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APPRAISAL REPORT

Port Bailey (former Seafood Plant)

Dry Spruce Bay near Kupreanof Strait on the northwest coast of Kodiak Island
Kodiak, Alaska

NPA Job Reference No: 19-2040-GW

Photo Source: Drone picture from October 2, 2018 document from PB Energy, Inc.

Effective Date – May 17, 2019
Prepared for:

Great American Insurance Group
C/O Herbert Ray
310 K Street, Ste 200
Anchorage, AK 99501

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August 28, 2019

Great American Insurance Group
C/O Herbert Ray
Schwabe Williamson & Wyatt
310 K Street, Ste 200
Anchorage, AK 99501

RE: Market Value of the Port Bailey (former Seafood Plant) located on Dry Spruce Bay at the northwest coast of Kodiak Island, Alaska.

NPA Job Reference No: 19-2040-GW

Dear Mr. Ray:

We have prepared an appraisal of the above-referenced property. The scope of work applied is sufficient to develop a credible value estimate, and it includes the Land Valuation/Cost Approach and a Sales Comparison Approach. The purpose of this appraisal is to estimate the fee simple "as is" market value of the subject and to measure the property's value loss attributed to the main dock damage from the severe weather on December 3, 2016. Definitions of the terms market value, "as is", and fee simple interest are contained within the report.

Intended use of the appraisal is to establish the loss from the dock damage on December 3, 2016 and the intended user is Great American Insurance Group and counsel, who represent Brent Marine. There are no other intended uses or users. The appraisal adheres to the 2018-2019 Uniform Standards of Professional Appraisal Practice (USPAP) as formulated by the Appraisal Foundation, and to the Appraisal Standards for Federally Related Transactions adopted by the Office of the Comptroller of Currency (OCC).

The subject of this appraisal is the Port Bailey facility located at Dry Spruce Bay near Kupreanof Strait on the northwest coast of Kodiak Island. Access is via float plane or boat. The site is comprised of two irregular shaped upland parcels with 21.64 acres and a 47.13-acre tideland parcel. There is also an irregular shaped 44.03-acre upland parcel which provides access to a lake. The upland sites are long and narrow irregular shaped parcels with upward sloping topography. The 44.03 parcels location, topography, and shape limit its usability. The tideland parcel is 47.13-acres and fronts the two upland parcels. The docks and several of the buildings are located on the tidelands. The subject is a remote location and no public utilities are available. The site offers a scenic location with excellent views of the Bay.

The subject is improved with over 20 structures and two piling docks. The buildings have a combined gross building area of 111,598 SF, and the majority of area is former cannery buildings that are significantly under-utilized. The majority of buildings are in below average to poor condition (not surprising they are over 70 years old), with the exception of the lodge and the Blair House (primary residence of the Shanes) and a couple of smaller residences. There are two piling docks, the main dock which was damaged by the storm has an estimated 9,434 SF of surface area and the southern is 5,096 SF.

This facility had a long history of cannery operations dating back to the early 1900's. In 1948 a fire destroyed most of the facility. The plant was rebuilt on the same site and reopened the cannery in 1949. The rebuilt Port Bailey cannery was the first major salmon cannery to be built following World War II. Columbia-Wards Fisheries purchased the Port Bailey plant in 1968, and millions of pounds of canned salmon were produced each year until the plant was closed in the late 1990s.

After sitting vacant for numerous years, the property sold to Port Baily Wild Enterprises. The 50/50 owners were Mr. Shane and Mr. Scharf. After a result of financial issues, Mr. Scharf's position was purchased by PB Energy Inc. on July 22, 2010.

The Shanes (50% owners of PB Energy) uses the site for their year-round residence and they operate a company called Alaska Rug Company. This small business primarily operates out of the Blair House and they use some of the warehouse space to store material. The Shanes operate the business with no employees. They send product out using the mail service that offers two flights (pick-ups) a week (Island Air). The Sutherlands (50% owners of PB Energy) operated a barge company and used the site for their business, including using the site for storage.

The site is clearly under-utilized and the improvements have been slowing deteriorating and with a few exceptions, are at, or near the end of their economic life. A few of the residential properties have been upgraded somewhat and have potential for personal residency or lodge operations.

In December 3, 2016 there was significant winds and waves and Brent Marine (operated by Sully Sutherland) had two boats tied to the subject dock. As described within the Improvement Description and Analysis chapter, there was damage to the main dock. The Marine Speciates report indicated no damage to the southern dock and any issues are from general deterioration. Additionally, the damage to the east section of the Main Dock would also fall under normal deprecation. As discussed, quotes to replace and fix the dock range from $642,404 to $1,020,000. As discussed in the Cost Approach, we estimate the depreciated value of the 1,800 SF of the missing dock area at $36,180. Obviously, this is far lower than the repair costs. Clearly, replacing the dock does not make economic sense. The impact on the overall property is minimal as the majority of buildings are 98% depreciated. Also, the currently used residential buildings (80% to 90% depreciated) do not need the dock for functional operations. The lowest repair bid is over 50% of the entire property value including land and the higher bid is above the entire improvement value (excluding land).

In measuring the impact of the damaged dock, we include the depreciated value of the missing dock area or $36,180. Additionally, the damaged area and the rough edges need to be cleaned up and debris removed from the water including a sunken dock crane. According to our conversations with the dock experts, the dock and edges and debris could be repaired for under $20,000. Adding this to the depreciated dock value of $36,180 is $56,180. With consideration to the crane loss, we conclude an overall property impact of **$60,000**.

The subject possesses good attributes to accommodate salmon and other seafood processing. It has good water access in on Kodiak, which historically one of the nation's top fishing ports. However, the subject seafood processing operation has been shut down for over 20 years. The subject's remote location makes it difficult to compete with the large, modern processing plants within the City of Kodiak. The processing plants in the City Kodiak have far lower operating costs as discussed within the market analysis chapter. The subject offers a scenic setting with excellent view amenities. It could be used as a fishing/hunting lodge, small scale processing plant or possible kelp/shell fish farming. However, none of the potential uses are obviously financially feasible. The most probable buyer for

the subject would be an owner-user that would take advantage of the subject's scenic and remote location, using the property for a residence, lodge or small business.

We first analyzed the subject under the we analyze the hypothetical condition that is was not impacted by the December 3, 2016 storm. Based on our research and analysis, we are of the opinion that the market value, of the fee simple interest in the appraised property, as of May 17, 2019, is as follows:

One Million Two Hundred Thirty Thousand Dollars **$1,230,000**

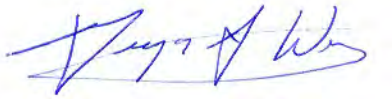
We estimate the loss attributed to the dock damage by the barge on December 3, 2016 at **$60,000**.

Based on our research and analysis, we are of the opinion that the "as is" market value, of the fee simple interest in the appraised property, as of May 17, 2019, is as follows:

One Million One Hundred Seventy Thousand Dollars **$1,170,000**

The market value conclusions are based on a marketing period of up to twelve months assuming diligent efforts. Your attention is directed to the Certification and Limiting Conditions for an explanation of restrictions and limitations of this appraisal.

Respectfully Submitted,



Gregory S. Wing, MAI
State Certified General Real Estate Appraiser AK #204

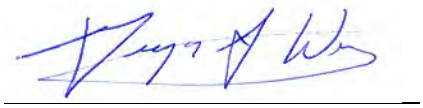
CERTIFICATION

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

1) The statements of fact contained in this report are true and correct.
2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
3) I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6) My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7) My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
8) I have made a personal inspection of the property that is the subject of this report.
9) No one provided significant professional assistance to the person or persons signing this report, unless otherwise stated in the Letter of Transmittal.
10) To the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
11) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12) The Appraisal Institute has a continuing education program that is either voluntary or mandatory depending on when the member was certified. Gregory S. Wing, MAI has met the Appraisal Institute continuing education requirements.
13) The appraiser has not previously appraised the subject.

Restriction Upon Disclosure & Use

The By-Laws & Regulations of the Appraisal Institute govern disclosure of the contents of this appraisal report. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which (s)he is connected, or any reference to the Appraisal Institute) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.



Gregory S. Wing, MAI

ASSUMPTIONS & LIMITING CONDITIONS

An assumption is that which is taken to be true (USPAP 2018-2019 Edition).

1) The appraiser has made no survey of the property and assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
2) It is assumed that there are no hidden or non-apparent conditions of the property, subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
3) Responsible ownership and competent management are assumed.
4) No responsibility is assumed for the legal description or for matters including legal or title consideration.
5) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
6) The appraiser is not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made therefor.
7) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report, is invalidated if used separately in conjunction with any other appraisal.
8) The appraiser hereby certifies that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or approval of a loan, and that the appraiser was competent and qualified to perform the appraisal assignment.
9) The reader is directed to the Definition of Appraisal Problem chapter for a listing of any extraordinary assumptions and hypothetical conditions of this appraisal.

TABLE OF CONTENTS

SUMMARY OF FACTS AND CONCLUSIONS

Project Name:	Port Bailey (Former Seafood Plant)
Purpose of Appraisal:	The purpose of this appraisal is to estimate the fee simple "as is" market value of the subject and to measure the property's value loss attributed to the main dock damage from the severe weather on December 3, 2016.
Property Rights Appraised:	Fee simple interest
Location:	The subject is located at Dry Spruce Bay near Kupreanof Strait on the northwest coast of Kodiak Island. Access is via float plane or boat.
Legal Description:	The uplands are legally described as United States Survey Numbers 2292, 2352 and 5707, according to the original Plats thereof, located in the Kodiak Recording District, Third Judicial District, State of Alaska. The tideland is legally described as Alaska Tideland Survey Number 91, according to Plat No. 63-22, located in the Kodiak Recording District, Third Judicial District, State of Alaska.
Latitude & Longitude:	Latitude = 57.9301, Longitude = -153.0406
Tax ID No:	The Kodiak Island Borough identifies the subject under the following tax parcel numbers: R5200001120 (Upland with the majority of site and building improvements), R5200001155 (western upland parcel) and R5700000050 (tidelands).
Ostensible Owner:	Based on Kodiak Borough tax records, ownership is invested in PB Energy, Inc.
Site:	The site is comprised of two irregular shaped upland parcels with 21.64 acres and a 47.13-acre tideland parcel. There is also an irregular shaped 44.03-acre upland parcel which provides access to a lake. The majority of improvements (buildings and docks) are located on USS Survey No. 2292 and this long and narrow irregular shaped parcel is 9.37 acres. The adjacent parcel to the northwest (USS Survey 2352) is also an irregular long and narrow site with 12.27 acres. The rear portions or the subject have upward sloping topography. We do not reduce the sites usable size, but is a consideration in the analysis. USS Survey No. 5707 is a 44.03 parcel, but its location, topography, and shape limit its usability, except for the access to the lake for the fresh water needed for processing fish. This is a benefit for the entire property if a large water supply was in demand. We do not include it in the overall usable size of the property given the lack of utility.

The tideland parcel is 47.13-acres and fronts the two upland parcels. The docks and several of the buildings are located on the tidelands.

The subject is a remote location and no public utilities are available. Water is via small wells, but as noted previously, the subject's parcel USS Survey No. 5707 has access to a lake for the fresh water needed for processing fish. This is a benefit for the entire property if a large water supply was in demand. Waste water is via private septic system. Electricity is via private diesel generators.

Improvements:

The subject is improved with over 20 structures and two piling docks. The buildings have a combined gross building area of 111,598 SF, and the majority of area is former cannery buildings that are significantly under-utilized. The majority of buildings are in below average to poor condition (not surprising they are over 70 years old), with the exception of the lodge and the Blair House (primary residence of the Shanes) and a couple of smaller residences. There are two piling docks, the main dock which was damaged by the storm has an estimated 9,434 SF of surface area and the southern is 5,096 SF.

This facility had a long history of cannery operations dating back to the early 1900's. In 1948 a fire destroyed most of the facility. The plant was rebuilt on the same site and reopened the cannery in 1949. The rebuilt Port Bailey cannery was the first major salmon cannery to be built following World War II. Columbia-Wards Fisheries purchased the Port Bailey plant in 1968, and millions of pounds of canned salmon were produced each year until the plant was closed in the late 1990s.

After sitting vacant for numerous years, the property sold to Port Baily Wild Enterprises. The 50/50 owners were Mr. Shane and Mr. Scharf. There were financial issues and Mr. Scharf's position was purchased by PB Energy Inc. on July 22, 2010.

The Shanes (50% owners of PB Energy) uses the site for their year-round residence and they operate a company called Alaska Rug Company. This small business primarily operates out of the Blair House and they use some of the warehouse space to store material. The Shanes operate the business with no employees. They send product out using the mail service that offers two flights (pick-ups) a week (Island Air). The Sutherlands (50% owners of PB Energy) operated a barge company and used the site for their business, including using the site for storage.

The site is clearly under-utilized and the improvements have been slowing deteriorating and with a few exceptions, are at, or near the end of their economic life. A few of the residential properties have

been upgraded somewhat and have potential for personal residency or lodge operations.

In December 3, 2016 there was significant winds and waves and Brent Marine (operated by Sully Sutherland) had two boats tied to the subject dock. As described within the Improvement Description and Analysis chapter, there was damage to the main dock. As discussed, quotes to replace and fix the dock range from $642,404 to $1,020,000. As discussed in the Cost Approach, these repair costs far exceed the depreciated value of the dock. In fact, even the lowest repair bid is over 50% of the entire property value including land and 3.38 times higher than the depreciated value of the dock. Additionally, the high repair bid is above the combined depreciated value of all the structures and dock.

Clearly, replacing the dock does not make economic sense. The dock, like the majority of the improvements, are significantly under-utilized. A dock of this size is necessary for a large seafood plant operation, but not required for the most likely uses for the subject moving forward.

Based on information discussed in the Cost Approach, it is our understanding the missing dock edges could be cleaned up and damaged debris could be removed for about $60,000.

Zoning: C - Conservation Zoning District

Highest and Best Use: The highest and best use of the property is a private residence with a possible lodging or small business operation. Some of the buildings are near the end of their economic life and may need to removed. Life and safety issues should be addressed and repairs and renovations should be made when there is a clear demand.

Sales History: We are not aware of any sales or listings during the three years immediately prior to this appraisal.

Effective Date of Appraisal: May 17, 2019

Date of Report: August 28, 2019

Value Summary Real Estate Only *:	
Cost Approach	$1,230,000
Sales Comparison Approach	$1,100,000 to $1,350,000
Income Capitalization Approach	Not Developed

** Under the scenario the December 3, 2016 dock damage did not occur.*

We first analyzed the subject under the we analyze the hypothetical condition that is was not impacted by the December 3, 2016 storm. Based on our research and analysis, we are of the opinion that the market value, of the fee simple interest in the appraised property, as of May 17, 2019, is as follows:

One Million Two Hundred Thirty Thousand Dollars **$1,230,000**

We estimate the loss attributed to the dock damage by the barge on December 3, 2016 at **$60,000**.

Based on our research and analysis, we are of the opinion that the "as is" market value, of the fee simple interest in the appraised property, as of May 17, 2019, is as follows:

One Million One Hundred Seventy Thousand Dollars **$1,170,000**

The market value conclusions are based on a marketing period of up to twelve months assuming diligent efforts. Your attention is directed to the Certification and Limiting Conditions for an explanation of restrictions and limitations of this appraisal.

Respectfully Submitted,

Gregory S. Wing, MAI
State Certified General Real Estate Appraiser AK #204

DEFINITION OF APPRAISAL PROBLEM

IDENTIFICATION

The subject of this appraisal is the Port Bailey facility located at Dry Spruce Bay near Kupreanof Strait on the northwest coast of Kodiak Island. Access is via float plane or boat. This facility had a long history of cannery operations dating back to the early 1900's. In 1948 a fire destroyed most of the facility. The plant was rebuilt on the same site and reopened the cannery in 1949. The rebuilt Port Bailey cannery was the first major salmon cannery to be built following World War II. Columbia-Wards Fisheries purchased the Port Bailey plant in 1968, and millions of pounds of canned salmon were produced each year until the plant was closed in the late 1990s.

The property was predominately vacant and listed for sale and it was purchased on March 14, 2003. The buyers were Port Baily Wild Enterprises. The 50/50 owners were Mr. Shane and Mr. Scharf. There were financial issues and Mr. Scharf's position was purchased by PB Energy Inc. on July 22, 2010.

The Sutherlands (50% owners of PB Energy) operated a barge company and used the site for their business, including using the site for storage. In December 3, 2016, there was harsh weather (significant winds and waves) and Brent Marine (operated by Sully Sutherland) had two boats tied to the subject's main dock and damage was incurred.

The subject is currently used by the Shanes as their year-round residence and they operate a company called Alaska Rug Company. This small business primarily operates out of the Blair House and they use some of the warehouse space to store material. The Shanes operate the business with no employees. They send product out using the mail service that offers two flights (pick-ups) a week (Island Air).

The site includes two irregular shaped upland parcels consisting of 21.64 acres and a 47.13-acre tideland parcel. There is also an irregular shaped 44.03-acre parcel, which provides access to a lake for large water access if needed. There are over 20 structures and two piling docks. The buildings have a combined gross building area of 111,598 SF, and the majority of area is former cannery buildings that are significantly underutilized. The majority of buildings are in below average to poor condition (not surprising they are over 70 years), with the exception of the lodge and the Blair House (primary residence of the Shanes).

The Kodiak Island Borough identifies the subject under the following tax parcel numbers: R5200001120 (Upland with the majority of site and building improvements), R5200001155 (western upland parcel) and R5700000050 (tidelands).

Legal Description

The uplands are legally described as United States Survey Numbers 2292, 2352 and 5707, according to the original Plats thereof, located in the Kodiak Recording District, Third Judicial District, State of Alaska.

The tideland is legally described as Alaska Tideland Survey Number 91, according to Plat No. 63-22, located in the Kodiak Recording District, Third Judicial District, State of Alaska.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the "as is" market value of the subject and to measure the property's value loss attributed to the main dock damage on December 3, 2016.

APPRAISAL INTENDED USE AND USER

Intended use of the appraisal is to establish the loss from the dock damage on December 3, 2016 and the intended user is Great American Insurance Group, who represents the Brent Marine. There are no other intended uses or users.

PROPERTY RIGHTS APPRAISED

The subject is owner-occupied. The uplands and tidelands are owned in fee. Therefore, this is an appraisal of the fee simple interests in the subject real estate.

EXCLUDED ITEMS

This is an appraisal of the **real property only** and personal property is specifically excluded.

APPRAISAL DATES

The subject was inspected by Gregory S. Wing, MAI on May 17, 2019 and the photographs were taken at that time. Accordingly, this is the effective date of the "as

is" value of this appraisal. The appraisal report was prepared on approximately August 21, 2019.

EXPOSURE & MARKETING PERIODS

Exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Back in the late 1990's it was market for several years, but a price far above market value. The last partial interest sale between the Sutherlands and Shanes represented a motivated seller. These sales would have been closer to market given an appropriate exposure period.

Marketing Period

Former seafood plants (and operating plants) are not actively traded and are subject to very narrow markets. Plants that operate economically tend to remain in operation. Plants that experience financial difficulty or experience external obsolescence may sell at discounted prices as with the subject's last few sales. The subject no longer has a viable location for a shore-based plant. The universe of demand for a property like the subject is limited to a pool of buyers that is quite small. Given, highest and best use issues, the likely buyer would be an owner user that would live on the property and possibly operate a lodge/sport fishing or other business. Obviously, a business that would take advantage of the subject's infrastructure would be ideal, unfortunately there are not a lot of obvious uses. Potentially, a kelp farm or small seafood operation could be possible, but making this type of business profitable is not proven. The Shanes operate a small business making items out of recycled rope, however, this business only utilizes a small portion of the subject.

In spite of the uncertainties, capital costs, and risks, with unique properties like the subject (former seafood plant) these types of properties are able to attract buyers.

In our opinion, if this property were available for sale it would likely attract some interest. The market value estimate for the subject property is predicated on a marketing time of up to twelve months.

CURRENT OWNER AND SALES HISTORY

Based on Kodiak Borough tax records, ownership is invested in PB Energy, Inc.

The subject was apparently purchased in March 14, 2003 for $456,013 after a long exposure period after the seafood plant shut down. The buyers were Port Baily Wild Enterprises. The 50/50 owners were Mr. Shane and Mr. Scharf. There were financial issues and Mr. Scharf's position was purchased by PB Energy Inc. This sale occurred in July 22, 2010 and the purchase price was about $65,000. It is our understanding PB Energy, Inc. is owned 50% by the Shanes and 50% by the Sutherlands. Most of the money paid by the Sutherlands went to pay back property taxes. The sellers were heavy motivated as they were on the verge of losing the property.

In December 3, 2016 there was significant winds and waves and Brent Marine (operated by Sully Sutherland) had two boats tied to the subject dock. There was damage to the dock and the two ownership parties are in a dispute. Most likely, one of the ownership groups will buy out the other party after the issues associated with the dock damage are settled. It is our understanding the parties have not begun any sale negotiations.

We are not aware of any other sales, options or contracts for the subject in the three years immediately prior to this appraisal.

SCOPE OF WORK

In this assignment, the scope of work encompasses the research and analysis necessary to develop a credible appraisal conclusion in accordance with the intended use. We focus on the approaches that best reflect market behavior and are supported by the most relevant market evidence. In this case, we developed the following analyses:

- Land Valuation/Cost Approach
- Sales Comparison Approach

The Income Capitalization Approach has not been developed. There is no active rental market for former seafood plants in Alaska and no there is no established lodging market. One of the owner's use the subject as their year-round residence. Overall, potential buyers would not typically place any reliance on the Income Capitalization Approach. Omission of the approach does not reduce the credibility of the analysis.

The appraisal adheres to the 2018-19 Uniform Standards of Professional Appraisal Practice (USPAP) as formulated by the Appraisal Foundation, to the Appraisal Standards for Federally Related Transactions adopted by the Office of the Comptroller of Currency (OCC), and to FIRREA requirements.

- The inspection was conducted on May 17, 2019 and this is the effective date of the appraisal. Anita Shane, one of the owners, accompanied the appraiser on this inspection and provided general property information.
- A report from Marine Specialties Limited completed an assessment of the dock for our client Great American Insurance Group dated August 16, 2018 and this report was reviewed an included with this analysis.
- As part of this assignment I interviewed Jim Smith, from Marine Specialties, LTD, who also inspected the property. Additionally, I interviewed Stuart McFarland, Associate Marine Surveyors who is also familiar with the subject's dock. Also, in the addenda we have included additional before and after dock photos taken by Anita Shane (with Port Bailey) on October 3, 2018.
- Kodiak Island Borough records were researched to determine the zoning status of the subject property and surrounding land uses.
- Kodiak Island Borough Assessing Department records were reviewed for an indication of past property ownership and for confirmation of general property information.
- Sale (both land and improvements) were obtained through searches of public records, interviews with property owners, managers and real estate professionals. A search was made throughout the area for comparable sales. The data was inspected and screened for comparability to the subject.
- Interviews were conducted with brokers, buyers and sellers involved with the selected comparable sales and rental properties.
- An analysis of the subject property was completed in relation to the selected comparables using the Cost and Sales Comparison Approaches.

In the final reconciliation, we considered the available data to determine the most credible market value conclusion.

