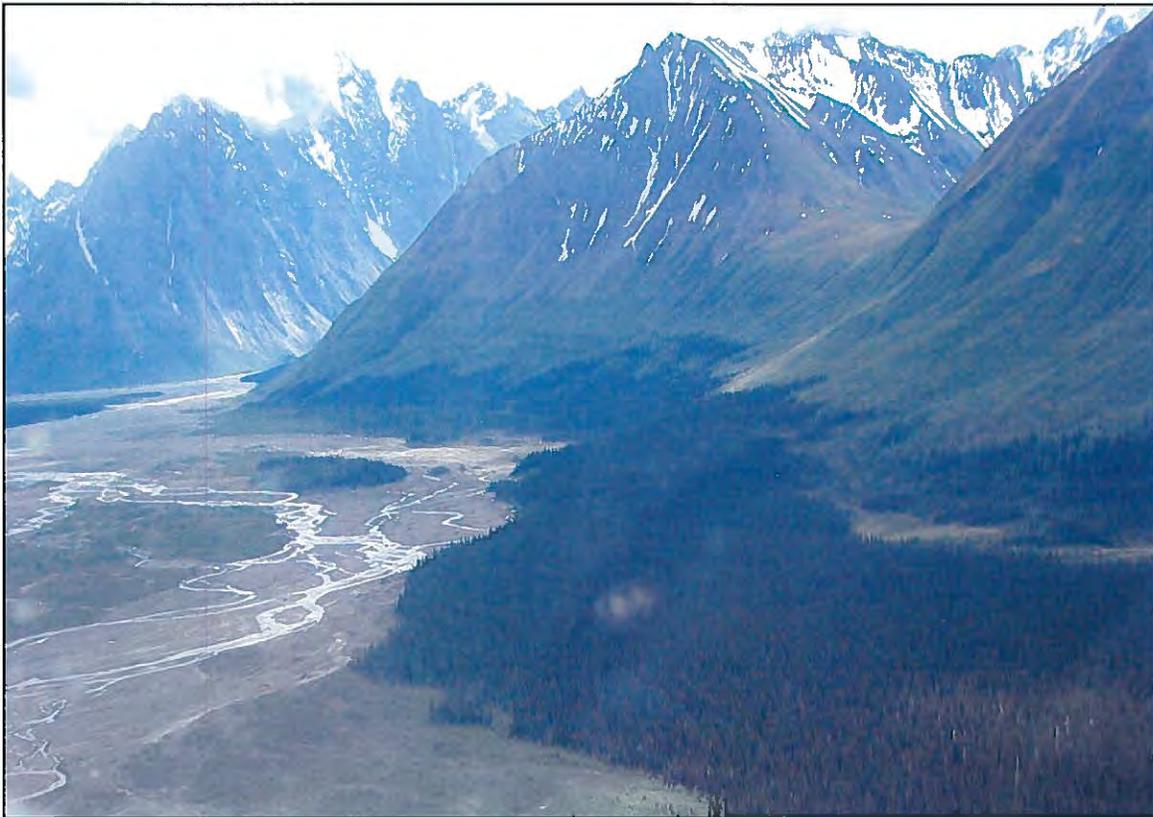


MARKET VALUE APPRAISAL

Of

**Big River RRCS Administrative Parcels
For 2007 Land Auction**



APPRAISAL REPORT No. 3096-3

**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

Location

The subject parcels are located in the Big River Remote Recreational staking area. The area is located 60 air miles southeast of McGrath and 160 air miles northwest of Anchorage, Alaska. The area is accessible by small aircraft landing on sandbars on the Big River.

Legal Descriptions

Tract B, ASLS 2002-07, ADL 228064, 5.25 acres, S022N029W34
Tract C, ASLS 2002-07, ADL 228065, 5.22 acres, S022N028W28
Tract K, ASLS 2002-07, ADL 228119, 5.57 acres, S024N029W05

Value Summary

ADL	RRCS area	Tract	ASLS	Size-acres	Appraised Value
228064	Big River	B	2002-07	5.25	\$11,600
228065	Big River	C	2002-07	5.22	\$11,500
228119	Big River	K	2002-07	5.57	\$11,000

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a Summary Appraisal Report 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 DNR's General Appraisal Instructions.

Purpose of Appraisal

The purpose of this appraisal is to estimate current market value.

User and Client Identity

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

Intended Use of Appraisal

The appraisal will be used by DNR to determine the minimum bid for parcels to be acquired during the auction sale program (AS 38.05.055).

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 as¹:

"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."

