

MARKET VALUE APPRAISAL

Of

27 PARCELS OF LAND

**LOCATED ON OR NEAR THE PARKS HIGHWAY CORRODOR
BETWEEN WINDY PASS AND THE COMMUNITY OF NENANA**

**And
in**

**STATE SUBDIVISIONS NORTH AND WEST OF FAIRBANKS
WITHIN THE FAIRBANKS NORTH STAR BOROUGH,
ALASKA**

DNR Contract #: 2005-02

for

**STATE of ALASKA
Division of Mining Land and Water
Department of Natural Resources
550 West Seventh Avenue suite 650
Anchorage, Alaska 99501-3576**

By

**Chris Guinn, MAI, SRA, & Ivar Halvarson
600 University Ave., Suite 100
Fairbanks, Ak. 99709
Ph: 479-7603/Fax: 479-8237
e-mail: chrisguinn@alaska.com**



A. SUMMARY OF APPRAISAL NO. 3401

1. ADL NO(S): Various
2. SIZE: 2.74 to 39.03 acres
3. APPLICANT: Various
4. LOCATION: Parks Hwy Corridor near Healy and various subdivisions north and west of Fairbanks, Alaska
5. LEGAL DESCRIPTION(S): See A.11
6. INTEREST APPRAISED: Fee Simple less mineral rights
7. PURPOSE OF THE APPRAISAL: To estimate market value for a sealed bid auction and to update over-the-counter parcels.
8. APPRAISED BY: Street, Guinn Real Estate Appraisers
9. DATE of REPORT: November 20, 2005
10. DATE of VALUE(S): October 18, 2005
11. APPRAISED VALUE(S): See below

ADL	LOT	BLOCK	SUBDIVISION	ACRES	SURVEY	VALUE
409782	5	1	Farmview S/D	20.41	ASLS 82-123	\$20,400
409789	2	2	Farmview S/D	18.05	ASLS 82-123	\$18,000
409790	1	3	Farmview S/D	19.57	ASLS 82-123	\$19,600
409791	2	3	Farmview S/D	20.41	ASLS 82-123	\$20,400
409792	3	3	Farmview S/D	17.95	ASLS 82-123	\$17,900
407055	2	G	Nenana South S/D	4.98	ASLS 80-106	\$14,900
407056	3	G	Nenana South S/D	4.98	ASLS 80-106	\$14,900
407057	4	G	Nenana South S/D	4.80	ASLS 80-106	\$14,400
407058	1	I	Nenana South S/D	4.13	ASLS 80-106	\$12,400
407059	2	I	Nenana South S/D	4.13	ASLS 80-106	\$12,400
406777	9	J	Nenana South S/D	2.74	ASLS 80-106	\$7,800
406780	2	K	Nenana South S/D	3.56	ASLS 80-106	\$9,600
406781	3	K	Nenana South S/D	3.014	ASLS 80-106	\$9,100
407006	9	K	Nenana South S/D	3.740	ASLS 80-106	\$9,000
407007	10	K	Nenana South S/D	3.940	ASLS 80-106	\$9,500
409278	29	1	Hayes Creek S/D	5.000	ASLS 81-20	\$5,000
409279	30	1	Hayes Creek S/D	5.000	ASLS 81-20	\$5,000
409269	20	1	Hayes Creek S/D	5.023	ASLS 81-20	\$5,000
409313	20	3	Hayes Creek S/D	5.000	ASLS 81-20	\$5,000
414222	D		Clear Sky Homestead	39.03	ASLS 91-63	\$12,700
414469	A		Bear Creek Remote	18.639	ASLS 95-57	\$22,400
405593	1	15	Panguingue Creek	11.050	ASLS 79-168	\$9,900
406218	2	15	Windy Hills	4.979	ASLS 79-173	\$4,000
408207	5	3	Desperation	5.000	ASLS 81-1	\$2,500



408405	4	7	Haystack Extension	4.980	ASLS 80-163	\$11,500
407285	12	5	Olnes East	4.977	ASLS 80-178	\$7,000
410409	A		Any Creek Remote	26.750	ASLS 93-144	\$22,700

B. SUMMARY OF REVIEW

- DATE of REVIEW: December 27, 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 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.

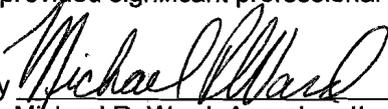


REVIEW APPRAISER'S CERTIFICATION APPRAISAL NO. 3401

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

12/27/2005

cc: Tammas Brown
Dorothy Melambianakis
Jeanne Proulx

Street, Guinn & Associates

November 20, 2005

Mike Ward, Appraiser II
Dept. of Natural Resources
Div. of Technical Data Mgt.
550 W. 7th Ave., Suite 650
Anchorage, Ak. 99501-3576

Re: ASPS # 10-05-076/DNR Contract #: 2005-02
27 Parcels Near Fairbanks and Nenana, Alaska. Our File: C05-0829C

Dear Mr. Ward:

Per the above referenced contract, we have completed the evaluation necessary to estimate the market value of 27 parcels located near Fairbanks and Nenana, Alaska.

The accompanying report sets forth the most pertinent data gathered, the techniques used and the reasoning leading to our opinion. The Certification on following this transmittal letter is an integral part of both this letter and the appraisal which follows.

