

Twin Harbors Appraisal Service Inc.

Appraisal Report of
The Appraisal of:

John J. Shultz Property
3134 Wishkah Road
Aberdeen, Washington 98520



Effective date of the appraisal: February 22, 2014

Report Date: March 3, 2014

Appraisers File No. C02014

By:

Keith D. Thurman, MAI
WA State Certified General Appraiser
1100489



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509-663-4340
360-267-1100

March 3, 2014

Ryan Bartelheimer, Project Manager
AMEC Environmental & Infrastructures
11810 North Creek Parkway North
Bothell, WA 98011

RE: Appraisal of the John J. Shultz Property
3134 Wishkah Road
Aberdeen, WA 98520

Dear Mr. Bartelheimer:

In fulfillment of our agreement I am pleased to transmit herewith an appraisal report of the appraisal of the market value of the fee simple estate in the above referenced property, as of February 22, 2014 – the last day I viewed the property. This appraisal is prepared in *Appraisal* report format. As such, the attached report sets forth my value conclusion along with supporting data and reasoning which form the basis of our opinion. The value opinion reported is qualified by certain definitions, limiting conditions, and certifications, which are set forth on pages 4 through 7 of this report.

Per the Short Form Services Subcontract Agreement No. C013102249 dated February 6, 2014 and other communication with your company (AMEC) I understand this appraisal will be used to aid the prime client – Grays Harbor County – in determining a market value of the property for negotiation of a potential purchase.

As there is some timber on the property and because I am not qualified to value timber, I have partnered with a forestry specialist – the S.A. Newman Firm – to analyze and appraise the value of the timber on the subject property. I will perform and present the valuation of the real property. The S.A. Newman Firm will perform and present the valuation of the timber on the property. The report from S.A. Newman is incorporated into this report by reference. It is an assumption of this report that the reader of this report also has in their possession a copy of the S.A. Newman timber appraisal report dated March 11, 2014 with a date of value of February 17, 2014. The report from S.A. Newman has been delivered to the client electronically attached with this Appraisal Report in one PDF document. The written copies of the report also have been delivered together-with the S. A. Newman report.

I have previously worked as a subcontractor for S.A. Newman Firm (specifically with Mr. Timothy Newman) as a subcontractor on assignments in Pacific County and Grays Harbor County. Mr. Newman and/or others in his Firm have performed timberland and/or timber appraisals in Grays Harbor County for many years.

I have determined that the stumpage value of the timber is more than offset by the aesthetic damage that would be done to the subject site during and after the removal of the trees.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and addenda.

The opinion of market value was developed using the definition of Market Value as defined in the attached report and is subject to the definitions, certifications, and limiting conditions set forth in the attached report.

The estimated market value of the subject property as of February 22, 2014, including the timber, was determined to have been;

\$72,500

Seventy Two Thousand Five Hundred and 00/100 Dollars

It has been a pleasure to assist you in this assignment. If you have any questions, please contact me at your convenience at 509-663-4340 or keith@twinharborsappraisal.com.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Keith D. Thurman", with a long horizontal flourish extending to the right.

Keith D. Thurman, MAI

Table of Contents



**John J. Shultz Property
3134 Wishkah Road
Aberdeen, Washington 98520**

Certification	Page 1
Summary of Major Conclusions	Page 2
Premises of the Appraisal	Page 5
Definitions and Concepts	Page 10
Client Identification.	Page 10
Intended Users of the Report.	Page 10
Intended Use of the Report	Page 10
Property Rights Appraised	Page 10
Purpose of the Appraisal	Page 11
Market Value Definition	Page 11
Effective Date of Value.	Page 11
Date of the Report	Page 12
Projected Exposure Time & Marketing Time	Page 12
Scope of Work	Page 13
Personal Property.	Page 14
Identification of the Subject Property	Page 15
Photographs and Images	Page 17
Region Description	Page 34
Neighborhood Description	Page 38
Description of the Subject Property	Page 41
Description of the Site	Page 41
Description of the Improvements	Page 47
Highest and Best Use	Page 54
Valuation	Page 60
Site Valuation	Page 61
Sales Comparison Approach	Page 81
Reconciliation and Final Value Estimate	Page 88
Exhibits and Addenda	Page 89

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

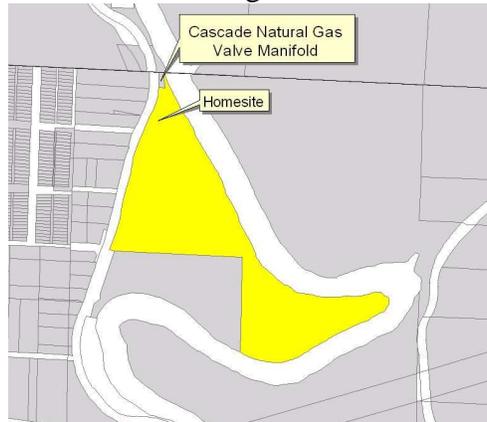
- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this appraisal report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Appraisal Practice*.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute*, as well as the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- no one provided significant real property professional appraisal assistance to the person signing this certification.
- previous to this report, Keith D. Thurman has never performed an appraisal service on the property that is the subject of this report.



Keith D. Thurman, MAI March 3, 2014

Property John J. Shultz Property
3134 Wishkah Road
Aberdeen, Washington 98520

Site Description



The subject property is graphically shown highlighted in yellow in the graphic above. This graphic was taken from the Grays Harbor County GIS system and is only intended to be used by the reader as an aid in visualizing the subject. It is not as accurate as a survey.

As shown, the subject site is an irregular shaped acreage parcel with an estimated area of 27.51-acres (as per the Grays Harbor County Assessor's records). The site has frontage on both the Wishkah Road and the Wishkah River. Using the Grays Harbor County GIS data, I have estimated the frontage on the Wishkah Road to be approximately 1,250-feet. The frontage on the Wishkah River – using the same data source – is estimated to be approximately 3,900-feet.

With the exception of very limited areas immediately adjacent to the Wishkah Road and at the northern tip of the property, the overall lay of the land is low with very little topographic relief. According to the owner of the property large areas of the site floods in the winter months, sometimes extensively.

The northern tip of the property is developed with a single-family homesite where an older manufactured home is located. From other observations on the site it appears that there may have been a previous homesite in the northern tip of the property near the existing manufactured home.

The site is currently served by Aberdeen City Water, public power, and commercial telephone and television cabling. Sewer is not available to the site and there is an on-site sewage disposal system (septic tank). According to the owner the system operates correctly. During my site-inspection I did not notice any surface leakage that would indicate a failure. However, the determination of the functionality of a septic tank is beyond the scope of an appraisal

assignment. If the client is concerned a specialist should be contacted.

This site is located on the Wishkah Road approximately one road-mile north of the intersection of the Wishkah Road with Bench Drive. This is approximately 1,250 feet north of the City Limits of Aberdeen.

The property is zoned A-1 Agriculture by Grays Harbor County. This zone has a minimum lot size of 10-acres for newly divided land. Smaller sites created prior to the zoning ordinance are legal non-conforming uses.

The site will be discussed in more detail later in this report.

Improvement Description



The subject improvements include a 1964 Fleetwood 12-foot X 56-foot (actually only 11.5-feet wide) manufactured home containing 644 square-feet (based on actual measurements).

There is a 282 square-foot wood deck constructed on the north side (front) of the manufactured home. Another deck containing 120-square-feet is adjacent to this front deck and is a surround for a non-functional hot tub. The rear porch is a 24-square-foot wood deck.



Pictured above is an older wood-framed 834 square-foot storage building located near the manufactured home. There is a closed porch in this building improved as a laundry room. The balance of the building is used as marginal storage area. According to the owner the pier and post foundations of this building were significantly affected by a flood several years in the past. The floors are uneven, and a small creek or slough passes very near and slightly under the east side of the building (shown above).



The owner moved the 176 square-foot wood-framed utility building pictured above to the site in the recent past. This building was in average condition. The owner trucked it in and put it on a pier and post foundation.



The owner constructed a marginal woodshed on the property in the recent past. This building contains 302 square feet and functions well for its intended use.



There is an older garage building located approximately 50-feet south of the manufactured home. This building was in poor condition and was determined to have no value.

The improvements are described in more detail later in this report.

Age The Grays Harbor County Assessor records the origination date of the home to be 1968, but the owner offered that he has records that show that the home was constructed in 1964 but installed on the site in 1968. This was not verified, but I believe the owner's information to be credible and am using the 1964 date for this report.

Highest and best use As though Vacant: Conservation reserve.

As Improved: Demolition of the existing structures and sale to a conservation entity for preservation in its previous natural state.

Personal Property None – It is an extraordinary assumption of this report that the manufactured home and the smaller storage shed are real estate and not personal property. Therefore, no personal property was included in the value estimate presented in this report.

Marketing time 12 months

Site value estimate \$52,500

Cost approach indication Not Applicable

Sales Comparison approach indication \$72,500

Income approach indication Not Applicable

Final Value estimate as of February 22, 2014 \$72,500

General Assumptions and Limiting Condition

A **General Assumption** is a typical assumption of an appraisal. A statement of general assumptions and limiting conditions is often included in the discussion of the premises of the appraisal in an appraisal report for the appraiser's protection as well as the information and protection of the client and others using the report.

For example, it is a **general** assumption to assume that a property survey is correct. However, if site conditions have changed (evidence of easements or encroachments) since the date of the survey, then an **extraordinary** assumption related to the uncertain conditions would be appropriate.

A **Limiting Condition** is a special condition that limits the use of an appraisal, e.g., by specifying the intended use and intended user of the appraisal report.

This statement of general assumptions and limiting conditions is included in the report for the appraiser's protection as well as the information and protection of the client and others using the report.

1. Acceptance and/or use of this appraisal report by the client or any third party constitutes acceptance of the stated Assumptions and Limiting Conditions. My liability extends only to the stated client, not to subsequent parties or users of the report and in any case no further or for any amount larger than the fee paid for this assignment.
2. The legal descriptions used in this report are assumed to be correct, but they may not necessarily have been confirmed by survey. No responsibility is assumed in connection with a survey or for encroachments or overlapping or other discrepancies that might be revealed thereby. Any sketches included in the report are only for the purpose of aiding the reader in visualizing the property and are not necessarily a result of a survey.
3. I assume that the title to the property to be marketable; that, unless stated to the contrary, the property is appraised as an unencumbered fee which is not used in violation of acceptable ordinances, statutes or other governmental regulations. In other words, I appraised the property free and clear of any and all lien or encumbrances (unless otherwise stated).
4. I assume that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable than otherwise comparable property.
5. All mortgages, liens, encumbrances, and servitudes have been disregarded unless so specified within the appraisal report.
6. I have not been engaged to evaluate the effectiveness of management, and I am not responsible for future marketing efforts, and other management actions upon which actual results may depend. The subject property is appraised as though under responsible ownership and competent management.
7. Information and opinions furnished to us and contained in the report were obtained from sources considered reliable and believed to be true and correct. However, no warranty is given or implied as to its accuracy.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconforming use has been stated, defined and considered in the valuation.
9. It is assumed that the subject property complies with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the attached report.
10. It is assumed that the information relating to the location of or existence of public utilities that has been obtained through a verbal inquiry from the appropriate utility authority, or has been ascertained from visual evidence is correct. No warranty has been made regarding the exact location or capacities of public utility systems.
11. It is assumed that all licenses, consents or other legislative or administrative authority from local, state or national governmental or private entity or organization have been, or can be, obtained or renewed for any use on which the value estimate contained in the valuation report is based.
12. Unless otherwise noted in the Description of the Subject Property section of the attached report, I was not provided with any soils studies or reports, or any environmental or wetlands studies, reports, or assessments

for the subject property. Therefore, any issues which might be raised if this information were available is not known or considered.

13. I assume that there are no hidden or unapparent conditions of the structures that render the property more or less valuable. I assume no responsibility for such conditions or for obtaining the engineering studies that may be required to discover them.
14. I assume that all engineering studies that are provided are correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
15. Possession of an original or a copy of this report does not carry with it the right of publication or reproduction, nor may an original or a copy of the report be used for any purpose whatsoever by anyone except the client without the previous written consent of the appraiser and the client. Out-of-context quoting from and partial reprinting of this appraisal report are expressly prohibited. The omission or change of any part of this appraisal report without my written authorization invalidates the entire appraisal.
16. Neither all nor any part of the contents of this report (especially any conclusions of value, my identity, or the firm with which I am connected) shall be distributed to the public through advertising, public relations, news, sales, or other media without my prior written consent and approval.
17. I will appear or give testimony in court in connection with this appraisal on request if I receive adequate advance notice in order to make required preparations and scheduling arrangements. I will specify and make charges in connection with pretrial hearings, conferences, and court testimony in accordance with my usual practice.
18. I assume that the use of the land and improvements is confined within the boundaries of the property described and that there is no encroachment or trespass unless noted in the Description of the Subject Property section of this report.
19. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of use. The separate values allocated to the land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. Any value estimates provided in the report apply to the entire property, and any pro-rations or division of the total into fractional interest will invalidate the value estimate unless such proration or division of interest has been stated in the report.
20. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect on the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.
21. Confidential Information - information that is either: identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or classified as confidential or private by applicable law or regulation will be retained in confidence by the appraiser and will not be disclosed without permission of the client.
22. The analyses contained in this appraisal are based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, I make assumptions as to future behavior of consumers, and the general economy, which are highly uncertain. It is, however, inevitable that some assumptions will not materialize and that unanticipated events may occur which will cause actual achieved operating results to differ from the financial analyses contained in this report, and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience and the data available, I make no warranty of any kind that the conclusions presented will, in fact, be achieved.
23. This report may not be distributed to or relied upon by other persons or entities without our written permission. However, the client may provide complete and final copies of the appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with the estate settlement. I am not required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions.

Extraordinary Assumptions

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

Extraordinary assumptions are commonly used in potential environmental contamination situations where it is not known whether or not the property is contaminated. Extraordinary assumptions are also used for proposed construction as of a prospective (future) date. In addition, they are also used in appraisals where the appraiser performs an exterior-only inspection (a.k.a. drive-by appraisal) and is uncertain about relevant property characteristics such as size and condition.

1. I am not an expert in determining the presence or absence of hazardous substance, defined as all hazardous or toxic materials, waste, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. Unless otherwise noted in this report in the Description of the Subject Property section; I did not observe any potentially hazardous material used in the construction or maintenance of the building and/or the presence of toxic waste. I do not have any knowledge of the existence of such materials on or in the property, and it is an assumption of this report that they do not exist on the property. I urge the client to retain an expert in this field if the client believes it is necessary or appropriate. If – after such inspection – such hazardous materials are discovered to have been present at the date of value, the reported market value of the property may be adversely affected and require re-appraisal at additional cost.
2. I was not provided with any soils studies or reports, or any environmental or wetlands studies, reports, or assessments for the subject property. Therefore, any issues which might be raised if this information were available is not known or considered. It is an extraordinary assumption of this appraisal that the subject's soils can support the highest and best use of the subject property, and that the subject site is not impacted negatively by the presence of any hazardous substances or other environmental problems. Should the basis for any of these assumptions be found to be substantially incorrect or inaccurate, the value conclusions estimated herein may be impacted.
3. It is an extraordinary assumption of this report that the manufactured home and the smaller storage shed are real estate and not personal property. Therefore, no personal property was included in the value estimate presented in this report.
4. The S.A. Newman Firm performed a timber cruise and timber appraisal in their report dated March 11, 2014 with a date of valuation of February 17, 2014. This 'Appraisal of Timber' is attached to this report and is hereby incorporated by reference. It is an extraordinary assumption of this Appraisal Report that the reader has a copy of the Timber Appraisal for reference.

Hypothetical Conditions

A hypothetical condition is that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if:

- Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- Use of the hypothetical condition results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

A hypothetical condition is a situation that you know to be false (no uncertainty), supposing it to be true for the purposes of analysis, that is, a condition contrary to known facts.

No hypothetical conditions were used in the development of this appraisal report.

Jurisdictional Exceptions

A Jurisdictional Exception is an assignment condition that voids the force of a part or parts of USPAP, when compliance with part or parts of USPAP is contrary to law or public policy applicable to the assignment. (USPAP, 2002 ed.)

There were no known Jurisdictional Exceptions to USPAP required in the preparation of this report.

Client Identification

Client is defined by the *Uniform Standards of Professional Appraisal Practice, Appraisal Standards Board, The Appraisal Foundation, 2014-2015 edition, Definitions*, as: “The party or parties who engage, by employment of contract, an appraiser in a specific assignment.”

The client in this report is AMEC Environment & Infrastructure, Inc. (AMEC) who has been engaged by the primary client – Grays Harbor County – to coordinate the appraisal process.

Intended Use and Users of the Appraisal

Intended Use is defined by the *Uniform Standards of Professional Appraisal Practice, Appraisal Standards Board, The Appraisal Foundation, 2014-2015 edition, Definitions*, as: “The use or uses of an appraiser’s reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.”

Per written communication, I understand that the appraisal will be used to aid the client in determining a market value for the subject property as an aid in a negotiation for a potential purchase of the property.

As per the S.A. Newman report, the sole functions of the cruise and timber appraisal are to: (i) assist in establishing the market value of this property as a whole in order to establish a purchase offer by AMEC’s direct client – Grays Harbor County – in a voluntary transaction; and (ii) perform one step in establishing eligibility for public grant monies.

Intended User is defined by the *Uniform Standards of Professional Appraisal Practice, Appraisal Standards Board, The Appraisal Foundation, 2014-2015 edition, Definitions*, as: “The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report, by the appraiser on the basis of communication with the client at the time of the assignment.”

The intended users of the real property portion of the appraisal report has been prepared for the sole and exclusive use of AMEC Environment & Infrastructure (AMEC) and Amec’s direct client, Grays Harbor County, as additional permitted user.

The cruise and timber appraisal dated March 11, 2014 prepared by the S.A. Newman Firm was prepared for the sole and exclusive use of Twin Harbors Appraisal Service, Inc., its client AMEC Environment & Infrastructure (AMEC) and Amec’s direct client – Grays Harbor County – as additional permitted user.

Property Rights Appraised

The property rights appraised are the fee simple estate, defined by *The Dictionary of Real Estate Appraisal*, 3rd Edition, as follows:

“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.”

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of market value presented in terms of cash or on financing terms equivalent to cash.

Market Value Definition

Market value, as used in this report, is defined as follows:

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 are 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 interest;
- a reasonable time is allowed for exposure in the open market;
- payment is made in 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.

The above definition was taken from the regulations published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recover, and Enforcement Act (FIRREA) of 1989 between July 5, 1990, and August 24, 1990, by the Federal Reserve System (FRS), National Credit Union Administration (NCUA), Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the Office of Comptroller of the Currency (OCC). This definition is also referenced in regulations jointly published by the OCC, OTS, FRS, and FDIC on June 7, 1994, and in the *Interagency Appraisal and Evaluation Guidelines*, dated October 27, 1994.

Effective Date of Value

The effective date of value for the real property is the last day I inspected the property, February 22, 2014.

The date of the timber-value appraisal report is February 17, 2014. I have consulted with Tim Newman of S.A. Newman and have been assured that the timber value as of February 22, 2014 would be very similar – if not identical – to the timber values as of February 17, 2014.

Date of the Report

The date of the real property appraisal report is March 3, 2014.

Projected Exposure Time & Marketing Time

The *Uniform Standards of Professional Appraisal Practice, Appraisal Standards Board, The Appraisal Foundation, 2014-2015 edition, SMT-6*, defines *Exposure time* as “the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.”

Uniform Standards of Professional Appraisal Practice, Appraisal Standards Board, The Appraisal Foundation, 2014-2015 edition, Advisory Opinion AO 7; defines a reasonable *marketing time* as “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.”

Advisory Opinion A07 goes on to state that: “The development of a marketing time opinion uses some of the same data analyzed in the process of developing a reasonable exposure time opinion as part of the appraisal process and is not intended to be a prediction of a date of sale or a one-line statement. It is an integral part of the analyses conducted during the appraisal assignment. The opinion may be expressed as a range and can be based on one or more of the following:

- statistical information about days on market,
- information gathered through sales verification,
- interviews of market participants, and
- anticipated changes in market conditions.

Related information garnered through this process includes other market conditions that may affect marketing time, such as the identification of typical buyers and sellers for the type of real or personal property involved and typical equity investment levels and/or financing terms. The reasonable marketing time is a function of price, time, use, and anticipated market conditions, such as changes in the cost and availability of funds, and is not an isolated opinion of time alone.”

In order to estimate a reasonable exposure and marketing period for the subject property, I researched sales of industrial and commercial properties in the local and extended market areas. Buyers, sellers, and/or brokers were contacted relevant to the sales used herein to estimate market value and an appropriate marketing time for the subject. The exposure period for the subject property is estimated to be 12 - months or less. This estimate is based on the strength in the subject’s market area (or lack thereof) as described in the neighborhood description and in the highest and best use sections of this report, along with the actual exposure time exhibited by recent sales of somewhat similar properties.

In estimating the marketing time, I have relied on the same information as for exposure time. Market evidence suggests that, excluding atypical problems, a marketing time for the subject of

12 - months is realistic. The value conclusion herein is arrived at with reference to this estimated marketing time.

Scope of Work – Process of Collecting, Confirming, and Reporting Data

I was contacted by a broadcast e-mail from AMEC Environment & Infrastructure (AMEC) requesting a bid proposal to appraise two properties, the subject of this report and an adjoining property. The proposal request specified that the real property appraiser was to partner with a forestry specialist that was also on the Washington State Department Of Transportation (WSDOT) list of approved right-of-way appraisers to estimate the value of the timber located on the subject property.

I submitted a proposal that was ultimately accepted by AMEC. In that proposal I proposed to partner with S.A. Newman Firm, 3216 Wetmore Avenue, Suite 205, Everett, WA 98201-4368 to analyze and appraise the value of the timber on both parcels.

I have previously worked as a subcontractor for S.A. Newman Firm (specifically with Mr. Timothy Newman) as a subcontractor on assignments in Pacific County and Grays Harbor County. Mr. Newman and/or others in his Firm have performed timberland and/or timber appraisals in Grays Harbor County for many years.

Mr. Newman has provided me a quote for his services and has been retained as the Forestry Specialist for this report. Mr. Newman has presented the following three paragraphs regarding the scope of work and intended users of that work. The two paragraphs below were paraphrased from the S. A. Newman quote and describe the scope of the timber aspect of the report.

The cruise is an estimate of volume (in thousands of board feet) and grade for each species of merchantable timber; grading standards of local log scaling & grading Bureau and export sorts where applicable. Cruise procedure and software used will be auditable and acceptable to State DNR standards. Cruise intensity will be: one variable radius plot per 1.3-acres on the Shultz parcel; one variable radius plot per acre on Svangren parcel, on all stocked acres situated landward of n-cut riparian buffers and otherwise projected as “merchantable”. At least one-half of all trees on plots on each of the two parcels shall be measured and graded; other trees sampled for tree county by species and diameter only. Up to approximately 25-plots are proposed to be installed. Grid layout for installation of plots to be equidistant or otherwise stratified within cruised stands.

The appraisal of on-site merchantable timber on each of the two ownerships will estimate itemized logging costs per MBF (including hauling cost/log destination analysis for competing buyers), log values for each grade, and contributory timber value by a conversion return method (variant of income approach). Merchantable timber will be valued as export unrestricted as of a current date under the alternative prospective harvest premises of a Class III (i.e., with no near term land use conversion) and Class IV-General (i.e., with near term land use conversion) forest practice. To the extent that the timber is sub-merchantable or pre-merchantable, the appraisal of such timber will project estimated yield, species composition, market log values by species and sort, itemized logging costs and market discount rates. A 100% fee simple estate in on-site timber will be valued in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) when used with report of lead property appraiser.

The scope of this appraisal is intended to comply with the requirements of the 2014-2015 Uniform Standards of Professional Practice (USPAP) in the format of an ‘Appraisal’ report.

To gather, confirm, and analyze the data, I performed the following steps:

1. Physically inspected the subject property and the surrounding neighborhood on February 22, 2014.
2. Collected factual information about the subject property and the surrounding neighborhood.
3. Collected information from the Grays Harbor Planning Department, Grays Harbor Environmental Health Department, and the Washington State Department of ecology regarding the zoning and potential land-uses.
4. I began preparation of the report on March 3, 2014.
5. During the preparation of the report I prepared a highest and best use analysis of the subject property as improved.
6. I collected market information as needed to apply the traditional approaches to value: cost approach, sales comparison approach, and income capitalization approach, if applicable.
7. I determined that due to the age of the buildings that the cost approach could potentially be misleading and therefore was not useful in this report.
8. I also determined that the income approach value was not applicable to this property type and did not use it in this report.
9. I then prepared a sales comparison approach valuation.
10. I then finalized the Appraisal report setting for the conclusions derived in this analysis as well as the information upon which the conclusions are based

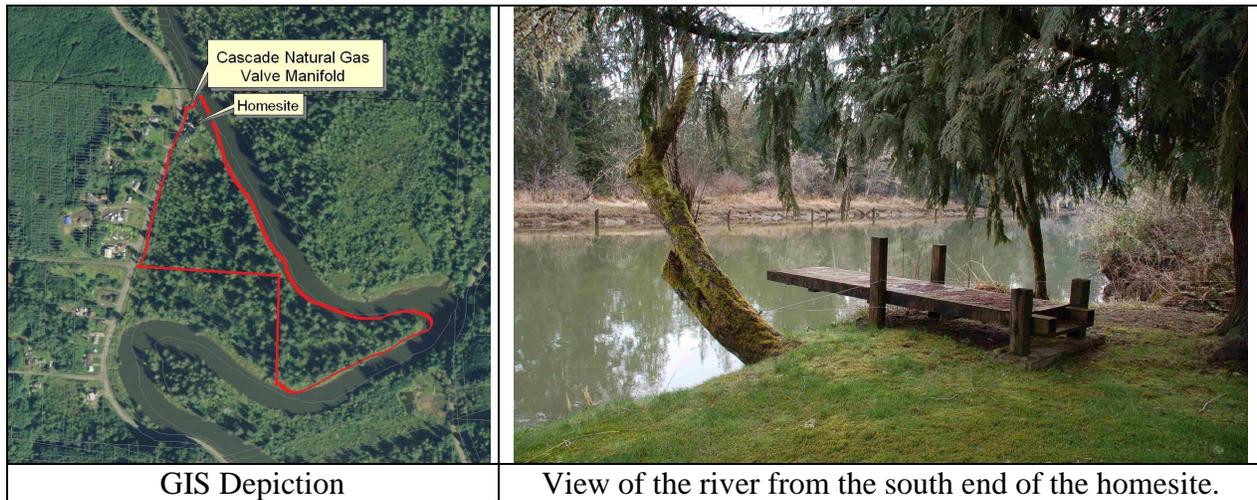
The format of this report is an Appraisal Report, which is intended to comply with the reporting requirements set forth under standards Rule 2-2(b) of the 2014-2015 Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it presents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Additional supporting documentation concerning the data, reasoning, and analyses are retained in the appraisers' files. The depth of discussion contained in this report is specific to the needs of the client stated within this report.

Personal Property

No personal property was included in the value estimate presented in this report.

Identification of the Subject Property

3134 Wishkah Road



Property: The subject property includes the land and building improvement known as the John J. Shultz Property, located at 3134 Wishkah Road, Aberdeen, Washington.

Address: 3134 Wishkah Road, Aberdeen, WA 98520.

Location: This site is located on the Wishkah Road approximately one road-mile north of the intersection of the Wishkah Road with Bench Drive. This is approximately 1,250 feet north of the City Limits of Aberdeen.

Owner of Record: John J. Schultz

History of Property:

According to public records Shelba J. Wallaert, PO Box 1594, Estacada, Oregon, sold the subject property to John J. Schultz on 10/01/2002 for a recorded purchase price of \$65,000. The terms of record are \$7,000 in cash to the seller and a seller-held note and deed of trust in the amount of \$58,000. The terms of the note were not forthcoming.

The owner – Mr. Schultz – was on-site at the time of inspection. According to Mr. Schultz approximately “6 or 7 years ago” an entity known as the ‘Chehalis River Basin’ (Land Trust?) offered him \$50,000 for the property. They had the property appraised prior to the offer. Their motive was to purchase the property and return it to its’ natural state. They planned to demolish/remove the existing structures.

Mr. Schultz also commented that the processing of selling his property to some similar entity had been an ongoing process for several years. Evidently, the subject property is highly regarded by environmentalists and/or conservationists for acquisition to protect the river environment.

As presented earlier, I have been engaged by AMEC Environment & Infrastructure (AMEC) to appraise the property. According to AMEC the purpose of this report is to estimate the market

value for the negotiation of a potential purchase of the property by Grays Harbor County (County). Based on verbal communications with AMEC and/or Tom Gray, County Surveyor; the County's interest in the property is twofold. The County owns the Wishkah Road at that location and is interested in placing metal sheet piling along the edge of the road as it passes adjacent to the subject as part of a road improvement project. The purchase of the property will eliminate the added cost and complications caused by the sheet piling installation with regards to access to the subject property.

