

Client	AMEC Environment & Infrastructure, Inc.	File No.	C02014E
Property Address	3022 Wishkah Rd		
City	Aberdeen	County	Grays Harbor
State	WA	Zip Code	98520
Owner	Richard & Catherine Svangren		

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RESIDENTIAL APPRAISAL REPORT

AMEC
File No.: C02014E

Property Address: 3022 Wishkah Rd County: Grays Harbor Assessor's Parcel #: 180933240010 Market Area Name: Wishkah Current Owner of Record: Richard & Catherine Svangren Project Type (if applicable): <input type="checkbox"/> PUD <input type="checkbox"/> De Minimis PUD <input type="checkbox"/> Other (describe) Are there any existing improvements to the property? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes If Yes, give a brief description: <u>The subject site is improved with electricity and water on-site. The subject site is improved with a 288-square-foot wood framed cabin. The cabin is fair quality construction with a pier and post foundation, wood-shake roof, and painted wood siding. The interior of the cabin has plywood flooring and painted wood paneling. The cabin has both water and electricity connected.</u>	City: Aberdeen State: WA Zip Code: 98520 Legal Description: See 'Statutory Warranty Deed' in the addenda of this report for legal description. Tax Year: 2014 R.E. Taxes: \$ 447 Special Assessments: \$ 0 Map Reference: Grays Harbor Census Tract: 0013.00 Borrower (if applicable): None - Private HOA: \$ 0 <input type="checkbox"/> per year <input type="checkbox"/> per month If Yes, indicate current occupancy: <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant <input type="checkbox"/> Not habitable																																																																																															
The purpose of this appraisal is to develop an opinion of: <input checked="" type="checkbox"/> Market Value (as defined), or <input type="checkbox"/> other type of value (describe) This report reflects the following value (if not Current, see comments): <input checked="" type="checkbox"/> Current (the Inspection Date is the Effective Date) <input type="checkbox"/> Retrospective <input type="checkbox"/> Prospective Property Rights Appraised: <input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Leased Fee <input type="checkbox"/> Other (describe)																																																																																																
Intended Use: 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 User(s) (by name or type): 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.																																																																																																
Client: AMEC Environment & Infrastructure, Inc. Address: 11810 North Creek Parkway N, Bothell, WA 98011 Appraiser: Keith D. Thurman, MAI Address: 3667 Dianna Way, Wenatchee, WA 98801																																																																																																
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Market Area Comments: Neighborhood Boundaries: The subject neighborhood can be described as south of Hoquiam-Wishkah Rd., West of Montesano, East of Hoquiam, and North of the city limits of Aberdeen.																																																																																																
Neighborhood Description: 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. All major shopping, secondary schools, and other urban conveniences are located in Aberdeen/Hoquiam. Improvements in the immediate neighborhood include a wide variety of single family residences on small to medium sized acreages. Appeal to the market is generally average to good.																																																																																																
Market Conditions: Based on the market study presented in the text addendum the subject's market area is currently in a state of decline.																																																																																																
Dimensions: See 'GIS Map' in Addenda Site Area: 12.98 Acres Zoning Classification: R2 - General Residential District Description: This district is designed for residential use with protection from objectionable influences. Do present improvements comply with existing zoning requirements? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Improvements Uses allowed under current zoning: Permitted uses include single-and two-family dwellings, parks, home occupations, and home day cares.																																																																																																
Are CC&Rs applicable? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unknown Have the documents been reviewed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Ground Rent (if applicable) \$ / Comments:																																																																																																
Highest & Best Use as improved: <input type="checkbox"/> Present use, or <input checked="" type="checkbox"/> Other use (explain) Please see 'Highest and Best' use in the text addenda for discussion on the highest and best use of the subject site. Actual Use as of Effective Date: As a single-family/recreational site Use as appraised in this report: As a single-family/recreational site Summary of Highest & Best Use: 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 home-site 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. Please see 'Highest and Best Use' in the text addenda for further discussion																																																																																																
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FEMA Spec'l Flood Hazard Area <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No FEMA Flood Zone A FEMA Map # 5300570425B FEMA Map Date 09/29/1986																																																																																																
Site Comments: The subject is a 12.98-acre site that has both water and electrical utilities on-site. The subject site has frontage on the Wishkah River. The site is improved with a 288-square-foot wood-framed cabin. The subject site does not have access to a public sewer and does not have a septic system. The cabin has been outfitted with a compost toilet. Although the subject site consists of 12.98-acres it is difficult to determine how many acres are useable due to the wetlands on-site. We are not wetland specialists and if the client has any concerns a wetland specialist should be consulted. We believe that a septic tank could likely be installed on the site. However, given the proximity of the river a septic tank installation would be an engineered system of some type. There is a limited amount of timber on the subject property. S.A. Newman company has appraised the timber in a report dated 3/11/2014 with an effective date of 2/17/2014. The Appraisal of Timber report is attached electronically to this report and/or has been physically delivered with the Timber Report.																																																																																																



AMEC

File No.: C02014E

RESIDENTIAL APPRAISAL REPORT

My research did did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.

Data Source(s): NWMLS#510918, GH Assessor

1st Prior Subject Sale/Transfer	Analysis of sale/transfer history and/or any current agreement of sale/listing: <u>The subject was purchased by the current owners on 7/16/2013 for \$43,000. The subject was only on the market for 10-days and was listed and marketed as vacant land. None of the comparable sales have any known sales one year prior to the date of sale noted above.</u>
Date: 7/16/2013	
Price: \$43,000	
Source(s): GH Assessor	
2nd Prior Subject Sale/Transfer	
Date: None	
Price: None	
Source(s): GH Assessor	

FEATURE	SUBJECT PROPERTY	COMPARABLE NO. 1		COMPARABLE NO. 2		COMPARABLE NO. 3	
Address	3022 Wishkah Rd Aberdeen, WA 98520	1121 S Shore Rd Quinault, WA 98575		Lot 2 Riverview Dr. Humptulips, WA 98552		8 Dusty Ln Hoquiam, WA 98550	
Proximity to Subject		34.68 miles N		17.41 miles NW		11.54 miles W	
Sale Price	\$		\$ 48,000		\$ 30,000		\$ 45,000
Price/ Acre	\$	\$ 4,660.19		\$ 6,250.00		\$ 9,000.00	
Data Source(s)	Personal Inspt	NWMLS#475662, Ext. Inspt.		NWMLS#578997, Ext. Inspt.		NWMLS#210297, Ext. Inspt.	
Verification Source(s)	GH Assessor	List. Agent, GH Assessor, RMD		List. Agent, GH Assessor, RMD		List. Agent, GH Assessor, RMD	
VALUE ADJUSTMENT	DESCRIPTION	DESCRIPTION	+(-) \$ Adjust	DESCRIPTION	+(-) \$ Adjust	DESCRIPTION	+(-) \$ Adjust
Sales or Financing		Cash		Cash		Cash	
Concessions		None		None		None	
Date of Sale/Time		08/20/2013	-2,000	02/05/2014	-100	09/20/2012	-5,400
Rights Appraised	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Location	Wishkah	Quinault		Humptulips		Rural Hoquiam	
Site Area (in Acres)	12.98	10.3		4.8		5.0	
Water Connection	On-Site (1.75K)	None	+1,750	None	+1,750	None	+1,750
Sewer Connection	None	None		None		None	
Electricity Connection	On-Site (1K)	None	+1,000	None	+1,000	None	+1,000
Cabin	288sf	Not Habitable	+4,320	None	+4,320	None	+4,320
Outbuildings	Storage Shed	Poor Condition	+500	None	+500	None	+500
Net Adjustment (Total, in \$)		<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 5,570	<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 7,470	<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 2,170
Adjusted Sale Price (in \$)			\$ 53,570		\$ 37,470		\$ 47,170

Summary of Sales Comparison Approach Based on the sales data presented in the sales comparison grid there is price per-acre range of value of \$4,660 - \$10,000-per acre. After review of the data, we determined that the factor of comparability should be the price paid 'per site'.

We are estimating the value of the subject based on an overall factor of price-per-site. Based on the sales data presented and the range of values provided by Comparable's No. 1, No. 2, No. 3, and No. 4 we are reconciling the subject between their adjusted values at \$50,000.

Please see 'Final Reconciliation' in the text addenda for further discussion.

Please note that it is an extraordinary assumption of this report that the reader has a copy of the S.A. Newman Timber Appraisal Report dated March 11, 2014 with an effective date of February 17, 2014. Said report is incorporated into this report by reference.

PROJECT INFORMATION FOR PUDs (if applicable) The Subject is part of a Planned Unit Development.

Legal Name of Project: _____

Describe common elements and recreational facilities: _____

Indicated Value by: Sales Comparison Approach \$ 50,000

Final Reconciliation Based on the data presented above we are reconciling the subject - as improved - at \$50,000.

This appraisal is made "as is", or subject to the following conditions: _____

This report is also subject to other Hypothetical Conditions and/or Extraordinary Assumptions as specified in the attached addenda.

Based upon an inspection of the subject property, defined Scope of Work, Statement of Assumptions and Limiting Conditions, and Appraiser's Certifications, my (our) Opinion of the Market Value (or other specified value type), as defined herein, of the real property that is the subject of this report is:
 \$ 50,000 , as of: 02/22/2014 , which is the effective date of this appraisal.
If indicated above, this Opinion of Value is subject to Hypothetical Conditions and/or Extraordinary Assumptions included in this report. See attached addenda.

A true and complete copy of this report contains _____ pages, including exhibits which are considered an integral part of the report. This appraisal report may not be properly understood without reference to the information contained in the complete report, which contains the following attached exhibits:

Limiting Cond./Certifications Narrative Addendum Photograph Addenda Sketch Addendum Map Addenda

Additional Sales Cost Addendum Flood Addendum Manuf. House Addendum Hypothetical Conditions

Client Contact: Ryan Bartelheimer Client Name: AMEC Environment & Infrastructure, Inc.

E-Mail: ryan.bartelheimer@amec.com Address: 11810 North Creek Parkway N, Bothell, WA 98011

APPRAISER

Appraiser Name: Keith D. Thurman, MAI

Company: Twin Harbors Appraisal Service, Inc

Phone: (360) 267-1100 Fax: (509) 663-1110

E-Mail: keith@twinharborsappraisal.com

Date of Report (Signature): March 16, 2014

License or Certification #: 1100489 State: WA

Designation: _____

Expiration Date of License or Certification: 12/08/2015

Inspection of Subject: Did Inspect Did Not Inspect (Desktop)

Date of Inspection: 02/22/2014

SUPERVISORY APPRAISER (if required) or CO-APPRAISER (if applicable)

Supervisory or Co-Appraiser Name: _____

Company: _____

Phone: _____ Fax: _____

E-Mail: _____

Date of Report (Signature): _____

License or Certification #: _____ State: _____

Designation: _____

Expiration Date of License or Certification: _____

Inspection of Subject: Did Inspect Did Not Inspect

Date of Inspection: _____

ADDITIONAL COMPARABLE SALES

FEATURE	SUBJECT PROPERTY	COMPARABLE NO. 4		COMPARABLE NO. 5		COMPARABLE NO. 6	
Address	3022 Wishkah Rd Aberdeen, WA 98520	23 Dusty Ln Hoquiam, WA 98550		96 Moody Rd Hoquiam, WA 98550		5017 Wishkah Rd Aberdeen, WA 98520	
Proximity to Subject		11.50 miles W		16.62 miles NW		10.10 miles NE	
Sale Price	\$		\$ 50,000		\$ 129,000		\$ 95,000
Price/ Acre	\$	\$ 10,000.00		\$ 7,909.26		\$ 7,268.55	
Data Source(s)	Personal Inspt	NWMLS#210308, Ext. Inspt.		NWMLS#366708, Ext. Inspt.		NWMLS#432736, Ext. Inspt.	
Verification Source(s)	GH Assessor	List. Agent, GH Assessor, RMD		List. Agent, GH Assessor, RMD		List. Agent, GH Assessor, RMD	
VALUE ADJUSTMENT	DESCRIPTION	DESCRIPTION	+(-) \$ Adjust	DESCRIPTION	+(-) \$ Adjust	DESCRIPTION	+(-) \$ Adjust
Sales or Financing		Cash		Deed of Trust		Cash	
Concessions		None		None		None	
Date of Sale/Time		05/27/2011	-11,500	10/02/2012	-15,100	5/02/2013	-6,400
Rights Appraised	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Location	Wishkah	Rural Hoquiam		Rural Hoquiam		Wishkah	
Site Area (in Acres)	12.98	5.0		16.31		13.07	
Water Connection	On-Site (1.75K)	None	+1,750	On-Site		On-Site	
Sewer Connection	None	None		Not Functional		Septic System	-15,000
Electricity Connection	On-Site (1K)	None	+1,000	On-Site		On-Site	
Cabin	288sf	None	+4,320	1500sf (\$35)	-48,180	None	+4,320
Outbuildings	Storage Shed	None	+500	Storage Area		None	+500
Net Adjustment (Total, in \$)		<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -3,930	<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -63,280	<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -16,580
Adjusted Sale Price (in \$)			\$ 46,070		\$ 65,720		\$ 78,420

Summary of Sales Comparison Approach

Assistance Disclosure - Eric Sorensen provided significant assistance in the assignment by assisting in the viewing of the property in the field, taking photographs, and preparing documents used in this report.

