

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

8069 HOUSE RESOURCES

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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

<b>Scenario Summary Report</b>							
<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>
<b>Changing Cells:</b>							
Conversion							
Return	410	395	470	166	569	374	188
<b>Result Cells:</b>							
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 \$13 million worth of timber in this sale are very consistent with INFO's estimate of \$10 million in timber value in 1979. The sale is very comparable to the subject in timber value. It is also comparable in size and potential uses.

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

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

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

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

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

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

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

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

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

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

No.	Date	Seller	Buyer	Acres	Price \$/acre	Timber \$/acre	Indicated Value \$/acre	Highest & Best Use
			Subject	17,167		2,129		Natural Resources
2	Nov-91 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 available<sup>10</sup>. The agreed price is a compromise from a higher price originally asked by the seller, reached after additional proposals and counters-offers, in consideration of alternative opportunities for purchase, sale and use of the property. This process seems a reasonable assurance that the agreed price reflects all the considerations that go into Market Value. The pending sale must be given even disproportionate weight as long as the price is consistent with the body of data from other transactions in the market. The pending sale is for \$2,254 per acre, if the price is considered to be for just the Seal Bay unit. If the additional acres and volume of timber on the Tonki Cape unit is considered, the price is \$931 per acre. The total value of timber on both units is \$967 per acre. Thus the pending sale, considering both units indicates a timber-adjusted price of \$2,100 per acre. The conclusion of value from the Sales Comparison Approach (\$2,400 per acre) is slightly more than midway between the value indicated by the three most comparable transactions and the pending sale price.

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

FORTY ONE MILLION DOLLARS

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

PART IV  
ADDENDA

Addendum I  
Legal Description and Maps

# JAMIN, EBELL, BOLGER & GENTRY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

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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.

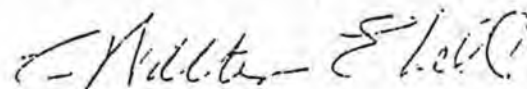
Mr. Bill Wallace  
June 18, 1993  
Page 2

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);<sup>1</sup>*  
Secs. 30 and 31.

Containing 3,288.29 acres.

T. 21 S., R. 18 W., Seward Meridian,  
Sec. 1, lots 1, 2 and 3;  
Secs. 11 to 14, Inclusive;  
Sec. 15, lots 1 and 2;  
Sec. 16, lots 1 and 2;  
Sec. 17, lot 1 (*fractional, needs supplemental survey*) and lot 2;  
Secs. 20 to 29, inclusive;  
Secs. 31 to 36, inclusive.

Containing 12,513.37 acres.

T. 21 S., R. 19 W., Seward Meridian,  
Secs. 35 and 36.

Containing 1,280.00 acres.

---

<sup>1</sup> The italicized descriptions indicate where the legal description has varied from how the land was surveyed and patented to Afognak Joint Venture from the United States; or, as noted, where an isolated parcel of land was left out of the description of the original conveyance from Afognak Joint Venture to Akhiok-Kaguyak, Inc. and Old Harbor 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, SE<sup>1</sup>/<sub>4</sub>;  
Sec. 7, E<sup>1</sup>/<sub>2</sub>;  
Secs. 8 to 10, inclusive;  
Sec. 15;  
Sec. 16, *lots 1 and 2*;  
Sec. 17;  
Sec. 18, E<sup>1</sup>/<sub>2</sub>;  
Sec. 19, NE<sup>1</sup>/<sub>4</sub>;  
Sec. 20, N<sup>1</sup>/<sub>2</sub>, SE<sup>1</sup>/<sub>4</sub>;  
Secs. 21, 22 and 28;  
Sec. 29, *lot 1*.

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

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

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

**OWNERSHIP:**

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

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

Sec. 29,

Sec. 34.

*Akhiok-Kaguyak, Inc. and Old Harbor Native Corporation*, as tenants in common, hold title to the surface estate of the remainder of the land, as successor in interest to *Afognak Joint Venture*, pursuant to the Partition Parcel Limited Warranty Deed issued August 1, 1991, and recorded in the Kodiak Island Recording District on August 6, 1991 in Book 108 at Page 389. The "Sortyard," contiguous parcel, was received by a Sortyard Limited Warranty Deed issued on July 23, 1992, recorded in the Kodiak Island Recording District on August 6, 1992 in Book 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, NE<sup>1</sup>/<sub>4</sub>;  
Sec. 7, lot 1;  
Sec. 18, lots 1 and 2;  
Sec. 19, lot 1, SE<sup>1</sup>/<sub>4</sub>;  
Sec. 20, SW<sup>1</sup>/<sub>4</sub>;  
Sec. 29, lot 2;  
Sec. 30.

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

Containing 3,579.11 acres.

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

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

#### KNOWN ENCUMBRANCES NOT OF RECORD:

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

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

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

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

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

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

#### DISCUSSION:

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

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

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

---

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

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

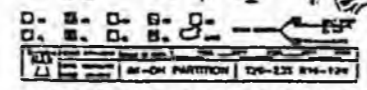
Finally, the conveyance we receive should reflect the legal description found in the current plat(s) of survey for the land involved. Any deviation from the approved plat of survey is a subdivision and must be supported by an approved and recorded plat of survey.<sup>4</sup> Lots in an approved cadastral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

