

MARKET VALUE APPRAISAL

Of

**Copper River Valley Parcels
For 2009 Land Auction**



APPRAISAL REPORT No. 3512

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

**A. SUMMARY OF APPRAISAL NO. 3512**

1. ADL NO(S): See table below
2. SIZE: Various, as noted in table
3. APPLICANT: N/A
4. LOCATION: Various locations in the Copper River Valley, Alaska
5. LEGAL DESCRIPTION(S): Various surveys and specific lot and block as noted in table
6. INTEREST APPRAISED: Fee Simple Title less Mineral Rights
7. PURPOSE OF THE APPRAISAL: Estimate Market Value
8. APPRAISED BY: Brandon Simpson
9. DATE of REPORT: November 7, 2008
10. DATE of VALUE(S): June 15, 2008
11. APPRAISED VALUE(S):

Subdivision	ADL	Legal Description	Size(acres)	Value(RND)
Crosswind Lake	229483	Tract 9, ASLS 2005-25	5.00	\$18,800
Glennallen Odd Lot	62559	SE4 NE4 NW4 SEC. 29, T4N, R2W, C.R.M.	10.00	\$11,000
Loon Lake	217851	Tract A, ASLS 2003-09	3.24	\$15,200
Loon Lake	219914	Tract B, ASLS 2003-09	7.99	\$29,500
Loon Lake	228678	Tract F, ASLS 2003-09	9.77	\$29,400
Loon Lake	228679	Tract D, ASLS 2003-09	9.76	\$29,400
Robe Lake	206072	Lot 7, Block 4, ASLS 79-146	4.863	\$34,000
South Lake Louise	222636	ASLS 91-151	19.90	\$18,200

B. SUMMARY OF REVIEW

1. DATE of REVIEW: February 12, 2009
2. REVIEWER'S CLIENT: DNR Other: _____
3. INTENDED USERS of the REVIEW: DNR General Public Other: _____
4. INTENDED USE of the REVIEW: Establish minimum bid price for sealed bid auction
5. PURPOSE of REVIEW: Evaluate for Technical Compliance with DNR Instructions & USPAP
 Evaluate for Technical Compliance with UASFLA Develop Independent Estimate of Value
 Other: _____
6. 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
7. RESULTS OF REVIEW: Not Approved Approved Approved Value: As noted in previous table



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: Adequate.

F. ANALYSES, OPINIONS, and CONCLUSIONS ARE APPROPRIATE and REASONABLE, except:

G. REVIEWER'S ASSUMPTIONS AND LIMITING CONDITIONS

1. 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.
2. The reviewer assumes that the data and information in the appraisal are factual and accurate.
3. 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.
4. All assumptions and limiting conditions contained in the appraisal report are part of this review unless otherwise stated.
5. 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 preliminary plat.
6. The value of commercial timber, if any, is specifically excluded from the final conclusion of value.

REVIEW APPRAISER'S CERTIFICATION APPRAISAL NO. 3512

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 Kevin Hindmarch
Kevin Hindmarch, Review Appraiser

Date 2/12/09

cc: Jeffrey Bruno
Tony Wagner

MEMORANDUM

State of Alaska

Department of Natural Resources

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Division of Mining, Land and Water

550 West 7th Avenue, Suite 650

Anchorage AK 99501-3576

DATE: November 7, 2008

TO: Kevin Hindmarch
Review Appraiser

FROM: Brandon Simpson *BLS*

SUBJECT: Appraisal of 8 parcels of land located in various areas of the Copper River Valley. The parcels are being appraised to establish minimum bid price for sale at auction. One of the parcels, ADL 219914, is improved with a recreational cabin.

As requested, I have completed an appraisal of the referenced parcels. I understand that this appraisal will be used to determine the minimum purchase price for the above referenced parcels. I am submitting this report for your review and approval.

The appraisal was completed in accordance with the "Uniform Standards of Professional Appraisal Practice" of the Appraisal foundation and in accordance with the Special Appraisal Instructions (DNR Land Disposal), DNR. This is a Summary Appraisal Report based on the General Assumptions and Limiting Conditions stated in the report, as well as the facts, analyses, and reasoning leading to the opinions of value.

I have inspected the subject area and most of the comparable sales used in this report. Physical descriptions of the subject parcels are based on physical inspections, soil maps, aerial photography and topographic maps. Based on my observations and analysis of all available data, I have formed an opinion of market value as of the effective date of value.

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APPRAISAL SUMMARY

Location

Subdivision Name	ADL	Location	Legal Description
Crosswind Lake	229483	About 25 miles northwest of Glennallen and 15 miles east of Lake Louise.	Tract 9, ASLS 2005-25, Plat 2007-6
Glennallen Odd Lot	62559	About 13 miles east of Tolsona Lake & 5 miles west of the Glen and Richardson Highway junction, south of the highway.	SE4 NE4 NW4 SEC. 29, T4N, R2W, C.R.M.
Loon Lake	Various	Southwest of Lake Louise, about 2 miles west of Lake Louise Road.	Various
Robe Lake	206072	North side of Richardson Highway about 5 miles east of Valdez.	Lot 7, Block 4, ASLS 79-146, Plat 80-3
South Lake Louise	216457	About 3 ½ miles south of Lake Louise and 2 miles east of Lake Louise Road.	ASLS 91-151, Plat 92-9

Value Summary

Subdivision	ADL	Legal Description	Size (acres)	Value (RND)
Crosswind Lake	229483	Tract 9, ASLS 2005-25	5.00	\$18,800
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Loon Lake	217851	Tract A, ASLS 2003-09	3.24	\$15,200
Loon Lake	219914	Tract B, ASLS 2003-09	7.99	\$29,500
Loon Lake	228678	Tract F, ASLS 2003-09	9.77	\$29,400
Loon Lake	228679	Tract D, ASLS 2003-09	9.76	\$29,400
Robe Lake	206072	Lot 7, Block 4, ASLS 79-146	4.863	\$34,000
South Lake Louise	222636	ASLS 91-151	19.90	\$18,200

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a Summary Appraisal Report prepared in accordance with Standards Rule 1 and 2 of the current edition of **Uniform Standards of Professional Appraisal Practice (USPAP)**, and in accordance with DNR's General Appraisal Instructions.