As of October 18, 2005, our estimated market value is:

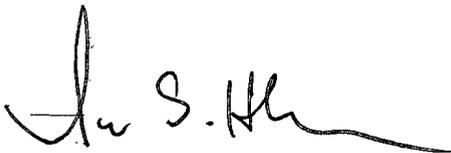
Estimated Market Values

ADL 409782	Lot 5, Blk 1 Farmview Subdivision-	\$ 20,400
ADL 409789	Lot 2, Blk 2 Farmview Subdivision-	\$ 18,000
ADL 409790	Lot 1, Blk 3 Farmview Subdivision-	\$ 19,600
ADL 409791	Lot 2, Blk 3 Farmview Subdivision-	\$ 20,400
ADL 409792	Lot 3, Blk 3 Farmview Subdivision-	\$ 17,900
ADL 407056	Lot 2, Blk G Nenana South	\$ 14,900
ADL 407057	Lot 3, Blk G Nenana South	\$ 14,900
ADL 406057	Lot 4, Blk G Nenana South	\$ 14,400
ADL 407058	Lot 1, Blk I Nenana South	\$ 12,400
ADL 407059	Lot 2, Blk I Nenana South	\$ 12,400
ADL 406777	Lot 9, Blk J Nenana South	\$ 7,800

ADL 406780	Lot 2, Blk K Nenana South	\$ 9,600
ADL 406781	Lot 3, Blk K Nenana South	\$ 9,100
ADL 406006	Lot 9, Blk K Nenana South	\$ 9,000
ADL 406007	Lot 10, Blk K Nenana South	\$ 9,500
ADL 409278	Lot 29, Blk 1 Hayes Creek	\$ 5,000
ADL 409279	Lot 30, Blk 1 Hayes Creek	\$ 5,000
ADL 409269	Lot 20, Blk 1 Hayes Creek	\$ 5,000
ADL 409313	Lot 20, Blk 3 Hayes Creek	\$ 5,000
ADL 414222	Tract D, Clear Sky Homestead	\$ 12,700
ADL 414469	Tract A, Bear Creek Remote	\$ 22,400
ADL 405593	Lot 1, Blk 15 Panguingue Creek	\$ 9,900
ADL 406218	Lot 2, Blk 15 Windy Hills	\$ 4,000
ADL 408207	Lot 5, Blk 3 Desperation	\$ 2,500
ADL 408405	Lot 4, Blk 7 Haystack Extension	\$ 11,500
ADL 407285	Lot 12, Blk 5 Olnes East	\$ 7,000
ADL 410409	Tract A, Any Creek Remote	\$ 22,700

If you have any questions regarding this appraisal, we are available at your convenience.

Sincerely,



Ivar Halvarson
Associate Appraiser



Chris Guinn, MAI, SRA
Appraiser, Cert. # Ak-40

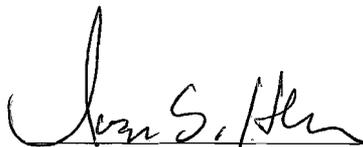
CERTIFICATION OF THE APPRAISER

CERTIFICATION: The Appraisers certify and agree that:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal unbiased professional analyses, opinions, and conclusions.
3. The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
4. The Appraisers have no personal interest in or bias with respect to the subject matter of the appraisal report or the participants to the sale. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
5. Ivar Halvarson has personally inspected the property. To the best of the Appraiser's knowledge and belief, all statements and information in this report are true and correct, and the Appraisers have not knowingly withheld any significant information.
6. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions, and conclusions contained in this report).
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraisers whose signatures appear on the appraisal report, unless indicated as "Review Appraiser". No change of any item in the appraisal report shall be made by anyone other than the Appraisers, and the Appraisers shall have no responsibility for any such unauthorized change.
9. No one provided significant professional assistance to the person(s) signing this report. Chris Guinn, MAI, SRA, SR/WA and Ivar Halvarson are qualified and competent to perform the assignment. The appraisal is the work product of both appraisers
10. The appraisal conforms to the USPAP standard and FIRREA.
11. As of the date of this report, I (Chris Guinn) have completed the requirements of the continuing education program of the Appraisal Institute.
12. Ivar Halvarson contributed significant aspects of the report. However, he was not involved in the valuation of the parcels within the Fairbanks North Star Borough.
13. Chris Guinn holds a General Certification from the State of Alaska (AK-40). Ivar Halvarson is not certified by the State of Alaska.



Chris Guinn, MAI, SRA



Ivar S. Halvarson,

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Addenda

Market Data Map
Comparable Sales Data (1-33)
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GU-1 and RE-4 Zoning Regulations

APPRAISAL SUMMARY

Purpose: To estimate current market value

Function: Establish minimum bid for sale

Authority: AS 38.05.055

Location: Within the Parks Highway Corridor
between Windy Pass and the community
of Nenana, and Various parcels within the
State Subdivisions North and West of
Fairbanks