#### ATTACHMENTS:

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

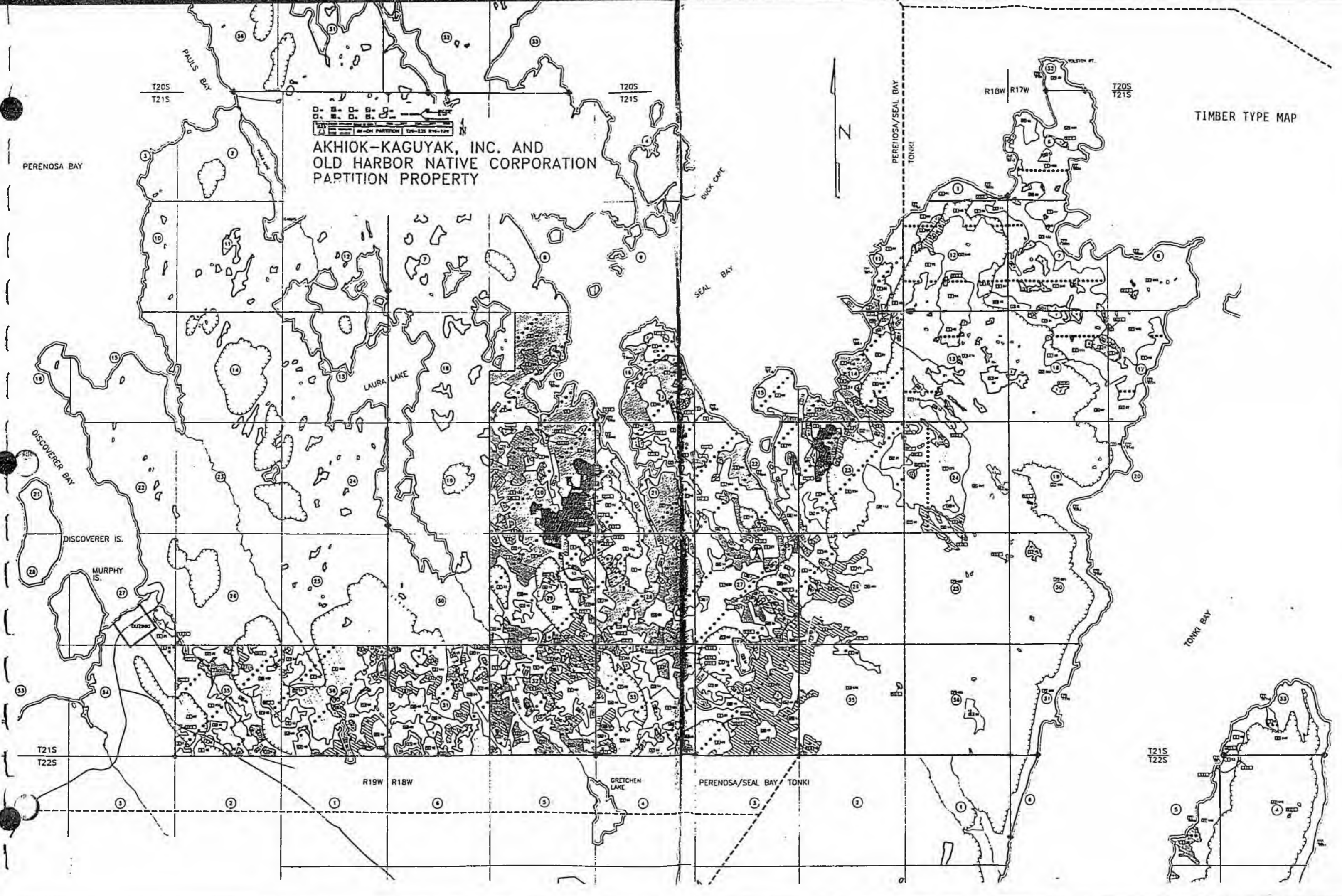
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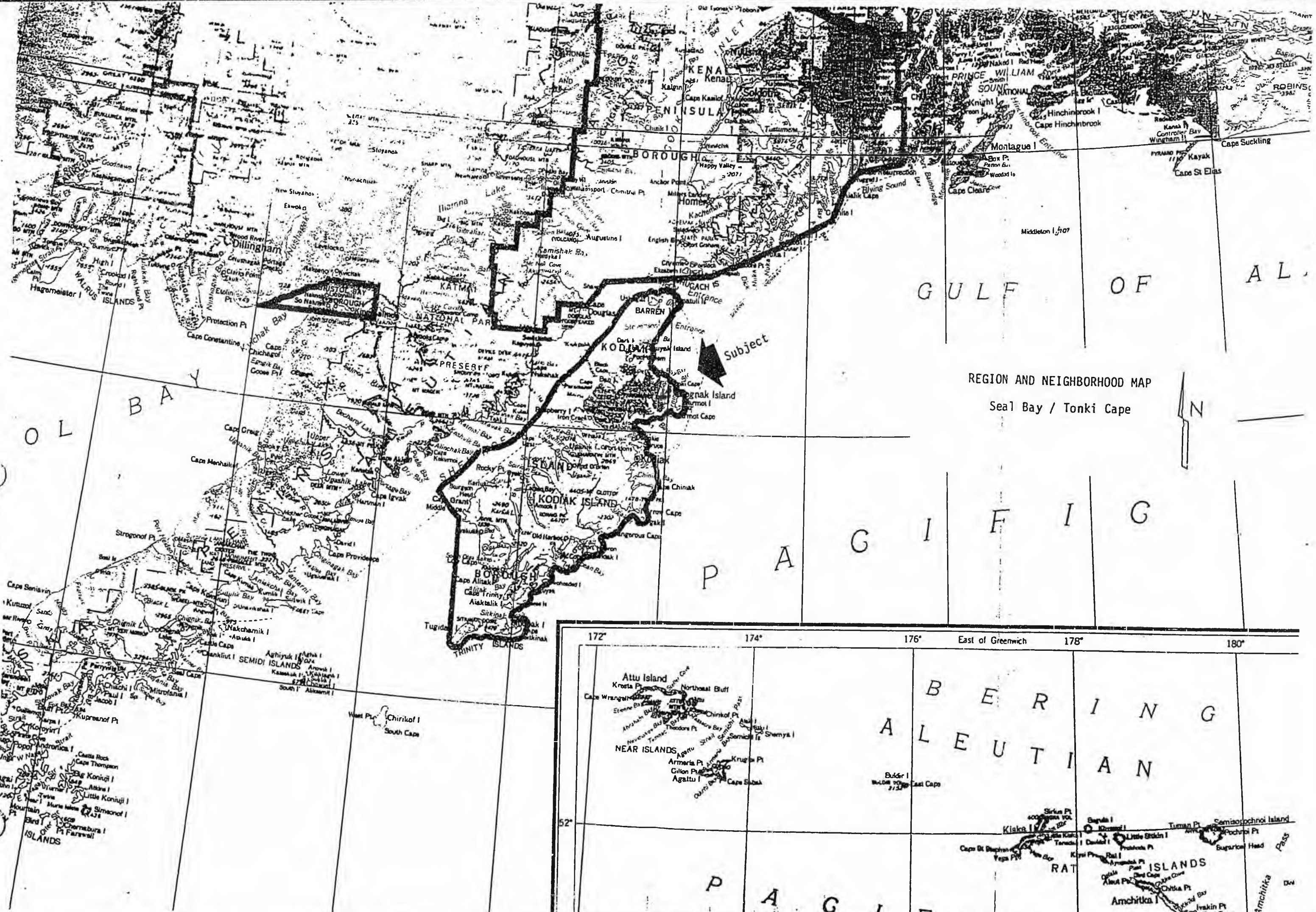
<sup>4</sup> Ch.115 SLA 1953; codified as AS 40.15.010; See also July 11, 1989, Att'y Gen Opin # 661-89-0111, *Dedicated Easements in Rocky Lake Subdivision*.



