

Appraisal of Real Property

PARN Leased Land

Ground Leased Land

Portion of ATS 4, Lots 11 & 12, Block 44 and Portion of Lot 7, Block 45

Municipality of Skagway , Alaska 99840

Prepared For:

Municipality of Skagway Alaska

Effective Date of the Appraisal:

August 22, 2018

Report Format:

Appraisal Report – Summary / Standard Format

IRR - Seattle

File Number: 154-2018-0349





November 1, 2018

Emily Deach and Heather Rodig
Acting Borough Managers
Municipality of Skagway Alaska
P.O. Box 415
Skagway, AK 99840

SUBJECT: Market Value Appraisal
PARN Leased Land
Portion of ATS 4, Lots 11 & 12, Block 44 and Portion of Lot 7, Block 45
Municipality of Skagway Alaska, Alaska 99840
IRR - Seattle File No. 154-2018-0349

Dear Mses. Deach and Rodig:

Integra Realty Resources – Seattle is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the Fair Market Value of the fee simple interest in the property. The client for the assignment is the Municipality of Skagway Alaska, and the intended use is for a periodic ground lease rental adjustment.

The subject comprises several parcels of land: Parcel A consists of uplands, tidelands and submerged lands, containing an area of 66.49 acres or 2,896,225 square feet. The property is zoned WD, Waterfront District, and is intended for all property contiguous with the shoreline. Parcel B includes 2 separate lots, 11 & 12, Block 44, totaling 10,000 square feet, and a portion of Lot 7, Block 45, totaling 2,280 square feet, for a combined area of 12,280 square feet overall. Zoning for Parcel B, Lots 11 & 12, Block 44, is Industrial (I) and the Lot 7, Block 45 parcel is zoned Waterfront District.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and applicable state appraisal regulations.

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an

Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Summary / Standard Format. This format contains the greatest depth and detail of IRR’s available report types.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusions			
Parcel	Interest Appraised	Date of Value	Benchmark Values
Uplands	Fee Simple	August 22, 2018	\$12,000,000
Surplus Uplands	Fee Simple	August 22, 2018	\$5,764,150
Submerged Tidelands	Fee Simple	August 22, 2018	\$9,315,192
Small 10,000 SF Lot	Fee Simple	August 22, 2018	\$350,000
Smaller Parcel with 28' Depth	Fee Simple	August 22, 2018	\$39,900
Total			\$27,469,242
Adjustments			
Cost estimate of fill in-place (2018 \$)			(\$12,800,000)
Total Adjustments			(\$12,800,000)
Concluded Value			\$14,669,242
		Rounded	\$14,700,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our

1. The subject property is appraised as vacant land served by streets and utilities, and does not consider the buildings and docks that have been constructed (land value only).

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. The subject has been valued at its current highest and best use, but in the physical condition that existed at the commencement of the Tideland Lease (refer to discussion of highest and best use).
2. The fee simple value estimate is assumed to not be encumbered with a lease agreement.
3. This valuation analysis assumes the subject property is not affected by soils contamination that is known to exist.



Emily Deach and Heather Rodig
Municipality of Skagway Alaska
November 1, 2018
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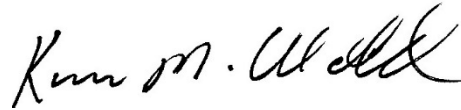
If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

Integra Realty Resources - Seattle



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General Information

Identification of Subject

The subject comprises several parcels of land: Parcel A consists of uplands, tidelands and submerged lands, containing an area of 66.49 acres or 2,896,225 square feet. The property is zoned WD, Waterfront District, and is intended for all property contiguous with the shoreline. Parcel B includes 2 separate lots, 11 & 12, Block 44, totaling 10,000 square feet, and a portion of Lot 7, Block 45, totaling 2,280 square feet, for a combined area of 12,280 square feet overall. Zoning for Parcel B, Lots 11 & 12, Block 44, is Industrial (I) and the Lot 7, Block 45 parcel is zoned Waterfront District.

Property Identification

Property Name	PARN Leased Land
Address	Portion of ATS 4, Lots 11 & 12, Block 44 and Portion of Lot 7, Block 45 Municipality of Skagway, Alaska 99840
Owner of Record	Municipality of Skagway, Alaska

Sale History

To the best of our knowledge, no sale or transfer of ownership has occurred within the past three years.

Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date.

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of current Fair Market Value as a basis for establishing fair market value as part of the five-year rental adjustment clause in the lease of tidelands (and amendments) dated March 19, 1968 between the Pacific and Arctic Railway and Navigation (PARN) and the Municipality of Skagway, Alaska. The date of the report is November 1, 2018. The appraisal is valid only as of the stated effective date or dates.

Adjustment of Rent for the Tidelands Lease

The 55-year tidelands lease between the City of Skagway and Pacific and Arctic Railway and Navigation Company, dated March 19, 1968, requires periodic adjustment of ground lease payments as specified in Section 21 or Ordinance 229 of the City of Skagway, as amended by Ordinance No. 243.

Ordinance No. 243 (amended Section 21 from the original lease) specifies the adjusted renewal rents will be computed at six percent (6.0%) of the fair market value of the land, exclusive of any portion of said value created by expenditures by lessee, but inclusive of any improvements thereon made by the lessor.

Refer to discussion of highest and best use as if vacant on page 36 of this report.

Definition of 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 seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- 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.”

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of Surplus Land

A given land use has an optimum parcel size, configuration, and land-to-building ratio. Any extra or remaining land not needed to support the specific use may have a different value than the land area needed to support that use. The portion of the property that represents an optimal site for the existing improvements will reflect a typical land-to-building ratio. Land area needed to support the existing use or ideal improvement can be identified and quantified by the appraiser. Any remaining land area is either excess or surplus land.

Source: Appraisal Institute, *The Appraisal of Real Estate*, 14th ed. (Chicago: Appraisal Institute, 2013)

Definition of Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options.

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015)

Definition of Property Rights Appraised

Fee simple estate is defined as, “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.”

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015)

Intended Use and User

The intended use of the appraisal is for rental adjustment of the ground rent under terms of the Lease of Tidelands, dated March 19th, 1968 between the City of Skagway (Lessor) and Pacific and Arctic Railway and Navigation Company (PARN). The client is Municipality of Skagway Alaska. The intended users are Municipality of Skagway Alaska and Pacific and Arctic Railway and Navigation (PARN) . The appraisal is not intended for any other use or user. No party or parties other than the Municipality of Skagway Alaska may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations.

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Summary / Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

We use only the sales comparison approach in developing an opinion of value for the subject. This approach is applicable to the subject because there is an active market for similar properties, and sufficient sales data is available for analysis.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Inspection

Allen Safer, MAI, MRICS, conducted an on-site inspection of the property on August 22, 2018. Kim M. Wold conducted an on-site inspection on August 22, 2018.

Economic Analysis

Skagway-Yakutat Division Area Analysis

Skagway-Yakutat Division is located in Southeast Alaska approximately 90 miles northeast of Juneau at the northern most end of Lynn Canal at the head of Taiya Inlet. It is 102 road miles south of Whitehorse and is just west of the Canadian border with British Columbia. It is 452 square miles in size and has a population density of 2 persons per square mile.

Skagway is predominantly a tourist community, with historical Tlingit native influences. The town was originally known by the Tlingits as Skagua, meaning “windy place” and was used by the Chilkoots and Chilkats for hunting and fishing. In 1896, when gold was discovered in the Yukon, Skagway acted as the starting-off point for prospectors, and in 1897 a post office, church, and newspaper were founded in the town, with the population rising to 10,000. In 1900, Skagway became the first incorporated city in Alaska.

The Bank of Alaska opened in Skagway in 1916 and the first tourism boom began in the mid-1920s. During World War II, Skagway stationed as many as 3,000 troops, who worked to construct the Alcan Highway, and the Klondike Highway to Dawson City opened in 1979. The city was dissolved in 2007 and became the first first-class borough in Alaska that same year. A federally-recognized tribe is located in the community – the Skagway Village, and the population of the community consists of 5.1% Alaska Native or part Native.

Downtown buildings have been colorfully restored to reflect the history of the gold rush that traversed through Chilkoot Pass to the Yukon.

Population

Skagway-Yakutat Division has an estimated 2018 population of 1,113, which represents an average annual 1.8% increase over the 2010 census of 968. Skagway added an average of 18 residents per year over the 2010-2018 period, and its annual growth rate exceeded the State of Alaska rate of 0.6%.

Looking forward, Skagway-Yakutat Division 's population is projected to increase at a 1.2% annual rate from 2018-2023, equivalent to the addition of an average of 14 residents per year, and Skagway's growth rate is expected to exceed that of Alaska, which is projected to be 0.6%.

Population Trends

	Population			Compound Ann. % Chng	
	2010 Census	2018 Estimate	2023 Projection	2010 - 2018	2018 - 2023
Skagway	968	1,113	1,183	1.8%	1.2%
Alaska	710,231	746,883	769,368	0.6%	0.6%

Source: Environics Analytics

Skagway has also proven to be an important player in the tourism market of Southeast Alaska. The National Park Service presence, preserved 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. The number of residents swells in the summer tourist season, nearly doubling the town's size.

Transportation

Skagway is well positioned to be a major shipment hub for Southeast Alaska and the Yukon Territory, with road, marine and air access, as well as connecting to markets on the West Coast, Pacific Rim, South Asia, and Europe.

Skagway is one of three communities in Southeast Alaska with road access to the Lower 48 states and to Canada, which is an advantage for any business that requires access to outside markets. The Klondike Highway meets the Alaska Highway 100 miles north of Skagway and is maintained and open year-round.

A weekly barge service carries goods into and out of Skagway and the Yukon to Seattle. The Alaska Marine Lines (AML) barge facility, as well as four docks capable of holding four (4) large cruise ships. The docks can also accommodate cargo vessels providing the basis for Skagway's freight capacity.

Two air taxi companies provide regular, year-round air service between Skagway and Juneau (45 minutes). The Alaska Marine Highway System (AMHS) provides vehicular and passenger ferry transport year-round between Skagway and most of the Southeast Alaska communities and onward to Prince Rupert (British Columbia) and Bellingham, Washington.

Employment

Total employment in Skagway is currently estimated at 1,385 jobs. Between year-end 2007 and the present, employment rose by 1,002 jobs, equivalent to a 261.6% increase over the entire period. There were gains in employment in six out of the past ten years despite the national economic downturn and slow recovery. Skagway-Yakutat Division's rate of employment growth over the last decade surpassed that of Alaska, which experienced an increase in employment of 12.1% or 36,246 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Skagway-Yakutat Division unemployment rate has been consistently higher than that of Alaska, with an average unemployment rate of 14.6% in comparison to a 7.1% rate for Alaska. A higher unemployment rate is a negative indicator.

Recent data shows that the Skagway-Yakutat Division unemployment rate is 3.8% in comparison to an 5.8% rate for Alaska, a positive sign for Skagway-Yakutat Division economy and an indication that the Skagway-Yakutat Division has outperformed Alaska in the rate of job growth over the past two years.

Please note that the inclusion of data from Haines and Yakutat has a significant negative influence on the Skagway statistics.

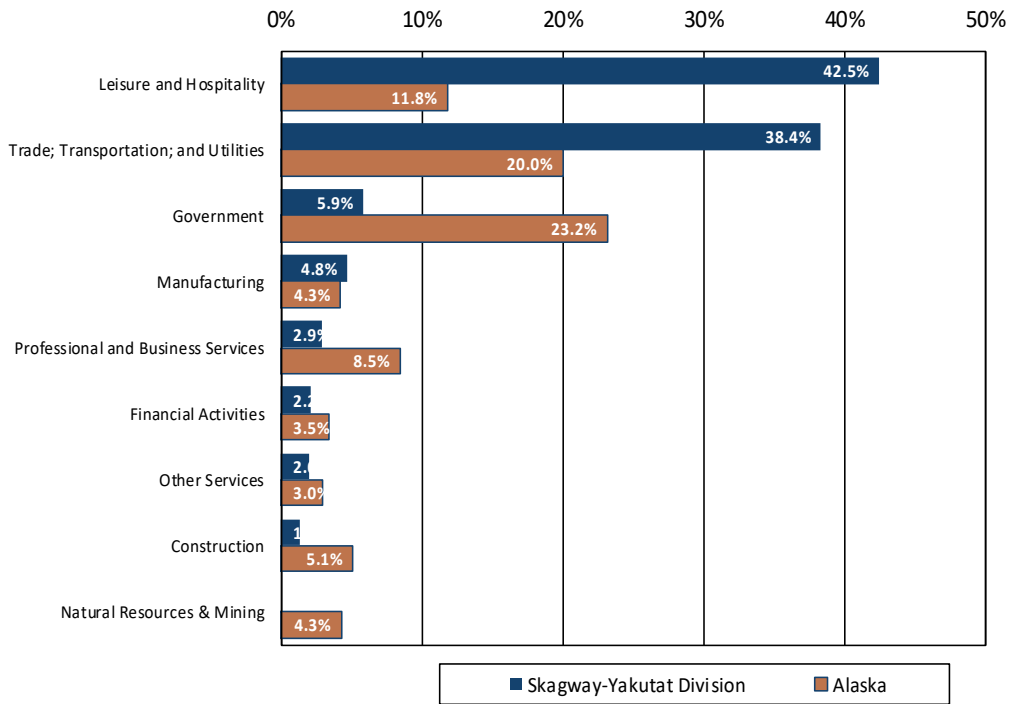
Employment Trends						
Year	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
	Skagway- Yakutat Division	% Change	Alaska	% Change	Skagway- Yakutat Division	Alaska
2007	383		299,199		13.9%	6.3%
2008	403	5.2%	303,921	1.6%	14.4%	6.7%
2009	378	-6.2%	302,339	-0.5%	16.3%	7.7%
2010	346	-8.5%	306,593	1.4%	16.0%	7.9%
2011	339	-2.0%	311,505	1.6%	17.9%	7.6%
2012	416	22.7%	314,941	1.1%	16.0%	7.1%
2013	407	-2.2%	315,137	0.1%	14.2%	7.0%
2014	426	4.7%	317,568	0.8%	13.9%	6.9%
2015	455	6.8%	316,091	-0.5%	13.3%	6.5%
2016	463	1.8%	310,461	-1.8%	12.7%	6.9%
2017*	1,385	199.1%	335,445	8.0%	12.3%	7.2%
Overall Change 2007-2017	1,002	261.6%	36,246	12.1%		
Avg Unemp. Rate 2007-2017					14.6%	7.1%
Unemployment Rate - July 2018					7.3%	5.8%

*Total employment data is as of September 2017; unemployment rate data reflects the average of 12 months of 2017.
Source: Bureau of Labor Statistics and Economy.com. Employment figures are from the Quarterly Census of Employment and Wages (QCEW).
Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

Employment Sectors

The composition of the Skagway-Yakutat Division job market is depicted in the following chart, along with that of Alaska. Total employment for both areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Skagway-Yakutat Division jobs in each category.

Employment Sectors - 2017



Source: Bureau of Labor Statistics and Economy.com

Skagway has greater concentrations than Alaska in the following employment sectors:

Tourism

1. Leisure and Hospitality, representing 42.5% of Skagway-Yakutat Division payroll employment compared to 11.8% for Alaska as a whole. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
2. Trade; Transportation; and Utilities, representing 38.4% of Skagway-Yakutat Division payroll employment compared to 20.0% for Alaska as a whole. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
3. Manufacturing, representing 4.8% of Skagway-Yakutat Division payroll employment compared to 4.3% for Alaska as a whole. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.

Skagway-Yakutat Division is underrepresented in the following sectors:

1. Government, representing 5.9% of Skagway-Yakutat Division payroll employment compared to 23.2% for Alaska as a whole. This sector includes employment in local, state, and federal government agencies.



2. Professional and Business Services, representing 2.9% of Skagway-Yakutat Division payroll employment compared to 8.5% for Alaska as a whole. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.
3. Financial Activities, representing 2.2% of Skagway-Yakutat Division payroll employment compared to 3.5% for Alaska as a whole. Banking, insurance, and investment firms are included in this sector, as are real estate owners, managers, and brokers.
4. Other Services, representing 2.0% of Skagway-Yakutat Division payroll employment compared to 3.0% for Alaska as a whole. This sector includes establishments that do not fall within other defined categories, such as private households, churches, and laundry and dry-cleaning establishments.

Major Industries

Tourism

The tourist industry flourishes in Skagway, as a port of call for cruise ships and a transfer site for rail and interior bus tours. Approximately 894,485 cruise ship berth counts were scheduled to visit Skagway during the 2018 season, on 418 cruise ship visits. With the addition of crew members and additional persons in state rooms, the cruise ship berth counts totaled approximately 1,130,000. The cruise ships typically spend 8 to 12 hours in port, which gives passengers and crew ample time for tours and shopping in the local stores. In addition, Skagway sees RV traffic and numerous state ferry travelers. There has been a fairly steady, and healthy, increase in passenger traffic in Skagway over the past several years.

2018 PORTS OF CALL • SKAGWAY, ALASKA

New ships visiting Skagway this year are in italics.

LINE	SHIP	CAPACITY	CALLS	PASSENGERS
Alaskan Dream	Alaskan Dream	40	4	160
Alaskan Dream	Baranof Dream	49	12	588
Alaskan Dream	Chichagof Dream	74	2	148
<i>American Cruise</i>	<i>American Constellation</i>	175	13	2275
Carnival	Carnival Legend	2124	17	36108
<i>Carnival</i>	<i>Carnival Splendor</i>	3012	1	3012
Celebrity	Millennium	2138	17	36346
Celebrity	Solstice	2850	18	51300
Crystal Cruises	Crystal Symphony	922	3	2766
Disney	Disney wonder	2713	14	37982
Holland	Nieuw Amsterdam	2106	21	44226
Holland	Noordam	1924	10	19240
Holland	Volendam	1432	20	28640
Holland	Westerdam	1916	13	24908
<i>Norwegian</i>	<i>Norwegian Bliss</i>	4004	17	68068
Norwegian	Norwegian Jewel	2376	17	40392
Norwegian	Norwegian Pearl	2394	23	55062
Oceania	Regatta	684	6	4104
Princess	Coral Princess	2000	19	38000
Princess	Emerald Princess	3080	20	61600
Princess	Golden Princess	2600	18	46800
Princess	Grand Princess	2600	11	28600
Princess	Island Princess	2200	19	41800
Princess	Ruby Princess	3080	21	64680
Princess	Star Princess	2600	20	52000
Radisson	Seven Seas Mariner	700	14	9800
RCI	Explorer of the Sea	3286	17	55862
RCI	Radiance of the Sea	2143	16	34288
Silversea	Silver Shadow	382	15	5730
TOTALS	29		418	894,485

Estimated daily cruise passenger counts are based on double occupancy capacities provided by cruise lines. Ships at Ferry Dock included in daily passenger totals.

The Klondike Gold Rush Historical Park and White Pass and Yukon Railroad are major attractions for visitors, particularly those on cruise ships. An Economic Impact Study conducted by the City of

Skagway in 1999 found that 51 percent of the owners of visitor-related businesses are not year-round residents.

Freight Shipment

Skagway is accessed by air, road, and water services and receives regular state ferry and barge services. A breakwater, ferry terminal, cruise ship dock, small boat harbor, boat launch, and boat haul-out are available at the Port of Skagway and the state owns the 3,550-foot-long by 75-foot-wide paved runway and a seaplane base at the boat harbor, with scheduled air taxis. The White Pass and Yukon RR Company owns two deep-draft docks for cargo loading and storage and freight arrives by barge, ferry, and truck. Trans-shipment of lead/zinc ore, fuel, and other freight occurs via the AIDEA Ore terminal and the Klondike Highway to and from Canada. The Klondike and Alaska Highways also provide a connection through British Columbia and the Yukon Territory, Canada to the Lower 48 states or north to the Interior of Alaska.

Gross Domestic Product

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area. Although GDP figures are not available at the county level, data reported for the State of Alaska is considered to be sufficiently representative of economic activity for Skagway-Yakutat Division to be meaningful when compared to the GDP of the United States overall.

Economic growth, as measured by annual changes in GDP, has been considerably lower in Alaska than the United States overall during the past eight years. The State of Alaska has declined at a 1.0% average annual rate while the United States has grown at a 1.9% rate. As the national economy improves, Alaska continues to underperform the United States. GDP for Alaska fell by 5.4% in 2016 while the United States GDP rose by 1.5%. While the northern and central regions of Alaska are in recession, Skagway and other cities in SE Alaska have avoided the recession, primarily due to the strong tourist economy.

Alaska has a per capita GDP of \$63,317, which is 25% greater than the United States GDP of \$50,708. This means that Alaska industries and employers are adding relatively more value to the economy than their counterparts in the United States overall.

Gross Domestic Product				
Year	(\$ Mil)		(\$ Mil)	
	Alaska	% Change	United States	% Change
2009	50,463		14,320,114	
2010	49,671	-1.6%	14,628,165	2.2%
2011	51,004	2.7%	14,833,679	1.4%
2012	53,719	5.3%	15,126,281	2.0%
2013	51,361	-4.4%	15,348,034	1.5%
2014	49,498	-3.6%	15,717,536	2.4%
2015	49,649	0.3%	16,148,378	2.7%
2016	46,975	-5.4%	16,385,170	1.5%
Compound % Chg (2009-2016)		-1.0%		1.9%
GDP Per Capita 2016	\$63,317		\$50,708	

Source: Bureau of Economic Analysis and Economy.com; data released September 2016. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2009 dollars.

Household Income

Skagway-Yakutat Division has a lower level of household income than Alaska. Median household income for Skagway-Yakutat Division is \$69,299, which is 12.8% less than the corresponding figure for Alaska.

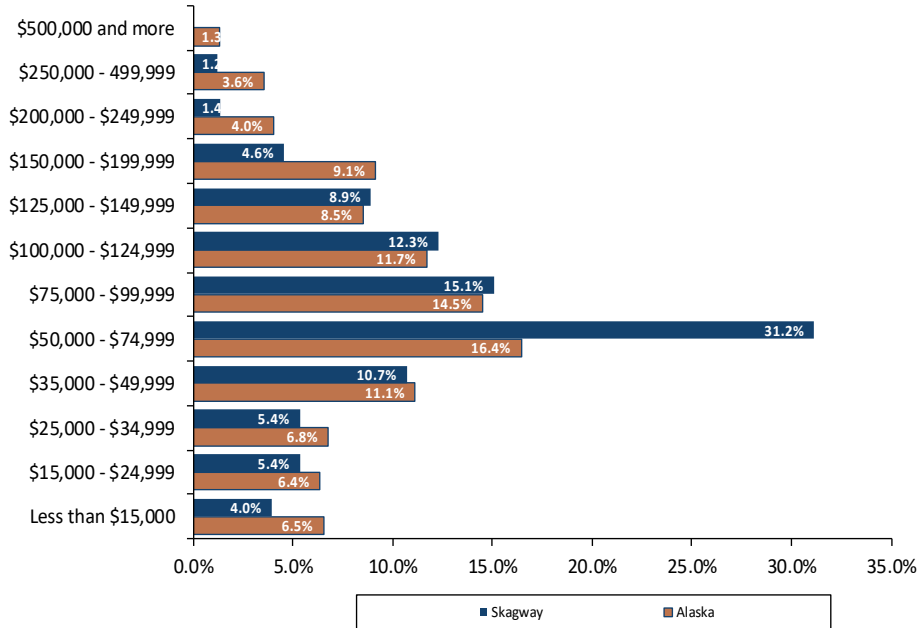
Median Household Income - 2018	
	Median
Skagway	\$69,299
Alaska	\$79,454
Comparison of Skagway to Alaska	- 12.8%

Source: Environics Analytics

The following chart shows the distribution of households across twelve income levels. Skagway-Yakutat Division has a greater concentration of households in the middle-income levels than Alaska. Specifically, 42% of Skagway-Yakutat Division households are between the \$35,000 - \$75,000 levels in household income as compared to 28% of Alaska households. A lesser concentration of households is apparent in the higher income levels, as 43% of Skagway-Yakutat Division households are at the \$75,000 or greater levels in household income versus 53% of Alaska households.

It should be noted that Yakutat underperforms Skagway, and as such the median income distribution is skewed downward. Skagway can be expected to outperform the Skagway-Yakutat Division overall.

Household Income Distribution - 2018

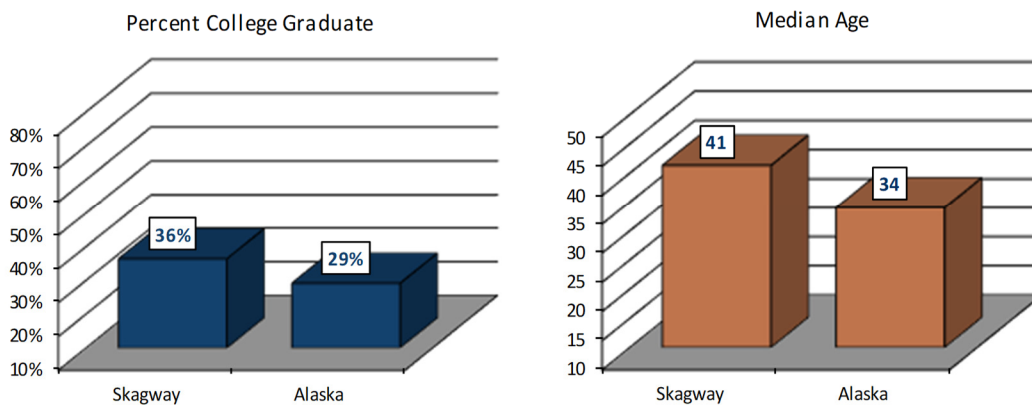


Source: Environics Analytics

Education and Age

Residents of Skagway-Yakutat Division have a higher level of educational attainment than those of Alaska. An estimated 36% of Skagway-Yakutat Division residents are college graduates with four-year degrees, versus 29% of Alaska residents. People in Skagway-Yakutat Division are older than their Alaska counterparts. The median age for Skagway-Yakutat Division is 41 years, while the median age for Alaska is 34 years.

Education & Age - 2018



Source: Environics Analytics

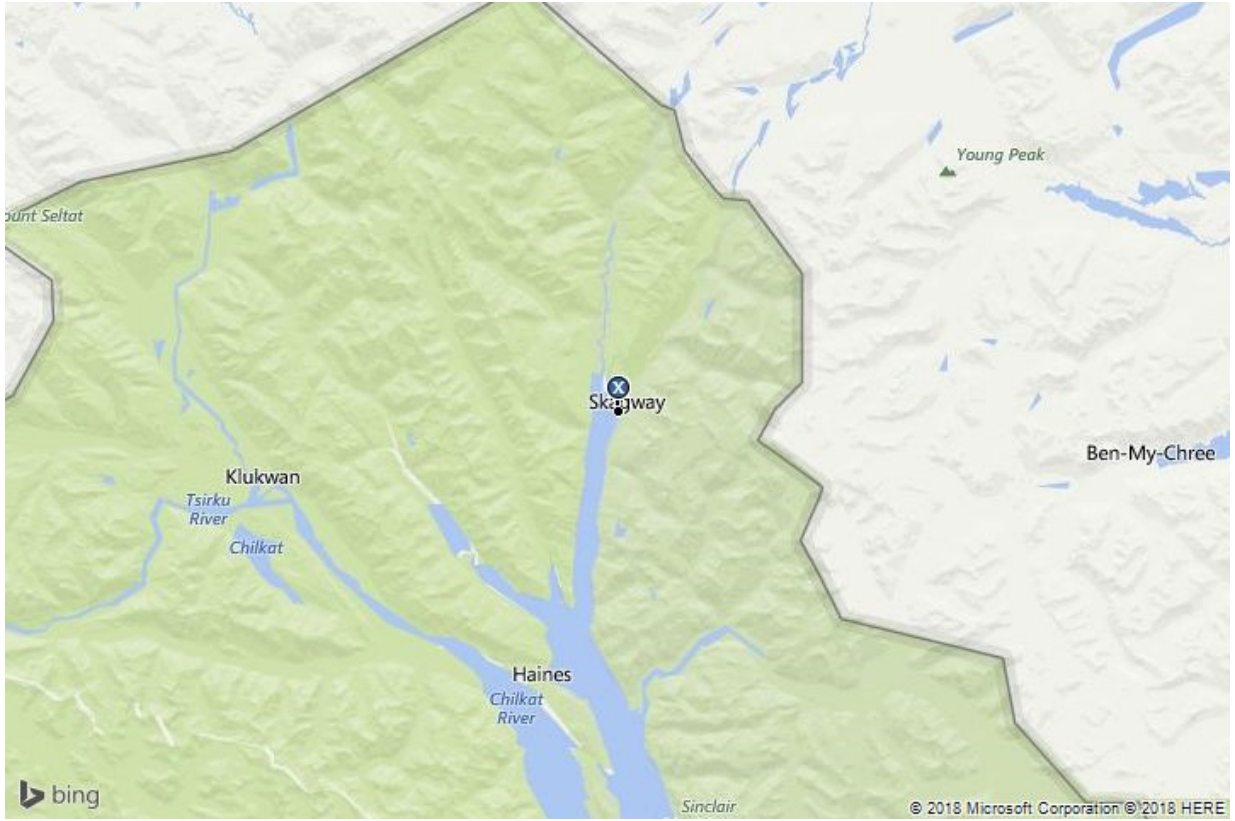


Conclusion

The Skagway-Yakutat Division economy will be affected by a growing population base and a higher level of educational attainment. Skagway-Yakutat Division experienced growth in the number of jobs over the past decade, and it is reasonable to assume that employment growth will occur in the future. We anticipate that the Skagway-Yakutat Division economy will grow, strengthening the demand for real estate.

The greatest economic concern over the next five years relates to providing berthage for the new, larger-class cruise ships that will carry 4,000 to 6,500 passengers each. The larger ships have the potential to increase the passenger visitation between 1,200,000 to 1,400,000 annually.

Area Map



Surrounding Area Analysis

Predominant land uses are four large cruise ship berths, ore loading facility, Alaska Marine Highway dock, Alaska Marine Lines, municipal boat harbor, and TEMSCO Helicopters base. The pace of development has generally been intermittent over the past five years.

Port of Skagway¹

Skagway's facilities include four deep-water docks, a pass-pass barge dock and storage yard, a floating dock shared by the City and the State's ferry system which accommodates small cruise ships, ferries and other small commercial vessel, plus a small boat harbor capable of handling recreation and commercial vessels.

