

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

8070

HOUSE RESOURCES

335

COMPARABLE ACREAGE LAND SALE NO. 10

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

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

GRANTOR: Mike Mullan

GRANTEE: Aleneva Joint Ventures

RECORD NUMBER: 10

DATE OF SALE: 11-89

RECORDING DATE: 11-89

INSTRUMENT: MOA

BOOK/PAGE: 977/66

SALES PRICE: \$609,375

TOTAL ASSESSMENTS: None

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

CE/ADJ. PRICE: \$233,075

AREA (ACRE): 126.74

PRICE/ACRE: \$1,839

PRESENT USE: Vacant

ANTICIPATED USE: Religious community

SOILS: Good

FLOOD ZONE: No

WATERFRONT: Ocean

ELECTRIC/PHONE: No

TOPOGRAPHY: Gently rolling

PUBLIC SEWER: No

ROAD IMPROVEMENTS: N/A

PUBLIC WATER: No

ROAD ACCESS: None

NATURAL GAS: No

SITE SHAPE: Irregular

EASEMENTS: None

ROAD GRADE: N/A

ZONING: Conservation/5 acre

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

BY/DATE: TRD/1-15-90

**PROPERTY DESCRIPTION:**

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

*Affiliated Appraisers of Alaska*

## LARGE LAND SALE

COMPARABLE NO. 11

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

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

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

**RECORDING INSTRUMENT:** QCD                      **BOOK:** 163    **PAGE:** 213

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

**GRANTOR:** David & Kay Syre  
                  Bellingham, WA

**GRANTEE:** Ketchikan Pulp Co.  
                  Ketchikan, Alaska

**SALES DATE:** 1/6/89

**PRICE:** \$650,000

**TERMS:** Cash

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

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

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

### CONFIRMATION

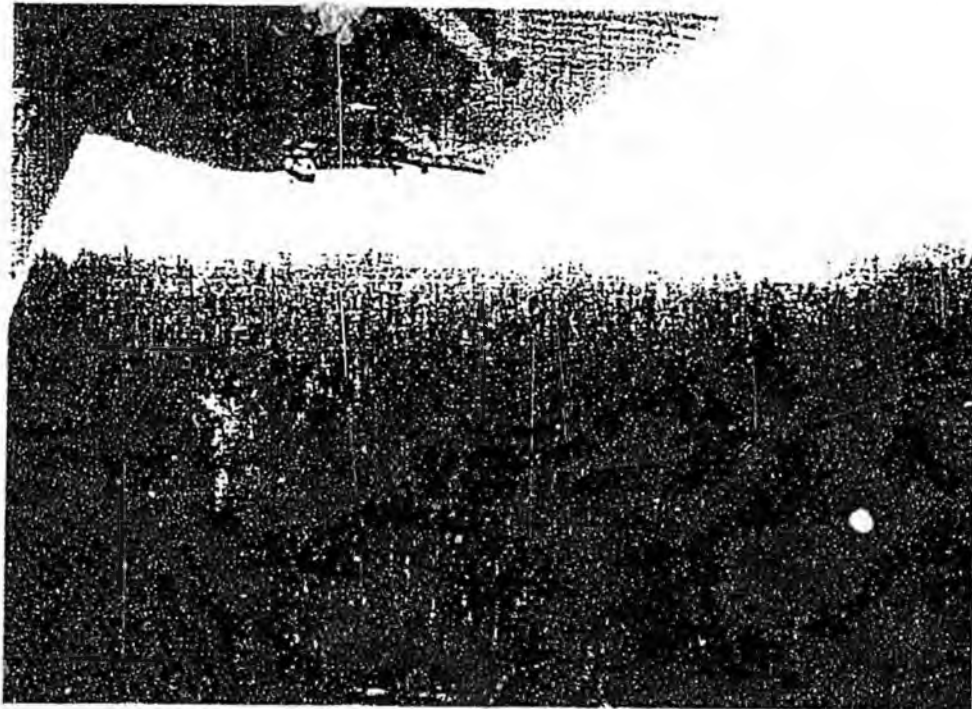
#### **BUYER MOTIVATION &**

<b>INTENDED USE:</b>	Ralph Lewis of Ketchikan Pulp	<b>DATE:</b> 11/12/92	<b>BY:</b> C. Horan
<b>PRICE:</b>	Ralph Lewis, Ketchikan Pulp	<b>DATE:</b> 11/16/92	<b>BY:</b> C. Horan

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



Comparable Photographs  
Comparable LRG-010



~~COMPARABLE~~  
L1

Probably a better  
12  
comparison to the  
Air Force Sales

COMPARABLE LAND SALE NO. 12

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

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

GRANTOR: Haida Corporation

INSTRUMENT: WD

GRANTEE: USA

SALES PRICE: \$9,000,000

DATE OF SALE: 5-88

TERMS: Cash

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

ZONING: None

PRESENT USE: Vacant

ANTICIPATED USE: Public Interest

ACCESS: Boat or float plane

ASSESSMENTS: None Known

UTILITIES: None

EASEMENTS/  
RESTRICTIONS: Normal

CONFIRMED WITH: Charles Horan, MAI

BY/DATE: Paul Dirkson

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

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

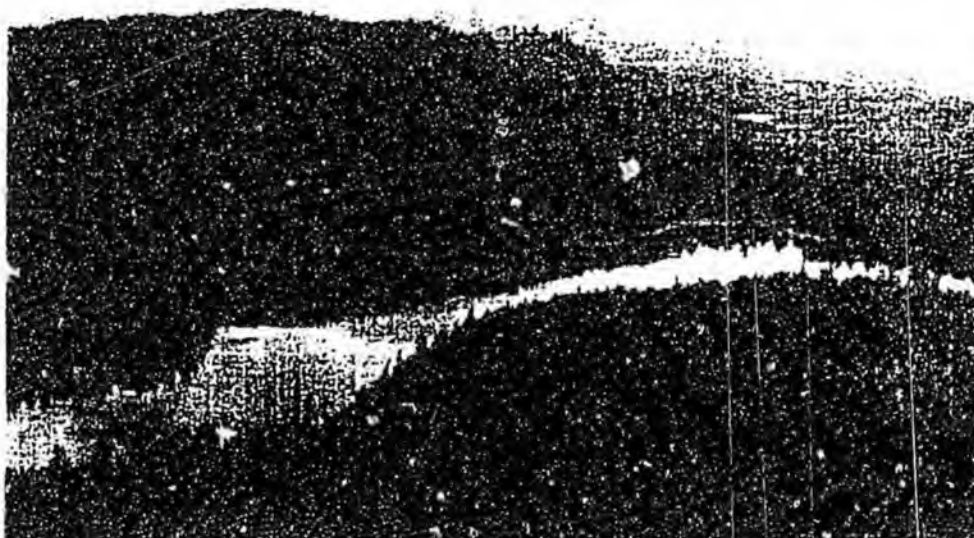
COMPARABLE LAND SALE NO. 12 (Con't)