Keith D. Thurman participated in preparation of all documents used in this report and has viewed the primary improvement and the comparables in the field.

Appraiser's Competency - I have knowledge and experience in appraising this type of property in this market area and I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.

SALES COMPARISON APPROACH



Statutory Warranty Deed

Client	AMEC Environment & Infrastructure, Inc.		
Property Address	3022 Wishkah Rd		
City	Aberdeen	County	Grays Harbor
		State	WA
Owner	Richard & Catherine Svangren		

When recorded return to:
 Grays Harbor Title Company
 219 W. Market, • PO Box 386
 • Aberdeen, WA 98520

209470

REAL ESTATE EXCISE TAX
 \$ 662.90 Paid 7-16-13
 RONALD A. STRABBING, TREASURER
 Grays Harbor County, Montesano, Wash.
R. Strabbing Deputy

Statutory Warranty Deed

Escrow No.: 00172679 *elxx*

THE GRANTOR VICTOR E. SANDER, § PERSONAL REPRESENTATIVE FOR THE ESTATE OF VICKI L. MADDEN, ALSO KNOWN AS VICKI LOU SANDERS, DECEASED and VICTOR E. SANDERS, DECEDENT'S BROTHER, EACH AS TO AN UNDIVIDED 50% INTEREST for and in consideration of Ten Dollars and other valuable consideration in hand paid, conveys and warrants to RICHARD SVANGREN and CATHERINE SVANGREN, HUSBAND AND WIFE the following described real estate, situated in the County of GRAYS HARBOR, State of Washington:

That portion of Government Lot 4 in Section 33, Township 18 North, Range 9 West of the Willamette Meridian, known as Parcel A of SSA 83-41, dated September 14, 1983, recorded September 19, 1983 under Auditor's File No. 830919001, Microfilm No. 83-17290;

Except that portion conveyed to Grays Harbor County for Re-Alignment of Wishkah County Road in Warranty Deed filed October 16, 1986, recorded under Auditor's File No. 861016067 and re-recorded under Auditor's File No. 861201073, records of Grays Harbor County;

Situate in the County of Grays Harbor, State of Washington.

SUBJECT TO covenants, conditions, restrictions, reservations, easements and agreements of record, if any.

Tax Parcel Number(s): 180933240010

Abbreviated Legal: Ptn Gov Lot 4, S33 T18N R9W aka Lot A, SSA 83-41 AF 830919001

Dated this 12th day of July, 2013.

THE ESTATE OF VICKI L. MADDEN
Victor E. Sanders PR
 VICTOR E. SANDERS, PERSONAL REPRESENTATIVE

Victor E. Sanders
 VICTOR E. SANDERS

STATE OF Washington } ss
 COUNTY OF Grays Harbor

I certify that I know or have satisfactory evidence that VICTOR E. SANDERS IS the person who appeared before me, and said person acknowledged that HE signed this instrument, on oath stated that HE authorized to execute the instrument and acknowledged it as the INDIVIDUALLY AND AS THE PERSONAL REPRESENTATIVE of THE ESTATE OF VICKI L. MADDEN and VICTOR E. SANDERS to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Dated: 7/13/13



Notary Public in and for the State of Washington
 Residing at Point Vernon
 My appointment expires: 05/22/2016

LPB-10-05 (i-1)
 Page 1 of 1

2013-07160031 07/16/2013 03:52 PM DEED
 Page 1 of 1 R 72.00 Grays Harbor Co, WA
 GRAYS HARBOR TITLE

Text Addendum

File No. C02014E

Client	AMEC Environment & Infrastructure, Inc.			
Property Address	3022 Wishkah Rd			
City	Aberdeen	County	Grays Harbor	State WA Zip Code 98520
Owner	Richard & Catherine Svangren			

Text Addendum**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.

Signature 	Signature _____
Name <u>Keith D. Thurman, MAI</u>	Name _____
Date Signed <u>March 16, 2014</u>	Date Signed _____
State Certification # <u>1100489</u> State <u>WA</u>	State Certification # _____ State _____
Or State License # _____ State _____	Or State License # _____ State _____

Text Addendum

File No. C02014E

Client	AMEC Environment & Infrastructure, Inc.				
Property Address	3022 Wishkah Rd				
City	Aberdeen	County	Grays Harbor	State	WA Zip Code 98520
Owner	Richard & Catherine Svangren				

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 only changes made were to change the context from a bid quote to a description of scope.

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:

Physically inspected the subject property and the surrounding neighborhood on February 22, 2014.

1. Collected factual information about the subject property and the surrounding neighborhood.
2. 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.
3. I began preparation of the report on March 3, 2014.

Signature 	Signature _____
Name <u>Keith D. Thurman, MAI</u>	Name _____
Date Signed <u>March 16, 2014</u>	Date Signed _____
State Certification # <u>1100489</u> State <u>WA</u>	State Certification # _____ State _____
Or State License # _____ State _____	Or State License # _____ State _____

Text Addendum

File No. C02014E

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Owner	Richard & Catherine Svangren			

4. During the preparation of the report I prepared a highest and best use analysis of the subject property as improved.
5. I collected market information as needed to apply the traditional approaches to value: cost approach, sales comparison approach, and income capitalization approach, if applicable.
6. 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.
7. I also determined that the income approach value was not applicable to this property type and did not use it in this report.
8. I then prepared a sales comparison approach valuation.
9. 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.

Comments on Timber Value

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.

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Owner	Richard & Catherine Svangren											

Local Real Estate Market Conditions

We performed a market study using the NWMLS data using ALL residential sales for the previous eight years that were located in the Aberdeen, Hoquiam, Cosmopolis, and Wishkah market areas. Because Wishkah area and the surrounding areas are so closely linked it is appropriate to include those areas in the study. 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%	

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 is.

As of the effective date of this appraisal, the general market in the areas studied appears to continue to decline at a slow 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.

Comments on the Subject Improvements

The subject site is improved with electricity and water on-site. Water is provided by the Aberdeen Water Department, which is a public water connection. Electricity is provided by Grays Harbor PUD.

The subject site is improved with a 288-square-foot wood framed cabin. The cabin is fair quality construction with a pier and post foundation, wood-shake roof, and painted wood siding. The interior of the cabin has plywood flooring and painted wood paneling. The cabin has both water and electricity connected.

The subject site does not have a septic system and there is no public sewer available to the subject site. The cabin has been outfitted with a compost toilet.

The primary use for the cabin is recreational use.

Signature 	Signature _____
Name <u>Keith D. Thurman, MAI</u>	Name _____
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Or State License # _____ State _____	Or State License # _____ State _____

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Owner	Richard & Catherine Svangren				

Highest and Best Use

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 R-2 – General Residential District. This zone has a minimum lot size of 10,000-square-feet for newly divided land.
- The subject of this report – at 12.98-acres, could legally be divided into multiple 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.
- There were no private restrictions noted.

Signature 	Signature _____
Name <u>Keith D. Thurman, MAI</u>	Name _____
Date Signed <u>March 16, 2014</u>	Date Signed _____
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Or State License # _____ State _____	Or State License # _____ State _____

Text Addendum

File No. C02014E

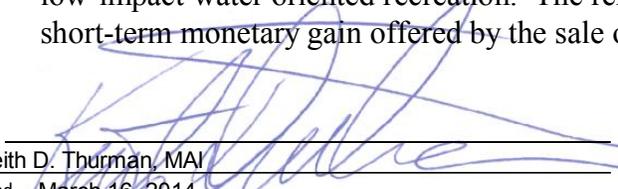
Client	AMEC Environment & Infrastructure, Inc.			
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City	Aberdeen	County	Grays Harbor	State WA Zip Code 98520
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Physically Possible

- The subject site is level and all available utilities (which include Aberdeen water, electrical power, telephone, and television cable) are available.
- The subject of this report – at 12.98-acres – could physically be divided into multiple parcels for residential use. However, because public sewer is not available and the parcels would require septic systems and because there are wetlands on site it would be very difficult to physically divide the subject into multiple parcels for residential use.
- 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 a single site with a septic system. The system would have to be located near the road where some fill has been placed in the past.

Financially Feasible

- The subject of this report – at 12.98-acres – could technically be divided into multiple parcels. Given the low-lying topography and the evidence of significant wetlands it is not likely that it would be possible to create multiple parcels out of the one parcel without significant expense for engineering. It is probable that the division of the property would require construction of an access road to a hypothetical additional parcel, plus would require space on that parcel (or parcels) that could be developed at a reasonable cost.
- Due to the issues with the low topography (wetland areas), it is likely that permits for an all-weather access road and development permits for any newly created parcel or parcels 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 additional site, the cost of permitting and installing a road to any additional parcel would at least offset (or possibly exceed) any potential financial gain. This is not to mention the potential cost to develop any parcel that did get created.
- The subject site has good visibility and direct access from the Wishkah Road.
- 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.
- The subject property has 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.

Signature 	Signature _____
Name <u>Keith D. Thurman, MAI</u>	Name _____
Date Signed <u>March 16, 2014</u>	Date Signed _____
State Certification # <u>1100489</u> State <u>WA</u>	State Certification # _____ State _____
Or State License # _____ State _____	Or State License # _____ State _____

Text Addendum

File No. C02014E

Client	AMEC Environment & Infrastructure, Inc.				
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City	Aberdeen	County	Grays Harbor	State	WA Zip Code 98520
Owner	Richard & Catherine Svangren				

- 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 home-site for development of a single-family residence. Both of these uses would preclude the removal of any 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 home-site 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 home-site 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 likely would be possible to install a septic system of some type on the property.
- 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 may be physically possible to install a septic tank.

Signature 	Signature _____
Name <u>Keith D. Thurman, MAI</u>	Name _____
Date Signed <u>March 16, 2014</u>	Date Signed _____
State Certification # <u>1100489</u> State <u>WA</u>	State Certification # _____ State _____
Or State License # _____ State _____	Or State License # _____ State _____

Text Addendum

File No. C02014E

Client	AMEC Environment & Infrastructure, Inc.			
Property Address	3022 Wishkah Rd			
City	Aberdeen	County	Grays Harbor	State WA Zip Code 98520
Owner	Richard & Catherine Svangren			

Financial Feasibility

- The property is improved with 288-square-foot cabin. As previously discussed the cabin is small and was intended for recreational use.
- Because of the current lack of any on-site sewage disposal, the size of the cabin, and the limited finish on the interior of the cabin, it is almost a certainty that the subject property could not be financed in a typical manner using the existing cabin as a primary residence for collateral.
- It would be financially feasible to continue use of the cabin on a marginal basis as a recreational cabin until such time that it is feasible to construct a full-time residence.
- The cabin on the site is adequate to meet the needs of recreational cabin in this neighborhood indefinitely.
- In summary, we have determined that it would be financially feasible to continue to use the subject property as currently improved.
- There is a very 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. Demolition of the existing improvement is not indicated at this time.

Conclusion of Highest and Best Use as Improved

We have concluded that the highest and best use of the subject as improved is continued use of the property as currently configured. Demolition of the existing improvement is not indicated at this time.

Comments on Adjustments and Market Data

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 appraising in this market.

Market Conditions Adjustment

Earlier in the report, we performed a market study, which implies a decline in market conditions at approximately 0.7%-per-month. Therefore, this rate of decline is applied to the sale comparables presented in the sales comparison grid. Please see 'Market Conditions Adjustment' below:

Signature 	Signature _____
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City	Aberdeen	County	Grays Harbor	State	WA	Zip Code	98520
Owner	Richard & Catherine Svangren						

Market Conditions Adjustment						
Comparable	1	2	3	4	5	6
Sale Price	\$48,000	\$30,000	\$45,000	\$50,000	\$129,000	\$95,000
Financial Concessions	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Values	\$48,000	\$30,000	\$45,000	\$50,000	\$129,000	\$95,000
Sale Date	8/20/13	2/5/14	9/20/12	5/31/11	10/2/12	5/2/13
Effective Date	2/22/14	2/22/14	2/22/14	2/22/14	2/22/14	2/22/14
Days	182	17	512	982	500	290
No. of Months	-6.07	-0.57	-17.07	-32.73	-16.67	-9.67
Rate/Months	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
Overall Rate	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%
Adjustment	-\$2,038	-\$119	-\$5,376	-\$11,457	-\$15,050	-\$6,428
Rounded	-\$2,000	-\$100	-\$5,400	-\$11,500	-\$15,100	-\$6,400

Comments on Adjustments and Market Data (Cont.)

