

**AN APPRAISAL OF
26 RESIDENTIAL LOTS
LOCATED IN THE
WASILLA AND TALKEETNA AREAS
FOR THE 2006 LAND DISPOSAL**

FOR

Mr. Michael R. Ward, Appraiser II, Appraisal Unit
State of Alaska Department of Natural Resources
Division of Mining, Land and Water
550 West Seventh Avenue, Suite 650
Anchorage, Alaska 99501-3576

VALUATION DATE

December 13, 2005

BY

Brian W. Dunagan
Real Estate Appraiser

AFFILIATED APPRAISERS OF ALASKA

501 W. NORTHERN LIGHTS BOULEVARD, SUITE 201
ANCHORAGE, ALASKA 99503

OUR FILE NO. BWD 05-362

December 15, 2005

Mr. Michael R. Ward, Appraiser II, Appraisal Unit

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

RE: 2006 Land Disposal MSB Wasilla Appraisals
ASPS 10-06-011
DNR Contract No. 2005-08
Our File No. BWD 05-362

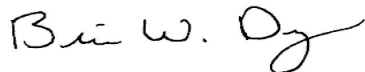
Dear Mr. Ward,

As requested, the above referenced lots and tracts of land have been inspected for the purpose of estimating their fee simple market values, less mineral rights reserved under AS 38.05.125(a).

Located within this report are descriptive information, valuation data, analyses and conclusions used in valuing these properties. Values are based on current market conditions and surveys. The values found herein are subject to the Contingent and Limiting Conditions found in the report.

I hope you find the details of these appraisals relevant to your decisions regarding the subject properties. If you have any questions, please call.

Sincerely,



Brian W. Dunagan
Real Estate Appraiser
AK-510

bwd

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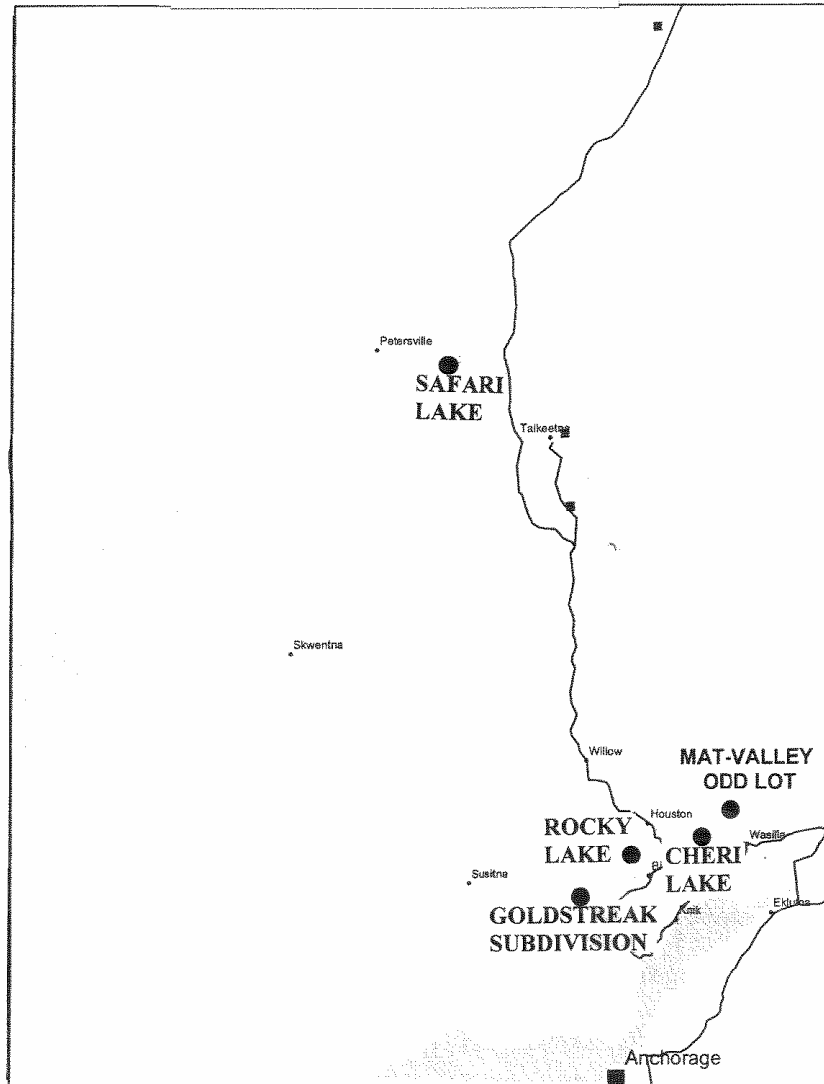
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APPRAISAL SUMMARY

