

HB

344

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: March 8, 2000

FURTHER REFERRALS:

Date of Committee Action: 3/23/00

The FINANCE Committee considered:

HB 344

HOUSE BILL NO. 344

DEPT NAT RES & AK HARD ROCK LAND EXCHANGE

"An Act authorizing a land exchange between the Department of Natural Resources and Alaska Hard Rock, Inc.; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 344 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) DNR zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNF	NR	AM
<i>Ken Therriault</i>	Therriault	X			
<i>Edson Field</i>	Mulder	✓			
<i>Cl Van B. Leeder</i>	Bunde	✓			
<i>Jul & Janie</i>	J. DAVIS	X			
<i>Ben Sanderson</i>	Grossardt	✓			
<i>Walter Moore</i>	Moses	✓			
<i>Robert Adams</i>	G. DAVIS	✓			
<i>Phil Phillips</i>	Phillips	✓			
<i>William Williams</i>	Williams	X			
<i>[Signature]</i>	Fisher	X			

CO CHAIR'S SIGNATURE *Ken Therriault* *Edson Field*
Therriault Mulder

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSHB344

Revision Date: 24-Mar-00 Dept Affected: Natural Resources
 Title: Independence Mine Land Exchange between BRU: Parks & Recreation Management
DNR and Alaska Hard Rock, Inc. Component: Parks Management
 Sponsor: Rules
 Requestor: (H) RES Component No #452

Expenditures/Revenues (Thousands of Dollars)
 Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (fund code)	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: \$ n/a

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This land exchange will have no immediate fiscal impact on the Division's budget. It will provide an opportunity to seek a viable concession contract for a private operator to manage and maintain all of the historic buildings at Independence Mine State Historical Park. This exchange would allow for the concessionaire to operate underground mine tours.

A concession contract would eventually generate some revenue to the state. A revenue stream is at a minimum four years away. The land exchange is just the first step in the process.

Prepared by: Jlm Stratton Phone: 269-8701
 Division: Parks & Outdoor Recreation Date: 24-Mar-00
 Approved by Commissioner: John Shively Date: 3-24-00
 Agency: Natural Resources

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FISCAL NOTE

Bill Version: HB 344

BIL (H) Publish Date: 2/7/00

STATE OF ALASKA 2000 LEGISLATIVE SESSION

Revision Date/Time: _____ Dept Affected: Natural Resources
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DNR and Alaska Hard Rock, Inc. Component: Parks Management
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 Requestor: Governor Component No #452

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OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
LIABILITIES & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES (fund code)	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
1002 Federal Receipts						
1003 GF Match						
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Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: \$ n/a

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

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Prepared by: Jim Stratton Phone: 269-8701
 Division: Parks & Outdoor Recreation Date: 19-Jan-00
 Approved by Commissioner: John Shively Date: 1-19-2000
 Agency: Natural Resources

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 Requestor: Governor

Dept Affected: Natural Resources
 BRU: Parks & Recreation Management
 Component: Parks Management
 Component No: #452

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PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (fund code)	0.0	0.0	0.0	0.0	0.0	0.0

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Other (Specify Type)						
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Estimate of any current year (FY2000) cost: \$ n/a

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This land exchange will have no immediate fiscal impact on the Division's budget. It will provide an opportunity to seek a viable concession contract for a private operator to manage and maintain all of the historic buildings at Independence Mine State Historical Park. This exchange would allow for the concessionaire to operate underground mine tours.

A concession contract would eventually generate some revenue to the state. A revenue stream is at a minimum four years away. The land exchange is just the first step in the process.

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LAND & STRUCTURES						
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TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES (fund code)	0.0	0.0	0.0	0.0	0.0	0.0
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Estimate of any current year (FY2000) cost: \$ n/a

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PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS:

(Attach a separate page if necessary)

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STATE OF ALASKA
2000 LEGISLATIVE SESSION

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OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (fund code)	0.0	0.0	0.0	0.0	0.0	0.0

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TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: \$ n/a

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)
This land exchange will have no immediate fiscal impact on the Division's budget. It will provide an opportunity to seek a viable concession contract for a private operator to manage and maintain all of the historic buildings at Independence Mine State Historical Park. This exchange would allow for the concessionaire to operate underground mine tours.
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Prepared by: Jim Stratton Phone: 269-8701
Division: Parks & Outdoor Recreation Date: 19-Jan-00
Approved by Commissioner: John Shively Date: 1-19-2000
Agency: Natural Resources

HB 344

TONY KNOWLES
GOVERNOR
GOVERNOR OF THE STATE OF ALASKA

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

9000
Juneau, Alaska 99801
907-586-3344
FAX 907-586-3345
6/10/02

February 3, 2000

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Porter:

This bill I transmit today would provide legislative approval of a land exchange agreement between the state Department of Natural Resources, and Alaska Hard Rock, Inc. The purpose of the land exchange is for the state to acquire private land located within and adjacent to Independence Mine State Historical Park, near Hatcher Pass. The land to be acquired would be developed to enhance the interpretive and recreational uses of the park. The land the state is exchanging is also located in the Hatcher Pass area and is presently under permit to Alaska Hard Rock, Inc., which is interested in receiving title.

State law requires legislative approval of land exchanges involving lands of unequal appraised value. In this proposed exchange, the state will receive land appraised at \$87,000 while conveying land appraised at \$66,500. Alaska Hard Rock, Inc. is agreeable to this unequal exchange and will be receiving a federal tax credit for the difference.

Adding this land to the Independence Mine State Historical Park, particularly the underground mine tunnels, will greatly add to the tourism potential of the park. The DNR expects to contract with a private concession to run tours and maintain the historic buildings in the park, saving a part of Alaska's history while increasing economic activity in the area.

A copy of the land exchange agreement between the DNR and Hard Rock, Inc. is being provided to the legislature. The DNR has available a report that explains the proposed exchange in more detail.

Sincerely,



Tony Knowles
Governor

**Final Report and Best Interest Findings
on Proposed Land Exchange
between Alaska Hardrock, Inc. and
the State of Alaska for the
Division of Parks and Outdoor Recreation**

January 14, 2000

Introduction

The proposed land exchange between the State of Alaska for the Division of Parks and Outdoor Recreation and Alaska Hardrock, Inc. proposes to trade five parcels of state land, totaling 107 acres, in the Upper Willow Creek Valley for 118 acres of mineral/subsurface estate in Independence Valley. All parcels are in the Hatcher Pass area of the Talkeetna Mountains, approximately 20 miles north of Palmer and within the Matanuska-Susitna Borough. Refer to the map enclosed with this report, and the detail description below, for specific parcel locations.

The purpose of the exchange is for the Division of Parks and Outdoor Recreation to acquire the "water tunnel", the main tunnel of the old Independence Mine tunnel workings for addition to Independence Mine State Historical Park. Gold mining is an integral part of Alaska's history and the Division of Parks and Outdoor Recreation would like to preserve and interpret this particular piece of Alaska's gold mining history.

The Division of Parks and Outdoor Recreation and Alaska Hardrock, Inc. started serious negotiations in 1998. On June 29, 1999, both parties signed a Preliminary Exchange Agreement. According to that agreement, survey and appraisal work were done in late summer and early fall of 1999. Surveys will receive final borough approval in January, 2000. The final appraisal was received in late November. December 7, 1999 through January 10, 2000 was the 30-day public notice period on the exchange, related mineral closures, area and management plans' exceptions and land classification changes. The exchange will go before the Alaska Legislature for approval. If approval is received, deeds will be exchanged within 60 days of legislative approval.

This report is the land exchange report required by Alaska Statute 38.50.130.

Public Notice and Comment Period

Public Notice for the land exchange started Tuesday, December 7, 1999. Public comment was accepted by the two Division of Parks and Outdoor Recreation offices listed below from Tuesday, December 7, 1999 through to 4:30 pm, Monday, January 10, 2000.

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

Parks Contact Person in Anchorage:

Kathryn Reid	Alaska State Parks
ph: (907) 269-8708	550 W 7 th Av. Suite 1380
fax: (907) 269-8907	Anchorage, AK 99501-3561
email: Kathryn_Reid@dnr.state.ak.us	(7 th and F Streets)

Wasilla/Palmer Parks Office:

Mat-Su Area Office	ph: (907) 745-3975
Alaska State Parks	fax: (907) 745-0938
HC 32, Box 6706	location: Mile 0.4 Bogard Rd, Finger Lake SRS
Wasilla, AK 99654	Area Superintendent - Dale Bingham

The Appraisal

The appraisal contract was awarded to Follett & Associates of Anchorage, Alaska. The appraiser is Eric G. Follett, MAI. The appraisal is titled *Appraisal of Hatcher Pass Properties for a Land Exchange, Palmer, Alaska*, herein referred to as the land exchange appraisal. The valuation date of the appraisal is September 21, 1999.

State land going to Alaska Hardrock, Inc. was appraised as land estate only. Mineral estate was not included since the State can not deed the mineral estate in this circumstance.

Mineral/subsurface estate going to the Division of Parks and Outdoor Recreation from Alaska Hardrock, Inc. was appraised at two levels. One was the remaining gold/mineral value left in these patented federal mining claims. The other is the "tourism value" of the tunnel. The Division of Parks and Outdoor Recreation plans to renovate the tunnel and conduct tours in it. This is a recreational value, not a mineral value. The basis of this portion of the appraisal was a comparison of underground mining tunnel tours conducted in the lower 48, since there is no comparable operation in Alaska. Park staff assisted in the gathering of data on these underground mining tunnel tours. Existing tours researched ranged from historic mines to active commercial mines for gold, silver and coal.

Law in Alaska is unclear as to whether the subsurface or surface estate owner has non-mining rights to underground tunnels. The Division of Parks and Outdoor Recreation has received verbal information that both surface and subsurface estate owners agree that the subsurface estate owner, Alaska Hardrock, Inc., has the non-mining rights to the underground tunnels. The Division of Parks and Outdoor Recreation has requested that Alaska Hardrock, Inc. receive this statement in writing from Starkey Wilson, surface estate owner.

There was one copy of the land exchange appraisal available for public review at each of the Division of Parks and Outdoor Recreation offices listed below.

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

Parks Contact Person in Anchorage:

Kathryn Reid	Alaska State Parks
ph: (907) 269-8708	550 W 7 th Av. Suite 1380
fax: (907) 269-8907	Anchorage, AK 99501-3561
email: Kathryn_Reid@dnr.state.ak.us	(7 th and F Streets)

Wasilla/Palmer Office:

Mat-Su Area Office	ph: (907) 745-3975
Alaska State Parks	fax: (907) 745-0938
HC 32, Box 6706	location: Mile 0.4 Bogard Rd, Finger Lake SRS
Wasilla, AK 99654	Area Superintendent - Dale Bingham

Legal and Physical Descriptions of Land Involved plus Appraised Value

Parcels to be Acquired by the State Division of Parks and Outdoor Recreation

The Division of Parks and Outdoor Recreation will receive mineral/subsurface estate for eight federal mining claims from Alaska Hardrock, Inc. The surface estate is owned by a different party, Starkey Wilson, and therefore not part of this trade. These mining claims are in Sections 28, 29 and 33, Township 20 North, Range 1 East, Seward Meridian (T20N, R1E, SM). The eight federal mining claims are as follows:

Independence Lode	USMS 958-A	17.75 acres
Granite Mountain	USMS 958-A	13.14 acres
Granite Mountain #1	USMS 958-A	12.90 acres
Granite Mountain #2	USMS 961/2046	13.45 acres
Granite Mountain #3	USMS 961/2046	16.53 acres
Lois Fraction	USMS 2041	7.79 acres
Snowbird	USMS 2041	18.11 acres
Homestake #4	USMS 980	19.72 acres
<u>overlap of Lois Fraction and Granite Mt. #3</u>		<u>-1.21 acres</u>
Total acreage to the State		118.18 acres

This property has the main mining tunnel, called the water tunnel, and numerous side tunnels of the old Independence Mine tunnel workings. The first six mining claims listed are crossed by the water tunnel. Of these six, one - Granite Mountain #3 - is currently within Independence Mine State Historic Park boundary. The other five are adjacent to the park on the northwest corner of the park. The last two mining claims are also within the current Independence Mine State Historic Park boundary, but are not crossed by the water tunnel. Homestake #4 mining claim is not contiguous with the other seven claims. This property will be managed as part of Independence Mine State Historic Park. See the map enclosed with this report.