Total Parcels: 27 Parcels

Size: 2.74 to 39.03 Acres

Legal Descriptions: Various

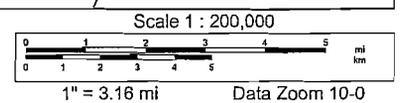
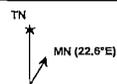
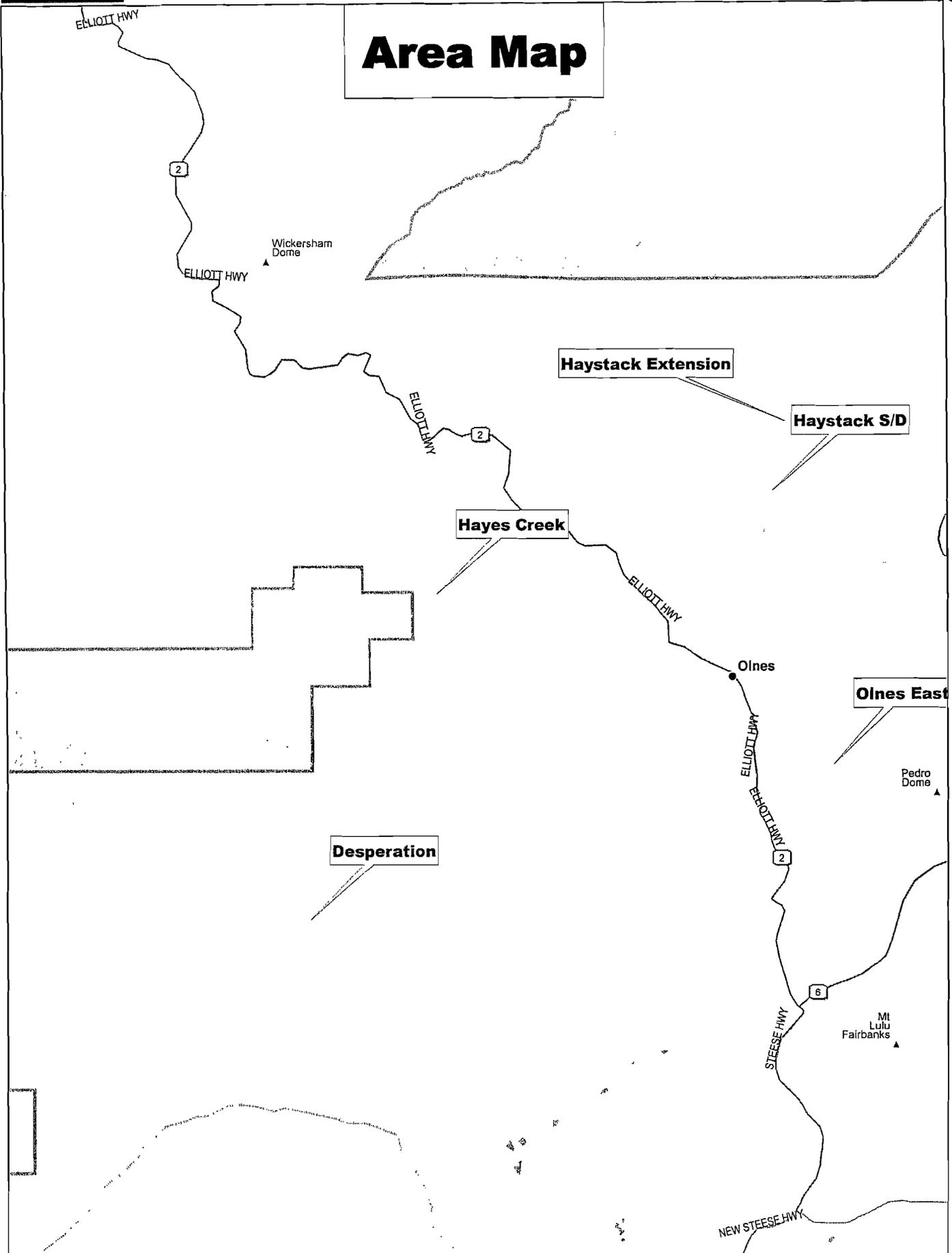
Current Use: Vacant

Highest & Best Use: Rural Residential & Recreational

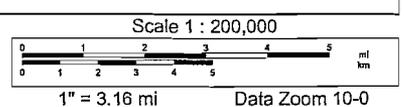
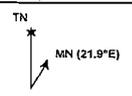
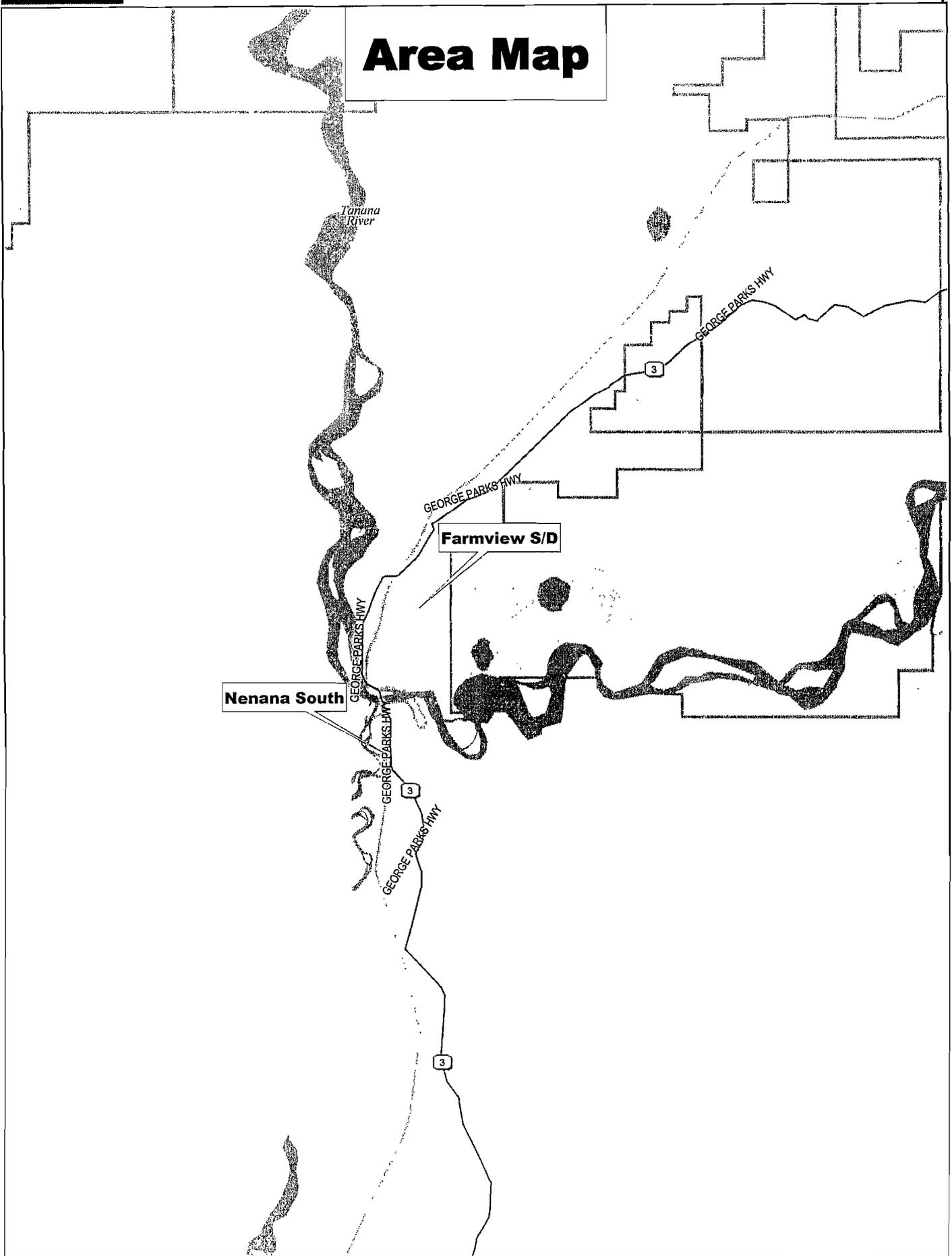
ASSUMPTIONS AND LIMITING CONDITIONS