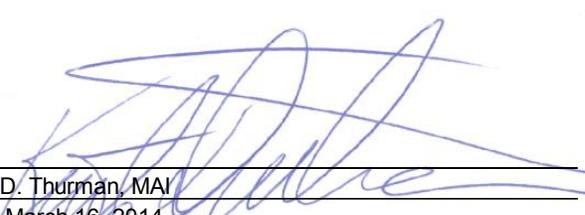
The subject site has public water as it is connected to the City of Aberdeen Water. I spoke with an engineer of the City of Aberdeen Water Department and he informed us that the estimated cost to connect to their water system is approximately \$1,750. Comparable's No. 1, No. 2, No. 3, and No. 4 do not have water on-site and therefore adjusted at \$1,750.

If the subject site were to be developed for full-time residential use, a septic system would need to be installed. Due to the wetlands on-site and proximity to the river the installation of a septic system may be difficult as it may require an engineered system. I have researched engineered septic systems in the past and estimated costs can range between \$15K - \$20K for an engineered septic system. Comparable No. 6 has a septic system on-site and therefore for the purpose of this assignment we applied a septic adjustment of \$15,000 for the subject's lack of a septic system.

Comparable No. 5 had a septic system on-site at the time of sale, however, according to the listing agent this septic system was not functional and a new septic would be required. Therefore, no septic system adjustment is applied to Comparable No. 5.

I attempted to research costs to connect to electricity from Grays Harbor County PUD. However, Grays Harbor County PUD does not give estimates to connect to electricity without a deposit and it would require the site to be inspected by an engineer to develop an estimated cost to connect to electricity. Depending on the availability of electricity, costs can vary significantly. Therefore, we estimate the cost to connect to electricity at approximately \$1,000. No actual bid was obtained, as the Grays Harbor County PUD does not give estimated bids.

The subject has a 288-square-foot wood framed cabin. As previously discussed, the report the cabin is of fair quality, its primary utility is for recreational use, and it would not be suitable for full residential use. We estimate the contributory value for a single-family-dwelling to have a price-per-square-foot factor of \$35-per-square-foot. Therefore, taking in consideration the quality and size of the cabin and a slight downward adjustment to reflect the inverse relationship between overall size and per-unit adjustment we determined the subject's cabin had a contributory value of \$15-per-square-foot of difference. We have used an adjustment of this magnitude in other reports where there is a guest cabin and have found that it works well in reflecting market actions.

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Comparable No. 1 has a 920-square-foot barn with a 391-square-foot loft area above a barn. At some point, this loft area was used for recreational use comparable to the subject's cabin. However, according to the selling agent, this loft area was not habitable at the time of sale and the barn was in poor condition. The entire barn and loft area of Comparable No. 1 was given no value due to the condition of the building.

Comparable No. 5 is improved with a 1,500 (per owner) metal-outbuilding that is finished to the same quality and finish as a single-family dwelling according to the listing agent. Therefore, we adjusted Comparable No. 5 finished living area at a rate of \$35-per-square-foot of difference.

The subject has a small storage shed. Storage sheds are typical in this market area and is given a lump sum adjustment of \$500.

Again, the reader should be cautioned that we are not building inspectors, contractors, or engineers; we conducted a visual inspection of only the accessible area of the improvement. We make no guarantees about the structural integrity of the property and assume no adverse conditions. If the client or customer has a concern about the structural integrity, an expert should be consulted for further inspection conducted.

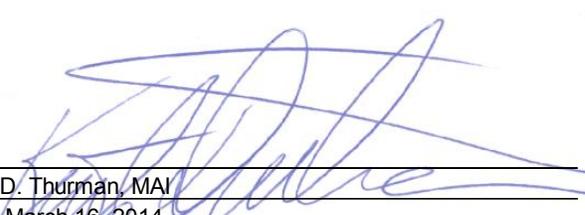
Final Reconciliation

The subject is a 12.98-acre site on the Wishkah River. The subject site has both water and electricity utilities on-site. In addition, the subject is improved with a 288-square-foot cabin. Due to the quality and size of the cabin, we determined that it would be inaccurate to compare the subject with single-family dwellings because the cabin's primary utility is for recreational use and should not be compared with single-family dwellings.

The subject also recently sold on 7/16/2013 for \$43,000. Before the subject sold it was listed on the local NWMLS (Listing #510918), which the subject was listed and marketed as vacant land. The subject had cumulative days on market of 10-days prior to selling. The subject was also listed for \$39,000 and sold for \$43,000, which it can be assumed there were multiple offers on the subject property. Due to the quick marketing period and the subject selling above the list price it can be assumed that the subject may have sold below market value. However, I attempted to contact the listing agent multiple times within the reporting date of this assignment and was unsuccessful.

Therefore, due to the quality of the cabin and how the property was marketed less than a year ago we determined it would be most appropriate method to develop the estimated market value for the subject is by comparing it to vacant land sales that have similar utility in comparison to the subject and giving a contributory value to the subject's improvements. We found six comparable sales that have waterfront comparable to the subject.

Comparable No. 1 is a riverfront site located in the neighborhood of Quinault. Quinault is a recreational community. According to the listing agent of Comparable No. 1 this sale was distress as the seller was incapacitated and that all offers had to have court approval. However, the listing agent believes that this sale sold at or around market value. I spoke with the selling agent and she informed me that this sale had a barn with loft area above the barn that was used for recreational use as some point. However, when this sale sold the loft area was not habitable and the barn was in poor condition. The selling agent informed me that the buyer purchased this property for recreational use and for horticulture and does not plan to develop this site with a single-family residence at this time. Therefore, because this sale is a riverfront site and has similar acreage and recreational use in comparison to the subject this sale is given some weight.

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Text Addendum

File No. C02014E

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Comparable No. 2 is located in Humptulips and has frontage on the Humptulips River. This sale had no improvements on site at the time of sale. The listing agent marketed this property as a riverfront recreational property that also has the potential to be developed as a residential home site. The listing agent did not know the intentions of the buyer at the time of sale. However, due to the recent sale date and comparable utility in comparison to the subject this sale is given some weight.

Comparable No. 3 and No. 4 are located in Rural Hoquiam and both of these sales have frontage on the Humptulips River. None of these sales had improvements on site at the time of sale. Like Comparable No. 2, these sales were listed for both recreation use and as a potential home-site. The listing agent did not know the intentions of the buyer at the time of sale. Based on the similar utility in comparison to the subject Comparable's No. 3 and No. 4 are given some weight.

Comparable No. 5 is included because it has an outbuilding on the property. According to the listing agent, the seller built a metal pole outbuilding; however, the owner finished the interior of the outbuilding similar to the quality of a single-family residence. I was also informed that the buyer had to have the seller finance this transaction because the seller did not have the permits to finish the interior of the outbuilding. The seller was only permitted to build the metal pole outbuilding.

This sale also had a septic system on-site at the time of sale, however, according to the listing agent, the septic system was not functional at the time of sale and it would need a new/updated septic system. This sale is superior in comparison to the subject because of it has more acreage and has a superior quality outbuilding. This sale adjusts higher than all the prior data presented and therefore its adjusted value is not supported by the prior sales data and therefore this sale is given little weight.

Comparable No. 6 is located on the Wishkah Rd and is comparable to the subject in location. However, this sale does not have river-frontage, but a creek does run through the middle of this property. According to the listing agent, this site was improved with a single-family dwelling that burned down and therefore all the utilities were on-site at the time of sale as well as an existing foundation of the home that burned down. This sale is included because of its comparable location and because it had all the utilities on-site at the time of sale. However, after all known adjustments are made this sale adjusts higher than all the data presented and therefore it-adjusted value is not supported and therefore this sale is given little weight.

Based on the sales data presented in the sales comparison grid there is price per-acre range of value of \$4,660 - \$10,000-per acre. The sales data presented does not support a price-per-acre-unit of value. In addition, it is also incorrect to value the subject at a price-per-acre unit of value because the subject has wetlands on-site and it is difficult to determine how much of the subject's 12.98-acre are usable acreage. We are not wetlands specialist and if the client has any concerns a wetlands specialist should be consulted.

Therefore, we are estimating the subject based on an overall price-per-site valuation. Based on the sales data presented and the range of value provided by Comparable's No. 1, No. 2, No. 3, and No. 4 we are reconciling the subject between their adjusted values at \$50,000.

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Text Addendum

File No. C02014E

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Owner	Richard & Catherine Svangren			

Certification

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, impartial, and unbiased professional analyses, opinions, and conclusions.

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

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 for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

I have made a personal observation of the property that is the subject of this report.

Eric Sorensen provided significant assistance to the persons signing this report.

As of the date of this report, we have completed the continuing education program of the Appraisal Institute.

Intended Use-

The Intended User of this appraisal report is the Lender/Client. The Intended Use is to evaluate the property that is the subject of this appraisal and develop market value for the subject, subject to the stated Scope of Work, purpose of the appraisal, reporting requirements of this appraisal report form, and Definition of Market Value. No additional Intended Users are identified by the appraiser.

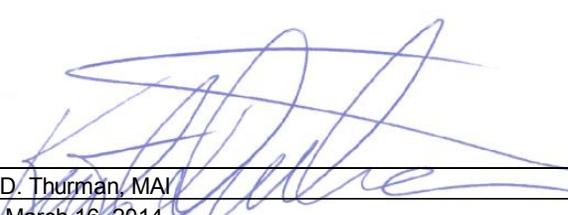
'HIDDEN CONDITIONS'

It is assumed that there are no structural defects hidden by floor or wall coverings or any other hidden or unapparent conditions of the property and that all mechanical equipment and appliances are in good working condition and that all electrical components and the roofing are in good condition.

If the client has any questions regarding these items, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise needed to make such inspections. The appraiser assumes no responsibility for these items.

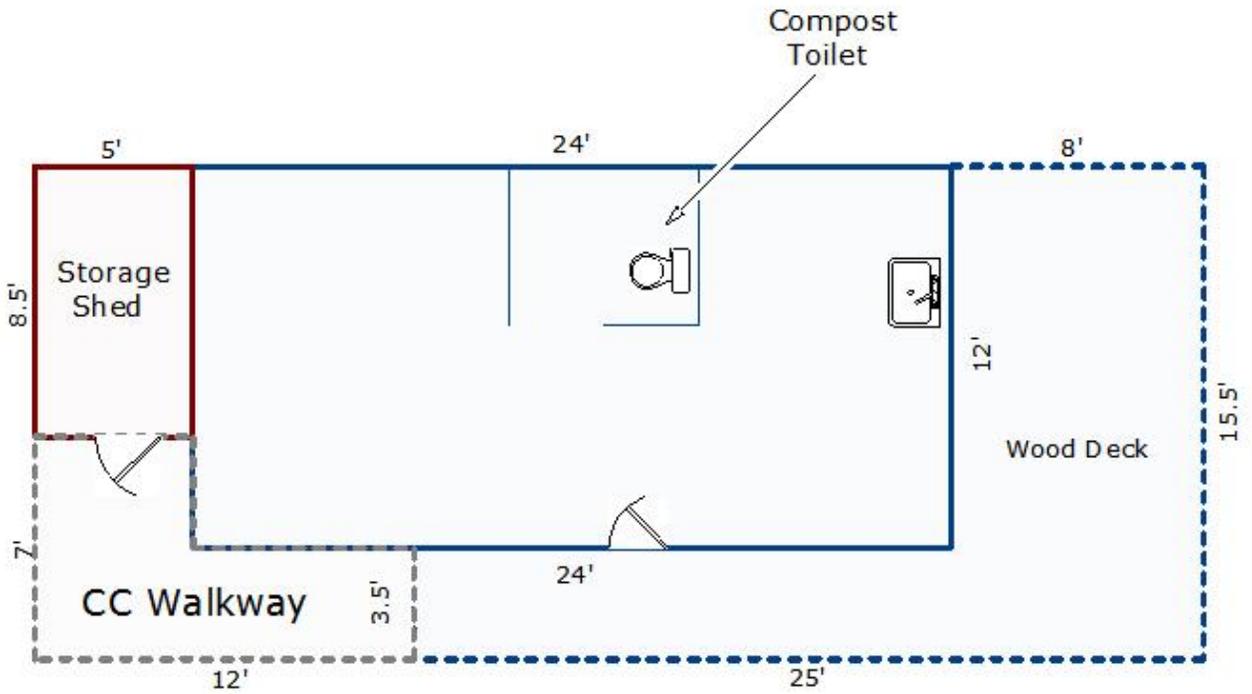
COMMENTS ON HAZARDOUS MATERIAL

1. I am not an expert in the field of hazardous materials.
2. This appraisal was prepared for lending purposes and does not constitute an expert inspection of the property for hazardous materials.
3. The only way to be certain as to the condition of the property with respect to "environmental hazards" is to have an expert in the field inspect the property.
4. This appraisal should not be relied upon as to whether or not environmental hazards actually exist in or on the property.