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

The water tunnel is in relatively good condition except for the tunnel floor, which has a layer of mud and water. The tunnel is an average 10 feet in diameter, level, and runs in a general east-west direction. It can be cleaned and repaired, and the railroad track restored, for use in an underground tunnel tour. All other tunnels, of which there is approximately 15 miles, are small, narrow and unsafe.

The appraisal tourism value of the main tunnel is \$63,000. The remaining gold/mineral value is \$24,000. Total appraised value for these eight mining claims is \$87,000.

Parcels to be Acquired by Alaska Hardrock, Inc.

AHI will receive 5 parcels of state land in Upper Willow Creek Valley, on the other side of Hatcher Pass from Independence Mine State Historic Park. By law, the State can not give fee simple estate in this circumstance. AHI will receive land estate, defined here as fee simple estate less mineral rights reserved under Alaska Statute 38.05.125(a). The land estate includes the right to soil, gravel, etc. A state mineral closure will be placed on these parcels.

Parcel One, called the Lucky Shot Mill Site, is found in the NE1/4 of Section 2, Township 19 North, Range 1 West, Seward Meridian. This rectangular parcel sits on a mostly level, low ridge top on Hatcher Pass Road at mile 23. Some maps have this road labeled as Willow Creek Road. There are several buildings on the property related to gold mining, such as a mill building, shop, office, bunkhouse, and water treatment facility. These were built by previous leasees of the property, not the State. Therefore, the buildings are not state owned, and were not included in the land exchange appraisal. The State currently leases this parcel to Alaska Hardrock, Inc. There are two leases, one is a land lease, ADL#207065, issued to Alaska Hardrock, Inc., which Alaska Hardrock, Inc. has requested cancellation of as a duplicate, and an upland mining lease, ADL#534898, under the name of Thor Gold Alaska, Inc. Due to a joint venture and termination agreement between Alaska Hardrock, Inc. and Thor Gold Alaska, Inc. to acquire the Lucky Shot mill site, Thor Gold Alaska, Inc's name remains on the lease, but Alaska Hardrock, Inc. is the owner and user of all buildings and equipment. As part of the termination agreement, Thor Gold Alaska, Inc. will turn over the lease to AHI no later than the year 2009. The upland mining lease would be canceled if the land exchange is approved. If not, this lease will remain active. There are no utilities available in the area. The Lucky Shot Mill Site is 29.24 acres and its boundary defined as Tract B of state survey ASLS 98-45. ASLS 98-45 will receive final approval by the end of December, 1999. The appraised value for the Lucky Shot Mill Site is \$25,000, approximately \$850/acre.

Parcel Two, called the Willow Creek Decline, is found in the SE1/4 of Section 29, and the NE1/4 of Section 32 of Township 20 North, Range 1 East, Seward Meridian. This irregular shaped parcel sits in the bowl at the end of Upper Willow Creek. Access is by Upper Willow Creek Road, a one-lane dirt road with a junction at mile 20.5 of Hatcher Pass Road. This parcel has the western entrance to the water tunnel and two buildings. The buildings are from the 1980s when the parcel was used as a mill site. Both buildings are in very poor condition and were not built by the State. Therefore they are not included in the appraisal, although the tunnel entrance is. The upper two-thirds of the parcel is steep enough to be avalanche prone. Therefore, only the

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

lower one-third could be developed. One of the buildings has received major damage due to avalanche. Alaska Hardrock, Inc. has state mining claims on this parcel. If the land exchange is approved, Alaska Hardrock, Inc. will either close the claims, or alter the boundaries to exclude this parcel, since a mineral closure will be placed on it. There are no utilities available in the area. The Willow Creek Decline is 40.95 acres and its boundary defined as state survey ASLS 98-44 (21.57 acres), plus federal mining claim Brightness #2, USMS 2047 (19.38 acres). ASLS 98-44 will receive final approval by the end of January, 2000. The appraised value for the Willow Creek Decline parcel is \$26,000, approximately \$623/acre.

Parcel Three, called the Lucky Shot Tunnel, is found in the SW1/4 of Section 35, Township 20 North, Range 1 West, Seward Meridian. This "L" shaped parcel sits on the northward side of Hatcher Pass Road at mile 24. The entire parcel is prone to avalanches due to the steep mountainside north of the property. The only development is the Lucky Shot Mine tunnel entrance and a private, one-lane road for tunnel access. There are no utilities available in the area. The Lucky Shot Tunnel is 26.87 acres and its boundary defined as Tract A of state survey ASLS 98-45. ASLS 98-45 will receive final approval by the end of December, 1999. The appraised value for the Lucky Shot Tunnel parcel is \$13,000, approximately \$475/acre.

Parcel Four, called Tract B, is Tract B in Section 35, Township 20 North, Range 1 West, Seward Meridian. There are no utilities available in the area and no road access to the parcel. This irregular shaped parcel is on a steep mountainside and adjacent to Tract C. Tract B is 7.96 acres and its boundary defined by the surrounding federal mining claims. The appraised value for Tract B is \$2000, approximately \$250/acre.

Parcel Five, called Tract C, is Tract C in Sections 34 and 35, Township 20 North, Range 1 West, Seward Meridian. There are no utilities available in the area and no road access to the parcel. This irregular shaped parcel is on a steep mountainside and adjacent to Tract B. Tract C is 2.09 acres and its boundary defined by the surrounding federal mining claims. The appraised value for Tract C is \$500, approximately \$250/acre.

Total acreage for all five parcels is 107.11. The total appraised value for all five parcels is \$66,500.

Summary of Appraised Values and Land Involved

The charts below, summarize with rounded figures the land acquired on both sides of the trade.

Summary of Mining Claims going to Division of Parks and Outdoor Recreation

Mineral/subsurface Value	Acreage	Value per Acre	Total Value
Mineral Value	118	\$200/acre	\$24,000
Tourism Value	n/a	n/a	\$63,000
Total	118	n/a	\$87,000

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

Summary of Parcels going to Alaska Hardrock, Inc.

Parcel Name	Acreage	Value per Acre	Total Value
1) Lucky Shot Mill Site	29	\$850/acre	\$25,000
2) Willow Decline	41	\$625/acre	\$26,000
3) Lucky Shot Tunnel	27	\$475/acre	\$13,000
Tract B&C	10	\$250/acre	\$2,500
Totals	107	\$620/acre	\$66,500

Both state and Alaska Hardrock, Inc. lands are not in the coastal zone. Neither are they wetlands or in a floodplain. The parcels are within the Matanuska-Susitna Borough, but there is no zoning in the area.

Although the value difference between the state land and Alaska Hardrock, Inc. land is approximately \$20,000, both parties still agree to the exchange. The acreage is involved in the exchange is close and Alaska Hardrock, Inc. will receive a tax credit for the value difference.

Legislative Approval

Since this is an unequal value exchange, it must receive Legislative approval.

Land Planning and Classification

The Willow Sub-Basin Area Plan, October 1992, sets out general management intent and land classification for the Hatcher Pass area. The plan specifies that the area will be managed primarily for mining, recreation, grazing, and fish and wildlife related uses such as hunting and providing habitat. The plan classified the land as minerals and public recreation land.

The Hatcher Pass Management Plan spells out more specific management intent for the area. The management intent for the Independence Valley subunit is to protect habitat, the scenic vistas and the historic character, to encourage tourism and the continued mining on existing claims. The management intent for the Willow/Craigie Creek subunit, which includes the Upper Willow Creek Valley, is to encourage mineral development, the continuance of a variety of recreation activities, and protection of habitat and scenic vistas. The plan recognizes that a balance is needed between the protection of historic mining sites and the nourishing of current commercial mining within the area.

Both plans support the expansion of Independence Mine State Historical Park and the mineral closure for land going to the park. Both plans list the Upper Willow Valley as mineral or public recreation lands. State lands to be traded should be either unclassified, or classified as settlement, agriculture, or reserved use. Therefore, by classification, land in the Upper Willow Valley is not open for a land exchange. The intent of the plans is to support mining in the area,

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

and the state land to be received by Alaska Hardrock, Inc. is for the support of their mining operation. In order to reclassify the land, a special exception allowing a change of classification for the five parcels of state land going to Alaska Hardrock, Inc. is proposed. Please see the proposed special exception to the Willow Sub-Basin Area Plan and Hatcher Pass Management Plan and the proposed land classification order #99-003 enclosed with this report.

This reclassification is only for the 107 acres of state land going to Alaska Hardrock, Inc. No other land in the Hatcher Pass area will be reclassified because of this land exchange.

A mineral closure will be placed on the lands involved in this land exchange. The mineral closure is only for the land described in this report and part of this land exchange. No other land in the Hatcher Pass area will be closed to new mineral entry through the mineral closure related to this land exchange.

The mineral closure for the land going to the Division of Parks and Outdoor Recreation is supported by the Willow Sub-Basin Area Plan and the Hatcher Pass Management Plan. Both plans support Independence Mine State Historical Park and the need to preserve historical landmarks. The park already has a mineral closure on it. Independence Valley is listed for both active mining and mineral closures for public recreation purposes.

Neither plan supports a mineral closure in the Upper Willow Valley. Both plans support public recreation or mining in this area. Yet, the state lands to be transferred to Alaska Hardrock, Inc. is for the support of their mining operation. A mineral closure on the state land going to Alaska Hardrock, Inc. prevents the disruption of the facilities Alaska Hardrock, Inc. has on these lands, and any improvements they may make, from anyone who might stake a mining claim under these parcels. Since the intent of the plan is to support mining in Upper Willow Valley, and the mineral closure on these parcels also supports mining in the same area, this mineral closure is consistent with the plan intent. Please see the proposed mineral order #753 enclosed with this report.

Benefits of the Exchange

Benefit to the State

Acquiring the old Independence Mine tunnels supports the Division of Parks and Outdoor Recreation's goal of preserving and interpreting Alaska's cultural heritage. Independence Mine State Historic Park currently has the surface buildings of Independence Mine camp within the park. The camp's purpose was to mine gold. Including the tunnels in the park completes the historic picture of Independence Mine. Through a proposed concession contract with a private operator, the Division of Parks and Outdoor Recreation plans to renovate the water tunnel so public tours can be conducted underground. This will give the park visitor a better understanding of how the miners worked, as well as where they lived.

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

Acquiring the tunnels also supports the Division of Parks and Outdoor Recreation's goal of providing support to the state's tourism industry. Long term management plans for Independence Mine State Historic Park include the possibility of a private concession contract. The option of underground tours, either as part of a package or by itself, make a concession contract much more viable.

Note: The goals for the Division of Parks and Outdoor Recreation are listed in the *Alaska State Park System: Statewide Framework*, June 1982

Benefits to Alaska Hardrock, Inc.:

Alaska Hardrock, Inc. has a lease for the Lucky Shot Mill Site. If they own the property, they no longer have to pay the rent to the State. They also can make improvements or create new development without needing to changing their agreement with the State.

