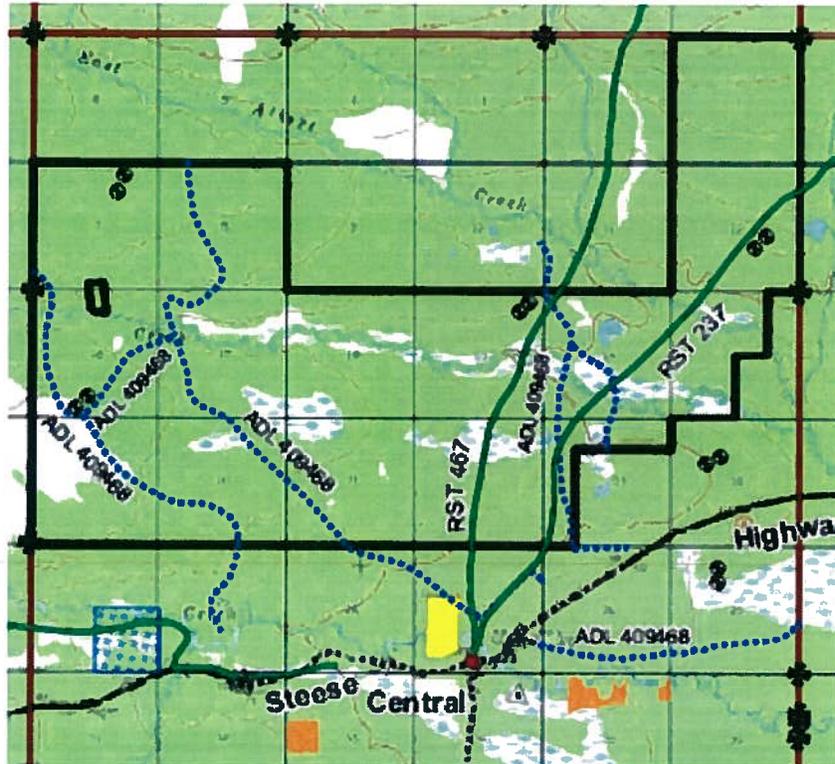


MARKET VALUE APPRAISAL

Hypothetical Key Parcels within Albert Creek North RRCS
Remote Recreational Cabin Staking Area



BASE APPRAISAL REPORT No. 3169-4

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

MEMORANDUM

State of Alaska

Department of Natural Resources
Tel (907) 269-8539
Fax (907) 269-8914
johnthomas.williamson@alaska.gov

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

DATE: January 25, 2012

TO: Kevin Hindmarch
Review Appraiser

FROM: Johnthomas Williamson

SUBJECT: Appraisal of two Hypothetical Key Parcels within the Albert Creek North Remote Recreational Cabin Site Staking Area – Base Appraisal Report no. 3169-4

As requested, I have completed a valuation of the hypothetical Key Parcels in the above staking area. I understand that this appraisal will be used to determine the base purchase price for staked recreational parcels, or the minimum bid for administratively surveyed parcels, within this area. 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 Remote Recreational Cabin Site Disposal. 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 not inspected Albert Creek North RRCS. The physical description of the subject was based on aerial photography, topographic maps, previously completed appraisal reports, The Albert Creek Final Finding and Decision issued by the Department of Natural Resources, and interviews of various individuals familiar with the area. 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

Comparable Sale Forms	
Size Adjustment Chart	
Preliminary Decision	
Special Appraisal Requirements	
Appraiser Qualifications	

