

**SUMMARY REPORT OF A COMPLETE
RETROSPECTIVE APPRAISAL**

Improved and unimproved remote parcels
at the mouth of Alexander Creek in the
Susitna River drainage, South-central Alaska.

FOR

Alan F. Budney, Esq.

Report Date
March 7, 2005

Effective Date of Value
September 20, 2004

FILE #05-021-A

BY

Steven E. Carlson
General Real Estate Appraiser (Cert. # 231)

BLACK-SMITH, BETHARD & CARLSON, LLC
2602 Fairbanks Street
Anchorage, Alaska 99503

BLACK-SMITH, BETHARD & CARLSON, LLC

Appraisers
2602 Fairbanks Street
Anchorage, Alaska 99503
Phone: 907-274-4654
Fax: 907-274-0889
E-mail: bsr@ak.net

March 7, 2005

Alan F. Budney, Esq.

Re: Improved and unimproved remote parcels
at the mouth of Alexander Creek in the
Susitna River drainage, South-central Alaska.

Dear Mr. Budney,

We are submitting a *summary report* of our *complete retrospective appraisal* estimating the as-is market values of the *fee simple interest* in the subject properties as of September 20, 2004. Our opinions of value are:

Legal Description	MSB Tax ID #	Acres	Description	Value Opinion
Lot 1-1 USS #1824 & Lot D, Giese Subd.	U01824000L01-1 6130000L00D	127.98 1.01	Vacant assemblage that contacts Alexander Cr.	\$100,000
Lot 2-1 U.S. Survey No. 1824	U01824000L02-1	3.00	Improved site on Alexander Creek	\$123,000
Lot 2-2 U.S. Survey No. 1824	U01824000L02-2	2.00	Improved site on Alexander Creek	\$43,000
Lot A, Giese Subdivision	6130000L00A	10.27	Improved site on Alexander Creek	\$210,000
Lot C, Giese Subdivision	6130000L00C	3.47	Improved site on Alexander Cr./Susitna R.	\$62,000
Lot E, Giese Subdivision	6130000L00E	6.55	Improved site on the Susitna River	\$119,000
*Aggregate Value				\$657,000

* Sum of the values as stand alone properties – not a bulk value estimate

The value opinions include two generators and built-in fixtures and kitchen appliances. The value opinions exclude movable personal property including furniture, vehicles, tools, equipment, etc.

The value opinions are stated in terms of cash. The market exposure period (looking backward) and the marketing time (looking forward) are both estimated at one year.

The report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary

discussions of the data, reasoning, and analyses that were used to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the client's intended use.

The value opinions reported are qualified by certain definitions, assumptions, limiting conditions, and certifications. We particularly call your attention to the extraordinary assumptions and hypothetical conditions on page 7.

This narrative appraisal report conforms to and satisfies the requirements of USPAP and Volume 12, Code of Federal Regulations, Part 34, Subpart C. A copy of the appraisal instructions is contained in the Addenda.

Sincerely,
BLACK-SMITH, BETHARD & CARLSON, LLC

Steven E. Carlson
General Real Estate Appraiser (Cert. # 231)

STATEMENT OF THE APPRAISAL PROBLEM

PROPERTY IDENTIFICATION

The subject properties include improved and unimproved remote parcels at the mouth of Alexander Creek in the Susitna River drainage, in south-central Alaska. The properties are identified in the following table. Ownership reportedly vests in Henry S. Budney.

Legal Description	MSB Tax ID #	Acres	
*Lot 1-1 U.S. Survey No. 1824	U01824000L01-1	127.98	Vacant tract w/access to Alexander Creek
Lot 2-1 U.S. Survey No. 1824	U01824000L02-1	3.00	Improved site fronting on Alexander Creek
Lot 2-2 U.S. Survey No. 1824	U01824000L02-2	2.00	Improved site fronting on Alexander Creek
Lot A, Giese Subdivision	6130000L00A	10.27	Improved site fronting on Alexander Creek
Lot C, Giese Subdivision	6130000L00C	3.47	Improved site fronting on Alexander Cr. & the Susitna R.
*Lot D, Giese Subdivision	6130000L00D	1.01	Vacant site contacting Alexander Creek
Lot E, Giese Subdivision	6130000L00E	6.55	Improved site fronting on the Susitna River

*The highest and best use of these two adjacent properties is assemblage.

PROPERTY HISTORY

There have been no sales of the subject properties within the three years prior to the date of valuation.

PURPOSE OF THE APPRAISAL and INTEREST APPRAISED

The purpose of this appraisal is to estimate the as-is *market value*¹ of the *fee simple*² interest as of September 20, 2004. The value opinions are stated in terms of cash. The

¹ "The most probable price, which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1) Buyer and seller are typically motivated;
- 2) Both parties are well informed or well advised, and both acting in what they consider their own best interest;
- 3) A reasonable time is allowed for exposure in the open market;
- 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Office of the Comptroller of the Currency under 12 CFR,
Part 34, Subpart C-Appraisals, 34.43 Definitions [f].

market exposure period (looking backward) and the marketing time (looking forward) are both estimated at one year.

INTENDED USE OF THE REPORT

The intended use is for establishing basis as of the date of death.

INTENDED USERS OF THE REPORT

The intended users include the client and appropriate regulatory agencies.

EFFECTIVE DATE OF VALUE

September 20, 2004

REPORT DATE

March 7, 2005

² 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. Appraisal Institute 1993; *Dictionary of Real Estate Appraisal*

Property Data

Steve Carlson inspected the properties on February 19, 2005. We relied on U.S.G.S. topographic maps, our knowledge of the market area, and input provided by the client and a caretaker, Mr. Fred Sorensen. We obtained a tax history from the Matanuska-Susitna Borough. All requested information that was available was provided.

Area Data

In order to identify significant trends and indicators, we spoke with local property owners, real estate agents, and appraisers. We obtained a community profile from the State of Alaska Department of Community and Regional Affairs. We also reviewed various publications, reports, and surveys including *Alaska Economic Trends*, *Alaska Business Monthly*, and the *Alaska Journal of Commerce*.

Market Data

Alaska is a non-disclosure state. Comparable data was obtained by searching the local multiple listing service records, the State of Alaska Department of Natural Resources, surveying real estate agents/brokers, property managers, and other appraisers. Market data was confirmed with the property owners, managers, or agents.

Market Analyses

The Appraisal Institute recognizes two categories of market analysis: *inferred* and *fundamental*. For the purposes of this appraisal, demand is inferred from general market conditions and the available data.

Appraisal Development and Reporting

This is a retrospective appraisal. The Uniform Standards of Professional Appraisal Practice Statement No. 3 (SMT-3) addresses retrospective value opinions. "In the absence of evidence in the market that data subsequent to the effective date were consistent with and confirmed market expectations as of the effective date, the effective date should be used as the cut-off date for data considered by the appraiser."