1. The property is appraised "as is", vacant land with or without structural or site improvements.
2. Some parcels may contain saw timber but not necessarily in commercial quantities. The estimated market value does not include the value of commercial timber if any.
3. The data and conclusions embodied in this report are a part of the whole valuation. Any part of this appraisal used out of its context, and by itself alone may not be accurate of basing a value estimate.
4. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question, unless prior arrangement has been made and adequate time is provided to review the appraisal.
5. The estimate of value in this report is not based on whole or part upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
6. In the process of this valuation various mathematical calculations were used in formulating the final opinion of the value estimate. Therefore, in the application of these calculations, certain arithmetical figures were rounded only to the nearest significant amount.
7. The information furnished by others is believed to be reliable but is not warranted for its accuracy. The plot plans depicting the properties area in this report are included for illustrative purposes for the reader to visualize the property.
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 such conditions, or for arranging engineering studies to discover them.
9. Unless otherwise stated in this report, the appraiser does not know the existence of hazardous material or toxic substances, which may or may not be present on the property. The appraiser, however, is not qualified to detect such substances. No responsibility is assumed for any such condition or for any expertise or engineering knowledge required in discovering them.

Area Map

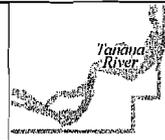


Area Map



Nenana S

Area Map



Nenana River

Clear Sky

Person Clear

Windy Hills

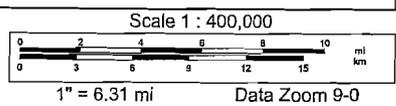
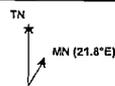
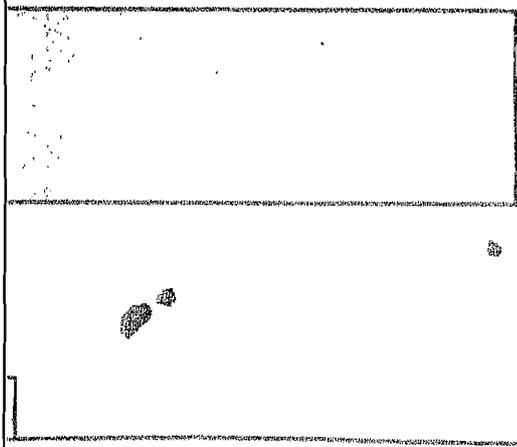
Bear Creek

Rex Dome

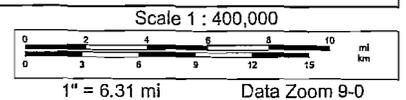
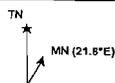
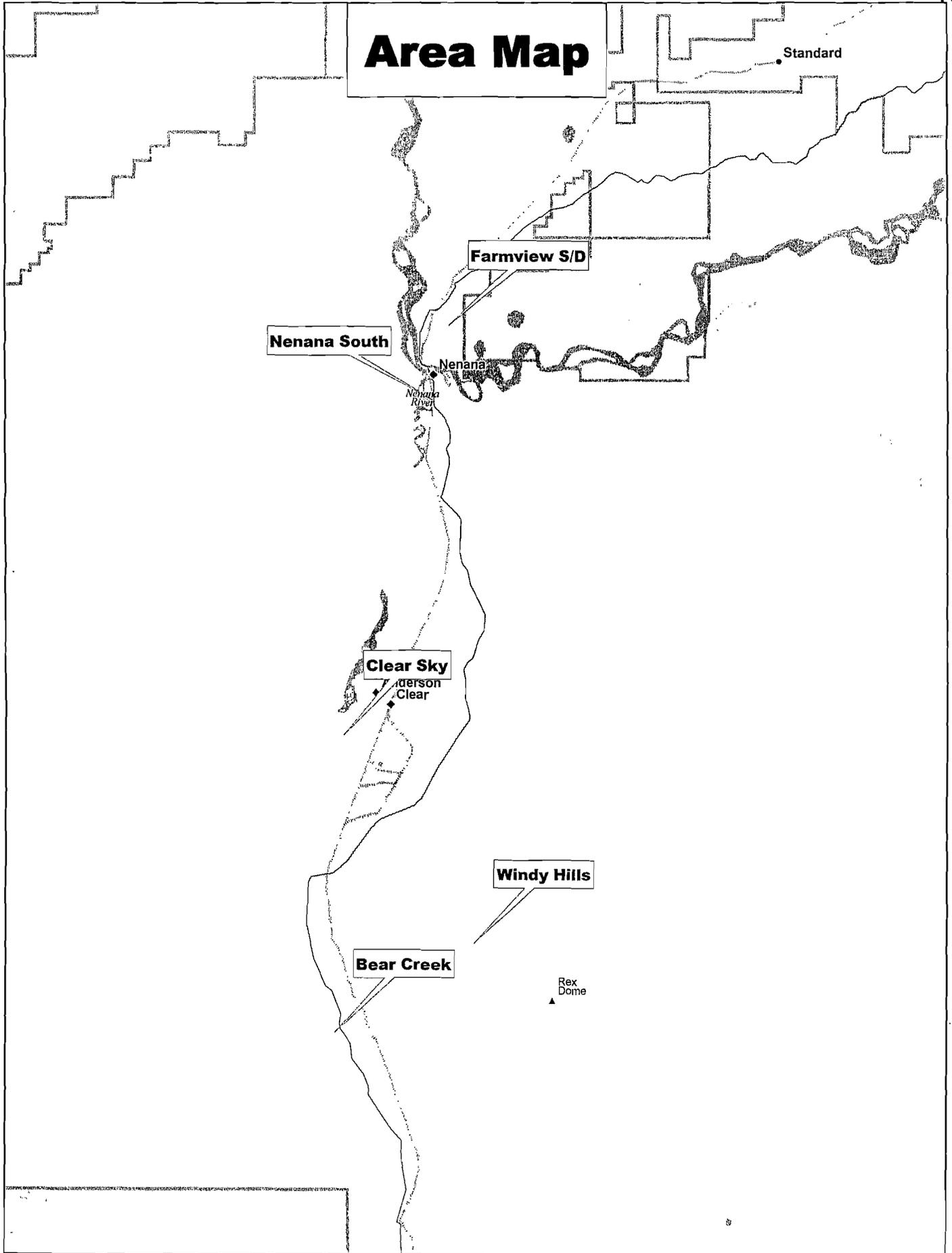
Panguingue Creek

