

MARKET VALUE APPRAISAL

Of

**Two (2) Hypothetical Key Parcels within the Disappointment Creek
Remote Recreational Cabin Staking Area**



APPRAISAL REPORT No. 3491

**STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
550 West Seventh Avenue Suite 650
Anchorage, AK 99501-3576**

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Appraisal Summary

Physical Characteristics	
Parcel Size	10 to 20 acres
Number of Authorizations	52
Gross Project Area	6,515 acres
Net Offering	1,040 acres
Location	Located just north of the Talkeetna River, and west of Disappointment Creek, approximately 20 miles northeast of Talkeetna
USGS Quad	Talkeetna Mountain B-6
Topography / Terrain	The majority of the staking area is hilly with a steep bluff above Disappointment Creek. There are some level and rolling areas as well.
MTRS	Within S027N002W Sections 19, 20, 27-34. And S028N002W Sections 5-7.
Access	Boat access is not considered viable. Access into the staking area is via ATV/snowmachine on trail easement ADL 201263, floatplane or skiplane.
View	Typical views of surrounding mountains with some areas providing views of Mt. McKinley.
Climate	Temperatures in the area usually range from 40°F to 68°F in the summer, and -5°F to 35° in winter. Extremes range between -48°F to 90°F.
Soils	Soils in the staking area range from Talkeetna / Warm-Talkeetna, Thick Surface-Deneka Complex to Siwash-Talkeetna with 0-30% Slopes
Vegetation	Mixed spruce forest with some birch and alder thickets in portions of the area.
Water source	Small ponds and streams provide water within the staking area. Water quality is unknown.
Owner	State of Alaska – Department of Natural Resources
Improvements	Parcels are assumed to be vacant without improvements.
Personal Property	Personal property is not included within the scope of this valuation.
Adjacent Land Use	Adjacent land use is primarily wildlife habitat and private recreation.

Easements and Reservations	
Title	The State of Alaska, DNR holds fee title to the land and mineral estate for the subject land as described under Patent 50-2005-0112 dated 2-23-2005 and 50-2005-0136 dated 3-15-2005.
Area Plan and Classification	Susitna Area Plan, South Parks Highway, Subunit 4e. The area is classified as Settlement under CL-86-005.
Fire Management Option	Modified Protection. Suppression action provided on a wildland fire in areas where values to be protected do not justify the expense of full protection. The Alaska Interagency Wildland Fire Management Plan is updated annually. Contact the Division of Forestry for updated information regarding management options. Stakers are urged to locate parcels in hardwood stands or near water bodies to reduce potential for fire.
Game Management Unit	The staking area is in Game Management Unit 13E.
Municipal Authority	The staking area is within the Matanuska – Susitna Borough.
Allowed uses	Remote Recreational Cabin Sites are for recreational use only. No commercial use or permanent residence is allowed while under lease. Once the parcel is under purchase contract or conveyed into private ownership, these restrictions no longer apply

	ownership, these restrictions no longer apply
Section Line Easements	All parcels staked on lands owned by the State of Alaska that contain land within 50 feet of a surveyed or protracted (unsurveyed) section line, or that are bisected by a protracted section line, are subject to a 50-foot wide easement on each side of the section line, which is reserved to the State of Alaska for public highways under AS 10.10.010. Staking is not allowed across surveyed section lines or surveyed township lines.
Public Access and Utility Easements	Parcels are subject to a minimum 30-foot public access and utility easement along interior parcel boundary lines and a minimum 60-foot public access easement along all existing unnamed trails. Stakers may not obstruct or block access within these easements.
Public and Navigable Water Bodies & Easements	Parcels staked along the ordinary high water line of public and navigable water bodies are subject to a 50-foot public access easement. Using motorized vehicles to cross streams may be prohibited by applicable state and federal laws.
Setbacks and other Restrictions	Parcels will be subject to 100' building setback from all streams and all other water bodies determined to be public or navigable. Parcels will be subject to a 100' staking setback on all tributaries of the Talkeetna River and Disappointment Creek.
Reserved Areas	The following areas are reserved from staking; 500' from the northeast shore of Cache Lake, 500' from the northern and southern end of the unnamed lake situated within Section 31, and 600' from the southern boundary of the staking area not along Disappointment Creek. See map for details.
Waste Disposal	Wastewater treatment and disposal systems must meet the regulatory requirements of the Alaska Department of Environmental Conservation. Contact ADEC for more information.
Wetlands	Parcels may contain wetlands and may require Army Corps of Engineers permits prior to placement of fill material. Contact ACOE for more information.
Improvements	Prior to construction of any structure or waste disposal system, contact the platting authority for any permits or for required setbacks from water bodies, lot lines, and easements.
Comments	Forestry, recreation, wildlife habitat, and resource harvest for personal use are some of the principle uses of state land within Subunit 1a. A buffer will be imposed along the common boundary of the staking area and the Talkeetna Recreation River Corridor to prevent stakers from encroaching into the recreation corridor. The staking area will be closed to mineral entry prior to offering.