Skagway's port has been developed to handle large seagoing vessels and their ancillary needs. A skilled workforce and stevedoring crews are available to provide for all of a vessel's needs. At present the port handles small and large cruise ships up to 1,000 feet, a large contingent of smaller commercial passenger vessels, and a flotilla of recreational vessels up to 120 feet.

WHITE PASS RAILROAD DOCK

The dock is 1,764 feet long and up to 100 feet wide with a total berthing length of 2,000 feet. It holds two large cruise ships and has traditionally been used for containerized and general bulk freight. There is an 800-foot railroad spur onto the dock as well as 80,000 square feet of uncovered storage space.

BROADWAY DOCK

Primarily used for cruise vessels; it comprises a single berth with a dock length of 650 feet and is capable of accommodating vessels up to 1000 feet. This dock has been used in the past to transship timber.

ORE DOCK

Traditionally used to ship base ore concentrates, berth bulk fuel barges, and cruise ships. The dock itself is 1,600 feet long and 1,800 feet long with dolphins. The dock has a 64,000-pound GVW vehicle ramp, 1,000-ton per hour loading spout, and dock-side fuel headers.

AML BARGE DOCK & STORAGE

Barge service is provided on a weekly basis from Seattle departing Wednesday and arriving Monday night. The dock has 100-ton GVW pass-pass capabilities with two large forklifts of 30 and 45-ton lifting capacity. Storage is available at the dock – uncovered up to 100,000 sq. feet, and a small covered storage building of 2,000 square feet.

FERRY/CITY DOCK & STAGING AREA

This dock is shared by state ferries, small cruise ships and other commercial vessels. The City side has a 2-ton harbor crane for loading and unloading freight and supplies. The dock and transfer bridge have 80-ton gross deck load capacity with a limited ro-ro (roll-on/roll-off) barge capability.

¹ Skagway Development Corporation (2018). (<http://skagwaydevelopment.org/economic-development/port-of-skagway/>) Accessed 9/13/2018.

The staging area is adjacent to the dock and is 120,000 square feet of fenced uncovered storage. This area is suitable for containers, lumber, scrap metal, general cargo, pipeline stock, and winter boat and vehicle storage.

SMALL BOAT HARBOR

The harbor has 140 slips for pleasure craft, fishing vessels, tugs, charter boats, fast ferries, and other commercial vessels. Water, power, pump-out facilities, and fuel are available. There is an 8-foot grid and a boat haul-out trailer, launch ramp, a dedicated Wi-Fi hotspot, telephones, restrooms, and showers.

SKAGWAY AIRPORT

Owned and operated by the State of Alaska the airport has a 3,550-foot runway, taxiway, a terminal building, runway lighting, a large apron, and areas sufficient for leasing and development.

PETRO MARINE BULK FUEL PLANT

This is a 4.6-million-gallon petroleum product storage facility. A wide range of fuels such as aviation, automotive, heating, and marine diesels are available year-round. The plant also carries a complete line of lubricants, additives, solvents, and oil-spill response products. This facility is the main distribution outlet for bulk fuels transferred to the Yukon Territory.



Access and Linkages

Primary access to the area is provided by cruise ship, vehicles, and air. A major arterial (Broadway Avenue) crosses the downtown area in a north/south direction. Access to the subject is from 4th Avenue. The subject is at the south end of Broadway on the west side of the street. Overall, car and truck access is average. The major highway serving the area is the Carcross Highway that leads to Whitehorse in the Yukon.

There is no public transportation in Skagway. The train station is located on Seward Avenue. The primary mode of transportation is automobile.

The Skagway Airport is located one blocks from the property; travel time is about 3 minutes, depending on traffic conditions. The Skagway CBD, the economic and cultural center of the region, is nearby the subject property.

Demand Generators

Tourism provides the majority of the income for the residents and out-of-area businesses that operate in Skagway for the summer tourist season, May through September. It is during these 5 months that Skagway sees nearly 1,000,000 visitors who contribute over \$100,000,000 in taxable revenue. These revenues primarily benefit retailers, restaurants, bars and tours. This revenue generates over \$5,000,000 in City revenue through a 5% city sales tax. Additionally, cruise ships pay berthage fees and collect Commercial Passenger Vessel (CPV) excise taxes. The CPV taxes are all remitted to the Municipality.

The Municipality and Skagway Development Council are also looking to expand winter tourism opportunities. Skagway has first class cross-country ski trails within 45 minutes of town, and the area around Skagway is host to back-country snowshoeing, skiing and ice climbing.

The Port of Skagway is a deep water and ice-free port that serves as a year-round transshipment and transportation hub between Alaska and Canada. Port commerce and activity still support the Skagway economy. Inbound are general cargo, petroleum products, and cruise ship passengers, while outbound is general cargo and mineral concentrate operations, which normally occur on a year-round basis, providing stability in employment in a community that is otherwise heavily dependent on the summer tourist season. Skagway's port houses three major cruise ship docks (with capacity for four large cruise ships), bulk cargo terminal, AMHS ferry terminal, barge ramp and storage facility, and a small boat harbor which is a full-service marina with moorage for pleasure and commercial vessels up to 150'. There is a waiting list for annual moorage.

There are over 150 acres of industrial and waterfront land available for development in Skagway within 1.5 miles of the waterfront itself and is easily accessed by road and power.

Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics					
2018 Estimates	1-Mile Radius	10-Mile Radius	20-Mile Radius	Skagway	Alaska
Population 2010	660	985	2,837	968	710,231
Population 2018	759	1,132	2,865	1,113	746,883
Population 2023	807	1,204	2,900	1,183	769,368
Compound % Change 2010-2018	1.8%	1.8%	0.1%	1.8%	0.6%
Compound % Change 2018-2023	1.2%	1.2%	0.2%	1.2%	0.6%
Households 2010	298	444	1,290	436	258,058
Households 2018	344	513	1,324	504	274,391
Households 2023	366	546	1,347	537	284,149
Compound % Change 2010-2018	1.8%	1.8%	0.3%	1.8%	0.8%
Compound % Change 2018-2023	1.2%	1.3%	0.3%	1.3%	0.7%
Median Household Income 2018	\$69,416	\$69,162	\$68,394	\$69,299	\$79,454
Average Household Size	2.1	2.1	2.1	2.1	2.6
College Graduate %	36%	36%	35%	36%	29%
Median Age	41	41	45	41	34
Owner Occupied %	55%	56%	64%	55%	63%
Renter Occupied %	45%	44%	36%	45%	37%
Median Owner Occupied Housing Value	\$378,985	\$377,536	\$278,463	\$378,975	\$278,957
Median Year Structure Built	1981	1981	1984	1981	1985
Avg. Travel Time to Work in Min.	7	7	8	7	21

Source: Environics Analytics

As shown above, the current population within a 10-mile radius of the subject is 1,132, and the average household size is 2.1. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to Skagway-Yakutat Division overall, the population within a 10-mile radius is projected to grow at a similar rate.

Median household income is \$69,162, which is similar to the household income for Skagway-Yakutat Division. Residents within a 10-mile radius have a similar level of educational attainment to those of Skagway-Yakutat Division, while median owner-occupied home values are similar.

Services and Amenities

The subject is peripheral to the Skagway urban core, which is approximately 95% developed in the central business district and 50% developed in the port area.

Predominant land uses are the large cruise ship berths, ore loading facility, Alaska Marine Highway dock, Alaska Marine Lines, municipal boat harbor, PETRO Marine and Temsco Helicopters base. The pace of development has generally been intermittent over the past five years.

Development Activity and Trends

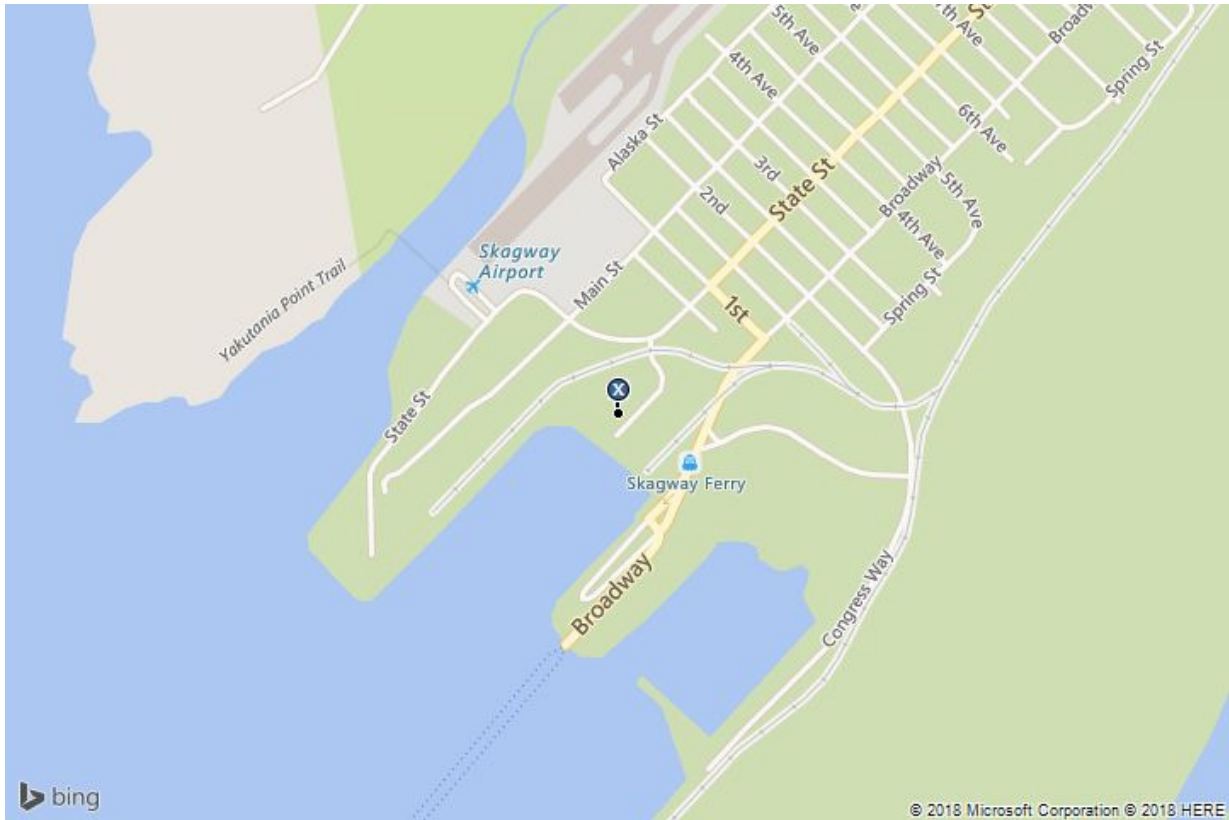
During the last five years, development has been predominantly of mixed uses, and has included two warehouse/apartment buildings on 10th Avenue and the Brena Building, which has retail, apartments, and an owner's residence. The pace of development has generally accelerated over this time. There is a housing shortage for the work force. The lack of available vacant land has inhibited new development.

Outlook and Conclusions

The area is in the mid stage of its life cycle. Given the history of the area and the growth trends, we

expect that property values will increase in the near future.

Surrounding Area Map



Property Analysis

Land Description and Analysis

Location

The properties are located in the southwest area of Skagway along the waterfront and includes uplands, tidelands and submerged lands.

Parcel A: The larger portion of the subject site accommodates two large wharfs on the Skagway waterfront. This waterfront is the point of access for Skagway's Alaska Marine ferry connection and as a cruise ship docking location. The neighborhood is characterized by large industrial uses on the tidelands and waterfront between Taiya Inlet to the southwest and Skagway Townsite to the northeast. The northwest boundary of this area is the Skagway River. The largest land parcel east of the river is the subject, then the Alaska Marine Highway Ferry Terminal, and the city's small boat harbor and park. On the southwest side of the harbor is the White Pass cruise dock/cargo wharf at the foot of steep mountains.

The leased land is improved with the following structures: The **Ore Dock**, also used as a cruise ship dock, is approximately 0.45 mile from 2nd and Broadway; the **Broadway Dock** is closest to the Skagway historic district, approximately 0.3 mile from 2nd and Broadway and is also used for cruise ship docking. The remainder of the leased lands surround the docks.

Parcel B: Lots 11 and 12, Block 44 and the 2,280-square-foot remainder portion of Lot 7, Block 45 of the Skagway Townsite, near the corner of First and Broadway, which is approximately 12,280 square feet in area and benefits from pedestrian tourist activity to and from the cruise ships. It is adjacent to the National Park Service Centennial Park. Near this property are commercial tour brokers, parks and retail opportunities that take advantage of the significant tourist traffic in this area. Several days a week, there are four ships at dock putting up to 13,000 passengers into the commercial district, many of whom will pass over the subject site.

Land Area

The following table summarizes the 66.49 -acre subject gross land area (excluding Parcel B) as allocated between the 25.79 acres of overall uplands (including 2.07 acres non-usable uplands), and the 40.70 acres of submerged tidelands. The; and non-useable uplands, intertidal/steeply banked and flooded uplands. The intertidal, steeply banked and flood uplands are lumped into the tidelands category. The take-offs summarized below were prepared by Ray Krieg of R.A. Krieg & Associates of Anchorage, a noted engineering firm known for use of aerial photo interpretation in terrain analysis.

Aerial Overlay Parcel A



Parcel A

Land Area Summary								
Description	Land type	Area (SF)	Uplands SF	Tidelands		Current Uplands	Nonusable Uplands *	Useable Tidelands
				SF	Overall			
Submerged lands	Tidelands/Submerged	1,477,163	0	1,477,163	33.91	0.00		33.91
Flooded upland	Tidelands/Submerged	26,310	0	26,310	0.60	0.00	0.60	0.60
Parking area (see property sketch)	Uplands	18,818	18,818		0.43	0.43		0.00
Upland next to Ferry Terminal	Uplands	19,123	19,123		0.44	0.44		0.00
Steep bank (next to Ferry Terminal)	Tidelands/Submerged	39,552	0	39,552	0.91	0.00	0.91	0.91
Remaining upland	Uplands	1,085,559	1,085,559		24.92	24.92		0.00
Steep bank (south side of Ore Dock)	Tidelands/Submerged	229,823	0	229,823	5.28	0.00		5.28
Airport area	Uplands	138,521	0	138,521	3.18	0.00		3.18
Flooded upland	Tidelands/Submerged	24,176	0	24,176	0.56	0.00	0.56	0.56
Less Airport land + Smith lease exclusion	Tidelands/Upland	(162,820)	(275)	(162,545)	(3.74)	0.00		-3.74
Total		2,896,225	1,123,225	1,773,000	66.49	25.79		40.70

* Non-usable uplands are considered useable tidelands for purposes of allocating the acreage between useable uplands and tidelands.

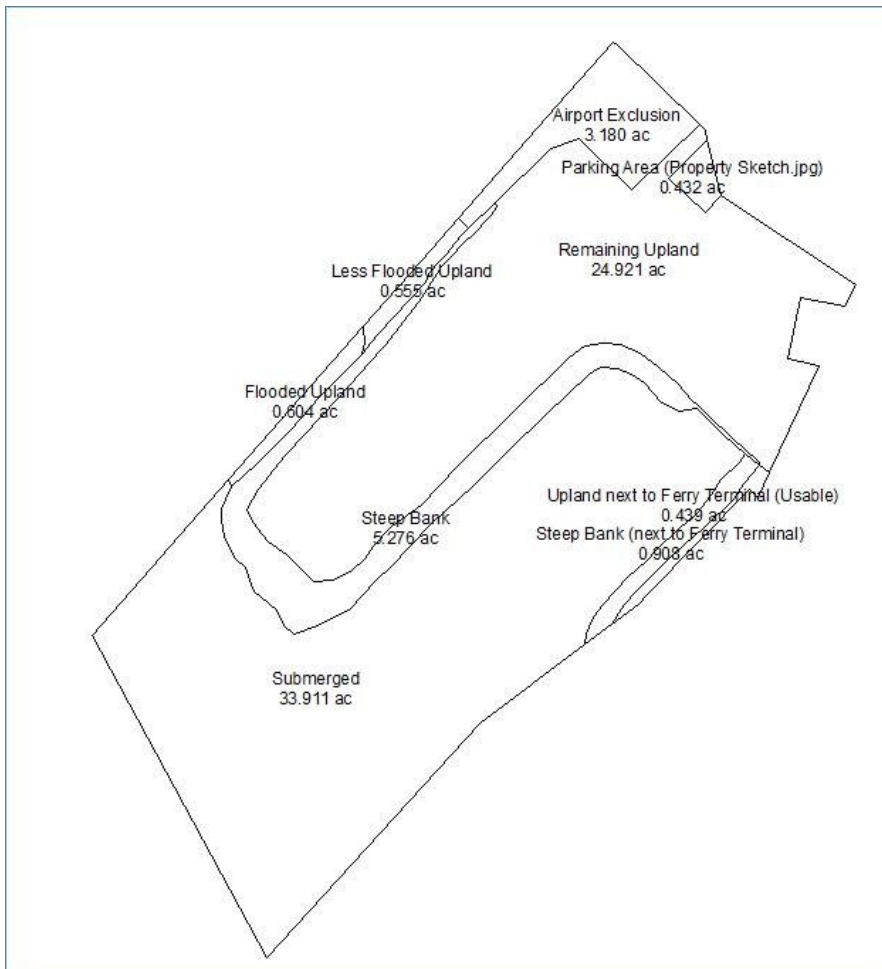
Source: Ray Kreig, RA Kreig & Associates

Parcel A

Name	Nonusable			
	SF	Usable SF	Uplands	Acres
Uplands	1,123,225	1,033,187	90,038	25.79
Submerged Tidelands	1,773,000	1,773,000		40.70
Total	2,896,225	2,806,187	90,038	66.49

Note: The 25.79 acres of uplands includes the 2.07 acres of non-usable area, for a net usable uplands area of 23.72 acres. The non-usable uplands is analyzed as part of the tidelands valuation.

Site Plan Parcel A



Filled Uplands

It is our understanding that the breakdown of the sloping uplands, tidelands and submerged lands included 6.5 acres of dry, sloping uplands. This original area was reduced by up to 3.33 acres which the Alaska DOT acquired in the northerly corner of Parcel A for airport expansion.

The amount of fill placed on portions of the original tidelands is estimated by taking the difference between the current estimate of 23.72 acres of usable uplands (net of the 2.07 acres of non-usable upland) and the 3.32 net acres estimated as original uplands (net of airport expansion acreage), for an estimate that up to 20.41 acres have been filled up to 26 feet (which is the current estimate of the upland elevation above MLW mark). This a conservative estimate as it assumes the entire filled tidelands had been at the MLW mark elevation. The volume of fill dredged and added to create uplands is calculated at up to 855,658 cubic yards (CY), summarized below.

Estimated Quantity of Fill Placed by the Lessee

	Acres	SF	
Current Usable Uplands	23.73	1,033,187	SF
Pre-1969 Uplands (6.5 acres less 3.18 acres to Airport)	3.32	144,619	SF
Filled Area	20.41	888,568	SF
Fill depth		26	feet
Fill (CY)		855,658	CY

Current Cost of Fill (\$2018s)

The fill material is assumed to have been dredged from the original subject submerged tidelands and deposited to expand the usable uplands from 3.32 acres (6.5 acres less the 3.18 acres subsequently dedicated to the airport), resulting in the current 23.73 acres of usable uplands on Parcel A.

This dredging by the lessee also resulted in a deep-water moorage to a depth between 40-42 feet. By relocating the dredged material on-site, there is considerable cost savings by not having to transport the dredged material to deep water or a land fill.

As a basis for estimating the costs for this type of dredging (without purchase and delivery of fill to the site), we have researched costs incurred to dredge the Anchorage Harbor to a depth of 45 feet (with disposal in nearby deep waters requiring minimal transport costs). Project cost shown below began in FY 2007 with dredging of 1,766,357 cubic yards using both a clamshell and hopper dredge.

Anchorage Harbor Dredging & Disposal Anchorage ... Alaska District May 2014						
DREDGED QUANTITIES AND CONTRACT COSTS						
Item	FY 2007	FY 2008*	FY 2009*	FY 2010*	FY 2011*	FY 2012*
CY	1,766,357	1,338,281	1,639,197	1,632,628	1,628,318	1,067,684
Costs	\$8,504,315	\$12,269,992	\$19,745,417	\$20,141,985	\$13,326,782	\$7,777,772
\$/CY	\$4.81	\$9.17	\$12.05	\$12.34	\$8.18	\$7.28

*Quantities and costs are based on the dredging season

Over the 4 years between FY 2008 and FY 2012, dredging/disposal costs averaged \$9.80 per CY for an average of 1,461,222 CY (compared to the subject's estimated 855,658 CYs). For comparison to the subject, this project is considered similar in scale and the costs incurred are used to analyze the subject dredging/fill costs.

The Alaska CPI averaged 1.4% compounded between July 2012 and July 2018 and, when applied to the average \$9.80 per CY costs, results in a 2018 estimate of \$10.65 per CY.

Finally, the US Military Comparative Cost Indices for Alaska indicate costs in remote areas such as Valdez, Petersburg, Wainwright, Barrow and Bethel are 17% higher than Anchorage. Applying this cost adjustment to the \$10.65 Anchorage estimate results in a cost estimate for Skagway of \$12.46 per CY, rounded to \$12.50 per CY.

The final increment of cost to complete the 855,658 CY of dredging/fill on the subject today requires an estimate of entrepreneurial profit, which for land development has been between 17% and 20%. We have utilized 20.00% as a profit add-on, bringing the overall cost to fill the subject to \$15.00/CY.

Based on our experience in Alaska, this is a conservative/high estimate considering the lessees did not have to purchase the fill, and dredging material used to create the current 23.73 acres of usable uplands was necessary to create the deep water berths.

Hence the cost to fill the 20.41 acres, in keeping with the subject's highest and best use is summarized as follows.

Cost Estimate to Fill the Subject

Dredged Fill (deposited on the subject)			\$12.50	Per CY
Profit load at	20.00%		\$2.50	
Quantity of Fill	855,658	CY @	\$15.00	Per CY
Cost estimate of fill in-place (2018 \$)			\$12,834,868	
Rounded			\$12,800,000	in 2018 \$

Surplus Land

The current 23.73 acres of usable uplands is sufficient to berth two (2) cruise ships, but also has significant surplus land currently sub-leased to four tenants, totaling 576,415 square feet, or 13.23 acres.

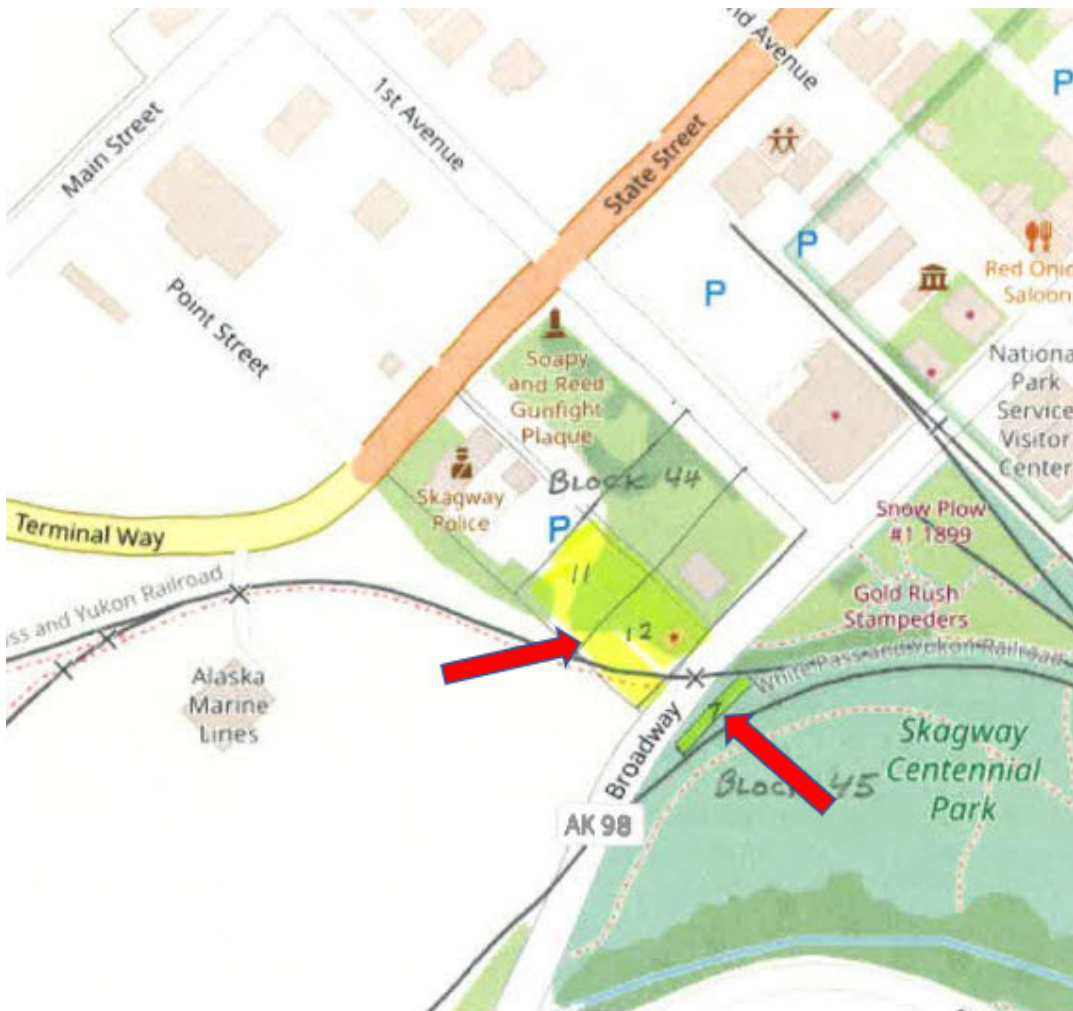
Surplus Land Area

Ground Tenant Subtenants	Location	Upland Area (SF)
AML Barge Line	Skagway Ore Basin	112,500
TEMSCO Helicopters	Skagway Ore Peninsula	69,696
AIDEA	AIDA Ore Terminal	307,969
Petro Marine	Skagway Ore Peninsula	86,250
		576,415 SF
Surplus Land Total		13.23 Acres

Parcel B

The two distinct components of Parcel B consist of a 2-lot, rectangular, 10,000-square-foot parcel (Lots 11 & 12, Block 44) on the north side of Broadway, and a 2,280-square-foot remnant (essentially 27.95' X 81.62') which is a Portion of Lot 7, Block 45 on the south side of Broadway (shown below).

Parcel B Site Plan



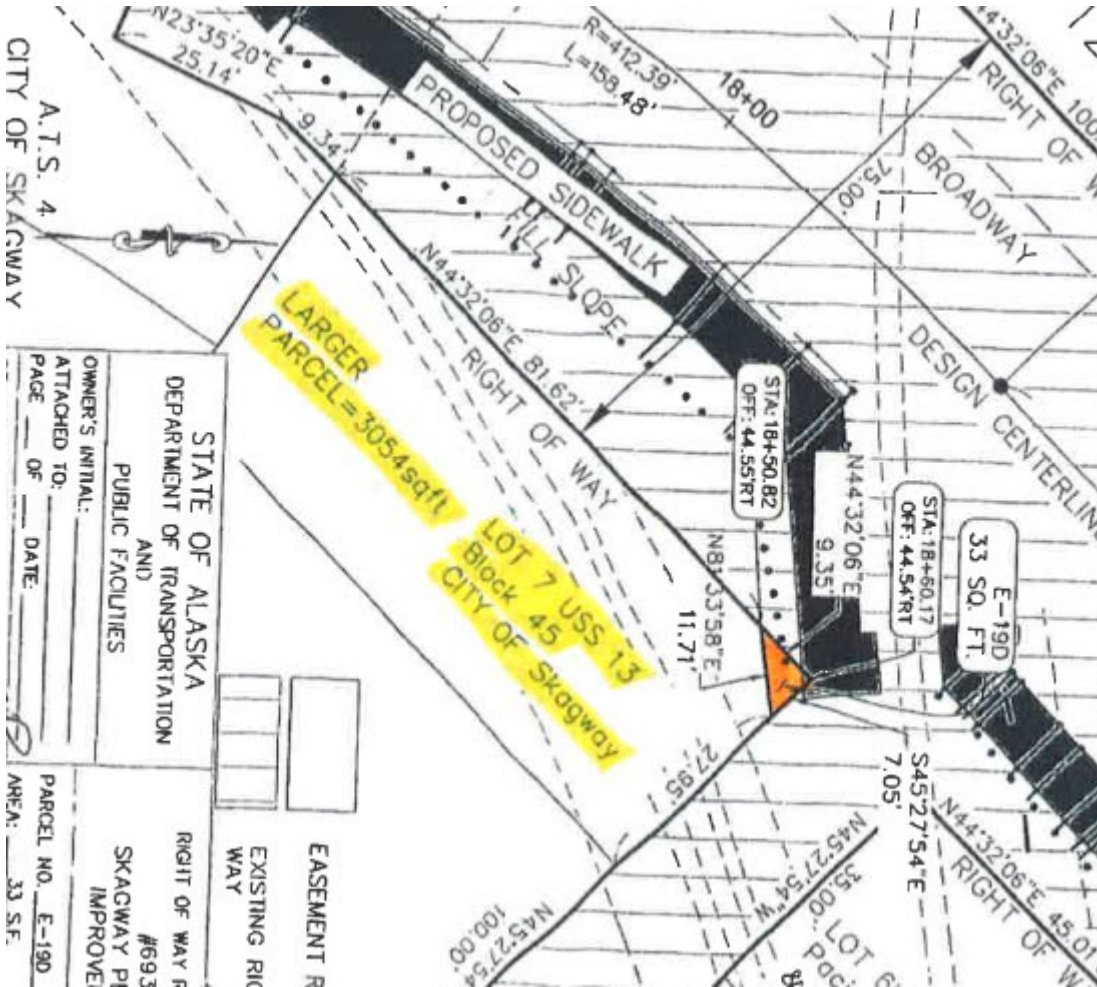
Shape and Dimensions

Parcel A is slightly irregular in shape, but essentially rectangular. Site utility based on shape and dimensions is average.

Parcel B has two distinct components: Lots 11 & 12 on the north side of Broadway are a square (100' X 100'), and the portion of Lot 7 that is essentially rectangular-shaped and is 27.95' deep with 81.62 feet

of street frontage. The portion of Lot 7, Block 45 is a remainder from a right of way taking (refer to following exhibit). The depth of approximately 28 feet limits the development potential.