Purpose of Appraisal

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

User and Client Identity

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

Intended Use of Appraisal

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

Property Rights Appraised

Rights appraised are fee simple estate less mineral rights reserved to the State of Alaska under **AS 38.05.125(a)**.

Fee simple estate is defined as¹:

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

AS 38.05.125(a) states²:

Reservation. (a) Each contract for the sale, lease or grant of state land...is subject to the following reservations: "[sic] the party of the first part, Alaska, hereby expressly saves, excepts and reserves... unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and with may be in or upon said land...[and the right] to occupy as much of said land as may be necessary or convenient... to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved."

Definition of Market Value³

"The most probable price, as of a specified date, in cash, or terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."

Effective Date of Value

June 15, 2008

Date of Report

November 7, 2008

Exposure Time

Exposure time is defined as⁴: "...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.

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 two years.

Sale History

None of the appraised parcels sold within three years but two appraised parcels sold within five years.

ADL 62599 (Glennallen Odd Lot) sold March 2006 and was relinquished October 2006.

ADL 206072 (Robe Lake) sold December 2003 and the contract was terminated April 2005.

¹ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.69

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2002, pp. 590-591

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.

SCOPE OF WORK

Property and Comparable Sales Inspection

The Crosswind Lake, South Lake Louise and Loon Lake parcels were inspected by air on July 15, 2008. During this inspection two of the Loon Lake parcels, Tract A and B, were also inspected on the ground. Comparable sales that were not feasible to inspect on the ground were also inspected by air at this time. The Glennallen Odd Lot and Robe Lake parcels, as well as some of the comparable sales were inspected on the ground on this same day.

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 or other knowledgeable market participants 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.

Assumptions and Limiting Conditions

1. The property is appraised as vacant land without structural or site improvements (except ADL 219914, Loon Lake, which is improved with a recreational cabin).
2. The appraiser assumes no responsibility for legal matters. The subject lots are assumed to be free and clear of encumbrances, except as otherwise noted, and title is assumed to be marketable.
3. All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader in visualizing the properties.
4. Information furnished by others and included in the report is believed to be reliable but the appraiser does not warrant the accuracy of such information.
5. Unless otherwise noted in the report, the appraiser did not find any evidence that hazardous materials exist on these properties. The estimate of value is based on the assumption that there are no such materials on the property. The appraiser is not qualified to detect these substances. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge that is required to discover these substances.
6. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony, or be in attendance in court with reference to the property in question unless arrangements have been made in advance.
7. The data and conclusions in this report are a part of the whole valuation. Each part of this report is only part of the evidence upon which the final judgment is based. Therefore, no part should be used out of context and by itself alone.
8. It is assumed that there are no hidden or apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for any such conditions, or for arranging engineering studies to discover them.
9. The estimate of value in this report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
10. Some parcels may contain saw timber, but not necessarily in commercial quantities. The estimated market value does not include that value of commercial timber, if any.
11. Some of the appraised parcels were inspected from the air. Due to the lack of on-site inspections (aerial only) some physical features are assumed based on conversations with those knowledgeable about the area and interpretation of existing maps and aeriels. The appraiser reserves the right to modify the value conclusions if an on-site inspection reveals a variation in site features from those assumed in this report.

PRESENTATION OF DATA

Property Identification

Subdivision	ADL	Legal Description	Size (acres)
Crosswind Lake	229483	Tract 9, ASLS 2005-25	5.00
Glennallen Odd Lot	62559	SE4 NE4 NW4 SEC. 29, T4N, R2W, C.R.M.	10.00
Loon Lake	217851	Tract A, ASLS 2003-09	3.24
Loon Lake	219914	Tract B, ASLS 2003-09	7.99
Loon Lake	228678	Tract F, ASLS 2003-09	9.77
Loon Lake	228679	Tract D, ASLS 2003-09	9.76
Robe Lake	206072	Lot 7, Block 4, ASLS 79-146	4.863
South Lake Louise	222636	ASLS 91-151	19.90

Personal Property

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

MARKET AREA

Copper River Basin

Most of the subject parcels lie in an area of the state referred to as the Copper River Basin, which describes the lands that surround the Copper River and its tributaries. The Robe Lake parcel is located outside this area, near the community of Valdez. Each area will be described separately below.

The Copper River Basin is about 140 air miles northeast of Anchorage. The basin is found in the eastern portion of Southcentral Alaska. It is surrounded by the Alaska Range to the north, the Wrangell Mountains to the east, the Chugach Mountains to the south, and the Talkeetna Mountains to the west.

The basin is a broad forested plain with elevations ranging from 2000 to 3000 feet above sea level. A shallow to deep permafrost table can be found in most of the basin. White and black spruce is the predominant vegetation in the area interspersed with scattered thickets of willow and alder, grasses, low shrubs, and berry bushes. The Copper River is the dominant river in the basin and is fed by the Chistochina, Gulkana, Nelchina, Slana, and Tazina rivers as well as many other streams.

The climate is continental characterized by long and cold winters and relatively warm summers. Temperatures can range from -74 to 96° Fahrenheit. The mean temperature in January is -10° and 56° in July. Annual precipitation is 9 inches including 39 inches of snowfall per year.

The Copper River Basin is part of the Valdez-Cordova demographic census area. Most of the population is concentrated in the small towns of Glennallen, Gakona, Copper Center, Kenny Lake, McCarthy, Chitina and Valdez.

Access to the Copper River Basin is available by the Glenn and Richardson Highways. Charter air service provides access to the road less areas. Public services and facilities are limited to essential needs.