COMPETENCY STATEMENT

The appraiser, Gregory Wing, MAI has completed appraisals of similar properties throughout Alaska. Summaries of my appraisal experience and professional qualifications are in the Addenda. The appraiser has the knowledge, education and experience required by competency rule of USPAP to complete this assignment.

DEFINITIONS

Market Value[1]

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, 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 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 each acting in what he considers his own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

"As Is" Value

An estimate of the market value of a property in the condition upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of inspection.

Fee Simple Estate[2]

Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of

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1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"),[Pub. L. No. 101-73, 103 State. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62(f).
Uniform Standards of Professional Appraisal Practice, Page 1-7
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR part 34, Sec. 34.42
FDIC, 12 CFR Part 323, Sec .323.2
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, 3rd Edition, Appraisal Institute, Chicago, IL, Page 140

imposed by the governmental powers of taxation, eminent domain, police powers, and escheat.

Real Property[3]

All interests, benefits, and rights inherent in the ownership of physical real estate; the bundle of rights with which the ownership of real estate is endowed. In some states, real property is defined by statute and is synonymous with *real estate*.

EXTRAORDINARY ASSUMPTIONS

Definition: An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions (USPAP, 2018-2019 Edition).

It is an express assumption of this appraisal that the subject is not materially affected by environmental contamination beyond the known issues summarized by the July 7, 2015 SGS environmental report.

The appraisal includes no other extraordinary assumptions.

HYPOTHETICAL CONDITIONS

Definition: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis (USPAP 2018-2019 Edition).

The appraisal is not predicated on any hypothetical conditions, except for the analysis assumptions that the dock damage did not occur.

[3] IBID, Page 294

KODIAK AREA ANALYSIS

This section discusses socioeconomic forces that affect Kodiak and influence property values. Information included in this analysis was derived the community Alaska State Departments of Community and Economic Development, Labor and Transportation and Public Facilities. In addition, we reviewed the Kodiak Region Comprehensive Economic Development Strategy, published by the Kodiak Chamber of Commerce and funded by the City of Kodiak Island Borough. Also, we have included information from the Kodiak Community Profile and Economic Indicators.

The subject of this appraisal is the Port Bailey facility located at Dry Spruce Bay near Kupreanof Strait on the northwest coast of Kodiak Island. Access is via float plane or boat. The subject's area is remote and this section focuses on Kodiak Island as a whole.

Location

The subject is just northwest of Port Lions and about a 4-hour boat ride or 30-minute seaplane ride from Kodiak. The City of Kodiak is approximately 250 air miles south of Anchorage, a 45-minute flight, and is a 4-hour flight from Seattle. By itself, Kodiak Island is 3,588 square miles making it the second largest island in the United States. It lies at approximately 57.78889° North Latitude and -152.4019° West Longitude. (Sec. 32, T027S, R019W, Seward Meridian.) Kodiak is located in the Kodiak Recording District. The area encompasses 3.5 square miles of land and 1.4 square miles of water.

Culture[5]

The local culture surrounds commercial and subsistence fishing activities. The Coast Guard comprises a significant portion of the community, and there is a large seasonal population. Kodiak is primarily non-Native, and the majority of the Native population are Alutiiq. Filipinos are a large subculture in Kodiak due to their work in the canneries. A Russian Orthodox Church seminary is based in Kodiak, one of two existing seminaries in the U.S. The Shoonaq' Tribe of Kodiak was federally recognized in January 2001.

Weather and Terrain[5]

The climate of the Kodiak Islands has a strong marine influence. There is little or no freezing weather, moderate precipitation, occasional high winds, and frequent cloud cover and fog. Severe storms are common from December through February. Annual rainfall is 67 inches, and snowfall averages 78 inches. January temperatures range from 14 to 46; July temperatures vary from 39 to 76. The Island of Kodiak consists primarily of mountainous terrain, with most

peaks ranging between 2,000 and 4,000 feet. The uplands are drained by relatively short, swift, and clear mountain streams.

Seafood Industry Overview

Since the early 1800s, Kodiak's economy has been based primarily on the fishing industry. The advent of Russian occupation, with the introduction of salt, paved the way for commercial salmon harvesting. The first salmon cannery was built on the Karluk spit in 1882 to take advantage of the huge sockeye runs. By 1889, 5 canneries were operating on the mouth of the Karluk River. Between 1887 and 1928 records indicate that the sockeye harvest ranged between 1,004,500 (1887) to 4,826,200 fish (1901). Intense competition led to the expansion of commercial fishing into other species of salmon.

Kodiak's highly productive salmon industry is due in part to the fact that there are over 800 salmon streams in the KMA. Salmon has traditionally been the mainstay of Kodiak's fisheries. Because of the cyclic nature of the salmon fisheries - especially pink salmon - the volume and value of Kodiak's salmon catch varies greatly. Adaptability and diversification in a variety of fisheries has enabled the Kodiak economy to develop and stabilize. Kodiak is "homeport" to 1158 commercial fishing permits and is the nation's top three fishing ports.

As the rate of return for Kodiak processing plants declined due to increased competition for resources and over-harvesting, major efforts were made to develop the groundfish fishery. Throughout the 1980s, 1990s, and 2000s the ex-vessel value of the groundfish landings in Kodiak increased from $528,000 to over $64 million, making this one of Kodiak's most valuable fisheries.

During recent years, the groundfish fishery (primarily pollock and cod) has become increasingly important to Kodiak's economy.

History and Culture[4]

The Island has been inhabited for the past 8,000 years. The first non-Native contacts were in 1763, by the Russian Stephen Glotov, and in 1792 by Alexander Baranov, a Russian fur trapper. Sea otter pelts were the primary incentive for Russian exploration, and a settlement was established at Chiniak Bay, the site of present-day Kodiak. At that time, there were over 6,500 Sugpiaqs (Koniags) in the area and the Island was called "Kikhtak." It later was known as "Kadiak," the Inuit word for island. Kodiak became the first capital of Russian Alaska, and Russian colonization had a devastating effect on the local Native population. By the time Alaska became an U.S. Territory in 1867, the Koniag region Eskimos had almost disappeared as a viable culture. Alutiiq (Russian-Aleut) is the present-day Native language.

Sea otter fur harvesting was the major commercial enterprise, and eventually led to the near extinction of the species. However, in 1882 a fish cannery opened at the Karluk spit. This sparked the development of commercial fishing in the area. The "Town of Kodiak" was incorporated in 1940. During the Aleutian Campaign of World War II, the Navy and the Army built bases on the Island. Fort Abercrombie was constructed in 1939, and later became the first secret radar installation in Alaska.

Development continued, and the 1960s brought growth in commercial fisheries and fish processing. The 1964 earthquake and subsequent tidal wave virtually leveled downtown Kodiak. The fishing fleet, processing plant, canneries, and 158 homes were destroyed - $30 million in damage. The infrastructure was rebuilt, and by 1968, Kodiak had become the largest fishing port in the U.S., in terms of dollar value. The Magnusson Act in 1976 extended the U.S. jurisdiction of marine resources to 200 miles offshore, which reduced competition from the foreign fleet, and over time, allowed Kodiak to develop a groundfish processing industry.

Facilities[5]

Pillar Creek and Monashka Creek Reservoirs provide water, which is stored and distributed by pipe throughout the area. Piped sewage is processed in a treatment plant. All homes are fully plumbed. The piped system is being expanded to Monashka Bay, to replace individual wells and septic tanks in that area. Refuse collection services are provided by the Borough. The landfill is located six miles north of the City, at Monashka Bay. Kodiak Electric Association, a cooperative utility, operates and purchases power from the state-owned Terror Lake Hydroelectric Facility. It also operates a Coast Guard-owned plant, and owns three additional diesel-powered plants at Swampy Acres, Kodiak and Port LionsBay.

Transportation[6]

Kodiak is accessible by air and sea. The State-owned Kodiak Airport provides a paved runway (discussed in greater detail in a following paragraph). Kodiak

[4] Source: State of Alaska – Community Profile

[5] Source: State of Alaska – 2007 Community Profile

Municipal Airport offers a 2,475' paved runway. Two scheduled airlines serve Kodiak (Alaska Airlines and Era Aviation) with several daily flights, and a number of air taxi services provide flights to other communities on the Island. City-owned seaplane bases at Trident Basin and Lilly Lake serve floatplane traffic.

The Alaska Marine Highway System operates a ferry service to and from Seward and Homer. Travel time to Homer by ferry is 12 hours. The Port of Kodiak includes two boat harbors with 600 boat slips and three commercial piers - the ferry dock, city dock and container terminal. Boat launch ramps and vessel haul-outs are also available. There is also a breakwater on Near Island provides another 60 acres of mooring space at St. Herman Harbor. The City of Kodiak constructed a 600-ton lift on Near Island.

Approximately 140 miles of state roads connect island communities on the east side of the island.

Kodiak State Airport

The Kodiak Airport, is operated by the State of Alaska, Department of Transportation. This is a regional facility that is large enough to accommodate jet service. The main runway is 7,562 feet long by 150 feet wide. There are two cross runways; both 5,400 feet long. The airport offers a control tower, runway lighting system and other instrument approach aids.

Kodiak is the eighth largest airport in Alaska in terms of enplanements. Enplanements have increases over the last few years.

Population

According to the Alaska Department of Labor, the 2018 population on the Kodiak Island Borough is 13,345. The current population estimate for the City of Kodiak is 6,013 which is has remained fairly stable over the years.

Economy/Employment

The Kodiak economy is based on fishing, seafood processing, forestry and government. Based on information from the Alaska Department of Labor, seafood processing continues to be the dominant industry in terms of employment, at about 21% of the total jobs in the area.

U.S. Coast Guard and other government entities each make up about 33% of the labor force. Retail and wholesale trade account for about 11%. The remaining labor force is made up of general services, construction, transportation, communication, utilities, financial services, insurance and real estate.

The timber industry is another resource-based segment of Kodiak's economy. Almost all of the timber is located on Afognak Island, the second largest island in the archipelago.

Kodiak's employment varies throughout the year due to the seasonal nature of the fishing industry. Employment usually peaks during the months of July, August and September when fish harvesting is busiest, and declines in November and December as yearly fishing quotas are reached. For this reason, Kodiak is characterized by large swings in its monthly unemployment rate throughout the year, from as low of 4.8% to as high of 9.4% in 2018/19. The average annual unemployment rate for the Kodiak Island Borough in 5.8% in July of 2018.

Kodiak Launch Complex

The Kodiak Launch Complex, located south of the City, is the nation's first launch facility not located on federal property. This $25 million plus project employees 45 people year round.

Coast Guard

The Coast Guard maintains its largest facility in Kodiak. Between the various Coast Guard operating and support commands, there are approximately 1,300 military and civilian personnel (government workers) and 1,700 military dependents. The Coast Guard contributes an estimated total annual payroll of over $50 million. Coast Guard facility maintenance support and construction contract expenditures total approximately $30 million per year (approximate, varies depending on annual funding and construction contract awards).

Retail Sales

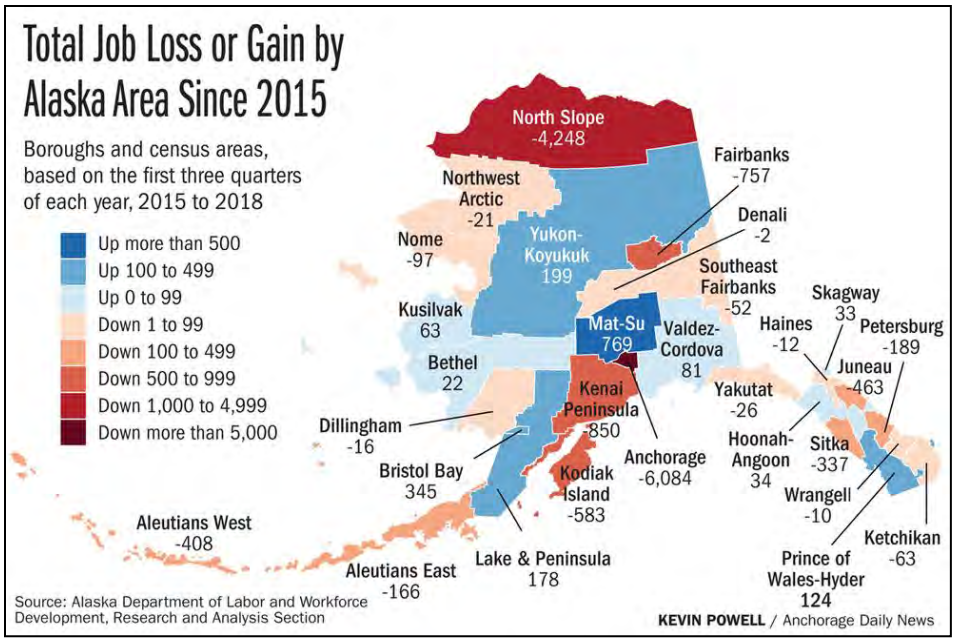
Retail sales have increased significantly in recent years. There is a close correlation between retail sales and the strength of the local fisheries.

Tourism

Similar to the rest of Alaska, about 76% of the visitors come during the summer months. The tourism industry remains fairly stable.

Timber

Historically, the timber industry has played a large role in the Kodiak economy. However, production slowed significantly in the late 1990s, due to decreasing prices.



Community Development Projects

Some priority projects for the Kodiak Island Borough include the Kodiak landfill treatment plant, Monashaka Baw water and sewer project, Service area road and paving improvements, East Elementary traffic flow improvements, Peterson Elementary traffic flow improvements, Mill Bay Beach and island lake trail access upgrades, parks and field plan, Women's Bay boat ramp Planning and design.

Oil Industry

For better and worse, Alaska is unique among states for being so dependent on a single source of revenue. Nearly 90% of the state's unrestricted government funds are from oil-related property taxes, corporate petroleum income taxes, oil production taxes, and oil-related royalties. The following pie chart shows the amount of revenue that comes from oil for the State of Alaska.

Although oil production has trended downward for the past two decades, oil employment has been on the rise as a result of increased labor needs for harder-to-reach oil as well as the drive to extract more oil under the recent high-price regime. As Alaska's facilities age, additional labor is required for repair and maintenance as well as extraction. However, if oil prices continue to average around $70 to $80/barrel or lower, more oil companies may downsize employment and investment in Alaska.

Job Growth

The following is from an Anchorage Daily News article dated, February 4, 2019.

While most Alaska boroughs and census areas have lost jobs during the state's economic downturn, some have gained.

The Matanuska-Susitna Borough had the biggest job growth from 2015 to 2018, according to a new economic report from the Alaska Department of Labor and Workforce Development. The borough's job count grew 3.4 percent — or 769 jobs — during that time, comparing the first three quarters of each year, 2015 to 2018.

Most of that growth was in health care and social assistance jobs, the department found. The borough has also had strong population growth in recent years, adding 10,000 people from 2013 to 2018. That's "a distinctly different pattern from the state as a whole, which had almost no population growth over that period," the report said.

Overall, Alaska has lost 12,700 jobs in this recession, which started in the last quarter of 2015. Job losses are slowing now and the labor department projects that the state will have modest job growth in 2019.

Anchorage, where 40 percent of the state population lives, lost 6,084 jobs from 2015 to 2018, the highest amount of any area. That factors out to a 3.9 percent decline. Of those Anchorage losses, the biggest decline was in the professional and business services sector, which includes attorneys, engineers, and architects.

Anchorage jobs in that sector were down about 2,600 from the first three quarters of 2015 to the first three quarters of 2018, said Dan Robinson, chief of research and analysis at the state labor department.

"Remember that those jobs are connected to both oil and gas activity and capital budget spending, so they got hit from two sides," Robinson said in an email.

After professional and business services, oil and gas was the next biggest loser in Anchorage with a drop of 1,300 jobs. Construction, retail trade, local government and state government followed. Anchorage did add 1,400 health care and social assistance jobs, Robinson said, and leisure and hospitality added about 200.

The North Slope Borough lost 4,248 jobs from 2015 to 2018 — and those workers live all around the state. The Fairbanks North Star Borough lost 757 jobs, the Kenai Peninsula Borough lost 850, Kodiak Island Borough lost 583, and the City and Borough of Juneau lost 463 jobs.

Along with the Mat-Su Borough, other gainers included the Yukon-Koyukuk Census Area, which added 199 jobs, the Bristol Bay Borough which added 345 jobs, and the Valdez-Cordova Census Area with 81 more jobs.

Alaska's recession has now stretched on for more than three years. A labor department study that looked at extended state job losses from 1961 to 2016 "identified 259 state-level recessions and determined that when a recession lingered beyond three years, it was usually due to structural shifts in a state's economy." Most of the time, states didn't lose jobs for more than three years.

Alaska isn't in the process of losing its main economic drivers, "but we remain in an already long and messy transition away from relying almost entirely on oil-related revenue to pay for state government," the report said. With an expected state budget deficit of $1.6 billion, "major work remains."

After shedding thousands of jobs, Alaska's oil and gas sector is expected to add a few hundred jobs this year. "But until we figure out our state government situation," the report said, "we'll struggle to grow or we'll grow at restrained rates."

Last year was the sixth year in a row that more people moved out of Alaska than moved into the state. But that trend is driven more by fewer people arriving in Alaska than it is by more people leaving in droves.

"There's been no 'mass exodus' with this recession," the labor department report said. "In fact, the migration loss has mainly come from a decrease in the number of people moving here."

Consumer Price Index

The consumer price index (CPI-U) is a survey that measures inflation by comparing the costs of a certain bundle of goods on an annual basis. The following table shows the percentage change in the CPI index over the last dozen years for both Urban Alaska (which represents primary Anchorage) and the U.S. City average.

Percent Change in the Consumer Price Index

Year	Urban Alaska	U.S. Avg.
1995	2.9%	2.8%
1996	2.7%	3.0%
1997	1.5%	2.3%
1998	1.5%	1.6%
1999	1.0%	2.2%
2000	1.7%	3.4%
2001	2.8%	2.8%
2002	1.9%	1.6%
2003	2.7%	2.3%
2004	2.7%	2.7%
2005	3.1%	3.4%
2006	3.2%	3.2%
2007	2.2%	2.8%
2008	4.6%	3.8%
2009	1.2%	-0.4%
2010	1.8%	1.6%
2011	3.2%	3.2%
2012	2.2%	2.1%
2013	2.7%	1.2%
2014	1.6%	1.6%
2015	0.5%	0.1%
2016	0.4%	1.3%
2017	0.5%	2.1%
2018	3.0%	2.4%

Average inflation over the last five years (2013-2018) was 1.1% per year in Anchorage (Kodiak is no tracked). As shown on the above table, the 2008 rate jumped to 4.6% on high oil price and then fell to only 1.2% in 2009 as oil prices fell. This trend continued in 2011 through 2013 as oil prices were high the corresponding CPI ranged from 2.7% to 3.2%. Oil prices dropped considerably in late 2014 and even further in 2015. The most recent CPI in 2015 and in 2016 at 0.5% and 0.4% reflects the low energy prices. It is our expectation that, over time, the CPI will continue to grow at traditional levels, staying below the 4.5% to 5% of the late 1980s and early 1990s. Overall, 2018 showed an annual increase of 3.0% for Anchorage and 2.4% for national. For our analysis, we expect CPI closer to 3.0% over the long term.

Conclusion

Seafood processing is one of the top employers in Kodiak. The timber industry has been in decline and is no longer as important of a factor in the market. The fishing industry is fairly stable. The U.S. Coast Guard remains to be a growing factor in the economy. The Kodiak Launch program is one of the few bright spots in the market. The decline in oil prices has a lower impact on Kodiak than the larger Alaska cities as its economy revolves around the fishing industry which benefits from lower fuel prices. Still, reduced State spending is a negative factor. The reader is referred to the following Market Analysis chapter for a greater discussion of the seafood industry. As a whole, the Kodiak market is fairly flat and this trend is expected to continue.

MARKET ANALYSIS

The subject of this appraisal is the Port Bailey facility located at Dry Spruce Bay near Kupreanof Strait on the northwest coast of Kodiak Island. The subject is just northwest of Port Lions and about a 4-hour boat ride or 30-minute seaplane ride from Kodiak. The subject is a remote location and no public utilities are available. The site offers a scenic location with excellent views of the Bay.

The subject is improved with over 20 structures and two piling docks. The buildings have a combined gross building area of 111,598 SF, and the majority of area is former cannery buildings that are significantly under-utilized. The majority of buildings are in below average to poor condition (not surprising they are over 70 years old), with the exception of the lodge and the Blair House (primary residence of the Shanes) and a couple of smaller residences. There are two piling docks, the main dock which was damaged by the storm has an estimated 9,434 SF of surface area and the southern is 5,096 SF.

This facility had a long history of cannery operations dating back to the early 1900's. In 1948 a fire destroyed most of the facility. The plant was rebuilt on the same site and reopened the cannery in 1949. The rebuilt Port Bailey cannery was the first major salmon cannery to be built following World War II. Columbia-Wards Fisheries purchased the Port Bailey plant in 1968, and millions of pounds of canned salmon were produced each year until the plant was closed in the late 1990s.

The Shanes (50% owners of PB Energy) uses the site for their year-round residence and they operate a company called Alaska Rug Company. This small business primarily operates out of the Blair House and they use some of the warehouse space to store material. The Shanes operate the business with no employees. They send product out using the mail service that offers two flights (pick-ups) a week (Island Air). The Sutherlands (50% owners of PB Energy) operated a barge company and used the site for their business, including using the site for storage.

The site is clearly under-utilized and the improvements have been slowing deteriorating and with a few exceptions, are at, or near the end of their economic life. A few of the residential properties have been upgraded somewhat and have potential for personal residency or lodge operations.

In the following paragraphs, we will first discuss the processing industry.

PROCESSING

As mentioned, prior to the 1990's, the subject has a long history of cannery operations. Until the late 1970s, most salmon processing in Alaska involved canning. Processors claim that canned salmon was and is a high volume, low margin product. Traditional markets for Alaska canned salmon were and are the United Kingdom and Canada. As refrigeration technology developed, processors and wholesalers came to realize much better profits off of fresh frozen salmon. A profitable side product is salmon roe, the eggs extracted from female fish and packed for markets in Japan. Processors and Salmon Marketers agree that fresh salmon command the highest wholesale prices, followed by fresh-frozen, with canned fish at the bottom.

Processors operate from fixed shore-based plants or from large vessels that serve as floating processors. Floating processors cannot match the production rates or economies that can be achieved in shore plants, but their mobility allows them to use what capacity they have in selected fisheries. Among shore plants, the economic principle that first comers have the best locations holds true. The best logistical sites with features most suitable for receiving, processing, and shipping fish have been in use for some time. A critical feature in today's fishery is a combination waterfront and land access with a convenient airport connection for transporting, fish, equipment and supplies, and personnel.

The subject cannot compete with the numerous processors within the City of Kodiak. As discussed throughout this report, many of the buildings are at or nearing the end of their economic lifespans and this includes the dock, which is rotten in places and in a state of disrepair. Significant capital infusion would be required to operate the property as a seafood plant. Furthermore, Kodiak is a three-four-hour boat ride from the subject and this is where the majority of the workforce would be located and this would put the subject at a competitive disadvantage in terms of staffing requirements. Also, there is a State Serviced airport in Kodiak with jet service not to mention significant port operations.