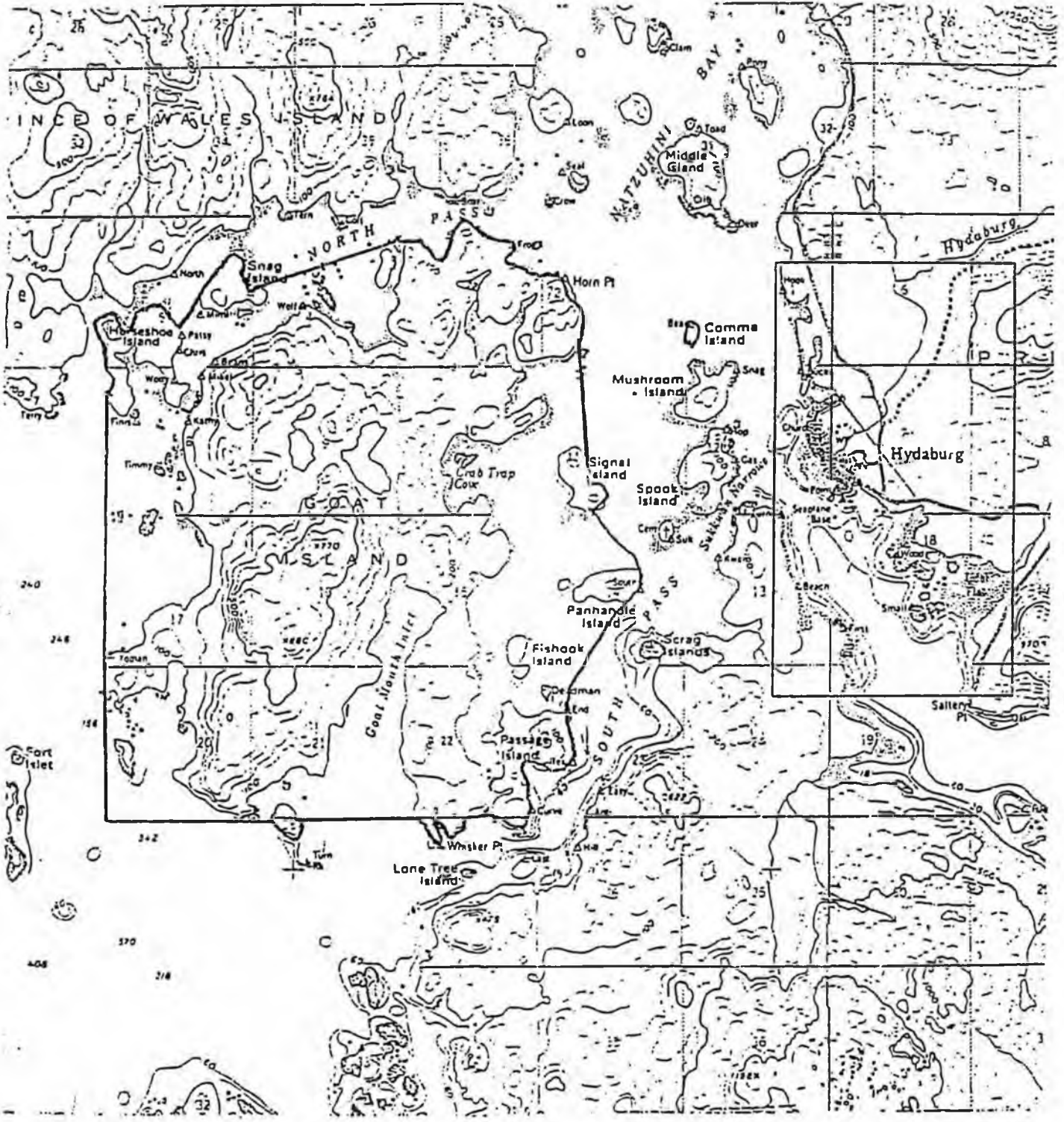
Inlet about four miles southeast of Hydaburg. This property sold for \$2 million. The third part of the transaction involved a land trade where Haida Corporation traded 4,222 acres of mostly forested uplands for 4,395 acres (consisting of 11 parcels) of considerably more valuable "Haida Traditional Use"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

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

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

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





SALE NO. 13

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

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

GRANTOR: Bristol Bay Native Corporation      INSTRUMENT: Conservation Easement

GRANTEE: U.S. Department of the Interior National Park Service      BOOK/PAGE: 17/480 and various others

SALES PRICE: \$858,180 (allocated to subsurface rights)      DATES OF SALE: 12-88/\$3,715,065, 03-90/\$1,467,855 & 07-91/\$901,210

TERMS: Cash

AREA: 9,173 acres (total)      ZONING: None

PRESENT USE: Vacant      ANTICIPATED USE: Recreational

ACCESS: ATU and fly-in

UTILITIES: None

CONFIRMED WITH: Norman Lee, Chief Appraiser, National Park Service      BY/DATE: TRD/6-23-93  
Jack Moore, Bristol Bay Native Corporation      TRD/6-23-93

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

SALE NO. 13 (Continued)

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

SUBSURFACE RIGHTS ANALYSIS: \$858,180 ÷ 9,173 Acres = \$94/Acre

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

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

<u>Date</u>	<u>Payment</u>	<u>76.9%</u>	<u>Present Value 2/87 *</u>
10/88	\$1,346,000	\$1,035,074	\$911,586
3/90	\$1,467,855	\$1,128,780	\$868,519
7/91	<u>\$301,210</u>	<u>\$693,030</u>	<u>\$473,349</u>
Total	\$3,715,065	\$2,856,884	\$2,253,454

