MARKET VALUE APPRAISAL

Of (1) Parcel Located in Naukati,
Prince of Wales Island,
Southeast Alaska

YEAR 2009

APPRAISAL REPORT No. 3530

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

DEPARTMENT OF NATURAL RESOURCES

STATE OF ALASKA

APPRAISAL REVIEW
STATEMENT

A. SUMMARY OF APPRAISAL NO. 3530

1. ADL NO(S): See table below
2. SIZE: See table below
3. APPLICANT: N/A
4. LOCATION: 70 miles northwest of Ketchikan AK on the western side of Prince of Wales Island
5. LEGAL DESCRIPTION(S): See table below
6. INTEREST APPRAISED: Fee Simple Title less Mineral Rights
7. PURPOSE OF THE APPRAISAL: Estimate Market Value
8. APPRAISED BY: Michael Ward
9. DATE of REPORT: January 30, 2009
10. DATE of VALUE(S): September 24, 2008
11. APPRAISED VALUE(S):

ADL	Subdivision	Lot	Block	ASLS	Acres	Value
107263	Naukati Bay West	2	9	2005-14	2.18	**$38,000**

B. SUMMARY OF REVIEW

1. DATE of REVIEW: February 18, 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

DEPARTMENT OF NATURAL RESOURCES

STATE OF ALASKA

APPRAISAL REVIEW
STATEMENT

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 plat.
6. The value of commercial timber, if any, is specifically excluded from the final conclusion of value.

REVIEW APPRAISER'S CERTIFICATION APPRAISAL NO. 3530

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 2/18/09

cc: Jeffrey Bruno
Tony Wagner

MEMORANDUM State of Alaska

Department of Natural Resources
Tel (907) 269-8514
Fax (907) 269-8914
Michael.Ward1@alaska.gov

Division of Mining, Land and Water
550 West 7th Avenue, Suite 650
Anchorage AK 99501-3576

DATE: January 30, 2009

TO: Kevin Hindmarch
Review Appraiser

FROM: Michael R. Ward, Appraiser II

SUBJECT: Appraisal of One (1) Parcel of vacant land located in Naukati, Prince of Wales Island, Southeast Alaska

As requested, I have completed an appraisal of the above referenced real property according to your request. I understand that this appraisal will be used to determine the estimated market value for the above referenced parcel. 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 Disposals. This is a complete, summary 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 parcel and the comparable sales used in this report. Physical descriptions of the properties are based on physical inspections, soil maps, aerial photography and topographic maps. Based on my observations and analyses of all available data, I have formed an opinion of the market value as of the effective date of value.

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ADDENDA

Appraisal Instructions
Comparable Sale Forms
Appraiser Qualifications

CERTIFICATION OF VALUE

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest 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 of predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the ***Uniform Standards of Professional Appraisal Practice.***
- I have made a personal inspection of the properties that are the subject of this report.
- No one provided significant professional assistance to the person signing this report.
- I have the knowledge and experience to competently complete this assignment.
- My opinion of the market value of the fee simple title less mineral rights for the land only developed to its highest potential, described in the subsequent report are :

ADL#	LOCATION	SURVEY TYPE	LOT	BLOCK	PLAT	ACRES	VALUE
107263	NAUKATI BAY, AK	ASLS 2004-03	2	9	2005-14	2.18	$38,000

1-30-2009 Michael O Ward

Date Appraiser

REPORT SUMMARY

Purpose	To estimate current market value
Function	Establish minimum bid for sealed bid auction
Authority	AS 38.05.055
Location	Nauakti Bay, Prince of Wales Island, Southeast Alaska
ADL	107263
ASLS	2004-03
Legal	Naukati West Subdivision, Block 9, Lot 2
Plat	2005-14
Type of Parcel	Interior parcel
Size	2.18 acres
Current Use	As vacant, no improvements
Highest and Best Use	Residential or recreational
Estimated Market Value	$40,000

PREMISES OF THE APPRAISAL

TYPE OF APPRAISAL AND REPORT

This is a complete appraisal, in a summary format prepared in accordance with Standard Rules 1 and 2 of the Uniform Standards of Professional Appraisal Practice, Appraisal Foundation, and in accordance with Special Appraisal Instructions, DNR Land Disposal, a copy of which is included in the Addenda.