The Lucky Shot Tunnel and Willow Decline parcels have tunnel entrances which give access to state mining claims and patented federal mining claims owned by Alaska Hardrock, Inc. By possessing these parcels, Alaska Hardrock, Inc. secures permanent tunnel access and has the ability to make improvements to tunnel access areas without needing to pay fees to, or getting permission from, the State Department of Natural Resources or other state agencies, such as the Department of Environmental Conservation.

Tracts B and C sit in the middle of the patented federal mining claims owned by Alaska Hardrock, Inc. By receiving title to these parcels, Alaska Hardrock, Inc. no longer has an inholding of state land. If they expand their mining operation, they do not need to be concerned with encroaching or trespassing on state land.

Securing all five parcels allows Alaska Hardrock, Inc. to consolidate their property and secure permanent ownership to lands that are key to their mining operation. Due to the low price of gold, Alaska Hardrock, Inc. is considering running gold mine tunnel and mill site tours. Securing ownership for these lands is key to this business as well. Alaska Hardrock, Inc. is also considering a bed and breakfast or small lodge on the Lucky Shot Mill Site to help facilitate a tourist type business.

Alternatives

Independence Mine camp and tunnels is a unique resource for Alaskans. This is why the camp was made into a historical park. There is no alternative land for purchase with the cultural resource of the water tunnel. The only alternative to a land exchange would be to purchase the land from Alaska Hardrock, Inc. Alaska Hardrock, Inc. indicated that they would not want to sell, but would accept a land trade. Another benefit of this exchange is the cost to the State for the land trade is less than the appraised value of the water tunnel property. The State also does not have the funds to purchase the property. The last alternative would be to forego purchase the

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

tunnel altogether. As stated above, this is a unique resource. To lose this opportunity to obtain this property at a cost less than the appraised value would not be in the best interest of the State

Without the mine tunnel and tour, the opportunity for a concession contract to operate and maintain the historical buildings at Independence Mine State Historical Park would be significantly diminished. The State is not in a position to continue funding the maintenance on these historical buildings. Preliminary contacts with potential private operators indicate that a tour opportunity is needed for the entire project to be economically viable. Without a public/private partnership, the mine buildings will continue to deteriorate.

The parcels going to Alaska Hardrock, Inc. are also a unique resource for Alaska Hardrock, Inc. There are no alternatives to the mill site, or access for their mining claims and tunnels. Their only alternative would be to build other tunnel entrances or mill sites, provided they could find nearby private property to purchase. While there may be nearby private property to purchase for tunnel entrance sites, finding nearby private property to purchase for a mill site that is not prone to avalanches is very unlikely. Even if there was property to purchase that meets their requirements, to rebuild would be prohibitively expensive.

The State could sell these parcels, but the sale would have to be a competitive sale open to the public. The State could not sell the property directly to Alaska Hardrock, Inc. and Alaska Hardrock, Inc. has no guarantee of a winning bid. Since Alaska Hardrock, Inc. is unable to directly purchase the property with the existing facilities from the State, they are willing to trade for it.

This land exchange allows each party to attain what they want. No other alternative achieves this kind of win/win situation for either party.

Public Comment Received

The public notice and comment period ran from December 7, 1999, through January 10, 2000. Newspaper display ads appeared in the Anchorage Daily News on Friday, December 10 and Sunday, December 19. Display ads also appeared in the Frontiersman on Friday, December 10 and Friday, December 17. Legal classified ads appeared in the Juneau Empire and the Fairbanks news Miner on Friday, December 10 and Sunday, December 19.

Documentation on the proposed land exchange was mailed in the first full week of December to the following: 1) all native corporations and villages within the Mat-Su Borough; 2) all community councils within the Mat-Su Borough; 3) all property owners within a six mile radius, including state and federal mining claim holders - this encompassed four townships; 4) all members of the legislature; 5) all state department commissioners, the governor's office, and the Mat-Su Borough; 6) user groups of the area and other interested organizations.

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

In addition, a public notice sign with map was mailed to every post office for public posting in the Mat-Su Borough and the Municipality of Anchorage. The public notice was also placed on the State of Alaska and Department of Natural Resources public notice web pages. This public notice was also faxed to the media by the Anchorage Public Information Center. Further, the documentation on the land exchange was posted on the Division of Parks web site. These also happened in the first full week of December.

Only a few comments were received. The land exchange appears to be non-controversial. Negative comments are addressed below.

The Division of Parks and Outdoor Recreation received two faxes. Both were from neighboring property owners. One fax lists concerns, such as the appraisal value affecting their land value and the unknown impact, positive or negative, of the exchange on neighboring property, but did not take a positive or negative position on the land exchange itself.

The other was a list of negative comments that a person had heard from numerous people who contacted him in concern of the proposed land exchange. He encouraged these folks to make their comments directly to the State, but none did. In a phone conversation, I was able to get the term "numerous people", quantified to an "estimate of a dozen people". The person sending the fax wished to remain anonymous, since his own stance on the land exchange is neutral. The negative comments condensed to eight concerns, which are listed below. A ninth concern was the listed on the possibility of cyanide still in the reclamation pits at the Lucky Shot Mill Site. These pits are not part of the land exchange and will remain state land. Therefore, this issue does not involve the land exchange.

Comment 1: A complaint that the public notice period was during the winter. The property involved in the land exchange can not be driven to in the winter. There was a request to delay the end of the comment period, or have another public comment period during the summer.

Response: Circumstances make this prohibitively expensive. The Preliminary Exchange Agreement was signed at the end of June, allowing just enough time to complete field work on the surveys and appraisal before winter. By law, an appraisal for a land exchange is only valid for one year. Also, this exchange is unequal, therefore, by law, must be approved by the Legislature. If we were to delay public comment for summer and wait for next year's legislative session, the appraisal would be invalid and would have to be redone to accommodate the new timeline. The contract for the current appraisal was \$9,800.

Comment 2: Do not want to see commercialization on both sides, east and west, of the pass.

Response: There already is commercialization on both sides of the pass. Commercial mining has existed on the west side of Hatcher Pass for decades. Should Alaska Hardrock, Inc. create a lodge or B&B at the Lucky Shot Mill Site, this would be a new kind of commercialization on the west side.

Comment 3: This is a poor bargain since the State is only getting subsurface from Alaska Hardrock, Inc.

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

Response: As stated earlier in this report, the surface estate is owned by a different party and can not be include in this exchange. Both the subsurface and surface estate owners agree that the right to use the tunnel lies with the subsurface owner, Alaska Hardrock, Inc., which is what the Division of Parks and Outdoor Recreation is interested in. The appraisal only valued the mineral/subsurface estate, so the appraised value accurately reflects what the state is acquiring.

Comment 4: The State would be taking on a liability with the tunnel in terms of visitor safety - risk of cave in.

Response: The appraisal listed the main water tunnel as in good condition. The Division of Parks and Outdoor Recreation has no intention of opening any underground tunnel to the public without insuring public safety through tunnel reconstruction and guided tours. Also, the portion of the water tunnel involved in the exchange is through solid bedrock. The portion of the tunnel that needs shoring up and securing is the entrance, which is already owned by the Division of Parks and Outdoor Recreation.

Comment 5: There would be an increase in non-resident visitation, decreasing the enjoyment of the park by residents.

Response: It is likely that there would be an increase in non-resident visitation to the park when the tunnel is opened for public tours. One of the purposes of the exchange is to encourage increased economic activity. Some residents will also enjoy the upgrades to the park. Also, the park can be used as a jump off point to other areas in Hatcher Pass for those residents who want to get to less populated areas to recreate.

Comment 6: Residents would be charged to see the park. (Unhappy with current fee as it is.)

Response: The Division of Parks and Outdoor Recreation or its commercial operator does plan on charging for the underground tour. The Division of Parks and Outdoor Recreation already has a guided tour of the buildings in the park for a fee, and a parking fee. Without a fee for the underground tour that will be utilized by the commercial operator maintenance of these historic buildings, they will continue to deteriorate. There is no other funding option for the maintenance and preservation of the buildings.

Comment 7: This land exchange violates the intent for public use in the Hatcher Pass Management Plan.

Response: The Department of Natural Resources has determined the exchange is consistent with the plan. See the section "Land Planning and Classification" on page 7.

Comment 8: Wildlife in the area would suffer further from another lodge on the western side.

Response: There is no information to substantiate this. The Department of Fish and Game did not object to, or comment on, the land exchange.

Additional comments received include a letter supporting the land exchange from the Matanuska-Susitna Borough. They believe that the addition of the land to the historic park will make a fine complement to their planned development of a ski area and four-season resort in the area.

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

Scott Eubanks, president of Alaska Hardrock, Inc., received three phone calls from neighboring property owners stating their support as well. These were from Argel Pettit, Mike Nauman, and Allen Ervin. Conversations with all three were very supportive of the exchange. They all thought the exchange would benefit both the State and Alaska Hardrock, Inc. along with helping bring some more revenue into the Mat-Su Borough.

Although there is a long list of negative concerns, they were received from one individual. It is hard to quantify these since the "estimated dozen" persons who made them did not come forth themselves. Support for the exchange came from four definite sources. It is noted that any development has a cost to the surrounding wilderness. The development proposed by the State is limited to that necessary to provide enough funding to support the historic preservation of Independence Mine. There is no other funding source for this preservation effort. Known development proposed by Alaska Hardrock Inc. is limited to supporting their existing mining operation, plus a potential small B&B or lodge similar to Hatcher Pass Lodge.

Given the positive and negative public comments received, the Department of Natural Resources plans to continue the land exchange process.