The County's second interest in purchasing is to return the property to its natural state to protect the Wishkah River environment. Coupled with this is possible that the County could either sell the property (after installation of the sheet piling) to a conservation entity, or maintain it in their own inventory.

To the best of my knowledge, no other purchases or offerings of the property have occurred in the last three years.

Legal Description

**Government Lot 1;
EXCEPT portions platted;
AND EXCEPT a tract of land in Section 33, Township 18 North, Range 8 West of the Willamette Meridian, being a part of Government Lot 1 of said Section, described as follows:**

Beginning at the intersection of the Easterly right-of-way of the Wishkah County Road and the North line of Section 33, Township 18 North, Range 9 West of the Willamette Meridian;

**Thence following said right-of-way line South 0° 36' West 100 feet;
Thence South 88° 50' East 41.7 feet to the bank of the Wishkah River;
Thence Northwesterly along said river bank to an intersection with the North line of aforementioned Section 33;
Thence North 88° 50' West 6 feet along section line to the point of beginning;**

EXCEPT ROADS.

ALSO EXCEPT that portion conveyed to Grays Harbor County for Wishkah Road No. 94311 by Warranty Deed dated February 28, 1983, under Auditor's File No. 830309021, records of Grays Harbor County,

ALSO, Government Lot 3, EXCEPT Roads.

**ALL in Section 33, Township 18 North, Range 9 West of the Willamette Meridian.
Situate in the County of Grays Harbor, State of Washington.**

Photographs (Taken on February 22, 2014)



Looking south down the Wishkah Road. The driveway at the left access the Cascade Natural Gas valve regulator station.



Another view looking south down the Wishkah Road. The subject homesite is at the left in this picture, near the north end of the property.



Looking north up the Wishkah Road near the southwest corner of the portion of the subject that abuts the Wishkah Road.



Typical view looking east into the subject property near the south end from Wishkah Road.



Looking south down the Wishkah River. The subject homesite is at the right.
This is near the north end of the property.



Another view of the river from the homesite. This structure is all that's left of
a pier that secured a floating dock. Looks like a diving board, but isn't.



Looking north up the Wishkah River from near the south end of the developed homesite. There is a buried gas pipeline just beyond where the sign is seen on the river-bank.



This is the sign mentioned in the previous picture. Note to the right of this picture is part of a natural gas regulator station. This regulator station is located immediately adjacent to the north end of the subject property. According to the owner, safety-valves go off two or three times a year. The result is a loud compressed air noise as gas is released. This results in someone from the company coming to the site and research the reason for the safety valve release.



Front view of the manufactured home.



Another view of the front of the manufactured home showing the deck structure.



This is a view of the portion of the deck that houses the 8 X 8 hot-tub. According to the owner, the tub is currently not functional.



Another view of the hot-tub portion of the deck.



Front deck steps. According to the owner, during periods of flooding the water has come as high as the third step (from the bottom).



Rear of the manufactured home. The skirting was all washed away in a flood event in the last ten years (or so).



Meter base for the manufactured home. Typical.



Interior electrical panel. This panel had been replaced/updated.



Another rear view of the manufactured home. This door gives access to the kitchen area at the front of the trailer.



Another view of the manufactured home showing the deck.



View of the manufactured home from the river-side of a small slough or creek.



Entry into the manufactured home from the front deck.



Living room. The woodstove on the left is a primary heat source.



Woodstove



Main bedroom



Small Bedroom



Bathroom



Damaged wall in the primary bedroom.



Broken windows



The home still had a license plate. I do not know if the title has been retired.



Front of the small storage shed



Rear of the small storage shed.



Rear of the woodshed



Front of the woodshed



Front of large wood-frame storage building



Rear of large wood-frame storage building. According to the owner, in the same flood season that swept away the skirting to the trailer the foundation of this structure was undermined and damaged. As shown, there is a small creek or slough that is under the riverside edge of the structure.



Entry porch on north end of building



Another view of the north end.



Laundry room in closed porch.



Interior of the storage area (main part)



Another interior view



Older garage building that was given no value.

Region Description



Grays Harbor County is named for the 90 square-mile harbor around which clusters the bulk of the county's population and industrial and commercial activities. Grays Harbor County is located on the Pacific Coast of Washington about midway between the Columbia River mouth and the Strait of Juan de Fuca. Grays Harbor County is the largest of Washington State's four coastal counties in both area and population, having 1,910 square miles and approximately 73,200 people in 2013.

The commercial-industrial core of Grays Harbor County consists of the three cities at the east end of the of Grays Harbor. Smaller agricultural markets and mill towns are found along or near the valleys to the east of the harbor, fishing and recreational communities are along the immediate coast, and a few small mill towns and recreational centers are located in the northern part of the county. The incorporated cities of Montesano and Elma are located along the Highway 12 corridor that connects the harbor to the I-5 Corridor.

Population Trends

April 1 Population of Cities, Towns, and Counties Used for Allocation of Selected State Revenues State of Washington													
Caution: 2010 STATE POPULATION ESTIMATE; NOT FEDERAL CENSUS DATA. Evaluate population estimates based on change from the last census (usually 2000) to the current year. Prior official April estimates are not revised to reflect changes to historical data.													
	US Census									US Census	Recent OFM Population Estimates		
	2000	2004	2005	2006	2007	2008	2009	2010	2010	2011 Estimate	2012 Estimate	2013 Estimate	
Grays Harbor	67,194	69,200	69,800	70,400	70,800	70,900	71,200	71,600	72,797	72,900	73,150	73,200	
Unincorporated	25,638	27,295	27,505	27,620	27,860	27,870	28,205	28,445	28,438	28,555	28,610	28,615	
Incorporated	41,556	41,905	42,295	42,780	42,940	43,030	42,995	43,155	44,359	44,345	44,540	44,585	
Municipalities		2004	2005	2006	2007	2008	2009	2010	2010	2011	2012	2013	
Aberdeen	16,494	16,410	16,450	16,470	16,450	16,460	16,440	16,450	16,896	16,870	16,890	16,860	
Cosmopolis	1,595	1,590	1,600	1,635	1,645	1,650	1,640	1,645	1,649	1,645	1,640	1,650	
Elma	2,955	3,085	3,105	3,100	3,140	3,125	3,110	3,120	3,107	3,115	3,110	3,115	
Hoquiam	9,088	8,885	8,875	8,845	8,845	8,795	8,765	8,770	8,726	8,650	8,655	8,620	
McCleary	1,464	1,455	1,475	1,540	1,555	1,555	1,555	1,565	1,653	1,655	1,655	1,655	
Montesano	3,360	3,375	3,420	3,550	3,550	3,565	3,565	3,605	3,976	4,010	4,050	4,070	
Oakville	640	675	680	710	715	720	715	715	684	685	690	690	
Ocean Shores	3,795	4,240	4,385	4,605	4,705	4,805	4,860	4,940	5,569	5,615	5,745	5,815	
Westport	2,165	2,190	2,305	2,325	2,335	2,355	2,345	2,345	2,099	2,100	2,105	2,110	
Washington	5,894,143	6,167,800	6,256,400	6,375,600	6,488,000	6,587,600	6,668,200	6,733,250	6,724,540	6,767,900	6,767,900	6,882,400	
Unincorporated	2,374,593	2,395,226	2,438,882	2,473,714	2,513,805	2,527,130	2,552,500	2,536,288	2,478,323	2,454,633	2,454,633	2,449,701	
Incorporated	3,519,550	3,772,574	3,817,518	3,901,886	3,974,195	4,060,470	4,115,700	4,196,962	4,246,217	4,313,267	4,313,267	4,432,699	

The county and municipal populations shown for 2000 are, with a few exceptions, the 2000 federal census Public Law 94-171 counts. Some 2000 counts may differ from the federal census.

As shown in the table presented above, the population in Grays Harbor County has remained relatively flat over the last decade, and is estimated to have grown only slightly through 2013. Grays Harbor County is forecast to experience growth in population at rates similar to statewide averages.

Housing Market

Businesses seeking to expand or relocate increasingly evaluate the cost and availability of a

community's housing. Industries sometimes leave major urban centers for lower-cost suburban and rural areas due to the limited availability and high cost of housing. As of the 2000 U.S. Census, both homeowner and rental housing were considerably more affordable in the Columbia-Pacific region than elsewhere in the Puget Sound area or statewide. However, since 2000, the cost of housing has increased significantly in the Grays Harbor area. In spite of this – as shown in the table below – the comparative cost of housing is still significantly below that of the state as a whole. As of 2000, median home prices in the Grays Harbor area were approximately 46% of the statewide average. As of the year 2012, housing values were a factor of 49% of the statewide average. The complete quarterly information for 2013 was not available as of the date of the writing of this report.

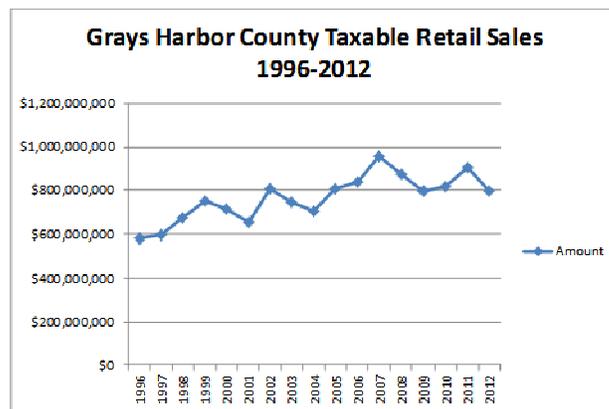
Comparative Housing Costs (2008-2012)					
Source: Washington Center for Real Estate Research, http://wcrer.be.washington.edu/WSHM/WSHM.html					
County	2008 Median Home Price	2009 Median Home Price	2010 Median Home Price	2011 Median Home Price	2012 Median Home Price
Pacific County	\$165,000	\$150,000	\$128,000	\$120,000	\$105,000
Grays Harbor County	\$151,000	\$135,000	\$135,000	\$120,000	\$115,000
State of Washington	\$284,400	\$250,400	\$246,300	\$217,000	\$234,200

As shown above, the median sale prices for homes in Grays Harbor County have declined steadily from 2008 to the present. This same general trend is similar for the State as a whole, although it appears that in 2012 the recovery in King County and Pierce County brought the state median home price higher. Later on in this report I will present a market study that indicates that the values in Grays Harbor County continue to decline.

Retail Sales

One measure of economic growth and/or stability is the amount of annual taxable retail sales. The annual taxable retail sales for Grays Harbor County are presented in the table on the following page.

Taxable Retail Sales Grays Harbor County	
Year	Amount
1996	\$582,033,000
1997	\$597,857,000
1998	\$675,451,500
1999	\$748,704,137
2000	\$711,930,936
2001	\$653,928,693
2002	\$809,236,328
2003	\$744,754,481
2004	\$703,530,539
2005	\$807,922,711
2006	\$838,962,798
2007	\$958,833,019
2008	\$875,272,331
2009	\$794,389,729
2010	\$816,075,514
2011	\$902,674,089
2012	\$794,767,516



In general, even with the increases and decreases shown, the general level of retail sales has shown growth overall in the last ten years, but with a significant decrease that started in 2008 and bottomed in 2009. Sales have increased significantly in 2010 and 2011.

The taxable retail sales for 2007 in Grays Harbor were at a record high level. The 2008-2009 decrease is attributed to the national economic downturn which has affected the Grays Harbor area in a like manner. A slight increase was observed in 2010, followed by a significant increase in 2011, which is primarily attributed to the pontoon project underway in Aberdeen. Sales then fell back in 2012.

Education

Education in Grays Harbor County consists of a modern two-year community college and high schools in Hoquiam, Aberdeen, Montesano, Elma, Oakville, Westport, and Moclips. Grays Harbor has two modern hospitals in Aberdeen and Hoquiam, comprising 225 beds. There are three accredited rest homes and an outpatient clinic, located adjacent to St. Joseph Hospital, has been opened. Overall, there are approximately 80 physicians and surgeons; 28 dentists; 14 optometrists; and 2 ophthalmologists.

Transportation

Grays Harbor County enjoys a major location advantage in terms of exporting products to the Orient. It is nearly two days closer turn-around-time than the major Puget Sound ports of Seattle, Tacoma, and Olympia. This coastal location has some disadvantages in relation to many imports and the manufacturing of non-local resources for large regional markets. Grays Harbor is over fifty miles west of the major regional markets, and the land transport routes and growth areas of the Puget-Willamette trough.

Grays Harbor County is served by the Puget Sound and Pacific Railroads (PSAP), which connect with the Burlington Northern Santa Fe railroad (BNSF) and the Union Pacific (UP) railroad in Centralia. BNSF Railway and UP Railroad locomotive power are considered home on the PSAP as they run through Centralia to Grays Harbor for unloading. These run-through trains are operated by PSAP crews. The PSAP hauled around 80,000 carloads in 2011.

Internal movement for citizens within Grays Harbor County has been enhanced by a partially-publicly funded bus system that connects with other bus service links to the Puget Sound cities.

Currently, the all-important main shipping channel of Grays Harbor is maintained at a 30-foot depth to Cosmopolis. Work began in early April 1990 on the long awaited "Deeper Draft" project. This has been completed making the navigation channel 36 feet deep, thus accommodating the larger draft vessels, which are now common.

Other transportation needs in the area are serviced by Washington Coast Lines, Grays Harbor Transit, various commercial truck lines, FEDEX and United Parcel Service.

Utilities

Public Utility District No. 1, a publicly owned, municipal corporation that is operated by Grays Harbor County, furnishes electrical utilities throughout the county.

Cascade Natural Gas has a pipeline that passes south through the county near McCleary and terminates near Aberdeen.

Tourism

Of the key sectors accounting for significant numbers of jobs, hotel and lodging employment provides jobs for approximately 550 persons. This demonstrates the importance of tourism as a major industry in Grays Harbor County. In addition to the hotels and motels, there are ten meeting facilities, including the Ocean Shores Convention Center. The Convention Center, which contains about 11,664 square feet of convention facilities, has a total seating capacity of 1,000, comprised of three main halls with individual seating capacities of 500, 350 and 150. These halls may be used individually or joined together to form one large area. The recently completed Shilo Inn & Convention Center doubled the available convention space in Ocean Shores, providing it with sufficient capacity, and enough new hotel rooms to bill itself as a destination convention resort.

The city of Ocean Shores is the primary tourist draw for Grays Harbor County, and is located in the northwest corner of Grays Harbor Bay. It is a resort community located on a peninsula of approximately 6,000 acres with six miles of sandy ocean beaches, plus views of the North Bay of Grays Harbor. Ocean Shores is the second most visited destination resort city in Washington (behind Seattle), with a five-year average of 3,343,031 visitors. Ocean Shores often hosts up to 35,000 visitors a day. The Ocean Shores Peninsula features approximately 23 miles of interlaced fresh water lakes and canals. Within the city limits is a PGA rated 18-hole championship golf course featuring a clubhouse with pro shop, restaurant and lounge. A casino was constructed near the northern entrance to the city at Hogan's corner. This has provided even another attraction for the area.

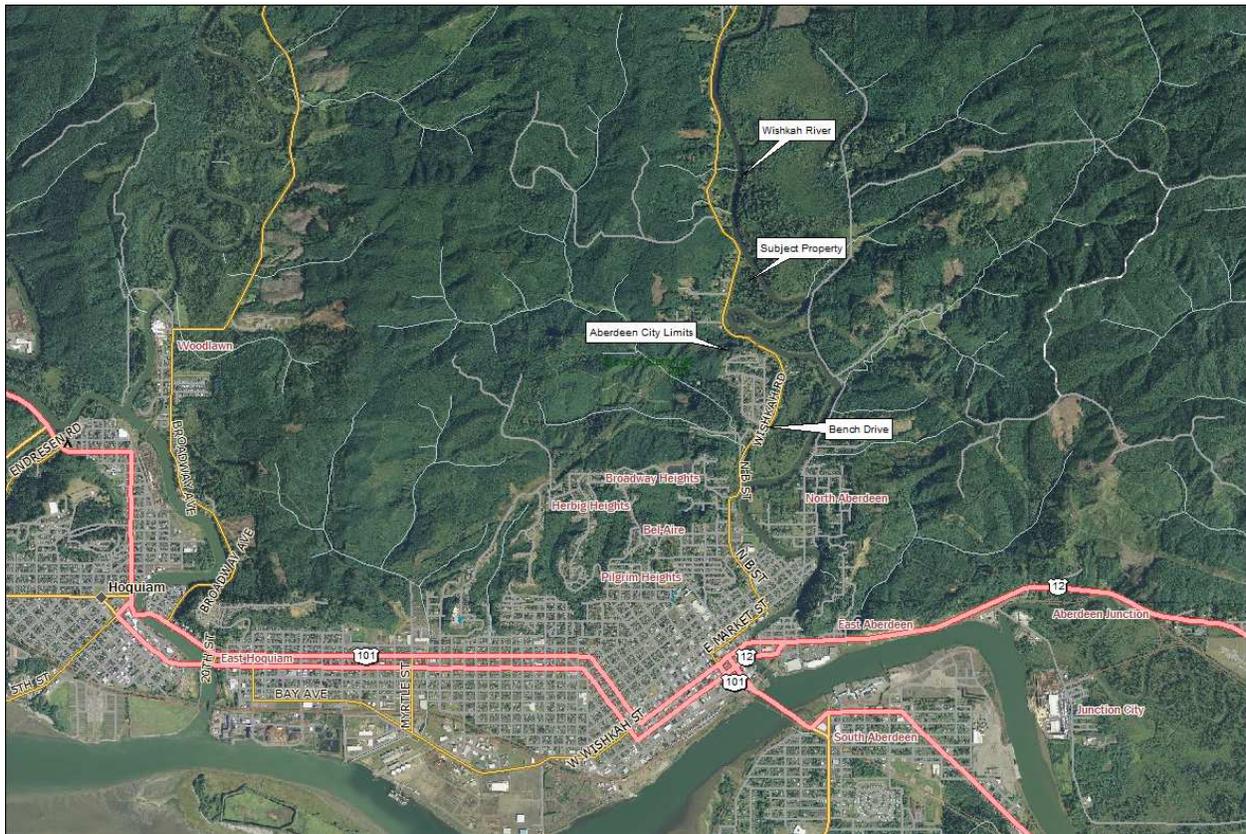
This destination area is not as heavily dependent upon the fishing tourist when compared to Westport (located on the south tip of the entrance to Grays Harbor), but razor clamming provides a significant influx during good years. Throughout the balance of the year, people more interested in the serenity, solitude, and beauty of this sparsely populated and somewhat remote part of the state frequent the Ocean Shores area.

This resort community, originally developed in the 1960's, never realized its potential at that time. However, the city slowly expanded over time, with significant expansion in the 2006-2007 era. At that time it was the fastest growing community in Grays Harbor County. This activity leveled off in late 2007 and declined in 2008, and declined further in 2009. Current trends are flat slow fall-off to 2012, with the market relatively flat in 2012-2013.

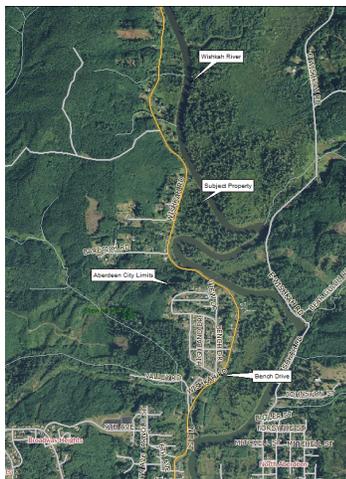
Conclusion

In general – due primarily to the national economic crises – the general market conditions have declined (both real estate and general economic conditions). However, populations in the county are currently stable with some very slow growth occurring in some areas. Tourism remains an important aspect of the county economy, particularly on the western edge. There appears to be a general increase in retail sales (based on the retail sales tax revenues) for the last two years.

Location



The Wishkah Road passes north of Aberdeen following the Wishkah River Valley. The subject of this report is located on the east side of the Wishkah Road approximately one road-mile north of the intersection of the Wishkah Road with Bench Drive. This is approximately 1,250 feet north of the City Limits of Aberdeen. Although outside the city limits, this property is so close to the City of Aberdeen that it is not in the neighborhood generally referred to as 'Wishkah'. Rather, the subject is on the northern outskirts of the City of Aberdeen on the Wishkah Road.



The immediate neighborhood is bordered by the Wishkah River on the east and on the west side the border would be the western edge of a corridor to the west of the Wishkah Road that varies in width from 50-feet to 250-feet as it passes north.

There is a small enclave of homes located across the street to the west of the subject. This enclave is developed along the Wishkah Road and each lot fronts on the Wishkah Road. In addition to these homes there are two short roads extending west from the Wishkah Road; Baretich Road and Frosty Road. There are several homes located along each of these two roads as they extend west for a few hundred feet.

The topography on the west side of the Wishkah Road rises up from the road, in some cases 100 or more feet. The land on the east side of the road is predominantly low-lying areas adjacent to the Wishkah River that are typically affected by seasonal flooding. This is particularly true in the vicinity of the subject. Most residential development in the immediate neighborhood is located on the west side of the road.

Gasoline and all major shopping, schools, and other urban conveniences are located in Aberdeen to the south.

The subject immediate neighborhood is similar to the North Aberdeen neighborhood and – to a lesser extent – South Aberdeen and West Aberdeen.

Financing

Residential financing is available at rates and terms similar to other areas of Grays Harbor. The specific issue that might affect residential financing of the subject property would be the location in a Flood Hazard Zone. Significant changes are being considered by the Federal government with regards to the Federal Flood Insurance system. It is possible that federal flood insurance premiums will no longer be subsidized, which will make them significantly more expensive. Flood insurance will continue to be required on homes located in flood hazard areas that are financed. This could result in a significant loss of value to homes located in a flood hazard area as the premiums in some cases will equal or exceed a typical mortgage payment. The result will be that the homes adversely affected by the large premium will sell at a lower value to offset the significant cost of the insurance. This is not currently an issue, but is forecast by the government to be implemented in late 2014.

Typical Construction

Typical age for both residential buildings in the Wishkah area can vary from new to 100 years. Construction types are typically wood-framed structures with one or two stories. There are also a significant number of manufactured homes ranging in age from new to 45-years.

General Real Estate Market Conditions

The subject of this report is a property adjacent to the Wishkah River that is on the outskirts of the City of Aberdeen. Because of the proximity to the City of Aberdeen, I used the NorthWest Multiple Listing Service (NWMLS) areas of Aberdeen, Hoquiam, Cosmopolis, and Wishkah as a basis for analysis of the market. Aberdeen, Hoquiam, and Cosmopolis the central core cities of the Grays Harbor market. The NWMLS areas studied include rural areas on the outskirts of each of these cities.

The unincorporated community of Wishkah is part of the subject immediate neighborhood. NWMLS areas studied include rural areas on the outskirts of each of these cities.

Given the above I performed a market study using the NWMLS data using ALL real sales for the previous eight years, including residential homes and vacant land sales that were located in the Aberdeen, Hoquiam, Cosmopolis, and Wishkah portion of the subject market area. These three cities are the economic center for Grays Harbor County and the greatest concentration of population in the county.

I performed this study from 3/04/2006 to 03/04/2014 in NWMLS areas for Aberdeen, Hoquiam and , Cosmopolis, Hoquiam, Humptulips, Neilton, Ocosta, Quinault, and Wishkah. All types of property were included excepting Business Opportunities, Rentals, Timeshare, and Letter of Authorization. The results of this study are presented in the table below.

NWMLS Data Study													
All Sales Types in NWMLS Areas Aberdeen, Hoquiam, Cosmopolis, Wishkah													
Study Period								Total Sales	Median CDOM	Median Sale Price	Overall Percent Change	Overall Per Month Change	
Number of Days		Number of Months			Actual Months								
0	365	0	to	12	months	3/3/2013	to	3/3/2014	355	122	\$60,000	0.00%	
365	730	13	to	24	months	3/3/2012	to	3/3/2013	331	123	\$65,235	-8.02%	-0.67%
730	1096	25	to	36	months	3/3/2011	to	3/3/2012	320	113	\$75,000	-20.00%	-0.83%
1096	1461	37	to	48	months	3/3/2010	to	3/3/2011	322	116	\$76,500	-21.57%	-0.60%
1461	1826	49	to	60	months	3/3/2009	to	3/3/2010	308	106	\$92,000	-34.78%	-0.72%
1826	2191	61	to	72	months	3/3/2008	to	3/3/2009	344	108	\$104,000	-42.31%	-0.71%
2191	2557	73	to	84	months	3/3/2007	to	3/3/2008	437	101	\$126,350	-52.51%	-0.73%
2557	2923	85	to	84	months	3/2/2006	to	3/3/2007	630	107	\$108,625	-44.76%	-0.53%
												Mean	-0.68%
												Median	-0.69%

Anecdotally, the general consensus is that the market increased from 2004 through 2007, then flattened for the first seven or eight months in 2008, and then dropped significantly in the latter part of 2008. The data above generally supports that conclusion. However, in comparing the median sale price of any one year to the present year, it is surprising how uniform the Overall Per Month Change has been since 2008.

As of the effective date of this appraisal the general market in the areas studied appears to continue to decline at a rate of approximately 0.70% per month.

Later in this report I may present vacant land sales data that extends back several years. Because of the different rates of growth in the different periods I used the overall percent changes displayed in the table above to adjusted for market conditions (time). This is further explained in the site valuation section of this report.

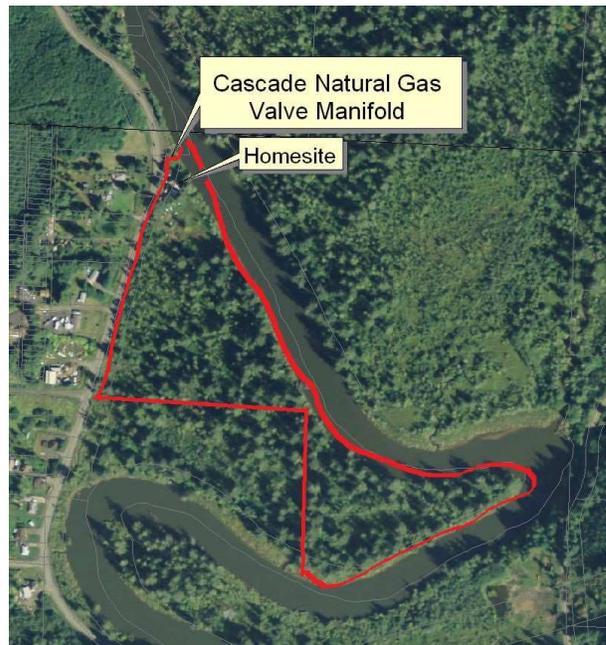
Summary

As discussed above, the subject is located in the outskirts of the City of Aberdeen on the Wishkah Road. The overall residential market in the Aberdeen-Hoquiam-Cosmopolis area continues to decline at a remarkably steady rate.

Description of the Site



Grays Harbor County GIS Map.



Aerial with estimated border outlined in red.

**Dimensions/
Shape**

Irregular. As shown above, the subject parcel is essentially two triangular pieces of land that are connected by a narrow area roughly centered between them. Please review the map above and or the legal description.

Area

As shown, the subject site is an irregular shaped acreage parcel with an estimated area of 27.51-acres overall (as per the Grays Harbor County Assessor's records).

Frontages

The site has frontage on both the Wishkah Road and the Wishkah River. Using the Grays Harbor County GIS data I have estimated the frontage on the Wishkah Road to be approximately 1,250-feet. The frontage on the Wishkah River – using the same data source – is estimated to be approximately 3,900-feet. The reader should be cautioned that these numbers are estimated from the GIS data and are not as accurate as a survey.

Topography

With the exception of very limited areas immediately adjacent to the Wishkah Road and at the northern tip of the property, the overall lay of the land is low with very little topographic relief. According to the owner of the property large areas of the site floods in the winter months, sometimes extensively.

**Easements/
Encroachments**

There are no known easements or encroachments on the subject property

that would affect the highest and best use of the subject site.

Utilities The site is currently served by Aberdeen City Water, public power, and commercial telephone and television cabling. Sewer is not available to the site and there is an on-site sewage disposal system (septic tank). According to the owner the system operates correctly. During my site-inspection I did not notice any surface leakage that would indicate a failure. However, the determination of the functionality of a septic tank is beyond the scope of an appraisal assignment. If the client is concerned a specialist should be contacted.