APPRAISAL SUMMARY

Albert Creek North Remote Hypothetical Key Parcels	
Location	The Albert Creek North staking area is approximately 100 miles northeast of Fairbanks, and approximately 1 mile north of the Steese Highway and the community of Central.
Topography Map	USGS Circle C-2
Legal Description	T009N, R014E, Fairbanks Meridian
Owner	State of Alaska
Key Parcel 'A'	Lot Type: 'A' – Recreational Cabin Site within Albert Creek North RRCS.
	Size: 10.00 acres
	Access: ATV, snowmachine, walk-in
	Building Site: Level to moderately rolling terrain, and adequately drained.
	Setback: 100' building setback from the OHW of all public waters.
	Easements: 30' public access and utility easement along all interior parcel lot lines 50' foot public access easement along the OHW of all public waters. 100' easement centered on any surveyed or protracted section lines. 60' easement centered on existing trails through and along staked parcels 100' easement centered on any RS2477. 5' survey easement for survey control.
	Amenities: None
	Improvements : None
Highest and Best Use	Recreational cabin site
Interest Appraised	Fee simple title, excluding mineral rights
Effective Date of Value	January 25, 2012
Date of Report	January 25, 2012

Conclusion of value for Hypothetical Key Parcels			
	Size	Per/acre	Per/site (RND)
Key Parcel 'A'	5.00 acres*	\$1,867	\$9,300
	10.00 acres	\$1,400	\$14,000
	15.00 acres*	\$1,213	\$18,200
	20.00 acres*	\$1,050	\$21,000

-Key Parcel in bold -*Size adjusted Key Parcels based on adjustment shown in Addenda

Adjustments for Staked Parcels

Adjustments		
Date of Value	Date of entry	To be determined
Location	No distinctions within staking area	None
Size, acres	Adjustments for size variations	See addenda
Access	If on an established Pioneer Road	1.10
	On or within ½ mile of established trail	1.00
	Further than ½ mile from established trail	0.90
	Additional access information discovered during field inspection.	To be determined on individual case by case basis
Easements	Typical easements are considered in the base value. Other easements or trails across staked parcels to be handled on a case-by-case basis.	To be determined
Building site	Good: Mostly level to gently sloping, well drained and wooded. Multiple building sites	1.10 – 1.20
	Average: Level to sloping, possibly wooded parcel with adequate drainage	1.00
	Poor: Mostly steep, mostly wet ground, or unstable soils	0.80 to 0.90
Amenities	Superior views	1.10
	Creek or pond frontage	1.00 to 1.10
Miscellaneous	Differences in parcels discovered during field inspection.	To be determined

Adjustment Process: An adjustment of less than 1.00 means the feature of the staked parcel is inferior to the hypothetical key parcel and requires a downward price adjustment. An adjustment of greater than 1.00 means the feature is superior to the hypothetical key parcel, requiring an upward adjustment. An adjustment of 1.00 means the property 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 estimated value of the key parcel to yield a value for the staked parcel.

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a complete, summary appraisal 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 Special Appraisal Instructions, DNR Remote Recreational Cabin Site Disposal.

Purpose of Appraisal

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

Intended Use of Appraisal

The appraisal will be used by DNR to determine the purchase price for parcels to be acquired under the Remote Recreational Cabin Site staking program (AS 38.05.600). Or determine the minimum bid for administratively surveyed parcels acquired under the Subdivision Auction Program (AS 38.05.035)

User and Client Identity

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

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 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."¹

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: "[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."²

Definition of Market Value

"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."³

¹ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.111

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2011, <http://www.legis.state.ak.us/basis/folio.asp>.

³ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.23

Effective Date of Value

The effective date of the value estimate is January 25, 2012.

Date of Report

The date of the report is January 25, 2012.

Exposure Time

Exposure time is defined as "...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. Exposure time is different for various types of property and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable effort."⁴

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. Considering the availability of parcels on the market, an exposure time of up to a year is reasonable.

Sales History

The Department of Natural Resources has offered parcels within the general Albert Creek North RRCS area in 1990s, in 2001, and in 2004. However, DNR is the record of owner for all potential staking sites within this offering. None of the potential staking sites have sold within the past three years.

Scope of the Appraisal**Property and Comparable Sales Inspection**

I have not inspected the Albert Creek North RRCS staking area. The physical description of the subject was based on aerial photography, topographic maps, previously completed appraisal reports, The Albert Creek North Final Finding and Decision issued by the Department of Natural Resources, and interviews with various individuals familiar with the area.