Alaska Hardrock, Inc./State of Alaska Land Exchange



State Land to AHI, Land Estate with Mineral Closure, 108 acres @ \$66,500



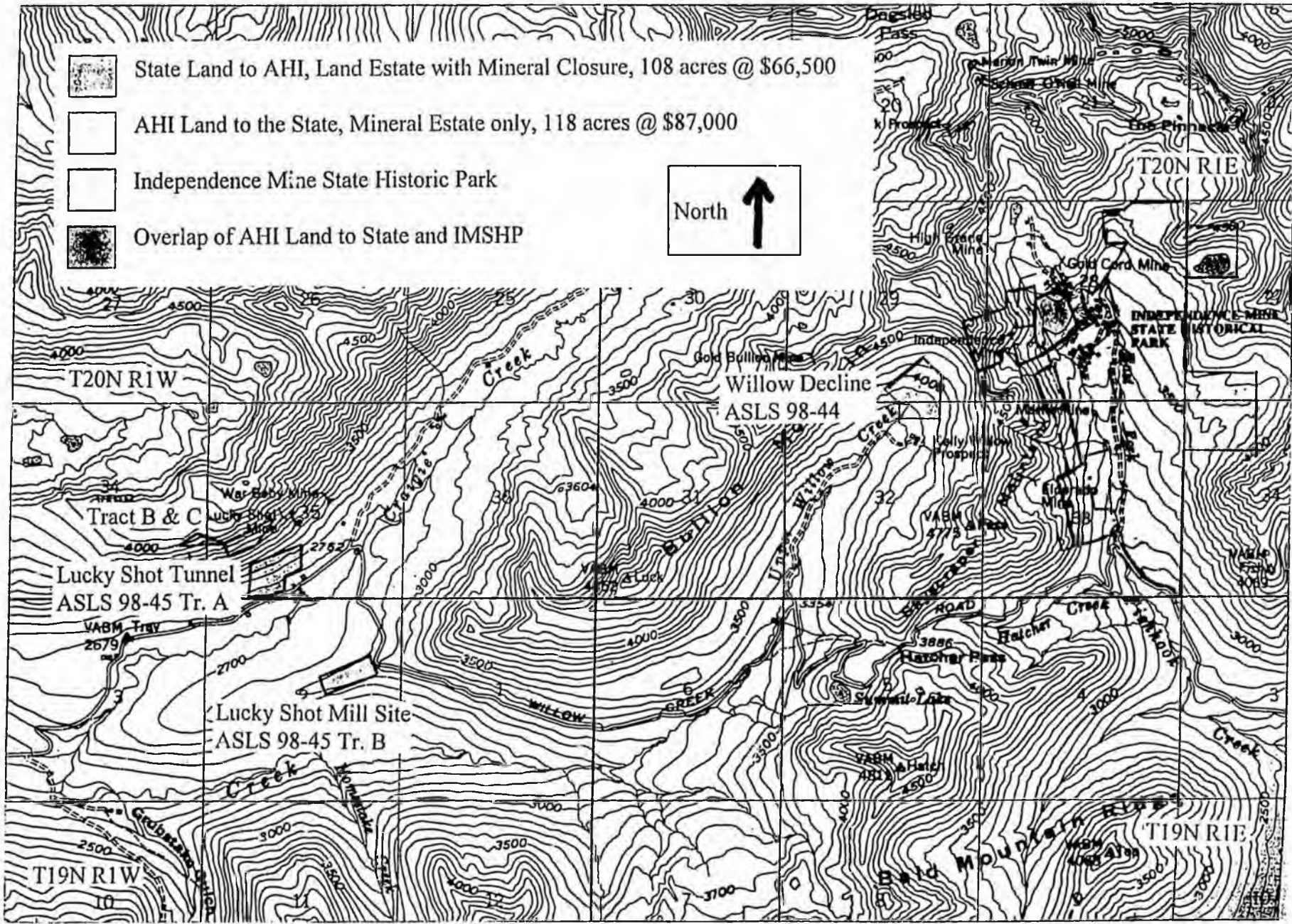
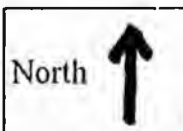
AHI Land to the State, Mineral Estate only, 118 acres @ \$87,000



Independence Mine State Historic Park



Overlap of AHI Land to State and IMSHP



I-GH2071\D
Kurtz
3/22/00

adopted 3/23/00

CS FOR HOUSE BILL NO. 344()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - SECOND SESSION**

BY

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing a land exchange between the Department of Natural
2 Resources and Alaska Hardrock, Inc.; approving a long-term lease of certain
3 Alaska Railroad Corporation land at Healy; and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new
6 section to read:

7 **PURPOSE.** The purpose of section 2 of this Act is to approve the final agreement for
8 the exchange of land between the State of Alaska, Department of Natural Resources and
9 Alaska Hardrock, Inc., dated January 26, 2000. The land to be acquired by the state under
10 the agreement is located within or adjacent to the Independence Mine State Historical Park.
11 The appraised fair market value of the land to be exchanged is unequal. AS 38.50.020
12 requires the submission of a land exchange agreement for legislative review and approval if
13 the agreement involves the exchange of land of other than equal appraised fair market value.
14 The Department of Natural Resources has determined that the value of the land to be received

1 by the state under the agreement exceeds the value of the state land relinquished.

2 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section
3 to read:

4 APPROVAL OF AGREEMENT AND LAND EXCHANGE. The final agreement for
5 the exchange of land between the Department of Natural Resources and Alaska Hardrock, Inc.,
6 dated January 26, 2000, is approved. The approval of the final agreement authorizes the
7 exchange of state-owned land for land owned by Alaska Hardrock, Inc., as specified in the
8 approved final agreement.

9 * Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 APPROVAL OF THE LEASE OF LAND AT HEALY. (a) The Alaska Railroad
12 Corporation is authorized to lease certain corporation land at Healy, Alaska, for the Tri-Valley
13 subdivision within Township 12 South, Range 7 West, Section 18, Fairbanks Meridian, that
14 is the subject of Alaska Railroad contract no. 69-25-0003-4779 for a period in excess of 35
15 years without reserving the right to terminate the lease.

16 (b) This section constitutes legislative approval under AS 42.40.285(4) for the Alaska
17 Railroad Corporation to lease the land described in (a) of this section for a period in excess
18 of 35 years without reserving the right to terminate the lease if the land is needed for railroad
19 purposes.

20 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

Need for Legislative Action Regarding the Tri-Valley Subdivision in Healy, Alaska

On behalf of over 100 Healy, Alaska families, Usibelli Coal Mine, with the full concurrence of the Alaska Railroad Corporation, requests that the Alaska Legislature address a problem that affects the homeowners of the Tri-Valley Subdivision.

History of the Tri-Valley Subdivision

The Tri-Valley Subdivision was created in 1977 when the Alaska Railroad leased about 500 acres of railroad land to Usibelli Coal Mine (UCM) for residential development. At the time, there was little land available for building sites needed by employees of the railroad, Golden Valley Electric Association, the State of Alaska and other area residents.

The problem was especially critical for UCM employees as the mine had been advised by the Federal Mining Enforcement and Safety Administration that employees residing on land leased for coal mining must relocate. As had been the case since the 1920's, most of the miners and their families lived on federal (eventually to become state) coal leases near the mine sites.

The federal act that created the railroad specifically authorized the use of railroad land for townsite purposes as well as railroad operations. A Presidential Act in 1928 withdrew the section of land in which the Tri-Valley subdivision is located for all authorized railroad purposes including use as a townsite. In the 1970's, the railroad recognized the need for additional residential land, but did not have the funds to develop a subdivision. As UCM was willing to fund the development costs, a 55-year lease agreement was signed with UCM in 1977.

Currently there are about 120 residences and 3 churches located in the subdivision. Additionally, the Tri-Valley Volunteer Fire Department, the Tri-Valley Community Center, the offices of the Denali Borough, the community hockey rink and a non-profit day care center are located in the subdivision.

There are two fundamental requirements in the master lease that underline the intent of both the Alaska Railroad and UCM to develop the subdivision for the benefit of the community as opposed to any commercial gain for UCM.

- The residential lots were to be equally available for sublease to all persons, whether they were employees of the Alaska Railroad, UCM or not.
- The rent charged by UCM to sublessees could not exceed UCM's costs to lease and develop the property.

Subdivision Homeowners and Buyers Now Face Financing Problems

Beginning in the early 1990's, problems began to occur when residents applied for mortgages to build or buy homes in the subdivision. Accepted banking policy precludes lenders' from issuing to sublessees a deed of trust with a maturity date that is within 10 years of the termination date of their sublease. The term of the homeowner's subleases are concurrent with the term of the master lease.

Tri-Valley Subdivision Lease Extension
March 9, 2000

In short, as the current expiration date of UCM's master lease is 2032, lenders will not structure mortgages longer than a maximum of 22 years, much shorter than a typical 30-year mortgage. In effect, the longest mortgage most lenders will currently issue is 20 years. This shorter term makes the borrower's monthly payments much higher and reduces the affordability and saleability of subdivision homes.

In recent years, potential home sales have fallen through because some buyers were unable to afford the shorter term mortgages. In other cases, would be buyers who could afford the shorter term loans were not willing to purchase because when the time came for them to sell, the problem would be even worse.

As the available amortization period shrinks with each passing year, the problem grows more acute. When combined with rising interest rates, the ability of new sublessees to afford or to obtain financing for new construction (or for existing sublessees to sell to new buyers) will diminish to the point where only cash transactions are possible. This will greatly reduce the market value of any home located in the subdivision.

The Legislative Solution

The railroad has been willing to address this problem by extending UCM's master lease using a provision in the lease for a 35-year renewal. When added to the remaining 32 years, this would have the effect of extending the master lease by 67 years, well beyond the 40 years needed by lenders.

However, in the 1980's when the Alaska Railroad was transferred from the federal government to the State of Alaska, the legislation establishing the Alaska Railroad Corporation (ARRC) included additional conditions governing long-term leases of railroad land.

Alaska Statute 42.40.285 (4) requires that, unless exempted by action of law, the ARRC must reserve the unilateral right to terminate any lease with a term in excess of 35 years in the event the land is ever needed for railroad use.

Even though all parties recognize there is no chance that the railroad would ever need the subdivision land for railroad use, this unilateral right of the ARRC to terminate the master lease undermines the tenancy of UCM and its sublessees. Any extension of the master lease which contains such a termination clause will preclude lenders from offering long-term financing to homeowners and buyers in the Tri-Valley Subdivision.

The most expedient way to solve the current problem would be for the legislature to take action to exempt the current lease agreement (Contract #69-25-003-4779) between the ARRC and UCM from the provisions of AS 42.40.285 (4). With this done, the master lease could then be extended in a manner that would allow homebuilders and buyers to secure traditional mortgages.

Charlie Green
Vice President Real Estate
Usibelli Coal Mine, Inc.

ALASKA RAILROAD CORPORATION



Corporate Address: P.O. Box 107500, Anchorage, Alaska 99510
327 W. Ship Creek Avenue, Anchorage, Alaska 99501

March 21, 2000

The Honorable John Torgerson
Alaska State Legislature
Room 516
State Capitol
Juneau, AK 99801

Dear Senator Torgerson:

The Alaska Railroad Corporation (ARRC) recognizes the need for a legislative solution on behalf of more than 100 Healy, Alaska families. We are in support of Usibelli Coal Mine's effort to seek legislative approval to create an exception to the ARRC's real estate policies for the Tri-Valley Subdivision land in Healy.

Alaska Statute 42.40 prohibits the ARRC from selling, exchanging, or otherwise conveying its land unless the legislature approves the action. By law, the ARRC can lease land for up to 35 years, but must reserve the unilateral right to terminate any lease with a term in excess of 35 years in the event the land is ever needed for railroad use.

This termination clause is currently affecting some 120 families in the Tri-Valley Subdivision in Healy, Alaska. The longest mortgage most lenders will issue to these families is 20 years due to the termination language. Accepted banking policy precludes lenders' from issuing to sublessees a deed of trust with a maturity date that is within 10 years of the termination date of their sublease. This shorter term makes the borrower's monthly payments much higher and reduces the affordability and saleability of subdivision homes.

Usibelli Coal Mine, who leases the Healy property from the Alaska Railroad and subleases lots to residents, is currently working on an amendment to legislation in both the Senate and House Finance committees. This amendment would authorize the Railroad to lease Tri-Valley Subdivision land for a period in excess of 35 years without reserving the right to terminate the lease.

Again, the ARRC supports Usibelli's goal to attain an exemption from the 35 year lease limit. However, looking at the big picture, the Alaska Railroad would also like to work with the state legislature toward a more comprehensive solution that would allow us address other real estate concerns which arise on occasion.

We believe many of our real estate issues could be solved if the ARRC were given the authority to issue longer term leases. Residents and businesses along the rail belt would be able to qualify for more affordable mortgage rates and would gain more freedom to plan long term.

Along that line, we would like to work with legislators this summer to study issues relating to the ARRC's real estate policies. The goal would be to create legislation for the 2001 session enabling the Alaska Railroad to better address our customer's needs.

As we begin this process, it is important to note that the ARRC is approached periodically by individual leaseholders who would prefer to purchase the railroad land they currently lease. Approximately 50 percent of the Alaska Railroad's net earnings are derived from real estate leases much like other railroad's in the Lower 48. For that reason, selling Railroad land could jeopardize the ARRC's long term ability to remain a self-sustaining state corporation. We trust that this issue will be taken into account when examining the ARRC's real estate policies.