Hypothetical Key Parcel 'A' – 1st Tier Parcel

Lot Type	Lot Type A, 1 st Tier Parcel. Any parcel with any portion of the parcel within 330-feet of a float plane lake including the following: the lakes within the southwest corner of Sec. 31, and the southeast corner of Sec. 20 in T28NR2W, and Cache Lake.
Size	Key parcel is 10 acres.
Location	Within the Disappointment Creek Recreational Cabin Site staking area approximately 14 to 19 miles northeast of Talkeetna, west of Talkeetna River and Disappointment Creek.
Access	Floatplane access in summer, ski plane or snowmobile in winter.
Building Site	At least 50% level to rolling, wooded, and adequately drained.
Setbacks	100 building setback from ordinary high water mark of all rivers, streams, and all other public & navigable water bodies.
Easements	25-foot public access and utility easement along interior parcel boundary lines, 50' public access easement along public and navigable water, and a minimum 60-foot public access easement along all existing unnamed trails.
Amenities	Lakefront & typical view of the surrounding area
Improvements	none
Highest and Best Use	Recreational cabin site
Effective Date of Value	December 27 th , 2007

Conclusion of values for Hypothetical Key Parcel 'A' – 1st Tier Parcel		
Size (in acres)	Per/acre	Per/site (RND)
10.00 (KEY)	\$1,700	\$17,000
15.00*	\$1,473	\$22,100
20.00*	\$1,275	\$25,500

*Note – 15, and 20 acre parcels based solely on size adjustment in addenda

Hypothetical Key Lot 'B' Interior Parcel

Lot Type	Lot Type B. Interior, or a location where another parcel could be staked between the subject and the nearest water-body access.
Size	Key Lot 'B' is 10 acres.
Location	Within the Disappointment Creek Recreational Cabin Site staking area approximately 14 to 19 miles northeast of Talkeetna, west of Talkeetna River and Disappointment Creek.
Access	Fly-in to float plane lake, then walk to parcel. Snowmachine access in winter.
Building Site	At least 50% level to rolling, wooded, and adequately drained.
Setbacks	100 building setback from ordinary high water mark of all streams and all other public & navigable water bodies.
Easements	25-foot public access and utility easement along interior parcel boundary lines, 50' section line easements, 50' public access easement along public and navigable water, and a minimum 60-foot public access easement along all existing unnamed trails.
Amenities	Typical view of the surrounding area
Improvements	none
Highest and Best Use	Recreational cabin site
Effective Date of Value	December 27 th , 2007

Conclusion of values for Hypothetical Key Parcel 'B' – Interior Lot		
Size (in acres)	Per/acre	Per/site (RND)
10.00 (KEY)	\$850	\$8,500
15.00*	\$737	\$11,100
20.00*	\$638	\$12,760

*Note – 15, and 20 acre parcels based solely on size adjustment in addenda

Adjustments For Staked Parcels		
Date of Value	Date of Entry	To Be Determined
Location	No distinctions within staking area	1.0
Size (acres)	Adjustments for size variation	See Addenda
Easements	Typical easements are considered in the base value. Other easements or trails across staked parcels to be handled on a case-by-case basis.	To Be Determined
Access	Similar to key parcel	1.00
Building Site	Poor: Mostly steep or wet ground, unsuitable soils	0.8 – 0.9
	Average: at least one adequate building site, adequately drained and wooded, typical for the area.	1.0
	Good: Very well drained and wooded, level ground with multiple building sites	1.1 – 1.2
Amenities	Superior View	1.1 – 1.2
	Creek Frontage	1.1
	Non-floatplane lake or Pond frontage	1.1 – 1.2 (of Key B)
Miscellaneous	Differences in parcels discovered during field inspection	To Be Determined

Adjustment Process: An adjustment of less than 1.00 means the feature of the staked parcel is inferior to the key parcel and requires a downward price adjustment. An adjustment of greater than 1.00 means the feature is superior to the key parcel, requiring an upward adjustment. An adjustment of 1.00 means the property feature is similar to the key parcel, and no adjustment is necessary. The adjustments are multiplied to obtain a total adjustment, which is then multiplied by the estimated value of the key parcel to yield a value for the staked parcel

PREMISE OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a summary appraisal prepared in accordance with Standards Rule 1 and 2 of the current edition of Uniform Standards of Professional Appraisal Practice (USPAP), and in accordance with Special Appraisal Instructions, DNR Remote Recreational Cabin Site Disposal, see addenda.

Purpose of Appraisal

The purpose of this appraisal is to estimate current market value of the properties described in this report.

Intended Use of Appraisal

The appraisal will be used by DNR to determine the purchase price for parcels to be acquired under the Remote Recreational Cabin Site staking program (AS 38.05.600).

User and Client Identity

This appraisal is prepared for the State of Alaska, Department of Natural Resources and the general public.

Property Rights Appraised

Rights appraised are fee simple estate less mineral rights reserved to the State of Alaska under AS 38.05.125(a).

