

**LIMITED APPRAISAL OF THE LEASEHOLD  
INTEREST OF A 7.07 ACRE PORTION OF ATS 4,  
INCLUDING TWO PARCELS  
ALSO KNOWN AS TAX LOT 6A AND TAX LOT 6C,  
COMMONLY KNOWN AS THE  
SKAGWAY ORE TERMINAL IN SKAGWAY, ALASKA**



Skagway Community 100\_0914

**PREPARED FOR:** Jim McMillan, Deputy Director of Development  
John Wood, P.E.  
Alaska Industrial Development and Export Authority  
813 West Northern Lights Boulevard  
Anchorage, Alaska 99503

**PREPARED BY:** William G. Ferguson  
Charles E. Horan, MAI  
HORAN & COMPANY, LLC  
403 Lincoln Street, Suite 210  
Sitka, Alaska 99835

**EFFECTIVE DATE:** November 16, 2005

**REPORT DATE:** November 23, 2005

**OUR FILE NO:** 05-094

# HORAN & COMPANY, LLC

403 LINCOLN STREET, SUITE 210 SITKA, ALASKA 99835

TELEPHONE (907) 747-6666 FAX (907) 747-7417 EMAIL [appraisals@horanappraisals.com](mailto:appraisals@horanappraisals.com)

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CHARLES E. HORAN, MAI / WILLIAM G. FERGUSON, TIMOTHY W. RILEY, JOSHUA C. HORAN

KAREN WILLIAMS, MOJO WENTWORTH, JACQUE WALTON

REAL ESTATE APPRAISERS / CONSULTANTS

November 23, 2005

Jim McMillian, Deputy Director of Development

John Wood, P.E.

Alaska Industrial Development and Export Authority

813 West Northern Lights Boulevard

Anchorage, Alaska 99503

Re: Limited Appraisal of the Leasehold Interest of a 7.07 Acre Portion of ATS 4 Including Two  
Parcels Also Known as Tax Lot 6A and Tax Lot 6C, Commonly Known as the Skagway  
Ore Terminal in Skagway, Alaska;  
Our File No. 05-094

Dear Sirs:

At your request we made a limited market value estimate of the leasehold interest of the land and improvements found at the Skagway Ore Terminal. Per your direction, this is a limited report in that we have not considered the market demand for such a facility and we have only analyzed the value based on a depreciated cost. Based upon our analysis it is our opinion that the subject property, as of November 16, 2005, has a value as follows:

\$9,250,000

Nine Million Two Hundred Fifty Thousand Dollars

The appraisers have worked hand-in-hand with Mr. Bill Wong, Engineer of Sandwell of British Columbia to provide depreciated cost values of the improvements and equipment. We have reviewed and accepted this work for the purpose of this appraisal assignment.

It is our understanding Alaska Industrial Development and Export Authority (AIDEA) is the intended user of this limited appraisal service and the intended use is to help develop a rational basis to negotiate a possible sublease of the facilities at Skagway. To this end, we have estimated a minimal annual market rent of 14% of the depreciated cost value plus leasehold interest in the land would be reasonable assuming there is economic demand for the facility. We refer to this as minimum rent in regard that it is the net income required and does not compensate the sub-lessor (AIDEA) for required contingency for vacancy, credit loss and other reserves, if applicable. It also does not compensate AIDEA for managing administrative costs relative to the facility such as compliance inspections, engineering and other management functions which may need to be added

Jim McMillian, Deputy Director of Development  
John Wood, P. E.  
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November 23, 2005

to the net recapture minimum rent. This rental lease rate assumes on a net basis whereby the sub-lessee would pay the sub-lessor's ground rent, real estate taxes, insurance and other managing and operating expenses.

Your attention is invited to the remainder of this report, which sets forth the assumptions and limiting conditions, Certification of Appraisal, and the most pertinent data considered in estimating the market value of the subject property. This appraisal report is intended to comply with the rules and regulations set forth by the Uniform Standards of Professional Appraisal Practice (USPAP) as a limited report. This report is subject to the bylaws and regulations of the Appraisal Institute.

Thank you for this opportunity to be of service to you. If you have any questions or comments, please feel free to contact us at your convenience.

Sincerely,

HORAN & COMPANY, LLC



William G. Ferguson, Real Estate Appraiser  
AA58



Charles E. Horan, MAI  
AA41

WGF/CEH:adw

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QUALIFICATIONS OF WILLIAM G. FERGUSON, REAL ESTATE APPRAISER

QUALIFICATIONS OF CHARLES E. HORAN, MAI

## CERTIFICATION OF APPRAISAL

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We 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.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our 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.
- 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 & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to the review by its duly authorized representatives.
- William G. Ferguson made a personal inspection of the property that is the subject of this report on October 11, 2005 with John Wood, P.E. representing the owner. Charles E. Horan, MAI, is familiar with the property and has inspected the property on previous occasions, but not specifically for this report.
- No one other than Bill Wong, PE, of Sandwell, Inc. provided significant real property appraisal assistance to the persons signing this certification.
- As of the date of this report, Charles Horan has completed the continuing education program of the Appraisal Institute.



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William G. Ferguson, Real Estate Appraiser

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November 16, 2005

Effective Date



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Charles E. Horan, MAI

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November 23, 2005

Date of Report

## 1 INTRODUCTION

### 1.1 PROPERTY IDENTIFICATION

The subject property is approximately 7.07 acres in size and is located near downtown Skagway. This area is commonly called the Skagway Ore Terminal and is adjacent to the White Pass Ore dock where cruise ships tie up through the busy, summer months.

The legal description of the subject site is: a portion of ATS 4, Skagway Townsite, Skagway Recording District, First Judicial District, State of Alaska. A completed metes and bounds description for the two parcels under appraisal and the maps which attend to these descriptions are contained in the Addenda of this report. No title report has been provided to the appraisers. The size is based on the the combined size of the 6.7 acre ore terminal parcel (Tax Lot 6A) and the .37 acre parcel (Tax Lot 6C) where the fuel tanks are located.

### 1.2 OSTENSIBLE OWNER

As further detailed in the explanation of the various land leases that impact the subject property, the ostensible under-lying fee land owner is the City of Skagway. They entered into a long term lease with Pacific Arctic Railroad and Navigation Company (PARN). PARN, in turn, sub-let it to a wholly owned subsidiary Skagway Terminal Company (STC). STC entered into a sales agreement with AIDEA, who purchased the leasehold. AIDEA is now contemplating a sublease of the facility to Cash Minerals or other entities. For the purpose of this appraisal, we will refer to AIDEA as the sub-lessor. We will refer to the perspective new tenant as the sub-lessee.

### 1.3 PURPOSE AND SCOPE OF APPRAISAL

AIDEA took possession of the subject property in 1990 and after an unsuccessful two year lease to a bulk ore exporter out of Canada, it has for the most part lain idle. Recently, AIDEA has been in discussion with Cash Minerals of British Columbia for a possible use of the facility. Cash Minerals is currently doing their feasibility study to determine if it is economically sound to develop their resources in Canada and use the subject property as a transshipment terminus for their material. As a basis for discussion of possible rent, AIDEA has requested a limited evaluation consisting only of the depreciated Cost Approach of the improvements with regard to condition plus the leasehold interest of the land. No Market Comparison Approach or Income Approach has been used. This limited evaluation then is the basis for possible future negotiations after economic feasibility assessments are made by other parties.

This appraisal report has been prepared for the exclusive use of AIDEA, the intended user, to assist with determining a possible rent of the site and its improvements, the intended use. No consideration is given to economic demand or market analysis of sales of properties with similar improvements. The appraisers are not building inspectors or soils engineers. This report should not be relied upon to disclose any conditions present in the subject property. This appraisal report does not guarantee the property is free from defects. In 1990, AIDEA put about \$11 million into environmental upgrades. These comments are intended to be a permanent part of the report.

This appraisal may not be used or relied upon by anyone other than the client, for any purpose whatsoever, without the express written consent of the appraisers. As requested by the user, this is a limited report which is designed to meet the Standards of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice (USPAP), and the client's standards and guidelines.

Horan & Company, LLC does not possess in its staff the experience to evaluate and develop a condition depreciated replacement cost for many of the specialty structural building components, equipment and fixtures associated with the site. With the concurrence of the client, AIDEA, we have contracted Sandwell Engineering, Inc., of Vancouver, British Columbia, Bill Wong, Professional Engineer, to develop these depreciated replacement costs. We have reviewed their work, accepted and relied upon it for this limited valuation assignment. The replacement costs of the other components have been developed relying on the Marshall Valuation Cost Manual, interviews with local and regional contractors, and reliance on our experience of these types of improvements over the last 25 years. The leasehold interest in the land was calculated based on the rent savings method using comparable market land rent for similar situated sites.

The estimate of market rent is contingent upon the hypothetical supposition that there is a current economic demand for the facility at its estimated depreciated value based on condition. Lacking direct comparable rents, an income recapture and yield analysis was developed to estimate an annual required return on the facility, which could then be built into a rent structure.

Comparable land rent data was based on searches of title company and city assessment records to ascertain changes of ownership. Generally, interviews are conducted with primary market sources such as buyers, sellers, lenders, brokers, appraisers, assessors, lessors, lessees, and attorneys to gather more information about the transactions. Horan & Company, LLC has maintained a library of comparable sales data for over 20 years in the Southeast Alaskan market.

#### **1.4 PROPERTY RIGHTS APPRAISED**

The property is appraised in leasehold interest of AIDEA. We have been supplied several land leases that affect the subject properties and have summarized them further under the property description section of this report. It is a foundational assumption of this report that AIDEA is in possession of the leasehold estate which flows from the head lease from the City of Skagway and terminates approximately March 16, 2023.

#### **1.5 INSPECTION AND EFFECTIVE DATE**

The subject property was inspected by William G. Ferguson on October 11, 2005. The report development continued into November 2005. To correspond with an even date of the lease expiration, which is March 16, 2023, the effective date of the report estimated as November 16, 2005, leaving 208 months or 17.3 years to continue on the lease. Charles Horan inspected the property on previous occasions, but not specifically for this report.



### **1.6 THREE YEAR SALES HISTORY**

The subject has not been sold or purchased in the last three years. AIDEA acquired the property in July 1990. The purchase price was about \$14 million. An additional \$11 million was invested to bring the facility up to an environmentally friendly operating condition for a sublease with Curragh Resources, Inc. The total investment of \$25 million was leased on a net basis for 2.9 million dollars per year. The lease term went for two years then did not perform. Documents reviewed by the appraisers show how the leasehold apparently has been conveyed to AIDEA for the ore terminal property, Tax Lot 6A. A clean chain of title has not been shown to the appraisers for the tank farm lot, Tax Lot 6C, but it is assumed AIDEA similarly possesses the leasehold interest.

### **1.7 ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal report and valuation contained herein are expressly subject to the following assumptions and/or conditions:

#### **Limited Hypothetical Conditions**

One of the limiting hypothetical conditions of this appraisal is that there is an economical demand for the property sufficient to support the depreciated value based on condition and the leasehold interest in the land based on its highest and best use. The feasible use of the facility is currently being studied by others.

#### **Extraordinary Assumptions**

This report is based on the following extraordinary conditions

- A) The site is free from any environmental contamination, debris, toxins, hazardous materials or other substances on the surface, in the surface, affecting the buildings, furnishings or equipment that would inhibit its development to its highest and best use or as valued herein.
- B) AIDEA is in possession of the leasehold title as described herein. That is they are the sub-lessor in owning and possessing all of the leasehold interest in the land and the buildings as affected by the head lease with the City of Skagway and that no other entity has an interest in the property. It is assumed that AIDEA is not economically obliged to any other sub-lessees which create additional economic obligations. The lease is assumed to expire about March 16, 2023.
- C) No in depth engineering, materials testing or inspection other than visual surface inspection has been done by Sandwell, Inc., or Horan & Company, LLC and no warranty is given for its adequacy for a particular use or structural competence.

#### **General Assumptions and Limiting Conditions**

- 1. It is assumed the data, maps and descriptive data furnished by the client or his representative are accurate and correct. Photos, sketches, maps, and drawings in this appraisal report are for visualizing the property only and are not to be relied upon for any other use. They may not be to scale.



2. The valuation is based on information and data from sources believed reliable, correct and accurately reported. No responsibility is assumed for false data provided by others.
3. No responsibility is assumed for building permits, zone changes, engineering or any other services or duty connected with legally utilizing the subject property.
4. This appraisal was made on the premise that there are no encumbrances prohibiting utilization of the property under the appraisers' estimate of the highest and best use.
5. It is assumed the title to the property is marketable. No investigation to this fact has been made by the appraisers.
6. No responsibility is assumed for matters of law or legal interpretation.
7. It is assumed no conditions existed that were undiscoverable through normal diligent investigation which would affect the use and value of the property. No engineering report was made by or provided to the appraisers.
8. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
9. The value estimate is made subject to the purpose, date and definition of value.
10. The appraisal is to be considered in its entirety, the use of only a portion thereof will render the appraisal invalid.
11. Any distribution of the valuation in the report between land, improvements, and personal property applies only under the existing program of utilization. The separate valuations for land, building, and chattel must not be used in conjunction with any other appraisal and is invalid if so used.
12. One (or more) of the signatories of this appraisal report is a member of the Appraisal Institute. The bylaws and regulations of the Institute require each member and candidate to control the use and distribution of each appraisal report signed by such member or candidate. Therefore, except as hereinafter provided, the party for whom this appraisal report was

prepared may distribute copies of this appraisal report in its entirety to such third parties as selected by the party for whom this appraisal report was prepared; however, selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatories of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communication without the prior written consent of signatories of this appraisal report.

13. The appraisers shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described herein unless prior arrangements have been made.

## 1.8 DEFINITIONS

### Market Value

Market Value is defined as: *The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.*

*The Dictionary of Real Estate Appraisal, Third Edition, 1993, Appraisal Institute, page 222.*

Implicit in this definition is consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what he considers his own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 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.

### Fee Simple Interest

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

*Dictionary of Real Estate Appraisal, Third Edition, Page 140.*

### Leasehold Interest

The interest held by the lessee (the tenant or renter) through a lease conveying the right of use and occupancy for a stated term under certain conditions.

*Dictionary of Real Estate Appraisal, Third Edition, Page 204.*

**Leased Fee Estate**

An ownership interest held by a landlord by the rights of use and occupancy conveyed by lease to others. The rights of lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.

*Dictionary of Real Estate Appraisal, Third Edition, Page 204.*

**Market Rent**

The rental income that a property would most probably command in the open market; the indicated current rents paid and ask for comparable space as of the date of the appraisal.

*Dictionary of Real Estate Appraisal, Third Edition, Page 221*

**Hypothetical Condition**

That which is contrary to what exists but is supposed for the purpose of analysis.

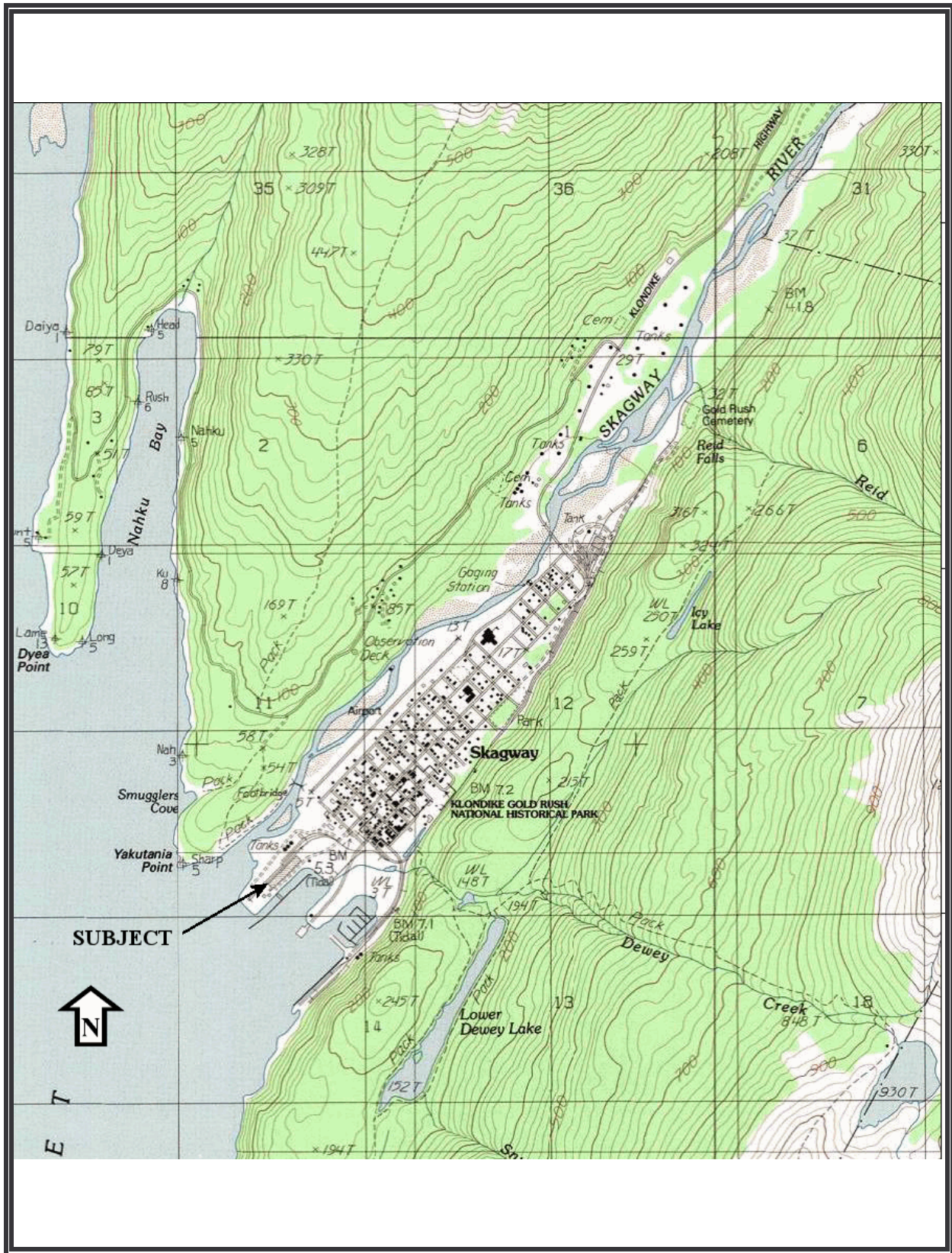
Comment: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

**Extraordinary Assumption**

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.