Within the City of Kodiak there are several large seafood plants, International Seafoods, North Pacific,

Trident Seafoods, Pacific Seafoods and Ocean Beauty. Ocean Beauty has a plant in Alitak and Icicle Seafoods has a plant in Larsen Bay.

Overall, we find large scale seafood processing is not a viable use for the subject in its "as is" condition. Given the strong competition within the City of Kodiak, which offers significant strategic advantages, it is unlikely this will change in the foreseeable future.

OTHER POTENTIAL SUBJECT USES

The subject is a remote location and no public utilities are available. The site offers a scenic location with excellent views of the Bay. The subject offers a unique and beautiful location for individuals wanting to live in a remote "off the grid" location. The subject has an abundance of fishing opportunities nearby. While the majority of the subject's former processing buildings are at or near the end of their economic life, some of the residential buildings can offer rustic lodge living. The Alaska tourism industry is one of the strongest sectors. Also, a lodge would not require the docks and abundance of warehouses. Still, remote lodging is a challenging business and the subject does not have a proven operation model.

There has been some interest in kelp and shellfish farming and the subject could make a good location for this type of use. There are some of these businesses popping up in the Kodiak area. The subject has tidelands that are owned fee simple which would an attractive feature for this type of use. Still, kelp and shellfish farming is unproven, however it is a possible use for the subject.

MARKET ANALYSIS CONCLUSIONS

The subject has not operated as a seafood plant for over 20 years. The reason is simply that it is hard for a vintage remote plant to compete with the newer modern facilities within the City of Kodiak. The most probable buyer for the subject would be an owner-user that would take advantage of the subject's scenic and remote location, using the property for a residence, lodge or small business.

Tax History

Year	Legal	Description	Tax ID	Land	Building	Total	Mill Rate	Tax
2019	USS 2292	Primarily Improved Uplands	R5200001120	$58,600	$620,400	$679,000	10.75	$7,299
2019	USS 2352	Northeastern Upland Parcel	R5200001155	$68,000	$0	$68,000	10.75	$731
2019	USS 5707	Water Access to Lake	R5513000031	$43,500	$0	$43,500	10.75	$468
2019	ATS 91	Tidelands	R5700000050	$34,600	$0	$34,600	10.75	$372
	Combined Total:			$204,700	$620,400	$825,100	- - -	$8,870

Year	Legal	Description	Tax ID	Land	Building	Total	Mill Rate	Tax
2018	USS 2292	Primarily Improved Uplands	R5200001120	$58,600	$620,400	$679,000	10.75	$7,299
2018	USS 2352	Northeastern Upland Parcel	R5200001155	$68,000	$0	$68,000	10.75	$731
2018	USS 5707	Water Access to Lake	R5513000031	$43,500	$0	$43,500	10.75	$468
2018	ATS 91	Tidelands	R5700000050	$34,600	$0	$34,600	10.75	$372
	Combined Total:			$204,700	$620,400	$825,100	- - -	$8,870

Year	Legal	Description	Tax ID	Land	Building	Total	Mill Rate	Tax
2017	USS 2292	Primarily Improved Uplands	R5200001120	$58,600	$620,400	$679,000	10.75	$7,299
2017	USS 2352	Northeastern Upland Parcel	R5200001155	$68,000	$0	$68,000	10.75	$731
2017	USS 5707	Water Access to Lake	R5513000031	$43,500	$0	$43,500	10.75	$468
2017	ATS 91	Tidelands	R5700000050	$34,600	$0	$34,600	10.75	$372
	Combined Total:			$204,700	$620,400	$825,100	- - -	$8,870

REAL ESTATE TAXES & ZONING

Real estate taxes and zoning issues are discussed in the following paragraphs. The following information is based on information provided by the Kodiak Island Borough.

REAL ESTATE TAXES

State statutes require that real estate in Alaska be assessed at "full and true value" for real estate tax purposes, and this terminology is usually interpreted as synonymous with market value as defined in this report. In practice, assessed values tend to be lower than market value, although this is not always true.

The Kodiak Island Borough identifies the subject property as the following tax parcel identification numbers: USS 2292 (R5200001120), USS 2352 (R5200001155), USS 5707 (R5513000031, and ATS 91 (R5700000050. The assessed values are summarized on the facing page.

The combined current assessed value in 2019 is $825,100 and it has been assessed for this amount for numerous years. The mill rate has also remained the same at 10.75. Note the improvements on USS 2352 are assessed for $620,400. Based on our analysis, the subject is somewhat under-assessed. Given the subject's remote location and Borough budget restraints, it is not uncommon for commercial properties to be under-assessed.

ZONING

Zoning is C District. The following statement of intent and use regulations applies to this zoning classification:

The C - Conservation Zoning District is established for the purpose of maintaining open space areas while providing for single-family residential, and limited commercial land uses. For the conservation district, in promoting the general purposes of this title, the specific intentions of this chapter are:

A. To encourage the use of land for single-family residential and limited commercial 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 the provisions of this chapter.

Permitted principal uses and structures.
The following land uses and activities are permitted in the conservation district:

A. All of the permitted principal uses and structures in the NU natural use zoning district;

B. Agricultural activities and related structures, including commercial livestock grazing; with a written conservation plan between the land owner or lease holder and the Kodiak soil and water conservation district, in those areas historically established for livestock grazing consisting of the northeast portion of Kodiak Island east of a line drawn from Crag Point on Sharatin Bay to the mouth of Wild Creek in Ugak Bay, and including Chirikof Island and Sitkinak Island;

C. Commercial fishing activities and related structures, including mariculture activities and related structures;

D. Commercial guiding and/or outfitting activities (e.g., hunting, fishing, photography, etc.) and related structures (e.g., lodges) containing provisions for no more than six clients;

E. Parks;

F. Recreational activities (including recreational mining activities);

G. Single-family dwellings/recreational cabins and associated home occupations;

H. Timber harvesting activities and transportation and utility facilities constructed in support of permitted timber harvesting activities;

I. Churches;

J. Bed and breakfasts;

K. Vacation homes;

L. Hoop houses;

M. Marijuana cultivation, limited; and

N. Marijuana cultivation, standard (lots equal to or greater than five acres).

Permitted accessory uses and structures.

In addition to those uses and structures specifically identified in KIBC 17.50.020, the following accessory uses and structures are permitted when developed in support of permitted principal uses:

A. Docks, piers, water intake facilities, power structures, etc.;

B. Accessory residential buildings (e.g., accessory dwelling units (ADUs), crew quarters in support of commercial set-net fishing and lodge operations, banyas, outhouses, etc.);

C. Storage and warehouse structures (e.g., gear buildings, generator sheds, etc.); and

D. Transportation and utility facilities (e.g., roads, pipelines, communication facilities, etc.) but not airstrips.

Conditional uses.

The following land uses and activities may be allowed by obtaining a conditional use permit in accordance with the provisions of Chapter 17.200 KIBC:

A. All of the conditional uses in the NU natural use zoning district;

B. Airstrips;

C. Commercial livestock grazing, excluding those areas historically established for livestock grazing as described in KIBC 17.50.020(B), where it is a permitted use;

D. Lodges that have provisions for more than six clients;

E. Logging camps and timber harvesting support facilities (e.g., log transfer facilities), including timber products processing facilities;

F. Nonrecreational mineral extraction activities and related structures;

G. Seafood processing facilities and related structures;

H. Transportation and utility facilities not otherwise permitted and not otherwise used in conjunction with permitted uses (e.g., roads, pipelines, communications facilities, etc.);

I. Recreational vehicle parks; and

J. Marijuana cultivation, standard (lots less than five acres).

Area requirements.

A. Lot Area. The minimum lot area required is five acres.

B. Lot Width. The minimum lot width required is 250 feet.

Maximum lot coverage for structures.

The maximum lot coverage allowed by the total of all structures is five percent of the lot area, except that on any lot of record, structures may cover 2,000 square feet of the lot or five percent of the lot area, whichever is greater.

Building height limit.

The maximum building height allowed is 35 feet for residential buildings and 50 feet for accessory buildings.

Setbacks from property lines.

A. Setbacks from Property Lines.

1. There is a required front yard setback of 25 feet except lots fronting on marine waters are exempt from any front yard setback.

2. There is a required side yard setback of 25 feet.

3. There is a required rear yard setback of 25 feet.

B. Setbacks from Anadromous Fish Water Bodies.

1. There is a required setback (preventing clearing, filling, excavation, or structural development) of 50 feet from the bank vegetation of anadromous fish water bodies that are specified pursuant to AS 16.05.870(a) and 5 AAC 95.010, except in the case of timber harvesting activities, whose required setback will be regulated by AS 41.17.010 through 41.17.950, as amended, and the regulations enacted thereunder. This provision shall not prevent removal in the setback area associated with a habitable residential or recreational structure of:

a. Up to 50 percent of the trees; and

b. Other vegetation if a suitable ground cover (such as grass) is planted.

2. Water-dependent facilities, in stream development activities, and fording may be located closer than 50 feet, and in the water when permitted by the Alaska Department of Fish and Game under AS 16.05.870(b) and (d)

and 5 AAC 95.700. "Water-dependent facilities" are defined as uses, activities or structures which can be carried out only on, in or adjacent to water areas because the use, activity, or structure requires access to the water body (e.g., water intake facilities, micro hydro projects, docks, piers, and boat watching facilities, etc.).

Special district regulations.

A. Conditional uses in this zoning district are required to conform to the general district regulations unless the terms of the conditional use permit specify otherwise.

B. Approved conditional uses in this district shall conform to the following specific performance standards:

1. Conditional uses must minimize the impact on the natural environment and preserve, to the extent feasible and prudent, natural features. Specifically, to the extent feasible and prudent:

a. Conditional uses in upland habitats must retain natural vegetation coverage, natural drainage patterns, prevent excessive runoff and erosion, and maintain surface water quality and natural groundwater recharge areas; and

b. Conditional uses in estuaries, tideflats, and wetlands must maintain or assure water flow, natural circulation patterns, and adequate nutrient and oxygen levels.

Nothing in this provision shall require improvement to the natural condition existing prior to development.

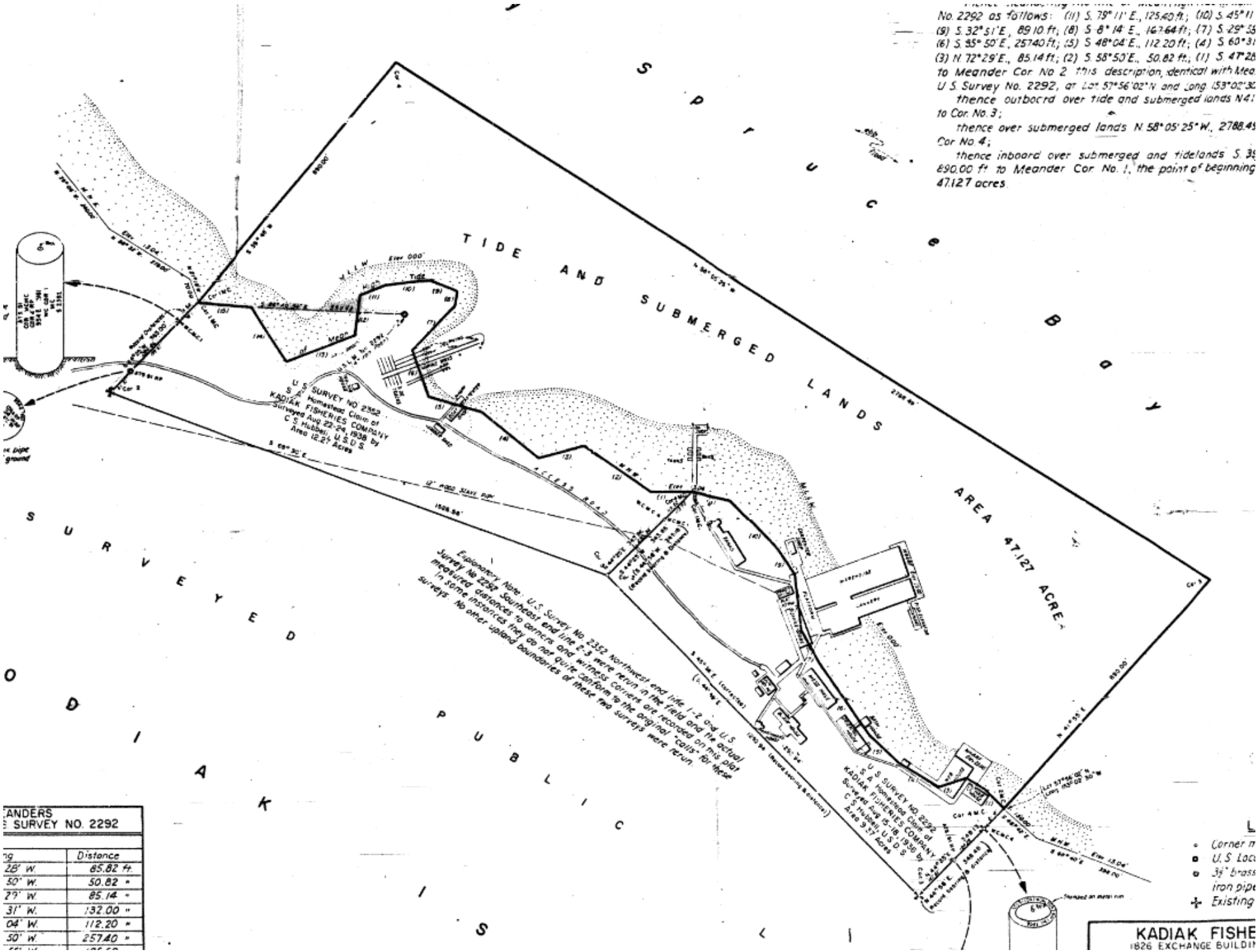
2. Although a particular conditional use may constitute a minor change, the cumulative effect of numerous piecemeal changes can result in a major impairment of the environment. The particular site for which a conditional use application is made will be evaluated with the recognition that it may be part of a complete and interrelated environmental area. A conditional use shall be denied under this provision only if the weight of credible scientific evidence shows that the proposed conditional use, together with all other then-existing conditional uses in the area, will have a substantial adverse impact on the interrelated environmental area if such conditional uses are operating in accordance with all required state and federal rules and regulations. Consideration shall be given to the mitigating effect of not locating the conditional use in any other area and mitigation efforts, if any, which the proposed conditional user may offer for this or any other environmental areas.

Fences, parking, and signs.

Fences, parking areas, and signs are permitted and unregulated when they are related to the use of the property for a permitted and/or approved conditional use.

ZONING COMPLIANCE

Based on our interpretation of the C zoning classification and supplemental zoning regulations, the subject property appears to be a legal use in this district.


No. 2292 as follows: (11) S. 79° 11' E., 125.40 ft.; (10) S. 45° 11
(9) S. 32° 51' E., 89.10 ft.; (8) S. 8° 14' E., 167.64 ft.; (7) S. 29° 35
(6) S. 35° 50' E., 257.40 ft.; (5) S. 48° 04' E., 112.20 ft.; (4) S. 60° 31
(3) N. 72° 29' E., 85.14 ft.; (2) S. 58° 50' E., 50.82 ft.; (1) S. 47° 28
to Meander Cor. No. 2 this description, identical with Mea
U. S. Survey No. 2292, at Lat. 57° 56' 02" N. and Long. 153° 02' 3
thence outboard over tide and submerged lands N 41
to Cor. No. 3;
thence over submerged lands N. 58° 05' 25" W., 2788.45
Cor. No. 4;
thence inboard over submerged and tidelands S. 3
890.00 ft. to Meander Cor. No. 1, the point of beginning
47.127 acres.
S p r u c e B o y
T I D E A N D S U B M E R G E D L A N D S
A R E A 4 7 . 1 2 7 A C R E S
S U R V E Y E D
O D I A K P U B L I C I S L
U. S. SURVEY NO. 2352
KADIAK FISHERIES COMPANY
Homestead Claim of
Surveyed Aug. 22-24, 1938 by
C. S. Hubbell, U.S.D.S.
Area 12.24 Acres
U. S. SURVEY NO. 2292
KADIAK FISHERIES COMPANY
Homestead Claim of
Surveyed Aug. 15-18, 1936 by
C. S. Hubbell, U.S.D.S.
Area 9.37 Acres
Explanatory Note: U.S. Survey No. 2352 Northwest end line 1-2 and U.S. Survey No. 2292 Southeast end line 2-3 were return in the field and the actual measured distances to corners and witness corners are recorded on this plat. In some instances they do not quite conform to the original "calls" for these surveys. No other upland boundaries of these two surveys were return.
ANDERS
SURVEY NO. 2292
Distance
28' W. 85.82 ft.
50' W. 50.82 "
29' W. 85.14 "
31' W. 132.00 "
04' W. 112.20 "
50' W. 257.40 "
Corner m
U. S. Loc
3½" brass
iron pip
Existing
KADIAK FISHE
1826 EXCHANGE BUILDI

SITE DESCRIPTION AND ANALYSIS

In this chapter we describe the site and the issues that influence market value. This section provides the foundations for determining the property's highest and best use, which is the basis of our valuation.

The following information is based on a review of: information provided by the subject owners and the Kodiak Island Borough, a review of the aerial photographs and our observations during the inspection of the property. The reader's attention is directed to the ATS survey map that summarizes the three primary parcels. Survey maps of each of the parcels is included at the end this chapter. Also, there are aerials throughout the report. In this chapter, we describe and analysis of the subject site.

SITE DESCRIPTION

Size and Shape

The site is comprised of two irregular shaped upland parcels with 21.64 acres and a 47.13-acre tideland parcel. There is also an irregular shaped 44.03-acre upland parcel which provides access to a lake. All four parcels locations are shown on the map below:

The majority of improvements (buildings and docks) are located on USS Survey No. 2292 and this long and narrow irregular shaped parcel is 9.37 acres. The adjacent parcel to the northwest (USS Survey 2352) is also an irregular long and narrow site with 12.27 acres. The rear portions or the subject have upward sloping topography. We do not reduce the sites usable size, but is a consideration in the analysis.

USS Survey No. 5707 is a 44.03 parcel, but its location, topography, and shape limit its usability, except for the access to the lake for the fresh water needed for processing fish. This is a benefit for the entire property if a large water supply was in demand. We do not include it in the overall usable size of the property given the lack of utility.

The tideland parcel is 47.13-acres and fronts the two upland parcels. The docks and several of the buildings are located on the tidelands. In summary, the total usable uplands are 21.64, as summarized on the table below.

Parcel Breakdown for Analysis		
Parcel No.	**Filled**	**Unfilled Tidelands**
USS Survey No. 2292	9.37 acres	
USS Survey No. 2352	12.27 acres	
ATS 91		47.13 acres
Totals	21.64 acres	47.13 acres

Access

The subject is a remote facility located at Dry Spruce Bay near Kupreanof Strait on the northwest coast of Kodiak Island. Access is via float plane (about 30 minutes from Kodiak) or boat (about 4 hours from Kodiak). There is no road access and a limited trail service.

Topography

The rear portions or the subject have upward sloping topography. Several of the residential structures are built on the hill, which enhances bay views. We do not reduce the sites usable size, but is a consideration in the analysis.

Soil Conditions

A soil report was not available for this appraisal. The filled upland areas appear to be suitable appear to for development. Some of the structures are located on wood pilings over the Bay. *It is an express assumption of this appraisal that site preparation and construction methods were adequate to support the existing improvements over their remaining useful economic life without penalty for corrective measures.*

Utilities

The subject is a remote location and no public utilities are available. Water is via small wells, but as noted previously, the subject's parcel USS Survey No. 5707 has access to a lake for the fresh water needed for processing fish. This is a benefit for the entire property if a large water supply was in demand. Waste water is via private septic system. Electricity is via private diesel generators.

Easements and Encroachments

No recent title reports were available for the appraisal to verify any easements and encroachments.

To our knowledge, there are no easements, encroachments or restrictions that would adversely affect the utilization of the site.

Hazardous Materials

The property has had a long history of seafood processing operations. There are fuel/oil and propane tanks throughout the property and this is typical for former seafood plants. There is a small area near the middle of the site that had soils contamination and has had some clean-up efforts and according to Anita Shane, one of the owners, there has been some remediation over the years. Various tests are shown on a July 7, 2015 SGS environmental report.

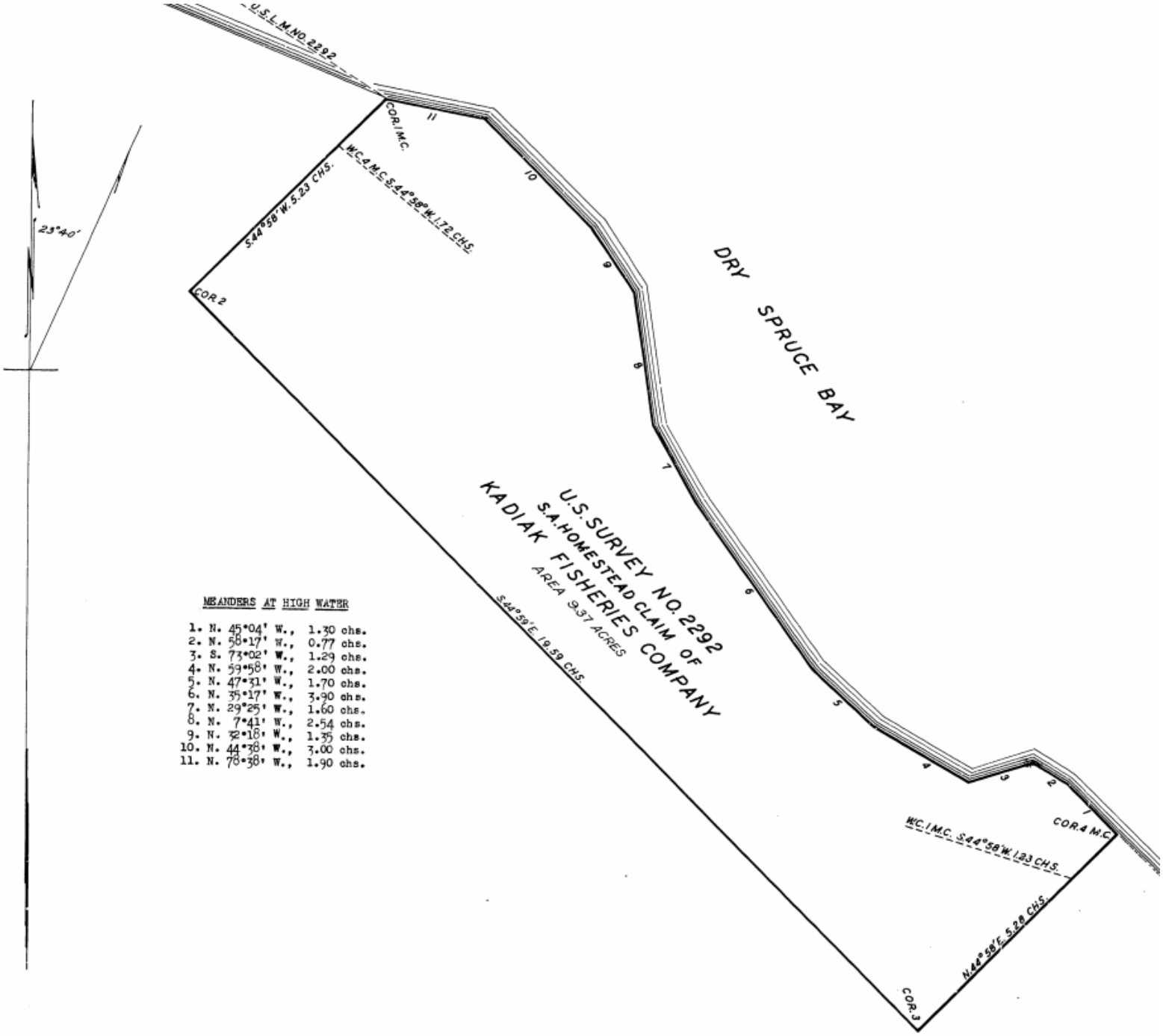
It is an express assumption of this appraisal that the subject is not materially affected by environmental contamination beyond the known issues summarized by the July 7, 2015 SGS environmental report.

