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SURVEY / APPRAISAL # 1194680
DATE OF INSPECTION: 9/5/2019
DATE OF REPORT: 9/10/2019

SUBJECT PROPERTY: Southeast Islands School District residential float house
(Formerly the Southeast Islands School District Administration Building and the J. R. Gildersleeve Floating School)

OWNER: Southeast Islands School District
P. O. Box 19569
Thorne Bay, AK 99919

REGISTRATION: None reported

ASSIGNMENT AND PURPOSE OF SURVEY / APPRAISAL

This is to certify that the undersigned Surveyor, at the request of Mr. Branzon Anania, representing the administration of the Southeast Islands School District, did attend aboard the former floating administration building located in Thorne Bay, Alaska, on 5 September 2019, for the purpose of determining its overall condition, its current fair market valuation, and its general suitability for intended service.

EFFECTIVE DATE, CONDITION AND LOCATION

The date of this report is the effective date of valuation. The subject is valued as is, where is, in its present location.

SCOPE OF WORK

This is a Limited Report of Survey. It sets forth the apparent condition of the subject, including hull, machinery, equipment, fittings, and gear, to the best of the Surveyor's ability without removal of bulkheads, panelings, ceilings, or other portions of its structure, without the opening of its machinery or its auxiliaries for internal examination or their operation for performance study, and without the scaling of masts or rigging. It represents the Surveyor's honest and unbiased opinion, based on his opinions, experience, and work within the marine industry. The Surveyor accepts no responsibility for omissions based on information that has not been brought to his attention, nor for errors based on information not normally discoverable while acting with due diligence, nor for any conditions that may arise from said errors or omissions. In submitting this survey, it is understood by all parties concerned that this survey is not to be considered a guarantee of its accuracy, nor does it create any liability on the part of the Surveyor arising from the reliance on the information contained herein.

INTENDED USERS

This survey and appraisal is prepared for the exclusive use of the client whose name and address appear on Page 1, and it is not transferable to any other person or entity without the client's permission. The intended users of this report and appraisal are the client, those lenders and underwriters considering financing or insuring the subject property for this client, and potential buyers of the subject property that the client specifically identifies. This report by itself does not contain all the components necessary for a prepurchase decision, and other potential buyers are specifically excluded as third party users of this report.

SUBJECT BACKGROUND

The subject was designed as a floating rural schooling facility by ABAM Consulting Engineers, of Federal Way, Washington in 1991. Constructed by McClure & Sons of Mill Creek, Washington in 1991, the subject was then towed to Southeast Alaska, where it was originally situated in Kina Cove on Prince of Wales Island. The structure was later relocated to its present site in Thorne Bay, also on Prince of Wales, and approximately 38 nautical miles Northwest of Ketchikan, Alaska. Here it was put into use as a floating school district office, and was in that use until permanent land-based offices were available. Most recently, the facility has been in use as rental housing, the upper floor for school-related transients, and the main floor as a single-family residential rental unit.

GENERAL DESCRIPTION OF SUBJECT

This is a contemporary wood-framed two story building with a 60' X 70', 4,200 s.f. first floor footprint, resting atop a 24" concrete foundation wall, which in turn is part of a 68' X 80' concrete pontoon, and a 33 X 42', 1,390 s.f. second story. The structure is designed to be self-sufficient, with electrical generation, fresh water and effluent treatment systems. At the time of survey the structure was surrounded on two sides by wooden float walkways and was accessed by way of a welded aluminum boarding ramp. It is understood that at the time of the facility's construction it was designed and built in accordance with the Uniform Building Code as applies to school structures.

ASSUMPTIONS AND LIMITING CONDITIONS

1. It is assumed that the data, drawings, and other descriptive data furnished by the client(s) or his (her/ their) representatives are accurate and correct. Photos, sketches, maps and drawings in this appraisal report are for visualizing the property only and are not to be relied on for any other use. Drawings may not be to scale.
2. This valuation is based on information and data from sources believed to be reliable, correct and accurately reported. No responsibility is assumed for false or incorrect data provided by others.
3. The valuation is made without the benefit of a direct inspection of the underwater portions of the property. Photo documentation was provided by diver Gary Anderson. For more information, see Surveyor's Notes, page 13.
4. No responsibility is assumed for building permits, zone changes, engineering or any other services or duty connected with legally utilizing the subject property.
5. The appraisal was made on the premise that there are no encumbrances prohibiting utilization of the property under the appraiser's estimate of highest and best use.
6. It is assumed that the title to the subject is marketable. No investigation to this fact has been made by the appraiser.
7. No responsibility is assumed for matters of law or legal interpretation.
8. It is assumed that no conditions existed that were not discoverable through normal diligent investigation that would affect the use and value of the subject. No engineering report was made by or provided to the appraiser.
9. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the subject property, and is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the subject. The value estimate is predicated on the assumption that there is no such material on or in the subject that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
10. The Value Estimate is made subject to the purpose, date and definition of value.
11. The appraisal is to be considered in its entirety; the use of only a portion thereof will render the appraisal invalid.
12. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described herein unless prior arrangements have been made.

CONSTRUCTION

SCHOOL BUILDING: Constructed of standard 2 X 6' Hemfir studding with manufactured roof trusses. Exterior sheathing is 1/2" CDX plywood, overlaid with 1/2 X 6" bevel Cedar siding. Windows were originally anodized aluminum thermopane-type, but over 60% have been replaced with equivalent vinyl-clad. Roofs are sheathed with 5/8" plywood and are covered with commercial grade standing seam galvanized and painted metal roofing. Walls are filled with R-19 batt insulation and ceilings with R-38 batts. Floors are insulated with foil-faced R23 fiberglass. Interior walls are sheathed in 5/8" gypsum board and ceilings with two layers of 5/8" gypsum board, with dropped ceilings on the first floor, for a 1-hour fire rating.

Additional features: first floor suspended ceilings with acoustical-type inserts and reflector-type 4' fluorescent light fixtures. Painted interior walls with some areas in fabric or woven wall treatments. Short nap commercial carpet on all floors except kitchen and bathroom areas, where linoleum or linoleum tile has been laid. Entry doors are steel with interior latch bars. Interior door openings are steel-framed with steel and wood doors with wire glass lights. Second floor emergency exit ladders in each room. Mercury vapor exterior lighting; three units each long side and two each end of structure, several inoperable.