In this case, activity in this submarket is limited. Market conditions and values have not changed for the period of time bracketed by the report date and the comparables selected for comparison. The appraisal development process is *complete*. This *summary appraisal report* is a brief recapitulation of the appraiser's data, analyses, and conclusions. Supporting documentation is retained in the appraiser's file.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

General assumptions and limiting conditions are contained in the addenda of the report. Extraordinary assumptions³ and/or hypothetical conditions⁴ are summarized as follows:

- We were not provided with a title report; ownership may include the subsurface estate. There are producing oil and gas wells in the Cook Inlet region. We developed our value opinion according to the extraordinary assumption that valuable subsurface resources beneath the subjects have not been documented and the potential for discovery is minimal. In such cases, the market does not support a premium for the inclusion of the subsurface estate.
- We are not aware of any environmental issues affecting the subject properties; however, several fuel drums were observed (see photos). We developed our opinions of value according to the extraordinary assumption that the properties are environmentally clean.

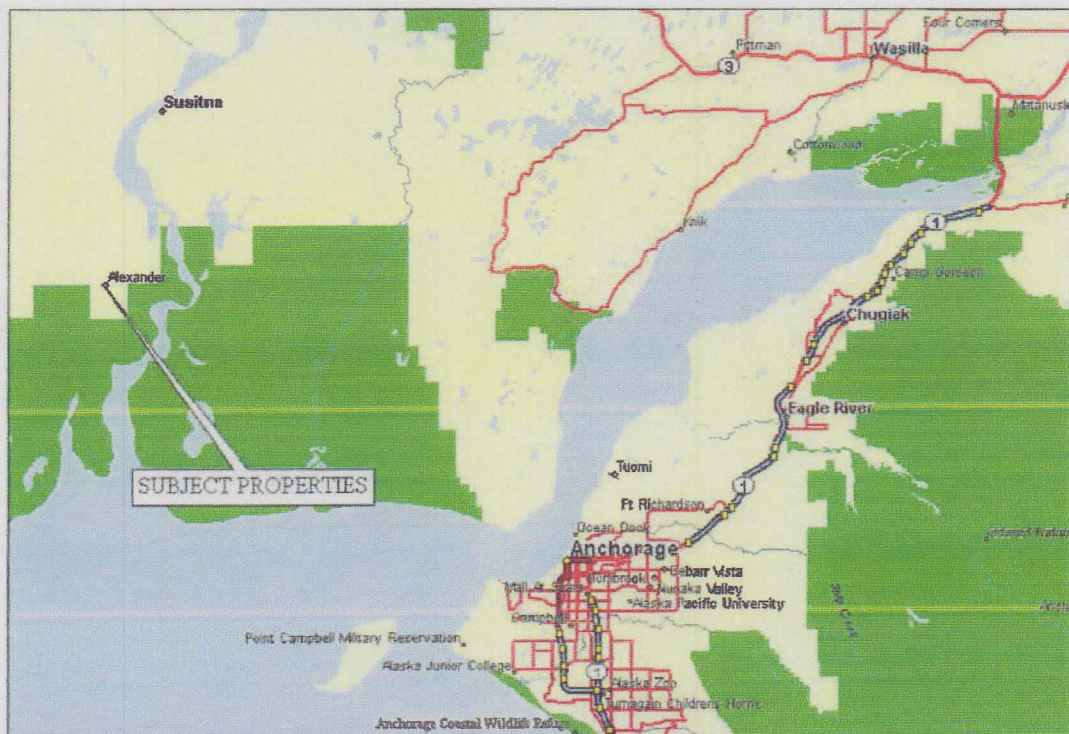
³ "An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions." *Uniform Standards of Professional Practice*.

⁴ "That which is contrary to what exists, but is supposed for the purpose of analysis." *Uniform Standards of Professional Practice*.

NEIGHBORHOOD DESCRIPTION

The *general neighborhood* is referenced by the lower Susitna River. Despite its proximity to communities that account for more than half the state's population, the area west of the river is road-less and remote. Nevertheless, the Susitna drainage is a focal point for recreation. Other navigable rivers collected by the Susitna include the Yentna and Skwenta Rivers. All are migratory corridors for five species of Pacific salmon. Clear-water feeder streams that are popular sport-fishing destinations include Lake Creek, the Deshka River, and Alexander Creek. The area includes numerous lakes – many large enough for float-plane operation. The topography alternates from wetlands and muskeg to forested uplands. Elevations rise to the west; Mount Susitna is a notable landmark.

The State of Alaska is the predominant land owner. State land disposal programs have been the primary source of private lands. Because rivers and lake are strategic in terms of access and subsistence resources, the overwhelming majority of privately owned parcels front on a water body – accessed by river boat or float plane. Common uses include remote homesteads, private recreation cabins, and commercial lodge operations.



Alexander Creek is a popular sport-fishing destination that is rated by the Alaska Department of Fish and Game as the third most important river in the Susitna Area for habitat and public use. The *immediate* neighborhood is the mouth of creek at its confluence with the Susitna River. It is focal point for private cabins and commercial operations (e.g., fishing guides, boat rentals, lodging). Properties along the lower segment of the creek (1st two to three miles) can be accessed by both river boat and float plane.

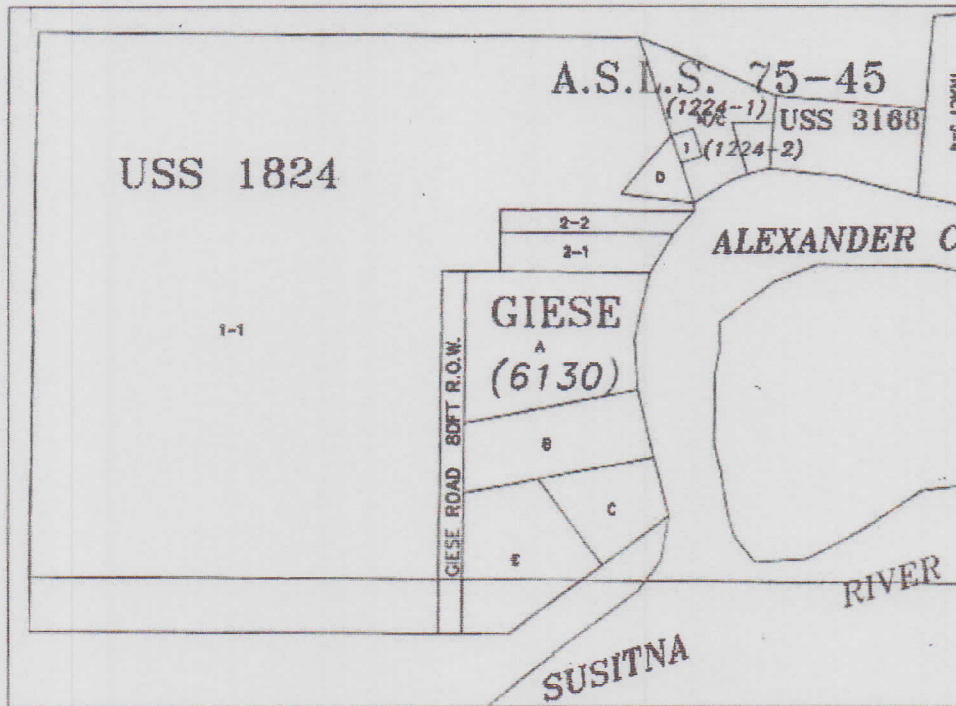
PROPERTY DESCRIPTION

The properties are identified in the following table:

Legal Description	MSB Tax ID #	Acres	Notes
*Lot 1-1 U.S. Survey No. 1824	U01824000L01-1	127.98	Vacant tract w/access to Alexander Creek
Lot 2-1 U.S. Survey No. 1824	U01824000L02-1	3.00	Improved site fronting on Alexander Creek
Lot 2-2 U.S. Survey No. 1824	U01824000L02-2	2.00	Improved site fronting on Alexander Creek
Lot A, Giese Subdivision	6130000L00A	10.27	Improved site fronting on Alexander Creek
Lot C, Giese Subdivision	6130000L00C	3.47	Improved site fronting on Alexander Cr. & the Susitna R.
*Lot D, Giese Subdivision	6130000L00D	1.01	Vacant site contacting Alexander Creek
Lot E, Giese Subdivision	6130000L00E	6.55	Improved site fronting on the Susitna River.