**Comments on the
Cascade Natural
Gas Regulator
Station**

Immediately adjacent to the north end of the property is what appeared to me to be similar to a manifold for the distribution of gas. I called Cascade Natural Gas to discover what exactly this structure is and its purpose. According to Josh Fife of Cascade Natural Gas there is a buried high-pressure gas line (200 psi M/L) that comes from McCleary, goes under the Wishkah River near the subject and trunks into the surface installation immediately adjacent to the homesite on the north end of the property. There are pressure regulators at the site that reduce the pressure from the 200 psi to 60 psi, which is more manageable for household and typical commercial use. Evidently, the pressure in the high-pressure line and/or the lower pressure lines can vary depending on loads, much like a gasoline hose at a multi-dispenser gas station. This variance can cause a surge in the gas-lines at times. The regulators have safety valves that open when the variance becomes too great for safety. The owner described hearing hissing noises coming from the structure from time to time. According to Mr. Fife, these noises are caused by one or more relief valves releasing excess pressure from the lines. Mr. Fife commented that Natural Gas is very light and almost immediately goes up away from the site. Other than the occasional noise, the owner of the subject property did not consider the location of the regulator station to be a problem.

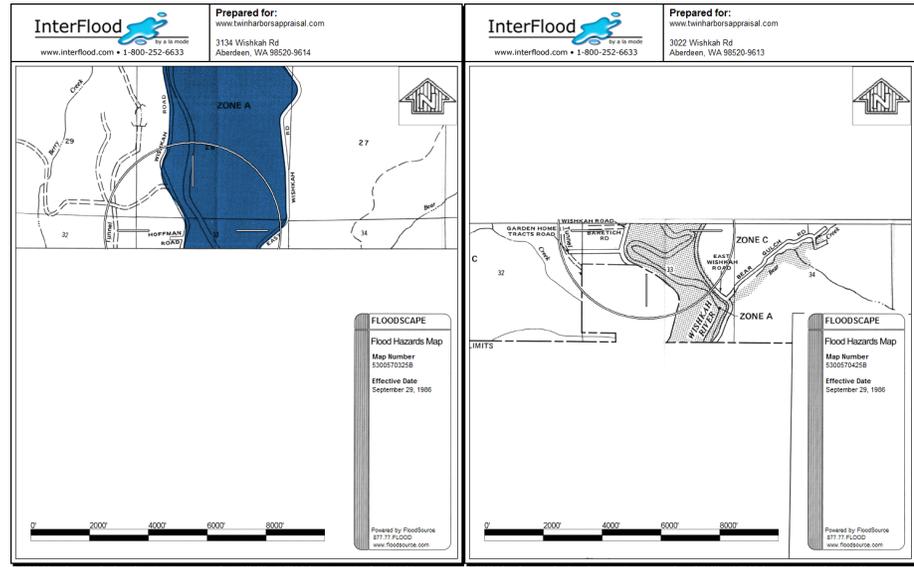
**Street
Improvements**

The Wishkah Road is a two lane, asphaltic-surfaced county-maintained road in average or better condition. There are no sidewalks, curbs, or streetscaping at this location. Typical.

Access

Legal and physical access is direct from the Wishkah Road. Access is average.

Floodplain



As shown above, portions of the subject are located on two Flood Insurance Rate Maps (FIRM's), Community Panel number 530057-3258 dated September 29, 1986 and, Community Panel number 530057-0425B, effective date September 29, 1986. The combined maps indicate that the entire subject property is within a Zone 'A' flood hazard zone. FEMA describes a Zone A flood zone to be:

“Areas subject to inundation by the 1-percent-annual-chance flood event. Because detailed hydraulic analyses have not been performed, no Base Flood Elevations (BFEs) or flood depths are shown.”

As described previously in this report, significant changes are being considered by the Federal government with regards to the Federal Flood Insurance system. It is possible that federal flood insurance premiums will no longer be subsidized, which will make them significantly more expensive. Flood insurance will continue to be required on all homes located in flood hazard areas that are financed. This could result in a significant loss of value to homes and/or sites located in a flood hazard area as the premiums in some cases will equal or exceed a typical mortgage payment. The result will be that the homes adversely affected by the large premium will sell at a lower value to offset the significant cost of the insurance. A site located in a flood zone will have a correspondingly lower value as compared to a site that is not in a flood zone. This is not currently an issue, but it is planned to have the new system in place in late 2014. Because the entire subject property is within a Zone 'A', the subject site could be affected in the future.

Soils It is an extraordinary assumption of this report that the subject soils are adequate to support the highest and best use.

Environmental Please refer to the Extraordinary Assumptions, Hypothetical Conditions starting on page 6 of this report. No environmental issues are known or were observed. I am not an expert in determining environmental hazards.

Utilities Power, television, and telephone are available to the site.

Potable Water Potable water is provided by the City of Aberdeen. Adequate and typical.

On-site Sewage According to the current owner, an existing septic tank services the manufactured home located on the homesite at the northern tip of the property. According to public records, the existing septic tank was installed in November of 1967. This would make sense as the owner of the property also commented that the trailer was installed in 1968. The tank is a 750-gallon tank and a comment was made in the application that the tank was 'located on a fill', which would indicate that the existing homesite had been filled to some extent for development. The drainfield length is listed on the permit as being 56-feet long, although the attached sketch shows a drainfield with a 50-foot long drainfield.

Septic tanks are typical and common in this market and do not affect the marketability or value provided they are functioning properly. There were no known issues related to the subject septic system. The owner offered that the system was working and I did not notice any indication on the surface of the area where the tank is located that would indicate otherwise. I am not an expert in the determination of the adequacy or functionality of a septic system.

Cascade Gas Immediately adjacent to the subject on the north is a valve regulator station that is owned by Cascade Natural Gas. Apparently the gas line crosses the river at this location and is valved and directed from this regulator station. According to the owner of the property – who lives immediately adjacent to this structure – the safety valves go off two or three times a year. When that happens there is a loud noise of the gas escaping. Eventually a Cascade Natural Gas employee comes and checks the valves and resets the safety valve. When this happens it is also possible to smell the gas.

The owner of the subject property commented that the valve regulator station did not bother him and – other than the noise – it is not a nuisance. I also could not discover any market data that would indicate that the location of that site adjacent to the subject would affect the value of the subject property. However, I considered this element qualitatively in the valuation of the site and the whole property.

Timber Comments In the attached Appraisal of Timber from S.A. Newman, the estimated value of the timber are as follows:

Projected Class III harvest volume totals 57 MBF (thousand board feet)

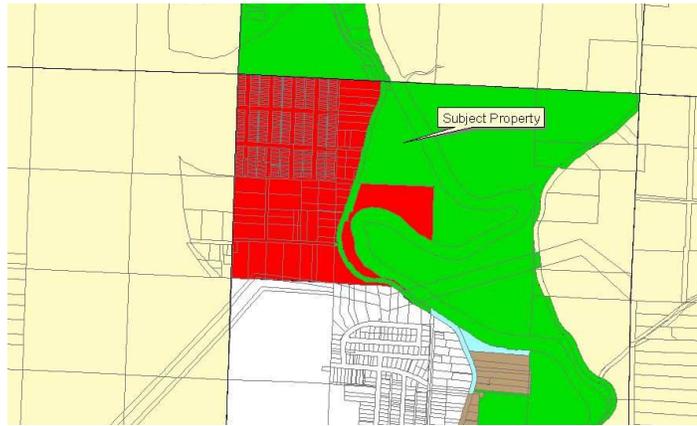
with a value of \$17,000

Class IV - General harvest volume totals 15 MBF with a value of \$3,500.

Please refer to page 12 in the S.A. Newman report for definitions and differences between a Class III and Class IV timber harvest practices. After consideration of the relatively small dollar amounts involved, and considering the yet to be determined costs of harvest, I have determined that the stumpage value of the timber is more than offset by the aesthetic damage that would be done to the subject site during and after the removal of the trees.

Conclusion

The most significant issue with relation to the subject site is the combination of the proximity of the Wishkah River, the uniformly low topography, and the subsequent location entirely within a Zone A flood hazard zone. Because of these issues, it is likely that any new structures developed on the property will be required to be located on elevated concrete platform structures. These types of structures are commonly seen in the lower Moclips area of Grays Harbor County and could be a potential alternative to the development of a home on the subject property. However, due to the cost and other factors revolving around these platform structures, other properties that are out of the flood-zone would be seriously considered by any potential purchaser as an alternative, offering significant competition. Also, local preservation and conservation groups are acquiring land along the Wishkah River to preserve the Wishkah River estuary. These groups would offer what resistance they could to prevent development of the subject.



Zoning The entire property is zoned A-1 Agriculture by Grays Harbor County. The green highlighted areas in the map above are the areas in the immediate neighborhood that are zoned A-1. The red area is zoned R-2 Residential-2, and the tan areas are zoned G-5 General.

The A-1 zone has a minimum lot size of 10-acres for newly divided land. Smaller sites created prior to the zoning ordinance are legal non-conforming uses.

The subject of this report – at 27.51-acres, could technically be divided into two parcels. However, due to the configuration of the property and the low topography, it is likely that permits for an all-weather access road would be difficult and/or costly to obtain due to environmental resistance, engineering costs, and mitigation of intervening wetland areas. Given the potential value of a potential second site, the cost of permitting and installing a road to a second 10-acre parcel would at least offset any potential financial gain.

The A-1 zoned areas in the vicinity of the subject are all located adjacent to the Wishkah River as it goes north. This zone is apparently being used on one level to contain or restrict division and/or development along the river.

The pages of the zoning ordinance that describe the A-1 zone is presented in the addendum for further review.

Taxes and Assessed Value

The assessment and taxes for the current year are shown below. The tax rate per \$1,000 in 2014 is \$14.3275928.

Assessed Value				
Parcel Number	Land	Improvements	Total AV	2014 Taxes
180933210010	\$2,100	\$8,820	\$10,920	\$174.36

Description of the Improvements

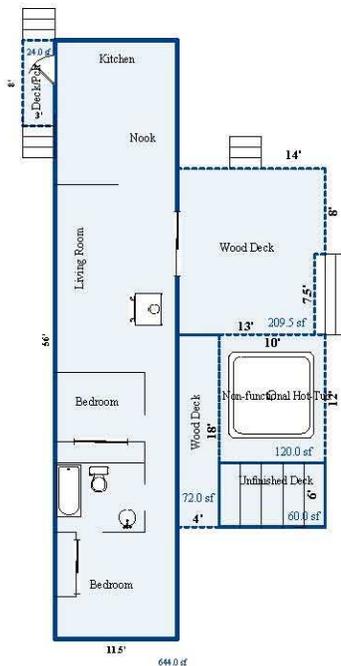
Description of the Manufactured Home



Front View of the Manufactured Home



Rear View of the Manufactured Home



Sketch of the Manufactured Home



Living Room



Bath

The primary structure on the subject property is a The subject improvements include a 1964 Fleetwood 12-foot X 56-foot (actually only 11.5-foot wide) manufactured home containing 644 square-feet (based on actual measurements).

The manufactured home is further described in the table below.



Tags I discovered one metal tag on the exterior of the home. I was not able

to discover any other tags or documents on the interior of the home. From the tag shown above I learned that the trailer has a serial number of 43347 and that there was a subsequent Alteration Permit No 44247 that had been applied-for on 03/05/2007. This alteration may have been for the upgrade of the wiring.

Dimensions 11.5-feet X 56-feet / Rectangular

Area Total Gross Building Area = 644 square-feet

Foundation Appears to be a pier and post foundation. Current requirements require poured concrete runners with incorporated tie-downs. This coach was installed prior to the introduction of those regulations.

Frame Typical approximately 2-inch X 4-inch wood framing. Given the age of the home it could be that some (or all) of the framing is 2-inch by 3-inch. Typical for the age of the home.

Floor Structure Typical steel beams with smaller steel supports. Typical.

Exterior Walls Painted metal. Fair condition.



Sash Single-pane aluminum frame with self-storing storm windows. Typical. There were two or three windows that were broken but still in place.

Roof Structure/Cover Typical flat metal roof. This one has been 'tarred' several times. I noted no internal issues that would indicate that the roof is currently leaking.



Interior Wall Finish Interior walls are covered with wood paneling that is typical in a manufactured home of this age. Shown in the picture above, which was taken in the rear bedroom on the north side, the wood paneling is

failing under the window. Walls were in fair to average condition.

Floor Cover Combination of composite tiles, some carpet, vinyl, and bare-wood. All floorcoverings are in fair to poor condition.

Ceiling Manufactured acoustic board. Typical for a manufactured home of this age. Fair to average condition.



Plumbing The subject has a single-bath with a toilet, sink, and tub/shower combination. There is also a kitchen sink in the kitchen and a single electric hot-water tank. This plumbing is typical and adequate for a manufactured home of the age of the subject. Except for the toilet, none of the fixtures have been updated since original construction. Fair condition.



Doors Interior doors are hollow-core wood doors. The primary entrance door used is the single-pane sliding glass door shown above. There is one other exterior 'man-door'. As shown on the right above the original door has been upgraded using a typical residential exterior door.



Heating and Cooling

According to the current owners they use the woodstove shown above as a primary heat source. In addition to the woodstove there is one baseboard heater and one wall-mounted fan-forced heater.

Insulation

I didn't note any insulation as the walls are covered. It is probable that the walls, ceiling, and floor are all insulated. This is typical for a manufactured home of this era.



Newer panel



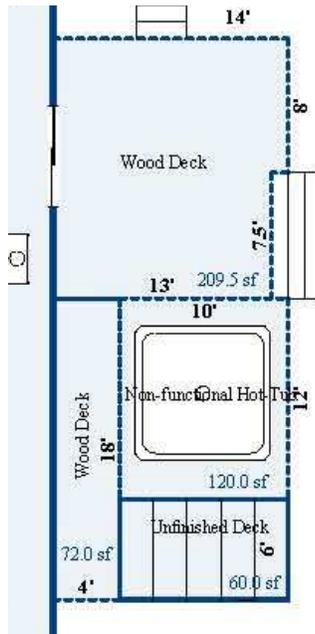
Exterior meter base

Electrical

As shown above the electrical panel has been replaced with a modern full-sized panel. There was an alteration permit on the coach with a date of 03/05/2007. That may be the date that the wiring was updated. The wiring is adequate or better for a manufactured home of this era.

Lighting

Incandescent. Typical and adequate for a manufactured home of this era.



Hot Tub Deck



Non-functional Hot Tub

Front Deck

There is a 282 square-foot wood deck constructed on the north side (front) of the manufactured home. Another deck containing 120-square-feet is adjacent to this front deck and is a surround for a non-functional hot tub. In addition to those two separate deck areas, there is an unfinished section. This unfinished area is basically the deck structure with no surface boards. The deck is of average quality and – with the exception of the unfinished portion – is in average condition.



Comments on flooding

According to the owner, the property will flood on occasion. During these flooding periods the water will rise as far as the third step of the deck-steps shown (third step from the bottom). The owner also informed that during a flood event several years ago the skirting around the trailer was washed away and/or damaged to the extent that the damaged sections were removed. The same flood also caused undermining and settling in the detached larger wood-framed building. According to the owner the flood waters only stay a few days at the most and then recede.

Kennel

There is a 35-foot by 20-foot area that is fenced with a 6-foot chain link fence. The owner refers to this area as the ‘kennel’ and he places his dogs there when he leaves the premises.

Condition of Improvements

The manufactured home was in poor to fair condition. The structure is at or near the end of its economic life. The age and condition of the home are such that extensive repair and remodel would not be financially justified by the value after the remodel. Because of the condition, it would not be possible to obtain conventional financing with this manufactured home as collateral.

Actual Age

The Grays Harbor County Assessor records indicate that the origination date of the home was 1968. However, the owner offered that he has records that show that the home was constructed in 1964 but installed on the site in 1968. This was not verified, but I believe the owner's information to be credible and am using the 1964 date for this report. Actual age is therefore 50-years. Typical life for a manufactured home is in the range of 35-years to 45-years.

Effective Age

The effective age is estimated to be approximately 45-years.



Front



Rear

Woodshed

This is a marginal wood-frame structure that the owner constructed recently for wood storage. It is 8.5-feet wide and 35.5-feet long, with a calculated area of 301.7 square-feet. It is approximately 2/3 wood floor and 1/3 dirt floor.

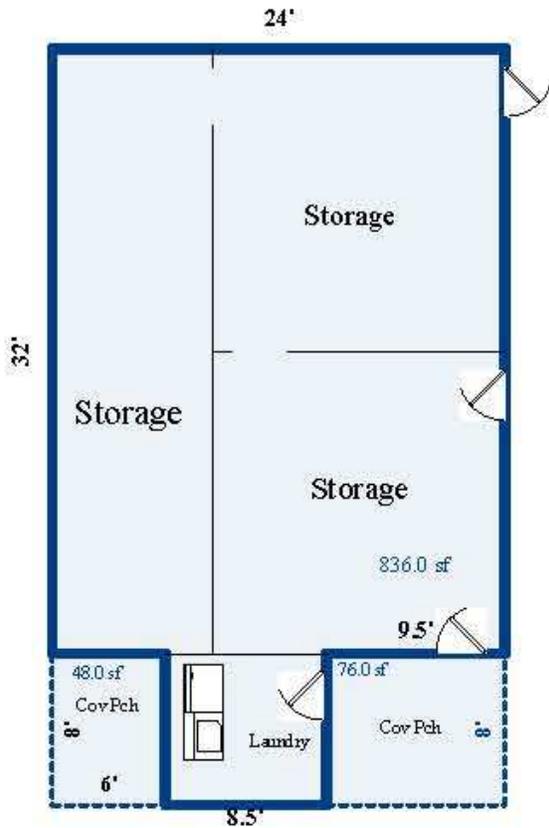
Description of the Large Utility Building



Front of Large Utility Building



Rear of Large Utility Building



Utility Building Sketch



Entry porch. Access to laundry is at the left.



Laundry room

The large storage/utility building is located near manufactured home on the homesite at the north end of the property. The building contains approximately 836 square-feet of enclosed space (includes the closed laundry porch) and has two covered porches (76 square-feet and 48 square-feet).

The actual age of this building is unknown, and it appears that it may have been built in at least two events.

Exterior siding is a mixture of wood-clapboard and wood-lap siding. The exterior paint is in fair condition.

The building is on a pier and post foundation. The east side of the building (the 'rear' picture above) is suspended by piling over a small creek or slough. According to the owner, this building suffered settling due to erosion of the foundation in a significant flooding event. The floor in the interior of the building (not the laundry room) are uneven.

The owner uses a closed porch on this building as a laundry room (shown above) and the balance for marginal storage.

The roof is corrugated metal and leaks in places, which marginalizes the use of the building for storage.

In spite of the foundation issue, if the roof on this building were repaired/replaced it could provide reasonable utility for storage for an indefinite period.

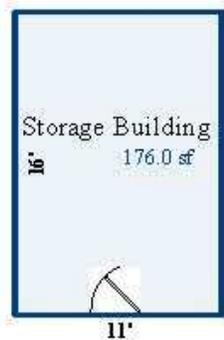
Description of the Small Utility Building



Front of Small Utility Building



Rear of Small Utility Building



Utility Building Sketch

The small (176 square-foot) storage/utility building is located west of the large utility building. This is a wood-framed storage building that is unfinished on the interior. There is no power connected to the building and it is used for utility storage. The building is wood-framed, has unpainted wood siding, a composition shingle roof and a pier and post foundation. The owner said that friend gave it to him. He loaded it on a truck and moved it to the subject site. With average maintenance this building could give utility indefinitely.

Highest and Best Use is defined by *The Appraisal of Real Estate, Twelfth Edition*, as:

The reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

The first step in determining the highest and best use of an improved property is to determine the highest and best use of the site as though vacant. This step reflects the fact that land value is derived from anticipated potential use and is dependent upon the nature of that potential use. The second step involves determining a hypothetical ideal improvement to be used in the third step, where the highest and best use of the subject as improved is determined by comparing the existing (or proposed) subject to this ideal.

There are four critical tests in determining the highest and best use.

- The use must be legal.
- The use must be physically possible.
- The use must be financially feasible.
- The use must be maximally productive.

As the subject is an improved property, these tests must be applied to the property both as vacant and as improved.

Highest and Best Use of Site as Though Vacant

This first step in the process of determining highest and best use assumes that a parcel of land is vacant or that it can be made vacant through demolition of any improvements. The question to be answered in the analysis of this type of highest and best use is: "If the land is vacant, what use would be made of it?" That is, what type of building or other improvements (if any) should be constructed on the land? In determining this function, it is useful to discuss the subject property in relation to the four tests mentioned in the previous text.

Legally Possible

- The entire subject property is zoned A-1 Agriculture by Grays Harbor County. This zone has a minimum lot size of 10-acres for newly divided land. Smaller sites created prior to the zoning ordinance are legal non-conforming uses.
- The subject of this report – at 27.51-acres, could legally be divided into two parcels.
- The A-1 zoned area generally follows the Wishkah River going north and south from the subject (where it is in Grays Harbor County) and is considered appropriate for the subject property. There is no known reason to change the subject zoning.
- There were no known legal restrictions or legal limitations that would prevent development of the subject site.
- There are significant areas on the subject property that may be wetlands. It is not legal to fill and/or disturb wetlands without significant permitting.

- There were no private restrictions noted

Physically Possible

- The subject site is level and all available utilities (which include Aberdeen water, electrical power, telephone, and television cable) are available and in service to the north end of the parcel.
- The subject of this report – at 27.51-acres, could physically be divided into two parcels.
- There were no known legal restrictions or legal limitations that would prevent development of the subject site.
- There are significant areas on the subject property that may be wetlands. It is not legal to fill and/or disturb wetlands without significant permitting and/or mitigation. It is not known whether there is sufficient area on-site to allow mitigation were any of the wetland areas to be disturbed.
- On-site septic systems are common in this neighborhood. If the site were vacant it would be physically possible to develop the site with a septic system.

Financially Feasible

- The subject of this report – at 27.51-acres – could technically be divided into two parcels. The site is not configured for easy development. Given the configuration it is not likely that it would be possible to create two parcels out of the one parcel with both have direct access to the Wishkah Road. It is probable that the construction of an access road to a hypothetical second lot would require the construction of an access road over the portion of the property adjacent to the Wishkah Road. Due to the issues with the configuration of the property and the low topography (wetland areas), it is likely that permits for an all-weather access road to a second parcel would be difficult and/or costly to obtain due to environmental resistance, engineering costs, and mitigation of intervening wetland areas. Given the potential value of a potential second site, the cost of permitting and installing a road to a second 10-acre parcel would at least offset (or possibly exceed) any potential financial gain.
- The subject site has good visibility and direct access from the Wishkah Road.
- If the site were vacant it would be difficult to develop an on-site sewage disposal system that would meet the current requirements. It may not be impossible, but it would likely be expensive as the system would have to be engineered. The system would probably have to be installed in the filled area near the north end of the property.
- As has been discussed previously in this report, the flood zone insurance system is in a state of potential change. Future premiums for developed properties in areas of flood zone hazard are projected to be significantly increased, adding a perpetual annual burden to the cost of insuring any dwelling on a flood-prone site. While this can be overcome to some extent by altering the design of the foundation of a dwelling (essentially on concrete stilts), the availability of other non-flood affected property would effectively compete with the subject – effectively reducing demand and value of the property.
- An adjoining parcel on the south that is very similar to the subject property in many ways recently sold (July of 2013). This property is developed with a small cabin, City of Hoquiam public water, and an electrical service. Sewage disposal is by a compost toilet

– there is no septic tank. The purchaser – and the preceding owner – purchased the property for use as a seasonal recreational property. They enjoy fishing, and either fish the Wishkah or use the site as a base to fish other rivers in the area. He and his family use the property during the summer months. It is possible – if the subject site were vacant – that the north end of the property (which has been filled to a slightly higher elevation) could be developed for similar use.

- As will be shown later in this report, there is a small amount of merchantable timber on the property. After consideration of the value of the timber in relation to the potential damage that removal of the timber would do to the aesthetic value of the property for recreational purposes, I have determined that removal of the timber is not indicated. Rather, the aesthetic value of the timber is included in a qualitative manner in the overall value of the property. The subject property has limited uses as it is, and the removal of the timber would reduce even further the potential use of the property for low-impact water oriented recreation. The removal of the trees would essentially offset any short-term monetary gain offered by the sale of the timber.
- Based on the preceding discussion and analyses, I have determined that the most financially feasible use of the property as though vacant would be as one single site for use as low-impact water-oriented recreation and/or a marginal homesite for development of a single-family residence. Both of these uses would preclude the removal of the trees on the site. These two uses would compete with each other and would result in a similar value indication for the property.

Maximum Productivity

- The only known uses of the property (as though vacant) that meets the requirements of the first three tests is sale of the property as one single site for use as low-impact water-oriented recreation and/or a marginal homesite for development of a single-family residence. Both of these uses would preclude the removal of the trees on the site. These two uses would compete with each other and would result in a similar value indication for the property.

Conclusion of Highest and Best Use as Though Vacant

Based on the preceding analysis, the highest and best use of the subject site as though vacant was determined to be sale of the property as one single site for use as low-impact water-oriented recreation and/or a marginal homesite for development of a single-family residence. Both of these uses would preclude the removal of the trees on the site. These two uses would compete with each other and would result in a similar value indication for the property.

Highest and Best Use of the Subject as Improved

In this section the existing improvements are considered using the same tests as were used in the analysis of the site as though vacant; legal, physical and financial to determine if the subject building provides the best use of the subject site.

Legal Permissibility

- The current use of the property as improved is a legal and allowed use. It would be legally permissible to continue use of the property as it is currently improved.
- It would be legally permissible to demolish all the improvements.
- It would be legally permissible to remove the manufactured home and replace it with another manufactured home. However, the replacement of the home would have to have the same footprint of the existing home, or be smaller. If the footprint were to be increased or if the manufactured home were to be replaced with a site-built home with a larger footprint a process called a 'Reasonable Use Exception' would have to be implemented. There is no guarantee that an increase would be granted.
- It would be legally permissible to repair and/or remove any of the existing structures on the site provided that the footprints were not enlarged.
- There is little likelihood that the subject zoning will be changed.

Physical Possibility

- The current use of the property as improved is a legal and allowed use. It would be physically possible to continue use of the property as it is currently improved.
- It would be physically possible to demolish all the improvements.
- It would be physically possible to remove the manufactured home and replace it with another manufactured home. However, the replacement of the home would have to have the same footprint of the existing home, or be smaller. If the footprint were to be increased or if the manufactured home were to be replaced with a site-built home with a larger footprint a process called a 'Reasonable Use Exception' would have to be implemented. There is no guarantee that an increase would be granted.
- It would be physically possible to repair and/or remove any of the existing structures on the site.

Financial Feasibility

- The property is improved with a 1964 single-wide manufactured home that was installed on the site in 1968. The manufactured home is at or near the end of its economic life. Exacerbating this problem is that the primary heat source in the home is a woodstove and there are only two other electric heaters. Given the preceding, it is almost a certainty that the subject property could not be financed in a typical manner using the existing manufactured home as a primary residence for collateral.
- The existing mobile home could be removed and another purchased for replacement. This replacement could be another used manufactured home of similar size or a new manufactured home of similar size.

- It is speculative to assume that the footprint of the manufactured home could be enlarged.
- A 644 square-foot (or 672 square-foot) residence is marginally adequate for a full-time residence in this market. It is more likely that such a residence would be used as a cabin for water related recreational use. These uses would compete with each other and would result in a similar value conclusion.
- According to Garrett Dalan of the Grays Harbor County Environmental Health the current septic system could be legally used indefinitely as long as it continued to operate correctly (did not fail).
- According to public records, the existing septic tank was installed in November of 1967. This would make sense as the owner of the property had commented that the trailer was installed in 1968. According to the permit, the tank is a 750-gallon concrete tank. The permit had a comment that the tank was 'located on a fill', which would indicate that the existing homesite had been filled to some extent for development. The drainfield length is listed on the permit as being 56-feet long, although the attached sketch (to the permit) shows a 50-foot long drainfield with a trench width of 30 inches. This would be approximately 125 square-feet of drainfield area. According to Garrett Dalan a repair field – if necessary – would probably require something like 800 square-feet of area.
- If the septic tank did fail, the county would make every effort to allow the system to be repaired. The protocol for the repair is:
 - The repair must meet current code
 - If the current code cannot be met then the next best scenario must be used
 - The repair requirements will be based on the best available solution, and not based on the cost of the repair.
 - The existing system is currently for a 2-bedroom residence. It is not likely that a repair to the system would be allowed if the repair were to be enlarged to accommodate a larger residence.
 - A typical repair system could cost in the range of \$12,000 depending on the design and the environmental health requirements.
 - The location in a Flood Hazard Zone A is not an issue in the repair of the septic system.
 - The subject site floods when the river rises. A river flood is not considered a significant issue and would not preclude the installation of a septic tank and/or the repair of a septic tank. The rationale is that the river floodwater does not stay on the site and pool. It is generally moving all the time it is there and generally goes away after a relatively short period.
 - With the exception of the proximity to the river, these issues are no different than those faced by many other properties with septic tanks in this area.
- It would be financially feasible to continue use of the existing manufactured home on a marginal basis as a recreational cabin or a full-time residence for an interim period until such time that it is feasible to replace it with another structure or manufactured home with an equivalent footprint. Demolition of the manufactured home is not indicated at this time.

