MARKET VALUE APPRAISAL
of

Seven (7) Parcels within
Riverwood Subdivision 2014-44
Fairbanks Odd Lot ASLS 95-72

Lot 3 of Riverwood along the Chena River.

APPRAISAL REPORT No. 4288-0

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

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DATE: January 21, 2016

TO: Kevin Hindmarch
Review Appraiser

FROM Johnthomas Williamson
Appraiser

SUBJECT: Seven (7) parcels near Fairbanks within Riverwood ASLS 2014-44 and Fairbanks Odd Lot ADL 416420 ASLS 95-72.

As requested, I have completed an appraisal of the above referenced parcels, and 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 appraisal report is 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 all of the subject parcels and all of the comparable sales used in this report. Physical descriptions of the subject parcels were based on inspections, aerial photography, topographic maps, peer appraisal reports, interviews with realtors 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 values as of the effective date of value.

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APPRAISAL SUMMARY

Legal Description and Location

Riverwood is located approximately 15 miles east of Fairbanks, south of Chena Hot Springs Road, north of Badger Road, and east of east of Nordale Road off Freeman Road, within Section 9 of Township 1 South, Range 2 East, Fairbanks Meridian.

Fairbanks Odd Lot ADL 416420 is located approximately 17 miles east of Fairbanks off of Chena Hot Springs Road, just east of Nordale Road, within Section 30 of Township 1 North, Range 2 East, Fairbanks Meridian.

SUMMARY OF VALUES

ADL	Subdivision	Lot	ASLS	Acres	Value (Rnd)	Date of Value
420584	Riverwood	1	2014-44	4.782	**$64,600**	8/19/2015
420585	Riverwood	2	2014-44	4.638	**$62,600**	8/19/2015
420586	Riverwood	3	2014-44	4.609	**$62,200**	8/19/2015
420587	Riverwood	4	2014-44	4.763	**$28,600**	8/19/2015
420588	Riverwood	5	2014-44	4.690	**$28,100**	8/19/2015
420589	Riverwood	6	2014-44	4.800	**$28,800**	8/19/2015
416420	Fairbanks Odd Lot	4	95-72	9.371	**$38,800**	8/19/2015

PREMISES OF THE APPRAISAL

Type of Appraisal and Report
This appraisal report is prepared in accordance with Standards Rule 1 and 2 of the current edition of **Uniform Standards of Professional Appraisal Practice** (USPAP) and 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 parcels 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
August 19, 2015.

Date of Report
January 21, 2016.

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[1] The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, p.78
[2] Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2014, pp. 653
[3] The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, p.122

Exposure Time
Exposure time is defined as the "...estimated length of time that 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."[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. Currently, there are a number parcels available throughout the area offered through various government and private programs. However, riverfront parcels are limited. Considering the availability of parcels on the market, an exposure time of six months to a year is reasonable.

Property History
Parcels within Riverwood Subdivision have not been previously offered. Fairbanks Odd Lot ADL 416420 was offered through the 2007 DNR Subdivision Auction. It did not receive a bid and was sold later through the OTC offering. The applicant entered into a land sale contract in 2009 which was terminated in 2012. DNR is the owner of record for all parcels.

Scope of the Appraisal

Property and Comparable Sales Inspection
I inspected the subject properties and all of the comparable sales on August 19th, 2015. Physical features and access were identified by use of site 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, and other individuals familiar with the area who provided information about trends in value, supply, demand, access, and physical characteristics of the subject properties. DNR records and the Recorders Office databases were searched for recent comparable sales. Private real estate agent websites were searched for recent listings. 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 following assumptions and limiting conditions.