*The highest and best use of these two adjacent properties is assemblage.

Continuity of ownership is interrupted by Lot B, Giese Subdivision.



The properties are remote; there is no improved access or utilities. All of the properties are generally similar in terms of soils and topography – rolling wooded uplands. The properties are inside the Matanuska-Susitna Borough (MSB) and subject to real estate taxes but not zoning. Easements, if any, are confined to the perimeters without restricting use.

Unique qualities and the improvement descriptions are presented in the individual valuations. Log buildings are difficult to measure. We supplemented input from the caretaker with some physical measurements. The dimensions and area estimates are close approximations.

Natural Resources

The timber (birch, spruce, and cottonwood) is not merchantable.

We were not provided with a title report; ownership may include the subsurface estate. There are producing oil and gas wells in the Cook Inlet region. We developed our value opinion according to the extraordinary assumption that valuable subsurface resources beneath the subjects have not been documented and the potential for discovery is minimal. In such cases, the market does not support a premium for the inclusion of the subsurface estate.

Environmental Issues

We are not aware of any environmental issues affecting the subject properties; however, several fuel drums were observed (see photos). We developed our opinions of value according to the extraordinary assumption that the properties are environmentally clean.

MARKET OVERVIEW - Summary Report

General

There is an active but limited market for small parcels (± 160 acres or less) in most Alaskan locales. Because water-frontage is a key to subsistence activities and access, most remote properties front on a water-body. The most probable uses of these properties include rural homesteading, private recreation, and commercial recreation.

Marketability is influenced by several factors including:

- † the amount of waterfront in relation to depth
- † quality of waterfront in terms of access and protected moorage
- † topography
- † availability of fresh water
- † location--highly subjective; numerous possible perceptions based on:
 - * climate and length of season
 - * relative quality of proximal outdoor activities
 - * ease of access and proximity to prospective buyers
 - * unique or strategic geographic feature (i.e. mouth of an anadromous stream)
 - * privacy--ownership of surrounding lands

Despite the appeal of the idea, owning and utilizing a remote property is practical for only a small pool of prospective buyers. The difficulties and/or expense of accessing these parcels are significant obstacles. As a result, most remote sub-markets are "thin".

In summary, the available data indicates that:

- † Market activity decreases as site/parcel size increases.
- † Because remote parcels are more often acquired for private use than for subdivision, a price-per-acre unit of comparison can be misleading.
- † Market prospects become progressively more limited as distance from major population centers increases--particularly when formidable geographic obstacles and adverse weather conditions combine to complicate access by air and water.
- † Supply typically exceeds demand.

West Susitna River Valley

Hundreds of recreational lots; most non-waterfront lots with no improved access; were platted in the 70's and 80's for the Department of Natural Resources' (DNR) annual land disposal program. Although remote, there are few natural barriers in winter. In recent years, advances in snow-machine technology, have opened the area to increased usage. However, a history of these programs confirms that except for a few locations, market prospects for non-waterfront lots and acreage are poor.

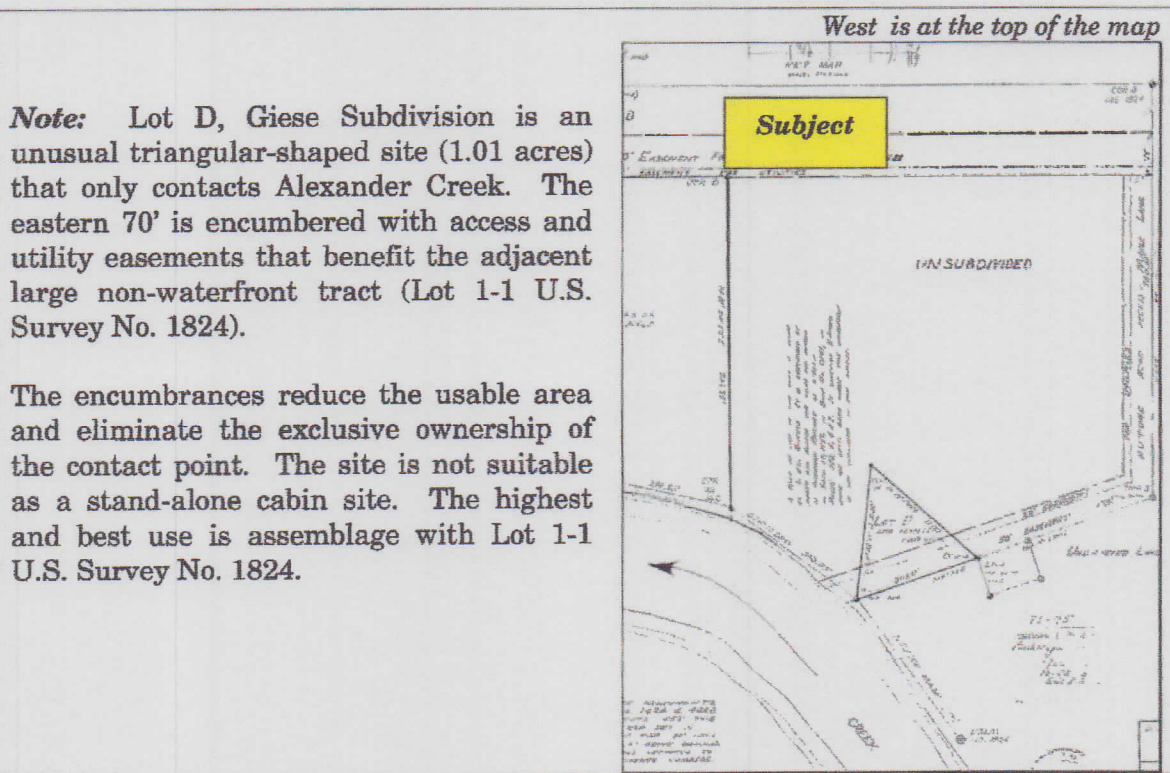
There is an active market for remote lake and riverfront lots. State or federal programs that are no longer in existence were the source of numerous privately owned sites along the lower segment of Alexander creek (from the mouth upstream $\pm 2-3$ miles). In 1993, Alexander Creek Incorporated (ACI) subdivided a portion of its ANCSA entitlement into 42 shareholder sites fronting on the lower segment. The typical site is ± 5 acres with 300 feet of frontage. In summary, an adequate supply is balanced with demand but there is little pressure on prices. Market exposure periods average less than one year. Terms are typically cash or its equivalent.

