

Sportsman's Cove Lodge

Assets on Prince of Wales Island, AK – Prepared for James G Murphy, Inc.

<http://www.alaskasbestlodge.com>

Prince of Wales Island Real Estate

- Lot 13A, Saltery Cove, adjacent to the former Lot 13 Prince of Wales Island. This includes the back half of lot 14 adjoining the main Lodge property. The back half of Lot 14 has been recently acquired. The property line between the two lots has been "vacated" to resolve access issues. (See Plat Map). The Lot has approximately 150' of waterfrontage and is approximately 300' deep.
- Lot 12, adjoining the Lodge to the south features a totally remodeled (2007 through 2014) three-bedroom/three bath waterfront mini-lodge called "The Cottage on the Cove" or simply, "The Saltery Cottage." It is very popular. Guests must have a minimum of six people in their party or pay for six in order to book The Cottage. The property has a very nice sloping gravel beach (the only lot in the Cove that enjoys that feature) and a small pier, both of which are ideal for off-loading cargo and materials from our landing craft, the *Saltery Provider*. The Lot has an additional 150' of waterfrontage and is also approximately 300' deep.
- Tract A-5 is a large parcel of land adjoining the back boundaries of the waterfront lots. This protects our watershed and uplands. It is approximately 300' deep and 450' wide.
- Total acreage of the property is approximately 5.4 acres.

Sportsman's Cove Lodge components in Saltery Cove, Prince of Wales Island, beginning at the water's edge and moving inland:

- **The Dock** is 60' x 90' with a 10' x 60' floatplane dock extension, (providing 120' of clear dock face capable of handling four DeHavilland Beavers at once). The Dock incorporates a 60' x 5' shore access ramp. Major structural upgrades to the dock and the access ramp were completed in the Spring of 2018 and 2019 and 2020.

The dock has two buildings. One building includes the fish packaging area with wash stations, two double chamber vacuum packers (new 2011), a 12' x 16' walk in freezer with recent upgrades and two commercial stainless steel smokers. There are 30 guest lockers for rain gear with built-in boot warmers. Attached to this building is an oil storage room, oil spill emergency response gear storage and trash sorting area. The second building houses the fuel transfer station, Tackle Shop, various storage areas and guest raingear/boot racks. The Dock also has two boat fueling stations, covered area for chest freezers for bait, and a fish weigh-in/photo area. The basic dock structure and decking underwent a major overhaul in 2006 and again in 2019. The floatplane dock extension was re-decked in the spring of 2019.

- **The boat haul-out tidal grid** is on the beach, between the dock and the lodge. All the boats except the 56' Landing Craft (*Saltery Provider*) can be hauled out and worked on whenever the need arises.
- **The "Seawall"** was completed in 2017 to stabilize the shoreline in front of the **two 6,000-gallon water tanks and a 6,000-gallon fuel tank**. It not only secured the shore from erosion it added significant high-value real estate that would be ideal for a future deck or waterfront building.