The ARRC has approximately 218 tenants. Our current policy is adequate for most of our tenants but leaves little room for flexibility. Longer lease options combined with other ideas that may surface from the study group could help the Alaska Railroad better serve Alaskans.

Sincerely,



Governor Bill Sheffield
President and CEO, Alaska Railroad Corporation

Need for Legislative Action Regarding the Tri-Valley Subdivision in Healy, Alaska

On behalf of over 100 Healy, Alaska families, Usibelli Coal Mine, with the full concurrence of the Alaska Railroad Corporation, requests that the Alaska Legislature address a problem that affects the homeowners of the Tri-Valley Subdivision.

History of the Tri-Valley Subdivision

The Tri-Valley Subdivision was created in 1977 when the Alaska Railroad leased about 500 acres of railroad land to Usibelli Coal Mine (UCM) for residential development. At the time, there was little land available for building sites needed by employees of the railroad, Golden Valley Electric Association, the State of Alaska and other area residents.

The problem was especially critical for UCM employees as the mine had been advised by the Federal Mining Enforcement and Safety Administration that employees residing on land leased for coal mining must relocate. As had been the case since the 1920's, most of the miners and their families lived on federal (eventually to become state) coal leases near the mine sites.

The federal act that created the railroad specifically authorized the use of railroad land for townsite purposes as well as railroad operations. A Presidential Act in 1928 withdrew the section of land in which the Tri-Valley subdivision is located for all authorized railroad purposes including use as a townsite. In the 1970's, the railroad recognized the need for additional residential land, but did not have the funds to develop a subdivision. As UCM was willing to fund the development costs, a 55-year lease agreement was signed with UCM in 1977.

Currently there are about 120 residences and 3 churches located in the subdivision. Additionally, the Tri-Valley Volunteer Fire Department, the Tri-Valley Community Center, the offices of the Denali Borough, the community hockey rink and a non-profit day care center are located in the subdivision.

There are two fundamental requirements in the master lease that underline the intent of both the Alaska Railroad and UCM to develop the subdivision for the benefit of the community as opposed to any commercial gain for UCM.

- The residential lots were to be equally available for sublease to all persons, whether they were employees of the Alaska Railroad, UCM or not.
- The rent charged by UCM to sublessees could not exceed UCM's costs to lease and develop the property.

Subdivision Homeowners and Buyers Now Face Financing Problems

Beginning in the early 1990's, problems began to occur when residents applied for mortgages to build or buy homes in the subdivision. Accepted banking policy precludes lenders' from issuing to sublessees a deed of trust with a maturity date that is within 10 years of the termination date of their sublease. The term of the homeowner's subleases are concurrent with the term of the master lease.

Tri-Valley Subdivision Lease Extension
March 9, 2000

In short, as the current expiration date of UCM's master lease is 2032, lenders will not structure mortgages longer than a maximum of 22 years, much shorter than a typical 30-year mortgage. In effect, the longest mortgage most lenders will currently issue is 20 years. This shorter term makes the borrower's monthly payments much higher and reduces the affordability and saleability of subdivision homes.

In recent years, potential home sales have fallen through because some buyers were unable to afford the shorter term mortgages. In other cases, would be buyers who could afford the shorter term loans were not willing to purchase because when the time came for them to sell, the problem would be even worse.

As the available amortization period shrinks with each passing year, the problem grows more acute. When combined with rising interest rates, the ability of new sublessees to afford or to obtain financing for new construction (or for existing sublessees to sell to new buyers) will diminish to the point where only cash transactions are possible. This will greatly reduce the market value of any home located in the subdivision.

The Legislative Solution

The railroad has been willing to address this problem by extending UCM's master lease using a provision in the lease for a 35-year renewal. When added to the remaining 32 years, this would have the effect of extending the master lease by 67 years, well beyond the 40 years needed by lenders.

However, in the 1980's when the Alaska Railroad was transferred from the federal government to the State of Alaska, the legislation establishing the Alaska Railroad Corporation (ARRC) included additional conditions governing long-term leases of railroad land.

Alaska Statute 42.40.285 (4) requires that, unless exempted by action of law, the ARRC must reserve the unilateral right to terminate any lease with a term in excess of 35 years in the event the land is ever needed for railroad use.

Even though all parties recognize there is no chance that the railroad would ever need the subdivision land for railroad use, this unilateral right of the ARRC to terminate the master lease undermines the tenancy of UCM and its sublessees. Any extension of the master lease which contains such a termination clause will preclude lenders from offering long-term financing to homeowners and buyers in the Tri-Valley Subdivision.

The most expedient way to solve the current problem would be for the legislature to take action to exempt the current lease agreement (Contract #69-25-003-4779) between the ARRC and UCM from the provisions of AS 42.40.285 (4). With this done, the master lease could then be extended in a manner that would allow homebuilders and buyers to secure traditional mortgages.

Charlie Green
Vice President Real Estate
Usibelli Coal Mine, Inc.



MEMBER FDIC

530 Fourth Avenue • P.O. Box 73880 • Fairbanks, Alaska 99707 • (907) 452-1751 • FAX (907) 456-5982
1380 University Avenue • Fairbanks, Alaska 99709 • (907) 474-1770 • FAX (907) 474-1771

February 16, 2000

Mr. Charlie Green
Vice President Real Estate
Usibelli Coal Mine, Inc.
100 Cushman Street, Suite 210
Fairbanks, AK 99701

Dear Charlie,

Mt. McKinley Bank (MMB) was one of the first banks to make mortgages available for residential construction in Healy in the late 1970's. Since then, we have originated hundreds of home loans in the Healy, Clear and McKinley Village areas and probably carry about half of the mortgages in the Tri-Valley Subdivision. I understand that there are currently about 120 residences and 3 churches located in this subdivision.

As you know, mortgages for residences situated on leased land, rather than fee simple land, are subject to a different set of lending policies. Usibelli Coal Mine (UCM) leases the Tri-Valley Subdivision from the Alaska Railroad (ARR), and in turn subleases lots to area residents and organizations. As the term of the sublease can be no longer than the term of the master lease, lenders must be concerned with the length of UCM's master lease when making mortgages to sublessees.

As we have discussed, the problem that MMB, other banks and credit unions currently have with originating mortgage loans in the Tri-Valley Subdivision results from accepted banking policy that precludes lenders from issuing to sublessees a deed of trust with a maturity date that is within ten years of the termination date of the lease. In short, as the current expiration date of the UCM's master lease is 2032, lenders will not structure mortgages longer than a maximum of 22 years which is considerably shorter than a typical 30-year mortgage. In effect, the longest mortgage most lenders will currently issue is 20 years. This shorter term makes the borrower's monthly payments considerably higher and reduces the affordability of homes located in the Tri-Valley Subdivision.

I am not surprised to learn that potential home sales have recently fallen through because the buyers were unable to afford the shorter term mortgages. As the available amortization period continues to shrink, combined with the potential for rising interest rates, the ability of new sublessees to afford or obtain financing for new construction (and for existing sublessees to sell to new buyers) will diminish to the point where only cash transactions are possible. This will greatly reduce the market value of any home located in the subdivision.

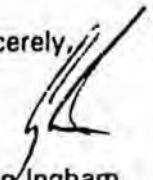
Charlie Green
February 17, 2000
Page Two

I understand that the ARR is willing to extend UCM's master lease to address this problem. However, for any ARR land that is leased for a period longer than 35 years. Alaska law requires that the ARR must reserve the unilateral right to terminate the master lease in the event the land is ever needed for railroad use. Even though all parties recognize there is little chance that the master lease would ever be terminated, this unilateral right to terminate undermines the tenancy of sublessees. Any extension of the master lease containing such a termination clause will preclude lenders from offering long-term financing in the Tri-Valley Subdivision.

I am aware that the parties involved are working to help address this situation, and I would be pleased to offer any support that might be helpful in solving the problem. This would include bringing it to the Alaska Bankers Association to help support any legislative action that might be required to remedy the situation.

Thank you for your help in this matter.

Sincerely,



Craig Ingham
President and
Chief Executive Officer

CI:grs

National Bank of Alaska



February 25, 2000

Mortgage Loan Department
P.O. Box 107025
1500 W. Benson Blvd., 4th Floor
Anchorage, AK 99510-7025
Phone (907) 257-3434 / Fax 257-3412

Mr. Charlie Green
Vice President, Real Estate
Usibelli Coal Mine, inc.
100 Cushman Street, Suite 210
Fairbanks, Alaska 99701

Dear Charlie:

National Bank of Alaska, as the largest originator and servicer of mortgage loans in the state, expresses our concern over the inability of potential home buyers in the Tri-Valley Subdivision to obtain thirty year mortgages.

The predominant investor in rural Alaska is Alaska Housing Finance Corporation (Alaska Housing). National Bank of Alaska originates loans for sale to Alaska Housing. Alaska Housing requires the remaining term on any leasehold estate to be for a period of not less than ten years from and after the maturity of the mortgage loan. Usibelli Coal Mine leases the Tri-Valley Subdivision land from the Alaska Railroad. The expiration date of this lease is 2032. This date forces us to reduce the term of the mortgage to 22 years to be in compliance with Alaska Housing requirements. The reduced term results in a higher payment for the qualifying borrower which impacts the affordability of properties in the Tri-Valley Subdivision.

I understand from our conversation that the Alaska Railroad is willing to extend the lease with the provision that they may unilaterally terminate the lease if subsequently the Alaska Railroad needs the land. Alaska Housing, other secondary market investors, and National Bank of Alaska cannot lend long-term funds with this termination provision.

National Bank of Alaska, on behalf of our borrowers in Tri-Valley Subdivision, strongly supports any action necessary, including legislation, to enable us to offer thirty year mortgages to the current and future owners in this subdivision. We also advocate a speedy solution to this issue as current property owners may begin to experience a deterioration of the value of their homes if financing is limited.

I appreciate you bringing this to my attention and will be available at any time to provide you with further assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Judy Kemplen".

Judy Kemplen
Senior Vice President



**Final Exchange Agreement
Independence Mine SHP Exchange
with Alaska Hardrock, Inc.**

This Final Exchange Agreement for the unequal value exchange of land ("Agreement") is made and entered into this 26th day of January, 2000, by and between the State of Alaska, Department of Natural Resources, Division of Land and Division of Parks and Outdoor Recreation ("State"), 550 W 7th Ave, Suite 1380, Anchorage, AK 99501-3561, and Alaska Hardrock, Inc., ("AHI"), PO Box 2407, Palmer, AK 99645, pursuant to AS 38.50 and 11 AAC 67.200-.280.

WITNESS:

WHEREAS, AHI owns the mineral/subsurface estate to eight patented federal mining claims listed below and consisting of approximately 118 acres in T20N R1E SM, Sec 28, 29 and 33, shown in Exhibit A. These lands are adjacent to, or within, Independence Mine State Historic Park. AHI purchased this estate from Enserch Processing Partners, Ltd. as stated in a statutory warranty deed recorded in the Palmer Recording District on Book 0505 page 772. Chain of title has been shown in the Commitment to Insure Report AF99-8419 by Alaska First Title Insurance Agency, Inc.

- Independence Lode, Granite Mountain and Granite Mountain #1, within USMS 958-A
- Granite Mountain #2 and Granite Mountain #3, within USMS 961/2046
- Lois Fraction and Snowbird, within USMS 2041
- Homestake 4, within USMS 980

WHEREAS, the State owns land in Willow Creek Valley, consisting of approximately 107 acres, in five different parcels described below and shown in Exhibit B. Transfer to AHI will be for land estate and the land will be closed to new mineral entry. The State received tentative approval to these lands as general grant lands under the Statehood Entitlement Act on September 25, 1984, and July 15, 1994. The applicable case file is GS 1224.

