

Appraisal Summaries
 Alaska Mental Health Trust Land Exchange, Phase 2B
 Federal Land Parcels, Southeast Alaska

On May 5, 2017, Federal legislation was passed (The Consolidated Appropriations Act, 2017, P.L. 115-31, Div. G, Section 431(a)(2) the “Alaska Mental Health Trust Land Exchange Act of 2017”) directing the USDA Forest Service to exchange certain lands with the State of Alaska’s Mental Health Trust Authority. The lands proposed for exchange include a total of 20,580 acres of Federal lands, and a total of 18,259 acres of non-Federal lands. The legislation is called the Alaska Mental Health Trust Land Exchange Act of 2017, (“the Act”). The acreage were surveyed over time and the actual areas to be exchanged include 20,151.33 acres of Federal lands and 17,908.19 acres of non-Federal lands. The actual acreage in the exchange parcels will be referred to henceforth.

The exchange was to be conducted in 2 phases. Phase 1 includes of 2,422.64 acres of Federal land and 2,517.95 acres of non-Federal land. The date of value for this portion of the exchange was February 8, 2018 and the appraisals were completed in June and November 2018.

Phase 2 was made up by the remainder of the lands; however, the process was amended to occur in subphases identified as Phase 2A and Phase 2B. Phase 2A includes 1,513.63 acres of Federal land and 3,200.04 acres of Non-Federal land that was appraised as of February 7, 2020 by appraisal reports in March 2020.

Phase 2B Federal land includes 16,215.06 acres of Federal land and 12,190.20 acres of non-Federal land. **The Phase 2B Federal land is the subject the summaries headed by this introductory page.**

The appraisals under were developed and reported by Charles Horan, MAI, of Horan & Company, LLC, Sitka, Alaska. Mr. Horan utilized the services of Clare Doig, CF, ACF, of Forest & Land Management, Inc., Anchorage. Alaska, to evaluate the potential timber resources. The appraiser, and the appraiser’s forester, considered the timber resources based upon a timber cruise performed by Peak Engineering, LLC.

The appraisals are summarized individually in the following documents. For the readers convenience, I include here a table of contents with page reference for each appraisal summary and with the market value opinions as reported in the appraisals.

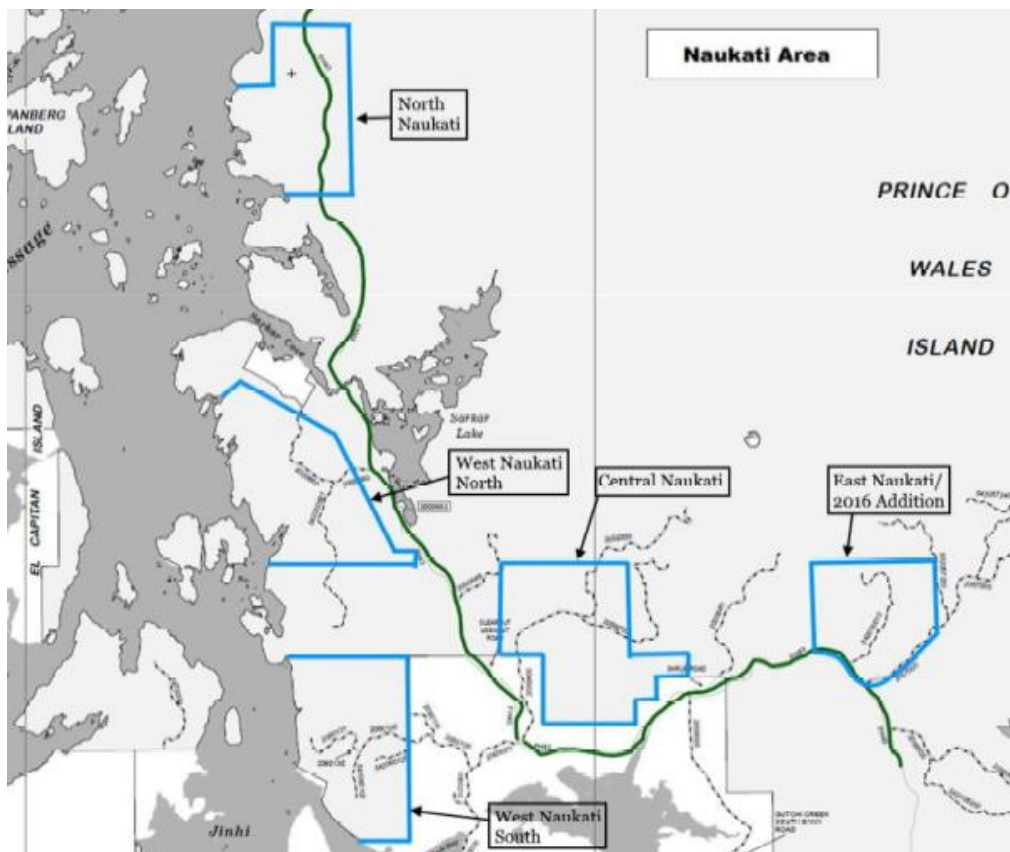
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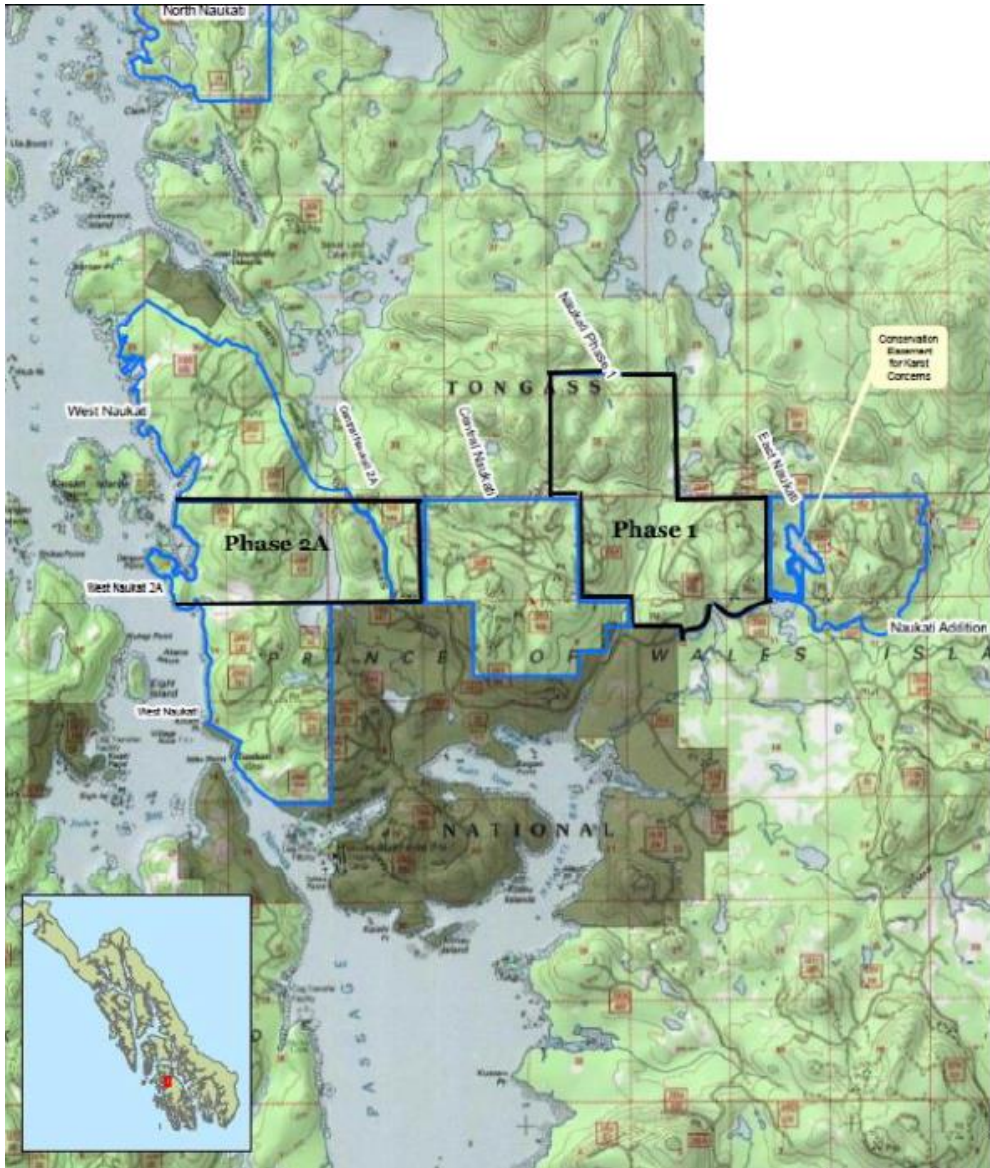
Subject: Appraisal Summary
Naukati Phase 2B Federal Lands
As reported in the “AMHT Land Exchange Appraisal, Phase 2B Federal Land, Naukati, Hollis and Shelter Cove” Appraisal Report