Mt Lathrop

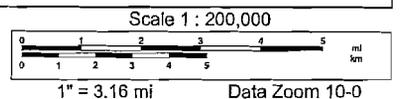
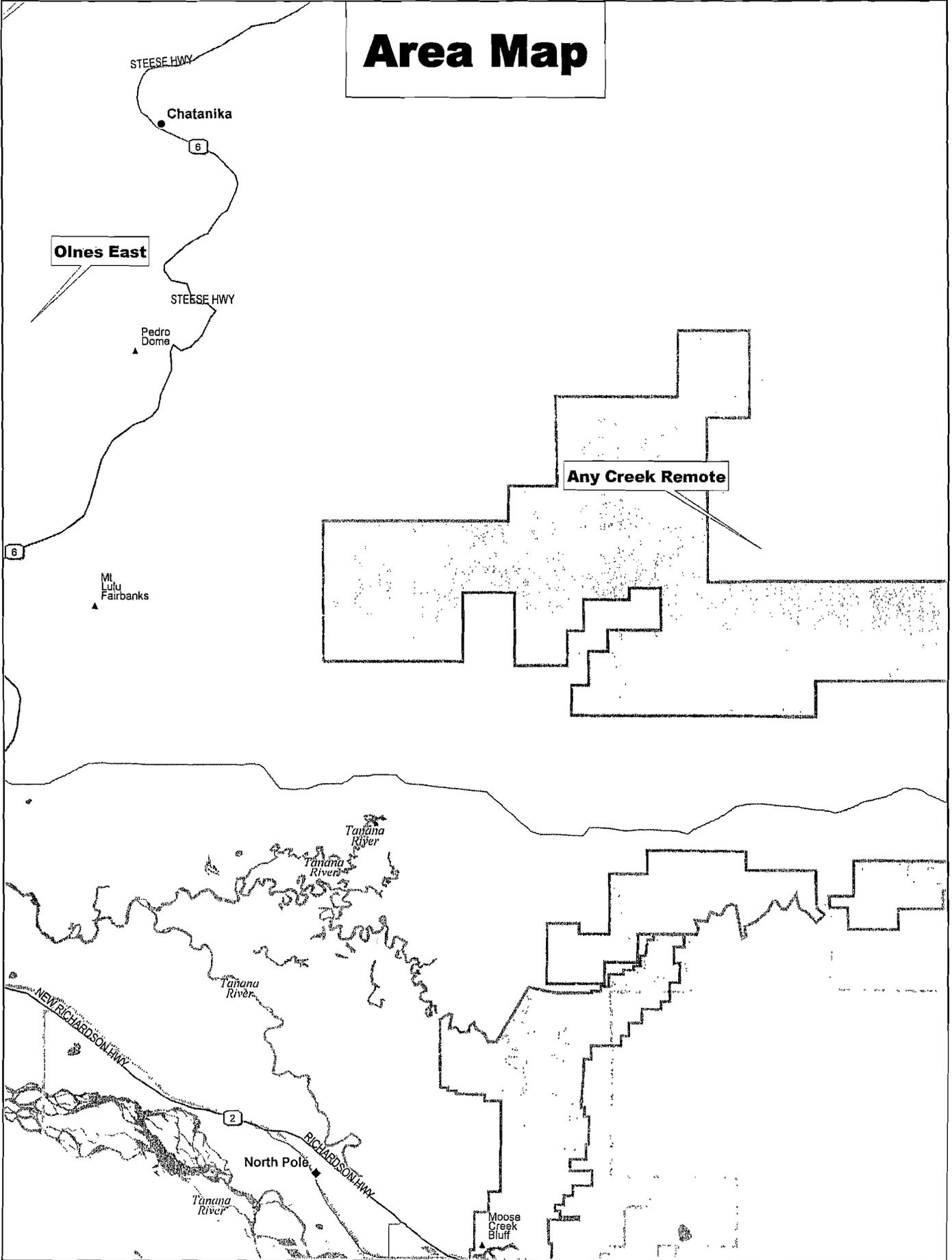
Healy



Area Map



Area Map



PART ONE- PREMISE OF THE APPRAISAL

TYPE OF APPRAIASL AND REORT

This is a complete, summary appraisal prepared in accordance with Rules 1 and 2 of the Uniform standards Of Professional Appraisal Practice, Appraisal Foundation, and Special Appraisal Instructions, DNR Land Disposal, Calendar year 2005.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate current market values of the properties described in this report for marketing purposes.