SKAGWAY AREA MAP

## 2 AREA ANALYSIS

### 2.1 SKAGWAY AREA ANALYSIS

Skagway is situated at the northern most point of the inside passage in Southeast Alaska. It is 90 air miles northwest of the state capital, Juneau. The town site is located on a level area at the mouth of the Skagway River and is surrounded by scenic, rugged mountains rising some 7,000' from sea level.

This small, historic community was first settled by Captain John Moore in the 1880s who saw the potential of the area as a port of entry into the Alaskan and Canadian interiors. Its sleepy, slow growth exploded with the discovery of gold in the Klondike and the subsequent stampede over the trail of 1898 which began in Skagway. Skagway soon became the first incorporated city in Alaska. It has been an important port of entry into the interior since the earliest days. The relics and convivial life style reminiscent of this era have been an interest to tourists throughout the years and culminated in the dedication of downtown Skagway as part of the Klondike Gold Rush National Historic Park in 1976 by President Gerald Ford.

### Conclusion

Skagway is an important transportation hub with highway access into the Yukon Territory and interior of Alaska tied into the deep water port accessing Lynn Canal and points south. Historically, it has been used for the shipping of mining products originating in the Yukon which traveled by rail prior to the completion of the highway. They shipped to points south. Skagway has also proven to be an important player in the tourism market of Southeast Alaska. The National Park Service presence, reserved historic character, White Pass Railroad, and the historic location of the community all serve to draw a large number of tourists on an annual basis. History shows tourism has been increasing over the past 11 to 12 years with several substantial spurts of growth. Along with this increase and demand for property, rental spaces and sales prices have increased substantially through the years after 2000. The future tourism outlook is expected to be continued stability for growth.

### 2.2 NEIGHBORHOOD ANALYSIS

The subject neighborhood is generally the waterfront of Skagway. This area is approximately 1/4 mile south of the downtown core and serves as access to town from the water including cruise ships, ferries, private boats and shipping vessels. Immediate improvements include several docks, the city harbor, a small lease for Petro Marine's fuel service for the harbor, a tank farm, the Temsco Heliport and the City owned airport building. There is an RV campground and two restaurants on leased lands on the east side of the waterfront. A bulkhead was recently developed along the harbor on the east side of the waterfront and a bulkhead is in the process of being developed to the north and slightly east of the subject.

Real estate prices in the neighborhood have been gradually increasing along with that of the Skagway market. We have made an analysis of various sales over the past ten years or so and have charted typical land appreciation in the Skagway market in general, showing the accumulative appreciation to the present time over the past several years. For example, if you have a sale from 1994, you would multiply it by 270% (base of 1 plus 170% appreciation) to arrive at a value for today.



Year	Accumulated Land Appreciation Factor	Annual Tourist Visitation
2005	0%	903,341
2004	10%	857,405
2003	20%	781,435
2002	20%	758,793
2001	30%	743,739
2000	60%	734,515
1999	70%	690,417
1998	80%	678,774
1997	110%	590,868
1996	130%	482,521
1995	150%	428,347
1994	170%	361,694

This small community has been driven by tourism since the early 1990s, not only from the highway, but from the marine highway and cruise ship visitors. It also serves as a waterfront hub for water related shipping from inland industries and communities.

The subject property was developed over 35 years ago to augment the transportation network of bringing ore concentrate and other materials out of the interior of Alaska and Canada to a deep water port for ocean going transfer. Other competing export ports have emerged in the State of Alaska and depending on the proximity of economically developable mineral or other resources, the viability of Skagway as an export point remains dependent. Skagway does have the advantage of a developed road and railroad to these interior markets. One of the presuppositions of this report is that there is demand for the subject facility as an export ore terminal.

### **2.3 MARKETING TIME AND EXPOSURE TIME**

One of the hypothetical conditions of the report is that there is viable economic demand which has not been demonstrated. Assuming there would be demand for this subject property as an export terminal, it is expected the market rent or sale could be achieved within 24 months. The exposure time for the subject property is likewise estimated at 12 to 24 months. Exposure time precedes an appraisal and is the time required to expose the subject property to the market. The subject property would be professionally marketed at the appraised value for the term of the marketing time. Consideration of supply and demand for these type of properties is made in the estimate of marketing and exposure time.





### **3 PROPERTY DESCRIPTION**

#### **3.1 SITE DESCRIPTION**

The subject site is a relatively long portion of land located between the Ore Terminal Dock and the road accessing Temsco Heliport and the subject. The land is not waterfront, but has access to the waterfront. The large portion of the site (Tax Lot 6A) is 6.7 acres in size. The site is somewhat irregular in shape and is approximately 1,293' long by approximately 197' wide for the most part. There is a wider section at the southern end. The site is level and is mostly paved in one way or another except for an approximate 165' x 300' area of lawn on the northern end. A small .37 acre portion of the site (Tax Lot 6C) juts out to the west serving as the fuel tank area. Total site under consideration is 7.07 acres.

As noted, the site is a portion of land within ATS 4.

#### **Utilities**

All public utilities except sewer are available to the site. This includes water and power.

#### **Topography**

The site is level.

#### **Access**

Access to the subject is along the paved road which also serves Temsco Helicopters. This road has sidewalk and curbs up to the area of the airport, but does not have curbing or sidewalk in the area of the subject. There is an access entrance from both the north and the south of the site. The site has dock access for off loading of its export bulk concentrate per contract with Skagway Terminal Company, the adjacent waterfront leaseholder.

#### **3.2 SITE IMPROVEMENTS**

Existing site improvements include extensive asphalt concrete paving, perimeter chain link fencing and some concrete paving as well as drainage and approximately one acre of lawn area at the northern end. The site is fully leveled.

#### **3.3 IMPROVEMENTS**

Subject improvements include an equipment wash building, a maintenance shop building, an office attached to a crew change area, and a lab building. Also, a small conveyor/cleanup/vacuum skid building is attached to the reclaim conveyor at the southern end of that structure close to the lab building. Included in the improvements are two upright fuel tank areas with containment walls. These improvements will be described in further detail by the appraisers within the Addenda of this report. Other materials handling facility infrastructure and equipment has been described and estimated by the engineering firm (Sandwell, Inc.) and are described in further detail, also in the Addenda. There is also a paved, concrete, equipment parking and wash area, a concrete work pad, and a paved, concrete, smaller pad to the south of the equipment wash building.

**3.4 ZONING**

The subject site is zoned Waterfront (W). This zoning area is generally to protect a relatively limited, developable, waterfront property in Skagway. Waterfront zoning generally allows for public, private, and commercial moorage, warehousing and storage, marine fuel, water and sanitation facilities, research and educational facilities related to the water, port, and harbor facility, seafood processing plant, boat storage yard, fish and shell fish propagation, parks and open space, and water dependent or related visitors services, as wells as sales related to maritime activity that require or benefit from a shoreline location.

**3.5 SUMMARY OF LEASEHOLD IN LAND**

**Prime Lease or Head Lease - Lease of Tidelands**

This is the head lease from the City of Skagway to Pacific Arctic Railroad and Navigation Company (PARN). It encompasses the entire tidelands water frontage in Skagway from the Skagway River east to the ferry terminal. It is summarized as follows:

- Lessor:* City of Skagway
- Lessee:* PARN
- Date of Lease:* March 19, 1968
- Demised Premises:* 70.226 acres, a portion of ATS 4
- Term:* 55 years, expiring 2023 - remaining term 17.5 years
- Rent:* Original annual rent \$3,600 for tidelands in their “as-is” condition. Rent to be adjusted at five-year anniversary based on appraisal of the tidelands in their pre-developed condition at a rate of 6% per annum of its estimated value. Current rent is \$99,420/yr based on reduced area of 6.65 acres.
- Purpose of use of Leasehold:* The lessee was given the privilege to dredge deepwater moorage basin and to raise the surface of the land for industrial use. These improvements were made; the ship basin is sufficient for two ocean-going vessels and a barge ramp operation. About half the lease premises was subsequently filled and supports a variety of upland and water-related uses.
- Assignment:* All or portions of the leasehold could be assigned without hindrance from the lessor for all stated purposes.

**Tax Lot 6A Ore Terminal Sublease Number 1 - Recorded in Book 6, Page 193, Skagway, AK**

- Date:* April 1, 1981
- Sub-lessor:* PARN
- Sub-lessee:* Skagway Terminal Company
- Note:* Skagway Terminal Company was a wholly-owned subsidiary of PARN, optioned by Cypress Anvil Mining Corporation to sublease from PARN pursuant to a shipping agreement, which the appraisers have not reviewed, and it is assumed that it has been terminated and is not exercised.

*Term:* Lease term identical to head lease, expiring March 17, 2023.  
*Annual Rent:* 78.5% of the annual rent payable under the head lease.  
*Taxes:* Sub-lessee pays all taxes on its subleased areas, including improvements to lands, the buildings, and personal property.  
*Access:* Sublessor reserves the right to reasonable access to and ingress from subleased lands during the term of the lease.  
*Termination:* Sub-lessee may remove its fixtures, furnishings, and chattle from premises within 60 days of termination. It must also pay holdover rent during such disposal. Sub-lessee will reimburse sub-lessor for any costs for removal or repairs necessary for removal of the sub-lessee’s tenant improvements, fixtures, and chattle. Any remaining tenant fixtures and chattle not removed will be the property of the sub-lessor without compensation to the sub-lessee.  
*Other Expenses:* Insurance indemnification, etc., to be paid by sub-lessee to hold sub-lessor harmless, typical of net land lease.  
*Other Provisions of Lease:* See sublease recorded in Bk 6, Pg 193 onward, Skagway Recording District

**Tax Lot 6C Ore Terminal Sublease Number 2** - Recorded in Book 6, Page 212, Skagway, Ak  
*Date:* July 24, 1990  
*Sub-lessor:* PARN - of the first part  
*Sub-lessee:* Skagway Terminal Company (STC) - of the second part  
*Subtenant:* Alaska Industrial Development and Export Authority (AIDEA) - of the third part  
*Note:* The recitals of the sublease acknowledge the head lease, the first sublease, and that they have been approved by the Skagway City Council.  
*Lease premises:* Described by metes and bounds in Book 6, Page 235, Skagway Recording District, totalling 6.70 acres, more or less. This is the Ore Terminal site and related lands adjacent to the ship basin.  
*Access:* STC reserves right of access for itself and PARN to the roads through subject premises as long as they do not interfere with subtenant’s use of such roads.  
*Term:* The term mirrors the head lease, expiring March 16, 2023  
*Rent:* Rent is calculated as the percentage of space use from the head use at 9.54%, and comprises that prorated portion of the original lease (6.7 acres is 9.54% of 70.22 acres).  
*Taxes, Insurance, etc:* Subtenant responsible for all taxes, insurance, maintenance of leasehold, indemnification of the parties of the first and second parts, and other terms typical of the net land lease

*Termination:* The subtenant shall leave, surrender, and yield to STC the subleased lands, but will have 60 days to remove its tenant fixtures and chattle, or may, with written consent of STC, sell tenant fixtures and chattle to succeeding sub-lessee. Any fixtures, etc., not removed from subleased lands and all improvements become the property of STC without compensation. Any holding over will be based on prorated rent.

*Other terms and provisions of Sub-lease:* See Book 60, Page 212 onward, Skagway Recording District.

**Tax Lot 6A Ore Terminal Purchase Agreement - Not recorded**

*Date:* July 24, 1990  
*Seller:* PARN and STC, collectively referred to as White Pass  
*Buyer:* AIDEA  
*Assets Purchased:* A. Ore Terminal Storage Building;  
 B. Shop with extensions, furnace room, etc.;  
 C. Laboratory with attachments, contents, etc.;  
 D. Electrical building with attachments, contents, etc.;  
 E. New wash pad and terminal wash building, etc.;  
 F. Ship loader and conveyors to and from the terminal building and all infrastructure and attachments, but excluding any portion of the dock, and including supporting cement pads and steel piling;  
 G. Sublease of lands subject to the terms and conditions of such sublease;  
 H. Water, electrical, and sewer systems owned by White Pass on the subleased lands;  
 I. The right to use the dock and dock approach on specific terms and conditions;  
 J. Access easement along the road to the leased premises; and  
 K. Certain improvements being made to the facility required by AIDEA under separate schedule.

*Note:* Assets described specifically exclude any transfer of title to the dock or any leasehold interest in lands outside the subleased lands. The sale of the purchased assets is subject to the rights of the City of Skagway upon termination of the head lease.

*Purchase Price:* \$14,274,063.33 US

*Environmental Considerations:* At the time of purchase, White Pass was in the process of cleaning parts of the area, according to schedules and agreements not attached or reviewed by the appraisers. It is assumed that environmental cleanup issues have been addressed and that the leasehold land and improvements will be able to continue to operate to fulfill its contemplated use. This appraisal does not

make any comment on the suitability of the property for that or any other particular use.

*Use of Purchased*

*Assets:*

“Only for the handling of outgoing, free-flowing bulk-mined products and for no other purpose, unless White Pass otherwise approves, which approval may be arbitrarily withheld.”

*Use of Dock:*

White Pass will use its best efforts to provide dockage to ore ships at the dock in an expedient fashion, with certain reservations. AIDEA and its agents, successors, etc., will adhere to rules and regulations relating to dockage of White Pass and any regulatory agency having jurisdiction. AIDEA will have the right to use the dock for ore ships arriving to load outgoing, free-flowing, bulk-mined products that will be loaded from the terminal in consideration of payment of the dockage charges and for tying and untying ore ships and operating, repairing, and maintaining the ship loader and for related activities. White Pass will give tourist ships priority for dock usage. AIDEA will pay tariff rates of White Pass as posted at Skagway or filed with the appropriate government regulatory agencies. Original dockage charge was \$3US/foot for each 24-hour period plus an additional \$0.25 per 24-hour period between October 1st and May 15th. Such schedules to escalate every January 1st, according to the Consumer Price Index, all items, Seattle, Washington. White Pass is not required to modify the dock to accommodate AIDEA’s needs.

*Road:*

AIDEA has the right to use the access road to its leased premises and shall maintain such in good condition and clean of hazardous materials.

*Paving:*

Within 18 months of closing AIDEA, at its own expense, pave the area colored in orange on Schedule A.

*Other Terms and*

*Conditions of Purchase*

*Agreement:*

The appraiser has on file a copy of the July 24, 1990 purchase agreement. It is assumed that the users and reviewers of this report and anyone relying on this report have made their independent investigation about the assets and liabilities conveyed with such purchase. This appraisal makes no warrant to these assets and liabilities. It is a foundational assumption of our analysis that the assets are owned free and clear and are free to be able to be used for the contemplated bulk material handling with normal costs associated with the management of these assets as a facility for that purpose. Once again, the economic demand for such use has not been analyzed by the appraisers.

**Tax Lot 6C Fuel Facility Sublease Number 3**

*Sub-lessor:*

PARN, Party of the first part

*Sub-lessee:*

STC, Wholly-owned subsidiary of PARN, party of the second part.

*Subtenant:*

Bowhead equipment corporation.

*Note:* The recitals of these sublease acknowledge that it is part of the 70-acre head lease entered into with the City of Skagway and PARN in 1968 and the subsequent sublease to STC in 1981 and that there is an adjacent Sublease Number 2, which STC sublet to AIDEA, not including the premises subject to this sublease. This sublease is to be on terms corresponding to the terms of Subleases Number 1 and 2.

*Access, Taxes, and Indemnification:* Similar to the prior net subleases, where the subtenant pays all the taxes, insurance, maintenance, and operating costs.

*Reversion:* At the end of lease, the subtenant has a right to remove its fixtures and chattle. Such fixtures, chattle, and improvements not removed become the property of STC without compensation to the subtenant.

*Assignment:* Lease cannot be assigned without prior written consent of PARN, STC, and the City of Skagway, such consent shall not unreasonably be withheld by PARN or STC.

*Demised Premise:* Described as additional lease area 0.37 acres

**Tax Lot 6C Fuel Facility Amendment Number 1 to Sublease Number 3 - Recorded at Book 7, Page 86**

*Date:* September 1, 2002

*Sub-lessor:* PARN, first part

*Sub-lessee:* STC, the second part

*Subtenant:* Bowhead Equipment Corporation, third part

*Note:* This alters the previous Sublease Number 3

*Rent:* \$2,034/year for first seven years. Thereafter, it would be equal to the greater of \$2,034 or the subtenant’s portion (1.28%) of the head lease rent.

*Allowable Use:* The lease’s amendment affirms that nothing can be constructed other than the 140,000 US gallon capacity petroleum tank farm and fueling facility on the lease premises and can only be used for such purpose.