Following is the summary of the Naukati Phase 2B Lands property appraisal as included in the “AMHT Land Exchange Appraisal, Phase 2B Federal Land, Naukati, Hollis and Shelter Cove” report that was prepared by Charles Horan, MAI. The estate appraised is the “as-is” fee interest, as encumbered by existing easements, encroachments and restrictions. The property is owned by the United States of America and the appraisal is made subject to a hypothetical condition that the property is in private ownership and zoned consistent with similar privately owned property in the area.

The date of value for the appraisal is February 7, 2020 and the opinion of Market Value concluded in the report is \$7,460,000.



Naukati



Appraisal Report Summary

a. Owner of Record: United States of America

b. Estate Appraised: The estate appraised is the “as-is” fee interest, as encumbered by existing easements, encroachments and restrictions. The appraisal includes a “Significant Encumbrances” section that recognizes the following items.

1. Forest Service 20 Road, also known as Forest Highway 43, also now known as the Prince of Wales Road, a 300-foot-wide right-of-way operated under a reciprocal agreement between the United States of America and the State of Alaska due to expire in May of 2060 as depicted in Ketchikan Recording District in Document 2010-001736-0, dated May 28, 2010. This is a road use agreement and does not have an adverse impact on the property.



This affects North Naukati and East Naukati Addition. While the road is an encumbrance to the fee simple estate, it does provide a state-maintained highway access amenity to the property and does not diminish the highest and best use, therefore not negatively affecting the value.

2. A right-of-way thereon for ditches or canals constructed by the authority of the United States. Forest Service inspection report did not note any on the property. This would have no impact on the subjects highest and best use. This affects all parts of the Naukati parcel.
3. National Forest System Roads (NFSR) Right-of-Ways are excepted from the fee simple title. There are some of these easements on each parcel. These are sixty-six (66) feet in width, with no known expiration dates. These roads are noted on the individual USGS topo map presented further in this report. These roads are appropriated by the United States, over or upon the lands, together with the right of the United States, its officers, employees, agents, contractees, lessees, permittees, or assignees to the complete enjoyment of all rights, privileges and benefits previously granted, issued, reserved, or appropriated under the Alaska National Interest Lands Conservation Act of December 2, 1980 43 U.S.C 1635(l). It appears that their placement is consistent with highest and best use development of the property and do not represent a measurable limitation to the properties highest and best use.
4. There is a special use permit for a private road easement into the Sarkar Subdivision. The easement was issued July 31, 1995 to Lee Faulk, and Ruth Ann Johns, and referenced in Book 247, Page 650 of the Ketchikan Recording District. It is 33 feet wide of the 266 feet long extending from the end of Forest Development Road 200660. This affects the north part of West Naukati. This non-exclusive easement may be renewed until other access is developed to this parcel. Its area is so small it does not significantly impact the highest and best use of the subject land.
5. Research Easements: The property is subject to 3 research easements called out by “the Act”. The Purpose of the research easements is to study different commercial treatments to young growth timber. The Alaska Mental Health Trust shall not construct any new road or harvest timber on a study plot covered by a research easement. The intended use within the research easement is to access and continue Forest Service research activities on the study plot in existence on the date of enactment of Public Law 115-31 which is May 5, 2017. The impact of this easement on value will be reflected in the value is the loss of stumpage due to any operational constraints it would have, which are minimal. It would also not impact the long-term use as future timber lands as it would have to grow out for many years beyond the expiration date of 2027 or 2032 in the case of the Naukati Commercial thinning study plot.
6. Conservation Easement: Section 4 (g) of “the Act” reserves to the United States a conservation easement that shall protect the aquatic and riparian habitat within an area of the East Naukati and Naukati Addition. The easement



prohibits new road construction and timber harvest within 100 feet of any anadromous water bodies (including underground water bodies) and commercial mineral extraction. This conservation easement impacts approximately 65 acres including the small unnamed lake and the setbacks for the underground stream. This effectively precludes any development in this area; however, lake and underground streams are considered a positive attraction amenity to the property for its recreational highest and best use. Also, its size is insignificant relative to the 6,700 acres of the larger parcel. These areas will be excluded from the land available for commercial timber in the timber analysis.