PURPOSE AND FUNCTION OF THE APPRAISAL

The purpose of this appraisal is to estimate the current market value of the property described in this report. The function of this appraisal is to establish minimum prices for a sealed bid auction pursuant to Alaska Statute AS 38.05.055.

INTENDED USE OF THE APPRAISAL

This appraisal will be used to determine the minimum purchase price for the parcel to be made available in a sealed bid auction.

CLIENT AND USER IDENTITY

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

PROPERTY RIGHTS APPRAISED

The rights appraised are the fee simple estate less the mineral rights reserved to the State of Alaska under AS 38.05.125(a). Fee simple estate is defined[1] as:

> "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) states[2]:

> *Reservation. (a) Each contract for the sale, lease or grant of state land... is subject to the following reservations: "[sic] the party of the first part, Alaska, hereby expressly saves, excepts and reserves...unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and 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[3]

The most probable price, as of a 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 self-interest, 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 seller financing typical for the property type as of the date of appraisal.

EFFECTIVE DATE OF VALUE ESTIMATE

The subject property was inspected on September 24, 2008. All comparable sales were inspected on September 24-25, 2008. The effective date of the value estimate is September 24, 2008.

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[1] The Appraisal of Real Estate, 13th Edition, Appraisal Institute, 2008, p.111
[2] Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2006, p. 610
[3] The Appraisal of Real Estate, 13th Edition, Appraisal Institute, 2008, p.23

DATE OF REPORT
January 30, 2009

PROPERTY HISTORY
Sales history will be discussed in the site description section.

EXPOSURE TIME
Exposure time is "...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; a retrospective opinion based on an analysis of past events assuming a competitive and open market."[4]

Exposure time varies with the type of property and changes with market conditions. The market for residential/recreational properties in Southeast Alaska has been weak for the last five to ten years. The market has been driven down by contraction within the logging and fishing industries. The subject parcel is located in Naukati, which has also felt the contractions.

Compared with competing parcels in the overall market for recreation parcels, the market appeal for the subject property is average. Considering exposure times for similar properties, the appraised value for the subject properties are based on an exposure time of one to two years.

SCOPE OF THE APPRAISAL
Physical features and access were identified by the use of topographic maps, status plats, aerial photographs, physical inspections, DNR appraisal records and interviews with people who are familiar with the area.

Interviews were conducted with real estate agents, appraisers, and other individuals who provided data about trends in values, supply and demand. Sellers and buyers or other knowledgeable market participants were contacted to verify relevant sale prices and other transaction details. Also, DNR appraisal records were searched for recent sales of similar parcels. Also, DNR appraisal records were searched for recent sales of similar parcels.

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

[4] Uniform Standards of Professional Appraisal Practice, USPAP 2006 Edition. p. 90.

ASSUMPTIONS AND LIMITING CONDITIONS

1. The property is appraised "as vacant" at the time of inspection. There are no other structural or site improvements of value which have been considered in the market value estimates.

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. Each part of this appraisal is only part of the evidence upon which final judgement is based. Therefore, no part should be used out of context and by itself alone.

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 in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties near the property appraised.