- **The old Lower Generator Building** houses the mechanic's shop and a storage area dedicated to spare mechanical parts, primarily for the fleet. It contains a substantial inventory of spares. It also contains an electrical switching station to electrically isolate buildings.
 - **The Engineer's Cabin** is a small but comfortable one-room cabin located at the water's edge on the southern perimeter of the property. It was remodeled in 2016 to accommodate the Engineering Team Leader (a key member of the staff) with his own private waterfront quarters.
 - **The "Saltery Saloon" and hot tub deck** is strategically located on pilings at the water's edge. An 8-person hot tub (new 2014) and outdoor seating area is part of this arrangement. The popular "Saltery Saloon" is an attractive 18' X 28' (500 sq., ft.) chalet-style building. It was converted from a gift shop in 2019 to better utilize this valuable retail space. It also doubles as a conference room. Top selling gift shop inventory is still sold in the Saloon.
 - **The owner's home** is 36' x 30' and contains approximately 1800 sq. ft. of living area. It comprises one master bedroom, two baths, laundry room, office, shop, full kitchen, and an open loft living room/additional guest room. This is a two-story building on the waterfront. It has heated tile floors, specialty woodwork cabinets, etc. A separate, dedicated water system and winter generator building with new 21 kW (2018) auto-start generator facilitates year-round living. It is by far the nicest building on the property. Seller's personal property and effects, including tools are not part of the sale.
 - **The "Main Lodge"** has three stories plus a basement storage area. The first floor has a complete maintenance shop, maintenance office, and the water treatment control room. On this level there is also a walk-in freezer, and large walk-in cool room (both refrigeration units were installed in 2006 and receive regular scheduled annual maintenance) and a large capacity ice machine and locked liquor storage area.
- The second floor contains the guest lounge, dining room, waitress/coffee area, bathroom, complete kitchen, storage areas, and chef's offices. All equipment is in excellent condition. New in 2016: Two-door reach-in display cooler, ice machine, and glass chiller. New two door reach-in cooler in 2012 and new Deep Fryer and Convection Oven in 2017.
- The third floor contains 5 guest rooms, each with private bath. There is also a laundry room, and two maid's closets. All guest rooms were recently remodeled and updated.
- **"Ford's Landing"** is a two-story building next to the Main Lodge. The upper story is used for dry storage, mostly for retail inventory, Hospitality and Kitchen supplies. The lower level houses the wastewater/septic treatment plant. The wastewater/septic treatment system is DEC approved and employs secondary treatment technology using forced aeration.
 - **The Lodge Administrative office** is a 24' x 36' chalet-type building with three floors and a commanding waterfront view. The lower (daylight basement) floor contains dry storage and a modern primary water filtration system installed in 2011. The main floor houses four spacious workstations and a small kitchen at the front of the building in an open layout. An additional, private office is at the rear along with an additional guest room, private full bath and a laundry/utility room. The third floor is an open loft with two more workstations and storage for retail inventory (sold in the Saltery Saloon) and office supplies.
 - **The Deckhand's Quarters** has two stories. Upstairs there are 6 small bedrooms. The lower floor has a lounge and entertainment area, a half bath and two showers.

- **The main staff building, called “The Tree House”** is two stories, has 10 rooms, each with private baths, two laundry areas, and storage areas. Under the building is dry storage for Kitchen and Hospitality supplies. On the deck adjacent to this building are two, two-door “reach-in” stainless coolers (one of them new in 2007) and a commercial propane stainless “Pit Boss” BBQ/Smoker.
- **The Eagle’s Nest** is the newest guest accommodations and has three stories. The first level is a daylight basement. It has a laundry facility with 3 sets of washers and dryers. This level also has a complete wood shop with contractor-grade power tools, a well-stocked plumbing and electrical inventory storage area, and paint, lumber and roofing supply areas.

The second story has an open foyer with ice machine, four large guest rooms with baths, and a commanding view from the wrap around covered deck.

The third story is the same as the second level with the addition of a small entertainment lounge in the foyer.

- **The “Chalet”** is a small two-story cabin attached to the back of the Eagle’s Nest. The upper story is a sleeping area for staff. The lower level contains a small living room, a 3/4 bath and an attached laundry area with two sets of washers and dryers. It is often used for married couples.
- **The “Bear’s Lair”** is the upper level of a two-story building, formerly staff quarters, recently remodeled (2008) to accommodate guests. It is a large VIP guest room with beamed ceilings and a beautiful view of the Cove. The 1st floor doubles as a guest room or a small efficiency apartment for married staff.
- **The “Married Quarters”** is a cozy one story, cabin with two bedrooms, one full bath, living room and covered deck, set aside for married staff with small children.
- **The “Condo”** is two stories. The upper level is quarters for management staff and has one larger bedroom and a 3/4 bath. The lower level (first floor) contains a laundry facility with two washers and two dryers, an ice machine, and a storage area for extra bedding, cots and other Hospitality Team items.

- **The staff “Commons”** building is two stories and was completed in 2007. The upper level is a large open lounge and media room with computers and games for staff use. The lower level contains a dining room, fully equipped kitchen, a bathroom, and an attached covered gym/workout area. On the grounds adjacent to the Commons is an outdoor fire pit and outdoor lounging area for staff.