This property is subject to regulatory issues with regard to wetlands and fish streams. These exceptions are noted but are not considered significant in terms of having an unusual impact on the utility of the properties or their highest and best use as related to what is typically found in the market.

c. Legal Description: Naukati Phase 2B parcel includes 6,782.13-acres situated in Ketchikan, Alaska’s First Judicial Recording District, described in reference to Copper River Meridian, by Township and Range areas as follows:

T. 68 S., R. 78 E: Sec. 1: Lot 1, Sec. 12: Lots 1-3, Sec. 25: Lot 1, Sec. 36: Lot 1 containing 178.56 acres.

T. 68 S., R. 79 E: Sec. 5: Lots 1-4, Sec. 6: Lot 1, Sec. 7: Lot 1, Sec. 8: Lots 1-7, Sec. 29: Lot 1, Sec. 30: Lot 1, Sec. 31: Lot 1, Sec. 32: Lot 1, Sec. 33: Lot 1, containing 2,609.74 acres;

T. 69 S., R 79 E: Sec.1: Lot 2, Sec 11: Lots 1 & 2, Sec. 12: Lots 1 & 2, Sec. 13: Lot 2, and Sec. 14: Lot 3, containing 1,368.76 acres.

T. 69 S., R. 80 E: Sec. 1: Lot 1, Sec. 2: Lot 1, Sec 4: W1/2, Sec 5: Lot 1, Sec. 6: Lot 2, Sec. 8: Lot 1, Sec. 9: Lot 2, Sec. 11: Lot 1, Sec. 12: Lot 1, containing 2,625.07 acres.

d. Property Overview: The below includes excerpts from the appraisal report descriptions to provide an overview of the subject property appraised:

Size: The land area to be valued is 6,782.13 acres based on the final survey. Naukati Phase 2B lands are 5 noncontiguous areas as summarized in the table following:

| Parcel Name | Acres |
|-------------------------|-----------------|
| North Naukati | 1,267.23 |
| West Naukati North | 1,521.07 |
| West Naukati South | 1,368.76 |
| Central Naukati | 1,557.13 |
| East Naukati/ Addition | 1,067.94 |
| Subtotal Naukati | 6,782.13 |

The property valued consists of the Naukati Exchange Parcels remaining after the Phase 1 and 2A appraisals; however, the current phase is being completed with a date of value concurrent with Phase 2A and both the 2A and 2B areas are to be considered as part of the appraised property though the contributory value of the Phase 2B acreage will be the figure concluded in the appraisal. Phase 2A included portions of Naukati Exchange Parcels West Naukati and



Central Naukati and contained 1,513.63 acres. The larger parcel analysis considers this area as well and the total Naukati Exchange Parcel area is 8,295.76 acres.

Shape: The disconnected parcels of Naukati range about 9 miles east to west along the southern axis of the appraised land interrupted by other portions of the exchange, which have been separately evaluated. Along its north and south axis, the Naukati parcel extends 9 discontinuous miles being about 2 miles wide along the coast of El Capitan Passage.

Access/Frontage: Vehicular access to the property is along the Prince of Wales Road, which traverses the south part of East Naukati going west. It goes below the Central Naukati parcel and passes West Naukati continuing north going through North Naukati. Central and West Naukati are accessed through a series of Forest Development Roads.

Topography: The subject's landscape is comprised of gently rolling hills ranging in elevation from sea level to the highest elevation of about 500 feet above sea level. The property is intruded by several freshwater lakes that are fed and drained by the creeks between the hilly landscape. The property has a rugged coastline that is roughly estimated at 9.47 miles along El Capitan Passage and Tuxekan Narrows to the south.

This property is situated in a region of karsts, a type of landscape formed by the dissolution of subsurface rock. This creates caves, sinkholes, and underground rivers and springs. Conditions that promote karst development are well-jointed, water-soluble limestone near the surface, moderate to heavy rainfall, and good groundwater circulation. The subject property contains several karst formations, predominantly in the central and east parts of the property. There's a significant underground anadromous stream in the East Naukati part, subject to a conservation easement

Soils: Soils consist of both gravelly and coarse silty loams formed in glacial till. These soil types are typically found under forest vegetation and are mostly well drained. The Forest Service provided a wetland and floodplain summary report for the subject exchange lands that identified the property acreage to be approximately 85% in uplands and 15% in wetlands. Less than 1% of the property is in a floodplain.

Vegetation: Timber includes a mix of western hemlock, Sitka spruce, western red cedar, and Alaska yellow cedar trees. Other vegetation includes typical muskeg vegetation, salmonberry, and blueberry bushes, as well as different variations of ferns and devils club. The timber characteristics of the site are not homogeneous but fragmented across the parcel.. A total of 2,021 acres were identified as timberland or 30% of the entire area and only 16% of the acreage has merchantable timber. A significant amount of the nontimbered land has been cut over and is relatively good for reforestation and are relatively well drained lands.

Anadromous Streams: There are several fish streams which have variously been identified as Dolly Varden, Cutthroat, and Steelhead Trout; Coho, Pink, and Chum Salmon habitat.

Utilities: The property is remote, and public utilities are not generally available. The exception to this is that power and communication lines run along Prince of Wales Road.

e. Improvements: The subject property is not improved with structures.

f. Timber: The timber volume is based on a 2020 cruise by Peak Engineering, LLC and the resource evaluated by Clare Doig of Forest & Land Management, Inc., who completed a



timber appraisal. Mr. Doig interpreted the cruise figures to appraised acreage. The appraiser reviewed and accepted the timber value estimated which included the following volumes and returns:

| AREA | Area | Appraisal | Timber | Gross Log | Net | Timber | \$/MBF | \$/Appraised |
|-------------------------|-----------------|---------------|---------------|---------------------|--------------------|--------------------|--------------|----------------|
| Naukati 2 B | Acreage | Acres | Volume ME | Sales Value | Revenue | Value | Stumpage | Acres |
| North Naukati | 1,267.23 | 527.6 | 10,518 | \$7,504,758 | \$1,438,602 | \$719,301 | \$68 | \$1,363 |
| West Naukati (North) | 1,521.07 | 349.5 | 8,321 | \$7,392,303 | \$2,873,912 | \$1,436,956 | \$173 | \$4,111 |
| West Naukati (South) | 1,368.76 | 22.0 | 530 | \$442,894 | \$109,567 | \$54,784 | \$103 | \$2,490 |
| Central Naukati | 1,557.13 | 74.3 | 4,859 | \$3,779,069 | \$1,257,866 | \$628,933 | \$129 | \$8,465 |
| East Naukati & Addition | 1,067.94 | 90.3 | 2,216 | \$1,621,494 | \$488,933 | \$244,467 | \$110 | \$2,707 |
| SUMMARY | 6,782.13 | 1063.7 | 26,444 | \$20,740,518 | \$6,168,880 | \$3,084,440 | \$117 | \$2,900 |

The area identified as timbered acres is 16% of the overall. The income analysis reflects an overall log sales income of \$20,740,518 that is reduced by logging expenses to \$6,168,880. After consideration of profit and risk to the owner/operator, the timber contribution to the property value is \$3,084,440.