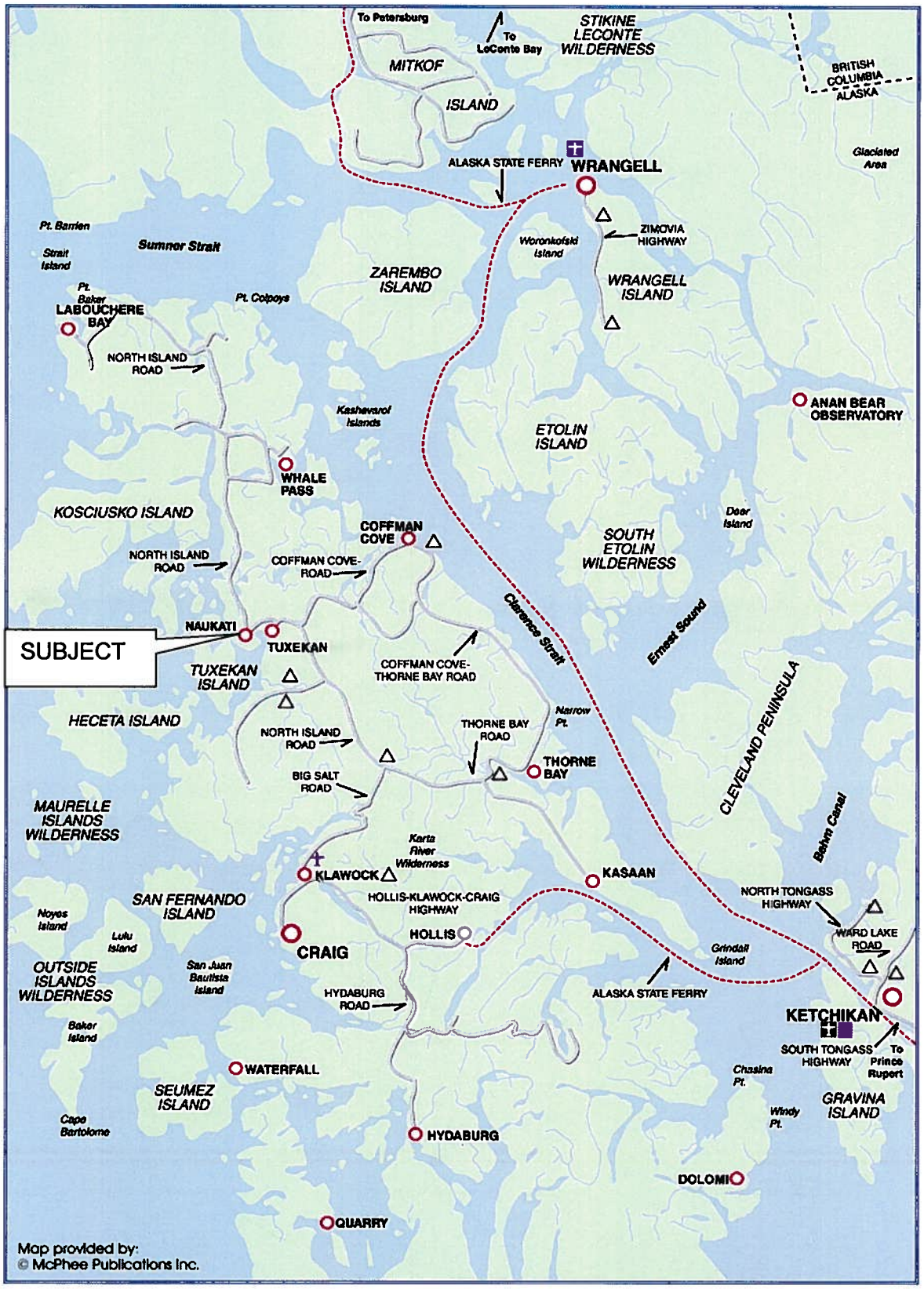
6. In this valuation various mathematical calculations were used to formulate the opinion of value. These calculations are only aids for the formulation of the opinion of value by the appraiser. Therefore, in the application of these calculations, certain arithmetical figures are rounded to the nearest significant amount.

7. The information furnished by others is believed to be reliable but it is not warranted for its accuracy. Plats of lease areas in this report are included for illustration only and may not be to scale.

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 about the existence of hazardous materials or toxic substances, which may or may not be present on the property. The appraiser is not qualified to detect such substances. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them.

10. The appraiser assumes no responsibility for legal matters. The subject lot is assumed to be free and clear of encumbrances, except as otherwise noted, and title is assumed to be marketable.


