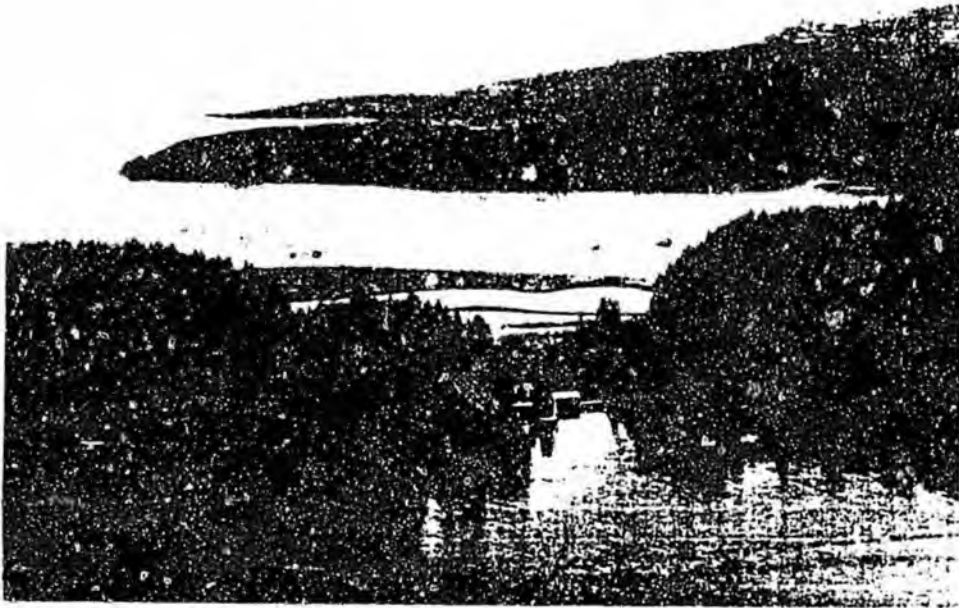
cc: Harold C. Heinze, Commissioner
Ron Swanson, Director, Division of Land
Janet Burleson, DNR, Southeast Regional Office



Block B. China Poot Mud Flats



Block B, China Poot Bay



Block C, Peterson Point



Barbara Heights Subdivision

Comparable Photograph
Comparable LRG-009



VACANT LAND

COMPARABLE NO. 2

LOCATION: Chilkoot River Valley about 9 miles north of Lukat Road north of Chilkoot Lake by 4 1/2 miles, Haines, Alaska

LEGAL DESCRIPTION: USS 6989, Haines, AK See Attached Deed

RECORDING INSTRUMENT: BOOK: PAGE:

GRANTOR: Bob Lee Cox GRANTEE: ~~NA~~ English & Austin \$90,000

DATE: 11/25/91 Listed April 1988, has exp. 8-90, for sale by owner. ~~ASKING PRICE: \$120,000~~ May negotiate down, if terms right

TERMS: Negotiable, would prefer cash

PROPERTY DESCRIPTION: ZONE: UTILITIES: WATER: River SEWER: No POWER: No TELEPHONE: NO SIZE: 160 Acres FRONTAGE: Nearly 3000' on river ACCESS: Road without easement on Chilkoot River, 9 mi. to State rd. TOPO/VEG/SOIL: River bottom, grass marsh, light timber of unknown commercial value. It was logged several years ago. Land had been partially farmed as a homestead.

PRESENT USE: Old homestead, deteriorating cabin with snow caved roof. Log structures partially built. No value for log structures. Property borders Bald Eagle Preserve

INTENDED USE: Possible lodge site, or recreation/resort site

CONFIRMED WITH: Barbara Craig Realtor DATE: 4/6/89 BY: C. Horan Mrs. JoeAnn Cox 8/23/90 C. Horan

REMARKS: In April of 1989 a tentative offer to buy for \$110,000 was never completed. According to local sources the property could sell for as low as \$100,000. According to Mrs. Cox, the asking price is still \$120,000 but seller would consider offers.

ANALYSIS: @ \$120,000 = \$750/acre; @ \$100,000 = \$625/acre



13 2110 05-6787



TransAlaska Title

391-619
FILED FOR RECORD AT REQUEST OF
TransAlaska Title Insurance Agency, Inc.

GRANTOR'S MAILING ADDRESS:
BOBBY LEE COX
Box 123
Haines, Alaska 99827
GRANTEE'S MAILING ADDRESS:
JOSEPH E. ENGLISH, III and NOAH G. AUSTIN
2497 N. Beachwood Drive
Hollywood, California 90068

BOOK 21 PAGE 204

THIS SPACE PROVIDED FOR
RECORDER'S USE:

9 1-0 453

1500
RECORDED - FILED
HAINES REC.
DISTRICT
Dec 15 9 42 AM '91
REQUESTED BY TT
ADDRESS _____



STATUTORY WARRANTY DEED

THE GRANTOR **BOBBY LEE COX and JOANNE J. COX**, husband and wife as tenants by the entirety for and in consideration of Ten dollars and other consideration

in hand paid, conveys and warrants to **JOSEPH E. ENGLISH, III and NOAH G. AUSTIN**, each a single person

the following described real estate situated in the _____ Range _____ Recording District, _____ First Judicial District, State of Alaska:

U.S. Survey 6989, Haines Recording District, First Judicial District, State of Alaska.

Subject to patent reservation, conditions, restrictions, encumbrances and taxes of record, if any.

S.P. 70.000 P.M.
DAN WATSON

Dated .. November 25
Bobby Lee Cox
BOBBY LEE COX

Joanne J. Cox
JOANNE J. COX

STATE OF ALASKA
Haines RECORDING DISTRICT 55.
First JUDICIAL DISTRICT

(On this day personally appeared before me **BOBBY LEE COX & JOANNE J. COX** to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.



Witnessed under my hand and official seal this 25 day of November, 1991
Dan Watson
Notary Public in and for the State of Alaska
My commission expires: 6-16-93

STATE OF ALASKA
RECORDING DISTRICT 55.
JUDICIAL DISTRICT

On this _____ day of _____, 19____, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared _____ and _____ to me known to be the _____ President and _____ Secretary, respectively, of _____ the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that _____ authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

Witness my hand and official seal hereto affixed the day and year first above written.

Notary Public in and for the State of Alaska
My commission expires: _____

COMPARABLE ACREAGE LAND SALE NO. 3

LOCATION: Salonie Creek Rifle Range area, Kodiak, Alaska

LEGAL DESCRIPTION: Lot 9, U.S. Survey 2539

GRANTOR: Leisnoi Native Corporation

GRANTEE: Kodiak Island Borough

RECORD NUMBER: 6

DATE OF SALE: 10-91

RECORDING DATE: Unknown

INSTRUMENT: Offering

BOOK/PAGE: 112/635

SALES PRICE: \$537,500

TOTAL ASSESSMENTS: None

TERMS: Cash

CE/ADJ. PRICE: \$537,500

AREA (ACRE): 660.00

PRICE/ACRE: \$814

PRESENT USE: Rifle range

ANTICIPATED USE: Rifle range

SOILS: Good

FLOOD ZONE: Unknown

WATERFRONT: Stream

ELECTRIC/PHONE: Yes

TOPOGRAPHY: Level to hilly

PUBLIC SEWER: No

ROAD IMPROVEMENTS: Gravel

PUBLIC WATER: No

ROAD ACCESS: Gravel

NATURAL GAS: No

SITE SHAPE: Rectangular

EASEMENTS: Normal

ROAD GRADE: At grade

ZONING: RR, Rural Residential

CONFIRMED WITH: Bud Cassidy, Kodiak Island Borough and
Mike Pagano, Leisnoi Native Corporation

BY/DATE: TRD/6-91 and 11-91
SDD/5-92
TRD/5-92

PROPERTY DESCRIPTION:

This is a large rectangular shaped tract of land encompassing two hillside/mountain areas and river valley containing Salonie Creek. The river valley area tends to be low and wet, and the mountain area has little organic overburden and substantial rock outcroppings. The intent of the purchase by Kodiak Island Borough is to make use of an old existing military rifle range located near the center of the parcel. The sales price is to include Kodiak, Inc.'s subsurface rights.

ST. PAUL HARBOR

Comparable Sale No. 3

VICINITY DIAGRAM

R. D.
M.
2

T. 27 S., R. 20 W., S.M.
TR. 37

U.S.S. 3945

U.S.S. 2537 B
TR. A

U.S.S. 1673

ST. PAUL HARBOR
CHINIAK BAY

U.S.S. 1464

U.S.S. 444
TR. N

U.S.S. 444
TR. I

WOMENS BAY

MIDDLE BAY

U.S. SURVEY No. 2539

U.S.

0

SALONIE CREEK



KIBS178815

K

VACANT LAND

COMPARABLE NO. 4

ADDRESS: Johnson Creek Above Burners Bay, 60± miles north of downtown Juneau

LEGAL DESCRIPTION: US Mineral Surveys 261, 264, 265, 266, and 578 within sections 10, 11, 14, and 15, T35S, R62E, CRM

RECORDING INSTRUMENT: BOOK: PAGE:

GRANTOR: University of Alaska GRANTEE: Hyak Mining Co.
SALES DATE: 5/22/91 PRICE: \$125,000
TERMS: 10% down, DOT \$112,500, 10% interest, 60 quarters

PROPERTY RIGHTS: Surface only

PROPERTY DESCRIPTION: ZONE: None

UTILITIES: None
SIZE: 229.06 Acres reported, 247.85 estimated by seller
ACCESS: Logging road on site; not touching shore. Buyer extended road to shore.
TOPO/VEG/SOIL: Some rocky hillsides, timber and creek bottom land, varies in soil and topography.

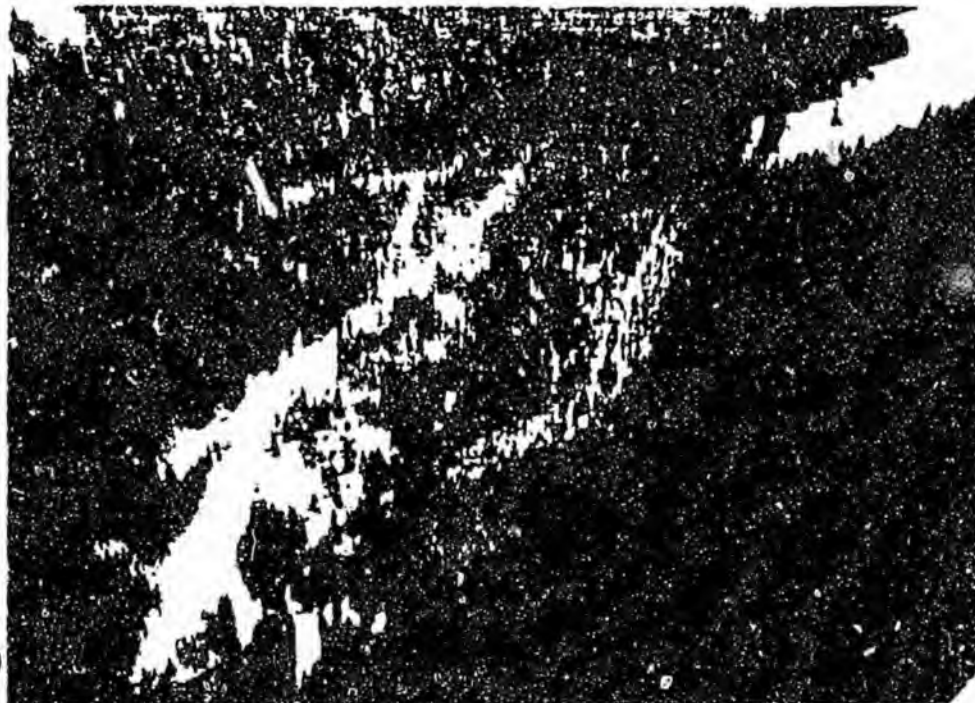
PRESENT USE: Was an underground mine site, purchased by subsurface land owner.