AS 38.05.125(a) states²:

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

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

as may be necessary or convenient... to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved.”

Definition of Market Value³

“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.”

Effective Date of Value

December 20, 2006

Date of Report

December 21, 2006

Exposure Time

Exposure time is defined as ⁴: “...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...”

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.

Marketing Time

“Marketing time is 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.”⁵

Based on current market conditions for similar properties the estimated value is based on a marketing time of up to three years.

Sale History

The subject parcels are owned by the State of Alaska and have not sold in the last three years.

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

⁴ Uniform Standards of Professional Appraisal Practice 2004, Appraisal Foundation, p. 94.

⁵ Op Ci, p. 141

SCOPE OF WORK

Property and Comparable Sales Inspection

I inspected the subject parcels June 16, 2003. Many of the comparable were also inspected at that time. The remaining comparable sales are located in areas that the appraiser is familiar with.

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 records were searched for recent comparable sales. The recorders office was also searched to identify any recent sales. Sellers and buyers were contacted to verify recent sale prices and other transaction details.

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. Individual lot values were derived by correlating the "key lot" value.

Extraordinary Assumption

The subject parcels were inspected June 16, 2003. It is an extraordinary assumption that the physical characteristics have not changed substantially since this inspection. Since this is a vacant land appraisal, the assumption does not prevent the development of a credible valuation. The most recent satellite imagery available has been investigated to ensure the subject has not changed due to an act of nature. 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.

Assumptions and Limiting Conditions

1. The property is appraised as vacant land without structural or site improvements.
2. The appraiser assumes no responsibility for legal matters. The subject lots are assumed to be free and clear of encumbrances, except as otherwise noted, and title is assumed to be marketable.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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.
11. Due to the lack of on-site inspections for most of the subject parcels (aerial only), some physical features are assumed based on conversations with those knowledgeable about the area and interpretation of existing maps and aerials. 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.

PRESENTATION OF DATA

Property Identification

ADL	RRCS area	MTRS	Tract	ASLS	Size - acres
228064	Big River	S022N029W34	B	2002-07	5.25
228065	Big River	S022N028W28	C	2002-07	5.22
228119	Big River	S024N029W05	K	2002-07	5.57

Personal Property

There is no personal property involved with the appraisal of these properties.

Market Area

The subject parcels are located in the Big River staking area which is found on the western slope of the Alaska Range, approximately 60 air miles southeast of McGrath and 40 air miles southwest of Farewell Lake Lodge. This is a sparsely settled area with few inhabitants. The staking area surrounds the Big River and its tributaries. The Big River is a braided river with a high velocity flow that causes frequent flooding, channel changes and erosion. Numerous lakes are present in the area but few are large enough to accommodate floatplanes. The Alaska Range and Revelation Mountains surround the river valley. The area is known for its big game hunting.

Subject parcels	
Location	About 60 air miles southeast of McGrath and 160 air miles northwest of Anchorage.
Legal Description	Tract B, ASLS 2002-07 (ADL 228064) Tract C, ASLS 2002-07 (ADL 228065) Tract K, ASLS 2002-07 (ADL 228119)
Access	The area is accessible by small aircraft landing on sandbars on the Big River
Size and Shape	Tract B, 5.25 acres, irregular shape Tract C, 5.22 acres, irregular shape Tract K, 5.57 acres, irregular shape
Topography/Vegetation/Soils	Area elevations vary from 1,400 to 1,700 feet above sea level with level to rolling topography. Hardwoods and larger spruce can be found in areas with well-drained soils. Areas with poorly drained soils support black spruce and alder with willows present along the ridges. Soils are gravelly near the river and appear to have adequate drainage. Any parcels located near the river are subject to flooding.
Utilities	There are no utilities available.
Water and Sewer	No public water or sewer systems are available.
Easements	Typical lot line, section line, and utility easements.
Hazardous Waste and Toxic Materials/Environmental Hazards	None noted
Zoning Regulations	All lots are located in unregulated areas
Tax Assessments	None
Ownership History	State of Alaska
Adjacent Land Use	Primarily recreational use

Subject Photos



Tract B, ASLS 2002-07 (ADL 228064)



Tract C, ASLS 2002-07 (ADL 228065)



Tract K, ASLS 2002-07 (ADL 228119)

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 as⁶:

“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.”

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

The subject parcels range in size from 5.22 to 5.57 acres. The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

Surrounding land use is primarily recreational. Development of the parcel depends on the amount of resources the owner is willing to allocate for recreational needs.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. Access to fishing and hunting are the primary motivations for surrounding recreational 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, primarily a private recreation cabin site.

⁶ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.306