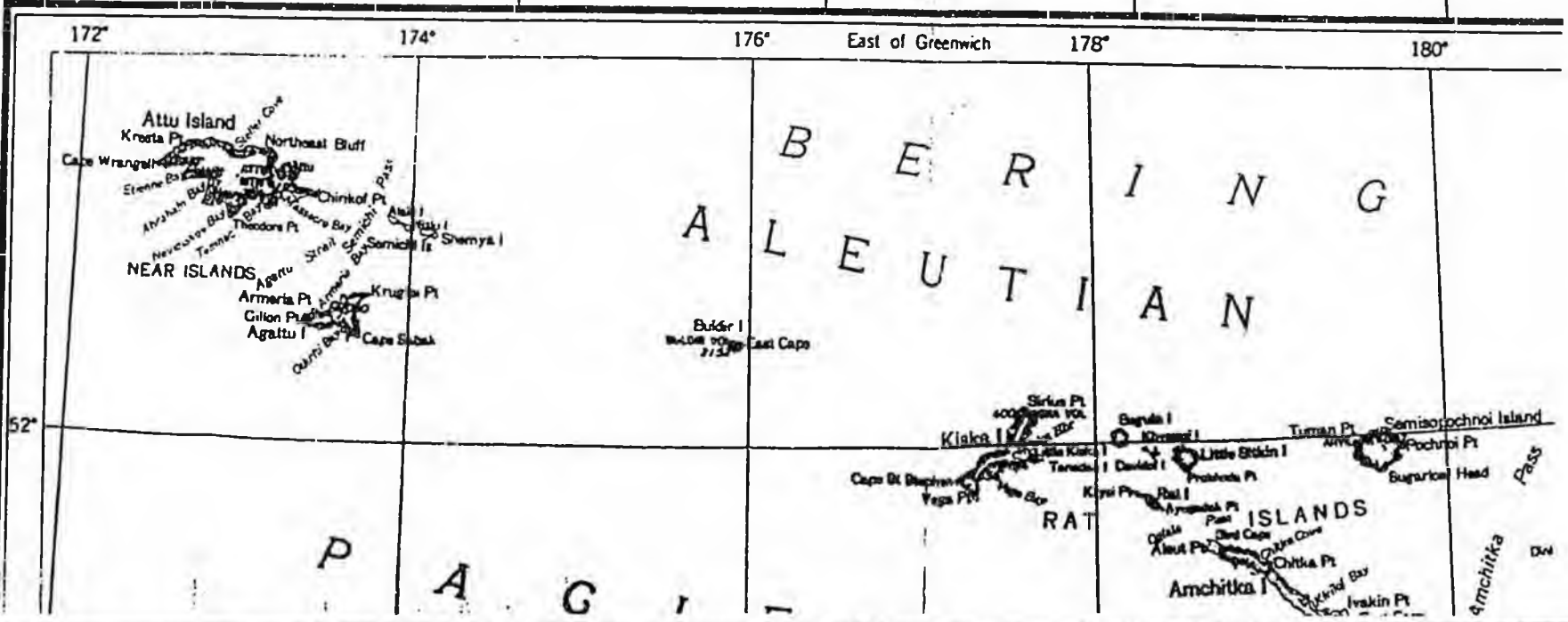
AKHIK-KAGUYAK, INC. AND  
 OLD HARBOR NATIVE CORPORATION  
 PARTITION PROPERTY

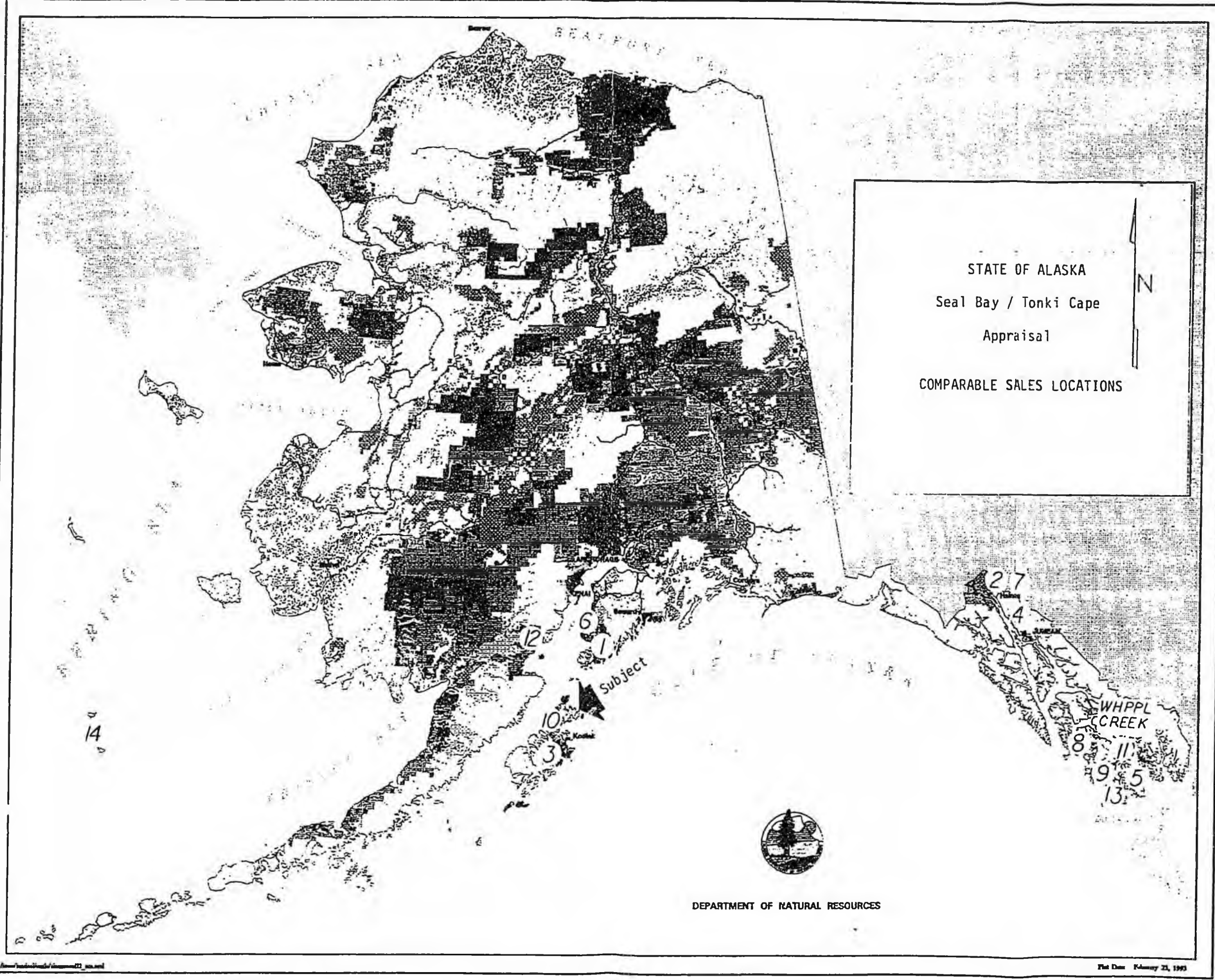
TIMBER TYPE MAP





REGION AND NEIGHBORHOOD MAP  
Seal Bay / Tonki Cape



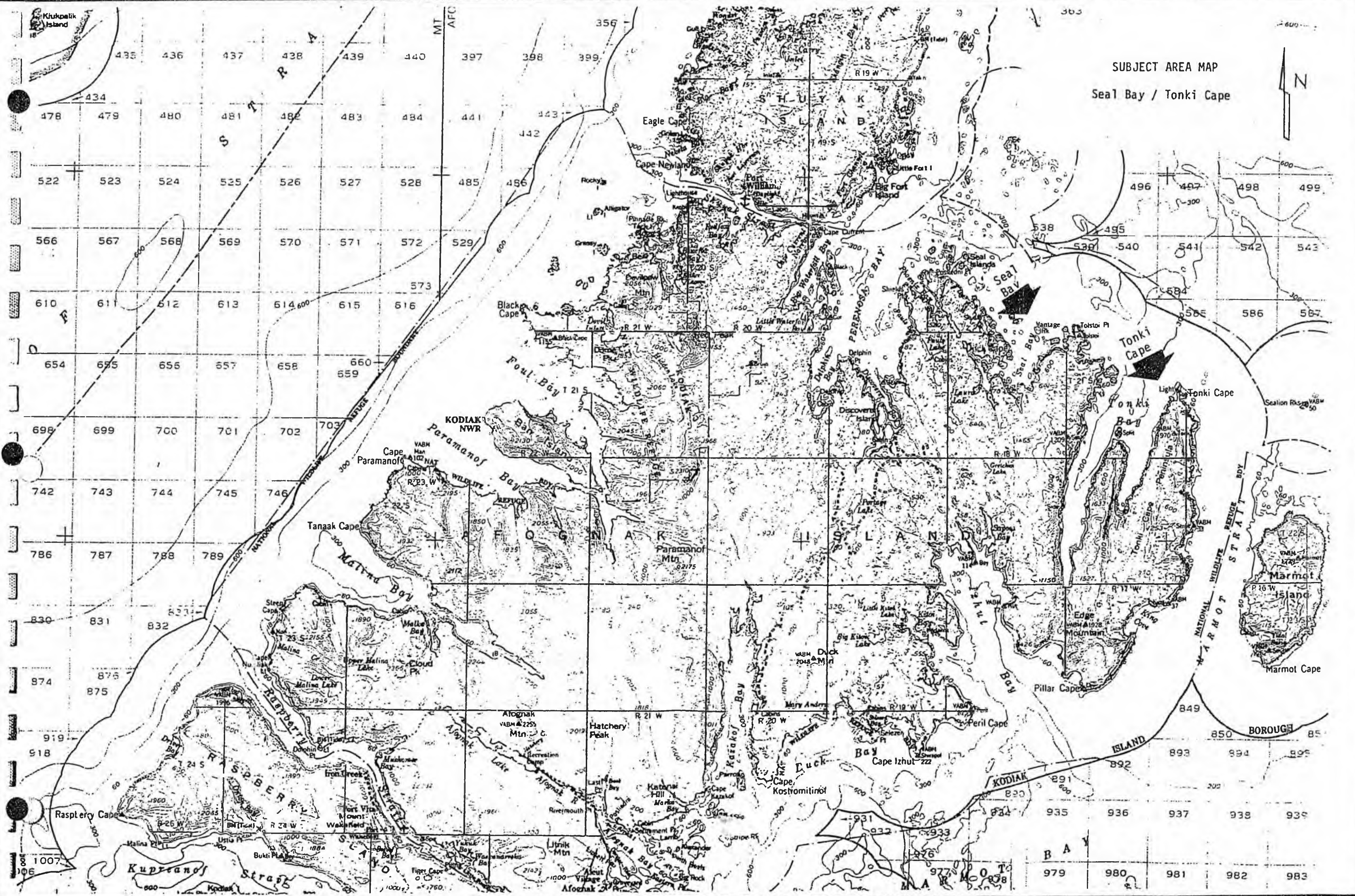


STATE OF ALASKA  
Seal Bay / Tonki Cape  
Appraisal  
COMPARABLE SALES LOCATIONS

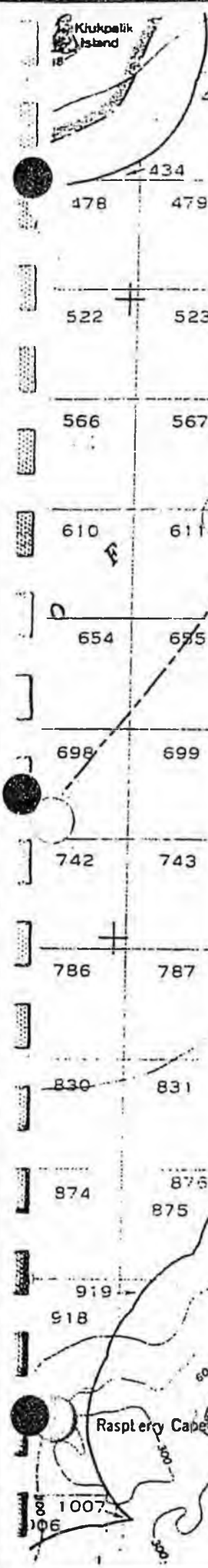


DEPARTMENT OF NATURAL RESOURCES

File Date February 21, 1993



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			<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
<b>Total</b>		<b>139,209</b>	<b>100</b>	<b>742</b>

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

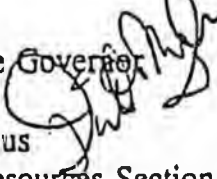
Minimum length 12 ft

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:

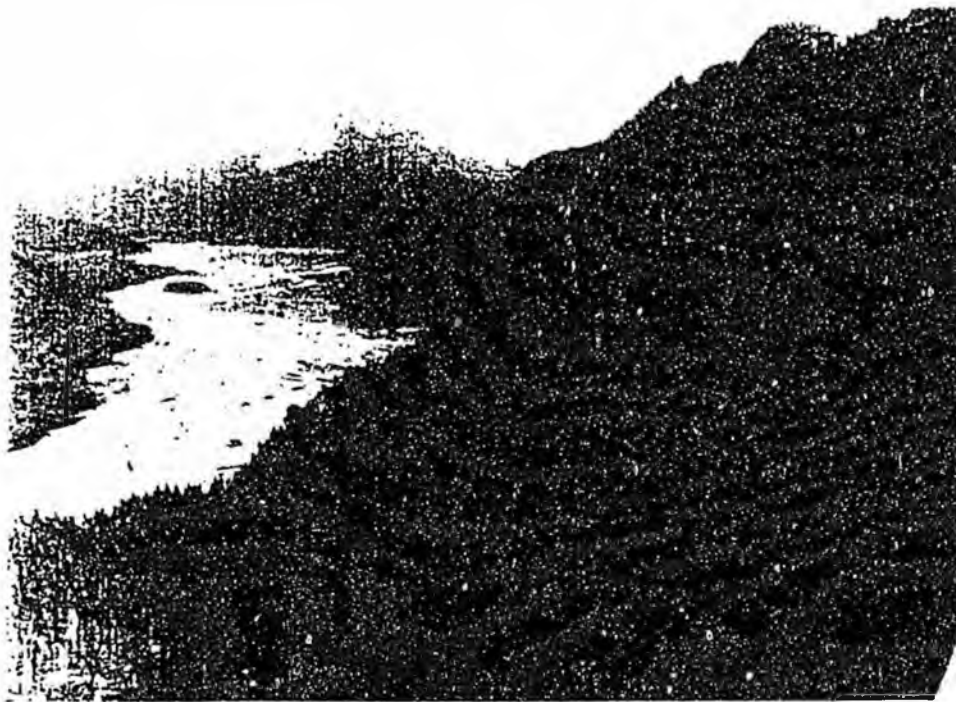