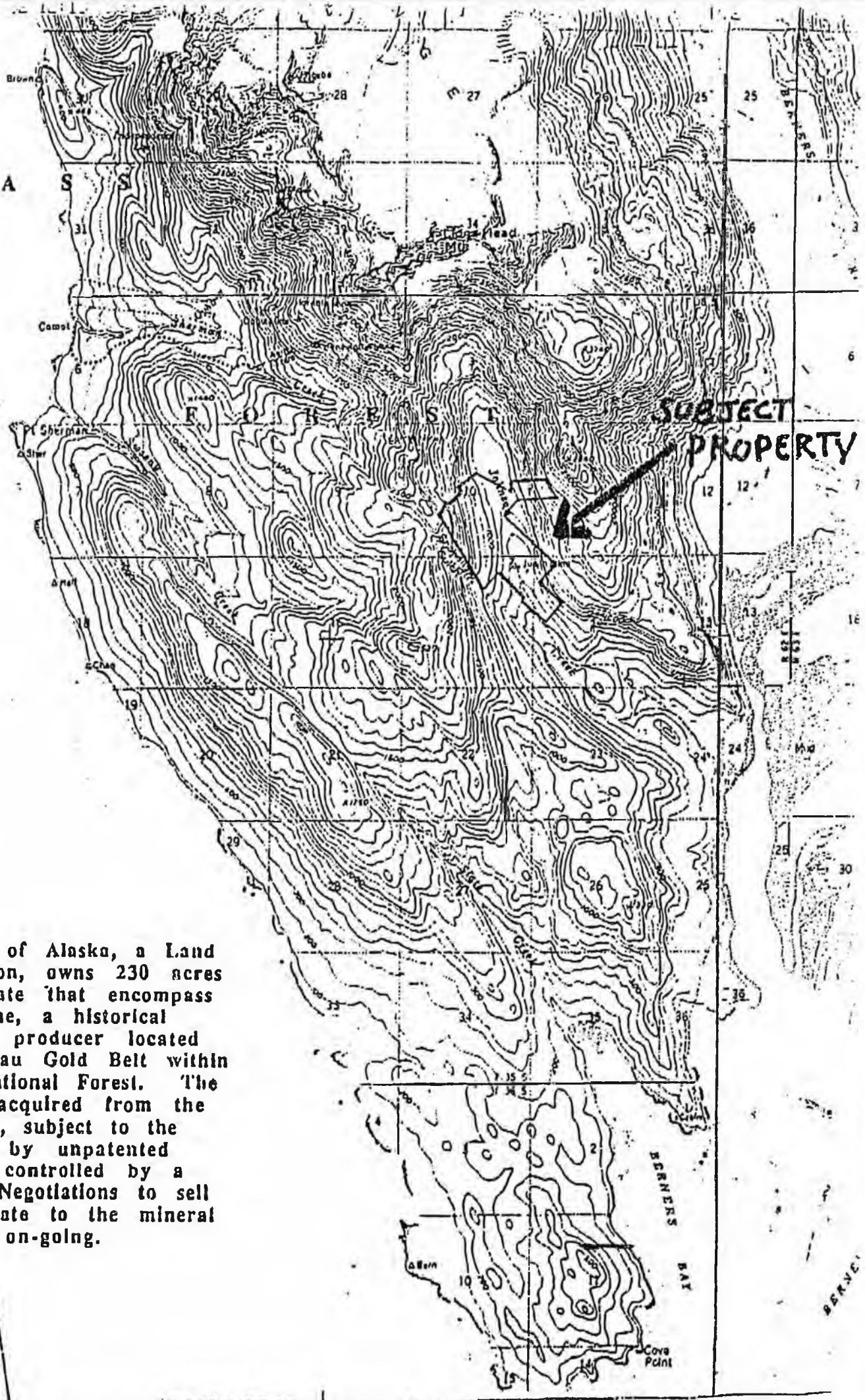
INTENDED USE: Develop surface support for industrial mine, shops, roads, etc. on surface.

CONFIRMED WITH: Gene Whiting, Broker DATE: 9/11/91 BY: C Horan
Univ of AK, Mary Montgomery 9/1/92 BY: K Wiers

ANALYSIS: \$545.71/Acre @ 229.06 acres; or \$504.34 @ 247.85 acres

NEGOTIATIONS & MOTIVATION: Apparently the buyer and seller had negotiated this price over a long period of time and both felt it was an arms length transaction. The buyer was operating mine under the subject and nearby adjacent properties and wanted to purchase to develop surface support facilities. The seller had no other immediate buyer prospects and wanted to limit the liability. Both properties felt it was a clear up of a nuisance situation.





The University of Alaska, a Land Grant Institution, owns 230 acres of surface estate that encompass the Jualin Mine, a historical hardrock gold producer located along the Juneau Gold Belt within the Tongass National Forest. The property was acquired from the State of Alaska, subject to the interests held by unpatented mining claims controlled by a third party. Negotiations to sell the surface estate to the mineral tenant are on-going.

LARGE LAND SALE

COMPARABLE NO. 5

LOCATION: Northeasterly shore of Copper Harbor off Hetta Inlet, Prince of Wales Island, 20 miles southeast of Craig, Alaska.

LEGAL DESCRIPTION: USMS 419A and portions of USMS 419B, USMS 1023 within Sections 3, 4, 5, 8 and 9, T77S, R58E, CRM, Ketchikan Recording District.

RECORDING INSTRUMENT: QCD BOOK: 197 PAGE: 659

GRANTOR: Key Bank of Alaska GRANTEE: Southcentral Timber Development, Inc.
Dan Mock 564-0446 Joe Henry 279-1493

SALES DATE: 12/31/91 PRICE: \$800,000

TERMS: Mostly financed with extra collateral. Note to be paid off out of logging operations within one year.

PROPERTY DESCRIPTION: This is a remote parcel, not within any zoning or municipal taxing jurisdiction. There are no public utilities available to the site. Access to the site is by water or float plane or helicopter only. The site is very irregular, having about 1,410' of salt water frontage on copper harbor. The combined 23 mining claims stretch up to the highest parts of the mountain laying against the steep mountain, rising in a northward direction, extending approximately 6,000', having a width of 3,000' rising in elevations to nearly 3,500'. It contains 340.7 acres. Two creeks run through the site. Approximately 15 acres are fairly level and cleared near the beach. There is a relatively well protected anchorage in Copper Harbor. Vegetation is mostly old growth hemlock, spruce and cedar. Merchantable timber volumes have been estimated as high at 8 to 10 MMBF and as low as 5 MMBF. Seller felt most likely volume was between 5 and 7 MMBF. Buyer would not comment on volume.

PRESENT USE: Prior owner, T. Ferguson Construction of Anchorage, had been foreclosed on by Key Bank. The property had been purchased in 12/84 for \$370,000 with allocation of timber value of \$125,000. Property was eventually foreclosed on. Prior owner had an idea of developing some hydro-electric potential on the site with a possibility of a lodge/resort.

INTENDED USE: The buyer presently logging the site. There was no formal stumpage value estimate or detailed logging program developed at time of purchase. The purchasers obtained Sullivan Logging Company to do the logging and Charlie Nash is on-site consultant. Buyer tried to sell stumpage but could not find a purchaser, perhaps due to high asking price.

BUYER MOTIVATION: The buyer had five or six different ideas of what type of development could occur on the site. He felt at the time of purchase that the timber had to pay the entire price with no particular residual to the cut over land or sub-surface mineral estate. Buyer was vague on timber values or stumpage estimates. His subjective analysis was that there was enough margin on his estimate of timber sales price beyond the purchase price to make it work. He also pointed out that this appeared to be his only investment idea with the relative risk at the time. A realtor had listed the site a year or so prior to the sale for in excess of \$1.5 million. There were several offers and inquiries between \$1.0 and \$1.2 million but the seller (Ferguson) never accepted or fully executed any of these offers. The property then went into foreclosure, the lender/owner (Key Bank) tries to market it for \$1.2 Million and was eventually resold.

CONFIRMATION: Realtor, Leif Stanford

DATE: 11/5/92

BY: C. Horan

PRICING: Key Bank, Dan Mock

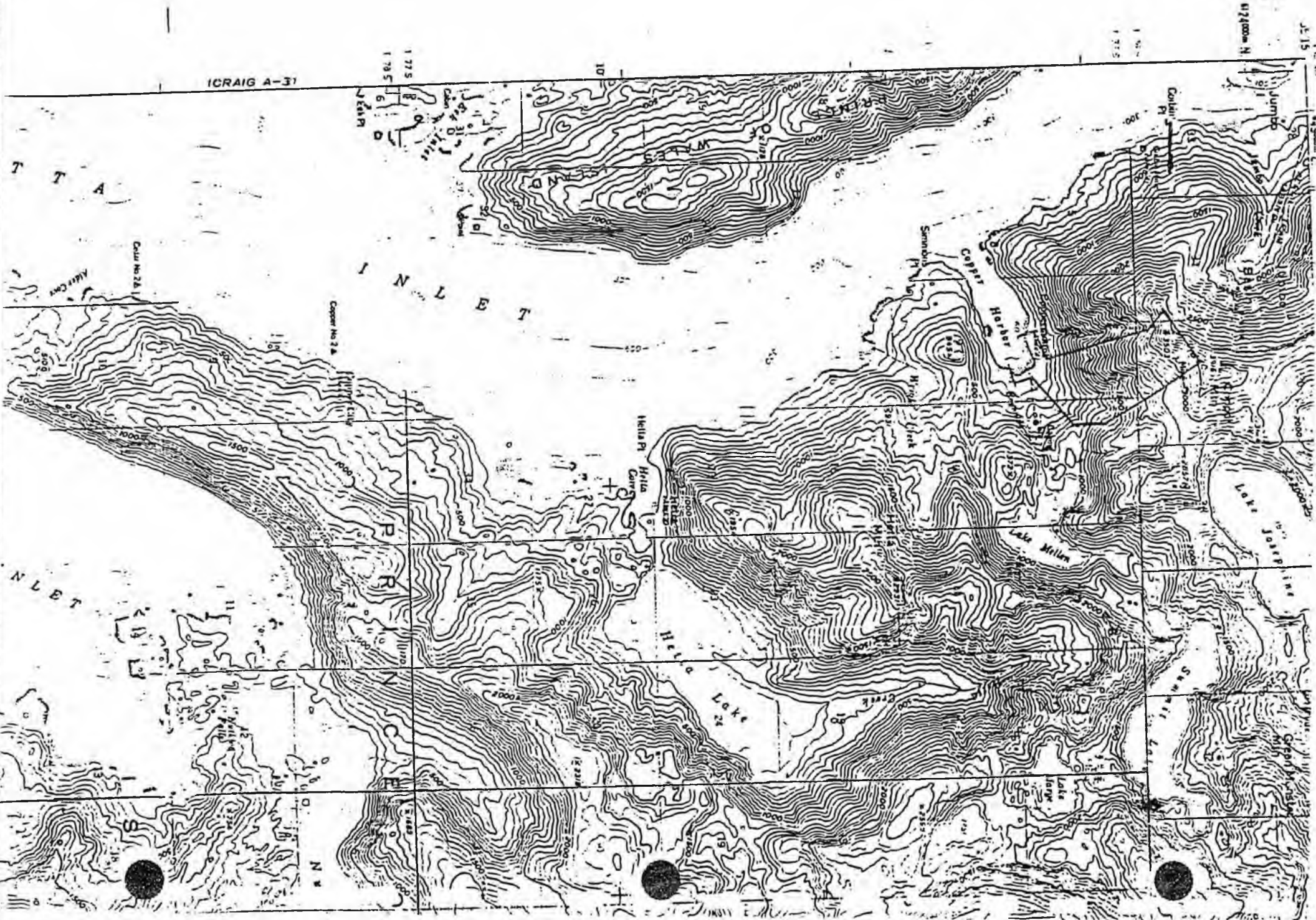
DATE: 11/17/92

BY: C. Horan

BUYER MOTIVATION: Joe Henry

DATE: 11/12/92

BY: C. Horan



Comparable Sale Number 6 Obtained from Norman Lee

COMP. # LT-1 TYPE: Vacant Land KL93-18

LOCATION: Six remote tracts within 8 miles north, south and east of Anchor Point on the Kenai Peninsula

LEGAL DESCRIPTION: See attached - within T3S - T5S, R14W, SM

PRICE: \$450,000 ZONING: None

CASH EQUIV: \$500,000⁽¹⁾ H&B USE: Recreational

DATE: 8/3/90 ACCESS: Generally no access
Does have access

INSTR: Deed (closed) SIZE: 222 paper plat
10 acre lots

TERMS: \$50,000 down, AREA: 2,220 acres
DT \$400,000 at 10% for 30 years
Buyer/broker put in 10% commission

GRANTOR: Security National Trust (SNT)

GRANTEE: Charles Holman, Jr. (40%), & Clyde Moser (60%) et al

VERIFIED: Chuck Holman by S. McSwain and closing statement;
(EGF-4/93)

PROPERTY DETAILS: The property is in six subdivisions, subdivided into 222 paper plat undeveloped 10-acre tracts; seller paid all closing costs. These "Paper Plat" lots can be sold individually "as is" without physical access, since they were platted prior to newer subdivision regulations. The tracts are typically located } to 3 miles from existing roads or the Sterling Highway, with section line easements for future road access. The Inlet View Tract (200 Ac.) has gravel road access, east one mile from the Highway. This is a popular recreation area with good hunting in the fall and snow machining in the winter. Vegetation ranges from low bog plants in the wet peat areas (40%) to good gravel soils on the higher ground (60%) with birch and spruce trees. There are no lakes, ponds nor fishable creeks located on the property.