Flood Plain

No flood plain maps are currently available from Federal Emergency Management Agency (area is unmapped). To the best of our knowledge, the property is not located in a recognized flood zone.

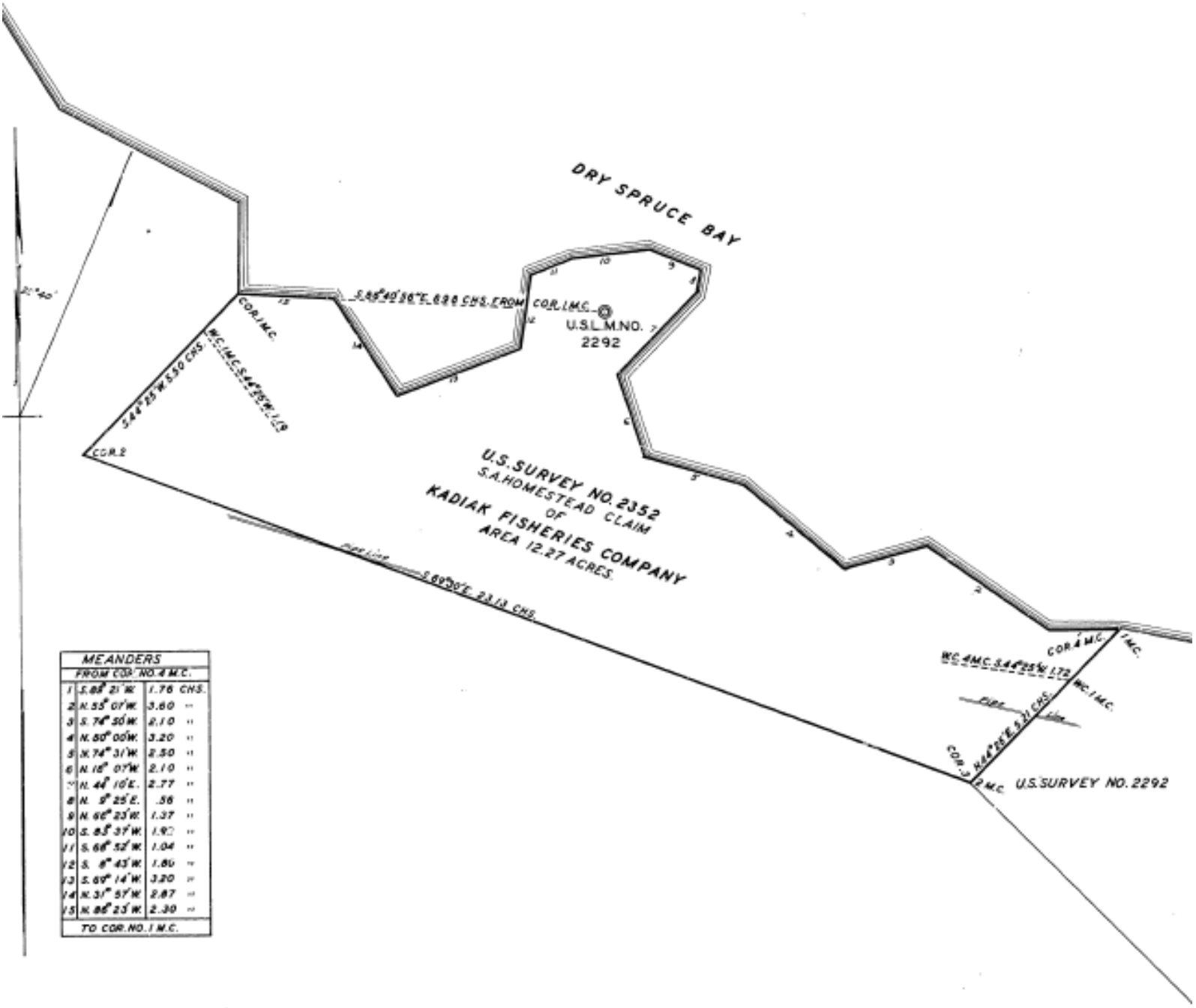
SUMMARY

We identified no significant negative aspects of the site that would impede its development or use. The physical characteristics of the property (size, location, access, utilities, etc.) make the site suitable for marine-related industrial or lodging/residential uses.

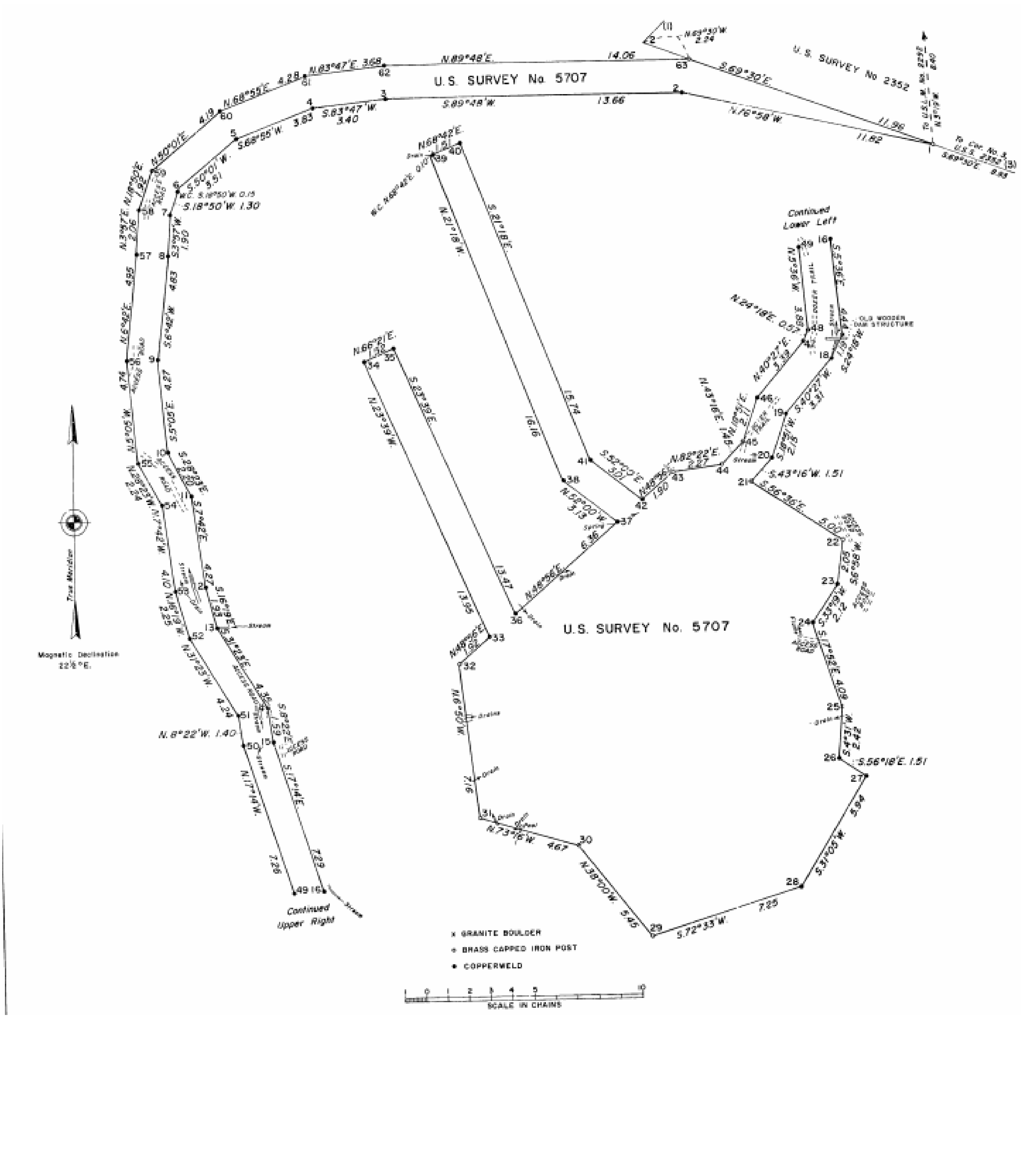


MEANDERS AT HIGH WATER

1. N. 45°04' W., 1.30 chs.
2. N. 58°17' W., 0.77 chs.
3. S. 73°02' W., 1.29 chs.
4. N. 59°58' W., 2.00 chs.
5. N. 47°31' W., 1.70 chs.
6. N. 35°17' W., 3.90 chs.
7. N. 29°25' W., 1.60 chs.
8. N. 7°41' W., 2.54 chs.
9. N. 32°18' W., 1.35 chs.
10. N. 44°38' W., 3.00 chs.
11. N. 78°38' W., 1.90 chs.



MEANDERS FROM COR. NO. 4 M.C.		
1	S. 88° 21' W.	1.76 CHS.
2	N. 55° 01' W.	3.60 "
3	S. 74° 50' W.	2.10 "
4	N. 80° 00' W.	3.20 "
5	N. 74° 31' W.	2.50 "
6	N. 16° 01' W.	2.10 "
7	N. 44° 10' E.	2.77 "
8	N. 9° 25' E.	.56 "
9	N. 66° 23' W.	1.37 "
10	S. 83° 31' W.	1.90 "
11	S. 68° 52' W.	1.04 "
12	S. 8° 43' W.	1.80 "
13	S. 69° 14' W.	3.20 "
14	N. 31° 51' W.	2.87 "
15	N. 86° 25' W.	2.30 "
TO COR. NO. 1 M.C.		


U.S. SURVEY No. 5707
U. S. SURVEY No 2352
To Cor. No. 3, U.S.S. 2352
N.89°48'E.
S.89°48'W.
S.69°30'E.
N.76°58'W.
Continued Lower Left
Continued Upper Right
OLD WOODEN DAM STRUCTURE
True Meridian
Magnetic Declination 22½°E.
U.S. SURVEY No. 5707
× GRANITE BOULDER
⌖ BRASS CAPPED IRON POST
• COPPERWELD
SCALE IN CHAINS

Port Bailey owned by PB Energy, Inc.

LEGAL DESCRIPTION

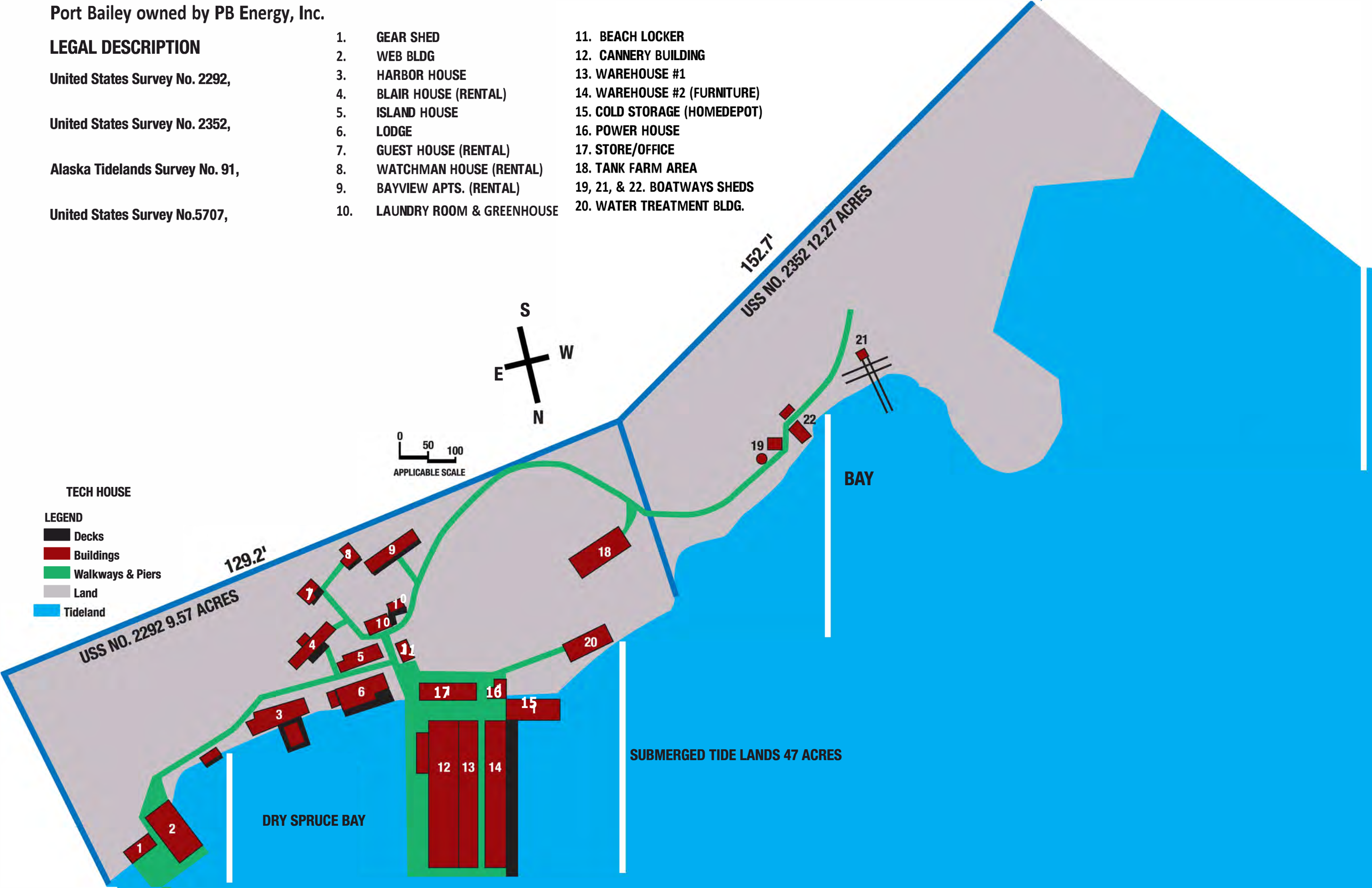
United States Survey No. 2292,

United States Survey No. 2352,

Alaska Tidelands Survey No. 91,

United States Survey No.5707,

1. GEAR SHED
2. WEB BLDG
3. HARBOR HOUSE
4. BLAIR HOUSE (RENTAL)
5. ISLAND HOUSE
6. LODGE
7. GUEST HOUSE (RENTAL)
8. WATCHMAN HOUSE (RENTAL)
9. BAYVIEW APTS. (RENTAL)
10. LAUNDRY ROOM & GREENHOUSE
11. BEACH LOCKER
12. CANNERY BUILDING
13. WAREHOUSE #1
14. WAREHOUSE #2 (FURNITURE)
15. COLD STORAGE (HOMEDEPOT)
16. POWER HOUSE
17. STORE/OFFICE
18. TANK FARM AREA
19, 21, & 22. BOATWAYS SHEDS
20. WATER TREATMENT BLDG.



IMPROVEMENT DESCRIPTION & ANALYSIS

In this chapter we describe the improvements on the site and issues that influence market value. This section provides the basis for determining the property's highest and best use (as improved).

The purpose of this appraisal is to estimate the "as is" market value of the subject and to measure the property's value loss attributed to the damage to the main dock. The description and analysis that follow are based on information provided by the subject owners and our observations during the inspection of the property. Refer to the structure layout on the facing and the subject photographs at the end of the section for a visual depiction of the improvements and the general layout of the facility. The reader is also referred to the aerial photographs for an overview of the property. Also, we have included numerous pictures of the dock before and after the damage from various sources.

PORT BAILY HISTORY

Port Bailey is located in Dry Spruce Bay near Kupreanof Strait on the northwest coast of Kodiak Island. The following is excerpt from Explore North website: *Port Bailey was established as a community in 1912, to accommodate the large stocks of sockeye (red), pink (humpy), chum (keta) and coho (silver) salmon as well as halibut and black cod (sablefish). In 1936, Kodiak Fisheries began construction of a cannery, which was completed in the spring of 1938. The cannery was named in honor of company vice-president F. Howard Bailey. After the Port Bailey plant was completed the company closed their plants in Kodiak, Shearwater Bay and Carmel and relinquished a lease with Shelikof Packing Company at Zachar Bay.*

In 1948 a fire destroyed most of the facility. The company decided to rebuild on the same site and reopened the cannery in 1949. The rebuilt Port Bailey cannery was the first major salmon cannery to be built following World War II. Columbia-Wards Fisheries purchased the Port Bailey plant in 1968, and millions of pounds of canned salmon were produced each year until the plant was closed in the late 1990s.

The subject was apparently purchased in March 14, 2003 for $456,013. The buyers were Port Baily Wild Enterprises. The 50/50 owners were Mr. Shane and Mr. Scharf. There were financial issues and Mr. Scharf's position was purchased by PB Energy Inc. The purchase price was about $65,000. It is our understanding PB Energy, Inc. is owned 50% by the Shanes and 50% by the Sutherlands. Most of the purchase funds paid by the Sutherlands went to pay back property taxes. The sellers were heavy motivated as they were on the verge of losing the property.

In December 3, 2016 there was significant winds and waves and Brent Marine (operated by Sully Sutherland) had two boats tied to the subject dock. As described, there was damage to the dock and the purpose of this appraisal is to measure the impact of the property value due to the dock damage.

Note, the site is currently used by the Shanes as their year-round residence and they operate a company called Alaska Rug Company. According to their web site, the Alaska Rug Company uses Alaskan fishing line and rope to make handwoven doormats, throw rugs, curtain tie backs, trivets, bowls, shapes, letters and other items. Alaska Rug Company is committed to re-purposing rope all over Alaska and up-cycling it into beautiful handwoven durable rugs, mats and other housewares rather than let it clog our landfills or end up all over the beaches.

This small business primarily operates out of the Blair House and they use some of the warehouse space to store material. The Shanes operate the business with no employees. They send product out using the mail service that offers two flights (pick-ups) a week (Island Air).

IMPROVEMENT SUMMARY

The site is improved with a former cannery that has not been used to process seafood for over 20 years. The focus of this assignment is the main dock; however, the property includes another dock, and over 20 buildings. For discussion purposes we divided the structures into three categories, the former processing buildings (highlighted in green), general support structures (highlighted in blue) and the residential buildings (highlighted in peach). The locations of the buildings are identified on the layout map with the corresponding number shown on the spreadsheet.

ORIGINAL PROCESSESING BUILDINGS

As discussed, the subject has not operated as a seafood plant for over 20 years. The former processing buildings are metal frame with metal roof structures. These are all single-story building. They are generally uninsulated with no heat. The floors in the original cannery are concrete and the floors in the other building

Building Summaries

Loc. #	Name (Current Use, Comments)	Est. Year Built	Frame/Ext./Roof	Floors	# of Stories	Ceiling Height	Size (SF)
12	Cannery (Misc. Storage)	1948	Metal/Metal/Metal	Concrete/Wood	1	15'	20,533
13	Warehouse #1 (Misc. Storage)	1948	Metal/Metal/Metal	Wood	1	15'	11,720
14	Warehouse #2 (Misc. Storage)	1948	Metal/Metal/Metal	Wood	1	15'	11,720
2	Web Building	1948	Metal/Metal/Metal	Wood	1	15'	6,780
1	Gear House	1948	Metal/Metal/Metal	Wood	1	14'	2,343
E. of 15	Cooling Shed	1984	Metal/Metal/Metal	Wood	1	14'	4,800
15	Freezer Building	1984	Metal/Metal/Metal	Concrete	1	15'	8,250
					Former Processing Buildings:		66,146
17	Office/Old Store	1948	Wood/Wood/Metal	Wood	2	10'	9,960
16	Power House (Generators)	1948	Metal-Wood/Metal/Metal	Concrete	1	10'	1,966
11	Beach Locker Building	1940's	Wood/Wood/Metal	Wood	1	8'	1,440
19,20,21,22	Various Garages, Sheds, Small Buildings	1940's -1992	Wood/Wood/Metal	Wood	1	8'	1,046
					Total Support Buildings:		14,412
6	Lodge - Surf House (Kitchen, Dining, Dormitory)	1940's	Wood/Wood/Metal	Wood	2	9'	7,877
3	Harbor House (Mail, Dormitory)	1940's	Wood/Wood/Metal	Wood	2	9'	9,028
E. of 3	Recreation Building	1960's	Wood/Wood/Metal	Wood	1	8'	608
4	Blair House (Dormitory)	1940's	Wood/Wood/Metal	Wood	1	8'	4,237
7	Guest House	1950's	Wood/Wood/Metal	Wood	1	8'	460
8	Watchman House	1950's	Wood/Wood/Metal	Wood	1	8'	940
10	Laundry Building and Neigboring Green House	1950's	Wood/Wood/Metal	Wood	1	8'	1,600
9	Bayview Dormitory	1979	Wood/Wood/Metal	Wood	1	8'	2,990
5	Island House (Housing - No Windows)	1968	Wood/Wood/Metal	Wood	2	8'	3,300
					Total Residential Buildings:		31,040
							111,598

are wood plank. Ceiling heights generally range from 14' to 15'. The foundation is wood piling and the buildings are located over the for the most part is located over the Bay. The freezer and cooling shed were built in 1984 and the majority of the other structures were built in 1948 after a fire.

The cannery, and the two adjacent in warehouse and the freezer and cooling shed are generally under-utilized and still house a lot of the leftover items from the prior seafood plant operations. Condition is below average, typical for its vintage.

The web and gear house are located on the southern dock. The buildings exteriors have some significant damage and numerous windows are broken. Again, condition is below average, typical for its vintage.

None of the processing buildings have had any major upgrades the last 20 years. Major upgrades and repairs would be needed if they were going to be used for any meaningful operation.

SUPPORT BUILDINGS

The support buildings include the two-story, office/old store, the power house (stores the generators), beach locker (small storage building) and numerous garages, sheds and small buildings. These building are generally wood frame with wood siding and metal roof (except for powerhouse building). These buildings were likely built in 1948. The office/old store does have restrooms, but they have not been used for numerous years. Finish was typical of lower quality office space, but condition is poor and will require significant upgrades if ever used. The beach locker is a small storage, with limited finish but is dry and used for storage. The power house is average quality and suitable for its use of storing the generators. There are numerous small structures located on USS No. 2352, however they have not been used for numerous years and condition is considered poor.

RESIDENTIAL BUILDINGS

The subject has nine residential orientated buildings, that were built between the 1940's and 1970. These are all wood framed and sided buildings with metal roofs. The lodge, harbor and island house are all two-story structures and the remain structures are single story. The gross building area (GBA) of these buildings is 66,146 SF. The island house is in poor condition and all the windows have been removed. The harbor house has office and dormitory space it offers full restrooms with fixtures, but unused and in poor condition overall. The laundry/green house is also in poor condition. The recreation building is a small building on pilings that has had some remodeling and could be made to a usable condition fairly easy if there was demand.