Signature 	Signature _____
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Building Sketch

Client	AMEC Environment & Infrastructure, Inc.			
Property Address	3022 Wishkah Rd			
City	Aberdeen	County Grays Harbor	State WA	Zip Code 98520
Owner	Richard & Catherine Svangren			



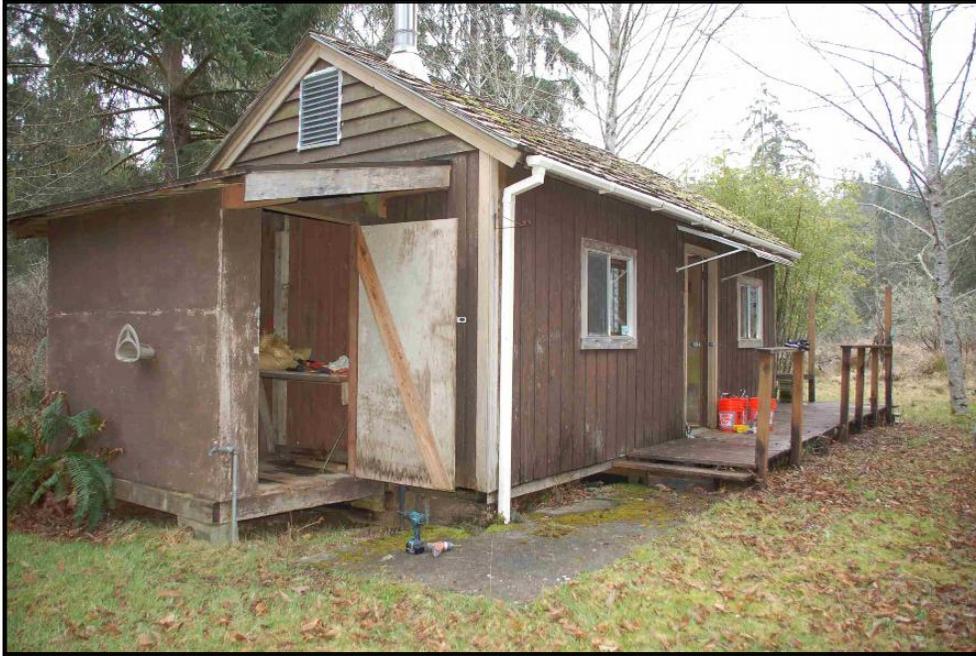
Sketch by Apex Medina™
Comments:

AREA CALCULATIONS SUMMARY			
Code	Description	Net Size	Net Totals
GLA1	First Floor	288.0	288.0
P/P	Wood Deck	183.5	183.5
OTH	Storage Shed	42.5	
	CC Walkway	59.5	102.0
Net LIVABLE Area		(rounded)	288

LIVING AREA BREAKDOWN		
Breakdown	Subtotals	
First Floor	288.0	
12.0 x 24.0		
1 Item	(rounded)	288

Subject Photos

Client	AMEC Environment & Infrastructure, Inc.		
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State	WA	Zip Code	98520
Owner	Richard & Catherine Svangren		



Subject Front

3022 Wishkah Rd
 Sales Price
 G.L.A. 288
 Tot. Rooms 3
 Tot. Bedrms. 1
 Tot. Bathrms. 0.0
 Location Wishkah
 View River/Woods
 Site 12.98-Acres
 Quality Fair
 Age 34



Subject Rear

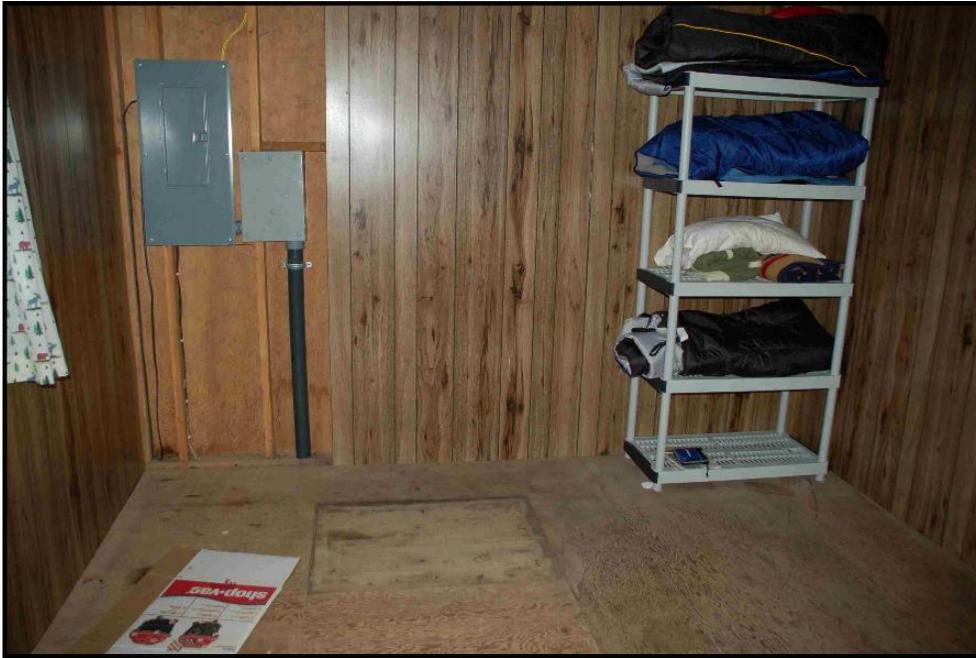


Subject Street

Wishkah Rd.
 Subject driveway on right

Photograph Addendum

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Owner	Richard & Catherine Svangren						



Living Area in Cabin



Sink in Cabin



Compost Toilet in Cabin

Photograph Addendum

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Electrical Panel



Storage Shed



Another Cabin Photo

Photograph Addendum

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Water Connection



View of River



Wishkah River looking Northeast

Photograph Addendum

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Wishkah River looking Southwest



Driveway Entrance



Driveway

Comparable Land Photo Page

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State	WA	Zip Code	98520
Owner	Richard & Catherine Svangren		



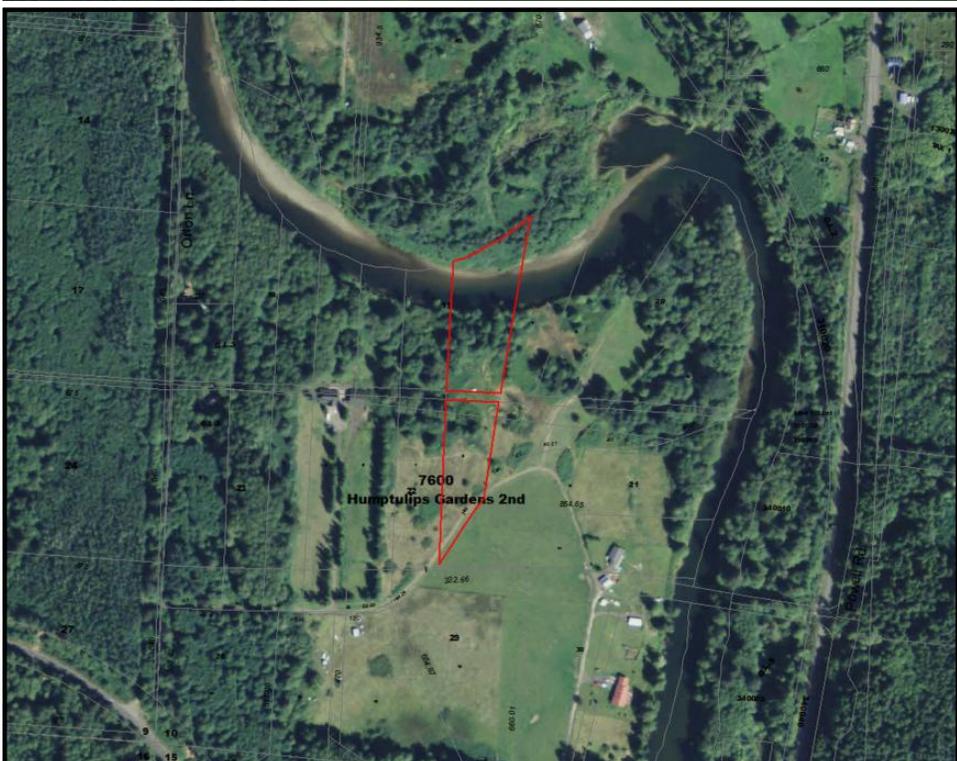
Comparable 1

1121 S Shore Rd
 Prox. to Subj. 34.68 miles N
 Sales Price 48,000
 Date of Sale 08/20/2013
 Location Quinault
 Site/View
 Water Connection None
 Sewer Connection None
 Electricity Connection None
 Cabin Not Habitable



Comparable 2

Lot 2 Riverview Dr.
 Prox. to Subj. 17.41 miles NW
 Sales Price 30,000
 Date of Sale 02/05/2014
 Location Humptulips
 Site/View
 Water Connection None
 Sewer Connection None
 Electricity Connection None
 Cabin None



Comparable 3

8 Dusty Ln
 Prox. to Subj. 11.54 miles W
 Sales Price 45,000
 Date of Sale 09/20/2012
 Location Rural Hoquiam
 Site/View
 Water Connection None
 Sewer Connection None
 Electricity Connection None
 Cabin None

Comparable Land Photo Page

Client	AMEC Environment & Infrastructure, Inc.		
Property Address	3022 Wishkah Rd		
City	Aberdeen	County	Grays Harbor
State	WA	Zip Code	98520
Owner	Richard & Catherine Svangan		



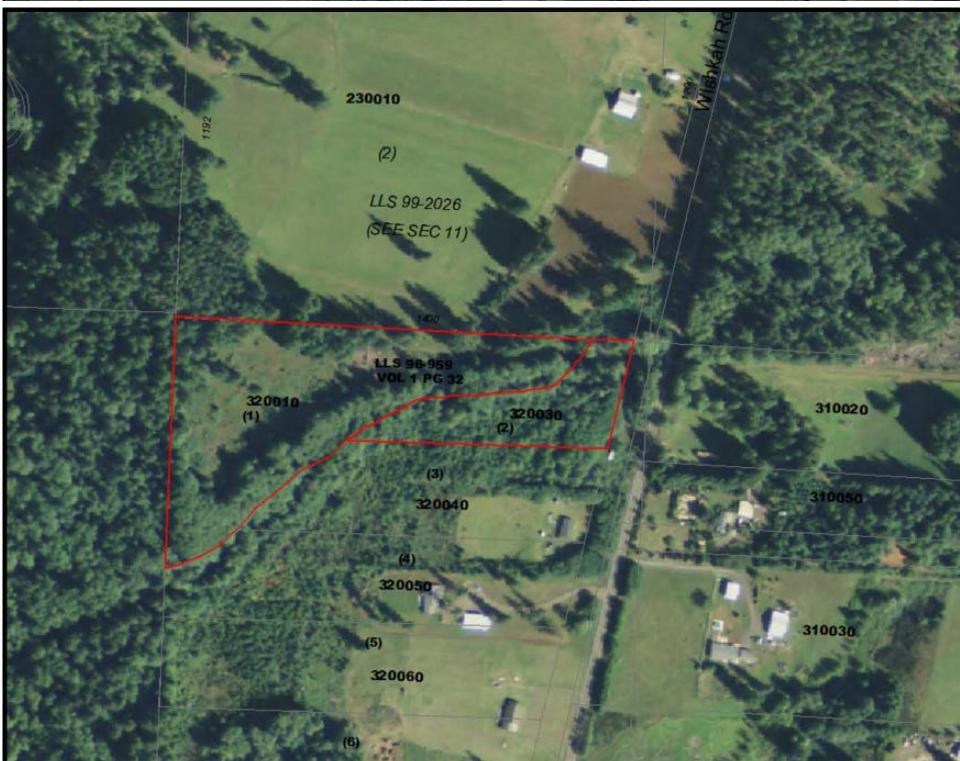
Comparable 4

23 Dusty Ln
 Prox. to Subj. 11.50 miles W
 Sales Price 50,000
 Date of Sale 05/27/2011
 Location Rural Hoquiam
 Site/View
 Water Connection None
 Sewer Connection None
 Electricity Connection None
 Cabin None