*Termination:* A provision is added that after January 1st, 2000, at the option of PARN and STC, the sublease can be terminated if it hasn’t been used for fuel storage site and fueling facility for a period of at least three consecutive years. The appraiser assumes the lease has been cancelled for, among other things, lack of use for three consecutive years.

The appraiser understands the fueling facility has somehow been transferred to AIDEA. The chain of transfer is not clear. This leasehold area is evaluated concurrently with the adjacent 6.7 acre ore terminal site, assuming the same terms and conditions.

**Leasehold Interest**

It is a foundational assumption of this appraisal that AIDEA is in possession of the ownership of the fixtures, furnishings, equipment, buildings, and site improvements located on both the Ore Terminal site, Tax Lot 6A, 6.7 acres, and the Fuel Facility, Tax Lot 6C, 0.37 acres.

It is further assumed that their only leasehold obligation is to pay the underlying Tidelands lease (head lease) rent to the City of Skagway which have been allocated in the following amounts:

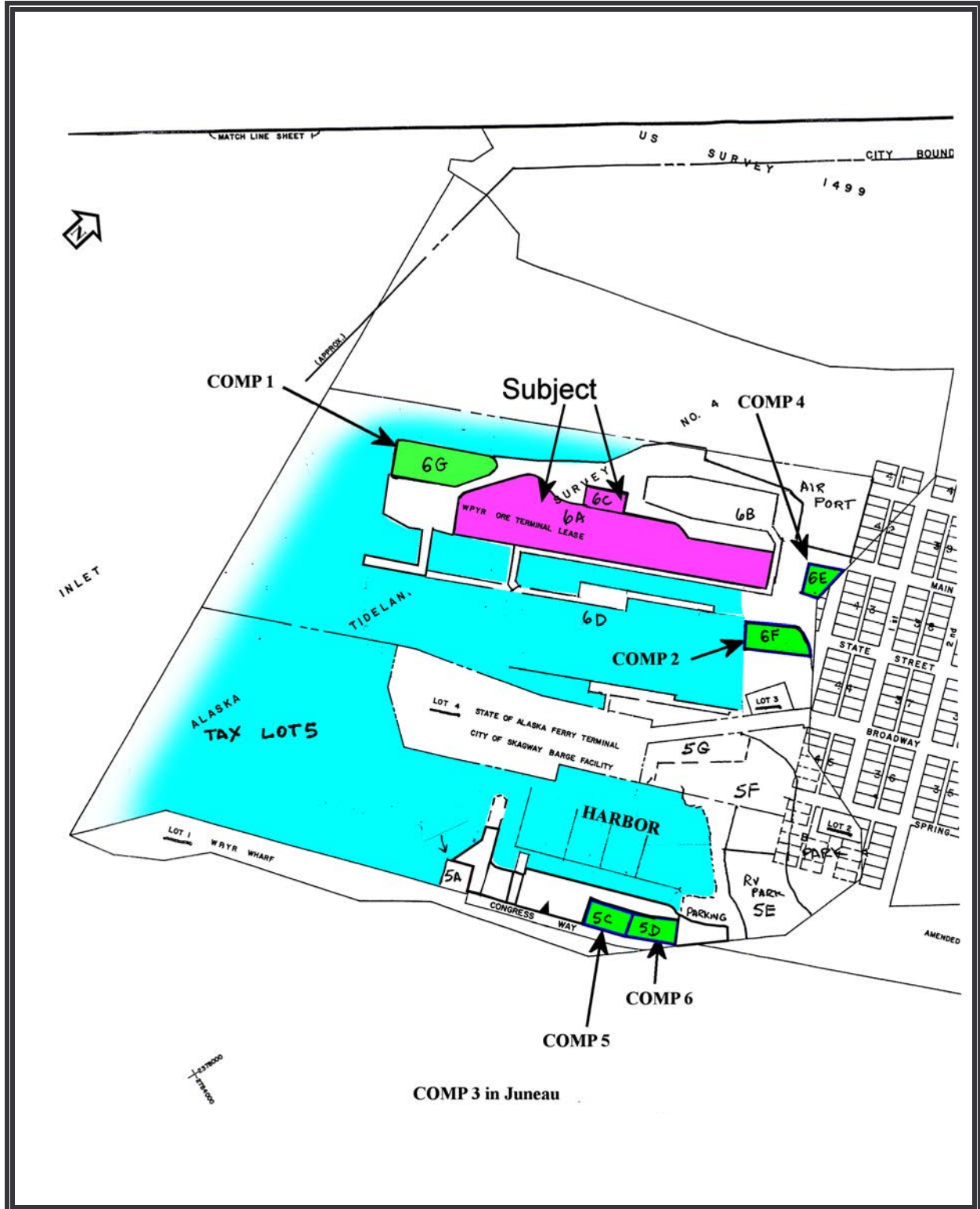
Ore Terminal	6.70 acres	\$822.00/month or	\$ 9,864/year
Fueling Facility	<u>0.37 acres</u>	<u>\$169.50/month or</u>	<u>\$ 2,034/year</u>
Total	7.07 acres	\$991.50	\$11,898/year

The leases refer to the rent basically as a pass-through to the City of Skagway based on a pro-rated portion of their use. The prorated areas are as follows:

Ore Terminal Lease	6.70 acres	9.54%
Fuel Facility	<u>0.70 acres</u>	<u>1.28%</u>
Total	7.07 acres	10.82%

The current tidelands lease rental is \$99,420/year. This was last adjusted in the year 2003 and will be schedule for readjustment in the year 2008. The last lease adjustment reflects a reduction in the Tidelands lease due to the airport expansion and Pullen Park area taken for mitigation. The current head lease tract has 66.5 acres in which the subject is a part. For the purpose of this evaluation and further discussion, AIDEA will be referred to as the sub-lessor and Cash Materials or others negotiating to rent from AIDEA will be referred to as sub-lessees.





COMPARABLE RENT LOCATION MAP

**4 VALUATION**

**4.1 HIGHEST AND BEST USE**

Highest and best use is defined 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 criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."

*The Dictionary of Real Estate Appraisal, Third Edition, 1993, Appraisal Institute, page 171.*

With the current waterfront zoning regulations, access and utilities, the highest and best use is an industrial waterfront related use. This report is limited partially in that we have not performed a demand study. This valuation assumes that the current or proposed use as a waterfront industrial shipping area is an economically viable use.

**4.2 LEASEHOLD LAND VALUATION**

As indicated in the property description, AIDEA as the sub-lessee only has the right to use of the land and improvements through the term of the lease, which expires March 16, 2023. AIDEA’s requirement is to pay \$11,898 per year in monthly installments. AIDEA’s leasehold interest in the land, exclusive of the improvements is reflective of rent savings AIDEA enjoys over their contract rent as compared to normal market land lease rates. The normal market land rent is estimated based on the following waterfront industrial land leases. Summaries of these comparable properties are contained in the Addenda of this report. These properties were chosen of dozens considered in our sales search to develop the annual market rental rate.

<b>COMPARABLE LAND RENT TABLE</b>					
	<b>Location</b>	<b>Date</b>	<b>Annual Land Rent</b>	<b>Size SF</b>	<b>Rent/SF</b>
1	Temsco, South end Ore Terminal Site, Skagway	01/01	\$ 25,848	60,548	\$0.43
2	Skagway Terminal Co., Skagway to AML	01/01	\$ 64,740	112,385	\$0.58
3	1110 Jacobsen Drive, Juneau	06/02	\$ 100,000	100,000	\$1.00
4	Parcel within ATS 4, Tract A, Skagway	10/02	\$ 8,640	18,000	\$0.48
5	Ptn ATS 4; Skagway Fish Co., Skagway	08/05	\$ 4,104	5,400	\$0.76
6	Ptn ATS 4; Stowaway Café, Skagway	05/03	\$ 1,920	4,000	\$0.48
	Subject	10/05	\$307,969	110,206	Solve

**Comparable 1 and 2** are land leases that are on the industrial waterfront site near the subject. They were set over five years ago and the market has inflated significantly since that time. Comparable 1 is inferior in that it does not have direct water access. Comparable 2 has barge landing access, but even so, is inferior to the subject’s deep water ocean going boat access which uniquely accommodates it for its ore terminal facility.

**Comparables 4, 5 and 6** are for small sites along the Skagway water front. Contrasting Comparable 5 of more recent rent this year, 2005, as compared to Comparable 6, which will be updated in the near future, shows a significantly lower rent set two years ago. Comparable 4 does not have water front access advantage.

**Comparable 3** represents the land rent for the upland staging area for a deep water cruise ship dock at Juneau. At a \$1.00/SF it sets the upper end of the square foot rent.

In the appraisers’ opinion, a reasonable rent assuming a viable water front demand for the site would be \$0.80/SF. The annual estimated market rent then is calculated as follows:

$$307,969 \text{ SF @ } \$0.80/\text{SF} = \$246,375.20$$

Contrasting this economic rent to the contract rent, the annual expected rental savings, which flows to the benefit of the sub-lessor (AIDEA), is calculated as follows:

Estimated market rent	\$246,375.20
Less Annual Contract rent	<u>\$ 11,898.00</u>
Annual Rent Savings	\$234,477.20

Lacking sales of leaseholds of this nature, the best way to determine how an investor may respond to this rent savings is to calculate its net present value over the anticipated period at a competitive yield rate. The savings would occur over the next 17.3 years. While these rents are generally broken down into monthly payments, they are often viewed as annual cash flows discounted on an annual basis.

The appraisers have extensive experience in estimating commercial/industrial water front rents. Generally, they are based on an annual percent of the market value, most recently ranging from 7% to 9%. This overall land capitalization rate range, however, in this instance would understate the required yield of a leasehold position in the land such as AIDEA’s. AIDEA’s leasehold would be a riskier position than the leased fee position which would have a more greater certainty of land payment. It is the appraisers’ opinion a ten percent annual discount for this rent savings over the next 17.3 years, would reasonably reflect the present value of the leasehold in the land. The appraisers acknowledge the contract rent will probably increase at its renewal date in the year 2008, but the increase in this rent is not expected to be greater than the nominal land value appreciation for this type of property. The leasehold value of the land for the purpose of this analysis is calculated as follows:

Present value of \$234,477.20/year for 17.3 years @ 10% =	\$1,826,089 <sup>1</sup>
AIDEA’s leasehold interest in the land	Rounded \$1,800,000

Note it is assumed in the final lease terms, AIDEA would pass on their \$11,898/year land rent to the sub-lessee.

**4.3 COST APPROACH**

In the Cost Approach to Valuation, the Replacement Cost New for improvements is first estimated for the entire property. From the Replacement Cost New depreciation is deducted. The depreciated improvements’ value are then added to the site value to arrive at a valuation for the entire property by the Cost Approach.

The major improvements are fully described in the Addenda of this report, however include several buildings: the fuel storage and pumping system, the large storage area, reclaiming equipment including conveyor and transfer station and ship-loading equipment, support loading boom, and ship-loading conveyor, and would also include the power supply, which includes the main transformer and electrical room. The subject also has an extensive amount of site improvements, which includes perimeter chain link fence and extensive paving.

**Horan & Company, LLC Estimates**

The appraisers have relied on Marshall Valuation Service’s guide and our experience in the regional market over the past 20 to 25 years to develop square foot replacement costs.

Depreciation, which is a loss from the upper limit of replacement cost value, is experienced through physical depreciation, resulting from normal wear-and-tear and aging of the improvements. It is also experienced through obsolescence. Some of the obsolescence could be due to internal functional aspects. We have used replacement costs for areas of like utility rather than reproduction costs and no functional obsolescence is estimated.

There is another type of obsolescence due to limited demand for these older industrial improvements. In this limited report the appraisers have made no analysis of current demand. Therefore, economic obsolescence or demand is not considered within this limited report. This is the primary limiting factor of this report.

Physical depreciation is estimated based on the extended life theory, encompassing a remaining life and effective age approach, as expressed in the depreciation tables found in Marshall Valuation Service’s guide based on nationwide experience for normal depreciation due to aging of these types of structures and improvements. Generally, this facility would have a 40 year to 50 year design life with the hope for recapture in 25 years or so. As the life is extended through maintenance, replacement, etc., the older its age, the further its life is extended. The facility is essentially 37 years

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<sup>1</sup> HP 12C Calculator sequence n= 17.3, i=10, pmt=\$234,477.20, solve for pv=\$1,826,089

old, having been built around 1968. At a 50 year economic life, the remaining life would be 13 years or more, assuming continual economic use with proper maintenance and management. Based on the observed conditions of the following categories of improvements and considering the limitations of the report, information available about the structural and mechanical aspects of these components, we have estimated the following:

<b>COST-CONDITION DEPRECIATION SUMMARY HORAN &amp; COMPANY ESTIMATES</b>					
<b>Component</b>	<b>Effective Age</b>	<b>Expected Life</b>	<b>Replacement Cost New</b>	<b>Net Percent</b>	<b>Rounded Depreciated Cost</b>
Site work	15 years	20 years	\$ 733,500	35%	\$256,700
Tank farm	13 years	30 years	\$ 211,000	71%	\$149,800
Misc. Buildings	32 years	50 years	\$ 492,000	56%	\$275,513
<b>Totals</b>			<b>\$ 1,436,500</b>	<b>47%</b>	<b>\$682,013</b>

Amplified descriptions and cost summaries are in the Addenda of this report.

**Sandwell Cost Estimates**

Sandwell estimates are also contained in the Addenda and detailed for their replacement costs and various depreciations based on component wear and tear. These facilities are a combination of long-lived, concrete steel structures, housing various mechanical aspects of the terminal, including the power supply, ship loading, storage, and material moving facilities. Based on the various depreciation rates, the components, replacement costs and net depreciated values are summarized below. Details are included in the Addenda.

<b>SANDWELL SUMMARY CONDITION DEPRECIATION SUMMARY</b>			
<b>Component</b>	<b>Replacement Cost New</b>	<b>Net Percent</b>	<b>Rounded Depreciated Cost</b>
Storage area	\$ 4,041,000	41%	\$1,658,400
Reclaiming	\$ 5,002,000	50%	\$2,516,800
Shiploading	\$ 2,543,000	47%	\$1,193,000
Power supply	\$ 410,000	42%	\$ 170,500
<b>Total</b>	<b>\$11,996,000</b>	<b>46%</b>	<b>\$5,538,700</b>

**Summary Cost Approach Value**

The value of the various components are summarized in the following table for their net depreciated value based on their various conditions, exclusive of economic obsolescence. These costs represent direct costs and do not reflect the indirect costs, such as engineering, construction management, owner’s overhead, temporary facilities, mobilization, financing, etc. A 20% indirect costs allowance will be added to the depreciated component cost. These costs are summarized and estimated at an order of magnitude plus or minus 30% for the limited purpose of our analysis.

The following table summarizes the net depreciated value by components. We then add 20% indirect costs and the estimated leasehold value of the land for a summary depreciated cost approach of the leasehold interest in the entire facility.

<b>SUMMARY CURRENT CONDITION VALUES DEPRECIATED COSTS WITHOUT ECONOMIC OBSOLESCENCE 30% ± ORDER OF MAGNITUDE</b>	
Storage Area	\$1,658,400
Reclaiming	\$2,516,800
Ship Loading	\$1,193,000
Power Supply	\$170,500
Site Work	\$256,700
Tank Farm	\$149,800
Miscellaneous Industrial Buildings	<u>\$275,513</u>
Total Direct Costs	\$6,220,713
Indirect Costs 20%	<u>\$1,244,143</u>
Depreciated Costs of Improvements	\$7,464,856
Plus Estimated Leasehold in land	\$1,800,000
Depreciated Value Leasehold Asset	\$9,264,856
Rounded	\$9,250,000

**4.4 ESTIMATED ANNUAL RENT**

Ideally, rent is estimated based on comparable facilities, which are renting for like terms. The subject is in an industrial complex, which comprises one component of a complex transportation network for materials in the interior of Alaska or Canada, being shipped by sea to some where else in the world. This involves loading at the source, transporting to the Skagway dock, unloading and storing the material at Skagway, loading it into ships which then convey the material to their ultimate or other interim destinations. Generally, these facilities would be provided by the overall industrial user and would be built to suit. The income requirements for these type of facilities would generally be measured in the number of years it takes to payback or recapture the initial capital outlay (payback years). Normal real estate investments may be measured in terms of yield or a combination of payback year and yield in the form of direct capitalization.



In the subject instance, we will estimate the rent to be built up based on a required return **on** and **of** the asset plus management, reserves and other required contingencies by the investor lessor. In this way, the rent answers the question - How much would an investor require if they were to put the asset of this particular value up for use over a specified period of time under these certain conditions? The assumed conditions of the rental arrangement are as follows:

<i>Sub-lessor:</i>	AIDEA
<i>Sub-lessee:</i>	Under negotiation
<i>Maximum term:</i>	17.3 years (208 months)
<i>Premises and facilities lease:</i>	Those under appraisal
<i>Expenses paid by sub-lessee:</i>	Sub-lessor's sublease payment, currently \$11,898, and <ul style="list-style-type: none"> <li>• all taxes,</li> <li>• insurance,</li> <li>• maintenance, and</li> <li>• other expenses related to the operation of the facility.</li> </ul>
<i>Additional amounts paid by sub-lessee:</i>	Any required reserves to mitigate risk for vacancy or credit loss, reserves for replacement and an amount for management site inspection compliance, etc., should be added to the net lease amount estimated here.