Portion of Lot 7 Site Plan



Parcel B and Surplus Land Area	
Parcels	Areas (SF)
Lots 11 & 12, Blk 44	10,000
Portion Lot 7, Blk 45	2,280
Overall Area	12,280

Topography

The sites are gently sloping, and the topography does not result in any particular development limitations.



Drainage

No particular drainage problems were observed or disclosed at the time of field inspection, aside from the 2.07 acre portion of the subject uplands that are characterized as non-usable (due to steep slope or flooded upland). This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	02501101
Date	March 1, 1977
Zone	B
Description	Area between 100-year flood and 500-year flood
Insurance Required?	No

Environmental Hazards

Correspondence between the State of Alaska Department of Environmental Conservation and White Pass Transportation Inc. and PARN and Skagway Terminal Company from 1989 documents a Compliance Order 88-11-09-299-02 as it pertains to Parcel A. This dealt with remediation of heavy metals contamination (lead and zinc) in the subject soils. On April 4, 1995, the State Department of Environmental Conservation issued a finding that all upland sites connected with the cleanup have had heavy metal contaminants removed to the Department's satisfaction. However, it is unclear as to whether there will be further clean-up required for contamination in Skagway Harbor.

As the tenant is expected to remain the responsible party for any further clean-up, the appraisal assumes the sites are in compliance with environmental regulations. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil-bearing capacity is sufficient to support the existing improvements.

Streets, Access and Frontage

The Port of Skagway access is provided by Congress Way, Broadway Street, Main Street, State Street and Terminal Way. These are all 2-lane, paved, public roads.

Utilities

Sewer and water utilities are provided to the subject by the Municipality of Skagway Public Works Department. Power and telephone are provided by Alaska Power and Telephone (AP&T).

Zoning

The subject-leased Parcel A and the smaller portion of Lot 7, Block 45 are zoned WD, Waterfront District, by Municipality of Skagway. The WD zone is intended to allow for public and private moorage, warehousing and storage, marine fuel, research and educational facilities related to water, port and harbor facilities, seafood processing plants, boat yards, parks and open spaces, and sales related to maritime activity. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

The 66.49-acre Parcel A is zoned WD (Waterfront District). The 10,000-square-foot parcel identified as Lots 11 and 12, Block 44 is zoned Industrial (I) permitting a variety of uses with the notable exception of residential. The 2,280-square-foot Lot 7 remnant is zoned WD (Waterfront District).

Waterfront District zoning (WD) allows for warehousing, storage, and handling of cargo (no excessive noise, vibration, smoke, dust, etc.); Marine fuel, water, sanitation facilities; Boat storage yards; Parks and open space; Heliport (conditional); Hotels and motels (conditional); Sales and storage of fuels, gases, and Class I, II, and III liquids (conditional); Taverns and bars (conditional); Restaurants serving alcohol (conditional); Service stations (conditional).

The Industrial zoning (I) allows for manufacturing, warehousing, processing, storage of fuels and propane, equipment repair and maintenance; Solid waste facilities; Solid waste facilities; Administrative offices, accessory to industrial uses; and Marijuana cultivation facilities, marijuana product manufacturing facilities, and marijuana testing facilities. Conditional uses include ale and storage of fuels, gases and Class I, II, and III liquids; Residential uses, accessory to industrial uses such as watchman's apartment, owner-operator's home, and necessary bunkhouses; Taverns and bars; Restaurants serving alcohol; Service stations and Retail marijuana stores.

According to the local planning department, there are no pending or prospective zoning changes. It appears that the current uses of the sites are legally conforming.

Other Land Use Regulations

We are not aware of any other land use regulations that would affect the property.

Easements, Encroachments and Restrictions

We were not provided a current title report to review. However, we are aware of several easements through the tidelands parcel, including Alaska Communication System (Alascom) coaxial cable and other federal public communication easements. Also, the city sewer and outfall cross the subject parcel, as well as the Pullen Creek pond, and runoff from areas north and east of the ferry terminal.

Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

Conclusion of Site Analysis

Overall, the physical characteristics of the sites and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. We are not aware of any other particular restrictions on development.





Parcel A Aerial



2. Uses on Parcel A



3. Tidelands



4. Ore Dock



5. Temsco Helicopters



6. AIDEA

Real Estate Assessed Value

Real estate assessments for the current tax year are shown in the following table.

Taxes and Assessments - 2018			
	Assessed Value		
Tax ID	Land	Improvements	Total
Submerged lands	\$426,500	\$896,500	\$1,323,000
Flooded upland	\$196,100	\$5,510,600	\$5,706,700
Parking area (see property sketch)	\$276,600	\$6,480,000	\$6,756,600
Upland next to Ferry Terminal	Exempt	Exempt	\$0
Steep bank (next to Ferry Terminal)	\$158,500	\$1,568,900	\$1,727,400
Remaining upland	\$291,200	\$11,283,800	\$11,575,000
Steep bank (south side of Ore Dock)	\$260,900	\$3,097,100	\$3,358,000
Airport area	\$33,200	\$0	\$33,200
Flooded upland			\$0
	\$1,643,000	\$28,836,900	\$30,479,900

Based on the concluded market value of the subject land (excluding improvements), the assessed value of the 66.49-acre Parcel A land (summarized above) appears low.

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Physically possible;
- Legally permissible under the zoning regulations and other restrictions that apply to the site;
- Financially feasible;
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

Highest and Best Use As If Vacant

Physically Possible

The physical characteristics of Parcel A prior to the lease agreement required significant dredging and fill to create the current 23.73 acres of usable upland and dredged tidelands for two cruise ship berths (including 13.23 acres of surplus land).

Consistent with the provisions of Skagway Ordinance No. 243 (amended Section 21 from the original lease) which specifies the adjusted renewal rents for each period, they will be computed based on six percent (6%) of the fair market value of the land, exclusive of any expenditures by lessee. Hence, the 23.73 acres of usable upland in-place required dredging for deep water berths and the addition of about 855,658 CY of fill. The physical attributes of the 66.49 acre Parcel A required dredging and back filling to create 23.73 acres of usable uplands (with the 2.07-acre balance being non-usable uplands) and 40.70 acres of submerged tidelands resulting in a highest and best use for two (2) cruise ship berths and 13.23 acres of surplus uplands.

Regarding the two Parcel B sites, there does not appear to be any unusual restrictions on development, with the exception of the Lot 7, Block 45 remnant which has a depth of only 28 feet (due to a prior taking for expansion of the right-of-way). This shallow depth limits the size of building that could be developed.

Overall, the physical characteristics of the Waterfront-District-zoned sites (all of Parcel A) and the availability of utilities results in functional utility suitable for a variety of uses, including cruise ship berths and related activities permitted by zoning (discussed as follows).

Legally Permissible

The larger Parcel A and the 2,280-square-foot Lot 7 remnant in Parcel B are zoned WD, Waterfront District. Permitted uses include waterfront zoning allows for public and private 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 plants, boatyard storage, fish and shellfish propagation, parks and open spaces and water-dependent or related visitor services,

and sales related to maritime activity. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property.

The 10,000-square-foot portion of Parcel B is zoned I, Industrial. Industrial zoning (I) allows for manufacturing, warehousing, processing, storage of fuels and propane, equipment repair and maintenance; Solid waste facilities; Solid waste facilities; Administrative offices, accessory to industrial uses; and Marijuana cultivation facilities, marijuana product manufacturing facilities, and marijuana testing facilities. Conditional uses include ale and storage of fuels, gases and Class I, II, and III liquids; Residential uses, accessory to industrial uses such as watchman's apartment, owner-operator's home, and necessary bunkhouses; Taverns and bars; Restaurants serving alcohol; Service stations and Retail marijuana stores.

Given prevailing land use patterns in the area, only waterfront-related uses permitted by zoning are given further consideration in determining highest and best use of the site, as though vacant.

Regarding Parcel A, given the subject's size, physical attributes, location, zoning, etc., the most probable use for the property would be continued or expanded uses servicing the cruise ship industry. Development of the subject parcels would have to be of a fairly large scale, creating destination-oriented attractions sought by the Alaska cruise industry. With a development plan that incorporates retail, food and beverage operations, tourist attractions/venues, tours, etc., it is concluded there should be sufficient discretionary spending on the part of major cruise companies operating in Alaska, cruise passengers, and crewmen to provide an economic return to the land.

Financially Feasible

Based on our analysis of the market, there appears to be adequate demand for waterfront-related uses permitted by zoning in the subject's area. It appears that newly developed waterfront-related uses permitted by zoning on the sites would have a value commensurate with its cost. Therefore, waterfront-related uses permitted by zoning are considered to be financially feasible.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than waterfront-related uses permitted by zoning. The lessee has already dredged and filled the parcel to its current configuration, and it is being fully utilized to accommodate two cruise ships and ancillary waterfront uses. Accordingly, it is our opinion that waterfront-related uses permitted by zoning, including redevelopment/expansion of the subject properties to meet the needs of the new generation of cruise ships, is the maximally productive use of the property.

Most Probable Buyer

Taking into account the size and characteristics of the properties and area development trends, the probable buyer is a cruise industry developer/investor or an owner/user.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

Sales Comparison Approach

To develop an opinion of the subject's land value, as if vacant and available to be developed to its highest and best use, we utilize the sales comparison approach. This approach develops an indication of value by researching, verifying, and analyzing sales of similar properties.

Parcel A				
Name	SF	Usable SF	Nonusable	
			Uplands	Acres
Uplands	1,123,225	1,033,187	90,038	25.79
Submerged Tidelands	1,773,000	1,773,000		40.70
Total	2,896,225	2,806,187	90,038	66.49

*The 90,038 square feet of non-usable uplands noted in the table on page 25 is included in the uplands acreage above. The useable uplands (net of this acreage) is 23.72 acres. The non-usable 2.07 acre categorized as "tidelands" for purposes of analysis, or 42.77 acres.

The property is divided for valuation purposes into three categories:

1. Uplands Sales/Leases purchased or leased for Comparison to Parcel A
2. Submerged Tidelands for Comparison to Parcel A
3. Estimation of development costs will be researched to adjust Subject Parcel A's benchmark uplands value to reflect the lessee's cost, in current dollars, to create the current 23.72 acres of usable uplands (excluding 2.07 non-useable acreage) and deep water basin to accommodate deep water cruise ships.
4. Small Lots proximate to the Skagway CBD for Comparison to Parcel B lots. This analysis will be conducted later in this section.

Valuation of Parcel A

Comparable Uplands Sales - Parcel A

We have researched and analyzed comparable land transactions. The comparables selected were deemed to be the most recent and comparable data available.

For this analysis, we use price per unit (cruise ship berths) as the appropriate unit of comparison because market participants typically compare sale prices and property values for cruise ship berths on this basis. The effective sale price is also examined on a price per square foot basis, particularly as it relates to the surplus land area described on page 28.

There were not many sales purchased for cruise ship berths, but the waterfront transactions considered in this analysis are summarized in the following table (with full write-ups included in the addendum).

Summary of Comparable Land Sales - Uplands

No.	Name/Address	Sale Date; Status	Effective Sale Price	Usable SF; Usable Acres	Zoning	\$/Usable SF	\$/Usable Acre
1	Sawmill Cove Industrial Site 4600 Sawmill Creek Rd. Sitka	Jan-15 Closed	\$2,245,060	321,494 7.38	Industrial	\$6.98	\$304,209
<i>Comments: The intended use by the buyer was for development of a fish oil extraction plant, cannery, marine/fishing service facility, and employee bunkhouse. There were two industrial warehouses included in the sale that were essentially shells. These improvements were allocated a value of \$469,000. The purchase price was based on the appraised value as of November 2014. Minutes from the 1/27/2015 of the City and Borough of Sitka Assembly recorded the vote to approve the sale of the property.</i>							
2	AJ Cruise Dock Upland Support Area 1110-1118 Jacobsen Dr. Juneau	Jun-14 Closed	\$3,718,888	185,566 4.26	Industrial	\$20.04	\$872,978
<i>Comments: This is a property that is leased as the upland support area for the AJ cruise ship dock. The lease was originally consummated in June 2004 and was renewed in 2014 for a 10-year term. The lease valued the property as vacant and unimproved with the passenger and bus staging areas excluded. The lease negotiations were assisted by an appraisal that was mutually agreed on by the lessor and lessee. The lessee has a tideland lease on the adjacent land where the dock facility is constructed, but</i>							
3	550 S Franklin 550 S. Franklin St. Juneau	May-12 Closed	\$7,782,750	86,467 1.99	Waterfront Industrial	\$90.01	\$3,920,781
<i>Comments: This is a site located on the easterly periphery of the Juneau tourist district. An easement for a seawalk encumbers the seaward side of the property, which limits waterfront utilization. The site is improved with a special purpose seafood processing plant, along with a small retail store and restaurant area. The gross building area is 52,404 square feet. The building was built in 1966 and was remodeled and enlarged in 1992. The land value was allocated at \$90 per square foot for the uplands and \$9.10 per square foot for the tidelands.</i>							
4	Ketchikan Waterfront Land 75 & 90 Schoenbar Ct. Ketchikan	Jun-06 Closed	\$6,920,580	78,934 1.81	Heavy Industrial	\$87.68	\$3,823,525
<i>Comments: The improvements were demolished after the sale and the site filled. The demolition costs were \$1,442,000 and the cost of the fill was \$1,578,580. The site was eventually developed with a cruise ship dock with the adjacent uplands being held for future development of tourist retail structures. The site has 270 feet of frontage on the Tongass Narrows. The value per front foot is \$25,632 after demolition costs and fill. The average depth is 296 feet.</i>							
5	Sitka Sound Waterfront 4513 Halibut Point Rd. Sitka	Mar-05 Closed	\$1,924,827	179,507 4.12	Industrial	\$10.72	\$467,089
<i>Comments: This is the March 2005 sale analysis of the uplands portion of the property. A portion of the tidelands was leased at \$7,112 per year, indicating a leased fee value of approximately \$90,000. Improvements included in the sale included a dock and travel lift having a contribution value of \$550,000. The property was developed with a cruise ship dock facility. The allocated value to the uplands (4.12 AC or 179,507 SF) is \$10.72 per square foot. The unfilled tideland area (0.96 AC or 42,034 SF) value was</i>							
Subject				1,123,225	Waterfront		
PARN Leased Land				25.79	District		
Municipality of Skagway , AK							

Comparable Land Sales Map – Uplands





Sale 1
Sawmill Cove Industrial Site



Sale 2
AJ Cruise Dock Upland Support Area



Sale 3
550 S Franklin



Sale 4
Ketchikan Waterfront Land



Sale 5
Sitka Sound Waterfront

PARN Leased Land



Land Sale 1 is a 7.38-acre, or 321,494-square foot parcel located at 4600 Sawmill Creek Rd., Sitka, AK. The property sold in January 2015 for \$2,714,060. The parcels are part of the Sawmill Cove industrial complex that was originally the Alaska Pulp Company site, southeast of Sitka. There are paved roads and utility services to the property's edge. The intended use was for development of a fish oil extraction plant, cannery, marine/fishing service facility, and employee bunkhouse. There were two buildings included in the sale that were essentially industrial warehouse shells. These improvements were allocated a value of \$469,000. There is waterfront access to the property, and after adjusting downward for the improvements, the effective sale price was \$2,245,060, or \$6.98 per square foot of uplands area.

While this is a recent transaction, it is not suitable for cruise ships as there is a prominent rock pinnacle restricting access and maneuverability. Hence, this transaction serves to set a floor to the range of value indications for the subject.

Land Sale 2 is a 4.26-acre, or 185,566-square-foot parcel located at 1110-1118 Jacobsen Dr., Juneau, AK. This is a property that is leased as the upland support area for the AJ cruise ship dock. The lease was originally consummated in June 2004 and was renewed in 2014 for a 10-year term. The lease was based on a valuation of the property as vacant and unimproved with the passenger and bus staging areas excluded. The lease negotiations were assisted by an appraisal that was mutually agreed on by the lessor and lessee. The lessee has a tideland lease on the adjacent lands where the dock facility is constructed, but that land was not a part of this transaction. The property was leased as of June 2014 based on a capitalized land value of \$3,718,888, or \$20.04 per square foot.

Land Sale 3 is a 2.84-acre, or 123,535-square-foot parcel located at 550 S. Franklin St., Juneau, AK. This is a site located on the easterly periphery of the Juneau tourist district. An easement for a seawalk encumbers the seaward side of the property, which limits waterfront utilization. The site is improved with a special-purpose seafood processing plant, along with a small retail store and restaurant area. The building was constructed in 1966 and remodeled and enlarged in 1992; the gross building area was 52,404 square feet. The property sold in May 2012 for \$10,000,000 overall, with \$1,880,000 allocated to the building and FF&E, and \$337,250 allocated to tidelands (\$9.10/SF). The effective sale price of the uplands is \$7,782,750, or \$90.01 per square foot.

Land Sale 4 is a 1.81-acre, or 78,934-square-foot parcel of the former Waterfront Storage property located at 75 & 90 Schoenbar Ct., Ketchikan, AK. The property sold in June 2006 for \$3,900,000. The site consisted of a tideland parcel developed with obsolete large former seafood processing buildings having a total area of 59,775 square feet. The property consists of tidal and submerged tidelands with deep-water moorage capability. The building was purchased as part of an assemblage. The improvements were demolished after the sale and the site filled. The demolition costs were \$1,442,000 and the cost of fill was \$1,578,680. The site was eventually developed with a cruise ship dock with the adjacent uplands being held for future development of tourist retail structures. Adjusting upward by \$3,020,580 for demolition of the improvements, and fill, the effective sale price was \$6,920,580, or \$87.68 per square foot.

Land Sale 5 is a 5.086-acre, or 221,541-square-foot waterfront industrial parcel consisting of uplands and tidelands. The site has frontage on Halibut Point Road with direct access. There is deep water marine access. A portion of the tidelands was leased at \$7,112 per year, indicating a leased fee value

of approximately \$90,000. Improvements included in the sale included a dock and travel lift having a contributory value of \$550,000, and the tidelands were allocated \$115,685. The property was subsequently developed with a cruise ship dock facility. The allocated value to the 179,507 square feet of uplands is \$10.72 per square foot. The unfilled tideland value was allocated at \$2.74 per square foot.

Adjustments

The subject uplands present a challenge to value in that the overall usable uplands area of 25.79 acres cannot be bracketed by sales data. The subject site includes prime developable land, suitable to support two cruise ship berths. The remainder 40.70 acres of tidelands and non-usable uplands are critical to the highest and best use of the subject and are valued separately later in this section. Based on the overall highest and best use, the comparable sales are analyzed both on a price per square foot of uplands, and on a price per unit.

The comparables indicated a price range of \$1,924,827 to \$7,782,750 for the uplands (prior to adjustment) and \$6.98 - \$90.01 on a price per square foot basis. A discussion of adjustments necessary for comparison to the subject is as follows.

Market Conditions

When considering market conditions, we note that the sales took place from March 2005 to January 2015, and that market conditions generally have been stable over this period through the effective date of value. No adjustment for economic trends was made, as the market is generally viewed as stable for properties having the subject's highest and best use.

Location

The subject's location is rated good as far as its development potential for a cruise ship upland support and dock approach facility. Comparable No. 1 is considered to have similar location attributes. Comp No. 2 is located on the AJ Rock Dump south of the Juneau tourist district. This is the upland approach and staging area for the privately-owned AJ dock. The overall location is considered similar to the subject. Comparable No. 3 is superior in location due to its exposure to private and publicly owned cruise ship docks and close proximity to the Mt. Roberts tram. Comparable No. 4 is a site that was purchased for development of a privately-owned cruise ship dock in Ketchikan. The indicated sale price reflects the cost of demolition and filling of the parcel. This property was the last piece in an assemblage to an adjacent property that was purchased for \$1,200,000 years earlier. This property is located near the tourist district of Ketchikan and is considered similar to the subject in location. Comparable No. 5 is a property purchased for development of a private cruise ship dock in Sitka. This sale was part of an assemblage and the location is considered similar to the subject.

Access/Exposure

All of the comparables had similar access and exposure with the exception of Comparable No. 1 which is considered inferior, and Comparable No. 3 which has superior exposure to private and publicly owned cruise ship docks.

Berths

The size of each comparable sale relates directly to the number of cruise ship berths that can be supported; therefore, Comparable Sales 1, 2, and 5 were rated inferior and Comparable Sales 3 and 4 were rated superior.

Physical Characteristics

Comparable No. 1 lacks the subject's extensive water frontage. This is, in part, offset by a road network and access to publicly owned water frontage; however, this comparable is rated inferior for purposes of comparison to the subject.

The adjustments are summarized in the table that follows

Land Sales Adjustment Grid - Uplands

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	PARN Leased Land	Sawmill Cove Industrial Site	AJ Cruise Dock Upland Support Area	550 S Franklin	Ketchikan Waterfront Land	Sitka Sound Waterfront
Address	Portion of ATS 4, Lots 11 & 12, Block 44 and Portion of Lot 7, Block 45	4600 Sawmill Creek Rd.	1110-1118 Jacobsen Dr.	550 S. Franklin St.	75 & 90 Schoenbar Ct.	4513 Halibut Point Rd.
City	Municipality of Skagway	Sitka	Juneau	Juneau	Ketchikan	Sitka
Sale Date		Jan-15	Jun-14	May-12	Jun-06	Mar-05
Sale Status		Closed	Closed	Closed	Closed	Closed
Sale Price		\$2,714,060	\$3,718,888	\$10,000,000	\$3,900,000	\$2,500,000
Other Adjustment		\$469,000	\$0	-\$1,880,000	\$3,020,580	-\$575,685
Description of Adjustment		Downward Adjustment: \$469,000 for buildings		Downward adjustment of \$337,250 allocated to tidelands (\$9.10/SF)	Upward Adjustment: \$3,020,580 Demolition/fill costs	Upward Adjustment: \$90,000 Leased Fee Interest Downward Adjustment: \$550,000 Improvements & Travel Lift Downward Adjustment: \$115,685 Tidelands Value
Effective Sale Price		\$2,245,060	\$3,718,888	\$7,782,750	\$6,920,580	\$1,924,827
Usable Square Feet	1,123,225	321,494	185,566	86,467	78,934	179,507
Price per Square Foot		\$6.98	\$20.04	\$90.01	\$87.68	\$10.72
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Market Conditions (Time)	8/22/2018	Jan-15	Jun-14	May-12	Jun-06	Mar-05
Adjusted Per Unit Price		\$2,250,000	\$3,720,000	\$7,780,000	\$6,920,000	\$1,920,000
Location		Similar	Similar	Similar	Similar	Similar
Access/Exposure		Inferior	Similar	Superior	Similar	Similar
Berths		Inferior	Inferior	Superior	Superior	Inferior
Physical Characteristics		Inferior	Similar	Similar	Similar	Similar
Net \$ Adjustment		\$562,500	\$372,000	-\$1,556,000	-\$1,384,000	\$192,000
Net % Adjustment		25%	10%	-20%	-20%	10%
Final Adjusted Price		\$2,812,500	\$4,092,000	\$6,224,000	\$5,536,000	\$2,112,000
Range of Adjusted Prices		\$2,112,000 - \$6,224,000				
Average		\$4,155,300				
Indicated Value per Ship Berth		\$6,000,000				

Land Value Conclusion – Uplands

Cruise Ship Uplands Value Conclusion

The price for the comparable sites ranged from \$1,920,000 to \$7,780,000 per cruise ship berth for uplands only. After adjustment, the range is narrowed somewhat to \$2,112,000 - \$6,224,000.

All of the comparables are rated inferior, with the subject value estimated to be greater than Comparable 4's indication of \$5,536,000. Comparable 1 is substantially inferior and Comparables 2, 4 and 5 all required upward adjustments for comparison to the subject. Comparable 3 set's the upper limit as it is located on the southerly periphery of the Juneau tourist district. and is supported by the adjusted value of Comparable 4 (the highest value indication requiring further upward adjustment).

Therefore, the subject's uplands will be valued within the range of Comparables No. 3 and 4, at \$6,000,000 per cruise berth, or a2 benchmark value \$12,000,000 for the uplands portion of the subject cruise ship uplands (before adjusting for the cost of the fill added by the lessee).

Land Value Benchmark for Uplands dedicated to Cruise Ship Berths

Indicated Value per Square Foot	\$6,000,000
Cruise Ship Berths	2
Indicated Value	\$12,000,000
Rounded	\$12,000,000

Valuation of Surplus Land

As discussed on page 28, in addition to supporting two (2) cruise ships, the subject 25.79 usable uplands also has 576,415 SF square feet of surplus land, or 13.23 acres currently sub-leased to four tenants summarized below.

Surplus Land Area

Location	Upland Area (SF)	Lease Date	Term	Rent/Yr.	Market Value @ 8.0%	Value/SF
Skagway Ore Basin	112,500	Jan-11	5-Yr Option	\$85,812	\$1,072,650	\$9.53
Skagway Ore Peninsula	69,696	Jan-11	5-Yr Option	\$92,040	\$1,150,500	\$16.51
AIDA Ore Terminal	307,969	Unknown	Until Mar-2023	\$14,169	\$177,113	\$0.58
Skagway Ore Peninsula	86,250	1995	Until Mar-2023	\$8,751	\$109,388	\$1.27
	576,415 SF					
	13.23 Acres					

The lease rates in-place are sub-leases, and the capitalization rate used to convert the lease payments to an indication of value has been placed at 8.0%, whereas the underlying lease from the City of Skagway is capitalized at 6.0%. It is appropriate for a sublease position to have a higher rate of return providing a for profit margin to the lessee; however, as can be seen, the value per square foot is considerably lower for three of the subleases as compared to prices per square foot for the uplands

comps summarized previously. It appears these tenants are businesses related to the lessee's sublessor's interests.

The subject surplus land should be expected fall within a range of \$9.53 to \$16.51 established by Skagway Ore Basin and Skagway Ore Peninsula, with the \$10.72 uplands sale at 4543 Halibut Point in Sitka (Uplands Comparable No. 5) weighting the value indication to the lower end of the range. We are aware of a number of Industrial-zoned parcels north of the city center that have sold at \$10.00 per square foot which provides additional support for a \$10.00 per square foot land value.

Accordingly, we have correlated the benchmark value indication for the subject's 576,415 square feet of surplus land at \$10.00 per square foot equals \$5,764,150, or \$5,760,000 (rounded).

Surplus Land	576,415 SF @ \$10.00	\$5,760,000 (R)
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Valuation of the Submerged Tidelands

We've used the sales comparison approach to value the 1,773,000 SF of submerged tidelands plus the 90,038 SF of non-usable uplands, for an overall parcel size analyzed at 1,863,038 SF. We've researched sale transactions wherein purchase prices were allocated to deep water tidelands. We identified five (5) sale or lease transactions which occurred between March 2005 to January 2019 (commencement dates). For this analysis, we use price per square foot as the appropriate unit of comparison. The most relevant sales and capitalized leases are summarized in the following table.

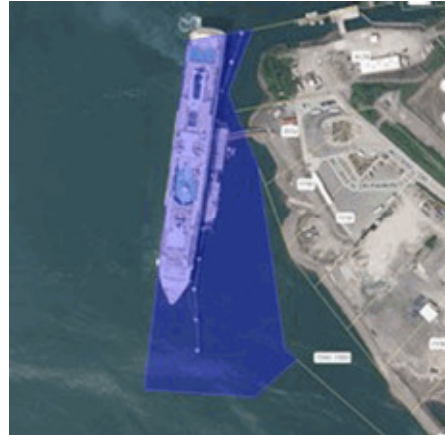
Summary of Comparable Land Sales - Submerged Tidelands							
No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	\$/SF Land	\$/Acre
1	Franklin Dock Leased 800 Block S. Franklin St. Juneau	Jun-16 Closed	\$759,000	126,498 2.90	Waterfront Industrial District	\$6.00	\$261,364
<p><i>Comments: This is based on a 35-year lease of the 2.9-acre section of submerged lands off the Juneau shoreline, originated in November 1995. The rent was stipulated to be 10% of the estimated value of the leased premises as determined by the assessor. The original rent was \$25,299/year based on 10% cap rate of \$2.00/SF. It was adjusted to \$110,076/year in 2006. Although the lease allows for adjustment every third year anniversary, it was not adjusted until 2013 based on a value of \$6.00/SF, indicating an annual rent at 10% at \$75,899. In June 2016, via appraisal, the value of the property was estimated at \$759,000, or</i></p>							
2	Jacobsen Dock Tidelands 1100 Block Jacobsen Dr. Juneau	Jan-13 Closed	\$1,899,976	379,694 8.72	Waterfront Industrial	\$5.00	\$217,972
<p><i>Comments: This sale is based on a 25-year land lease from the State of Alaska to Taku Investments of the deep-water cruise ship dock in Juneau. The lease expires December 31, 2032. The annual rent is now \$151,878. Determining the per square foot value of the rent (\$151,878/379,694 SF = \$0.40/SF. Capitalized at 8% indicates a \$5.00/SF base value or \$1,899,976 for the submerged land area.</i></p>							
3	550 S Franklin 550 S. Franklin St. Juneau	May-12 Closed	\$337,970	37,068 2.84	Waterfront Industrial	\$9.12	\$119,171
<p><i>Comments: This is a site located on the easterly periphery of the Juneau tourist district. An easement for a seawalk encumbers the seaward side of the property, which limits waterfront utilization. The site is improved with a special purpose seafood processing plant and a small retail store and restaurant area. The building was built in 1966 and was remodeled and enlarged in 1992. The land value was allocated at \$90 per square foot for the uplands and \$9.10 per square foot for the tidelands.</i></p>							
4	Sitka Sound Waterfront 4513 Halibut Point Rd. Sitka	Mar-05 Closed	\$115,685	42,034 0.97	Industrial	\$2.75	\$119,881
<p><i>Comments: This is the March 2005 sale analysis of the tidelands portion of the property. A portion of the tidelands was leased at \$7,112 per year, indicating a leased fee value of approximately \$90,000. Improvements included in the sale included a dock and travel lift having a contribution value of \$550,000. The property was developed with a cruise ship dock facility. The allocated value to the uplands (4.12 AC or 179,507 SF) is \$10.72 per square foot. The unfilled tideland area (0.96 AC or 42,034 SF) value was allocated</i></p>							
5	Halibut Point Tidelands 4513 Halibut Point Rd. Sitka	Jan-19 Offer	\$293,750	50,530 1.16	Industrial	\$5.81	\$253,233
<p><i>Comments: This tidelands sale is from the capitalization of a pending lease of 1.16 acres of tidelands as a November 2018 amendment to the DNR Lease Agreement ADL 107980 with original date of 1/3/2012 for the purpose of expanding an existing cruise ship berth to accommodate the new Panamax class of Cruise Ships. The proposed lease agreement is for \$23,500 per year. Capitalized at 8.0%, the indicated value of the fee simple interest would be \$293,750, or \$5.81 per square foot of tidelands.</i></p>							
Subject				1,863,038	Waterfront		
PARN Leased Land				42.77	District		
Municipality of Skagway ,							

Comparable Land Sales Map – Submerged Tidelands





Sale 1
Franklin Dock Leased Tideland



Sale 2
Jacobsen Dock Tideland



Sale 3
550 S Franklin



Sale 4
Sitka Sound Waterfront



Sale 5
Halibut Point Tideland Expansion

Analysis and Adjustment of Sales

Our analysis of the comparable sales is described in the following paragraphs. These sales are considered the best indicators of value for the subject.