Research and Analysis conducted

Interviews were conducted with real estate agents, appraisers, local residents, surveyors, contractors, and other individuals familiar with the area. Information about trends in value, supply, demand, access, and physical characteristics of the subject properties was provided. DNR records and the Recorders Office databases were searched for relevant market data. Private real estate agent websites were searched for recent listings while sellers, buyers, and agents 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 assumptions and limiting conditions on the following page.

⁴ Uniform Standards of Professional Appraisal Practice 2010-2011, Appraisal Foundation, p. U-87

Assumptions and Limiting Conditions

- . The property is appraised as vacant land without structural or site improvements.
- . All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader visualize the properties.
- . 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.
- . 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.
- . 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.
- . 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.
- . 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.
- . 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.
- . 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.
- . Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".
- . 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.
- . 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.
- .

PRESENTATION OF DATA

Market Area

- Central⁵

Central is located on the Steese Highway about 125 miles northeast of Fairbanks and 28 miles southwest of Circle. Circle Hot Springs is located nearby. Central has a continental subarctic climate, characterized by seasonal extremes of temperature. Winters are long and harsh, and summers warm and short. The average high temperature during July ranges from 65 to 72 °F. The average low temperature during January is well below zero. Extended periods of -50 to -60 °F are common. Extreme temperatures have been measured, ranging from a low of -71 to a high of 97 °F. Annual precipitation averages 6.5 inches, and annual snowfall averages 43.4 inches.

After the discovery of gold in the Circle Mining District in the 1890s, a centrally-located roadhouse was needed between Circle, a supply point on the Yukon, and the mining operations at Mammoth, Mastodon, Preacher, and Birch Creeks. Central House, originally built around 1894, was located at the supply trail's crossing of Crooked Creek. It became the center of a small community of miners who settled there and provided food and shelter to travelers and support services to nearby miners. In 1906, the Alaska Road Commission began construction of a wagon road to replace the primitive pack trail from Circle to Birch Creek mining operations. By 1908, construction had reached Central. The original roadhouse burned to the ground and was rebuilt in the mid-1920s. A post office was established in 1925. In 1927, the road link to Fairbanks was completed. The road was named the Steese Highway in honor of General James Steese, former president of the road commission. Mining continued until the beginning of World War II. After the war, a few miners returned to Central, but mining declined through the 1950s and 60s. Activity increased again in the mid-1970s with the rise in gold prices. In 1978, the Circle Mining District was the most active in Alaska, with 65 gold mining operations employing over 200 people.

According to Census 2010, there were 172 housing units in the community and 53 were occupied. Its population was 4.2 percent American Indian or Alaska Native; 92.7 percent white; 3.1 percent of the local residents had multi-racial backgrounds. Additionally, 1 percent of the population was of Hispanic decent.