- The utility buildings on the site are adequate to meet the needs of a typical residence and/or recreational cabin in this neighborhood. The roof on the large utility building could be replaced, the foundation leveled, and the exterior painted. These repairs would make the building functional for an indefinite period and would cost significantly less than removing the building and replacing it with a new structure. This type of storage/utility building is very common in this area on residential properties of all types. A future owner may decide to demolish this building, but others might have a use for it. Demolition of the utility building improvements is not indicated at this time.
- In summary, I have determined that it would be financially feasible to continue to use the subject property as currently improved for an undetermined interim period.
- There is a relatively small amount of merchantable timber on the property. After consideration of the value of the timber in relation to the potential damage that removal of the timber would do to the aesthetic value of the property for recreational purposes, I have determined that removal of the timber is not indicated. Rather, the aesthetic value of the timber is included in a qualitative manner in the overall value of the property. The subject property has limited uses as it is, and the removal of the timber would reduce even further the potential use of the property for low-impact water oriented recreation. The removal of the trees would essentially offset any short-term monetary gain offered by the sale of the timber.

Maximum Productivity

- The only use of the subject property that satisfies the first three tests is continued use of the property as currently configured for an unknown interim period. Demolition of the existing improvements is not indicated at this time. Also, removal or logging of the merchantable timber is not indicated.

Conclusion of Highest and Best Use as Improved

I have concluded that the highest and best use of the subject as improved is continued use of the property as currently configured for an unknown interim period. Demolition of the existing improvements is not indicated at this time. Also, removal or logging of the merchantable timber could damage the value of the property to a greater extent than realized from the sale of the timber. Sale of the timber is not indicated.

Introduction

The information considered in the valuation of the real property known as the John J. Shultz Property, 3134 Wishkah Road, Aberdeen, Washington 98520, and the methods used are described in the following paragraphs.

Real Property

In any determination of value, local market data are sought on such factors as sales and offerings of similar property and tracts of vacant land, current prices for construction materials and labor, rentals of similar properties and their operating expenses, and current rates of return on investments and properties. From these data, a value is developed for the land and the property as a whole. Three generally acceptable approaches to value may be used:

- Cost Approach
- Market or Sales Comparison Approach
- Income Capitalization Approach

In conducting an appraisal investigation and formulating an opinion of the fair market value for a commercial property, consideration is usually given to all three traditional approaches to the valuation of improved real property.

The Cost Approach requires the appraiser to estimate the reproduction or replacement cost new of the building and improvements, subtract the depreciation due to all causes, and then add the value of the land. In the valuation of a property developed with newer buildings the cost approach can be a significant indicator of value. However, the subject property has a manufactured home that is at or near the end of its economic life, an older utility building that is of unknown age that could be as old as 60-years, a newer utility building, and a marginal woodshed. Due to the actual age and estimated effective age of the manufactured home and the large utility building I have determined that the cost approach is not reliable in determining a market value for the subject property as improved. This approach was not used.

The value of the site as though vacant is typically performed within the cost approach. As it is necessary to estimate the site value for use in the following sections I have estimated the site value in a section of this report immediately preceding the sales comparison approach.

In the highest and best use section of this report I determined that the highest and best use of the property was continued use in its current configuration as a residential or recreational property. The sales comparison approach is the most appropriate method for the valuation of a property of this type and the sales comparison approach was relied on as the sole valuation technique in this report.

The Income Approach to value is a technique whereby the net income of an income producing property is capitalized at a rate which provides a return of interest on the money invested and a recapture of the capital investment in the improvement over a reasonable term of the investment, i.e., it converts the income stream into value. The income approach is not considered meaningful or accurate in the value of a single-family dwelling in this market. This approach was not used.

Overview

In the highest and best use section of this report I determined that if the subject site were vacant that the highest and best use of the subject site as though vacant was to be sale of the property as one single site for use as low-impact water-oriented recreation and/or a marginal homesite for development of a single-family residence. Both of these uses would preclude the removal of the trees on the site. These two uses would compete with each other and would result in a similar value indication for the property.

There are two database systems that provide real property data in Grays Harbor County and /or Pacific County. I have access to both of the database sources. One of the two database systems is the Real Market Data Service (RMD). This system includes every sale that occurs in the county and can be searched electronically using several different parameters. The data is updated every two weeks via e-mail. The second data source is the NorthWest Multiple Listing Service (NWMLS). The NWMLS only includes sales of properties that pass through a real estate brokerage. However, the sorting and analysis of the NWMLS data is much better and more capable than that of the RMD system, which has almost no analysis capacity.

I initially researched sales of residential homesites in the Wishkah and East Hoquiam Road areas that would conceivably compete with the subject and offer valuable insight into a value for the subject property. Therefore, I expanded the research to include all similar areas in the entire Grays Harbor County area. I also included riverfront sales in Pacific County. The reasoning was that an individual purchasing the property for recreational use would also consider the rivers located in Pacific County. The distance from the urban areas in Puget Sound would be only slightly shorter to the subject than the distance to a site in Pacific County.

Due to the current economic conditions there has been limited demand for vacant parcels in general as it is much less expensive to purchase an existing home than create a new one. The result is that there is very limited sales data in the recent past.

I limited my research to the preceding two years prior to the date of value.

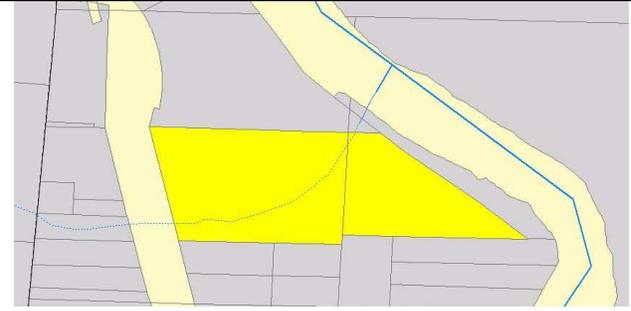
As shown later in this report, I resolved to a per-unit value for the 2.5-acre homesite area of approximately \$6,000 per acre. I resolved to a per-unit value for the remaining 25.1-acres of \$1,500 per acre. After combination of these resolved values, the overall value was \$52,500, implying an overall per-acre value for the subject property of \$1,909. The market data set clear upper and lower limits for the subject property valuation.

A detailed description of each of the properties used in the valuation of the subject property as vacant begins on the following page. Following the formal detailed description of the properties is a summary of the more significant characteristics of the comparables. This summary is then followed by an analysis and reconciliation of the value of the subject site as though vacant.

Land Sale No 1



Aerial View from 2009 Orthophoto.



GIS Depiction (Yellow Highlight)

Location: XXX Highway 101
Hoquiam, WA 98550

Legal Description: Assessor Parcel #181022320030;

Date of Sale: 06/08/2012

Documentation: Warranty Deed No. 2012-06080058

Grantor: John K. and Edith Beebe
2465 Ala Wai Boulevard #201
Honolulu, Hawaii

Grantee: Patrick and Virginia Bly
PO Box 131
Kurtistown, Hawaii

Sale Price: \$15,000

Days On Market: 416

Sale Analysis: According to the listing/selling agent, this property was overall very low-lying. It was his opinion that the property could not be easily developed with a septic tank – if at all. The purchasers purchased it for use as a recreational site.

Site Prep: The site is wooded at the road's edge, but falls quickly to a flat grassy area. If the sewage problem could be overcome the property could be developed with a home at the edge of the road, but it would be very costly and difficult. The lower portion of the site floods.

Zoning: G-5 General

Terms: Cash

Land Size: 13.7-acres

Unit Price: \$1,095 per acre

Confirmed with: The listing/selling agent, Arthur D. Sartwell (360-533-4700)

Confirmed by: Keith D. Thurman

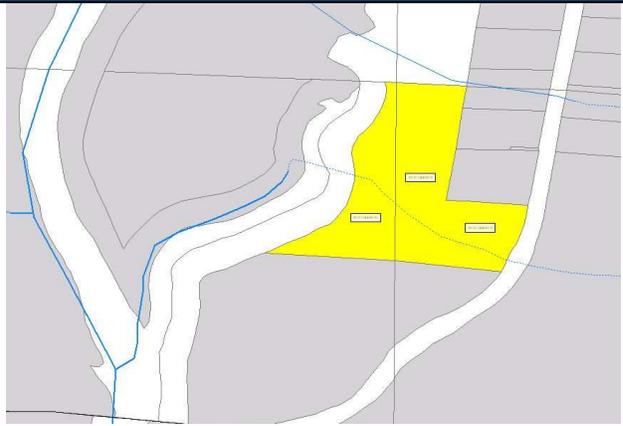
Confirmation Date: March 13, 2014

Comments: According to the agent the purchaser bought this property for recreational use.

Land Sale No 2



Aerial View from 2009 Orthophoto.



Site map from GIS records.

Location: 17 XX East Hoquiam Road
Hoquiam, WA 98550

Legal Description: Assessor Parcel #181013440010; North 660-feet of SE SE North and West of Road Less Portion Platted Less Tax 3 & North 660-feet of Lot 7 East of Slough Less Portion of Tax 1

Date of Sale: 4/22/2013

Documentation: Warranty Deed No. 2013-04220021

Grantor: L & C Dynasty LP
PO Box 798
Snoqualmie, WA 98065

Grantee: Michael L. Kelley
6217 Flora Avenue
Seattle, WA 98108

Sale Price: 10,500

Days on Market: 651 days

Sale Analysis: According to the listing/selling agent, this property was overall very low-lying. It was his opinion that the property could not be easily developed with a septic tank – if at all.

Site Prep: According to the agent the property had a driveway at one time, but at the time of sale it had grown over and it was not possible to drive. The site had a complete cover of trees and native vegetation.

Zoning: G-5 General

Terms: Cash

Land Size: 7.19-acres

Unit Price: \$1,460 per acre

Confirmed with: The listing/selling agent, Michael Perram (360-533-1900)

Confirmed by: Keith D. Thurman

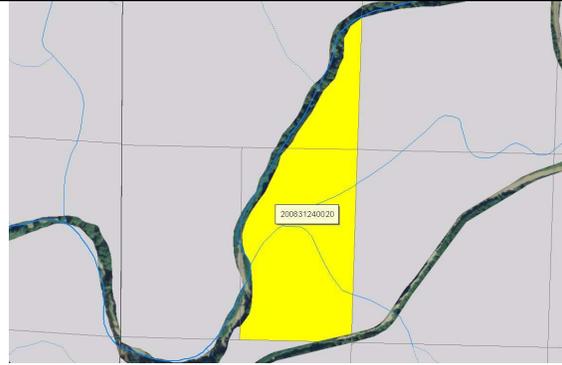
Confirmation Date: March 13, 2014

Comments: According to the agent the purchaser bought this property for recreational use.

Land Sale No 3



Aerial View from 2009 Orthophoto.



GIS Depiction (Yellow Highlight)



River View



Potential Homesite

Location:	5457 Wishkah Road Aberdeen, WA 98520
Legal Description:	Assessor Parcel #200831240020;
Date of Sale:	10/30/2012 This property also sold in 2004
Documentation:	Warranty Deed No. 2012-10250039
Grantor:	Daniel Warner and K Skip Patten 3854 Squilicum Road Bellingham, WA
Grantee:	Son Nguyen and Xuan Nguyen 13115 SE 21 st Place Bellevue, WA 98005
Sale Price:	\$105,000
Days On Market:	93
Zoning:	G-5 General

Terms: \$64,000 in cash down to a seller-held note and deed of trust. Terms were not forthcoming.

Land Size: 29.26-acres

Unit Price: \$3,058 per acre

Confirmed with: The listing/selling agent, Cheryl Goethals Messer (360-470-8744)

Confirmed by: Keith D. Thurman

Confirmation Date: March 13, 2014

Comments: According to the listing/selling agent, two-acres were removed from timber classification and were designated residential. The developed residential homesite is located on a high-bank area with a well and driveway in-place. Power was in the street, and a design for a septic tank had been completed and was included, although it was not installed. There is trail-access to the river from the homesite.

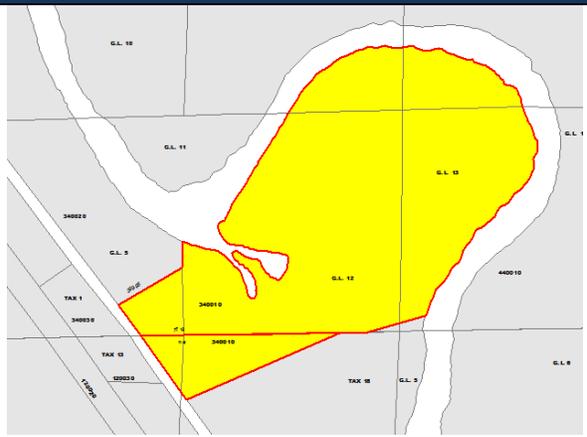
According to the agent, the purchaser bought this property for recreational use and may build a house there. The purchaser also considered the timber as an investment, but was not sure he would ever cut it. In any event the timber crop was approximately 10-years (or more) from being harvested.

This property had significant topographic relief. There were rocky ridges. The homesite is significantly higher than the river level. The homesite was not in a flood zone.

Land Sale No 4



Aerial View from 2009 Orthophoto.



Site map from GIS records.

Location: 500 South Bank Road
Elma, Washington

Legal Description: Assessor Parcel #170518340010; LOTS 12 & 13 LS RR LS RD LS TAX 18; NE NW NELY OF CO RD & NW NE E OF RD LY NELY OF LI SEC 19 (AKA LOT B OF BLA 99-01906)

Date of Sale: 6/28/2013

Documentation: Warranty Deed No. 2013-06280052

Grantor: Albert and Sandra Zepp
225 Dunlap Rd.
Elma, WA

Grantee: Hunter Brothers LLC
E 1921 Highway 106
Union, WA 98592

Sale Analysis:

Analysis/allocation of the sale at 500 S. Bank Rd as per Albert Zepp - the seller	
Description	Amount
Sale Price	\$200,000
Number of Overall Acres	69.71
Overall Per Acre Value	\$2,869
Homesite Estimated Contributory Value	\$60,000
Estimated Acreage	5
Estimated allocated land value	\$140,000
Estimated remaining excess land	64.71
Estimated allocated per-acre land value	\$2,163

Site Prep: This is a 69.71-acre parcel. We estimate that approximately 64.71-acres are pasture land and approximately 5-acres can be used for a home-site.

Zoning: A-2 (Long Term Agricultural)

Terms: Cash

Land Size: 69.71-acres

Unit Price: Please refer to the analysis on the preceding page.

Confirmed with: The seller Albert Zepp

Confirmed by: Eric C. Sorensen and Keith D. Thurman

Confirmation Date: November 15, 2013

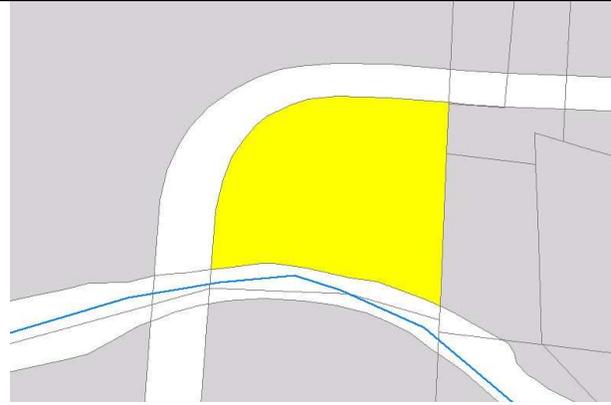
Comments: This property was purchased by Hunter Brothers, LLC to use the site for agricultural use. According to the seller the buyer has no plans to develop this site at this time. Although this property does have the potential use as a single-residential home-site.

This site had a 30' X 80' loafing shed that was in poor to fair condition according to the seller. When the sale price was negotiated the loafing shed was not given any additive value. There were no other improvements on site. This site also had no utilities on site at the time of sale. This site had no marketable timber on-site.

Land Sale No 5



Aerial View from 2009 Orthophoto.



Site map from GIS records.

Location: Lot 2 Riverview Drive
Humptulips, WA 98552

Legal Description: Assessor Parcel #201007340020; SE of SW lying Southerly & Easterly of Olympic Highway (aka Hanson Road) and North of River.

Date of Sale: 2/05/2014

Documentation: Warranty Deed No. 2014-02050022

Grantor: Terrapointe LLC
1901 Island Walkway
Fernandina Beach, FL

Grantee: Gordon Quayle
27682 Paseo Barona
San Juan Capistrano, CA

Sale Price: \$30,000

Days on Market: 28 days

Sale Analysis: According to the listing/selling agent this property had an area that could be developed on the north side without difficulty. It was his opinion that the property could easily be developed with a septic tank.

Site Prep: According to the agent the property had a driveway at one time, but at the time of sale it had grown over and it was not possible to drive. The site had a complete cover of trees and native vegetation.

Zoning: G-5 General

Terms: Cash

Land Size: 4.8-acres

Unit Price: \$6,250 per acre

Confirmed with: The listing/selling agent, David Dagnen (360-533-0375)

Confirmed by: Keith D. Thurman

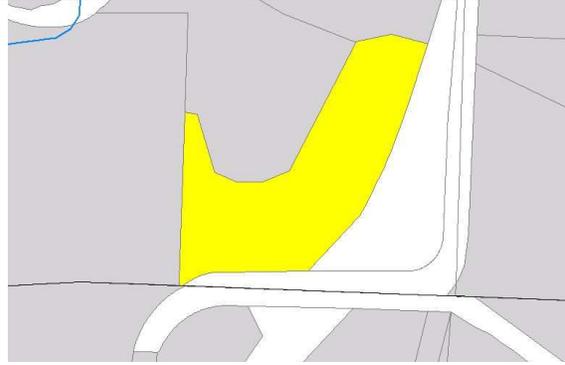
Confirmation Date: March 13, 2014

Comments: According to the agent the purchaser bought this property for recreational use and may eventually build a house/cabin.

Land Sale No 6



Aerial View from 2009 Orthophoto.



Site map from GIS records.



View on the site



View on the site

Location:	4171 Wishkah Road, Aberdeen, WA
Legal Description:	Assessor Parcel #190935340020; Lot 1 of LLS 07-1775 Volume 1, Page 140
Date of Sale:	7/30/2013
Documentation:	Warranty Deed No. 2013-07300014
Grantor:	Bruce Van De Wall PO Box 246 Aberdeen, WA
Grantee:	Justin and Kristy Haskey 47 Wishkah Road Aberdeen, WA
Sale Price:	\$40,000
Days on Market:	256 days

Sale Analysis: According to the listing/selling agent this property was a good-quality building site nine-miles up the Wishkah. There were no issues with site-development. Aberdeen water was available and a septic tank perk test had been performed and it passed.

Site Prep: This site had large cleared areas that were covered in grass. Very minimal site-prep would be needed.

Zoning: G-5 General

Terms: Cash by means of a conventional land loan.

Land Size: 5.1-acres

Unit Price: \$7,843 per acre

Confirmed with: The listing/selling agent, Debora A. Wood (360-249-4651)

Confirmed by: Keith D. Thurman

Confirmation Date: March 14, 2014

Comments: According to the agent the purchaser bought this property to use as a homesite.

Land Sale No 7



Aerial View from 2009 Orthophoto.



Site map from GIS records.

Location:	Near Polson Camp Road Hoquiam, WA
Legal Description:	Assessor Parcel #191001230090; Tax Lot 8
Date of Sale:	7/05/2013
Documentation:	Warranty Deed No. 2013-07050075
Grantor:	William F. Ryan 421 Turner Street NE Olympia, WA 98506
Grantee:	Reagan C. and Alyssa Calloway 24 Polson Camp Road Hoquiam, WA
Sale Price:	\$6,000
Days on Market:	Unknown
Sale Analysis:	This is a vacant parcel that was purchased by the adjoining owner. The access road was not developed.
Site Prep:	This site is completely covered with trees and other vegetation. Significant clearing will be required. Once cleared, the site is large enough to support a stand-alone homesite and could be developed as such.
Zoning:	G-5 General
Terms:	Cash
Land Size:	1.5-acres
Unit Price:	\$4,000 per acre

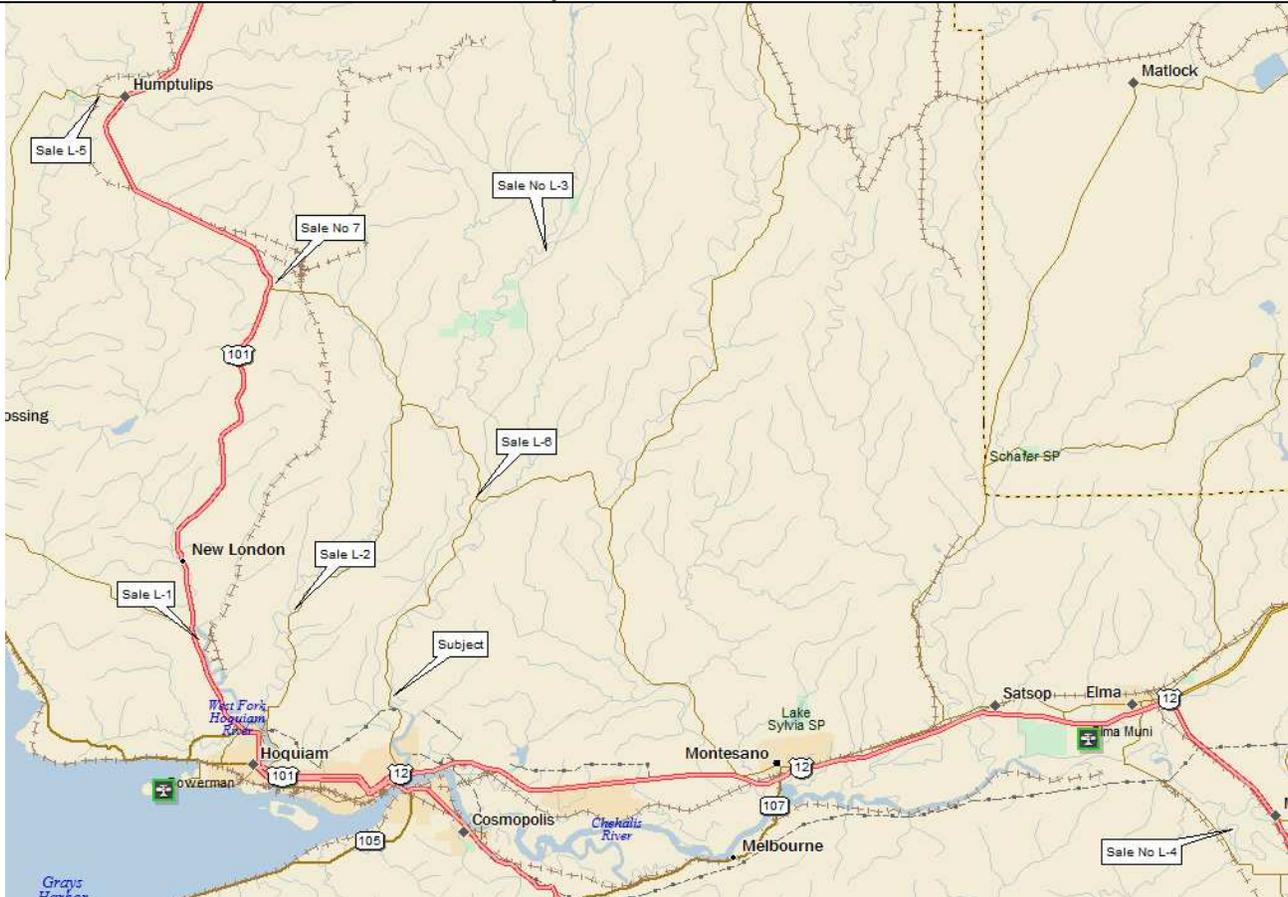
Confirmed with: Public records. All attempts to contact a principal were not successful during the writing of this report. Mr. Calloway does not have a listed number and was not home when the site was visited. A telephone number for the seller could not be found. The property sold without the benefit of an agent or broker.

Confirmed by: Keith D. Thurman

Confirmation Date: March 14, 2014

Comments: This property was purchased by the adjoining neighbor to the west.

Summary of the Market Data



Land Sales Summary

Sale No	Description	Sale Date	Original List Price	Recorded Sale Price	Total Acres	Homesite	Homesite Size (Ac)	Homesite Est Value	Adjusted Sale Price	Adjusted Acres	Remainder Price/Ac	Wf Type
Larger Riverfront Class Sales - Wetland or Flooding Issues												
L-1	XXX Highway 101, Hoquiam, WA	6/8/2012	\$25,000	\$15,000	13.70	No	0		\$15,000	13.70	\$1,095	River
L-2	17 XX East Hoquiam Road, Hoquiam	4/22/2013	\$46,500	\$10,500	7.19	No	0		\$10,500	7.19	\$1,460	River
L-3	5457 Wishkah Road, Aberdeen	10/25/2012	\$115,000	\$105,000	29.26	Yes	5	\$30,000	\$75,000	24.26	\$3,092	River
L-4	500 South Bank Road, Elma, WA	6/28/2013	N/App	\$200,000	69.71	Yes	5	\$40,000	\$160,000	64.71	\$2,473	River
											Mean	\$2,030
											Median	\$1,966
Homesite Class Acreage Sales												
L-5	Lot 2, Riverview Drive, Humptulips	2/5/2014	\$55,000	\$30,000	4.80	Yes	4.8	N/App	\$30,000	4.80	\$6,250	River
L-6	4171 Wishkah Road, Aberdeen	7/13/2013	\$49,000	\$40,000	5.10	Yes	5.1	N/App	\$40,000	5.10	\$7,843	None
L-7	Near Polson Camp Road, Hoquiam	7/5/2013	Unk	\$6,000	1.50	Yes	1.5	N/App	\$6,000	1.50	\$4,000	None
											Mean	\$6,031
											Median	\$6,250

Unit of Comparison

The unit of comparison that I determined appropriate to the valuation of the subject is the price paid per acre. This is the common factor of comparison used by market participants for this type of property in this market.

General Discussion on the Valuation Process

Due to the limited data available, I did not find any parcels of property that combined the subject elements of river-frontage, filled area for homesite, and quality of land. After review of the

available data, I determined to develop a 'blended' overall value for the property based on two types of comparable data.

I discovered two sales of properties that were similar with respect to river-frontage and type of land. These two sales had been purchased for recreational use and probably could not support a homesite with a septic tank within a reasonable cost. These two sales were used to estimate a value for the portions of the subject property that could not be economically developed.

The area of the subject property that could not be economically developed was determined to be all but the north 2.5-acres of the subject property at the northern apex. I estimated this hypothetical 2.5-acre using aerial photographs and GIS information. This homesite area is approximately the northern 450-feet of the property and approximately includes the filled area where the existing homesite improvements are located.

To estimate a 'homesite' factor to apply to the northern apex of the subject property I researched sales of pure 'homesite' properties. These were sales of acreage parcels that that did not have developmental issues.

I also discovered two sales of riverfront property that combined the riverfront element with the homesite element. Using the 'pure' homesite sales, I analyzed them by deducting the value of just the homesite area to determine a remainder value for the less-valuable acreage. In the direct comparison valuation process, as each sale is compared to the subject property, it is analyzed for any significant dissimilarity. When a significant dissimilarity is observed, a compensating adjustment is considered.

In considering the data presented in this report to the subject parcel, adjustments have been considered for the following elements of comparison; i.e., time, location, abstraction of improvements, associated development considerations, motivation of seller/purchaser, and size regression. In an ideal real estate market, discrete adjustment amounts are abstracted from analysis of the comparable sales for each element of comparison. However, such ideal market rarely exists, and for most of the elements of comparison this was particularly true. Therefore, with the exception of the adjustment for abstraction of improvements, the sales data presented in this report have been considered in a qualitative manner in relation to the subject property.

In a qualitative analysis, the sales data are considered based on their individual differences and the comparison with the subject property are made on an overall property-to-property basis. In such comparison process, the valuation contemplates a cash or cash equivalent basis. As such, no additional cash equivalent adjustments were made to the sales in that the unit prices employed in this analysis have already been adjusted to cash equivalency as necessary.

The following paragraphs set forth general considerations made in connection with each of the foregoing noted elements of comparison.

A location adjustment becomes necessary when the locational characteristics of the sale properties and those same characteristics of the subject property are different and the appraiser concludes the market would react to this difference.

An adjustment for Motivation of Purchaser/Seller takes into account non-market consideration made by principals in certain of the transactions that create a clearer perspective of how these transactions reconcile with the comparable sales that are more clearly arm's length.

A size regression adjustment considers the effect of size upon the price paid. Generally, all other things considered equal, a Larger Parcel will sell for less per unit than a smaller parcel. In the case of the sales employed in these analyses, the land sales substantially larger or smaller than the subject likely require some size regression consideration and such consideration was made in the overall comparison process. In the case of this report, the size regression adjustment reflects the difference in overall acreage between the subject and the comparables.