Fee simple estate is defined as:

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."¹

AS 38.05.125(a) states:

Reservation. (a) Each contract for the sale, lease or grant of state land...is subject to the following reservations: "[sic] the party of the first part, Alaska, hereby expressly saves, excepts and reserves... unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and with may be in or upon said land...[and the right] to occupy as much of said land as may be necessary or convenient... to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved."²

Definition of Market Value

"The most probable price, as of a specified date, in cash, or terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."³

Effective Date of Value Estimate

The effective date of value is December 27th, 2007.

Exposure Time

Exposure time is defined 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..."⁴

¹ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.69

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2002, pp. 590-591

³ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.22

⁴ Uniform Standards of Professional Appraisal Practice 2006,

<http://commerce.appraisalfoundation.org/html/2006%20USPAP/smt6.htm>.

Exposure time can vary depending on the type of property being appraised and constantly changing market conditions. Supply and demand of similar properties to the subject is an important factor for determining exposure time.

Parcels similar to the subjects typically require up to three years of marketing time. The subject parcels are considered average to below average when compared with other available properties on the market. Based on exposure time for similar properties, the estimated values are based on an exposure time of up to three years.

Property History

The State of Alaska, DNR holds fee title to the land and mineral estate for the subject land as described under Patent 50-2005-0112 dated 2-23-2005 and 50-2005-0136 dated 3-15-2005. Please note that there is one parcel within the staking area boundary along the northeastern shore of Cache Lake. This particular parcel is privately owned and outside the scope of this appraisal.

Scope of the Appraisal

Property and Comparable Sales Inspection

I did not inspect the staking area in the field. Physical features and access were identified by use of topographic maps, status plats, aerial photographs, and satellite imagery, DNR appraisal records and interviews with people who are familiar with the area. Photographs of the staking area taken on September 13th, 2006 were provided by DNR staff.

Research and Analysis conducted

Interviews were conducted with local real estate agents, appraisers, and other individuals familiar with the area who provided information about trends in values, supply and demand. DNR databases and records were searched for recent comparable sales, and other Remote Recreational Cabin Site offerings within the market area. The recorders office was also searched to identify any recent private sales.

After analysis of all available data, appropriate comparable sales were selected. The market value estimate was derived from this process and is based on the following assumptions and limiting conditions.

Assumptions and Limiting Conditions

The property is appraised as vacant land without structural or site improvements.

All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader in visualizing the properties.

Information furnished by others and included in the report is believed to be reliable but the appraiser does not warrant the accuracy of such information.

Unless otherwise noted in the report, the appraiser did not find any evidence that hazardous materials exist on these properties. The estimate of value is based on the assumption that there are no such materials on the property. The appraiser is not qualified to detect these substances. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge that is required to discover these substances.

The appraiser, by reason of this appraisal, is not required to give further consultation or testimony, or be in attendance in court with reference to the property in question unless arrangements have been made in advance.

The data and conclusions in this report are a part of the whole valuation. Each part of this report is only part of the evidence upon which the final judgment is based. Therefore, no part should be used out of context and by itself alone.

It is assumed that there are no hidden or apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for any such conditions, or for arranging engineering studies to discover them.

The estimate of value in this report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

Some parcels may contain saw timber, but not necessarily in commercial quantities. The estimated market value does not include that value of commercial timber, if any.

Due to the lack of an on-site inspection, some physical features are assumed based on conversations with those knowledgeable about the area and interpretation of existing maps and aerial photographs. The appraiser reserves the right to modify the value conclusions if an on-site inspection reveals a variation in site features from those assumed in this report.

Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".

In this valuation, various mathematical calculations were used to formulate the opinion of value. These calculations are only aids for the formulation of the opinion of value by the appraiser, Therefore, in the application of these calculations, certain arithmetical figures are rounded to the nearest significant amount.

PRESENTATION OF DATA

Market Area – The Matanuska Susitna Borough⁵

Location:

The Matanuska-Susitna (Mat-Su) Borough is located in the middle of south central Alaska, encompassing 24,681.5 sq. miles of land and 578.3 sq. miles of water. The Borough includes the Matanuska and Susitna River Drainages, portions of the Chugach Mountains as well as and the Alaska, Talkeetna, and Clearwater Ranges. The Municipality of Anchorage, Upper Cook Inlet, and Knik Arm delineate the Borough's southern border. The average temperatures in January range from 6°F to 14°F; in July, 47°F to 67°F. Annual precipitation is 16.5 inches

Local Government:

The Mat-Su Borough is a second class Borough incorporated in 1964 with an elected Mayor and Assembly. The Borough's area-wide powers include: assessment and collection of taxes, education, planning and zoning, parks and recreation, ports, harbors and wharves, ambulance service, transportation systems, air pollution control, day care facilities, historic preservation, and transient accommodations taxation. The Borough's non area-wide powers include fireworks, motor vehicles and operators, snow vehicles, solid waste, libraries, septic tank waste disposal, economic development, limited health and social service, natural gas, electric, and road local improvement districts, animal control, and water pollution control. There is no borough sales tax. Property tax is at 11.483 mills for 27 service areas, and there is a Special Accommodations Tax at 5%.