- g. Minerals:** The appraisal references a USFS 2020 mineral potential document that identifies rock and gravel in the Naukati property. The appraisal notes that the market has not demonstrated an economic impetus to pay significant amounts for this probability of mineral value for properties similarly situated as the subject. The value of the property for other use, such as recreation or timber, significantly outweighs any priority the market would give for the subject sites' mineral potential, although it is a consideration, given the bundle of rights conveyed.
- h. Water Rights:** The appraisal reports that water rights of the USA regarding wildlife habitats and recreation uses are implicitly reserved on public lands, but no rights have been quantified or claimed and were assumed to be relinquished for the exchange appraisal purpose. As privately owned land there are no water rights encumbered.
- i. Larger Parcel:** The exchange parcels were individually identified in the legislation, but the appraiser was instructed to determine whether or not any parcels would typically be sold as a group, provide supporting rationale and/or market evidence, and value them accordingly. The subject property is 5 noncontiguous acreages; however, the appraisal explains that additional USA lands at the date of value, the Phase 2A portion of the USA Naukati lands, are included as if being valued with the current lands. The Phase 2A lands were 1,513.63 acres and made up portions of West and Central Naukati as defined in the original legislation. It was between the West Naukati North, West Naukati South, and Central Naukati acreages identified in the current appraisal. The larger parcel analysis is to consider the 8,295.76 acres and the valuation reflects the contributory market value of the 6,782.13 acre portion of the larger parcel.

The larger parcel analysis concludes the property has an integrated highest and best use for recreation and speculation. The conclusion reflects the market would most likely be a party that understands there are localized resources on the property that can be developed over a



long period of time, but in an orderly fashion not to conflict with the other recreation-speculation uses. Overall, long term uses are identified as subdivision, commercial and private retreats, and timber harvesting. The typical purchaser motivated by the timber alone would not be expected to invest waiting for these yet to be developed speculative uses to mature within the marketplace. Considering this integrated use, the subject is the larger parcel.

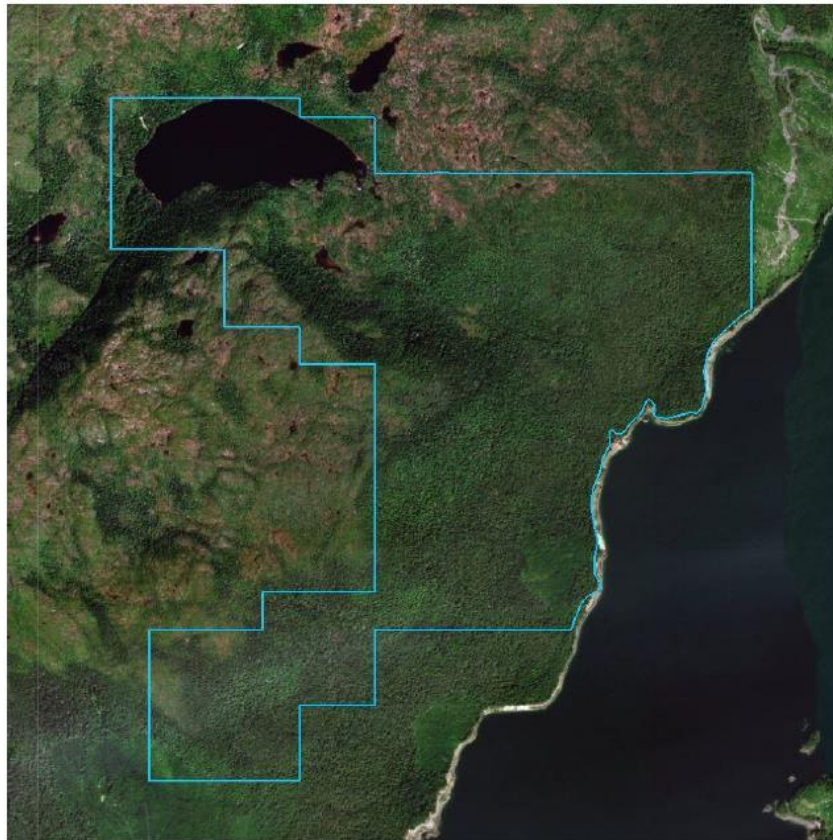
- j. Assumptions:** No extraordinary assumptions were required. A hypothetical condition is made that the property is in private ownership and zoned consistent with similar privately owned property in the area. The hypothetical condition is consistent with his specific appraisal instructions and appraisal standards for exchange purposes to reflect market value.
- k. Highest & Best Use:** The highest and best use analysis compares the recreation and speculative use conclusion to the value supported by timber production with a contribution of cut over land value. The return for recreation and speculative is greater and representative of the highest and best use of the property.
- l. Valuation:** The property value was estimated based on the sales comparison approach. Suitable comparable sales were researched and those considered useful selected for use in the analysis. The appraisal applied qualitative adjustment for factors considered to influence value and establish a unit price range to work within. The sales prices and their weight in the reasoning were discussed concluding at the estimated unit value of \$1,100 per acre.
- m. Date of Value:** February 7, 2020
- n. Date of Appraisal:** March 10, 2021
- o. Appraiser:** Charles Horan, MAI
- p. Value:** \$7,460,000
- q. Appraisal Client:** The appraiser's client is the USDA Forest Service, represented by the assigned agency review appraiser.
- r. Intended Users:** Intended users of the appraisal include the USDA Forest Service, the Alaska Mental Health Trust, and their authorized representatives.
- s. Purpose / Use:** The intended use of the appraisal is to provide a credible, reliable, accurate and properly supported opinion of the market value of the subject properties, as a basis for conducting the land exchange.



Subject: Appraisal Summary
Hollis Phase 2B Federal Lands
As reported in the “AMHT Land Exchange Appraisal, Phase 2B Federal Land, Naukati, Hollis and Shelter Cove” Appraisal Report

Following is the summary of the Hollis Phase 2B Lands property appraisal as included in the “AMHT Land Exchange Appraisal, Phase 2B Federal Land, Naukati, Hollis and Shelter Cove” report that was prepared by Charles Horan, MAI. The estate appraised is the “as-is” fee interest, as encumbered by existing easements, encroachments and restrictions. The property is owned by the United States of America. The appraisal is subject to 2 extraordinary assumptions and 1 hypothetical condition. It is an extraordinary assumption that improvements on an expired 3 acre permit area had been removed at the date of value. The last property inspection occurred on February 8, 2018 and an extraordinary assumption is made that the property was in similar condition at the date of value. A hypothetical condition is included that the property is in private ownership and zoned consistent with similar privately owned property in the area.

The date of value for the appraisal is February 7, 2020 and the opinion of Market Value concluded in the report is \$2,770,000.



Hollis



Appraisal Report Summary

- a. Owner of Record:** United States of America
- b. Estate Appraised:** The estate appraised is the “as-is” fee interest, as encumbered by existing easements, encroachments and restrictions. The appraisal includes a “Significant Title Encumbrances” section that recognizes the following items.