\$2,253,454 ÷ 9173 acres = \$245.66 per acre

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

L2

COMPARABLE LAND SALE NO. 14

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

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

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

INSTRUMENT: WD

GRANTEE: U.S. Department of the Interior

BOOK/PAGE: 23/665

SALES PRICE: \$7,200,000

DATE OF SALE: 11-2-84

TERMS: Cash

AREA: 8,000 Acres

ZONING: None

PRESENT USE: Vacant

ANTICIPATED USE:  
Public

ACCESS: Road/water

ASSESSMENTS: None  
Known

UTILITIES: Electric/telephone

EASEMENTS/  
RESTRICTIONS: Normal

CONFIRMED WITH: Affiliated Appraisers  
of Alaska

BY/DATE: Paul Dirkson.  
5-92

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

*G. Hayden Green, Ph.D*

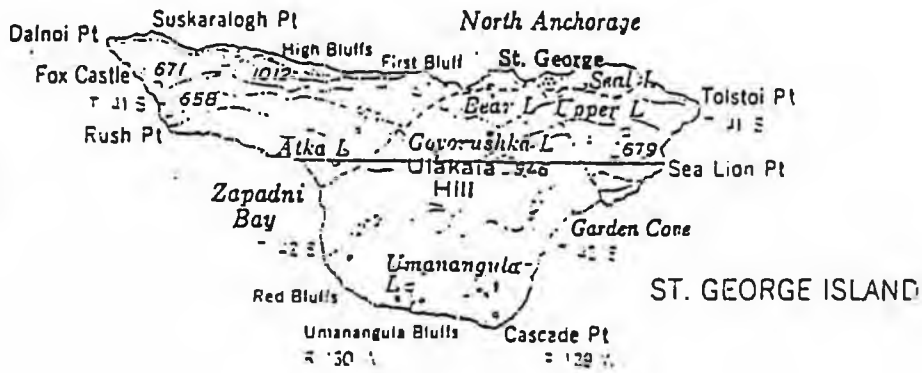
COMPARABLE LAND SALE NO. 14 (Cont'd)

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

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

*G. Hayden Green, Ph.D*

Comparable Land Sale Number 14



Addendum IV  
Qualifications of Appraisers

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

WILLIAM B. WALLACE, ACF, RPF, VICE PRESIDENT

Project Experience

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

Specialization

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

Significant Projects

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

Employment

INFO, Vice President (1989-Present).

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

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

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

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

Professional Education

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

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

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

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

Professional Associations

The Appraisal Institute, MAI Candidate.

Association of Consulting Foresters.

Licenses and Certificates

Registered Professional Forester, California #2063.

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

INTERNATIONAL FORESTRY CONSULTANTS, INC.

1020 - 108th Avenue N.E. #101

Bellevue, Washington 98004

(206) 455-8353

THOMAS M. HANSON, ACF, SECRETARY TREASURER

Project Experience

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

Specialization

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

Significant Projects

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

Employment

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

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

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

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

Professional Education

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

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

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

Professional Associations

Association of Consulting Foresters (Past Regional Chairman).

Society of American Foresters.

Licenses and Certificates

Licensed Real Estate Broker, Washington

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
ENVIRONMENTAL HAZARD ASSESSMENT FORM

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

I. Site History and Operations

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

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

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

Same

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

Road Construction - Haul of logs from timber harvest.

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

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

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

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

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

## II. Waste Disposal/Spills

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

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

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

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

### III. Studies, Records, and Enforcement

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

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

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

IV. Summary

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

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

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

William B. Wallace ACF, RPF

August 19, 1993

Name of Person Preparing the Form

Date

*William B. Wallace*

*August 19, 1993*

Signature of Person Preparing the Form

Date

APPRAISAL  
TONKI CAPE UNIT  
AKHIOK-KAGUYAK AND OLD  
HARBOR JOINT VENTURE

May 14, 1993

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

August 6, 1993

RECEIVED

AUG 09 1993



INTERNATIONAL FORESTRY CONSULTANTS, INC.

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



INTERNATIONAL FORESTRY CONSULTANTS, INC.

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

September 14, 1993

RECEIVED  
SEP 16 1993

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

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

Dear Mr. Lattery

Attached is our appraisal report for the Tonki Cape Unit property on Afognak Island.

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

\$11,000,000.

The Certification on page 3 as well as the Assumptions and Limiting Conditions found on page 9 are important elements of any appraisal. The reader is urged to study these pages and be sure the statements made therein are well understood.

If you have any questions or comments please call.

Sincerely,  
INTERNATIONAL FORESTRY CONSULTANTS, INC.

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

PART I  
INTRODUCTION

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Certification

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

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

Respectfully submitted,

INTERNATIONAL FORESTRY CONSULTANTS, INC.

*William B. Wallace*

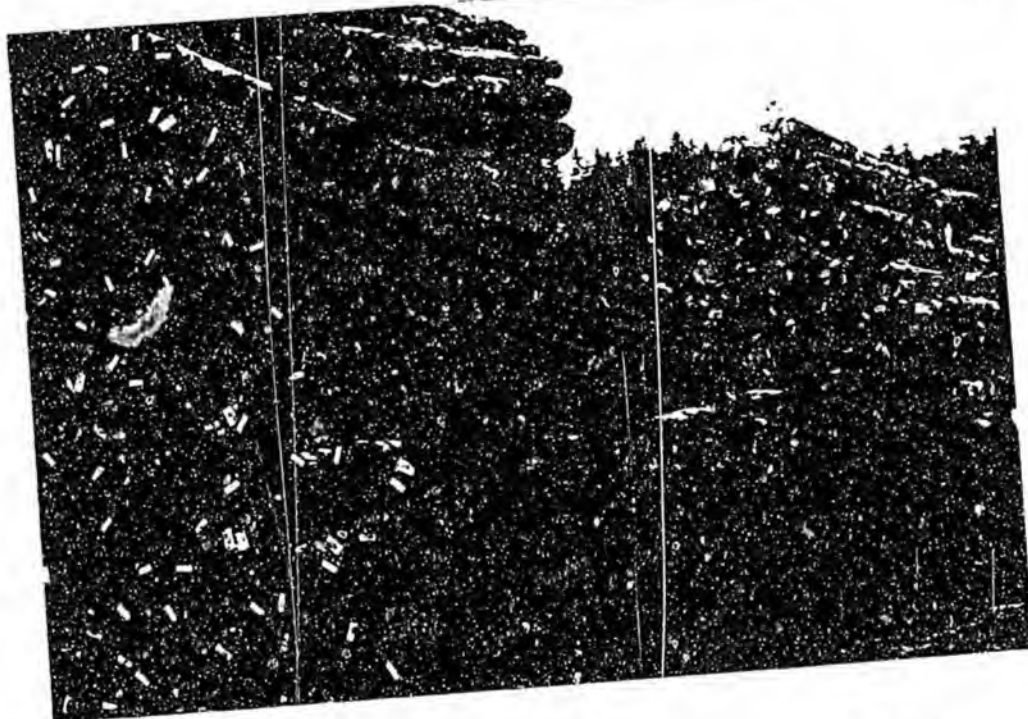
William B. Wallace ACF, RPF  
Certified Real Estate Appraiser - General  
Washington-#270-11 WA-LL-AW-BZ670B