HIGHEST AND BEST USE – Summary Report

Highest and best use is defined as the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, and financially feasible and that results in the highest value.⁵

The subject's are remote riverfront parcels. Probable competing uses include rural homesteads, seasonal recreation cabins, and commercial recreation uses. The market does not establish which of these uses support the highest value. There are no other competing alternative uses. The highest and best as vacant is for the probable uses identified.

We evaluated the highest and best use as-improved in the individual valuations.



⁵ Appraisal Institute, *The Appraisal of Real Estate*, 12th Edition

The valuation of the subject properties is problematic.

- Two of the improved properties and a portion of a third had been subject to a lease to the caretaker and resident operator of the Alexander Creek Lodge. The reported annual rent of \$6,000 would not support values in excess of those measured by market sales. The lease has expired and there is no competitive rental market in the area. The owner/operator reported that the total of his business operations (cabin rentals and boat rentals) would not support all of the necessary components. In addition to the leased properties, he has had the free use of the 2-story log residence and acreage as consideration for caretaker duties. In summary, the income approach is not applicable. The omission is explained in accordance with USPAP Standards Rule 2-2 (a) (xi).
- A direct comparison of improved properties is complicated by the unique features and characteristics of every remote property. Given the nature of this market, there is no reliable means of adjusting for the inequalities. We developed value opinions for the improved properties by the cost approach. In this approach, the site value is added to the estimated cost of the improvements, adjusted for age, condition, and utility.
- Most of the well-located sites have long been in private ownership; most are improved. As a result, sales of truly similar unimproved properties are extremely limited. We developed ranges of unit values from the following analyses and reconciled per-site, per-acre, and per-front-foot unit values into a final opinion of value for each site (as vacant).

ANALYSES OF UNIMPROVED WATERFRONT SALES

A search of the Multiple Listing Service (MLS) data base yields the following sales of river/creek-front properties in the market area. Despite various physical inequalities, all are generally similar in terms of their suitability for improved recreation uses. This is a summary report; details are retained in our work file.

The data is fairly consistent in indicating that per-acre prices tend to increase as size decreases. Per-site prices range from \$15,000 to \$25,000. The upper-end is skewed by two larger parcels. The other five comparables reflect the following average indicators.

MLS #	River/Creek	Date	Land	Acres	\$/Acre	*FF	\$/FF	DOM
2207413	Yentna River	Sep-02	\$25,000	12.18	\$2,053	720	\$35	97
3200399	Yentna River	Aug-03	\$19,500	10.27	\$1,899	700	\$28	211
2202485	Susitna River	Apr-02	\$15,000	4.05	\$3,704	600	\$25	39
3201400	Yentna River	Sep-03	\$22,000	7.73	\$2,846	425	\$52	228
4207264	Susitna River	Oct-04	\$18,000	4.98	\$3,614	495	\$36	113
3213221	Yentna River	Jan-05	\$20,000	3.9	\$5,128	200	\$100	464
2209113	Alexander Cr	pending	\$20,000	4.13	\$4,843	212	\$94	889
Averages			\$19,000	4.96	\$4,027	386	\$61	347
*	Front Feet	**	Days on Market					

We are not aware of any recent sales of unimproved sites along the lower segment of Alexander Creek. The locations of all of these properties are inferior. Nevertheless, sales of comparatively generic river/creek-front sites are useful in establishing low-end unit values.

The following properties are recent sales of remote lake-front properties in the market area. Details are retained in our work file. Accessed by float-plane, these properties represent a different submarket. Nevertheless, the data is useful in establishing a range of prices for comparatively top-tier properties in the market area. Like the river/creek-front sales, this data is consistent in indicating that per-acre prices tend to increase as size decreases.

The data indicates that the market supports per-site prices from \$35,000 to \$65,000 for fly-in lake front sites in the market area. The upper end indicator is reflected by a unique property – a 3.55 acre island on Chelatna Lake just outside the boundaries of Denali National Park. Excluding this anomaly, the other sales (35 miles NNW of the subjects) reflect the following average indicators.

MLS #	River/Creek	Date	Land	Acres	\$/Acre	*FF	\$/FF	DOM
4201361	Chelatna Lake	Apr-04	\$65,000	3.55	\$18,310	800	\$81	60
4202933	Bulchitna Lake	Mar-04	\$40,000	2.48	\$16,129	355	\$113	6
4202932	Bulchitna Lake	Mar-04	\$47,500	2.15	\$22,093	495	\$96	2
4202934	Bulchitna Lake	Mar-04	\$35,000	2.23	\$15,695	150	\$233	6
4202935	Bulchitna Lake	Mar-04	\$45,000	5.67	\$7,937	160	\$281	6
4202937	Bulchitna Lake	Mar-04	\$40,000	5.77	\$6,932	207	\$193	7
4202938	Bulchitna Lake	Mar-04	\$40,000	7.15	\$5,594	207	\$193	7
Averages			\$41,250	4.24	\$12,397	262	\$185	6

These sales are unaffected by differences in location or timing. The distribution of prices is attributable solely to physical differences. The listing agent reported that the available view of the Alaska Range also had an impact on value.

Summary of Indicated Unit Values

	Generic River/creek-front properties	Bulchitna Lake Properties
Range of Sizes	3.90 to 7.73 acres	2.15 to 7.15 acres
Average Size	4.96 acres	4.24 acres
Range of Per/Site Prices	\$15,000 to \$22,000	\$35,000 to \$47,500
Average \$/Site	\$19,000	\$41,250
Range of Per/Acre Prices	\$2,846 to \$5,128	\$5,594 to \$22,093
Average \$/Acre	\$4,027	\$12,397
Range of Per/FF Prices	\$25 to \$100	\$96 to \$281
Average \$/FF	\$61	\$185

As noted, the generic river/creek front properties are inferior to the subject's in terms of location. In the valuation of the properties fronting on Alexander Creek, most weight is given to the indicators generated from the Bulchitna Lake sales.

This is not unreasonable. In 1993, Alexander Creek Incorporated (ACI), created a supply of vacant sites by subdividing a portion of its ANCSA entitlement into 42 shareholder sites fronting on the lower segment. The typical site is ± 5 acres with ± 300 feet of frontage. ACI president Stephanie Thompson reported that most are retained by shareholder families but a few have been sold. She could not quote specifics but reported that the highest prices she was aware of ranged from \$35,000 to \$40,000.

Both sets of data are recognized in the valuation of the 6.55-acre property fronting on the Susitna River (Lot E, Giese Subdivision).

CONTRIBUTION OF THE IMPROVEMENTS

The caretaker (Fred Sorensen) built several 12' x 14' cabins on the properties. He describes them as basic economy cabins constructed with local half-logs (whole logs cut in half and edged), light rafters and rolled roofing. They are supported by post and beam foundations; they are not insulated, plumbed, or wired.

The caretaker contracts for the construction of these cabins and is nearing completion of two units upstream. He reports the current cost of logs and labor at \pm \$7,500 (\pm \$4,500 in 1992-1993). The other basic materials typically provided by the customer approximate \$2,500 (treated posts, flooring, roof, windows, and door). The indicated current cost of these 12' x 14' cabins is \$10,000 – approximately \$60/SF. Additional windows and better quality roof materials can increase the finished cost from 10% to 20%.