- **“The Bunkhouse,”** is a two-story staff quarters building completed in 2008. It contains four double-occupancy rooms on each level as well as showers, bathrooms and laundry facilities on each floor. It provides very nice, bright accommodations for happy staff team members.

- **Two generator buildings** are located at the back of lot 13. The first generator shed has a new (2020) 100 kW John Deere standby and off-season generator, and a small shop.

The second generator building contains a 165 kW John Deere, a 160 kW John Deere and a small shop. The electrical distribution system was recently upgraded at substantial cost.

- **Fuel Storage** consists of a 6,000-gallon tank by the waterfront, and a 2,500-gallon tank by the upper generators. A separate 450-gallon tank supplies two of the three Bock hot water boilers. The

third boiler is fed from the upper 2,500-gallon tank.

- **Three economical diesel-fired Bock 72E hot water boilers**, provide ample hot water for the entire facility, two for the lower Lodge areas and a third boiler supplies hot water for the upper lodge buildings. Each has a recovery capacity of 150 GPH and runs on eyedroppers of diesel fuel.
- **The water treatment facility** has been engineered and permitted to meet public drinking water regulations. It consists of two 6,000-gallon tanks and two 350-gallon tanks, two chlorination metering devices, various pumps, valves and upgraded primary filtration systems in 2011.
- **An International 5206 Excavator** is stored on the back of the property and is used for moving heavy equipment such as generators and building supplies and for preparing foundations for new buildings and moving blown down trees. It has not been used in several years but it was in good running condition when it was mothballed in 2010.
- **A fire suppression system** is in place with 2" fire hoses located around the facility at four easily accessed fire hose points. It is powered from an engine driven pump located by the water storage tanks.

The Sportsman's Cove Lodge fleet of vessels

- **The charterboat fleet** consists of five fully outfitted, state of the art, custom-built 36' and 37' fiberglass diesel powered charter boats. All of the charterboats were surveyed for insurance purposes in the Spring of 2015.

Fair market values stated on the surveys were as follows:

<i>Foxy Lady</i>	\$235,000 (Rebuilt engine and transmission in 2017)
<i>Friendly Lady</i>	\$235,000 (Rebuilt engine and transmission in 2017)
<i>Mystic Lady</i>	\$235,000 (Rebuilt engine and transmission in 2016)
<i>Midnight Lady</i>	\$245,000 (Two rebuilt engines and transmissions in 2020 – never used)
<i>Island Lady</i>	\$250,000 (Two rebuilt engines in 2013, two new transmissions in 2015, engines refurbished in 2020)

Note: If seller is carrying a contract for the Lodge purchase, Marine Mortgages will be executed for the duration of the contract for all of the vessels of the charter fleet and the *Saltery Provider*. Clear titles will be transferred upon satisfaction of the purchase contract.

- **The supply vessel *Saltery Provider*** is a highly modified 56' ex-military LCM-6 landing craft. The vessel can carry a 20' container of goods on the cargo deck. In place of the container it can also carry 4,000 gallons of fuel in a specially designed spill-proof ISO tank, allowing fuel to be purchased on the spot market in Seattle and shipped to Ketchikan in the ISO tank at considerable cost savings. State and USCG regulations require an approved Oil Discharge Prevention and Contingency Plan (ODP&C Plan). Almost two years of work have gone into developing our ODP&C Plan. In mid-August 2009, the Plan was approved by the State, the USCG and other agencies. The Plan was updated and re-approved in April of 2013 and totally re-written and re-authorized in 2018. With the

ODP&C Plan in place we are permitted to transfer fuel directly from the ISO tank on the vessel via our own fuel transfer system. This is a major accomplishment and represents a substantial investment and value to the Lodge. Modifications to the ODP&C Plan would allow the Lodge to supply fuels for hire to other sites in Southeast Alaska. The *Saltery Provider* is one of only a handful of approved small tanker vessels capable of remote supply operations in all of Southeast Alaska, and currently it is the largest of all such vessels in operation in southern Southeast Alaska..