The estimated rental amount is a total net rent mirroring the net operating income. Amounts the lessor needs to affect its management and operation obligations need to be added to this amount. These possible additional elements will be summarized in outline form at the end to assist AIDEA's consideration is crafting the terms of a lease or transfer.

**Investment Recapture and Yield**

The basic rent component will require a return of the investment over a period of time (recapture and payback) and a return on the investment expressed as a yield or interest rate.

Minimum hierarchy of annual yield rates are outlined as follows based on the recent reviews of national market indicators published by the Appraisal Institute.

Home mortgage rate range over past two years	7.5% to 6%
Corporate Bond Baa last two years	5.9% to 6.8%
Commercial Real Estate Yields Second Quarter 2005	7% to 12.25%

These rates and discounts are compared to overall capitalization rates. Capitalization rates are net income from properties as related to their values, which in the subject case, would proxy for the



basic rental percentage rate overall. Capitalization rates<sup>2</sup> for commercial real estate in the lower 48 for industrial warehouses would be 6% to 10%. A comparable market in Alaska would be 8% to 11%. The smaller towns in Southeast Alaska with a smaller pool of commercial real estate and more market risk would have even higher rates. Real estate investments that have significant components of business value such as bowling alleys, hotels, mini storage, or leaseholds would have higher rates attendant to their risk ranging from 12% to as high as 15%.

As the relative risk of a property or industry associated with it increases and the investment becomes more dependent on the business income, the capitalization rates rise. Most investors in the higher risk properties think in terms of recapture time periods. We have developed a relative risk hierarchy based on expected cash on cash capitalization rates and return of investments. They show the following:

<b>RELATIVE RISK HIERARCHY CASH ON CASH RATE AND EXPECTED INVESTMENT RETURN</b>		
Relative Risk Level of Investment	Capitalization Rate Range	Time Target for Return of Initial Investment
Safe real estate investments	8% to 12%	8 to 12.5 years
Service industry facilities	10% to 13%	7 to 10 years
The riskier investments niche resource development such as wood products, fish processing, fuel distribution.	12.5% to 25%	4 to 8 years
High risk resource industrial enterprises	25% to 33%	3 to 4 years

In the subject instance, the property is a real property component of the overall industry and would not carry with it the highest risk factor of the various components that develop the industrial enterprise such as marketing, resource information, and operating risks, which would be greater than those attendant to the subject facility. On the other hand, the subject carries with it a significant payback burden due to the fact it is on a 17 year lease and the investor would not have as great a prospect for pay off if they were in a purchase-to-own situation. In the appraisers’ opinion, the investor would require a 11% yield with a maximum recapture over 17 years and a minimum

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<sup>2</sup> Overall capitalization rates are developed by dividing net income by price/or value rate = I/V

recapture of 12 years. A constant, annual recapture requirement that provides an 11% yield over a 12, 15 and 17 year time range is developed as follows:<sup>3</sup>

12 years recapture	15.4%
15 year recapture	13.91%
17 year recapture	13.25%

In the appraisers’ opinion, a 14% recapture seems reasonable. It gives the investor several years of contingency before the 17.3 year term of the lease is up. It also provides an 11% yield rate and would represent a relatively competitive rate for the risk of the industry. Looking at it from a pure payback, 14% annual recapture implies a capital payback in 7 years.<sup>4</sup> A net rent structure of this amount would enable the investor to recapture the value of its investment in just over seven years. Note also that the rent structure needs to include additional charges the sub-lessor assumes for operating and managing its investment in order for the base rent to be a true net income.

<b>FORMULA FOR DEVELOPMENT OF ANNUAL LEASE RENT</b>		
Component of Rent	How Calculated	Amount
Basic rent recapture of assets	14% of \$9,250,000	\$1,295,000
Add administrative and management costs absorbed by AIDEA to operate the lease	To be estimated by AIDEA	Plus estimate
Add pass through sublease rent	Increases at Tidelands lease renewal	\$11,898/year
Add real estate taxes on property	AIDEA is currently exempt	to be calculated
Add insurance and other operating costs born by sub-lessee	Pass through costs as applicable	Not estimated
Add contingency for reserves, collection loss or vacancy	To be budgeted by AIDEA. This could somewhat be offset by some type of performance bond paid by the sub-lessee.	Not estimated

Total actual rent to be negotiated based on terms of the lease.

<sup>3</sup> These calculate the payment required of \$1.00 present value at an interest rate of 11% over 12 years, 15 years, and 17 years respectively. Example

<sup>4</sup>  $1 \div 14\% = 7.14$  years.

**Economic Obsolescence**

A recapture of 14% of the asset per year reflecting an absolute net rent assumes there is an economic and feasible use for the facility at that value. This is not a known situation in the market and this limited appraisal does not address the demand aspects of these facilities. If the full facility is required for developing a profitable transportation corridor through Skagway, the rent could well be more than this, when considering the cost savings compared to reconstructing a brand new facility. On the other hand, if there is little or no economic demand for the facility, it could continue to lay idle which would imply economic obsolescence to the value of the assets under analysis. Under the hypothetical assumptions of the appraisal, such economic obsolescence has not been addressed.

# ADDENDA

LEGAL DESCRIPTION

A CERTAIN TRACT OR PARCEL OF LAND LYING AND BEING SITUATE WITHIN PROTRACTED SECTION 14, T.28S., R.59E., C.R.M., AND BEING WITHIN A FRACTION OF ALASKA TIDELAND SURVEY NO. 4, SKAGWAY, FIRST JUDICIAL DISTRICT, STATE OF ALASKA, BEING MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS;

BEGINNING AT THE NORTHWESTERLY MOST CORNER OF THIS DESCRIPTION, FROM WHICH MEANDER CORNER NO. 1, U.S. SURVEY NO. 435, IDENTICAL WITH MEANDER CORNER NO. 6, U.S. SURVEY NO. 13, BEARS (ON ALASKA STATE PLANE GRID BEARING AND GEODETIC DISTANCE) N 85°27'30" E - 353.28'; THENCE ON ALASKA STATE PLANE GRID BEARINGS AND GEODETIC DISTANCES, ALONG THE NORTHERLY BOUNDARY OF THIS DESCRIPTION, S 44°13'15" E - 197.30' TO THE NORTHEASTERLY MOST CORNER OF THIS DESCRIPTION; THENCE ALONG THE EASTERLY BOUNDARY, THE FOLLOWING COURSES; S 45°45'00" W - 1,078.92'; S 44°13'15" E - 27.46'; S 45°45'00" W - 215.53' TO THE SOUTHEASTERLY MOST CORNER OF THIS DESCRIPTION; THENCE ALONG THE SOUTHERLY BOUNDARY, N 44°13'15" W - 144.87' TO THE SOUTHWESTERLY MOST CORNER OF THIS DESCRIPTION; THENCE ALONG THE WESTERLY BOUNDARY, THE FOLLOWING COURSES, N 8°31'00" E - 185.96' TO A POINT ON CURVATURE; THENCE ALONG A CURVE TO THE RIGHT, THROUGH AN ARC OF 148°32'15", AN ARC LENGTH OF 123.93' (RADIUS = 47.80'), CHORD = N 0°24'45" W - 92.03' TO A POINT OF TANGENCY; THENCE N 73°51'30" E - 125.24'; THENCE N 45°45'00" E - 449.91'; THENCE N 67°33'15" E - 107.70'; THENCE N 45°45'00" E - 422.32' TO THE TRUE POINT AND PLACE OF BEGINNING.

CONTAINING 6.70 ACRES, MORE OR LESS.

REVISED JULY 24, 1990

RETURN TO:  
 WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT  
 900 W. 5th, #600  
 ANCHORAGE, ALASKA - 99501

90-68

RECORDED - FILED 79900	
Skagway	REC. DIST CC
DATE	7/30 19 90
TIME	2:30 p M
Requested By	TT
Address	

LEGAL DESCRIPTION

SKAGWAY ORE HANDLING TERMINAL - FUEL STATION

A CERTAIN TRACT OR PARCEL OF LAND LYING AND BEING SITUATE WITHIN A FRACTION OF ALASKA TIDELAND SURVEY NO. 4 (PROTRACTED SECTION 14, T.28S., R.59E., C.R.M.), SKAGWAY, FIRST JUDICIAL DISTRICT, STATE OF ALASKA, BEING MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS, TO WIT:

BEGINNING AT CORNER 8 OF THE EXISTING SKAGWAY ORE HANDLING TERMINAL LEASE AREA, AS DESCRIBED IN A METES AND BOUNDS DESCRIPTION DATED JULY 24, 1990; THENCE ALONG A LEASE LINE OF THE ABOVE REFERENCED DESCRIPTION FROM CORNER 8 TO CORNER 9, N 73°51'30" E - 93.40' TO THE TRUE POINT AND PLACE OF BEGINNING OF THIS FUEL STATION LEASE PROPERTIES; THENCE ALONG THE FUEL STATION LEASE AREA PROPERTY LINES, THE FOLLOWING SURVEY COURSES:  
N 45°54'00" E - 175.50'; N 44°15'00" W - 50.00'; N 45°45'00" E - 190.00'; S 44°15'00" E - 50.00'; N 45°45'00" E - 75.00'; N 67°33'15" E - 40.38' TO CORNER 10 OF THE 6.7-ACRE LEASE SITE; THENCE ALONG THE LEASE LINE OF THE JULY 24, 1990, DESCRIPTION FROM CORNER 10 TO CORNER 9, S 45°45'00" W - 449.91' TO CORNER 9; THENCE ALONG A FRACTION OF LINE 9-8, S 73°51'30" W - 31.84' TO THE TRUE POINT AND PLACE OF BEGINNING.

CONTAINING 0.37 OF AN ACRE.

2/11/91

\*\*\*\*\* F A X T R A N S M I T T A L M E M O \*\*\*\*\*

TO: JUNN BURDICK  
DEPT: AML FAX #: 206-243-846  
FROM: M. PUSCH PHONE: \_\_\_\_\_  
CO: REM FAX #: 780-4611

NO. OF PAGES
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Product brand logo is a trademark of 7071

**PSM**  
 PEAK SURVEYING, INC.  
 1000 W. 10TH AVENUE, DENVER, CO. 80202

**VICINITY MAP**  
 SHOWING THE PROJECT AREA WITHIN THE CITY OF SKAGWAY, ALASKA

- SYMBOLS**
- ① LEASE BOUNDARY LINE
  - ② U.S.G.S. TRAILING LINE (RECOVERED)
  - ③ A.S.T. P.P. BOUNDARY (RECOVERED)
  - ④ PROPERTY BOUNDARY BY PLAT RECORDS
  - ⑤ BOUNDARY BY SURVEY
  - ⑥ U.S.G.S. TRAILING LINE (RECOVERED)
  - ⑦ U.S.G.S. TRAILING LINE (RECOVERED)

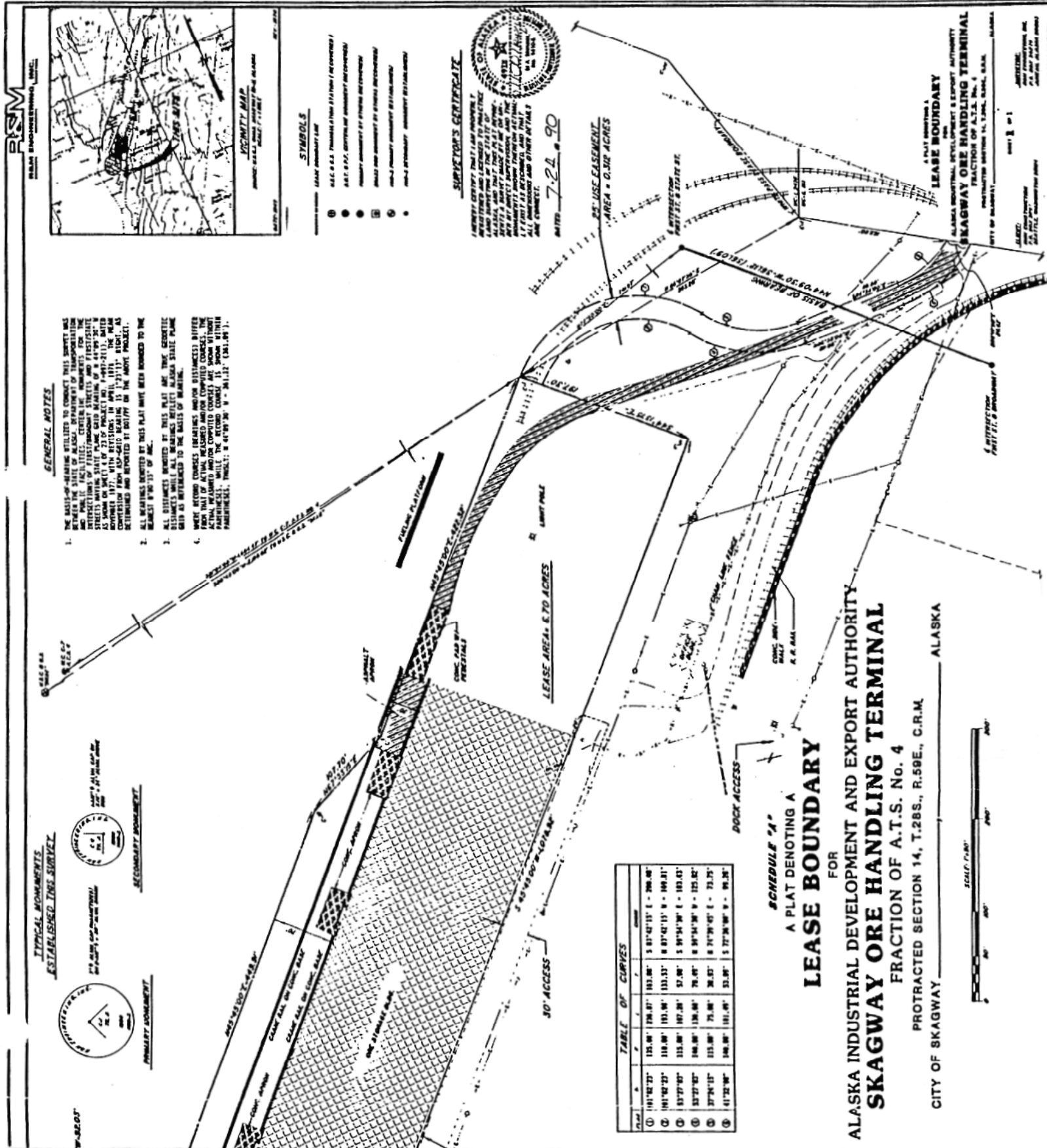


- GENERAL NOTES**
- THE BOUNDARY-BEARING UTILITIES TO CORRECT THIS SURVEY WAS BETWEEN THE STATE OF ALASKA, DEPARTMENT OF TRANSPORTATION AND PUBLIC UTILITIES, CENTER IN COMMENTS TO THE SURVEY. THE SURVEYING DATA WAS OBTAINED FROM THE STREETS MAPS, STATE PLAT RECORDS AND A 1993 STATE AS SHOWN ON SHEET 14 OF 23 OF PROJECT NO. 1-99-1-2111. DATED NOVEMBER 1999. THE SURVEYING DATA WAS OBTAINED FROM THE SURVEYING RECORDS OF THE STATE OF ALASKA, DEPARTMENT OF TRANSPORTATION AND PUBLIC UTILITIES, CENTER IN COMMENTS TO THE SURVEY. THE SURVEYING DATA WAS OBTAINED FROM THE STREETS MAPS, STATE PLAT RECORDS AND A 1993 STATE AS SHOWN ON SHEET 14 OF 23 OF PROJECT NO. 1-99-1-2111. DATED NOVEMBER 1999.
  - ALL DISTANCES INDICATED BY THIS PLAT HAVE BEEN ROUNDED TO THE NEAREST 0.01' OF A FOOT.
  - ALL DISTANCES INDICATED BY THIS PLAT ARE THE GEOMETRIC DISTANCES MEASURED IN THE FIELD AND NOT THE STATE PLAT DATA AS REFERENCED TO THE BASIS OF MEASUREMENT.
  - WHERE NECESSARY CORRECTIONS HAVE BEEN MADE TO THE DATA FROM THE ACTUAL MEASUREMENTS AND/OR COMPUTED COURSES. THE ACTUAL MEASUREMENTS AND/OR COMPUTED COURSES ARE SHOWN WITHIN PARENTHESES. UNLESS THE RECORD COURSE IS SHOWN WITHIN PARENTHESES, UNLESS: 8 47° 09' 30" N - 311.12' (311.12').