ANALYSIS: \$500,000 ÷ 2,220 acres = \$225/acre

(1) The closing document indicates the property sold for \$450,000 and the seller did not pay a commission. The buyer (Moser) was also the broker, and he in effect used his commission as part of the down payment. Thus, the purchase price was effectively \$500,000 with \$100,000 down.

Note:

There was a March, 1990 Liquidation Sale from First National Bank of Anchorage to Security National Trust for \$250,000.

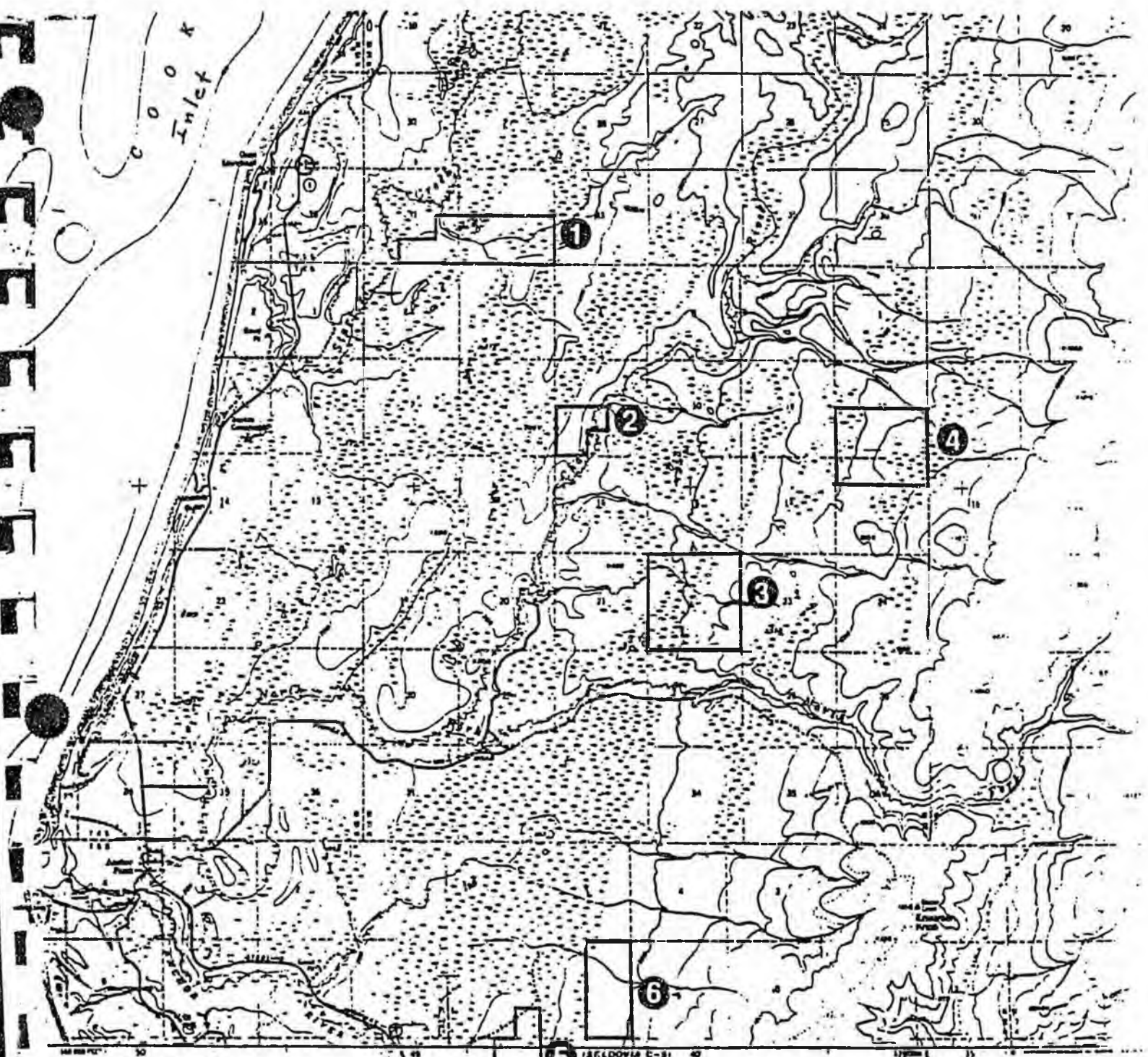
Comparable Sale Number 6

Comp. # LT-1, Vacant Land - Anchor Point, #KL93-18 continued

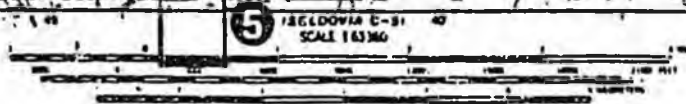
LEGAL DESCRIPTION:

1. Tr 1-46 Stariski Creek Acres #2 (460 acres)
Section 31 & 32, T3S R14W, S.M.
2. Tr 1-8 & 11-14 Chakok Acres (120 acres)
Section 9, T4S, R14W, S.M.
3. Tr 1-64 Terrace View (640 acres), Sec. 22, T4S, R14W, S.M.
4. Tr 1-48 High Line Acres (480 acres), Sections 12, 13,
T4S, R14W, S.M.
5. Tr 1-20 Inlet View (200 acres, Sec. 7 & 18, T5S, R14W, S.M.
6. Tr 1-32 Salmon Heights (320 acres), Sec. 8, T5S, R14W, S.M.

FOR SALE



Jointly edited and published by the Geological Survey
 and the USACE
 A photographic reproduction of a map prepared in 1951. This map has been checked
 against data obtained from USACE's charts
 issued in 1951 and 1954 at 1:200,000 scale. 1958.
 Information is not intended for navigation purposes.
 This is a reproduction of a 1927 North American datum
 U.S. map grid based on the 1927 datum. This is
 a reproduction of the original map.
 A separate publication and printed in 1951
 by the Bureau of Land Management
 Second Edition
 It is a reproduction of the original map
 or has been reproduced from a photographic



CENTROID INTERVAL, 100 FEET
 DATUM - MEAN SEA LEVEL
 EARTH SURFACE IN FEET, BASED ON MEAN LOW WATER
 CONTOUR INTERVAL, 100 FEET, UNLESS OTHERWISE NOTED
 AND SCALE OF 1:250,000 (1:250,000)



FOR SALE BY U. S. GEOLOGICAL SURVEY
 FAIRBANKS, ALASKA 99701, DENVER, COLORADO 80225, OR WASHINGTON, D. C. 20242
 A FOLDER DESCRIBING TOPOGRAPHIC MAPS AND SYMBOLS IS AVAILABLE ON REQUEST

Comparable LT-1
 also LT-4

VACANT LAND

COMPARABLE NO. 7

LOCATION: Approx. 7 miles north of Lutak Highway on Cox Homestead trail/road about 1 mile north of Chilkoot Lake, Haines

LEGAL DESCRIPTION: USS 7314, Haines, AK

RECORDING INSTRUMENT: NA BOOK: PAGE:

GRANTOR: Erma Reeves

GRANTEE: Chris & Dan Turner; Heathe & Claire Eversmeyer; Robert & Karen Day

SALES DATE: EM 7/1/90; Scheduled to close with probate of estate 12/15/90

PRICE: \$80,000 (\$5,000 allocated to bldg, \$75,000 to land)

TERMS: \$18,000 down, 10%, 10 year on balance

PROPERTY DESCRIPTION:

UTILITIES: None public; They must be developed on site

SIZE: 160 acres FRONTAGE: NE corner touches river

ACCESS: Over dirt logging road without easement

TOPO/VEG/SOIL: Slopes, has been logged, located in Bald Eagle Preserve

PRESENT USE: 30' x 40' cabit with loft built in 1970. Significant rot at time of purchase, Buyer assign maximum value of \$5,000.

INTENDED USE: Future development as possible lodge

CONFIRMED WITH: Dan Turner DATE: 7/31/90 BY: C. Horan

ANALYSIS: \$75,000 land; \$468.75 Acre



VACANT LAND

COMPARABLE NO. 8

ADDRESS: Edna Bay on Kosciuko Island, West of Prince of Wales Island, 60 miles west of Wrangell, Alaska
LEGAL DESCRIPTION: Within Section 28, 29 and 33, T68S, R 76E, CRM, Ketchikan Recording District, First Judicial District, State of Alaska
RECORDING INSTRUMENT: WD BOOK: 169 PAGE: 650-657
GRANTOR: Alcoa Aluminum
GRANTEE: William (Skip) Ritcher, WAP 7917, Flying Tiger Rats Mountain or Craig Marine Operator
SALES DATE: 07/21/89 PRICE: \$400,000
TERMS: Cash to seller; buyers financing unknown.

PROPERTY DESCRIPTION: Varied most 20% +/- slope, approx. 25% high ridge with 50% + slope vegetation hemlock and spruce. According to the buyer, there was about 130 acres of harvestable land, about 360 acres of land that was logged in 1966, about a 20 acre lake. The timber mix is about 22% spruce, 77% hemlock, 1% cedar. No public on site utilities.

FRONTAGE/VIEW: 3,520' Edna Bay
ACCESS: Boat and float plane, island logging roads estimated at 4 to 8 miles through the site.

PRESENT USE: Old abandoned limestone quarry, overgrown, some squatter cabins may be on site. Land had been listed in 1986 for \$550,000. Price dropped to \$450,000 in March of 1987.

INTENDED USE: The purchaser intended to log the timber lands had unspecific future development plans for the remainder. He supposes that it could be used for home sites. It was important to the purchaser that there was waterfront for deep water access with possible shipping potential. Other potential uses include reinvestigating the limestone quarry potential as the sites were originally patent. The site was also important because it represented a large contiguous ownership in an area where these types of large pieces are extremely rare.

BUYER MOTIVATION

The buyer felt there was about 2 MMBF of merchantable timber. After logging about 800 MBF he felt there was only about 200,000 left to log. The project ran in to cost overruns and the expectations of a return on logging was not achieved. Originally, he had estimated that the logging should have netted the value of the land with no increment of value cutover land, sub-surface or mineral value.