INTENDED USE OF THE APPRAISAL

This appraisal will be used to establish the minimum price for a bid auction, and will be used by the general public for guidance in determination of actual bid prices.

CLIENT AND USER IDENTITY

This appraisal is prepared for the State of Alaska, Department of Natural Resources-Division of Mining, Land and Water. The State of Alaska employees and the public will use this report.

PROPERTY RIGHTS APPRAISED

The rights appraised consist of fee simple estate less the 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 government powers of taxation, eminent domain, police power and escheat”

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: “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 ever name, kind or description, and which 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 to the complete enjoyment of the property and rights hereby expressly reserved”

DEFINITION OF MARKET VALUE

The most probable price, as of specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms for which the specified property rights should sell after a 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. (source: The Appraisal of Real Estate, Eleventh Edition, Appraisal Institute

In accordance with instructions from the State of Alaska, market value for the appraised property is estimated in terms of typical financing for the property type as of the date of appraisal.

EFFECTIVE DATE OF APPRAISAL

The effective date of this appraisal is October 18, 2005

SCOPE OF THE APPRAISAL

The properties were inspected in the field on September 22, October 16, October 18, and November 6, 2005. Physical features, accessibility, and utilities available to the lots were viewed and identified in the field. Topographic maps were examined for further details.

The records of the State of Alaska, Department of Natural Resources were searched for recent sales of similar lots. Interviews of realtors, appraisers, and other individuals provided data about trends in values, supply and demand. Sellers and buyers were also contacted to verify sales prices and other transaction details.

After analysis of all available data, appropriate sales were selected for comparison with a key parcel of the subject properties being appraised when appropriate. In the case where there is only a single subject property in a given subdivision or distinct geographic area, the key parcel approach was viewed inappropriate and a direct sales comparison approach was used. The Market value estimate is based on the following assumptions and conditions.

PART TWO- PRESENTATION OF DATA

PROPERTY IDENTIFICATION

The following table contains vacant land parcels located within or near the Parks Highway corridor north of Windy Pass, near the community of Nenana, and in various rural State Subdivisions north and west of the city of Fairbanks, Alaska.

	Subdivision	ASLS No.	# Lots	Date Inspected
A	Farmview	82-123	5	9/22/05 & 10/16/05
B	Nenana South	80-106	10	9/22/05 & 10/16/05
C	Hayes Creek	81-20	4	10/16/2005
D	Clear Sky Homestead	91-63	1	10/16/2005
E	Bear Creek Remote	95-57	1	10/16/2005
F	Panguingue Creek	79-168	1	9/22/05 & 10/16/05
G	Windy Hills	79-173	1	10/16/2005
H	Desperation	81-1	1	10/16/2005
I	Haystack Ext.	80-163	1	11/6/05
J	Olmes East	80-178	1	10/16/2005 & 11/6/05
K	Any Creek Remote	93-144	1	10/16/2005
			27	

INSPECTION & VALUATION

Site inspections were made on September 22nd, October 16th, October 18th and November 6th, 2005. In addition to the physical inspections, Alaska State Land Surveys and topographic maps were also reviewed.

Ivar Halvarson contributed significant aspects of the report. However, he was not involved in the valuation of the parcels within the Fairbanks North Star Borough.

PERSONAL PROPERTY

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

SITE IMPROVEMENTS

Based on our inspection only one of the subject parcels appeared to have any site improvements. That property was in the Lot 2, Block G, Nenana South Subdivision. The improvements include a small, unheated storage building, an outhouse, and a small wood shed. These improvements are

nominal in value and do not exceed \$500 in contributory value. The 2005 inspection photos of the improvements were not clear; however we have included a photo of these improvements from 2002.

NEIGHBORHOOD DESCRIPTIONS

Farmview Subdivision: Is located approximately 48 miles southwest of Fairbanks, and six miles north of the community of Nenana, along the Parks Highway. Nenana is a small community located at the confluence of the Nenana River and the Tanana River, 56 road miles south west of Fairbanks. The Farmview subdivision was developed by the State of Alaska in 1982. The subdivision is located on a steep hillside with a westerly aspect. A steep and rough single lane dirt road has been developed to access some of the inner subdivision lots, however it is not extended to any of the subject lots. At the time of inspection only one of the subdivisions 22 lots has been developed with a residential structure. Lots in the subdivision range from 14 acres to 48 acres in size. Ground cover is predominantly large stands of Paper Birch trees. Public power is available along the Parks Highway in this area, and was extended up along the subdivisions northern border in the fall of 2004. The Farmview Subdivision is located outside of the city limits of Nenana and is not located within an organized borough.

Nenana South Subdivision: The subject lots are located approximately 2 miles south of the Nenana core area, off the Parks Highway. Located within the Nenana City limits, most services are available including community police and fire, schools and shopping. The economy in Nenana has been very slow, and real estate values have been lower than comparable communities for many years. Lots in the subdivision range from 2.5 acres to nearly 5 acres in size. The topography in this area is predominantly level, with some lots less desirable than others due to wetter soils. Power and Telephone service is available in the area and has been extended to the subject subdivision. Community water and sewer are available in the city core area only, and is not available to the subject parcels. A State operated airport is located within one mile of the town, and the subject properties.