[4] Uniform Standards of Professional Appraisal Practice 2014-2015, Appraisal Foundation, p.U-2 www.uspap.org/#/19/

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[5]

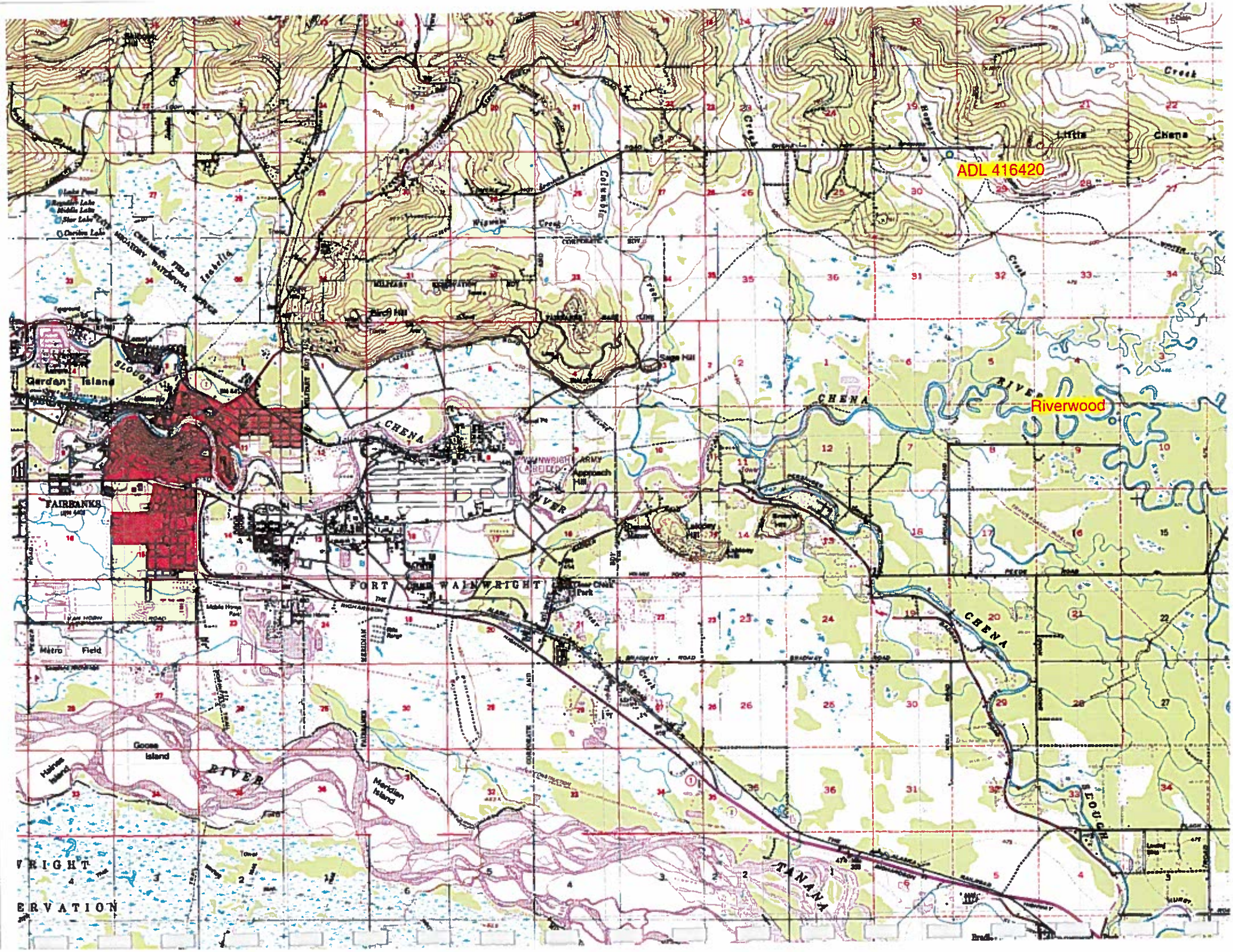
The Fairbanks North Star Borough is located in the heart of Interior Alaska. It is the second-largest population center in the state with a population of approximately 98,000 as of 2014. Of which, about half live in and around Fairbanks. The area encompasses 7,361.0 sq. miles of land and 77.8 sq. miles of water. Interior Alaska experiences seasonal temperature extremes. January temperatures range from -66 to 50 degrees Fahrenheit. July temperatures range from 30 to 99 degrees Fahrenheit. Fairbanks is known for its lingering summer days. When the solstice arrives, there is more than 22 hours of daylight. Major communities include: College, Eielson Air Force Base, Ester, Fairbanks, Fox, Harding Lake, Moose Creek, North Pole, Pleasant Valley, Salcha, and Two Rivers. There are 35 schools located in the borough.