**TYPICAL MONUMENTS ESTABLISHED IN THE SURVEY**

**PRIMARY MONUMENT**

**SECONDARY MONUMENT**



**TABLE OF CURVES**

Curve #	Length (ft)	Chord (ft)	Central Angle (°)	Radius (ft)	Area (sq ft)
1	125.00	124.87	8 57' 42" 15"	1100.00	1000.00
2	110.00	109.91	8 57' 42" 15"	900.00	810.00
3	115.00	114.87	8 57' 42" 15"	1000.00	900.00
4	120.00	119.84	8 57' 42" 15"	1100.00	1000.00
5	125.00	124.87	8 57' 42" 15"	1200.00	1100.00
6	130.00	129.84	8 57' 42" 15"	1300.00	1200.00
7	135.00	134.87	8 57' 42" 15"	1400.00	1300.00
8	140.00	139.84	8 57' 42" 15"	1500.00	1400.00
9	145.00	144.87	8 57' 42" 15"	1600.00	1500.00
10	150.00	149.84	8 57' 42" 15"	1700.00	1600.00

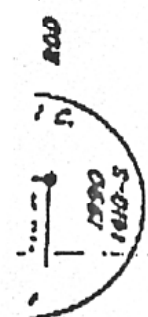
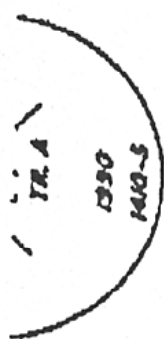
**SCHEDULE "A"**  
 A PLAT DENOTING A  
**LEASE BOUNDARY**  
 FOR  
**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**  
**SKAGWAY ORE HANDLING TERMINAL**  
 FRACTION OF A.T.S. No. 4  
 PROTRACTED SECTION 14, T.28S., R.59E., C.R.M.  
 CITY OF SKAGWAY ALASKA



ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY  
 FRACTION OF A.T.S. No. 4  
 PROTRACTED SECTION 14, T.28S., R.59E., C.R.M.  
 CITY OF SKAGWAY ALASKA



S1°50'E  
100.00'



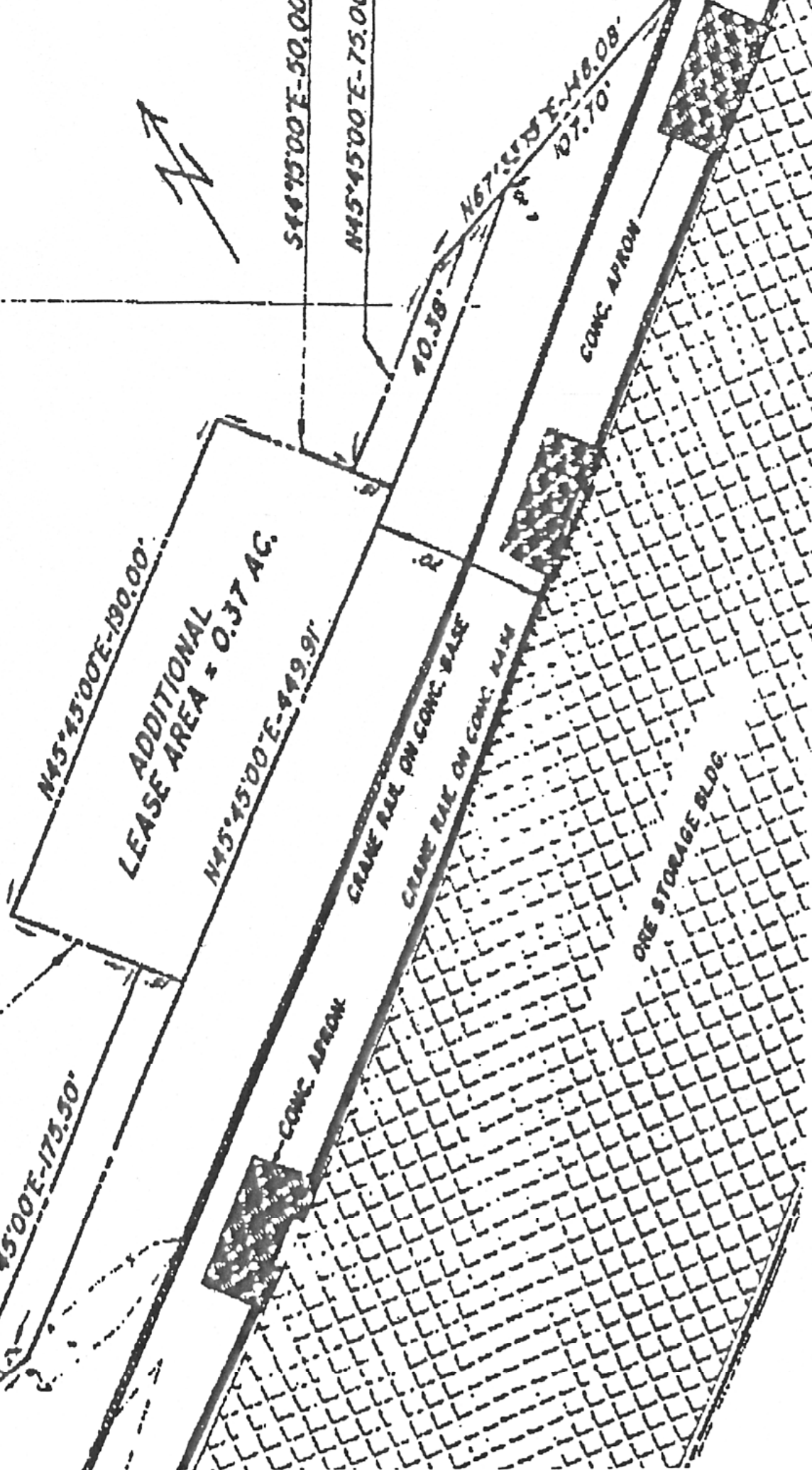
31.84'

N44°15'00"W-50.00'

N45°45'00"E-175.50'

PRIMARY MONUMENT

SECONDARY MONUMENT



SUBJECT PHOTOGRAPHS



Overview of subject property from ferry terminal looking northwest.

101105\_2293



Shiploading conveyor system.

101105\_2294

**SUBJECT PHOTOGRAPHS**



Southern end of subject property looking northwest at miscellaneous 101105\_2331 buildings. Maintenance shop building photo left. Office building small one-story photo center with crew changing building attached and directly behind that building. Transfer conveyor system photo right ties into the laboratory building.



Looking southeast across the equipment parking and wash area; 101105\_2324 laboratory building photo left and combination of electric transformer, crew changing, office building photo center, and maintenance shop photo right.



SUBJECT PHOTOGRAPHS



Looking along the reclaim conveyor building within the storage facility, looking in a northerly direction.

101105\_2325



Looking in a south to southwest direction across the storage area.

101105\_2326

**SUBJECT PHOTOGRAPHS**



Equipment wash building photo left tied in to maintenance shop photo right.

101105\_2327



Courtyard area with maintenance shop photo left. Lab building photo center right (in distance) and office building photo extreme right.

101105\_2329

SUBJECT PHOTOGRAPHS



Electric transformer building referred to on map as MCC.

101105\_2330



Interior of equipment wash building.

101105\_2308



**SUBJECT PHOTOGRAPHS**



Interior of maintenance shop building.

101105\_2309



Office building interior.

101105\_2314



SUBJECT PHOTOGRAPHS



Interior of electrical room.

101105\_2315

## **IMPROVEMENT DESCRIPTIONS**

### **Equipment Wash Building**

This building is an uninsulated, corrugated metal building with 20' garage doors on either end. These garage doors are operated by electric lifts and are generally considered in poor condition and will probably need replaced. This building includes a sump plus metal grate in the cleanout area. It is unheated, has a corrugated metal roof, and is estimated to have an approximately 22' eave height. This building is 21' by 81' and estimated at 1,701 SF. This building is estimated to have been built in 1968.

### **Maintenance Shop Building**

This building is also a corrugated metal building, built on an eight to ten inch slab. This building is insulated and includes some plywood finishes, primarily at the lower level or up to head height in the main portion of this building. This building is divided into three general areas, with the southern-most area being used primarily for storage, the middle area being used as a commons area and miscellaneous uses, and the northern-most approximately 20' being used as a work or shop area with a 20' double-hinged barn door opening onto the concrete-paved equipment, parking, and wash area at the north end of this building. This building is estimated to be 29' by 83' for a total of 2,407 SF. It was one of the original buildings, estimated to have been built in 1968.

### **Office Building**

The office building is attached to the southern end of the crew change building. This building is considered separately, as it was the most-recently-built building, having been built in 1992. This is a framed building with metal exterior walls and composition roof. It is divided into a surveyor's office or commons area, a manager's office, and a main office, as well as a handicap bathroom. The handicap bathroom includes a manhole access area to a sump pump. Interior finishes are generally linoleum floors and drywall walls and ceilings. Windows are vinyl thermal-pane sliding windows. The heat is electrical heat and lighting is fluorescent lighting. This structure is built on a slab. The building is 26' by 28' for a total of 728 SF.

### **Crew Changing Building**

The crew changing building was originally built in 1968, however was remodeled as part of the office building addition. This building has all 12" concrete walls, which have been covered with a metal sheathing. The building contains a lunch room, men and womens' shower rooms, a small storage room and dry room, as well as a laundry room. The men's changing room includes three showers, two stalls, and two sinks. The women's changing room includes two showers, a toilet stall, and two sinks. The lunchroom also includes a kitchen sink. Finishes are generally drywall finishes throughout without painted concrete floors and ceilings. Shower stalls are fiberglass shower stalls and fixtures are average quality fixtures. The heat in this area is electric space and baseboard heat. This building is 26' by 47' for a total of 1,222 SF.

Both the office and the crew changing building are typical-height, one-story buildings.

**Laboratory Building**

A portion of the laboratory building is considered under the Sandwell report. This would be where the transfer station is, in the basement of the laboratory building. The general building shell structure itself and the laboratory portion of the building are considered by the appraisers and described here. The building itself is a combination metal and frame building. The laboratory portion is estimated to have approximately 12" thick walls with drywall walls and ceiling and concrete slab floor. There are two rooms in this portion of the building for sampling and labwork. One of these rooms has half-glass walls for visibility. The building structure is 30' by 43' for a square foot area of 1,290 SF. Approximately one third of this is finished with the lab structure and the remainder has the basement. Both rooms include sinks. The laboratory building is heated by electric baseboard heat.

**Conveyer Cleanup/Vacuum Skid**

This is simply a metal-skinned structure, approximately 13' by 29' for total of 377 SF.

**Ore Terminal Fuel Area**

There are four 30,000 gallon vertical welded tanks and two 10,000 gallon vertical welded tanks which have been fully painted and maintained over the years. The tank farm was installed in 1992.

## HORAN & COMPANY, LLC

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### Replacement Cost New

#### Buildings

(A)	Equipment Washdown Bldg	1,701 SF @ \$ 35	=	\$ 59,535
(B)	Maintenance for Bldg	2,407 SF @ \$ 45	=	\$ 108,315
(C)	Crew Changing Bldg	1,222 SF @ \$ 75	=	\$ 91,650
(D)	Office Bldg	728 SF @ \$135	=	\$ 98,280
(E)	Laboratory Bldg (no basement)	1,290 SF @ \$100	=	\$ 129,000
(F)	Conveyor Cleanup Vacuum Shed	377 SF @ \$ 15	=	<u>\$ 5,655</u>
Subtotal RCN Buildings				\$ 492,435

#### Fuel Storage and System

30,000 Gal Tanks	4	@	\$36,555	=	\$146,220
10,000 Gal Tanks	2	@	\$15,105	=	\$ 30,210
8' CC Fence	366 LF	@	\$21.05	=	\$ 7,704
Containment areas	3,394 SF	@	\$4.54	=	\$ 15,408
Pump System					<u>\$ 12,200</u>
Subtotal Fuel Storage					\$ 211,742

#### Site Improvements and Paving

Equipment Wash Area	4,875 SF	@	\$ 6.12	=	\$ 29,835
PLL Pad Off Equip Wash	1,050 SF	@	\$ 5.40	=	\$ 5,670
Work Pad	1,152 SF	@	\$ 5.40	=	\$ 6,221
Maintenance Shop Pad	150 SF	@	\$ 5.40	=	\$ 813
Asphalt Concrete (AC) Paving	113,000 SF	@	\$ 5.73	=	\$647,490
6' Chain Link Fence	2,375 LF	@	\$16.00	=	\$ 38,000
1000 Gal Septic System					<u>\$ 5,500</u>
Subtotal Site Work					<u>\$ 733,529</u>
Total RCN					\$1,437,706

#### Depreciation

Equipment Washdown	(50% of \$ 59,535)	\$ 29,768
Maintenance of Building	(50% of \$108,315)	\$ 54,158
Crew Changing Building	(62% of \$ 91,650)	\$ 56,823
Office Building	( 9% of \$ 98,280)	\$ 8,845
Lab Building (No basement)	(50% of \$129,000)	\$ 64,500
Conveyor Clean Vacuum Shed	(50% of \$ 5,655)	\$ 2,828
Subtotal Building Depreciation		\$ 216,922
Fuel Tanks and System	(29% of \$211,742)	\$ 61,405
Paving and Site Improvements	(65% of \$733,529)	\$476,755
Subtotal Physical Depreciation		\$ 755,082
Depreciated Value of Improvements		\$ 682,624

## **1. INTRODUCTION**

The Skagway Ore Terminal (terminal) was constructed in 1968 for the export of mineral concentrates from mines in Yukon, Canada. The terminal had been operating intermittently until 1998 when soft base metal prices forced the mines to shut down. The terminal has not been in operation since that time.

The Alaska Industrial Development & Export Authority (AIDEA) currently owns the terminal site and facilities. White Pass and Yukon Route Railway (White Pass) currently owns the dock area immediately adjacent to the terminal, which is currently used for berthing cruise ships during the cruise ship season from May to September every year.

AIDEA has retained Horan & Company, LLC, (Horan), with an office in Sitka, AK, to conduct an appraisal of the existing terminal facilities. Horan in turn has retained Sandwell Engineering Inc. (Sandwell) to assist with the appraisal of the material handling and shiploading systems.

This report documents the findings of Sandwell's appraisal.

## **2. SCOPE OF STUDY**

The Scope of Work for the appraisal by Sandwell, as agreed to by Horan, includes:

- Preparing an inventory of the major components of the existing materials handling facility including the reclaiming and shiploading systems;
- Preparing order-of-magnitude estimates of the current capital cost to replace the existing materials handling facility with infrastructure and equipment of similar capacities;
- Based on the age, current condition and replacement value of the facility, preparing a current condition value of the same facility;
- Preparing a summary report to document the findings and submitting the report to Horan and AIDEA for review and comments;
- Incorporating any comments from Horan and/or AIDEA into a final report.

## **3. OPERATING PARAMETERS**

The Skagway Ore Terminal operated with the following operating parameters for the export of base metal concentrates:

- Terminal handled an annual throughput of approximately 600,000 short tons<sup>1</sup> (ST) of concentrates;

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<sup>1</sup> 1 Short Ton = 2000 pounds

- Concentrates were delivered to the terminal, initially by railcars operated by White Pass and Yukon Route Railway (White Pass), and then later by trucks;
- Concentrates were reclaimed from the stockpiles with front end loaders and placed over openings in the storage area floor to the feeders;
- Reclaiming and shiploading rate of approximately 1500 short tons per hour (STPH) of concentrate;
- Design ship was Handy size, with a capacity of 35,000 deadweight tonnes (dwt).

## **4. EXISTING FACILITIES**

### **4.1 General**

Bill Wong, Senior Materials Handling Engineer with Sandwell, visited the terminal on 31 August 2005 and conducted a visual inspection of the facilities with David Hunz, Principal of Hunz & Hunz Enterprises in Skagway, AK.

R & M Consultants, the Owner's Engineer for AIDEA, provided Sandwell with pertinent information for the Scoping Study, including engineering drawings showing the general arrangement of the terminal facilities and details of the remaining structures, buildings, conveyor system, shiploader and dock/berth area. These drawings were also used to obtain information such as dimensions of the terminal facilities, conveyor lengths and capacities.

### **4.2 Stockpiling**

The concentrates were delivered to the terminal in 'pods' by highway trucks. Forklifts were used to offload the 'pods' from the trucks and take them to the storage area where the concentrates were stockpiled. There is no existing means of receiving and stockpiling products delivered to the terminal.

### **4.3 Storage Area**

There was a Concentrate Storage Building used to store the concentrates. Because of corrosion to the steel structures supporting the metal building and the resulting safety concerns, the building had to be demolished in 2003, with only the 3-foot high containment walls around the perimeter and the inside divider walls remaining. The concrete paved floor where the concentrates were stored also remains. From the plan and details, the original thickness of the concrete paved floor ranged between 6 to 7 inches, with an ultimate compressive strength of approximately 3500 psi minimum (Drawing No. SOT03-1969-AB-2555-SB-7). The surface of the floor shows some wear but appears to be in reasonable condition.

In terms of storage capacity, the footprint of the existing concrete paved floor would provide a total storage capacity of approximately 53,000 short tons (ST) or 48,000 metric tonnes (MT) of coal. The height of the coal pile will have to be built up to about 45 feet. This amount of coal is only sufficient to fill a Handy size ship, which has a capacity of 35,000 dwt.

## **4.4 Reclaiming**

### **4.4.1 General**

The system used for reclaiming concentrates from the stockpiles consists of front end loaders and a conveyor system to the shiploader. The conveyor system still exists and consists of six (6) identical in-ground vibratory feeders and three (3) conveyor belts:

- Reclaim Conveyor (Conveyor No. 1)
- Transfer Conveyor (Conveyor No. 2)
- Shiploading Conveyor (Conveyor No. 3)

From the visual inspection, the belt conveyor system appears to be in reasonable condition physically. The current operating condition of the mechanical and electrical components is unknown since the system has not been operated since the operation ceased shipping concentrates in 1998. However, John Wood of AIDEA reported that the conveyors were turned over during the demolition of the Concentrate Storage Building in 2003. David Hunz also indicated that some of the components would likely require upgrading or replacing because of age and corrosion.

The electrical power distribution system for the conveyor and lighting systems is still connected. The metal halide lights in the trench area were turned on for the tour of the trench area and conveyor system.

### **4.4.2 Vibratory Feeders**

There are six (6) feeders, located at 100-ft centers along the length of the Reclaim Conveyor. These are pan-style vibratory feeders and were used to feed concentrate from the storage area onto the Reclaim Conveyor.