Parcel One named Lucky Shot Mill Site: Tract B of ASLS 98-45, within the NE1/4, Sec. 2, T19N R1W SM, excluding R/W for Willow Creek Road, also known as Hatcher Pass Road. Approximate acreage: 29

Parcel Two named Willow Creek Decline: ASLS 98-44 and federal mining claim Brightness 2, USMS 2047, within the SE1/4, Sec 29 and NE1/4, Sec 32; T20N R1E SM. Approximate acreage for entire parcel: 41

Parcel Three named Lucky Shot Tunnel: Tract A of ASLS 98-45, within the SW1/4, Sec 35, T20N R1W SM, excluding R/W for Willow Creek Road, also known as Hatcher Pass Road. Approximate acreage: 27

Parcel Four: Tract B of US Rectangular Survey dated September 28, 1978, in section 35, T20N R1W, SM. Approximate acreage: 8

Parcel Five: Tract C of US Rectangular Survey dated September 28, 1978, in sections 34 and 35, T20N R1W, SM. Approximate acreage: 2

WHEREAS, the parties intend that the State will acquire the mineral estate described in Exhibit A in exchange for the state owned land estate described in Exhibit B, and that AHI will acquire the state owned land estate described in Exhibit B in exchange for mineral estate described in Exhibit A. Both parties understand that the value of the exchanged lands is unequal.

WHEREAS, the benefits to be achieved by this exchange are:

- a. Land to be acquired by the State includes a major portion of the old water tunnel and an important part of the old Independence Mine tunnels. The Division of Parks and Outdoor Recreation intends to open the water tunnel for public tours. This supports the division's goal of preserving and interpreting Alaska's cultural heritage. Should the park be offered for private concession, the option of including underground tours will make a concession contract more viable. This supports the division's goal of providing support to the state's tourism industry.
- b. AHI has existing leases, mining claims, and facilities on the parcels to be acquired by them. This will solidify ownership for the company and facilitate the business goals in gold mining and tourism.

WHEREAS, the State has followed the specific procedures that are required to protect the public interest.

WHEREAS, the legislature has approved the exchange.

NOW THEREFORE, in consideration of their mutual covenants and promises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged and confessed, the parties covenant and agree as follows:

1. Ownership. AHI has sole ownership to the mineral estate described in Exhibit A, and the State owns the lands described in Exhibit B. It is the parties' understanding that AHI holds mineral interest in the lands to be conveyed to the State and that conveyance of this interest is sufficient to achieve the State's goals of public recreation, presentation and interpretation within the old Independence Mine tunnels.

2. Legal Descriptions: The parties agree that the legal descriptions of the lands and interests in lands which are the subject of this Agreement, as set forth in Exhibits A and B hereto, are subject to further review and changes, as necessary after formal title review, and subsequent negotiations have been done.

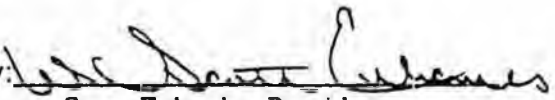
3. Taxes and Third Party Interests: There are no outstanding taxes or third party interests in the lands to be exchanged.
4. Authority. Each signatory to this Agreement has the authority to negotiate this exchange on behalf of its principals, subject to any necessary Board of Directors or legislative approval.
5. Conveyance. The State and AHI will exchange their respective rights, titles and interests in the lands identified in Exhibits A and B on an unequal value basis, subject to valid existing rights and other reservations as mutually agreed upon. The State will receive a warranty deed from AHI, and AHI will receive a quit claim deed for the land estate from the State. Land estate is the fee simple estate less the mineral rights reserved under AS 38.05.125(a). The right-of-way for Willow Creek Road, also known as Hatcher Pass Road is excluded as well. The mineral estate under the land estate going to AHI will be closed to mineral entry and the creation of third party interests. The warranty deed to the State, from AHI, will include language specifying that lands conveyed by AHI are to be owned and managed by the Division of Parks and Outdoor Recreation as part of Independence Mine State Historical Park.
6. Value of Land. The land to be exchanged by the parties is of unequal appraised fair market value. According to the *Appraisal of Hatcher Pass Properties for a Land Exchange, Palmer, Alaska, Valuation Date of September 21, 1999, Appraiser: Eric G Follett, MAI*, the value of the 107 acres of state land going to AHI is \$66,500 and the value of the 118 acres of AHI land going to the State is \$87,000. AHI agrees to receive land of less value, is donating to the State, and does not expect compensation from the State for the \$20,500 difference in value.
7. Mineral Closing Order. The State will, as necessary, classify or reclassify the land identified in Exhibit A and B, and concurrently complete a mineral closing order on the same lands pursuant to AS 38.05.185(a) and 11 AAC 67.230(b).
8. ACMP. The property involved in this land exchange is outside the boundaries of the Alaska Coastal Management Program.
9. Third Party Interests. There are no known third party interests in the parcels belonging to each party.
10. Binding Effect. This Agreement shall be binding on and inure to the benefit of the respective parties hereto, their successors and assigns. This agreement shall be executed by an exchange of deeds thirty days after signature, or thirty days after any appeals are resolved.
11. Construction: This Agreement shall be construed and enforced in accordance with the laws of the State of Alaska.

12. Appeals: This is a final administrative order and decision of the department for purposes of an appeal to Superior Court. A person adversely affected by this final order and decision may (1) appeal to Superior Court within 30 days in accordance with the rules of the court, and to the extent permitted by applicable law, or (2) first request reconsideration of this decision, in accordance with AS 44.62.540 and 11 AAC 02.020, to John Shively, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501-3561. Please include the appeal code number provided below. Any such request for reconsideration must be received at that address, or received by being faxed to 1-907-269-8918, within 15 calendar days after the date of "delivery" of this decision, as defined by 11 AAC 02.040(c) and (d). Failure of the commissioner to act on a request for reconsideration within 30 days after delivery of this decision is a denial of reconsideration and is also a final administrative order and decision for purposes of an appeal to Superior Court. It may then be appealed to Superior Court within a further 30 days in accordance with the rules of the court, and to the extent permitted by applicable law. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources. If no request for reconsideration is filed before the end of the period specified, this decision then goes into effect.

13. Legislative Approval: This final land exchange agreement is subject to approval by the Alaska Legislature under AS 38.50.140. Without legislative approval by the end of the legislative session in the year 2001, this agreement is null and void.

IN WITNESS WHEREOF, the parties have set their hands and seals as of the date first above written.

ALASKA HARDROCK, INC.

By: 
Scott Eubanks, President

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES


By: 
John Shively, Commissioner

Exhibit A
Page 1 of 5

Final Exchange Agreement
with Alaska Hardrock, Inc.

Legal Description of AHI lands going to the State:

Mineral/Subsurface Estate of the Following Eight Patented Federal Mining Claims:

T20N R1E SM

Section 28:

Independence Lode, USMS 958-A
Granite Mountain, USMS 958-A
Granite Mountain #1, USMS 958-A
Granite Mountain #2, USMS 961/2046
Granite Mountain #3, USMS 961/2046
Lois Fraction, USMS 2041
Snowbird, USMS 2041
Homestake 4, USMS 980

Section 29:

Independence Lode, USMS 958-A
Granite Mountain, USMS 958-A

Section 33:

Homestake 4, USMS 980

SIC 28 TOWNSHIP 20N RANGE 1E OF THE SEWARD MERIDIAN, ALASKA

LEGEND

- REGISTRATION**
- AGENCY RECORD
 - CROWN TIM
 - CROWN TIM
 - TOWNSHIP SECTION GRID
 - SECTION LINE
 - HIGHWAY
 - ROAD
 - TRAIL
 - CANAL
 - ELECTRICAL POWER LINE
 - TELEPHONE LINE
 - DRAIN
 - AIRPORT LANDING STRIP
 - HORIZONTAL CONTROL
 - CONTROL ADJUSTMENT

- INFORMATION**
- CITY
 - COUNTY
 - ASSOCIATION
 - MINERAL
 - MINERAL
 - MINISTRATION
 - FEDERAL ACTION
 - MENTAL HEALTH TRUST
 - LIMITS OF ACTION
 - NAVIGATIONAL AID
 - LADEN PERMIT
 - TRAPPING CABIN PERMIT
 - FIREARM LOCATION

- WATER RIGHTS**
- WATERS RIGHTS
 - APPLICATION
 - PERMIT
 - CERTIFICATE

- WATER RIGHTS**
- WATERS RIGHTS
 - APPLICATION
 - PERMIT
 - CERTIFICATE

- WATER RIGHTS**
- WATERS RIGHTS
 - APPLICATION
 - PERMIT
 - CERTIFICATE

- WATER RIGHTS**
- WATERS RIGHTS
 - APPLICATION
 - PERMIT
 - CERTIFICATE

6	5	4	3	2	1
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31	32	33	34	35	36



LAND ESTATE

THE STATE OF ALASKA, COUNTY OF...
 BEFORE ME, the undersigned authority, on this... day of... 19...
 personally appeared...
 known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.
 My commission expires...
 WITNESS my hand and the Great Seal of the State of Alaska, this... day of... 19...
 Notary Public in and for the State of Alaska

Exhibit A
 page 3 of 5

GRAPHIC REPRESENTATION ONLY
 NOT TO BE USED FOR THE FEDERAL RECORD
 CIVILIAN LAND ADMINISTRATION SYSTEM (CAL)
 CONTACT FOR ADDITIONAL INFORMATION

ATTENTION STATE PLAT USERS: IN THE PLAT, ALL STATE'S
 LINES CLOSE AND ACTIONS THAT RELATE INTO ADJACENT TOWNSHIPS
 THE INTERIOR STATE LINES SHALL BE IMPROVED, ORIGINAL TITLE
 PLAT NUMBER AND DATE SHALL BE...