Glennallen

The community of Glennallen lies along the Glenn Highway at its junction with the Richardson Highway, 189 road miles east of Anchorage. It is located just outside the western boundary of Wrangell-St. Elias National Park. It lies at approximately 62.109170 North Latitude and -145.546390 West Longitude. (Sec. 23, T004N, R002W, Copper River Meridian.) Glennallen is located in the Chitina Recording District. The area encompasses 114.1 sq. miles of land and 0.8 sq. miles of water. Glennallen is located in the continental climate zone, with long, cold winters,

and relatively warm summers. The mean temperature in January is -10; in July, 56. Snowfall averages 39 inches, with total precipitation of 9 inches per year.

Glennallen is the supply hub of the Copper River region. Local businesses serve area residents and Glenn Highway traffic, supplies and services, schools and medical care. State highway maintenance and federal offices are in Glennallen. RV parks, lodging, fuel and other services cater to independent travelers. The National Park Service's Wrangell-St. Elias Visitor Center and the Copper River Princess Wilderness Lodge were completed in 2002 at Copper Center. Offices for the Bureau of Land Management, Alaska State Troopers, and the Dept. of Fish and Game are located here. There are several small farms in the area. Four residents hold commercial fishing permits.

All year-round homes are fully plumbed. Although most residents have private wells in the Glennallen area, the water is often of very poor quality. Glennallen Heights utilizes two wells to serve a piped system, and a local private business delivers water by truck to fill home water tanks. The majority of downtown is connected to a piped sewage system operated by The Glennallen Improvement Corp. The sewage system serves 52 homes and businesses, and is being expanded to the Alaska Bible College and the Glennallen Heights subdivision. Most residences have individual septic tank systems, but permafrost and high water tables cause drainage failures. Refuse collection services and the Class 2 permitted landfill are operated by Copper Basin Sanitation in Glennallen. Copper Valley Electric purchases power from the state-owned Solomon Gulch Hydro Facility, and owns diesel plants in Glennallen and Valdez.

The Glenn/Tok Cutoff and Richardson Highways provide year-round road access to other areas of the state. Brenwick's Airport provides public air access, and scheduled services are available. The 2,070' turf airstrip is owned and operated by Copper Basin District, Inc. The Gulkana Airport is located 4.3 miles northeast

Lake Louise

Lake Louise lies 32 miles northwest of Glennallen, on the western border of the Mat-Su Borough, north of the Glenn Highway. Lake Louise Road is 19.3 miles long, from mile 159.8 of the Glenn Highway. It lies at approximately 62.282180 North Latitude and -146.543850 West Longitude. (Sec. 20, T006N, R007W, Copper River Meridian.) Lake Louise is located in the Chitina Recording District. The area encompasses 47.9 sq. miles of land and 26.4 sq. miles of water. The temperatures in January range from -9 to 34; in July, 38 to 62. Annual precipitation is 16.5 inches, with over 50 inches of snowfall.

Lake Louise is known for its lake trout; ice fishing is popular during winter months. Lodges provide year-round accommodations. Many residents are seasonally employed or retired.

Lodges in the area have individual wells and septic systems, but most of the seasonal homes haul water and use outhouses. Individual generators provide electricity. A Borough-operated refuse transfer station is located at Denty's Bush Services, Mile 15.5 Lake Louise Road.

A 700' long by 18' wide State-owned gravel airstrip and floatplane site is located at the south end of Lake Louise. There are two additional private strips. Lake Louise Road is accessible from the Glenn Highway.

Valdez

Valdez is located on the north shore of Port Valdez, a deep water fjord in Prince William Sound. It lies 305 road miles east of Anchorage, and 364 road miles south of Fairbanks. It is the southern terminus of the Trans-Alaska oil pipeline. It lies at approximately 61.130830 North Latitude and -146.348330 West Longitude. (Sec. 32, T008S, R006W, Copper River Meridian.) Valdez is located in the Valdez Recording District. The area encompasses 222.0 sq. miles of land and 55.1 sq. miles of water. January temperatures range from 21 to 30; July temperatures are 46 to 61.

Annual precipitation is 62 inches. The average snowfall is, incredibly, 325 inches (27 feet) annually.

Valdez has one of the highest municipal tax bases in Alaska as the southern terminus and off-loading point of oil extracted from Prudhoe Bay on the North Slope. Four of the top ten employers in Valdez are directly connected to the oil terminus. Alyeska Pipeline Service Co. employs nearly 300 persons. Valdez is a major seaport, with a \$48 million cargo and container facility. City, state, and federal agencies combined provide significant employment. 49 residents hold commercial fishing permits. Three fish processing plants operate in Valdez, including Peter Pan and Seahawk Seafoods. Valdez Fisheries Dev. Assoc. will open its year-round processing facility in October 2003. 7 cruise ships will dock in Valdez in 2004. Valdez is a Foreign Free Trade Zone.

Water is derived from four primary wells and is stored in five 750,000-gal. reservoirs prior to piped distribution throughout Valdez. Water storage capacity is 2.24 million gallons. The sewage treatment plant is capable of processing 1.25 million gallons a day. Sewage is deposited in a secondary treatment lagoon. Over 95% of homes are fully plumbed. Many homes use individual wells and septic tanks. The Class 2 landfill uses a balefill system. An oil and hazardous waste recycling center was completed in 1998. Copper Valley Electric purchases power from the Four Dam Pool Power Agency and the Petro Star Refinery, and owns diesel plants in Glennallen and Valdez.

The Richardson Highway connects Valdez to Anchorage, Fairbanks and Canada. Port Valdez is ice-free year round and is navigated by hundreds of ocean-going oil cargo vessels each year. The State Ferry provides transport to Whittier, Cordova, Kodiak, Seward and Homer in the summer; Cordova only in the winter. Valdez has the largest floating concrete dock in the world, with a 1,200' front and water depth exceeding 80'. Numerous cargo and container facilities are present in Valdez. A small harbor accommodates 546 commercial fishing boats and recreational vessels. Boat launches and haul-out services are available. Both barges and trucking services deliver cargo to the City. The airport is operated by the state, with a 6,500' long by 150' wide paved runway, instrument landing system and control tower. A State-owned seaplane base is available at Robe Lake.

