



A. SUMMARY OF APPRAISAL NO. 3400

1. ADL NO(S): Various
2. SIZE: 3.477 to 44.90 acres
3. APPLICANT: n/a
4. LOCATION: Upper Mat-Su Valley, near Talkeetna, Alaska
5. LEGAL DESCRIPTION(S): Ninemile Creek, Denali View, Schneider Lake and Swan Lake Subdivisions & Hurricane and Susitna River Odd Lots.
6. INTEREST APPRAISED: Fee Simple less mineral rights
7. PURPOSE OF THE APPRAISAL: Estimate market value for sealed bid auction and over the counter updates.
8. APPRAISED BY: Rick Johnson dba Johnson Appraisal Company
9. DATE of REPORT: November 22, 2005
10. DATE of VALUE(S): Aug. 21 - 23, 2005
11. APPRAISED VALUE(S): See below

ADL	SURVEY	LOT	BLOCK	SUBDIVISION	ACRES	VALUE
221690	ASLS 92-164		A	Hurricane S/D	11.95	\$7,500
228889	ASLS 80-145	1	2	Denali View S/D	3.477	\$6,500
214292	ASLS 80-151	5	5	Nine Mile Creek S/D	5.00	\$7,200
214251	ASLS 80-151	7	3	Nine Mile Creek S/D	5.00	\$8,000
214258	ASLS 80-151	14	3	Nine Mile Creek S/D	5.00	\$6,500
214259	ASLS 80-151	15	3	Nine Mile Creek S/D	5.00	\$6,500
214260	ASLS 80-151	16	3	Nine Mile Creek S/D	5.00	\$6,500
214261	ASLS 80-151	17	3	Nine Mile Creek S/D	5.00	\$6,500
214262	ASLS 80-151	18	3	Nine Mile Creek S/D	5.00	\$8,000
214263	ASLS 80-151	19	3	Nine Mile Creek S/D	5.00	\$8,000
214303	ASLS 80-151	23	3	Nine Mile Creek S/D	5.00	\$8,000
214304	ASLS 80-151	24	3	Nine Mile Creek S/D	5.00	\$8,000
214305	ASLS 80-151	25	3	Nine Mile Creek S/D	5.00	\$8,000
214306	ASLS 80-151	26	3	Nine Mile Creek S/D	5.00	\$8,000
214293	ASLS 80-151	6	5	Nine Mile Creek S/D	5.00	\$7,200
214294	ASLS 80-151	7	5	Nine Mile Creek S/D	5.00	\$7,200
214925	ASLS 80-151	8	5	Nine Mile Creek S/D	5.00	\$7,200
229227			USS 3951	Schneider Lake S/D	4.95	\$15,000
229230	ASLS 79-145	3	2	Swan Lake S/D	4.30	\$6,000
227596	ASLS 79-145	3	4	Swan Lake S/D	4.70	\$9,000
227597	ASLS 79-145	4	4	Swan Lake S/D	4.90	\$9,000
227598	ASLS 79-145	11	4	Swan Lake S/D	4.80	\$10,000
2275995	ASLS 79-145	5	7	Swan Lake S/D	4.60	\$7,000

Pot reoff
OTC's
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228892	S25N5W15	Gov't L1, Sec. 15		Susitna River Odd Lots	44.90	\$28,300
228893	S25N5W15	Gov't L2, Sec. 15		Susitna River Odd Lots	17.79	\$12,500
228894	S25N5W15	Gov't L5, Sec. 15		Susitna River Odd Lots	12.55	\$ 9,300
228895	S25N5W22	Gov't L1, Sec. 22		Susitna River Odd Lots	25.67	\$18,000
228896	S25N5W22	SW4NE4 Sec.22		Susitna River Odd Lots	40.00	\$25,200
228897	S25N5W22	Gov't L2, Sec. 22		Susitna River Odd Lots	36.00	\$25,200
228898	S25N5W22	NE4SE4 Sec.22		Susitna River Odd Lots	40.35	\$22,800