City, borough, state, and federal government agencies, including the military, provide over one-third of the employment in the borough. The borough school district and the University of Alaska Fairbanks are the primary public employers. In 2014, nearly 8,400 soldiers were stationed in the borough on Fort Wainwright or the Eielson Air Force Base. Retail services, gold mining, tourism, transportation, medical, and other services are the primary private sector activities. The Fort Knox hard rock gold mine is located in the borough.

The Richardson Highway, the Parks Highway, the Steese Highway and the Elliott Highway connect the Interior to Anchorage, Canada and the lower 48. Truck, rail and air services provide transportation of cargo. Scheduled jet services are available at Fairbanks International airport. An 11,800' asphalt runway, heliport and seaplane landing strip are available. A public seaplane base is located on the Chena River. Eielson Air Force Base and Fort Wainwright also conduct flight operations in the area.

Fairbanks is a Home Rule city and the second largest population center in the state. Currently, its estimated population is 31,720, comprised of 11,500 households. The average household size is 2.52. Power is supplied by Golden Valley Electric Association Inc. through diesel generators. Supplemental power is supplied by Aurora Energy LLC. The area is serviced by local schools, hospitals, libraries, refuse systems, and other urban facilities.

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


ADL 416420
Riverwood
Little Chena
Garden Island
FAIRBANKS
CHENA RIVER
FORT WAINWRIGHT
Metro Field
Goose Island
Meridian Island
TANANA
SLOUGH
Birch Hill
Sage Hill
Approach Hill
Lakeway Hill
Clear Creek Park
Wigwam Creek
Columbia Creek
Isabella
Creek
Lake Pond
Regulator Lake
Middle Lake
Star Lake
Caribou Lake
WRIGHT
ERVATION

Property Description - Riverwood Subdivision

ADL	Subdivision	MTRS	Tract	Access	ASLS	Acres	Plat	Recording District
420584	Riverwood	Sec. 9 T1S R2E FM.	1	Gravel Road	2014-44	4.782	2015-99	Fairbanks
420585	Riverwood	Sec. 9 T1S R2E FM.	2	Gravel Road	2014-44	4.638	2015-99	Fairbanks
420586	Riverwood	Sec. 9 T1S R2E FM.	3	Gravel Road	2014-44	4.609	2015-99	Fairbanks
420587	Riverwood	Sec. 9 T1S R2E FM.	4	Gravel Road	2014-44	4.763	2015-99	Fairbanks
420588	Riverwood	Sec. 9 T1S R2E FM.	5	Gravel Road	2014-44	4.690	2015-99	Fairbanks
420589	Riverwood	Sec. 9 T1S R2E FM.	6	Gravel Road	2014-44	4.800	2015-99	Fairbanks

Location
Riverwood located approximately 15 miles east of Fairbanks, south of Chena Hot Springs Road, north of Badger Road, and east of east of Nordale Road off Freeman Road, within Section 9 of Township 1 South, Range 2 East, Fairbanks Meridian.

Access
Access to the subdivision is via Chena Hot Springs Road or Badger Road to Nordale Road, then east on Freeman Road, a paved road, to North Freeman Road. Parcels have gravel access. Lot 3 is a flag-lot. In discussions with the surveyor, the shape of this lot was necessary to facilitate platting. However, there is legal constructed access to the southwestern corner of this lot.

Topography, Soils, Size & Shape
Parcels are level, range from 4.609 to 4.8 acres, and both rectangular and irregular in shape. Parcels contain primarily mature birch and spruce mix with some poplar and alder. Land within this subdivision is subject to flooding during spring breakup and other high water events along the Chena River.