To Petersburg
To LeConte Bay
STIKINE LECONTE WILDERNESS
MITKOF ISLAND
BRITISH COLUMBIA
ALASKA
Glaciated Area
ALASKA STATE FERRY
WRANGELL
ZIMOVIA HIGHWAY
Woronkofski Island
WRANGELL ISLAND
Pt. Barlen
Strait Island
Sumner Strait
Pt. Baker
LABOUCHERE BAY
Pt. Colpoys
ZAREMBO ISLAND
NORTH ISLAND ROAD
Kashevarof Islands
ETOLIN ISLAND
ANAN BEAR OBSERVATORY
WHALE PASS
KOSCIUSKO ISLAND
COFFMAN COVE
Deer Island
SOUTH ETOLIN WILDERNESS
NORTH ISLAND ROAD
COFFMAN COVE-ROAD
Clarence Strait
Ernest Sound
SUBJECT
NAUKATI
TUXEKAN
TUXEKAN ISLAND
COFFMAN COVE-THORNE BAY ROAD
HECETA ISLAND
Narrow Pt.
NORTH ISLAND ROAD
THORNE BAY ROAD
THORNE BAY
BIG SALT ROAD
CLEVELAND PENINSULA
MAURELLE ISLANDS WILDERNESS
Karta River Wilderness
Behm Canal
KLAWOCK
KASAAN
SAN FERNANDO ISLAND
HOLLIS-KLAWOCK-CRAIG HIGHWAY
NORTH TONGASS HIGHWAY
Noyes Island
Lulu Island
CRAIG
HOLLIS
WARD LAKE ROAD
Grindall Island
OUTSIDE ISLANDS WILDERNESS
San Juan Bautista Island
HYDABURG ROAD
ALASKA STATE FERRY
KETCHIKAN
Baker Island
SOUTH TONGASS HIGHWAY
To Prince Rupert
WATERFALL
Chasina Pt.
SEUMEZ ISLAND
GRAVINA ISLAND
Windy Pt.
Cape Bartolome
HYDABURG
DOLOMI
QUARRY
Map provided by:
© McPhee Publications Inc.

SOUTHEAST REGIONAL OVERVIEW

Southeast Alaska, also known as the Panhandle, extends 560 miles from Dixon Entrance near Ketchikan to Icy Bay northwest of Yakutat. It is the third most populated region in the State. The economy is based on timber, fisheries, mining, tourism and government services. Juneau is the largest city and the state capital.

The coast is deeply fjorded and very mountainous. Between the rocky and forested islands along this fjorded coast runs the Inside Passage. It stretches from Puget Sound and terminates over 1,000 miles to the north at Haines and Skagway. Each year, hundreds of thousands of tourists pass though the area on private boats, Alaska State Ferries and cruise ships. Glacier Bay National Park and Preserve near Gustavus, Misty Fjords National Monument and Admiralty Island are only a few of the major attractions of Southeast Alaska. Humpback, orca and minke whales use Glacier Bay and other areas for their summer feeding range. The world's largest population of brown bears and bald eagles are found here.

Warmed by ocean currents the Southeast has relatively mild climates with warm temperatures averaging around 60 degrees F in the summer. Winters are cool with alternate snow, rain and sunshine. January temperatures range between 20 and 40 degrees F. Subzero winter temperatures are uncommon. Annual rainfall ranges from a low of 26 inches per year at Skagway to a high of 270 inches at Port Alexander.

Heavy rainfall encourages a dense rain forest growth of western hemlock and Sitka spruce, interspersed with red cedar and Alaskan yellow cedar. Ground cover is a luxurious growth of devil's club, blueberries and shrubs up to 3,000 feet in elevation. Above this elevation the ground is mostly arctic tundra, barren ground or glacial ice fields.

Principal population centers include Juneau, (the State Capital), Ketchikan, and Sitka. Other settlements are Craig, Kake, Hoonah, Haines, Petersburg, Skagway, Wrangell, and Yakutat. Smaller communities of Angoon, Hydaburg, Klawock, and Metlakatla have their economies supplemented primarily by subsistence activities.

Most of Southeast Alaska is accessible only by boat or plane. The Alaska Marine Highway is a system of regularly scheduled modern ferries, which carry vehicles and passengers to most communities. Daily passenger service between principal southeast communities and to locations within the state and out-of-state is available by jet aircraft. Most all communities are served by charter or scheduled commuter air service. Transportation of freight is either by cargo planes or barges. Haines, Skagway and Hyder connect to the Canadian Highway system either through British Columbia or the Yukon.

The Southeast region is rich in natural resources, which have played important role in its economic development. Commercial fisheries, timber, mining, tourism, and government are the principal economic contributors to the regional economy.

Naukati Bay Area Overview

Current Population:	131 (2007 Estimate – State Demographer)
Incorporation Type:	Unincorporated
Borough Located In:	Unorganized
Taxes:	No taxing authority

Location and Climate

Naukati Bay is located on the west coast of Prince of Wales Island in Southeast Alaska. The community lies at approximately 55.880770° North Latitude and -133.195000° (West) Longitude. (Sec. 18, T069S, R080E, Copper River Meridian.) Naukati Bay is located in the Ketchikan Recording District. The area encompasses 4.8 sq. miles of land and 0.2 sq. miles of water. The area is dominated by a cool, maritime climate. Average temperatures in the summer range from 46 to 70; winter temperatures range from 32 to 42.