Land Sale 1 is 2.90 acres, or a 126,498-square-foot fraction of the 8.5 acres of land controlled by Franklin Dock Enterprises. This is a tidelands parcel located at the 800 Block of South Franklin Street., Juneau, AK. This portion of the site is submerged deep-water tidelands located between 20 and 85 feet from the shoreline and is between 10 to 90 feet deep. There is pedestrian access from the seawalk and vehicular access leading onto adjacent uplands and filled tidelands from South Franklin Street. This sale price was calculated based on a 35-year land lease from the City and Borough of Juneau (CBJ) to AJT Mining Properties Inc. The lease originated in November 1995 at an initial rent based on 10% of the appraised value of the premises originally estimated at \$2.00 per square foot of tidelands. Rental adjustments occur every 3 years, and the most recent adjustment occurred in November 2016 based on a June 2016 valuation of a \$759,000 or \$6.00 per square foot of tidelands.

Land Sale 2 is an 8.72-acre, or 379,694-square-foot parcel located at the 1100 Block of Jacobsen Dr., Juneau, AK. This sale price was calculated based on a 25-year land lease from the State of Alaska to Taku Investments for the deep-water cruise ship dock in Juneau. The lease expires December 31, 2032. The annual rent is now \$151,878. Determining the per square foot value of the rent ($\$151,878/379,694$ SF or $\$0.40/\text{SF}$), capitalized at 8% indicates a $\$5.00/\text{SF}$ base value or \$1,899,976 for the submerged land area.

Land Sale 3 is a 2.84-acre site, or 123,535-square-foot parcel located at 550 S. Franklin Street on the easterly periphery of the Juneau tourist district. An easement for a seawalk encumbers the seaward side of the property, which limits waterfront utilization. The site was improved with a special-purpose seafood processing plant and a small retail store and restaurant area. The building was built in 1966 and was remodeled and enlarged in 1992. The land value was allocated at \$90 per square foot for the uplands and \$9.10 per square foot for the tidelands.

Land Sale 4 is a 0.97-acre, or 42,034-square-foot parcel located at 4513 Halibut Point Rd., Sitka, AK. The property sold in March 2005 for \$2,500,000. Analyzing the tidelands portion of the property, a portion of the tidelands was leased at \$7,112 per year, indicating a leased fee value of approximately \$90,000. Improvements included a dock and travel lift having a contributory value of \$550,000. The property was subsequently developed with a cruise ship dock facility. The allocated value to the uplands (4.12 AC or 179,507 SF) is \$10.72 per square foot. The unfilled tideland area (0.96 AC or 50,530 SF) was capitalized at 8.0% for a fee simple value indication of \$2.75 per square foot

Land Sale 5 is a 1.16-acre lease from DNR to enhance the tidelands at 4513 Halibut Point Rd. in Sitka. These tideland parcels are being added to the existing 42,034 square feet of tidelands (and 179,507 square feet of uplands) currently developed with a cruise ship dock facility. The 1.16 acres will be used to expand the capacity of the berth to accommodate the new Panamax cruise ships. The unfilled tideland areas (1.16 AC or 42,034 SF) was allocated at \$5.81 per square foot.

The following table summarizes the adjustments we make to each sale.

Land Sales Adjustment Grid - Submerged Tidelands

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	PARN Leased Land	Franklin Dock Leased Tidelands	Jacobsen Dock Tidelands	550 S Franklin	Sitka Sound Waterfront	Halibut Point Tidelands Expansion
Address	Portion of ATS 4, Lots 11 & 12, Block 44 and Portion of Lot 7, Block 45	800 Block S. Franklin St.	1100 Block Jacobsen Dr.	550 S. Franklin St.	4513 Halibut Point Rd.	4513 Halibut Point Rd.
City	Municipality of Skagway	Juneau	Juneau	Juneau	Sitka	Sitka
Sale Date		Jun-16	Jan-13	May-12	Mar-05	Jan-19
Sale Status		Closed	Closed	Closed	Closed	Offer Pending
Sale Price		\$759,000	\$151,878	\$10,000,000	\$2,500,000	\$293,750
Financing Terms Adjustment		\$0	\$0	\$0	\$0	\$0
Conditions of Sale Adjustment		\$0	\$0	\$0	\$0	\$0
Other Adjustment		\$0	\$0	-\$9,662,030	-\$2,384,315	\$0
Description of Adjustments				Downward adjustment for building and FF&E and uplands	Upward Adjustment: \$90,000 Leased Fee Interest Downward Adjustment: \$550,000 Improvements & Travel Lift Downward Adjustment: \$1,924,315 Uplands Value	
Effective Sale Price		\$759,000	\$1,899,976	\$337,970	\$115,685	\$293,750
Tidelands Square Feet	1,863,038	126,498	379,694	37,068	42,034	50,530
Price per Square Foot		\$6.00	\$5.00	\$9.12	\$2.75	\$5.81
Property Rights		Leasehold	Fee Simple	Fee Simple	Fee Simple	Leasehold
Market Conditions	8/22/2018	Jun-16	Jan-13	May-12	Mar-05	Jan-19
Cumulative Adjusted Price		\$6.00	\$5.00	\$9.12	\$2.75	\$5.81
Location		Similar	Similar	Similar	Inferior	Inferior
Size		Superior	Similar	Superior	Superior	Superior
Net \$ Adjustment		Downward	Similar	Downward	Upward	Downward
Range of Unadjusted Prices		\$2.75 - \$9.12				
Average		5.74				
Indicated Value		\$5.00				

Land Value Conclusion – Submerged Tidelands

Prior to adjustments, the sales reflect a range of \$2.75 - \$9.12 per square foot, with an average of \$5.74 per square foot. After accounting for the qualitative net adjustments, the range is narrowed to \$2.75 per square foot (the highest price per square foot requiring an upward adjustment) and \$6.00 per square foot (the lowest price per square foot requiring a downward adjustment).

To arrive at an indication of value, we place primary emphasis on Sales 2 and 5. Sale 2 is the largest of the comparables at 379,694 square feet and pending Sale 5 reflects the most current transaction for stand-alone tidelands.

Based upon the above, we reach a value conclusion as follows:

Land Value Conclusion	
Indicated Value per Square Foot	\$5.00
Subject Square Feet	1,863,038
Indicated Value	\$9,315,192
Rounded	\$9,300,000

Small Lots (0.28 Acre; 12,280 SF)

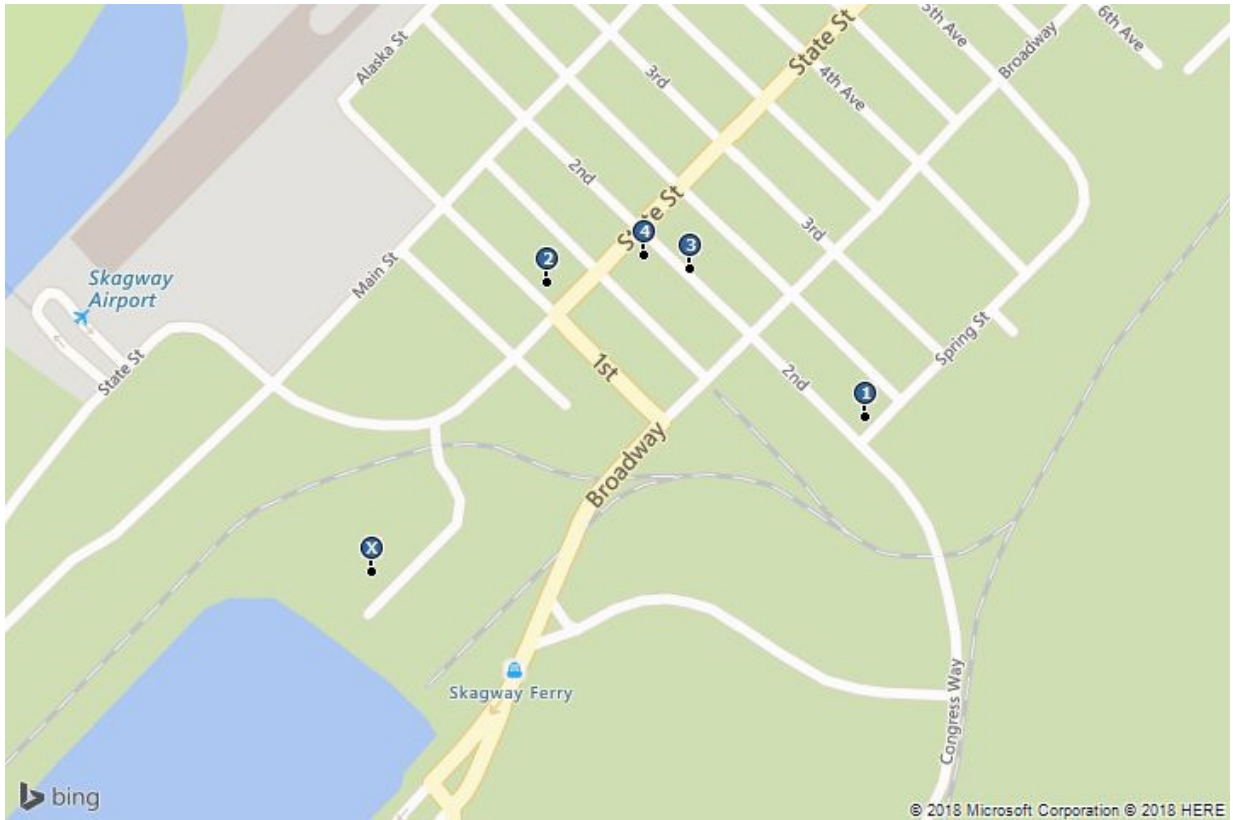
To apply the sales comparison approach to the Parcel B Small Lots, we searched for sale transactions within the following parameters:

- Location: Skagway
- Size: 2,500 SF to 30,000 SF
- Use: Vacant
- Transaction Date: November 2012 to Date of Valuation

For this analysis, we use price per square foot as the appropriate unit of comparison. The most relevant sales are summarized in the following table.

Summary of Comparable Land Sales - Small Lots							
No.	Name/Address	Sale Date; Status	Sale Price	SF; Acres	Zoning	\$/SF Land	\$/Acre
1	Brena Building Site 200 2nd Ave. Skagway	Dec-14 Closed	\$552,000	5,000 0.11	Business- Historical	\$110.40	\$4,808,362
<i>Comments: This is a well-located site within the Business Historic District. The lot is located adjacent to the Diamonds International retail store and has high traffic flows. The railroad depot is across Second Avenue from the subject property. The property has good tourist retail development potential. The buyer received a higher offer than the price paid immediately after the acquisition. The buyer was willing to pay as high as \$626,000 for the site if competing offers had been made. The site is proposed to be improved with a three-story, mixed-use building with a gross building area of 10,985 square feet.</i>							
2	Skagway General Business 300 Block 1st Ave. Skagway	Aug-16 Closed	\$188,700	10,000 0.23	Business - General District	\$18.87	\$821,864
<i>Comments: This is the August 2016 sale of land at the corner of 1st Ave. and State St. in the CBD of Skagway. The purchasers own Chilkoot Charters and Tours. The sale price of \$188,700 reflects a price of \$18.87/SF of land.</i>							
3	Red Onion Land NHN 2nd Ave. Skagway	Nov-16 Closed	\$232,500	5,000 0.11	Business Historic District	\$46.50	\$2,025,261
4	2nd & State Land NHN State St. Skagway	Dec-15 Closed	\$375,000	5,000 0.11	Business General	\$75.00	\$3,266,551
Subject				12,280	Waterfront		
PARN Leased Land				0.28	District		
Municipality of Skagway ,							

Comparable Land Sales Map – Small Lots





Sale 1
Brena Building Site



Sale 2
Skagway General Business District Land



Sale 3
Red Onion Land



Sale 4
2nd & State Land

PARN Leased Land



Analysis and Adjustment of Sales

Our analysis of the comparable sales is described in the following paragraphs.

Land Sale 1 is a 5,000-square-foot parcel located at 200 2nd Ave., Skagway, AK. The property sold in December 2014 for \$552,000, or \$110.40 per square foot. This is a well-located site within the Business Historic District, adjacent to the Diamonds International retail store and has high pedestrian traffic flows with good tourist retail development potential. The site was subsequently improved with a three-story, mixed-use building with a gross building area of 10,985 square feet, indicating a price paid per gross building area (GBA) of \$50.25.

Land Sale 2 is a 10,000-square-foot parcel located in the 300 Block of 1st Ave., Skagway, AK. This is the August 2016 sale of land at the corner of 1st Ave. and State Street in the CBD of Skagway, and the purchasers own Chilkoot Charters and Tours. The sale price of \$188,700 reflects a price of \$18.87/SF of land.

Land Sale 3 is a 5,000-square-foot, parcel located on Lot 10, Block 34 fronting 2nd Ave., Skagway, AK. This is a mid-block parcel located on the north side of Second Avenue, the site of the Red Onion Restaurant. The property sold in November 2016 for \$232,500, or \$46.50 per square foot.

Land Sale 4 is a 5,000-square-foot parcel located on Lot 6, Block 37 at 2nd and State St., Skagway AK. This corner location is one block off Broadway, and at the time of sale was improved with an older structure that contributed no value to the property (based on a local realtor and a contractor's opinions). The property sold in December 2015 for \$375,000, or \$75.00 per square foot.

Adjustment Factors	
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale, related parties transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate. There has not been any material changes in market conditions (over time) and therefore no adjustments were required for comparison to the subject.
Location	Market or submarket area influences on sale price; surrounding land use influences. Both lots are about 200' from the Historic Business District. These parcels benefit from the off-loading of cruise ship passengers and vehicular traffic from the state ferry.
Access	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts. All of the comparables have comparable access and did not require adjustment.
Size	Inverse relationship that often exists between parcel size and unit value. Comparable Sales 1, 3 and 4 were all 5,000 square feet and required downward adjustments for size.
Shape and Topography	Primary physical factors that affect the utility of a site for its highest and best use. The smaller 2,280 SF parcel has significantly less utility and should command a lower price per square foot (due to 28' depth).
Zoning	Government regulations that affect the types and intensities of uses allowable on a site.
Special Policies	The waterfront zoning requires that 10% of the development cost be spent on landscaping or public improvements either on or off-site. A downward adjustment of 10% is applied to the sales, as they are not faced with this requirement.

Land Sales Adjustment Grid - Small Lots					
	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Name	PARN Leased Land	Brena Building Site	Skagway General Business District Land	Red Onion Land	2nd & State Land
Address	Portion of ATS 4, Lots 11 & 12, Block 44 and Portion of Lot 7, Block 45	200 2nd Ave.	300 Block 1st Ave.	NHN 2nd Ave.	NHN State St.
City	Municipality of Skagway	Skagway	Skagway	Skagway	Skagway
Sale Date		Dec-14	Aug-16	Nov-16	Dec-15
Sale Status		Closed	Closed	Closed	Closed
Sale Price		\$552,000	\$188,700	\$232,500	\$375,000
Square Feet	12,280	5,000	10,000	5,000	5,000
Acres	0.28	0.11	0.23	0.11	0.11
Price per Square Foot		\$110.40	\$18.87	\$46.50	\$75.00
Financing Terms				Cash to seller	Cash to seller
Market Conditions	8/22/2018	Dec-14	Aug-16	Nov-16	Dec-15
Cumulative Adjusted Price		\$110.40	\$18.87	\$46.50	\$75.00
Location		-50%	10%	-	-25%
Access/Exposure		-	-	-	-
Size		-10%	-	-10%	-10%
Special Policies		-10%	-10%	-10%	-10%
Net \$ Adjustment		-\$77.28	\$0.00	-\$9.30	-\$33.75
Net % Adjustment		-70%	0%	-20%	-45%
Final Adjusted Price		\$33.12	\$18.87	\$37.20	\$41.25
Overall Adjustment		-70%	0%	-20%	-45%
Range of Adjusted Prices		\$18.87 - \$41.25			
Average		\$32.61			

Land Value Conclusion – Small Lots

Prior to adjustments, the sales reflect a range of \$18.87 - \$110.40 per square foot. After adjustment, the range is narrowed to \$18.87 - \$41.25 per square foot, with an average of \$32.61 per square foot.

To arrive at an indication of value for the larger 10,000 SF site, the highest and best use is for tourist-oriented businesses, and as such, greatest weight was placed on Sale 3 (the Red Onion Land). This was bracketed by the average of all 4 sales and a value conclusion of \$35.00 per square foot is appropriate and well supported.

The smaller 2,280-square-foot site has considerably less utility with only 28 feet of depth, and a value conclusion of \$17.50 per square foot is appropriate. These value estimates blend to (rounded) or about per square foot overall, summarized below.

Small Lot Value Summary

Parcels	Areas (SF)	\$/SF	Totals
Lots 11 & 12, Blk 44	10,000	\$35.00	\$350,000
Por Lot 7, Blk 45	2,280	\$17.50	\$39,900
	12,280	\$31.75	\$389,900
Rounded		\$31.76	\$390,000

Benchmark Value for Parcels A & B before Adjustment for Lessee's Dredging & Fill

Parcel	Units	Indicated Unit Value	Indicated Value	Rounded
Uplands	2	\$6,000,000	\$12,000,000	\$12,000,000
Surplus Land	576,415	\$10.00	\$5,764,150	\$5,760,000
Submerged Tidelands	1,863,038	\$5.00	\$9,315,192	\$9,300,000
Small Lots	10,000	\$35.00	\$350,000	\$350,000
Smaller Parcel with 28' Depth	2,280	\$17.50	\$39,900	\$40,000
Total			\$27,469,242	\$27,450,000

Adjustments for Lessee Expenditures to Dredge and Fill

The benchmark \$27,469,242 value above requires adjustment for the lessee's dredging and filling the uplands, in 2018 dollars. The adjusted value shown below deducts the costs associated with developing the subject property to its highest and best use, which is the premise of market value.

	Acres	SF	
Current Usable Uplands	23.73	1,033,187	SF
Pre-1969 Uplands (6.5 acres less 3.18 acres to Airport)	3.32	144,619	SF
Filled Area	20.41	888,568	SF
Fill depth		26	feet
Fill (CY)		855,658	CY
Dredged Fill (deposited on the subject)		\$12.50	Per CY
Profit load at	20.00%	\$2.50	
Quantity of Fill	855,658	CY @	\$15.00 Per CY
Cost estimate of fill in-place (2018 \$)		\$12,834,868	
Rounded		\$12,800,000	in 2018 \$

Deducting the \$12,800,000 for the dredged fill from the benchmark value results in a market value indication for the site prior to improvement by the lessee, based on its highest and best use of the site, summarized as follows.

Final Opinion of As Is Market Value

Based on the preceding valuation analysis, after deducting the costs to fill and dredge, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusions			
Parcel	Interest Appraised	Date of Value	Benchmark Values
Uplands	Fee Simple	August 22, 2018	\$12,000,000
Surplus Uplands	Fee Simple	August 22, 2018	\$5,764,150
Submerged Tidelands	Fee Simple	August 22, 2018	\$9,315,192
Small 10,000 SF Lot	Fee Simple	August 22, 2018	\$350,000
Smaller Parcel with 28' Depth	Fee Simple	August 22, 2018	\$39,900
Total			\$27,469,242
Adjustments			
Cost estimate of fill in-place (2018 \$)			(\$12,800,000)
Total Adjustments			(\$12,800,000)
Concluded Value			\$14,669,242
		Rounded	\$14,700,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our

1. The subject property is appraised as vacant land served by streets and utilities, and does not consider the buildings and docks that have been constructed (land value only).

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. The subject has been valued at its current highest and best use, but in the physical condition that existed at the commencement of the Tideland Lease (refer to discussion of highest and best use).
2. The fee simple value estimate is assumed to not be encumbered with a lease agreement.
3. This valuation analysis assumes the subject property is not affected by soils contamination that is known to exist.

Certification

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. 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.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. 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.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Allen Safer, MAI, MRICS, made a personal inspection of the property that is the subject of this report. Kim M. Wold has also personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

14. As of the date of this report, Allen Safer, MAI, MRICS, Kim M. Woldhas completed the continuing education program for Designated Members of the Appraisal Institute.



Allen Safer, MAI, MRICS
Certified General Real Estate Appraiser
Alaska Certificate # 412



Kim M. Wold
Certified General Real Estate Appraiser
Alaska Certificate # 52

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
 8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
 9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
 10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
 11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
 12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
 13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
 14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
 15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
 16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
 17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

- conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
 19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
 20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environmental hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Seattle, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
 21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
 22. Integra Realty Resources – Seattle is not a building or environmental inspector. Integra Seattle does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
 23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
 24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be

- responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – Seattle, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
 26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
 27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

Addendum A
Appraiser Qualifications



Allen Safer, MAI, MRICS

Experience

Senior Managing Director for Integra Realty Resources-Seattle in Washington State. Integra Realty Resources Seattle is part of Integra Realty Resources (IRR), a national valuation and consulting firm with 66 offices in the U.S. and Caribbean.

Mr. Safer and his firm are experienced in the analysis of various property types including: vacant land, residential plats, master planned communities, multifamily developments, retail, office, industrial and special purpose properties in Washington State and Alaska. Clients served include various financial concerns, law and public accounting firms, private and public agencies, pension and advisory companies, investment firms, and the general public. Further, utilizing the resources of Integra's nationwide coverage, the firm is actively involved in the completion of large portfolio engagements.

Mr. Safer's background includes 30+ years of counseling and valuation analysis for the general public on commercial and residential properties in Washington and Alaska. Entered the appraisal profession with Coldwell Banker Appraisal Services from 1977 to 1981. Founded Safer & Company in 1982 and transitioned to Property Counselors from 1986 to 2001.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI)

President: Local Chapter of the Appraisal Institute, January 2007 - December 2007

Chairman: Seattle Chapter Real Estate Fall Conference, January 2008 - December 2010

Chairman: National Appraisal Institute Regional Chairs, January 2000 - December 2000

Chairman: National Appraisal Institute Executive Committee, January 2000 - December 2000

Chairman: Pacific NW Region 1 Board of Directors, January 1998 - December 1999

Board of Director: Appraisal Institute, January 1996 - December 2001

Member: Appraisal Institute Finance Committee, January 1996 - December 1997

Board of Director: General Appraisal Board of the Appraisal Institute, January 1994 - December 1996

Chairman: National Comprehensive Exam Subcommittee of the Appraisal Institute, Jan. 1990 - Dec. 1992

Member: National Comprehensive Exam Subcommittee of the Appraisal Institute, Jan. 1983 - Dec. 1992

Member: Government Relations Committee, January 2002 - December 2004

Member: National Admissions Committee of the Appraisal Institute, January 1990 - December 1993

Board of Director: Seattle Chapter of the Appraisal Institute, January 1989 - December 1992

Member: Regional Professional Standards Panel of the Appraisal Institute, January 1984

Chairman: Local Chapter Admissions and Programs, January 1986 - December 1991

Licenses

Alaska, Appraiser, APRG412, Expires June 2019

Washington, Appraiser, 1100662, Expires September 2019

Washington, Designated Broker, 3341, Expires December 2019

Education

Bachelor of Science, Real Estate, University of Colorado, Boulder, Colorado

Qualified Before Courts & Administrative Bodies

United States Bankruptcy Court, Seattle Washington

King County Superior Court, Washington

King County Board of Equalization

Pierce County District Court

Washington State Board of Tax Appeals

Various Arbitration & Land Use Hearings

Miscellaneous

Recipient of the Seattle AI Chapter's "Appraiser of the Year" Award for 2001.

Recipient of the Seattle AI Chapter's 2009 "President's Award".

IRR Certified Reviewer

asafer@irr.com - 206.436.1190

Integra Realty Resources
Seattle

600 University Street
Suite 310
Seattle, WA 98101

T 206.903.6700x190
F: 206.623.5731

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License #: APRG412
Effective: 06/13/2017
Expires: 06/30/2019

STATE OF ALASKA
Department of Commerce, Community, and Economic Development
Division of Corporations, Business, and Professional Licensing
Board of Certified Real Estate Appraisers

Licensee: **ALLEN N. SAFER**

License Type: **Certified General Real Estate Appraiser**

Status: **Active**

Commissioner: Chris Hladick

Relationships

RelationType	License #	LicenseType	Owners/Entities	Names/DBA
No relationships found.				

Designations

Type	Group
No designations found.	

ALLEN N. SAFER
INTEGRA REALTY RESOURCES
600 UNIVERSITY STREET, SUITE 310
SEATTLE, WA 98101

Wallet Card

State of Alaska Department of Commerce, Community, and Economic Development Division of Corporations, Business, and Professional Licensing Board of Certified Real Estate Appraisers ALLEN N. SAFER As Certified General Real Estate Appraiser		
License APRG412	Effective 06/13/2017	Expires 06/30/2019



Kim M. Wold

Experience

Mr. Wold is a Director with Integra Realty Resources – Seattle. His background includes over 40 years in the real estate appraisal sector.

President/Chief Appraiser – Alaska Appraisal Associates, Inc. October 1978 – April 2017
Appraiser – Ketchikan Gateway Borough January 1976 – October 1978

Mr. Wold has extensive experience in appraising properties such as single and multi-family residential, income-producing properties, special purpose properties (sawmills and fish processing plants), tidelands, logging camps, grocery stores, shopping centers, and aviation facilities. He also has extensive experience appraising urban and remote acreage of varying highest and best uses, such as residential, commercial, industrial, agricultural, forestry, mining claims, tidelands, recreational, etc. He has performed appraisals for mortgage underwriting, eminent domain, easement valuation, lease renewals, establishing market lease rates, and estate purposes.

Professional Activities & Affiliations

Appraisal Institute, Candidate
Senior Member: National Association of Review Appraisers and Mortgage Underwriters
Fee Appraiser: Federal Housing Authority (FHA/HUD #2218)

Licenses

Alaska, Certified General Real Estate Appraiser, License No. 52, expires June 30, 2019

Education

Attended numerous appraisal related courses presented by the American Institute of Real Estate Appraisers, Northwest Center for Professional Education, Marshall Valuation Service, University of Alaska, and the International Right-of-Way Association. Mr. Wold has also completed courses sponsored by the American Institute of Real Estate Appraisers and the Appraisal Institute in conjunction with the University of Portland, University of Colorado, University of San Diego, and Arizona State University.

Specific courses completed include:

- Law and Value; Communication Corridors, Tower Sites, & Property Rights, 2001
- Attacking and Defending an Appraisal in Litigation, 2001
- Valuation of Detrimental Conditions in Real Estate, 2002
- Appraisal Litigation Practice and Courtroom Management, 2003
- The Road Less Traveled; Special Purpose Properties, 2004
- Hospitality Properties, 2004
- Condominiums, Co-Ops, and PUDs, 2006
- Current Issues and Misconceptions in the Appraisal Practice, 2007
- Business Practices and Ethics, 2009
- Highest and Best Use and Market Analysis, 2009
- Self-Storage: Emerging Core Asset, 2011
- Fundamentals of Separating Real Property, Personal Property, & Intangible Business Assets, 2012
- Litigation Appraising – Specialized Topics, 2014
- Forecasting Revenue, 2015
- Uniform Standards of Professional Appraisal Practice, 2017

Qualified Before Courts & Administrative Bodies

US Bankruptcy Court
Superior Court of the State of Alaska
Superior Court of the State of Washington
Board of Equalization for Ketchikan Gateway Borough and the City of Craig
Testified in Internal Revenue Service tax appeal hearings

Miscellaneous

Served as a member of the Ketchikan Gateway Borough Land Selection Committee evaluating municipal land selections (1980).
Appraised State lands in the Ketchikan and Prince of Wales Island area to assist in reconstituting the University of Alaska Land Trust (1987).
Served as a member of the Alaska Mental Health Land Valuation Panel evaluating Southeast Alaska lands to settle the Weiss v. State of Alaska litigation (1988)
Conducted physical and legal attribute identification of Southeast Alaska lands and improved properties for the reconstitution of the Mental Health Land Trust (1993).

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License #: APRG52
Effective: 06/16/2017
Expires: 06/30/2019

STATE OF ALASKA
Department of Commerce, Community, and Economic Development
Division of Corporations, Business, and Professional Licensing
Real Estate Appraisers

Licensee: **KIM MICHAEL WOLD**

License Type: **Certified General Real Estate Appraiser**

Status: **Active**

Commissioner: **Chris Hladick**

Relationships

RelationType	License #	LicenseType	Owners/Entities	Names/DBA
No relationships found.				

Designations

Type	Group
No designations found.	

KIM MICHAEL WOLD
10000 RAINIER AVE SO.
SEATTLE, WA 98178

Wallet Card

State of Alaska Department of Commerce, Community, and Economic Development Division of Corporations, Business, and Professional Licensing Real Estate Appraisers KIM MICHAEL WOLD As Certified General Real Estate Appraiser		
License APRG52	Effective 06/16/2017	Expires 06/30/2019



About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

irr.com



Addendum B

Definitions



Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Class of Industrial Property

For the purposes of comparison, industrial properties are grouped into three classes. These classes represent a subjective quality rating of properties, which indicates the competitive ability of each property to attract similar types of tenants. The differences between these classifications vary by market, and Class B and C properties are generally classified relative to Class A properties.

Class A properties represent the highest quality properties in a market. They have the best locations and the best access for industrial use. Construction tends to be new and of good quality, and maintenance standards are high. Building and site designs are functional. As a result, Class A properties attract the highest quality tenants and also command the highest rents.

Class B properties are a step down in quality from Class A properties. Class B buildings tend to be somewhat older, less functional, and less well maintained. Sometimes they are in less desirable locations. Class B properties command rents in the average range for the area.

Class C properties fall into the lowest classification. These properties are older and often in need of renovation. Locations may be inferior, and building and site designs exhibit functional obsolescence and lower standards of maintenance. Class C properties command rents that are below average for the area.