\$15.49 million - the value of the land determined by the appraisal arbitration panel, assuming that a portion (4432 acres) of SNA's land was logged, but the remainder was in its pristine condition (that is, not adjacent to logged off land). This is the lowest amount that SNA would agree to as the cash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

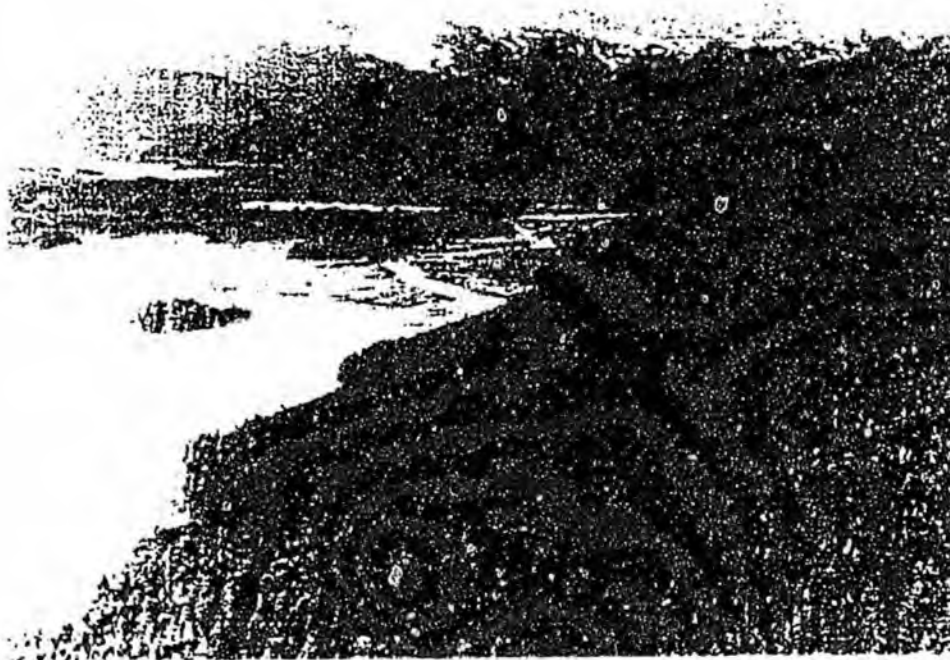
\$2 million - is a value for subsurface resources owned by Cook Inlet Region, Inc. (CIRI). There is no appraisal of the subsurface because CIRI was not involved in the land exchange process. The legislature added acquisition of the CIRI subsurface to the package, and the value was arrived at through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

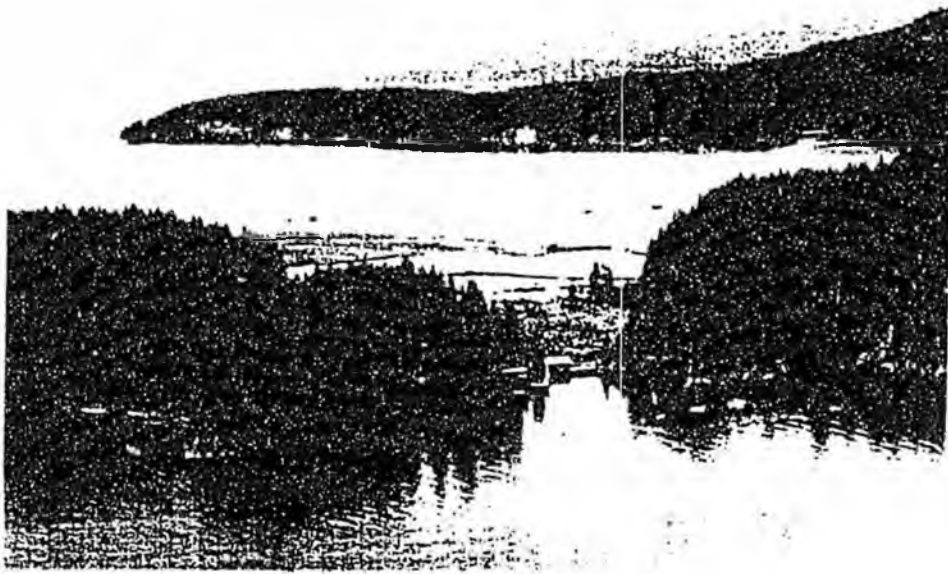
cc: Harold C. Heinze, Commissioner  
Ron Swanson, Director, Division of Land  
Janet Burleson, DNR, Southeast Regional Office