Local log cabin manufacturing and construction companies report costs of 6" D-log small shells at \$22/SF to \$25/SF excluding site preparation, foundation, windows, doors, hardware, labor and remote delivery. Trailside Log Cabins reported that the basic cost of 12' x 14' package (\$4,000 [\pm \$24/SF]) constructed in an off-road location would easily reach \$10,000 to \$12,000.

In summary, we estimate the replacement cost of the log buildings at a basic cost of \$60 per square foot (\$10,000 for the small cabins [\pm 168 SF]). We applied adjustments for size and quality where appropriate. Remote cabins are typically built by owner-occupants with no profit expectations. We made no adjustments for indirect costs (e.g. plans, appraisals, bank fees, construction period interest) or an entrepreneurial incentive.

Remote improvements are often unconventional in terms of design, construction methods and materials. Given the unique characteristics of each building it is difficult to measure depreciation. We applied a depreciation factor developed from the Marshall Valuation Service (MVS) cost manual.⁶

Recent sales from the market area suggest that despite differences in location, age, quality, condition and size, most existing improvements contribute at an overall rate from \$50 and \$57 per square foot (the summary of sales presented in the addenda excludes good quality residences and top tier lodge properties).

⁶ Marshall & Swift, L.P. compiles and publishes the Marshall Valuation Service, a manual containing indexes of building and equipment costs used to estimate the replacement costs of buildings and other improvements in the United States. For the calculator method, the manual indexes *base* costs categorized by use, construction type, and relative quality.

Assemblage consisting of:

**Lot 1-1 U.S. Survey No. 1824 (MSB #U01824000L01-1)
127.98-acres vacant tract w/access to Alexander Creek**

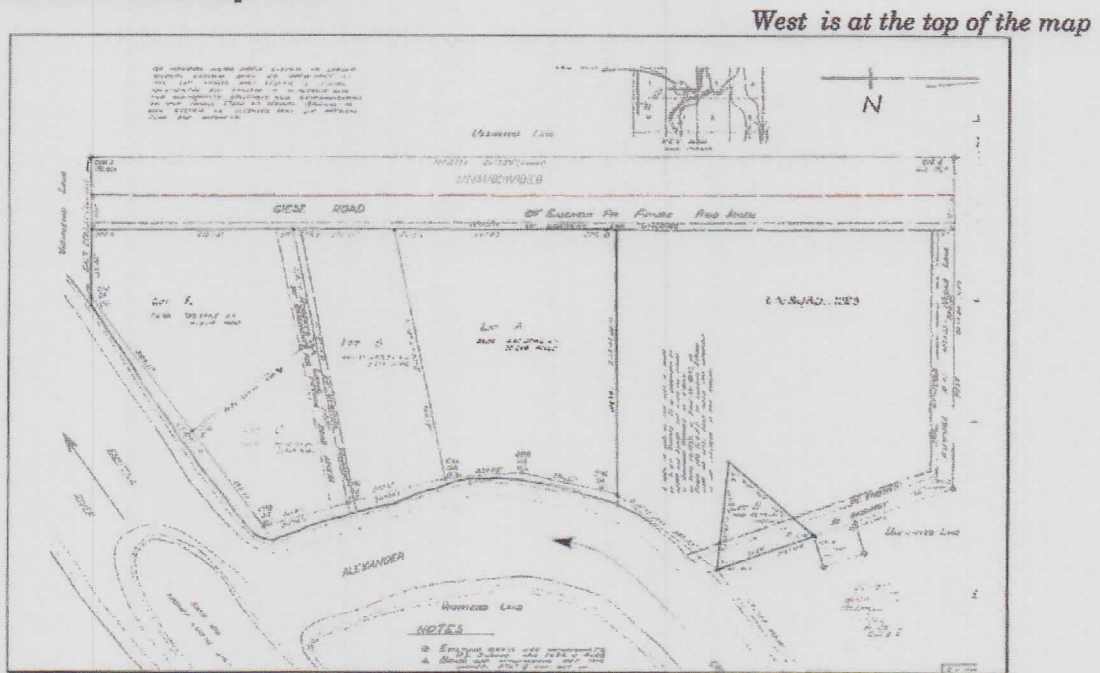
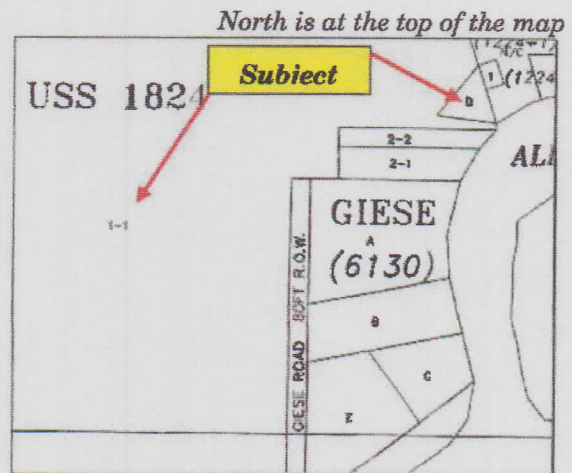
**Lot D, Giese Subdivision (MSB #6130000L00D)
1.01-acre vacant site contacting Alexander Creek
127.99-acre vacant tract w/access to Alexander Creek**

DESCRIPTION

The components of the assemblage are identified on the map. □

This vacant parcel backs the creek front properties. The topography is typical of the area – fairly level to rolling and heavily wooded with some pockets of low, marshy ground.

Although removed from the creek, two 50-foot wide access easements connect the tract to the creek. An 80' easement extends from north to south connecting the two creek-access easements (see plat). The easements are dedicated but unimproved.



The easements effectively reduce the usable area; however, the market recognizes that re-plats of large parcels typically require right-of-way dedications. We did not make a deduction; we recognize the area of the assembled site at 127.99 acres.

REAL ESTATE TAXES

U.S. Survey 1824 Lot 1-1

Tax ID# U01824000L01-1

YEAR	LAND	BLDG.	TOTAL	MILL RATE	R.E. TAXES
2004	\$51,200	-0-	\$51,200	12.18	\$623
2003	\$51,200	-0-	\$51,200	11.911	\$610
2002	\$51,200	-0-	\$51,200	12.145	\$623

Lot D, Giese Subdivision

Tax ID# 6130000L00D

YEAR	LAND	BLDG.	TOTAL	MILL RATE	R.E. TAXES
2004	\$11,100	-0-	\$11,100	12.18	\$135
2003	\$11,100	-0-	\$11,100	11.911	\$132
2002	\$11,100	-0-	\$11,100	12.145	\$135

HIGHEST AND BEST USE

The site is vacant. Probable uses include recreation and rural homesteading. The market does not establish which of these uses supports the highest value.

Given the dimensions of the parcel and the dedicated right-of-ways to the creek, a subdivision is the most probable eventual disposition. There are several possibilities including a fly-in subdivision.

The qualified inputs necessary to evaluate alternative configurations, determine the maximally productive use, and derive a reliable estimate of the as-is value by yield capitalization (e.g., lot yield, development costs), are not available.

In summary, the highest and best use is for private recreation or rural homesteading.