(Source: Integra Realty Resources)

Deferred Maintenance

Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.

Depreciation

A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams

and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. 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.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

Entrepreneurial Profit

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Excess Land; Surplus Land

Excess Land: Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately.

Surplus Land: Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

Fee Simple Estate

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.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

Industrial Property Classifications

Distribution Warehouse: High cube single-story structures with clear ceiling heights of at least 22 feet but more commonly 24 feet to allow three stacking heights of seven feet each. Some distribution buildings now have clear ceiling heights as high as 40 feet or more due to the introduction of robotic computer systems, which allow very narrow aisles and high stacking. In general, column spacing is wider than that in office warehouse buildings and office build-out is minimal, generally 10% or less.

Flex: Buildings designed with warehouse capabilities such as dock-high or drive-in loading doors and clear ceiling heights of 14 to 16 feet. However, they are termed flex based on their broad range of office finish and their single-story exterior office appearance. The level of office finish typically ranges from 30% to 70% and suites can be divided into relatively small units. Research & Development (R&D) buildings are similar to flex warehouse construction but with higher percentages of office finish, often up to 90%.

Manufacturing: Buildings intended to provide space in which to transform, fabricate, or assemble physical resources into physical products/goods for sale. These buildings can vary greatly in design, with low clear ceiling heights of 12 feet, to very high clear ceiling heights of 30 feet or more, according to specific industry needs.

Office Warehouse: Generally single-story buildings with clear ceiling heights ranging from about 16 feet to 21 feet. The level of office finish is shaped by the needs of individual tenants, the general uses within the market area, and the availability of parking. The level of office finish typically ranges from 10% to 20%. Suites are typically larger than flex warehouse space. These buildings usually have drive-in bays, dock height bays, or a combination thereof and are used for light manufacturing, services, and small-scale distribution businesses.

(Source: Integra Realty Resources)

Investment Value

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

Lease

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Lease Type

Full Service Lease or Gross Lease: A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses.

Full Service + Tenant Electric Lease or Gross + Tenant Electric Lease: A lease in which the tenant pays electric charges for its space but in other respects is a full service or gross lease as defined above. Tenant electric is often abbreviated as "TE". (Source: *Integra Realty Resources*)

Modified Gross Lease: A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease.

Net Lease: A general term for a lease in which the tenant pays all or most of the operating and fixed expenses of a property. Whenever the term net lease is used, an analyst should identify the specific expense responsibilities of the tenant and owner. (Source: *Integra Realty Resources*)

Triple Net Lease: A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, net net net, or fully net lease.

Absolute Net Lease: A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant.

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

9. 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.

This definition can also be modified to provide for valuation with specified financing terms.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.

Market Value

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

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- 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.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Rentable Area (RA)

For office buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for the building or other improvements, using modern materials and current standards, design and layout.

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

Stabilized Income

1. An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy.
2. The forecast of the subject property's yearly average income (or average-equivalent income) expected for the economic life of the subject property.
3. Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.

Stabilized Occupancy

1. The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand.
2. An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.

Addendum C

Property Information

1 prorated basis, on or before the 10th day of the month; provided,
2 however, the annual rental shall be subject to adjustment by the
3 Council on the fifth anniversary of the date of this lease and
4 each anniversary date thereafter which is divisible by the number
5 Five (5), in the manner specified in Section 21 of Ordinance
6 No. 229 of the City of Skagway, as amended by Ordinance No. 243.
7 In the event the fair market value of the land and improvements
8 as determined under said section is not acceptable to lessee,
9 such value shall be subject to determination by the Superior
10 Court for the State of Alaska upon a petition being filed for
11 that purpose by the lessee.

12 4. It is agreed by the parties hereto that all of the
13 provisions of Article III of said Ordinance 229 as amended by
14 Ordinance No. 243, are hereby specifically made a part of
15 this lease by reference as if fully set forth herein. Any
16 amendments to said article or said ordinances made hereafter
17 shall not affect the terms of this lease. A copy of said
18 Article III and Ordinance No. 243 are attached hereto.

19 5. The lessee shall have the privilege of dredging a
20 deep water mooring basin for vessels and may make any and all
21 types of excavations on the premises. The lessee may raise the
22 surface of the land by placing fill thereon from such excavations
23 or dredging or from other sources. The lessee may place such
24 improvements and structures therein, thereon or over said lands
25 as it shall determine. The lessee may remove the existing break-
26 water dike providing the same is replaced in a location satis-
27 factory to the Corps of Engineers of the Department of the Army,
28 and providing the same meets the specifications required by said
29 agency. The lessee may remove, with the permission of the
30 Alaska Communications System, United States Air Force, the cables
31 owned by said agency. The lessee may make such changes as it
32 desires in the location of the outfall sewer which crosses such

1 property as is necessary or desirable for the development of
2 said lands by the lessee; provided, however, the lessee shall
3 provide an alternate outfall sewer in a location satisfactory to
4 the Council and which will be as satisfactory for the purposes
5 intended as the present sewer outfall. The lessee will provide
6 adequate drainage for the water flowing onto the land from a
7 culvert under the approach to the Alaska State Ferry Terminal
8 or from an alternate culvert to be constructed by lessee, so the
9 same will not flow into the Small Boat Harbor during freezing
10 weather unless the culvert is obstructed by ice or other obstruc-
11 tions. Any other property found on said tract may be removed by
12 the lessee and disposed of in such manner as the lessee shall
13 determine.

14 6. The lessee agrees to commence construction of one
15 or more of the facilities described in this paragraph within six
16 months from the date hereof and to complete within one year from
17 the date hereof the expenditure of not less than Five Hundred
18 Thousand Dollars (\$500,000) in the construction or partial con-
19 struction of one or more of the following, to wit:

- 20 A spur railroad line
- 21 A bulk mineral storage and handling facility
- 22 A dock and dolphins
- 23 A deep water basin at the face of the dock

24 Lessee agrees to complete all of said facilities at a cost of
25 not less than Two Million Dollars (\$2,000,000) within two years
26 from the date hereof. Lessee agrees that all improvements on
27 said lands other than the excavated basin for vessels and the
28 fill material placed upon said lands, shall be subject to taxa-
29 tion by lessor on the same basis as other property in the muni-
30 cipality. The excavated basin or basins created by dredging,
31 or otherwise, and the materials excavated therefrom and placed
32 upon said land shall be a part of the land at all times, shall
be owned by the lessor and shall be leased hereunder.

1 contained in a resolution adopted by the Council of said City
2 on the 19 day of March, 1968.

3
4 CITY OF SKAGWAY

5 By Edward Hanousek
Mayor

6
7 And By Lillian Litzenger
City Clerk

8
9 PACIFIC AND ARCTIC RAILWAY AND
10 NAVIGATION COMPANY

11 By A. P. Friesen
Vice President

12 And By J. G. Downey
13 Secretary

14 STATE OF ALASKA)
15) ss.
16 FIRST JUDICIAL DISTRICT)

17 THIS CERTIFIES that on this 19 day of March,
18 1968, before me, a Notary Public in and for the State of Alaska,
19 personally appeared ED HANOUSEK and LILLIAN LITZENBERGER to me
20 known and known to me to be the persons whose names are subscri-
21 bed to the foregoing instrument, and after being first duly
22 sworn according to law they stated to me under oath that they
23 are the Mayor and City Clerk, respectively, of the City of
24 Skagway, that they have been authorized by said City to execute
25 the foregoing instrument on its behalf and they executed the
26 same freely and voluntarily as the free act and deed of said City.

27 WITNESS my hand and official seal the day and year in
28 this certificate first above written.

29 EE Muhl
30 Notary Public for Alaska
31 My commission expires: 19 Dec 71

32 DOMINION OF CANADA)
PROVINCE OF BRITISH COLUMBIA) ss.

33 THIS CERTIFIES that before me, a Notary Public in and
34 for the Province of British Columbia, Canada, personally appeared
35 A. P. FRIESEN, to me known and known to me to be the person who
36 executed the foregoing instrument on behalf of Pacific and Arctic
37 Railway and Navigation Company. He acknowledged to me that he
38 executed the same freely and voluntarily on behalf of said cor-
39 poration. He stated to me under oath that he is the Vice
40 President of said corporation, has been authorized by the Board
41 of Directors of said corporation to execute said instrument on
42 its behalf and he has full power and authority to execute the same.

43 WITNESS my hand and official seal this 4th day of
April, 1968.

44 John S. Butterfield
45 Notary Public in and for the
46 Province of British Columbia,
47 Canada, residing at Vancouver

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STATE OF WASHINGTON)
)
) ss.
)
COUNTY OF KING)

THIS CERTIFIES that before me, a Notary Public in and for the State of Washington, County of King, personally appeared F. D. DOWNEY, to me known and known to me to be the person who executed the foregoing instrument on behalf of Pacific and Arctic Railway and Navigation Company. He acknowledged to me that he executed the same freely and voluntarily on behalf of said corporation. He stated to me under oath that he is the Secretary of said corporation, has been authorized by the Board of Directors of said corporation to execute said instrument on its behalf and he has full power and authority to execute the same.

WITNESS my hand and official seal this 21st day of March, 1968.

Marian Kellogg
Notary Public in and for the
State of Washington, County
of King.

LEASE OF REAL PROPERTY

This lease made this 1st day of August, 1969, between the CITY OF SKAGWAY, hereinafter called "Lessor", and PACIFIC AND ARCTIC RAILWAY AND NAVIGATION COMPANY, a corporation organized under the laws of West Virginia doing business at Skagway, Alaska, hereinafter called the "Lessee",

WITNESSETH:

1. The lessor lets, leases and demises to the lessee the following described real property, to wit:

Beginning at the intersection of the southwesterly extension of the southeast side of Broadway Street and the southeasterly extension of the northeast side of Front Street, in the City of Skagway, Alaska; thence southeasterly along the northeast side of Front Street extended 15.0 feet to the true point of beginning; thence southeasterly along the northeast side of Front Street 35.0 feet; thence at right angles northeasterly 100.0 feet; thence at right angles northwesterly 35.0 feet; thence at right angles southwesterly parallel to and 15 feet from the southeast side of Broadway Street extended 100.0 feet to the point of beginning; except for that portion of said lands in Alaska Tidelands Survey No. 4; situated in Amended U. S. Survey No. 13 in the City of Skagway, Skagway Recording District, First Judicial District, State of Alaska and being a portion of what is commonly known as Lot 7 in Block 45 of Skagway.

Beginning at the intersection of the southwesterly extension of the northwesterly side of Broadway Street and the southeasterly extension of the northeasterly side of Front Street, in the City of Skagway, Alaska; thence northwesterly along said side of Front Street extended 100.0 feet; thence at right angles northeasterly 100.0 feet; thence southeasterly at right angles 100.0 feet; thence southwesterly at right angles 100.0 feet to the place of beginning; situated in Amended U. S. Survey No. 13 in the City of Skagway, Skagway Recording District, First Judicial District, State of Alaska, and commonly known as Lots 11 and 12, Block 44 of the City of Skagway.

2. This lease is for a term commencing on the date

1 hereof and ending at midnight March 18, in the year 2023.

2 3. The lessee agrees to pay and the lessor agrees to
3 accept as rent for the use of said property and the privilege
4 granted under this lease, an annual rental of \$630.00, payable
5 for each calendar year, or a fraction thereof on a prorated
6 basis, within 30 days from the date hereof for that portion of
7 the year 1969 which is between the date hereof and the end of
8 said year and on or before the 30th day of January of each year
9 thereafter for such calendar year; provided, however, the
10 annual rental shall be subject to adjustment by the Council on
11 March 19, 1973 and each March 19th thereafter which is in a
12 year which is divisible by the number 5, in the manner specified
13 at this time in Section 21 of Ordinance No. 229 of the City of
14 Skagway, as amended by Ordinance No. 243. In the event the fair
15 market value of the land as determined under said section is not
16 acceptable to lessee, such value shall be subject to determi-
17 nation by the Superior Court for the State of Alaska upon a
18 petition being filed for that purpose by the lessee.

19 4. The lessee shall have the privilege of using said
20 lands for any purpose which is necessary or desirable to the
21 lessee in connection with its railroad and other transportation
22 operations. The lessee may place such improvements and
23 structures thereon as are needed in such operations and the same
24 may be removed by lessee within 30 days of the termination of
25 this lease. Said lands shall not be used for other purposes
26 without permission of lessor.

27 5. The lessee agrees that within 6 months from the date
28 hereof it will have constructed on each of said lots a railroad
29 track connecting its main line to the property of Skagway
30 Terminal Company on Alaska Tidelands Survey No. 4. Lessee agrees
31 that all improvements on said lands other than the fill material
32 placed thereon, shall be subject to taxation by lessor on the

1 same basis as other real property in a municipality. Any fill
2 material placed thereon shall be a part of the land at all
3 times, shall be owned by the lessor and shall be leased here-
4 under.

5 6. Lessee may terminate this lease at the end of any
6 annual period for which rent has been paid, by giving lessor
7 notice of termination in writing at least 60 days before the end
8 of such annual rental period.

9 7. So long as the lessee shall comply with all the terms
10 and conditions of this lease, the lessee may use such property
11 for the purposes above stated free of any interference or
12 hindrance by the lessor during the term of this lease. This
13 lease may be assigned or a portion of the land sublet only for
14 the purposes and uses permitted under Paragraph 4 hereof.

15 8. In the event of any such assignment of this lease, the
16 same shall enure to the benefit of, and be binding upon, the
17 lessee and such assignee. This lease shall also enure to the
18 benefit of, and be binding upon, any successor to the lessor.

19 9. The address of lessor is P. O. Box 415, Skagway,
20 Alaska, 99840, and the address of the lessee is P. O. Box 435,
21 Skagway, Alaska, 99840. Either party may change its address of
22 record by giving notice thereof in writing to the other party.
23 These addresses are those to which all notices are to be given
24 under this lease.

25 10. If the lessee shall default in the performance or ob-
26 servance of any of the lease terms, covenants, or stipulations,
27 or the terms of this ordinance, or any of the ordinances of the
28 City, and said default continues for 30 calendar days after
29 service of written notice by the City on lessee without remedy
30 by lessee of the default, the Council shall take such action as
31 is necessary to protect the rights and best interests of the
32 City, including the exercise of any or all rights after default

1 permitted by the lease. No improvements may be removed by
2 lessee or any other person during any time the lessee is in
3 default.

4 IN WITNESS WHEREOF, the parties hereto have caused this
5 instrument to be executed by their duly authorized officers as
6 of the day and year first above written. The officers of the
7 City of Skagway have executed this lease under an authorization
8 granted by motion adopted by the Council of said City on the
9 1st day of August, 1969.

10
11 CITY OF SKAGWAY

12 BY E. C. Hanousek
13 Mayor

14 And BY Fred Litzengerger
15 City Clerk

16 PACIFIC AND ARCTIC RAILWAY AND
17 NAVIGATION COMPANY

18 BY W. J. Jensen
19 President

20 STATE OF ALASKA)
21) ss.
22 FIRST JUDICIAL DISTRICT)

23 THIS CERTIFIES that on this 1 day of August,
24 1969, before me, a Notary Public in and for the State of Alaska,
25 personally appeared Edward Hanousek and Lillian
26 Litzengerger to me known and known to me to be the
27 persons whose names are subscribed to the foregoing instrument,
28 and after being first duly sworn according to law they stated to
29 me under oath that they are the Mayor and City Clerk, respec-
30 tively, of the City of Skagway, that they have been authorized
31 by said City to execute the foregoing instrument on its behalf
32 and they executed the same freely and voluntarily as the free
act and deed of said City.

WITNESS my hand and official seal the day and year in
this certificate first above written.

W. J. Jensen
Notary Public for Alaska
My commission expires:
19 Dec 71

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DOMINION OF CANADA)
) ss.
PROVINC OF BRITISH COLUMBIA)

THIS CERTIFIES that before me, a Notary Public in and for the Province of British Columbia, Canada, personally appeared A. P. FRIESEN, to me known and known to me to be the person who executed the foregoing instrument on behalf of Pacific and Arctic Railway and Navigation Company. He acknowledged to me that he executed the same freely and voluntarily on behalf of said corporation. He stated to me under oath that he is the President of said corporation, has been authorized by the Board of Directors of said corporation to execute said instrument on its behalf and he has full power and authority to execute the same.

WITNESS my hand and official seal this 23 day of January, 1970 ~~1969~~

John S. Butterfield
Notary Public in and for the Province of British Columbia, Canada, residing at Vancouver.

FAULKNER, BANFIELD, BOOCHEVER & DOOGAN
ROOM 201, 311 FRANKLIN ST. PHONE 868-2210
JUNEAU, ALASKA 99801

1 ASSIGNMENT OF AGREEMENT

2
3 THIS ASSIGNMENT made this 18th day of November, 1968, be-
4 tween PACIFIC AND ARCTIC RAILWAY AND NAVIGATION COMPANY, a corpo-
5 ration organized under the laws of West Virginia, as assignor, and
6 SKAGWAY TERMINAL COMPANY, a corporation organized under the laws
7 of Alaska, as assignee,

8 WITNESSETH:

9 1. For and in consideration of the sum of One Dollar(\$1.00)
10 and other valuable considerations in hand paid by assignee to
11 assignor, the assignor does hereby transfer, set over and assign
12 unto the assignee that certain "Agreement" dated March 19, 1968
13 between City of Skagway, Alaska, referred therein as the "City",
14 and the assignor, referred therein as the "Company", together with
15 all of the assignor's rights under said Agreement. The assignor
16 acknowledges that this assignment does not relieve it of any of
17 its obligations to the City of Skagway under said Agreement.

18 2. The assignee accepts this assignment and agrees to per-
19 form on behalf of the assignor all of the obligations of assignor
20 under said Agreement, and agrees to refrain from doing any act or
21 thing prohibited thereby. The assignee covenants, warrants and
22 agrees that it will not cause or permit any default to occur under
23 said Agreement.

24 IN WITNESS WHEREOF, the parties hereto have executed this
25 assignment as of the day and year first above written.

26 PACIFIC AND ARCTIC RAILWAY AND
27 NAVIGATION COMPANY

28 By *M. Nissen*
Vice President

29 and by *Frank G. Hooney*
30 Secretary ASSIGNOR
SKAGWAY TERMINAL COMPANY

31 By *M. Nissen*
Vice President

32 and by *John S. Butterfield*
Secretary ASSIGNEE

FAULKNER, BANFIELD, BOOCHEVER & DOOGAN
ROOM 201, 311 FRANKLIN ST. PHONE 598-2210
JUNEAU, ALASKA 99801

1 DOMINION OF CANADA)
2 PROVINCE OF BRITISH COLUMBIA) ss.

3 THIS CERTIFIES that before me, a Notary Public in and for
4 the Province of British Columbia, Canada, personally appeared
5 A. P. FRIESEN, to me known and known to me to be one of the persons
6 who executed the foregoing instrument on behalf of Pacific and
7 Arctic Railway and Navigation Company. He acknowledged to me that
8 he executed the same freely and voluntarily on behalf of said
9 corporation. He stated to me under oath that he is Vice President
10 of said corporation and that he and FRANK G. DOWNEY, Secretary of
11 said corporation, have been authorized by the Board of Directors
12 of said corporation to execute said instrument on its behalf and
13 they have full power and authority to execute the same.

14 WITNESS my hand and official seal this 11th day of December,
15 1968.

16 John S. Butterfield
17 Notary Public in and for the Province
18 of British Columbia, Canada, residing
at Vancouver

19 STATE OF WASHINGTON)
20 COUNTY OF KING) ss.

21 THIS CERTIFIES that before me, a Notary Public in and for
22 the State of Washington, personally appeared FRANK G. DOWNEY, to
23 me known and known to me to be one of the persons who executed the
24 foregoing instrument on behalf of Pacific and Arctic Railway and
25 Navigation Company. He acknowledged to me that he executed the
26 same freely and voluntarily on behalf of said corporation. He
27 stated to me under oath that he is the Secretary of said corpo-
28 ration and that he and A. P. FRIESEN, Vice President of said corpo-
29 ration have been authorized by the Board of Directors of said
30 corporation to execute said instrument on its behalf and they have
31 full power and authority to execute the same.

32 WITNESS my hand and official seal this 16 day of

1 December, 1968.

Arthur Anderson

2 Notary Public in and for the State of
3 Washington, residing at Seattle

4 My commission expires Jan 19-1970

6 DOMINION OF CANADA)
7 PROVINCE OF BRITISH COLUMBIA) ss.

8 THIS CERTIFIES that on this 13th day of December, 1968,
9 before me, a Notary Public in and for the Province of British
10 Columbia, Canada, personally appeared A. P. FRIESEN and JOHN S.
11 BUTTERFIELD, to me known and known to me to be the persons whose
12 names are subscribed to the foregoing instrument, and after being
13 first duly sworn according to law they stated to me under oath
14 that they are the Vice President and Secretary respectively of
15 SKAGWAY TERMINAL COMPANY, a corporation organized under the laws
16 of Alaska, that they have been authorized by said corporation to
17 execute the foregoing instrument on its behalf and they executed
18 the same freely and voluntarily as the free act and deed of said
19 corporation.

20 WITNESS my hand and official seal the day and year in this
21 certificate first above written.

J. H. Hedges

22 Notary Public in and for the Province of
23 British Columbia, Canada, residing at
24 Vancouver

25 -----
26 APPROVAL OF ASSIGNMENT OF AGREEMENT

27 The foregoing assignment by Pacific and Arctic Railway and
28 Navigation Company to Skagway Terminal Company of the Agreement
29 mentioned therein and dated March 19, 1968, together with the
30 rights of the former under said Agreement is approved by the City
31 of Skagway. The authorization of the City Council of the City of
32 Skagway, Alaska, to execute this approval is contained in a

FAULKNER, BANFIELD, BOOCHEVER & DOOGAN
ROOM 201, 811 FRANKLIN ST. PHONE 586-2210
JUNEAU, ALASKA 99801

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resolution of the Council adopted the 6 day of January,
1968. ~~1969~~.

WITNESS our hands and the seal of the City of Skagway,
Alaska, this 9 day of January, 1968. ~~1969~~.

Edward Krasinski
Mayor

Attest:

Lillian Litzberg
Clerk

FAULKNER, BANFIELD, BOOCHEVER & DOOGAN
ROOM 201, 311 FRANKLIN ST. PHONE 586-2210
JUNEAU, ALASKA 99801

1 ASSIGNMENT OF LEASE

2
3 THIS ASSIGNMENT made this 18th day of November, 1968, be-
4 tween PACIFIC AND ARCTIC RAILWAY AND NAVIGATION COMPANY, a corpo-
5 ration organized under the laws of West Virginia, as assignor, and
6 SKAGWAY TERMINAL COMPANY, a corporation organized under the laws
7 of Alaska, as assignee,

8 WITNESSETH:

9 1. For and in consideration of the sum of One Dollar (\$1.00)
10 and other valuable considerations in hand paid by assignee to
11 assignor, the assignor does hereby transfer, set over and assign
12 unto the assignee that certain Lease of Tidelands dated March 19,
13 1968 between the City of Skagway, as lessor, and the assignor as
14 lessee, together with all of assignor's rights thereunder. The
15 assignor acknowledges that this assignment does not relieve it of
16 any of its obligations to the City of Skagway under said lease.

17 2. The assignee accepts this assignment and agrees to per-
18 form on behalf of the assignor all of the obligations of assignor
19 under said lease and to refrain from doing any act or thing pro-
20 hibited thereby. The assignee covenants, warrants and agrees that
21 it will not cause or permit any default to occur under said lease.

22 IN WITNESS WHEREOF, the parties hereto have executed this
23 assignment as of the day and year first above written.

24 PACIFIC AND ARCTIC RAILWAY AND
25 NAVIGATION COMPANY

26 By *M. W. Wiser*
Vice President

27 and by *Frank G. Dooney*
28 Secretary

ASSIGNOR

29 SKAGWAY TERMINAL COMPANY

30 By *M. W. Wiser*
Vice President

31 and by *John S. Butterfield*
32 Secretary

ASSIGNEE

FAULKNER, BANFIELD, BOOCHEVER & DOOGAN
ROOM 201, 511 FRANKLIN ST. PHONE 586-2210
JUNEAU, ALASKA 99801

1 DOMINION OF CANADA)
2 PROVINCE OF BRITISH COLUMBIA) ss.

3 THIS CERTIFIES that before me, a Notary Public in and for
4 the Province of British Columbia, Canada, personally appeared
5 A. P. FRIESEN, to me known and known to me to be one of the persons
6 who executed the foregoing instrument on behalf of Pacific and
7 Arctic Railway and Navigation Company. He acknowledged to me that
8 he executed the same freely and voluntarily on behalf of said
9 corporation. He stated to me under oath that he is Vice President
10 of said corporation and that he and FRANK G. DOWNEY, Secretary of
11 said corporation, have been authorized by the Board of Directors
12 of said corporation to execute said instrument on its behalf and
13 they have full power and authority to execute the same.

14 WITNESS my hand and official seal this 11th day of December
15 1968.

16 John S Butterfield
17 Notary Public in and for the Province of
18 British Columbia, Canada, residing at
19 Vancouver

19 STATE OF WASHINGTON)
20 COUNTY OF KING) ss.

21 THIS CERTIFIES that before me, a Notary Public in and for
22 the State of Washington, personally appeared FRANK G. DOWNEY, to me
23 known and known to me to be one of the persons who executed the
24 foregoing instrument on behalf of Pacific and Arctic Railway and
25 Navigation Company. He acknowledged to me that he executed the
26 same freely and voluntarily on behalf of said corporation. He
27 stated to me under oath that he is the Secretary of said corporation
28 and that he and A. P. FRIESEN, Vice President of said corporation,
29 have been authorized by the Board of Directors of said corporation
30 to execute said instrument on its behalf and they have full power
31 and authority to execute the same.

32 WITNESS my hand and official seal this 16 day of

1 December, 1968.

Antonia Anderson

2 Notary Public in and for the State of
3 Washington, residing at Seattle

4 My commission expires Jan 19-1970

6 DOMINION OF CANADA)
7 PROVINCE OF BRITISH COLUMBIA) ss.

8 THIS CERTIFIES that on this 13th day of December, 1968,
9 before me, a Notary Public in and for the Province of British
10 Columbia, Canada, personally appeared A. P. FRIESEN and JOHN S.
11 BUTTERFIELD, to me known and known to me to be the persons whose
12 names are subscribed to the foregoing instrument, and after being
13 first duly sworn according to law they stated to me under oath that
14 they are the Vice President and Secretary respectively of SKAGWAY
15 TERMINAL COMPANY, a corporation organized under the laws of Alaska,
16 that they have been authorized by said corporation to execute the
17 foregoing instrument on its behalf and they executed the same
18 freely and voluntarily as the free act and deed of said corporation.

19 WITNESS my hand and official seal the day and year in this
20 certificate first above written.

J. H. Hedgath

22 Notary Public in and for the Province of
23 British Columbia, Canada, residing at
24 Vancouver

25 APPROVAL OF ASSIGNMENT OF LEASE

26 The foregoing assignment by Pacific and Arctic Railway and
27 Navigation Company to Skagway Terminal Company of the rights of
28 the former under the lease mentioned therein is approved. The
29 authorization of the City Council of Skagway, Alaska, to execute
30 this approval is contained in a resolution of the Council adopted
31 the 6th day of January, 1968.

32 Witness our hands and the seal of the City of Skagway this

FAULKNER, BANFIELD, BOOCHEVER & DOOGAN
ROOM 201, 311 FRANKLIN ST. PHONE 586-2210
JUNEAU, ALASKA 99801

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9th day of January, 1969.

Edward J. Kasarsik
Mayor

Attest:

Lillian L. Anderson
City Clerk

FAULKNER, BANFIELD, BOOCHEVER & DOOGAN
ROOM 201, 311 FRANKLIN ST. PHONE 586-2210
JUNEAU, ALASKA 99801



MUNICIPALITY OF SKAGWAY

GATEWAY TO THE KLONDIKE
P.O. BOX 415, SKAGWAY, ALASKA 99840
(PHONE) (907) 983-2297
(FAX) (907) 983-2151
www.skagway.org

This Lease Amendment, dated August 21, 2008, for the purpose of modifying the existing lease dated and entered into the 1st day of August 1969 and the 19th day of March 1968, by and between the Municipality of Skagway (hereinafter Municipality) a municipal government and Pacific and Arctic Railway and Navigation Company (hereinafter Lessee), a corporation, for the purpose of leasing a tract of tidelands of 66.5 acres, ATS# 4, Lots 11 and 12 of Block 44 and portion of Lot 7, Block 45 as described in the original lease documents.

Whereas the Municipality owns the property described above, and under the lease terms of the existing lease, Section #3 of both leases, signed and dated by Lessee, the annual rental amount as described in the lease terms will be adjusted every 5-years based on the fair market value of the land and the improvements. The last appraisal was conducted in 2003.

Amended Lease Amount:

The amended lease amount effective July 1, 2008, is based on the Appraisal Report dated July 31, 2008 performed by Horan & Company, LLC (Attachment B) is as follows:

The lease amount shall be determined by multiplying:


- The Fair Market value of the parcel by
- Six percent (6%)

<u>Parcel A:</u>	66.49 AC Portions of ATS 4	Value: \$1,800,000	<u>Rent: \$108,000</u>
<u>Parcel B:</u>	Lots 11 & 12, Blk 44, Ptn Lt 7, Blk 45	Value: \$320,000	<u>Rent: \$19,200</u>

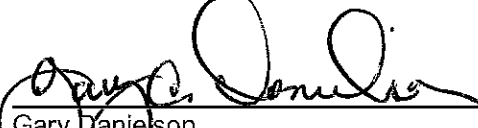
The annual lease amount shall be \$127,200.00 (One Hundred Twenty Seven Thousand-Two Hundred Dollars & no/100) per year paid in twelve (12) monthly payments of \$10,600.00 (Ten Thousand-Six Hundred Dollars & no/100).

All other terms of the existing Lease Agreement shall remain unchanged. Any further modifications shall be agreed upon by both parties in writing.

IN WITNESS WHEREOF, the parties hereto have executed this Lease Modification as of the date first written above.