DATA ANALYSIS AND CONCLUSION

Valuation Analysis

Three approaches are considered to determine the market value estimate.

Income Approach

The income approach for valuation is used primarily for income producing properties. It utilizes the capitalization process to discount future anticipated net income to a present value. It is not common to lease vacant land for a residential or recreational use therefore data that supports this approach is not available.

Cost Approach

The cost approach is based on the assumption that an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the subject property. This approach will separate the value of the land from the value of the improvements to determine the cost of reproducing the improvements. The cost approach is most effective for appraising properties that have newer improvements. ADL 219914, Loon Lake, is improved with a recreational cabin and the cost approach will be utilized to value this improvement. The remaining appraised parcels lack any improvements; therefore the cost approach will not be used.

Sales Comparison Approach

The sales comparison approach considers actual sales or prices asked for properties that have similar characteristics of the subject properties. Adjustments are made to the comparison properties so as to determine a price at which they would have sold if they had identical characteristics as the subject properties. This derived price then indicates a value for the subject properties. Some of the characteristics considered include general market conditions, sales terms, location, highest and best use and physical features. Only the sales comparison approach is applicable for valuation of the vacant land.

Key Parcel Method

In appraising more than one similar parcel, it is an accepted practice to appraise a key parcel that is most representative of the other parcels being appraised. The key parcel may be a hypothetical parcel or an actual parcel. The value of the remaining parcels is then based on a comparison to the key parcel. This methodology replicates typical developer thinking.

Explanation of Adjustments

DNR appraisal instructions state that the appraiser may develop and use quantitative or qualitative adjustments. Ideally, the value differences for any price adjustment is measured by comparing prices of paired sales that are very similar except for the feature of comparison to be measured. When market sales do not support quantifiable adjustments for differences and the comparable sales, the appraiser must use personal knowledge of overall trends, opinion surveys, and/or judgment in making adjustments. The conventional sequence of adjustments is property rights conveyed, financing terms, conditions of sale, time, location, and physical features.

An adjustment of less than 1.00 means the sale feature is superior to that appraised property and requires a downward adjustment to indicate the value of the key parcel. An adjustment greater than 1.00 means that the sale feature is inferior to the subject, requiring an upward adjustment to indicate the value of the key parcel. An adjustment of 1.00 means the sale feature is similar to the key parcel, and no adjustment is necessary. The adjustments are multiplied to obtain a total adjustment, which is then multiplied by the sale price to indicate the value of a key parcel.

The same adjustments and procedures are applied to the key parcel value to indicate the market value of a parcel being appraised, except the direction of adjustment is reversed when comparing appraised parcels to the key parcel. Superior features require a positive adjustment compared

with the appraised parcel; inferior features require a negative adjustment. Detailed information about the comparable sales and the adjustments is contained in this report and Addenda.

The parcels to be appraised will be grouped by lot type. Glennallen Odd Lot and South Lake Louise are interior lots lacking developed access and will be grouped together. The Crosswind Lake and Loon Lake parcels are lakefront parcels and will be grouped together. The Robe Lake parcel will be valued separately.

INTERIOR LOTS

Two of the appraised parcels are interior lots. The interior *Key Lot* is ADL 62559, a 10.00-acre parcel known as Glen Odd Lot. Survey and pictures of the remaining Interior lot is included in the addenda of this report.

Key Lot	Legal Description	Size (acres)
ADL 62559 Glen Odd Lot	SE4 NE4 NW4 SEC. 29, T4N, R2W, C.R.M.	10.00

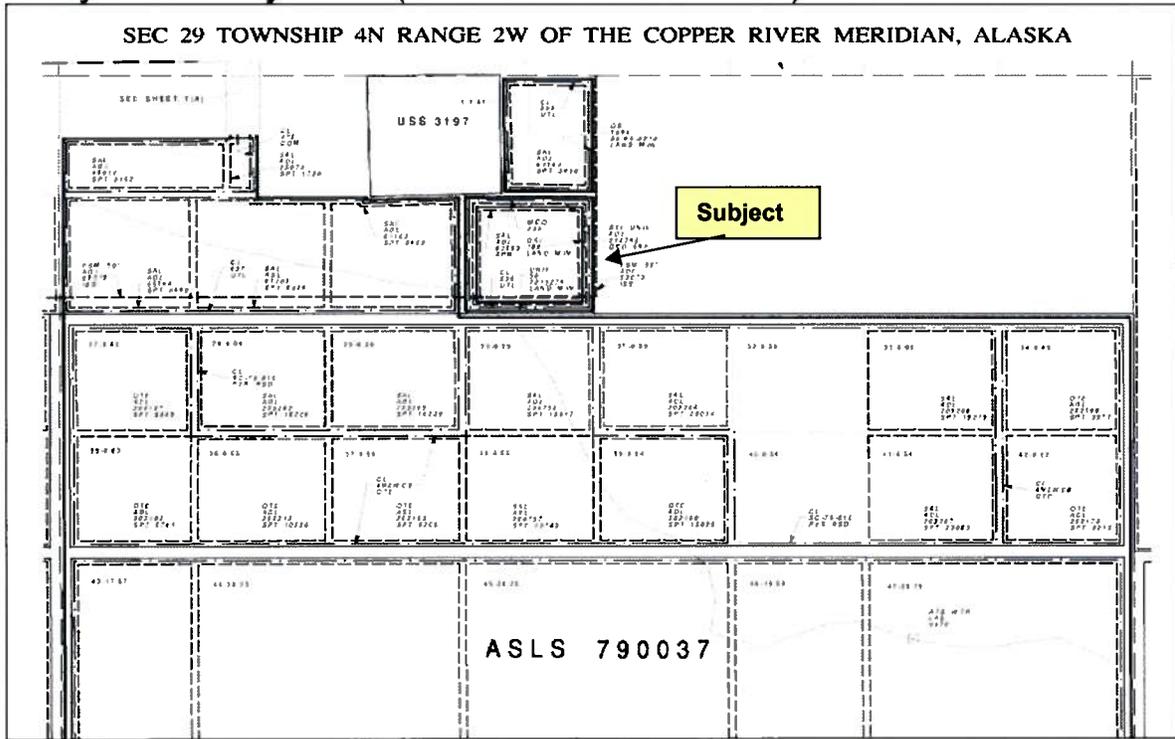
The remaining subject parcel included in this analysis is summarized below:

Subdivision	Legal Description	Size (acres)
ADL 222636 South Lake Louise	ASLS 91-151	19.90

Interior Key Lot (ADL 62559, Glen Odd Lot)

Location	About 13 miles east of Tolsona Lake & 5 miles west of the Glen and Richardson Highway junction, south of the highway
Access	Unimproved right-of-way from Glenn Highway.
Size & Shape	10.00-acre, square shaped parcel
Topography	Mostly level parcel
Soils	Majority of parcel appears to be fair to well-drained.
Vegetation	Mostly spruce
Utilities	None
Water & Sewer	None
Easements	Typical
Environmental Hazards	None observed
Zoning Regulations	None
Hazardous Waste & Toxic Materials	None observed
Tax Assessments	None
Ownership History	State of Alaska
Adjacent Land Use	Primarily recreational or undeveloped land with sporadic rural residential uses. Sporadic commercial uses can be found on lots that front the Glen Highway.

Survey of Interior Key Lot (ADL 62559 - Glennallen Odd Lot)



Satellite Imagery of Interior Key Lot (ADL 62559 - Glennallen Odd Lot)



Photograph of Interior Key Lot (ADL 62559 - Glennallen Odd Lot)



-Photo taken June 15, 2008 by Tony Wagner, DNR

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 as⁵:

“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.

Legally Permissible

The *Key Lot* is 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.

⁵ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.306

LAKEFRONT LOTS

Five of the appraised lots feature frontage on a fly-in lake. The lakefront *Key Lot* is ADL 217851, a 3.24-acre parcel located in the Loon Lake staking area. Survey and pictures of the remaining lakefront Lots are included in the addenda of this report. One of the lakefront lots, ADL 219914, is improved with a recreational cabin. Description and valuation of the improvements will follow the reconciliation of the lakefront lots.

Key Lot	Legal Description	Size (acres)
ADL 217851 Loon Lake	Tract A, ASLS 2003-09, Plat 2004-6	3.24

The remaining subject parcel included in this analysis is summarized below:

Subdivision	Legal Description	Size (acres)
ADL 229483 Crosswind Lake	Tract 9, ASLS 2005-25, Plat 2007-6	5.00
ADL 219914 Loon Lake	Tract B, ASLS 2003-09, Plat 2004-6	7.99
ADL 228678 Loon Lake	Tract F, ASLS 2003-09, Plat 2004-6	9.77
ADL 228679 Loon Lake	Tract D, ASLS 2003-09, Plat 2004-6	9.76

Lakefront Key Lot (ADL 217851, Tract A, ASLS 2003-09, Plat 2004-6)

Location	Fronts Bob's Lake, southwest of Lake Louise, about 2 miles west of Lake Louise Road.
Access	Summer access by floatplane and possibly ATV depending on conditions, winter by ski-plane or snowmachine
Size & Shape	3.24-acre, irregular shaped parcel
Topography	Moderate to steep slope with good building site on top of knoll
Soils	Majority of parcel appears to be fair to well-drained.
Vegetation	Treed primarily with spruce and aspen
Utilities	None
Water & Sewer	None
Easements	Typical
Environmental Hazards	None observed
Zoning Regulations	None
Hazardous Waste & Toxic Materials	None observed
Tax Assessments	None
Ownership History	State of Alaska
Adjacent Land Use	Recreational or undeveloped land

Photograph of Lakefront Key Lot (ADL 217851, Tract A, ASLS 2003-09, Plat 2004-6)



-Photo taken July 15, 2008

Highest and Best Use

Analysis of highest and best use for the subject property is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined as⁶:

“The reasonably probable and legal use of vacant land or an improved property, that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value.”

The land to be valued is considered vacant and thus valued with the highest and best potential use for the property. Value for improvements (when present on the site) is then based on their contribution to this use.

Legally Permissible

The *key lot* is 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 *key lot* is 3.24-acres. The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

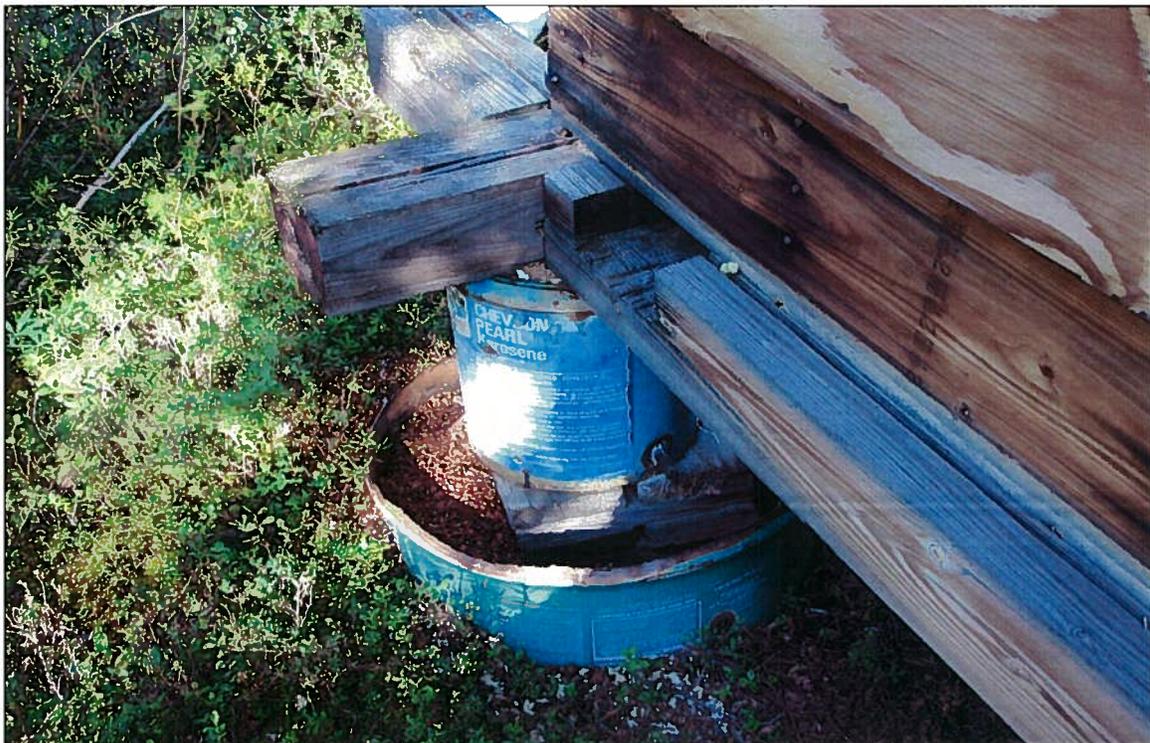
⁶ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.306