CONFIRMED

PRICE AT \$450,000: Capital Realty, Bev Davis DATE: 9/5/91 BY: C. Horan INVESTORS
MOTIVE: Skip Ritcher DATE: 9/7/91 BY: C. Horan
PRICE AT \$400,000: Broker & Buyer via Marty McDowell of DOT
DATE: 11/3/92 BY: C. Horan
PRICE: Linda at Capital Investments DATE: 5/19/92 BY: KLFW

ANALYSIS: \$400,000 + 512 Acres = \$781.25/Acre

THE
FOLLOWING
DOCUMENTS
ARE
POOR
ORIGINAL
COPIES

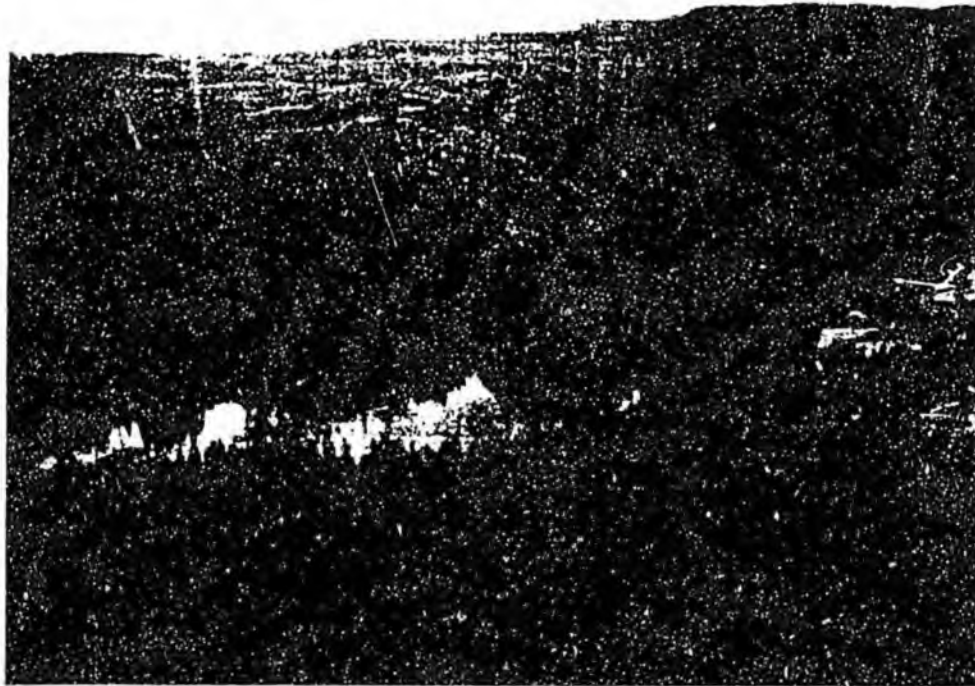
Comparable Photographs
Comparable MV2-066

Sale No. 8



Sale No. 8

Comparable Photographs
Comparable MV2-066



LARGE LAND SALE

COMPARABLE NO. 9

LOCATION: Wadleigh Island, approximately 1.5 miles west of Klawock, Alaska

LEGAL DESCRIPTION: This site is an assemblage of 33 patented mining claims within T72S, R80E, CRM, Sections 33 and 34; and T73S, R80E, CRM, Sections 5, 6, 7 and 8, totaling 623.427 acres, and more particularly described in Book of Deeds 171, Pages 261, Ketchikan Recording District, First Judicial Districts, State of Alaska.

RECORDING INSTRUMENT: Mining Deed BOOK: 171 PAGE: 257-262

GRANTOR: USX Corporation of Delaware GRANTEE: Robert Reed & Mike Blair dba
B & M Logging of Estacada,
Oregon

SALES DATE: July 18, 1989 PRICE: \$1,000,000

TERMS: Unspecified down payment, a minimum \$50,000 deposit was paid. Balance paid out of logging royalty within 2.3 years. In our understanding of the transaction, the terms approximate cash.

PROPERTY DESCRIPTION: The site consist of contiguous mining claims which comprise a large portion of Wadleigh Island, consisting of 623.427 acres. There is an estimated 7,000' of salt water frontage. The topography is moderate to undulating with elevations generally below 500' down to water level. There are several drainages and draws on the site. The site has thin organic soil, typical for the region, and supports a heavy growth of timber. The site is remote and has no utilities. The site is not within a municipal boundary and there are no zoning designations or tax assessments on the property. Merchantable timber quantity estimates ranged from 10.7 MMBF to 22 MMBF. Estimated 75% hemlock, 24% spruce and 1% cedar. The sale held out 2% gross revenue FOB site from limestone quarrying.

PRESENT USE: This site was originally patented as mining claims. It was reported while in USX's ownership, assaying had been done to identify its limestone quarrying potential.

INTENDED USE: Purchasers were motivated by its timber potential and had at least two offers to sell stumpage when the sale took place. The stumpage was sold for \$1,000,000 to Murphy Timber on September 29, 1989, Book 171, Page 266. Buyers felt there was about 12 to 15 MMBF of exportable timber on the site at time of sale.

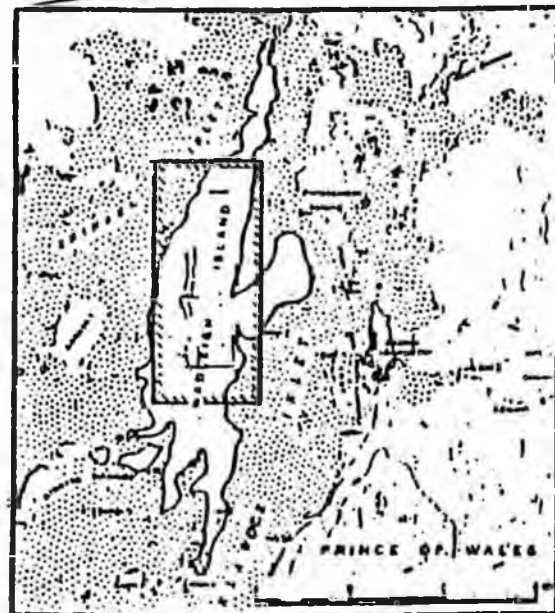
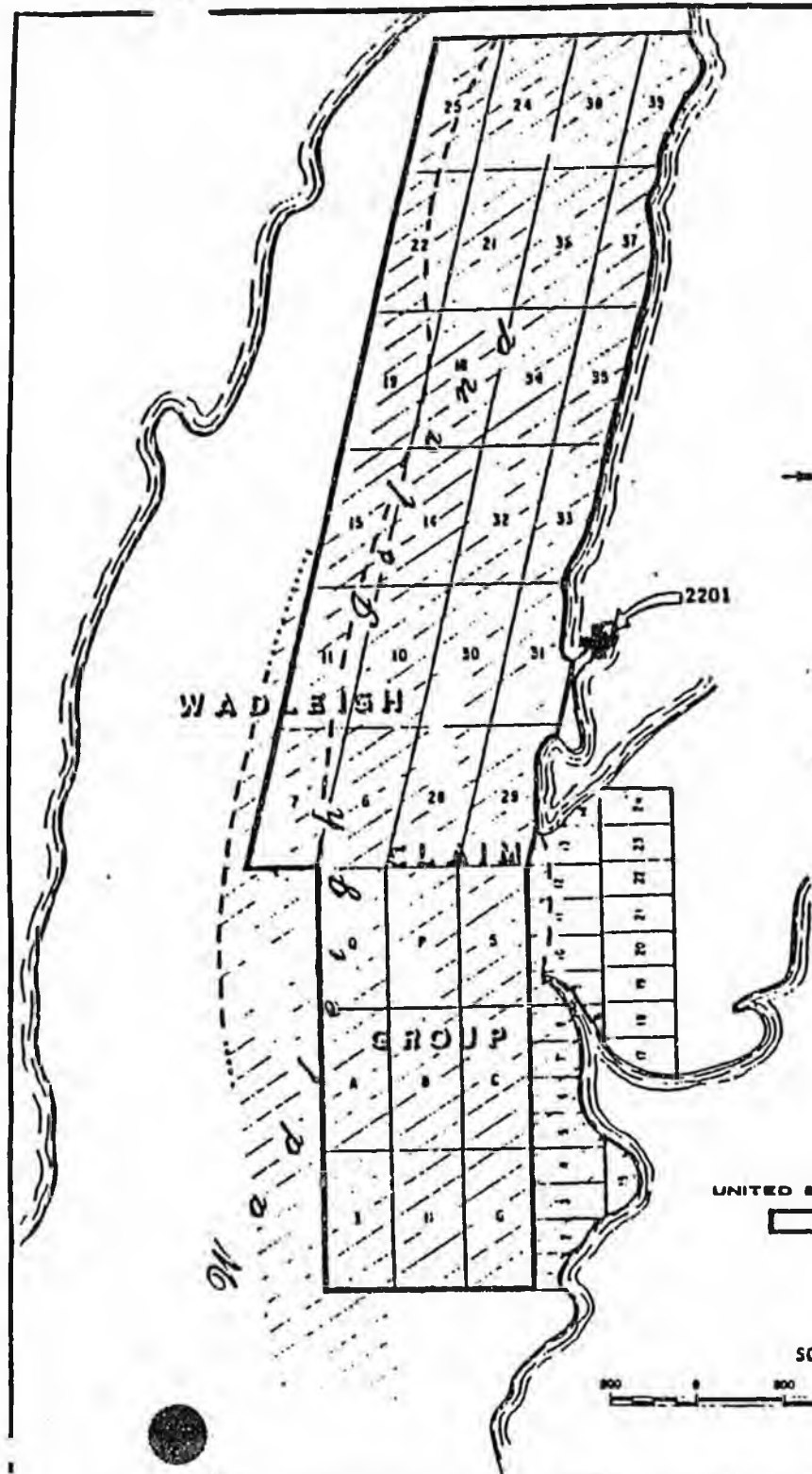
NEGOTIATIONS AND SALES MOTIVATION: The buyers had been negotiating with an option holder for a price of about \$800,000. The option holder lost his position and the land went to bid. The buyers bid \$1,000,000 and put in a 2% limestone royalty since they felt the sellers had a higher regard for its mining potential. The buyers were motivated, primarily, by timber and the buyer felt that their offer price could be recouped through stumpage sales alone. No portion of the price was allocated as an increment for sub-surface mineral or cut over land values. There was, of course, some thought to the residual values in so far as they were not willing to give them away with the timber sale.

CONFIRMED WITH: Michael Blair

DATE: 11/13/92

BY: C. Horan

ANALYSIS: $\$1,000,000 + 623,427 \text{ Acres} = \$1,604/\text{Acre}$
 $\$1,000,000 + 12 \text{ to } 15 \text{ MMBF} = \$83.30 \text{ to } \$71.42/\text{MMBF}$



UNITED STATES STEEL CORPORATION
 [] PLACER CLAIMS (Wadleigh) PATENTED

(UNITED STATES GOVERNMENT)

UNITED STATES STEEL CORPORATION
 RAW MATERIALS SERVICES DIVISION
 RAW MATERIALS EXPLORATION

PROPERTY MAP
 WADLEIGH - WESTONE
 ALA

IRVINGTON - U.S. GEOLOGICAL SURVEY

34-486

WARRANTY DEED - STATUTORY FORM

Wadleigh 9/54/5, Wadleigh 9/54/6, Wadleigh 10/54/7, Wadleigh 11/54/10, 12/54/11, Wadleigh 1/55/14, Wadleigh 2/55/15, Wadleigh 3/55/18, Wadleigh 4/55/19, Wadleigh 5/56/21, Wadleigh 6/56/22, Wadleigh 7/56/23, Wadleigh 8/56/29, Wadleigh 9/56/30, Wadleigh 10/56/31, Wadleigh 11/56/32, Wadleigh 12/56/33, Wadleigh 1/57/34, Wadleigh 2/57/35, Wadleigh 3/57/36, Wadleigh 4/57/37, Wadleigh 5/57/38, Wadleigh 6/57/39, mining claiming designated as Mineral Survey No. 2201, situated at Latitude 55 degrees 34' North, Longitude 133 degrees 08' West in the Ketchikan Recording District, First Judicial District, State of Alaska.

EXCEPTING THEREFROM these claims all of that portion of ground within the boundaries of the Wadleigh 10/53/D, Wadleigh 10/53/E, Wadleigh 10/53/F, 10/53/J, Wadleigh 3/54/K, Wadleigh 3/54/L, Wadleigh 4/54/M, Wadleigh 4/54/N, Wadleigh 5/54/O, Wadleigh 6/54/R, Wadleigh 7/54/1, Wadleigh 7/54/2, Wadleigh 8/54/3, Wadleigh 8/54/4, Wadleigh 10/54/8 Wadleigh 11/54/9, Wadleigh 12/54/12, Wadleigh 1/55/13, Wadleigh 2/55/16, Wadleigh 3/55/17, Wadleigh 4/55/20, Wadleigh 4/56/23, Wadleigh 6/56/26 and Wadleigh 7/56/27.