VALUATION

Demand for remote non-waterfront parcels is extremely limited. While the subject has no direct water frontage, it is connected to the creek. Sales of generally similar properties are summarized in the following table. Given the unique physical characteristics of the subject and the available data, a direct comparison is not useful. We recognize the averages in the subsequent correlation.

Listing #	Location	Date	Price	Acres	\$/Acre	Water front	Access	*DOM
2201338	South Shore Trapper Lake	12/3/2002	\$28,000	30.93	\$905.27	Creek	floatplane	294
3205586	Susitna River Slough	11/25/2003	\$37,000	37.77	\$979.61	Slough	riverboat, floatplane	187
4203049	Susitna River Slough	4/12/2004	\$39,500	34	\$1,161.76	River Front	trail/water/section line	25
3207428	Tr G 27N03W30	5/23/2004	\$24,500	40	\$612.50	Creek	trail	334
3213076	Hewitt Lake	5/31/2004	\$40,000	22.9	\$1,746.72	Lake Front	riverboat, floatplane	382
4202604	20 Mile Slough	8/31/2004	\$20,000	20.16	\$992.06	Slough	riverboat, floatplane	176
Averages			\$31,500	31	\$1,066			233

*Days on market

The average size of the comparables is 31 acres. The subject could be divided into four similar size parcels via a low cost waiver-of-plat procedure. Recognizing that each would be unique in terms of size and distance from the creek, the averages simulate a distribution of the price ranges.

Unit of comparison	Subject	Average unit price	Suggested value (rd)
Site (s)	4	x \$31,500	\$126,000
Acres	127.99	x \$1,066	\$136,000

The data indicates an aggregate value of \$126,000 to \$136,000 (rounded). However, in the as-is condition, the parcel consists of bulk-acreage. In the following calculations, we develop the as-is value according to the scenario that the most probable buyer would retain one of the parcels and sell-off the excess. The input assumptions include:

- An average parcel price of \$33,000 (the gross retail value of \$132,000 [\$33,000 x 4] is within the indicated range)
- Costs of sale at 10%
- A minor profit of incentive of 10%
- A nominal cost of \$5,000 for a survey and plat recording
- An absorption period of one year
- The net sales are discounted at 10% to cover the cost of capital and a minor risk premium

Average retail value of parcel retained by the buyer			\$33,000
Gross retail value of the excess parcels	3 x	\$33,000	\$99,000
• Less: costs of sale		10%	(\$9,900)
• Less: profit incentive		10%	(\$9,900)
• Less: survey/plat costs			(\$5,000)
Net sales			\$74,200
Bulk value (discounted at 10%)		90%	\$66,780
Indicated value as-is (rounded)			\$100,000

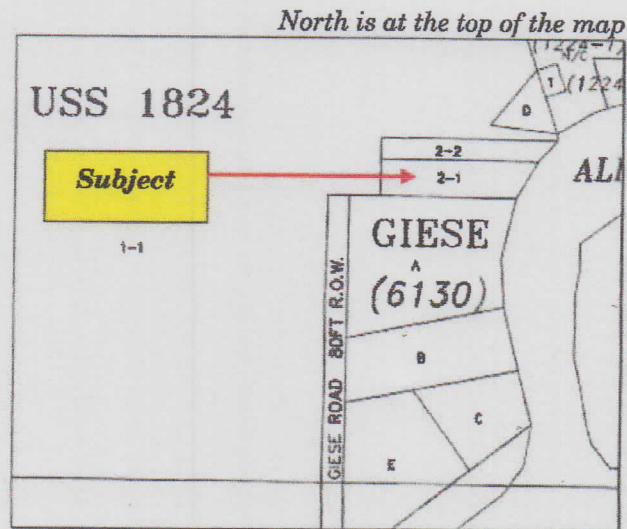
**Lot 2-1 U.S. Survey No. 1824 (MSB #U01824000L02-1)
3.00-acre improved site fronting on Alexander Creek**

Site Description

The site is located on the west bank of Alexander Creek near its confluence with the Susitna River. We could not locate a plat; we obtained the following map from the MSB.

The MSB assessor reports the site area at three acres. Based on scaled measurements, we estimate the frontage at 200'; the average depth is approximately 725'. The site can be accessed by riverboat or floatplane.

The topography is fairly level atop a low bluff fronting the creek.



Improvements

Photo ID	Primary Building(s)	Description
1	20' x 20' log cabin ±400 SF	Full-log, scribe fit, skirted post-and-beam foundation (greenwood posts). Insulated roof surfaced with metal panels. Interior features a half-loft, bathroom and kitchen. Reportedly built by the caretaker in 1989; the condition is good. There is an on-site well and septic system (not DEC approved). The total cost new was reported at \$42,000. The condition is good; we estimate the effective age at 10 years (limited seasonal use).
2	1-story log home ±728 SF	Irregular-shape, 3-sided log home with paneled interior. Reportedly built in 1980. Original spruce post supports have been shored up with concrete pads. The base is skirted but not insulated. The caretaker recently replaced the rotted lower logs. The roof (insulated) is surfaced with composition shingles. There is an on-site well and septic system (not DEC approved). The overall condition is average; we estimate the effective age at 20 years (seasonal use).
Miscellaneous Outbuildings		
3	16' x 20' log shop	Half-log structure with wood floor but no foundation. No insulation, rolled roofing. Reportedly built in 1982. Fair condition; lack of a foundation limits the life expectancy.
4	12' x 16' log storage	Log building with no insulation, rolled roofing. Reportedly built in 1984. Fair condition; lack of a foundation limits the life expectancy.
5	6' x 6' log cache	Cache supported by log posts; good condition

A 6KW generator common to Lots 2-1 and 2-2 supplies electricity. The caretaker reported that the replacement cost (delivered) is approximately \$5,000. The unit only has been operated only a few hundred hours.

SUBJECT PHOTOS

Photos taken by Steve Carlson on February 19, 2005



Looking westerly at the subject from Alexander Creek.



Building #1



Building #2

SUBJECT PHOTOS

Photos taken by Steve Carlson on February 19, 2005



Interior of building #1



Interior of building #2

SUBJECT PHOTOS

Photos taken by Steve Carlson on February 19, 2005



Buildings #3 and #4



Interior of Building #3

REAL ESTATE TAXES

U.S. Survey 1824 Lot 2-1

Tax ID# U01824000L02-1

YEAR	LAND	BLDG.	TOTAL	MILL RATE	R.E. TAXES
2004	\$20,500	\$79,400	\$99,900	12.18	\$1,217
2003	\$20,500	\$76,100	\$96,600	11.911	\$1,154
2002	\$20,500	\$76,800	\$97,300	12.145	\$1,182

HIGHEST AND BEST USE

The highest and best use as vacant is for recreation or a remote home-site. The primary improvements have a significant remaining life expectancy. The highest and best use as-improved is as-is.

VALUATION

Site Value

The subject is a 3-acre site with approximately 200 feet of frontage. The averages reflected by the lake-front properties suggest the following value indicators:

Unit of comparison	Subject		Average unit price	Suggested value (rd)
Site	1	x	\$41,000	\$41,000
Acres	3	x	\$12,397	\$37,000
Front Feet	200'	x	\$185	\$37,000

The subject's size and water frontage are below average. However, smaller parcels generally command above average unit prices. The value of the site as vacant is fairly represented at a mid-range value of \$39,000.