*Thomas M. Hanson*  
Thomas M. Hanson ACF

THE  
FOLLOWING  
DOCUMENTS  
ARE  
POOR  
ORIGINAL  
COPIES



Good Timber & Level Ground  
Near North Tip of Tonki Cape



Typical Logs of #7 Sort Quality  
Typical of Much of Tonki Cape Timber

PHOTOGRAPHS OF SUBJECT



Timber on Steep Topography



Good Timber & Moderate Topography  
Potential LTF on East Arm of Tonki Bay



Scattered Patches of Merchantable Timber in Areas of  
Non-Merchantable Timber



Potential Lodge Site at King Cove

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Subject Property: Portions of

- Twp. 21 S., Rge. 16 W. S.M.  
Section 19, 30 & 31
- Twp. 21 S. Rge. 17 W.  
Sections 6-8, 17-20, 30, 31
- Twp. 21 S. Rge. 17 W.  
Sections 13, 23-26, 33, (34), 35 & 36
- Twp. 22 S., Rge 16 W.  
Sections 6, 7, 18, 19 & 31
- Twp. 22 S., Rge 17 W.  
Sections 1-5, 8, 9, 11-14, 17, 19, 20, 23-29,  
32-36
- Twp. 23 S., Rge 17 W.  
Sections 1-5, 6-10, 15-22, 28 & 29

Area:

Twp. 22 S., Rge. 16 W. S.M.	298.17 acres
Twp. 21 S., Rge. 17 W.	2,439.65 acres
Twp. 22 S., Rge. 16 W.	435.57 acres
Twp. 22 S., Rge. 17 W.	13,639.13 acres
Twp. 23 S., Rge. 17 W.	7,571.21 acres
Aggregate	24,383.73 acres

Timbered area:

2,242 acres

Timber Volume:

As of 1991	32,018 M b.f.
Depletion to May 14, 1993 (Cruised)	None.
As of May 14, 1993	32,018 M b.f.
Less Pulp	<u>1,364</u> M b.f.
Marketable Volume	30,654 M b.f.

Highest-and-Best Use:

Management for Natural Resources.

Date of Valuation: May 14, 1993

Access: Aircraft or Boat.

Indications of Value:

<u>Asset</u>	<u>Unit Values</u>		
	<u>Units</u>	<u>Income Approach</u>	<u>Sales Approach</u>
Timber	M b.f.	\$125	\$175
Total Property	Acres		\$450

Value Conclusions:

Timber only	\$3,700,000
Total	\$11,000,000

## ASSUMPTIONS AND LIMITING CONDITIONS.

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

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

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

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

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

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

## REFERENCES

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

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

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

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

## PURPOSE OF THE APPRAISAL

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

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

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

## SCOPE OF THE APPRAISAL

### Property Rights Appraised

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

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

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

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

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

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

## The Appraisal Process

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

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

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

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

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

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

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

## Appraisal Problems

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

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

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

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

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

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

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

#### FUNCTION OF THE APPRAISAL

The appraisal will be used in negotiation for acquisition of the property by the State of Alaska, as a donation in conjunction with the purchase by the State of Alaska of the Seal Bay Unit. A conditional purchase and sale agreement, including this donation, has been reached.

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

PART II  
FACTUAL DATA

## DESCRIPTION OF THE PROPERTY

### Property Location and Description

The property consists of approximately 24,384 acres on Afognak Island in southwest Alaska. More specifically, the property is located on Tonki Cape. Access to the parcel is by air or water transportation. The property is unroaded. The present owners enjoy access to the Afognak Island road network and log transfer facilities through their being parties to the Afognak Island Road Use Agreement and the Discoverer Bay Log Transfer Facility Agreements.

The terrain on the property is quite variable. Elevation ranges from sea level to about 1,900 feet on Edge Mountain in the south end of the property. Slopes are mostly under 50% except for some steep banks on Tonki Bay and steep slopes off Edge Mountain. Road development for access to the property would have to cross a very steep area southeast of the south end of Tonki Bay and another steep pass on the south side of Edge Mountain. Some of the merchantable timber is on steep slopes and might require skyline or helicopter logging.

There is a logging camp at Danger Bay on Kazakof Bay, where the sort yard is equipped to prepare log rafts for loading logs on ships. Access to this facility would require construction of nearly 15 miles of road across other ownership. The last 2 miles of that access road would be at very high cost. There are no improvements on the subject property.

### Legal Description

The parcel contains portions of Townships 21 South through 23 South, and Ranges 16 west and 19 West, Seward Meridian. A complete legal description is provided in Addendum I. Maps are included in Addendum I.

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

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

The DNR title report makes note of 2 sections included in the original patent that were omitted from the deed to Akhiok/Old Harbor joint venture. This omission is not significant to the appraisal because both sections are off shore in Tonki Bay.

#### Inspection of the Subject Property

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

An inventory of the merchantable timber was made by Wes Rickard Associates in 1991. Thomas M. Hanson and William B. Wallace of International Forestry Consultants, Inc. made a field check of the inventory on the Seal Bay Unit by examining plots taken by a Rickard subcontractor, measuring additional plots of their own and comparing actual volume cut with calculations of unit volumes from the Rickard inventory. The calculated unit volumes are compared to volume removed in a timber cruise summary found in ADDENDUM II. The inventory was found to be about 85% to 90% of the true volume, based on the cutout and INFO plots with current utilization standards. Based on observations in the field inspection of the property this analysis is believed to be applicable to the Tonki Bay Unit.