Purpose	To estimate current market value for “land disposal program”
Function	Establish market value for minimum bid for sale
Authority	AS 38.05.125(a)
Location	In the vicinity of Matanuska Susitna Borough, Alaska
Total Parcels	26 parcels
Size	.602 – 15 acres
Legal Description	Please see pages: 16, 26, 33, 40 & 46
Current Use	Vacant
Highest and Best Use	Recreational
Estimated Market Value	Please see pages 25, 32, 40, 45 & 50



PART TWO -- PREMISES OF THE APPRAISAL

TYPE OF APPRAISAL AND REPORT

This is a complete, summary appraisal prepared in accordance with Standards Rules 1 and 2 of the Uniform Standards of Professional Appraisal Practice, Appraisal Foundation, and Special Appraisal Instructions DNR Land Disposal, Calendar Year, 2006.

PURPOSE OF THE APPRAISAL

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

INTENDED USE OF THE APPRAISAL

This appraisal will be used to establish the market value for the 2006 land disposal program 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 appraisal.

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 governmental power 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 every 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 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 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 selfinterest, and assuming that neither is under undue duress.

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 VALUE ESTIMATE

The effective dates of value estimates are as follows:

<u>Subdivision</u>	<u>Effective Date of Value</u>
Safari Lake	12/13/05
Goldstreak	10/28/05
Mat Valley Odd Lot	11/29/05
Rocky Lake	11/29/05
Cheri Lake Alaska	11/29/05

SCOPE OF THE APPRAISAL

The subject properties were inspected in the field and by air on the dates of the value estimates.

Physical features, accessibility, and utilities available to the lots were viewed and identified in the field and from the air. Topographic maps, status plats and aerial photographs 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 with realtors, appraisers, and other individuals provided data about trends in values, supply and demand. Sellers and buyers were contacted to verify sale prices and other transaction details.

After analysis of all available data, appropriate sales were selected for comparison of the subject properties being appraised. The market value estimate is based on the following assumptions and conditions.

ASSUMPTIONS AND LIMITING CONDITIONS

1. The properties are appraised "as is."
2. The data and conclusions embodied in this report are a part of the whole valuations. Any part of these appraisals used out of context, may not be accurate for basing value estimates.

3. The appraiser, by reason of these appraisals, 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 appraisals.
4. The estimates of values in this report are 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.
5. In the process of these valuations various mathematical calculations were used in formulating the final estimates of value. Therefore, in the application of these calculations, certain arithmetical figures were rounded to the nearest significant amounts.
6. The information furnished by others is believed to be reliable but are not warranted for accuracy. The plot plans in this report are included for illustrative purposes for the reader to visualize the properties.
7. It is assumed that there are no hidden or apparent conditions of the properties, subsoils, or structures that render them more or less valuable. No responsibility is assumed for such conditions, or for arranging engineering studies to discover them.
8. Unless otherwise stated in this report, the appraiser does not know the existence of hazardous materials or toxic substances, which may or may not be present on the properties. The appraiser, however, is not qualified to detect such substances. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required in discovering them.

PART THREE - PRESENTATION OF DATA

PROPERTY IDENTIFICATION

The following table contains vacant properties located in the Matanuska Susitna Borough that are subjects of this appraisal section. These lots are located within subdivisions, which have been recorded in the Matanuska-Susitna Borough.