Economy:

The economy is diverse, and residents are employed in a variety of retail, professional services, city, borough, state and federal occupations. Top employers are Mat-Su Schools, Valley Hospital, Wal-Mart, Carrs/Safeway and Fred Meyer. About one-third of the Borough's labor force commutes to Anchorage for employment. 244 borough residents hold commercial fishing permits.

Transportation:

The area accesses both the Glenn and George Parks Highways. Commercial airlines serve the nearby Anchorage International Airport, but a local municipal airport supports private and chartered services. The Alaska Railroad provides for delivery of ocean freight.

History:

By 1920, gold, coal mining, and construction of the Alaska railroad sustained the local population. The Matanuska Valley was settled by homesteaders who led an agricultural lifestyle in the 1930s. Construction of the statewide road system and the rich farmlands fueled population growth. Today, Borough residents enjoy a more rural lifestyle close to metropolitan Anchorage.

Growth:

In the 1960's the Mat-Su Borough had a population of just over 5,000 people. It was primarily a farming and mining community. As late as 1980, the population was only 17,816. Between 1980 and 1990, the Borough population more than doubled from 17,816 to 39,683. From 1993 to 2003, the population grew 49 percent versus 13 percent statewide and 14 percent in Anchorage.

⁵ <http://www.matsugov.us/Planning>. & <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm> accessed 11-20-2006

Talkeetna Neighborhood⁶

Location:

Talkeetna is located at the confluence of the Chulitna, Talkeetna, and Susitna Rivers, approximately 115 miles north of Anchorage at mile 226.7 of the Alaska Railroad. The paved Talkeetna Spur Road runs 14 miles east off the George Parks Highway, at Milepost 98.7. The area encompasses 41.6 sq. miles of land and 1.4 sq. miles of water.

Government:

Talkeetna is an unincorporated town and subject to the Matanuska – Susitna Borough taxes. There is a non-profit community council in Talkeetna

Climate:

January temperatures range from -33 to 33; July can range from 42 to 83. Precipitation is 28 inches, including 70 inches of snowfall.

Economy:

Talkeetna is popular for its recreational fishing, hunting, boating, flightseeing, skiing and dog mushing. Local businesses provides services to Denali climbers. As the take-off point for fishing and flightseeing trips, and a staging area for Denali climbing expeditions, Talkeetna provides air taxis, helicopters, outfitters, and related services. Numerous air taxis provide transport to Kahiltna Glacier Base Camp. All climbers must register for Denali and Foraker. Ten residents hold commercial fishing permits.

Facilities:

The majority of residents in Talkeetna have individual wells, septic tanks, and complete plumbing. A piped water and sewer system is maintained by the Mat-Su Borough. The high school operates its own water system. A Borough-operated refuse transfer station is located at mile 11.5 Talkeetna Spur Road. A sludge disposal site is available locally. Electricity is provided by Matanuska Electric Association. There is one school located in the community, attended by 109 students. Local hospitals or health clinics include Sunshine Community Health Center; Valley Hospital in Palmer. The clinic is a qualified Emergency Care Center. Talkeetna is classified as a highway town/Sub-regional Center, it is found in EMS Region 2C in the Mat-Su Region. Emergency Services have highway, air and helicopter access. Emergency service is provided by 911 Telephone Service and volunteers. Auxiliary health care is provided by Talkeetna Ambulance Service; Valley Hospital in Palmer. Middle and high school students are bused to Susitna Valley, at Milepost 98 of the Parks Highway.

Transportation:

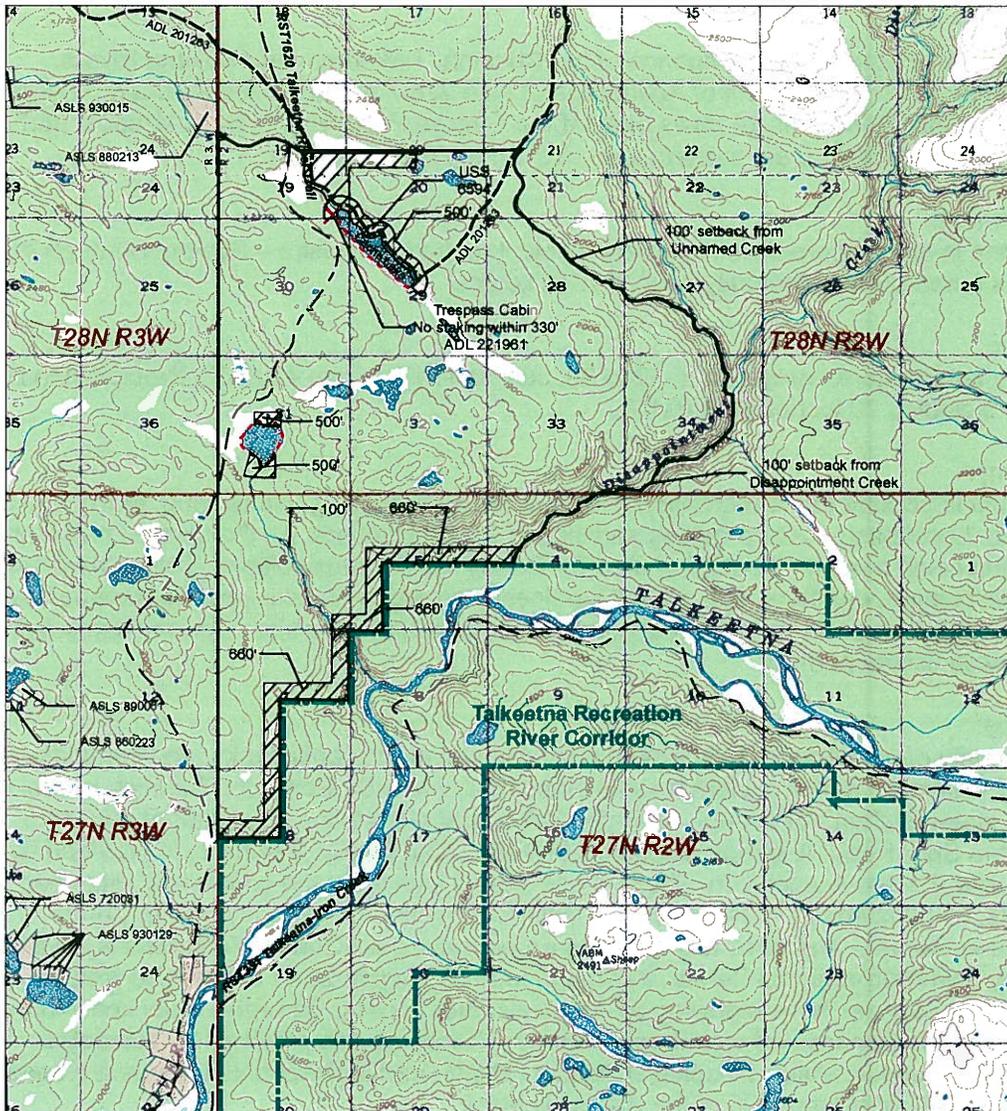
Talkeetna is accessible by the Talkeetna Spur, a paved road stemming from the Parks Highway at milepost 98.7. There are two State-owned runways. One is an asphalt paved 3,500' long by 75' wide runway; the other is a 480' long by 85' wide gravel strip. There are three additional airstrips in the vicinity, including one owned by the U.S. Bureau of Land Management. A new Alaska Railroad depot was completed in August 1997.

⁶ Information source <http://www.matsugov.us/Planning>, and <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm>



Staking Map: Disappointment Creek

Staking Area # 1108202



AR 10/19/06/1
Disappo-streak_NAD27.mxd

USGS QUADS 1:63,360 Talketna Mountains B-6, C-6 T27N R2W, T28N R2W Seward Meridian

This staking map is for graphic representation only. It is intended to be used as a guide only and may not show the exact location of existing surveyed parcels or show all easements and reservations. Source documents remain the official record and should be reviewed prior to staking.

Notes:

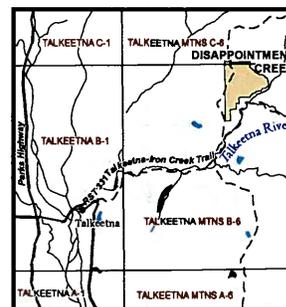
Maximum parcel size: 20 acres
Minimum parcel size: 10 acres
Staking authorizations: 52
Staking period: May 30, 2008 to January 26, 2009

1. All parcels staked on land owned by the State of Alaska that contain land within 50 feet of a surveyed or protracted (unsurveyed) section line, are subject to a 50-foot wide easement on each side of the section line, which is reserved to the State of Alaska for public highways under AS 19.10.010. Parcels may not be staked over a surveyed section line.
2. Parcels may not be staked on any island in any public or navigable water body.
3. Parcels may not be staked across any public or navigable water body. Parcels are subject to a 50-foot public access easement along the ordinary high water mark.
4. Parcels are subject to a 100-foot building setback from the ordinary high water mark of all streams and all other water bodies determined to be public or navigable. Some water bodies may also have staking setbacks or water frontage limitations.
5. A staking setback is required from unauthorized improvements.
6. A staking setback is required from airstrips used by the public.
7. Most surveys (i.e. ASLS, USS) have survey monuments at each corner, which can be used as reference points and common corners when staking. See the survey plats for information on monument corner numbers, bearings, and distances. Monuments found in the field take precedence over the graphic record.
8. There are public access easements along most ASLS boundaries. Check the survey plats for additional information.
9. Trail easements have not been verified and their actual location may differ on the ground. Labeling of a trail easement does not guarantee the existence of a trail.
10. Unauthorized airstrips are not maintained by the Department of Natural Resources. Use of airstrips on state land that are not authorized is at your own risk.
11. See the general staking instructions and area-specific supplemental staking instructions for additional information.