B. SUMMARY OF REVIEW

- DATE of REVIEW: December 6, 2005
- REVIEWER'S CLIENT: DNR Other: _____
- INTENDED USERS of the REVIEW: DNR General Public Other: _____
- INTENDED USE of the REVIEW: _____
- PURPOSE of REVIEW: Evaluate for Technical Compliance with DNR Instructions & USPAP
 Evaluate for Technical Compliance with UASFLA Develop Independent Estimate of Value
 Other: _____
- SCOPE OF REVIEW: I Inspected the Subject on _____ I Did Not Inspect the Subject
 I Inspected the Comparable Sales on _____ I Did Not Inspect the Comparable Sales
 I Independently Verified the Comparable Sales in the Report Yes No
 Data and Information Considered in Addition to that Contained in the Report: None See Sections C thru F
 Extraordinary Assumptions, Hypothetical Conditions, & Other Limiting Conditions for this review:
 None See Section G Related appraisals reviewed: _____
 Proofread DNR data entry: Yes No
- RESULTS OF REVIEW: Not Approved Approved Approved Value: See A.11

C. COMPLETENESS OF APPRAISAL MATERIAL WITHIN SCOPE OF WORK APPLICABLE TO THE ASSIGNMENT/CONFORMANCE with APPRAISAL INSTRUCTIONS: Adequate

D. ADEQUACY and RELEVANCE of APPRAISAL DATA and PROPRIETY OF ADJUSTMENTS: Adequate

E. APPROPRIATENESS OF APPRAISAL METHODS and TECHNIQUES: Appropriate

F. ANALYSES, OPINIONS, and CONCLUSIONS ARE APPROPRIATE and REASONABLE, except: none

G. REVIEWER'S ASSUMPTIONS AND LIMITING CONDITIONS

- This review is based on data and information contained in the appraisal report as well as any additional data from other sources that is identified in this review.
- The reviewer assumes that the data and information in the appraisal are factual and accurate.
- The reviewer reserves the right to consider any additional data or information that may subsequently become available, and to revise an opinion or conclusion, if such data and information warrant a revision.
- All assumptions and limiting conditions contained in the appraisal report are part of this review unless otherwise stated.
- A title report has not been provided to the appraiser and the reviewer. Unless specifically noted in the report or this review, it is assumed that the only easements and restrictions that affect the property are those shown on the plat.
- The value of commercial timber, if any, is specifically excluded from the final conclusion of value.

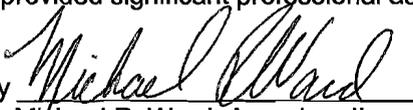


REVIEW APPRAISER'S CERTIFICATION APPRAISAL NO. 3400

I certify that, to the best of my knowledge and belief:

- The facts and data reported by the reviewer and used in the review process are true and correct.
- The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias 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 is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or use of, this review.
- My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I did did not personally inspect the subject property of the report under review.
- No one provided significant professional assistance to the person signing this review report.

Reviewed by


Michael R. Ward, Appraiser II

Date

12-6-2005

cc: Tamas Brown
Dorothy Melambianakis

COMPLETE MULTIPLE APPRAISAL REPORT

SWAN LAKE SUBDIVISION
ASLS 79-145



FOR:

State of Alaska Department of Natural Resources
Division of Mining, Land and Water
550 West 7th Avenue, Suite 650
Anchorage, Alaska 99501-3576

Date of Value:

August 23, 2005

Appraised by:

Richard H. Johnson, ARA
Johnson Appraisal Company
Anchorage, Alaska
Alaska Certified General License #323

TABLE OF CONTENTS

PART I-INTRODUCTION

SUMMARY	5
AREA MAP	6
ASSUMPTIONS AND LIMITING CONDITIONS.....	7
SCOPE OF THE APPRAISAL.....	8

PART II-FACTUAL DATA

PROPERTY RIGHTS APPRAISED	10
PURPOSE OF THE APPRAISAL	10
INTENDED USE OF THE APPRAISAL	10
DATE OF INSPECTION.....	10
LEGAL DESCRIPTION	11
SIGNIFICANT AREA DATA	11
PROPERTY DATA.....	12
PICTURES.....	13-16
TOPOGRAPHIC MAP	17
SURVEY OF PLAT	18

PART III-ANALYSIS AND CONCLUSIONS

HIGHEST AND BEST USE	20
HIGHEST AND BEST USE DETERMINATION	20-21
APPROACH TO VALUE	21
COMPARABLE SALES ANALYSIS.....	22-28

CERTIFICATION.....	29
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PART IV-ADDENDA

Comparable Sales Map	
Sale Data Sheets	
DNR Special Instructions-Land Disposals	
Appraiser Qualifications	

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Name of Project: Swan Lake Subdivision - DNR Land Disposal Program

Borough and State: Matanuska-Susitna Borough, Alaska

Owner of Record: State of Alaska

Brief Description: Five platted lots within the Swan Lake Subdivision, recorded in the Talkeetna Recording District near Sunny Lake.