Comparable 5

96 Moody Rd
 Prox. to Subj. 16.62 miles NW
 Sales Price 129,000
 Date of Sale 10/02/2012
 Location Rural Hoquiam
 Site/View
 Water Connection On-Site
 Sewer Connection Not Functional
 Electricity Connection On-Site
 Cabin 1500sf (\$35)

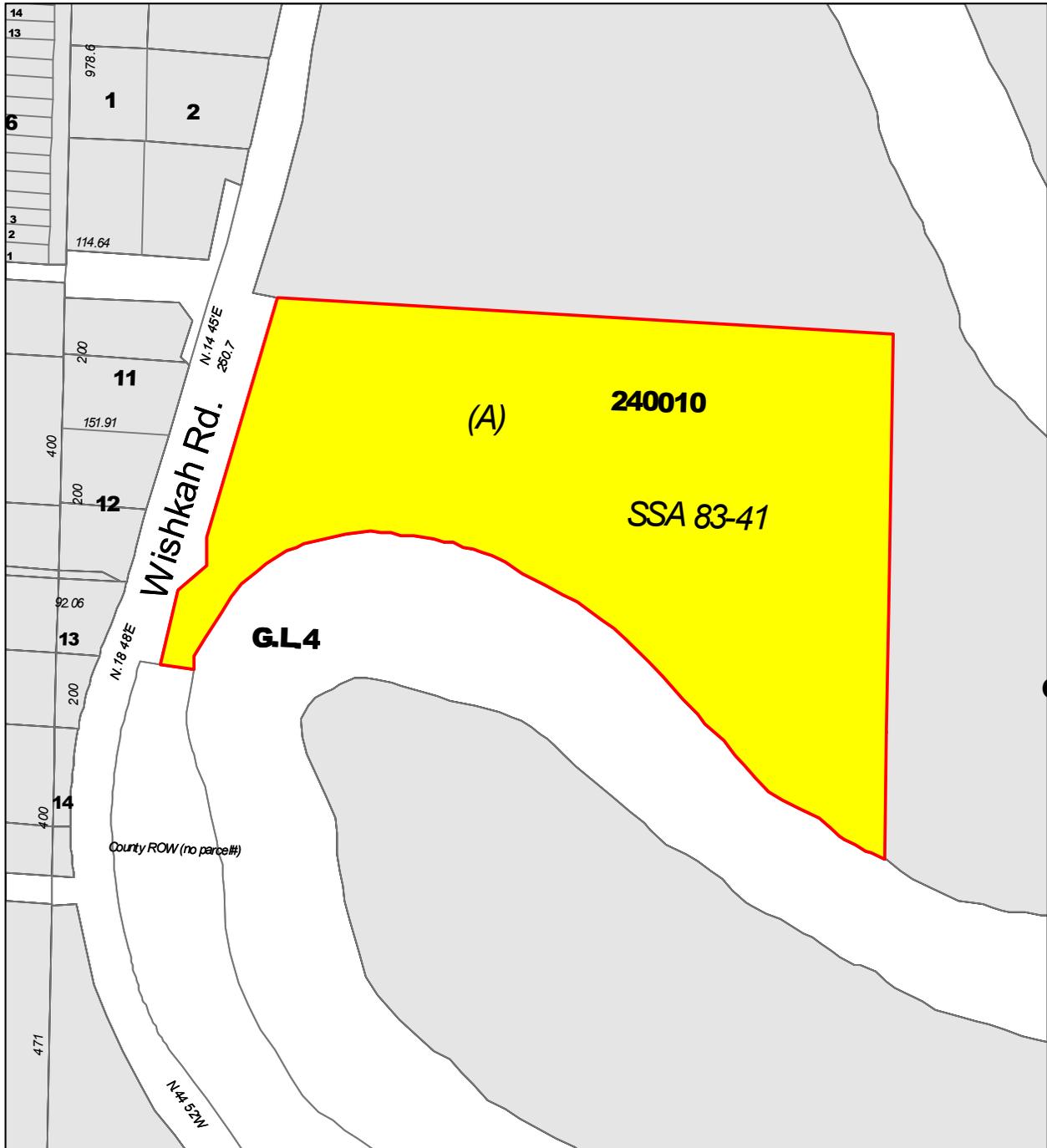


Comparable 6

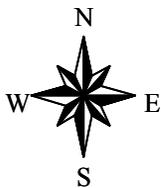
5017 Wishkah Rd
 Prox. to Subj. 10.10 miles NE
 Sales Price 95,000
 Date of Sale 5/02/2013
 Location Wishkah
 Site/View
 Water Connection On-Site
 Sewer Connection Septic System
 Electricity Connection On-Site
 Cabin None

GIS Map

Client	AMEC Environment & Infrastructure, Inc.		
Property Address	3022 Wishkah Rd		
City	Aberdeen	County	Grays Harbor
State	WA	Zip Code	98520
Owner	Richard & Catherine Svangren		



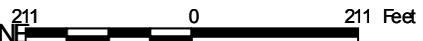
This map is for the purpose of assisting in locating your property and is not guaranteed to show accurate measurements.



PARCEL INFORMATION

SCALE

Owner Name: SVANGREN RICHARD & CATHERINE
 Legal1: LOT 4 N & E OF RD LS TAX 14 LS CO RW (AKA LOT A OF SSA 83-4
 Legal2: 1)
 Zoning: R2
 Parcel Number: 180933240010
 Parcel Address: 03022 WISHKAH RD ABER
 Assessed Land Value: \$ 25960
 Land Use: RECREATIONAL
 Total Acres: 12.98
 Assessed Building Value: \$ 4000
 Township: 18 Range: 09 Section: 33
 School District: 5 Director District: 9

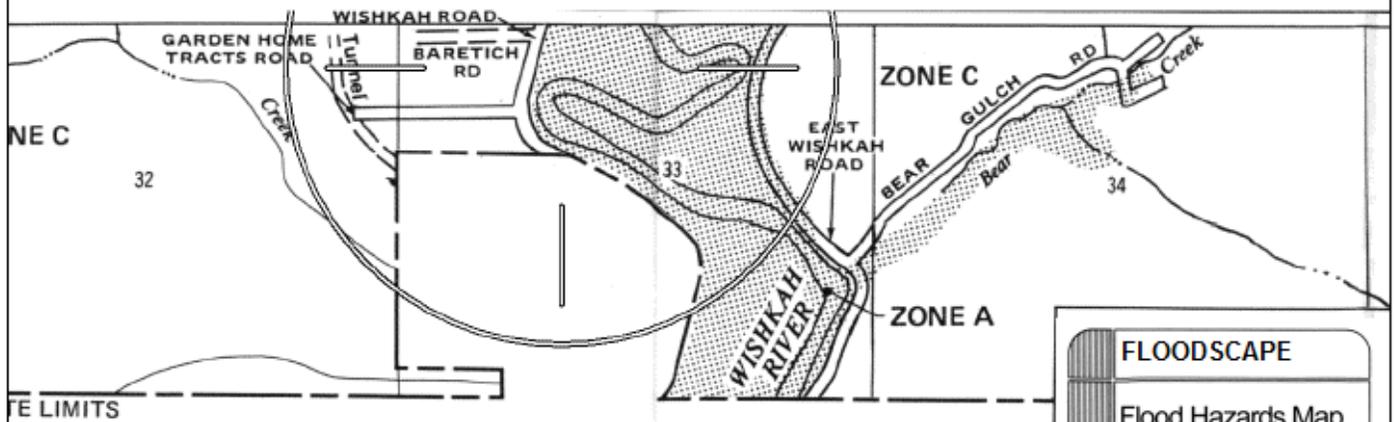


Flood Map

Client	AMEC Environment & Infrastructure, Inc.			
Property Address	3022 Wishkah Rd			
City	Aberdeen	County Grays Harbor	State WA	Zip Code 98520
Owner	Richard & Catherine Svangren			



Prepared for:
www.twinharborsappraisal.com
 3022 Wishkah Rd.
 Aberdeenn, WA 98520



FLOODSCAPE

Flood Hazards Map
Map Number
 5300570425B
Effective Date
 September 29, 1986

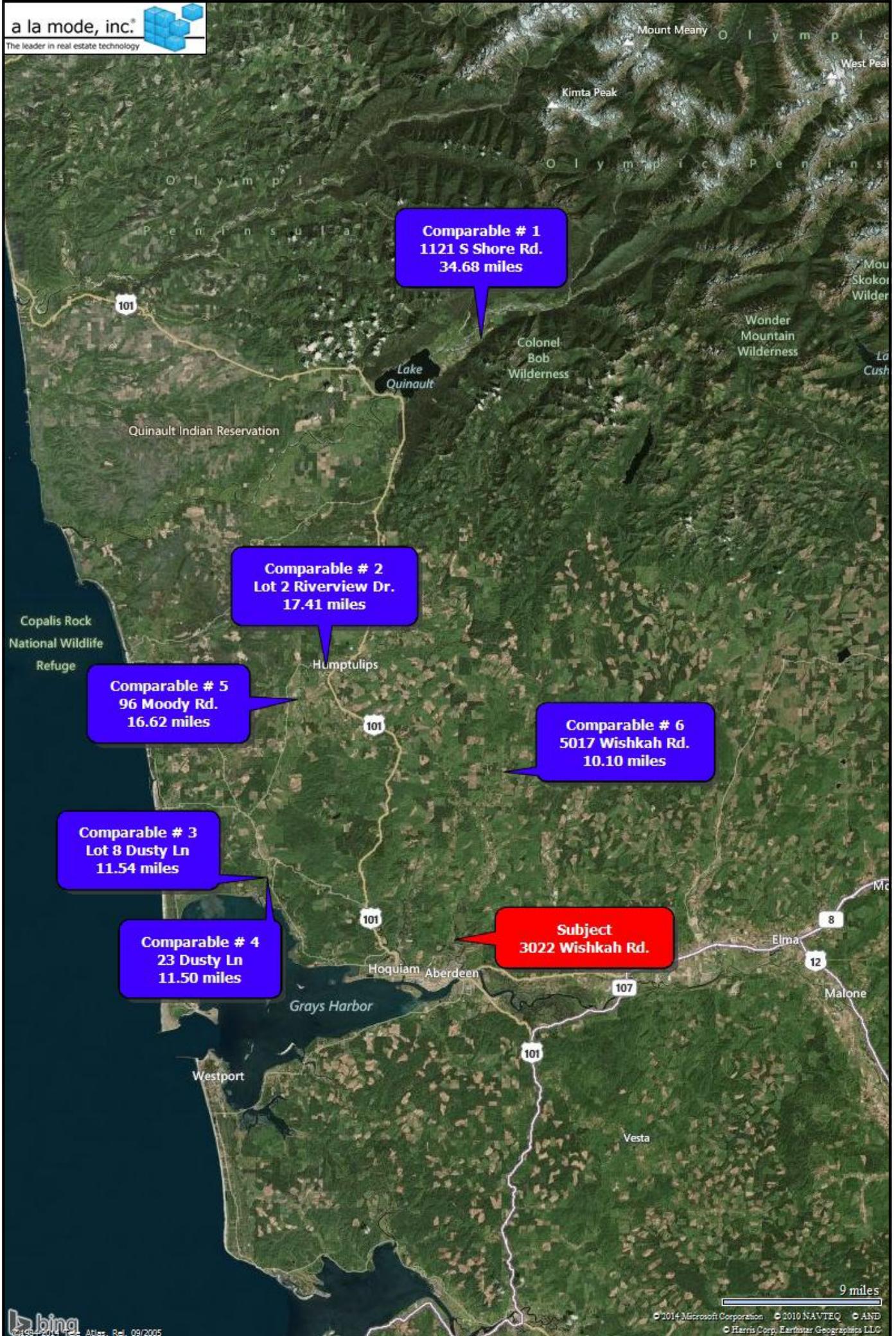
Powered by FloodSource
 877.77.FLOOD
www.floodsource.com



City of Aberdeen

Location Map

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Owner	Richard & Catherine Svangren						



Appraisers Qualifications

Client	AMEC Environment & Infrastructure, Inc.			
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City	Aberdeen	County	Grays Harbor	State WA Zip Code 98520
Owner	Richard & Catherine Svangren			

Eric C. Sorensen
Twin Harbors Appraisal Services Inc.,
 1628 State Route 105, Suite B
 Grayland, WA 98547
 (360)267-1100
erics@twinharborsappraisal.com

Education

University of Washington, Seattle, WA
 Bachelor of Arts- Communications December 2004

Work Experience

Twin Harbors Appraisal Services Inc., Grayland, WA

State Registered Appraiser Trainee 12/2008 – Present

- Residential Appraisal Work
- Manage office files
- Respond to the needs of client base