There were no indications on any of the areas visited by the appraisers of any environmental hazards, toxic waste or spills of hazardous materials. A map provided by the owners indicates light oiling from the Exxon Valdez oil spill on beaches at the very tip of Tonki Cape and in King Cove. There is no visible evidence of damage in those areas at the present time.

#### Date of Opinion of Value

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

#### Regional Analysis

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

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

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

#### Neighborhood Analysis

The neighborhood is defined as Afognak Island.

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

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

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

#### Merchantable Timber

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

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

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

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

timber type islands are isolated from normal harvest unit design. The expectation of cutting 10% to 15% more than the inventory is believed to be adequate to offset these timber reservations. The volume in the timber inventory is considered to be the volume a prudent owner and prospective purchaser would recognize as available for harvest in their evaluations of the timber. Allowance for losses from the inventory in this way also would tend to lessen the risk perceived by the owner or a purchaser.

#### Timber Harvest Conditions

Logging conditions are reasonably good. The terrain is gentle over much of the timbered area, but some timber types along the east shore of Tonki Cape and the slopes of Edge Mountain are on very steep ground. Generally, logging can be accomplished with a combination of highlead and shovel logging methods. Skyline or helicopter logging may be required for much of the timber on the steepest ground.

The property is unroaded at the present time. The present owners or a buyer would need to plan on a major development of access road or a new log transfer facility on the property. Access by road would require about 15 miles of new construction across other ownership. The last 2 miles would be at very high cost to negotiate a steep divide between Tonki Cape and the rest of the Island. A new log transfer facility would also be very costly and time consuming to build. Construction of new road and spurs would be required to develop logging units. Access to the property is available through existing right-of-way agreements between all the timberland owners in the vicinity. Provisions for cooperative access between owners are binding and transferable.

No unusual road construction and logging methods are anticipated, other than possible helicopter logging.

PART III  
DATA ANALYSIS AND CONCLUSIONS

## HIGHEST AND BEST USE ANALYSIS

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

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

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

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

Feasibility considerations: About 10% of the property is forested and suitable for the commercial production of forest crops. Forest site quality is somewhat low, producing a monoculture of Sitka spruce that is inferior in

quality to the spruce grown in Southeast Alaska. The timber is attractive in the markets for log export. Conditions for logging and logging road development are reasonable to difficult. The topography is variable with some level to rolling and some very steep. Soils are gravelly and fairly well drained, even though there are several lakes and wetlands.

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

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

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

The Exxon Valdez oil spill settlement and the creation of the so-called Restoration Trust has infused into the market a large amount of money that may be spent for the acquisition of properties with natural resources for preservation of natural ecosystem, wildlife, ~~habitat~~ and scenic values in public ownership. A reading by a legal lay

person of the actions setting up the Restoration Trust finds no indication that its activity is supported by condemnation authority. The Trust is now another participant in the market for natural resource and wild lands in Alaska.<sup>5</sup> The acquisition of park and wildlife properties has been identified as a priority by the national administration. That use for much of the Restoration Trust funds is also strongly supported by a number of interest groups. The time for such acquisitions is limited and there are only a few very attractive properties that have been identified. The market effect of the Restoration Trust funds will depend on the quality of available properties for the objectives of the Trust. The subject property has been identified by the Trust as number 2 in ranking of desirability for acquisition based on habitat values. A conditional purchase and sale agreement has been reached between the Trust and the owners of the Seal Bay Unit. The existence of this agreement imposes a very strong presumption that the property is one of those natural resource properties with quality characteristics making it attractive for acquisition through the Trust.

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

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

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

## VALUE ANALYSIS

### Income Capitalization Approach

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

### Sales Comparison Approach

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

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

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

#### A. Land Value

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

The Faustmann formula can be expressed as:

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

where S.E. = Soil Expectation value

$I_r$  = Income from final harvest in r years

$C_o$  = Stand establishment costs

$C_i$  = Intermediate management cost at year i

$C_a$  = Annual management cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

\$0 per acre

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

#### B. Timber Value

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

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

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

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

The estimate of the cost of road amortization is the result of an analysis of alternatives. The road necessary to link the Afognak Island logging road network with the Tonki Cape Unit is estimated to be about 15 miles. At an overall cost estimated to be \$100,000 per mile, the link would cost about \$1,500,000. Representatives of the current operations contractor for the owners estimates a new log transfer facility, in the current regulatory climate would cost in excess of \$1,500,000. That opinion has been confirmed with other logging operators and with operators in other areas of the state. The lower-cost alternative of access by road has been used for this appraisal. A total road cost of \$5,500,000 for about 50 miles is estimated.

A value indication by the Income Capitalization Approach for the volume estimated to be available for harvest is summarized in Table 2 of ADDENDUM II. Two scenario Summary Reports follow that table and list market log price scenarios with the resulting stumpage indications. The market stumpage prices indicated represent the influence of the export market but without the competition likely to be encountered for a sale of marketable timber. The values indicated by the Income Capitalization Approach are shown on the last line of Table 2 and the Scenario Summary Reports as conversion return. The indicated conversion return for the subject timber ranges from a \$22 per M deficit to \$377 per M. The most reasonable indication is that based on log prices in March 1993. Log prices at that time, after a depressed period in late 1992, were back to the mid-range of 1992 and the trend seemed to be up.

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

In addition, timber harvest operations on the Seal Bay Unit generated conversion returns of \$470 per M b.f. in 1993 and \$188 per M in the combined 1992 and 1993. These figures are adjusted to an indication of possible results on Tonki Cape by deducting the difference in estimated logging costs between the 2 units. Prospective buyers, and the owners themselves, would probably discount the 1993 results as an indication of returns to be expected over the liquidation of the timber. On the other hand, the 92-93 results seem to be unusually depressed relative to calculations based on log prices realized in 1992. This may be due to marketing and costs that deviate from ideal management because of conditions encountered in the start-up of the operation. These operating results, however, must be given weight as factual data.