A time adjustment becomes necessary when a difference exists between the date the comparable sale transaction occurred and the date on which the subject property is being valued, and economic conditions have changed during the interim. In the case of this appraisal report I determined earlier in this report that the market has been declining at the rate of approximately 0.7% per month, or approximately 8.4% per year. However, the data used to determine that rate-of-decline included properties of all types, the majority of which were single-family residences. My anecdotal observation is that site-values declined within one or two years after the 2008 bubble, and became somewhat stabilized after that. Because of this, I did not make a quantifiable adjustment for date of sale. Rather, I considered the time element in a qualitative way.

Additional factors considered are access, view potential, and site preparation.

Reconciliation of the Sales Data

Comparable Sale No L-1 is a medium acreage parcel about half the size of the subject property. This property is located on Highway 101 north of Hoquiam. The property falls off almost immediately from the adjoining highway down to a low flat area that river-floods. The area adjacent to the road is very narrow and it is not likely that the property could be developed with a homesite.

This property was on the market for 416 days. It was originally listed at \$25,000, which was speculative pricing for a property of this type.

The analysis below refers only to the low-lying remainder (total less the hypothetical homesite).

Location:	Similar.
Seller Motivation:	Similar
Size Regression:	Downward (13.7-acres)
Access:	Similar
Aesthetics:	Upward (no tree cover)
Flooding:	Similar
Site-Preparation:	Similar to low-lying area of subject
Cover:	Very little vegetative cover. No timber.
Merchantable Timber:	None
Overall Rating:	Upward

Comparable Sale No L-2 is the recent sale of a riverfront property on the East Hoquiam Road. The site is very low and similar to the low-lying areas of the subject. This property is the most similar with respect to the low-lying areas of the subject.

This property was on the market 704-days, which is attributed to the speculative pricing when it was first listed.

The analysis below refers only to the low-lying remainder (total less the hypothetical homesite).

Location:	Similar.
Seller Motivation:	Similar
Size Regression:	Downward (7.19-acres)
Access:	Similar
Aesthetics:	Similar
Flooding:	Similar
Site-Preparation:	Similar
Cover:	Similar
Merchantable Timber:	Similar
Overall Rating:	Similar

Comparable Sale No L-3 is superior to the subject in many ways. It had a cleared homesite on the upper part of the property near the road and a developed access. According to the agent most of this property was high, with the largest part out of the flood zone. I analyzed this sale by estimating the value of the homesite from the series of Homesite-Class sales (L-5 through L-6), deducting the homesite value and homesite acreage from the total sale price and total acreage, and then divided by the remaining acreage to determine an estimated value for the remainder. Because this homesite was out of the flood zone, I determined that the 5-acres selected for analysis was most similar to L-5 in terms of overall value. This property was superior in site-preparation, cover, merchantable timber.

The analysis below refers only to the low-lying remainder (total less the hypothetical homesite).

Location:	Similar
Seller Motivation:	Similar
Size Regression:	Similar (25.26-acres remaining after 5-acre homesite)
Access:	Similar
Aesthetics:	Downward
Flooding:	Downward
Site-Preparation:	Downward
Cover:	Downward
Merchantable Timber:	Downward
Overall Rating:	Downward

Comparable Sale No L-4 is located near Elma and was only included because it was a riverfront property that has a large area that river-floods in the winter. The lower lying area near the river is cleared and is used for summer pasture and/or growing hay or similar crops. The homesite was estimated to have a contributory value of approximately \$40,000 based on L-6.

The analysis below refers only to the remainder.

Location:	Similar
Seller Motivation:	Similar
Size Regression:	Upward (64.71-acres remaining after 5-acre homesite)
Access:	Similar
Aesthetics:	Similar
Flooding:	Similar
Site-Preparation:	Downward
Cover:	Downward – different might be better. Farmland.
Merchantable Timber:	Similar due to the farming aspect
Overall Rating:	Downward

Comparable Sale No 5 is a 4.8-acre riverfront lot that is easily suitable for a homesite. This site fronts on the Humptulips river, had a complete vegetative cover MHT sale in the Surfside area. Unlike the SWUB's presented above, this lot is more similar to a MHT lot sold farther south down the peninsula. It is a long narrow lot with the building site located near the access road.

The adjustments below were based on comparison with the 2.5-acre hypothetical subject homesite, which is relatively cleared and partially filled.

Location:	Similar
Seller Motivation:	Similar
Size Regression:	Upward (4.8-acres)
Access:	Similar
Flooding:	Downward
Aesthetics:	Similar
Site-Preparation:	Upward
Cover:	Upward – this site was completely covered.
Merchantable Timber:	Similar due to the farming aspect
Overall Rating:	Downward

Comparable Sale No 6 is a good-quality homesite on the Wishkah Road. This site had significant clearing and could be easily be improved with a home with very little prep.

The adjustments below were based on comparison with the 2.5-acre hypothetical subject homesite, which is relatively cleared and partially filled.

Location:	Similar
Seller Motivation:	Similar
Size Regression:	Upward (5.1-acres)
Access:	Similar
Aesthetics:	Similar
Flooding:	Downward
Site-Preparation:	Similar
Cover:	Similar
Merchantable Timber:	Similar
Overall Rating:	Downward

Comparable Sale No 7 is a relatively small interior acreage site located near the Polson Camp Road, just off Highway 101. An adjoining neighbor purchased this property, presumably for assemblage. The site is out of the flood zone and had a complete vegetative cover, some of which appeared to be merchantable.

The adjustments below were based on comparison with the 2.5-acre hypothetical subject homesite, which is relatively cleared and partially filled.

Location:	Upward
Seller Motivation:	Similar
Size Regression:	Downward (1.5-acres)
Access:	Upward
Aesthetics:	Upward
Flooding:	Downward
Site-Preparation:	Upward
Cover:	Upward – this site is completely covered
Merchantable Timber:	Downward
Overall Rating:	Upward

General Discussion

The goal of the sales comparison approach is to select the most comparable market sales and then adjust for differences that cannot be eliminated within the selection process. As discussed previously, the elements of comparison include property rights conveyed, financing terms, conditions of sale (motivation), expenditures made immediately after purchase, market conditions (time), location, physical characteristics (e.g. size, shape, frontage, topography), economic characteristics, use (zoning), and non-realty components.

To illustrate the process with respect to the reasoning used in comparing the seven properties presented to the subject, I have used a qualitative adjustment process known as "relative comparison analysis". This is also referred to as a "bracketing analysis".

The following table is a representation of this qualitative adjustment and comparison process that was used to estimate a supportable value range for the Larger Parcel. The table also represents the sequence in which adjustments are made. Again, please note that the adjustments shown are relative; for example, a physical adjustment may carry more weight than adjustments made to other elements of comparison.

Timber Discussion

The S.A. Newman Firm performed a timber cruise and timber appraisal in their report dated March 11, 2014 with a date of valuation of February 17, 2014. This 'Appraisal of Timber' referred to is attached to this report and is hereby incorporated by reference. It is an extraordinary assumption of this Appraisal Report that the reader has a copy of the Timber Appraisal for reference. In the highest and best use section of the report I determined that an added value for the stumpage available on the subject property should not be added. Rather, the value of the timber was considered as part of the overall value of the site. Most of the data presented had similar vegetative cover.

Qualitative Sales Adjustment Chart								
Subject/Comparable Description	Subject	Acreage Comparables				Homesite Comparables		
		L-1	L-2	L-3	L-4	L-5	L-6	L-7
	3134 Wishkah	Hwy 101	17XX E Hoq	5457 Wishkah	500 S Bank	L 2 Riverview	4171 Wishkah	Polson Camp
Sales Price		\$15,000	\$10,500	\$105,000	\$200,000	\$30,000	\$40,000	\$6,000
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjustment Price		\$15,000	\$10,500	\$105,000	\$200,000	\$30,000	\$40,000	\$6,000
Financing	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjustment Price		\$15,000	\$10,500	\$105,000	\$200,000	\$30,000	\$40,000	\$6,000
Market Conditions	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjustment Price		\$15,000	\$10,500	\$105,000	\$200,000	\$30,000	\$40,000	\$6,000
Improvements Immediately After Sale	No	No	No	No	No	No	No	No
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjustment Price		\$15,000	\$10,500	\$105,000	\$200,000	\$30,000	\$40,000	\$6,000
Abstraction of Improvements/Other	No	No	No	Homesite	Homesite	No	No	No
Adjustment		\$0	\$0	(\$30,000)	(\$40,000)	\$0	\$0	\$0
Adjustment Price		\$15,000	\$10,500	\$75,000	\$160,000	\$30,000	\$40,000	\$6,000
Adjusted Overall Price		\$15,000	\$10,500	\$75,000	\$160,000	\$30,000	\$40,000	\$6,000
Gross Size (in acres)	27.51	13.70	7.19	29.26	69.71	4.80	5.10	1.50
Less Homesite (in acres)	2.50	0.00	0.00	5.00	5.00	0.00	0.00	0.00
Analysis Size (in acres)	25.01	13.70	7.19	24.26	64.71	4.80	5.10	1.50
Adjusted Price Per Acre		\$1,095	\$1,460	\$3,092	\$2,473	\$6,250	\$7,843	\$4,000
Date of Sale		6/8/2012	4/22/2013	10/25/2012	6/28/2012	2/5/2014	7/13/2013	7/5/2013
Market Condition Qualitative (Time)	Current	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Location	Wishkah Rd	Similar	Similar	Similar	Similar	Similar	Similar	Upward
Seller Motivation	None	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Size Regression - Remainder Acreage	25.01-acres	Downward	Downward	Similar	Upward			
Size Regression - Hypothetical Homesite	2.5 - Acres					Upward	Upward	Downward
Access	Direct	Similar	Similar	Similar	Similar	Similar	Similar	Upward
Aesthetics	River Flood	Upward	Similar	Downward	Similar	Downward	Similar	Upward
Flooding	River View	Similar	Similar	Downward	Similar	Similar	Downward	Downward
Site-Preparation	Minimal	Similar	Similar	Downward	Downward	Upward	Similar	Upward
Cover	Total	Upward	Similar	Downward	Downward	Upward	Similar	Upward
Merchantable Timber	Minimal	Upward	Similar	Downward	Similar	Similar	Similar	Similar
Overall Analysis Adjustment	Reconciled	Upward	Similar	Downward	Downward	Downward	Downward	Upward
	\$1,500.00	> \$1,095	≈ \$1,460	< \$3,092	< \$2,473	< \$6,250	< \$7,843	> \$4,000

Reconciliation of the Site as Though Vacant

I have determined that the per-unit value for the hypothetical homesite is greater than that implied by L-7, but less than that implied by L-5 and L-6. I resolved to a per-unit factor of \$6,000 per acre for the 2.5-acre hypothetical homesite.

After review of the acreage data I have determined that the most similar properties with respect to the subject remainder acreage are L-1 and L-2. I have determined that the per-unit value for the subject acreage (sans the hypothetical 2.5-acre homesite) is greater than that implied by L-1 and approximately equal to that implied by L-2.

Using the above resolved factors, the value of the site as though vacant can then be calculated as presented in the table below.

Calculation of Value - Site as Vacant			
Description	Quantity	Per Unit Value	Calculated Value
Homesite	2.5	\$6,000	\$15,000
Acreage	25.01	\$1,500	\$37,515
Totals	27.51	\$1,909	\$52,515
		Rounded	\$52,500

Sales Comparison Approach – As Improved

The sales comparison approach involves the process of comparing similarly improved properties – which have recently sold – with the subject property, noting and adjusting for similarities and dissimilarities between the properties being appraised and sale comparables. Such differences include time of sale, location, physical characteristics including condition, size and design and other physical characteristics such as land to building ratio, adequacy of parking space available to customers, and the nature and condition of site improvements. Also of concern are the number of available comparable sale properties, financing terms, buyer and seller motivation and other factors affecting the final sale price.

This approach has its foundation in the gathering and analysis of commercial properties that have recently sold for the purpose of comparing the sold properties to the subject of this appraisal. In this regard, a search of public records was made. Sales of commercial properties in or near the subject market area were gathered and analyzed in addition to sales from other market areas that provided meaningful data. Informed, prudent, and rational investors pay no more for a property than the cost of acquiring a substitute property with the same utility.

Adjustments between the sales and the subject property are made, when necessary, in order to equate for differences in location, date of sale, terms of sale, physical characteristics, functional utility, or any substantial difference that the market would recognize.

Comments on the Valuation of the Property

In the highest and best use section of this report I determined that the highest and best use of the subject property is continued use of the property as currently configured for an unknown interim period.

For this valuation I searched for sales of single-wide manufactured homes. I attempted to find them on sites that were similar to the subject site, but was not successful. Therefore, I searched for sales that most closely resembled the subject improvements, and made adjustments as necessary to accommodate the difference in site value and location.

The methodology used for this section of the report is identical to that of a typical residential appraisal except that the work is not presented in UAD format. In the following pages I present a sales comparison grid, a discussion of the adjustments, a reconciliation, pictures of the comparables, and a location map.

Sales Comparison Grid

FEATURE	SUBJECT	COMPARABLE SALE # 1			COMPARABLE SALE # 2			COMPARABLE SALE # 3		
Address	3134 Wishkah Road Aberdeen, WA 98520	80 O'leary Creek Rd Aberdeen, WA 98520			1540 Ocean Beach Road Hoquiam, WA 98550			49 Hunter Lane Cosmopolis, WA 98537		
Proximity to Subject		8.66 miles SW			13.73 miles NW			13.80 miles SE		
Sale Price	\$	\$ 70,000			\$ 22,500			\$ 35,000		
Sale Price/GLA	/sq.ft.	\$ 70.92 /sq.ft.			\$ 24.35 /sq.ft.			\$ 37.88 /sq.ft.		
Data Source(s)	Inspection/PubRcd	Personal Inspect/App Files			Exterior View			Exterior View		
Verification Source(s)	Owner	Assessor/NWMLS #363004			Assessor/NWMLS #347519			Assessor/NWMLS #461125		
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjust.	DESCRIPTION	+(-) \$ Adjust.	DESCRIPTION	+(-) \$ Adjust.			
Sales or Financing Concessions	None Market	None Conventional 40K		REO Sale Cash		REO Sale Conventional 28K				
Date of Sale/Time	02/22/2014 Insp	08/10/2012 Closed		05/24/2012 Closed		07/09/2013 Closed				
Rights Appraised	Fee Simple	Fee Simple		Fee Simple		Fee Simple				
Location	Aberdeen Rural	Ocosta		Humtulpils		North River				
Site	27.51Ac (\$52.5K)	5.2 Ac (45K)	+7,500	0.92Ac (6K)	+46,500	5.6-Acres (20K)	+32,500			
View	River View	Nbhd/Territorial		Nbhd/Territorial		North River				
Design (Style)	1-Wide Man	1-Wide Man		1-Wide Man		1-Wide Man				
Quality of Construction	Average	Average		Average		Average				
Age	1964 - 50-years	1979 - 33 years		1995 - 17 years		1984 - 29-years				
Condition	45-years	Similar		Repairs	+5,000	Similar				
Above Grade	Total Bdrms Baths	Total Bdrms Baths		Total Bdrms Baths		Total Bdrms Baths				
Room Count	4 2 1	5 3 2	-4,000	5 3 2	-4,000	5 3 1.5	-2,000			
Gross Living Area	644 sq.ft.	987 sq.ft.	-6,860	924 sq.ft.	-5,600	924 sq.ft.	-5,600			
Basement & Finished Rooms Below Grade	None None	0 sf 0 sf		0 sf 0 sf		None None				
Functional Utility	Average	Average		Average		Average				
Heating/Cooling	Wdstve/Elec Htrs	EFA/None		EFA/None		EFA				
Energy Efficient Items	Typical	Typical		Typical		Typical				
Garage/Carport	None	None		1-Garage Det	-4,000	4-Car Carport	-6,000			
Porch/Patio/Deck	402 sf Deck	Comparable		Comparable		Comparable				
Rear Deck/Porch	24 sf	Comparable		Comparable		Comparable				
Fireplace	Woodstove	None	+2,500	None	+2,500	None	+2,500			
Outbuilding	836sf Poor Cond	756 sf Poor Cond		None	+4,200	None	+4,200			
Outbuilding	176sf Ave Cond	2-Garden Sheds		None	+2,500	260sf Storage				
Outbuilding	Min. Woodshed	Comparable		Comparable		Comparable				
Net Adjustment (Total)		☒ + ☒ -	\$ -860	☒ + ☒ -	\$ 47,100	☒ + ☒ -	\$ 25,600			
Adjusted Sale Price of Comparables			\$ 69,140		\$ 69,600		\$ 60,600			

Site Adjustments

The largest adjustments in the comparison grid above are the site adjustments.

The site value for comparable sale No 1 was based on the following sales. The land sales presented are all located in the Markham (Ocosta) market area.

Land Sale Data

Land Sale #	Property Description	Sale Date	Acres	Sale Price	Price per Unit
Sale 1	161102440040	03/01/12	4.68	\$40,000	\$8,547.01
Sale 2	161111120060	01/03/12	10.17	\$90,000	\$8,849.56
Sale 3	171027420010	12/15/10	5.00	\$50,000	\$10,000.00
Sale 4	746501500100	08/08/11	2.22	\$79,900	\$35,990.99
Sale 5	171032120020	02/24/11	12.36	\$40,000	\$3,236.25

The value of the site for Sale No 2 was based on the sales presented earlier in this report with most weight given to L-7 due to the comparable size factors.

Sale No 3 is a riverfront lot on the North River. The site-value for that property was based partially on L-4 through L-7 presented earlier in this report. The location of this comparable is somewhat remote. The site value was estimated to be approximately \$20,000 due primarily to the location.

Miscellaneous Adjustments to the Sales Grid

The gross living areas shown for the comparable sales are estimated based on information from the county tax records, digest, or actual measurements. If there were slight variations in size differences between the actual and estimated, it would have a corresponding effect on the estimate of value.

These adjustments reflect my attempt to adjust for differences between the subject and the comparable sales in a manner equivalent to the market reaction to these differences. These adjustments are accepted as typical and common when performing residential appraisals in this market.

In some cases in this report the net, line & gross adjustments exceeded the FNMA guidelines. This is due to the lack of directly comparable data with respect to the subject. If other data had been available that would have allowed adjustments within FNMA guidelines I would have used it. The data used is the best, most comparable data available. Lack of directly comparable data is not a function of the marketability of the subject, but reflects the small size of the subject market area and the subsequently small pool of comparable sales from which to choose.

With the exception of the requirement to measure a dwelling to within the nearest inch or tenth of a foot (all measurements are measured to within the nearest 1/2-foot), the determination of the Gross Living Area for the subject of this report was made using the American National Standard ANSI Z765-2003 protocol for measuring single-family residences, which was developed as a standard method of measurement by The National Association of Home Builders.

The adjustments and resultant value-indications are based on the extraordinary assumption that all the GLA's presented in this report were measured using the same standards.

No adjustment was made for location or view as it is considered in the estimated site value.

Adjustment for GLA was made at \$10 per square foot of difference.

Adjustments for bathrooms were based on \$4,000 for a full bath, \$2,000 for a 1/2 bath. A 3/4 bath is considered equal to a full bath.

Garages were adjusted at \$4,000 per car space. A carport was adjusted at \$1,500 per car space.

A fireplace was adjusted at the rate of \$2,500 per fireplace. If there were two or three fireplaces the second and third fireplaces were adjusted at \$1,000 per fireplace.

The large subject utility building was adjusted at a rate of \$5 per square-foot in relation to the outbuildings on the comparable sale sites.

The small subject utility building was estimated to contribute approximately \$2,500.

Comparable Photos 1-3

Borrower/Client	No Borrower/Amec & Grays Harbor County				
Property Address	3134 Wishkah Road				
City	Aberdeen	County	Grays Harbor	State	WA Zip Code 98520
Client	AMEC and Grays Harbor County				



Comparable 1

80 O'leary Creek Rd
 Prox. to Subj. 8.66 miles SW
 Sales Price 70,000
 G.L.A. 987
 Tot. Rooms 5
 Tot. Bedrms. 3
 Tot. Bathrms. 2
 Location Ocosta
 View Nhd/Territorial
 Site 5.2 Ac (45K)
 Quality Average
 Age 1979 - 33 years



Comparable 2

1540 Ocean Beach Road
 Prox. to Subj. 13.73 miles NW
 Sales Price 22,500
 G.L.A. 924
 Tot. Rooms 5
 Tot. Bedrms. 3
 Tot. Bathrms. 2
 Location Humptulips
 View Nhd/Territorial
 Site 0.92Ac (6K)
 Quality Average
 Age 1995 - 17 years



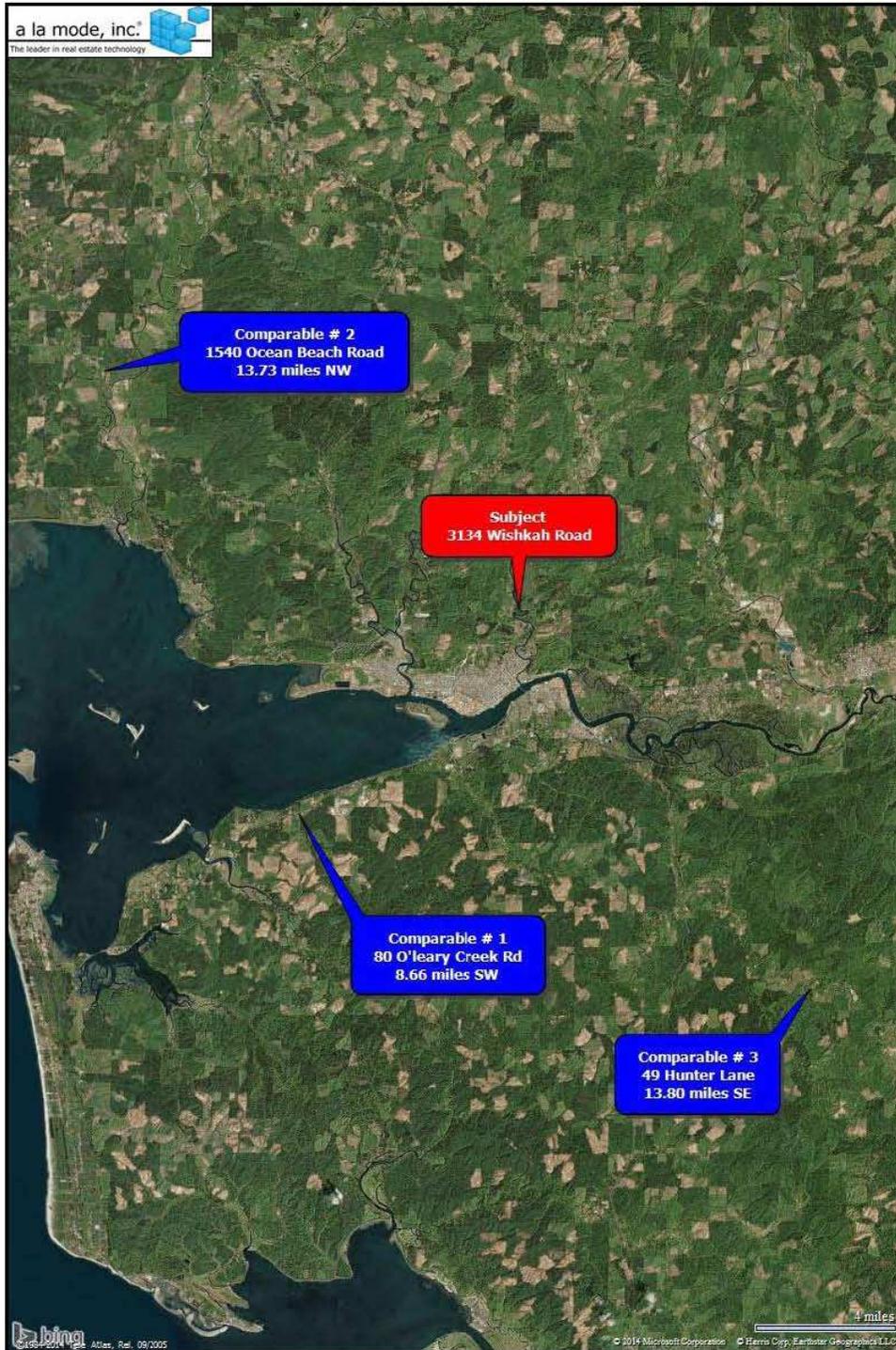
Comparable 3

49 Hunter Lane
 Prox. to Subj. 13.80 miles SE
 Sales Price 35,000
 G.L.A. 924
 Tot. Rooms 5
 Tot. Bedrms. 3
 Tot. Bathrms. 1.5
 Location North River
 View North River
 Site 5.8-Acres (20K)
 Quality Average
 Age 1984 - 29-years

Form PIC4x6.CR — *WinTOTAL* appraisal software by a la mode, inc. — 1-800-ALAMODE

Location Map

Borrower/Client	No Borrower/Amec & Grays Harbor County				
Property Address	3134 Wishkah Road				
City	Aberdeen	County	Grays Harbor	State	WA Zip Code 98520
Client	AMEC and Grays Harbor County				



Form MAP.LOC — "WinTOTAL" appraisal software by a la mode, inc. — 1-800-ALAMODE

Reconciliation of the Sales Comparison Approach Value

The sales adjusted as follows:

Improved Sale No 1	Improved Sale No 2	Improved Sale No 3
\$72,570	\$72,400	\$63,400

Of the three sales presented, sales No 1 and No 2 are given the most weight. I appraised sale No 1 on a previous assignment. The condition of the manufactured home was similar to the subject.

Based on the preceding information and analyses, I determined that as of February 22, 2014 the value of the entire property was:

\$72,500
Seventy Two Thousand Five Hundred and 00/100 Dollars

Reconciliation and Final Value Estimate

The final reconciliation is the process where the strengths and weaknesses of each approach are discussed and then reconciled into a value supported by the applicable appraisal approaches. Reconciliation requires appraisal judgment and a careful analysis of the appraisal procedures that have led to each value indication. Appropriateness, accuracy, and quantity of data- evidence are the criteria used to arrive at a value estimate. Using these criteria, the multiple value indications within each approach and the value indications produced by the different approaches are reconciled into a final estimate of defined value.

Application of the appropriate appraisal methods resulted in the following indications of value:

Cost Approach	N/A
Sales Comparison Approach	\$72,500
Income Approach	N/A

Discussion of the Cost Approach

The Cost Approach requires the appraiser to estimate the reproduction or replacement cost new of the building and improvements, subtract the depreciation due to all causes, and then add the value of the land. Due to the age of the improvements on the subject property this approach was not considered to be reliable and was therefore not developed.

Discussion of the Sales Comparison Approach

The sales comparison approach can be a good indicator of value of a property in the open market as it can reflect current market activity and the motives of buyers and sellers for use or for investment purposes. This approach was considered the most appropriate to the valuation of the subject property.

Discussion of the Income Capitalization Approach

The Income Approach to value is a technique whereby the net income of an income producing property is capitalized at a rate that provides a return of interest on the money invested as well as a recapture of the capital investment in the improvement over a reasonable term. This approach was not applicable to the subject property.

Final Reconciliation

Based on the investigation and premises outlined in the preceding report, I have determined that the market value of the subject property as of February 22, 2014, which was the last day of inspection was:

\$72,500

Seventy Two Thousand Five Hundred and 00/100 Dollars

Exhibits and Addenda

Keith D. Thurman

3667 Dianna Way
Wenatchee, WA 98801

509-663-4340 – Residence
360-580-5275 – Cell
keith@twinharborsappraisal.com

Experience

1972 to 1999

- Started a real estate brokerage office in 1975 in Grayland, Washington, which served the Grayland/Westport market area in Grays Harbor County, Washington
- Sold the real estate business in 1999

08/01/1984 to present

- Started appraising real estate on August 1, 1984 while simultaneously managing the real estate office. At that time it was not necessary to be certified.
- Became a Washington State Certified Residential Real Estate appraiser in 1991. This was when certification was first required.
- Became a Washington State Certified General Real Estate Appraiser on 01/16/1992.
- Successfully recruited and trained appraisers to work in the appraisal office
- Trained three residential appraisers and one commercial appraiser, all of whom became certified either in Washington State or Colorado

Education

Washington State University

1971-1975

Grays Harbor College – Courses Taken (related to appraisal)

Cartography	2002
Introduction to GIS	2002
GIS 120 (Arc View)	2003
GIS 140 (Arc Info)	2003
CIS 231 (Excel)	2003

Appraisal Institute Seminars and Education

Real Estate Appraisal Principles 1-A-1/8-1	June 84
Residential Valuation 8-2	June 84
Standards of Professional Practice	May 85
Basic Income Capitalization	February 93
Advanced Income Capitalization	April 93
Appraising Complex Properties	April 93
Advanced Highest & Best Use & Market Analysis	February 95
Advanced Market Analysis & Cost Approach	February 96
Advanced Report Writing and Valuation Analysis	February 97
Advanced Case Studies	March 99
Regression Analysis in Appraisal: Concepts & Applications	March 01
Condemnation Appraising: Basic Principles	November 03
Condemnation Appraising: Advanced	November 03
Online Analyzing Operating Expenses	September 05
Online GIS Applications for Real Estate Appraisal	September 05
REO Appraisal: Appraisal of Residential Foreclosure	October 08
Advanced Income Capitalization	January 09
Site to do Business	August 10
Advanced Income Capitalization	April 11
Advanced Market Analysis & Cost Approach	October 12

Certifications

Washington State Certified General Real Estate Appraiser
WA 1100489

Designations

MAI

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON NAMED HEREON IS AUTHORIZED, AS PROVIDED BY LAW, AS A
CERTIFIED GENERAL REAL ESTATE APPRAISER



KEITH DALE THURMAN
3667 DIANNA WAY
WENATCHEE WA 98801-9117

Cert/Lic No.
1100489

Issued Date
01/16/1992

Expiration Date
12/08/2013

ll Witt
Director

158479

AFTER RECORDING MAIL TO:

Name John Schultz
Address 3134 Wishkah Road
City, State, Zip Aberdeen, WA 98520

REAL ESTATE EXCISE TAX
\$ 994.50 Paid 10-1-02
RONALD A. STRABBING, TREASURER
Grays Harbor County, Montesano, Wash.
By [Signature] Deputy

055524

Statutory Warranty Deed

THE GRANTOR Shelba J. Wallaert, an unmarried woman on date of acquiring title as her separate property for and in consideration of Ten Dollars and other valuable consideration in hand paid, conveys and warrants to John J. Schultz, a single man the following described real estate, situated in the County of Grays Harbor, State of Washington:

See Exhibit A attached hereto and made a part hereof.