Appraiser: Richard H. Johnson, ARA

Type of Report: Complete, summary under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice.

Client of this Report: State of Alaska, Department of Natural Resources

Instructions to the Appraiser: Estimate current market value of the individual subject lots.

Intended Use of this Report: This appraisal will be used by the DNR to establish the minimum price for a sealed bid auction. It will also be used by the general public for guidance in determining actual bid prices.

Property Rights Appraised: Fee simple estate less mineral rights.

Intended Users of this Report: State of Alaska, Department of Natural Resources

Dates of Field Work: August 19-23, 2005

Date of Property Inspection: August 23, 2005

Effective Date of Value: August 23, 2005

Date of Report: November 30, 2005

RESULTS SUMMARY

ADL Number	Highest & Best Use	Size	Estimated Market Value
#229230 (L3, Blk 2)	Recreational	4.3 acres	\$6,000
#227596 (L3, Blk 4)	Recreational	4.7 acres	\$9,000
#227597 (L4, Blk 4)	Recreational	4.9 acres	\$9,000
#227598 (L11, Blk 4)	Recreational	4.8 acres	\$10,000
#227599 (L5, Blk 7)	Recreational	4.6 acres	\$7,000



Area Map

ASSUMPTIONS AND LIMITING CONDITIONS

1. 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. No title information was given to the appraiser prior to the engagement.
2. Market data and other pertinent information has been obtained from seemingly knowledgeable and reputable persons. The accuracy of this information is believed to be true but cannot be guaranteed.
3. It is assumed the legal descriptions of the subject parcels as furnished is correct.
4. It is assumed all plats and maps used by the appraiser are correct.
5. The appraiser observed no evidence of potential contaminant problems. I assume no responsibility for identifying such problems. The property is assumed to be free of contaminants.
6. The fee simple of the surface estate is being appraised. There are no known underlying oil, gas, mineral or coal deposits in sufficient quantities that would disturb the surface estate. However, no information regarding minerals was given to the appraiser prior to engagement of this assignment.
7. Sketches and maps included in this appraisal report show *approximate* boundaries and are included to help the reader in visualizing the subject and sales. No claim is made to their accuracy.
8. This report is based on the condition of the subject lots and the market data gathered at the time of the appraisal. It is understood that values expressed in this report may cease to be valid if a market change occurs in the subject or in the local real estate market, or if any appropriate new information becomes available. The appraiser reserves the right to revise the appraisal report should the need arise.
9. It is assumed that there is full compliance with all applicable Federal, State, and local environmental laws and regulations, as well as applicable zoning, building, and use regulations and restrictions, unless otherwise noted in this report.
10. It is assumed that the utilization of the land is within the boundaries of the property described and that there is no encroachment or trespass unless otherwise noted.
11. The appraiser assumes there are no unapparent conditions of the property or subsoil that render it more or less valuable. I assume no responsibility for such conditions, or for any engineering studies required to discover such conditions.
12. This appraisal report is to be used only in its entirety and no part is to be used without the entire report, or in conjunction with any other appraisal. Use of a portion of the report invalidates the analysis and valuation conclusions contained herein.
13. Richard H. Johnson is an accredited member of the American Society of Farm Managers and Rural Appraisers. This report may be reviewed by the Society's Ethics Committee for compliance with their Code of Ethics and Standards of Professional Practice.
14. This appraisal report has been written for the State of Alaska, Department of Natural Resources (the client). Possession of this report, or a copy thereof, does not carry with it the right of publication (either in part or in whole). It may not be used for any purpose other than the stated Purpose of the Report without the express, written consent of the appraiser *and* client.

Scope of Appraisal

The scope of this appraisal encompasses the research and analysis to prepare a report in accordance with the **Uniform Standards of Professional Appraisal Practice** (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation and the **Special Appraisal Instructions, DNR Land Disposal**.

The term "scope of work" refers to the amount and type of information researched and the analysis applied in the assignment. The appraisal process is divided into four basic tasks: (1) gathering of information, (2) analyzing data collected, (3) drawing conclusions, and (4) reporting the conclusions.