No.	SUBDIVISION	SURVEY TYPE/NO.	LOT/BLOCK	MTR	DATE INSPECTE	ACRES	PARCEL VALUE
1	SAFARI LAKE	ASLS 80-188	7/3	S027N007W03	12/13/2005	5.000	\$ 6,700
2	SAFARI LAKE	ASLS 80-188	4 & 5/1	S027N007W03	12/13/2005	9.990	\$ 9,500
3	SAFARI LAKE	ASLS 80-188	6 & 7/1	S027N007W03	12/13/2005	9.990	\$10,000
4	SAFARI LAKE	ASLS 80-188	13&14/1	S027N007W03	12/13/2005	9.990	\$10,000
5	SAFARI LAKE	ASLS 80-188	1/5	S027N007W10	12/13/2005	5.000	\$ 6,700
6	SAFARI LAKE	ASLS 80-188	1&2/7	S027N007W16	12/13/2005	9.980	\$ 9,000
7	SAFARI LAKE	ASLS 80-188	3&4/7	S027N007W16	12/13/2005	9.990	\$ 9,500
8	SAFARI LAKE	ASLS 80-188	1,2&3/8	S027N007W09	12/13/2005	15.00	\$13,200
9	SAFARI LAKE	ASLS 80-188	4&5/8	S027N007W03	12/13/2005	10.00	\$10,000
10	SAFARI LAKE	ASLS 80-188	6&7/8	S027N007W03	12/13/2005	10.00	\$10,000
11	SAFARI LAKE	ASLS 80-188	8, 9&10/8	S027N007W03	12/13/2005	15.00	\$11,900
12	SAFARI LAKE	ASLS 80-188	11&12/8	S027N007W03	12/13/2005	10.00	\$10,000
13	SAFARI LAKE	ASLS 80-188	15&16/8	S027N007W03	12/13/2005	10.00	\$10,000
14	SAFARI LAKE	ASLS 80-188	17&18/ 8	S027N007W03	12/13/2005	10.00	\$10,000
15	SAFARI LAKE	ASLS 80-188	1,2 &3/9	S027N007W16	12/13/2005	15.00	\$12,500
16	SAFARI LAKE	ASLS 80-188	8&9/ 9	S027N007W16	12/13/2005	10.00	\$10,000
17	SAFARI LAKE	ASLS 80-188	1&2/ 3	S027N007W03	12/13/2005	9.990	\$ 10,000
18	SAFARI LAKE	ASLS 80-188	3, 4 &5/3	S027N007W03	12/13/2005	15.00	\$12,500
19	SAFARI LAKE	ASLS 80-188	6/3	S027N007W03	12/13/2005	5.000	\$ 6,700
20	SAFARI LAKE	ASLS 80-188	1&2/14	S027N007W04	12/13/2005	10.00	\$ 9,500
21	GOLDSTREAK	ASLS 79-156	16/2	S016N004W05	10/28/2005	1.010	\$ 6,500
22	GOLDSTREAK	ASLS 79-156	7/1	S016N004W05	10/28/2005	1.32	\$ 6,900
23	GOLDSTREAK	ASLS 79-156	8/1	S016N004W05	10/28/2005	1.32	\$ 6,900
24	MATT VALLEY ODD LOT	CADASTRAL	W2SE4NW4SW4	S018N001W20	11/29/2005	5.00	\$39,000
25	ROCKY LAKE	EPF 1-5	5/2	S017N003W16	11/29/2005	.602	\$ 6,400
26	CHERI LAKE ALASKA	EPF 23-15	6/9	S018N003W36	11/29/2005	1.075	\$17,000
	TOTAL 26					215.26	\$280,190

INSPECTIONS

Brian Dunagan of our Affiliation inspected the subject properties in Safari Lake Subdivision by air on December 13, 2005. He inspected Goldstreak Subdivision by foot on October 28, 2005. He inspected the subject properties in Mat Valley Odd Lot, Rocky Lake Subdivision, and Cheri Lake Alaska Subdivision on November 29, 2005. During each inspection he took notes as to each property's characteristics and neighborhood characteristics.

PERSONAL PROPERTIES

There are no personal properties of any positive values involved with the appraisals of these properties.

MATANUSKA AREA NEIGHBORHOOD PROFILE:

The following is from the Matanuska-Susitna Borough community database.

Community Overview

Current Population: 70,148 (2004 est. by State Demographer, DOL/WD)

Incorporation Type: 2nd Class Borough

Borough Located In: Matanuska-Susitna Borough

School District: Matanuska-Susitna Schools

Regional Native Corporation: Not Applicable

Location:

The Borough is comprised of the lush farmlands of the Matanuska and Susitna Valleys, approximately 42 miles northeast of Anchorage. It lies at approximately 61d 36m N Latitude, 149d 06m W Longitude. Matanuska-Susitna Borough is located in the Palmer, Anchorage, Talkeetna Recording District. The area encompasses 24,681.5 sq. miles of land and 578.3 sq. miles of water.

History:

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

Culture:

Low housing costs, the rural lifestyle, and a reasonable commute to Anchorage for employment and services has made the Mat-Su Borough one of the fastest growing areas of Alaska in recent years.

Economy:

The economy is diverse, and residents are employed in a variety of retail and other professional services, as well as city, borough, state and federal occupations. Many residents commute to Anchorage for employment. Anchorage residents in the valley own some recreational-use homes. 244 borough residents hold commercial fishing permits.

Facilities:

This information is available on a community basis. Communities located within the Borough include: Big Lake, Buffalo Soapstone, Butte, Chase, Chickaloon, Farm Loop, Fishhook, Gateway, Glacier View, Houston, Knik River, Knik-Fairview, Lake Louise, Lakes, Lazy Mountain, Meadow Lakes, Palmer, Petersville, Point Mackenzie, Skwentna, Susitna, Sutton-Alpine, Talkeetna, Tanaina, Trapper Creek, Wasilla, Willow and Yentna.