The Forest Service acknowledges the expired special use permit previously issued to permit holder Mr. Samuel Romey, Wolf Creek Boatworks, LLC who now occupies the property in trespass. An extraordinary assumption was approved for use by the appraisal going forward from the date of value the parties would comply with the terms of the expired Special Use Permit and removal plan dated November 2019 in relation to the improvements in trespass. The property is appraised as if the improvements were removed at the date of value.

c. Legal Description:

Copper River Meridian,
T. 73 S., R. 84 E: Sec. 14: Lots 1-5, containing 21.86 acres,
Sec 15: Lot 1, containing 17.86 acres,
Sec. 22: Lot 1, containing 19.25 acres,
Sec. 23: Lots 1 and 2, containing 362.48 acres,
Sec 24: Lot 1, containing 554.32 acres,
Sec. 25: Lot 2, containing 152.49 acres, and
Sec. 26: Lot 2, containing 309.90 acres,



Aggregating a total of 1,438.16 acres.

d. Property Overview: The below includes excerpts from the appraisal report descriptions to provide an overview of the subject property appraised:

Size: 1,438.16 acres

Shape: The parcel has an irregular shape and is wider at the northern end (approximately 2.125 miles) and narrows at the southern end (approximately ½ mile). Wolf Lake is a surveyed large lake with approximately 2 miles of water frontage at the northwest corner of the parcel.

Access/Frontage: There are no public roads located on this parcel. There is a logging road extended close to the south part of the site that connects to the Prince of Wales road system. Access to the shoreline is by floatplane or boat.

Topography: This irregular parcel rises from the western shores of Twelve-Mile Arm to elevations of just over 1,500 feet. The irregular western border skirts the sparsely vegetated alpine and forms a southern lobe of steep land rising from 500 feet to just under 1,500 feet incised by several drainages. The northern lobe rises to 1,500 feet surrounding Wolf Lake. The Hollis parcel has approximately 1.5 miles of saltwater frontage along Twelve-Mile Arm. Wolf Lake, a large surveyed lake located in the northwest portion, has just over 2 miles of freshwater frontage. Wolf Lake has two small islands that are 0.01 and 0.03 acres located within the lake. There are several small lakes throughout the northern area of this piece.

Soils: The soil consists of heavy glaciated terrain. The Forest Service provided a wetland and floodplain summary report for the subject exchange lands that identified the property acreage to be approximately 68% in uplands and 32% in wetlands. Less than 1% of the property is in a floodplain.

Vegetation: The overstory vegetation includes western hemlock and Sitka spruce with smaller amounts of Alaska yellow cedar and western red cedar. The brushy understory consists of a variety of berry bushes, ferns, and mosses.

Anadromous Streams: There is one area of anadromous fish habitat on the property which has been identified as Pink Salmon spawning habitat. The appraisal shows the creek entering the ocean at the boatworks location.

Utilities: The property is remote, and public utilities are not generally available.

e. Improvements: The property is appraised as unimproved by the terms of the extraordinary assumption authorized for the appraisal. The appraisal describes the improvements that are located on 3 waterfront areas that were established prior to 2015 when the special use permit expired. They include a residence and storage building, cabin, wood shed, boat works shop, smoke house, docks, outhouse, and site improvements. The boat house is eligible to be considered a historic building, but only about 1/3 of the structure is located on the property. It is part of the improvement removal procedure to determine how it can be removed and remain within any historic building regulations.

f. Timber: The timber volume is based on a 2020 cruise by Peak Engineering, LLC and the resource evaluated by Clare Doig of Forest & Land Management, Inc., who completed the timber appraisal. Mr. Doig interpreted the cruise figures to appraised acreage which included



the following areas. The appraiser reviewed and accepted the timber value estimated which included the following volumes and returns:

| AREA | Area | Appraisal | Timber | Gross Log | Net | Timber | \$/MBF | \$/Appraised |
|--------|----------|-----------|-----------|--------------|-------------|-------------|----------|--------------|
| Hollis | Acreage | Acres | Volume ME | Sales Value | Revenue | Value | Stumpage | Acres |
| | 1,438.16 | 680.0 | 14,152 | \$12,846,567 | \$5,405,510 | \$2,703,000 | \$191 | \$3,975 |

The analysis reflects an overall log sales value of \$12,846,567 that is reduced by logging expenses to \$5,405,510. After consideration of profit and risk to the owner/operator, the timber contribution to the property value is \$2,703,000.

g. Minerals: The appraisal references a USFS 2020 mineral potential document that does not indicate significant mineral resources are on-site. The appraisal notes that the market has not demonstrated an economic impetus to pay significant amounts for speculation of mineral value for properties similarly situated as the subject.

h. Water Rights: The appraisal reports that water rights of the USA regarding wildlife habitats and recreation uses are implicitly reserved on public lands, but no rights have been quantified or claimed and were assumed to be relinquished for the exchange appraisal purpose. As privately owned land there are no water rights encumbered.

One water right application from 2002 by Wolf Creek Boat Works for hydropower generation and for a family dwelling was noted. The current status with the Alaska Department of Natural Resources is unknown. The water right use is associated with the improvements which are assumed to be removed.

i. Larger Parcel: This property has a maximally productive use for timber harvest that impacts the view shed along nearly the full extent of the waterfront. The rear land, although not subject to timber harvesting, is at high elevations and inaccessible having low relatively low utility. The entire site is an integrated use and is the larger parcel.

j. Assumptions:

Extraordinary Assumption 1: As of the effective date of appraisal, February 7, 2020, Wolf Creek Boat Works, Inc. occupied approximately three acres on the shoreline of the Hollis parcel in trespass resulting from non-removal of their improvements held over from an expired 2015 Special Use Permit (CRG-00346). At the date of value, the Forest Service was working with the permittee to remove their improvements and personal property, leaving a clean, unimproved site. Since, at the date of value, there was an expectation that the improvements were to be removed prior to transfer, this appraisal is made under the extraordinary assumption that the parties would comply with the terms of both the expired 2015 Special Use Permit (CRG-00346) and removal plan dated November 2019 in relation to the improvements in trespass.

Extraordinary Assumption 2: The last property inspection occurred on February 8, 2018 and an extraordinary assumption is made that the property was in similar condition at the date of value. The appraisal identifies general awareness of the market and activities in the region indicate there was no change in the condition of the property and that they confirmed with the property owner's representative that they had no knowledge of changes.



Hypothetical Condition: A hypothetical condition is made that the property is in private ownership and zoned consistent with similar privately owned property in the area. The hypothetical condition is consistent with his specific appraisal instructions and appraisal standards for exchange purposes to reflect market value.