FLOAT: Constructed of reinforced concrete, divided into 10 watertight chambers (cells). Nine cells are completely filled with expanded polystyrene foam blocks, one is partially taken up with a 'moon pool', a section that is open at the bottom and utilized as the dispersal point for grey water and treated black water, and one is unfilled and used as a mechanical equipment compartment with a weathertight entry above the level of the perimeter foundation. Designed freeboard from the waterline to the top of the pontoon deck is 3' 3", and perimeter walls cast into the pontoon add another 2' 6" of freeboard and provide a crawl and mechanical space beneath the first floor. The pontoon has D20 / D20 6 X 12" and 4 X 8" welded mesh steel reinforcement, with exterior pontoon walls, deck and bottom 7" in thickness, two center interior bulkheads are 7" in thickness, and remaining bulkheads are 5" in thickness. Heavy-duty fendering in the form of 12" diameter, 3" wall, 36" length rubber tubes are spaced 4' on center around the pontoon perimeter.

SYSTEMS

POTABLE WATER SYSTEM Consists of a rooftop collection system (currently disconnected) originally piped to a 1400 Gallon Poly-Cal polyurethane untreated water collector and thence via a Jacuzzi transfer pump through a water treatment unit to a second Poly-Cal 1400 Gallon treated potable water contact tank and thence through a second Jacuzzi pump to a 35 Gallon Well-X-Trol accumulator and the water distribution system. Currently the float house domestic fresh water system is connected directly to a Thorne Bay community fresh water supply line only. Hot water is supplied by one new Bock and one older Bradford White 50 Gallon oil-fired heater units that exhaust through galvanized and Metalbestos piping to the exterior.

BLACK WATER SANITATION SYSTEM Located in the mechanical room, consisting of a steel Microphor MSD chemical treatment tank that empties into a Liberty Model Pro 380self-contained discharge pump, thence into an overboard sump (moon pool) cast into the pontoon adjacent the mechanical room and open at the bottom. Gray water is discharged by gravity into the overboard sump. A bilge pump located in the mechanical room is designed to discharge into the overboard sump. All piping is Schedule 80 PVC pipe.

HEATING SYSTEM Modine 100,000 BTU oil-fired space heater unit, serving the mechanical room, exhausted through galvanized and Metalbestos piping to the exterior. First floor and second floor heating via separate Thermo Pride 100,000 BTU forced air, oil-fired furnaces in furnace rooms (two down, one up). HVAC system employed for occupied spaces.

FUEL SYSTEM Consists of one each 500 and 300 Gallon Ace steel fuel oil tanks located on the North side of the pontoon exterior within containment coamings. Filtered fuel runs by gravity from the 500 Gallon tank to one oil-fired water heater, a Modine 100,000 BTU oil-fired mechanical space heater unit, the first and second floor school furnaces, as well as the auxiliary generator in the mechanical room. Fuel is taken from the 300 Gallon tank to the remaining oil-fired water heater and the school furnaces.

HULL PROTECTION SYSTEM Electro-Guard Model 501S potentiometer, originally connected to six zinc anodes located in corners and on long sides of pontoon. Functional power indicator, but indicator lights not operating. Electro-Guard Model 601, potentiometer located in main floor utility room, with indicator lights operating. Functionality of system in question.

SYSTEMS, Continued

GENERATOR John Deere Model 1755F 4-cylinder diesel engine with dry stack exhaust and external radiator-cooling, direct connected to a Kohler 40 KW 120 / 208V 3Ø generator unit, located in a drip pan in the mechanical room. The unit has a safety shutdown system and the room has a forced air supply fan. Metered operating hours are 6558.6 Remote start panel on first floor with 16 circuit indicators.

ELECTRICAL SYSTEM Service entrance in Superior Controls stainless steel housing, with meter and main disconnect, located at Southeast corner of structure.

General Electric Model 9T23Q3094G80 3Ø 45 KVA shore power isolation transformer in mechanical room.
General Electric 200 amp 120/208V 3Ø shore power disconnect, mechanical room.
General Electric main breaker panel with 125 amp main breaker and two 3Ø and 20 1Ø circuits, "Panel C" in mechanical room.
General Electric 5-circuit 3Ø generator distribution panel with main disconnect breaker, "Panel G" in mechanical room.
General Electric generator On-board / shore power transfer switch, mechanical room.
SQUARE D Ground fault indicator, mechanical room.
General Electric 42-circuit breaker switch panel in janitor closet, for first floor circuitry
General Electric 18-circuit breaker switch panel in closet for second floor circuitry
Kohler 10 amp automatic battery charger, mechanical room.
Typical layout of electrical outlets with GFI outlets as required by code. Wiring in place for telephone and Internet service.

FIRE ALARM SYSTEM Simplex Model 4002 8 zone capacity system with three zones in use for mechanical room, first and second floors. System has not been maintained, fault indicators showing, system to be serviced and tested as found necessary.

APPLIANCES

Main Level: Whirlpool 18 cu. Ft. refrigerator-freezer, Amana propane range, Whirlpool domestic washer, Hotpoint dryer
Upstairs: GE 16 cu. Ft. refrigerator-freezer, GE 5 burner propane range, Kenmore dishwasher, Hotpoint washer and dryer

HOIST Eco-Ton II 900# capacity, 7' reach, 12V powered, located Southeast corner of pontoon. Unit is corroded and not to be operated until maintenance is performed.