According to information on the design drawings (SOT03-007-C-3 and SOT03-1969-AB-2555-GL-1), the normal maximum feed rate of each feeder is about 600 STPH (concentrate). The manufacturer and model number are not clearly identified on the feeders. Their current condition is also not known. However, David Hunz indicated that when the feeders were last operated, they were high maintenance items and parts were not readily available. There was also a fair amount of spillage at the feed points to the conveyor, whenever the feeders operated.

Three (3) feeders were operated whenever the terminal was reclaiming concentrate for the shiploader. Two wheeled loaders were used to build up piles over the feeders. The piles over the feeders had to be maintained in order for the feeders to operate effectively.

The openings in the concrete paved floor (of the storage area) for the feeders are currently covered up to prevent water from entering the trench area where the Reclaim Conveyor is located. According to the design drawings (SOT03-1969-AB-2555-SB-4), the dimensions of each opening are approximately 5' 7-1/2" by 4' 10" at the top of the concrete.



#### **4.4.3 Conveyor No. 1**

The Reclaim Conveyor (Conveyor No. 1) is located inside a below-grade concrete trench which stretches along the entire length of the east side of the storage area. Technical specifications for this conveyor, taken from the design drawings, include:

- Width of belt 48 inches
- Horizontal length Approx. 673'-0" C. to C. with take-up
- Idlers 35-degree troughed
- Design capacity 1500 STPH (concentrate)

The structure and roof over the trench area are still standing and in reasonable condition, with wall claddings on both sides of the trench, providing a complete enclosure of the Reclaim Conveyor.

#### **4.4.4 Conveyor No. 2**

The Transfer Conveyor (Conveyor No. 2) receives material from the Reclaim Conveyor during the shiploading operation. This conveyor, which is enclosed inside a gallery, transfers material from the Reclaim Conveyor to the Shiploading Conveyor. Technical specifications for this conveyor, taken from the design drawings, include:

- Width of belt 42 inches
- Horizontal length Approx. 249'-0" C. to C.
- Idlers 35-degree troughed
- Design capacity 1500 STPH (concentrate)

#### **4.4.5 Conveyor No. 3**

The Shiploading Conveyor (Conveyor No. 3) is installed on the loading boom of the shiploader. This conveyor receives material from the Transfer Conveyor during the shiploading operation. It has an articulated spout at the outer end of the conveyor for placing the concentrate into the ship's holds. Technical specifications for this conveyor, taken from the design drawings, include:

- Width of belt 48 inches
- Horizontal length Approx. 90' C. to C.
- Idlers 35-degree troughed
- Design capacity 1500 STPH (concentrate)

#### **4.5 Shiploading**

The shiploader is a fixed position or stationary type, with a capacity of about 1500 STPH loading mineral concentrates. The loading boom can be luffed to a vertical position when the shiploader is not operating and lowered to a horizontal position when operating. Depending on whether the ship

being loaded has cranes or gears, the loading boom may have to be luffed to a vertical position whenever the ship is warped (moved) for loading into a different hold.

There is a hoist arrangement complete with counterweights for raising and lowering the boom. With the boom at the horizontal position, it can be raised to a maximum elevation of approximately 76'-0" above Mean Lower Low Water (MLLW) and lowered to a minimum of 36'-0" above MLLW. The Mean Higher High Water (MHHW) is approximately 16.7 feet above MLLW.

Conveyor No. 3, which is mounted on the loading boom and has an articulated loading spout at the end of the conveyor, can shuttle in and out to provide a maximum reach of 48'-0" from the dock face and a minimum reach of 33'-0". The maximum reach of 48'-0" is approximately half the breadth or beam of a Handy size ship, which has a capacity of 35,000 dwt. The breadth or beam of a 'true' Panamax ship (70,000 dwt) is about 32.2 meters or about 105 feet. The present reach of the loading boom will not be adequate for loading product into a Panamax ship. Therefore some means must be provided on the loading spout to enable product to reach the far corners of each hold of the larger ships.

The shiploader structure appears to be in reasonable condition. The current operation condition of the mechanical and electrical components could not be ascertained from the visual inspection.

The existing berth alongside of the shiploader is owned by White Pass and currently used by the cruise ships during the summer. The current condition and structural integrity of the piles supporting the shiploader and the dock area could not be ascertained from the visual inspection.

#### **4.6 Electrical Power Distribution**

There is an electrical room housed inside a small building on the south-east corner of the terminal property, close to where the Reclaim Conveyor No. 1 joins the Transfer Conveyor No. 2. All of the motor control centers (MCC) for the terminal equipment are located inside this room.

There is a pad-mounted 2000 kVA, 2400/277/480V transformer, complete with a 2400V, 600A switchgear, which receives power from the overhead lines located along the east side of the terminal.

Inside the electrical room is a switchboard with a main disconnect and MCC's for various electrical components at the terminal. There is space for additional MCC's, if required. In addition, the ventilation system has been removed with the demolition of the Concentrate Storage Building. As a result, the MCC's used for the variable frequency drives (3) for the ventilation system are also available for use, if suitable and required.

### **5. COST ESTIMATES**

#### **5.1 Estimated Capital Costs**

##### **5.1.1 Basis of Estimate**

The estimated quantities of material are based on reference drawings provided by R & M Engineering Inc. of the existing materials handling and shiploading facilities at the Skagway Ore Terminal. They include:

- General arrangement drawings showing the major components of the facilities;
- As-built Drawings No. SOT03-1991-AB-S8 to –S12 for developing the estimated quantities of concrete and number/lengths of piles for Conveyor No. 2 platform and foundation;
- Drawings No. SOT03-1969-AB-2555-SL-2, -4, and -5 for developing the estimated weight of steel work for the shiploader guide towers and support, shiploader loading boom, and shiploader hoisting cage;
- As-built Drawings no. SOT03-1991-AB-S6, -S7, and –S11 for developing the estimated quantities of concrete and number/lengths of piles for the shiploader platform and foundation.

The Capital Cost Estimates are based on US\$ costs of equipment, material and labour obtained from several sources:

- Budget quotation from a vendor for the supply of vibratory feeders, based on the operating parameters for the terminal;
- Budget quotations from a vendor for the supply of overhead tripper conveyor system;
- Budget quotations from other materials handling projects using similar equipment;
- In-house data for construction material and labour costs;
- Cost allowances for selected items where prices are not readily available.
- The estimate contains no allowance for future escalation.

### 5.1.2 General Estimating Criteria

The general estimating criteria used for preparing the construction cost estimate includes:

- The time basis for the estimates and data presented in this report is September 2005.
- All costs are expressed in September 2005 US\$.

The estimates of probable construction costs are provided in greater detail in the appendix of this report.

### 5.1.3 Accuracy of Estimates

The capital cost estimates were prepared on the basis of the preliminary design drawings to an accuracy range of  $\pm 30\%$ .

#### 5.1.4 Items Not Included

Items not included in the capital cost estimates are:

- Dock structure for berthing bulk carriers;
- Permitting costs;
- Interest on capital during construction;
- Owner's overheads during construction;
- Operator training;
- Operations and maintenance costs.

#### 5.1.5 Contingency

A contingency of 20% is included with the cost estimate. The contingency allowance is provided to cover those costs that are unforeseen at the time the estimate was produced and may become apparent as detailed design and construction proceed. The contingency was not included to provide for costs associated with scope changes.

#### 6.1.6 Capital Cost Area Breakdown

The following area breakdowns are used for presenting the capital cost estimates:

##### ***Area 100 Receiving and Stockpiling Systems***

There is no means of receiving and stockpiling products arriving at the terminal.

##### ***Area 200 Storage Area***

This area consists of the existing paved concrete floor, allowance for site drainage, and lighting for the storage area.

##### ***Area 300 Reclaiming System***

This area consists of the six (6) feeders, the concrete trench area, Reclaim Conveyor No. 1, Transfer Conveyor No. 2, and associated civil, structural, mechanical and electrical components.

##### ***Area 400 Shiploading System***

This area consists of the shiploader, Shiploader Conveyor No. 3 and associated civil, structural, mechanical and electrical components.

#### 5.1.6 Summary of Estimated Capital Costs

The following Table 6-1 provides a summary of the estimated current capital costs to replace the existing materials handling and shiploading systems at the terminal. All of the costs are expressed

in US dollars. Detailed summaries of the estimated capital costs within the different areas are included in Appendix 1.

Table 6-1  
Summary of Estimated Replacement Value

Area	Description	Cost (\$US)
100	Receiving and Stockpiling Systems	\$ --
200	Storage Area	4,041,000
300	Reclaiming System	5,002,000
400	Shiploading System	2,543,000
500	Power Supply	410,000
	Sub-Total – Direct Costs	\$ 11,996,000
	Indirect Costs (20% of Direct Costs)	2,400,000
	Sub-Total – Direct and Indirect Costs	\$ 14,396,000
	Contingency (20% of Direct and Indirect Costs)	2,904,000
	<b>TOTAL ESTIMATED CAPITAL COST</b>	<b>\$ 17,300,000</b>

## 1 Methodology

### 1.1 CONDITION ASSESSMENT

The condition assessment of the major components of the materials handling and shiploading systems at the Skagway Ore Terminal was based primarily on visual inspections conducted by Bill Wong of Sandwell at the terminal site.

Prior to commencement of the inspection work, Sandwell received record drawings of the terminal from R & M Consultants, Inc. These drawings show the general plans and sections of the materials handling and shiploading systems and provided the basis for developing an inventory of the major capital equipment, machinery and structures involved in the appraisal.

Mr. Wong traveled to Skagway, toured the terminal site with David Hunz (former supervisor of the terminal when it last operated), and conducted visual inspections of the equipment, machinery and structures listed in the inventory. During the tour, Mr. Hunz, who was responsible for the operations and maintenance of the same equipment, machinery and structures provided some general information on their operating conditions and upkeep.

All of the inspections conducted were visual in nature and did not include any non-destructive testing (NDT) services or managing such services.

Because the condition assessment can be highly subjective, two indices were developed to provide a systematic means of measuring or quantifying the age and the physical and operating conditions of each asset or group of assets. These indices would be used to arrive at current condition values for the same assets.

The first index pertains to the estimated age of the asset and is shown in Table 1.1. A scale of 1 to 5 is assigned to quantify the age of the asset, ranging from a “1” for those equipment older than 25 years to a “5” for those equipment less than 2 years old.

Table 2.1

Age Index

Index	Estimated Age
1	25+ years old
2	15-25 years old
3	10-15 years old
4	5-10 years old
5	Less than 2 years old

The second index pertains to the general physical condition of the assets and is shown in Table 2.2. Again, a scale of 1 to 5 is assigned to rank the condition of the assets. The index takes into account:

- any required maintenance or repairs over and above normal or scheduled maintenance; and
- the operating condition of the equipment or machinery.

Table 2.2  
Condition Index

Index	General Physical Condition
1	Scrap (not working – major overhaul or replacement required)
2	Poor (constant maintenance required and not operating to spec)
3	Fair condition (some minor maintenance required but operating close to spec)
4	Good (older in age but operating to spec)
5	Excellent or new (new or close to new and operating to spec)

## **1.2 CAPITAL VALUATION CONCEPTS**

### **1.2.1 General**

Valuation is the estimate of the worth of an asset for a specific purpose. The methodology of the process is influenced both by that purpose and by the conditions under which the valuation must be conducted in terms of time, effort, access to data, and confidentiality.

### **1.2.2 Replacement Cost**

This method is an estimate of what it would cost to duplicate the materials handling and shiploading systems at the terminal without any design changes or enhancements. We developed our assessment of replacement cost based on the inventory of equipment, machinery and structures that was developed at the outset of this assignment.

The scope of the replacement cost valuation focused on estimating the cost of duplicating the Ore Terminal at a site already prepared for construction. Therefore the assessment excludes any costs related to demolition and site preparation, land, access roads, environmental impacts or issues for their mitigation, or any liabilities at the site of which Sandwell is not aware.



It should be noted that the performance of the facility under seismic loading is uncertain and this study did not attempt to assess the seismic issue.

We have assumed replacement cost to be defined as the capital and installation cost of new equipment or machinery of equivalent capacity. To arrive at new replacement costs for the major equipment such as the belt conveyors, vibratory feeders, and electrical equipment, vendors and suppliers of these equipment were contacted to obtain budgetary quotations. Since the shiploader is a rather unique design, the replacement cost was based on the weight of the structural steel, estimated fabrication costs per ton, plus the estimated costs of the mechanical and electrical components. Where necessary, the costs of other less expensive equipment are based on in-house cost data developed from recent projects using similar equipment. An allowance of 30-35%, where applicable, would be added to the budget prices to arrive at the installed costs.

While it was not intended within the project scope and methodology to identify, measure and cost every detail within the terminal, the items not specifically covered may still amount to a significant cost in the aggregate total. We have provided a lump sum percentage figure to reflect the general magnitude of what these additional items might cost. This category includes assets such as:

- Supplies, spare parts and tools;
- Utility service access and conduits;
- Programmable logic controllers, computers and systems software; and
- Other equipment, machinery and structures with replacement costs less than \$10,000

Another significant element in the cost of a major project is the cost for design, engineering and construction management. Sandwell has combined these elements in the indirect costs, along with a contingency factor to cover unforeseen delays, price inflation during construction and other unpredictable expenses.

Of the two valuations, the replacement cost will likely be the least useful because new construction may not represent a realistic scenario, except for insurance purposes. However, it does give AIDEA a perspective of the investment needed to bring a new facility on-line, providing a theoretical upper limit to the value of the ore terminal. Replacement cost development is also a necessary first step in developing a current condition value.

### **1.2.3 Current Condition Value**

Unlike the accountant's "book value" based upon the original cost of the assets and tax-oriented depreciation or the recent insurance appraiser's broader definition to reflect depreciation based on age and condition, Sandwell developed a view of the ore terminal that subjectively assessed the relative condition of the assets compared to new for the key components of the facility. This reflects both the physical survival rates for the various groups of assets and the suitability of the current assets to do their job in the future.

While Sandwell's process in many instances included an equipment-by-equipment review, the assessment reflects the typical age and condition of groups of assets.

The Current Condition Value reflects the concept of valuation of a used car or a used piece of heavy equipment. These types of assets are valued for the service life still in them, which in turn is a result of the cost and quality of the original product, the care taken during their use, and their level of maintenance. The ideal situation is if there was a used equipment market with prices for equipment that are comparable in age and capacity as those at the Ore Terminal. Unfortunately, such a market does not exist for some of the equipment at the Ore Terminal and some judgment has to be made.

The development of the Current Condition Value is based on the assumption that the assets would continue to be used at their current locations, as part of the existing Ore Terminal operation; not based on their removal from the site for salvage value. The latter case would result in a much lower value because of the costs incurred by the purchaser to dismantle, remove and re-install, which would be factored into what the purchaser would be willing to pay.

The Current Condition Value of the present facility was made by pro-rating the installed cost of new assets by the current condition of the existing assets using the age and condition indices. Example: If an asset is rated “1” for age and “3” for current condition, then the current condition values would be estimated as the capital replacement cost x 4/10, where “4” is the sum of both indices and “10” is the maximum possible sum of both indices.

**1.2.4 Accuracy Range**

The estimated current condition values have been prepared to an accuracy range of +/-30%.

**1.2.5 Summary of Results**

Table 1-1 summarizes the estimated current condition values of the material handling and shiploading systems at the Skagway Ore Terminal.

Table 1-1  
Summary of Estimated Current Condition Value

<b>Area</b>	<b>Description</b>	<b>Cost (\$US)</b>
100	Receiving and Stockpiling Systems	\$ --
200	Storage Area	1,658,400
300	Reclaiming System	2,516,800
400	Shiploading System	1,193,000
500	Power Supply	170,500
	Sub-Total – Direct Costs	\$ 5,538,700
	Indirect Costs (20% of Direct Costs)	1,110,000
	Sub-Total – Direct and Indirect Costs	\$ 6,648,700
	Contingency (20% of Direct and Indirect Costs)	1,355,000
	<b>TOTAL ESTIMATED CAPITAL COST</b>	<b>\$ 8,003,700</b>



# SANDWELL

# ESTIMATE OF COST

PROJECT: 142951 - SKAGWAY TERMINAL - ESTIMATED REPLACEMENT & CURRENT CONDITION VALUES

CLIENT: HORAN APPRAISALS LLC.

DATE: 1-Nov-05

AREA:

DISC	ITEM	DESCRIPTION	QTY	UNIT	Unit Rate	TOTAL CAPITAL COST	AGE INDEX	CONDITION INDEX	ESTIMATED CURRENT VALUE
<b>200 STORAGE AREA</b>									
	<b>1</b>	<b>Existing storage area - 720' x 150' including:</b>							
	1.1	Excavation - 3' depth	12,000	CY	20	240,000	1	4	120,000
	1.2	Gravel sub-base - 1'6" thick	6,000	CY	30	180,000	1	4	90,000
	1.3	Concrete - slab on grade - 1'6" thick	6,000	CY	450	2,700,000	1	3	1,080,000
	1.4	Concrete - divider walls	320	CY	800	256,000	1	3	102,400
	1.5	Superstructure				NOT INCLUDED			
	<b>2</b>	<b>Perimeter containment wall - concrete</b>	<b>800</b>	<b>CY</b>	<b>700</b>	<b>560,000</b>	<b>1</b>	<b>3</b>	<b>224,000</b>
	<b>3</b>	<b>Perimeter drainage system - 1,740 lf</b>	<b>1</b>	<b>LS</b>	<b>105,000</b>	<b>105,000</b>	<b>1</b>	<b>3</b>	<b>42,000</b>
	<b>4</b>	<b>Lighting</b>				NOT INCLUDED			
	<b>5</b>	<b>Dust suppression system</b>				NOT INCLUDED			
	<b>6</b>	<b>Equipment washdown building</b>				NOT INCLUDED			
	<b>7</b>	<b>Laboratory building</b>				NOT INCLUDED			
	<b>8</b>	<b>Office &amp; crew changing building</b>				NOT INCLUDED			
	<b>9</b>	<b>Maintenance shop</b>				NOT INCLUDED			
	<b>10</b>	<b>Electrical room</b>				INCLUDED IN AREA 500 - POWER SUPPLY			

<b>TOTAL: STORAGE AREA</b>						<b>4,041,000</b>			<b>1,658,400</b>
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# SANDWELL

# ESTIMATE OF COST

PROJECT: 142951 - SKAGWAY TERMINAL - ESTIMATED REPLACEMENT & CURRENT CONDITION VALUES

CLIENT: HORAN APPRAISALS LLC.