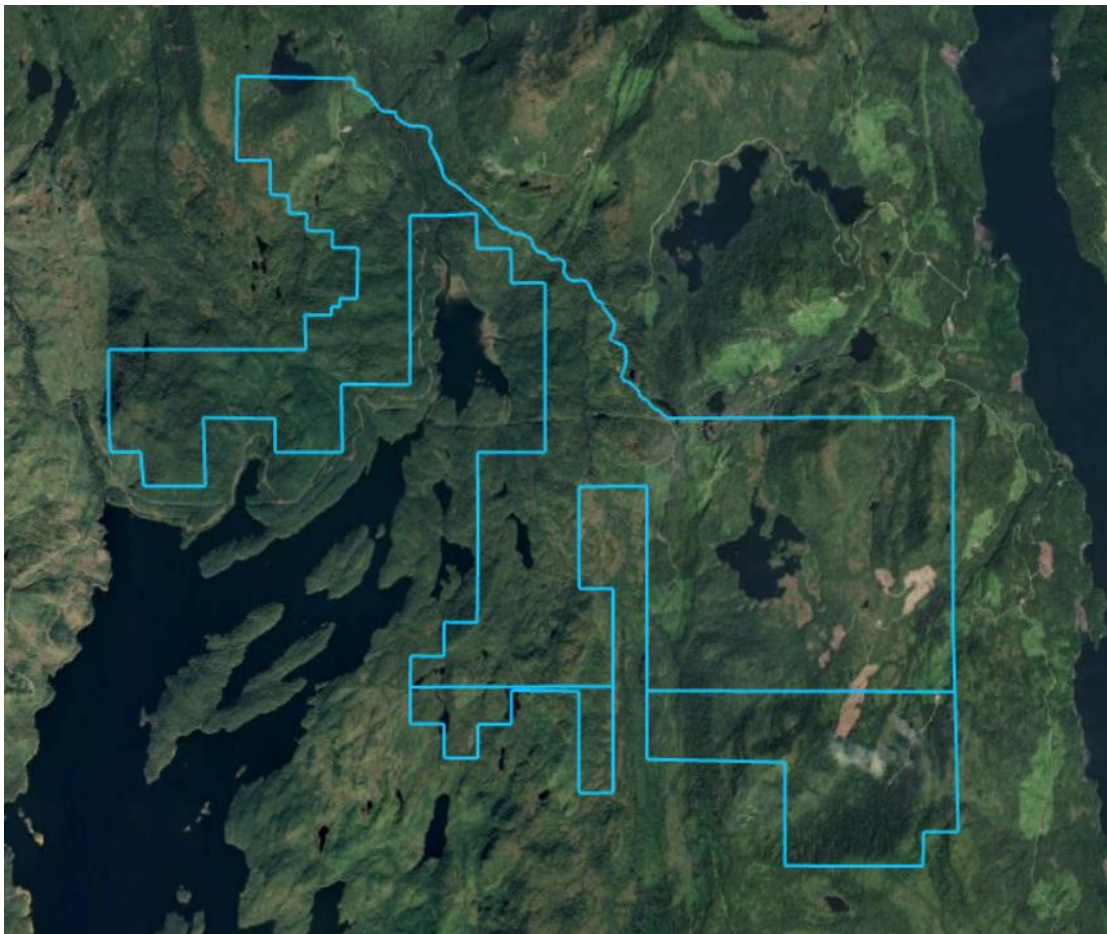
- k. Highest & Best Use:** The highest and best use analysis compares the recreation and speculative use conclusion to the value supported by timber production land with a contribution of cut over land value. The return for timber use is greater and representative of the highest and best use of the property.
- l. Valuation:** The property value is based on the timber return analysis.
- m. Date of Value:** February 7, 2020
- n. Date of Appraisal:** March 10, 2021
- o. Appraiser:** Charles Horan, MAI
- p. Value:** \$2,770,000
- q. Appraisal Client:** The appraiser's client is the USDA Forest Service.
- r. Intended Users:** Intended users of the appraisal include the USDA Forest Service, the Alaska Mental Health Trust, and their authorized representatives.
- s. Purpose / Use:** The intended use of the appraisal is to provide a credible, reliable, accurate and properly supported opinion of the market value of the subject properties, as a basis for conducting the land exchange.



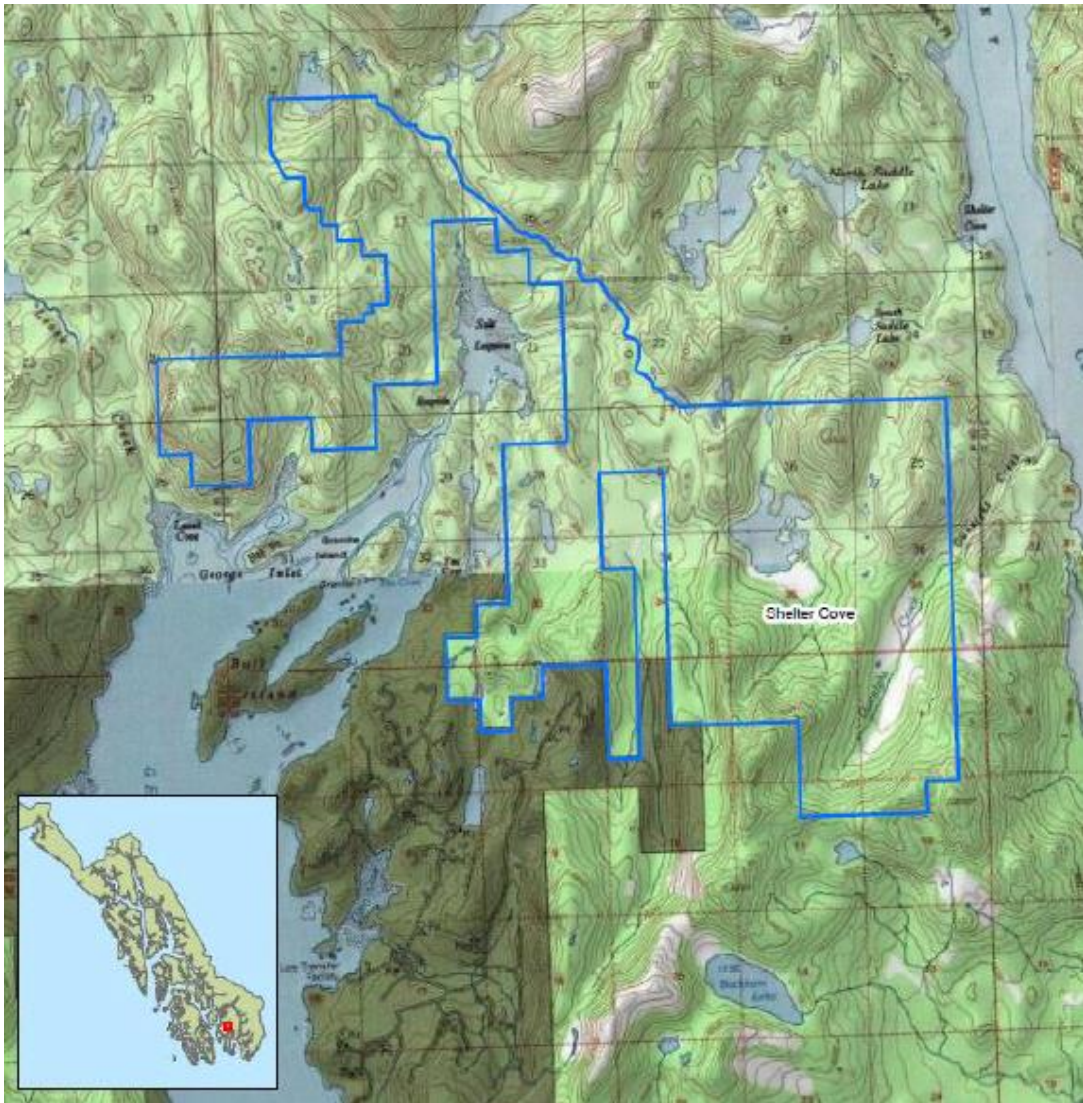
Subject: Appraisal Summary
Shelter Cove Phase 2B Federal Lands
As reported in the “AMHT Land Exchange Appraisal, Phase 2B Federal Land, Naukati, Hollis and Shelter Cove” Appraisal Report