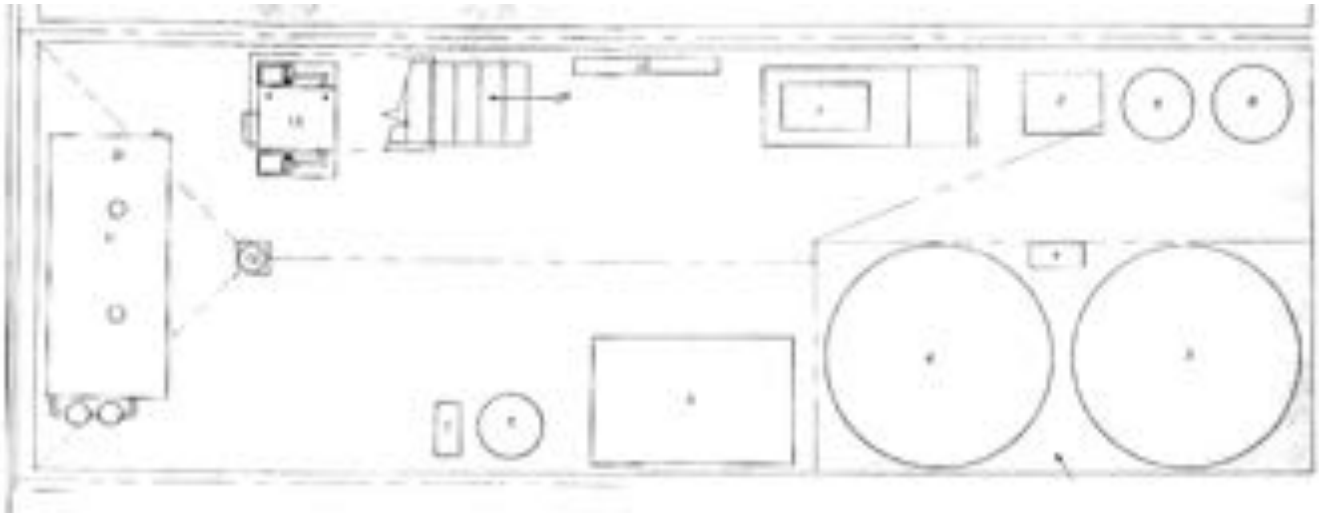
MOORING Two 10" double mooring bitts each end of pontoon, and one 10" single mooring bitt each corner of pontoon.

ATTACHED FLOATS

One 10 X 20' wooden landing float for access ramp, with untreated 2 X 6" deck planking, 6 X 6" wood bull rails, with Styrofoam log floatation, southeast corner of pontoon; float is low on South end and floatation appears compromised.
Five 10 X 20' and one 10 X 5' wood floats with untreated 2 X 6" deck planking, 6 X 6" wood bull rails, with Styrofoam log floatation, along east side of pontoon; floats floating slightly low, center section canted toward pontoon and flotation appears slightly compromised.
Three 10 X 20' wood floats with untreated 2 X 6" deck planking, no bull rails, with Styrofoam log floatation, along North side of pontoon, judged in fair condition only.

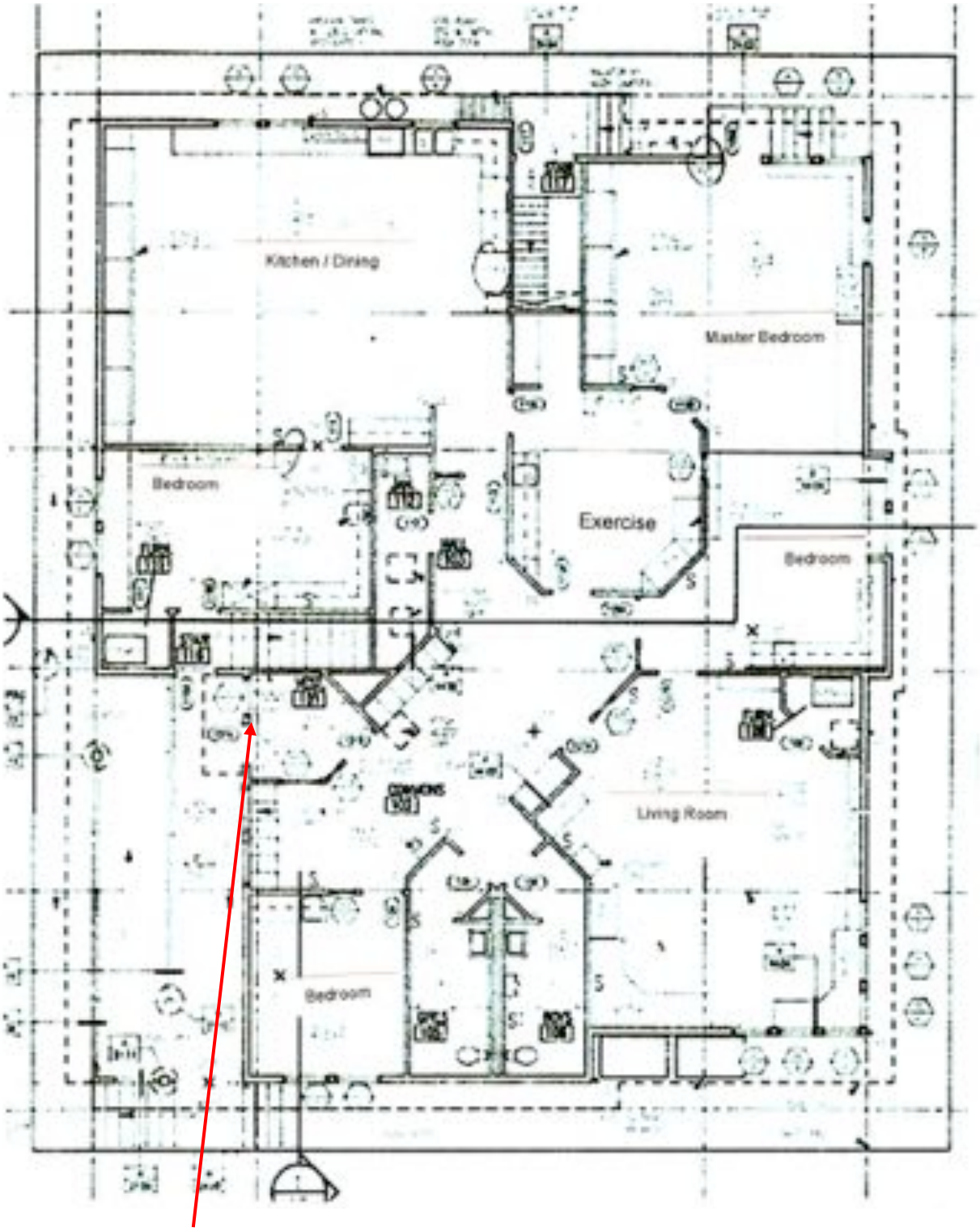
BOARDING GANGWAY Welded aluminum, 69' length X 6' width, with 36' hand railings. Built with one 1/4 X 4 X 8" I-beam underlaid with one 1/4 X 2 X 6" channel main stringer each side and same transverse framing 4' on center with diagonal cross bracing. Bottom truss each side of 1/2" galvanized cable over 1/4 X 2 X 8" channel center chord. Deck is untreated wood with wire screen and asphalt shingle traction. Handrails are 2" square tube with 1 1/2" i.d. top pipe, repairs evident. This ramp is of light residential grade construction, sagging at center and possibly in need of additional structural reinforcement.