History, Culture and Demographics

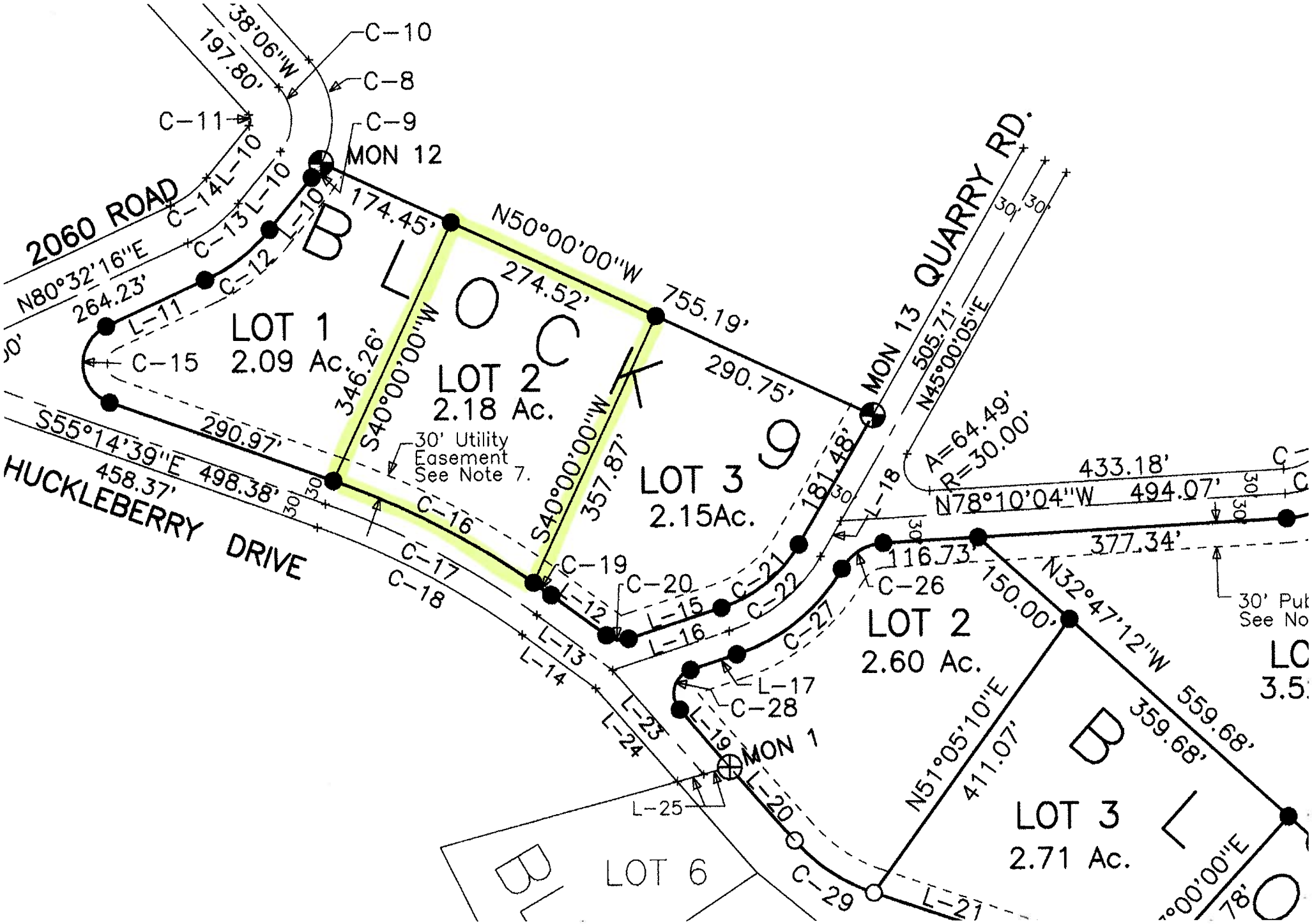
Named "Naukatee Bay" in 1904 by the U.S. Coast & Geodetic Survey, who recorded it as the local Indian name. It was a logging camp at one time, but later was settled as a Department of Natural Resources land disposal site. The population of the community consists of 9.6% Alaska Native or part Native. Naukati residents are logging families and homesteaders. Two community non-profit associations have been organized for planning and local issue purposes. Sale of alcohol is restricted to the local package store. During the 2000 U.S. Census, total housing units numbered 78, and vacant housing units numbered 18. U.S. Census data for Year 2000 showed 39 residents as employed. The unemployment rate at that time was 29.09 percent, although 60.2 percent of all adults were not in the work force. The median household income was $27,500, per capita income was $15,949, and 9.45 percent of residents were living below the poverty level.