This report is performed under USPAP Standard Rules 1 and 2. It is prepared under the *summary* reporting option of Standard Rule 2-2(b). Departure is not invoked. Thus, it is a *complete* appraisal report. The subject of this appraisal report consists of five separate valuation assignments. The appraised parcels are platted lots and are part of the Swan Lake Subdivision. A property inspection was completed August 23, 2005.

Area data is compiled from several sources, including the State of Alaska Community Data Base website and an inspection of the area. The subject property data is based on a physical inspection of the subject. The legal description and acreage estimates were taken from the Alaska State Land Survey No. 79-145. Title information was not available prior to the engagement of the assignment.

A preliminary search for comparable data took place during the week of August 19, 2005. The search was confined to remote areas in the Matanuska-Sustina Borough. Sales occurring after January 2002 were considered. Data sources included the Multiple Listing Service, area Realtors and appraisers. All sales were field inspected and verified with appropriate sources. After assembling and analyzing the data defined in the scope of the assignment, a final value estimate will be made for each subject lot.

The three traditional approaches to value are considered. These include the income approach, cost approach, and sales comparison approach. The sales comparison is the only valuation approach used to solve the appraisal problem. The other two approaches were not used due to a lack of market data or being an inapplicable approach.

PROPERTY RIGHTS

The property rights appraised herein are the fee simple estate less mineral rights reserved under AS 38.05.125(a). This is the absolute ownership of all of the rights (less mineral estate) unencumbered by any other interest or estate (which include the rights to sell, lease, use, give the property away and the right to refuse to exercise any of these privileges), other than those described in this report; subject only to the limitations of eminent domain, escheat, police power and taxation.

PURPOSE OF APPRAISAL

The purpose of this report is to obtain an estimate of current market value for each subject parcel. *Market Value* is defined by the Special Appraisal Instructions, DNR Land Disposal as follows:

Market Value- The most probable price, as of a specified date, in cash, or in terms of 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.

Reasonable Exposure Time in Market Value Estimate- Exposure time is the estimated period of time the property being appraised would have been offered on the market in order to have sold at market value on the effective date of the appraisal. The exposure assumes a competent sale effort and reasonable time as reflected by sales of like-kind property under similar market conditions. In this appraisal, the exposure time is one to three years.

INTENDED USE

The appraisal will be used by the State of Alaska - DNR to establish the minimum price for each subject parcel for a sealed bid auction. It will also be used by the general public for guidance in determining actual bid price.

DATE OF INSPECTION

An inspection of the subject took place on August 23, 2005 by an on-the-ground inspection.

**LEGAL
DESCRIPTION**

Various lots within the Swan Lake Subdivision, Alaska
State Land Survey No. 79-145, Talkeetna Recording District.

<u>ADL No.</u>	<u>Subdivision Name</u>	<u>Lot/Block</u>
229230	Swan Lake	3/2
227596	Swan Lake	3/4
214597	Swan Lake	4/4
214298	Swan Lake	11/4
214299	Swan Lake	5/7

**AREA AND
COMMUNITY
DATA**

Based on the Special Appraisal Instructions, the *Area and Regional* analysis is brief. Swan Lake Subdivision is northwest of Talkeetna, Alaska about 20 miles. It is just southwest of where the Parks Highway crosses the Chulitna River. The subdivision is about 2 miles west of the Parks Highway. The area is rich with history. It was first settled by westerners in the 1800's. At the time, homesteading and mining were the reasons for settling the area. In the early 1900's placer deposits of gold were discovered in the area.

Most of the area is classified rural. However, as the population continues to grow, new subdivisions are being platted. Most of the population is confined to road accessible areas with electricity. The remote areas are not served with public utilities.

The economy of the area continues to grow, mainly through tourism. In the summer, the area is bustling with tourists from all over the world. Both in-state and out-of-state visitors provide a significant industry in the summer for the area. This trend is expected to continue. A new Princess Lodge was built just across the Chulitna River about 4-5 years ago. In the fall, the area is popular with hunters while in the winter the area is used by snowmachiners. There is some oil and gas exploration to the south, but most wells have proved uneconomical. Other important economic sectors in the area include sport fishing, timber harvest, construction and transportation services.