The main lodge is two stories and offers rooms, lounge with kitchen, guestrooms and common restrooms. It is located on pilings and offers good views on the bay side. This building is occasionally used by the current owners to lodge guests. Anita Shane reported about $35,000 to $45,000 in upgrades since they purchased the subject as summarized below:

- 2004 - drywall was replaced and painted.
- 2004 - new lighting, seating booths and tile
- 2010 – new rear exterior doors
- 2011 – new wood stove
- 2016 – exterior steps replaced
- 2016 – exterior paint
- 2016 – main lodge room oceanfront upgraded
- 2015/2016 - Interior lighting and doors upgraded
- 2015/2016 – roof repairs

The Blair house sits upon the mountain and is the primary residence of the Shanes. It offers a full kitchen, several bathrooms and numerous bedrooms. Condition is average for this building and is usable in its current condition. Anita Shane reported about $25,000 upgrades since their purchase as summarized below:

- 2014/15 – pex waterlines replaced old ones
- 2014/15 – electric wiring was replaced
- 2014 – windows, insulation and some sidings.
- 2014 - wood stove installed
- 2016 - roof repairs

The watchman and guest houses are two small dwellings that offer three fixture restrooms. They are in a usable condition. Anita Shane reported about $28,000 upgrades since their purchase as summarized below:

- 2011 – new windows (both buildings)
- 2011 – new wood stove (Watchman House)
- 2011 - new flooring (Watchman House)
- 2011 – water system (Watchman House)
- 2012 – new generator (Watchman House)

Age and Economic Life

Based on the available information, the subject buildings ages range as early as the 1940s with significant replacement in 1948 after a fire. The most recent buildings were the cooling shed and freezer building built in 1984. The estimated ages of each are shown on the building area summary exhibit. The structures themselves may last indefinitely, as economic life can be extended with periodic upgrades and capital infusions. This is particularly true in rural Alaska, where it is common for structures that are more than 50 years old are still viable, working assets. The subject improvements are near the end of their economic lives, and except for a few of the residential structures, would require major renovations to extend their economic life.

Safety Features

None of the buildings offer a fire sprinkler system. It is assumed, fire extinguishers and fire exit signs are duly located throughout structures at necessary locations.

Building Codes

It is an express assumption of this report that the subject meets all applicable building codes and life safety requirements.

Americans with Disabilities (ADA) Requirements

A significant piece of legislation took affect in 1992 that requires barrier-free access in building design and construction. The Americans with Disabilities Act (ADA) is a complex law that prohibits discrimination against disabled people in employment, public accommodations, public services and transportation.

The subject was built prior to the ADA legislation. It has a remote location and an engineer or other expert would be needed to evaluate compliancy and required upgrades. *It is an express assumption of this report that the subject is not negatively influenced by lack of ADA compliance, if applicable.*

DOCKS

In December 3, 2016, there was harsh weather (significant winds and waves) and Brent Marine (operated by Sully Sutherland) had two boats tied to the subject's main dock and damage was incurred.

The main dock supports (provides foundation) for the cannery and two adjacent warehouses. Marine Specialties Limited completed an assessment of the dock for our client Great American Insurance Group dated August 16, 2018. This report is included at the end of this chapter. As part of this assignment I interviewed Jim Smith, from Marine Specialties, LTD, who also inspected the property. Additionally, I interviewed Stuart McFarland, Associate Marine Surveyors who is also familiar with the subject's dock. Also, in the addenda we have included additional before and after dock photos taken by Anita Shane (with Port Bailey) on October 3, 2018.

For our analysis, the main dock is divided into three areas the front (north) section, the west section that was removed due to discussed damage and the east portion with a deteriorated wood surface. Based on the available information, the dock was built in 1948, with portions being added in 1994. The dock is supported by creosote-treated timber pilings, supporting 12" x 12" wooden pile caps below 4" x 12' stringers. The deck along the front section is concrete, west section (removed) was concrete and metal and east section is wood.

The Marine Specialties, LTD, reported for *its age, the fixed pier's structural system is in relatively good condition; however, it appears that the facility is not being adequately maintained by the current owners. Areas covered by impermeable surfaces (including the metal buildings and corrugated metal/concrete decking) have reduced environmental exposure, which has delayed deterioration. In other areas not covered by impermeable surfaces, however, significant rot and deterioration was noted.*

My inspection concurs with these findings and it is pointed out the eastern portion of the main dock, with a wood plank surface is in poor condition. Note, when evaluating docks, the gross areas (size estimates) are generally based on the surface area near the waterfront. As shown below, we estimate the main dock area at 9,434 SF.

Main Dock (supports Plant/Warehouses)			
Front - North Section (concrete surface)	167' x 30'	5,010	SF
West Section (removed due to storm)	20' x 90'	1,800	SF
East Section (wood poor condition)		2,624	SF
		9,434	SF
Southern Small Dock (supports Web Building)			
Front Section	98' x 30'	2,940	SF
Side Section	56' x 38.5'	2,156	SF
		5,096	SF

Note, the southern dock is a wood plant, wood piling with an estimated construction age of 1948. Its condition is average for its vintage. This dock supports the web house. There might have been some damage, to this dock from debris, but the Marine Speciates report indicated these issues are from general deterioration. Additionally, the damage to the east section of the Main Dock would also fall under normal deprecation.

The Marine Specialties report focuses on the costs to replace the 1,800 SF area that was damaged and subsequently removed. Their plans to replace are included at the end of the chapter. Basically, includes adding new support timbers, metal decking, 4" concrete and a timber rail. They estimate the costs to replace this area at $642,404 or $356.89/SF or surface area. There was also a cost estimate from Majdics & Sons, Inc. for $920,716.75 or $511.51/SF of surface area, but no breakdown of costs was included. Turnagain Marine Construction was $1,020,000 or $566.66/SF of surface area. However, this estimated included $365,800 in mobilization and management, which Marine Specialties indicated that equipment is located in Kodiak and not a great distance via barge. Adjusted for this cost, their bid would be $654,200 or very close to the Marine Specialties report. Also, we point out that the subject does have the lodge that could accommodate a work force during a repair period. Overall, these replacement costs figures appear reasonable. However, in our analysis of the subject's value, it is clear the depreciated value of the dock is well below replacement costs.

Functional Utility and Suitability

As discussed in the Market Analysis chapter, the subject had not been used as a seafood plant for over 20 years and the economics do not suggest this will change anytime soon.

Except for some of the residential structures there has not been any major building upgrades for over 20 years. The combined gross building area is 111,598 SF which is far larger than what would be necessary to support any reasonable possible uses for the subject. Overall, there are significant functional issues associated with the subject. Additional considerations are its vintage (predominately over 70 years old) and the fact there is economic obsolescence impacting the property.

SUBJECT PHOTOS

Exterior view of Bay Cannery and Dock

South view of missing/damaged dock

Northwest view towards the Cannery

East side of main dock

East view along Main Dock

North end of the east side of dock

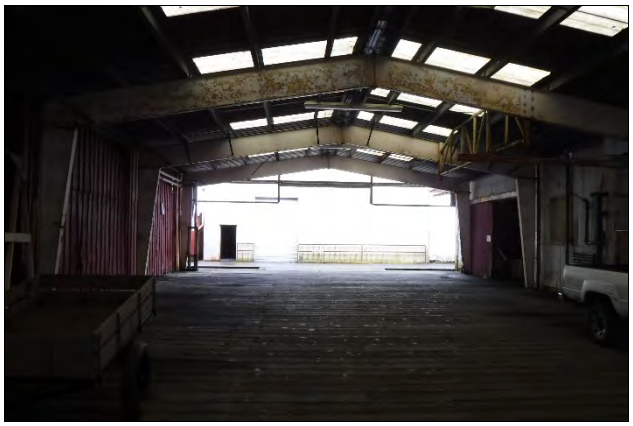
West view of cannery's eastern side

Warehouse interior

Warehouse (freezers)

Warehouse interior

Warehouse interior



Warehouse interior

Cannery

North east view of Southern Small dock

Cannery

Gear House (1) off Southern dock

Concessions

Web Building (2) off Southern dock

Area between Gear and Web Buildings

Recreation, Harbor House (3) and Lodge (6)

Southern dock

Interior of Harbor house

Web Building (2)

Interior of Harbor house

Interior Lodge (Surf house)

Interior of Recreation Building

Interior Lodge (Surf house)

Another exterior Lodge photograph

Interior Lodge (Surf house)

Another exterior Lodge photograph

Recreation Building (Web in back ground)

Island House (5) Not windows removed

Beach Locker Building (11)

Island House (Window removed)

Interior Beach Locker Building

Laundry Building (10)

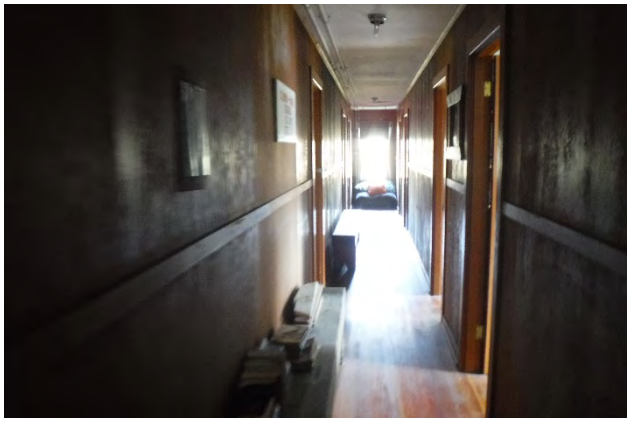
Green House (also labeled as 10)

Interior Blair House

Inside Laundry Building

Interior Blair House

Blair House – Main residence (4)



Interior Blair House

Guesthouse (7)

Bayview Dormitory (9)

Interior of Guesthouse

Miscellaneous Garages/Sheds (19,20,21,22)

Watchman House (8)

Shed

Water treatment

Another view of western property

West view near middle of property

West view near middle of property

Western middle of property

Environmental clean-up area

HIGHEST AND BEST USE ANALYSIS

Highest and best use is defined by the Appraisal Institute as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four questions that the appraiser answers in measuring highest and best use are:

1. What uses are physically possible?
2. What uses are legally permissible?
3. Of these uses, which are financially feasible?
4. Of the financially feasible uses, which has the highest return, or maximum profitability?

HIGHEST AND BEST USE AS IF VACANT

In regard to the physically possible uses, the subject site is comprised of two irregular shaped upland parcels with 21.64 acres and a 47.13-acre tideland parcel. There is also an irregular shaped 44.03-acre upland parcel which provides access to a lake. The subject is located at Dry Spruce Bay near Kupreanof Strait on the northwest coast of Kodiak Island. Access is via float plane or boat. This is a short plane ride from Kodiak (about 25 minutes) or a four-hour boat trip.

The two primary upland parcels have a long and narrow irregular shape. The rear portions or the subject have upward sloping topography. We do not reduce the sites usable size, but is a consideration in the analysis as development would have to take this into consideration. The sloping topography does enhance the views.

USS Survey No. 5707 is a 44.03 parcel, but its location, topography, and shape limit its usability, except for the access to the lake for the fresh water needed for processing fish. This is a benefit for the entire property if a large water supply was in demand.

The tideland parcel is 47.13-acres and fronts the two upland parcels.

The subject site offers no public utilities, typical for a remote property. While there are challenges developing a remote property like the subject, the only physical restriction would be the size of the potential development.

Legal restrictions include zoning, deed restrictions, and environmental regulations. Of these restrictions, zoning regulations have the most influence on the subject's development potential.

Zoning is C or Conservation Zoning District is established for the purpose of maintaining open space areas while providing for single-family residential, and limited commercial land uses. This district allows for most potential uses for the subject such as seafood plants, lodges and private residences.

Overall, a wide array of residential and commercial would be legally possible on the site. This site possesses good attributes to accommodate salmon and other seafood processing. It has good water access in on Kodiak, which historically one of the nation's top fishing ports. However, the subject seafood processing operation has been shut down for over 20 years. The subject's remote location makes it difficult to compete with the processing plants within the City of Kodiak. The plants in Kodiak have far lower operating costs as discussed within the market analysis chapter.

The subject offers a scenic setting with excellent view amenities. It could be used as a fishing/hunting lodge, small scale processing plant or possible kelp/shell fish farming. However, none of the potential uses are obviously determined to be financially feasible.

The highest and best use of the site, if vacant, would be to remain vacant until an economically viable use is identified.

HIGHEST AND BEST USE AS IMPROVED

The subject is improved with over 20 structures and two piling docks. The buildings have a combined gross building area of 111,598 SF, and the majority of area is former cannery buildings that are significantly under-utilized. The majority of buildings are in below average to poor condition (not surprising they are over 70 years old), with the exception of the lodge and the Blair House (primary residence of the Shanes) and a couple of smaller residences. There are two piling docks, the main dock (which was damaged by the storm) has an estimated 9,434 SF of surface area and the southern dock is 5,096 SF.

This facility had a long history of cannery operations dating back to the early 1900's. In 1948 a fire destroyed most of the facility. The plant was rebuilt on the same site and reopened the cannery in 1949. The rebuilt Port

Bailey cannery was the first major salmon cannery to be built following World War II. Columbia-Wards Fisheries purchased the Port Bailey plant in 1968, and millions of pounds of canned salmon were produced each year until the plant was closed in the late 1990s.

After sitting vacant for numerous years, the property sold to Port Baily Wild Enterprises. The 50/50 owners were Mr. Shane and Mr. Scharf. There were financial issues and Mr. Scharf's position was purchased by PB Energy Inc. on July 22, 2010.

The Shanes (50% owners of PB Energy) uses the site for their year-round residence and they operate a company called Alaska Rug Company. This small business primarily operates out of the Blair House and they use some of the warehouse space to store material. The Shanes operate the business with no employees. They send product out using the mail service that offers two flights (pick-ups) a week (Island Air). The Sutherlands (50% owners of PB Energy) operated a barge company and used the site for their business, including using the site for storage.

The site is clearly under-utilized and the improvements have been slowing deteriorating and with a few exceptions, are at, or near the end of their economic life. A few of the residential properties have been upgraded somewhat and have potential for personal residency or lodge operations.

In December 3, 2016 there was significant winds and waves and Brent Marine (operated by Sully Sutherland) had two boats tied to the subject dock. As described within the Improvement Description and Analysis chapter, there was damage to the main dock. As discussed, quotes to replace and fix the dock range from $642,404 to $1,020,000. As discussed in the Cost Approach, these repair costs far exceed the depreciated value of the dock. In fact, even the lowest repair bid is over 50% of the entire property value including land and 3.38 times higher than the depreciated value of the dock. Additionally, the high repair bid is above the combined depreciated value of all the structures and dock.

Clearly, replacing the dock does not make economic sense. The dock, like the majority of the improvements, are significantly under-utilized. A dock of this size is necessary for a large seafood plant operation, but not required for the most likely uses for the subject moving forward.

It is our understanding that the missing dock edges could be cleaned up and damaged debris could be removed for about $60,000.

The balance of buildings and dock could be upgraded if there becomes demand above a private residence or small lodge. However, it is unlikely a use could be found that could take advantage of the docks and abundance of warehouse buildings. A much smaller floating dock for small craft and seaplane access would be preferable.

Overall, it is our conclusion that the highest and best use of the property, as improved, would be as a private residence with a possible lodging or small business operation. Some of the buildings are near the end of their economic life and may need to removed. Life and safety issues should be addressed and repairs and renovations should be made when there is a clear demand.

MOST PROBABLE BUYER

The most probable buyer for the subject would be an owner-user that would take advantage of the subject's scenic and remote location, using the property for a residence, lodge or small business.

APPRAISAL PROCESS

There are three approaches utilized in the valuation of real property: the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

Cost Approach

The Cost Approach is based on the "principle of substitution" which states that no rational person would pay more for a property than the amount for which he can obtain, by purchase of a site and construction of improvements, without undue delay, a property of equal desirability and utility.

Values of seafood processing facilities, lodges or other remote operations are heavily influenced by cost. The Cost Approach is divided into three segments: land valuation, estimate of replacement cost new, and depreciation.

Land value (both uplands and tidelands) are based on applying a sales comparison method. Improvement cost estimates are based on CoreLogic online program SwiftEstimator. We also considered information provided by active market participants. Depreciation is estimated by applying the economic age/life method. We conclude that the Cost Approach is the most relevant approach to value.

Sales Comparison Approach

The Sales Comparison Approach is also based on the "principle of substitution" which indicates that an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data, which can be verified from authoritative sources. In the Sales Comparison Approach, value indications are derived from sales of properties similar to the subject.

We have included sales from seafood plants located throughout Alaska. The limited amount of relevant sales affects the reliability of the value conclusion through the Sales Comparison Approach. Still, in this approach, we address the subject's sales history in this chapter. This analysis still provides for a reasonable range of expected values for the subject and is given some weight in the reconciliation process.

Income Capitalization Approach

In the Income Capitalization Approach, concern is with the present value of any future benefits of property ownership. Future benefits are generally indicated by the amount of net income the property will produce during its remaining useful life.

Because rental income is not a significant factor in developing and operating salmon/seafood processing plants, potential buyers would not typically place any reliance on the Income Capitalization Approach. The subject does not have an operational lodge and there is really no rental market given the remote location. We have not developed the Income Capitalization Approach in this appraisal. This does not reduce the credibility of the analysis.

Land Comparisons Map

LAND SALE COMPARISONS

NO.	LOCATION/LEGAL DESCRIPTION	DATE	ZONING	TOTAL SIZE	AMOUNT TIDELANDS	SOILS/ UTILITIES	SALE PRICE	$/SF	USE
1	**276 Mitkof Highway, Petersburg** Lot 3A & ATS605, Reid Family Trust Sub.	6/15	Commerical	233,351 SF 5.36 Acres	44,431 SF 1.02 Acres	Good/Electric Building:	$1,200,000 *($75,000)* $1,125,000	*$5.14* **$4.82**	1,500 SF Warehouse $50/SF
2	**East Shore of Captains Bay, Unalaska** Ptn of Lot 1, U.S. Survey 8449, Alutian Islands	11/10	Marine/Ind.	899,775 SF 20.66 Acres	None	Good/Elect Improvments:	$3,000,000 ($800,000) $2,200,000	*$3.33* **$2.45**	Seafood Processing Facility
3	**Mouth of Wood River, N of Dillingham** Parcels A & B, Dragnet Industrial Subdivision	4/07	None	105,023 SF 2.41 Acres	53,971 SF 1.24 Acres	Gravel Pad Electricity	$118,000	**$1.12**	Support Seafood Processing
4	**South Shore of Akutan Harbor, Aleutian Islands** Long Legal, Aleutian Islands	1/00	None	565,409 SF 12.98 Acres	None	Good None	$300,000	**$0.53**	Vacant
5	**Nelson Lagoon, Aleutian Islands** Tract B-2, Nelson Lagoon Tracts	1/06	None	80,150 SF 1.84 Acres	None	Good Water/Electric	$36,000	**$0.45**	Vacant
6	**Mouth of Goodnews Bay, N of Platinum** Lot 2B, Henry Small Subdivision	6/12	None	526,640 SF 12.09 Acres	None	Good None	$90,000	**$0.17**	Vacant
7	**NS of Egegik River, Near Mouth of of Bristol Bay** Lots 1, 2, 4 & 5 US Survey 91	Listing	None	243,064 SF 5.58 Acres	None	Good/None Improvments:	$195,000 ($128,000) $67,000	**$0.80** **$0.28**	Vacant
8	**NS of Naknek River, Off Linx Loop** Lot 6, Block 11, Naknek River	11/16	None	93,088 SF 2.14 Acres	None	Good/Electric Improvments:	$83,000 ($41,600) $41,400	**$0.89** **$0.44**	Small warehouse and cabin
9	**Downtown Naknek Parcel - Next to Chami Clinic** Lot 8A, Martha McClain Subdivision	Listing	Commerical	43,560 SF 1.00 Acres	None	Good/Electric	$75,000	**$1.72**	Vacant
	SUBJECT PROPERTY **Copper River Seafoods (Naknek)**	**- - -**	**Industial** **Residential**	**190,401 SF** **4.37 Upland Acres** ***209,088 SF*** ***4.80 Tideland Acres*** ***200,376 SF*** ***4.60 Upland Acres***	**See Text**	**Good/ Electric and Waste**	**- - -**	**- - -**	**Salmon Processing Facility and Dorms**

COST APPROACH/LAND VALUATION

The foundation for the Cost Approach is based on the principle of substitution. The principle of substitution states that: "*when several similar or commensurate commodities, goods or services are available, the one with the lowest price will attract the greatest demand and widest distribution.*"[6]

A further explanation of this principle as it applies to the Cost Approach is that "*no prudent buyer would pay more for a property than the cost to acquire a similar site and construct improvements of equal desirability and utility without undue delay.*"[7]

The analysis in the cost approach is divided into three segments: land valuation, improvement cost new, and depreciation. The conclusion of the approach involves a summation of these three analyses.

LAND VALUATION

The subject consists of uplands and unfilled tidelands. At the time of statehood, all submerged tidelands that were not privately owned in fee became the property of the State.

The site is comprised of two irregular shaped upland parcels with 21.64 acres and a 47.13-acre tideland parcel. There is also an irregular shaped 44.03-acre upland parcel which provides access to a lake.

The majority of improvements (buildings and docks) are located on USS Survey No. 2292 and this long and narrow irregular shaped parcel is 9.37 acres. The adjacent parcel to the northwest (USS Survey 2352) is also an irregular long and narrow site with 12.27 acres. The rear portions or the subject have upward sloping topography. We do not reduce the sites usable size, but is a consideration in the analysis.

The USS Survey No. 5707 is a 44.03 parcel, but its location, topography, and shape limit its usability, except for the access to the lake for the fresh water needed for processing fish. This is a benefit for the entire property if a large water supply was in demand. We do not include it in the overall size of the property given the lack of utility.
The tideland parcel is 47.13-acres and fronts the two upland parcels. The docks and several of the buildings are located on the tidelands. In summary, the total usable uplands are 21.64 acres.

We will first analyze the value of the uplands and analyze the unfilled tideland areas (often valued as a percentage of the associated uplands).

The subject is located in a rural area of Kodiak Island. Access to the site is by either small plane or boat. There are some waterfront sales and listings in the subject's general area. Other sales were also considered from other waterfront areas in other parts of Alaska. During the scope of our analysis, we analyzed over 20 sales dating back to 1995. We also contract numerous parties knowledgeable of land values for the area. There is adequate information to conclude credible results for the land value "if vacant".

The most common unit of comparison used in this market is sales price per acre (SP/Acre) of site area, and this is the indicator used in this report. The sales are summarized on the facing exhibit. A map showing the location of the comparisons is included on the left overleaf page.

DISCUSSION OF LAND SALES

Land Sale No. 1 is the May 2019 sale of a parcel located southwest of Amook Island in Kodiak. This remote parcel is fly in or boat in only and features a south facing beach and is located on a peninsula. The site is 10 acres or 435,600 SF. No utilities or improvements are constructed onsite as this is a remote Kodiak property. The site was purchased for $30,000 or $3,000/acre.

This property is located on the southwestern coast of Kodiak Island and location is considered inferior. Site size is smaller and superior in that respect. Overall, we would expect the subject to achieve a higher SP/acre.