Hayes Creek Subdivision: Is located north of the Chatanika River, and approximately 24 miles northwest of Fairbanks, off the Elliott Highway. This is a remote recreational/residential area that is accessed via a four mile overland trail from the Himalaya Subdivision. Lot sizes average 5 acres, and many offer views of the surrounding valleys and distant hills to the north, south and west. The topography in this subdivision varies from gentle sloping hill top sites, to moderate sloping hillside lots. Located on a hill well above the valley floor, ground soils are not expected to be a significant problem for most typical construction methods. A forest fire burned through this subdivision back in the early to mid 1980's burning the predominantly Black Spruce ground cover. Since then, a mixture of Spruce, Birch and Aspen trees have sprouted up in the subdivision. Approximately 15% of the lots in the Hayes Creek Subdivision are improved with cabin structures. There are no public utilities available to this area, nor is there expected to be any in the foreseeable future. The nearest power is located approximately 8 miles to the east along the Elliott Highway corridor. This

subdivision is located within the Fairbanks North Star Borough and is zoned RE-4 (Rural Estate, 4 acre minimum).

Clear Sky Homestead: Lies seven miles west of the Parks Highway, and approximately 15 miles southwest of the community of Clear. This is a remote recreational/residential area that is located in the north foothills of the Alaska Range. The homestead area is made up of six tracts that range in size from 26 to 40 acres in size. Access to the Clear Sky Homestead area is from the Parks Highway along the Rex Trail. Access to the subject site is then overland along an unnamed creek that crosses the Rex Trail, and then a quarter mile up the hill side, along a section line easement. Being a remote location, no services or public utilities are available in the area. The closest services are located in the small community of Clear and the nearest power is located along the Parks Highway corridor. The subject site is located on moderately steep hillside, above the creek drainage, and has a good view of the drainage and surrounding area. This site is covered with a mixture of Black Spruce, Birch and Aspen trees, and its soils are expected to be adequate for most typical construction techniques. Clear Sky Homestead is located within the Denali Borough however, there are no real estate taxes levied or zoning restrictions.

Bear Creek Remote: Is located west of the Parks Highway in the north foothills of the Alaska Range, approximately 25 miles north of Healy, Alaska. This is a rural residential/recreational area that has just recently (2005) had community power available. The subject site is nearly 2 miles off the Parks Highway, and fronts Bear Creek which is a runoff drainage creek that flows through the Bear Creek stakings. Most lots in this area are over 15 acres in size, and are presently accessed by trail only. The topography in the area is gentle to moderate sloping with some parcels having gullies and steeper slopes towards the rear of the lots. The vegetation is predominantly Black Spruce along the creek, with deciduous trees more prevalent off the creek. According to officials with power co-op that serves the area, power is approximately 1,200' from the subject parcel. The nearest services are located in Healy. Bear Creek is located within the Denali Borough, but at this time no property taxes are levied.

Panguingue Creek Subdivision: Is located approximately 6 miles northwest of the Healy, Alaska. This subdivision was developed by the State, and at the time there was very little fee simple residential land in the immediate Healy area. Prior to the Panguingue Creek Subdivision most residential development in this area was limited to the Tri-Valley Subdivision, which was leased land owned by the State of Alaska. The topography of the subject site is mostly level, and is covered with mountain tundra and very few small shrub-like trees. Located in the foot hills of the Alaska Range, soils conditions should be adequate for most "typical" construction methods. Access to the subdivision is via Stampede Trail Road, then by gravel subdivision roads. Road access is platted to the subject site, but has not yet been developed (3/4 mile away) Power and telephone are available in the subdivision, and most lots are served, however these lines have not been extended to the subject site (approx. 3/4 mile away). Over the past 13 years, demand and supply forces in the area have put steady pressure on fee simple land values. At present time land values appear stable. The Panguingue Creek Subdivision is located within the Denali Borough. The Borough does not levy a property tax or have zoning laws.

Windy Hills: Is located three miles east of the Parks Highway in the north foothills of the Alaska Range. Windy Hills is a remote residential/recreational area that is accessible by trail only. The closest services are located 12 miles away at the Clear Sky Lodge on the Parks Highway. There are no public utilities available to the subdivision; however a Golden Valley Electric Association transmission line does run through the area. In the future, when permanent access is developed and demand dictates, it is anticipated that power could be made available. At the present time very little development has occurred in this subdivision. The topography is hilly and predominant vegetation is Black Spruce, with some Birch and Aspen. Being located in the hills, soils conditions are expected to be adequate for most typical construction methods. As the names depict, the Windy Hills area is known for its windy location, which results from weather conditions created by the Alaska Range. This subdivision is located within the Denali Borough. At present time the Borough does not levy a property tax.

Desperation Subdivision: is located in the rolling hills approximately 17 miles northwest of Fairbanks, and ¼ mile off Murphy Dome Road. This 55 lot subdivision was developed by the State of Alaska in 1981 and to this date remains relatively undeveloped with less than 5% build-up. This is a rural residential area that lacks power and land line phone service. Road access is platted to and within the subdivision, but has not yet been improved. The topography is hilly and the predominant vegetation is Black Spruce trees. Being located in the hills, soils conditions are expected to be adequate for most typical construction methods and the view potential is considered average. Lots in the subdivision are fairly uniform in shape topography and soils, and average 5 acres in size. This subdivision is located within the Fairbanks North Star Borough and is zoned RE-4 (Rural Estate, 4 acre minimum).

Haystack Extension Subdivision: Is located on Haystack Mountain, approximately 22 miles northwest of Fairbanks, off the Elliott Highway. This is a rural residential area that has just recently been connected to public power. Lot size's range from 4-10 acres, and many offer good views of the surrounding valleys and distant mountains to the south and east. Access to all parcels is via, two lane gravel roads. The topography varies from gentle sloping to steep sloping lots, while tree cover ranges from a mixture of Spruce, Birch and Aspen in the lower areas, to predominantly Black Spruce in the higher elevations. Despite its distance from most services, schools and employment centers, this subdivision has been very popular and has seen steady growth. Improvements range from cabins & mobile homes to modest single family residences. This subdivision is located within the Fairbanks North Star Borough and is zoned RE-4 (Rural Estate, 4 acre minimum).