Legend

- Staking Area
- Existing Parcels
- Reserved Area
- Talketna Rec. River Corridor
- Easements and Other Trails
- Staking Setback - 100'
- Waterfront Limitation

TN MN 20.1"E 2008



Disappointment Creek Staking Area

Location – The staking area is located within sections 19, 20, 27-34 of Township 27 North, Range, 2 West, and within sections 5-7 of Township 28 North, Range 2 West of the Seward Meridian. The Disappointment Creek Staking area lies within the western foothills of the Talkeetna Mountains. The area is approximately 17 miles northeast of Talkeetna, 4 miles north of the Sheep River, half mile northwest of the Talkeetna River.

Topography / Terrain – The topography is hilly throughout the majority of the staking area with flat building sites found around lakes, within saddles, on hilltops, and plateaus. A steep bluff runs along the southeastern portion near Disappointment Creek. Several lakes and ponds of various sizes are concentrated in the central and northern portion of the area. General elevation ranges between 1,500 to 2,300 feet above sea level.

Vegetation – Mixed spruce forest with some birch and alder thickets in portions of the area.

Water source – Small ponds and streams of unknown quality provide water within the area.

Soils – Soils in the staking area range from Talkeetna / Warm-Talkeetna, Thick Surface-Deneka Complex to Siwash-Talkeetna with 0-30% Slopes.⁷

Access – Boat access is not considered viable. Access into the staking area is via ATV/snowmachine on trail easement ADL 201263, floatplane or skiplane.

View – Good views of the surrounding Talkeetna Mountains with distant views of the Alaska Range and Denali.

Personal Property – Personal property is not included within the scope of this valuation. Parcels are assumed to be vacant without improvements.

Adjacent Land Use – The primary adjacent land use is seasonal recreation and wildlife habitat.

Title / Ownership – The State of Alaska, DNR holds fee title to the land and mineral estate for the subject land as described under Patent 50-2005-0112 dated 2-23-2005 and 50-2005-0136 dated 3-15-2005. Additionally, there is one private holding within the staking area boundary that is not part of the offering.

Area Plan and Classification – Susitna Area Plan, South Parks Highway Subregion, Management Unit 4, Subunit 4e, classified as Settlement under CL-86-005.

Fire Management Option – **Modified Protection**. Suppression action provided on a wildland fire in areas where values to be protected do not justify the expense of full protection. The Alaska Interagency Wildland Fire Management Plan is updated annually. Contact the Division of Forestry for updated information regarding management options. Stakers are urged to locate parcels in hardwood stands or near water bodies to reduce potential for fire.

Game Management Unit – The staking area is in Game Management Unit 13E.

Municipal Authority – The staking area is within the Matanuska – Susitna Borough.

Allowed Uses – Remote Recreational Cabin Sites are for recreational use only. No commercial use or permanent residence is allowed while under lease. Once the parcel is under purchase contract or conveyed into private ownership, these restrictions no longer apply.

⁷ All soil data taken from USDA National Resources Conservation Service, Soil Survey Matanuska-Susitna Valley Area, 7-10-2000.



Cache Lake looking northwest



Cache Lake looking south

Section Line Easements – All parcels staked on lands owned by the State of Alaska that contain land within 50 feet of a surveyed or protracted (unsurveyed) section line, or that are bisected by a protracted section line, are subject to a 50-foot wide easement on each side of the section line, which is reserved to the State of Alaska for public highways under AS 10.10.010. Staking is not allowed across surveyed section lines or surveyed township lines.

Public Access and Utility Easements – Parcels are subject to a minimum 30-foot public access and utility easement along interior parcel boundary lines and a minimum 60-foot public access easement along all existing unnamed trails. Stakers may not obstruct or block access within these easements.

Public and Navigable Water Bodies – Parcels staked along the ordinary high water line of public and navigable water bodies are subject to a 50-foot public access easement. Using motorized vehicles to cross streams may be prohibited by applicable state and federal laws.

Setbacks and other Restrictions – Parcels will be subject to 100' building setback from all streams and all other water bodies determined to be public or navigable. Parcels will be subject to a 100' staking setback on all tributaries of the Talkeetna River and Disappointment Creek.

Reserved Areas – The following areas are reserved from staking; 500' from the northeast shore of Cache Lake, 500' from the northern and southern end of the unnamed lake situated within Section 31, and 600' from the southern boundary of the staking area not along Disappointment Creek. See map for details.

Waste Disposal – Wastewater treatment and disposal systems must meet the regulatory requirements of the Alaska Department of Environmental Conservation. Contact ADEC for more information.

Wetlands – Parcels may contain wetlands and may require Army Corps of Engineers permits prior to placement of fill material. Contact ACOE for more information.