Contribution of the Improvements		Source		
Building #1 - scribed log cabin				400 SF
Basic unit cost (half-log construction)			\$60	per SF
Scribed fit adjustment	local companies	75%		
Size adjustment	local companies & MVS	-10%		
Net Adjustment			65%	
Adjusted base cost			\$99	per SF
Replacement cost of shell				\$39,600
Add: Insulated treated-wood skirt (+/- 320 SF x \$7.20/SF)	MVS Sec. 55, P. 3	\$2,300		
Add: Roof insulation (+/- 500 SF x \$3.35/SF)	MVS Sec. 57, P. 31	\$1,675		
Add: Wiring	MVS Sec. 12, P. 31	\$1,200		
Add: Appliance allowance	appraiser's nominal est.	\$1,000		
Add: Plumbing	MVS Sec. 12, P. 31	\$4,200		
Add: Septic system (not DEC approved)	MVS Sec. 12, P. 31	\$2,500		
Add: Well (\$25/SF x 50' + \$750 for pump, lines & wiring)	appraiser's nominal est.	\$2,000		
Add: Woodstove with venting (installed)	appraiser's nominal est.	\$1,000		
Add: Kitchen cabinets and counter tops	appraiser's nominal est.	\$1,000		
Add: Miscellaneous		\$500		
<i>Subtotal</i>				\$17,375
Indicated replacement cost new				\$56,975
Depreciation allowance	7	20%	(\$11,395)	
Indicated contribution by the cost approach				\$45,580
Building #2 - log residence				728 SF
Basic unit cost (D-log construction)			\$60	per SF
Size adjustment	local companies & MVS	-15%		
Adjusted base cost			\$51	per SF
Replacement cost of shell				\$37,128
Add: Uninsulated wood skirt (+/- 296 SF x \$6.16/SF)	MVS Sec. 55, P. 3	\$1,825		
Add: Roof insulation (+/- 910 SF x \$1.50/SF)	MVS Sec. 57, P. 31	\$1,365		
Add: Wiring	MVS Sec. 12, P. 31	\$1,400		
Add: Appliance allowance	appraiser's nominal est.	\$1,000		
Add: Plumbing	MVS Sec. 12, P. 31	\$4,200		
Add: Septic system (not DEC approved)	MVS Sec. 12, P. 31	\$2,500		
Add: Well (\$25/SF x 50' + \$750 for pump, lines & wiring)	appraiser's nominal est.	\$2,000		
Add: Woodstove with venting (installed)	appraiser's nominal est.	\$1,000		
Add: Kitchen cabinets and counter tops	appraiser's nominal est.	\$1,000		
Add: Miscellaneous		\$500		
<i>Subtotal</i>				\$16,790
Indicated replacement cost new				\$53,918
Depreciation allowance	8	50%	(\$26,959)	
Indicated contribution by the cost approach				\$26,959

⁷ We derived a depreciation factor from the MVS cost manual recognizing a life expectancy new of 35 years and an effective age of ten years (limited seasonal use).

⁸ We derived this factor recognizing a life expectancy new of 35 years and an effective age of twenty years (seasonal use).

Miscellaneous Outbuildings				
Bldg. #3 - 16' x 20' log shop	appraiser's nominal est.	320	\$10	\$3,200
Bldg. #4 - 12' x 16' log storage building	appraiser's nominal est.	192	\$10	\$1,920
Bldg. #5 - 6' x 6' log cache	appraiser's nominal est.	36	\$30	\$1,080
<i>Subtotal</i>				\$6,200
Add: Site improvements (landscaping, dock, etc.)	appraiser's nominal est.			\$1,000
Add: Generator		9		\$4,000
Indicated depreciated replacement cost				(rd) \$84,000

SUMMARY

Indicated value of the site as-vacant	\$39,000
Indicated contribution of the improvements	\$84,000
Opinion of value as-is	\$123,000

⁹ The caretaker reported that the cost of a 6KW generator delivered is approximately \$5,000. This unit only has a few hundred hours on it. We allocate an in-place contribution of \$4,000.

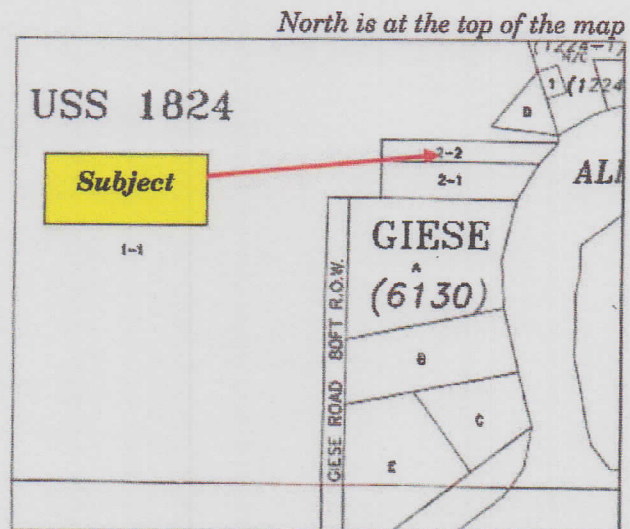
**Lot 2-2 U.S. Survey No. 1824 (MSB #U01824000L02-2)
2.00-acre improved site fronting on Alexander Creek**

Site Description

The assembled site is located on the west bank of Alexander Creek near its confluence with the Susitna River. We could not locate a plat; we obtained the following map from the MSB.

The MSB assessor reports the site area at two acres. Based on scaled measurements, we estimate the frontage at 140'; the average depth of is approximately 825'. The site can be accessed by riverboat or floatplane.

The topography is fairly level atop a low bluff fronting the creek.



Improvement Description

Photo ID	Primary Building(s)	Description
6	1-story log home ±552/SF	The original 18' x 20' cabin was reportedly built in the 1940's with local hand-hewn logs set on the dirt. It has a wood floor; reportedly replaced ± 10 years ago. The roof is surfaced with rolled roofing. A 1987 12' x 16' addition is constructed with the same materials. The building is not insulated. There is an on-site well and septic system (not DEC approved).
Miscellaneous Outbuildings		
7	12' x 14' log cabin	Reportedly built in the 1950's with local hand-hewn logs set on the dirt. The caretaker reportedly jacked it up and replaced the rotted lower logs.
8	18' x 20' log storage	Reportedly built in the 1950's with local hand-hewn logs set on the dirt.
9	10' x 12' cache	Cache supported by log posts. The posts are reportedly rotten and the stairs are in bad shape.
10	small shed	
11	10' x 12' meat house (no photo)	Built with local hand-hewn logs set on the dirt.

Given their age and the lack of foundations, the structures are near the end of their economic lives.

A generator common to Lots 2-1 and 2-2 supplies electricity.

SUBJECT PHOTOS

Photos taken by Steve Carlson on February 19, 2005



Looking northwesterly at the subject from Alexander Creek.