Following is the summary of the Shelter Cove Phase 2B Federal Lands as included in the “AMHT Land Exchange Appraisal, Phase 2B Federal Land, Naukati, Hollis and Shelter Cove” appraisal report that was prepared by Charles Horan, MAI. The estate appraised is the “as-is” fee interest, as encumbered by existing easements, encroachments and restrictions. The property is owned by the United States of America and the appraisal is made subject to a hypothetical condition that the property is in private ownership and zoned consistent with similar privately owned property in the area. The last property inspection occurred on July 16, 2018 and an extraordinary assumption is made that the property was in similar condition at the date of value.

The date of value for the appraisal is February 7, 2020 and the opinion of Market Value concluded in the report is \$6,800,000.



Shelter Cove



Appraisal Report Summary

a. Owner of Record: United States of America

b. Estate Appraised: The estate appraised is the “as-is” fee interest, as encumbered by existing easements, encroachments and restrictions. The appraisal includes a “Significant Title Encumbrances” section that recognizes the following items.

7. There is an easement for the Shelter Cove Road, National Forest System Road (NFSR) NO. 8300000, which is 300 feet wide and runs north from Salt Lagoon to the northernmost boundary of the subject. This 1.4 miles of road running through the subject encumbers about 51 acres. Shelter Cove Road then takes an abrupt turn to the southeast and lies along the northeast down the property line.
8. There are numerous other NFSR easements categorized as existing public roads and infrastructure called out in the preliminary Federal Land Status



Report being considered as exceptions to the fee simple title. These are sixty-six (66) feet in width, with no known expiration dates. These roads are appropriated by the United States, over or upon the lands, together with the right of the United States, its officers, employees, agents, contractees, lessees, permittees, or assignees to the complete enjoyment of all rights, privileges and benefits previously granted, issued, reserved, or appropriated under the Alaska National Interest Lands Conservation Act of December 2, 1980 43 U.S.C 1635(l). We estimate there's an additional 17 miles of road within the 66-foot-wide easement encumbering nearly about 135 acres of the subject property.

Together the road easements total about 186 acres or 2.3% of the sites area. These roads are compatible with the site's feasible uses for recreation or timber extraction and do not inhibit the sites highest and best use.

9. There is a special use permit for a 200-foot-wide power line crossing the National Forest Service land as amended October 21, 1976 for no fee that is not exclusive and expires June 30, 2030. It is a typical power line easement that indemnifies the landowner. It crosses the subject property roughly following the main roadway but diverging along the eastern portion of the subject. It's short duration and limited impact does not significantly impact the highest and best use.
10. Research Easement: The property is subject to a research easement called out by "the Act". The Purpose of the research easement is to study different commercial treatments to young growth timber. The Alaska Mental Health Trust shall not construct any new road or harvest timber on a study plot covered by a research easement. The intended use within the research easement is to access and continue Forest Service research activities on the study plot in existence on the date of enactment of Public Law 115-31 which is May 5, 2017. The impact of this easement on value will be reflected in the value is the loss of stumpage due to any operational constraints it would have, which are minimal. It would also not impact the long-term use as future timber lands as it would have to grow out for many years beyond the expiration date of 2027.

c. Legal Description: Shelter Cove parcel includes 7,994.77 acres legally situated in Ketchikan Recording District, First Judicial District, Alaska, Copper River Meridian.

T. 73 S., R. 91 E: Sec. 24: Lot 1, Sec. 25: Lot 8, containing 280.33 acres;

T. 73 S., R. 92 E: Sec. 7: Lot 1, Sec. 8: Lot 1, Sec. 16: Lot 4, Sec. 17: Lot 6, Sec. 18: Lot 1, Sec. 19: Lot 1, Sec. 20: Lot 6, Sec. 21: Lot 19, Sec. 22: Lot 1, Sec. 25: W ½, W 1/2NE1/4 and W1/2SE1/4, Sec. 26: Lots 1-4, Sec. 27: Lot 1, Sec. 29: Lot 11, Sec. 30: Lots 12 & 13, Sec. 34: Lot 1, SW1/4NW1/4, & W1/2SW1/4, Sec. 35: Lots 1-3, Sec. 36: W1/2, W1/2NE1/4, & W1/2SE1/4, Tract A, containing 6,155.07 acres;

T. 74 S., R. 92 E: Sec. 1: W1/2, W1/2NE1/4, & W1/2SE1/4, Sec. 2: N1/2, SE1/4, Sec. 3: Lot 1, W1/2NW1/4, & NW1/4SW1/4, Sec. 4: N1/2NW1/4, & SW1/4NW1/4, Sec. 5: NE1/4NE1/4, Sec. 11: N1/2NE1/4, Sec. 12: N1/2NW1/4, containing 1,559.37 acres.



d. Property Overview: The below includes excerpts from the appraisal report descriptions to provide an overview of the subject property appraised:

Size: 7,994.77 acres

Shape: The parcel has an irregular shape and includes land around Salt Lagoon extending easterly around North Saddle Lake and to within a mile (+/-) of Carroll Inlet.

Access/Frontage: Vehicular access to the property is along White River Road (also known as the Shelter Cove Road) which connects Shelter Cove to Ketchikan. The Shelter Cove Road runs just below the parcel until you get to the northernmost area, then it crosses the parcel going north from south. The road then turns south becoming the northeast border of the northern portion of the parcel before it leaves this boundary heading north around North Saddle Lake and on to Shelter Cove. The Shelter Cove Road runs a distance of about 4.1 miles through or adjacent to the subject and was recently improved by the State of Alaska as a low volume, low speed, one lane, gravel road within a 300 foot easement. When the Shelter Cove Road leaves the subject northeast boundary the road to Coon Cove continues along the boundary, then continues south into the eastern block of the subject Shelter Cove Parcel, cuts east to west across a Cape Fox ownership intrusion and then continues south to the southern border of the subject and on to Coon Cove log transfer facility at George Inlet. It is a lower standard, one lane, shot rock, logging type road within a 66 foot wide easement. The subject southern border of its central portion can be accessed from Coon Cove approximate distance of just over 4 miles through Cape Fox private land.