Easements & Zoning Regulations
There are typical access easements throughout the subdivision. There is a 50' public access easement and 100' building setback from the ordinary high water line of the Chena River. The subjects are within the Fairbanks – North Star Borough and zoned General Use-1.

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

Ownership History
Parcels were surveyed and recorded 2015. None of the parcels within Riverwood Subdivision have been offered for sale in the past. DNR is the current owner of record.

Tax Assessments & Personal Property
The subdivision lies within the Fairbanks – North Star Borough. The current mill rate for the property is 16.531. There is no personal property involved with the appraisal of this property. There are no improvements on the property.

Utilities, Water & Sewer
There are overhead electric transmission lines adjacent to all parcels. There are no other utilities available. 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.

Property Description – Fairbanks Odd Lot
ADL 416420. Lot 4 of ASLS 95-72

ADL	Subdivision	Sec.	MTR	Lot	ASLS	Acres	Access	Plat	Rec. District
416420	Fairbanks Odd Lot	30	T1N R2E	4	95-72	9.371	Gravel	99-61	Fairbanks

Location
ADL 416420 is located approximately 17 miles east of Fairbanks off of Chena Hot Springs Road, just east of Nordale Road, within Section 30 of Township 1 North, Range 2 East, Fairbanks Meridian.

Access
Access to the subdivision is via Chena Hot Springs Road. The parcel fronts the Chena Hot Springs Road Right of Way. There is an unimproved 4x4 road accessing the parcel within the Right of Way. This driveway connects to Mullen Avenue, a gravel road to the east. Any access directly onto Chena Hot Springs Road will require a DOT/PF Driveway Permit.

Topography, Soils, Size & Shape
The parcel is level, irregular in shape, and contains 9.371-acres. A small drainage delineates the western lot line. There are portions of the parcel that appear poorly drained. A plat note states that the natural drainage of Hopper Creek shall be maintained by the owners. The subdivision contains primarily mature black spruce mix

Easements & Zoning Regulations
There are typical access easements throughout the subdivision. The subject is within the Fairbanks – North Star Borough and zoned General Use-1

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

Ownership History
The parcel was offered through the 2007 DNR Subdivision Auction. It did not receive a bid and was sold later through the OTC offering. The applicant entered into a land sale contract in 2009 which was terminated in 2012. DNR is the owner of record for all parcels

Tax Assessments & Personal Property
The subdivision lies within the Fairbanks – North Star Borough. The current mill rate for the property is 14.888. There is no personal property involved with the appraisal of this property. There are no improvements on the property.

Utilities, Water & Sewer
There are overhead electric transmission lines adjacent to all parcels. There are no other utilities available. 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.

Lot 6 Riverwood.

North Freeman Road looking north, Lots 4 & 5 on left, Riverwood access.