**MARKET
OVERVIEW**

The market for the subject is mostly confined to local persons from Anchorage and Fairbanks. Several existing subdivisions are competing with the subject for potential buyers. A check of the Multiple Listing Service revealed numerous vacant recreational properties within the Matanuska-Sustina Borough. However, most of these are on the road system.

ZONING

Zoning enforcement is under the jurisdiction of the Matanuska-Sustina Borough. Currently, there are no zoning restrictions on the subject properties.

**PROPERTY
DATA**

The appraisal assignment comprises five platted lots within the Swan Lake Subdivision, as shown in ASLS 79-145. The subdivision lies about two miles west of the Parks Highway. Access to the subdivision is by a 60-foot dedicated public use right-of-way. The right-of-way is an unimproved trail and is not passable to four-wheel drive vehicles when wet. Typical access is by ATV or snowmachine.

Three of the lots front Sunny Lake, which is large enough for small floatplanes. Topography is generally level to gently sloping. Upland soils are reported as being well drained with about 2 feet of organic overburden. The lowland soils are reported as muskeg type soils. ADL #229230 contains about 40-50% wetlands or lowlands. The other lots appear to have only small areas of wetlands.

Vegetation on the uplands is generally wooded with black spruce and birch. The low-lying areas are generally covered with muskeg and stunted black spruce. There are no public utilities to the subject lots. A summary of the individual lots is shown below:

ADL No./ Lot & Block	Size	Access	Waterfrontage
229230 (L3,B2)	4.3 acres	Unimproved Trail	None
227596 (L3,B4)	4.7 acres	Unimproved Trail/Floatplane	Sunny Lake
227597 (L4,B4)	4.9 acres	Unimproved Trail/Floatplane	Sunny Lake
227598 (L11,B4)	4.8 acres	Improved Trail /Floatplane	Sunny Lake
227599 (L5,B7)	4.6 acres	Improved Trail	None



Lot 3 of Block 4



Lot 4 of Block 4



View from Lot 11 of Block 4 toward the lake.



View from Lot 11 of Block 4 toward the lake.