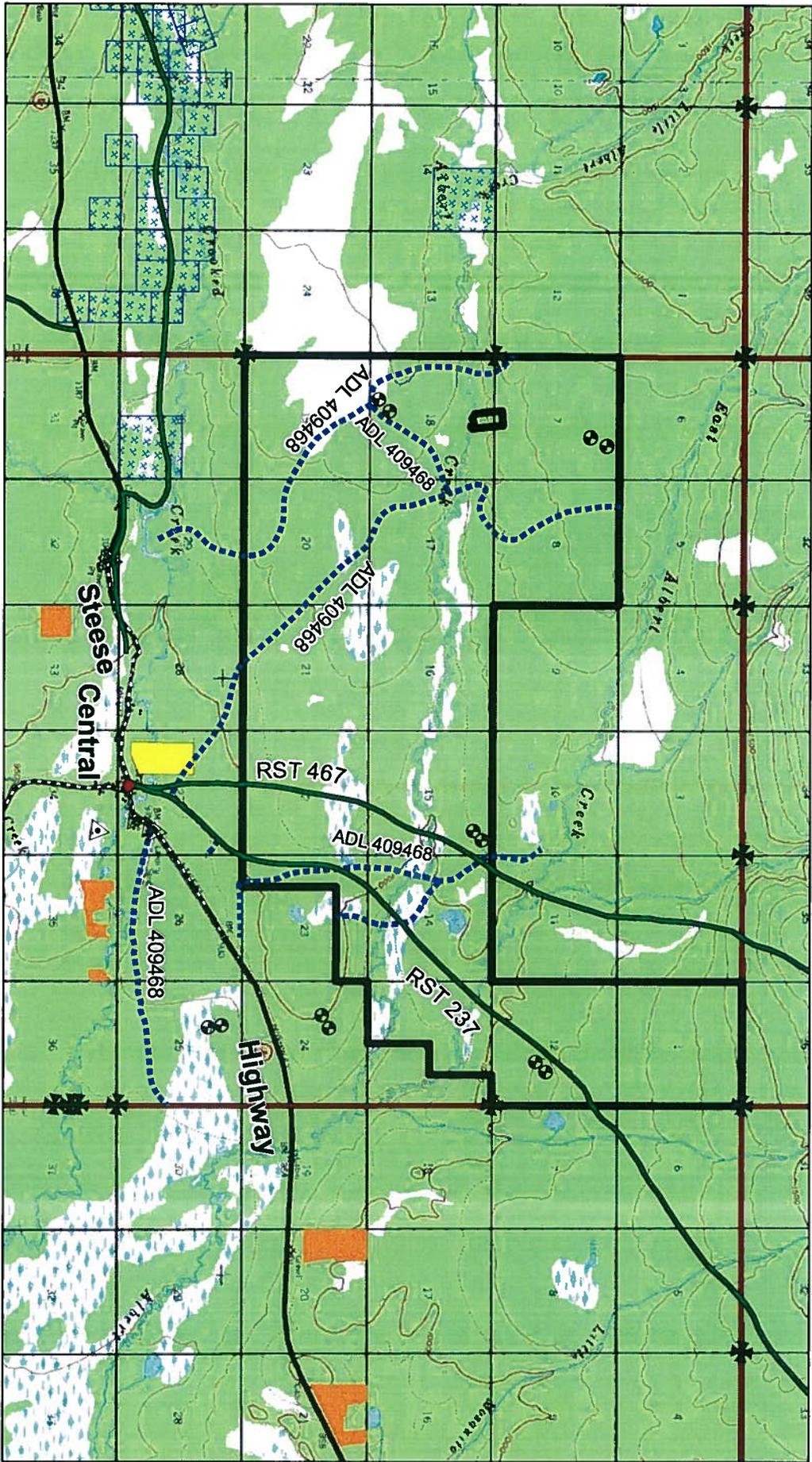
Approximately 25% of homes here are occupied year-round. These typically have individual wells, septic systems, and complete plumbing. The majority of summer-use homes haul water from local creeks or watering points at the local hotels and use outhouses. The landfill is unpermitted and is located on DNR land at mile 124.6 Steese Hwy. Electricity is provided by Central Electric Inc. There are schools located in the community, Local hospitals or health clinics include Fairbanks hospitals. Emergency Services include highway and air access. Emergency service is provided by 911 Telephone Service and volunteers. Auxiliary health care is provided by Central Rescue Squad

The 2005-2009 American Community Survey (ACS) estimated 27¹ residents as employed. The public sector employed 59.3%¹ of all workers. The local unemployment rate was 32.5%¹. The percentage of workers not in labor force was 61.5%¹. The ACS surveys established that average median household income (in 2009 inflation-adjusted dollars) was \$13,984 (MOE +/- \$2,046)¹. The per capita income (in 2009 inflation-adjusted dollars) was \$13,669 (MOE +/- \$4,690)¹. About 33.3%¹ of all residents had incomes below the poverty level.

The community is on the Steese Highway, by which residents can reach Fairbanks. Year-round maintenance by the Department of Transportation enabled goods to be delivered on a regular schedule by truck. A state-owned 2,782' long by 60' wide gravel airstrip is available. Boats are used for recreation and fishing. Snowmachines and dog sleds are also used.