DATE: 1-Nov-05

AREA:

DISC	ITEM	DESCRIPTION	QTY	UNIT	Unit Rate	TOTAL CAPITAL COST	AGE INDEX	CONDITION INDEX	ESTIMATED CURRENT VALUE
<b>300 RECLAIMING</b>									
	1	Mobile equipment - reclaiming				NO ALLOWANCE			
	2	<u>Existing Vibratory Feeders</u>							
	2.1	Foundations - concrete - for feeders	6	EA	35,000	210,000	1	4	105,000
	2.2	Chutework to feeders	6	EA	10,000	60,000	1	3	24,000
	2.3	Vibratory feeders - 500 STPH concentrate	6	EA	60,000	360,000	1	2	108,000
	2.4	Electrical and instrumentation	1	LS	150,000	150,000	1	3	60,000
	3	<u>Existing Concrete Trench for Reclaim Conveyor</u> - approx. 9'6" wide x 10' high x 720' long - entire trench area enclosed with cladding							
	3.1	Civil and concrete work for trench	1	LS	710,000	710,000	1	4	355,000
	3.2	Enclosure over trench area - structural steel framing and cladding - 12' x 20' high x 720' long	1	LS	1,125,000	1,125,000	3	4	787,500
	3.3	Lighting inside trench area	1	LS	60,000	60,000	1	4	30,000
	4	<u>Existing Reclaim Conveyor no.1</u> - 48" wide belt conveyor - approx. 675' long (in trench) - 1500 STPH design capacity							
	4.1	Structural - emergency exit platforms	1	LS	50,000	50,000	1	4	25,000
	4.2	Mechanical including belting, pulleys, idlers, drive assembly, take-up assembly, stringers, head and tail frames and discharge chute	675	LF	900	608,000	1	3	243,200
	4.3	Discharge points from vibratory feeders	6	EA	7,000	42,000	1	3	16,800
	4.4	Electrical and instrumentation	1	LS	100,000	100,000	1	3	40,000
	5	<u>Transfer station (basement of laboratory building)</u>							





# SANDWELL

# ESTIMATE OF COST

PROJECT: 142951 - SKAGWAY TERMINAL - ESTIMATED REPLACEMENT & CURRENT CONDITION VALUES

CLIENT: HORAN APPRAISALS LLC.

DATE: 1-Nov-05

AREA:

DISC	ITEM	DESCRIPTION	QTY	UNIT	Unit Rate	TOTAL CAPITAL COST	AGE INDEX	CONDITION INDEX	ESTIMATED CURRENT VALUE
<b>400 SHIPLOADING</b>									
	<b>1</b>	<b>Shiploader</b>							
		- Fixed type, with loading boom that can be moved up and down to suit clearance of ship being loaded							
		- Design capacity - 1500 STPH concentrate							
		- Design ship size - 35,000 dwt							
	<b>1.1</b>	<b>Guide Towers (2) and Supports</b>							
	1.1.1	Structural steel	38	TONS	6,000	228,000	1	4	114,000
	1.1.2	Sheaves, wheels, ropes	1	LS	60,000	60,000	1	3	24,000
	1.1.3	Concrete counterweights - (~ 50,000 lbs)	1	LS	10,000	10,000	1	4	5,000
	1.1.4	Miscellaneous	1	LS	10,000	10,000	1	4	5,000
	<b>1.2</b>	<b>Loading Boom - 12' x 105' long</b>							
	1.2.1	Structural steel	26	TONS	8,000	208,000	1	4	104,000
	1.2.2	Operator's cab, access & controls	1	LS	20,000	20,000	1	3	8,000
	1.2.3	Hydraulic cylinders for luffing & hydraulic power unit for shuttling/luffing boom	2	EA	125,000	250,000	1	3	100,000
	1.2.4	Spout - at end of boom c/w power unit	1	LS	50,000	50,000	1	3	20,000
	1.2.5	Electrical and instrumentation	1	LS	35,000	35,000	1	3	14,000
	<b>1.3</b>	<b>Hoisting Cage (to raise and lower boom)</b>							
	1.3.1	Structural steel	17	TONS	8,000	136,000	1	4	68,000
	1.3.2	Sheaves, boom hoist cable drums, & cable systems	1	LS	75,000	75,000	1	3	30,000
	1.3.3	Drive (motor, reducer and brake)	1	LS	60,000	60,000	1	3	24,000
	1.3.4	Electrical and instrumentation	1	LS	35,000	35,000	1	3	14,000
	<b>2</b>	<b>Shiploading Conveyor - Conveyor No. 3</b>							
		- 48" wide belt conveyor - approx. 90' long							

# SANDWELL

# ESTIMATE OF COST

PROJECT: 142951 - SKAGWAY TERMINAL - ESTIMATED REPLACEMENT & CURRENT CONDITION VALUES

CLIENT: HORAN APPRAISALS LLC.

DATE: 1-Nov-05

AREA:

DISC	ITEM	DESCRIPTION	QTY	UNIT	Unit Rate	TOTAL CAPITAL COST	AGE INDEX	CONDITION INDEX	ESTIMATED CURRENT VALUE
		- Design capacity - 1500 STPH concentrate							
		- Conveyor can shuttle in and out							
	2.1	Structural				INCLUDED WITH BOOM			
	2.2	Mechanical including belting, pulleys, idlers, drive assembly, take-up assembly, stringers	90	LF	1,000	90,000	1	3	36,000
	2.3	Lighting	1	LS	26,000	26,000	1	4	13,000
	2.4	Electrical & instrumentation	1	LS	110,000	110,000	1	3	44,000
	3	Shiploader platform	1	LS	1,100,000	1,100,000	1	4	550,000
	4	Platform lighting	1	LS	40,000	40,000	1	4	20,000
<b>TOTAL: SHIPLOADING</b>						<b>2,543,000</b>			<b>1,193,000</b>

# SANDWELL

# ESTIMATE OF COST

PROJECT: 142951 - SKAGWAY TERMINAL - ESTIMATED REPLACEMENT & CURRENT CONDITION VALUES

CLIENT: HORAN APPRAISALS LLC.

DATE: 1-Nov-05

AREA:

DISC	ITEM	DESCRIPTION	QTY	UNIT	Unit Rate	TOTAL CAPITAL COST	AGE INDEX	CONDITION INDEX	ESTIMATED CURRENT VALUE
<b>500 POWER SUPPLY</b>									
	<b>1</b>	<b><u>Main Transformer</u></b>							
	1.1	Foundation including perimeter fencing	1	LS	25,000	25,000	1	4	12,500
	1.2	Main transformer and 480V switchboard including fused disconnect & feeder breakers	1	LS	100,000	100,000	1	3	40,000
	<b>2</b>	<b><u>Electrical room</u></b>							
	2.1	Foundations & superstructure	1	LS	40,000	40,000	1	4	20,000
	2.2	MCC's, UPS and control power system, plant PLC & lighting transformer	1	LS	200,000	200,000	1	3	80,000
	2.3	PDC including ethernet system	1	LS	45,000	45,000	1	3	18,000
<b>TOTAL: POWER SUPPLY</b>						<b>410,000</b>			<b>170,500</b>

# Sandwell

+/- 30 %

## SUMMARY

PROJECT: 142951 - SKAGWAY TERMINAL - ESTIMATED REPLACEMENT & CURRENT CONDITION VALUES

CLIENT: HORAN APPRAISALS LLC.

DATE:

1-Nov-05

DIRECT COSTS:		REPLACEMENT VALUE	CURRENT CONDITION VALUE
100	RECEIVING AND STOCKPILING	NO ALLOWANCE	NO ALLOWANCE
200	STORAGE AREA	4,041,000	1,658,400
300	RECLAIMING	5,002,000	2,516,800
400	SHIPLOADING	2,543,000	1,193,000
500	POWER SUPPLY	410,000	170,500
SUB-TOTAL - DIRECT COSTS		11,996,000	5,538,700
<b>INDIRECT COSTS</b>			
INDIRECT COSTS INCLUDING: (20% of direct costs)		2,400,000	1,110,000
- ENGINEERING			
- CONSTRUCTION MANAGEMENT			
- OWNER'S OVERHEAD			
- TEMPORARY FACILITIES			
- SPARES			
TOTAL DIRECT AND INDIRECT COSTS		14,396,000	6,648,700
CONTINGENCY - 20 % of direct & indirect costs		2,904,000	1,355,000
ESCALATION		NOT INCLUDED	NOT INCLUDED
TOTAL PROJECT COSTS (\$US) - as of October 2005		17,300,000	8,003,700

**Community:**Town

**Recording District:** Skagway

**Location:** South end Ore Terminal Site, Skagway, Alaska

<b>Instrument:</b> Lease	<b>Serial:</b>	<b>Sale Price:</b> \$25,848
<b>Trans.Type:</b> Lease		<b>Sale Date:</b> May 1, 2004
<b>Rights:</b> Lease		<b>Grantor:</b> PARN
<b>Terms:</b> monthly		<b>Grantee:</b> Temsco Helicopters
<b>Size (AC):</b> 1.39		<b>Utilities:</b> All
<b>Frontage:</b> None		<b>Access:</b> Road, paved
<b>Zone:</b> W		<b>Improvements:</b> None
		<b>Land Class:</b> Non-Waterfront, Commercial
<b>Topography:</b> Level		
<b>Vegetation:</b> Cleared		
<b>Soil:</b> Typical		
<b>Present Use:</b> Vacant		
<b>Intended Use:</b> Helicopter terminal		
<b>Highest and Best Use:</b> Light Industrial		

**Comments:**

10 year lease + (2) 5 year renewals; CPI adjustment every 3 years.

**Analysis:**

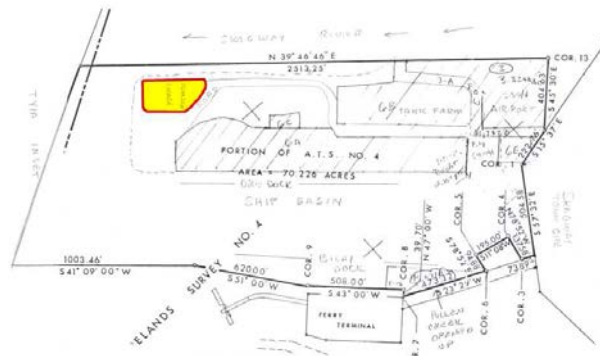
\$24,000 / 8% = \$300,000 value / 60,548 SF = \$4.95/SF

**Marketing Info:** Negotiated lease

Confirmed with: Curt Dodd - White Pass Curt Dodd  
 Confirmed date: 2/8/2001 11/18/2005  
 Confirmed by: C.Horan W.Ferguson  
 Book/Location: 60 - Commercial  
 Revision Date: 11/23/2005  
 Record Number: 3955



Taken 2/19/2004



021904\_0281

**Community:**Town

**Recording District:** Skagway

**Location:** Skagway, Alaska  
**Legal:** Portion of ATS 4

**Instrument:** Serial:  
**Trans.Type:** Land Lease  
**Rights:** Lease  
**Terms:** Annual Payments

**Sale Price:** \$64,740  
**Sale Date:** January 1, 2005  
**Grantor:** Skagway Terminal Co.  
**Grantee:** AML

**Size (AC):** 2.58  
**Frontage:**  
**Zone:** W

**Utilities:** Water, sewer, electric, telephone  
**Access:** Road, paved  
**Improvements:** See comments.  
**Land Class:** Commercial, Waterfront

**Topography:** Level  
**Vegetation:** None  
**Soil:** Gravel

**Present Use:** Barge landing  
**Intended Use:** Storage and barge landing  
**Highest and Best Use:** Present use

**Comments:**

There is joint use of barge loading ramp. Some dispute over who owns the ramp - the city or Skagway Terminal Co. This is treated as a waterfront land lease.

**Land Lease Details:**

- Rate: 8%
- Est. Market Value: \$750,000
- Rent Adjustment: Three years then Anchorage CPI
- Option to Purchase: No
- Assignment: Yes
- Improvements: Lessee will build its building
- Others: Typical Lease

**Analysis:**

\$290,698/AC Fee Simple, or \$6.67/SF

**Marketing Info:** Negotiated lease

Confirmed with:	STC, Curt Dodd	Curt Dodd
Confirmed date:	2/28/2001	11/18/2005
Confirmed by:	C.Horan	W.Ferguson
Book/Location:	60 - Commercial	
Revision Date:	11/23/2005	
Record Number:	4226	



0103-259.22a



0102-219.34

**Community:** Juneau - Other

**Recording District:** Juneau

**Location:** 1110 Jacobsen Drive, AJ Rock Dump, Juneau, Alaska

**Legal:** Portions of Lots 4A, 4B, 4C, AJ Rock Dump Subdivision, Plat 91-67

**Instrument:** Lease      **Serial:**

**Sale Price:** \$100,000

**Trans.Type:** Land Lease

**Sale Date:** June 18, 2002

**Rights:** Leasehold

**Grantor:** Jacobsen Family Trust

**Terms:** Annual payments

**Grantee:** Southeast Stevedoring, et al

**Size (AC):**

**Utilities:** See Comments

**Frontage:** 600'

**Access:** Road, paved

**Zone:** WC

**Improvements:** None

**Land Class:** Waterfront, Commercial

**Topography:** Level

**Vegetation:** None

**Soil:** Gravel

**Present Use:** Vacant

**Intended Use:** Developed bus parking and staging area for off-loading cruise ship passengers

**Highest and Best Use:** Commercial waterfront

**Comments:**

The land area is estimated based on interview with Lessee. Date is estimated based on initial application for development of the cruise ship dock. These lands are uplands associated with the development of the AJ Dock. The tidelands are leased separately from the State of Alaska. Lease terms are assumed to be 20 to 30 years. Rent to be re-negotiated at 5 to 10 intervals based on new appraisal of leased land as raw property. Lessee developed entire site including bathrooms, ramps, floats, and other noted on-site improvements. The Lessor withheld a 30' easement across the property. The exact site layout is unknown to the appraiser. Lessee has indicated a size range from 2.2 to 2.5 acres or about 100,000 SF. The entire dock system, including the upland improvements, extension of utility services, etc. was just less than \$9 million.

This lease commenced in February 2003 with a 20 year term and a 10 year renewal clause.

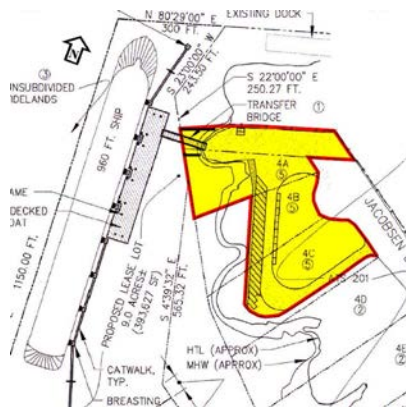
**Analysis:**

Land Lease Rate at \$1/SF/year for \$100,000/year.

Income attributes of investment seem minimal with an initial 3% return. The investor was motivated by other business stevedoring business enterprise to be conducted onsite, however, it was a leveraged project. Seventy-nine percent loan to value at 4% variable rate over 20 years; fixed for 2 years. The anticipated yield on equity (21%) was 12%.