Lot 5 of Block 2



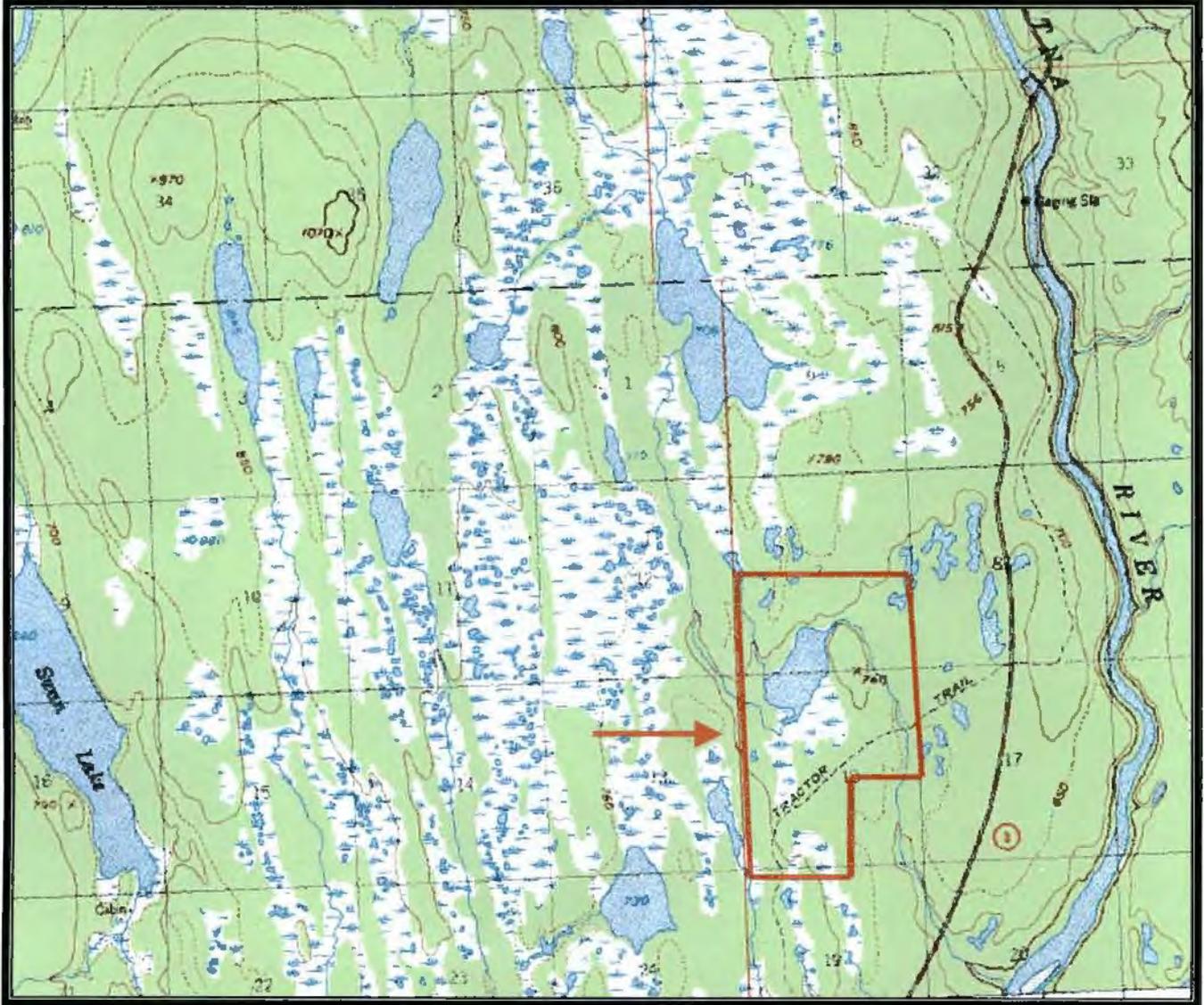
Lot 5 of Block 2



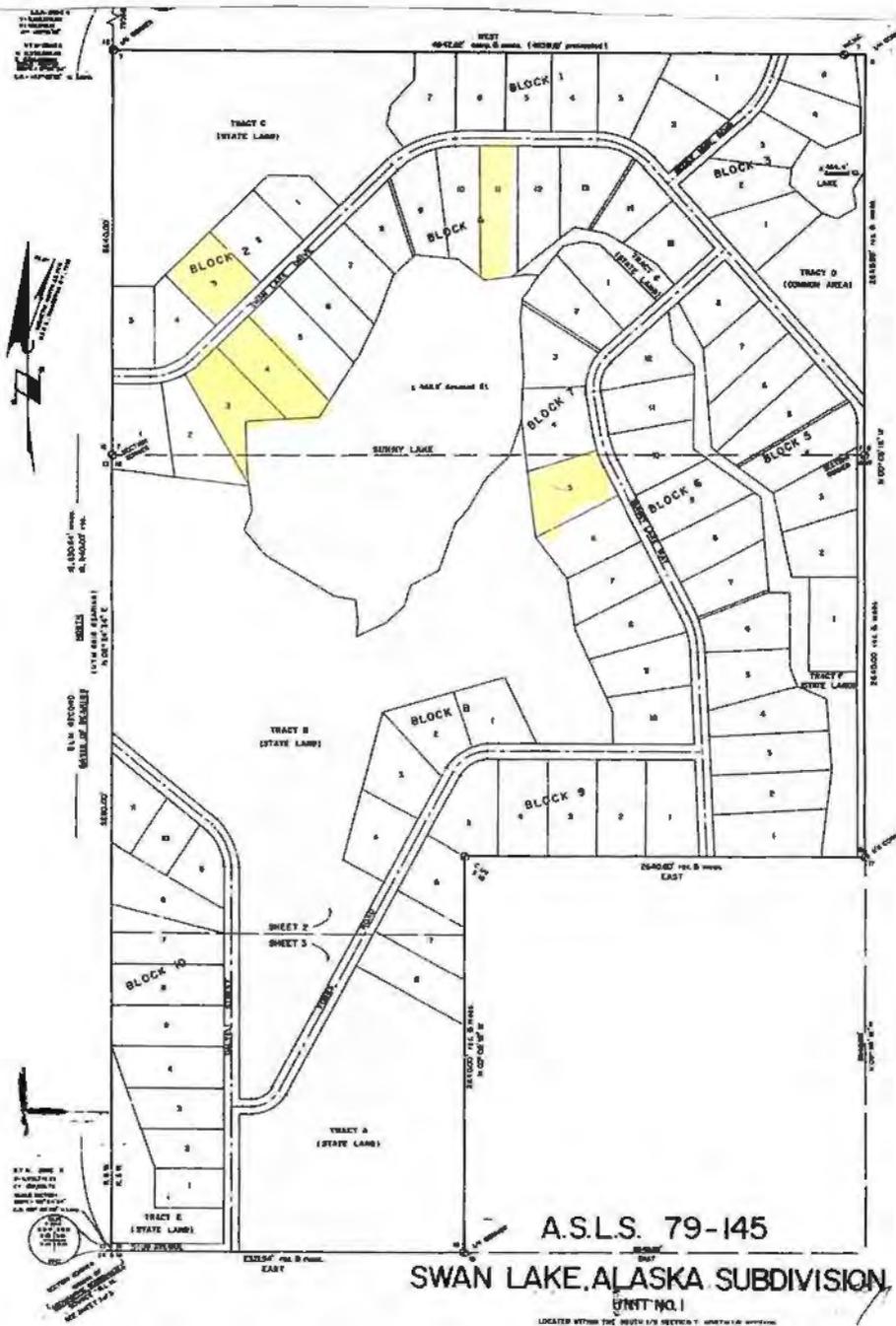
Unimproved trail leading to Lots 3, 4 and 5 in Blocks 2 and 4