LAYOUT - Mechanical Room



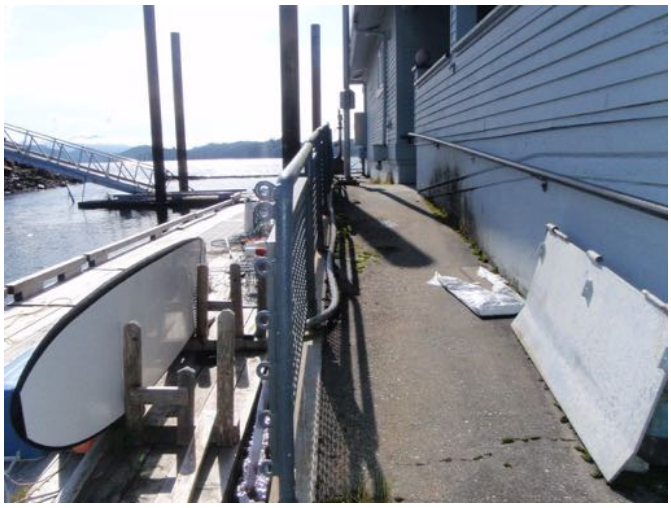
Entered from left (South) side, down stairs (left of center, top). MSD at left and upper left, potable water pump and accumulator left of center bottom, treated and untreated water tanks right bottom, electrical panels center top, generator to right, space heater and water heaters right top. See photos below.

LAYOUT - First Floor

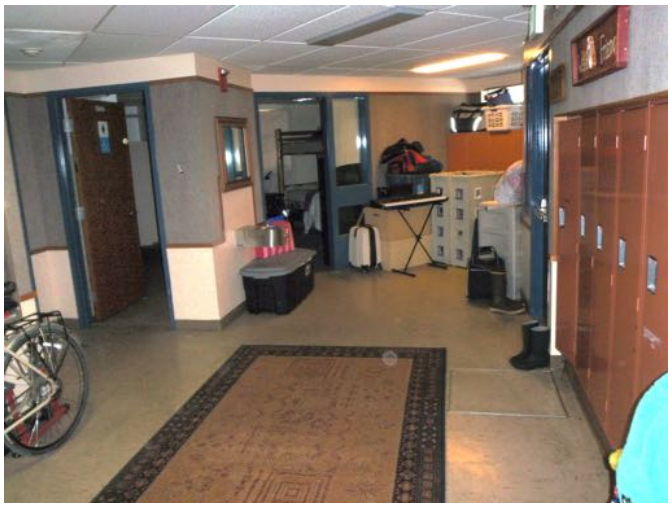


Access ramp lower left to main entry door and mudroom to right and further right a commons with lockers. Kitchen upper left, with bedroom adjoining below, master bedroom upper right, with added wall, now a single bedroom immediately below, workout room to left, closet above converted to shower room, living room lower right. Lavatories center bottom, bedroom/storage lower right, all rooms with built-in storage units. Sinks and counters in several bedrooms. Only appliances belonging to the school district are included in inventory.