Thomas D Cochran, Mayor
For the Municipality of Skagway



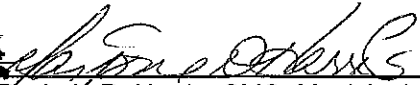
Gary Danielson,
Pacific and Arctic Railway and
Navigation Company

Date 28 AUG 08

Date 03 SEP 08

ATTEST:





Marjorie D. Harris, CMC, Municipal Clerk

(SEAL)

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2010-000145-0

Recording Dist: 111 - Skagway
9/24/2010 10:59 AM Pages: 1 of 10



SKAGWAY RECORDING DISTRICT

After Recording Return To:

WELLS FARGO BANK,
NATIONAL ASSOCIATION
Commercial Banking Group
MAC K3212-023
301 W. Northern Lights Boulevard, Suite 212
Anchorage, AK 99503
Attn: Kara Sandvik

F-24994

AETIA 37303

FTAA

**ESTOPPEL CERTIFICATE, CONSENT AND AGREEMENT
(Municipality of Skagway Leasehold Real Property)**

THIS ESTOPPEL CERTIFICATE, CONSENT AND AGREEMENT (this Agreement) is made as of the 24th day of August, 2010, between the **MUNICIPALITY OF SKAGWAY BOROUGH** ("Lessor"), **PACIFIC AND ARCTIC RAILWAY AND NAVIGATION COMPANY**, an Alaska corporation ("Lessee"), and **WELLS FARGO BANK NATIONAL ASSOCIATION** ("Lender").

RECITALS

A. Lessor is the fee owner of that certain real property located in the Municipality of Skagway Borough, Skagway Recording District, First Judicial District, State of Alaska, described on Exhibit A (collectively, the "**Premises**"). The City of Skagway and Pacific and Arctic Railway and Navigation Company, a West Virginia corporation ("**Old Parn**") entered into a Lease of Tidelands with respect to the Premises, as more particularly described on Exhibit B (the "**Lease**"). Lessee is the successor to Old Parn under the Lease by merger dated on or about December 20, 1979. Lessor, by incorporation of the Municipality of Skagway Borough on June 20, 2007, is the successor to the City of Skagway.

B. Lender has agreed to make certain loans and credit facilities available to **WHITE PASS & YUKON U.S., INC.** (the "**Borrower**"), which is an Alaska corporation and is an affiliate of Lessee (collectively, the "**Loan**"). The Loan will be secured by a mortgage, deed of trust, deed to secure debt, collateral assignment of

lease, other security instrument, or by an amendment to any of such existing instruments (the "**Mortgage**") with respect to Lessee's interest in the Lease.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the parties hereto represent, warrant, covenant, and agree as follows:

1.0 LESSOR CERTIFICATION, ACKNOWLEDGEMENT AND AGREEMENT

1.1 Existing Lease. The Lease is the only lease or agreement between Lessor and Lessee with respect to the Premises and, except as disclosed to Lender in writing, has not been modified or amended. The Lease is in full force and effect and is valid and enforceable against Lessor. The current expiration date of the Lease is March 18, 2023. Lessor and Lessee may renegotiate the terms and extend the expiration date of the Lease. Lender consents to the amendment of the terms and expiration date of the Lease, provided that the expiration date of the amended Lease is not changed to be earlier than the current expiration date, and provided that the amended Lease continues to include all the real property within the current Premises as defined in the Lease. This Agreement shall apply to any amendments and extensions to the Lease entered into between Lessor and Lessee after the date hereof.

1.2 No Default. Lessee is not in default under the Lease and to the best of Lessor's knowledge, no event has occurred and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute a default under the Lease.

1.3 Lessor's Consent to Mortgage. Lessor hereby consents to Lessee executing the Mortgage in favor of Lender, with such Mortgage encumbering Lessee's interest. Lessor does not need to obtain any other consents with respect to Lessee's execution and delivery of the Mortgage.

1.4 Notices of Default Under the Lease.

1.4.1 Notice to Lender. Lessor will send Lender a duplicate copy of any notice of default or other notice Lessor sends under the Lease (each, a "**Notice**"). Lessor will not terminate the Lease with respect to the Premises without giving Lender a Notice of such intended action. Absent a default under the Lease which is not cured within the applicable cure period set forth in the Lease for such default to be cured, Lessor will not disturb the possession, interest or quiet enjoyment of Lessee in the Premises for any reason.

1.4.2 Cure/New Lease. If the Lease is terminated or deemed terminated for any reason (including by virtue of the rejection of the Lease in a



bankruptcy proceeding), Lessor shall enter into a new lease for the Premises with Lender (a "**New Lease**") upon receipt of a request from Lender to do so and provided that Lender cures all defaults under the Lease which can be cured by the payment of money. The New Lease will be effective as of the date of such termination of the Lease, have a term expiring on the day the Lease would have expired if it had not been sooner terminated, and will be on the same terms and conditions as the Lease (including any provisions for renewal or extension of the term of the Lease), except as otherwise provided herein, and such New Lease shall require Lender (or its assignee or other successor Lessee) to promptly cure any ongoing, non-monetary defaults by Lessee under the Lease to the extent curable. Lender will have 30 days following the termination to request a New Lease, but may extend such time period for 30 days, so long as Lender pays all rent and other amounts that would have been otherwise due and payable by Lessee under the Lease during such extension.

2.0 LESSEE JOINDER AND CONSENT TO LESSOR'S ACTIONS

Lessee hereby consents to the execution and delivery of this Agreement, and. Lessee agrees to the terms and conditions hereof notwithstanding any provision of the Lease to the contrary. Lessee hereby releases Lessor and agrees to defend, indemnify and hold harmless Lessor and its officers, directors, agents and employees for, from and against any loss, claim, damage or expense relating to the Mortgage or this Agreement, including Lessor's exercise of its rights under this Agreement. The foregoing indemnity shall be in addition to and not in limitation of any indemnities or similar agreements contained in the Lease and the foregoing indemnity shall survive the expiration or termination of this Agreement and/or the Lease.

3.0 LENDER'S RIGHTS AND AUTHORITY

3.1 Lender's Rights. Provided that Lender shall have first cured any and all payment defaults under the Lease, Lender shall have the right to assign its right, title and interest in the Mortgage and this Agreement to any third party. Unless Lender or its assignee is the purchaser at a foreclosure sale of the Mortgage or has accepted an assignment of the Lease in lieu of foreclosure (such conveyance in either case, a "**Foreclosure**"), neither Lender nor its assignee shall be deemed by virtue of this Agreement to have assumed any of the Lessee's obligations under the Lease; provided, however, the foregoing shall not in any way diminish Lender's obligations to cure any and all payment defaults under the Lease as provided above. After a Foreclosure, the purchaser shall only be deemed to have assumed all of the Lessee's obligations accruing under the Lease from and after the date of the Foreclosure. Lender shall have the right to assign its right, title and interest in the Lease or the New Lease to any third party so long as (i) Lender obtains Lessor's prior written consent to the assignment to such third party, which Lessor will not unreasonably withhold, condition or delay, and (ii) such assignee assumes in writing the Lessee's obligations accruing under the Lease or the New Lease, from and after



the date of such assignment (which assumption includes, without limitation, the obligation to promptly cure any ongoing non-monetary defaults under the Lease or New Lease, to the extent curable). Upon any such assignment and assumption, Lender shall be automatically released of all of its obligations under the Lease or the New Lease.

3.2 Business Operations Under the Lease. Provided that all rent owing under the Lease is paid current, and provided that such action would not result in the violation of any of the provisions of the Lease, Lessor will not terminate the Lease for the failure of Lender to continuously operate any business activities on the Premises for up to 180 days after Lender takes possession of the Premises. To the extent the Lease allows Lessee to cease continuous operations on the Premises, Lessee shall have no obligation to continue any business operations on the Premises, or recommence the operation of any business operations on the Premises, in order to allow Lender's cessation of operations to not violate the Lease. Notwithstanding the foregoing, if Lender becomes the Lessee under the Lease or the New Lease, the Premises may be used for the purpose set forth in the Lease or for any other lawful purpose consented to in writing by Lessor in Lessor's sole discretion.

3.3 Withdrawal or Termination of the Premises. Lessor agrees that, provided no default shall have occurred and be continuing under the Lease (subject to Lender's rights under this Agreement to cure any such default), Lessor will not, without Lender's consent, during the term of the Lease, exercise any right to withdraw, terminate and/or substitute the Premises from the Lease.

4.0 GENERAL PROVISIONS

4.1 Notices. All notices given hereunder shall be in writing and given by express overnight delivery service or certified mail, return receipt requested, and shall be deemed to have been delivered (i) the next business day, if delivered by express overnight delivery service, or (ii) the third business day following the day of deposit of such notice with the United States Postal Service, if sent by certified mail, return receipt requested. Notices shall be provided at the addresses provided below (or at such other address or to such person as Lender, Lessor, and Lessee may from time to time hereafter specify in the manner provided above):

If to Lender:

Wells Fargo Bank, National Association
Attn: Kara Sandvik
301 W. Northern Lights Boulevard
Anchorage, AK 99503

If to Lessor:

Skagway Borough
Attn: Borough Manager
P.O. Box 415
Skagway, AK 99840



If to Lessee:
Pacific and Arctic Railway
and Navigation Company
P.O. Box 435
Skagway, Alaska 99840

4.2 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Lender, Lessor and Lessee, and their respective successors and assigns, including, without limitation, persons or entities holding mortgages on Lessor's fee interest in the Premises. Upon any assignment of this Agreement by Lender, any reference to Lender hereunder shall mean and refer to the assignee. If the terms of the Lease conflict with this Agreement, this Agreement shall control.

4.3 Further Assurances. Within 15 days after a request by Lender, Lessor and/or Lessee, as applicable, shall provide Lender with a signed statement indicating whether or not any defaults exist under the Lease.

4.4 Lender Reliance. Lender is relying on this Agreement in connection with the Loan.

4.5 Counterparts. This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart.

4.6 No Modifications. Except as specifically set forth in this Agreement, nothing contained in this Agreement shall have any effect whatsoever on: (i) the Lease, or any document related thereto or executed in connection therewith; (ii) the obligations of Lessee under the Lease or any other document executed by and between Lessor and Lessee, whether or not related to the Premises; or (iii) the rights of Lessor under the Lease or any document related thereto or executed in connection therewith or any other document executed by and between Lessor and Lessee, whether or not related to the Premises.

4.7 Governing Law. This Agreement is made and entered into under, and shall be construed according to, the laws of the State of Alaska.

4.8 Entire Agreement. This Agreement embodies the entire agreement of the parties and supersedes all prior agreements and understandings, oral or written, relating to the subject matter hereof. Each party hereto acknowledges and affirms, on behalf of itself, that it did not rely on any statement, oral or written, not contained in this Agreement in making its decisions to enter into this Agreement.



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative as of the date of the date first above written.

LESSOR

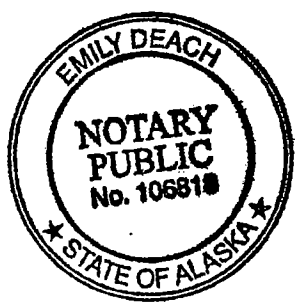
MUNICIPALITY OF SKAGWAY BOROUGH

By: Thomas D Cochran
Printed Name: THOMAS D. COCHRAN
Its: MAYOR

STATE OF ALASKA
FIRST JUDICIAL DISTRICT

ss.

The foregoing instrument was acknowledged before me this 23RD day of AUGUST, 2010, by THOMAS D. COCHRAN, on behalf of the Municipality of Skagway Borough.



[Signature]
Notary Public in and for the State of Alaska
My Commission expires: 4/21/2011



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative as of the date of the date first above written.

LESSEE

**PACIFIC AND ARCTIC RAILWAY
AND NAVIGATION COMPANY**
An Alaska corporation

By: [Signature]

Printed Name: Edward Hanousek

Its: Superintendent Rail operations

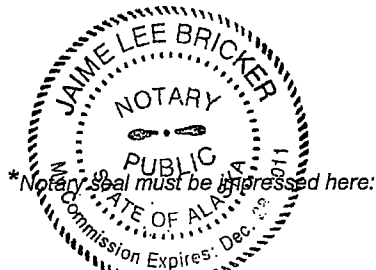
Notarization Under the Uniform Recognition of Acknowledgments Act.

PROVINCE OF ONTARIO
CANADA (or)
STATE OF ALASKA
1st JUDICIAL DISTRICT

ss.

THIS CERTIFIES that on the 24 day of August, 2010, the foregoing instrument was acknowledged and sworn before me by Edward Hanousek, the Superintendent Rail Operations of Pacific and Arctic Railway and Navigation Company, an Alaska corporation, on behalf of said company.

IN WITNESS WHEREOF, I, a Notary Public authorized to perform notarial acts in the Province of Ontario, Canada, (or) State of Alaska have hereunto set my hand and official seal the day and year first above written.



Jaime Lee Bricker
Notary Public in and for the Province of Ontario,
Canada (or) the State of Alaska
Date my commission expires (if applicable): 12/31/11

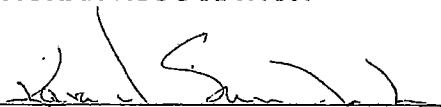
ESTOPPEL CERTIFICATE, CONSENT AND AGREEMENT
(Municipality of Skagway Leasehold Real Property)



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative as of the date of the date first above written.

LENDER

**WELLS FARGO BANK,
NATIONAL ASSOCIATION**

By: 
Kara Sandvik
Vice President

STATE OF ALASKA
THIRD JUDICIAL DISTRICT

ss.

The foregoing instrument was acknowledged before me this 24TH day of AUGUST, 2010, by Kara Sandvik, the Vice President of Wells Fargo Bank, National Association, a national bank, on behalf of the bank.

JASPER JON KIGAR
Notary Public in and for the State of Alaska
My Commission expires: JULY 9, 2014

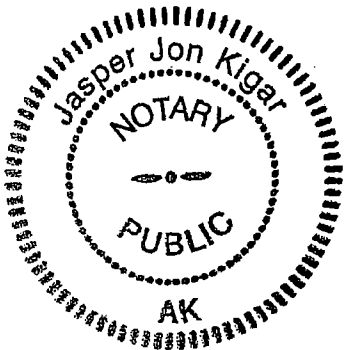


EXHIBIT A

LEGAL DESCRIPTION OF THE PREMISES

Beginning at the intersection of the southwesterly extension of the southeast side of Broadway Street and the southeasterly extension of the northeast side of Front Street, in the City of Skagway, Alaska; thence southeasterly along the northeast side of Front Street extended 15.0 feet to the true point of beginning; thence southeasterly along the northeast side of Front Street 35.0 feet; thence at right angles northeasterly 100.00 feet; thence at right angles northwesterly 35.00 feet; thence at right angles southwesterly parallel to and 15 feet from the southeast side of Broadway Street extended 100.00 feet to the point of beginning; except for that portion of said lands in Alaska Tidelands Survey No. 4, situated in Amended U.S. Survey No. 13 in the City of Skagway, Skagway Recording District, First Judicial district, State of Alaska and being a portion of what is commonly known as Lot 7 in Block 45 of Skagway.

Beginning at the intersection of the southwesterly extension of the northwesterly side of Broadway Street and the southeasterly extension of the northeasterly side of Front Street, in the City of Skagway, Alaska; thence northwesterly along said side of Front Street extended 100.0 feet; thence at right angles northeasterly 100.0 feet; thence southeasterly at right angles 100.0 feet; thence southwesterly at right angles 100.0 feet to the place of beginning; situated in Amended U.S. Survey No. 13 in the City of Skagway, Skagway Recording District, First Judicial District, State of Alaska, and commonly known as Lots 11 and 12, Block 44 of the City of Skagway.



EXHIBIT B

LEASE

Lease of Real Property, dated August 1, 1969, executed by Municipality of Skagway, as lessor, and between Pacific and Arctic Railway and Navigation Company, as lessee, for a term ending March 18, 2023, as recorded February 6, 1970 in book 6 at Page 154, records of the Skagway Recording District, First Judicial District, State of Alaska.



CA

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K
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2010-000146-0

Recording Dist: 111 - Skagway
9/24/2010 11:00 AM Pages: 1 of 10



SKAGWAY RECORDING DISTRICT

After Recording Return To:

WELLS FARGO BANK,
NATIONAL ASSOCIATION
Commercial Banking Group
MAC K3212-023
301 W. Northern Lights Boulevard, Suite 212
Anchorage, AK 99503
Attn: Kara Sandvik

F. 24994 AETIA 37303

FTAA

**ESTOPPEL CERTIFICATE, CONSENT AND AGREEMENT
(Municipality of Skagway Tidelands Lease)**

THIS ESTOPPEL CERTIFICATE, CONSENT AND AGREEMENT (this Agreement) is made as of the 24th day of August, 2010, between the **MUNICIPALITY OF SKAGWAY BOROUGH** ("Lessor"), **PACIFIC AND ARCTIC RAILWAY AND NAVIGATION COMPANY**, an Alaska corporation ("Lessee"), and **WELLS FARGO BANK NATIONAL ASSOCIATION** ("Lender").

RECITALS

A. Lessor is the fee owner of that certain real property located in the Municipality of Skagway Borough, Skagway Recording District, First Judicial District, State of Alaska, described on Exhibit A (collectively, the "Premises"). The City of Skagway and Pacific and Arctic Railway and Navigation Company, a West Virginia corporation ("Old Parn") entered into a Lease of Tidelands with respect to the Premises, as more particularly described on Exhibit B (the "Lease"). Lessee is the successor to Old Parn under the Lease by merger dated on or about December 20, 1979. Lessor, by incorporation of the Municipality of Skagway Borough on June 20, 2007, is the successor to the City of Skagway.

B. Lender has agreed to make certain loans and credit facilities available to **WHITE PASS & YUKON U.S., INC.** (the "Borrower"), which is an Alaska corporation and is an affiliate of Lessee (collectively, the "Loan"). The Loan will be secured by a mortgage, deed of trust, deed to secure debt, collateral assignment of

lease, other security instrument, or by an amendment to any of such existing instruments (the "**Mortgage**") with respect to Lessee's interest in the Lease.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the parties hereto represent, warrant, covenant, and agree as follows:

1.0 LESSOR CERTIFICATION, ACKNOWLEDGEMENT AND AGREEMENT

1.1 Existing Lease. The Lease is the only lease or agreement between Lessor and Lessee with respect to the Premises and, except as disclosed to Lender in writing, has not been modified or amended. The Lease is in full force and effect and is valid and enforceable against Lessor. The current expiration date of the Lease is March 18, 2023. Lessor and Lessee may renegotiate the terms and extend the expiration date of the Lease. Lender consents to the amendment of the terms and expiration date of the Lease, provided that the expiration date of the amended Lease is not changed to be earlier than the current expiration date, and provided that the amended Lease continues to include all the real property within the current Premises as defined in the Lease. This Agreement shall apply to any amendments and extensions to the Lease entered into between Lessor and Lessee after the date hereof.

1.2 No Default. Lessee is not in default under the Lease and to the best of Lessor's knowledge, no event has occurred and no condition exists which, with the giving of notice or the lapse of time, or both, would constitute a default under the Lease.

1.3 Lessor's Consent to Mortgage. Lessor hereby consents to Lessee executing the Mortgage in favor of Lender, with such Mortgage encumbering Lessee's interest. Lessor does not need to obtain any other consent with respect to Lessee's execution and delivery of the Mortgage.

1.4 Notices of Default Under the Lease.

1.4.1 Notice to Lender. Lessor will send Lender a duplicate copy of any notice of default or other notice Lessor sends under the Lease (each, a "**Notice**"). Lessor will not terminate the Lease with respect to the Premises without giving Lender a Notice of such intended action. Absent a default under the Lease which is not cured within the applicable cure period set forth in the Lease for such default to be cured, Lessor will not disturb the possession, interest or quiet enjoyment of Lessee in the Premises for any reason.

1.4.2 Cure/New Lease. If the Lease is terminated or deemed terminated for any reason (including by virtue of the rejection of the Lease in a



bankruptcy proceeding), Lessor shall enter into a new lease for the Premises with Lender (a "New Lease") upon receipt of a request from Lender to do so and provided that Lender cures all defaults under the Lease which can be cured by the payment of money. The New Lease will be effective as of the date of such termination of the Lease, have a term expiring on the day the Lease would have expired if it had not been sooner terminated, and will be on the same terms and conditions as the Lease (including any provisions for renewal or extension of the term of the Lease), except as otherwise provided herein, and such New Lease shall require Lender (or its assignee or other successor Lessee) to promptly cure any ongoing, non-monetary defaults by Lessee under the Lease to the extent curable. Lender will have 30 days following the termination to request a New Lease, but may extend such time period for 30 days, so long as Lender pays all rent and other amounts that would have been otherwise due and payable by Lessee under the Lease during such extension.

2.0 LESSEE JOINDER AND CONSENT TO LESSOR'S ACTIONS

Lessee hereby consents to the execution and delivery of this Agreement, and Lessee agrees to the terms and conditions hereof notwithstanding any provision of the Lease to the contrary. Lessee hereby releases Lessor and agrees to defend, indemnify and hold harmless Lessor and its officers, directors, agents and employees for, from and against any loss, claim, damage or expense relating to the Mortgage or this Agreement, including Lessor's exercise of its rights under this Agreement. The foregoing indemnity shall be in addition to and not in limitation of any indemnities or similar agreements contained in the Lease and the foregoing indemnity shall survive the expiration or termination of this Agreement and/or the Lease.

3.0 LENDER'S RIGHTS AND AUTHORITY

3.1 Lender's Rights. Provided that Lender shall have first cured any and all payment defaults under the Lease, Lender shall have the right to assign its right, title and interest in the Mortgage and this Agreement to any third party. Unless Lender or its assignee is the purchaser at a foreclosure sale of the Mortgage or has accepted an assignment of the Lease in lieu of foreclosure (such conveyance in either case, a "Foreclosure"), neither Lender nor its assignee shall be deemed by virtue of this Agreement to have assumed any of the Lessee's obligations under the Lease; provided, however, the foregoing shall not in any way diminish Lender's obligations to cure any and all payment defaults under the Lease as provided above. After a Foreclosure, the purchaser shall only be deemed to have assumed all of the Lessee's obligations accruing under the Lease from and after the date of the Foreclosure. Lender shall have the right to assign its right, title and interest in the Lease or the New Lease to any third party so long as (i) Lender obtains Lessor's prior written consent to the assignment to such third party, which Lessor will not unreasonably withhold, condition or delay, and (ii) such assignee assumes in writing the Lessee's obligations accruing under the Lease or the New Lease, from and after



the date of such assignment (which assumption includes, without limitation, the obligation to promptly cure any ongoing non-monetary defaults under the Lease or New Lease, to the extent curable). Upon any such assignment and assumption, Lender shall be automatically released of all of its obligations under the Lease or the New Lease.

3.2 Business Operations Under the Lease. Provided that all rent owing under the Lease is paid current, and provided that such action would not result in the violation of any of the provisions of the Lease, Lessor will not terminate the Lease for the failure of Lender to continuously operate any business activities on the Premises for up to 180 days after Lender takes possession of the Premises. To the extent the Lease allows Lessee to cease continuous operations on the Premises, Lessee shall have no obligation to continue any business operations on the Premises, or recommence the operation of any business operations on the Premises, in order to allow Lender's cessation of operations to not violate the Lease. Notwithstanding the foregoing, if Lender becomes the Lessee under the Lease or the New Lease, the Premises may be used for the purpose set forth in the Lease or for any other lawful purpose consented to in writing by Lessor in Lessor's sole discretion.

3.3 Withdrawal or Termination of the Premises. Lessor agrees that, provided no default shall have occurred and be continuing under the Lease (subject to Lender's rights under this Agreement to cure any such default), Lessor will not, without Lender's consent, during the term of the Lease, exercise any right to withdraw, terminate and/or substitute the Premises from the Lease.

4.0 GENERAL PROVISIONS

4.1 Notices. All notices given hereunder shall be in writing and given by express overnight delivery service or certified mail, return receipt requested, and shall be deemed to have been delivered (i) the next business day, if delivered by express overnight delivery service, or (ii) the third business day following the day of deposit of such notice with the United States Postal Service, if sent by certified mail, return receipt requested. Notices shall be provided at the addresses provided below (or at such other address or to such person as Lender, Lessor, and Lessee may from time to time hereafter specify in the manner provided above):

If to Lender:

Wells Fargo Bank, National Association
Attn: Kara Sandvik
301 W. Northern Lights Boulevard
Anchorage, AK 99503

If to Lessor:

Skagway Borough
Attn: Borough Manager
P.O. Box 415
Skagway, AK 99840



If to Lessee:
Pacific and Arctic Railway
and Navigation Company
P.O. Box 435
Skagway, Alaska 99840.

4.2 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Lender, Lessor and Lessee, and their respective successors and assigns, including, without limitation, persons or entities holding mortgages on Lessor's fee interest in the Premises. Upon any assignment of this Agreement by Lender, any reference to Lender hereunder shall mean and refer to the assignee. If the terms of the Lease conflict with this Agreement, this Agreement shall control.

4.3 Further Assurances. Within 15 days after a request by Lender, Lessor and/or Lessee, as applicable, shall provide Lender with a signed statement indicating whether or not any defaults exist under the Lease.

4.4 Lender Reliance. Lender is relying on this Agreement in connection with the Loan.

4.5 Counterparts. This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart.

4.6 No Modifications. Except as specifically set forth in this Agreement, nothing contained in this Agreement shall have any affect whatsoever on: (i) the Lease, or any document related thereto or executed in connection therewith; (ii) the obligations of Lessee under the Lease or any other document executed by and between Lessor and Lessee, whether or not related to the Premises; or (iii) the rights of Lessor under the Lease or any document related thereto or executed in connection therewith or any other document executed by and between Lessor and Lessee, whether or not related to the Premises.

4.7 Governing Law. This Agreement is made and entered into under, and shall be construed according to, the laws of the State of Alaska.

4.8 Entire Agreement. This Agreement embodies the entire agreement of the parties and supersedes all prior agreements and understandings, oral or written, relating to the subject matter hereof. Each party hereto acknowledges and affirms, on behalf of itself, that it did not rely on any statement, oral or written, not contained in this Agreement in making its decisions to enter into this Agreement.



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative as of the date of the date first above written.

LESSOR

MUNICIPALITY OF SKAGWAY BOROUGH

By: Thomas D Cochran

Printed Name: THOMAS D. COCHRAN

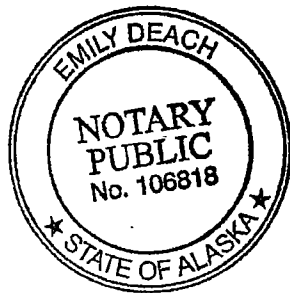
Its: MAYOR

STATE OF ALASKA

FIRST JUDICIAL DISTRICT

ss.

The foregoing instrument was acknowledged before me this 23RD day of AUGUST, 2010, by THOMAS D. COCHRAN, on behalf of the Municipality of Skagway Borough.



Emily D

Notary Public in and for the State of Alaska
My Commission expires: 4/21/2011



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative as of the date of the date first above written.

LESSEE

**PACIFIC AND ARCTIC RAILWAY
AND NAVIGATION COMPANY**
An Alaska corporation

By: [Signature]

Printed Name: Edward Hanousek

Its: Superintendent Rail operations

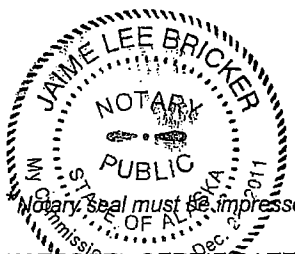
Notarization Under the Uniform Recognition of Acknowledgments Act.

PROVINCE OF ONTARIO
CANADA (or)
STATE OF ALASKA
1st JUDICIAL DISTRICT

ss.

THIS CERTIFIES that on the 24 day of August, 2010, the foregoing instrument was acknowledged and sworn before me by Edward Hanousek, the Superintendent of Rail Operations of Pacific and Arctic Railway and Navigation Company, an Alaska corporation, on behalf of said company.

IN WITNESS WHEREOF, I, a Notary Public authorized to perform notarial acts in the Province of Ontario, Canada, (or) the State of Alaska have hereunto set my hand and official seal the day and year first above written.



[Signature]
Notary Public in and for the Province of Ontario,
Canada (or) the State of Alaska
Date my commission expires (if applicable): 12/25/11


Notary seal must be impressed here:
ESTOPPEL CERTIFICATE, CONSENT AND AGREEMENT
(Municipality of Skagway Tidelands Lease)



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative as of the date of the date first above written.

LENDER

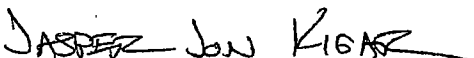
**WELLS FARGO BANK,
NATIONAL ASSOCIATION**

By: 
Kara Sandvik
Vice President

STATE OF ALASKA
THIRD JUDICIAL DISTRICT

ss.

The foregoing instrument was acknowledged before me this 24TH day of AUGUST, 2010, by Kara Sandvik, the Vice President of Wells Fargo Bank, National Association, a national bank, on behalf of the bank.


Notary Public in and for the State of Alaska
My Commission expires: JULY 9, 2014

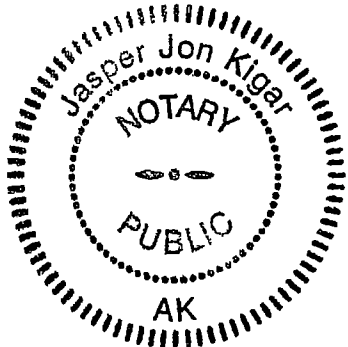


EXHIBIT A

LEGAL DESCRIPTION OF THE PREMISES

A portion of Alaska Tidelands Survey No. 4 owned by and situated in the Municipality of Skagway, Skagway Recording District, First Judicial District, State of Alaska, as appears by a plat attached hereto, prepared by Tippetts-Abbett-McCarthy-Stratton. Engineers and Architects of Seattle, Washington, dated January 3, 1968, particularly described as follows, to wit:

Commencing at Corner No. 1 which is meander Corner No. 1 of U.S. Survey No. 435 and meander Corner No. 6 of U.S. Survey No. 13;

Thence South 57° 32' East 504.58 feet to Corner No. 2; thence South 23° 29' West 73.89 feet to Corner No. 3; thence North 78° 52' West 137.58 feet to Corner No. 4; thence South 11° 08' West 195.00 feet to Corner No. 5; thence South 78° 52' East 94.88 feet to Corner No. 6; thence South 23° 29' West 473.12 feet to Corner No. 7; thence North 47° 00' West 39.70 feet to Corner No. 8; thence South 43° 00' West 508.00 feet to Corner No. 9; thence South 51° 00' West 620.00 feet to Corner No. 10; thence South 41° 09' 00" West 1003.46 feet to Corner No. 11; thence North 29° 15' 20" West 1160.59 feet to Corner No. 12; thence North 39° 46' 46" East 2513.25 feet to Corner No. 13; thence South 45° 30' East 404.63 feet to Corner No. 14; thence South 15° 37' East 222.76 feet to Corner No. 1, the place of beginning,

EXCEPTING THEREFROM: That portion described in Deed recorded May 25, 1977 in Book 11 at page 123; and in Deed recorded May 25, 1999 in Book 11 at Page 127; and in Deed recorded June 30, 1999 in Book 11 at page 246; and in Deed recorded February 14, 2000 in Book 11 at Page 910; and by Deed recorded February 14, 2000 in Book 11 at Page 912; and by Deed recorded February 14, 2000 in Book 11 at Page 914 to the State of Alaska Department of Transportation and Public Facilities,

ALSO EXCEPTING THEREFROM: That portion described in Order for Default Judgment and Return of Deposit recorded October 13, 2003, Instrument No. 2003-000376-0.