• **Auxiliary and support vessels** include:

- One 23' Munson fast response, (New 4-stroke 150 HP Yamaha outboard 2012)
- One 18' Lund w/40hp outboard, new 2014
- Two 14' Lund skiffs, w/two new Yamaha outboards 2014
- One 15' Skeeter w/9.9 HP Yamaha. Outboard new in 2017

Note: Five Charter Halibut Permits are included in the sale. Asking prices on the open market in 2019 are ranging from \$80,000 to \$100,000 for each CHP. If seller is carrying a contract for the Lodge purchase, CHP's will be leased to purchaser for the duration of the contract and transferred upon satisfaction of the note/mortgage as part of the original sale.

Note: In January of 2011, the three single-engine boats, *Foxy Lady*, *Friendly Lady* and *Mystic Lady* were surveyed for Wells Fargo Bank for credit purposes and were determined by the surveyor to **“be in Bristol condition and very well maintained to the highest standards.”**

Note: Replacement values (what it would cost to build these boats today) stated on the 2006 surveys were much higher.

• **All permits, leases, codes and covenants** have been met and are transferable.

To include:

1. Wastewater outfall permit,
2. Primary and Secondary Stream water rights to two separate creeks,
3. Tideland lease until the year 2055,
4. Corps of Engineers permits and approvals for all waterfront improvements,
5. Approved public water system,
6. Special use permits from USFS for trails, water line rights,
7. USFS Outfitter/Guide permits with grandfather rights,
8. Beer/Wine and hard liquor sales permit,
9. Tobacco sales permit,
10. Business licenses,
11. Food Service permits.

A value is difficult to place on these items, but tens of thousands were spent to meet the standards and qualifications as well as the paperwork, fees, etc. to acquire these licenses and permits. Also, all websites, internet addresses, satellite equipment and associated hardware and software are included. The entire lodge area including the dock has Wi-Fi coverage for internet access.

• **All “Intellectual Assets”** such as phone numbers, mailing lists, websites, logos, and **a customer database containing over 30,000 contacts** is included in the sale. Additional hardware and software such as Employee Handbooks, departmental manuals and some computers, printers, fax machines and accounting and reservations programs are also included in the sale. Goodwill associated with being in business in the same location for the past 31 years, and the 50+ years of experience and lessons learned in the commercial and guided sport fishing business are all part of this sale. The

three-person team of Owner, General Manager and Operations Manager/CFO will remain on board for 12 months from the close of a purchase agreement, provided the business will be permitted to run as it always has and that no major operational, procedural or financial changes will be made during that period. Current year-round administrative/reservations staff have indicated they would stay indefinitely. Key seasonal staff have also indicated a desire to stay on board as long as the business continues as it has in the past and there were no major changes. The status of the Reservations, Marketing and warehousing facilities in Ocean Shores, WA would remain the same (leased) during the transition and may be available for lease to the new owners upon completion of the transition. However, the winter headquarters could be re-located anywhere good communications are available.

• **Location, Location, Location.**

The Lodge is located on the site of a former fish cannery. Back in the day, in this case the early 1900's, the fishing industry was the primary economic engine for coastal Alaska. The cannery barons could pick and choose the finest locations for their cannery sites. Whatever they wanted, they got. The reasons for locating a cannery are the same for locating a fishing resort:

- Perfectly sheltered harbor in any weather, any season;
- Deep water to accommodate not only fishing vessels, but supply ships and the freighters that came to pick up thousands of cases of canned salmon destined for the Lower 48 marketplace;
- Close proximity to that marketplace. Ketchikan is the hub of southern Southeast Alaska closest;
- Close to logistical centers, cities with infrastructure for communications and transport. Ketchikan is the hub of southern SE Alaska and the closest city in Alaska to the Lower 48. It has four non-stop jet flights from Seattle each day during the operating season by two major airlines, Alaska and Delta;
- Ample and reliable water supply. The lifeblood of a cannery is water;
- And finally, close proximity to highly productive fishing grounds. Without refrigeration, catcher boats had to deliver their harvest within hours and return quickly to the grounds.

As the fish barons well knew, such locations are few and far between and today are impossible to duplicate.

In 1934 President Franklin D. Roosevelt formalized the land grant to Straits Packing Co. in the form of a Patent, which "excluded" the cannery property from the 17 million-acre Tongass National Forest that surrounds it, Thus allowing private ownership of the land.