PHOTOS - First Floor



Entrance ramp



Commons looking toward main entry

Commons looking toward master bedroom

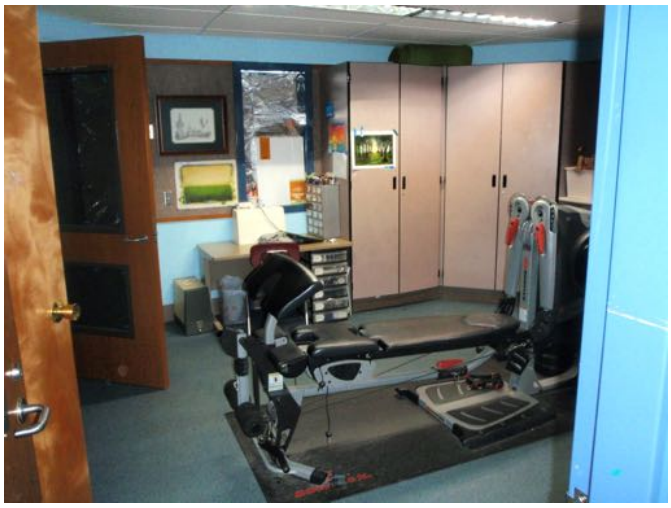
Sitting area adjacent kitchen

Living room

Master bedroom

PHOTOS - First Floor

Bedroom adjacent to Master BR



Workout room

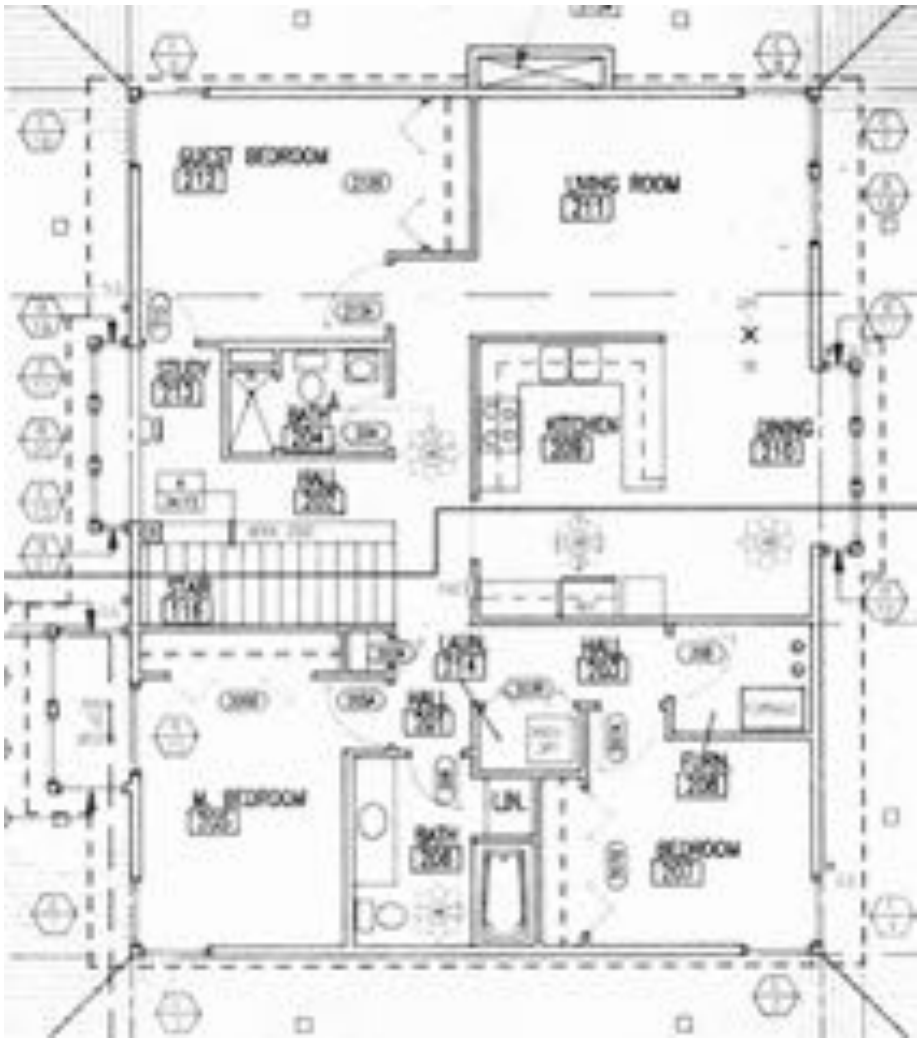
One of two lavatories

Bedroom/storage adjacent lavatories

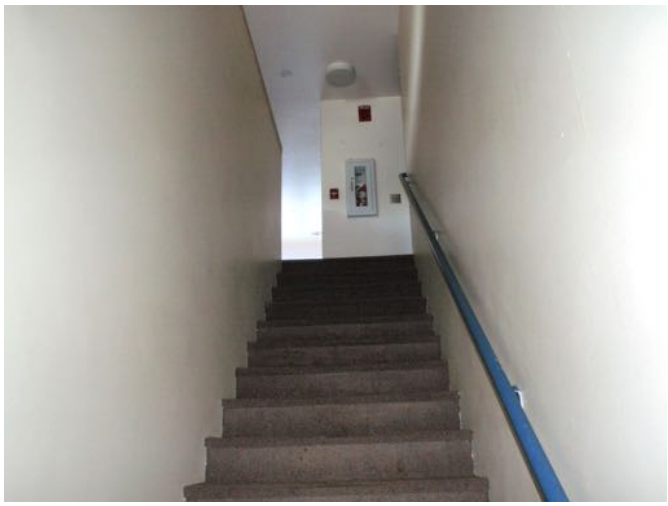
Kitchen / dining

Storeroom adjacent kitchen / dining

LAYOUT - Second Floor



Second floor by way of inner stairwell, arranged as apartment with three bedrooms and study, two bathrooms, kitchen, living room, and laundry room. Only appliances belonging to the school district are included in inventory.