Land Sale No. 2 is the August 2018 sale of a parcel located on the western shore of Amook Island, Kodiak. This location is about 5-miles southeast of Larsen Bay. The site is 522,720 SF or 12.00 acres. This ocean front property is undeveloped and has gently sloping topography. This property was listed for about 2.5

6 *The Appraisal of Real Estate, Eleventh Edition, The Appraisal Institute, Page 43*

7 *IBID, Page 336*

years at $25,000 or $2,083/acre before selling at $19,500 or $1,625/acre in August 2018.

This property is located on the southwestern coast of Kodiak Island and location is considered inferior. Site size is smaller and superior in that respect. Overall, we would expect the subject to achieve a higher SP/acre.

Land Sale No. 3 is the June 2012 sale of a 12.09-acre site (526,640 SF) located at the north end of South Spit at the mouth of Goodnews Bay east of Togiak (not shown on land comparison map). This location is about two miles north of the City of Platinum and has exposure to the Kuskokwim Bay. The terrain is generally level with a principle access via a gravel road extending north from the Platinum airstrip. The buyer acquired the parcel for development of a fish processing facility. The zoning is unclassified. The sale price was $90,000 or $7,444/acre.

This property is located is located just north of Platinum and remote locational attributes are similar between the subject and this property. Site size is smaller and superior in that respect. Overall, we would expect the subject to achieve a lower SP/acre.

Land Sale No. 4 is the 2019 listing of Lots 3-5 on Dry Spruce Island. These irregular shaped lots are located on the south shore of Dry Spruce Island, which is about one mile north of the subject (Port Bailey). The site size is 159.98 acres or 6,968,729 SF. The topography ranges from level to sloping on this undeveloped site. This ocean front property offers a natural harbor and is in an ideal location for development. The site was reportedly utilized as a small-scale gold mine in 1902. The asking price is $795,000 or $4,969/acre and has been marketed since March 2019.

This listing is located about a mile north of the subject on a private island and location is ranked as similar. This property also features a naturally protected harbor and is similar to the subject in that regard. Site size is larger and inferior to the subject in that regard. Overall, we would expect the subject to achieve a higher SP/acre than this listing.

Land Sale No. 5 is the listing of a 319 acre or 13,895,640 SF site (located on two lots). This remote property is located on the southeast cost of Raspberry Island or about 5 miles northeast of Port Bailey. This water front parcel is located on a site with gently rolling topography. Landscape is undeveloped with spruce, alder and berry bushes. This property has been marketed over 1.5 years with an asking price of $2,240,000 or $7,022/acre.

This property is located about five miles north of the subject and location is ranked as generally similar. Site size is larger and inferior in that respect. This property has been listed for over a year at this price and we would expect it to sell for a lower SP/acre; however, we would expect the subject site to sell for a generally similar SP/acre at its current price.

Land Sale No. 6 is the active listing of a parcel located on Afognak Island, Kodiak. This location is in Afognak Bay or about 15-miles northeast of Port Bailey. The site is 39.96 acres or 1,740,658 SF. The topography of this site is reportedly level and has beach frontage along with a small pond. There is a 640 SF cabin located onsite that is heated by wood stove. We estimate a $25,000 contributory value to the cabin. This is a remote location and no road access, and utilities are available to the site. This property has been marketed over a year at $135,000. Deducting the estimated contributory value of the cabin indicates an adjusted asking price of $110,000 or $2,753/acre.

This property is located to the northeast of the subject and location is slightly inferior. Size is also larger and inferior in that respect. We would expect the subject to sell for a higher SP/acre than this listing.

Analysis of the Sales

We will first reference the subject's uplands. The subject is situated in Port Bailey, Kodiak with both tidelands and uplands areas. The subject has typical boat or fly-in only access. The subject has a usable area of 68.74 acres or 2,994,314 SF. The majority of the total site area (47.13 acres or 69%) consists of unfilled tidelands while the remainder (21.64 acres) or 31% is uplands. The uplands will be discussed first while the tidelands will be discussed second.

Uplands

The comparisons range from $1,625/acre and $7,444/acre. The comparisons were chosen for their marine frontage use with water access, although no comparisons offered unfilled tidelands.

Based on the above discussion, we ranked the subject comparisons to the subject in the following table array.

Comparative Analysis Upland Areas		
Comparable	**SP/Acre**	**Comparability**
No. 3	$7,444	Superior
No. 5	$7,022	Similar
Subject	- - -	- - -
No. 4	$4,969	Inferior
No. 1	$3,000	Inferior
No. 6	$2,127	Inferior
No. 2	$1,625	Inferior

The subject's upland areas should fall above Sale No. 4 ($4,969/acre) and near Sale No. 5 ($7,022/acre). Waterfront parcels are in much higher demand compared to non-waterfront property. Note, waterfront sales in larger communities such as Ketchikan and Juneau have a far higher SP/SF, but they higher demand as they have tourism demand (near cruise ship docks). Also, upland non-waterfront parcels in the City of Kodiak are in the range of $5/SF. Parcels with waterfront are getting well over $10/SF when available. New seafood plant construction in Alaska is occurring on a very limited basis. The subject's land value is loosely tied to the health of the seafood industry.

During our analysis, we discussed the subject's filled uplands with numerous parties familiar with marine use land sites. Based on the available data and discussions with active participants in the market, we would expect the subject's parcels to achieve a SP/Acre between Nos. 4 ($4,969/acre) and 5 ($7,022/acre).

Overall, we reconcile the value of the uplands at $7,000/acre or a rounded $150,000 for the subject's usable uplands as calculated in the following table:

Value Conclusion (Usable Uplands)		
Size	**SP/Acre**	**Indicated Values**
21.64 acres	$7,000	$151,480
Rounded to:		$150,000

Tidelands (Unfilled)

As previously mentioned, the subject has approximately 69% or 47.13 acres of unfilled tidelands. It should be noted, raw tideland sales are very limited. The reader is reminded most tidelands are located on State owned land and are leased. The subject tidelands are owned in fee.

There are several considerations in an analysis of tidelands but the primary consideration is overall usability. For example, is the water depth (at varying tides) adequate to accommodate all types of boats. Also, tidelands that extend into the open very deep water have less value. Overall, tidelands are generally used to support operations on nearby uplands in a functional manner. Tidelands values are most of often quoted as a percentage of the corresponding upland value. Normally, tidelands are valued on usability in regards to the ability of boats to pull in and out of a dock area. The subject has large percentage of tidelands which offers limited use to the subject; however, for barging or seafood plant operations the tidelands are a useful component of the site.

Past analyses of fee simple sales of tidelands and uplands throughout Alaska supports a ratio of tideland to upland value of 20% to 30%. In regards to the subject's tidelands, we estimate the value based on an average of 20% of the upland value or **$1,400/acre** ($7,000/SF x 20% = $1,400/acre). This value is calculated in the following table:

Value Conclusion (Unfilled Tidelands)		
Unfilled Area	**$/Acre**	**Indicated Values**
47.13 acres	$1,400/acre	$65,900
Rounded	- - -	$70,000

We round the tidelands to $70,000. The subject's combined land value is $220,000, as summarized on the next table:

"If Vacant" Land Values:

Filled Areas	**$150,000**
Tidelands (Unfilled)	**$70,000**
Total	**$220,000**

REPLACEMENT COSTS NEW

Building costs are analyzed using CoreLogic (Marshall & Swift) online program SwiftEstimator. *In the analysis, we will first analyze as if it has not undergone the damage from the harsh weather (significant winds and waves) on December 3, 2016. Considerations for this will be later in this chapter.*

Building Costs – CoreLogic (Marshall & Swift)

We use the online version of the Marshall & Swift Commercial Estimator known as SwiftEstimator to calculate replacement cost for the structures. The CoreLogic program is updated periodically for changes in construction costs. The update we use is August 2019. The data is also adjusted, through Zip Code indexing, for cost variations in different regions of the country. Note we use the zip code for Port Lions, closest similar community.

The CoreLogic estimate is for buildings of like utility, quality, and construction type, and is not necessarily a reproduction or an identical copy. The estimate includes most of the project costs, including architect and engineer's fees. These costs, in turn, include plans, plan check and building permits, and a site survey to establish building lines and grades. Also included is normal interest on only the actual building funds during the period of construction. Contractor's overhead and profit are also included in the cost estimate. Developer's margin will be addressed further in this section.

The type of building use or occupancy, construction materials, perimeter and story height are entered into the CoreLogic program. For our analysis, we have completed a separate cost analysis on each of the subject's primary buildings (included at the end of the chapter). We apply a wide range of building occupancies and the CoreLogic definitions applied are as follows:

Industrial Heavy Manufacturing

Buildings designed for heavy specialized manufacturing processes and power or utility service plants. There is an average amount of office or support space commensurate with the quality included, typically for heavy industrials, between 4 and 12 percent. Heavy Industrials are characterized by their typically heavy frames, craneways, walls and floors. The structural support will greatly influence the cost and quality selection. Exterior finishes are thick masonry or concrete, or heavy gauge metal siding. The interiors, except for the office, stores or shop areas, usually have minimal interior partitions and are large open areas. Lighting may consist of many heavy-duty or spark-proof fixtures. The costs include all the power leads to the building and industrial sewer and drainage lines, but do not include the following: Power panels, power wiring or industrial piping to the fixtures or equipment used in the manufacturing process, hoists, cranes or personnel lifts.

Cold Storage Facility

Cold Storage facilities are designed to keep stored commodities at various temperature levels. Some production or process areas are included in the better qualities.

Sharp freezers, freezer rooms, offices, production or process areas are included in the better qualities. The front elevation will have some ornamental detail and an office/store front type entry. Lower qualities have cooler storage areas, few partitions and small office areas that are very plain with very little or any front entry trim or ornamentation.

Storage Warehouse

These buildings are designed for storage and include an amount of office space commensurate with the quality of the building (typically 3 to 12 percent). Typically, they have plaster or drywall interior partitions and may have some finished ceilings. The better qualities have small office fronts with ornamental materials at the front elevation, while lower cost structures are plain with very little if any ornamentation. Heating and ventilating facilities are sufficient to protect goods from freezing and other spoilage.

Office Building

These buildings are designed for commercial occupancies and are normally subdivided into smaller units for tenant use. The interior finish may have plaster or drywall and, depending on the quality, utilize glass and special wall covering.

Floor finishes are carpet, terrazzo or vinyl. Ceiling finishes vary with the quality. Luminous ceilings and high intensity fluorescent lighting are found in the better qualities.

In the restrooms, both the number and quality of fixtures generally correspond to the quality of the building. Typically, floor finishes in the restroom areas are ceramic tile. At all quality levels, metal partitions and commercial plumbing fixtures can be found.

Most offices have a combined heating and cooling system while the lower cost structures have heating only.

Greenhouse, Straight Wall, Small

These greenhouse buildings are less than 4,500 square feet and have straight walls with gable roofs. These buildings are used to regulate the climate conditions for germination and growing various plants and vegetables. Frames are light wood posts (Class D) or steel pipe or tube assemblies (Class S) with various translucent covers. The lowest qualities have only polyethylene cover, with glass or fiberglass coverings at average quality. The better quality structures have good quality polycarbonate or acrylic covers and good quality vents. The floors are light concrete, gravel or dirt at the lower qualities. Costs include some electrical and water service commensurate with the quality.

Dormitory

These buildings include college and boarding school residence halls, intern or nurses' quarters, and military service quarters. They generally have a lounge and frequently have common dining facilities. In the better qualities, the rooms are soundproof, furniture is built-in, baths are tiled and painted, halls, lounges and rooms are carpeted. Plaster and drywall are the most common wall finishes used. The amount of detail on the interior is commensurate with the overall quality.

Construction Standards and Realized Plant Costs

Port Bailey - Depeciated Cost Breakdown

Loc.	Area	Size (SF)	Cost	$/SF	Adj.	$/SF	Total	Year Built	Act. Age	Eff. Age	Ecom. Life	% Dep	Depreciation	Depreciated
Former Processing Buildings														
12	Cannery	20,533	$4,740,659	$231	$75	$306	$6,280,634	1948	71	49	50	98.0%	$6,155,021	$125,613
13	Warehouse #1	11,720	$1,305,491	$111	$75	$186	$2,184,491	1948	71	49	50	98.0%	$2,140,801	$43,690
14	Warehouse #2	11,720	$1,305,491	$111	$75	$186	$2,184,491	1948	71	49	50	98.0%	$2,140,801	$43,690
2	Web House	6,780	$765,869	$113	$75	$188	$1,274,369	1948	71	49	50	98.0%	$1,248,882	$25,487
1	Gear House	2,343	$298,592	$127	$25	$152	$357,167	1948	71	49	50	98.0%	$350,024	$7,143
E. of 15	Cooling Shed	4,800	$577,776	$120	$25	$145	$697,776	1984	35	49	50	98.0%	$683,820	$13,956
15	Freezer Building	8,250	$1,516,020	$184	$25	$209	$1,722,270	1984	35	49	50	98.0%	$1,687,825	$34,445
		66,146	$10,509,898	$159	---	$222	$14,701,198	---	---	---	---	---	$14,407,174	$294,024
Support Buildings														$4.45
17	Office/Old Store	9,960	$2,321,477	$233	$25	$258	$2,570,477	1948	71	49	50	98.0%	$2,519,067	$51,410
16	Power House (Generators)	1,966	$236,589	$120	$0	$120	$236,589	1948	71	49	50	98.0%	$231,857	$4,732
11	Beach Locker Building	1,440	$149,933	$104	$0	$104	$149,933	1940's	74	49	50	98.0%	$146,934	$2,999
19-22	Misc. Garages, Sheds, Ect.	1,046	$124,171	$119	$0	$119	$124,171	1940's	74	49	50	98.0%	$121,688	$2,483
		14,412	$2,832,170	$197	---	$214	$3,081,170	---	---	---	---	98.0%	$3,019,547	$61,623
Allocated Housing														$4.28
6	Surf House (Kitchen, Dining, Dorm)	7,877	$1,486,863	$189	$25	$214	$1,683,788	1940's	74	45	50	90.0%	$1,515,409	$168,379
3	Harbor House (Mail, Dormitory)	9,028	$1,685,437	$187	$25	$212	$1,911,137	1940's	74	49	50	98.0%	$1,872,914	$38,223
E. of 3	Recreation Building	608	$141,902	$233	$25	$258	$157,102	1960's	54	49	50	98.0%	$153,960	$3,142
4	Blair House (Dormitory)	4,237	$804,140	$190	$0	$190	$804,140	1940's	74	40	50	80.0%	$643,312	$160,828
7	Guest House	460	$115,671	$251	$0	$251	$115,671	1950's	64	40	50	80.0%	$92,537	$23,134
8	Watchman House	940	$213,154	$227	$0	$227	$213,154	1950's	64	40	50	80.0%	$170,523	$42,631
10	Laundry/Green House	1,600	$236,597	$148	$0	$148	$236,597	1950's	64	49	50	98.0%	$231,865	$4,732
9	Bayview Dormitory	2,990	$564,213	$189	$0	$189	$564,213	1979	40	49	50	98.0%	$552,929	$11,284
5	Island House (Dormitory)	3,300	$663,993	$201	$0	$201	$663,993	1968	51	49	50	98.0%	$650,713	$13,280
		31,040	$5,911,970	$190	---	$205	$6,349,795	---	---	---	---	92.7%	$5,884,162	$465,633
														$15.00
	Totals	111,598	$19,254,038	$173	---	$216	$24,132,163	---	---	---	---	96.6%	$23,310,883	$821,280
							Building Costs:	$24,150,000					Rounded to:	$820,000
							Main Dock:	$1,900,000					Dock Main Depreciated:	$190,000
							Southern Dock:	$900,000					Southern Dock Depreciated:	$20,000
								$26,950,000					Land Value:	$220,000
														$1,230,000

The subject has a remote location which clearly increases building costs. However, there are not the same building codes in these areas as there are in major cities (such as Anchorage or even Kodiak). Also, typically, seafood plant personal is used in the construction process versus hiring a third-party contractor to build the whole project. Also, there is significant economies of scale with a project of the subject's size. These issues are all reflected in our cost estimates. Note at the end of this chapter are summary cost reports for each of the major buildings. We also will adjust the buildings located on pilings over the water for the extra costs associated with the foundation system.

Former Processing Buildings

As shown on the Depreciated Cost Breakdown exhibit, the cannery, the warehouses, web house, gear house, cooling shed and freezer building. For the cannery we used the *Industrials/Heavy Manufacturing* occupancy category. We use the *Cold Storage Facility* occupancy category for the freezer building and the *Storage Warehouse* category for the balance of the former processing buildings. These buildings have a combined GBA of 66,146 SF. We used a high cost ranking to compensate for the location. The cannery and freezer have higher costs per square foot due to their concrete floors and mechanical systems. According to the SwiftEstimator program, the total combined construction cost new for these buildings are $10,509,898 or $159/SF. We further adjust for the buildings over the deeper waters by $75/SF for additional considerations over a typical foundation. We use $25/SF for the buildings with a shorter piling system. The adjusted costs for the former processing buildings at $14,701,198 or $222/SF.

Support Buildings

There are numerous support buildings which includes the office/old store, power house building, beach locker building and several sheds and garages. For the office/old store we used the *Office* occupancy category and *Storage Warehouse* for the balance of buildings. The combined GBA of the allocated support buildings is estimated at 14,412 SF.

According to the SwiftEstimator program, the total combined construction cost new for these buildings are $2,832,170 or $197/SF. We further adjust for the office/old store by $25/SF for additional considerations over a typical foundation. The adjusted costs for the support buildings at $3,081,170 or $214/SF.

Allocated Housing Buildings

Included with the housing are the surf house, harbor house, recreation building, Blair house, guest house, watchman house, laundry/green house, bay view and island house dormitories. We classified these buildings as the SwiftEstimator *Dormitory* category and *greenhouse* for 50% of one of the buildings.

The combined GBA of the allocated housing buildings is estimated at 31,040 SF. According to the SwiftEstimator program, the total combined construction cost new for these buildings are $5,911,970 or $190/SF. We further adjust for the surf house, harbor house and recreation office/old store by $25/SF for additional considerations over a typical foundation. The adjusted costs for the housing buildings at $6,349,795 or $205/SF.

Replacement Cost New - Buildings

Based on data from our files and discussions with parties knowledgeable with construction costs, the combined replacement new for the subject is $24,132,163 or $216/SF (rounded to $24,150,000). Note the site improvements, such as wood walkways are included within these costs via quality ranking. Docks costs are not included and discussed next.

REPLACEMENT COSTS NEW - DOCK

The subject offers two docks, the main dock and the southern small dock as discussed in the Improvement Description and Analysis. The main dock supports (provides foundation) for the cannery and two adjacent warehouses and the small dock supports the web and gear house.

As part of the analysis of the damage done by the storm, Marine Specialties Limited completed an assessment of the docks for our client Great American Insurance Group dated August 16, 2018. This report is included at the end of this chapter. As part of this assignment I interviewed Jim Smith, from Marine Specialties, LTD, who also inspected the property. Additionally, I interviewed Stuart McFarland, Associate Marine Surveyors who is also familiar with the subject's dock.

The Marine Specialties report focuses on the costs to replace the 1,800 SF area that was damaged and subsequently removed. Their plans to replace the damaged areas includes adding new support timbers, metal decking, 4" concrete and a timber rail. They estimate the costs to replace this area at $642,404 or $356.89/SF or surface area. There was also a cost estimate from Majdics & Sons, Inc. for $920,716.75 or

$511.51/SF of surface area, but no breakdown of costs was included. Turnagain Marine Construction was $1,020,000 or $566.66/SF of surface area. However, this estimated included $365,800 in mobilization and management, which Marine Specialties indicated that equipment is located in Kodiak and not a great distance via barge. Adjusted for this cost, their bid would be $654,200 or very close to the Marine Specialties report. Also, we point out that the subject does have the lodge that could accommodate the work force during the repair period.

These bids are for replacing an 1,800 SF area of the subject. Clearly, there would be significant economies of scale for a larger area and the main dock is 9,434 SF and the smaller southern dock is 5,096 SF. The main dock also includes 5,010 SF of paved area.

Contractors that we have communicated with have indicated that new construction costs for commercial docks can range from $35.00/SF to $200.00/SF, depending on construction type. Based on of discussions with the dock experts discussed throughout, if the subject was new a similar functioning utility dock would be from $175-$200/SF of surface area. We estimate the replacement cost new of the main dock at $200/SF and $175 for the southern dock. Estimated costs for the main dock is $1,900,000 ($200 x 9,434 SF = $1,886,800 or $1,900,000 rounded). The cost for the southern dock is estimated at $900,000 ($175 x 5,096 SF = $891,800 or $900,000 rounded). Total replacement cost new for docks is $2,800,000.

Entrepreneurial profit (Developer's Margin)

Entrepreneurial profit or developer's gross margin is defined as *"market-derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. In the Cost Approach, expected profit is reflected as entrepreneurial profit."*

The subject was originally built as a seafood plant by an owner-user. These types of buildings are generally constructed without the driving force of a developer. In consideration of these facts, we believe that an allowance for entrepreneurial incentive should not be included in this analysis.

Replacement Cost New - Improvements

The combined replacement costs new for the subject is estimated at $26,950,000 excluding land.

Replacement Cost New Calculation	
Buildings & Site Improvements	$24,150,000
Dock	$2,800,000
Total Replacement Cost New	$26,950,000

DEPRECIATION

Depreciation is the difference between the replacement or reproduction cost for a new building or dock and its market value. Causes of depreciation are physical deterioration, functional obsolescence and external (or extraordinary economic) obsolescence.

It has been over 20 years since the subject operated as a seafood plant which was its original intended use. The majority of the structures are over 70 years old. Except for a few exceptions (a few of the housing structures) there has been limited maintenance since it stopped operating as a seafood plant. Aside, from the subject's vintage (age and condition) economic obsolescence is also a consideration.

External (extraordinary economic) obsolescence is defined as: *External obsolescence is a loss in value caused by factors outside a property. It is often incurable. External obsolescence can be either temporary, e.g., an oversupplied market, or permanent, e.g., proximity to an environmental disaster. External factors frequently affect both the land and building components of a property's value.*[8]

Of note, Seafood Plant Sale No. 5 (in the following Sales Comparison chapter) is a seafood plant that was mostly rebuilt at a cost of over $15,000,000. The sales price at $4,000,000, which included land and FF&E. The sales price is only 27% of the rebuild costs. While the economics of this fisheries is stronger than the subject, it clearly demonstrates that economic obsolescence exists. The fact the subject operations shut down over 20 years ago is another testament to this. Also, the reader is reminded the subject's 2003 sale was about 2% of construction cost excluding land (demonstrating depreciation/economic obsolescence of over 98%).

Economic obsolescence is difficult to quantify. Marshall & Swift Valuation Service, reports that structures similar to the subject typically have economic lives of 45-50 years. The structures themselves may last

[8] The Appraisal of Real Estate, Eleventh Edition

indefinitely, as economic life can be extended with periodic upgrades and capital infusions. This is particularly true in rural Alaska, where structures that are more than 50 years old are still viable, working assets. However, the as discussed in the market analysis chapter, the subject would have a tough time competing with all the plants located near the heart of the City of Kodiak. The subject has a tranquil location and would be an attractive to individuals looking for an off the grid location, with potential to operate a lodge. In any event, the non-residential buildings have very little use potential and a at or near the end of their economic lives.