ALSO EXCEPTING THEREFROM: Any veins or lodes of quartz or other rock in place bearing gold, silver, cinnabar, lead, tin, copper or other valuable deposits within the land above described which may have been discovered or known to exist prior to the dates of those respective patents to said placer mining claims.

ROBERT REED and MICHAEL BLAIR, dba B & M LOGGING, Grantors, convey and warrant to MURPHY TIMBER COMPANY, an Oregon corporation Grantee, the following described property situated in Ketchikan Recording District, First Judicial District, State of Alaska, to-wit: All timber and logs standing, lying or fallen upon the described real property in Exhibit "A" attached hereto and by this reference incorporated herein.

The said property is free from encumbrances except: See Exhibit "B" attached hereto and by this reference incorporated herein.

The true consideration for this conveyance is \$1,000,000.00.

Dated this 29 day of September, 1989.

Robert Reed
ROBERT REED, dba
B & M LOGGING

Michael Blair
MICHAEL BLAIR, dba
B & M LOGGING, by Robert Reed,
Attorney in Fact

EXHIBIT "B"

- 1. Reservations and exceptions as contained in the U.S. Patent and acts relating thereto.
2. The provisions and reservations contained in the Patent from the United States of America recorded in Book 24 at Page 48.
3. Unpatented tunnel claims and millsite claims.
4. The right of the proprietor and any placer claim, the vein or lode of which has its top or apex outside of the land herein described and which vein or lode will be found to penetrate, intersect, pass through or dip into said land through the side lines of said claim, to enter said land along the dip of said vein or lode for the purpose of extracting and removing the ore therefrom.
5. Rights of the public and/or governmental bodies as to any portion hereof lying below the mean high tide line.
6. Rights of the public and/or governmental bodies as to any portion hereof lying below the mean high water mark of Klawok Inlet.

STATE OF ALASKA, Ketchikan Recording District) ss.

This instrument was acknowledged before me on September 29, 1989, by ROBERT REED.

(S E A L)

Jennifer D. Hunter
Notary Public for Alaska
My Commission Expires 08-09-92

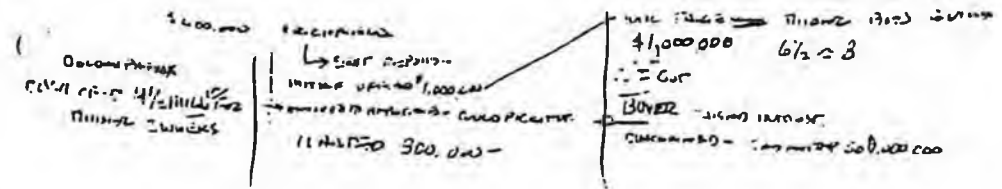
STATE OF ALASKA, Ketchikan Recording District) ss.

This instrument was acknowledged before me on September 29, 1989, by MICHAEL BLAIR, by Robert Reed, Attorney in fact.

(S E A L)

Jennifer D. Hunter
Notary Public for Alaska
My Commission Expires 08-09-92

894455
19-
RECORDED



Filed...
see above
pages

Wadleigh 9/54/5, Wadleigh 9/54/6, Wadleigh 10/54/7, Wadleigh 11/54/10, 12/54/11, Wadleigh 1/55/14, Wadleigh 2/55/15, Wadleigh 3/55/18, Wadleigh 4/55/19, Wadleigh 3/56/21, Wadleigh 3/56/22, Wadleigh 4/56/24, Wadleigh 6/56/25, Wadleigh 7/56/28, Wadleigh 8/56/29, Wadleigh 8/56/30, Wadleigh 9/56/31, Wadleigh 9/56/32, Wadleigh 10/56/33, Wadleigh 10/56/34, Wadleigh 11/56/35, Wadleigh 11/56/36, Wadleigh 12/56/37, Wadleigh 12/56/38, Wadleigh 1/57/39, mining claiming designated as Mineral Survey No. 2201, situated at Latitude 55 degrees 34' North, Longitude 133 degrees 08' West in the Ketchikan Recording District, First Judicial District, State of Alaska.

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1. Reservations and exceptions as contained in the U.S. Patent and acts relating thereto.
2. The provisions and reservations contained in the Patent from the United States of America recorded in Book 24 at Page 40.
3. Unpatented tunnel claims and millsite claims.
4. The right of the proprietor and any placer claim, the vein or lode of which has its top or apex outside of the land herein described and which vein or lode will be found to penetrate, intersect, pass through or dip into said land through the side lines of said claim, to enter said land along the dip of said vein or lode for the purpose of extracting and removing the ore therefrom.
5. Rights of the public and/or governmental bodies as to any portion hereof lying below the mean high tide line.
6. Rights of the public and/or governmental bodies as to any portion hereof lying below the mean high water mark of Klawok Inlet.

894455

19-

RECORDED

WARRANTY DEED - STATUTORY FORM

ROBERT REED and MICHAEL BLAIR, dba B & M LOGGING, Grantors, convey and warrant to MURPHY TIMBER COMPANY, an Oregon corporation Grantee, the following described property situated in Ketchikan Recording District, First Judicial District, State of Alaska, to-wit: All timber and logs standing, lying or fallen upon the described real property in Exhibit "A" attached hereto and by this reference incorporated herein.

The said property is free from encumbrances except: See Exhibit "B" attached hereto and by this reference incorporated herein.

The true consideration for this conveyance is \$1,000,000.00.

Dated this 29 day of September, 1989.

Robert Reed
ROBERT REED, dba
B & M LOGGING

Michael Blair
MICHAEL BLAIR, dba
B & M LOGGING, by Robert Reed,
Attorney in fact

STATE OF ALASKA, (Ketchikan Recording District) ss.

This instrument was acknowledged before me on September 29, 1989, by ROBERT REED.

(S E A L)

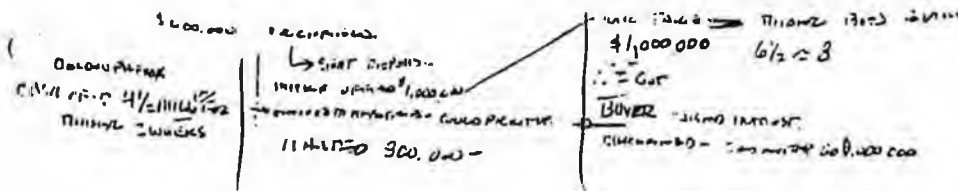
Jennifer D. Hunter
Notary Public for Alaska
My Commission Expires: 08-09-92

STATE OF ALASKA, (Ketchikan Recording District) ss.

This instrument was acknowledged before me on September 29, 1989, by MICHAEL BLAIR. By Robert Reed, Attorney in fact.

(S E A L)

Jennifer D. Hunter
Notary Public for Alaska
My Commission Expires: 08-09-92



File
- see book
- see book

Sale No. 9

Comparable Photograph
Comp LRG-008



Comparable Sale Number 10

PROPERTY TYPE: REMOTE

LOCATION: Narrow Straits on Raspberry Island AREA: North End

LEGAL DESCRIPTION: T25S, R22W, Southerly Portions of Section 17 & 18

GRANTOR: CIA for Mullan M. & E. GRANTEE: Aleneva Joint Venture

SALES PRICE: \$1,194,375 AGREEMENT DATE: 5/1/89

CASH EQUIVALENT: \$1,044,937 TERMS: Owner

LOT SIZE: 272.73 MEA: Acre ZONING: CON USE AT SALE: Fish Site

PLANNED USE: New Village ACCESS: Float Plane, Boat

UTILITIES: None EASEMENTS/RESTRICTIONS: Typical

SALE CONFIRMED WITH: BIA/USFW BY/DATE: PC-1/90

INSTRUMENT: QCD DEED BOOK: 92 PAGE: 766 DATE: 11/27/89

PROPERTY DESCRIPTION: This is two native allotments, and although there is no beach and boat access and anchorage is poor, the parcel offers very good topography and is nicely wooded with large stands of spruce. The sale included improvements valued at \$30,000.

UNIT VALUE: 3,831.40

LAN FRONTAGE: 10,067 FRONTAGE/SIZE FACTOR: 37 \$PER F/F: 104

COMPARABLE ACREAGE LAND SALE NO. 10

LOCATION: Southwest side of Afognak Island facing Raspberry Straits, Alaska

LEGAL DESCRIPTION: Tract B, Sheet No. 2 of 2 sheets, Plat 89-8-RS, Sections 17 and 20, Township 25 South. Range 22 West. Seward Meridian. Kodiak Recording

GRANTOR: Enola Mullan

GRANTEE: Aleneva Joint Ventures

RECORD NUMBER: 7

DATE OF SALE: 11-89

RECORDING DATE: 11-89

INSTRUMENT: MOA

BOOK/PAGE: 977/66

SALES PRICE: \$585,000

TOTAL ASSESSMENTS: None known

TERMS: \$100,000 down, 7% interest, \$99,252.22 per year till paid in full.

CE/ADJ. PRICE: \$165,839

AREA (ACRE): 146.89

PRICE/ACRE: \$1,129

PRESENT USE: Vacant

ANTICIPATED USE: Religious community

SOILS: Good

FLOOD ZONE: No

WATERFRONT: Ocean

ELECTRIC/PHONE: No

TOPOGRAPHY: Gently rolling

PUBLIC SEWER: No

ROAD IMPROVEMENTS: N/A ..

PUBLIC WATER: No

ROAD ACCESS: None

NATURAL GAS: No

SITE SHAPE: Irregular

EASEMENTS: Normal

ROAD GRADE: N/A

ZONING: Conservation/5 acre

CONFIRMED WITH: Dick Larson, Bureau of Indian Affairs
Rose Brady, Bureau of Indian Affairs
Sharon Sullivan, Real Estate Agent,
Associates, Inc.

BY/DATE: TRD/1-15-90

PROPERTY DESCRIPTION:

This land was purchased in tandem with Comparable No. 35 by the same grantee and from related grantors. The site is irregularly shaped, has approximately one-half mile of waterfront and has marketable timber. According to the timber appraisal comparable data sheet, the timber's estimated market value was \$400,826. This leaves a net value to the land of \$1,254 as forested. If the low interest rate is discounted for a cash equivalent yield of 11%, the adjusted price is a proportional cash equivalent allocation for untimbered land of $(\$1,254 \times .90)$ \$1,129 per acre. Access is by boat or float plane. The property is in a fairly well protected area fronting Raspberry Strait Narrows. It is well drained with rolling hillside and in close proximity to good fishing. The property was purchased by a Russian religious group formerly known as the Old Believers for the establishment of a new community.

COMPARABLE ACREAGE LAND SALE NO. 10

LOCATION: Southwest side of Afognak Island facing Raspberry Straits, Alaska

LEGAL DESCRIPTION: Tract B, Sheet No. 2 of 2 sheets, Plat 89-8-RS, Sections 17 and 20, Township 25 South. Range 22 West. Seward Meridian. Kodiak Recording

GRANTOR: Mike Mullan

GRANTEE: Aleneva Joint Ventures

RECORD NUMBER: 10

DATE OF SALE: 11-89

RECORDING DATE: 11-89

INSTRUMENT: MOA

BOOK/PAGE: 977/66

SALES PRICE: \$609,375

TOTAL ASSESSMENTS: None

TERMS: \$100,000 down, 7% interest, \$99,252.22 per year till paid in full.

CE/ADJ. PRICE: \$233,075

AREA (ACRE): 126.74

PRICE/ACRE: \$1,839

PRESENT USE: Vacant

ANTICIPATED USE: Religious community

SOILS: Good

FLOOD ZONE: No

WATERFRONT: Ocean

ELECTRIC/PHONE: No

TOPOGRAPHY: Gently rolling

PUBLIC SEWER: No

ROAD IMPROVEMENTS: N/A

PUBLIC WATER: No

ROAD ACCESS: None

NATURAL GAS: No

SITE SHAPE: Irregular

EASEMENTS: None

ROAD GRADE: N/A

ZONING: Conservation/5 acre

CONFIRMED WITH: Dick Larson, Bureau of Indian Affairs
Rose Brady, Bureau of Indian Affairs
Sharon Sullivan, Real Estate Agent,
Associates, Inc.

