MARKET VALUE APPRAISAL
of

Two lots within Tenderfoot Subdivision ASLS 81-213

Tenderfoot Subdivision

APPRAISAL REPORT No. 3643-0

STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
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MEMORANDUM State of Alaska

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DATE: February 7, 2013

TO: Kevin Hindmarch
Review Appraiser

FROM Johnthomas Williamson
Appraiser

SUBJECT: Appraisal of two parcels, within Tenderfoot Subdivision ASLS 81-213

As requested, I have completed an appraisal of two parcels within the above referenced subdivision. I understand that this appraisal will be used to determine a minimum purchase price for a sealed bid auction. 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. This is a 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 subjects and all of the comparable sales used in this report. Physical descriptions of the subject were based on inspections, photography, topographic maps, peer appraisal reports, interviews with realtors, Fairbanks - Northstar Borough employees, and various individuals familiar with the area. Based on these 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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APPRAISAL SUMMARY

Location and Legal Description

Tenderfoot Subdivision is located approximately 70 miles southeast of Fairbanks, south of the Richardson Highway within Township 7 South, Range 7 East of the Fairbanks Meridian, Section 25

Summary of Value

Subdivision	ADL	Lot	Block	EPF	Acres	Value	Date of value
Tenderfoot	409732	11	5	ASLS 81-213	4.515	**$10,400**	7-31-2012
Tenderfoot	409733	12	3	ASLS 81-213	4.616	**$10,600**	7-31-2012

PREMISES OF THE APPRAISAL

Type of Appraisal and Report
This appraisal is a 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 DNR's Special Appraisal Instructions.

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 minimum bid for the subject to be acquired through the auction sale program under **AS 38.05.055**.

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]

Effective Date of Value Estimate
July 31st, 2012.

Date of Report
February 7th, 2013.

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[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, 2012, pp. 610
[3] The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.23

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 one year is reasonable.

Property History
ADL 409732, and ADL 409733 were previously sold through the DNR Subdivision Auction. Each was under a land sale contract until spring of 2012, when each contract was terminated due to non-payment. The Department of Natural Resources is the current owner of record.

Prior Appraisal History
I have not

Scope of the Appraisal

Property and Comparable Sales Inspection
I inspected the subject property and all of the comparable sales on August July 31st, 2012 via on-site inspection. Physical features and access were identified by use of inspections, topographic maps, status plats, aerial photographs, DNR appraisal records, and interviews with people who are 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 2012-2013, Appraisal Foundation, p. www.uspap.org/#/24/

Assumptions and Limiting Conditions

1. The property is appraised as vacant land without structural or site improvements.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".

11. 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.

12. 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 – Delta Junction[5]

Delta Junction is located at the convergence of the Richardson and Alaska Highways, approximately 95 miles southeast of Fairbanks. The city developed along the east bank of the Delta River, south of its junction with the Tanana River. It offers spectacular views of the Alaska Range.

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This area of Interior Alaska experiences seasonal extremes. The average low temperature in January is -11 °F. The average high during July is 69 °F. Recorded temperature extremes range from a low of -63 °F to a high of 92 °F. Average annual liquid equivalent precipitation is 12 inches, with an average annual snowfall of 37 inches.