Abbreviated Legal: PTN GOV LOTS 1 AND 3 OF 33-18-9

Subject to real estate property taxes which grantee herein agrees to assume and pay as they come due.

This conveyance is subject to Covenants, conditions, restrictions and easements, if any, affecting title, which may appear in the public record, including those shown on any recorded plat or survey.

Assessor's Property Tax Parcel Account Number(s): 180933210010

Dated this 20th day of September, 2002.

Sheiba J. Wallaert
Sheiba J. Wallaert

STATE OF WASHINGTON }
COUNTY OF Grays Harbor } ss

I certify that I know or have satisfactory evidence that Shelba J. Wallaert is the person who appeared before me, and said person acknowledged that she signed this instrument and acknowledged it to be her free and voluntary act for the uses and purposes mentioned in this instrument.

Dated: September 23, 2002 KATHERINE A. CRAIG

KATHERINE A. CRAIG
NOTARY PUBLIC
STATE OF WASHINGTON
My Commission Expires May 1, 2003

Katherine A. Craig
Notary Public in and for the State of Washington
Residing at Hoquiam
My appointment expires: May 1, 2003

Exhibit A

Government Lot 1;
EXCEPT portions platted;
AND EXCEPT a tract of land in Section 33, Township 18 North, Range 8 West of the Willamette Meridian, being a part of Government Lot 1 of said Section, described as follows:

Beginning at the intersection of the Easterly right-of-way of the Wishkah County Road and the North line of Section 33, Township 18 North, Range 9 West of the Willamette Meridian;

Thence following said right-of-way line South 0° 36' West 100 feet;
Thence South 88° 50' East 41.7 feet to the bank of the Wishkah River;
Thence Northwesterly along said river bank to an intersection with the North line of aforementioned Section 33;
Thence North 88° 50' West 6 feet along section line to the point of beginning;

EXCEPT ROADS.

ALSO EXCEPT that portion conveyed to Grays Harbor County for Wishkah Road No. 94311 by Warranty Deed dated February 28, 1983, under Auditor's File No. 330309021, records of Grays Harbor County,

ALSO, Government Lot 3, EXCEPT Roads.

ALL in Section 33, Township 18 North, Range 9 West of the Willamette Meridian.
Situate in the County of Grays Harbor, State of Washington.

S. W.

Excerpt from the Grays Harbor County Comprehensive Zoning Ordinance
(Ord. 241 § 13.01.010, 1998)

Chapter 17.12
A-1 AGRICULTURAL USE DISTRICT

Sections:

- 17.12.010 Purpose.
- 17.12.020 Permitted uses and structures.
- 17.12.030 Conditional uses.
- 17.12.040 Standards for granting a conditional use in the A-1 district.
- 17.12.050 Minimum lot and yard requirements.

17.12.010 Purpose.

The purpose of this district is to conserve and protect agricultural land and to reserve areas for use by small to moderate scale farming activities. The establishment of this district recognizes the diversity of the agricultural industry in Grays Harbor County and provides protection for those soils and areas most suitable for many aspects of agricultural activities. (Ord. 241 § 13.03.200, 1998)

17.12.020 Permitted uses and structures.

- A. Commercial agriculture, horticulture and aquaculture;
- B. Farm buildings;
- C. Farm drainage and irrigation;
- D. The growing and harvesting of forest products;
- E. The sale of agricultural and horticultural products on the premises where such products are
- F. grown;
- G. Single-family farm dwellings;
- H. Home occupations pursuant to the provisions of Section 13.08.060;
- I. Emergency medical and emergency fire equipment storage facilities;
- J. Home day cares;
- K. Riding academies.

17.12.030 Conditional uses.

- A. Outdoor recreation areas, not including recreational vehicle parks;
- B. Public meeting halls, churches (see Section 17.60.040), cemeteries, airfields, publicly owned facilities for maintenance of roads and highways and educational and recreational buildings accessory to the farm, provided the following conditions can be met: (1) the use will only convert the least suitable agricultural lands in the area; and (2) the use will not negatively impact, directly or indirectly, adjacent agricultural activities;
- C. Agricultural service establishments primarily engaged in performing agricultural, animal husbandry, or horticultural services on a fee or contract basis including but not limited to hay baling and threshing, sorting, grading, and packing fruits and vegetables for the grower, agricultural produce milling and processing; horticultural services, crop dusting, land grading, farm equipment service and repair, and veterinary services;
- D. Forest products processing plants provided the following conditions are met: (1) the use will only convert the least suitable agricultural land in the area; (2) the use will not negatively

- impact, directly or indirectly, adjacent agricultural activities; (3) the property is currently occupied by a residence, and (4) the use is owned by the residential occupant of the property;
- E. Secondary uses of accessory structures pursuant to Section 17.60.060. In considering an application pursuant to this section, the board of adjustment may impose such other conditions as are deemed necessary to insure the compatibility of the proposed use with agricultural activities and as are necessary to insure that the use remains secondary to the residential and agricultural use;
 - F. On any legal parcel a second temporary dwelling unit for care giving purposes may be authorized provided that the following conditions are met:
 - 1. No division of the property is authorized,
 - 2. The temporary dwelling shall be removed or converted to a conforming use when the use authorized by the permit is discontinued,
 - 3. The parcel shall comply with the minimum lot-requirements of the health department for each unit. (Ord. 262 (part), 1998; Ord. 241 § 13.03.220, 1998)

17.12.040 Standards for granting a conditional use in the A-1 district.

No conditional use permit shall be issued by the board of adjustment unless, following review and written findings, it determines that the proposed use satisfies the following conditions and the conditions set by Section 17.80.040:

- A. The use shall not be one to which the noise, order, dust or chemical residues of commercial agriculture or horticulture might result in creation or establishment of a nuisance or trespass;
- B. All agricultural service establishments shall be located at least two hundred (200) feet from any driveway affecting access to a farm dwelling or field and at least three hundred (300) feet from any single-family dwelling;
- C. An agricultural service establishment shall be incidental and necessary to the conduct of agriculture within the district; and
- D. Public utility and service structures shall be located and constructed at such places and in such manner that they will not segment land of any one farm and will not interfere with the conduct of agriculture by limiting or interfering with the access to fields or the effectiveness and efficiency of the farmer and farm equipment including crop spraying aircraft. (Ord. 333 (part), 2005; Ord. 241 § 13.03.230, 1998)

17.12.050 Minimum lot and yard requirements.

- A. **Minimum Lot Size.** All uses shall be located on a parcel meeting one of the following criteria: (1) the parcel was legally created prior to the effective date of the ordinance codified in this chapter; or (2) the parcel is ten (10) acres or one-sixty-fourth (1/64) of a section if describable as a fraction of a section, or more.
- B. **Minimum Yard Requirements.**
 - 1. Front yard: twenty-five (25) feet.
 - 2. Side yard: ten (10) feet.
 - 3. Rear yard: thirty (30) feet.
- C. **Maximum density:** one dwelling-unit per ten (10) acres or one-sixty-fourth (1/64) of a section,
 - (1) except as provided in Section 17.12.030(F). (Ord. 268, 2000; Ord. 241 § 13.03.240, 1998)

APPRAISAL OF TIMBER

On Property Owned by John J. Schultz
in Section 33, Township 18 North, Range 9 West, W.M.,
Grays Harbor County, Washington
Tax Parcel No. 180933210010

Wishkah Road Flood Levee Project

Report date: March 11, 2014

Date of Valuation: February 17, 2014

under *Uniform Standards of Professional Appraisal Practice*

Prepared exclusively for:

Twin Harbors Appraisal Service, Inc. and,
as additional intended users,
AMEC Environmental & Infrastructure
& Grays Harbor County
and for other permitted users cited herein

Prepared by:

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CONFIDENTIAL

March 12, 2014

keith@twinharborsappraisal.com
Mr. Keith D. Thurman, MAI
Twin Harbors Appraisal Service, Inc.
1628 SR 105, Suite B
Grayland, WA 98547

Re: Cruise and appraisal of timber on Schultz property bordering Wishkah
River near Aberdeen

Dear Mr. Thurman:

At your request, our firm has prepared an appraisal to estimate the contributory value of merchantable timber on a property in an unincorporated portion of Grays Harbor County, Washington. A 100% fee simple estate in on-site timber is valued, using generally accepted appraisal principles and theory. Land area totals approximately 27.51 acres.

Permitted users; function. This cruise and timber appraisal have been prepared for the sole and exclusive use of our firm's client Twin Harbors Appraisal Service, Inc., its client AMEC Environmental & Infrastructure and Grays Harbor County and potentially for the Confederated Tribes of the Chehalis Reservation and the Chehalis River Basin Flood Authority as additional intended (permitted) users. The sole functions of the cruise and timber appraisal are to: (i) assist in establishing the market value of this property as a whole in order to establish a purchase offer by AMEC's direct client in a voluntary transaction; and (ii) perform one step in establishing eligibility for public grant monies.

Alternative indications of contributory timber value. The timber is described in detail in this report. Based upon our timber cruise, investigation and analysis of available information, the estimated contributory market value of on-site merchantable timber is as follows under two *alternative* classes of forest practice, as of February 17, 2014:

Class III (no near term land use conversion) – Seventeen Thousand Dollars (\$17,000);

Class IV-General (with near term land use conversion) – Three Thousand Four Hundred Dollars (\$3,400)

These value estimates are *net* figures, adjusted and reduced for costs of harvest, log haul, marketing and other costs. Pre-merchantable timber and reproduction, where existent, is customarily valued as a unit with the underlying land. This estimate also adjusts for any uncertainty in marketplace about extent of permitted volume at prospective harvest dates; marketing and management costs; prospective time lag to receipt of timber or log sale proceeds; and risk and profit to landowner in resale of timber commodity.

As a general guideline lead appraisers do, once concluding a highest and best use, usually opt to include the value contribution of on-site timber based on either a Class III (or Class IV-General without no land use conversion) or Class IV-General (with land use conversion) forest practice. Market practices vary, however, in areas transitioning from resource oriented to other uses: hence, III and IVG often serve as parameters. If corresponding timber on land sales used as comparables is valued as a unit within the underlying land, however, a similar practice potentially applies to the subject timber to avoid "double counting" of this asset component. The lead appraiser ultimately estimates value contribution based on review of prevailing practices in locale and property sale comparables.

When applicable, total property value might be maximized under a Class IV-General conversion forest practice, depending on the trade-off between diminished land value as a result of timber cutting, and foregone stumpage value by leaving this timber uncut. A sales comparison or other market analysis of the lead property appraiser might assist in corroborating this determination for this property.

RCW 76.09.060(3)(d) as amended July 2007 prohibits conversion to a land use other than "commercial forest product operations within six years after approval of the forest practices application or notification without the consent of the county ... to which the forest practices operations would have been subject if the application had stated an intent to convert." Actual permitted harvest in land use conversions is subject to county review on a case-by-case basis. A harvest compliant with conversion guidelines—a Class IV-General conversion forest practices—is generally more restrictive than permitted under other classes of forest practice.

The indicated estimate of market value is subject to the conditions and comments presented in this report of 44 pages. Please feel free to phone us at 425/259-4411 (fax 425/258-4435) if you have any questions. Thank you.

Respectfully Submitted,
S. A. NEWMAN FIRM



Peter C. Blansett, Principal Appraiser
Forester

ISA Certified Arborist No. PN0659A
Certification expires June, 30, 2016
Email: pblansett@sanforest.com



Timothy D. Newman, MAI, CF
Partner

WA State Certified-General Appraiser 1100664
Certification expires Feb. 27, 2015
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TABLE OF CONTENTS

	<u>Page</u>
PART I - INTRODUCTION	
Letter of Transmittal	1
Table of Contents	4
Certification of Appraisers	5
Definitions and Standards	7
General Limiting Conditions	9
PART II - FACTUAL DATA	
Description of Merchantable Timber	12
Physiography/Logging Conditions/Access	13
Harvest Regulatory Constraints	13
PART III - DATA ANALYSIS AND CONCLUSION OF VALUE	
Timber Valuation Methodology	17
Estimation of Average Log Values	18
Estimation of Logging Costs	22
Indications of Contributory Merchantable Timber Value	24
PART IV - SUPPLEMENTARY EXHIBITS AND ADDENDA	
A: Statement of Work (Engagement Instructions)	A1
B: Maps & Overhead Aerial Photos	B1
C: Unadjusted Cruise Data Detail & Statistics	C1
D: Qualifications of Appraisers	D1

CERTIFICATION OF APPRAISERS

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

The statements of fact contained in this report are true and correct and no important facts have been withheld.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

We have performed no 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 [a disclosure of status required by the Ethics Rule of USPAP].

We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

Our firm's engagement in this assignment was not contingent upon developing or reporting predetermined results.

Our firm's 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. Moreover, this appraisal assignment is not based on a requested minimum or maximum valuation, a specific valuation, or the approval of a loan.

This appraisal was made and the appraisal report prepared (when used with report of lead property appraiser) in conformity with the *Uniform Standards of Professional Appraisal Practice* (USPAP) as adopted by the Appraisal Foundation and Appraisal Institute; and also prepared in conformity with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

Richard B. Klein personally inspected the appraised property that is the subject of this report on behalf of the S. A. Newman Firm on February 17, 2014. Peter C. Blansett and Timothy D. Newman did not inspect this timber. Adam L. Jewell assisted in researching delivered log values and logging costs. No other persons assisted in preparing the analyses, conclusions and other opinions concerning real property which are set forth in this appraisal report.

Our firm has not revealed the findings and results of such report to anyone other than the client named herein, and our firm will not do so until authorized in writing by said party, or until required to do so by due process of law. The use of this report is, however, subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

In our opinion, the estimated market value contribution of the timber being appraised is as stated in the letter of transmittal attached hereto as of the date specified therein.

As of the date of this report, Timothy D. Newman has completed the requirements under the continuing education program of the Appraisal Institute; and is licensed as a Certified Real Estate Appraiser (General Classification) under RCW 18.140. Current certification expires February 27, 2015. Peter C. Blansett has completed the requirements set by the Board of the International Society of Arboriculture and is recognized as a Certified Arborist; Certificate No. PN-0659A. Current certification expires June 30, 2016. A statement of the appraisers' qualifications, including education, technical training and experience, is part of this appraisal.

S. A. NEWMAN FIRM


Peter C. Blansett, Principal Appraiser
Forester
ISA Certified Arborist No. PN0659A
Certification expires June, 30, 2016
Email: pblansett@sanforest.com


Timothy D. Newman, MAI, CF
Partner
WA State Certified-General Appraiser 1100664
Certification expires Feb. 27, 2015
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DEFINITIONS AND STANDARDS

As used herein:

(1) "Market value" means the most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress. Source: *The Dictionary of Real Estate Appraisal, 5th Edition*, Appraisal Institute 2010.

(2) "Cash equivalent" means a price expressed in terms of cash as distinguished from a price that is expressed all or partly in terms of the face amount of notes or other securities that cannot be sold at their face amount. The cash equivalent price of a sale property may differ from its contract price and should represent the present worth at time of sale of all cash and other considerations paid for the real property or timber as opposed to other portions of stated consideration that may be paid for services, fees, and/or other non-realty items.

(3) "Highest and best use" means the reasonably probable and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value. [Source: the *Appraisal of Real Estate*, Fourteenth Ed., Appraisal Institute 2013, p. 333.] While the prior definition governs, the following alternative definition is considered largely synonymous: the highest and most profitable use for which the property is adaptable and needed or likely to be needed in the near future. Source: *Uniform Appraisal Standards for Federal Land Acquisitions*. Sale or exchange to the United States or other public entity expressly is *not* an acceptable highest and best use.

(4) "Fee simple estate" means the 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: *The Dictionary of Real Estate Appraisal, Fifth edition*, Appraisal Institute 2010, p. 78.

(5) "Site index" measures the potential productivity of the land for growing timber. A site index indicates the height an average dominant tree of a given species will attain on that site in a well stocked stand in a period of 50 years. Sources of site indices: USDA Natural Resources Conservation Service and S. A. Newman Firm.

(6) "Stumpage value" means the estimated value of merchantable trees which have not been severed from the land.

(7) "Log value" means the value of logs which have been severed from the land and delivered (a "delivered log"), either to a processing mill site or to a place of lading for export.

(8) "Logging cost" means the estimated sum of those costs, including truck haul, severance tax, and a factor for risk and profit to the logger, which are required to convert stumpage into logs delivered at a processing mill site or at a place of lading for export.

(9) "Conversion return approach" means the method of estimating stumpage value by deducting logging costs from log value. This method of valuing stumpage assumes that the value of a tree equals the price that it will command delivered at a processing mill site or at a place of lading for export, less the logging costs to be incurred in converting it from stumpage to delivered logs.

(10) "Sales comparison approach" means a method of estimating either property value or stumpage value by comparing the property or timber being appraised to similar properties that have been sold near the date of value, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison.

(11) Cruising standards: Variable radius plot cruise in merchantable timber stands.

(12) Size specifications: Cruised and graded in variable log lengths; minimum top diameter for sawlogs = 5 inches, inside bark. All live trees containing at least one sixteen foot log to a 5-inch top diameter are assumed to be merchantable.

GENERAL LIMITING CONDITIONS

This appraisal is subject to the following general limiting conditions:

The legal description for the subject property is derived from records furnished by the client and is assumed to be correct. A title report on the subject property has not been made available to the appraiser. No opinion as to title is rendered, which is assumed to be marketable.

Any sketches or maps in this report are included solely to assist the reader in visualizing the property, and are not surveys. We have not surveyed the property or established corners, and assume no responsibility in connection with such matters.

It is assumed, for the purpose of this appraisal, that Grays Harbor County and Washington State Department of Natural Resources will grant a permit for the cutting and removal of this timber. Trees required to be left uncut as a condition of receiving a forest practices or development permit are excluded herein.

The appraisal estimates the market value of the indicated timber but does not analyze the relationship between the value of these assets and that of stock or other securities or partnership interests through which the assets may be held. The statements of value and all conclusions shall apply as of the date shown herein. The value of standing timber is volatile and can change quickly.

Log market contacts, profit expectations, and perceptions of the offered timber typically vary widely among different prospective purchasers. Hence, amounts bid or offered in sales of standing timber also vary widely among these parties at any given date.

This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the opinion of value. The S. A. Newman Firm does not authorize the partial re-printing of or out-of-context quoting from this report.

While reasonable care has been exercised in preparing and compiling estimates of timber volume and grade and other information contained herein, the S. A. Newman Firm (a) makes no warranties and/or representations as to the type, quality, quantity and/or suitability of timber located on the Property; (b) makes no express or implied warranties of merchantability or fitness for a particular purpose; and (c) makes no warranties and/or representations about whether, when or to what extent forest practices permit(s) will be issued to permit the harvest of this timber. In addition, S. A. Newman, Forest Engineers, Inc. has not performed a soil survey. Statements concerning site drainage and operability of the terrain by yarding equipment are opinions only.

Species grades are allocated between timber deemed to be exportable as unprocessed logs ("exp") and timber deemed to be converted domestically ("dom"). This allocation is based on the actual distribution in the regional marketplace for a given grade and species as of the date of appraisal. A given allocation adjusts for differences in log length, surface clearness, and other quality size characteristics among various stands. The distribution of subject timber by a particular purchaser may differ from the assumed allocation.

This timber inventory and timber appraisal have been prepared for the sole and exclusive use of our firm's client Twin Harbors Appraisal Service, Inc., its client AMEC Environmental & Infrastructure and Grays Harbor County and potentially for the Confederated Tribes of the Chehalis Reservation and the Chehalis River Basin Flood Authority as additional intended (permitted) users. The sole functions of the cruise and timber appraisal are to: (i) assist in establishing the market value of this property as a whole in order to establish a purchase offer by AMEC's direct client in a voluntary transaction; and (ii) perform one step in establishing eligibility for public grant monies. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the above named parties, through advertising solicitation materials, public relations, news, sales, or other media without the written consent and approval of the author(s), particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to the Appraisal Institute. Further, the appraiser or firm assumes no obligation, liability, or accountability to any party except our client Twin Harbors Appraisal Services, Inc. If this report is placed in the hands of anyone but the client, client shall make such party aware of all the assumptions and limiting conditions of the assignment.

While reasonable care has been exercised in preparing the information and opinions herein, prospective purchasers and third parties are urged to retain their own experts and conduct and rely solely upon their own inspection and analysis of the property and its future prospects. The appraiser is in no way responsible for any costs incurred to discover or correct any deficiency in the property. The appraiser assumes that there are no hidden or unapparent conditions of the property or subsoil which would render it more or less valuable. Description of environmentally critical areas illustrate certain reported on-site conditions but is not intended to describe all environmentally critical areas which might exist.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions such as, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser is not, however, qualified to test such substances or conditions. If the presence of such substances, such as (but not limited to) radon (either airborne or water-sourced), mold, lead-based paint, asbestos, urea

formaldehyde foam insulation, leaking storage tanks (underground or otherwise) or other hazardous substances or environmental conditions, may affect the value of the property, the value estimate assumes that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. An expert would need to be engaged to field inspect the property to identify environmental hazards. Therefore, this appraisal should not be relied upon as to whether or not environmental hazards actually exist on the property.

PART II – FACTUAL DATA

Description of Merchantable Timber

Owned by: John J. Schultz

Location: A portion of Section 33, Township 18 North, Range 9 West, W.M., Grays Harbor County, Washington, identified as tax parcel no. 180933210010.

Estimated total acres: 27.51

Merch. timber: 11.2

Cruise intensity: 10 variable radius plots

Cruised by: Richard B. Klein on February 17, 2014

Cruise Summary: Estimated net volume in thousands of board feet and projected harvest volume under (alternatively) Class III and Class IV-General forest practice as of cruise date:

<u>Species</u>	<u>Unadjusted Field Net¹</u>	<u>Adjusted Net Volume²</u>	<u>Projected Harvest</u>	
			<u>Class III³</u>	<u>Class IV-G⁴</u>
Spruce	47	45	44	11
Red cedar	12	10	10	3
Alder	<u>3</u>	<u>3</u>	<u>3</u>	<u>1</u>
Totals:	62	44	44	15

¹Source: cruise by representative of the S. A. Newman Firm. Unadjusted field net and cruise detail in Addendum C are unadjusted for minor hidden defect and prospective breakage.

²Adjusted net volume adjusts for hidden defect and minor prospective breakage based on species, age, timber size, site conditions and projected harvest methods. Also of note: Statistical sampling error on red cedar as a stand along species shown in Addendum C is generally similar to or somewhat higher than that of other species. Harvest volume for that species projected for appraisal purposes is, moreover, adjusted more significantly because normal variation in empirical cut-out disproportionately skews value outcome on this higher valued species.

³Projected harvest volume under a Class III forest practice excludes minor wildlife reserve and green recruitment trees to the extent required under WAC 222-30-020. In this instance, leave tree requirements are largely satisfied in riparian management zone leave tree buffers.

⁴A Class IV-General forest practice excludes timber on those portions of site projected as environmentally critical under the county's critical areas ordinance and timber (if any) potentially more valuable as an amenity than as stumpage. In this instance, 75% of on-site timber is projected to be legally non-harvestable under a Class IV-General analysis. Such timber is valued as a unit with the underlying land.

Character of Timber: Moderately well stocked average to poor quality 70+ year old Sitka spruce stand with alder and cedar intermixed. Spruce composes nearly 90% of the merchantable timber by volume with trees up to 58" dbh and over 110 feet high recorded.

Physiography/Logging Conditions/Access

Terrain is level with very deep poorly drained Ocosta silty clay loam soil throughout. Annual precipitation averages 85 inches [NOAA]. Based on a 50-year site curve, mean site index for Red alder averages 94 feet; an average forest site productivity for coastal Washington. Wishkah River, a "shoreline of the state" under RCW 90.58 and type "S" water under WAC 222-16-030, borders to the northeast and south for over 3,600 feet. Project timber cruiser mapped a channel of the Wishkah River that flows southerly through parts of the interior effectively isolating the eastern 12± acres from the remainder. The project timber cruiser also noted forested wetlands throughout much of the interior. Timber in the upland-most portions of the property are physically yardable using tracked ground-based equipment subject to seasonal limitations.

Paved Wishkah Road borders to west for over 1,100 feet. Access exists via a gravel residential driveway connecting to Wishkah Road in the north portion of the site where an on-site residence is located. Minor additional new road construction only is projected for appraisal purposes in order to access all on-site timber for harvest.

Harvest Regulatory Constraints

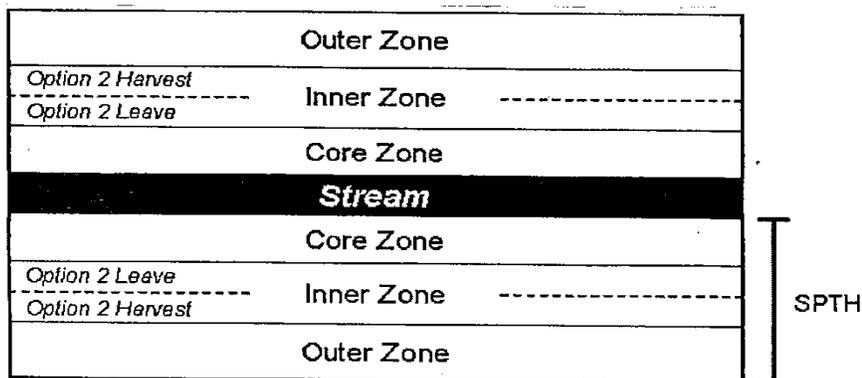
Land use conversions. RCW 76.09.060(3)(d) as amended July 2007 prohibits conversion to a land use other than "commercial forest product operations within six years after approval of the forest practices application or notification without the consent of the county ... to which the forest practices operations would have been subject if the application had stated an intent to convert." Actual permitted harvest in land use conversions is subject to county review on a case-by-case basis. A harvest compliant with conversion guidelines—a Class IV-General forest practices—is generally more restrictive than permitted under other classes of forest practice. In particular, harvest is generally prohibited on those parts of a site regulated under the county critical areas ordinance such as steep slopes, other geologically hazardous areas, wetland and frequently flooded areas.

Forest practices. RCW 76.09 and WAC 222 regulate forest land use and forestry operations on private lands and public lands under State jurisdiction, including road construction and maintenance, timber harvesting, reforestation and use of forest chemicals. A permit to perform major forest practices is subject to review by the Washington State Departments of Natural Resources, Ecology, Fish and Wildlife, and potentially by Grays Harbor County.

In western Washington the “Forest and Fish Rules” (WAC 222-30-021) require a three-tier riparian management zone (RMZ) harvest buffer along either side of a fish-bearing (type “F” or “S”) stream (figure below). The total combined buffer width is one site potential tree height (SPTH), which is 90-200 feet depending on site quality. The zone adjacent to the stream is a 50-foot no-harvest core zone. This is followed by the inner zone, in which two partial harvest options are allowed subject to minimum tree count and basal area requirements. Option 1 allows thinning from below throughout the inner zone to a minimum of 57 conifers per acre. Option 2 divides the inner zone into two portions, allowing the trees furthest from the stream to be removed (up to a minimum distance of 80 feet from the stream) while the trees in the portion closest to the stream are retained. The final zone is the outer zone, in which partial harvest is allowed with a minimum retention of 20 conifers per acre that are at least 12” in diameter.

In addition to the above described riparian protective measures, a 50-foot wide no-harvest buffer is generally prescribed each side of type Np stream for a distance greater than or equal to fifty percent of a type Np water length upstream from confluence with fish-bearing water, where type Np water is 1,000 feet in length or less. Additional 50-foot "no-harvest" buffer on each side of type Np stream is required greater than 1,000 feet upstream from confluence with fish bearing water ranging from 19 to 45% of stream length above 1,000-foot mark. A 30-foot equipment limitation zone [“ELZ”] is required each side of a type Ns stream, although timber cutting is generally allowed within the ELZ. No-harvest buffer potentially applies, however, within the inner gorge of any stream flanked by unstable slopes where potential for delivery of sediments to type waters exists.