Sunset Mortgage, LLC., Westport, WA

State Licensed Loan Originator July 2007-June 2008

- Originate and process residential & commercial loans
- Communicate with clients
- Manage and organize files

Altig International, Redmond, WA

Licensed Insurance Agent July 2006-February 2007

Other Training Experience

Appraisal Institute Courses Completed

- Basic Appraisal Principles
- Basic Appraisal Procedures
- 15-Hour National USPAP Equivalent Course
- Residential Market Analysis and Highest & Best Use
- Residential Site Valuation & Cost Approach
- The Uniform Appraisal Dataset from Fannie Mae and Freddie Mac
- Residential Sales Comparison and Income Approach
- Residential Report Writing and Case Studies
- Real Estate Finance Statistics & Valuation Modeling
- Advanced Residential Applications & Case Studies, Part I
- Advanced Residential Report Writing, Part II

Appraisers Certification

Client	AMEC Environment & Infrastructure, Inc.			
Property Address	3022 Wishkah Rd			
City	Aberdeen	County Grays Harbor	State WA	Zip Code 98520
Owner	Richard & Catherine Svangren			

STATE OF WASHINGTON

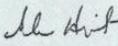
DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON NAMED HEREON IS AUTHORIZED, AS PROVIDED BY LAW, AS A

STATE REGISTERED REAL ESTATE APPRAISER TRAINEE



ERIC CHRISTIAN SORENSEN
PO BOX 1864
WESTPORT WA 98595

Cert/Lic No.	Issued Date	Expiration Date	
1001385	12/18/2008	10/20/2014	 Director

PL-630-159 (R/2/04)

Appraisers Qualifications

Client	AMEC Environment & Infrastructure, Inc.			
Property Address	3022 Wishkah Rd			
City	Aberdeen	County	Grays Harbor	State WA Zip Code 98520
Owner	Richard & Catherine Svangren			

Keith D. Thurman

3667 Dianna Way
Wenatchee, WA 98801

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

Experience

1972 to 1999

- Keith started a real estate brokerage office in 1975 in Grayland, Washington, which served the Grayland/Westport market area in Grays Harbor County, Washington
- He sold the real estate business in 1999 and gave up his broker's license shortly thereafter.

08/01/1984 to present

- Keith 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.
- Keith became a Washington State Certified Residential Real Estate appraiser in 1991 and became a Washington State Certified General Real Estate Appraiser on 01/16/1992.
- Keith has trained several residential appraisers and one commercial appraiser, all of whom became certified either in Washington State or Colorado.
- Currently owns and manages Twin Harbors Appraisal Service, Inc., which is centered out of Grayland, Washington and serves all of Grays Harbor County and Pacific County.

Education

Washington State University

1971-1975

Appraisal Institute Seminars and Education

Real Estate Appraisal Principles 1-A-1/8-1	June 1984
Residential Valuation 8-2	June 1984
Standards of Professional Practice	May 1985
Basic Income Capitalization	February 1993
Advanced Income Capitalization	April 1993
Appraising Complex Properties	April 1993
Advanced Highest & Best Use & Market Analysis	February 1995
Advanced Market Analysis & Cost Approach	February 1996
Advanced Report Writing and Valuation Analysis	February 1997
Advanced Case Studies	March 1999
Regression Analysis in Appraisal: Concepts & Applications	March 2001
Condemnation Appraising: Basic Principles	November 2003
Condemnation Appraising: Advanced	November 2003
Online Analyzing Operating Expenses	September 2005
Online GIS Applications for Real Estate Appraisal	September 2005
REO Appraisal: Appraisal of Residential Foreclosure	October 2008
Advanced Income Capitalization	January 2009
Advanced Income Capitalization	April 2011
Advanced Market Analysis & Cost Approach	October 2012
Appraisal Review – Issues & Problems	April 2013
Realities of Appraiser Liability	April 2013
Real Estate Fraud	April 2013

Certification

Washington State General Certified Appraiser Number 1100489

Designations

MAI

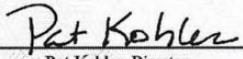
Appraisers Certifications

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.	Issued Date	Expiration Date	
1100489	01/16/1992	12/08/2015	 Pat Kohler, Director

APPRAISAL OF TIMBER

On Property Owned by Richard & Catherine Svangren
in Section 33, Township 18 North, Range 9 West, W.M.,
Grays Harbor County, Washington
Tax Parcel No. 180933240010

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:

S. A. Newman Firm
3216 Wetmore Avenue
Post Office Box 156
Everett, WA 98206-0156

Telephone: 425-259-4411 Facsimile: 425-258-4435
tnewman@sanforest.com pblansett@sanforest.com

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

March 11, 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 Svangren 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 12.98 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 Services, 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) – Eight Thousand Dollars (\$8,000);

Class IV-General (with near term land use conversion) – Zero Dollars (\$0)

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.

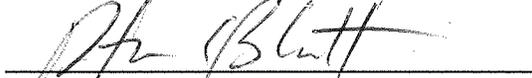
As a general guideline lead appraisers do, once concluding a highest and best use, usually opt to include the value contribution of on-site timber based on either a Class III (or Class IV-General without no land use conversion) or Class IV-General (with land use conversion) forest practice. Market practices 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 43 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
Email: tnewman@sanforest.com

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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
Email: tnewman@sanforest.com

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 Service, 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: Richard & Catherine Svangren

Location: A portion of Section 33, Township 18 North, Range 9 West, W.M., Grays Harbor County, Washington, identified as tax parcel no. 180933240010.

Estimated total acres: 12.98

Merch. timber: 7.8

Cruise intensity: 7 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	40	39	39	-
Red cedar	2	2	2	-
Alder	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>
Totals:	45	44	44	0

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, all 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 50" dbh and over 100 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 south for over 1,200 feet. Project timber cruiser mapped a channel of the Wishkah River that flows southeasterly through the northeast portion of the property, and 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 400 feet. Access exists via a gravel residential driveway connecting to Wishkah Road in the southwest portion of the site where a vacant cabin sits. Minor additional new road construction only is projected for appraisal purposes in order to access all on-site timber for harvest.

Harvest Regulatory Constraints

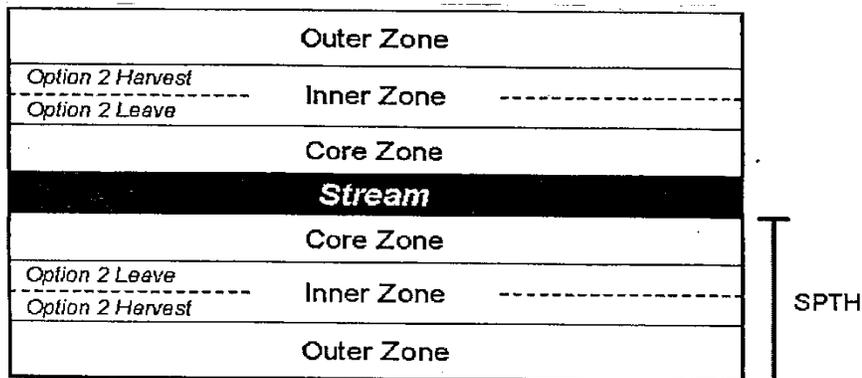
Land use conversions. RCW 76.09.060(3)(d) as amended July 2007 prohibits conversion to a land use other than "commercial forest product operations within six years after approval of the forest practices application or notification without the consent of the county ... to which the forest practices operations 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.

In this instance the property qualifies as an "exempt ≤ 20 acre parcel" under WAC 222-30-023(1) and is eligible for a single-tier reduced width RMZ buffer. The amount of legally harvestable timber adjacent to a type F or S stream can be increased significantly, in some instances, under the *exempt ≤ 20 acre parcel rules* compared to harvest under the *forest and fish rules* except any proposal is subject to the minimum requirements to maintain shade & water temperature as codified under WAC 222-30-040. Given the specific site conditions and water body size, a 75-foot no-cut buffer is applies in this instance under either the *exempt ≤ 20 acre parcel rules* or 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 estimate 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
						\$28/T	\$28/T	

Species	Destinations
Spruce	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).
Red cedar	All to Mary's River at Tumwater (Formark at Tacoma, TMI at Morton, Holbrook at Olympia).
Alder	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
Spruce	Dom	OVS	45 @	\$380	
		2S	23	575	
		3S	27	575	
		C&S	5	455	\$481
Red cedar	Dom	4S	100	1,150	1,150
Alder	Pulp		100	240	240

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 a Class III Forest Practices Analysis Only*

	<u>Class III</u>
Fee for temporary road use permit	\$0
Road reconstruction:	0
Road construction:	
1 sta. @ \$1,600/44 MBF =	36
"Stump to truck" elements (fall & buck, yard & load, operator's overhead, and risk and profit to operator only)	145
Truck haul (per following page)	61
Fire protection & slash disposal	18
Engineering, surveying and permits	27
Washington state timber excise tax	<u>15</u>
Total:	\$302/M

Yarding & loading:

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

*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	Destination			
		Hoquiam	Tumwater	Amanda Park	Randle
Spruce	39	17	-	17	5
Red cedar	2	-	2	-	-
Alder	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals:	44	20	2	17	5
Pct. of total:		45%	39%	11%	15%

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	
Hoquiam	9-A	@	.074	x .45	= \$0.30
Tumwater	55-A		.074	.05	0.20
Amanda Park	47-A		.074	.39	1.36
Randle	124-A		.074	.11	1.01
	0.1-C		.13		0.01
	Basic charge				<u>1.90</u>
	67,500#/5.3M x				4.78 = \$61/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	39	@ \$357
Red cedar	2	937
Chipwood	<u>3</u>	<u>54</u>
Total	44	363 x 4.2% = \$15/M

Indications of Contributory Merchantable Timber Value

Class III

Spruce	39 M	@	(\$481 - \$302)	=	\$6,981
Red cedar	2		(1,150 - 302)		1,696
Alder	3		(205 - 302)		<u>(291)*</u>
Gross total:					\$8,386
Value contribution @ 90%:					\$8,000

The 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

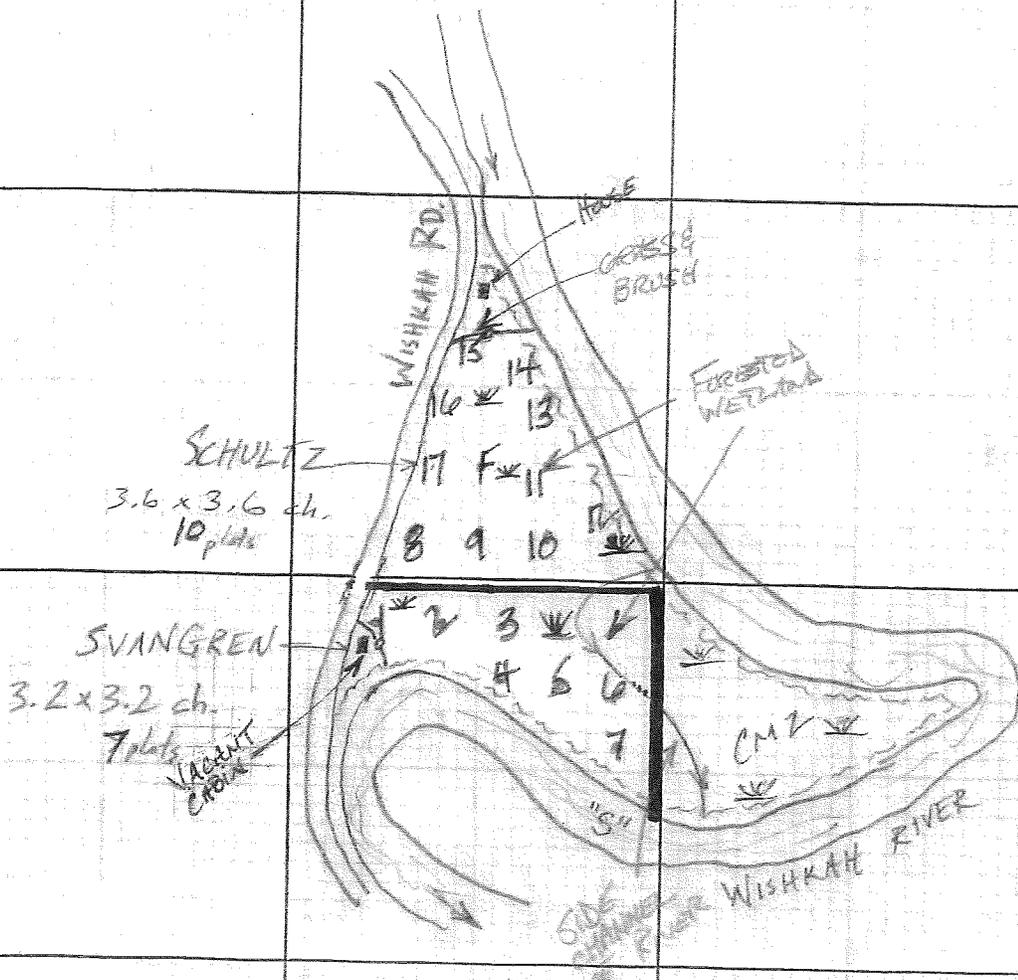
Digitally signed by Keith D. Thurman
DN: cn=Keith D. Thurman, o=Twin Harbors
Appraisal Service, Inc, ou=
email=keith@twinharborsappraisal.com, c=US
Date: 2014.02.10 17:18:50 -0800

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

ADDENDUM B:

Maps and Overhead Aerial Photos

SCHULTZ & SVANGREN
 SEC. 33 - T18N-R9W



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

R.K.
 REVISION 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.