Facilities, Utilities, Schools and Health Care

Water is derived from rain catchment and several small streams. The 9 logging camp homes are connected to a piped water and sewer system with full plumbing. The 27 homesteaders collect rainwater or haul water and use outhouses. Funds have been requested to study alternatives for a treated community water source and sewage disposal system. The community burns its refuse and ships the ash to Thorne Bay's landfill. Electricity is provided by Alaska Power Company. There is one school located in the community, attended by 28 students. Auxiliary health care is provided by Naukati EMS (629-4234).

Economy and Transportation

Small sawmills and related logging and lumber services are the sole income sources. Employment is seasonal. Naukati is a log transfer site for several smaller camps on the Island. Homesteading families arrived in the 1990s. Naukati is accessed primarily by float plane or off of the North Island Road.



2060 ROAD
N80°32'16"E
264.23'
C-11
C-14
L-10
C-13
L-10
C-12
L-11
C-15
C-10
C-8
C-9
MON 12
38'06"W
197.80'
174.45'
N50°00'00"W
274.52'
755.19'
290.75'
346.26'
S40°00'00"W
LOT 1
2.09 Ac.
LOT 2
2.18 Ac.
LOT 3
2.15Ac.
S40°00'00"W
357.87'
S55°14'39"E
498.38'
458.37'
290.97'
30' Utility Easement See Note 7.
HUCKLEBERRY DRIVE
C-16
C-17
C-18
C-19
C-20
L-12
L-15
L-16
C-21
C-22
C-27
C-26
L-13
L-14
L-23
L-24
L-17
C-28
L-19
MON 1
L-25
L-20
C-29
L-21
LOT 6
MON 13
QUARRY RD.
505.71'
N45°00'05"E
181.48'
L-18
A=64.49'
R=30.00'
433.18'
N78°10'04"W
494.07'
377.34'
116.73'
150.00'
N32°47'12"W
559.68'
359.68'
N51°05'10"E
411.07'
LOT 2
2.60 Ac.
LOT 3
2.71 Ac.
30' Pub
See No

GENERAL SITE DESCRIPTION ADL 107263 C069S080E19 Naukati Bay West S/D, B9, L2

Huckleberry Dr. looking north. Subject to the right.

Huckleberry Dr looking north. Subject to the right.

Typical vegetation

Location
The subject is located approximately 70 miles northwest of Ketchikan, Alaska on the western side of Prince of Wales Island.

Access
The site is accessible from an average quality, two lane, gravel road.

Size and Shape
The subject lot is regular in shape and contains 2.18 acres.

Topography
The site rises steeply at road grade and then levels off with benches further from the road.

Soils
The subject soils are assumed to be shallow forest soil, with a fair amount of rocks. The site has second growth spruce trees currently growing on-site with an estimated age of 40 to 50 years.

Utilities
Electric and telephone services are available to the subject lot. Because there is no public water or sewer, on-site water wells and sealed septic systems built to DEC standards are needed for development.

Easements
A title report was not available to the appraiser, but according to recorded documents, a 30' utility easement affects the road frontage of the subject lot.

Environmental Hazards
None were observed.

Hazardous Waste and Toxic Materials
None were observed.

Zoning Regulations
There are no zoning rules impacting the subject. It is located outside the boundaries of any incorporated jurisdiction.

Tax Assessments
All parcels owned by the State of Alaska are tax exempt. Once ownership is transferred from the State of Alaska, property taxes, if applicable are the responsibility of the buyer/grantee.

Ownership History
The State of Alaska DNR owns the property. The property last sold in May 2005 in a sealed bid auction for $27,500. The minimum bid was $22,900. The buyer relinquished the property back to the State of Alaska after foreclosure proceedings in July 2005.

Highest and Best Use
The Highest and Best Use is 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 primary development in the area is residential/recreational and therefore it is the appraiser's conclusion that residential/recreational use is the Highest and Best Use for this property.