The appropriate value of timber to be estimated at this point in the appraisal process is the stumpage value that would be expected by a prospective buyer, or the seller of the property, during the period of time necessary to harvest the timber in an orderly manner with the constraints applied by Forest Practices law and operating conditions. Since development of access and roads, and harvest of some 30,000 M b.f. of timber should be expected to take several years, a prudent investor would probably not anticipate values like those seen in the market escalation of 1993, nor would he realistically expect to buy at a price reflecting the lowest returns. A conservative approach would be expected, anticipating returns in the middle of the range of estimates having the most credence. Table 3, on the back of page 32, shows the range of timber value indications generated by this conversion return calculation. Greatest weight is given to the indications of value from conversion return based on March 1993 log prices, conversion return from log prices reported for a 3-year period of 1990-1992, and the 92-93 operating return adjusted to Tonki logging cost.

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

\$125 per M b.f.

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

One University of Alaska sale in the Southeast region was considered to be comparable to the subject timber in volume and operating conditions. Details of the Whipple Creek 2

sale are found in ADDENDUM III. This sale was of a volume equivalent to a year's production on the subject property and contained a significant volume of spruce. There were no quality hazards from salvage conditions and the harvest methods were conventional for the region.

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

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

Table 2 and its associated Scenario Summary Report, on the following pages, lists the details of the bid price allocation and adjustments of the spruce bid to the subject timber for the Whipple Creek 2 sale. This sale indicates a range of stumpage values of \$27 per M to \$426 per M b.f. to be expected for the subject timber in sales of volume equivalent to a reasonable annual harvest rate.

Table 2

University of Alaska  
Whipple 2 Sale  
Related to Tonki Cape Unit

Species	Volume M b.f.	Conversion Return \$/M	Bid \$/M	Allocatd Bid \$/M	Subject S.N.W. \$/M	Bid re Subject \$/M
Spruce	8,257	510	575	559	220	269
Hemlock	6,523	175	175	192		
Cedar	60	50	50	55		
Yellow-cedar	540	400	400	439		
Utility	1,708	10	10	10		
	<u>17,088</u>	<u>326</u>	<u>357</u>	<u>358</u>		

Whipple Cr. 2 Adjusted to Tonki Cape Unit

Scenario Summary Report

Basis of Conv. Ret. Mar-93 Cust 92 Op 93 1\93 5\93 Cust 90-92 Op 92-93

Changing Cells:

Conversion

Return 220 210 285 -22 377 189 3

Result Cells:

Adjusted

Bid-Subject 269 259 334 27 426 238 52

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

\$175 per M b.f.

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

\$150 per M b.f.

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

A reasonable harvest period is most likely dictated by the limitations of the operating infrastructure on Afognak Island. The current owners have been cutting their timber on the Seal Bay Unit over parts of the last 3 years at an annual rate of about 15,000 M b.f. Because of the more scattered nature of the timber, the longer haul, and more difficult conditions for road development and logging, the rate of cut on Tonki Cape would probably be only about 10,000 M per year. The harvest period can be calculated as

30 MM b.f. @ 10 MM per year = 3 years.

The discount rate used above in the Faustmann Formula might be reasonable for this calculation. The value of \$1.00/3 per year for 3 years discounted at 6% per year equals \$0.89. This must be further discounted for the time necessary to develop the access road and enough internal logging roads and spurs to start logging. That would take at least 2 years on the front end of the operation. The present value

of \$0.89 realized 2 years in the future at 6% discount rate is \$0.79, indicating a discount of about 20% rounded. There is, however, a market indication of the discount to cash value for expected future income. That indication is found in the Seldovia Native Association sale to the State of Alaska of the Kachemak Bay property in 1993. In that transaction the owner of certain merchantable timber on the property agreed to accept a cash price equal to a 30% discount of the appraised value, which is an estimate of the total realization possible from its harvest.

The market indication of discount for future harvest of timber is derived from circumstances quite different from those of the subject and involves a different pattern of income realization. Therefore, the calculated discount of 20% is judged to be more appropriate. The Market Value of the timber only is estimated to be:

High - 30,654 M @ \$175/M = \$5,364,450 less 20% or  
\$4,300,000

Low - 30,654 M @ \$125/M = \$3,831,750 less 20% or  
\$3,100,000

Expected - 30,654 M @ \$150/M = \$4,598,100 less 20% or  
\$3,700,000

#### C. Value of the Property.

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

reconciliation. Sale number 10 has been adjusted for a difference in size compared to the subject.

The expected cash value of the subject timber has been converted to a value per acre, over the total area of the subject property. The same is done for timber values found in the comparable sales. In this way the unit of comparison expresses the relative importance of timber value in the overall sale. An adjustment is made in the price per acre of the comparable sale equal to the subject timber value per acre minus the sale timber value per acre. The indicated value for the subject property from sales that contained no timber value is the sale price per acre plus the subject timber value per acre. From sales in which the entire purchase price is accounted for in timber value, the indicated value of the subject is the timber value of the subject.

#### Discussion of sales.

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

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

Sale number 1 is given only secondary consideration for this appraisal because it is a purchase by the State of Alaska. Under other circumstances this would be considered a primary

indication of value because of its timing, size, and close comparability in physical characteristics and potential for competing use.

Sale number 1 cannot be excluded under the federal Standards because the Alaska parks department does not have authority to condemn. This sale has been the subject of intense negotiation and appraisal over a period of several years. During that time it must be considered to have been on the market since the progress of negotiations was general public knowledge. Another competing purchaser could have stepped in at any time the price level in discussions fell below the price that would attract a competitor. There can be no doubt that it is a valid arms-length transaction indicating the value of real estate in market purchases where full competition exists between both private parties and public agencies. Early in the negotiations, the seller set lower limits below which the property would not be for sale.

This sale was ranked number 1 for desirability of acquisition by the Restoration Trust. The Seal Bay Unit property was ranked number 2. Discussions in the minutes of the Trust indicate the subject was considered a potential part of any acquisition of the Seal Bay property. It is only reasonable to conclude that the subject and sale number 1 are very comparable in quality in the current market where demand is affected by actions of the Restoration Trust.

At the expected level of timber value this sale supports a value of \$697 per acre for the subject.