EXHIBIT B

LEASE

Lease of Tidelands, dated March 19, 1968, executed by Municipality of Skagway, as lessor, and between Pacific and Arctic Railway and Navigation Company, as lessee, for a term of 55 years commencing on March 19, 1968, as recorded April 12, 1968 in Book 6 at Page 152, the lessee's interest in which was assigned to Skagway Terminal Company, an Alaska corporation, pursuant to Assignment of Lease dated November 18, 1968, recorded on January 20, 1969, in Book 6 at page 110, and the lessee's interest in which was further assigned to Pacific and Arctic Railway and Navigation Company, an Alaska corporation, pursuant to an Assignment of Lease dated July 1, 2008 and recorded on July 7, 2008, in Reception No. 2008-000150-0, records of the Skagway Recording District, First Judicial District, State of Alaska.



Michelle Gihl

From: Michelle Gihl
Sent: Wednesday, September 17, 2014 10:59 AM
To: Heather Rodig
Subject: FW: Appraisal invoice

This is the record I have for notifying White Pass regarding the appraisal and not needing an amendment.

Michelle



Michelle Gihl /907-983-2297 ext 1/907-983-2151 fax
Administrative Assistant/Deputy Clerk
Municipality of Skagway
P.O. Box 415
Skagway, AK 99840

From: Michelle Gihl
Sent: Wednesday, July 17, 2013 2:14 PM
To: Jaime Bricker (JBricker@wpyr.com)
Subject: Appraisal invoice

Hi Jaime,

Alanna just sent an email to Gene with the invoice for the appraisal fee in regards to White Pass's lease with the Municipality. There was no adjustment to your annual fee, so no lease amendment was necessary.

Let me know if you have any questions.

Thanks,

Michelle



Michelle Gihl

Administrative Assistant/Deputy Clerk
Municipality of Skagway
907-983-2297
907-983-2151 fax
m.gihl@skagway.org
www.skagway.org



ARTICLE III

RULES AND REGULATIONS GOVERNING THE ADMINISTRATION OF CITY OWNED TIDE AND SUBMERGED LANDS NOT SUBJECT TO PREFERENCE RIGHTS, OR WHERE PREFERENCE RIGHTS HAVE NOT BEEN EXERCISED.

Section 1. Lands Available for Leasing. All tide and submerged land within the limits of the City to which the City holds title and which the City Council has classified for leasing may be leased as hereinafter provided, for surface use only.

Section 2. Applications. All applications for lease of tidelands shall be filed with the City Clerk on forms provided by him and available at the Municipal Building. Only forms completed in full and accompanied by a \$10 filing fee will be accepted for filing. Filing fees are not refundable. With every application the applicant shall submit a development plan showing and stating (1) the purpose of the proposed lease (2) the use, value and nature of improvements to be constructed (3) the type of construction (4) the dates construction is estimated to commence and be completed (5) whether intended use complies with the zoning ordinance and comprehensive plan of the City.

Section 3. Deposits for Costs. All applications filed with the City Clerk will be forwarded to the City Engineer or other designated official to determine his estimate of costs required to handle the application, including but not limited to one or more of the following: survey, appraisal, and advertising of the proposed lease of the area under application. Upon determination of the estimated costs said official shall notify applicant in writing of such costs and a deposit thereof must be made within 30 calendar days after said notice is mailed. Failure of applicant to pay the deposit shall result in the application being cancelled. If the applicant does not accept a lease within 30 calendar days after it is offered to the applicant, all deposit money spent or encumbered for survey, appraisal or advertising shall be forfeited, and the balance, if any, shall be returned to the applicant. If the land applied for upon which deposit for costs is made is leased to another, the latter shall be required to pay actual costs of survey, appraisal and advertising and the original deposit shall be returned to the depositor. The lessee shall be required to pay any excess of costs over deposits, and where the deposit exceeds actual costs, the excess shall be credited to present or future rents under the lease. All survey, appraisal and advertising shall be performed only under the control of the City, and any such work done without such control will not be accepted by the City.

Section 4. Rights Prior to Leasing. The filing of an application for a lease shall give the applicant no right to a lease or to the use of the land applied for. Any use not authorized by a lease shall constitute a trespass against the City.

Section 5. Classification Prior to Lease Required. Before

accepting applications to lease tidelands the area involved shall have first been classified for leasing and for particular land uses and a land use plan of the area prepared and publicly posted in the office of the City Clerk for a period of not less than ten calendar days. The land use plan shall be prepared and approved by the Council prior to posting. No lease shall be granted except for the particular use for which the tract is classified.

Section 6. Public Use. The lease of any City tidelands may be made to any State or Federal agency or political subdivision of the State for less than the appraised value, and for a consideration to be determined by the Council to be in the best interests of the City.

Section 7. Review. The classification of a tract of leased land may be changed only by the Council on application of the lessee. No renewal lease may be issued until the proposed renewal has been reviewed and approved by the Council.

Section 8. Term of Lease. Leases may be issued for a term of not less than 5 nor more than 55 years. The applicant shall state in his application the term desired. In determining whether to grant a lease for the requested term the Council shall consider the nature, extent and cost of the improvements which the applicant agrees, as a condition of the lease, to construct thereon, the value of the applicant's proposed use to the economy of the City and other relevant factors.

Section 9. Appraisal. No tidelands shall be leased, or a renewal lease issued therefor, unless the same has been appraised within six months prior to the date fixed for beginning of the term of the lease or renewal lease. No land shall be leased for an annual rent less than six (6%) percentum of the appraised value of the land and any improvements thereon owned by the City.

Upon the filing of an application for a lease of a parcel of classified tidelands and the deposit of the costs estimated by the City Clerk, the City Assessor shall cause the tract, and any improvements thereon owned by the City, to be appraised at their fair market value. The appraisal shall be transmitted by the Assessor to the Council which shall review the same and determine the appraised value of the tract and improvements thereon owned by the City. Facilities for supplying utility services shall not be considered as such improvements. The Council shall determine the annual rental as six (6%) percentum of the appraised value and shall determine any limitations, reservations, requirements or special conditions to be included in the lease. Each lease shall contain a requirement that the lessee construct improvements suitable for the use for which the land is classified of a specified minimum value within one year from the date of the lease. The applicant shall be notified of the amount of the minimum annual rental and the value of the improvements required to be constructed thereon.

Section 10. Payment of Annual Rentals. Unless the lease specified otherwise, annual rentals of \$250.00 and less shall be paid annually in advance, rentals of an amount between \$251.00 and \$500.00 shall be paid in two equal installments every six months, annual rentals of an amount between \$501.00 and \$1,000.00 shall be paid in advance every calendar quarter and annual rentals exceeding \$1,000.00 shall be paid in advance each calendar month.

Section 11. Leasing Procedure. Leases of land with an initial annual minimum rental of less than \$100.00 shall be issued by the MAYOR after being so instructed by the Council and without the necessity of a public auction. All leases having a computed annual minimum rental of more than \$100.00 shall be offered at public auction. All public auctions of tidelands in the City shall be held in the Council Chambers, Municipal Building, by the MAYOR or in his absence, the City Clerk. At the completion of the auction of each tract of land said official shall indicate the apparent high bidder. The apparent high bidder shall thereupon deposit with said official the portion of the annual rental then due together with the unpaid costs of survey, appraisal and advertising. All payments must be made in cash, money order, check or cashier's check, or any combination thereof within one hour.

Section 12. Preference Right to Owners of Immediately Adjacent Upland. There is hereby granted to the owners of upland, a preference right with respect to such contiguous tide and submerged land as may lie seaward of such upland and within the sidelines of such upland extended seaward, insofar as is practicable without injury or damage to the rights of adjacent upland owners. The nature of the preference right hereby granted is to tender to the City the highest lease price determined under Section 11 of this Article, and thereby acquire the right to lease of the successful lease applicant, whether arrived at by public auction or negotiated lease. This right shall commence upon the lease price being thereby determined, and shall continue for ten days thereafter, whereupon, if not so exercised, the preference right granted herein shall expire. Upon such right being exercised as aforesaid, the person or persons exercising said right shall have an additional five days, excluding Saturdays and Sundays, within which to meet all of the qualifications and requirements of the original or successful applicant and pay to the City all of the required costs and deposits and lease rentals which shall be refunded to the original or successful applicant, whose right to lease has been acquired by the owner of the preference right herein granted.

Section 13. Public Notice. Public notice of lease of land is required to be given under the provisions of this ordinance. Thirty (30) days' notice shall be given by publishing notice thereof in a newspaper of general circulation published in the City once a week for three weeks prior to final action or public auction. The notice must contain a brief description of the land, its area and general location, proposed use, term, computed annual minimum rental, limitations if any, and time and place set for the lease auction, if auction is required, together with the name or names of the record

owner or owners of the adjacent upland.

Section 14. Receipt of Bid. Upon deposit of the required sum by apparent high bidder, the official conducting the auction shall thereupon issue to the successful bidder a receipt for the required sum.

Section 15. Appeal. An aggrieved bidder may appeal the determination of the apparent high bidder to the Council, within five days (excluding Saturday and Sunday) following such determination. Such appeals must be in writing and contain a short statement of the grounds for the appeal and verified under oath. The Council shall within 30 days of receipt of a timely appeal review the asserted grounds for appeal and rule thereon. The Council's decision shall be final, but without prejudice to any other right or rights the aggrieved bidder may have.

Section 16. Completion of Bid Requirements. Following the appeal period or the Council's ruling, the City Clerk shall notify the successful bidder that the City is prepared to issue an appropriate lease. The bidder shall be given 15 calendar days from date of mailing the notice in which to remit to the City Clerk any bid balance or any other sums that may be due and sign the lease. Failure to do so shall result in forfeiture of any and all rights previously acquired in the proposed lease, and in addition, any moneys paid or deposited with the City shall be forfeited.

Section 17. Lease. After expiration of the five day appeal period, or after the ruling on the appeal to the Council, the MAYOR shall execute a lease containing such terms as the Council by its determination shall establish.

Section 18. Terms of Lease. All leases shall be issued on ~~standard forms approved by the Council, but~~ shall contain such limitations, reservations, requirements or special conditions as the Council has determined, including requirements for improvements of a specified value to be constructed or located on the land within one year from the date of the lease.

Section 19. Responsibility to Properly Locate on Leased Premises. It shall be the responsibility of the lessee to properly locate his improvements on the leased land within such one year period. It shall be unlawful to encroach on other lands of the City or on lands owned or leased by another, and violation shall constitute a misdemeanor.

Section 20. Lease Utilization. Leased tidelands shall be utilized for purposes within the scope of the land use classification, the terms of the lease, and in conformity with the ordinances of the City, including any zoning ordinance. Utilization or development for other than the allowed uses shall constitute a violation of the lease and subject the lease to cancellation at any time. The

terms of this ordinance are made a part of all leases and any violation thereof shall be grounds for cancellation of any leases.

Section 21. Adjustment of Rental. The annual rental payable pursuant to any lease issued under the provisions of this ordinance shall be subject to adjustment by the Council on the fifth anniversary of the date of the lease and each anniversary date thereafter which is divisible by the number five. All adjusted rates shall be computed at *(BLANK)* percentum of the fair market value of the land and improvements owned by the City and leased thereunder. Such value shall be determined by an appraisal made by the City Assessor and reviewed and determined by the Council as provided in Section 9 of Article IV.

Section 22. Subleasing. Any lessee may sublease lands or any part thereof leased to him hereunder, provided, that the proposed lessee first obtains the approval of the CITY COUNCIL to such sublease. Subleases shall be in writing and be subject to the terms and conditions of the original lease. A copy of the sublease shall be filed with the City Clerk. *Approvals of subleases shall not be unreasonably withheld.*

Section 23. Assignments. Any lessee may assign the lease issued to him, provided, that the proposed assignment shall be first approved by the CITY COUNCIL. The assignee shall be subject to all of the provisions of the lease and the assignor shall not be relieved of his obligations thereunder. *Approvals of assignments shall not be unreasonably withheld.*

Section 24. Modification. No lease may be modified orally or in any manner other than by an agreement in writing signed by all parties in interest or their successors in interest.

Section 25. Cancellation - Forfeiture.

- (a) Leases in good standing may be cancelled in whole or in part, at any time, by mutual written agreement by lessee and the Council. *or termination by Council at any time to be determined to be necessary.*
- out* (b) Any lease of lands used for an unlawful purpose may be terminated by the Council.
- (c) If the lessee shall default in the performance or observance of any of the lease terms, covenants, or stipulations, or the terms of this ordinance, or any of the ordinances of the City, and said default continues for 30 calendar days after service of written notice by the City on lessee without remedy by lessee of the default, the CITY COUNCIL shall take such action as is necessary to protect the rights and best interests of the City, including the exercise of any or all rights after default permitted by the lease. No improvements may be removed by lessee or any other person during any time the lessee is in default.

Section 26. Notice or Demand. Any notice or demand, which

under the terms of a lease or under any statute must be given or made by the parties thereto, shall be in writing, and be given or made by registered or certified mail, addressed to the other party at the address of record. However, either party may designate in writing such new or other address to which such notice or demand shall thereafter be so given, made or mailed. A notice given hereunder shall be deemed delivered when deposited in a U. S. general or branch post office enclosed in a registered or certified mail prepaid wrapper or envelope addressed as hereinabove provided.

Section 27. Rights of Mortgagee or Lienholder. In the event of cancellation or forfeiture of a lease for cause, the holder of a properly recorded mortgage of the improvements on the land and every sublessee thereof, shall be given a duplicate copy of any notice of default in the same manner as notice is given the lessee, provided, such mortgagee or sublessee has given the City Clerk notice of such mortgage or sublease.

Section 28. Entry and Re-entry. In the event the lease is terminated, or in the event that the demised lands, or any part thereof, are abandoned by the lessee during the term, the lessor or its agents, servants, or representative, may, immediately or any time thereafter, re-enter and resume possession of said lands or such part thereof, and remove all persons and property therefrom either by summary proceedings or by a suitable action or proceeding at law without being liable for any damages therefor. No re-entry by the lessor shall be deemed an acceptance of a surrender of the lease.

Section 29. Re-lease. In the event that a lease is terminated the MAYOR may offer said lands for lease or other appropriate disposal pursuant to the provisions of this ordinance.

Section 30. Forfeiture of Rental. In the event that the lease should be terminated because of any breach by the lessee, as herein provided; the annual rental payment last made by the lessee shall be forfeited and retained by the lessor.

Section 31. Written Waiver. The receipt of rent by the lessor with knowledge of any breach of the lease by the lessee or of any default on the part of the lessee in observance or performance of any of the conditions or covenants of the lease, shall not be deemed to be a waiver of any provision of the lease. No failure on the part of the lessor to enforce any covenant or provision therein contained, nor any waiver of any right thereunder by the lessor unless in writing, shall discharge or invalidate such covenants or provisions or affect the right of the lessor to enforce the same in the event of any subsequent breach or default. The receipt, by the lessor of any rent or any other sum of money after the termination, in any manner, of the term demised, or after the giving by the lessor of any notice thereunder to effect such termination, shall not reinstate, continue, or extend the resultant term therein demised, or destroy, or in any manner impair the efficacy of any such notice or termination as may have been given thereunder by the lessor to the lessee prior

to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by the lessor.

Section 32. Expiration of Lease. Unless the lease is renewed or sooner terminated as provided herein, the lessee shall peaceably and quietly leave, surrender and yield up unto the lessor all of the leased land on the last day of the term of the lease.

Section 33. Renewal of Lease. Upon the expiration of the term of any lease, or the cancellation of a lease by mutual consent of all parties thereto, the Council may grant a new lease to the lessee or his assignee who owns valuable improvements thereon, without offering said lease at auction, provided:

- (a) The lessee or his assignee makes written application therefor at least 60 days prior to such termination.
- (b) The lessee is not in default under the lease.
- (c) The use to which the land is to be put is compatible with the current use classification and zoning provisions of the City ordinances on that subject.
- (d) Mutually agreeable terms are negotiated by the Council and the prospective lessee.

Such lease shall be for an annual rental equal to the percentum of the appraised value of the land which is then being charged for new leases and shall be subject to adjustment on every fifth anniversary.

Section 34. Removal or Reversion of Improvements upon Expiration of Lease. Improvements erected by a lessee may within 60 calendar days after the expiration of the lease be removed by him; provided that the MAYOR may extend the time for removing such improvements if such hardship is proven to the retiring lessee may, with the consent of the MAYOR sell his improvements to the succeeding lessee. All periods of time granted the lessees to remove improvements are subject to said lessees paying to the City pro rata lease rentals for said periods.

If any improvements and/or chattels are not removed within the time allowed, such improvements and/or chattels shall revert to, and absolute title shall vest in, the City.

Section 35. Sanitation. The lessee shall comply with all ordinances of the City which are promulgated for the promotion of sanitation. The premises of the lease shall be kept in a neat, clean and sanitary condition and every effort shall be made to prevent the pollution of waters.

Section 36. Building and Zoning Codes. Leased lands shall be utilized only in accordance with the building and zoning ordinances

and rules and regulations thereunder. Failure to do so shall constitute a violation of the lease.

Section 37. Fire Protection. The lessee will take all reasonable precaution to comply with all laws, regulations and rules promulgated by the City for fire protection within the area wherein the leased premises are located.

Section 38. Inspection. The lessee shall allow an authorized representative of the City to enter the leased land at any reasonable time for the purpose of inspecting the land and improvements thereon.

Section 39. Personal Use of Materials. ^{Except with the permission of the Council} All coal, oil, gas and other minerals and all deposits of stone, earth or gravel valuable for extraction or utilization, are reserved by lessor and shall not be removed from the land. The lessee shall not sell or remove for use elsewhere any timber, stone, gravel, peatmoss, topsoil, or any other material valuable for building or commercial purposes; provided, however, that material required for the development of the leasehold may be used, if its use is first approved by the MAYOR. ^{Noting}

Section 40. Restrictions and Reservations. The lease shall contain such restrictions and reservations as are necessary to protect the public interest.

Section 41. Sale of Certain Tide and Submerged Lands. When it is in the public interest the Council may by resolution authorize the sale of small tracts of tidelands and submerged lands, provided that no such tract shall be greater in area than 400 square feet, such tract is unsuitable for use as a public use area, and such tract cannot be leased. All sales of tidelands and submerged lands shall be public sales and shall be governed by the provisions of this Article, insofar as may be applicable. The assessed value of the property shall be stated in the notice required by Section 13 instead of the annual maximum rental. All sales shall be made for cash and the successful bidder must make payment in full at the time of the sale. The Council may provide additional requirements not inconsistent with this ordinance in the resolution authorizing such sale. Anything herein to the contrary notwithstanding, all such sales shall be subject to charter provisions.

APPENDIX IV

Tide and Submerged Land Materials Use and Disposal

Section 1. Any person, firm or corporation who without written authority from the City removes rock, gravel or other materials from the tide and submerged lands conveyed by the State to the City shall be deemed guilty of a misdemeanor.

Section 2. No deed or lease granted by the City to any person shall contain terms or be construed as granting any right to remove material from City tide and submerged lands, nor to use any such

CITY OF SKAGWAY, ALASKA

Ordinance No. 243

AN ORDINANCE AMENDING PORTIONS OF ARTICLE III OF ORDINANCE No. 229 OF THE CITY OF SKAGWAY, ALASKA, AN ORDINANCE GOVERNING THE DISPOSITION AND MANAGEMENT OF TIDELANDS

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF SKAGWAY, ALASKA:

Section 1: The first paragraph of Section 9 of Article III of Ordinance No. 229 of the City of Skagway, Alaska, is amended to read as follows:

Section 9. Appraisal. No tidelands shall be leased, or a renewal lease issued therefor, unless the same has been appraised within six months prior to the date fixed for beginning of the term of the lease or renewal lease. No land shall be leased for an annual rent less than six (6%) percentum of the appraised value of the land and any improvements thereon made by the City.

Section 2: Section 13 of Article III of Ordinance No. 229 of the City of Skagway is amended to read as follows:

Section 13. Public Notice. Public notice of lease of land is required to be given under the provisions of this ordinance. Thirty (30) days' notice shall be given by publishing notice thereof in a newspaper of general circulation published in the City once a week for three weeks prior to final action or public auction. The notice must contain a brief description of the land, its area and general location, proposed use, term, computed annual minimum rental, limitations if any, and time and place set for the lease auction if auction is required, together with the name or names of the record owner or owners of the adjacent upland. In the event no newspaper is published in Skagway, Alaska in which such notice can be given once each week for three weeks, the notice required by this section may, in lieu thereof, be given by posting in three public places in the City of Skagway for such period of thirty days. One copy of the notice shall be posted in the office of the City Clerk.

Section 3: Section 18 of Article III of Ordinance No. 229 of the City of Skagway is amended to read as follows:

Section 18. Terms of Lease. All leases shall contain such limitations, reservations, requirements or special conditions as the Council has determined, including requirements for improvements of a specified value to be constructed or located on the land within one year from the date of the lease.

Section 4: Section 21 of Article III of Ordinance No. 229 of the City of Skagway is amended to read as follows:

Section 21. Adjustment of Rental. The annual rental payable pursuant to any lease issued under the provisions of this ordinance shall be subject to adjustment by the Council on the fifth anniversary of the date of the lease and each anniversary date thereafter which is divisible by the number five. All adjusted rates shall be computed at six percentum of the fair market value of the land, exclusive of any portion of said value created by expenditures by lessee or its predecessor lessee, but inclusive of any improvements thereon made by the lessor. Such value shall be determined by an appraisal made by the City Assessor and reviewed and determined by the Council as provided in Section 9 of Article III.

Section 5: Section 22 of Article III of Ordinance No. 229 of the City of Skagway is amended to read as follows:

Section 22. Subleasing. Any lessee may sublease lands or any part thereof leased to him hereunder, provided, that the proposed lessee first obtains the approval of the Council to such sublease. Subleases shall be in writing and be subject to the terms and conditions of the original lease. A copy of the sublease shall be filed with the City Clerk. Approvals of subleases shall not be unreasonably withheld.

Section 6: Section 23 of Article III Ordinance No. 229 of the City of Skagway is amended to read as follows:

Section 23. Assignments. Any lessee may assign the lease issued to him, provided, that the proposed assignment shall be first approved by the Council. The assignee shall be subject to all of the provisions of the lease and the assignor shall not be relieved of his obligations thereunder. Approvals of assignments shall not be unreasonably withheld.

Section 7: Section 25 of Article III of Ordinance No. 229 of the City of Skagway is amended to read as follows:

Section 25. Cancellation - Forfeiture.

(a) Leases in good standing may be cancelled in whole or in part, at any time, upon mutual written agreement by lessee and the Council. Any lease may provide the lease may be terminated by the lessee upon 60 days notice in writing to lessor before the end of an annual rental period.

(b) If the lessee shall default in the performance or observance of any of the lease terms, covenants, or stipulations, or the terms of this ordinance, or any of the ordinances of the City, and said default continues for 30 calendar days after service of written notice by the City on lessee without remedy by lessee of the default, the Council shall take such action as is necessary to protect the rights and best interests of the City, including the exercise of any or all rights after default permitted by the lease. No improvements may be removed by lessee or any other person during any time the lessee is in default.

Section 8: Section 39 of Article III of Ordinance No. 229 of the City of Skagway is amended to read as follows:

Section 39. Personal Use of Materials. All coal, oil, gas and other minerals and all deposits of stone, earth or gravel valuable for extraction or utilization, are reserved by lessor and shall not be removed from the land except with permission of the Council. The lessee shall not sell or remove for use elsewhere any timber, stone, gravel, peatmoss, topsoil, or any other material valuable for building or commercial purposes; provided, however, that material required for the development of the leasehold may be used, if its use is first approved by the ~~Mayor~~ Council.

PASSED and APPROVED by the Council of the City of Skagway this 5th day of February, 1968.

Edvard Horvath
Mayor

Frederic J. [Signature]
City Clerk

First reading January 25, 1968.

Second reading February 5, 1968.

Third meeting February 5, 1968.

Addendum D

Comparable Data



Uplands Sales



Location & Property Identification

Property Name: Sawmill Cove Industrial Site
 Sub-Property Type: Commercial, Industrial
 Address: 4600 Sawmill Creek Rd.
 City/State/Zip: Sitka, AK 99835
 County: Sitka
 Submarket: Southeast
 Market Orientation: Coastal-Waterfront



IRR Event ID: 1524345

Sale Information

Sale Price: \$2,714,060
 Effective Sale Price: \$2,245,060
 Sale Date: 01/27/2015
 Sale Status: Closed
 \$/Acre(Gross): \$304,188
 \$/Land SF(Gross): \$6.98
 Grantor/Seller: City/Borough of Sitka
 Grantee/Buyer: Silver Bay Seafoods LLC
 Assemblage: Yes
 Property Rights: Fee Simple
 Terms of Sale: Cash
 Verified By: Kim M. Wold
 Verification Date: 01/13/2015
 Verification Type: Confirmed-Confidential

Acres(Gross): 7.38
 Land-SF(Gross): 321,494
 Shape: Irregular
 Topography: Level
 Zoning Code: I
 Zoning Desc.: Industrial
 Utilities: Electricity, Water Public, Sewer, Telephone
 Source of Land Info.: Past Appraisal

Comments

The intended use by the buyer was for development of a fish oil extraction plant, cannery, marine/fishing service facility, and employee bunkhouse. There were two industrial warehouses included in the sale that were essentially shells. These improvements were allocated a value of \$469,000. The purchase price was based on the appraised value as of November 2014. Minutes from the 1/27/2015 of the City and Borough of Sitka Assembly recorded the vote to approve the sale of the property.

This is an industrial subdivision consisting of seven lots that were purchased as an assemblage. The parcels are part of the Sawmill Cove industrial complex that was originally the Alaska Pulp Company site, southeast of Sitka. There are paved roads and utility services to the property's edge. There is water access to the property.

Sale Analysis

Other Adj.: \$469,000
 Adjust. Comments: Downward Adjustment: \$469,000 for buildings
 Current Use at T.O.S.: Industrial

Improvement and Site Data

Legal/Tax/Parcel ID: Lots 10, 11, 12A, 13, 16A, 21, and 22, Block 4, Sawmill Cove Industrial Park, Resubdivisions 1 & 2, Plats 2008-27 and 2013-2

Location & Property Identification

Property Name:	AJ Cruise Dock Upland Support Area
Sub-Property Type:	Commercial, Industrial
Address:	1110-1118 Jacobsen Dr.
City/State/Zip:	Juneau, AK 99801
County:	Juneau
Submarket:	Southeast
Market Orientation:	Coastal-Waterfront
Property Location:	SW of Jacobson Dr., next to cruise ship dock
IRR Event ID:	2136751



Sale Information

Sale Price:	\$3,718,888
Effective Sale Price:	\$3,718,888
Sale Date:	06/30/2014
Sale Status:	Closed
\$/Acre(Gross):	\$872,978
\$/Land SF(Gross):	\$20.04
\$/Acre(Usable):	\$872,978
\$/Land SF(Usable):	\$20.04
Grantor/Seller:	Jacobsen Trust
Grantee/Buyer:	AJ Juneau Dock LLC
Property Rights:	Leasehold
Verified By:	Kim M. Wold
Verification Date:	10/10/2018
Verification Type:	Confirmed-Confidential

Improvement and Site Data

MSA:	Juneau, AK μSA
Legal/Tax/Parcel ID:	1C110K100011, 1C110K100020, 1C110K100030; Lots 4A, 4B, 4C, Alaska Juneau Subdivision II, Plat 91-67, Juneau RD
Acres(Usable/Gross):	4.26/4.26
Land-SF(Usable/Gross):	185,566/185,566

Usable/Gross Ratio:	1.00
Shape:	Irregular
Topography:	Level
Zoning Code:	I
Zoning Desc.:	Industrial
Flood Zone Designation:	AE
Comm. Panel No.:	02110C1567D
Date:	08/19/2013
Utilities:	Electricity, Water Public, Sewer, Telephone
Source of Land Info.:	Other

Comments

This is a property that is leased as the upland support area for the AJ cruise ship dock. The lease was originally consummated in June 2004 and was renewed in 2014 for a 10-year term. The lease valued the property as vacant and unimproved with the passenger and bus staging areas excluded. The lease negotiations were assisted by an appraisal that was mutually agreed on by the lessor and lessee. The lessee has a tideland lease on the adjacent land where the dock facility is constructed, but that land is not a part of this transaction.

This property is leased as the upland support area for the AJ Cruise Ship dock.