Valuation of Improvements on ADL 219914, Tract B, ASLS 2003-09 (Loon Lake staking area)

Descriptive Photo:



-Cabin 7/12/2008



-Foundation 7/12/2008

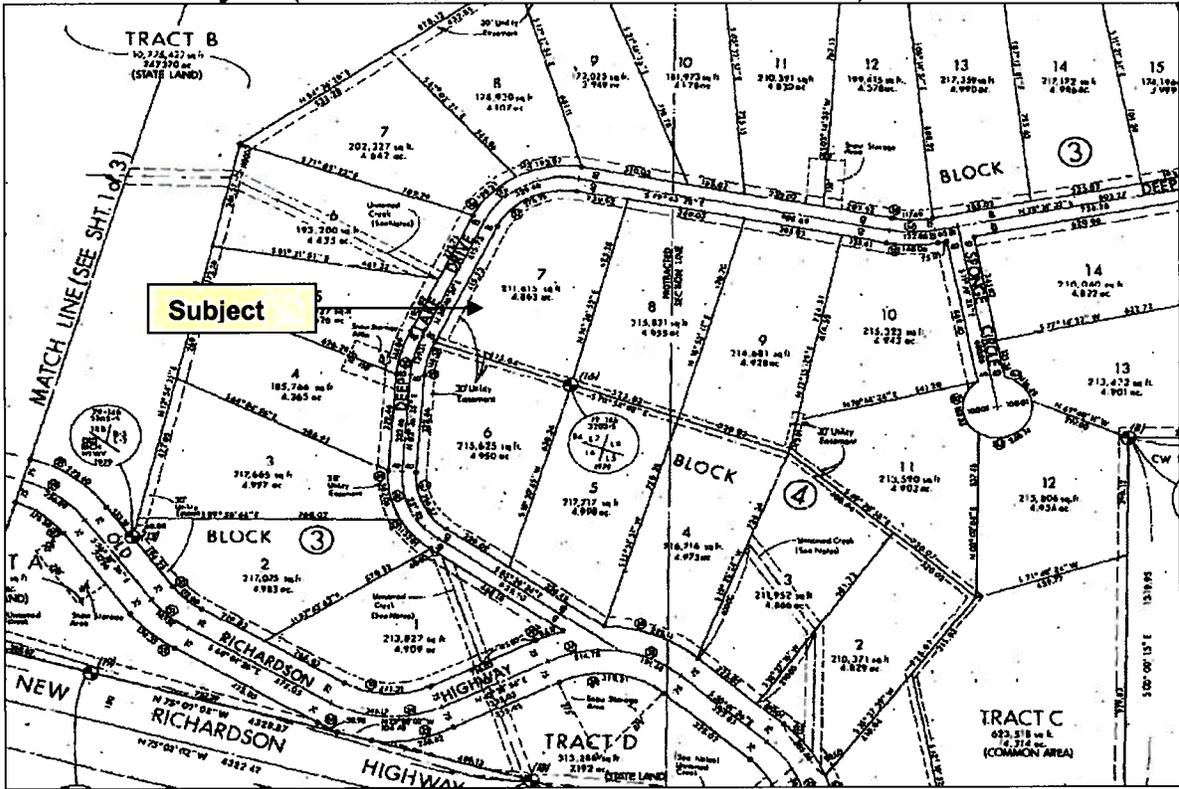
ROBE LAKE LOT

Robe Lake	Legal Description	Size (acres)
ADL 206072	Lot 7, Block 4, ASLS 79-146, Plat 80-3	4.863