⁵ <http://commerce.alaska.gov/dca/commdb/CIS.cfm>

Agency Review: Albert Creek North ADL 417478



HF 05/10/2010
Albert_Creek_North_Ar.dxd



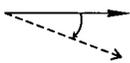
USGS QUADS 1:63,360

Circle C-2
T9N R14E, Fairbanks Meridian

This map is for graphic representation only. It is intended to be used as a guide only and may not show the exact location of existing surveyed parcels or show all easements and reservations. Source documents remain the official record and should be reviewed prior to staking.

Maximum parcel size: 20 acres
Staking authorizations: 50

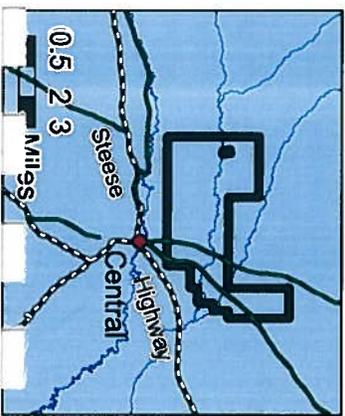
Scale: 2011



Declination
21:59 Degrees East

Legend

- Towns
- ✱ BLM Monuments
- ⊕ Survey Monument
- △ NGS Monuments
- RSP477 Trails
- Trail Easements
- ⊠ Mining Claims
- Private Parcels
- Native Allotments
- ⊠ Albert Creek North



Albert Creek North RRCS Staking Area Description

PHYSICAL CHARACTERISTICS	
Location	The Albert Creek North project area is located 1-5 miles north of Central, on both sides of Little Albert Creek.
Terrain and Major Features	The area is generally characterized as uplands. Topographic features in the area generally include moderately sloping hills and creek valleys. Elevation varies from approximately 1,000 feet to 1,500 feet. Albert Creek drains through the project area from west to east, with East Albert Creek in the northern half.
Access	Access is provided by highway vehicle along the Steese Highway, then off road travel to and through the area. Several trails (ADL 409468) provide access into the area. The Albert Creek Final Finding and Decision indicates that "...summer access to the project area is difficult. Access to the central portion of the area via ADL 409468 was not possible due to wet or boggy trail conditions. Access to the eastern portion of the project area on another section of ADL 409468 was not possible as the trail disappeared into wet terrain and tussocks before reaching the project area. Winter access to the central and western portion of the project area was gained via the central section of ADL 409468 during... wet terrain and downed, burned trees appear to make access to the area difficult..." RST 237 and 467 were not located.
View	The view is primarily mountains with the Yukon River valley to the east.
Climate	Average January temperature is -19 F, average July temperature is 60 F. Average annual precipitation is 11 inches, with 53 inches of snow.
Soils	The dominant soils are poorly drained with shallow permafrost on rolling uplands and long foot slopes. Soils have a thick peaty surface over silt loam. Depth to ice-rich, perennially-frozen silt ranges from about 10 to 20 inches.
Vegetation	At present, the vegetation is mainly sedge tussocks, mosses, shrubs, willows, dwarf birch and scattered forests of black spruce. The area burned in 2004 and has some birch and spruce forests regenerating.
Water Source	Creeks and lakes provide surface water within the staking area. Water quality is unknown.
Fire Management Option	The current fire management option for this area is Full.
Game Management Unit	The primary Game Management unit is 25C.
Alaska Coastal District	The project area is not within a coastal zone.
Flood Hazard	Flood Insurance Rate Maps are not available for the staking area.
Platting Authority	The project area is within an Unorganized Borough, and subject to the platting authority of the State of Alaska.