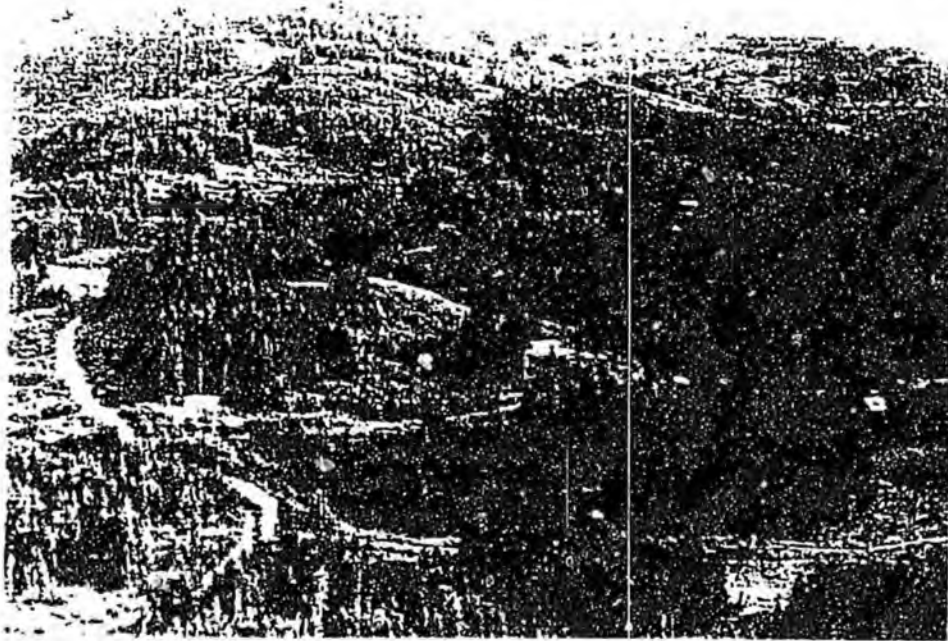
Block F China Foot Mud Flats



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



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  
BOBBY LEE COX

Joanne J. Cox  
JOANNE J. COX

STATE OF ALASKA  
Haines RECORDING DISTRICT SS.  
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 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  
Haines RECORDING DISTRICT SS.  
First 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.



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.

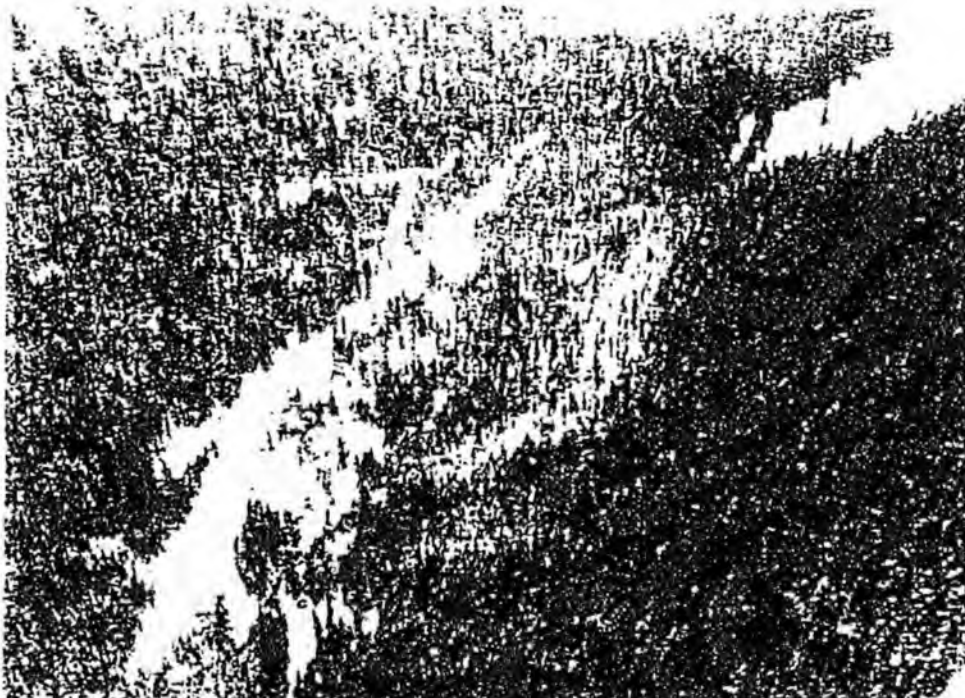
PRESENT USE: Was an underground mine site, purchased by subsurface land owner.

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.

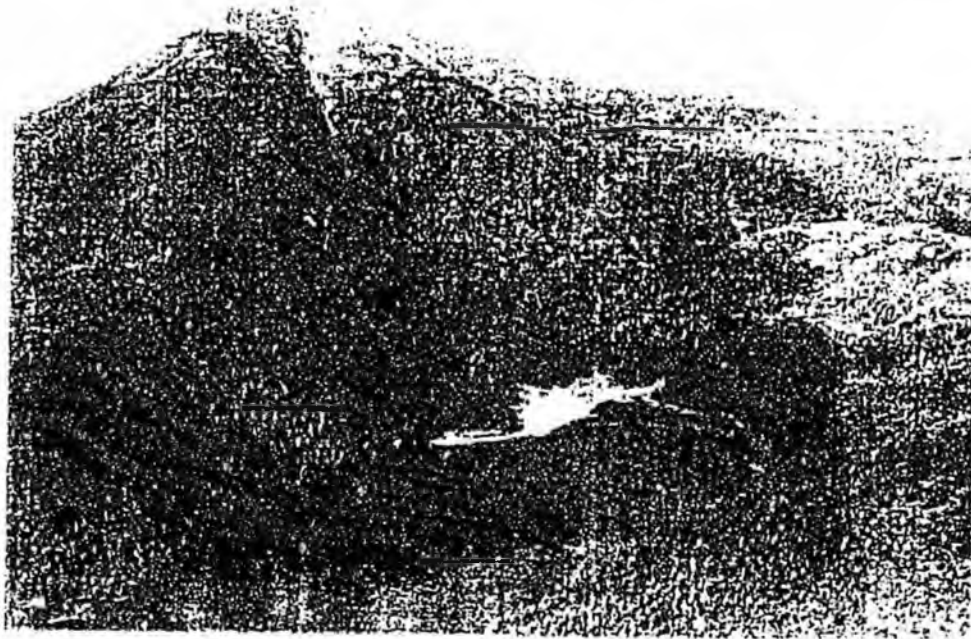
**INTENDED USE:** The buyer presently logging the site. There was no formal stumpage value estimate or detailed logging program developed at time of purchase. The purchasers obtained Sullivan Logging Company to do the logging and Charlie Nash is on-site consultant. Buyer tried to sell stumpage but could 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.

<b>CONFIRMATION:</b>	Realtor, Leif Stanford	<b>DATE:</b> 11/5/92	<b>BY:</b> C. Horan
<b>PRICING:</b>	Key Bank, Dan Mock	<b>DATE:</b> 11/17/92	<b>BY:</b> C. Horan
<b>BUYER MOTIVATION:</b>	Joe Henry	<b>DATE:</b> 11/12/92	<b>BY:</b> 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<sup>(1)</sup>                      H&B USE:            Recreational

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

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

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

GRANTOR:                    Security National Trust (SNT)

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

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

PROPERTY DETAILS:    The property is in six subdivisions, subdivided into 222 paper plat undeveloped 10-acre tracts; seller paid all closing costs. These "Paper Plat" lots can be sold individually "as is" without physical access, since they were platted prior to newer subdivision regulations. The tracts are typically located 1 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.