Staking Authorizations – Up to 52 authorizations will be granted. Parcels may be staked from 10 to 20 acres each. The Gross Project Area is 6,515 acres with a total potential net offering of 1,040 acres.



Disappointment Staking Area



Southern portion of staking area

DATA ANALYSIS AND CONCLUSION

Highest and Best Use

Analysis of highest and best use for the subject property is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined as:

"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."⁸

The land to be valued is considered vacant and thus valued with the highest and best potential use for the property. Value for improvements (when present on the site) is then based on their contribution to this use. The appraised parcels are vacant and unimproved.

Legally Permissible

The subject parcels are not subject to any known zoning requirements that would be restrictive to potential development. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. Therefore, almost any legal use of the site would be possible.

Physically Possible

Hypothetical key lots are 10 acres, while future staked parcels may range from 10 to 20 acres. The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

Surrounding land use is primarily forestry, wildlife habitat, and subsistence use. Development of the parcel depends on the amount of resources the owner is willing to allocate for recreational or rural residential needs.

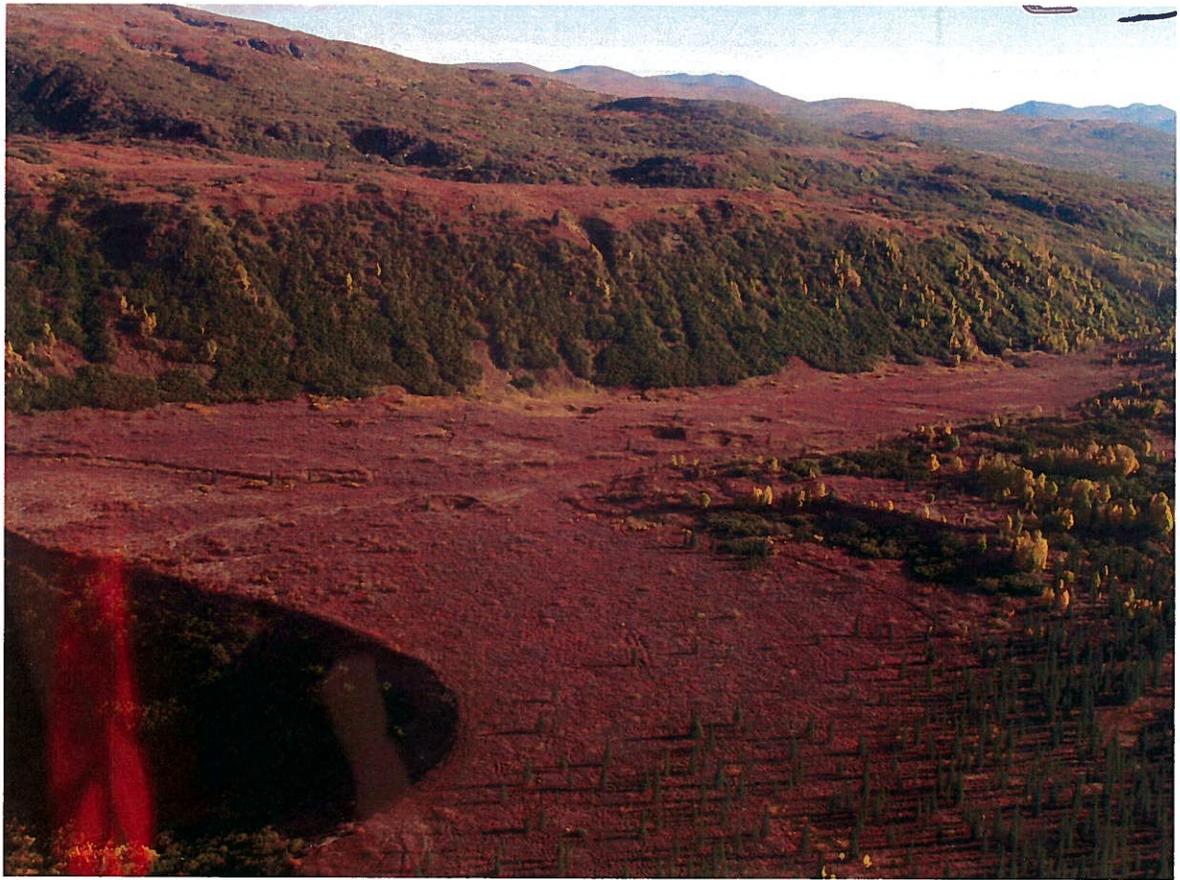
Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. Access to trapping, fishing, hunting, snowmachining and general recreation may be the primary motivations for potential users.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the subject parcel as vacant would be for almost any legal use, including a private recreational cabin site.

⁸ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.306



Reserved area north of Cache Lake



Southern portion of the staking area

Valuation Analysis

Three approaches to value are considered to determine the market value estimate.

Income Approach

The income approach for valuation is used primarily for income producing properties. It utilizes the capitalization process to discount future anticipated net income to a present value. It is not common to lease vacant land for a residential or recreational use. Additionally, data that supports this approach is not available. Therefore the income approach will not be used.