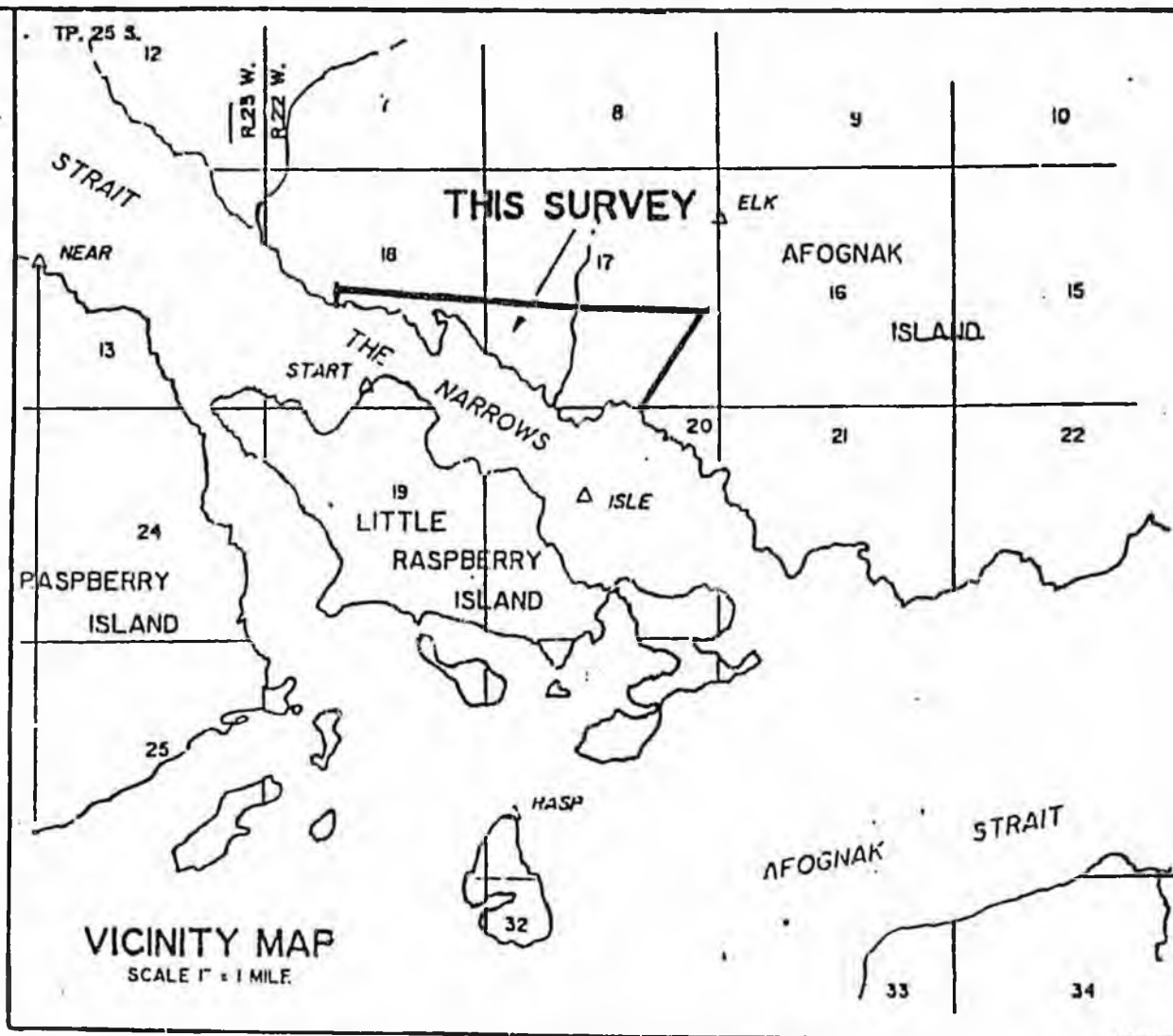
BY/DATE: TRD/1-15-90

PROPERTY DESCRIPTION:

This is the property that purchased in tandem with Comparable No. 34 with related grantors to the same grantee. It is immediately adjacent to Comparable No. 34 and has approximately a mile of waterfront. It is irregular in shape and has no utilities or road access. The BIA timber appraisal comparable data sheet indicates that of the 126.74 acres about 86 acres has marketable timber with an appraised value of \$316,489. This leaves a net price to the land of \$2,043 per acre excluding \$34,000 to cabin and outbuilding as stated in a BIA appraisal. If the low 7% interest rate is discounted for a cash equivalent yield of ~~11%~~ the adjusted price is $(\$448,152 + \$100,000) \$548,152$. Subtracting out cash equivalent $(\$34,000 \times .90) \$30,600$ for the cabin indicates a price of \$517,552 or \$4,084 per acre. Allocation to land without timber is $(.90 \times \$2,043) \$1,839$. This property is accessed only by boat or float plane and is located in a relatively protected area

Affiliated Appraisers of Alaska

Comparable Sale No. 10



LARGE LAND SALE

COMPARABLE NO. 11

LOCATION: This sale consists of four parcels, two are located at the northeast end of Thome Arm on Revillagegado island near Ketchikan and two are located on the north end of Prince of Wales Island at Red Bay & California Bay.

LEGAL DESCRIPTION:	Parcel 1	USMS 1598 (Waterfront)	40.7± acres
	Parcel 2	USMS 423	20.0 acres
	Parcel 3	USMS 1040	40.0 acres
	Parcel 4	USMS 1042 (Waterfront)	37.9 acres

These parcels are legally describe in Book of Deeds 163, Page 214 at Ketchikan.

RECORDING INSTRUMENT: QCD **BOOK:** 163 **PAGE:** 213

Valuable mineral deposits are excluded from Parcels 3 and 4 which were discovered or known prior to the patent dates.

GRANTOR: David & Kay Syre
 Bellingham, WA

GRANTEE: Ketchikan Pulp Co.
 Ketchikan, Alaska

SALES DATE: 1/6/89

PRICE: \$650,000

TERMS: Cash

PROPERTY DESCRIPTION: These four parcels contained a total of 138.627 acres. Parcel 1 has about 600' of frontage. It is very close to Parcel 2, lying in a hillside creek drainage. These sites are located in the Misty Fjords National Monument and are timbered. Parcel 3 consists of two adjacent mining claims, forming two offset rectangles. They are on a knoll above Red Bay and sloping downward to within 1,200' of the bay. They are heavily forested with hemlock and spruce. The site is well drained and has thin layer of overburden on marble bedrock. The immediate adjacent lands are USFS and have been clearcut. There is a logging road which ends near the subject. Parcel 4 is 13 miles east of Pt. Baker, 35 miles NW of Wrangell, 118 miles NW Ketchikan. The site has about 400' of frontage on Sumner Straight, is heavily forested, gentle sloping and well drained. The beach may be exposed to strong easterly winds during the winter months. Logging roads are in the area but not extended to the site.

PRESENT USE: Patented mining claims, undeveloped in recent times.

INTENDED USE: Purchased for timber value with no significant residual value assigned to the cutover land or mineral potential. Price paid was for timber only.

CONFIRMATION

BUYER MOTIVATION &

INTENDED USE: Ralph Lewis of Ketchikan Pulp

DATE: 11/12/92

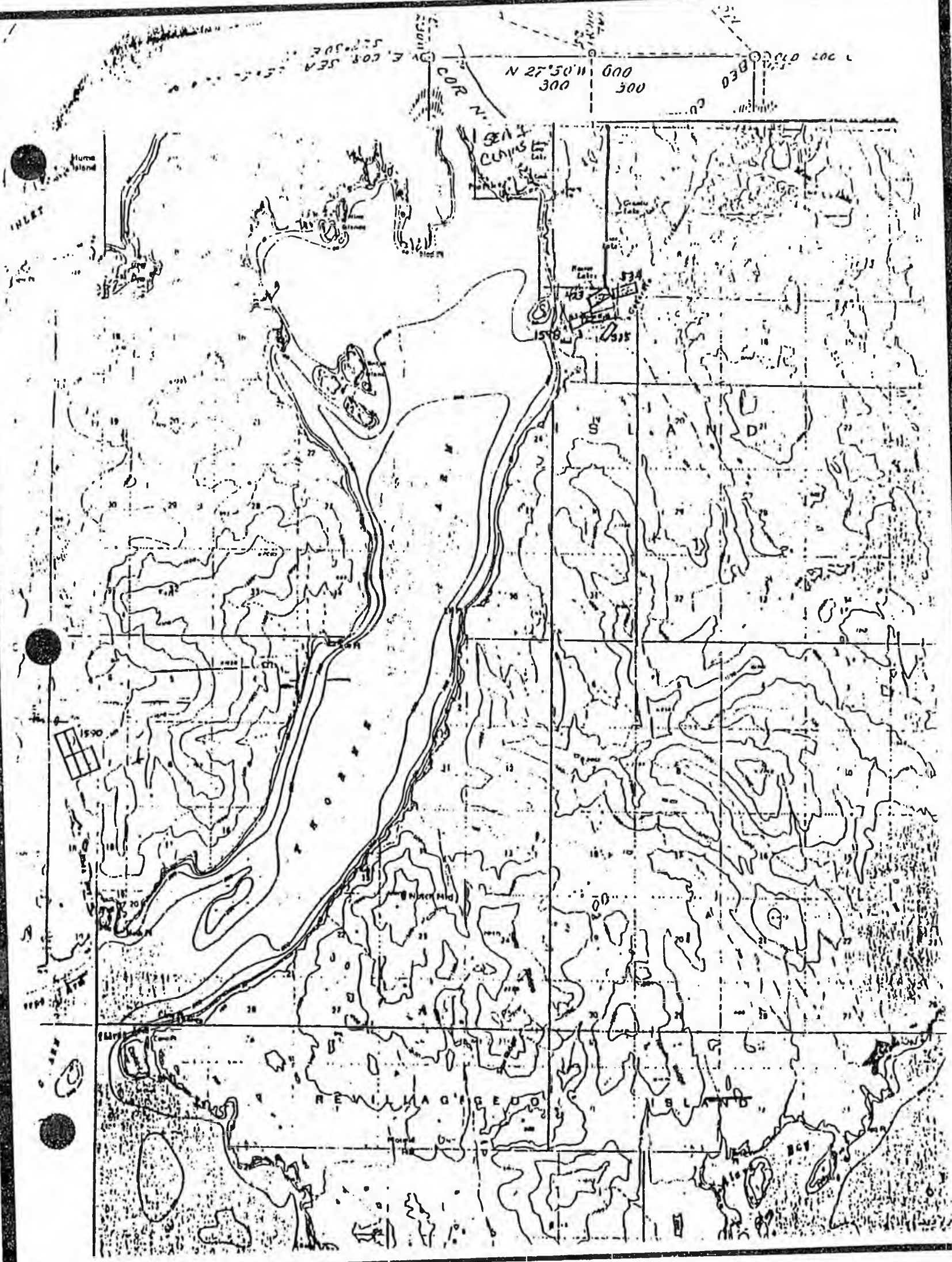
BY: C. Horan

PRICE: Ralph Lewis, Ketchikan Pulp

DATE: 11/16/92

BY: C. Horan

Appraiser Wold allocated land value after logging at between \$200 and \$1,000 per acre. Lewis felt waterfront lands would have more demand as cutover land than non-waterfront parcels. Also, the Misty Fjords property was felt to have a higher demand. Lewis allocated land at nominal book value of \$100/acre, but the sale was not motivated by the value of timber. —