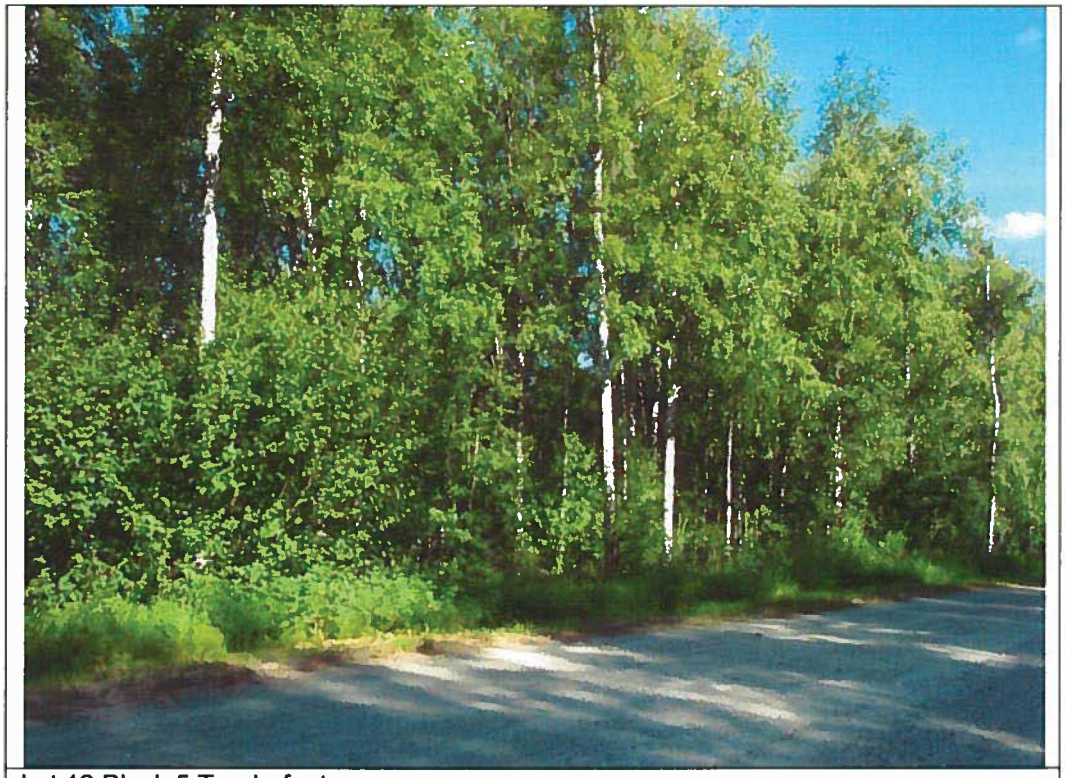
Delta Junction is strategically located to provide services to summer tourist traffic. The visitor's center is located in the "Triangle," where the Alaska Highway meets the Richardson Highway. The community also has an elementary school, middle school, high school (with track and football field), career advancement center, outdoor skating rink, unheated skating facility, city park with ball fields, and some bike paths.

In 2004, the U.S. Army Corps of Engineers completed construction of the Missile Defense Testbed at Fort Greely, 5 miles south of Delta Junction. The Alaska National Guard's 49th Missile Defense Battalion continues to operate and secure the Ground-based Midcourse Missile Defense (GMD) system at Ft. Greely. Concurrently, the Missile Defense Agency is fielding additional GMD capability at Ft. Greely. Ft. Greely has military status as a cold weather training site. In 2011, 45 military personnel were stationed on Fort Greely. The nearby Pogo Mine is a major employer. Pogo is a world-class gold deposit located in the upper Goodpaster River Valley, which is 38 miles northeast of Delta Junction. Other major employers are the Delta/Greely School District and Alyeska Pipeline Services. Several state and federal highway maintenance staff are located in Delta. There are also a number of small businesses that provide a variety of services. Delta's location at the junction of two major highways has also brought development based on services to travelers. Nearly 40,000 acres are farmed in the Delta area, producing barley, other grains and forage, potatoes, dairy products, cattle, and hogs. In 2011, 38 residents held commercial fishing permits. Moose, caribou, bear, sheep, and waterfowl are also hunted in this area. Wild buffalo are hunted by lottery only. Some private businesses provide buffalo and elk hunts. Lynx, fox, coyote, mink, and beaver are trapped. Ice fishing, skiing, and snow machining are winter sports, as is dog sledding, which is used for recreational transportation and trapping.