Cost Approach

The cost approach is based on the assumption that an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the subject property. This approach will separate the value of the land from the value of the improvements to determine the cost of reproducing the improvements. The cost approach is most effective for appraising properties that have newer improvements. As such, the cost approach is not appropriate, and will not be used.

Sales Comparison Approach

The sales comparison approach considers actual sales or prices asked for properties that have similar characteristics of the subject properties. Adjustments are made to the comparison properties so as to determine a price at which they would have sold if they had identical characteristics as the subject properties. This derived price then indicates a value for the subject properties. Some of the characteristics considered include general market conditions, sales terms, location, highest and best use and physical features. Of the three approaches to value, only the sales comparison approach is applicable.

Key Parcel Method

In appraising more than one similar parcel, it is an accepted practice to appraise a key parcel that is most representative of the other parcels being appraised. The key parcel may be a hypothetical parcel or an actual parcel. The value of the remaining parcels is then based on a comparison to the key parcel. This appraisal establishes the Key Parcel value for valuing future parcels within the Chleca Lakes Remote Recreation Cabin Site Staking Area.



Lake in Section 31



Lake in section 20

Explanation of Adjustments

DNR appraisal instructions state that the appraiser may develop and use quantitative or qualitative adjustments. Ideally, the value differences for any price adjustment are measured by comparing prices of paired sales that are very similar except for the feature of comparison to be measured. When market sales do not support quantifiable adjustments for differences and the comparable sales, the appraiser must use personal knowledge of overall trends, opinion surveys, and/or judgment in making adjustments. The conventional sequence of adjustments is property rights conveyed, financing terms, conditions of sale, time, location, and physical features. A combination of quantitative and qualitative adjustments may be used within the same analysis.

An adjustment of less than 1.00 (or -) means the sale feature is superior to that appraised property and requires a downward adjustment to match the quality of the key parcel's feature, thus indicating the value of the key parcel. An adjustment greater than 1.00 (or +) means that the sale feature is inferior to the subject's feature which requires an upward adjustment to match, thus indicating the value of the key parcel. An adjustment of 1.00 (or =) means the sale feature is similar to the key parcel, and no adjustment is necessary. The adjustments are multiplied to obtain a total adjustment, which is then multiplied by the sale price to indicate the value of a key parcel.

The same adjustments and procedures are applied to the key parcel value to indicate the market value of a parcel being appraised, except the direction of adjustment is reversed when comparing appraised parcels to the key parcel. Superior features require a positive adjustment compared with the appraised parcel; inferior features require a negative adjustment. Detailed information about the comparable sales and adjustments is contained within this report and addenda. The following is a summary of adjustments and how they were estimated.

Unit of Comparison

Generally, the buyers and sellers in the market place determine the unit of comparison, e.g. price per acre, square foot, site, front foot, etc. The price per acre is the most commonly recognized unit of comparison in the subject market, and thus will be used in this analysis.

Rights Conveyed

Fee simple less mineral rights as per Alaska Statue 38.05.125(a). Retention and exclusion of the mineral estate does not tend to affect property values, because most buyers are interested in the surface estate.

Financing Terms

In accordance with DNR instructions, market value is estimated in terms of seller financing typical for the market. Cash transactions sometimes are afforded a discount from typical financing. Sales used in this analysis do not offer measurable differences in prices as a result of terms. In general a cash transaction would tend to be at the lower end of the price range with listings usually setting the upper limit.

Conditions of Sale

Unless otherwise noted the market transactions used in this appraisal do not reflect any unusual seller-buyer motivations that affected value.

Market Conditions (Time)

Analysis of real estate sales in the subject area indicates that prices of vacant land have been level in recent years. Comparable sales used in this valuation are the most recent transactions available and do not need to be adjusted for time.

Location

The subject parcels and all comparable sales are located in the same market area. No location adjustment is necessary

Size

The price per unit and size of a given unit tend to have an inverse relationship. As the size of a parcel increases the price paid per acre decreases. Comparables that differed from the "key lot" by more than one acre were given size adjustments based on a chart derived from market data by Steve Starrett, staff appraiser. In general, his findings point to a 25% decrease in unit price each time the size of a parcel doubles. A size adjustment chart is included in the addenda to show how the adjustments were derived

Access

Unless noted otherwise, the subject parcels and comparables sales feature similar means of access.

Topography, Drainage & Site Quality

These adjustments describe the physical attributes of the parcel. The topography and drainage of the parcel directly relate to the quality of building site. Any additional attribute will be detailed in the Site Quality category and adjusted as needed.

Utilities

All subject parcels and comparable sales lack utilities.

Amenities

Exceptional features of a given parcel may increase value. Features such as type of water frontage, proximity to creeks and small ponds, and exceptional views are examples of amenities that may warrant an adjustment. Any adjustments will be detailed in the lot type groupings.

Due to the confidentiality of sales information in the state of Alaska, the valuation section of the report is unavailable online. The entire report can be reviewed at the DNR Public Information Center:

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