The goal of the Westside buffer rules is to put the development of riparian stands on a trajectory toward a desired future condition (DFC) of mature forest structure intended to provide high quality riparian habitat. This DFC is defined as “the stand conditions of a mature riparian forest at 140 years of age” (WAC 222-16-010). In addition to this ecological goal, the FFR also have the concurrent economic goal of “maintaining commercial forest management as an economically viable use of lands suitable for that purpose.” RCW 77.85.180.



FFR buffers for Western WA.

These rules were revised on August 12, 2009 to require slightly larger buffer zones and more trees to be left alongside streams and rivers in the state during timber harvests and other activities. In February 2010 an optional fixed width, no harvest buffer by site productivity was made optionally available to forest practices applicants under an "Alternate Plan" to standard forest practices rules. The fixed width buffer generally assumes no harvest in core and inner zones and also no harvest in a small portion of outer zone. Given the specific site conditions and water body size, a 75-foot no-cut buffer is applied in this instance under an *Alternate Plan* and the *Forest and Fish Rules*.

Shoreline Management Act. As previously stated, the tract borders Wishkah River. In addition to forest practices regulations restricting harvest bordering type S, F and N waters, shoreline management regulations apply to timber abutting type S waters which are designated a shorelines of statewide significance. Wishkah River is a "shoreline of the state" but not a "shoreline of statewide significance": thus, standard forest practices rules apply.

Application to the subject. Timber in this instance is valued under the alternative premises of a Class III and Class IV-General forest practice. Washington State Department of Natural Resources ["DNR"] is lead agency for Class III forest practice, minor tree required retention only applies for wildlife reserve and green recruitment leave trees ["WRTs" & "GRTs"].

Under a Class IV-General forest practice proposing conversion of the property to residential or other non-forestry use, Grays Harbor County critical areas rules restrict or prohibit disturbance or removal of vegetation from environmentally sensitive areas. On-site critical areas include areas of perched water levels, riparian waters and adjacent buffers. Trees left uncut serve as an amenity and are implicit in the value of the underlying land. Thus, the contributory value of all on-site timber is fully considered in estimating market value.

RMAP status. State DNR regulates road construction, maintenance and abandonment under WAC 222-24. On some sites, the cost of such work is substantial and therefore materially affects value. When applicable, a landowner or its successor in interest is generally liable for performing uncompleted maintenance or abandonment work prescribed under an approved plan for the property at issue. Spur roads within interior determined to be "orphaned" (if any) are defined as a road or railroad grade "not used for forest practice activities since 1974. WAC 222-24-052(4). Landowners generally are not obligated to repair or abandon such roads.

In this instance, there are no forest roads within the subject property interior. Any new forest road construction would need to comply with WAC 224-24 and current RMAP standards.

Watershed Analysis: The forest practices rules allow for special regulations, i.e. watershed prescriptions, within watershed analysis units ("WAU") where a

qualified multi-disciplinary team completed an approved resource assessment under WAC 222-22. The subject parcel sits within the Lower Wishkah WAU #220416. No formal resource assessment nor analysis has been performed in the Lower Wishkah WAU; thus standard forest practices apply.

Wildlife and other issues: In addition to riparian restrictions intended to protect fish habitat and water quality, certain restrictions potentially apply to forest practices to protect terrestrial and avian wildlife.

Priority Habitat and Species (PHS) map data of Washington State Department of Fish and Wildlife (WDFW) do not identify any endangered or sensitive species on the subject property. The undersigned also reviewed records of forest practices permit data and current forest practices "Resource" maps in Washington State DNR database to corroborate PHS data. These data do not identify any wildlife species, rare plants or archaeological issues of concern that would materially affect permitted timber harvesting on the subject property.

PART III – DATA ANALYSIS AND CONCLUSION OF VALUE

Timber Valuation Methodology

The valuation process used herein is based on analysis of pertinent general and specific data. A conversion return method—a variant of an income approach—is relied upon in this instance with respect to on-site timber, reflecting the type of property, the intended use of the appraisal, the identified scope of work, and the quality and quantity of data available for analysis. The State has not offered or sold export-unrestricted sales usable as potential comparables due to the Act noted below; and such sale data are generally unavailable from alternative sources. A discounted cash flow analysis is not applied because the individual appraisal units being valued are insufficiently sized to derive a stabilized cash flow.

The Forest Resources Conservation and Shortage Relief Act of 1990 (Public Law 101-382) (the "Act") restricts the export of unprocessed timber originating from State and other public land. Chapter 240-15 of the Washington Administrative Code implements these restrictions, beginning January 1, 1991. Generally, the Act requires each agency managing public lands to designate timber sales to be sold as export-restricted and as exportable. The Act prohibits the export of unprocessed timber from export-restricted sales, but permits the export of unprocessed timber from export-unrestricted sales. Moreover, the Act does not apply to privately owned forest land. The Ninth Circuit Court of Appeals in May 1993 ruled that this Act violated 10th Amendment guarantees of state sovereignty. *Board of Natural Resources v. Brown*, 92-35004. The Act was, however, reinstated in slightly amended form; and as amended upheld state regulations adopted pursuant to the 1990 law. The extent that timber from public and private land is actually exported remains subject to normal qualitative and market constraints.

We first analyzed the subject stumpage for the purpose of evaluating those factors which would add to or detract from its value, such as log quality, location, accessibility, logging conditions, road construction requirements, and proximity to market. We also analyzed site factors to identify whether a land use more intensive than timber growing and harvesting might be permitted in the near to mid-term. The existence of environmentally sensitive conditions such as steep slopes, wetlands, intervening streams, critical aquifers, and flood, erosion, landslide and seismic hazards often preclude more intensive uses under the critical areas ordinance adopted by Grays Harbor County.

On-site timber in this instance is valued under alternative premises of both a Class III and Class IV-General forest practice as described in the prior "Harvest Regulatory Constraints".

Other adjustments in estimating value contribution. The indicated estimates of value contribution of merchantable timber appearing for potentially harvestable timber adjusts for nominal uncertainty only in the marketplace about the extent of permitted

volume at prospective harvest dates; marketing and management costs; prospective time delay to receipt of timber or log sale proceeds; and risk and profit to landowner in resale of on-site timber. A value adjustment of ten percent (10%) is typically applied for these collective elements to merchantable-sized timber on stands that are expected to be legally harvestable under a Class III forest practice. Adjustment is somewhat higher under a Class IV-General forest practice because of a lesser prospective harvest volume among which to prorate costs and added permitting restrictions. An adjustment for *each* of these foregoing items in line item form is not inferable from available market data relevant to this particular property: property and survey data usually support, however, a *collective* adjustment for these elements in deriving indications of contributory stumpage value.

Estimation of Average Log Values

The compilation of log prices from private sources involved our contact with mills and other log buyers in the market area to survey prices being paid for delivered logs of various grades and species at the valuation date, and of analyzing these data to estimate average log values.

Reconciled value for each log sort is appraiser's reconciled estimate derived from personal interview with various log buyer sources or published sources as of February 17, 2014. Export-type logs were priced as non-FAS and assumed an average log length of 36 feet or greater. Export logs range from 26 to 40 feet; domestic logs range from 12 feet to 40 feet.

Log prices have been surveyed in the southwest Washington & south Puget Sound market areas. Sources surveyed are itemized below and on a following page.

The reconciled log value rates on following pages are appraiser's estimate of log values, weighted to reflect reliability of sources and relative quantity purchased. It is assumed that the property owner would, subject to normal market and quantitative constraints, sell harvestable timber or logs at the highest available price. Specific sources do not, however, consistently quote high relative prices for all grades or sorts of a given species. Therefore, although reconciled values generally appear near the upper end of the range of price quotes, it is impracticable to procure the highest price quotes for all grades and sorts. Reconciled log value for some sorts only falls outside or exceeds range of quotes in order to reconcile with quotes for other sorts which are qualitatively superior or inferior. Reconciled value also reflects that some destinations are preferred to minimize hauling cost if net stumpage value is thereby maximized. These data are then applied to the subject timber based on the indicated log grade composition.

Logs produced from the subject property are deliverable to Grays Harbor & south Puget Sound area markets.

Sources A through N in table 1 are coded on the following pages to protect confidentiality of prices attributable to specific sources. Source X data is the Washington State Log Market report dated February 1, 2014--a private reporting service covering all of western Washington. These sources of log price data, all operating in Grays Harbor and south Puget Sound and vicinity, are cited following table 1 (sources in parenthesis were considered but not relied upon in identifying projected log buyers and destinations).

Table 1. Log prices quoted from various sources to processing mill site as basis for reconciled value in Grays Harbor and south Puget Sound areas as of February 17, 2014.

Species	Sort	Grade	Source										
			A	B	C	D	E	F	G	H	I	X	
Spruce	Exp	20"+C	550	600									
		2C	750	730									717
		3C	750										717
	Dom	OVS		200	300	225	400	380					
		2S		495	300	225	400	380			575		
		3S		495	300	225	375				575		
		C&S		495	100	225	350						
		Pulp			100						250		
									\$30 /T				

Species	Sort	Grade	Source					
			B	D	J	K	L	X
Red cedar	Dom	OVS	1,100	850	1,050	1,350	925	
		3S	1,100	850	1,250	1,350	1,275	1,263
		4S	800	850	1,150	1,250		

Species	Sort		Source					
			A	D	M	N	I	X
Alder	Saw	15"+	475	425	750	750		
		12-14"	475	425	750	750		
		10-11"	475	425	725	700		
		8-9"		425	700	650		
		6-7"			550	500		
		5"			400	350		
	Util.			150			240	237
						\$28/T	\$28/T	

Species	Destinations
<i>Spruce</i>	Domestic OVS to Dahlstrom Lumber Co. at Hoquiam, 2S & 3S to TMI at Amanda Park, C&S to Hampton at Randle. (Holbrook in Olympia, Manke in Shelton and Tacoma, Allen Logging at Hoh Oxbow, Formark in Tacoma, M&R in Longview, DaPaul at Tumwater, Willis Enterprises at Oakville).
<i>Red cedar</i>	All to TMI at Morton (Formark at Tacoma, Mary's River at Tumwater, Holbrook at Olympia).
<i>Alder</i>	Sawlogs to Cascade Hardwoods at Chehalis (NW Hardwoods at Centralia); Pulp to Willis Enterprises at Hoquiam (DaPaul at Tumwater, Willis Enterprises at Oakville).

Log destinations reflect comparative log pricing and hauling cost to maximize net stumpage value.

Log Price Basis

Species	Sort	Grade	%	Delivered Value	Weighted Log Value
<i>Spruce</i>	Dom	OVS	36	@ \$380	
		2S	43	575	
		3S	12	575	
		C&S	9	455	\$494
<i>Red cedar</i>	Dom	OVS	38	1,350	
		3S	31	1,350	
		4S	31	1,250	1,319
<i>Alder</i>	Saw	8 – 9"	12	700	
		Pulp	88	240	295

Notes: Price for each log grade is appraiser's reconciled estimate derived from various log buyer sources as of February 17, 2014. All prices are second growth, per MBF. Export-type logs were priced to brow log (not FAS), prices on conifer export volume assume an average log length of 36 feet, ranging from 26 to 40 feet. Domestic prices assume an average log length of 32 feet.

Estimation of Logging Costs

Per MBF Under Both Class III and Class IV-General Forest Practices*		
	Class III	Class IV-G
Fee for temporary road use permit	\$0	\$0
Road reconstruction:	0	0
Road construction:		
1 sta. @ \$1,600/57MBF =	28	0
0.5 sta. @ \$1,600/15 MBF =		54
"Stump to truck" elements (fall & buck, yard & load, operator's overhead, and risk and profit to operator only)	145	165
Truck haul (per following page)	71	71
Fire protection & slash disposal	16	20
Engineering, surveying and permits	21	50
Washington state timber excise tax	<u>19</u>	<u>19</u>
Total:	\$300/M	\$379/M

Yarding & loading:

Class III: 100% tracked ground methods @ \$145/M

Class V-G: 100% tracked ground methods @ \$165/M

Note: Net value is unadjusted for cost of reforestation, which is generally required by law under WAC 222-34 unless the harvest application indicates that the land will be converted to another use. WAC 222-34-010 details other exceptions. Reforestation is an improvement to the underlying land both for appraisal and most tax purposes. Cost of reforestation typically ranges from \$190 to \$290 per acre for acres actually reforested, varying with location, site conditions, stocking density, size and species of seedlings or transplants, and project size. Whether the purchaser or seller of the timber pays this cost should be stipulated contractually.

On sites with average forest site productivity or higher, the “value added” by reforestation approximately matches its cost. Moreover, the non-inclusion of reforestation as a separate line item in the stumpage analysis matches the corresponding analysis of properties used as comparables. Net value is unaffected.

*Engineering, surveying & permit fees shown above under a Class IV-General forest practice are prorated with future development of the property. For both analysis shown above fire protection and slash disposal cost shown assumes ordinary forest practices abatement and excludes costs of off-site debris hauling, slash chipping, stump pulling or grinding and disposal, land grading, buffer barricading, and also excludes costs of tree marking, reforestation, permit fees, real estate excise tax or business and occupation tax, and sales fees (if any) that may be incurred in procuring or harvesting the timber.

Truck haul - Volume in MBF (based on Class III harvest; also applies proportionately to Class IV-General harvest):

Species	MBF	<u>Destination</u>			
		Hoquiam	Morton	Amanda Park	Randle
Spruce	44	16	-	24	4
Red cedar	10	-	10	-	-
Alder	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals:	57	19	10	24	4
Pct. of total:		33%	18%	42%	7%

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>		
Hoquiam		9-A	@	.074	x	.33 = \$0.22
Morton		99-A		.074		.18 1.32
Amanda Park		47-A		.074		.42 1.46
Randle		124-A		.074		.07 0.64
		0.1-C		.13		0.01
		Basic charge				<u>1.90</u>
		67,500#/5.3M x				5.55 = \$71/M

Washington State Utilities and Transportation Commission (WUTC) deregulated intrastate log haul rates in 1994: previously issued tariff rates are adjusted to reflect market rates in January 2014. The cost specific to each parcel reflects the tariff rate (column C) that pertains to the type of road (col. B) over which the timber will be hauled, and number of miles (col. A) to the appropriate market destination, weighted by log volume (col. D). The column C rate is the transportation charge per mile per 1,000 lbs. to be added to the basic charge per 1,000 lbs.

The figure of “67,500#” shown above represents the weight of the average prospective log load (given the high average log size); and “5.3M” is the prospective board footage—5,300 board feet—per load. Weight per load typically varies from about 4,400 to 5,600 board feet: the upper end of the range applies for trucks loaded with large diameter sawlogs as in this instance. Source of data: survey of and feedback from truckers and permitted users of prior appraisals.

Washington State timber excise tax (WAC 458-40): Stumpage Value Area 2, Haul Zone 1; volume per acre adjustment: \$35; logging conditions adjustment: \$0. Note: State of Washington Department of Revenue established the stumpage rates per MBF stated below during the months prior to the six-month period to which they apply for the purpose of calculating timber excise tax. Based on Class III harvest; also applies proportionately to Class IV-General harvest except at a higher tax rate:

Species	MBF	Rate
Spruce	44	@ \$357
Red cedar	10	937
Chipwood	<u>3</u>	<u>54</u>
Total	57	443 x 4.2% = \$19/M

Indications of Contributory Merchantable Timber Value

Class III

Spruce	44	M	@	(\$494 - \$300)	=	\$8,536
Red cedar	10			(1,319 - 300)		10,190
Alder	3			(295 - 300)		<u>(15)*</u>
Gross total:						\$18,711
Value contribution @ 90%:						\$17,000

Class IV-General

Spruce	11	M	@	(\$494 - \$379)	=	\$1,265
Red cedar	3			(1,319 - 379)		2,820
Alder	1			(295 - 379)		<u>(84)*</u>
Gross total:						\$4,001
Value contribution @ 85%:						\$3,400

Each indicated estimate of value contribution adjusts for normal typical uncertainty in marketplace about extent of permitted volume at prospective harvest dates; marketing and management costs; prospective time lag to receipt of timber or log sale proceeds; risk and profit to landowner in resale of timber commodity; and appraisal principle of conforming use.

*Fixed elements of harvest costs are prorated among all species expected to be legally harvestable and in which marginal revenue exceeds average variable costs. Effect in this instance is a negative overall stumpage rate shown solely on red alder: stumpage value is nonetheless maximized.

PART IV - SUPPLEMENTARY EXHIBITS AND ADDENDA

ADDENDUM A:

Statement of Work (Engagement Instructions)

S. A. NEWMAN FIRM

(incorporated as S.A. Newman, Forest Engineers, Inc.)

Offices: 3216 Wetmore Avenue, Suite 205, Everett, WA 98201-4368
Mail: P. O. Box 156, Everett WA 98206-0156
Phone 425-259-4411; Facsimile 425-258-4435
Web: www.sanforest.com

CONFIDENTIAL

January 30, 2014

keith@twinharborsappraisal.com

Keith D. Thurman, MAI
Twin Harbors Appraisal Service, Inc.
3667 Dianna Way
Wenatchee, WA 98801

Re: Scope of work/fee quote to cruise and appraise timber on Schultz and Svangren ownerships, Grays Harbor County, WA

Dear Mr. Thurman:

Thank you for your inquiry. You request a scope of work and fee quote to cruise and appraise merchantable timber on each of two contiguous units of real property—each owned by a separate party--located in part of Section 33, Township 18 North, Range 9 West, W.M., Grays Harbor County, Washington as follows:

John J. Schultz property – tax parcel 18093321001; 27.51 acres;
Richard & Catherine Svangren property – tax parcel 180933240010; 12.98 acres

Both parcels border the Wishkah River, classified as a “shoreline of the state” under WAC 173-18-180; and are stocked with timber. Although at least part of either or both parcels sits within a channel migration zone (CMZ) and/or is riparian-associated floodplain or wetland, actual determination of status requires an on-site inspection and review of archival aerial photos. There is a reasonable likelihood that some of the timber is legally harvestable to warrant an on-site cruise and timber appraisal. *Maximum* extent of merchantable-sized timber situated landward of no-cut riparian buffer totals approximately 19 acres and 10 acres on the respective ownerships.

Scope of work. The cruise is an estimate of volume (in thousands of board feet) and grade for each species of merchantable timber; grading standards of local log scaling & grading Bureau and export sorts where applicable. Cruise procedure and software used will be auditable and acceptable to State DNR standards. Proposed cruise intensity to be applied: one variable radius plot per 1.3 acres on the Schultz parcel; one variable radius plot per acre on Svangren parcel, on all stocked acres situated landward of no-cut riparian buffers and otherwise projected as

“merchantable”. At least one-half of all trees on plots on each of the two parcels shall be measured and graded; other trees sampled for tree count by species and diameter only. Up to approximately 25 plots are proposed to be installed. Grid layout for installation of plots to be equidistant or otherwise stratified within cruised stands.

The appraisal of on-site merchantable timber on each of the two ownerships will estimate itemized logging costs per MBF (including hauling cost/log destination analysis for competing buyers), log values for each grade, and contributory timber value by a conversion return method (variant of income approach). Merchantable timber will be valued as export unrestricted as of a current date under the alternative prospective harvest premises of a Class III (i.e., with no near term land use conversion) and Class IV-General (i.e., with near term land use conversion) forest practice. To the extent that the timber is sub-merchantable or pre-merchantable, the appraisal of such timber will project estimated yield, species composition, market log values by species and sort, itemized logging costs and market discount rates. A 100% fee simple estate in on-site timber will be valued in conformance with the *Uniform Standards of Professional Appraisal Practice (USPAP)* when used with report of lead property appraiser. (Please advise if other appraisal guidelines such as UASFLA or RCO also apply.) Timber on each of the two parcels shall be analyzed and data presented under separate cover.

Permitted users; functions. The cruise and timber appraisal shall be prepared for the sole and exclusive use of our firm’s prospective client Twin Harbors Appraisal Service, Inc., its prospective client AMEC Environment & Infrastructure [“AMEC”] and AMEC’s direct client as additional permitted user. Unless you otherwise instruct, the sole functions of the cruise and timber appraisal are to: (i) assist in establishing the market value of this property as a whole in order to establish a purchase offer by AMEC’s direct client in a voluntary transaction; and (ii) perform one step in establishing eligibility for public grant monies.

Fee; performance period. Our firm's fee to Twin Harbors Appraisal Service, Inc. to field examine this timber and perform cruise and timber appraisal services on each of the two parcels, payable on delivery of each of the two reports, is as follows:

Cruise on-site timber—2 units, each under Class III & IV-General:
Appraise on-site merch. timber—2+ units, each under Class III &
IV-General:

Total:

Reasonable efforts will be exercised to complete and deliver our findings to you within thirty (30) calendar days after notice to proceed. Three (3) report hard copies with original signatures and one (1) electronic pdf copy on CD of each of two reports will be provided directly to you.

January 30, 2014

3

To authorize, please acknowledge by returning a copy of this letter with authorizing signature on the line below. Any additional file information that might be relevant in estimating market value also is requested. A permit to inspect the site is assumed to have been procured if and upon receipt of the authorization to proceed.

Please feel free to call colleague and report co-preparer Peter C. Blansett or me if you have any questions. Thank you.

Very truly yours,

S. A. NEWMAN FIRM



Timothy D. Newman, MAI, CF
Partner

WA State Certified - General
Appraiser 1100664

Email: tnewman@sanforest.com
pblansett@sanforest.com

cc: Ryan Bartelheimer, AMEC Environment & Infrastructure
Ryan.Bartelheimer@amec.com

Engagement terms accepted:

By Keith D. Thurman
Twin Harbors Appraisal Service, Inc.
by Keith D. Thurman, MAI

Digitally signed by Keith D. Thurman
DN: cn=Keith D. Thurman, o=Twin Harbors
Appraisal Service, Inc., ou,
email=keith@twinharborsappraisal.com, c=US
Date: 2014.02.10 17:18:59 -0500

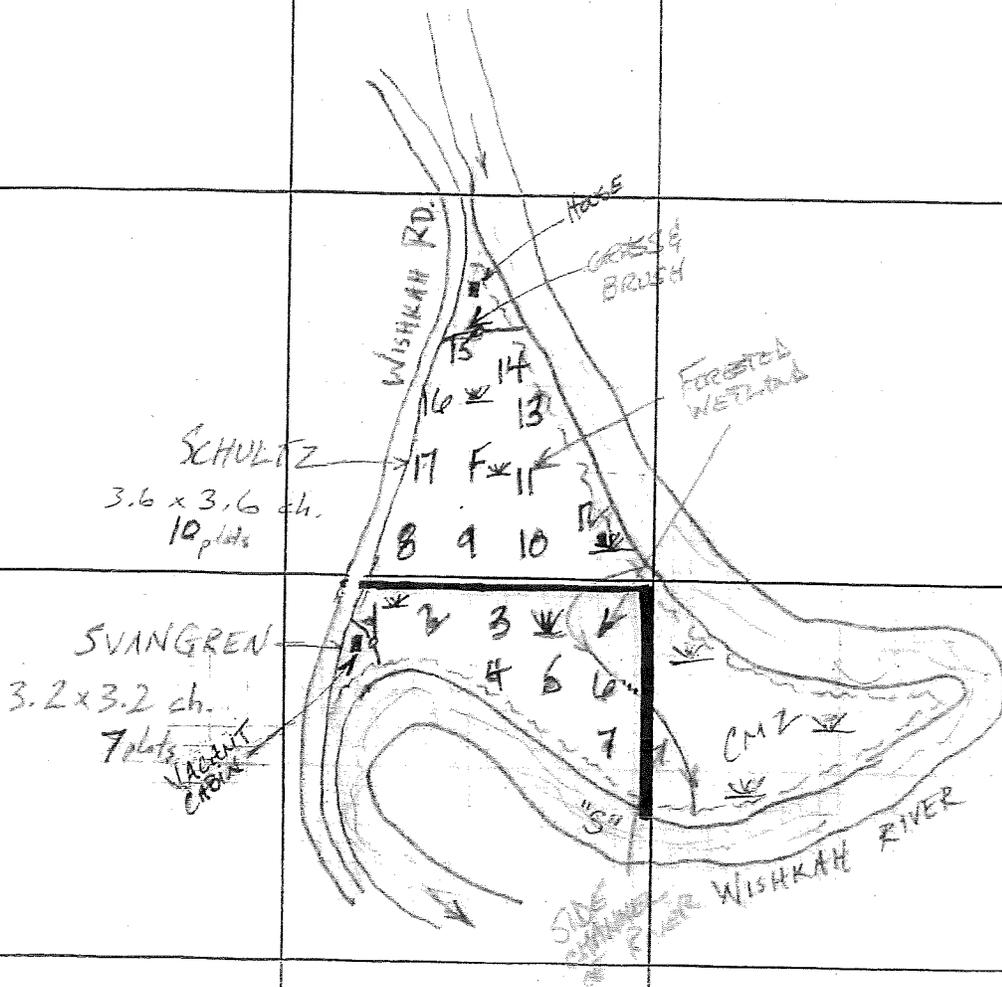
Dated: _____

2/10/2014; 5:23 p.m.

ADDENDUM B:

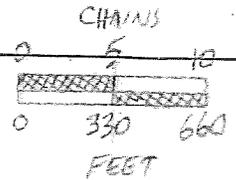
Maps and Overhead Aerial Photos

SCHULTZ & SVANGREN
 SEC. 33 - T18N-R9W



SCHULTZ
 3.6 x 3.6 ch.
 10 plots

SVANGREN
 3.2 x 3.2 ch.
 7 plots
 VACANT CROWN



SITE CLASS V
 ASSUME 75'
 NO-CUT BUFFER
 ON BOTH PARCELS

R.K
 REVISOR 2/17/2014
 BAF 5 & 10

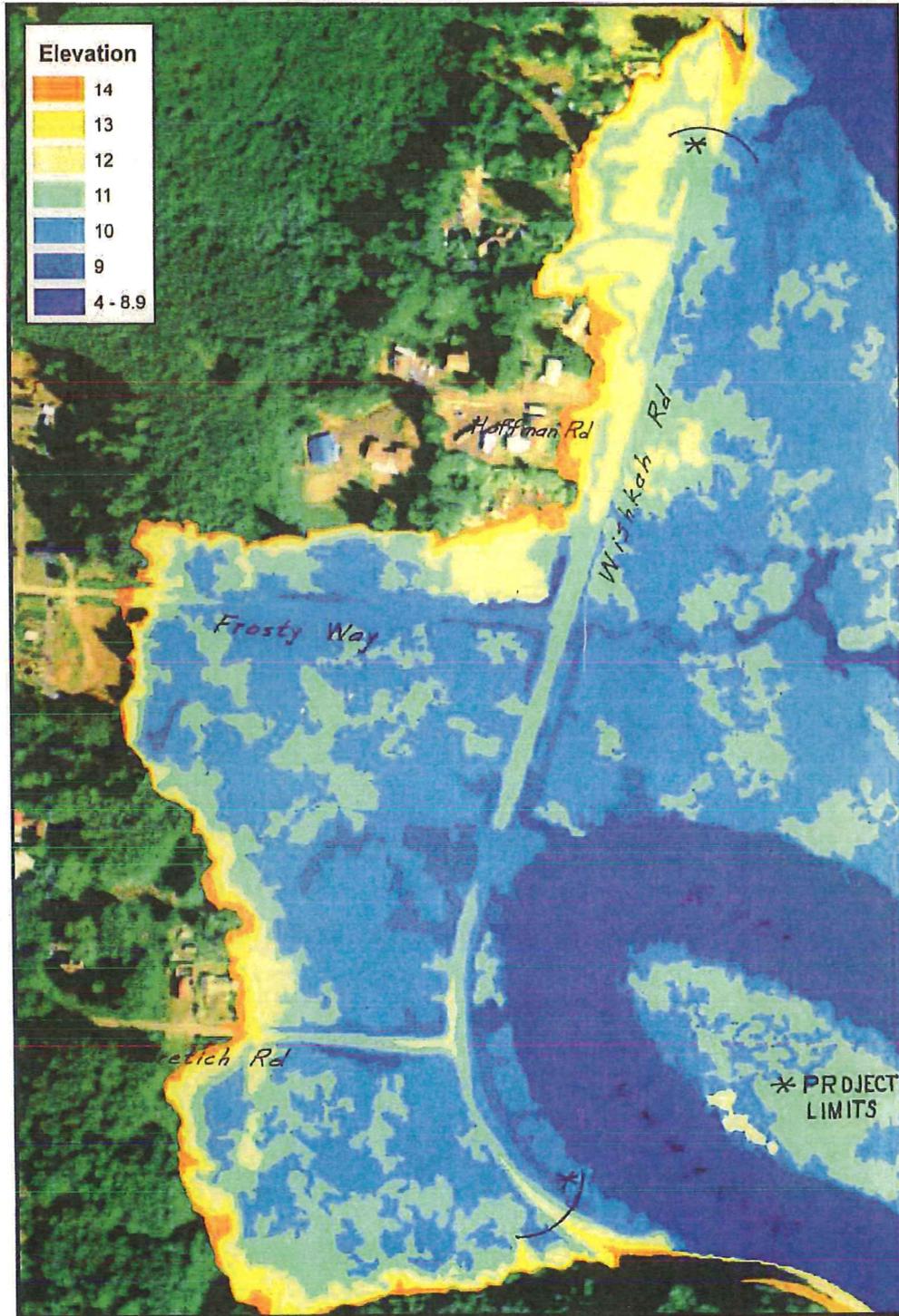
TYPE CALL:
 SSS = RC, RA
 ± 1930

TERRAIN IS FLAT
 FORESTED WETLANDS
 THROUGHOUT BOTH PARCELS.