Stair to second floor

Photos - Second Floor

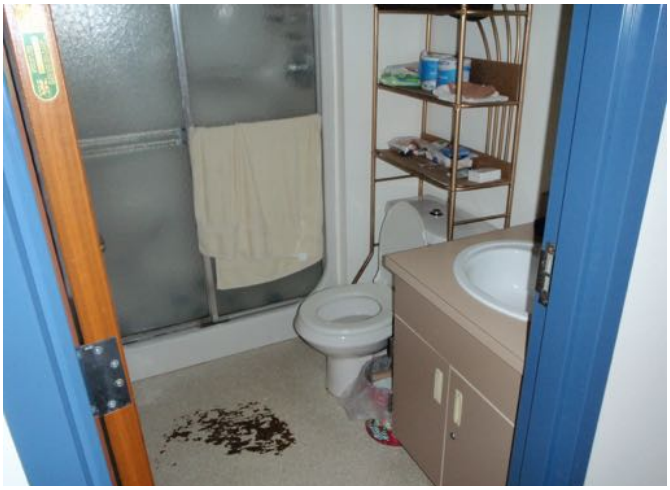
Kitchen /dining area looking west

Back side of kitchen divider wall

Living room

Bedroom off living room

Second bedroom



Bathroom off kitchen

Photos - Second Floor, attic, crawl space

Study area

Laundry area

Crawl space and treatment tank

Furnace room

Crawl space

Overall view of North and East sides of subject

Overall view of Southeast corner of subject and gangway

Access ramp (gangway) top side viewed from float and underside viewed from shore

FLOAT EXTERIOR REPORT

School Float House Dive Survey 8/12/19

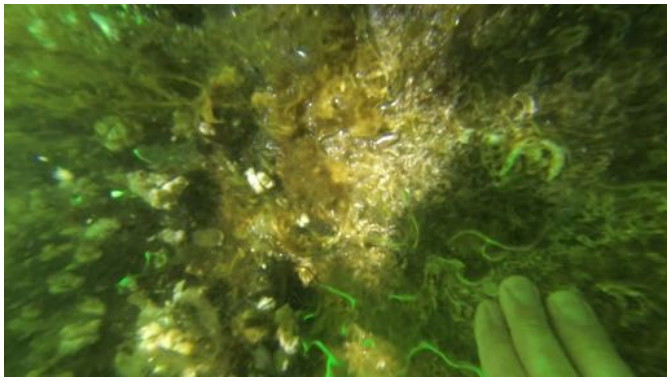
To Whom It May Concern,
My initial impression was not bad. With only a single layer of mussels, and a fair amount of spacing between them, I consider the growth moderate. Heavy growth would have denser marine life, and Extreme would have multiple layers. Growth came off easily with little effort scraping with a plastic putty knife.
The North Shoreward corner was the first sample scrape. Growth on hanging lines was visible. Kelp on the edges was minimal due to being on the shade side of the structure. The area had a smooth uneven surface after scraping, which appeared to be calcified marine life not pitting.
The South Shoreward corner was very similar, but with larger kelp growth due to more sunlight. The scrape sight was consistent with the previous.
While transiting the perimeter from shoreward, it was notable that kelp growth was substantial on the southern facing edges of the structure. The seaward side having the larger/denser growth.
Scrape test sites were completed on all 4 corner regions of the structure with similar results. Moderate growth, easily removed, with an uneven surface in most places due to previous growth. Scraping with a fingernail appeared to return algae not concrete.
Midline on the structure perpendicular to the shoreline, there appears to be a rope or cable transitioning the entire structure. This has heavy growth with multiple layers and in some places is 8-12 inches in diameter.
Please feel free to contact me if you have any questions.

Best Regards,

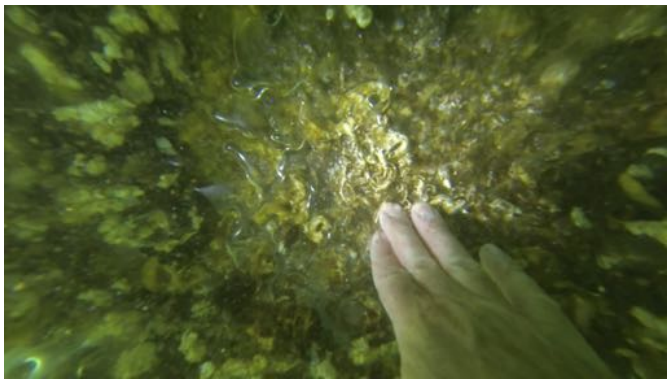
Gary Anderson
907-419-0099
PADI Divemaster #323106

PHOTOS FROM DIVE SURVEY

North corner



South corner



Southeast corner

Southwest corner

SURVEYOR'S NOTES

OVERALL CONDITION Exterior of fair to good appearance, last painted 2013. Some deterioration of siding noted on upper south wall, and minor spalling of concrete cells in area of handicap entry, East side. Metal roof in good condition as viewed from deck level. Interior in good overall condition, to include wall and ceiling finish, and built-in cabinetry, with minor touchup required. Carpet with some soiling / staining. Furniture is excluded from this appraisal. Some windows have been replaced. Cracked inner glass noted on Southeast kitchen, upper apartment living room and upper apartment dining area windows. Heating, lighting, fresh water and electrical systems reported to be fully operational, though upper apartment furnace is suffering from leakage at the roof jack.

The auxiliary generator was operated briefly for observation; however no load test was performed; the unit appears to be in satisfactory condition for normal use with the exception of a fault showing in the operating alarm system. There is no lagging on the exhaust stack, and a small leak was observed where the stack attaches to the exhaust manifold. For a more complete evaluation of overall condition, a mechanical survey is recommended.

See Recommendations Page for description of deficiencies.

As the subject was surveyed while afloat, no observation of the hull below waterline for wear and tear, corrosion, or unrepaired damage could be made, and no opinion is offered. Prior to the inspection by the undersigned, local diver Gary Anderson was hired to inspect the exterior surface of the concrete pontoon. He scraped marine growth from the hull in four locations, and reported that "Concrete cells were smooth, with no spalling or rust noted." Anodes have recently been renewed.

A deficiency in the form of weeping and alkaline deposit noted on the concrete interior wall to the North and west walls of the lower mechanical compartment. The north wall is a cell wall abutting the "moon pool" that is open to the sea, and where effluent is discharged. The most obvious weeping emanates approximately 48" above the floor of the compartment, near the water heaters, with a secondary area adjacent the #2 potable water reservoir. These deficiencies have not increased in scope significantly and do not appear to be of a serious nature at present. The severity of the weeping is slightly more apparent than as viewed during the previous inspections conducted in 2008 and 2014.

For the purpose of achieving a valuation only, the underbody has been assumed to be in satisfactory condition for safe operation, and free of significant defects.

Photos of weeping areas in utility room

RECOMMENDATIONS

1. Secure leak in generator exhaust at slip joint manifold connection and install lagging on the exhaust piping as far as the muffler. If generator is to be put into regular use, this connection is to be replaced with a bolted flange-type.
2. Leakage continues in the wall of the utility room. Repair with epoxy or other suitable material.
3. Hull potential reading at lower panel indicates a system fault. Repair as found necessary, and verify correct operation of the hull protection monitoring system.
4. Repair rainwater leak observed at exhaust stack, second floor furnace room and renew corroded exhaust stack.
5. Service auxiliary generator alarm system, where a fault indicator is showing.
6. Lifting davit has not been operated for some time, and requires servicing, to include replacement of hoist cable.
7. Five portable fire extinguishers observed, all due for inspection. Inspect, tag, and provide required number and location based on fire code.
8. Recommend installation of combination smoke / carbon monoxide detector in the lower accommodation space.
9. There was no fire pump or similar system aboard at the time of the inspection, as the subject is presently served by the municipal fire department. If the float house is moved to a remote location, such a system will be required.
10. Install heatproof duct tape on all joints in mechanical room furnace exhaust piping.
11. Renew the thermopane glass three windows in the downstairs kitchen and upper apartment found with cracked inner panes.

NOTES ON VALUATION

The valuations made in this report are exclusive of expendable items, removable personal equipment, possessions, spare parts, stores, bunkers or other consumables. The effective date of the valuation corresponds to the issue date of this report.