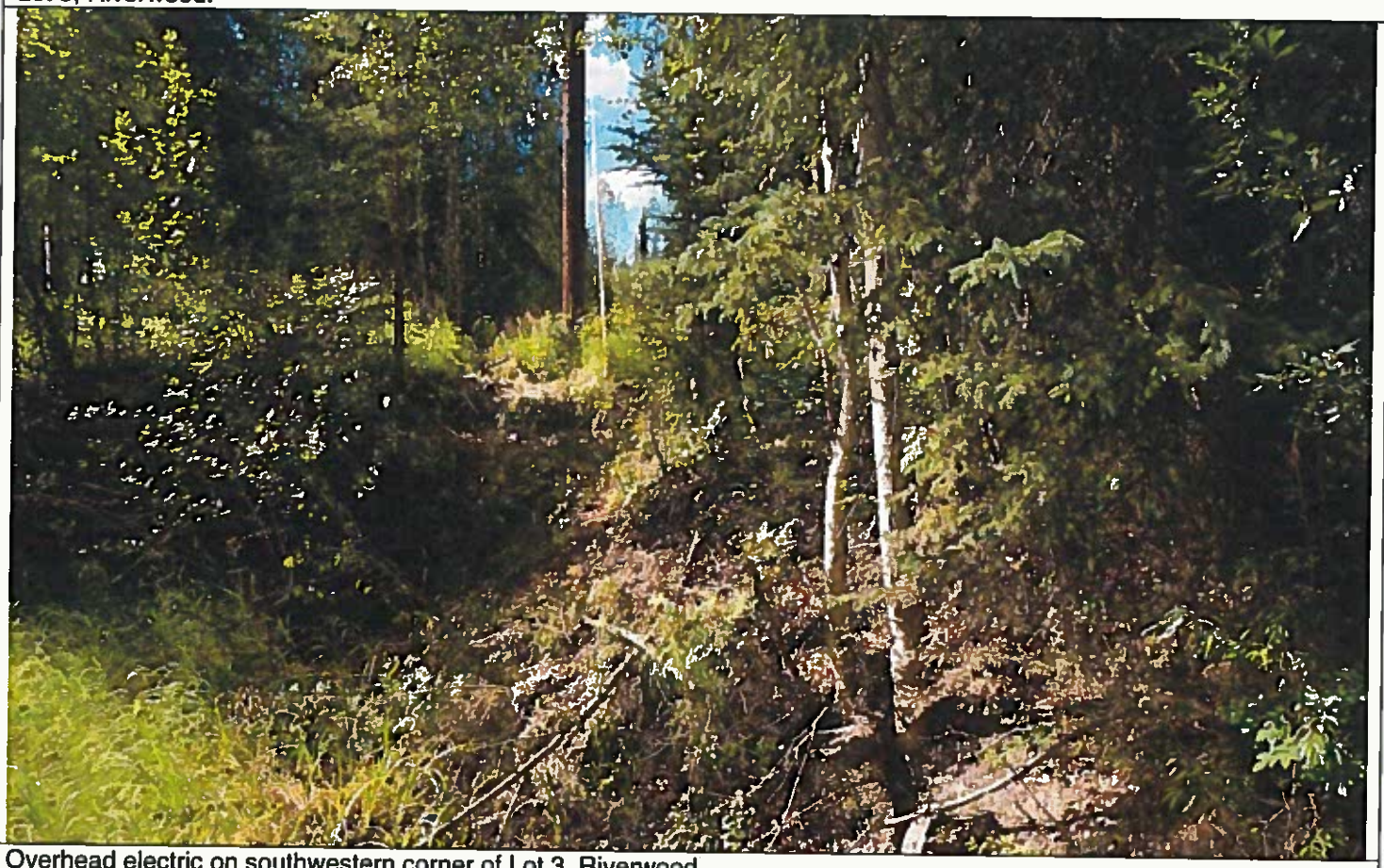
Newly constructed turn-around on North Freeman Road between Lots 1 & 2, Riverwood.

Dirt road continues north to provide public access to Chena River.

Typical vegetation within Riverwood Subdivision.

Lot 3 shows past evidence of high water on parcel.

Lot 5, Riverwood.



Overhead electric on southwestern corner of Lot 3, Riverwood.

Tract 3 along the Chena River.

Tract 2 along the Chena River.

Trail on Tract 2.

Lot 1, Riverwood.

Lot 1 along the Chena, looking south.