INLET

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BEACH

SEA CLIFF

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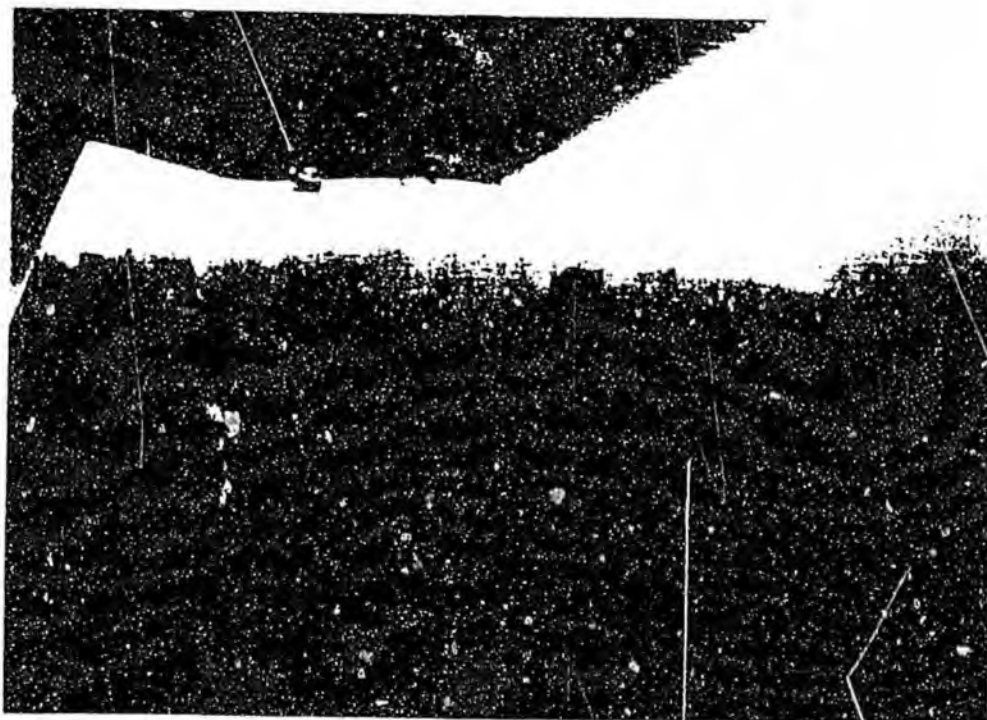
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Pointe

BEACH

Sale No. 11

Comparable Photographs
Comparable LRG-010



COMPARABLE SUBSURFACE RIGHT SALE NO. 12

LOCATION: Lower Tazimina Lake, approximately six miles east of Lake Clark and 180 miles southwest of Anchorage, Alaska

LEGAL DESCRIPTION: Sections 18, 19 & 30, T2S, R30W and Sections 23 to 26, 35 and 36, T2S, R31W, Seward Meridian

GRANTOR: Bristol Bay Native Corporation INSTRUMENT: Conservation Easement

GRANTEE: U.S. Department of the Interior National Park Service BOOK/PAGE: 17/480 and various others

SALES PRICE: \$858,180 (allocated to subsurface rights) DATES OF SALE: 12-88/\$3,715,065, 03-90/\$1,467,855 & 07-91/\$901,210

TERMS: Cash

AREA: 9,173 acres (total) ZONING: None

PRESENT USE: Vacant ANTICIPATED USE: Recreational

ACCESS: ATU and fly-in

UTILITIES: None

CONFIRMED WITH: Norman Lee, Chief Appraiser, National Park Service BY/DATE: TRD/6-23-93
-Jack Moore, Bristol Bay Native Corporation TRD/6-23-93

PROPERTY DESCRIPTION: This is the composite sale of 9,173 acres for \$3,715,065 or \$405 per acre from Kijik Corporation, surface estate owner, and Bristol Bay Native Corporation, subsurface estate owner to the U.S. Department of the Interior National Park Service. The surface owner sold their interest for \$2,856,885 or \$311 per acre. The subsurface owner sold their interest for \$858,180. The interest sold by the surface owner was a conservation easement effectively transferring development rights, non-exclusive rights of access and right for general public to use for recreation, with various traditional rights for subsistence use retained by the grantors. According to Norman Lee, Chief Appraiser for the National Park Service, not all of the surface estate was transferred, such as oil and gas rights. However, he felt effectively none of the rights were purchased. This area is accessed by fly-in or all-terrain vehicle and is mostly well drained alluvial plain along the Tazimina Lake. Topography is a gradual to moderate steep slope up from Tazimina Lake, with an elevation of about 655 feet to

COMPARABLE SUBSURFACE RIGHT SALE NO.12 (Continued)

about 1,800 feet elevation in Section 30, mostly between 700 and 1,000 foot elevation. Ground cover tends to be spruce, birch and brush. This property has approximately eight to nine miles of frontage along the shores of Tazimina Lake.

SUBSURFACE RIGHTS ANALYSIS: $\$858,180 \div 9,173 \text{ Acres} = \$94/\text{Acre}$

SALE NO. 13

LOCATION: Lower Tazimina Lake, approximately six miles east of Lake Clark and 180 miles southwest of Anchorage, Alaska

LEGAL DESCRIPTION: Sections 18, 19 & 30, T2S, R30W and Sections 23 to 26, 35 and 36, T2S, R31W, Seward Meridian

GRANTOR: Bristol Bay Native Corporation INSTRUMENT: Conservation Easement

GRANTEE: U.S. Department of the Interior National Park Service BOOK/PAGE: 17/480 and various others

SALES PRICE: \$858,180 (allocated to subsurface rights) DATES OF SALE: 12-88/\$3,715,065, 03-90/\$1,467,855 & 07-91/\$901,210

TERMS: Cash

AREA: 9,173 acres (total) ZONING: None

PRESENT USE: Vacant ANTICIPATED USE: Recreational

ACCESS: ATU and fly-in

UTILITIES: None

CONFIRMED WITH: Norman Lee, Chief Appraiser, National Park Service BY/DATE: TRD/6-23-93
Jack Moore, Bristol Bay Native Corporation TRD/6-23-93

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SALE NO. 13 (Continued)

about 1,800 feet elevation in Section 30, mostly between 700 and 1,000 foot elevation. Ground cover tends to be spruce, birch and brush. This property has approximately eight to nine miles of frontage along the shores of Tazimina Lake.

SUBSURFACE RIGHTS ANALYSIS: \$858.180 + 9,173 Acres = \$94/Acre

INFO Reconfirmation: Norman Lee, U.S. Park Service

Sale date was March, 1987. Payment was made in three installments, dependent on congressional appropriation of funds. Recalculation of a cash equivalent price is necessary. Surface owner receives 76.9% of the price.

<u>Date</u>	<u>Payment</u>	<u>76.9%</u>	<u>Present Value 3/87 *</u>
10/88	\$1,346,000	\$1,035,074	\$911,586
3/90	\$1,467,855	\$1,128,780	\$868,519
7/91	<u>\$901,210</u>	<u>\$693,030</u>	<u>\$473,349</u>
Total	\$3,715,065	\$2,856,884	\$2,253,454

\$2,253,454 ÷ 9173 acres = \$245.66 per acre

* The discount rate for present value calculations was 10%. This is the high end of the range of Prime Rate, yield on 5-year Treasury bonds and yield on Baa corporate bonds during 1987-1989. The high end was used to reflect the higher risk of this seller financing.

L2

COMPARABLE LAND SALE NO. 14

LOCATION: Generally a high land surrounding the islands in the cliff areas in a bank surrounding a portion of St. George and St. Paul Islands, Alaska.

LEGAL DESCRIPTION: Very long involved legal description of coastal lands surrounding St. George and St. Paul Islands, Alaska.

GRANTOR: St. George Tanaq Corp.
& St. Paul Tanadgusix Corp.

INSTRUMENT: WD

GRANTEE: U.S. Department of the Interior

BOOK/PAGE: 23/665

SALES PRICE: \$7,200,000

DATE OF SALE: 11-2-84

TERMS: Cash

AREA: 8,000 Acres

ZONING: None

PRESENT USE: Vacant

ANTICIPATED USE:
Public

ACCESS: Road/water

ASSESSMENTS: None
Known

UTILITIES: Electric/telephone

EASEMENTS/
RESTRICTIONS: Normal

CONFIRMED WITH: Affiliated Appraisers
of Alaska

BY/DATE: Paul Dirkson
5-92

PROPERTY DESCRIPTION: This is the sale of various parcels of land in the St. George and St. Paul area that generally encompasses strips of land 150 to 200 feet inland from cliff coastal areas. The purchase was by the United States Department of the Interior with the intent of preserving these areas for bird and seal sanctuaries. Negotiations on this sale began in 1982 with the final date of sale on November 2, 1984. This sale has additional complications. In the early portion of the transaction in 1982 a one acre lease for \$1 million, nonrenewable for 99 years, was included. This lease was supposed to be for future use of a Fish and Wildlife administration building. However, this was done strictly for internal purposes and was irrelevant in that the actual transaction just encompassed 8,000 acres for \$7,200,000. This did not involve power to condemn. This sale had elements of both market and possibly non-market factors. For example, both corporations needed to sell this land in order to obtain the \$7,200,000 which they strongly needed at the time of transaction. In addition, they were more or less indirectly involved in the negotiations in that most of the negotiations took place between the native lawyers and officials of the U.S. Department of the

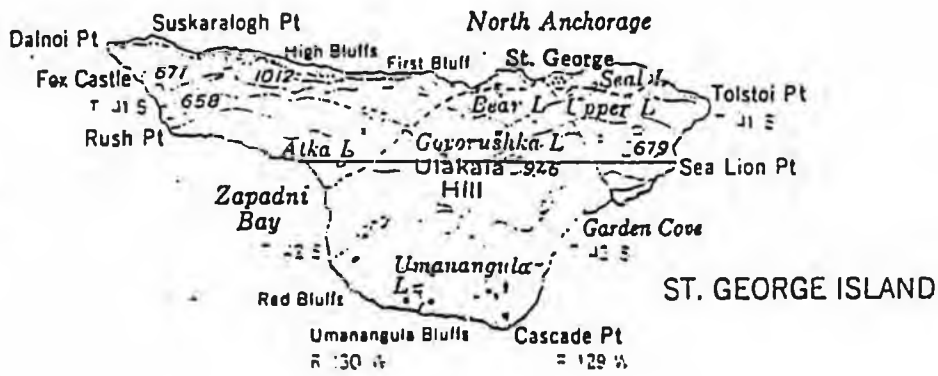
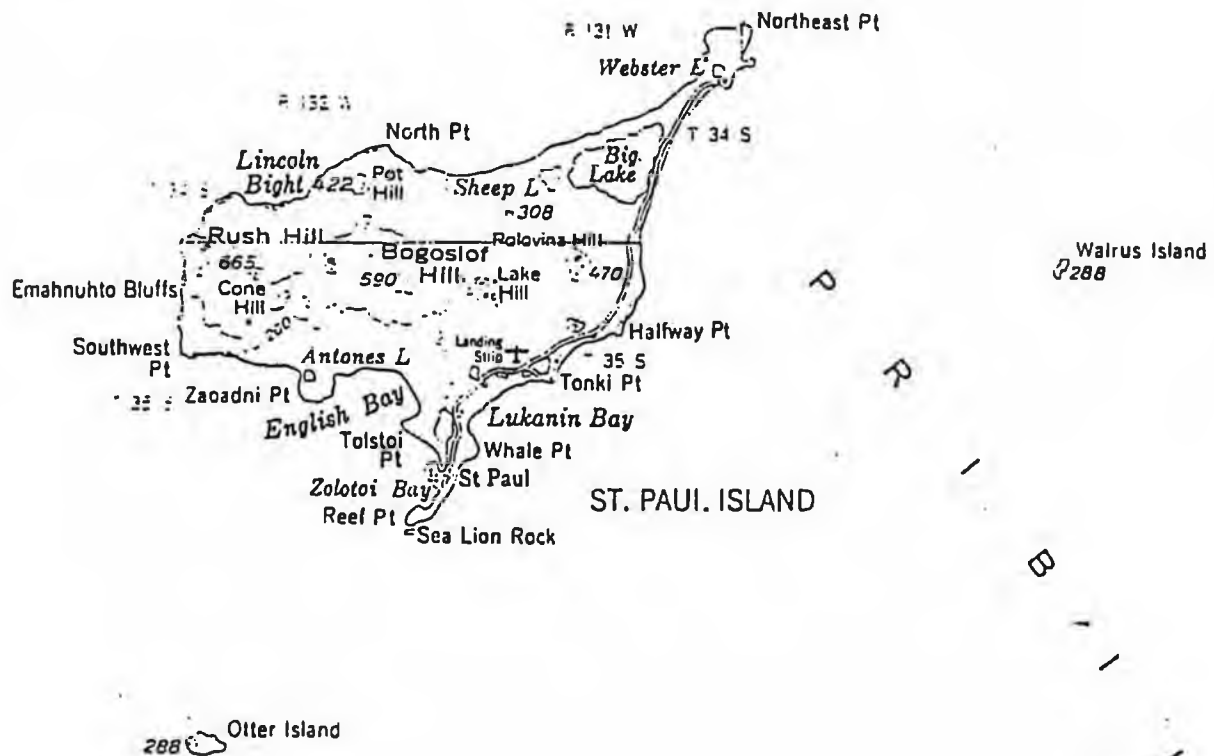
G. Hayden Green, Ph.D

COMPARABLE LAND SALE NO. 14 (Cont d)

Interior. However, it appears they did have the option of refusing the offer, even though they had a prior signed agreement mandating this sale at a later to be determined price.