EASEMENTS AND RESERVATIONS	
Title	All lands within the sale area are tentatively approved to the State of Alaska (GS 3394).
Allowed Uses	Remote Recreation Cabin Sites are for recreational use only. No commercial use or permanent residence is allowed while under lease. Once the parcel is under purchase contract, or conveyed into private ownership, these restrictions no longer apply.
Improvements	Prior to construction of any structure or waste disposal system, contact the

	platting authority for any permits or for required setbacks from water bodies, lot lines, and easements.
Setbacks and Other Restrictions	DNR may impose staking setbacks from important public resources prior to offering. Setbacks and other restrictions will be addressed in the decision process and indicated on the staking map.
Public Access and Utility Easements	Parcels are subject to a minimum 30-foot public access and utility easement along the interior parcel boundary lines and a minimum 60-foot public access easement along all existing unnamed trails. Parcels may not be staked across any named or serialized trail.
Public Water Bodies and Easements	Parcels may not be staked across any public or navigable water body. Staked parcels are subject to 50-foot public access easements upland from the ordinary high water mark of public and navigable water bodies. Parcels are subject to a 100-foot building setback from the ordinary high water mark of all water bodies determined to be public or navigable.
Section Line Easements	All parcels staked on lands owned by the State of Alaska that contain land within 50 feet of a surveyed or protracted (unsurveyed) section line, or that are bisected by a protracted section line(s), are subject to a 50-foot wide easement on each side of the section line, which is reserved to the State of Alaska for public highways under AS 19.10.010. Staking is not allowed across surveyed section lines or surveyed township lines.
Waste Disposal	All on-site waste water disposal systems must meet the regulatory requirements of the Alaska Department of Environmental Conservation.
Reserved Areas	Reserved areas may be imposed prior to offering, and will be depicted on the staking map. There are no reserved areas identified at this time.
Oil and Gas, Minerals	The state retains ownership of all oil, gas, coal, ore, minerals, fissionable materials, geothermal resources, and fossils that may be in or upon the land that it sells (AS 38.05.125). The state reserves the right to enter onto the land to explore for and develop these mineral resources. The state may lease them to mineral developers or allow mining locations to be staked. However, Alaska law also provides that the surface owner will be compensated for damages resulting from mineral exploration and development (AS 38.05.130). Mineral orders closing an area to new mineral entry, where they have been established, close the area to exploration and development of locatable minerals such as gold, copper, platinum, et cetera. Such mineral orders do not apply to leasable minerals, including oil and gas leasing, coal leasing, shallow gas leasing, or exploration licensing for such, nor do they preclude reasonable surface access to these resources.
Additional Information	The area is classified settlement through the Classification Order CL-NC-82-027. Mining, public recreation, wildlife habitat, and settlement are the primary uses of state land within the area. The project area has been offered previously as Albert Creek RRCS in 2002.

ANAYLSIS AND CONCLUSIONS

Highest and Best Use

Analysis of highest and best use for the subject 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 as:

"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."⁶

The land to be valued is considered vacant and is 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. The appraised subjects are vacant and unimproved.

Legally Permissible

The Albert Creek North RRCS staking area is not subject to any known 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. The hypothetical key parcel can be developed with almost any legal use.

Physically Possible

Staked parcels will be 5 to 20 acres. The subject size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

Surrounding land use is primarily recreational. Development of the parcel depends on the amount of resources the owner is willing to allocate for recreational needs.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. The immediate vicinity is characterized by remote recreational cabin sites. Outdoor activities are the primary motivations for the surrounding users.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the subject as vacant would be for almost any legal use, primarily a private recreation cabin site.

⁶ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.277-278

Due to the confidentiality of sales information in the State of Alaska, the valuation section of the report is unavailable online. The entire report can be reviewed at the DNR Public Information Center:

In Anchorage

(in the Atwood Building)
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Phone (907) 269-8400
Fax (907) 269-8901
TDD for hearing impaired (907) 269-8411
e-mail: dnr.pic@alaska.gov
Business hours 10:00 am to 5:00 pm M-F.

In Fairbanks

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Fax (907) 451-2706
TDD for hearing impaired (907) 451-2770
e-mail: fbx-pic@alaska.gov
Business hours 10:00 am to 5:00 pm M-F.

In Juneau

(Southeast Div. of Land)
400 Willoughby Ave., 4th Floor, Juneau AK 99801
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Fax (907) 586-2954
e-mail: southeast_land@dnr.state.ak.us
Business hours 10:00 am to 5:00 pm M-F.