SEC 29 TOWNSHIP 20N RANGE 1E OF THE SEWARD MERIDIAN, ALASKA

LEGEND

- 1. INFORMATION**
- INTEREST
 - SURVEY LINE
 - SURVEY LOT LINE
 - TOWNSHIP SECTION GRID
 - SECTION LINE
 - HIGHWAY
 - ROAD
 - TRAIL
 - RAILROAD
 - ELECTRICAL POWER LINE
 - TELEPHONE LINE
 - PIPELINE
 - AIRPORT LANDING STRIP
 - NEUTRAL CONTROL
 - CONTROL MONUMENT

- 1.5 INFORMATION**
- TITLE
 - BOUNDARY
 - CLASSIFICATION
 - DISPOSAL
 - MONITOR
 - RESTRICTION
 - FEDERAL ACTION
 - MENTAL HEALTH TRUST
 - LIMITS OF ACTION
 - NAVIGATIONAL AID
 - CANN PERMIT
 - TRAPPING CANN PERMIT
 - FURPASS LOCATION

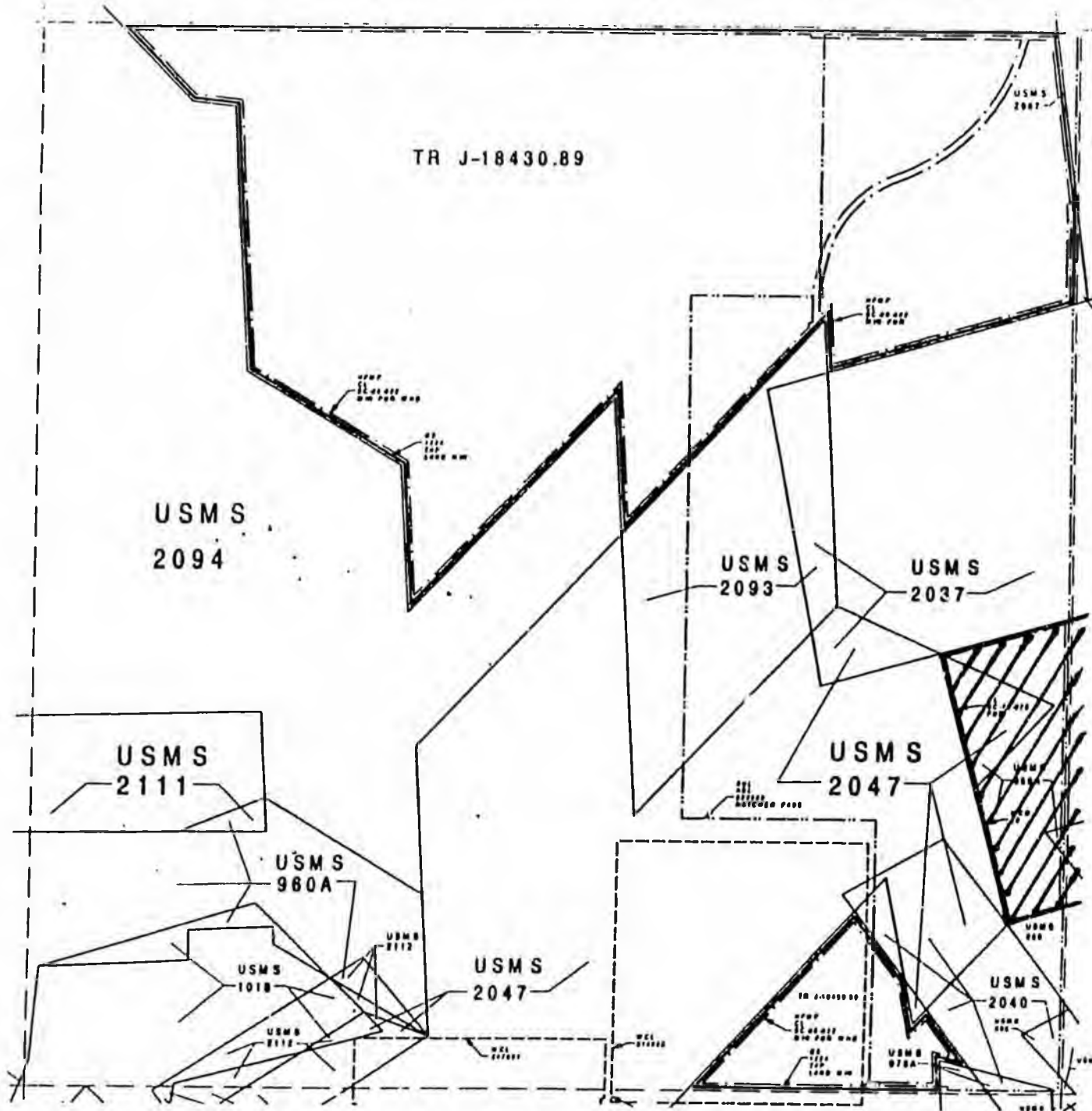
- WATER RIGHTS**
- APPLICATION
 - PERMIT
 - CERTIFICATE

- WATER RIGHTS**
- APPLICATION
 - PERMIT
 - CERTIFICATE

- STREAM FLOW RESERVATION**
- APPLICATION
 - CERTIFICATE

- WATER BARRER**
- APPLICATION
 - PERMIT
 - CERTIFICATE

6	5	4	3	2	1
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31	32	33	34	35	36



STATUS PLAT

THE STATE OF ALASKA, BEING THE STATE OF ALASKA, DO HEREBY CERTIFY THAT THE STATUS PLAT IS CORRECT AND ACCURATE AND THAT THE SAME IS IN ACCORDANCE WITH THE ACTS OF CONGRESS AND THE DECISIONS OF THE SUPREME COURT OF THE UNITED STATES.

APPROVED:
 STATE OF ALASKA
 DEPARTMENT OF NATURAL RESOURCES
 DIVISION OF LAND MANAGEMENT
 1000 W. WARD BLVD.
 ANCHORAGE, ALASKA 99501

- LAND USE**
- USMS 2094 APPROVED BUSHING
 - USMS 2093 APPROVED BUSHING
 - USMS 2037 APPROVED BUSHING
 - USMS 2111 APPROVED BUSHING
 - USMS 980A APPROVED BUSHING
 - USMS 1018 APPROVED BUSHING
 - USMS 2047 APPROVED BUSHING
 - USMS 2040 APPROVED BUSHING
 - USMS 978A APPROVED BUSHING

OTHER ACTIONS AFFECTING DISPOSAL OR USE OF STATE LANDS
 SEE THE LAS CASEFILE OR ORIGINAL SOURCE DOCUMENTS FOR
 ADDITIONAL INFORMATION

INTEREST WITH PENDING DISPOSITION
 SUBJECT TO PENDING DISPOSITION
 CE 124 (TENTATIVE) AND CE 125 (FINAL) APPLICATIONS
 AA-1191 AA-1196 AA-1197 AND PENDING CLAIM
 RECONSTRUCTION AA-1918 THROUGH AA-1921 AA-1922 THROUGH
 AA-1929 AA-1930 AA-1931 AA-1932 AA-1933 AA-1934
 AA-1935 THROUGH AA-1939 ARE ON FILE IN ANCHORAGE
 DEPARTMENT OF NATURAL RESOURCES

Exhibit A
 page 4 of 5

GRAPHIC REPRESENTATION ONLY.
 NO WARRANTY IS MADE BY THE STATE OF ALASKA
 CONCERNING THE ACCURACY OF THE INFORMATION SHOWN
 HEREON.

ATTENTION STATUS PLAT USERS: ON THIS PLAT ALL STATUS
 LINES CARRY THE ACTIONS THAT APPLY TO THAT TRACT.
 THIS INCLUDES STATUS LINES SUCH AS (ENHANCED), MENTAL HEALTH TRUST



APR 19 1994
 STATE OF ALASKA
 DEPARTMENT OF NATURAL RESOURCES
 LAND MANAGEMENT DIVISION

Exhibit B
Page 1 of 9

Final Exchange Agreement
with Alaska Hardrock, Inc.

Legal Description of State lands going to AHI:

Five Parcels of Land Estate with Mineral Closure:

Parcel One named Lucky Shot Mill Site: Tract B of ASLS 98-45, within the NE1/4, Sec. 2, T19N R1W SM, excluding R/W for Willow Creek Road, also known as Hatcher Pass Road. Approximate acreage: 29

Parcel Two named Willow Creek Decline: ASLS 98-44 and federal mining claim Brightness 2, USMS 2047, within the SE1/4, Sec 29 and NE1/4, Sec 32; T20N R1E SM. Approximate acreage for entire parcel: 41

Parcel Three named Lucky Shot Tunnel: Tract A of ASLS 98-45, within the SW1/4, Sec 35, T20N R1W SM, excluding R/W for Willow Creek Road, also known as Hatcher Pass Road. Approximate acreage: 27

Parcel Four: Tract B of US Rectangular Survey dated September 28, 1978, in section 35, T20N R1W, SM. Approximate acreage: 8

Parcel Five: Tract C of US Rectangular Survey dated September 28, 1978, in sections 34 and 35, T20N R1W, SM. Approximate acreage: 2

TOWNSHIP 19N RANGE 14W OF THE SEWARD MERIDIAN, ALASKA

EGEND

INFORMATION

- SURVEY MAP
- SURVEY LINE
- SURVEY LOT LINE
- TRAPPING SECTION GRID
- 1/4 SECTION LINE
- HIGHWAY
- ROAD
- TRAIL
- RAILROAD
- ELECTRICAL POWER LINE
- TELEPHONE LINE
- PIPELINE
- AIRPORT/LANDING STRIP
- HORIZONTAL CONTROL
- CONTROL MONUMENT

INFORMATION

- TITLE
- BUREAU
- CLASSIFICATION
- DISPOSAL
- MUNICIPAL
- RESTRICTION
- FEDERAL ACTION
- MENTAL HEALTH TRUST
- LIMITS OF ACTION
- NAVIGATIONAL AND
- CANN PERMIT
- TRAPPING CAMP PERMIT
- TRAPLINE LOCATION

WATER RIGHTS

- APPLICATION
- PERMIT
- CERTIFICATE

WATER RIGHTS

- APPLICATION
- PERMIT
- CERTIFICATE

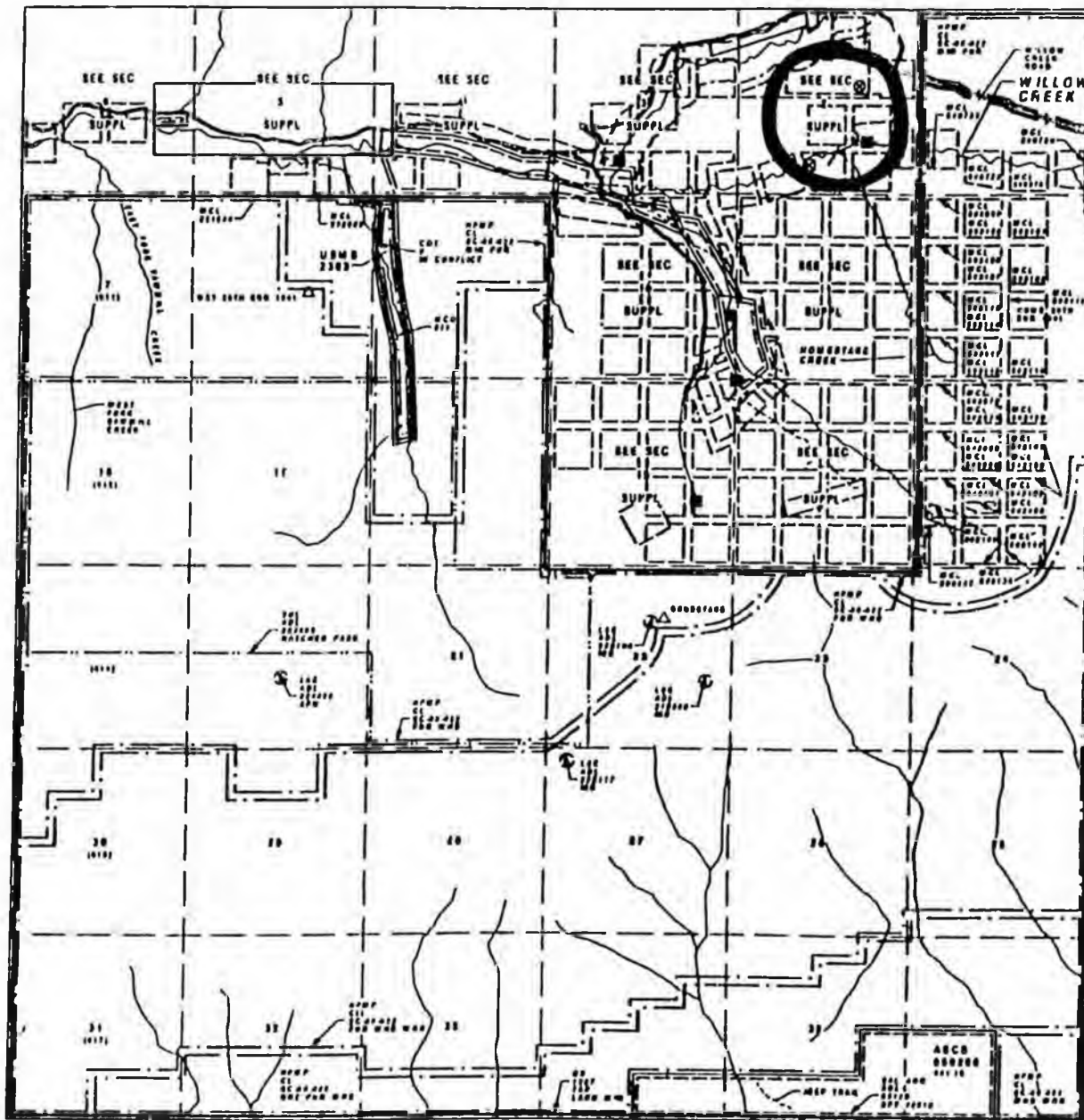
STREAM FLOW RESERVATION

- APPLICATION
- CERTIFICATE

WATER RIGHTS

- APPLICATION
- PERMIT
- CERTIFICATE

6	5	4	3	2	1
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31	32	33	34	35	36



STATUS PLAT

THIS STATUS PLAT WAS PREPARED BY THE BUREAU OF LAND MANAGEMENT, U.S. DEPARTMENT OF THE INTERIOR, WASHINGTON, D.C. ON THE BASIS OF THE STATUS PLAT RECORDS OF THE STATE OF ALASKA.