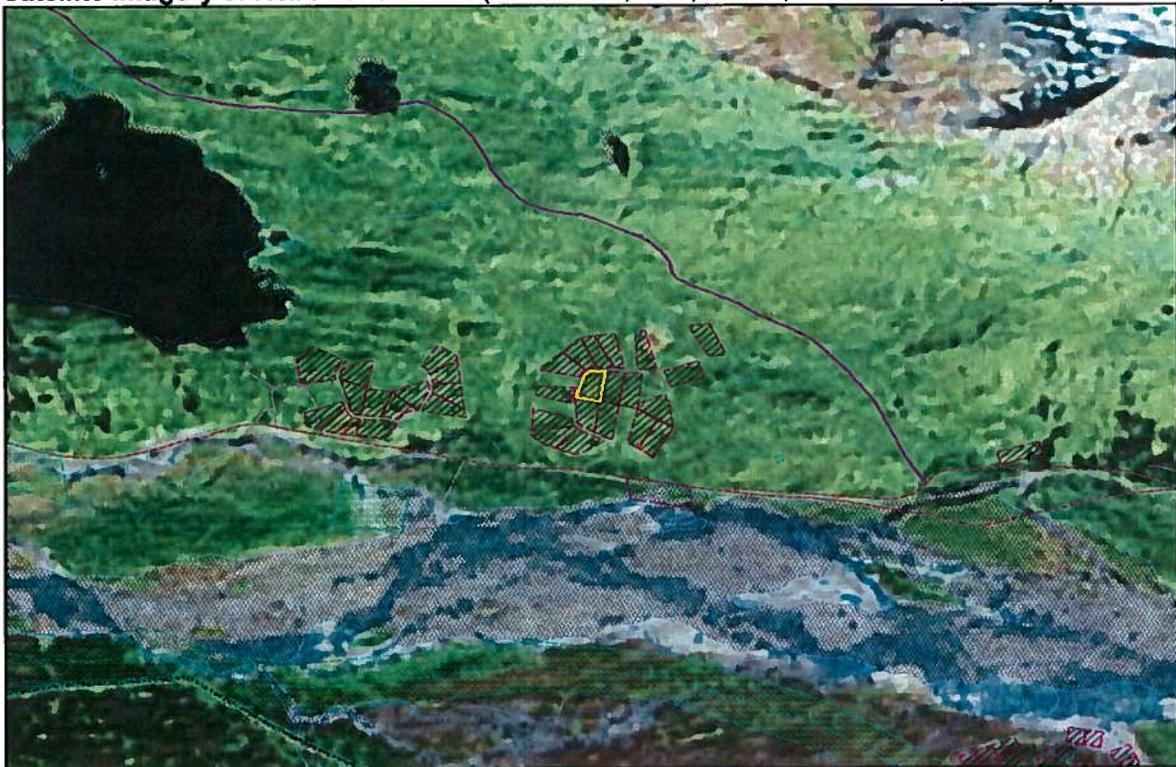
Robe Lake Lot (ADL 206072, Lot 7, Block 4, ASLS 79-146, Plat 80-3)

Location	North side of Richardson Highway, about 5 miles east of Valdez
Access	Gravel road, steep at times
Size & Shape	4.863-acre, irregular shaped parcel
Topography	Gently to moderately sloping
Soils	Majority of parcel appears to be fair to well-drained.
Vegetation	Alders, underbrush and sporadic trees
Amenities	Good views of surrounding mountains
Utilities	Electric and phone
Water & Sewer	None
Easements	Typical
Environmental Hazards	None observed
Zoning Regulations	Rural Residential
Hazardous Waste & Toxic Materials	None observed
Tax Assessments	<p>The City of Valdez is the taxing authority. 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.</p> <p>Tax Assessment History Parcel ID # 71250040070 Tax Year – 2008 Assessed Value - \$38,900</p>
Ownership History	State of Alaska
Adjacent Land Use	Residential or undeveloped land

Robe Lake Survey (ADL 206072, Lot 7, Block 4, ASLS 79-146, Plat 80-3)



Satellite Imagery of Robe Lake Lot (ADL 206072, Lot 7, Block 4, ASLS 79-146, Plat 80-3)



Photograph of Robe Lake Lot (ADL 206072, Lot 7, Block 4, ASLS 79-146, Plat 80-3)



-Photo taken July 13, 2008

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 as⁷:

“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.

Legally Permissible

The subject parcel is 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 parcel is 4.863-acres. The size and physical characteristics are adequate to support all reasonable and probable uses.

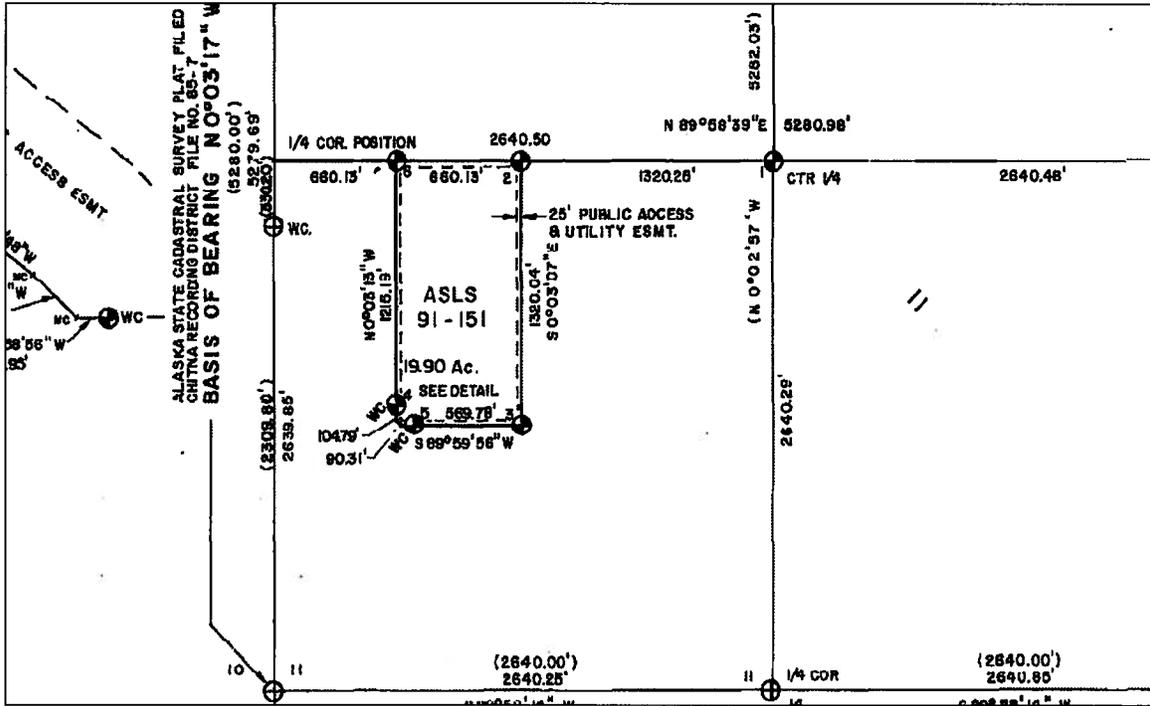
⁷ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.306

ADDENDUM

Subject Parcels Surveys
Market Data Maps
Comparable Sales Forms
Size Adjustment Chart
DNR Land Disposal Appraisal Instructions
Appraiser Qualifications