Lot 5 of Block 7



**TOPOGRAPHIC MAP
(Swan Lake Subdivision)**



SWAN LAKE SUBDIVISION ASLS 79-145

HIGHEST AND BEST USE

The determination of highest and best use is one of the most fundamental and important parts of the appraisal process. An appraiser's estimate of highest and best use must be an economic use. A non-economic highest and best use, such as conservation preservation, or any other use that requires the property to be withheld from economic production in perpetuity, is not a valid use upon which to estimate market value.

Definition

The Appraisal of Real Estate, 12th Edition, defines highest and best use 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...*"

Four Tests

In determining the highest and best use of a property, many elements are considered. Potential uses must be analyzed in terms of legally permissible, physically possible, financially feasible and its degree of profitability. The use that meets the first three tests and is most profitable is its highest and best use. The four tests are applied in their corresponding order. In other words, the test of legal use must be met before the test of physically possible can be applied, and so forth.

Reasonably Probable Uses

A key element in the definition refers to "reasonably probable uses." Market value cannot be predicted upon uses that are not reasonable. Supply and demand observed in the market area indicates there are two possible *reasonably probable* uses – recreation or rural residential use.

DETERMINATION

Legally Permissible

The first test involves a determination of what uses are legally permissible. Existing leases, deed restrictions, zoning, building codes, historic controls and environmental regulations may all influence potential use and must be investigated by the appraiser.

The subject is not currently zoned. Therefore, any of the reasonably probable uses are legally permissible.

Physically Possible

Once the test of legally permissible use is completed, the test of physically possible uses must be addressed. The appraiser must determine what legally permitted uses of the property

being appraised are physically possible.

Access to the subject is rated as fair. Therefore, rural residential use is not physically possible on the subject. Recreation is not as dependent upon access as rural residential use. Therefore, this is the only use for the subject parcels. Thus, the highest and best use for the subject parcels is recreation.

APPROACH TO VALUE

There are three generally accepted approaches to value. The **income approach** is based on the capitalization of the net income produced. Conversion of economic benefits into value is the underlying premise of this approach. The basic formula for deriving a capitalization rate from a sale is: $R_o = I / V$ (R_o is an overall capitalization rate, I is net income, and V is the selling price).

The **cost approach** is based on the premise that the value of the subject can be indicated by the cost of reconstructing improvements, less applicable depreciation plus the value of the land and entrepreneurial profit. The cost approach embodies a market derived depreciation rate.

The **sales comparison approach** analyzes sales of similar properties and is premised on the principle of substitution. The sales comparison concept of market value depends on the number of sales, actual sales comparable to the subject and sale terms.

Conclusion

The subject lots are vacant (unimproved). Using the cost approach would duplicate the sales comparison approach. Therefore, this approach is not used. The subject lots are not income producing properties. Vacant properties typically are not purchased based on income producing capacity. Deriving market-based capitalization rates from the comparable sales is difficult. Therefore, this approach will not be used. The sales comparison approach is used to estimate the value of the subject parcels. This approach is the most accepted approach to value for vacant tracts like the subject.