MARKET VALUE APPRAISAL

Of

Healy Remote, Windy Creek, & Ridge Rock RRCS

APPRAISAL REPORT No. 3097-5

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 three Healy area remote recreational staking areas.
Healy Remote staking area is located about 15 miles north of Healy and 35 miles south of Nenana.
Ridge Rock staking area is located about 12 miles north of Healy and 38 miles south of Nenana.
Windy Creek staking area is located across the Nenana River from the Healy Remote staking area.

Legal Descriptions
Tract I, ASLS 2002-13, ADL 416845, 13.03 acres, F09S09W11 (Healy Remote RRCS)
Tract A, ASLS 2003-16, ADL 416840, 6.68 acres, F010S08W30 (Ridge Rock RRCS)
Tract A, ASLS 2002-04, ADL 416717, 19.91 acres, F010S08W03 (Windy Creek RRCS)
Tract G, ASLS 2002-04, ADL 416667, 19.84 acres, F010S08W25 (Windy Creek RRCS)

Value Summary

Area	ADL	Tract	Survey	Size (acres)	Value (RND)	$/acre
Healy Remote RRCS	416845	I	2002-13	13.03	$850	$11,100
Ridge Rock RRCS	416840	A	2003-16	6.68	$1,131	$7,600
Windy Creek RRCS	416717	A	2002-04	19.91	$672	$13,400
Windy Creek RRCS	416667	G	2002-04	19.84	$799	$15,900

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 as[1]:
"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] The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.69

AS 38.05.125(a) states[2]:
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."

Definition of Market Value[3]
"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
August 8, 2006

Date of Report
October 10, 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 is 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.

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[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 2004, Appraisal Foundation, p. 94.
[5] Op Ci, p. 141

SCOPE OF WORK

Property and Comparable Sales Inspection
I inspected Healy Remote staking area and subject parcel on August 8, 2006, Ridge Rock on September 18, 2003 and Windy Creek on June 22, 2003.

Comparables No. 15891 and 15889 have been inspected, the remainder of the comparables have not been. During this inspection the Quota, June Creek and Windy Hills Subdivisions were flown over. Due to time constraints the other comparables were not specifically inspected but the general location was. In addition, the most recent topography maps and satellite imagery available was used to ensure the comparable sales used are appropriate. Research was conducted to identify recent comparable sales as well as market indicators to determine if the market has changed since the subject property was last appraised.

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 at various times noted above. 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. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

PRESENTATION OF DATA

Property Identification

ADL	RRCS area	MTRS	Tract	ASLS	Size - acres
416845	Healy Remote	F09S09W11	I	2002-13	13.03
416840	Ridge Rock	F010S08W30	A	2003-16	6.68
416717	Windy Creek	F010S08W03	A	2002-04	19.91
416667	Windy Creek	F010S08W25	G	2002-04	19.84

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

Market Area
The subject parcels are located near Healy, within the Denali Borough. The Healy Remote parcel is located on the east side of the Parks Highway about 22 miles north of Healy. The Ridge Rock parcel is located on the west side of the Parks Highway about 13 ½ miles north of Healy, across from the Windy Creek staking area. The Windy Creek parcels are located east of the Parks Highway across from the Ridge Rock parcel.

Healy is a coal mining town that has evolved into an economically-diverse community. Tourism also greatly affects the economy during summer months.

The Usibelli Coal Mine has dominated the economy of Healy for over 60 years, and employs 95 positions. Of the 1.3 million tons of coal the mine produces annually, 400,000 tons are exported for delivery to South Korea and Chile and 900,000 tons remain in Alaska for domestic use. Golden Valley Electric Association and the Railbelt School District are also major employers in Healy. Tourism at nearby Denali Park supports local RV Parks, guided rafting trips, helicopter tours and other businesses. The $274 million Healy Clean Coal Power Plant was completed in November 1997, but has sat idle since 2000. To lower the costs per kilowatt hour and be economically viable, the plant needs retrofits and modifications costing another $50 to $80 million. The Plant is owned by the Alaska Industrial Development and Export Authority, an independent State corporation.

Interior Alaska experiences seasonal temperature extremes. January temperatures range from -22 to -2; July temperatures range from 50 to 72. Average annual precipitation is 11.3 inches.[6]

Subject parcels	
Location	Subject parcels are located on both sides of the Parks Highway 13 to 22 miles north of the community of Healy
Legal Description	Tract I, ASLS 2002-13 (ADL 416845 – Healy Remote)
	Tract A, ASLS 2003-16 (ADL 416840 – Ridge Rock)
	Tract A, ASLS 2002-04 (ADL 416717 – Windy Creek)
	Tract G, ASLS 2002-04 (ADL 416667 – Windy Creek)
Access	Primary access is via snow-machine in the winter, and ATV in the summer
Size and Shape	Tract I Healy Remote, 13.03 acres, irregular shaped
	Tract A Ridge Rock, 6.68 acres, irregular shaped

[6] DCED, State of Alaska, 'Healy Community Overview', Community Database Online, accessed 10 October 2006, < http://www.commerce.state.ak.us/dca/commdb/CF_BLOCK.cfm>.

	Tract A Windy Creek, 19.91 acres, near rectangular
	Tract G Windy Creek, 19.84 acres, near rectangular
Topography/Vegetation/ Soils	Area elevations vary from 800 to 1,700 feet above sea level with level to rolling topography. Vegetation consists of underbrush, spruce and birch. Soils range from well-drained to wet. Permafrost is present in the area.
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. Tract A, ASLS 2002-04 is bisected by a section line.
Hazardous Waste and Toxic Materials/ Environmental Hazards	None noted
Zoning Regulations	All lots are located in unregulated areas of the Denali Borough
Tax Assessments	Denali Borough is the taxing authority. Currently the Denali Borough does not assess taxes. Parcels owned by the State of Alaska are tax-exempt. Once ownership is transferred from the State of Alaska, property taxes become the responsibility of the purchaser.
Ownership History	State of Alaska
Adjacent Land Use	Primarily recreational use

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[7]:

"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 6.68 to 19.91 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 hunting, snow machining and dog sledding 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.

[7] The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.306