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

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

Based on the expected level of timber value this sale supports a value of \$712 per acre for the subject.

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

This sale is considered important to the appraisal because of its location within the Kodiak Island Borough market and the fact it was acquired by a public agency through market

purchase. The sale is superior to the subject in location and potential for use. It is also superior in that it includes the subsurface estate. It is inferior in timber value.

At expected level of timber value sale number 3 supports a value of the subject of \$965 per acre.

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

There were no known timber values involved in the sale, although a low-quality stand of timber is present on the property. Sale number 4 is about equal to the subject and supports a value of \$696 per acre after adjusting for timber value at the expected level.

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

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

After adjusting for timber value at the expected level this sale indicates a value of the subject of \$151 per acre.

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

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

After adjustment for timber value at expected levels sale number 6 indicates \$375 per acre for the subject.

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

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

location. It is not given much weight because of its relatively small size.

Sale number 7 indicates a value of \$619 per acre for the subject after adjusting for timber value at expected level.

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

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

After adjustment for timber value at expected level, sale number 8 indicates a value for the subject of \$346 per acre.

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

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

Sale number 9 indicates a value of the subject of \$150 per acre after adjusting for timber value at expected level.

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

The sale included a cabin estimated to be worth \$30,000 and timber with an appraised value, according to work done by Affiliated Appraisers of Alaska, of \$717,312, or \$2,630 per acre. The sale is very comparable to the subject in

location, and intended use. The buyers intend to maintain the natural habitats and timber stands for their enjoyment as amenity.

The sale size would indicate a need for some consideration of adjustment to reflect sale of a property as large as the subject. The sale was superior to the subject in quantity and quality of timber. After adjusting for timber value, sale number 10 indicates \$1,352 per acre for the subject. A potential buyer of the subject might consider a period of time as long as 10 years to subdivide the subject property into parcels with a market appeal equivalent to that of sale number 10. Discounting an even annual sale of parcels with market appeal equivalent to sale number 10, at a price per acre equal to the timber-adjusted price of sale number 10, for ten years, at a "real" discount rate of 7%, results in a present value of \$950 per acre. Thus sale number 10 indicates a value of the subject property of \$950 per acre after adjusting for the differences in both timber value and size.

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

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

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

Sale number 11 indicates a value of \$150 per acre for the subject after adjusting for timber value at expected level.

Sale number 12 was a market purchase by USDA Forest Service of the Haida Corporation lands on Goat Island and the

surrounding small islands. This agency has condemnation authority, but it was not exercised. The sale was confirmed by Shorett and Reily and by INFO. INFO appraisers are quite familiar with the property, having appraised it as of the acquisition date in 1979. The sale did not include the sub-surface estate.

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

After adjusting for timber value at expected level, sale number 13 indicates \$150 per acre for the subject.

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

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

After adjusting for timber value at expected level, sale number 12 indicates \$397 per acre for the subject.

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

This purchase was intended to protect wildlife nesting sites in the cliff areas of the islands. It is comparable to the subject in natural resource use and in size. It is inferior

to the subject in timber value and location, there being no particular pressure for recreational use of these parcels through private development. This sale was selected for consideration because it involves the wildlife habitat which is supposed to be a major criterion for evaluation of properties to be acquired with Restoration Trust funds.

After adjusting for timber value at expected level, sale number 14 indicates \$1,051 per acre for the subject.

The vital data for the 14 selected transactions are summarized in Tables 4-A and 4-B on the following pages. Table 4-A is a tabulation of sales purchased by private parties. Table 4-B is a tabulation of sales purchased by government agencies. The Tables and the associated Scenario Summary Reports contain acre weighted averages for all the sales in the Table, for sales of more than 2,000 acres and for sales judged most comparable to the subject. Weighting sales by acres gives heavier weight to the larger sales that are more comparable to the subject in size. The scenarios listed are the range of timber values found in Table 3, on Page 30 above. A conclusion has been drawn for each timber value scenario. In reaching these conclusions greatest weight has been given to the acre-weighted average of indications from sales number 6 and number 10, judged most comparable to the subject. This average best represents prices for properties with quality suitable for the highest-and-best use of the subject. Individual sales, and the subject, contain different mixes of the various elements of natural resource values, but all are potential sites for both exploitive use and protection of the amenities of natural resources. The conclusions are rounded to the nearest \$25 per acre in all three scenarios. Again, prudent buyers and the seller would most likely consider the mid-range expected scenario.

The primary indication of value is taken from Table 4-A and its associated Scenario Summary Report. Indications of value of the subject in this Table range from \$150 per acre to \$950 per acre. Only one of these sales is of a size comparable to the subject. Sale 10 has been adjusted to indicate a value for a property the size of the subject. The other sales are considered to be basically of different quality compared to the range and diversity of natural resource potential of the subject.

Table 4-B provides a secondary source of value indications from purchases by government agencies. Of those, sale number 1 was a market purchase by an agency with no power of condemnation. Most of the government purchases involved some element of compulsion for the government in that the

Table 4-A  
 Comparable Sales - Tonki Cape Unit  
 Private Purchases

No.	Date	Seller	Buyer	Acres	Price \$/acre	Timber \$/acre	Indicated Value \$/acre	Highest & Best Use
			Subject	24,384		150		Natural Resources
2	Nov-91	Cox	English et al	160	562	0	712	Remote recreation
	Adjustment					150		
4	May-91	U. Alaska	Hyak	229	546	0	696	Surface support for mine
	Adjustment					150		
5	Dec-91	Key Bank	Southcentral	341	2,348	2,348	151	Natural Resources
	Adjustment					-2,198		
6	Aug-90	Security	Holman	2,220	225	0	375	Recreation
	Adjustment					150		
7	Jul-90	Reeves	Turner et al	160	469	0	619	Lodge site
	Adjustment					150		
8	Jul-89	Alcoa	Ritcher	512	781	586	346	Timber, remote recreation
	Adjustment					-436		
9	Jul-89	USX Corp.	B & M Logg	623	1,604	1,604	150	Natural Resources
	Adjustment					-1,454		
10	May-89	BIA	Aleneva J.V.	273	3,831	2,630	1,352	Remote residence,
	Adjustment					-2,480	950	(See text - page 38) *
11	Jan-89	Syre	Ketchikan	139	4,690	4,690	150	Natural Resources
	Adjustment					-4,539		
Acre-weighted Averages				4,656			388	Private Acquisitions
				2,220			375	More Than 2,000 acres
				2,493			438	Most Comparable