Location & Property Identification

Property Name:	550 S Franklin
Sub-Property Type:	Other
Address:	550 S. Franklin St.
City/State/Zip:	Juneau, AK 99801
County:	Juneau Borough
Submarket:	Southeast
Market Orientation:	Coastal-Waterfront
IRR Event ID:	1510803



Desc. of FF&E: Processing equipment

Sale Information

Sale Price:	\$10,000,000
Effective Sale Price:	\$8,120,000
Sale Date:	05/31/2012
Sale Status:	Closed
\$/SF GBA:	\$154.95
\$/Acre(Gross):	\$2,863,188
\$/Land SF(Gross):	\$65.73
\$/Acre(Usable):	\$4,090,680
\$/Land SF(Usable):	\$93.91
\$/Land SF(Potential):	\$154.95
Grantor/Seller:	East End Associates
Grantee/Buyer:	Alaska Seafood Holdings
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Warranty Deed
Recording No.:	2012-003329-0
Verified By:	Kim M. Wold
Confirmation Source:	Hank Baumgart
Verification Type:	Confirmed-Buyer

Occupancy

Occupancy at Time of Sale: 100.00%

Improvement and Site Data

Legal/Tax/Parcel ID:	Lots 2B and 2C, Plat 91-71
GBA-SF:	52,404
Acres(Usable/Gross):	1.99/2.84
Land-SF(Usable/Gross):	86,467/123,535
Usable/Gross Ratio:	0.70
Shape:	Irregular
Topography:	Level
Corner Lot:	No
Bldg. to Land Ratio FAR:	0.42
Zoning Code:	WI
Zoning Desc.:	Waterfront Industrial
Environmental Issues:	No
Flood Plain:	Yes
Flood Zone Designation:	X
Comm. Panel No.:	02110C1567D
Date:	08/19/2013
Utilities:	Electricity, Water Public, Sewer, Telephone, CableTV
Source of Land Info.:	Public Records

Sale Analysis

Other Adj.:	-\$1,880,000
Adjust. Comments:	Downward adjustment for building and FF&E
Sale Price Includes FF&E?	Yes

Comments

This is a site located on the easterly periphery of the

Comments (Cont'd)

Juneau tourist district. An easement for a seawalk encumbers the seaward side of the property, which limits waterfront utilization. The site is improved with a special purpose seafood processing plant and a small retail store and restaurant area. The building was built in 1966 and was remodeled and enlarged in 1992. The land value was allocated at \$90 per square foot for the uplands and \$9.10 per square foot for the tidelands.

Location & Property Identification

Property Name: Ketchikan Waterfront Land
 Sub-Property Type: Commercial, Industrial
 Address: 75 & 90 Schoenbar Ct.
 City/State/Zip: Ketchikan, AK 99901
 County: Ketchikan Gateway Borough
 Submarket: Southeast
 Market Orientation: Coastal-Waterfront

IRR Event ID: 1589793



Sale Information

Sale Price: \$3,900,000
 Effective Sale Price: \$6,920,580
 Sale Date: 06/29/2006
 Recording Date: 06/29/2006
 Sale Status: Closed
 \$/Acre(Gross): \$3,819,094
 \$/Land SF(Gross): \$87.68
 Grantor/Seller: Wayne E. & Hope Brown, et al.
 Grantee/Buyer: Survey Point Holdings, Inc.
 Property Rights: Fee Simple
 Terms of Sale: Cash
 Document Type: Warranty Deed
 Recording No.: 2006-002660-0
 Verified By: Kim M. Wold
 Verification Date: 01/13/2015
 Verification Type: Confirmed-Confidential

Legal/Tax/Parcel ID: Lot 7-8A, Block 6A, Tidelands Addition to USS 437, Plat 107; Lots 2B, 3, 6, 8B, and 9, Block 6A, Tidelands Addition to USS 437, Plat 107; Portion of ATS 138, Ketchikan Recording District.

Acres(Gross): 1.81
 Land-SF(Gross): 78,934
 Shape: Irregular
 Topography: Other
 Frontage Feet: 270
 Frontage Desc.: Frontage on Tongass Narrows

Zoning Code: IH
 Zoning Desc.: Heavy Industrial
 Easements: No
 Utilities: Electricity, Water Public, Sewer, Telephone

Source of Land Info.: Public Records

Sale Analysis

Other Adj.: \$3,020,580
 Adjust. Comments: Upward Adjustment: \$3,020,580 Demolition/fill costs
 Current Use at T.O.S.: Industrial Warehouse

Comments

The improvements were demolished after the sale and the site filled. The demolition costs were \$1,442,000 and the cost of the fill was \$1,578,580. The site was eventually developed with a cruise ship dock with the adjacent uplands being held for future development of tourist retail structures. The site has 270 feet of frontage on the Tongass Narrows. The value per front foot is

Improvement and Site Data

Comments (Cont'd)

\$25,632 after demolition costs and fill. The average depth is 296 feet.

This is a former waterfront storage property. The site consists of a tideland parcel developed with obsolete large former seafood processing buildings having a total area of 59,775 square feet. The property consists of tidal and submerged tidelands with deep water moorage capability. The building was purchased as part of an assemblage.

Location & Property Identification

Property Name: Sitka Sound Waterfront
 Sub-Property Type: Commercial, Industrial
 Address: 4513 Halibut Point Rd.
 City/State/Zip: Sitka, AK 99835
 County: Sitka Borough
 Submarket: Southeast
 Market Orientation: Coastal-Waterfront

 IRR Event ID: 2136748



Sale Information

Sale Price: \$2,500,000
 Effective Sale Price: \$1,924,827
 Sale Date: 03/01/2005
 Recording Date: 03/03/2005
 Sale Status: Closed
 \$/Acre(Gross): \$378,463
 \$/Land SF(Gross): \$8.69
 \$/Acre(Usable): \$467,089
 \$/Land SF(Usable): \$10.72
 Grantor/Seller: Richard E. Scheumann, et al.
 Grantee/Buyer: Charles & Nancy McGraw
 Property Rights: Fee Simple
 % of Interest Conveyed: 100.00
 Terms of Sale: Cash
 Document Type: Warranty Deed
 Recording No.: 2005-000324-0
 Verified By: Kim M. Wold
 Verification Date: 01/13/2015
 Verification Type: Confirmed-Confidential

Sale Analysis

Other Adj.: -\$575,685

Adjust. Comments: Upward Adjustment: \$90,000
 Leased Fee Interest
 Downward Adjustment:
 \$550,000 Improvements &
 Travel Lift
 Downward Adjustment:
 \$115,685 Tidelands Value

Current Use at T.O.S.: Boat Haul Out and Repair

Improvement and Site Data

Legal/Tax/Parcel ID: Lots 52, 53, and 55, USS 3475;
 ATS 1275, Tracts B and C, ATS
 1386; Lots 58A, B, C, and D,
 USS 3475, Sitka Recording
 District.

 Acres(Usable/Gross): 4.12/5.09
 Land-SF(Usable/Gross): 179,507/221,541
 Usable/Gross Ratio: 0.81
 Shape: Irregular
 Topography: Other
 Frontage Desc.: Direct access is via Halibut
 Point Road, as well a

 Zoning Code: I
 Zoning Desc.: Industrial
 Easements: No
 Utilities: Electricity, Water Public,
 Sewer, Telephone

 Source of Land Info.: Public Records

Comments

Comments (Cont'd)

This is the March 2005 sale analysis of the uplands portion of the property. A portion of the tidelands was leased at \$7,112 per year, indicating a leased fee value of approximately \$90,000. Improvements included in the sale included a dock and travel lift having a contribution value of \$550,000. The property was developed with a cruise ship dock facility. The allocated value to the uplands (4.12 AC or 179,507 SF) is \$10.72 per square foot. The unfilled tideland area (0.96 AC or 42,034 SF) value was allocated at \$2.74 per square foot.

This is a waterfront industrial parcel consisting of uplands and tidelands. The site has frontage on Halibut Point Road with direct access. There is deep water marine access.

Tidelands Sales



Location & Property Identification

Property Name: Franklin Dock Leased Tidelands

Sub-Property Type: Specialty, Coastal/Island

Address: 800 Block S. Franklin St.

City/State/Zip: Juneau, AK 99801

County: Juneau

Submarket: Southeast

Market Orientation: Coastal-Waterfront

Property Location: Tidelands offshore of 880 Franklin St. at cruise ship berth

IRR Event ID: 2149703



Sale Information

Sale Price: \$759,000

Effective Sale Price: \$759,000

Sale Date: 06/21/2016

Sale Status: Closed

\$/Acre(Gross): \$261,364

\$/Land SF(Gross): \$6.00

Grantor/Seller: City and Borough of Juneau, Alaska

Grantee/Buyer: AJT Mining Properties, Inc.

Property Rights: Leasehold

Terms of Sale: Capitalized lease based on 2016 appraisal

Document Type: Other

Recording No.: 1995-008094-0 (original lease)

Verified By: Allen Safer, MAI, MRICS

Verification Date: 10/30/2018

Confirmation Source: CBJ

Verification Type: Confirmed-Other

Legal/Tax/Parcel ID: 1C00K830032; ATS 3, Fraction Tidelands Addition Block 87

Acres(Usable/Gross): 0.00/2.90

Land-SF(Usable/Gross): 0/126,498

Shape: Irregular

Topography: Other

Frontage Feet: 635

Frontage Desc.: Tongass Narrows

Zoning Code: WI

Zoning Desc.: Waterfront Industrial District

Flood Zone Designation: VE

Comm. Panel No.: 02110C1567D

Date: 08/19/2013

Utilities: Electricity, Water Public, Sewer, Telephone

Source of Land Info.: Public Records

Comments

This is based on a 35-year lease of the 2.9-acre section of submerged lands off the Juneau shoreline, originated in November 1995. The rent was stipulated to be 10% of the estimated value of the leased premises as determined by the assessor. The original rent was \$25,299/year based on 10% cap rate of \$2.00/SF. It was adjusted to \$110,076/year in 2006. Although the lease allows for adjustment every

Improvement and Site Data

MSA: Juneau, AK μSA

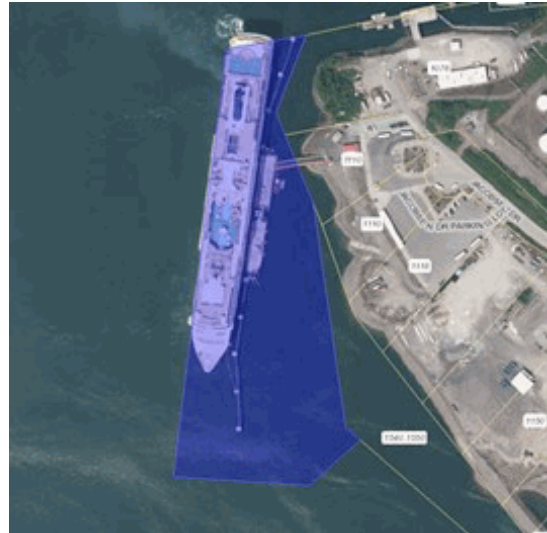
Comments (Cont'd)

third year anniversary, it was not adjusted until 2013 based on a value of \$6.00/SF, indicating an annual rent at 10% at \$75,899. In June 2016, via appraisal, the value of the property was estimated at \$759,000, or \$6.00/SF.

This is a 2.9-acre fraction of the 8.5 acres of land controlled by Franklin Dock Enterprises. The site is submerged deep-water tidelands located between 20 and 85 feet from the shoreline and between 10 to 90 feet deep. There is pedestrian access from the seawalk and vehicular access leading onto adjacent uplands and filled tidelands from S. Franklin St.

Location & Property Identification

Property Name: Jacobsen Dock Tidelands
Sub-Property Type: Specialty, Coastal/Island
Address: 1100 Block Jacobsen Dr.
City/State/Zip: Juneau, AK 99801
County: Juneau
Submarket: Southeast
Market Orientation: Coastal-Waterfront
Property Location: Tidelands adjacent to Rock Dump area of Juneau
IRR Event ID: 2136585



Sale Information

Sale Price: \$151,878
Effective Sale Price: \$1,899,976
Sale Date: 01/01/2013
Sale Status: Closed
\$/Acre(Gross): \$217,972
\$/Land SF(Gross): \$5.00
Grantor/Seller: State of Alaska
Grantee/Buyer: Taku Investments, LLC
Property Rights: Leasehold
Document Type: Other
Recording No.: 2009-001969-0
Verified By: Kim M. Wold
Verification Date: 10/10/2018
Confirmation Source: DNR Land Records
Verification Type: Confirmed-Other

Flood Zone Designation: AE
Comm. Panel No.: 02110C1567D
Date: 08/19/2013
Source of Land Info.: Public Records

Comments

This sale is based on a 25-year land lease from the State of Alaska to Taku Investments of the deep-water cruise ship dock in Juneau. The lease expires December 31, 2032. The annual rent is now \$151,878. Determining the per square foot value of the rent ($\$151,878 / 379,694 \text{ SF} = \$0.40/\text{SF}$). Capitalized at 8% indicates a \$5.00/SF base value or \$1,899,976 for the submerged land area.

This is the cruise ship dock in Juneau that was originally leased in June 2002. This deep-water dock is about a half mile from downtown Juneau and developed under a conditional use permit, including no retail sales due to the industrial nature of the area. The parcel is 8.72 acres in size (379,694 square feet). The adjacent uplands are also leased for support and development of restrooms and a bus staging area.

Improvement and Site Data

MSA: Juneau, AK μSA
Legal/Tax/Parcel ID: 1C110K100012; ATS 1635; Plat 2007-10, ADL 106934
Acres(Usable/Gross): 0.00/8.72
Land-SF(Usable/Gross): 0/379,694
Shape: Irregular
Topography: Gently Sloping
Zoning Code: WI
Zoning Desc.: Waterfront Industrial

Location & Property Identification

Property Name:	550 S Franklin
Sub-Property Type:	Other
Address:	550 S. Franklin St.
City/State/Zip:	Juneau, AK 99801
County:	Juneau Borough
Submarket:	Southeast
Market Orientation:	Coastal-Waterfront
IRR Event ID:	1510803



Sale Information

Sale Price:	\$10,000,000
Effective Sale Price:	\$8,120,000
Sale Date:	05/31/2012
Sale Status:	Closed
\$/SF GBA:	\$154.95
\$/Acre(Gross):	\$2,863,188
\$/Land SF(Gross):	\$65.73
\$/Acre(Usable):	\$4,090,680
\$/Land SF(Usable):	\$93.91
\$/Land SF(Potential):	\$154.95
Grantor/Seller:	East End Associates
Grantee/Buyer:	Alaska Seafood Holdings
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Warranty Deed
Recording No.:	2012-003329-0
Verified By:	Kim M. Wold
Confirmation Source:	Hank Baumgart
Verification Type:	Confirmed-Buyer

Sale Analysis

Other Adj.:	-\$1,880,000
Adjust. Comments:	Downward adjustment for building and FF&E
Sale Price Includes FF&E?	Yes

Desc. of FF&E: Processing equipment

Occupancy

Occupancy at Time of Sale: 100.00%

Improvement and Site Data

Legal/Tax/Parcel ID:	Lots 2B and 2C, Plat 91-71
GBA-SF:	52,404
Acres(Usable/Gross):	1.99/2.84
Land-SF(Usable/Gross):	86,467/123,535
Usable/Gross Ratio:	0.70
Shape:	Irregular
Topography:	Level
Corner Lot:	No
Bldg. to Land Ratio FAR:	0.42
Zoning Code:	WI
Zoning Desc.:	Waterfront Industrial
Environmental Issues:	No
Flood Plain:	Yes
Flood Zone Designation:	X
Comm. Panel No.:	02110C1567D
Date:	08/19/2013
Utilities:	Electricity, Water Public, Sewer, Telephone, CableTV
Source of Land Info.:	Public Records

Comments

This is a site located on the easterly periphery of the

Comments (Cont'd)

Juneau tourist district. An easement for a seawalk encumbers the seaward side of the property, which limits waterfront utilization. The site is improved with a special purpose seafood processing plant and a small retail store and restaurant area. The building was built in 1966 and was remodeled and enlarged in 1992. The land value was allocated at \$90 per square foot for the uplands and \$9.10 per square foot for the tidelands.

Location & Property Identification

Property Name:	Sitka Sound Waterfront
Sub-Property Type:	Commercial, Industrial
Address:	4513 Halibut Point Rd.
City/State/Zip:	Sitka, AK 99835
County:	Sitka Borough
Submarket:	Southeast
Market Orientation:	Coastal-Waterfront
IRR Event ID:	2136641



Current Use at T.O.S.: Boat Haul Out and Repair

Sale Information

Sale Price:	\$2,500,000
Effective Sale Price:	\$115,685
Sale Date:	03/01/2005
Recording Date:	03/03/2005
Sale Status:	Closed
\$/Acre(Gross):	\$119,881
\$/Land SF(Gross):	\$2.75
Grantor/Seller:	Richard E. Scheumann, et al.
Grantee/Buyer:	Charles & Nancy McGraw
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Terms of Sale:	Cash
Document Type:	Warranty Deed
Recording No.:	2005-000324-0
Verified By:	Kim M. Wold
Verification Date:	01/13/2015
Verification Type:	Confirmed-Confidential

Improvement and Site Data

Legal/Tax/Parcel ID:	Lots 52, 53, and 55, USS 3475; ATS 1275, Tracts B and C, ATS 1386; Lots 58A, B, C, and D, USS 3475, Sitka Recording District.
Acres(Gross):	0.97
Land-SF(Gross):	42,034
Shape:	Irregular
Topography:	Other
Frontage Desc.:	Direct access is via Halibut Point Road, as well a
Zoning Code:	I
Zoning Desc.:	Industrial
Easements:	No
Utilities:	Electricity, Water Public, Sewer, Telephone
Source of Land Info.:	Public Records

Sale Analysis

Other Adj.:	-\$2,384,315
Adjust. Comments:	Upward Adjustment: \$90,000 Leased Fee Interest Downward Adjustment: \$550,000 Improvements & Travel Lift Downward Adjustment: \$1,924,315 Uplands Value

Comments

This is the March 2005 sale analysis of the tidelands portion of the property. A portion of the tidelands was leased at \$7,112 per year, indicating a leased fee value of approximately \$90,000. Improvements included in the sale included a dock and travel lift having a contribution value of \$550,000. The property was developed with a cruise ship dock facility. The allocated value to the uplands (4.12 AC or 179,507 SF) is \$10.72 per square foot.

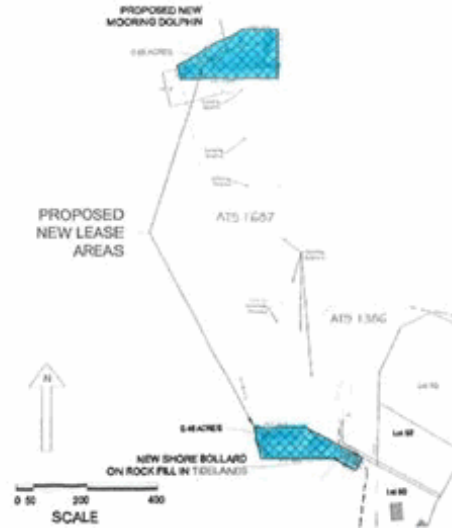
Comments (Cont'd)

The unfilled tideland area (0.96 AC or 42,034 SF) value was allocated at \$2.74 per square foot.

This is a waterfront industrial parcel consisting of uplands and tidelands. The site has frontage on Halibut Point Road with direct access. There is deep water marine access.

Location & Property Identification

Property Name:	Halibut Point Tidelands Expansion
Sub-Property Type:	Commercial, Industrial
Address:	4513 Halibut Point Rd.
City/State/Zip:	Sitka, AK 99835
County:	Sitka
Submarket:	Southeast
Market Orientation:	Coastal-Waterfront
Property Location:	Submerged lands NW and SE of Halibut Point Marine Services dock
IRR Event ID:	2146826



Sale Information

Sale Price:	\$293,750
Effective Sale Price:	\$293,750
Sale Date:	01/01/2019
Sale Status:	Offer Pending
\$/Acre(Gross):	\$253,233
\$/Land SF(Gross):	\$5.81
\$/Acre(Usable):	\$253,233
\$/Land SF(Usable):	\$5.81
Grantor/Seller:	State of Alaska. Dept. of Natural Resources
Grantee/Buyer:	Halibut Point Marine Services
Property Rights:	Leasehold
Document Type:	Other
Recording No.:	ADL 108776
Verified By:	Allen Safer, MAI, MRICS
Verification Date:	10/19/2018
Confirmation Source:	DNR
Verification Type:	Confirmed-Other

Legal/Tax/Parcel ID:	Ptn. ATS 1687, and portion south of ATS 1687, Sitka Recording District
Acres(Usable/Gross):	1.16/1.16
Land-SF(Usable/Gross):	50,530/50,530
Usable/Gross Ratio:	1.00
Shape:	Irregular
Topography:	Other
Zoning Code:	I
Zoning Desc.:	Industrial
Easements:	No
Flood Zone Designation:	AE
Comm. Panel No.:	02220C0382C
Date:	09/29/2010
Source of Land Info.:	Public Records

Comments

This tidelands sale is from the capitalization of a pending lease of 1.16 acres of tidelands as a November 2018 amendment to the DNR Lease Agreement ADL 107980 with original date of 1/3/2012 for the purpose of expanding an existing cruise ship berth to accommodate the new Panamax class of Cruise Ships. The proposed lease agreement is for \$23,500 per year. Capitalized at 8.0%, the indicated value of the fee simple interest would be \$293,750, or \$5.81 per square foot of tidelands.

This property comprises two parcels at the north and

Improvement and Site Data

MSA:	Sitka Borough
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Comments (Cont'd)

south ends of the existing dock within the submerged lands of ATS 1687 and is owned by the State of Alaska, Dept of Natural Resources and leased to Halibut Point Marine Services, LLC which owns the adjacent uplands property with frontage on Halibut Point Road. These unsurveyed areas with a total of 1.16 acres were in addition to the submerged lands of the dock, and were added to enable the dock to provide berth to the newer, larger cruise ships. This property is just south of the Alaska Ferry dock in Sitka.

Small Lot Sales



Location & Property Identification

Property Name: Brena Building Site
 Sub-Property Type: Commercial
 Address: 200 2nd Ave.
 City/State/Zip: Skagway, AK 99840
 County: Skagway Borough
 Submarket: Southeast
 Market Orientation: Historic District
 Property Location: NW corner of the intersection of Second Ave. and Spring St.



IRR Event ID: 1591677

Sale Information

Sale Price: \$552,000
 Effective Sale Price: \$552,000
 Sale Date: 12/05/2014
 Recording Date: 12/05/2014
 Sale Status: Closed
 \$/Acre(Gross): \$4,808,362
 \$/Land SF(Gross): \$110.40
 Grantor/Seller: Westmark Hotels, Inc.
 Grantee/Buyer: Alyeska Realty Advisors, Inc.

Property Rights: Fee Simple
 Terms of Sale: Cash
 Document Type: Warranty Deed
 Recording No.: 2014-000158-0
 Verified By: Kim M. Wold
 Verification Date: 07/10/2015
 Verification Type: Confirmed-Confidential

Sale Analysis

Current Use at T.O.S.: Vacant

Improvement and Site Data

Legal/Tax/Parcel ID: Parcel No. 1TOWN035120; Lot 12, Block 35, Skagway Townsite, Records of the Skagway Recording District

Acres(Gross): 0.11
 Land-SF(Gross): 5,000
 Shape: Rectangular
 Topography: Level
 Corner Lot: Yes
 Frontage Feet: 150
 Frontage Desc.: Direct access via Second Avenue and Spring Street

AccessibilityRating: Average
 Visibility Rating: Good
 Zoning Code: BH
 Zoning Desc.: Business-Historical
 Easements: No
 Flood Zone Designation: C
 Comm. Panel No.: 0200080002B
 Date: 05/01/1987
 Utilities: Electricity, Water Public, Sewer, Telephone

Source of Land Info.: Past Appraisal

Comments

This is a well-located site within the Business Historic District. The lot is located adjacent to the Diamonds International retail store and has high traffic flows. The



Comments (Cont'd)

railroad depot is across Second Avenue from the subject property. The property has good tourist retail development potential. The buyer received a higher offer than the price paid immediately after the acquisition. The buyer was willing to pay as high as \$626,000 for the site if competing offers had been made. The site is proposed to be improved with a three-story, mixed-use building with a gross building area of 10,985 square feet.

This is a 5,000-square-foot site located in the Skagway tourist district.

Location & Property Identification

Property Name: NE Corner 1st Avenue and State Street

Sub-Property Type: Commercial

Address: 100 Block State St.

City/State/Zip: Skagway, AK 99840

Submarket: Southeast

Market Orientation: Small Town - Non Metro

Property Location: NE corner of 1st Ave. and State St.

IRR Event ID: 2001530



Sale Information

Sale Price: \$188,700

Effective Sale Price: \$188,700

Sale Date: 08/29/2016

Recording Date: 10/17/2016

Sale Status: Closed

\$/Acre(Gross): \$821,864

\$/Land SF(Gross): \$18.87

\$/Acre(Usable): \$821,864

\$/Land SF(Usable): \$18.87

Grantor/Seller: Phyllis O. Brown

Grantee/Buyer: Roy A. and Stacy D. Gould (dba Chilkoot Charters and Tours)

Acres(Usable/Gross): 0.23/0.23

Land-SF(Usable/Gross): 10,000/10,000

Usable/Gross Ratio: 1.00

Shape: Square

Topography: Level

Corner Lot: Yes

Frontage Feet: 100

Frontage Desc.: frontage on State St.; 100' on 1st Ave.

Zoning Code: BG

Zoning Desc.: Business General

Flood Zone Designation: B

Comm. Panel No.: 02501101

Date: 03/01/1977

Source of Land Info.: Public Records

Property Rights: Fee Simple

% of Interest Conveyed: 100.00

Document Type: Warranty Deed

Recording No.: 2016-000180-0

Verified By: Kathleen Sidwell

Verification Date: 08/08/2018

Verification Type: Secondary Verification

Comments

This is the August 2016 sale of two parcels of commercially zoned land for \$188,700 or \$18.87/SF of land. The site was cleared of vegetation at the time of sale.

This vacant land site comprised two parcels on the northeast corner of 1st Ave. and State St. The parcels have since been combined into one Lot 11A according to Plat 2017-4. The highest and best use would be for either commercial or residential development.

Improvement and Site Data

Legal/Tax/Parcel ID: Lot 11A, Block 38, Townsite of Skagway, Plat 2017-4, Skagway Recording District.

Location & Property Identification

Property Name:	Skagway General Business District Land
Sub-Property Type:	Commercial
Address:	300 Block 1st Ave.
City/State/Zip:	Skagway, AK 99840
Submarket:	Southeast
Market Orientation:	CBD
Property Location:	NE corner of 1st and State St.
IRR Event ID:	1989886



Sale Information

Sale Price:	\$188,700
Effective Sale Price:	\$188,700
Sale Date:	08/29/2016
Recording Date:	10/17/2016
Sale Status:	Closed
\$/Acre(Gross):	\$821,864
\$/Land SF(Gross):	\$18.87
\$/Acre(Usable):	\$821,864
\$/Land SF(Usable):	\$18.87
Grantor/Seller:	Phyllis O. Brown
Grantee/Buyer:	Roy and Stacy Gould
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Document Type:	Warranty Deed
Recording No.:	2016-000180-0
Verified By:	Kathleen Sidwell
Verification Date:	07/18/2018
Verification Type:	Secondary Verification

Improvement and Site Data

Legal/Tax/Parcel ID:	2TOWN038110; Lots 11 & 12, Block 38, Townsite of Skagway
Acres(Usable/Gross):	0.23/0.23
Land-SF(Usable/Gross):	10,000/10,000

Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Level
Corner Lot:	Yes
Frontage Feet:	100
Frontage Desc.:	feet on 1st Ave. and 100' on State St.
Zoning Code:	BG
Zoning Desc.:	Business - General District
Flood Zone Designation:	B
Comm. Panel No.:	02501101
Date:	03/01/1977
Utilities:	Electricity, Water Public, Sewer, Telephone
Source of Land Info.:	Public Records

Comments

This is the August 2016 sale of land at the corner of 1st Ave. and State St. in the CBD of Skagway. The purchasers own Chilkoot Charters and Tours. The sale price of \$188,700 reflects a price of \$18.87/SF of land.

This property comprises two parcels of commercial land on the edge of the general business district of Skagway.

Location & Property Identification

Property Name: Red Onion Land
Sub-Property Type: Commercial
Address: NHN 2nd Ave.
City/State/Zip: Skagway, AK 99840
County: Skagway
Submarket: Southeast
Market Orientation: Historic District

IRR Event ID: 1964543



Sale Information

Sale Price: \$232,500
Effective Sale Price: \$232,500
Sale Date: 11/08/2016
Sale Status: Closed
\$/Acre(Gross): \$2,025,261
\$/Land SF(Gross): \$46.50
\$/Acre(Usable): \$2,025,261
\$/Land SF(Usable): \$46.50
Grantor/Seller: Phyllis O. Brown
Grantee/Buyer: Red Onion Historic Building LLC

Property Rights: Fee Simple
% of Interest Conveyed: 100.00
Financing: Cash to seller
Document Type: Warranty Deed
Recording No.: 2016-000190-0
Verified By: Kim M. Wold
Confirmation Source: David Brena
Verification Type: Confirmed-Buyer Broker

Land-SF(Usable/Gross): 5,000/5,000
Usable/Gross Ratio: 1.00
Zoning Code: BH
Zoning Desc.: Business Historic District
Utilities: Electricity, Water Public, Sewer, Telephone, CableTV

Source of Land Info.: Public Records

Comments

This is a mid-block parcel located on the north side of Second Avenue.

Occupancy

Occupancy at Time of Sale: 0.00%

Improvement and Site Data

Legal/Tax/Parcel ID: Lot 10, Block 34, Skagway Recording District

Acres(Usable/Gross): 0.11/0.11

Location & Property Identification

Property Name: 2nd & State Land
 Sub-Property Type: Commercial
 Address: NHN State St.
 City/State/Zip: Skagway, AK 99840
 County: Skagway
 Submarket: Southeast
 Market Orientation: Small Town - Non Metro

 IRR Event ID: 1964567



Sale Information

Sale Price: \$375,000
 Effective Sale Price: \$375,000
 Sale Date: 12/03/2015
 Sale Status: Closed
 \$/Acre(Gross): \$3,266,551
 \$/Land SF(Gross): \$75.00
 \$/Acre(Usable): \$3,266,551
 \$/Land SF(Usable): \$75.00
 Grantor/Seller: Darrell and Kareen Hoover
 Grantee/Buyer: Lori S. Bevill
 Property Rights: Fee Simple
 % of Interest Conveyed: 100.00
 Financing: Cash to seller
 Document Type: Warranty Deed
 Recording No.: 2015-000217-0
 Verified By: Kim M. Wold
 Confirmation Source: Bill Ferguson
 Verification Type: Confirmed-Other

Acres(Usable/Gross): 0.11/0.11
 Land-SF(Usable/Gross): 5,000/5,000
 Usable/Gross Ratio: 1.00
 Zoning Code: BG
 Zoning Desc.: Business General
 Utilities: Electricity, Water Public, Sewer, Telephone, CableTV

 Source of Land Info.: Public Records

Comments

This is a property located on a corner, one block off Broadway. The site was improved with an older structure that contributed no value to the property, based on a local realtor and a contractor's opinions.

Occupancy

Occupancy Type Before Sale: Owner Occupied
 Occupancy at Time of Sale: 100.00%

Improvement and Site Data

Legal/Tax/Parcel ID: Lot 6, Block 37, Skagway Recording District.