Overall, we estimate an economic life of 50 years for the structures. Most of the subject buildings are well beyond this age, which again is not uncommon. Given, the lack of demand (economic obsolescence), actual age and condition, we estimate and effective age of the majority of the buildings at 49 years. In other words, major upgrades would be needed if the buildings were going to be used for a viable operation.

With a 50-year economic life and a 49-year effective age, using the effective age/economic life straight-line method, depreciation calculates to 98% (49/50 years) for the majority of the buildings.

For the surf house has lodging potential and could be functional without significant remodeling and is occasionally used in its current condition. We estimate an effective age for this building at 45 years. Depreciation calculates to 90% (44/50 years) for this building.

For the three residential buildings (Blair House, Guest and Watchman House) are fairly functional for private residences or lodge operations (remote bed and breakfast), we apply an effective age of 40 years. We estimate depreciation at 80% (40/50 years).

As shown on the breakdown sheet, the total amount of depreciation is $23,310,883. The total depreciated value of the buildings is $821,280, rounded to $820,000.

Docks

In the analysis of the dock, we will first analyze as if it has not undergone the damage from the harsh weather (significant winds and waves) on December 3, 2016. Considerations for this will be later in this chapter.

In regards to the subject docks, it is our understanding they were built in 1948 (71 years) with the portions of the main dock being added in 1994 (25 years old). Dock structures, similar to buildings may last indefinitely, as economic life can be extended with periodic upgrades and capital infusions. This is particularly true in rural Alaska, where docks that are more than 50-75 years old are still viable, working assets. The subject's dock has not undergone significant upgrades for over 20 years. There are a lot of factors that go into the life the economic life of a dock. If a dock has a covered surface (concrete) it will last longer than a typical exposed wood plank dock (the reader is reminded much of the main dock has a concrete surface). For the appraisal, we use an economic life of 50 years, similar to the buildings.

Again, the dock was designed for a major seafood plant and recent trends do not generally support new construction and this suggests there is significant external obsolescence in the marketplace.

Without an associated operating seafood plant, the subject's dock has limited utility given remote location. For a typical lodge operation, these docks are not necessary. The larger main dock is in deeper water and offers a concrete deck. It offers more utility over the smaller southern dock.

Overall, we estimate an effective age of the southern dock at 49 years or a 98% depreciation factor (49/50 years = 98%). For the main dock, which has some newer areas (1994 vintage), we estimate an effective age of 45 years or a 90% depreciation factor (45/50 years = 90%).

With a cost of $900,000 for the southern dock depreciation is $882,000 ($900,000 x .98% = $882,000). This indicates an allocated value of $20,000 ($900,000 - $882,000 = $18,200, rounded to $20,000).

In regard to the main dock, with a cost of $1,900,000 depreciation is $1,710,000 ($1,900,000 x .90% = $1,710,000). This indicates an allocated value of $190,000 ($1,900,000 - $1,710,000 = $190,000).

Next, we add in land value of **$220,000** for a total value through the Cost Approach of **$1,230,000** as shown on the Cost Breakdown exhibit.

Indicated Value by the Cost Approach:
$1,230,000 *

** Under the scenario the December 3, 2016 dock damage did not happen.*

IMPACT OF DOCK LOSS

In December 3, 2016 there was significant winds and waves and Brent Marine (operated by Sully Sutherland) had two boats tied to the subject dock. As described

within the Improvement Description and Analysis chapter, there was damage to the main dock.

There might have been some damage to the southern this dock from debris, but the Marine Speciates report indicated these issues are from general deterioration. Additionally, the damage to the east section of the main dock would also fall under normal deprecation.

As discussed, quotes to replace (about 1,800 SF) and fix the dock ranges from $642,404 to $1,020,000.

The dock, like the majority of the improvements, are significantly under-utilized. A dock of this size is necessary for a large seafood plant operation, but not required for the most likely uses for the subject moving forward.

In prior paragraphs, we estimated the depreciated value of the entire dock at $190,000 or 9,434 SF or $20.14/SF of surface area. Applying, this to the 1,800 SF of the missing area dock are calculates to $36,180.

Obviously, this is far lower than the repair costs. Clearly, replacing the dock does not make economic sense. The impact on the overall property is minimal as the majority of buildings are 98% depreciated. Also, the currently used residential buildings (80% to 90% depreciated) do not need the dock for functional operations.

The lowest repair bid is over 50% of the entire property value including land and the higher bid is above the entire improvement value (excluding land).

Clearly, replacing the dock does not make economic sense. In measuring the impact, we include the depreciated value of the missing area or $36,180. Additionally, the damaged area and the rough edges need to be cleaned up and debris removed from the water including a dock crane. According to our conversations with the dock experts the dock and edges and debris could be repaired for under $20,000. Adding this to the depreciated dock value of $36,180 is $56,180. With consideration to the sunken crane loss, we conclude an overall property impact of **$60,000**.

SUMMARY

We first analyzed the subject under the hypothetical condition that is was not impacted the December 3, 2016 storm. The involved analyzing the land (upland and tidelands), improvement cost new and depreciation. We concluded a value of **$1,230,000**. We measure the impact from the storm at $**60,000** indicating an "as is" value as of the effective date of the appraisal or May 17, 2019, at $**1,170,000.**

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Cannery (Misc. Storage)

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	20533	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
495 Industrials, Heavy Mftg.	100	D	15	4.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	**Quality**	**Depr %**	**Other**
606 HVAC (Heating) : Space Heater	100	Occ.		
Total Percent for HVAC (Heating):	**100**			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	20,533	$202.31	$4,154,031		$4,154,031
Exterior Walls	20,533	$23.94	$491,560		$491,560
Heating & Cooling	20,533	$4.63	$95,068		$95,068
Basic Structure Cost	**20,533**	**$230.88**	**$4,740,659**	**$0**	**$4,740,659**

Cost data by CoreLogic, Inc.

Except for items and costs listed under "Addition Details," this SwiftEstimator report has been produced utilizing current cost data and is in compliance with the Marshall & Swift Licensed User Certificate. This report authenticates the user as a current Marshall & Swift user.

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Warehouse #1 (Misc. Storage)

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	11720	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	%	Class	Height	Quality
406 Storage Warehouse	100	D	15	4.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	Quality	Depr %	Other
606 HVAC (Heating) : Space Heater	100	Occ.		
Total Percent for HVAC (Heating):	**100**			

Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	11,720	$88.93	$1,042,260		$1,042,260
Exterior Walls	11,720	$17.61	$206,389		$206,389
Heating & Cooling	11,720	$4.85	$56,842		$56,842
Basic Structure Cost	**11,720**	**$111.39**	**$1,305,491**	**$0**	**$1,305,491**

Cost data by CoreLogic, Inc.

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Warehouse #2 (Misc. Storage)

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	11720	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
406 Storage Warehouse	100	D	15	4.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	**Quality**	**Depr %**	**Other**
606 HVAC (Heating) : Space Heater	100	Occ.		
Total Percent for HVAC (Heating):	**100**			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	11,720	$88.93	$1,042,260		$1,042,260
Exterior Walls	11,720	$17.61	$206,389		$206,389
Heating & Cooling	11,720	$4.85	$56,842		$56,842
Basic Structure Cost	**11,720**	**$111.39**	**$1,305,491**	**$0**	**$1,305,491**

Cost data by CoreLogic, Inc.

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Web Building

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	6780	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
406 Storage Warehouse	100	D	15	4.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	**Quality**	**Depr %**	**Other**
649 HVAC (Heating) : No HVAC		Occ.		

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	6,780	$94.29	$639,286		$639,286
Exterior Walls	6,780	$18.67	$126,583		$126,583
Basic Structure Cost	**6,780**	**$112.96**	**$765,869**	**$0**	**$765,869**

Cost data by CoreLogic, Inc.

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Gear House

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	2343	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	%	Class	Height	Quality
406 Storage Warehouse	100	D	14	4.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	Quality	Depr %	Other
649 HVAC (Heating) : No HVAC		Occ.		

Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	2,343	$106.37	$249,225		$249,225
Exterior Walls	2,343	$21.07	$49,367		$49,367
Basic Structure Cost	**2,343**	**$127.44**	**$298,592**	**$0**	**$298,592**

Cost data by CoreLogic, Inc.

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Cooling Shed

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	4800	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
406 Storage Warehouse	100	D	14	4.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	**Quality**	**Depr %**	**Other**
649 HVAC (Heating) : No HVAC		Occ.		
606 HVAC (Heating) : Space Heater	100	Occ.		

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	4,800	$96.10	$461,280		$461,280
Exterior Walls	4,800	$19.03	$91,344		$91,344
Heating & Cooling	4,800	$5.24	$25,152		$25,152
Basic Structure Cost	**4,800**	**$120.37**	**$577,776**	**$0**	**$577,776**

Cost data by CoreLogic, Inc.

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Freezer Building

General Information

Estimate ID:	Port Bailey	**Date Created:**	8-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-18-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	8250	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age			

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
447 Cold Storage Facility	100	D	15	4.0
Occupancy Total Percentage	100			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	8,250	$127.24	$1,049,730		$1,049,730
Exterior Walls	8,250	$25.99	$214,418		$214,418
Heating & Cooling	8,250	$30.53	$251,872		$251,872
Basic Structure Cost	**8,250**	**$183.76**	**$1,516,020**	**$0**	**$1,516,020**

Cost data by CoreLogic, Inc.

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CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Office/Old Store

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	9960	**Overall Depreciation %**	
Stories in Section	2	**Physical Depreciation %**	
Stories in Building	2	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	%	Class	Height	Quality
344 Office Building	100	D	10	3.5
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	Quality	Depr %	Other
605 HVAC (Heating) : Hot Water Radiant	100	Occ.		
Total Percent for HVAC (Heating):	**100**			

Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	9,960	$164.86	$1,642,006		$1,642,006
Exterior Walls	9,960	$41.42	$412,543		$412,543
Heating & Cooling	9,960	$26.80	$266,928		$266,928
Basic Structure Cost	**9,960**	**$233.08**	**$2,321,477**	**$0**	**$2,321,477**

Cost data by CoreLogic, Inc.

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Power House (Generators)

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	1966	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
406 Storage Warehouse	100	D	10	4.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	**Quality**	**Depr %**	**Other**
649 HVAC (Heating) : No HVAC		Occ.		

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	1,966	$100.45	$197,485		$197,485
Exterior Walls	1,966	$19.89	$39,104		$39,104
Basic Structure Cost	**1,966**	**$120.34**	**$236,589**	**$0**	**$236,589**

Cost data by CoreLogic, Inc.

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CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Beach Locker Building

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	1440	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	%	Class	Height	Quality
406 Storage Warehouse	100	D	8	3.5
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	Quality	Depr %	Other
649 HVAC (Heating) : No HVAC		Occ.		

Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	1,440	$86.27	$124,229		$124,229
Exterior Walls	1,440	$17.85	$25,704		$25,704
Basic Structure Cost	**1,440**	**$104.12**	**$149,933**	**$0**	**$149,933**

Cost data by CoreLogic, Inc.

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Various Garages, Sheds, Small Buildings

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	1046	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	very irregular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	%	Class	Height	Quality
406 Storage Warehouse	100	D	8	3.5
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	Quality Occ.	Depr %	Other
649 HVAC (Heating) : No HVAC				

Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	1,046	$98.36	$102,885		$102,885
Exterior Walls	1,046	$20.35	$21,286		$21,286
Basic Structure Cost	**1,046**	**$118.71**	**$124,171**	**$0**	**$124,171**

Cost data by CoreLogic, Inc.

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

General Information

Lodge - Surf House (Kitchen, Dining, Dormitory)

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	7877	**Overall Depreciation %**	
Stories in Section	2	**Physical Depreciation %**	
Stories in Building	2	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
321 Dormitory	100	D	9	3.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	**Quality**	**Depr %**	**Other**
605 HVAC (Heating) : Hot Water Radiant	100	Occ.		
Total Percent for HVAC (Heating):	**100**			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	7,877	$143.43	$1,129,798		$1,129,798
Exterior Walls	7,877	$24.84	$195,665		$195,665
Heating & Cooling	7,877	$20.49	$161,400		$161,400
Basic Structure Cost	**7,877**	**$188.76**	**$1,486,863**	**$0**	**$1,486,863**

Cost data by CoreLogic, Inc.

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Harbor House (Mail, Dormitory)

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	9028	**Overall Depreciation %**	
Stories in Section	2	**Physical Depreciation %**	
Stories in Building	2	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
321 Dormitory	100	D	9	3.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	**Quality**	**Depr %**	**Other**
605 HVAC (Heating) : Hot Water Radiant	100	Occ.		
Total Percent for HVAC (Heating):	**100**			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	9,028	$141.86	$1,280,712		$1,280,712
Exterior Walls	9,028	$24.57	$221,818		$221,818
Heating & Cooling	9,028	$20.26	$182,907		$182,907
Basic Structure Cost	**9,028**	**$186.69**	**$1,685,437**	**$0**	**$1,685,437**

Cost data by CoreLogic, Inc.

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CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Recreation Building

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	608	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	%	Class	Height	Quality
321 Dormitory	100	D	8	3.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	Quality	Depr %	Other
605 HVAC (Heating) : Hot Water Radiant	100	Occ.		
Total Percent for HVAC (Heating):	**100**			

Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	608	$177.35	$107,829		$107,829
Exterior Walls	608	$30.71	$18,672		$18,672
Heating & Cooling	608	$25.33	$15,401		$15,401
Basic Structure Cost	**608**	**$233.39**	**$141,902**	**$0**	**$141,902**

Cost data by CoreLogic, Inc.

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Blair House (Dormitory)

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	4237	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
321 Dormitory	100	D	8	3.0
Occupancy Total Percentage	100			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	4,237	$138.79	$588,053		$588,053
Exterior Walls	4,237	$24.04	$101,857		$101,857
Heating & Cooling	4,237	$26.96	$114,230		$114,230
Basic Structure Cost	**4,237**	**$189.79**	**$804,140**	**$0**	**$804,140**

Cost data by CoreLogic, Inc.

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CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Guest House

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	460	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
321 Dormitory	100	D	8	3.0
Occupancy Total Percentage	100			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	460	$183.89	$84,589		$84,589
Exterior Walls	460	$31.85	$14,651		$14,651
Heating & Cooling	460	$35.72	$16,431		$16,431
Basic Structure Cost	**460**	**$251.46**	**$115,671**	**$0**	**$115,671**

Cost data by CoreLogic, Inc.

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CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Watchman House

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	940	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
321 Dormitory	100	D	8	3.0
Occupancy Total Percentage	100			

Calculation Information (All Sections)

	Units	**Unit Cost**	**Total Cost New**	**Less Depreciation**	**Total Cost Depreciated**
Basic Structure					
Base Cost	940	$165.83	$155,880		$155,880
Exterior Walls	940	$28.72	$26,997		$26,997
Heating & Cooling	940	$32.21	$30,277		$30,277
Basic Structure Cost	**940**	**$226.76**	**$213,154**	**$0**	**$213,154**

Cost data by CoreLogic, Inc.

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CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Laundry Building and Neigboring Green House

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	1600	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	%	Class	Height	Quality
136 Greenhouse, Straight-Wall, Small	30	D	8	3.0
321 Dormitory	70	D	8	3.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	Quality	Depr %	Other
605 HVAC (Heating) : Hot Water Radiant	70	Occ.		
Total Percent for HVAC (Heating):	**70**			

Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	1,600	$120.51	$192,816		$192,816
Exterior Walls	1,120	$18.60	$20,832		$20,832
Heating & Cooling	1,120	$20.49	$22,949		$22,949
Basic Structure Cost	**1,600**	**$147.87**	**$236,597**	**$0**	**$236,597**

Cost data by CoreLogic, Inc.

CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Bayview Dormitory

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	2990	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	
Stories in Building	1	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	%	Class	Height	Quality
321 Dormitory	100	D	8	3.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	Quality	Depr %	Other
605 HVAC (Heating) : Hot Water Radiant	100	Occ.		
Total Percent for HVAC (Heating):	**100**			

Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	2,990	$143.39	$428,736		$428,736
Exterior Walls	2,990	$24.83	$74,242		$74,242
Heating & Cooling	2,990	$20.48	$61,235		$61,235
Basic Structure Cost	**2,990**	**$188.70**	**$564,213**	**$0**	**$564,213**

Cost data by CoreLogic, Inc.

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CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report

Island House (Housing - No Windows)

General Information

Estimate ID:	Port Bailey	**Date Created:**	08-18-2019
Property Owner:	PB Energy, Inc.	**Date Updated:**	08-18-2019
Property Address:	Dry Spruce Bay Port Bailey, AK 99550	**Date Calculated:**	08-19-2019
Local Multiplier:		**Cost Data As Of:**	08-2019
Architects Fee:		**Report Date:**	using default

Section 1

Area	3300	**Overall Depreciation %**	
Stories in Section	2	**Physical Depreciation %**	
Stories in Building	2	**Functional Depreciation %**	
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	0		

Occupancy Details

Occupancy	%	Class	Height	Quality
321 Dormitory	100	D	8	3.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	Quality	Depr %	Other
605 HVAC (Heating) : Hot Water Radiant	100	Occ.		
Total Percent for HVAC (Heating):	**100**			

Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	3,300	$152.89	$504,537		$504,537
Exterior Walls	3,300	$26.48	$87,384		$87,384
Heating & Cooling	3,300	$21.84	$72,072		$72,072
Basic Structure Cost	**3,300**	**$201.21**	**$663,993**	**$0**	**$663,993**

Cost data by CoreLogic, Inc.

Sale Comparisons Map

ALASKA SEAFOOD PLANT SALES

	PROPERTY DATA				SALE DATA		
NO.	PROPERTY LOCATION	YEAR BUILT	GROSS BUILDING AREA	SITE SIZE & COVERAGE	SALE DATE	SALE PRICE	$/SF (GBA)
1	Former Alaska Fresh Seafood 105 West Marine Avenue Kodiak, Alaska	1970	10,768 SF	34,746 SF Uplands 15,188 SF Tidelands 49,934 SF Total	3/14	$3,500,000	$325.04
2	Former Western Seafood 521 Shelikof Street Kodiak, Alaska	1967/1988	42,192 SF	103,291 SF Uplands 11,477 SF Tidelands 114,768 SF Total	12/14	$5,399,900	$127.98
3	Snopac Seafood Plant 3500 Yako Road Dillingham, Alaska	1980's	25,734 SF	672,174 SF Uplands 167,793 SF Tidelands 839,967 SF Total	1/08	$1,100,000 $1,300,000 $2,400,000	*$42.75* $93.26
4	Kenai Landing Left Bank of of the Kenai River Kenai, Alaska	1980's	35,992 SF	235,660 SF Uplands 113,256 SF Tidelands 348,916 SF Total	6/12	$1,950,000	$54.18
5	Cordova Seafood Processing 301 Seafood Lane Cordova, Alaska	1965-2002	116,984 SF	115,870 SF Uplands 60,113 SF Tidelands 175,982 SF Total	11/04	$4,000,000	$34.19
6	Coffee Point Seafoods 2.5 miles west of Egegik Coffee Point (Egegik), Alaska	1980's	41,390 SF	386,377 SF Uplands 0 SF Tidelands 386,377 SF Total	7/14	$1,370,000	$33.10
7	Big Creek Seafood Plant At the mouth of Big Creek North of Egegik River, in Egegik, Alaska	1980's +	44,504 SF	3,483,929 SF Uplands Real Estate Upgrades: Adjusted Real Estate:	1/08	$472,000 $584,007 $1,056,007	$10.61 $23.73
8	Copper River Seafoods North side of Naknek River, Naknek Near mouth of Kvichiak Bay	1991 +	22,572 SF	128,290 SF Uplands 271,199 SF Tidelands 399,489 SF Total	5/15	$4,153,256 ($200,000) $3,953,256	 $175.14
9	Icicle Seafoods (Former Woodbine) Egegik, Alaska	1970's	275,000 SF	3,761,237 SF Uplands 288,498 SF Tidelands 4,049,735 SF Total	3/05	$400,000	$1.45
	Subject - Port Baily Dry Spruce Bay near Kupreanof Strait Northwest coast of Kodiak Island	1948 (See Text)	111,598 SF	942,638 SF Uplands 2,052,983 SF Tidelands 2,995,621 SF Total	3/03	$456,013	$4.09

SALES COMPARISON APPROACH

In this approach, the market value of the subject is estimated by making comparisons with similar properties that have recently sold. The principle of substitution, as it applies to the Sales Comparison Approach, states that: "*the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time*".[9]

SALES COMPARISON ANALYSIS

The subject of this appraisal is the Port Bailey facility located at Dry Spruce Bay near Kupreanof Strait on the northwest coast of Kodiak Island. Access is via float plane or boat. This facility had a long history of cannery operations dating back to the early 1900's. In 1948 a fire destroyed most of the facility. The plant was rebuilt on the same site and reopened the cannery in 1949. The rebuilt Port Bailey cannery was the first major salmon cannery to be built following World War II. Columbia-Wards Fisheries purchased the Port Bailey plant in 1968, and millions of pounds of canned salmon were produced each year until the plant was closed in the late 1990s.

The site includes two irregular shaped upland parcels consisting of 21.64 acres and a 47.13-acre tideland parcel. There is also an irregular shaped 44.03-acre parcel, which provides access to a lake for large water access if needed. There are over 20 structures and two piling docks. The buildings have a combined gross building area of 111,598 SF, and the majority of area is former cannery buildings that are significantly underutilized. The majority of buildings are in below average to poor condition (not surprising they are over 70 years), with the exception of the lodge and the Blair House (primary residence of the Shanes).

As shown on the facing page, we have included nine seafood plant sales and Nos.1 and 2 are located in the City of Kodiak and the balance are located throughout Alaska.

The lack of recent large non-operating seafood plants is a limiting factor in this approach. Typically, seafood plants only sell when they are having financial difficulties. As discussed in the Market Analysis, the subject has not operated as a seafood plant for over 20 years and the subject's sales history reflects this.

The most frequently used unit of comparison in this market is sales price divided by gross building area and we have applied this in our analysis. Note some of the sales had upgrades, we analyze the sales before their renovations. We have used in this analysis. A location map of the sales is on the left overleaf page. Next is a discussion of the seafood plant sales followed by a discussion of the subject's sales history.

In this chapter, we analyze the subject under the hypothetical condition that is was not impacted the December 3, 2016 storm.

SEAFOOD SALES COMPARISONS

Former Alaska Fresh (Now Trident Seafoods)

Sale Comparison No. 1 is the March 2014 sale of an improved parcel that included both uplands and tidelands with an address of 105 West Marine Avenue. This is next to the existing Trident Plant. The improvements include a 10,768 SF two-story structure (built in 1970). The site includes 34,746 SF of uplands and 15,188 SF of tidelands. It includes 14,552 SF of dock area. The buyer was motivated as they owned the adjacent plant. The total size is 10,768 SF. The sales price was $3,500,000 or $325.04/SF.