Households have individual septic systems, which range from 150 to 350 feet deep. Some residents use rain catchment systems. The Delta School has its own well-water system. Almost all homes are fully plumbed. Businesses and residences are dispersed over a large area, so a community system is not practical. Refuse is collected by a private firm, Delta Sanitation, and is deposited in the city-owned permitted landfill. The laundromat, Delta Laundry, is also operated privately. The city operates a sewage pit at the landfill site.

[5] All information regarding neighborhood information derived from http://www.commerce.state.ak.us/dca/commdb/CIS.cfm

Property Description for Tenderfoot Subdivision



Lot 12 Block 5 Tenderfoot

ADL	Subdivision	MTRS	Lot	Block	ASLS	Acres	Plat	Recording District
409732	Tenderfoot	F007S007E25	11	5	81-213	4.515	82-141	Fairbanks
409733	Tenderfoot	F007S007E25	12	3	81-213	4.616	82-141	Fairbanks

Location
Tenderfoot Subdivision is located approximately 70 miles southeast of Fairbanks, south of the Richardson Highway, north of the Tanana River.

Access
Access to the subject is via Richardson Highway, to Kiana Lane, to Hughes Way. Hughes way is a constructed gravel road.

Topography, Size & Shape
Subjects are moderately sloping, irregular in shape, and I, rectangular, and approximately 1200' above sea level.

Soils/Vegetation
Vegetation consists of primarily mature birch and spruce mix with some alders. Vegetation is indicative of adequate drainage.

Lot 11 Block 5 Tenderfoot

Easements & Zoning Regulations
There are typical easements throughout the subdivision. No atypical easements adversely effect the subjects. Tenderfoot is within the Unorganized Borough and not subject to zoning or taxation at the time.

Environmental Hazards, Hazardous Waste & Toxic Materials
No toxic materials, waste, or hazards were observed during the field inspection.

Tax Assessments
Tenderfoot is within the Unorganized Borough and is not subject to taxation at the time.

Ownership History
ADL 409732 and ADL 409733 were previously sold through the DNR Subdivision Auction. Each was under a land sale contract until spring of 2012, when each contract was terminated due to non-payment. The Department of Natural Resources is the current owner of record

Parcel neighboring Tenderfoot subject on Hughes Way. Tenderfoot Subdivision is partially built up with primarilaly year-round residences.

Personal Property
There is no personal property involved with the appraisal of this property.

Utilities, Water & Sewer
Electricity is available on Hughes Way to the east. Water supply or sewage disposal systems must be located, constructed, and equipped in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

DATA ANALYSIS AND CONCLUSION

Valuation Analysis
Three approaches to value 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 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. Since the subject is vacant, 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. Of the three approaches to value, only the sales comparison approach is applicable.

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, and will be utilized. 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. The Key Parcel Method will be utilized with Lot 7, Block 1 of Skyridge Drive Subdivision as the Key Parcel.

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 are 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 (or <) 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 (or >) means that the sale feature is inferior to the subject's feature which requires an upward adjustment to indicate the value of the key parcel. An adjustment of 1.00 (or =) means the sale feature is similar to the key parcel, 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.

Qualitative adjustments are noted as superior (-), inferior (+), or equal/similar (=). The overall comparability of each sale is analyzed to bracket a probable value for the subject. In many cases, combinations of both quantitative and qualitative adjustments are used.

Highest and Best Use - Tenderfoot Subdivision

Legally Permissible
The 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. Almost any legal use of the site would be possible.

Physically Possible
The subjects are 4.515 and 4.616 acres. The size and physical characteristics are adequate to support all reasonable and probable uses specifically one building site.

Financially Feasible
Surrounding land use is primarily rural residential with sporadic private recreational sites. Development of the parcel depends on the amount of resources the owner is willing to allocate for residential 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 rural residential and recreational sites. Outdoor activities, including opportunities at the nearby Harding Lake Recreation Area, 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 rural residential or recreation building site.