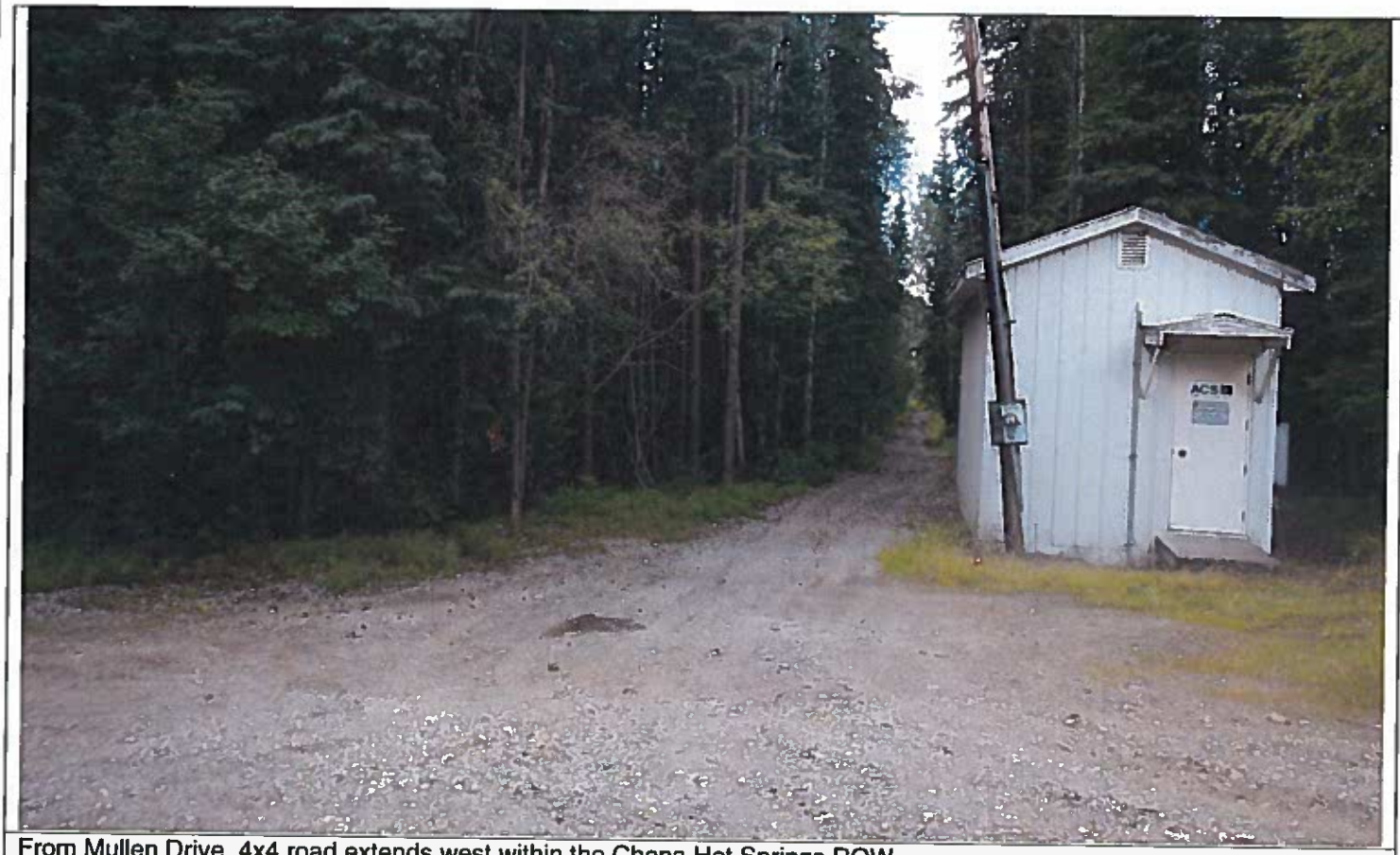
Trail on Lot 1, Riverwood.

Chena Hot Springs Road looking south onto Lot 4 of ASLS 95-72.

Overhead electric west of Lot 4.

Hopper Creek, western lot line of Lot 4.

Lot 4 sits below the grade level of Chena Hot Springs Road.



From Mullen Drive, 4x4 road extends west within the Chena Hot Springs ROW.

Within the Chena Hot Springs ROW, north line of Lot 5, Lot 4 in distance.

4x4 road on north lot line of Lot 4, within the ROW.

Typical vegetation within Lot 4, ASLS 95-72

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 all the parcels are 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.

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.

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:

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