Table 4-B  
 Comparable Sales - Tonki Cape Unit  
 Public Purchases

No.	Date	Seller	Buyer	Acres	Price \$/acre	Timber \$/acre	Indicated Value \$/acre	Highest & Best Use
			Subject	24,384		151		Natural Resources
1	Jul-93	SNA	State	22,492	746	201	697	Natural Resources
	Adjustment					-50		
3	Oct-91	Lesnoi	Kodiak	660	814	0	965	Natural Resources
	Adjustment					151		
12	Dec-88	Haida Corp.	USA	4,749	1,895	1,895	151	Natural Resources
	Adjustment					-1,744		
13	Mar-87	Bristol Bay	Park Service	9,173	246	0	397	Natural Resources
	Adjustment					151		
14	Nov-84	St George &	Interior	8,000	900	0	1,051	Natural Resources
	Adjustment					151		
Acre-weighted Averages				45,074			645	Public Acquisitions
				44,414			640	More Than 2,000 acres
				31,665			610	Most Comparable

private property purchased was a detractant from or even a threat to an area protected for a public purpose. Public purchases indicate a range of values from \$150 per acre to \$1,051 per acre. Sales 1 and 13 are considered most comparable to the subject in terms of quality for management of natural resources. The conclusion from this secondary source is weighted heavily to Sales 1 and 13. The secondary sales evidence provides a good corroboration, at somewhat higher level, of the opinion of value drawn from the primary evidence of private transactions. It certainly supports the implication that there is value in property with a variety of natural resources in excess of the liquidation value of commodity resources such as timber.

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

between \$425 per acre and \$450 per acre.

The most probable value of the property is estimated to be

\$450 per acre.

## DISCUSSION AND RECONCILIATION OF VALUES

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

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

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

The expected value of \$450 per acre from the primary evidence translates to a total value of \$10,972,800. The expected value indicated by all private purchases is \$9,460,992.

Consideration of primary and secondary evidence that is the most comparable to the subject property would concentrate on sale number 1 (SNA to Alaska), Sale number 10 (BIA to Aleneva) and sale number 6 (Security to Holman). Sale 1 is the closest to the subject in time of sale, geographic proximity, market conditions reflecting the most current level of demand, and the range of potential uses. Sale 10 is very close to the subject in terms of geographic and market location. Its location on Afognak Island, in a similar timber type makes it a very useful indication of value. Its size relative to the subject, and the need for a substantial adjustment, clouds the probative value of this indication. Sale number 6 is reasonably nearby, on the Kenai Peninsula, and is of a comparable size at 2,220 acres. The acre-weighted average of these sales is \$670 per acre. This translates to a total value of \$16,337,280.

The conclusion of value from the Sales Comparison Approach using primary evidence of private purchases (\$450 per acre) is somewhat less than midway between the value indicated by the three most comparable transactions and the average of all private purchases. Sub-surface rights are not a significant factor in the conclusion. The sale on which greatest reliance is placed either did not include sub-surface estate or the sub-surface had very little impact on the price.

The precision of the figures used in analysis does not justify an estimate closer than the nearest \$1,000,000. Giving strongest weight to the indication of value from the Sales Comparison Approach using primary evidence from private purchases, it is our opinion that the Market Value of the subject property as of May 14, 1993 is \$11,000,000, rounded.

ELEVEN MILLION DOLLARS

PART IV

ADDENDA

**Addendum I**  
**Legal Description and Maps**

**JAMIN, EBELL, BOLGER & GENTRY**

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

June 18, 1993

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

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

Dear Bill:

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

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

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

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

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

Mr. Bill Wallace  
June 18, 1993  
Page 2

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

Best regards.

Very truly yours,

JAMIN, EBELL, BOLGER & GENTRY



C. Walter Ebell

CWE/blhb

Enclosure

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

527708(b)L.001

# MEMORANDUM

Department of Natural Resources

# State of Alaska

Division of Land

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

DATE: July 7, 1993

FILE NO:

THRU: Carol Shobe, Chief  
Title & Contracts Section

TELEPHONE NO: 762-2352

FROM: James McAllister, NRM I  
Title Analysis

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

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

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

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

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

SEAL BAY UNIT

T. 20 S., R. 17 W., Seward Meridian,  
Sec. 32.  
Containing 25.99 acres.

T. 21 S., R. 17 W., Seward Meridian,  
Secs. 6, 7 and 8;  
Secs. 17 to 20, inclusive;  
*Sec. 29 (still held by Afognak Joint Venture);<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. 2° 45' W. a dist. of 2204.16 ft. to Cor. No. 6, marking a point on the southerly boundary of Ouzinkie log storage yard,

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

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

Containing 58.96 acres.

Aggregating 17,166.61 acres for the Seal Bay Unit.

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

TONKI BAY UNIT

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

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

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

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

Secs. 1 to 5, inclusive;

Secs. 8 and 9;

Secs. 11 to 14, inclusive;

Sec. 17;

Secs. 19 and 20;

Secs. 23 to 29, inclusive;

Secs. 32 to 36, inclusive.

Containing 13,639.13 acres.

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

Secs. 1 to 5, inclusive;

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

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

Secs. 8 to 10, inclusive;

Sec. 15;

Sec. 16, lots 1 and 2;

Sec. 17;

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

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

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

Secs. 21, 22 and 28;

Sec. 29, lot 1.

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

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

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

**OWNERSHIP:**

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

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

Sec. 29,

Sec. 34.

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

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

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

**ENCUMBRANCES OF RECORD:**

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

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

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

*Deed of Trust* between Afognak Joint Venture (grantor) and (TT)/ Afognak Native Corporation/ Koniag, Inc. (grantees) for the amount of \$689,675.00; recorded on May 4, 1989 in Book 96 at page 39. Amended to "\$1,100,000.00 and \$1,700,000.00" on August 5, 1991 and recorded in Book 108 at Page 313 (no legal description on document).

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

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

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

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

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

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

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

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

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

STATE RECORDS:

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

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

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

T. 23 S., R. 17 W., Seward Meridian,  
Sec. 6, 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.