SPRUCE AND CEDAR ARE AVERAGE
 TO POOR QUALITY. SPRUCE IS GENERALLY
 LIMBY. RC IS MODERATELY DEFECTIVE.



WISHKAH ROAD, NORTH OF CITY LIMITS



0 250 500 1000 Feet

Elevation terraces derived from modeled 'bare earth' surface of FEMA 2009 LIDAR project.

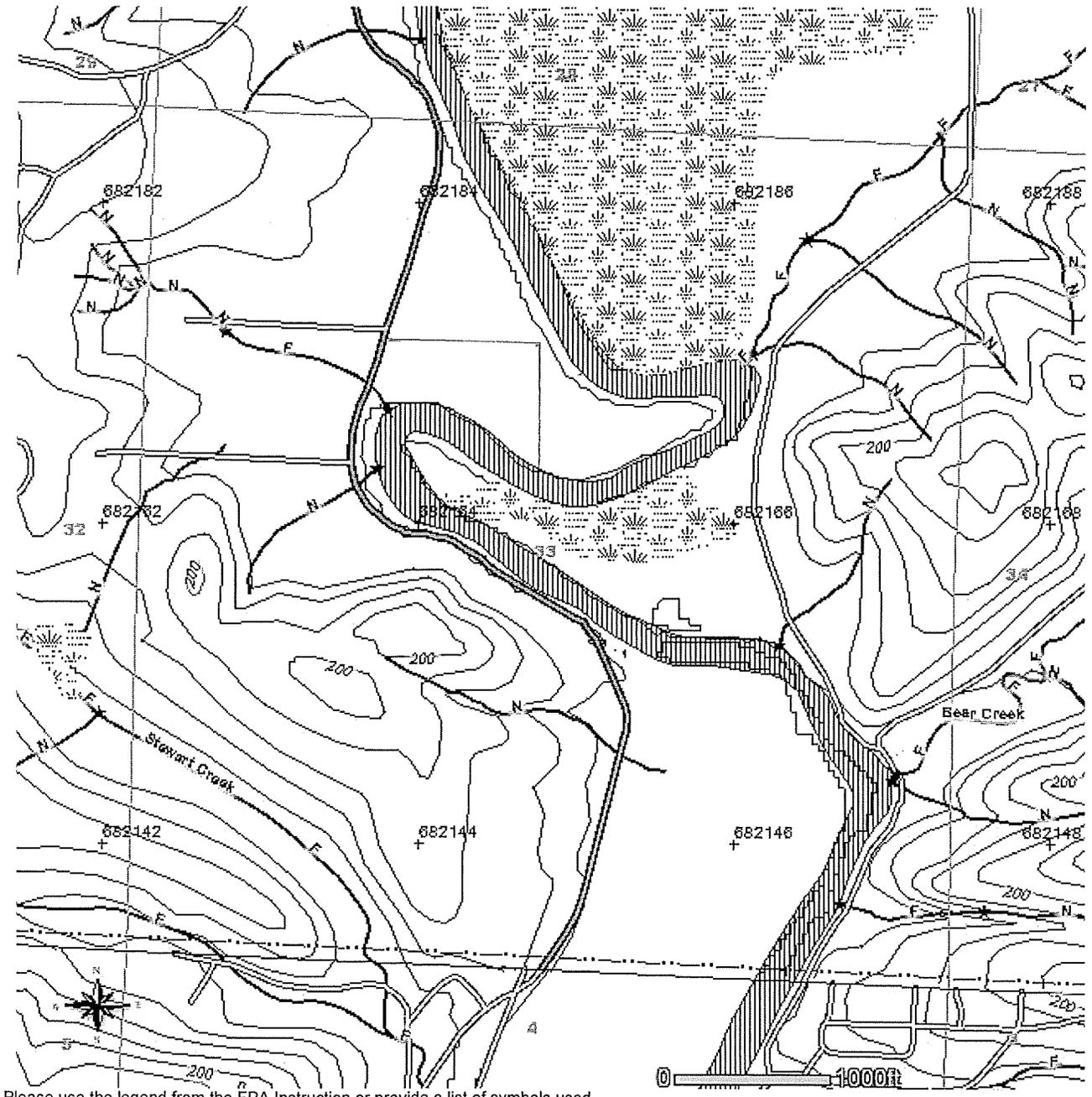


FOREST PRACTICE ACTIVITY MAP

TOWNSHIP 18 NORTH HALF 0, RANGE 9 WEST (W.M.) HALF 0, SECTION 33

Application #: _____

-0.8
-3.0



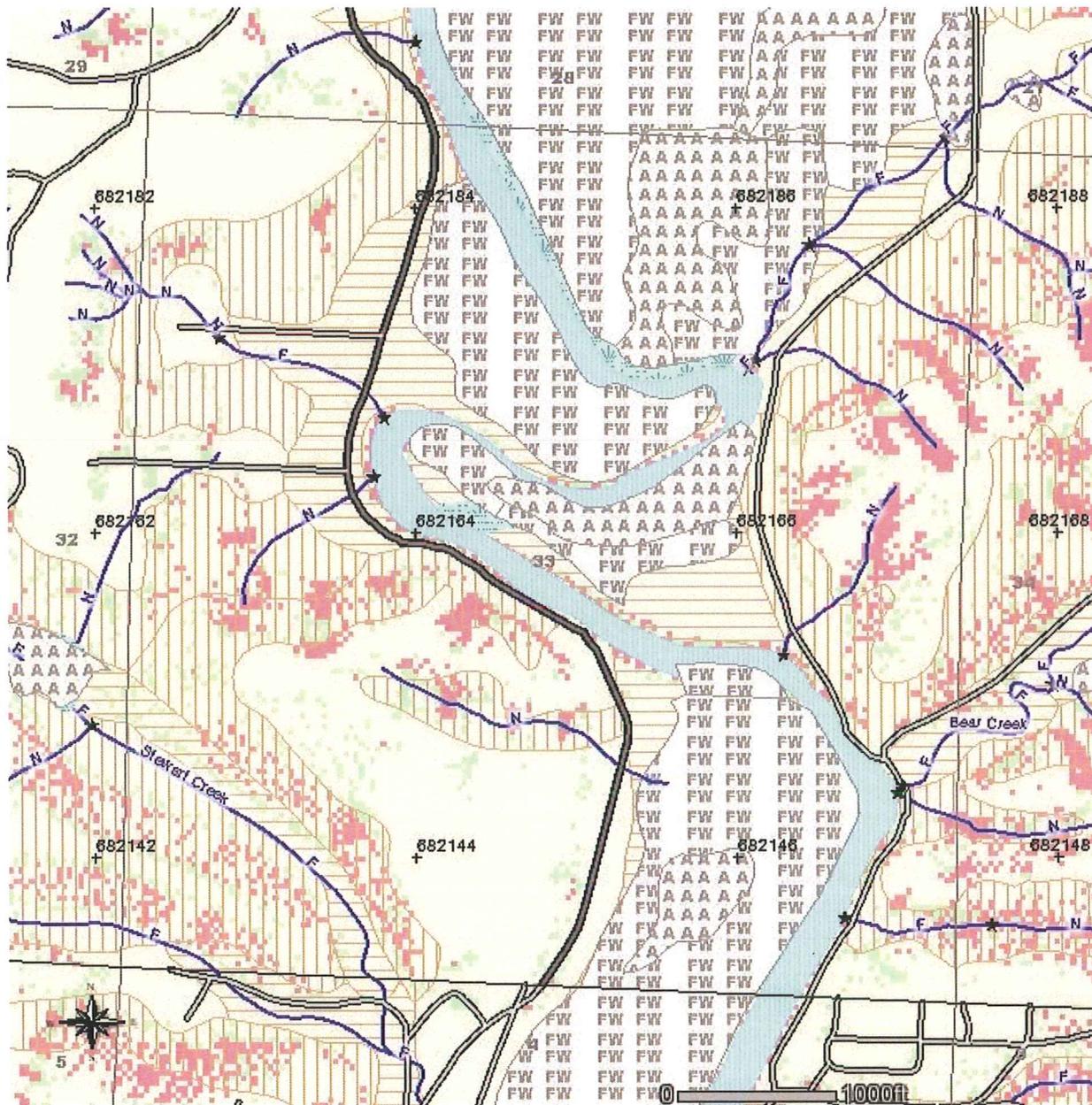
Please use the legend from the FPA Instruction or provide a list of symbols used.

1/30/2014 8:50:15 AM
NAD 83
Contour Interval: 40 Feet

FOREST PRACTICE RESOURCE MAP

TOWNSHIP 18 NORTH HALF 0, RANGE 9 WEST (W.M.) HALF 0, SECTION 33

Application #: _____



This box displays resource information not shown on the map, but is found within this section. For information on the identified resource, contact the agency listed.

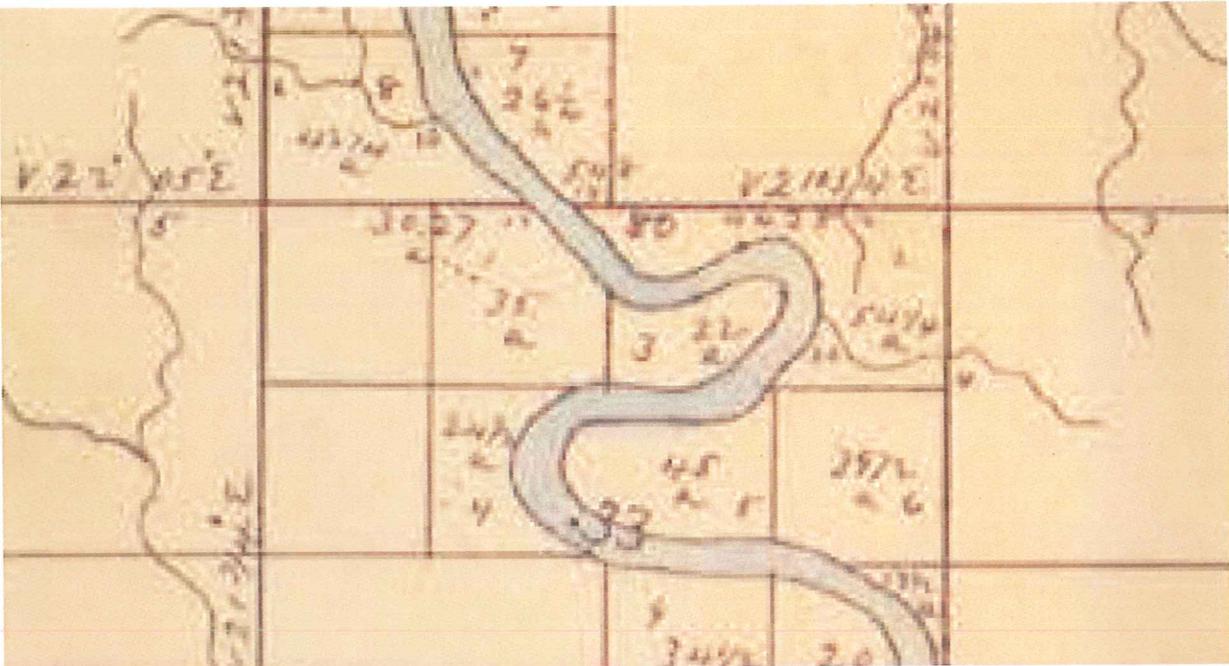
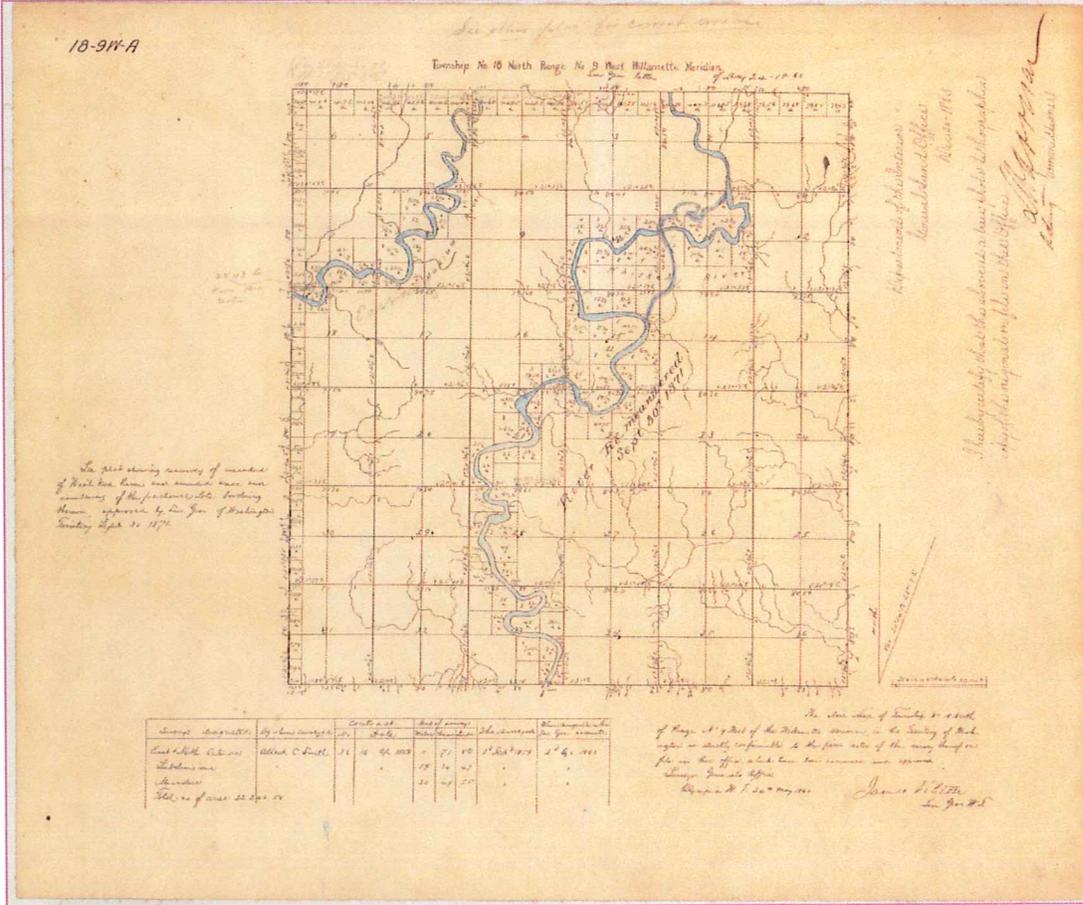
Tuesday, February 11, 2014 4:28:01 PM
NAD 83

Agency	Issue of Concern	Phone Number
(DNR) Forest Practices	FP Alert Site	See below *
Dept. of Ecology - SW	Ground Water	(360) 407-6300
Dept. of Ecology - SW	Surface Water	(360) 407-6300

* (DNR) Forest Practices Region phone numbers:

05/24/1860

USDI-BLM-OREGON File: wa/t180n090w_001.jpg Printed: 2/11/2014 16:47



ENLARGED PTN. SEC. 33 - T 18 N - R 9 W

ADDENDUM C:

Unadjusted Cruise Data Detail & Statistics

T18N R09W S33 T0001									T18N R09W S33 T0001				
Twp	Rge	Sec	Tract	Type	Acres	Plots	Sample Trees	CuFt	BdFt				
18N	09W	33	SCHULTZ	0001	11.20	10	49	S	W				

Spp	S T	So rt	Gr ad	% Net BdFt	Bd. Ft. per Acre Def% Gross Net			Total Net MBF	Percent Net Board Foot Volume								Average Log			Logs Per /Acre
									Log Scale Dia.				Log Length				Ln Ft	Bd Ft	CF/ Lf	
									4-5	6-11	12-16	17+	12-20	21-30	31-35	36-99				
SS		DO	2S	43	8.5	1,973	1,806	20			18	82			100	39	568	3.37	3.2	
SS		DO	3S	12	12.2	568	499	6		68	32			12	55	33	32	93	1.11	5.4
SS		DO	4S	9	3.8	409	394	4	33	51	3	12	98	2			17	25	0.36	15.9
SS		DO	OV	36	18.2	1,872	1,531	17							42	58	35	818	4.76	1.9
SS	Totals			76	12.3	4,823	4,230	47	3	13	12	73	9	2	22	67	24	160	1.61	26.4
RC		DO	3S	31	16.8	389	324	4		26	62	12		12	88		31	111	1.50	2.9
RC		DO	4S	31	12.3	371	325	4	13	87			8	44	48		27	39	0.65	8.3
RC		DO	OV	38	22.9	515	397	4				100			100		32	554	4.83	.7
RC	Totals			19	18.0	1,275	1,046	12	4	35	19	42	2	17	80		28	88	1.16	11.9
RA		DO	4S	12		34	34	0		100			100				20	30	0.40	1.1
RA		PU	UT	88	4.7	271	259	3	71	29			14	60	26		23	28	0.39	9.3
RA	Totals			5	4.1	305	292	3	62	38			24	53	23		23	28	0.39	10.4
Type Totals					13.0	6,402	5,568	62	6	18	12	63	9	7	32	52	25	114	1.25	48.7

TC TSTATS				STATISTICS				PAGE 1		
				PROJECT NEWMAN		DATE 2/23/2014				
TWP	RGE	SECT	TRACT	TYPE	ACRES	PLOTS	TREES	CuFt	BdFt	
18N	09W	33	SCHULTZ	0001	11.20	10	49	S	W	
				TREES	ESTIMATED	PERCENT				
				PER PLOT	TOTAL	SAMPLE				
					TREES	TREES				
TOTAL	10	49	4.9							
CRUISE	10	28	2.8	273		10.2				
DBH COUNT				172						
REFOREST										
COUNT										
BLANKS										
100 %										
STAND SUMMARY										
	SAMPLE	TREES	AVG	BOLE	REL	BASAL	GROSS	NET	GROSS	NET
	TREES	/ACRE	DBH	LEN	DEN	AREA	BF/AC	BF/AC	CF/AC	CF/AC
SS/ES	33	20.7	18.6	48		39.1	4,823	4,230	1,167	1,014
RCEDAR	12	11.0	18.4	46		20.3	1,275	1,046	480	392
R ALDER	4	8.0	11.1	37		5.4	305	292	101	92
TOTAL	49	39.8	17.3	46		64.8	6,402	5,568	1,747	1,498
	COEFF	SAMPLE TREES - BF				# OF TREES REQ.		INF. POP.		
SD: 1	VAR.%	S.E.%	LOW	AVG	HIGH	5	10	15		
SS/ES	301.2	43.0	145	254	364					
RCEDAR	356.1	50.9	17	34	51					
R ALDER	412.1	58.9	1	2	3					
TOTAL	262.8	37.5	182	291	400	2,763	691	307		
	COEFF	SAMPLE TREES - CF				# OF TREES REQ.		INF. POP.		
SD: 1	VAR.%	S.E.%	LOW	AVG	HIGH	5	10	15		
SS/ES	266.7	38.1	36	59	81					
RCEDAR	312.3	44.6	7	12	17					
R ALDER	427.6	61.1	0	1	1					
TOTAL	219.3	31.3	49	71	93	1,924	481	214		
	COEFF	TREES/ACRE				# OF PLOTS REQ.		INF. POP.		
SD: 1	VAR.%	S.E.%	LOW	AVG	HIGH	5	10	15		
SS/ES	144.1	45.6	11	21	30					
RCEDAR	85.7	27.1	8	11	14					
R ALDER	159.6	50.5	4	8	12					
TOTAL	71.7	22.7	31	40	49	206	51	23		
	COEFF	BASAL AREA/ACRE				# OF PLOTS REQ.		INF. POP.		
SD: 1	VAR.%	S.E.%	LOW	AVG	HIGH	5	10	15		
SS/ES	38.4	12.1	34	39	44					
RCEDAR	76.5	24.2	15	20	25					
R ALDER	137.1	43.4	3	5	8					
TOTAL	30.8	9.8	58	65	71	38	10	4		
	COEFF	NET BF/ACRE				# OF PLOTS REQ.		INF. POP.		
SD: 1	VAR.%	S.E.%	LOW	AVG	HIGH	5	10	15		
SS/ES	79.4	25.1	3,168	4,230	5,293					
RCEDAR	89.2	28.2	751	1,046	1,340					
R ALDER	137.1	43.3	166	292	419					
TOTAL	67.4	21.3	4,381	5,568	6,756	182	45	20		
	COEFF	NET CUFT FT/ACRE				# OF PLOTS REQ.		INF. POP.		
SD: 1	VAR.%	S.E.%	LOW	AVG	HIGH	5	10	15		
SS/ES	65.4	20.7	804	1,014	1,224					
RCEDAR	84.6	26.7	287	392	497					
R ALDER	138.4	43.8	51	92	132					
TOTAL	57.1	18.1	1,227	1,498	1,768	131	33	15		

ADDENDUM D:
Qualifications of Appraisers

Timothy D. Newman
curriculum vitae

Business address: S. A. Newman Firm, 3216 Wetmore Avenue, P. O. Box 156, Everett WA 98206-0156; phone 425-259-4411; fax 425-258-4435. Email: tnewman@sanforest.com Established 1946; incorporated 1973.

Practice Areas: Appraisal of real estate, transitional use property, forest land and timber; appraisal review, partial and complete acquisitions for public use including property condemnation and "diminution in value" issues.

Education:

Master of Science, Forestry, University of Washington
Bachelor of Arts, Economics, University of Washington

Professional Certifications/Designations:

- Designated as an MAI (Member of the Appraisal Institute), conferred by the Appraisal Institute (no. 7858)
- Certified Real Estate Appraiser (General Classification) under RCW 18.140, license no. 1100664; issued August 8, 1991
- Approved appraiser/review appraiser list, Washington State Department of Transportation
- Appraiser/review appraiser-approved under *Uniform Appraisal Standards for Federal Land Acquisitions*
- Certified Forester (no. 2955), conferred by the Society of American Foresters

Tim joined the S. A. Newman Firm in 1978 and serves as Partner. Tim has over 40,000 hours of experience in the indicated practice areas and completed over 500 hours of continuing education in appraisal. Among live coursework/exams recently completed: 33-hour "Valuation of Conservation Easements" certificate program (Chicago IL venue, May 16 – 20, 2011) sponsored by Appraisal Institute; 20-hour Appraisal Review course A380 under *Uniform Appraisal Standards for Federal Land Acquisitions* (April 20 – 22, 2011); and 16-hour UASFLA course on April 21 – 22, 2010 by the same sponsor in collaboration with U.S. Department of Justice.

Tim provides independent appraisal and counseling services to governmental agencies at federal, state and local levels, conservancy groups, law and accounting firms, major forest products companies and other clients. He served recently (2010-2012) as a Regional Representative of the Seattle chapter of the Appraisal Institute and formerly as a 6-year member of AI's Regional Ethics and Counseling Panel.

Representative Experience:

- Appraisals under *Uniform Appraisal Standards for Federal Land Acquisitions*: Includes recent (2010-2013) appraisals of privately owned inholdings in Olympic National Park and in National Wildlife Refuges (NWRs) in both western and eastern Washington state. Also, appraisal of 176 parcels during 2007 in Chelan, Kittitas and Yakima Counties, WA totaling 95,176 acres including merchantable timber thereon, for (later consummated) land exchange between Washington state agencies;
- Appraisals of important riparian corridors – Hoh River corridor in western Jefferson County (April 2009) and other periods since 2000, under *Uniform Appraisal Standards for Federal Land Acquisitions* encompassing 500+ acres, including cruise and appraisal analysis/contribution of on-site timber; also on 1,870 acres in Skookum Creek corridor in Whatcom County (Sept.2009);
- *Analyses of Impact of ESA-Listed Species on Market Value* - Integral to appraisal of numerous privately and publicly owned properties in Washington state occupied by Northern spotted owl, a federally threatened and state endangered species; or marbled murrelet, which is federally and state threatened.
- *Washington State Dept. of Natural Resources Trust land portfolio valuation* - Served as consultant to Deloitte Touche in evaluating timber on 2,000,000+ acres of DNR trust land statewide;
- *Proposed Exchange of Perpetual Timber Rights (PTRs) and merchantable timber* - Lead appraiser for private owner of 23,900 acres of PTRs in central Washington and State agency administering 7,500 acres of timber proposed for exchange;
- *Analyses of Impact of ESA-Listed Species on Market Value* - Integral to appraisal of numerous privately and publicly owned properties in Washington state occupied by Northern spotted owl, a federally threatened and state endangered species; or marbled murrelet, which is federally and state threatened;
- *Williams Gas Pipeline Expansion (2004 – 2011)* - Appraisal of contribution of resource (stumpage) and ornamental vegetation on each of 500+ ownerships in five counties in western Washington with various highest and best use scenarios, in partial acquisitions for utility use; included cruise of on-site timber expected to be legally harvestable under applicable highest and best uses;
- *Green River Watershed* - Appraisal review and independent appraisal of a private 47,000 acre forest land ownership within a public watershed in King County, WA, managed under federally approved Habitat Conservation Plan; included field audit of inventory data supplied by prospective seller;
- *Appraisal of 65 parcels--over 54,000 acres--for Proposed Partitionment* - On behalf of a forest products company established in 1884 and long time client, on property in 9 counties in western Washington; included cruise of on-site timber expected to be legally harvestable under applicable land use scenarios.

Peter C. Blansett

Business address: S. A. Newman Firm, 3216 Wetmore Avenue, P. O. Box 156, Everett WA 98206-0156; phone 425-259-4411; fax 425-258-4435. Email: pblansett@sanforest.com Website: www.sanforest.com Established 1946.

Practice Areas: Timber appraisal in both non-conversion and land use conversion, forest practices consulting including permit procurement and pre-sale layout; variable and fixed radius plot cruising, continuous forest inventory and auditing in direct and supervisory roles; arboricultural services, and "diminution in value" issues, including expert witness experience in various Superior Courts.

Education: A.A.S., Forest Technology, Ranger School, State University of New York (SUNY), College of Environmental Science and Forestry, Wanakena, New York.

Professional Certification:

- Designated as a Certified Arborist by International Society of Arboriculture (certificate no. PN-0659A)

Peter joined the S. A. Newman Firm in 1983 and serves as Principal Forester. Peter has over 40,000 hours of experience in the indicated practice areas and completed over 300 hours of continuing education in forestry, arboriculture and appraisal. He provides consulting forestry, appraisal and other professional services to major forest products companies, governmental agencies at federal, state and local levels, conservancy groups, law and accounting firms and other clients. Peter has appeared as an expert witness before various Superior Courts and administrative and mediation hearings in Washington state in resolution of timber trespass, land use and appraisal issues on approximately 50 occasions.

Representative Experience:

- *Proposed Exchange of Perpetual Timber Rights (PTRs) and merchantable timber* - Lead forester for private owner of 23,900 acres of PTRs in central Washington and State agency administering 7500 acres of timber proposed for exchange;
- *Analyses of Impact of ESA-Listed Species on Market Value* - Integral to appraisal of numerous privately and publicly owned properties in Washington state occupied by Northern spotted owl, a federally threatened and state endangered species; or marbled murrelet, which is federally and state threatened;

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- *Williams Gas Pipeline Expansion* - Appraisal of contribution of resource (stumpage) and ornamental vegetation on each of 500+ ownerships in five counties in western Washington with various highest and best use scenarios, in partial acquisitions for utility use; included cruise of on-site timber expected to be legally harvestable under applicable highest and best uses;
- *Green River Watershed* - Lead forester in appraisal review and independent appraisal of a private 47,000 acre forest land ownership within a public watershed in King County, WA, managed under federally approved Habitat Conservation Plan; included field audit of inventory data supplied by prospective seller;
- *Appraisal of 65 parcels--over 54,000 acres--for Proposed Partitionment* - Lead forester on behalf of a forest products company established in 1884 and long time client, on property in 9 counties in western Washington; included cruise of on-site timber expected to be legally harvestable under applicable land use scenarios;
- *Appraisal and Timber Cruise of Property Exchange between Trillium Corporation and Washington State Dept. of Natural Resources* - Encompassed property now within Lake Whatcom Landscape Plan; and other property in Whatcom, Skagit and Snohomish Counties, WA.