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 AF

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:

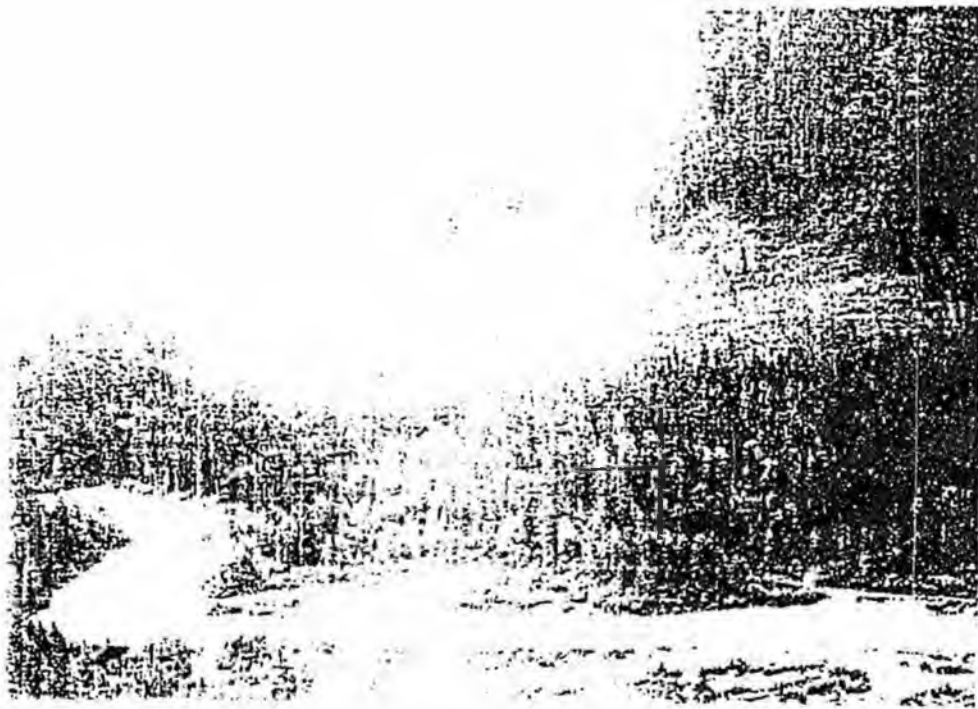
UTILITIES: None public; They must be developed on site  
SIZE: 160 acres FRONTAGE: NE corner touches river  
ACCESS: Over dirt logging road without easement  
TOPO/VEG. SOIL: Slopes, has been logged, located in Bald Eagle Preserve

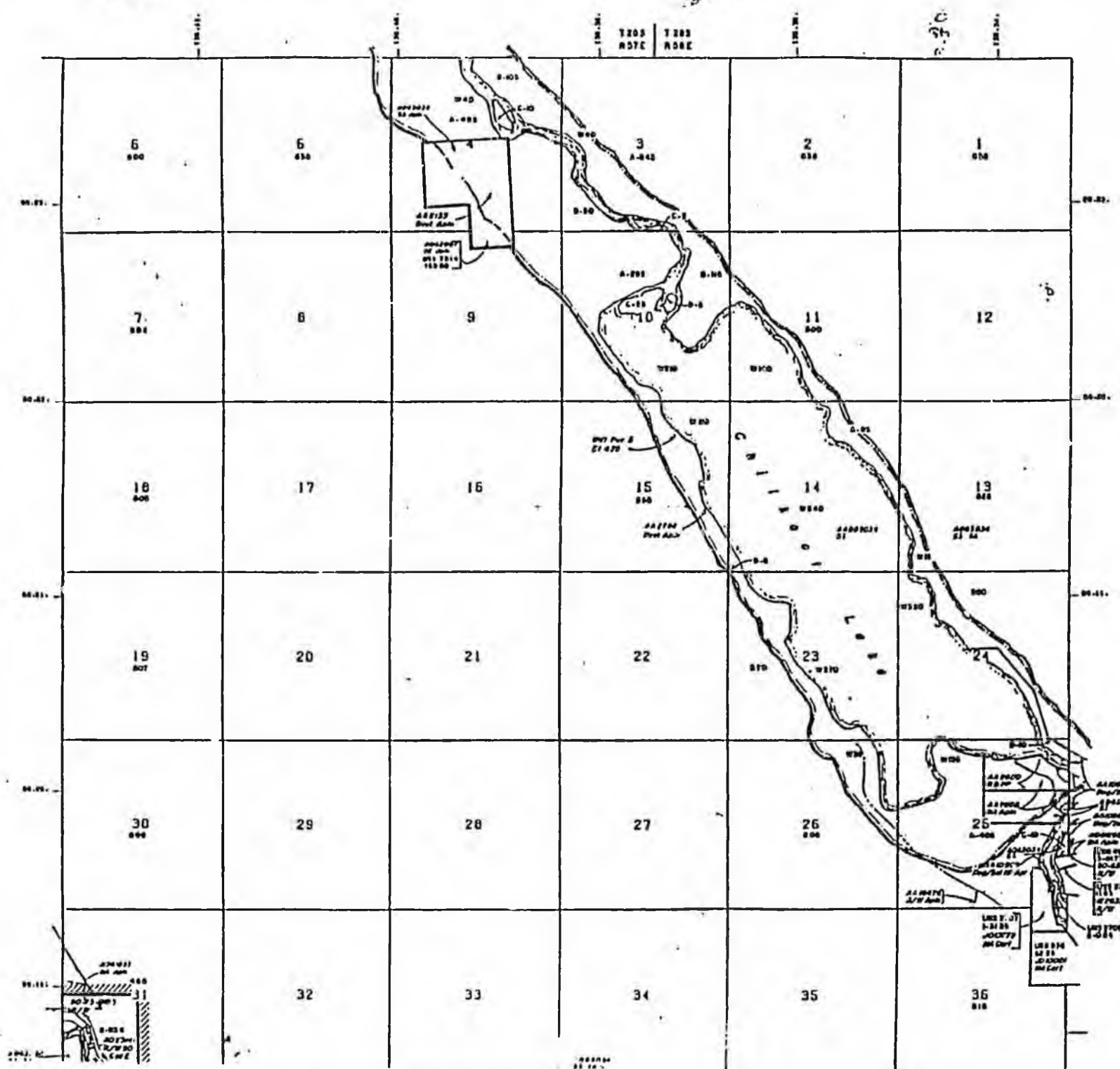
PRESENT USE: 30' x 40' cabin with loft built in 1970. Significant rot at time of purchase. Buyer assign maximum value of \$5,000.