[9] The Appraisal of Real Estate, Eleventh Edition

Former Western Seafoods (Now Trident Seafoods)

Sale Comparison No. 2 is the December 2014 sale of an improved parcel that included both uplands and tidelands with an address of 521 Shelikof Street, in the popular waterfront seafood district of Kodiak. The improvements include a 42,192 SF, two-story structure (built in 1967 and 1988). The site includes 103,291 SF of uplands and 11,477 SF of tidelands. It includes 21,742 SF of dock area. The buyer as they are trying to maximizes the amount of Pollock they produce. Trident, the buyer, also offer add-on retail products. The newspaper reported this sale at $37,000,000, of which, the buyers reported the allocated real estate portion at $5,399,900 or $127.98/SF. The balance of the sale price was attributed to FF&E and business value.

Snopac Seafood Plant

Sale Comparison No. 3 is the Snopac salmon processing plant located in Dillingham Alaska. The site has two irregular-shaped upland and tideland parcels situated on the west bank of Wood River in Dillingham Alaska containing 19.287 acres (15.431 upland acres or 672,174 SF and 3.852 tideland acres or 167,793 SF) or 839,967 SF. Ocean-going vessels can access the site on the western bank of the Wood River at various stages of the tide. Improvements include an office/warehouse, main processing building, ice house, egg house, two bunkhouses and cafeteria/kitchen facilities. The gross building area is 25,734 SF. According to information provided to the appraisers by Snopac and James Riley (former listing agent), the structures on site were built between 1981 and 1990. Note there are several small support structures that are insignificant in terms of overall value. There is also a dock that is in below average condition. In 2008, this property was purchased for $1,100,000 or $42.75/SF. Since the sales date, the owners have spent over $1,300,000 in site and capital upgrades in efforts to restore the subject improvements to a fully operational seafood processing plant. The adjusted sales price is $2,400,000 or $93.26/SF. The buildings are in average condition overall, but are adequate for functional operations.

Kenai Landing

Sale Comparison No. 4 is the June 2012 purchase of Kenai Landing, located near the mouth of the Kenai River. The plant was converted to condominiums prior to the sale (Units 1 through 4). The primary improvements include the main plant, warehouse, bunkhouse and engineering building. The gross building area is estimated at 35,992 SF. The project includes a large dock and ramp area. The site includes about 235,660 SF of uplands and 113,256 SF of tidelands. The steel frame processing plant was in average condition and the bunkhouse was in below average condition. This sale was a non-arm's length transaction between family members; however, the sales price was determined by a market value appraisal. This sale is considered a market transaction because it was based on appraised value. The sale price was $1,950,000 or $54.18/SF.

Cordova Seafood Processing

Sale Comparison No. 5 is the November 2004 sale of Cordova Seafood Processing, located at 301 Seafood Lane in Cordova. Cordova is a small town fronting the Prince William Sound, just southeast of Valdez. The improvements consist of seven buildings. The main plant had a fire in 2001 and was rebuilt in 2002 at a reported cost of $15,000,000. This is a two-story structure with a freight elevator. The main seafood plant structures for a U-shaped and the housing and other support buildings are located across the street from the main plant. The gross building area is 116,984 SF. The sale price was $4,000,000 or $34.19/SF. Note the cost of the rebuild was estimated at over $15,000,000, indicating significant external obsolescence of at least 73% considering a component of the sale is land.

Coffee Point Seafoods

Sale Comparison No. 6 is the July 2014 sale of the International Seafoods (ISA) processing plant by Coffee Point Seafoods of Washington. The seafood facility is located at Coffee Point which is near the mouth of the Egegik River on the shore of Bristol Bay. This property is a short drive south of the Sale No. 7. The plant consists of multiple buildings including office, power house, processing, big house, mess hall, cold storage and truck shop among others. The total GBA is estimated at 41,390 SF according to information provided by the owner. The project does not include a dock and the fish is driven to the plant via ATV's and trucks. The buyer of the facility was the previous tenant and the equipment was already owned by the buyer. The sale included primarily real estate only. The site includes about 386,377 SF or 8.87 acres of uplands. The buildings were all constructed around 1980 and are in average condition. The sale price was $1,370,000 or $33.10/SF.

Big Creek Seafood Plant

Sale Comparison No. 7 is the January 2008 sale of the Big Creek processing plant located north of Egegik River, in Egegik, Alaska. This is an irregular shaped tideland parcel situated on the east bank of Big Creek containing 79.98 acres (3,483,923 SF). Ocean-going vessels can access the site from Big Creek along the western edge at various stages of the tide. At low tide, most of the site is generally "dry" and inaccessible to vessels. With the exception of the site area developed with buildings (area with filled soils is about five acres or 217,800 SF), the balance is mostly wetlands or lake. Improvements include the salmon plant (made up of several connect structures), various bunkhouses and cabins, a warehouse/bunkhouse, cookhouse, repair shop, office and support buildings. The combined gross building area at the time of the sale was 44,504 SF. The structures reported ages is from 1985 through 2012. There is also a dock (seawall that is filled) that portions are in below average condition, but the surface area was recently paved. The sales price was $472,000 or $10.61/SF. Soon sale the buyer spent about $584,007 upgrading the buildings. The purchase price was $1,056,007 or $23.73/SF adjusted for the upgrades/repairs made by the buyer.

Copper River Seafoods

Sale Comparison No. 8 is the May 2015 sale of the Extreme Seafoods processing plant located north of Naknek River, in Naknek, Alaska. This portion of This location is near the mouth with Kvichiak Bay. This area is with 15 miles east of King Salmon which is a larger community that offers an airport with jet service. This sale includes about 209,089 SF of leasehold tideland, 62,110 SF of low-lying fee simple land and 128,290 of uplands (399,489 SF total area). Improvements include the salmon plant, warehouse various bunkhouses galley and other support buildings. The combined gross building area is 22,572 SF. The structures reported age verily but the main plant appears to be built in 1991. There is also 8,085 SF dock area. Soon sale the buyer spent significant upgrades on the retaining wall and almost all new processing equipment. The sale price was $4,153,256, with some owner financing. We estimate about $200,000 in inventory and equipment as part of the sale. The adjusted purchase price is $3,953,256 or $175.14/SF.

Icicle Foods – Egegik

Sale Comparison No. 9 is the March 2005 sale of a processing facility in Egegik. The Icicle Seafood's purchased this property from Woodbine Alaska Fish Company. The buildings on this property are capable of full-scale salmon plant operations. The cannery itself is quite old having been established in the 1890's and several of the buildings dating back to the 1920's and 1930's are still in use, each having the massive wooden beam construction common to that period. The gross building area is 275,000 SF. This sale included 84.28 acres of uplands and 6.62 acres of tidelands. The sale included inventory and payment of liens. The sale price for this property was reported at $400,000 or $1.45/SF. Note picture was provided by the Icicle website. Since the sale, the new owners have spent "millions" on building and FF&E upgrades.

SUBJECT'S SALES HISTORY

After operations shut down in the late 1990's, it was listed for sale for numerous years at $3,000,000 or $26.88/SF. It was purchased on March 14, 2003 by Port Baily Wild Enterprises. The purchase price was $456,013 or $4.09/SF. The 50/50 buyers were Mr. Shane and Mr. Scharf. There were financial issues and Mr. Scharf's position was purchased by PB Energy Inc. on July 22, 2010 for $65,000 (for 50%). It is our understanding PB Energy, Inc. is owned 50% by the Shanes and 50% by the Sutherlands. Most of the money paid by the Sutherlands went to pay back property taxes. The sellers were heavy motivated as they were on the verge of losing the property.

The Sutherlands (50% owners of PB Energy) operated a barge company and used the site for their business, including using the site for storage. In December 3, 2016, there was harsh weather (significant winds and waves) and Brent Marine (operated by Sully Sutherland) had two boats tied to the subject's main dock and damage was incurred.

The subject is currently used by the Shanes as their year-round residence and they operate a company called Alaska Rug Company. This small business primarily operates out of the Blair House and they use some of the warehouse space to store material. The Shanes operate the business with no employees. They send product out using the mail service that offers two flights (pick-ups) a week (Island Air).

In the last few years the subject has had minimal upgrades except for about $100,000 in upgrades to the core residential improvements. The balance of buildings and dock could be upgraded if there becomes demand above a private residence or small lodge. However, it is unlikely a use could be found that could take advantage

of the docks and abundance of warehouse buildings. Overall, we would expect the subject would sell for a somewhat higher price in todays market.

ANALYSIS SEAFOOD PLANTS

As shown, the sales indicate a wide SP/SF range of $1.45/SF to $325.04/SF. There is a strong correlation between the strength of the fishery and the corresponding sales price.

The high end of the range (Comparison No. 1 - $325.04/SF) and (No. 2 - $127.98/SF) are both located in the City of Kodiak and are far superior to the subject due to their location. The subject is significantly inferior.

Comparison No. 8 ($175.14/SF) was located a strong fishery and was in far superior condition. It is clearly superior to subject. This is also the case with Sales Comparison No. 3 ($42.75/SF). Sale No. 4 ($54.18/SF) is located in Kenai and is superior due to its location near a city and airport.

The balance of the sales range from $1.45/SF to $34.19/SF. Comparison No. 5 ($34.19/SF) was nearly new as it was mostly rebuilt after a fire. However, it demonstrates the economic obsolescence in weak fisheries. Still, given its overall condition, we would expect a much lower SP/SF for the subject.

Sales No. 6 ($33.10/SF) and No. 7 ($10.61/SF) are located along the same beach in Egegik. Sale No. 6 sold when the fishery was stronger that Sale No. 7. We would expect the subject would fall near No. 7.

Sale No. 9 ($1.45/SF) is interesting as it was a large plant that needed significant upgrades. It was purchased and the buyers spent millions to bring it back to a full processing plant. The majority of the subject's former processing buildings are in similar condition. Still, the subject is considered superior as it offers a scenic setting and has potential for a lodge operation.

Based on the above discussions, we have arrayed the sales relative to the subject in the following table.

Comparative Analysis

Comparable	SP/SF	Comparability
1 – Former AK Fresh	$325.04	Superior
8 – Copper River	$175.14	Superior
2 – Former Western	$127.98	Superior
4 – Kenai Landing	$54.18	Superior
3 – Snopac Seafood	$42.75	Superior
5 – Cordova Seafood	$34.19	Superior
6 – Coffee Point	$33.10	Superior
Subject	- - -	- - -
7 – Big Creek	$10.61	Similar
Subject 2003	$4.09	Inferior
9 – Icicle Seafoods	$1.45	Inferior

In light of the above discussion, we reconcile a value range for the subject through the Sales Comparison Approach of $38.00/SF to $42.00/SF. The following table calculates the resulting value range for the subject under the scenario the December 3, 2016 dock damage did not happen.

Sales Price/SF Analysis *

Size	SP/SF	Indicated Values
111,598 SF	$10.00	$1,115,980
111,598 SF	$12.00	$1,339,176

**Analyzed under that the scenario the December 3, 2016 dock damage did not happen.*

We round the indicated values to a range between **$1,100,000 to $1,350,000.**

SUMMARY

Through comparative analysis, we conclude the following value ranges:

Indicated Value by the Sales Approach:

$1,100,000 to $1,350,000 *

** Analyzed under that the scenario the December 3, 2016 dock damage did not happen.*

INCOME CAPITALIZATION APPROACH

Anticipation of future benefits is the economic premise of the income approach. Value can be measured by estimating the present worth of all rights to these future benefits (income and reversion).

There is no active rental market for former seafood plants in Alaska. Also, while the subject could operate partly as a lodge, no market has been estabaliblished. Because rental income is not a significant factor potential buyer would not typically place any reliance on the Income Capitalization Approach. Omission of the approach does not reduce the credibility of the analysis.

RECONCILIATION

In the foregoing analysis, the value of the subject has been analyzed under the Cost and Sales Comparison Approaches, with no value concluded by the Income Approach. The values indicated through the approaches are as follows:

Value Summary (Real Estate) *	
Cost Approach	$1,230,00
Sales Comparison	$1,100,000 to $1,350,000

** Under the scenario the December 3, 2016 dock damage did not occur.*

Reconciliation is the analysis of alternative conclusions to arrive at a final value estimate. The approach that represents market behavior and has employed the most reliable market data is given the most emphasis in reconciling to a final market value estimate.

Our research found a limited amount of relevant sales. The total values through the Sales Comparison Approach supports the values through the Cost Approach. The Cost Approach is typically the most reliable approach for special purpose properties such as the subject. In conclusion, we reconcile values at the Cost Approach figure.

In December 3, 2016 there was significant winds and waves and Brent Marine (operated by Sully Sutherland) had two boats tied to the subject dock. As described within the Improvement Description and Analysis chapter, there was damage to the main dock. The Marine Speciates report indicated no damage to the southern dock and any issues are from general deterioration. Additionally, the damage to the east section of the Main Dock would also fall under normal deprecation. As discussed, quotes to replace and fix the dock range from $642,404 to $1,020,000. As discussed in the Cost Approach, we estimate the depreciated value of the 1,800 SF of the missing dock area at $36,180. Obviously, this is far lower than the repair costs. Clearly, replacing the dock does not make economic sense. The impact on the overall property is minimal as the majority of buildings are 98% depreciated. Also, the currently used residential buildings (80% to 90% depreciated) do not need the dock for functional operations. The lowest repair bid is over 50% of the entire property value including land and the higher bid is above the entire improvement value (excluding land).

In measuring the impact of the damaged dock, we include the depreciated value of the missing dock area or $36,180. Additionally, the damaged area and the rough edges need to be cleaned up and debris removed from the water including a sunken dock crane. According to our conversations with the dock experts, the dock and edges and debris could be repaired for under $20,000. Adding this to the depreciated dock value of $36,180 is $56,180. With consideration to the crane loss, we conclude an overall property impact of **$60,000.**

The subject possesses good attributes to accommodate salmon and other seafood processing. It has good water access in on Kodiak, which historically one of the nation's top fishing ports. However, the subject seafood processing operation has been shut down for over 20 years. The subject's remote location makes it difficult to compete with the large, modern processing plants within the City of Kodiak. The processing plants in the City Kodiak have far lower operating costs as discussed within the market analysis chapter. The subject offers a scenic setting with excellent view amenities. It could be used as a fishing/hunting lodge, small scale processing plant or possible kelp/shell fish farming. However, none of the potential uses are obviously financially feasible. The most probable buyer for the subject would be an owner-user that would take advantage of the subject's scenic and remote location, using the property for a residence, lodge or small business.

We first analyzed the subject under the we analyze the hypothetical condition that is was not impacted by the December 3, 2016 storm. Based on our research and analysis, we are of the opinion that the market value, of the fee simple interest in the appraised property, as of May 17, 2019, is as follows:

One Million Two Hundred Thirty Thousand Dollars
$1,230,000

We estimate the loss attributed to the dock damage by the barge on December 3, 2016 at **$60,000**.

Based on our research and analysis, we are of the opinion that the "as is" market value, of the fee simple interest in the appraised property, as of May 17, 2019, is as follows:

One Million One Hundred Seventy Thousand Dollars
$1,170,000

The market value conclusions are based on a marketing period of up to twelve months assuming diligent efforts. Your attention is directed to the Certification and Limiting Conditions for an explanation of restrictions and limitations of this appraisal.

North Pacific Advisors, LLC
Commercial Real Estate Appraisers and Consultants
Gregory S. Wing, MAI
200 West 34th Avenue, Suite 403
Anchorage, Alaska 99503

Gregory S. Wing, MAI

Appraiser Qualifications

State of Alaska Certified Real Estate Appraiser – General
Certificate No. 204
Expiration Date: June 30, 2019

Gregory S. Wing, an Alaska resident since 1973, is a 1990 graduate from the University of Alaska Anchorage with a Bachelor of Business Administration in Finance. He joined Shorett & Riely / Kincaid & Riely as a commercial appraiser in 1991, and left in April 1997 to establish Howard & Wing, and in 2011 started North Pacific Advisors, LLC.

Mr. Wing has completed over 1,000 commercial appraisals. Appraisal experience includes assignments in Anchorage and various communities throughout Alaska, as far reaching as Barrow, St. George Island, Ketchikan and Dutch Harbor. This experience involved numerous property types: apartment, office, retail and warehouse buildings, complex properties, special-purpose facilities and raw land. Previous clients include banks, insurance companies, attorneys, government agencies and private property owners.

Mr. Wing holds the MAI professional designation of the Appraisal Institute, one of 5,900 members internationally. Only 5% of commercial real estate analysts achieve this designation. The mandatory continuing education requirements of the Appraisal Institute are fulfilled. He is a past President for the Alaska Chapter of the Appraisal Institute and maintains an ongoing role with this organization.

The following list provides examples of the appraisals completed:

HOTEL

Hotel Captain Cook
Cape Fox Hotel – Ketchikan
Proposed Hotel – Kenai Peninsula
Days Inn
Puffin Inn
Best Western Barratt Inn
Breakwater Inn – Juneau
Proposed Marriott Courtyard Hotel
Hotel Halsingland - Haines
Proposed Radisson Hotel
Grande Denali
Red Roof Inn (Kobuk Hotel)
Comfort Inn – Fairbanks
Breeze Inn
Microtel – Eagle River
Proposed Hyatt House
Barrow Hotel
Westmark Juneau Hotel
Comfort Inn
Proposed Hotel - Juneau
The Long House Hotel
Golden Lion Hotel
Uptown Hotel
Proposed Marriott Fairfield Hotel
Proposed Hotel – Seward
Best Western Seward
Executive Suites
Marriott Residence Inn
Proposed Springhill Suites
Eagles Nest Hotel
Black Angus Inn
Proposed Hyatt Place
Holiday Inn Express - Fairbanks
Bethel Hotel

OFFICE

188 Northern Lights Tower (Proposed)
Denali Towers
New York Life Building
AHFC Office Building
Carr Gottstein Building
Alyeska Office Buildings
Centerpoint II Office Building (Proposed)
Parkway Medical Building
Alaska Surgery Center (Proposed)
Tesoro Building
Capital Office Park - Juneau
Calais II Office Building
Alyeska Office Building- Valdez
3000 C Street Office Complex
United Way Office Building
Atrium Office Building
JL Tower Feasibility (Proposed)
Long Term Acute Care Hospital (Proposed)
Enstar Administrative Offices
Residential Mortgage Building (Proposed)
Commerce Building
Fish and Game Headquarters
Alaska Railroad Buildings
Denali Federal Credit Union
Bivin Plaza Office Building
CBA Building
Greatland Office Building
KeyBank Plaza Office Building
Proposed Downtown Office Tower
Proposed Midtown Office Tower
Campfire Office Building
Comtec Office Building

INDUSTRIAL

Airport Business Park
GE Supply Warehouse
SKS Office/Warehouse
Carlile Distribution (Deadhorse/Anchorage)
Veco Warehouse (Deadhorse)
AAA Fencing Warehouse (Proposed)
Todd Communications
Collville Properties (Deadhorse)
New Castle Building
Action Security Warehouse
Keystone Distribution Warehouse
Northland Business Center
Northgate Building – Eagle River
Alaska RV Office/Warehouse
Airport Travel Service Center
Schoon and King Street Warehouses
200/250 Post Road Warehouse Facility
Knik Arm Power Plant
Woodland Business Park
Arco Terminal Facility
Northern Air Cargo Hangar Facility
Corporate Express
Chevron Terminal Facility
MarkAir Office/Hangar Buildings
Lake Hood Air Harbor Building
Midtown Industrial Park
Danzas Warehouse
Glacier Movers Building - Fairbanks
Alaska Archives Building
Puget Pump & Supply Office/Warehouse
National-Oilwell Warehouse
Keller Supply Building
Proposed Hi-Tech Auto
Proposed Hultquist Warehouse
Northland Systems Building
FedEx Ground Distribution Center

RETAIL/RESTAURANT

Boniface Mall
Eagle Quality Centers (Homer, Valdez & Seward)
Westside Center – Wasilla
Phillips Plaza – Wasilla
Office Max
University Center Mall
Swanson's Stores (three retail facilities in Bethel)
Muldoon Mall
Als Bar and Inn
Wendy's
Dairy Queen (Proposed)
Island Restaurant
Foodland
Carl's Jr.
Country Kitchen
Harley Davidson Expansion
Tudor Square Retail Center
Hartley Motors Building – Wasilla
Alaska Builder's Cache
Boniface Plaza
Napa Auto Parts – Dutch Harbor
Alaska RR Center
Carrs Grocery Stores
Jewel Lake Bowling Facility
Space Station
Z Plaza Retail Strip Center
Pet Emergency Treatment (PET) Clinic
Avanti Clinic
Mercedes Dealership
Tundra Tykes

MULTI – FAMILY PROPERTIES

Alpine Apartments
Club at Eagle Point
Panoramic View Apartments
Russian Jack Apartments
Woodland Apartments
Northern Lights Apartments
Continental Apartments
Dimond Willow Apartments
Mulcahy View Apartments
Nelchina/Susitna Apartments
Hampstead Heath Apartments – Proposed
Outlook Apartments
Baroness Apartments
Greenbriar Apartments
Sophie Plaza Apartments
Jillian Square Apartments
Verde Lane Apartments
International Apartments
Sharilyn Arms Apartments
Sunrise East Apartments
Tudor Park Apartments
Village Commons Condominiums
Terrace on the Lake Apartments
Arctic Sun Apartments
Campbell Creek Apartments
Independence Park Apartments
Medfra Apartments
Brighton Park Apartments – Proposed
Southside Senior Center - Proposed
Kinnear Park Apartments
Alaska Pacific University Housing
Mariners View Apartments
5th & M Condominiums
Park Plaza
Anchorage Corporate Suites
Aurora Military Housing

SPECIAL PURPOSE PROPERTIES

Westward Seafoods - Dutch Harbor
Alyeska Seafoods - Dutch Harbor
Sea-Land Properties - Dutch Harbor
Ocean Beauty Seafood – Kodiak
Best Storage (Mini-storage)
Dimond Estates Mobile Home Park
Apartment Housing Study
Proposed Mini-Storage Facility
Malaspina Properties
Valdez Man Camp
Glennallen Medical Building
The Dome
Santa Claus House and Antler Academy Expansion
H2Oasis Waterpark
Subway Center Ice Rinks
Aurora Man Camp – Deadhorse
Brooks Range Man Camp - Deadhorse
Snopac Housing Facility - St. George Island
Aleutian Dragon Fisheries - Chignik Bay
Seawhawk Seafoods - Valdez
C Street Concrete Facility
LaMex Restaurant
Best View Mobile Home (RV Park)
Millers Mobile Home Park
70 Acres Alyeska Basin Properties
MarkAir Terminal – Barrow, Alaska
U. S. Post Office – King Cove, Alaska
Mapco Terminal Facility
ASI Seafood Plant
Settlers Bay Golf Course
O'Malley Sports Center
Prudhoe Bay Hotel - Deadhorse
Changepoint
Dimond Airport Parking

The following is a partial list of previous appraisal clients:

Great Western Bank
Seattle First National Bank
Key Bank of Alaska
Northrim Bank
Trillium Corporation
Bank of Tokyo, LTD.
Freddie Mac
Bank of America
Anchorage Neighborhood Housing Services, Inc.
MarkAir
Key Bank of Washington
First Interstate Bank of Oregon, N.A.
National Bank of Alaska
Security Pacific Bank, N.A.
First National Bank of Anchorage
Industrial Bank of Japan
Hickel Investment Company
Bond, Stephens & Johnson, Inc.
Wells Fargo Bank
Chevron USA
U.S. Bancorp
MAPCO