There are three accepted approaches used in appraisal analysis:

- COST APPROACH: Based on the proposition that the informed purchaser would pay no more for an asset than the cost of producing a substitute new asset with the same utility as the subject asset. When the subject asset is not new, the current cost to replace it must be adjusted for all forms of depreciation as of the effective date of the appraisal.
- INCOME APPROACH: Considers the value of the asset in relation to the present worth of future benefits derived from its ownership, and is typically measured through the capitalization of a specific level of income. This is the least common approach used in the valuation of some subjects since it is difficult to isolate income attributable to the asset alone.
- COMPARABLE SALES APPROACH: Also known as Market Approach. Involves the collection of market data pertaining to the subject asset being appraised. The primary intent of the market approach is to determine the desirability of the asset and recent sales or offerings of similar assets currently on the market in order to arrive at an indication of the most probable selling price for the asset being appraised. If the comparable sales are not exactly similar to the asset being appraised, adjustments must be made to bring them as closely in line as possible with the subject asset.

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:*

a) Buyer and seller are typically motivated;
b) Both parties are well informed or well advised, and acting in what they consider are their best interests;
c) A reasonable time is allowed for exposure in the open market;
d) Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and,
e) 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."

-American Society of Appraisers, The Uniform Standards of Professional Appraisal Practice, 2019 edition-

HIGHEST AND BEST USE

Highest and best use (HBU) is defined as "that reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal. Alternatively, that use, from among reasonable probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest value."

For the valuation process, the highest and best use of the subject will not be considered to be as a floating school or office in Thorne Bay, Alaska, because it is currently surplus to those uses. The Highest and Best Use is considered to be, in order of present value, as a floating sportfish or adventure tour lodge, an air taxi office building with the second floor as an apartment or converted to additional office space, or as a residential float house. A less likely use would be as a government -operated remote (NOAA, USDA, NPS) visitor center or laboratory. All uses that are not connected to municipal utilities will require some updating of the support systems to render the subject fully and reliably self-sufficient. This could require installation of a second auxiliary generator.

The location of a floating structure is a major factor regarding Highest and Best Use. Research has indicated that although floating residential and commercial properties can command high values due to waterfront lifestyle and environment, there is often a lack of available space for such uses. Because there is presently change afoot in the waterfront of the nearest municipality of any size, Ketchikan, Alaska, with waterfront businesses being displaced by the construction of new cruise ship berthage, there are very good potential uses for the subject along the Tongass Narrows north of the city center, and particularly by water based businesses such as air taxi, stevedoring, marine construction and towing companies. Because relocation of the subject to the Ketchikan waterfront is deemed to be practical and affordable, the more likely location for the highest and best earning potential will be considered to be the waterfront in Ketchikan, Alaska. The secondary highest and best use would be relocation to a remote logging camp or hunting and fishing lodge use area.

VALUATION METHOD

The undersigned, as a marine surveyor, typically utilizes the Market Approach, Sales analysis method for the appraisal of value. This market approach ordinarily makes use of appraisal guides such as BUC, ABOS, NADA and POWERBOAT GUIDE as appropriate for exact make and model or closest equivalent production vessels, as well as SOLDBOATS actual sales database, broker listings, and internal sales databases, all with appropriate adjustments for vessel age and condition, accessories, and location. Replacement values are based on closest comparable vessel of contemporary (new) manufacture.

However, in the case of the subject being appraised, there is a significant lack of comparable subjects, and the reasonable comparables such as float homes in the local area, or alternately, in the Juneau, Sitka or Seattle areas are disproportionately affected by location. There are but a few floating shops and offices listed on the Northwest coast, and their uses and appearance do not compare well with the subject.

The surveyor / appraiser also considered the Income Approach only inasmuch as the subject compares to waterfront properties that compare to the highest and best use of the subject. This approach has significant limitations as there are no comparable subjects in the general area, and the subject has never been in a position to generate cash flow. For these reasons, and due to the surveyor's lack of expertise in this area, the Income Approach to value was not utilized for the purposes of this report.

For the above reasons, the surveyor / appraiser will utilize the Cost Approach, in which the Reproduction or Replacement Cost New for the subject is first estimated with depreciation then being deducted. Depreciation has three forms; physical depreciation, functional obsolescence, and external obsolescence. Location and use can be components of Functional Obsolescence.

COST APPROACH

Estimated present value of subject building:

Because of the building's current use as housing, and the unlikely chance that it will find use in the future as a school, the estimated replacement cost of the facility will be based on its present use as an office or dwelling unit, and not as a municipal building such as a school. There is consequently no consideration of superadequacy, functional or economic obsolescence of the property as it is presently used.

The building's main floor has an approximate area of 4,200 s.f. presently in residential occupancy and a rank of 2.5. The second floor, has an approximate area of 1,390 s.f. in residential occupancy and a rank of 2.5. Components include stud exterior walls, wood siding, HVAC and forced air heating, exclusive of furniture, appliances, and other support systems. The building's perimeter foundation is included, as it is best associated with the structure than with the pontoon float. Cost data from Marshall & Swift.

	Units(s.f.)	Cost	Total
Base Cost	5,590	122,750	686,172
Exterior walls	5,590	20.52	114,706
Heating & Cooling	5,590	13.05	72,949
Foundation	5,590	4.73	26,440
Basic Structure Reproduction Cost			$900,267

According to the Marshall's Valuation Guide, the useful life span for school buildings of all types usually vary between 35 to 45 years, while office life spans are typically between 40 and 50 years. Since the subject was originally operated as a school in a relatively small community, and most recently as an office, in a harsh marine environment with maintenance above average, an effective normal useful life span of 40 years will be used for the purposes of this report.