There are various other segments of National Forest System Roads (NFSR) that extend from these main thoroughfares onto, around, and through the subject property. Some of these roads enter the subject parcel along its easterly border having access through forest roads extending south from the Shelter Cove Road.

Topography: Shelter Cove parcel is located on Revillagigedo Island with no immediate water access. The southern portion of the parcel has a large unnamed lake at about 400 feet elevation that has nearly 4 miles of freshwater frontage. There are several small lakes scattered throughout the property that add about 3.6 miles more less of lake frontage. The total fresh water frontage is estimated 7.6 miles based on our rough estimates from local maps. Salt Lagoon sits at the head of George Inlet, which lies just outside the parcel boundary. The property has no salt water frontage. The terrain is quite hilly, rising from flat coastal plain to approximately 1,500 feet in some areas. There are many creeks and rivers located within this area.

Soils: Soils are typical of southern Southeast Alaska rain forest with organic vegetative mat varying in depth over sedimentary volcanic and intrusive rocks. The Forest Service provided a wetland and floodplain summary report for the subject exchange lands that identified the property acreage to be approximately 49% in uplands and 51% in wetlands. 1% of the property was in a floodplain.

Vegetation: The steep terrain has Sitka spruce and western hemlock overstories, and understories of various berry brush species. Higher elevation meadows are dominated by muskegs.



Anadromous Streams: There are several fish streams which have variously been identified as Coho, Sockeye, Pink, and Chum Salmon as well as Steelhead Trout habitat.

Utilities: The property is remote, and public utilities are not generally available. There is a high-power transmission line running through the property just west of Salt Lagoon. It would most likely require a step-down transformer at an unknown cost.

e. Improvements: The subject property is not improved with structures.

f. Timber: The timber volume is based on a 2020 cruise by Peak Engineering, LLC and the resource evaluated by Clare Doig of Forest & Land Management, Inc., who completed a timber appraisal. Mr. Doig interpreted the cruise figures to appraised acreage. The appraiser reviewed and accepted the timber value estimated which included the following volumes and returns:

| AREA | Area | Appraisal | Timber | Gross Log | Net | Timber | \$/MBF | \$/Appraised |
|------------------|----------|-----------|------------|--------------|--------------|-------------|----------|--------------|
| LTF destination | Acreage | Acres | Volume MBF | Sales Value | Revenue | Value | Stumpage | Acres |
| Leask LTF | | 1,093 | 15,749 | \$11,023,482 | \$1,973,956 | \$986,978 | \$63 | \$903 |
| | | 22 | 108 | \$229,392 | \$141,888 | \$70,944 | \$657 | \$3,225 |
| | | 1,115 | 15,857 | \$11,252,874 | \$2,115,844 | \$1,057,922 | \$67 | \$949 |
| Coon Cove LTF | | 1,170 | 14,105 | \$13,185,491 | \$4,672,680 | \$2,336,340 | \$166 | \$1,997 |
| | | 105 | 1,249 | \$1,309,400 | \$289,454 | \$144,727 | \$116 | \$1,378 |
| | | 1,275 | 15,354 | \$14,494,891 | \$4,962,134 | \$2,481,067 | \$162 | \$1,946 |
| Shelter Cove LTF | | 903 | 13,844 | \$12,991,404 | \$2,927,111 | \$1,463,556 | \$106 | \$1,621 |
| | | 346 | 1,562 | \$2,276,131 | \$880,640 | \$440,320 | \$282 | \$1,273 |
| | | 1,249 | 15,406 | \$15,267,535 | \$3,807,751 | \$1,903,876 | \$124 | \$1,524 |
| SUMMARY | 7,994.77 | 3,639 | 46,617 | \$41,015,300 | \$10,885,729 | \$5,442,865 | \$117 | \$1,496 |

The area identified as timbered acres is 46% of the overall. The potential net income from logging reflects the gross income based on the timber volume discounted by 50% return to the owner.

g. Minerals: The appraisal references a USFS 2020 mineral potential document that identifies moderate precious metal potential and rock and gravel in the Shelter Cove property. The appraisal reports in terms of highest and best use, development of the mineral potential on the subject site would require known market feasibility to hold significant influence over other, non-mineral-related highest and best uses. The market has not demonstrated an economic impetus to pay significant amounts for this probability of mineral value for properties similarly situated as the subject. The value of the property for other use, such as recreation or timber, significantly outweighs any priority the market would give for the subject sites' mineral potential, although it is a consideration, given the bundle of rights conveyed.

h. Water Rights: The appraisal reports that water rights of the USA regarding wildlife habitats and recreation uses are implicitly reserved on public lands, but no rights have been quantified or claimed and were assumed to be relinquished for the exchange appraisal purpose. As privately owned land there are no water rights encumbered.



i. Larger Parcel: The larger parcel analysis reports the appraisals opinion that the property has an integrated highest and best use for recreation and speculation. It relates that the market for it would most likely be a party that understands there are localized resources on the property that can be developed over, but in an orderly fashion. The timber processor would not be expected to invest waiting for these yet to be developed speculative uses to mature within the marketplace. Considering this integrated use, the subject is the larger parcel.

j. Assumptions:

Extraordinary Assumption: The last property inspection occurred on July 16, 2018 and an extraordinary assumption is made that the property was in similar condition at the date of value. The appraisal identifies that their general awareness of the market and activities in the region indicate there was no change in the condition of the property and that they confirmed with the property owner's representative that they had no knowledge of changes.

Hypothetical Condition: A hypothetical condition is made that the property is in private ownership and zoned consistent with similar privately owned property in the area. The hypothetical condition is consistent with his specific appraisal instructions and appraisal standards for exchange purposes to reflect market value.

k. Highest & Best Use: The highest and best use analysis compares the recreation and speculative use conclusion to the value supported by timber production land with a contribution of cut over land value. The return for recreation and speculation is greater and representative of the highest and best use of the property.

l. Valuation: The property value was estimated based on the sales comparison approach. Suitable comparable sales were researched and those considered useful selected for use in the analysis. The appraisal applied qualitative adjustments for factors considered to influence value and establish a unit price range to work within. The sales prices and their weight in the reasoning were discussed concluding at the estimated unit value of \$850 per acre.

m. Date of Value: February 7, 2020

n. Date of Appraisal: March 10, 2021

o. Appraiser: Charles Horan, MAI

p. Value: \$6,800,000

q. Appraisal Client: The appraiser's client is the USDA Forest Service.

r. Intended Users: Intended users of the appraisal include the USDA Forest Service, the Alaska Mental Health Trust, and their authorized representatives.

s. Purpose / Use: The intended use of the appraisal is to provide a credible, reliable, accurate and properly supported opinion of the market value of the subject properties, as a basis for conducting the land exchange.