East Main Rd

Bear Glen Rd

143ft

Bench Dr

Highland Dr

Shamrock Dr

RiverView Dr

Valley View Way

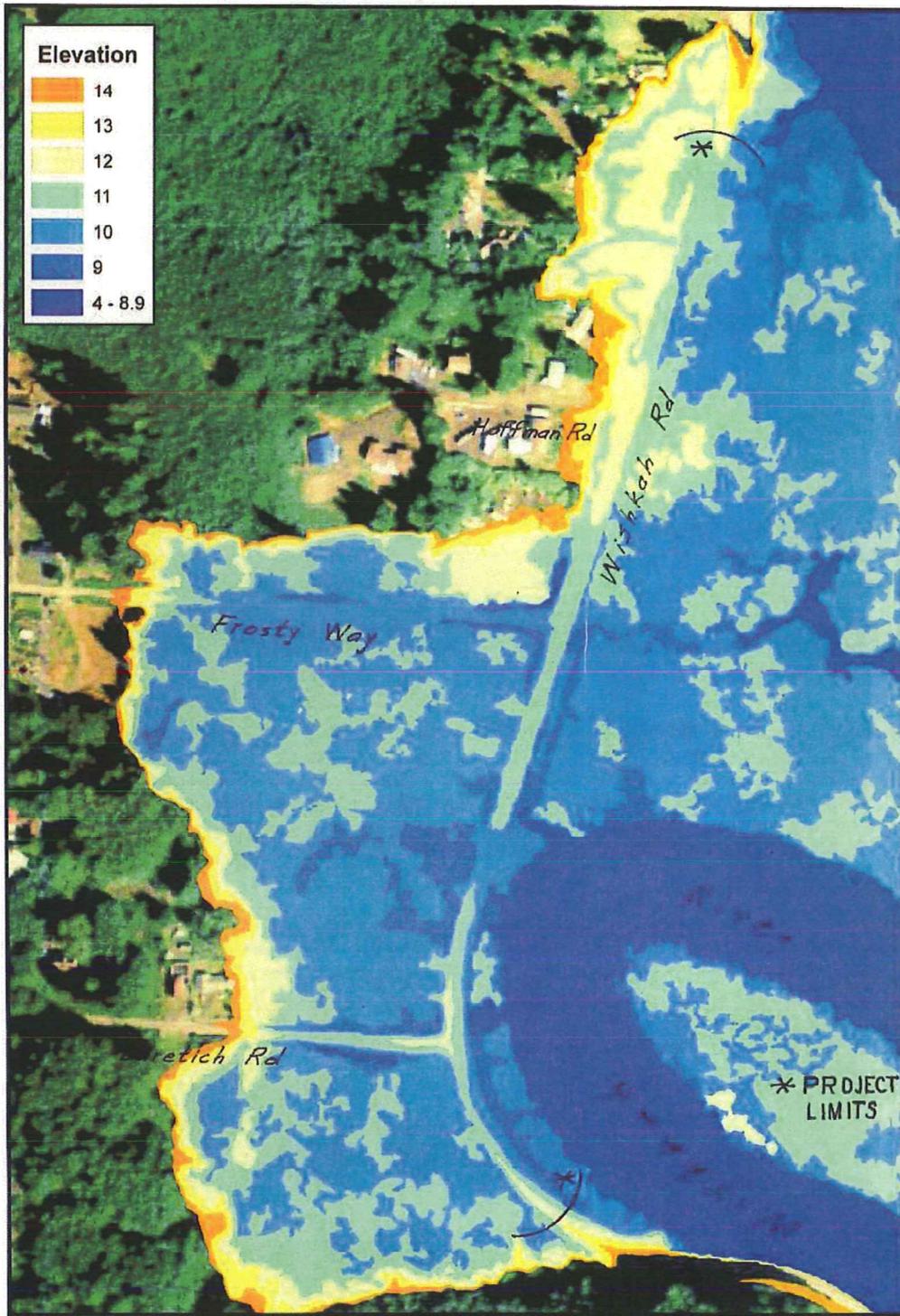
Hoffman Rd

Wiskah Rd

Frosty Way

Barelich Rd

WISHKAH ROAD, NORTH OF CITYLIMITS



0 250 500 1000 Feet

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

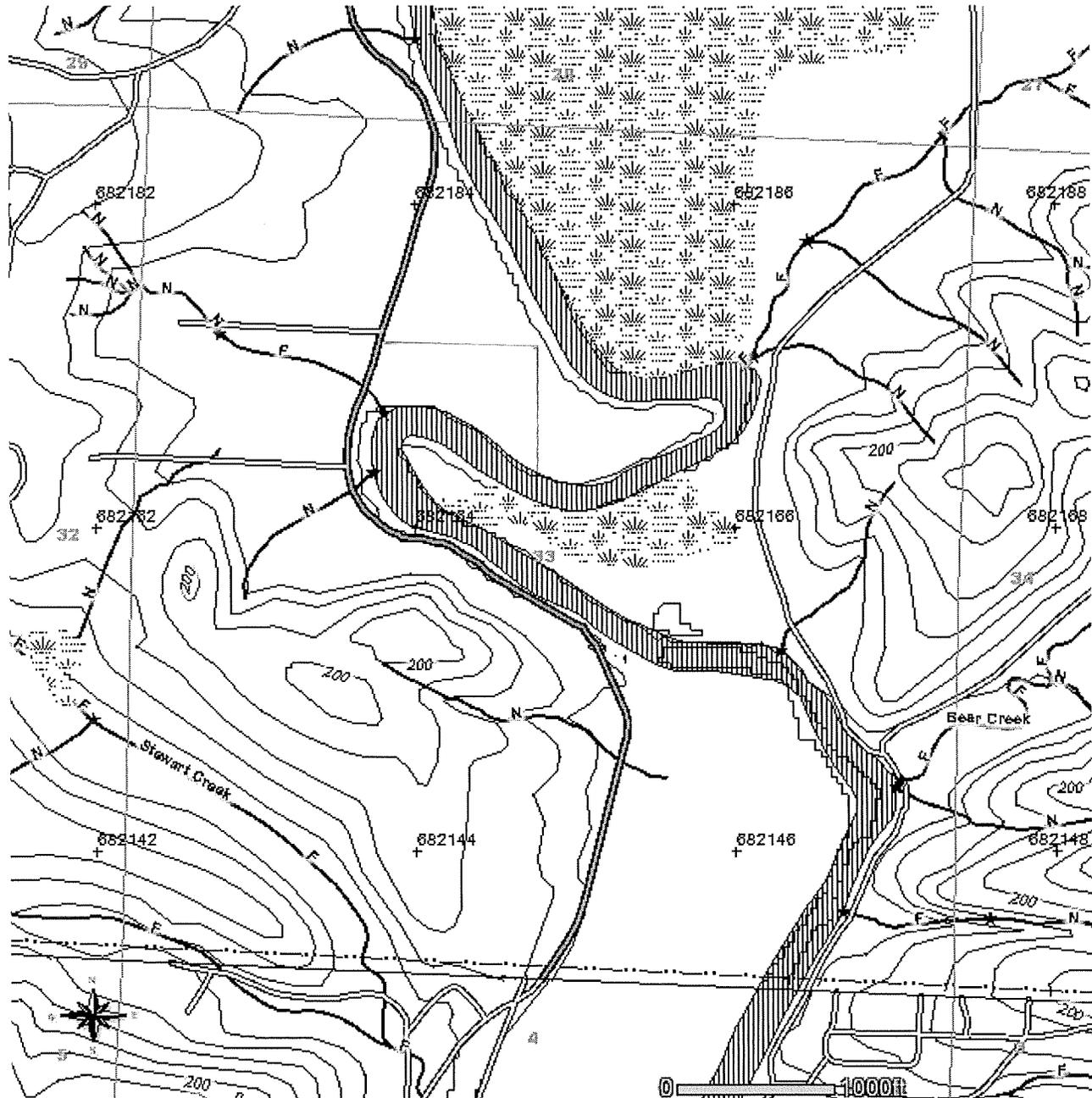


FOREST PRACTICE ACTIVITY MAP

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

Application #: _____

-6.8
-3.0



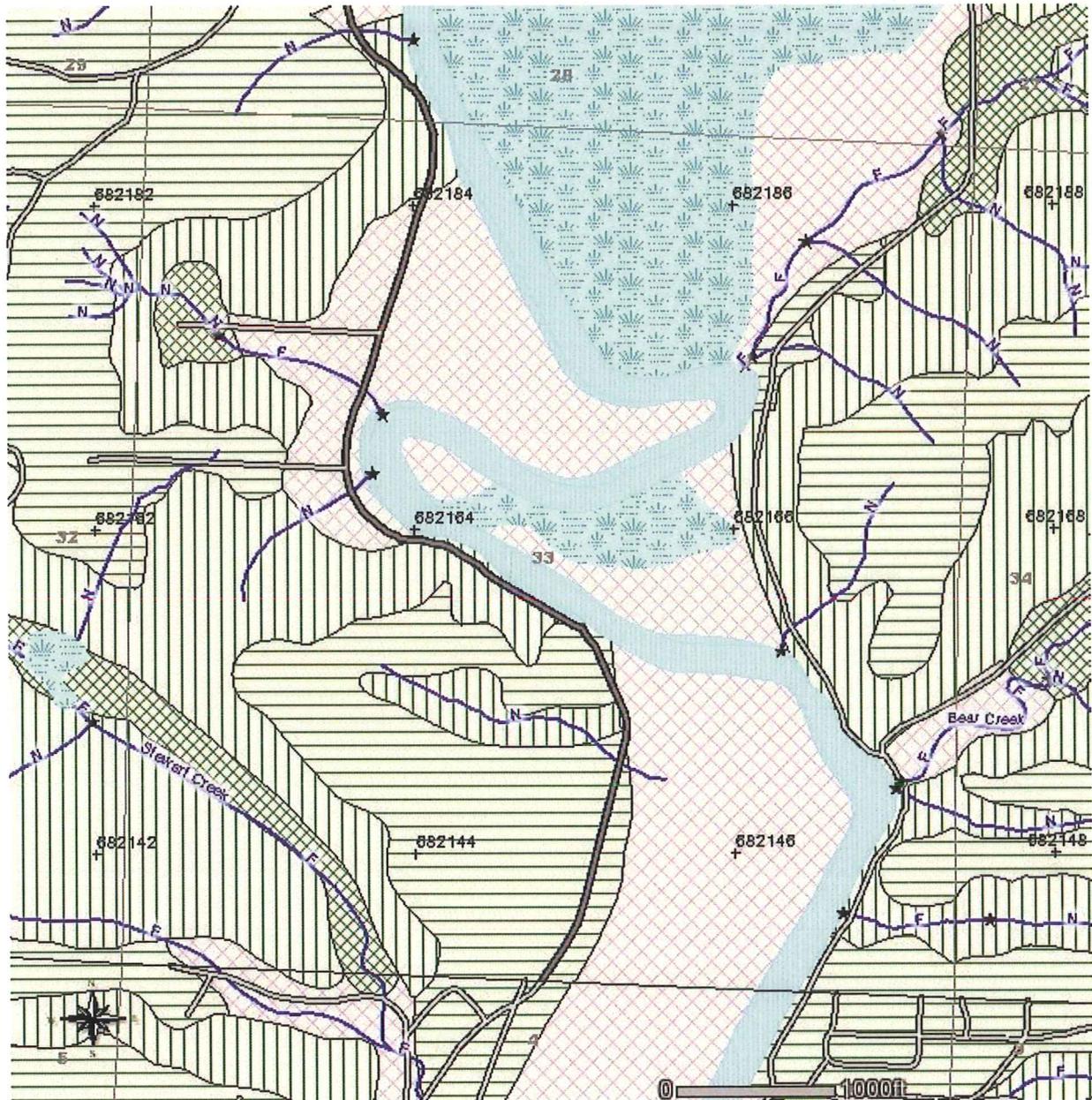
Please use the legend from the FPA Instruction or provide a list of symbols used.