Buildings #6, #7, & #8 (from right to left)



Building #6; #9 is the cache on the right

SUBJECT PHOTOS

Photos taken by Steve Carlson on February 19, 2005



Interior of Building #6



Interior of Building #6



Interior of Building #6



Building #10; Building #11 not shown

REAL ESTATE TAXES

U.S. Survey 1824 Lot 2-2

Tax ID# U01824000L02-2

YEAR	LAND	BLDG.	TOTAL	MILL RATE	R.E. TAXES
2004	\$18,000	\$20,700	\$38,700	12.18	\$471
2003	\$18,000	\$19,900	\$37,900	11.911	\$451
2002	\$18,000	\$21,300	\$39,300	12.145	\$477

HIGHEST AND BEST USE

The highest and best use as vacant is for recreation or a remote home-site. The existing improvements are near the end of their useful lives. The highest and best use as-improved is an interim use.

VALUATION

Site Value

The subject is a 2-acre site with approximately 140 feet of frontage. The averages reflected by the lake-front properties suggest the following value indicators:

Unit of comparison	Subject		Average unit price	Suggested value (rd)
Site	1	x	\$41,000	\$41,000
Acres	2	x	\$12,397	\$25,000
Front Feet	140'	x	\$185	\$26,000

The subject's size and water frontage are below average. However, smaller parcels generally command above average unit prices. The value of the site as vacant is fairly represented at a mid-range value of \$33,000.

Contribution of the Improvements

Given the age, quality, and condition of the improvements, they represent a potential nuisance that would hinder marketability. Nevertheless; they can provide some utility during demolition and redevelopment (e.g., lodging, storage/staging). Some components or materials may be salvageable. An increment of value cannot be measured from the marketplace. We estimate their contribution at a nominal salvage value of \$10,000.

SUMMARY

Indicated value of the site as-vacant	\$33,000
Indicated contribution of the improvements	\$10,000
Opinion of value as-is	<u>\$43,000</u>

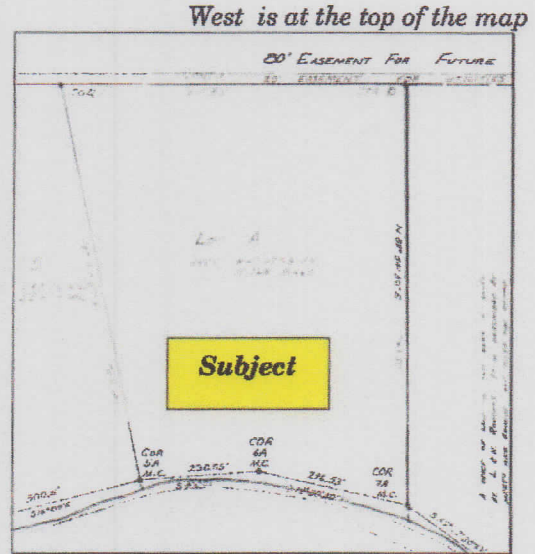
**Lot A, Giese Subdivision (MSB #6130000L00A)
10.27-acre improved site fronting on Alexander Creek**

Site Description

The site is located on the west bank of Alexander Creek near its confluence with the Susitna River. Plat #71-45 records the area at 10.268 acres.

Frontage on the creek is approximately 527'. The average depth is approximately 755'. The site can be accessed by riverboat or floatplane.

The topography is fairly level atop a low bluff fronting the creek. Except where cleared for the improvements and creek front yard, the site is heavily wooded.



Improvement Description

Photo ID	Primary Building(s)	Description
12	2-story log home ±1,760 SF	This half-log residence consists of a 20' x 24', 2-story main lodge that was reportedly built by the caretaker in 1990. A 20' x 22' living room was added in 1992. Attachments include a 8' x 20' sunroom and a 10' x 20' Arctic entry that also functions as a tackle shop. The building rests on a skirted (insulated) post-and-beam foundation (greenwood posts). The roof (insulated) is surfaced with rolled roofing. There is an on-site well and septic system (not DEC approved). Heat is provided by a wood stove in the crawlspace (accessed from an outside door). The condition appears to be average-to-good, we estimate the effective age at 10 years (year-round residence).
18	12' x 14' log cabin	Constructed with half-logs in 1993 (reported) set on concrete pads. Insulated roof surfaced with rolled roofing. Barrel stove heat; no plumbing. The condition is average is good; we estimate the effective age at five years (limited seasonal use).
19	outhouse (no photo)	
Miscellaneous Outbuildings		
13	12' x 12' plywood shed	Average condition
14	12' x 12' log generator shed	Set on concrete pads. Average condition
15	Small shed	Average condition
16	14' x 24' pole shed	Average condition
17	10' x 12' greenhouse	Average condition

An older 6KW generator supplies electricity. The caretaker reported that the replacement cost (delivered) is approximately \$5,000. The unit has been overhauled twice.

SUBJECT PHOTOS

Photos taken by Steve Carlson on February 19, 2005



**Looking northwesterly at the subject from Alexander Creek.
Building #12 (2-story log home) is on the right; building #18 (cabin) is on the left.**



**Looking SW from the bank at the front
elevation of Building #12**



Looking SW at the rear of Building #12

SUBJECT PHOTOS

Photos taken by Steve Carlson on February 19, 2005



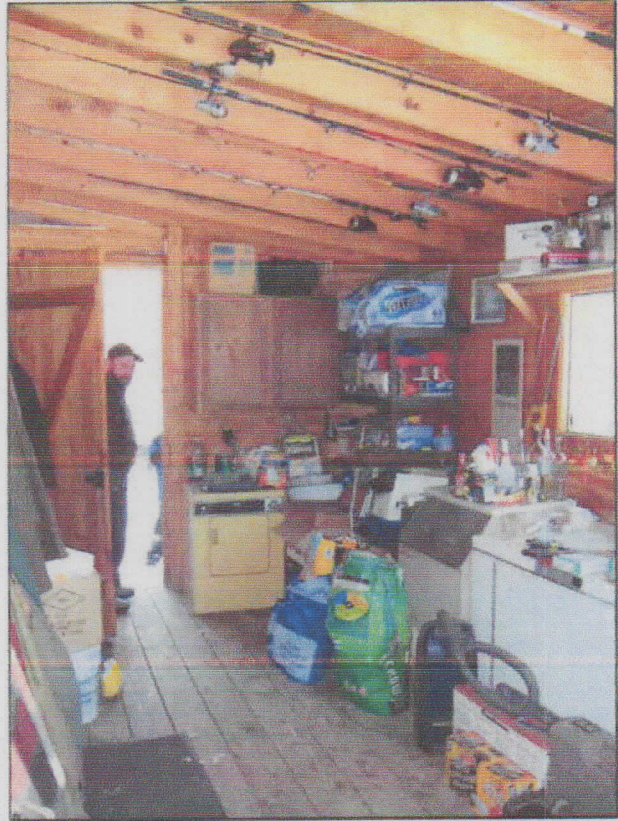
Building #12 - south elevation



Building #12 - south side sun room



Building #12 bathroom



Building #12 Arctic entry

SUBJECT PHOTOS

Photos taken by Steve Carlson on February 19, 2005



Building #12 kitchen



Building #12 living room



Building #13 - plywood shed



Bldgs. #14(log generator shed) & #15 (shed)



Building #16 - pole shed



Building #17 - greenhouse

SUBJECT PHOTOS

Photos taken by Steve Carlson on February 19, 2005



Building #18; an outhouse (#19 is not shown)



Interior of Building #18