Transportation:

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

GENERAL PROPERTY DESCRIPTIONS

Location	26 individual parcels in 5 subdivisions within the Mat-Su Borough
Access	All parcels in the Safari Lake Subdivisions are remote and are accessed by ATV, plane or snowmobile. All parcels in Goldstreak, Mat Valley Odd Lot and Rocky Lake can be accessed by road. The parcel located in Cheri Lake Alaska Subdivision can be accessed by boat, ATV, walk, or snowmobile.
Size and Shape	.602 to 15 acres, all are irregular to rectangular shaped.
Topography	The parcels range from nearly level to steep.
Soils	Soils throughout widely vary from marshy muskeg swamp to well drained gravelly based, suitable for forestry and construction.
Vegetation	Varies from spruce, birch, and alder to open grassy swamp areas.
Utilities	None of the subject properties in Safari Lake or Cheri Lake have electric or phone in the area. The subject parcels in Goldstreak, Mat Valley Odd Lot and Rocky Lake all have utilities available.
Water and Sewer	No public water or sewer systems available.
Easements	No adverse easements are known to exist. Most are typical utility and section line easements.
Environmental Hazards	There were no environmental hazards noted on the properties.
Zoning Regulations	There is no zoning.
Hazardous Waste & Toxic Materials	There were no environmental hazards noted on the properties.
Tax Assessments	Mat-Su Borough
Ownership History	Current records indicate that the parcels are owned by the State of Alaska. Some may have been purchased at public auctions but have since been relinquished.
Adjacent Land Use	Vacant to seasonal, recreational to year round homesites.

FOUR - DATA ANALYSIS AND CONCLUSION

Analysis of market behavior is essential to the concept of highest and best use. As market forces create market value, the analysis of 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 best use is a market driven concept that is fundamental to the valuation of a property.

HIGHEST AND BEST USE

The highest and best use is defined as:

The reasonably probable and legal use of vacant land 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 the appraisal of improvements is based on their actual contribution to the land.

HIGHEST AND BEST USE AS VACANT

Legally Permissible There are no local zoning laws limiting the development of these parcels for almost any financially feasible uses. Development of these sites require well and septic systems that must comply with requirements of the Department of Environmental Conservation. Therefore, almost any legal use of the sites would be possible.

Physically Possible The subject tracts have adequate size and physical characteristics to support all reasonable and probable uses. Surrounding land use is primarily for residential or recreational development. Most of the remote subdivisions in the Matanuska-Susitna Borough area are accessible by plane, snowmobile, ATV or boat. Electric power and telephone lines would not be feasible to extend to these properties.

Financially Feasible Under current market conditions, the sites with road access would be most attractive for rural residential development. Remote sites would most likely be attractive for recreational development or anticipation of future road access.

MAT VALLEY ODD LOT NEIGHBORHOOD ANALYSIS

Mat Valley Odd Lot is located about 4 miles northwest of Wasilla just off of Church road. Access to this parcel is by going north on Church Road from the Parks Highway for about 3.5 miles to That Road, which is a small gravel road. The property is on the south side of That Road.

This neighborhood is generally well kept with average to above average homes. The topography in this area is generally level to small rolling hills. Soils are reportedly good gravelly based and suitable for construction. Utilities are available and are located on That Road.

Legal Description

The legal description of the lot being appraised is as follows:

<u>ADL</u>	<u>Subdivision</u>	<u>Legal</u>	<u>MTRS</u>	<u>Area (Acres)</u>
216306	Mat Valley Odd Lot	W2SE4NW4SW4	S018N001W20	5.00

DESCRIPTION OF PROPERTY

This a 5 acre parcel located on That Road, which is a local neighborhood gravel road. The subject property runs parallel to the subject’s northern boundary. There is a large gravel and dirt berm where the property fronts That Road. It is heavily treed with mostly spruce, birch and underbrush. There are several good building sites.

There is a large dirt berm bordering the north side of the subject that also parallels the south side of That Road.

On the south side of the large berm the topography is slightly above road grade. It is level in areas and also has rolling hills. Most of the parcel is usable. The soils are assumed to be well drained and suitable for construction.

Assessed value and Real Estate Taxes

There is no assessed value for the subject parcel as the State of Alaska is the owner and is not taxed. The subject’s parcel Tax ID Number is 18N01W20C029.

Location Map



PHOTOGRAPHIC SHEET

TAKEN BY: B.W. Dunagan

DATE TAKEN: November 29, 2005



View south towards subject.



View easterly, street scene, That Road.

PHOTOGRAPHIC SHEET

TAKEN BY: B.W. Dunagan

DATE TAKEN: November 29, 2005



View northerly taken from near the southwest corner of the property.



Interior view, taken near the southern property boundary.