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 NAD 25' G. A. AT THE  
R. 31. 251/4 101/4 101/4 101/4

PLS. SEE 201/4 101/4 101/4 101/4  
INDEX

CAUTION

ACTS NATIONAL WILDLIFE  
CONSERVATION ACT WITHIN WHICH 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 OF THE LANDS 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

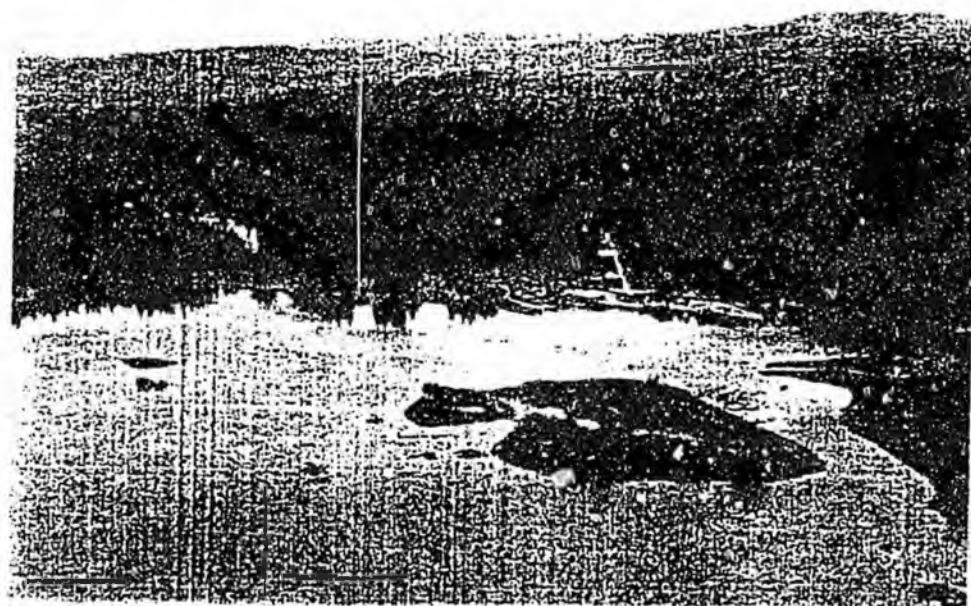
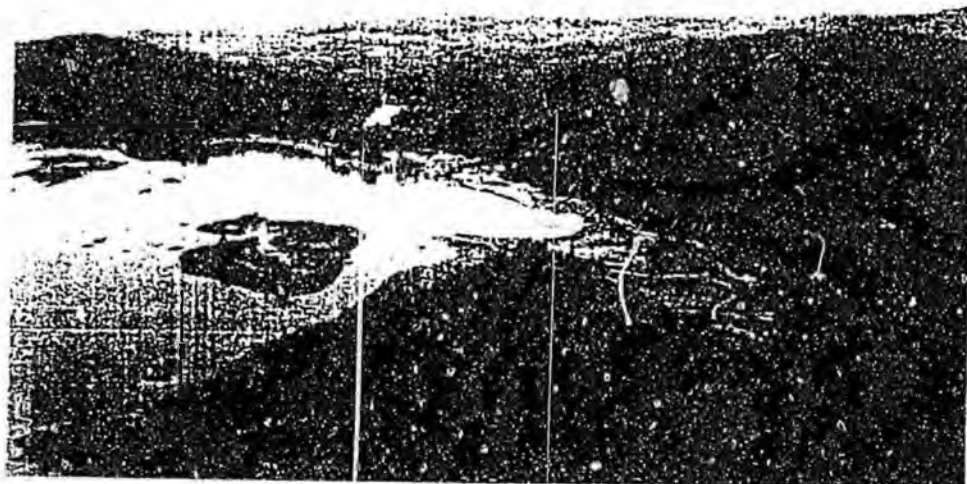
PRICE AT \$450,000: Capital Realty, Bev Davis DATE: 9/5/91 BY: C. Horan INVESTORS  
MOTIVE: Skip Ritcher DATE: 9/7/91 BY: C. Horan  
PRICE AT \$400,000: Broker & Buyer via Marty McDowell of DOT  
DATE: 11/3/92 BY: C. Horan  
PRICE: Linda at Capital Investments DATE: 5/19/92 BY: KLFW

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

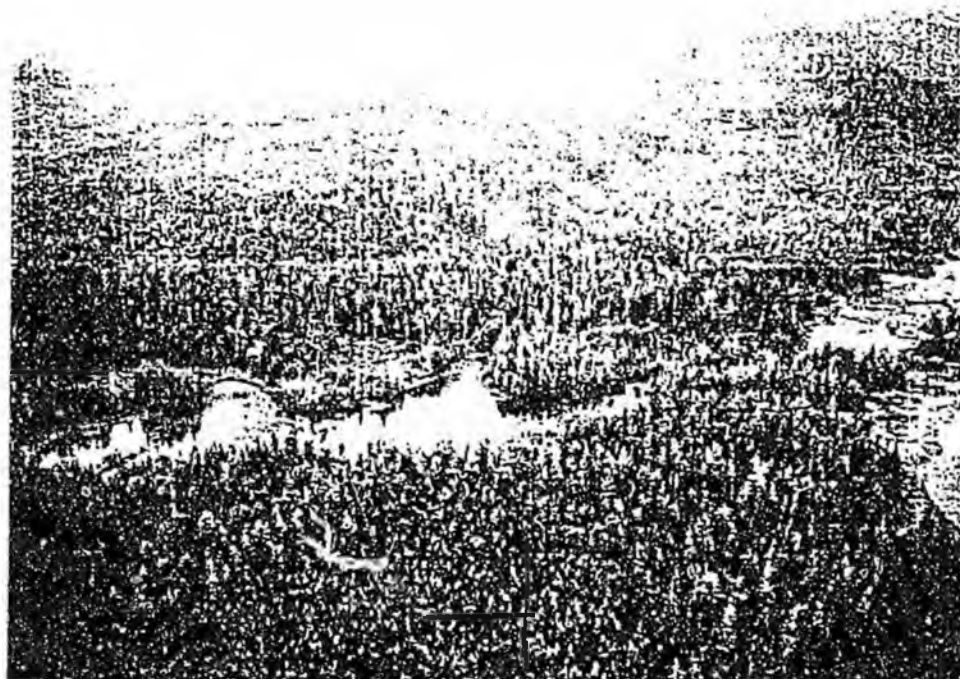


Comparable Photographs  
Comparable MV2-066

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.