**Marketing Info:**

Confirmed with:	Bob Berto	Bob Berto
Confirmed date:	10/10/2005	10/14/2005
Confirmed by:	C.Horan	K. Williams
Book/Location:	84/WC	
Revision Date:	11/16/2005	
Record Number:	4174	





**Community:**Town

**Recording District:** Skagway

**Location:** Front Street near Main on the Ore Terminal Site,Skagway, Alaska

**Legal:** Parcel of land within ATS 4, Tract A

**Instrument:** Lease      **Serial:**

**Sale Price:** \$8,640

**Trans.Type:** Lease

**Sale Date:** October 1, 2002

**Rights:** Fee Simple

**Grantor:** City of Skagway

**Terms:** 16 year lease

**Grantee:** Howard Smith (Corner Propane)

**Size (AC):** 0.41

**Utilities:** None

**Frontage:** None

**Access:** Road, paved

**Zone:** W, I

**Improvements:** None

**Land Class:** Non-Waterfront, Commercial

**Topography:** Level

**Vegetation:** Cleared

**Soil:** Gravel

**Present Use:** Fuel sales/storage

**Intended Use:** Fuel sales/storage

**Highest and Best Use:** Light Industrial

**Comments:**

**Analysis:**

Leased at \$8,640/year capitalized at 8% fee simple value \$108,000 ÷ 18,000 SF = \$6/SF

**Marketing Info:** Negotiated lease.

Confirmed with: City of Skagway

Confirmed date: 12/1/2002

Confirmed by: W.Ferguson

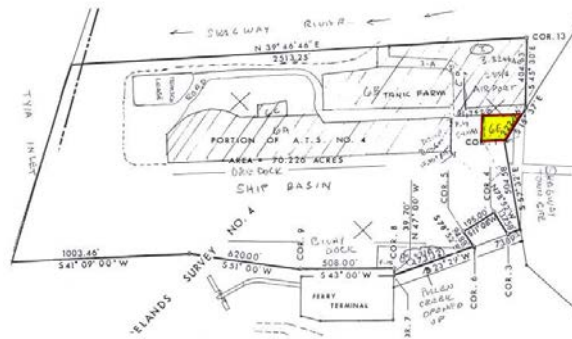
Book/Location: 60 - Commercial

Revision Date: 11/16/2005

Record Number: 3731



9912-3110.18a



**Community:**Town

**Recording District:** Skagway

**Location:** Congress Way

**Legal:** Ptn ATS 4, Tidelands 5C;

Our File 05-032

**Instrument:**                      **Serial:**

**Sale Price:**

**Trans.Type:** Lease

**Sale Date:**

**Rights:** Lease

**Grantor:** City of Skagway

**Terms:**

**Grantee:** Skagway Fish Company

**Size (AC):** 0.12

**Utilities:** All

**Frontage:**

**Access:** Road, paved

**Zone:** W

**Improvements:**

**Land Class:** Commercial

**Topography:** Level

**Vegetation:** Cleared

**Soil:** Buildable

**Present Use:** Lease for Restaurant

**Intended Use:** Continured Lease

**Highest and Best Use:** Marine Related Commercial

**Comments:**

**Analysis:**

Fee Simple Value is estimated at \$51,300; 6/05

Annual Rent = \$4,104 (\$4,104 ÷ 8% = \$51,300 fee simple)

\$51,300 ÷ 5,400 SF = \$9.50/SF

**Marketing Info:**

Confirmed with: City

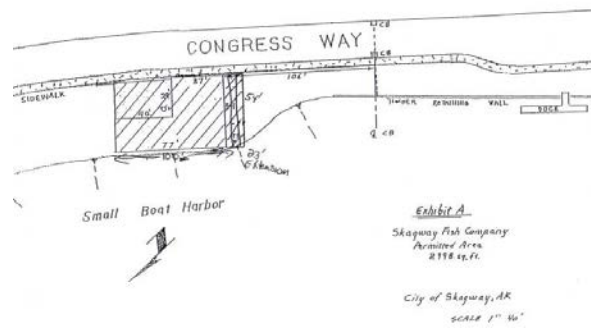
Confirmed date: 6/1/2003

Confirmed by: W.Ferguson

Book/Location: 60 - Commercial

Revision Date: 11/16/2005

Record Number: 3977



030105\_0382

**Community:** Town

**Recording District:** Skagway

**Location:** Congress Way

**Legal:** Ptn ATS 4, Tidelands 5C

**Instrument:** Serial:

**Sale Price:** \$1,920

**Trans.Type:** Lease

**Sale Date:** May 1, 2003

**Rights:** Lease

**Grantor:** City of Skagway

**Terms:**

**Grantee:** Stowaway Cafe

**Size (AC):**

**Utilities:** All

**Frontage:**

**Access:** Road, paved

**Zone:** W

**Improvements:**

**Land Class:** Commercial, Waterfront

**Topography:** Level

**Vegetation:** Cleared

**Soil:** Buildable

**Present Use:**

**Intended Use:**

**Highest and Best Use:**

**Comments:**

**Analysis:**

Annual Rent \$1,920 / 8% = \$24,000 fee simple value

\$24,000 / 4,000 SF = \$6.00/SF

**Marketing Info:**

Confirmed with: City

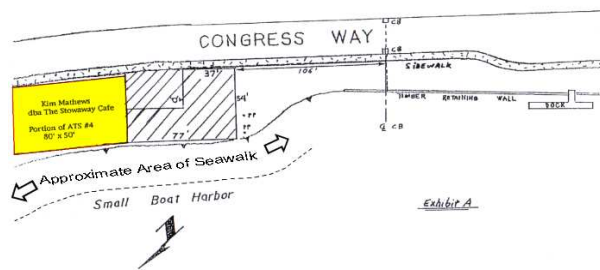
Confirmed date: 6/1/2003

Confirmed by: W.Ferguson

Book/Location: 60 - Commercial

Revision Date: 11/16/2005

Record Number: 3957



City of Skagway, AK  
SCALE 1"=40'  
Stowaway lease

**QUALIFICATIONS OF WILLIAM G. FERGUSON**

**Education:** Graduated from Pennsylvania State University, B.S./B.L.A. in Landscape Architecture, 1977

**Employment:** Appraiser, Horan & Company, LLC, 08/04-Present  
Appraiser, Horan, Corak & Company, formerly Pomtier, Duvernay & Horan, 03/87-07/04  
Appraiser, Pomtier, Duvernay & Horan, 1986-1987  
Associate Planner, City and Borough of Sitka, Alaska 1985-1986  
Landscape Architect, U.S. Forest Service, Sitka, Alaska, 1983-1985  
Landscape Architect, GWSM Inc., Pittsburgh, PA, 1977-1983

**Certification:** State of Alaska, Residential Appraiser, AA 58

**Appraisal Education:** AIREA Residential Valuation, May 1989, Portland, Oregon  
AIREA Residential Case Studies and Report Writing, May 1989, Portland, Oregon  
AIREA Standards of Professional Practice, October 1987, Anchorage, Alaska  
FNMA Appraisal Guidelines Seminar, July, 1987  
FNMA Appraisal Guidelines Seminar, July, 1988  
Veterans Administration Guidelines Seminar, February, 1988  
AIREA Real Estate Appraisal Principals, October 1988 Traverse City, Michigan  
Residential Demo - Appraisal Report Writing, Northern California Chapter, August 1992  
Feasibility Analysis - Highest and Best Use, Alaska Chapter, November 92  
Appraising the Tough Ones, Alaska Chapter, November 1992  
Standards of Professional Practice - Part A, Alaska Chapter, January 1993  
Standards of Professional Practice - Part B, Alaska Chapter, January 1993  
New URAR Seminar, Anchorage, Alaska, December 1993  
Valuation of Leasehold Interests, Anchorage, Alaska, December 1993  
Understanding Limited Appraisals, Anchorage, Alaska, July 1994  
Appraisal Institute, Appraisal Procedures, Pittsburgh, Pennsylvania, February, 1995  
The Internet and the Appraiser, May 1996, Seattle, Washington  
HighTech Appraisal Office, May 1996, Seattle, Washington  
Dynamics of Office Bldg. Valuation, October 1996, Anchorage, Alaska  
Appraisal of Retail Properties, October 1996, Anchorage, Alaska  
Standards of Professional Practice - Part B, April 1997, Seattle, Washington  
Basic Income Capitalization, March 1998, Chapel Hill, North Carolina  
Standards of Professional Practice - Part C, 1998, Edmonds, Washington  
FHA Training Seminar, October 1999, Seattle, Washington  
FHA Seminar, August 2000, Anchorage, Alaska  
FHA Appraisal Inspection From the Ground Up, June 2000, Anchorage, Alaska  
Undivided Partial Interest Valuation/Divided Partial Interest Valuation, May 2001, Anchorage  
Technical Inspection of Real Estate, April 2003, Anchorage, Alaska  
Code of Professional Ethics/Scope of Work, April 2003, Anchorage, Alaska  
Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), Jan 2004, Philadelphia, PA

## **HORAN & COMPANY, LLC**

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### **Types of Property Assessed for Taxation:**

Appraiser, City of Petersburg real property assessment roll; Assistant Assessor, Cities of Pelican and Skagway; Appraiser, City of Craig real property assessment roll; Expert Witness, Board of Equalization, Petersburg, Pelican and Skagway; Single family, multi-family, vacant lands, mobile homes, remote homesite, islands and subdivisions

### **Types of Property Appraised**

Residential - Single family residences, duplexes, tri-plexes, four-plexes, mobile homes, and vacant land  
Commercial - Warehouses, vacant tracts, islands, office buildings, remote sites, hangars, tidelands, retail buildings, apartments, market data and research

### **Planning Experience:**

Site planning, construction documentation, construction supervisor  
Local government planning duties including public presentations, narratives, zoning rewrites, mapping  
University and recreation master planning

### **Approvals:**

Alaska Federal Savings Bank, ALPS Federal Credit Union, Bureau of Indian Affairs, First Bank of Ketchikan, First National Bank of Anchorage, National Bank of Alaska, Norwest Mortgage, PHH Mortgage Services, Lenders Service Inc., Bank of America, Candidate (SRA) with Appraisal Institute, Candidate No. S882803, Dept. of Housing and Urban Development (FHA/HUD) Approval No. 2040, Veteran's Administration

Rev. 1/04

**QUALIFICATIONS OF CHARLES E. HORAN, MAI**

**Professional Designation and Certification**      MAI, Member Appraisal Institute, No. 6534  
State of Alaska General Appraiser Certification, No. AA41

**Education**      University of San Francisco, B.S., 1973, Major Business Administration

**Appraisal Institute Courses and Seminars**

Feb 2005      USPAP Update Course, Anchorage, AK  
Feb 2005      Rates & Ratios: Making Sense of GIMs, OARs, and DCF, Anchorage, AK  
April 2005      Best Practices for Residential Appraisal Report Writing, Juneau, AK  
May 2003      Scope of Work - Expanding Your Range of Services, Anchorage, AK  
October 2002      Litigation Appraising - Specialized Topics and Applications, Dublin, CA  
May 2002      Uniform Appraisal Standards for Federal Land Acquisitions: Practical Applications for Fee Appraisers, Jim Eaton, Washington D.C.  
June 2001      Uniform Standards of Professional Appraisal Practice, Part A, Burr Ridge, Illinois  
May 2001      Partial Interest Valuation - Undivided, Anchorage, Alaska  
May 2001      Partial Interest Valuation - Divided, Anchorage, Alaska  
March 1999      Highest and Best Use and Market Analysis, Baltimore, MA  
April 1997      Uniform Standards of Professional Appraisal Practice, Seattle, WA  
May 1995      The Appraiser as Expert Witness, Anchorage, Alaska  
May 1995      Appraisal Practices for Litigation, Anchorage, Alaska  
April 1995      Forestry Appraisal Practices, Atterbury Consultants, Beaverton, Oregon  
June 1993      Advanced Sales Comparison & Cost Approaches, Univ. of Colorado, Boulder  
July 1991      Computer Assisted Investment Analysis, University of Maryland  
April 1991      Uniform Standards of Professional Appraisal Practice, Anchorage, AK  
October 1987      Standards of Professional Practice, Anchorage, AK  
June 1986      Market Analysis, Boulder, Colorado  
August 1984      Litigation Valuation, Chapel Hill, North Carolina  
January 1982      Standards of Professional Practices, Bloomington, Indiana  
August 1980      Course 2B, Valuation Analysis & Report Writing, Stanford, CA  
August 1980      Course 6, Introduction to Real Estate Investment Analysis;  
August 1976      Course 1B, Capitalization Techniques, San Francisco, CA  
August 1976      Course 2A, Case Studies in Real Estate Valuation  
August 1974      Course 1A, Real Estate Principles and Valuation, San Francisco, CA

**Appraisal Seminars**

Easement Valuation, December 1997, San Diego, California  
State Certification Review Seminar, April 1991, Anchorage, AK, Dean Potter  
General State Certification Review Seminar, April 1991, Anchorage, Alaska  
Financial Institution Reform Recovery & Enforcement Act of 1989, July 1990, Juneau, Alaska  
Doreen Fair Westfall, Appraisal Analyst, OTS  
Real Estate Appraisal Reform, July 1990, Juneau, AK, Gregory Hofer, MAI, OTS  
Federal Home Loan Bank Board Memorandum R41C Seminar, March 17, 1987, Juneau, Alaska  
Catherine Gearhearth, MAI, FHLBB District Appraiser  
Federal Home Loan Bank Board Regulation 41b, Instructor Bob Foreman, MAI, September 1985, Seattle, Washington



## **HORAN & COMPANY, LLC**

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### **Employment History**

August 2004	Owner, HORAN & COMPANY, LLC
03/87-07/04	Partner, HORAN, CORAK AND COMPANY
1980-02/87	Partner, The PD Appraisal Group, managing partner since November 1984 (formerly POMTIER, DUVERNAY & HORAN)
1976-80	Partner/Appraiser, POMTIER, DUVERNAY & COMPANY, INC., Juneau and Sitka, Alaska
1975-76	Real Estate Appraiser, H. Pomtier & Associates, Ketchikan, AK
1973-75	Jr. Appraiser, Ketchikan Gateway Borough, Ketchikan, AK

### **Lectures and Educational Presentations**

1998,	"Easement Valuation Seminar," Alaska Chapter Appraisal Institute, Anchorage, AK
1998,	"Easement Valuation Seminar," Seal Trust, Juneau, Alaska
1997,	"Sitka Housing Market," Sitka Chamber of Commerce
1997,	developed and taught commercial real estate investment seminar for Shee Atika, Inc.
1994,	developed and taught seminar "Introduction to Real Estate Appraising," University of Alaska/S.E., Sitka Campus
1985,	Speaker at Sitka Chamber of Commerce, "What is an Appraisal? How to Read the Appraisal"
	Nat'l Park Service Seminar, cited Horan's work on impact of Historic Properties on Capitalization Rates at Harpers Ferry, WV
1984,	Southeast Alaska Realtor's Mini Convention, Juneau, Alaska
	Day 1: Introduction of Appraising, Cost and Market Data Approaches
	Day 2: Income Approach, Types of Appraisals, AIREA Accredited Course
1983,	"The State of Southeast Alaska's Real Estate Market"
1982,	"What is an Appraisal?"

### **Types of Property Appraised**

#### *Commercial*

Retail shops, enclosed mall, shopping centers, medical buildings, restaurants, service stations, office buildings, auto body shops, schools, remote retail stores, liquor stores, supermarkets, funeral home, mobile home parks, camper courts

#### *Industrial*

Warehouse, mini-warehouse, hangars, docks barge loading facilities, industrial acreage, industrial sites, bulk plant sites, and fish processing facility

#### *Special Land*

Remote acreage, tidelands with estimates of annual market rent. Large acreage land exchanges for federal, state, municipal governments and Alaska Native Corporations; retail lot valuations and absorption studies of large subdivisions; gravel and rock royalty value estimates; easements, partial interests, conservation easements; title limitations, permit fee evaluations

#### *Other*

Appraised various businesses with real estate for value as a going concern with or without fixtures such as hotels, motels, bowling alleys, marinas, restaurants, lounges. Appraised various properties under lease to determine leasehold and leased fee interests. Value easements and other complicated partial interests. Appraised tank farms, bulk terminal sites, and a variety of waterfront port sites.



## **HORAN & COMPANY, LLC**

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### *Special Projects*

Special consultation for Federal land exchanges. Developed Land Evaluation Module (LEM) to describe and evaluate 290,000 acres of remote lands. Renovation feasibilities, residential lot absorption studies, commercial and office building absorption studies. Contract review appraiser for private individuals, municipalities and lenders. Restaurant feasibility studies, Housing demand studies and overall market projections. Estimated impact of nuisances on property values. Historic appreciation / market change studies. Historic barren material royalty valuations, subsurface mineral and timber valuation in conjunction with resource experts.

### *Expert Witness Testimony*

U.S. Senate, Natural Resources Committee

U.S. House of Representatives, Resource Committee

Superior Court, State of Alaska, Trial Court and Bankruptcy Courts

Board of Equalization Hearings testified on behalf of these municipalities: Ketchikan Gateway Borough, City of Skagway, City of Pelican, City and Borough of Haines, Alaska

Witness at binding arbitration hearings, appointed Master for property partitionment by superior state court, selected expert as final appraiser in multi parties suit with settlements of real estate land value issues

### **Partial List of Clients**

US Dept. of Interior, Bureau of Indian Affairs, Bureau of Land Mgmt, National Park Service, Dept. of Transportation, US Coast Guard, Veterans Administration, US Dept. of Agriculture, Forest Service; State of Alaska, Dept. of Natural Resources, Div. of Lands, Dept. of Fish and Game, Dept. of Transportation and Public Facilities, University of Alaska, Alaska State Building Authority (formerly ASHA), Attorney General, State of Alaska; City and Borough of Juneau, City and Borough of Haines, City of Skagway, City and Borough of Sitka, City of Pelican, City of Petersburg, City of Craig, City of Thorne Bay, City of Coffman Cove; Shee Atika Inc., Goldbelt, Sealaska, Catholic Church, Juneau, AK, Presbyterian Church, Juneau, AK, Church of Jesus Christ of Latter Day Saints, Klukwan Inc., Cape Fox Inc., Haida Corp., Yak-Tat Kwan, The Tatitlek Corporation, Eyak Corporation, Moose Lodge, Elks Lodge, Federal Deposit Insurance Corporation (FDIC); Lloyd Hames/Hames Corp., Gordon Harang/Arrowhead Transfer, Michael Snowden/Service Transfer, Donald Madsen/Madsen Construction, Inc., Gulf Oil of Canada, Standard Oil of California, Union Oil, National Bank of Alaska, First National Bank of Anchorage, First Bank, First Mortgage Company of Spokane, First National Bank of Ketchikan, Alaska Federal Savings Bank, SeaFirst Bank, Rainier National Bank, Alaska Lumber & Pulp Co., Kennecott Greens Creek, Delta Western

Rev 5/05