The chronological age of the building is 28 years
The normal useful life has been determined to be 40 years
Given the current condition, the remaining useful life is determined to be 12 years
The effective age of the building is then 28 years.
The corresponding Marshall physical depreciation is 50%

Estimated Present value of building and foundation, Cost Basis: ($ 900,267 X .50) **$ 450,133.00**

Estimated present value of subject Pontoon:

Based on consultations with the pontoon's original builder, the Replacement Cost new of the pontoon float, including the Impressed Current Protection system, in today's dollars F.O.B. Ketchikan, Alaska is $1,500,000.00

The Chronological age of the pontoon is 28 years
The normal useful life is estimated to be 40 years
Given the estimated current condition, the remaining useful life is determined to be 12 years
The effective age of the pontoon is then 28 years
The corresponding Marshall physical depreciation is 60%

Estimated Present value of pontoon, Cost Basis: ($ 1,500,000 X .40) **$ 600,000.00**

Estimated Present Value of combined building and pontoon, Cost Basis: **$1,050,133.00**

Estimated present value of subject support systems not included in above:

The boarding gangway is considered an essential element based on the highest and best use opinion. Because it is not built to commercial standards, and is considered by the undersigned to be on the lower end of residential standards by virtue of its structural integrity, it is valued at just below half of estimated residential duty replacement cost.

Estimated Present Fair Market Value of boarding gangway: $ 3,000.00

The approximately 1,200 s.f. of foam flotation untreated deck wood floats with tie-up railings currently attached to the structure and pontoon do have value and are in fact necessary for access and mooring to the subject building and pontoon. The approximately 600 s.f. of foam flotation untreated deck wood floats without tie-up railings currently attached to the structure and pontoon do have value as accessory storage, etc., and based on present condition, floats are valued as follows:

Estimated Present Fair market value of six main gangway and mooring floats: $ 3,000.00
Estimated Present Fair market value of accessory floats: $ 1,000.00

Potable and black water systems. Based on highest and best use opinion, these systems may require some renovations to become fully function. They would be surplus if the facility were to be connected to municipal systems. Any use on the Ketchikan waterfront would include access to municipal water and sewer.

Estimated Present Fair market value of Potable and Black water systems: $ 2,000.00

Backup power generation system. Based on highest and best use opinion, this somewhat outdated 40 KW generator in a remote lodge use may require upgrading in order to provide needed capacity. Any use on the Ketchikan waterfront would include access to municipal electrical utilities. In the latter case, the auxiliary generator and switching system would have a residual value. In its present use the generator has a reduced value.

Estimated Present Fair market value of auxiliary generator system in use: $ 3,000.00
Estimated Present Fair market value of items on this page: $ 12,000.00

Estimated Present Fair Market Value of building, pontoon, support systems, rounded, Cost Basis: $1,062,133.00

The surveyor believes that the cost basis valuation alone is not be sufficiently accurate for obtaining the true Fair Market Value of the subject property. A deduction based on the subject's location is felt to be appropriate, as it is currently moored in a semi-remote location, and would most likely have to be relocated to achieve its highest and best use. It is estimated that the cost to relocate the subject to another site in the same economic area and reestablish its moorings, floats, etc. would be approximately -$150,000.

Economic obsolescence should be applied to the calculations because the subject is currently unable to generate suitable revenue to support needed maintenance and repairs. We estimate this factor presents an adjustment of -$100,000.

Finally, the cost to remodel the subject for alternative uses in either waterfront business or the adventure and sportfish lodge industry, considered highest and best uses for the subject, reduces its marketability. We propose an adjustment of -$100,000. to the Cost Basis Fair Market Value for the cost to update and remodel to achieve the highest and best use.

Total deduction for economic factors: -$ 350,000.00

Estimated Current Fair Market Value of subject after adjusting for economic factors, rounded: $ 712,150.00

Estimated Replacement Cost of subject, rounded: $2,400,265.00

CERTIFICATION OF REPORT AND DISCLAIMER

- The undersigned is an Accredited Marine Surveyor conforming to the requirements of the Society of Accredited Marine Surveyors (SAMS). He is an associate member of the American Society of Appraisers, conforming to the Uniform Standards of Professional Appraisal Practice (USPAP), and has personally inspected the subject vessel.
- The undersigned has no financial interest, or contemplated future interest, in the vessel appraised, nor does the surveyor have a personal interest or bias with respect to the parties involved. Fees charged for the appraisal are based on a standard fixed fee and are not contingent on the reporting of a predetermined condition or value.
- The values set forth in this report are presented as the surveyor's considered opinion, and are based on the data, professional analysis, opinions, and conclusions set forth in this report. The statements of fact included in this report are true and correct. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are this surveyor's unbiased professional analyses, opinions, and conclusions.
- This report is prepared for the exclusive use of the client whose name and address appear herein. It is to be considered an entire document and no single section is meant to be used except as part of the whole. It is not transferable without the client's permission. The intended users of this report and appraisal are the client and those lenders and underwriters considering financing or insuring this vessel for this client only. This report by itself may not contain all the components necessary for a prepurchase decision, and other potential buyers are specifically excluded as third party users.
- Acceptance and use of this report by the client acknowledges the client's understanding that the report has been composed of information that is believed to be true after reasonable investigation and inquiry but is not warranted to be so. The information was obtained without drilling, diving or opening up to expose parts or conditions normally concealed. No determination of stability or overall structural strength has been made and no opinion is expressed. Norcoast Marine Surveyors does not accept any responsibility for damage or deterioration not found or discovered during the course of survey, nor for consequential damage, deterioration or loss due to any error or omission.
- The Client hereby undertakes to keep the undersigned surveyor indemnified and to hold him harmless against all actions, proceedings, claims, demands or liabilities whatsoever or howsoever arising, which may be brought against him or incurred or suffered by him, and against and in respect of all costs, loss, damages and expenses (including legal costs and expenses on a full indemnity basis) which he may suffer or incur either directly or indirectly in the course of the services under these Conditions.
- Notwithstanding the above clause, in the event that the Client proves that the loss, damage, or delay or expense was caused by the negligence, gross negligence or willful default of the aforesaid surveyor, then, save where loss, damage, delay or expense has resulted from the surveyor's personal act or omission committed with the intent to cause same or recklessly and with knowledge that such loss, damage, delay or expense would probably result, the surveyor's liability for each incident or series of incidents giving rise to a claim or claims shall never exceed a sum calculated on the basis of ten times the surveyor's charges.

Submitted without prejudice,

James W. Steffen, AMS