ANALYSIS: $\$7,200,000 \div 8,000 \text{ acres} = \$900/\text{Acre}$

Comparable Land Sale Number 14



Addendum IV
Qualifications of Appraisers

INTERNATIONAL FORESTRY CONSULTANTS, INC.
1020 - 108th Avenue N.E. #101
Bellevue, Washington 98004
(206) 455-8353

WILLIAM B. WALLACE, ACF, RPF, VICE PRESIDENT

Project Experience

Western U.S.A., Southern U.S.A., Canada. Valid Passport.

Specialization

Appraisal of timber and timberland; business valuation and feasibility analysis; forest management and planning; land use planning; timber supply analysis; forest tax compliance and planning; timber marketing and purchases; sale and acquisition of forest properties; development of forest recreation and residential properties; timber sale administration; logging operations; forest practices compliance; industry affairs and lobbying; coordination of expert testimony.

Significant Projects

- * Appraised significant tracts of timber and timberland for Washington DNR and Washington Natural Heritage program.
- * Analyzed application of I.R.S. timber accounting regulations to a large timberland transaction in California.
- * Appraised more than 1,200 acres of timber and timberland for Clackamas County, Oregon.
- * Appraised land and timber of Native Alaska Village Corporations.
- * Appraised forestland and forest residential lands in the Columbia River Gorge National scenic area.
- * Helped form real estate subsidiary to market forest lands with higher and better use. Appraised properties and formulated marketing plans.
- * Maintained market analyses and timber supply studies; monitored competitor activity; developed timber purchase and bidding strategies; appraised and administered timber sales for major timberland owner.
- * Provided administration and valuations for timber taxation at federal/state levels on more than one million acres in the West and South. Conducted audit negotiations and provided expert support for tax litigation.
- * Took part in negotiation of four major forest products acquisitions valued at \$30 million to \$285 million.
- * Developed forest management, roading and development plans for several large timberland blocks in the west and the south.
- * Conducted research in young growth timber management. Developed small timber harvest methods and equipment.

Employment

INFO, Vice President (1989-Present).

Oregon Department of Revenue, Salem, Oregon, Tax Appeals Hearings Officer, 1989.

Appraisal Group, Inc., Portland, Oregon, Contract Consultant (1987-1988).

Cavenham Forest Industries Inc., Portland, Oregon, Valuation Manager (1986).

Crown Zellerbach Corporation, San Francisco, California; Portland, Oregon; Bogalusa, Louisiana. Valuation Supervisor (1975-1986). Timber Value Analyst (1966-1975). Forester (1955-1966).

Professional Education

Master of Forestry, Forest Economics, University of California (1959).

Bachelor of Science, Forest Management, University of Idaho, Xi Sigma Pi Forestry Honorary (1955).

The Appraisal Institute Courses 1-A (1 and 2), 1-B (A and B), 3, SPP (A).

Continuing education in forest management, computer applications, appraisal practice and real estate practice.

Professional Associations

The Appraisal Institute, MAI Candidate.

Association of Consulting Foresters.

Licenses and Certificates

Registered Professional Forester, California #2063.

Certified Real Estate Appraiser -- General, Washington. #270-11 WA-LL-AW-BZ670B

INTERNATIONAL FORESTRY CONSULTANTS, INC.
1020 - 108th Avenue N.E. #101
Bellevue, Washington 98004
(206) 455-8353

THOMAS M. HANSON, ACF, SECRETARY TREASURER

Project Experience

Western U.S.A., Canada, Alaska. Valid Passport.

Specialization

Management of forest tree farms including negotiation of timber sale agreements and supervision of cutting contracts, arranging for silvicultural practices and site preparation. ---Timber and timberland appraisal, log market analysis and valuation of minor species and products. ---Forest inventory design, organization and implementation. --- Aerial photo interpretation, forest type mapping, and processing of inventory data for stand volume, growth and yield studies. --- Reconstruction of forest stands for damage appraisal as evidence in court testimony and trespass suits. ---Appraisal of urban trees.

Significant Projects

- * Manager of 15,000+ acres of forest land in Western Washington for non-resident owners. (Witzleben Holdings, Toerring, K.G.)
- * Appraiser for Department of Natural Resources, Lands & Minerals Division and Parks and Recreation Division.
- * Review Appraiser/Check cruiser for Department of Natural Resources, Land and Water Conservation Division.
- * Appraised land and timber on several Alaska Native Village Corporation Allotments.
- * Designed and supervised conversion of pastureland to conifer and hybrid poplar plantations (ARCO).
- * Cruises and Appraisals: Retained jointly on several exchange projects by State of Washington with City of Everett, Pierce County, Weyerhaeuser Company, Plum Creek Timber, Publishers Paper, Longview Fibre and Champion International.
- * Check cruiser for U.S.F.S./Forest Industry timberland exchanges.
- * Urban tree appraisals for damage and trespass assessments
- * Consultant to Municipality of Metropolitan Seattle for selection, appraisal and management of forest lands. (METRO, Seattle)
- * Planned and supervised forest inventory and appraisal of 180,000 acres of private timberlands and prepared data as a basis for determining values for arbitration hearings (Pack River Company)

Employment

INFO, Forester (1971-1978). Principal and Secretary-Treasurer, (1978-Present).

U.S. Corps of Engineers, Forestry Division, Ft. Lewis, Washington, (1971-1972).

Darrington Tree Seed Company, Seattle, Washington, (1970-1971).

U.S.F.S. Summer Employment while attending university (1966-1971)

Professional Education

Bachelor of Science, Forest Management, University of Washington, (1971).

Continuing Education: State Appraiser Certification Courses, Micro Computer Capabilities, Herbicide Applications, Federal Forest Taxation and Estate Planning; Washington State Real Estate Broker preparatory classes, Forest Taxation Workshop. Courses of the Practicing Foresters Institute.

Certificates of Continuing Forestry Education from the Society of American Foresters, (1983 and 1986).

Professional Associations

Association of Consulting Foresters (Past Regional Chairman).

Society of American Foresters.

Licenses and Certificates

Licensed Real Estate Broker, Washington

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
ENVIRONMENTAL HAZARD ASSESSMENT FORM

Please complete all sections of this form. If you are unable to provide answers, respond unknown or "not applicable". Attach maps or sketches of the subject properties showing bodies of water, swamps, wetlands, water wells, improvements, structures, man-made features, and any areas of environmental sensitivity or concern.

I. Site History and Operations

1. List all known historical and current uses of the property. This might include: residential, commercial, agricultural, forestry, timber harvest, etc. Identify all owners, operators, contractors, etc. that used the property.

Timber Harvest - Koncor Forest Products Co.; Silver Bay Logging Co.

2. List all known historic and current uses of adjacent properties.

Same

3. List all structures or development on the property and their uses.

Road Construction - Haul of logs from timber harvest.

4. What type of "hazardous substances" were evident on the property? How were they used and where? Where and how were they stored?

NOTE: Hazardous substances are defined as an element or compound which, when it enters the atmosphere, water or land presents an imminent or substantial danger to the public health or welfare, including but not limited to fish, animals, vegetation, or any part of the natural habitat in which they are found.

They might include oil, industrial materials or compounds such as cleaning solvents, lubricating agents, greases, heating fuels, petroleum hydrocarbons, pesticides, metals, and any substances defined under 42 USC 9601(14).

Gasoline, Deisel oil, motor oil and hydraulic fluid were used in logging machinery. They were not stored on the property, but at a shop facility at the Konco log transfer facility.

5. Were any above or below ground storage tanks located on the property? If yes show locations on the property sketch and, for each tank, indicate: No
- Is the tank above ground? _____
Age _____
Size _____
Product stored in tank _____
 - Is the tank still there? _____
If not - describe removal operation.
 - Have permits ever been issued for the tanks? _____
 - Have the tanks or associated piping ever been tested? If yes - attach results. _____
 - Describe the area around the tanks, identifying any evidence of leaking, spills, soil staining, etc.
6. Does the property contain any septic tanks or leach fields? Did they receive industrial materials? _____
If yes -- explain. No
7. Are there any water wells on the property? No _____
If so - has the water ever been tested? _____
8. Have there ever been any transformers or power generating facilities located on the property? No _____
If so:
- Indicate types of devices.

Are (or were) they labeled as containing PCB's? _____
 - Is there any indication of leaking or damage?

9. Have there ever been any oil or gas wells on the property? No _____
If so - identify locations on sketch map.

Are there any pipelines? _____
If so - any indication of leaks or spills? _____
Identify the owner/operator of the wells.

II. Waste Disposal/Spills

1. Does the property indicate areas (ie. soil staining, stressed vegetation, etc.) used as waste disposal sites?
No

If so - indicate the kinds of materials disposed of and the methods of disposal (eg. burning, discharge to water body, dump, land fill, recycle, settling ponds, surface impoundment, etc.).

appliances _____
 asbestos containing material _____
 automobiles _____
 batteries _____
 chemicals _____
 construction debris _____
 garbage (food waste) _____
 household trash _____
 incinerator ash _____
 industrial wastes _____
 mining wastes _____
 pesticide/herbicide _____
 petroleum products _____
 sewage sludge _____
 tires _____
 other (identify) _____

- a. Indicate of the sketch map where these activities occurred.
- b. How long were these activities conducted? _____
2. Has there ever been a chemical spill or leak on the property? Not known - no indications
 If so - indicate what was spilled, how much, and what response actions were employed.
3. Are there any known or suspected chemical spills on adjacent property? Not known - not considered likely.

III. Studies, Records, and Enforcement

1. Has there ever been an environmental assessment been conducted on the property? Not known
 If so - describe by what company and when. Also, attach a copy if available.
2. Has the current owner or operator had any communications with any government agency concerning environmental conditions on the property? _____
 If so - explain. Exxon Valdez oil spill. _____
3. Has any government agency investigated, cited or been involved with violations of any environmental laws regarding this property or adjacent properties?
Not known

4. Does this property (or property within 1/2 mile) appear on any lists of contaminated facilities or land maintained by any environmental agency? Yes
 If so - explain. Inventory of beaches affected by the Exxon Valdez oil spill.

IV. Summary

Summarize the history of this site in regards to its environmental history, to the best of your knowledge.

Development and activity that would affect the environment has taken place only recently. (since 1990) Activity has been limited to timber harvest and associated road building. There is no evidence of any environmental degradation from this activity. Beaches on Tolstoi Point and Tonki Cape were oiled by the Exxon Valdez oil spill. The extent of oiling is listed as light to moderate, with expected breakdown of the oil within 4 to 7 years of the oiling.

Statements in this assessment form are based, in part, on both personal observation and information provided by the owners of the property, The State of Alaska and other agencies. These statements are subject to limiting condition number 10 of the appraisal report for the property prepared for the State of Alaska dated August 6, 1993.

William B. Wallace ACF, RPF

August 19, 1993

Name of Person Preparing the Form

Date

Signature of Person Preparing the Form

Date