INTERIOR LOT
Market Data Map, Survey, Photograph of Remaining Lot and Comparable Sales

SOUTH LAKE LOUISE
ADL 222636, ASLS 91-151



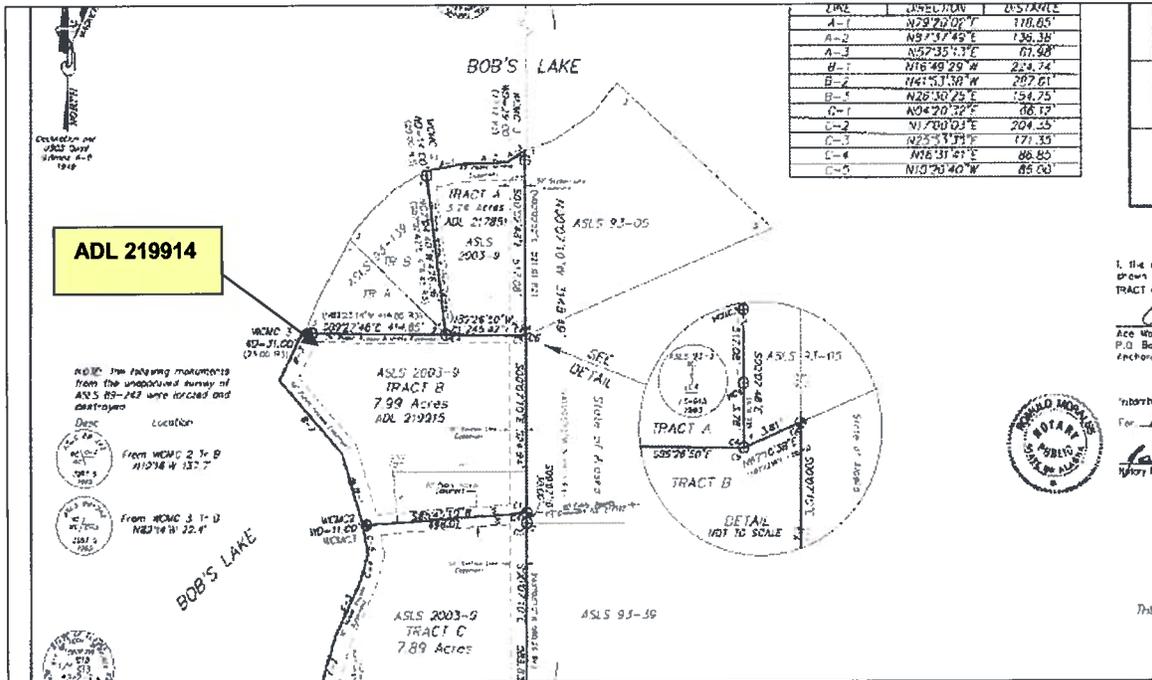
ASLS 91-151



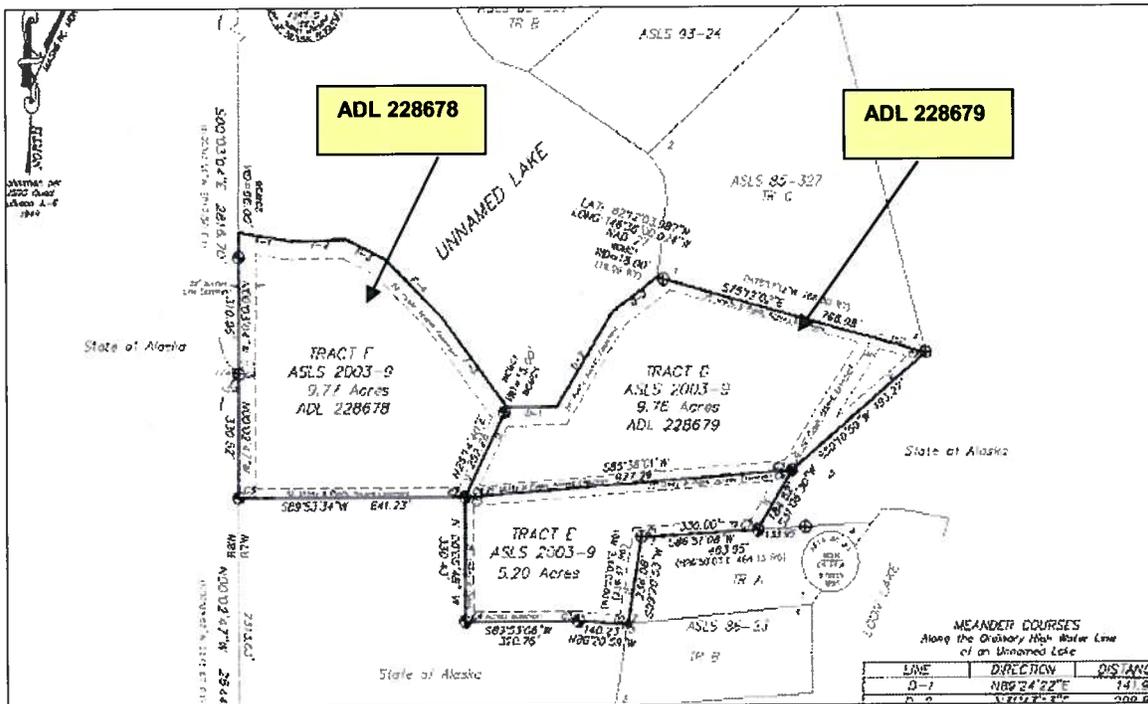
ASLS 91-151 - July 13, 2008

LAKEFRONT LOTS
Market Data Map, Surveys and Photographs of Remaining Lots, and Comparable Sales

**LOON LAKE LOTS
ASLS 2003-09**



Sheet 2, ASLS 2003-09



Sheet 3, ASLS 2003-09



ADL 219914, Tract B, ASLS 2003-09 - July 13, 2008



ADL 228678, Tract F, ASLS 2003-09 - July 13, 2008



Tract 9, ASLS 2005-25 - July 13, 2008