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

FOREST PRACTICE SITE CLASS MAP

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

Application #: _____



Site Indices are based on the WA-DNR State Soil Survey. If the site index does not exist or indicates red alder, noncommercial, or marginally commercial species, the following apply:

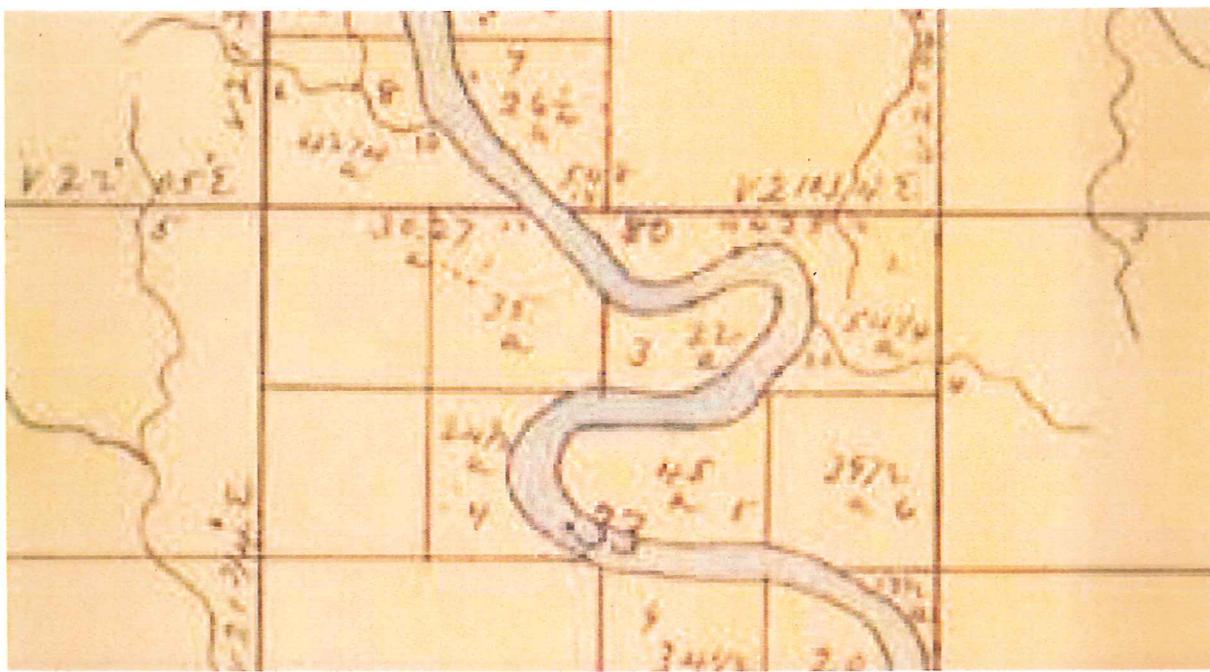
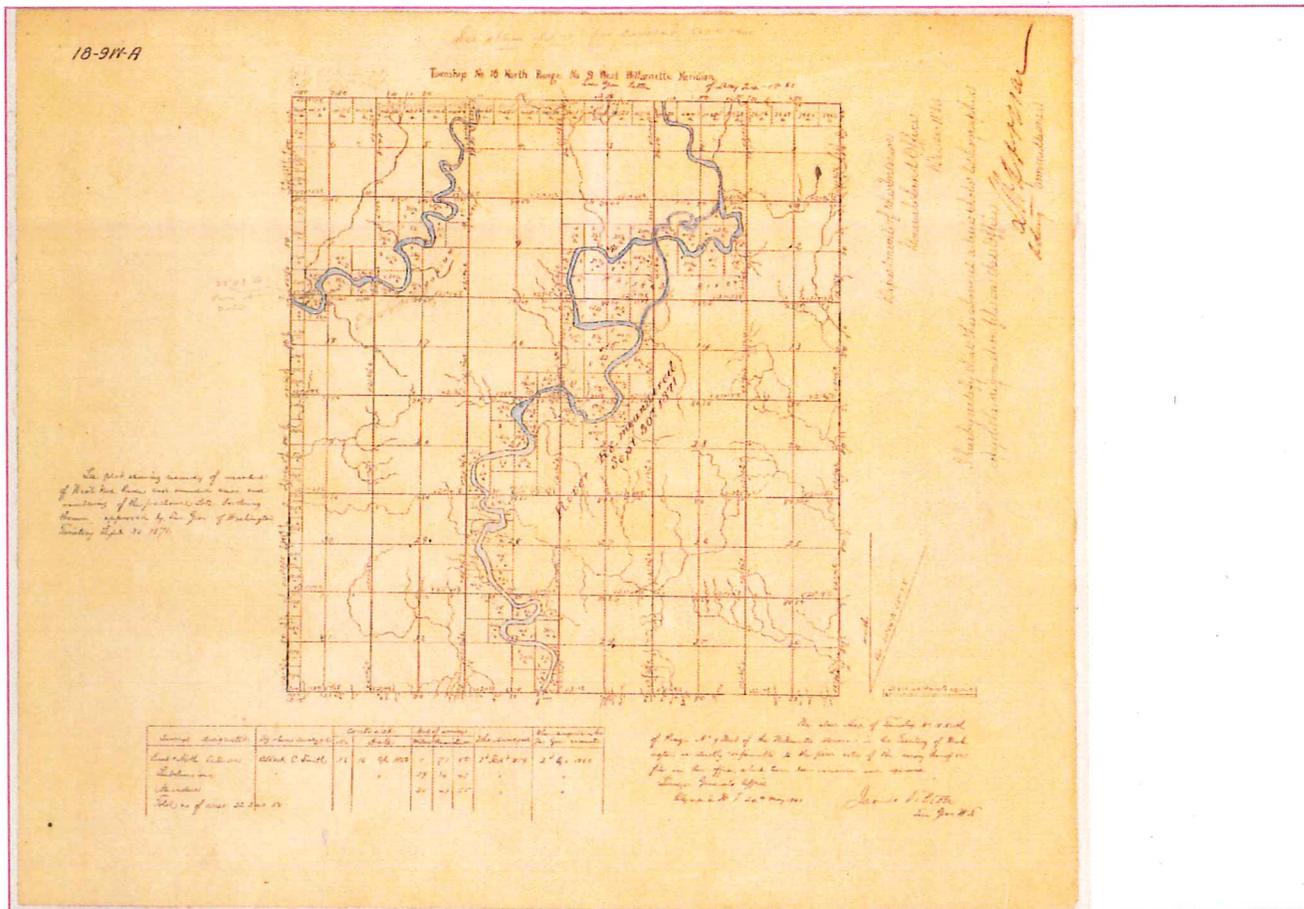
- If red alder is indicated and the whole RMZ width is within that site index, then use site class V. If red alder is indicated for only a portion of the RMZ width, or there is on-site evidence that the site has historically supported conifer, then use the site class for conifer in the most physiographically similar adjacent soil polygon.
- In Western Washington, if there is no site index information, use the site class for conifer in the most physiographically similar adjacent soil polygon.
- In Eastern Washington, if there is no site index information, assume site class III, unless site specific information indicates otherwise.
- If the soil polygon indicates noncommercial or marginally commercial, then use site class V.

See WA Forest Practice Rules (WAC 222), Chapter 222-16 for a more complete definition of site class.

Tuesday, February 11, 2014 4:25:50 PM NAD 83

05/24/1860

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



ADDENDUM C:

Unadjusted Cruise Data Detail & Statistics

T18N R09W S33 T0002 T18N R09W S33 T0002
 Twp Rge Sec Tract Type Acres Plots Sample Trees CuFt BdFt
 18N 09W 33 SVANGREN 0002 7.80 7 32 S W

Spp	S T	So rt	Gr ad	% Net BdFt	Bd. Ft. per Acre			Total Net MBF	Percent Net Board Foot Volume								Average Log			Logs Per /Acre
					Def%	Gross	Net		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	23	19.3	1,498	1,209	9		86	14		48	52		36	191	1.55	6.3	
SS		DO	3S	27	16.5	1,695	1,416	11	8	59	11	22	6	2	92	37	88	0.86	16.1	
SS		DO	4S	5	13.4	272	236	2	7	72	21		66	26	7	21	32	0.55	7.3	
SS		DO	OV	45	15.0	2,720	2,313	18							8	92	38	860	5.30	2.7
SS	Totals			90	16.4	6,186	5,173	40	3	19	24	54	3	3	16	79	33	160	1.38	32.4
RA		PU	UT	100		407	407	3	100				100			25	30	0.32	13.6	
RA	Totals			7		407	407	3	100				100			25	30	0.32	13.6	
RC		DO	4S	100		199	199	2	100			48	52			22	35	0.65	5.8	
RC	Totals			3		199	199	2	100			48	52			22	35	0.65	5.8	
Type Totals					14.9	6,792	5,779	45	9	21	22	48	4	11	14	70	30	112	1.08	51.8

TC TSTATS				STATISTICS				PAGE 1		
				PROJECT NEWMAN		DATE 2/23/2014				
TWP	RGE	SECT	TRACT	TYPE	ACRES	PLOTS	TREES	CuFt	BdFt	
18N	09W	33	SVANGREN	0002	7.80	7	32	S	W	
		PLOTS	TREES	TREES PER PLOT	ESTIMATED TOTAL TREES	PERCENT SAMPLE TREES				
TOTAL	7	32	4.6							
CRUISE	7	22	3.1	248	8.9					
DBH COUNT				76						
REFOREST COUNT										
BLANKS										
100 %										
STAND SUMMARY										
	SAMPLE TREES	TREES /ACRE	AVG DBH	BOLE IN	REL DEN	BASAL AREA	GROSS BF/AC	NET BF/AC	GROSS CF/AC	NET CF/AC
SS/ES	27	22.2	22.0	63		58.4	6,186	5,173	1,785	1,484
R ALDER	3	13.6	9.9	34		7.2	407	407	116	112
RCEDAR	2	5.8	13.9	33		6.1	199	199	89	81
TOTAL	32	41.5	17.8	49		71.7	6,792	5,779	1,990	1,677
SD:	COEFF VAR.%	S.E.%	SAMPLE TREES - BF			# OF TREES REQ.		INF. POP.		
1			LOW	AVG	HIGH	5	10	15		
SS/ES	183.3	32.4	245	362	480					
R ALDER	315.9	55.8	1	3	4					
RCEDAR	397.8	70.3	1	2	4					
TOTAL	180.0	31.8	250	367	484	1,297	324	144		
SD:	COEFF VAR.%	S.E.%	SAMPLE TREES - CF			# OF TREES REQ.		INF. POP.		
1			LOW	AVG	HIGH	5	10	15		
SS/ES	171.7	30.3	67	96	125					
R ALDER	319.1	56.4	0	1	1					
RCEDAR	405.5	71.7	0	1	2					
TOTAL	167.7	29.6	69	98	127	1,125	281	125		
SD:	COEFF VAR.%	S.E.%	TREES/ACRE			# OF PLOTS REQ.		INF. POP.		
1			LOW	AVG	HIGH	5	10	15		
SS/ES	99.4	37.6	14	22	31					
R ALDER	264.6	100.0	0	14	27					
RCEDAR	264.6	100.0		6	12					
TOTAL	100.5	38.0	26	42	57	404	101	45		
SD:	COEFF VAR.%	S.E.%	BASAL AREA/ACRE			# OF PLOTS REQ.		INF. POP.		
1			LOW	AVG	HIGH	5	10	15		
SS/ES	72.8	27.5	42	58	74					
R ALDER	264.6	100.0		7	14					
RCEDAR	264.6	100.0		6	12					
TOTAL	69.4	26.2	53	72	91	193	48	21		
SD:	COEFF VAR.%	S.E.%	NET BF/ACRE			# OF PLOTS REQ.		INF. POP.		
1			LOW	AVG	HIGH	5	10	15		
SS/ES	77.8	29.4	3,652	5,173	6,694					
R ALDER	264.6	100.0	0	407	814					
RCEDAR	264.6	100.0	0	199	397					
TOTAL	71.2	26.9	4,224	5,779	7,334	203	51	23		
SD:	COEFF VAR.%	S.E.%	NET CUFT FT/ACRE			# OF PLOTS REQ.		INF. POP.		
1			LOW	AVG	HIGH	5	10	15		
SS/ES	73.5	27.8	1,072	1,484	1,896					
R ALDER	264.6	100.0		112	224					
RCEDAR	264.6	100.0		81	163					
TOTAL	69.9	26.4	1,234	1,677	2,121	196	49	22		

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.

Timothy D. Newman

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;

Peter C. Blansett

- *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.