Olnes East Subdivision: is located, approximately 14 miles northwest of Fairbanks, off the Elliott Highway. This is a rural residential area that has just recently received public power, however only a few lots in this subdivision have power readily available. Lot size's range from 4-10 acres, with some lots having good views of the surrounding valleys and distant mountains to the south, west and east. Dirt road access is available to the subject site as well as most of the lots in the subdivision. The topography varies from gentle sloping to steep sloping lots, while tree cover ranges from a mixture of Spruce, Birch and Aspen in the lower areas, to Black Spruce in the higher elevations.

This subdivision, though closer to Fairbanks, has not been as popular as the Haystack Subdivision to the north, which may be due to the lack of availability of power to all its lots and its inferior roads. Presently, the subject property is one mile away from the power grid, and until more development occurs within the subdivision, extending power to the property does not appear to be practical. Neighborhood buildup is estimated at less than 20%, with the improvements range from cabins to small owner built single family residences. This subdivision is located within the Fairbanks North Star Borough and is zoned RE-4 (Rural Estate, 4 acre minimum).

Any Creek Remote: is located in the rolling hills approximately 11 miles north of Fairbanks off Old Murphy Dome Road. Access to the site is along an un-maintained dirt trail which takes off from Old Murphy Dome Road over a mile away. The trail which winds down the hill to the valley floor appears to run along the subject east and south property lines, and was probably cleared to access the valley bottom by prospectors as small scale mining has taken place in the area. This is an undeveloped rural area that lacks all community utilities. The subject site is situated near the top of the hill with moderate slope and a westerly aspect. The subject site has a mixture of Black Spruce, Birch and Aspen trees, and being on the hill would be expected to have adequate soils for most building scenarios. This parcel is located within the Fairbanks North Star Borough and is zoned GU-1 (General Use).

DETAILED SITE DESCRIPTIONS

Descriptions of individual parcels are summarized in the valuation section of this report by subdivision.

PART THREE- DATA ANALYSIS AND CONCLUSION

Analysis of market behavior is essential to the concept of highest and best use. Market forces create market value, so the interaction between market forces and highest and best use is very important. When the purpose of an appraisal is to estimate market value, the highest and best use analysis identifies the most profitable and competitive use to which the property can be developed. Therefore, the highest and best use is a market driven concept that is fundamental to the valuation of a property.

EXPOSURE AND MARKETING TIME

All of the subject parcels are either considered rural residential or remote recreational. It has been the appraiser's opinion that the marketing times for these types of properties, if properly priced and with adequate exposure, can be expected to run as long as two years. This is evident, based on the large number of State, University of Alaska, and Mental Health Land Trust parcels that have been on the market for a great deal of time, in many cases over five years.

HIGHEST AND BEST USE

The highest and best use is defined as:

The reasonable, probable and legal use of a vacant or an improved property, which is physically possible, appropriately supported financially feasible, and results in the highest value.

The highest and best use of a site must meet a test of four criteria. The highest and best use of a property must be:

- Legally permissible
- Physically possible
- Financially feasible, and
- Maximally productive

The value of land is generally estimated as though vacant and available for development to its highest and best use, and that the appraisal of improvements is based on their actual contribution to the land.

HIGHEST AND BEST USE OF THE SITE AS VACANT

Legally Permissible- The lots in Hayes Creek, Desperation, Haystack Extension, Olmes and Any Creek Remote Subdivision are located within the Fairbanks North Star Borough, and as such are subject to Borough Zoning laws. With the exception of the parcel in the Any Creek Remote disposal, the lots in the other four disposals require a 4 acre minimum size, which would prohibit further subdividing. As these parcels are located in the "out lying areas" where larger parcels are typically preferred, the zoning restrictions are not considered a constraint to development to the highest and best use. For the parcels located outside of the Fairbanks North Star Borough, there are no local zoning laws limiting the development of any of the subject parcels for most probable uses. Development of any of the subject sites requiring well and septic systems must comply with

requirements to the Department of Environmental Conservation. It is the appraiser's opinion, the subject sites could be developed for almost any practical, legal use.

Physically Possible- The subject tracts have adequate size and physical characteristics to support all reasonable and probable uses. The surrounding land use in all of the subject subdivisions or areas is primarily for rural residential or recreational development. Six of the eleven subject areas have platted public access roads, however, only five (Farmview, Nenana South, Panguingue Creek Haystack & Olnes East) are presently improved, while road access to the Desperation Subdivision is unimproved. Access to the other five subject subdivisions/areas (Clear Sky Homestead, Bear Creek Homestead, Hayes Creek, Windy Hills and Any Creek Remote) is limited to overland trail access only. Electric power and telephone are available to the five subdivisions that have improved road access, and has just recently been extended into the Bear Creek Remote area. The potential for power and phone in the other areas does not appear to be practical at this time or in the near future.

Financially Feasible- Surrounding land uses within and around the geographic areas of the subject properties are strictly rural residential or remote recreational in nature. Under current market conditions, the sites would be attractive most likely for residential or recreational development.

Maximally Productive- Maximum return to the owner would be realized from the proceeds of a sale. Based on the foregoing analysis, the highest & best, and maximally productive use of the subject parcels would be for development as residential or recreational properties.

Highest and Best Use as Improved- None of the lots appear to be improved, with the exception of Lot 2, Block G, Nenana South Subdivision. As the improvements on this lot offer minimal contributory value, we believe they do not significantly affect the market value of the property in any way.