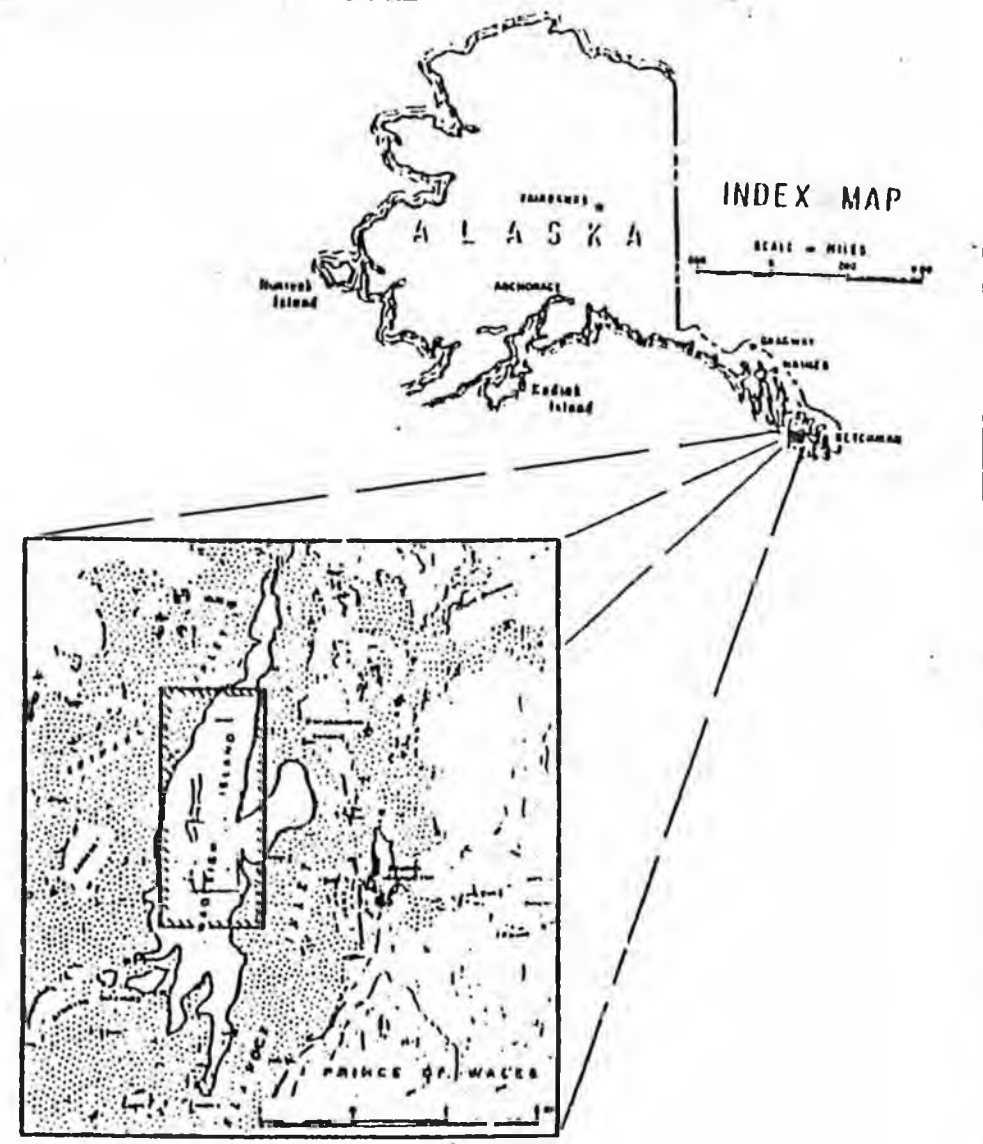
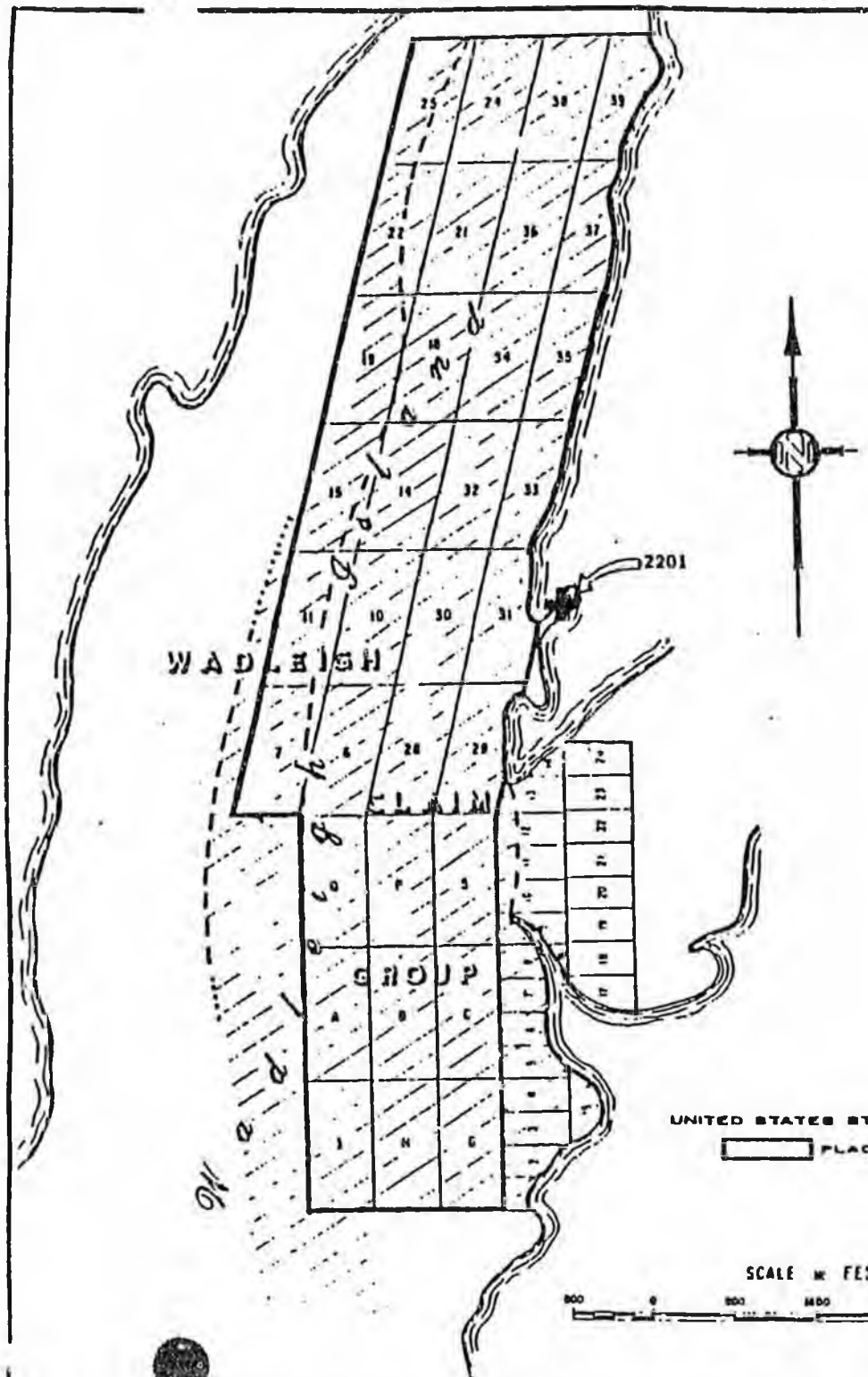
PRESENT USE: This site was originally patented as mining claims. It was reported while in USX's ownership, assaying had been done to identify its limestone quarrying potential.

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.

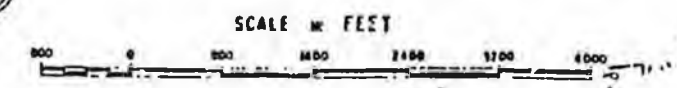
NEGOTIATIONS AND SALES MOTIVATION: The buyers had been negotiating with an option holder for a price of about \$800,000. The option holder lost his position and the land went to bid. The buyers bid \$1,000,000 and put in a 2% limestone royalty since they felt the sellers had a higher regard for its mining 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

**PROPERTY MAP**  
**WADLEIGH LIMESTONE**  
 ALA

IRRAWTON - UT

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 claims 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 )

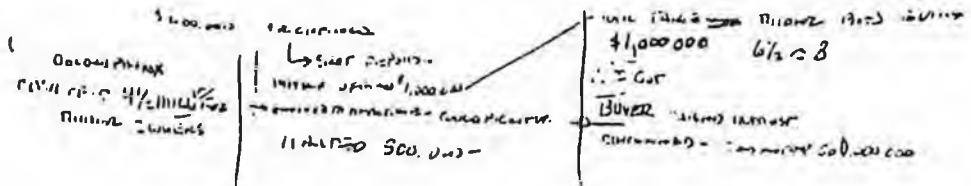
Jennifer D. Hunter  
Notary Public for Alaska  
My Commission Expires: 08-09-92

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 )

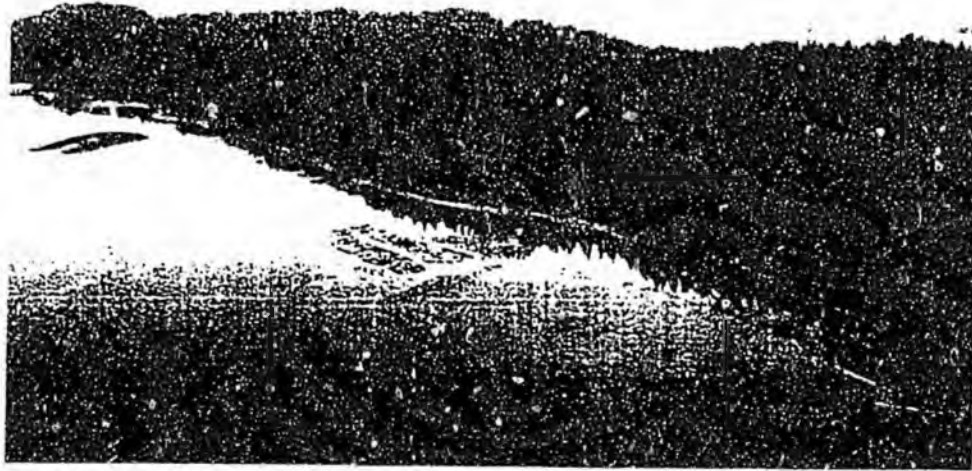
Jennifer D. Hunter  
Notary Public for Alaska  
My Commission Expires 08-09-92



RECORDED  
INDEXED  
SEP 29 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.