BASED ON

- ALASKA STATUS PLAT BOOK 1
- 1/4 SECTION MAP (1984) 110
- 1/4 SECTION MAP (1984) 110
- 1/4 SECTION MAP (1984) 110
- 1/4 SECTION MAP (1984) 110
- 1/4 SECTION MAP (1984) 110

HYDROGRAPHY

- 1:50,000 AND 1:250,000 SCALE OF BUREAU OF LAND MANAGEMENT
- AERIAL PHOTOGRAPHS (1964-1965)

LAND USE

- 1/4 SECTION MAP (1984) 110 - APPROVED (1984) 110
- 1/4 SECTION MAP (1984) 110 - APPROVED (1984) 110
- 1/4 SECTION MAP (1984) 110 - APPROVED (1984) 110
- 1/4 SECTION MAP (1984) 110 - APPROVED (1984) 110
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- 1/4 SECTION MAP (1984) 110 - APPROVED (1984) 110
- 1/4 SECTION MAP (1984) 110 - APPROVED (1984) 110

OTHER ACTIONS AFFECTING FEDERAL LAND USE IN THIS TOWNSHIP ARE LISTED IN THE FEDERAL LAND USE DATA SYSTEM (FLUDS) FOR THIS TOWNSHIP.

ENTRIES FOR FEDERAL RESOURCES IN THIS STATUS PLAT ARE SUBJECT TO FEDERAL LAND MANAGEMENT PLAN.

Exhibit B
page 2 of 9

SEC 2 TOWNSHIP 19N RANGE 1W OF THE SEWARD MERIDIAN, ALASKA

LEGEND

- INFORMATION**
- HYDROGRAPHY
 - SURVEY LINE
 - SECTY LOT LINE
 - TOWNSHIP SECTION GRID
 - 1/4 SECTION LINE
 - ROADWAY
 - ROAD
 - TRAIL
 - RAILROAD
 - ELECTRICAL POWER LINE
 - TELEPHONE LINE
 - PIPELINE
 - AIRPORT/LANDING STRIP
 - HORIZONTAL CONTROL
 - CONTROL MEASUREMENT

- INFORMATION**
- TITLE
 - BOUNDARY
 - CLASSIFICATION
 - DISPOSAL
 - MINERAL
 - RESTRICTION
 - FEDERAL ACTION
 - MENTAL HEALTH TRUST
 - LIMITS OF ACTION
 - NAVIGATIONAL AID
 - CABIN PERMIT
 - TRAPPING CAMP PERMIT
 - TRAPPING LOCATION

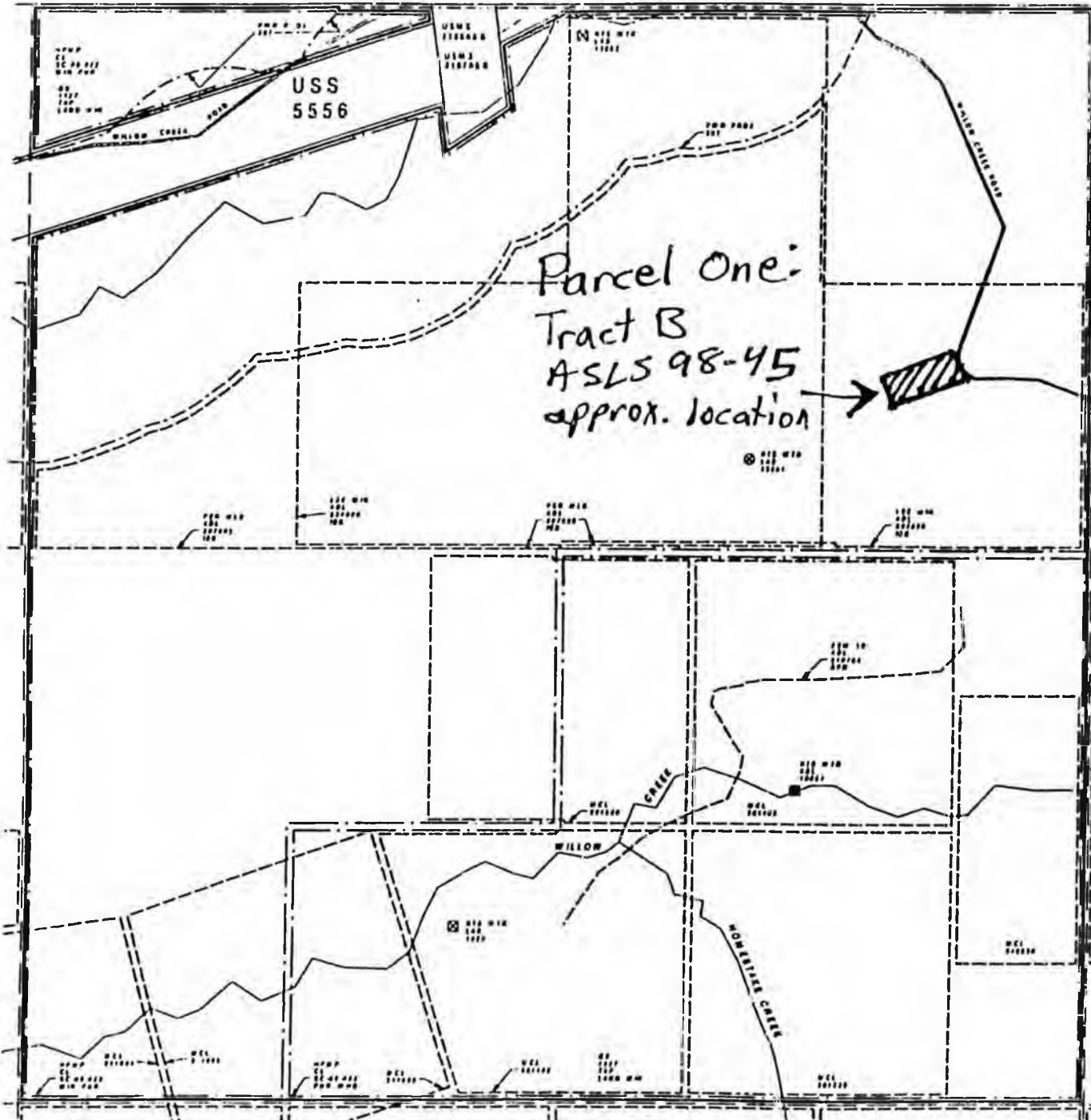
- WATER RIGHTS**
- APPLICATION
 - PERMIT
 - CERTIFICATE

- SURFACE WATER RIGHTS**
- APPLICATION
 - PERMIT
 - CERTIFICATE

- STREAM FLOW RESERVATION**
- APPLICATION
 - CERTIFICATE

- WATER RIGHTS**
- APPLICATION
 - PERMIT
 - CERTIFICATE

6	5	4	3	2	1
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31	32	33	34	35	36



STATUS PLAT

THE STATE HEREBY GIVES NOTICE THAT THE CLAIMANTS HAVE FILED WITH THE STATE DEPARTMENT OF REVENUE AND FINANCE AN AFFIDAVIT OF CLAIM FOR THE LANDS DESCRIBED IN THIS STATUS PLAT.

BASE DATA

ALASKA STATE PLANS 2000-4
 IN COMPLIANCE WITH
 48 ACAS 110
 48 ACAS 112
 48 ACAS 113
 48 ACAS 114
 48 ACAS 115

USGS ACTIVITY (07) DIVISION OF PLANS FROM ALASKA
 FROM ALASKA PARTICIPANTS 1978-1983

LAND USE

- 416 PERMANENT FOREST RESERVE (APPROVED 07/11/81)
- 417 TRACT A (11/10/81) ACCEPTED 08/11/81
- 418 ACCEPTED 12/20/81
- 419 ACCEPTED 08/11/81
- 420 ACCEPTED 08/11/81
- 421 4 & 5 APPROVED 08/11/81
- 422 110 APPROVED 08/11/81
- 423 111 APPROVED 08/11/81
- 424 112 APPROVED 08/11/81
- 425 113 APPROVED 08/11/81
- 426 114 APPROVED 08/11/81
- 427 115 APPROVED 08/11/81
- 428 116 APPROVED 08/11/81

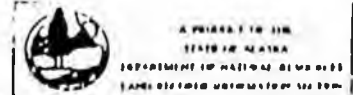
OTHER ACTIONS AFFECTING FEDERAL OR STATE LANDS
 SEE THE LOG CALLED ON ORIGINAL SOURCE OF INFORMATION FOR
 ADDITIONAL INFORMATION

OTHERS OWN FISHING RIGHTS
 LIMITED BY STATEMENT - W/THA IN W/THA
 SUBJECT TO W/THA FISH MANAGEMENT PLAN

Exhibit B
 page 3 of 9

FOR CLARIFICATION ONLY
 NO RIGHTS ARE GRANTED BY THIS STATUS PLAT

ATTENTION STATUS PLAT HOLDERS - ON THIS PLAT, ALL STATUS
 CLAIMS FOR LANDS ARE SUBJECT TO FEDERAL AND STATE LAWS



TOWNSHIP 20N RANGE 1W OF THE SEWARD MERIDIAN, ALASKA

LEGEND

INFORMATION

- HYDROGRAPHY
- SURVEY LINE
- SURVEY LOT LINE
- TOWNSHIP SECTION GRID
- 1/4 SECTION LINE
- HIGHWAY
- ROAD
- TRAIL
- RAILROAD
- ELECTRICAL POWER LINE
- TELEPHONE LINE
- PIPELINE
- AIRPORT/LANDMARK STRIP
- HORIZONTAL CONTROL
- CONTROL MEASUREMENT

INFORMATION

- TITLE
- BOUNDARY
- CLASSIFICATION
- DISPOSAL
- MUNICIPAL
- RESTRICTION
- FEDERAL ACTION
- MENTAL HEALTH TRUST
- LIMITS OF ACTION
- NAVIGATIONAL AID
- CANN PERMIT
- TRAPPING CANN PERMIT
- TRESPASS LOCATION

WATER RIGHTS

- APPLICATION
- PERMIT
- CERTIFICATE

SURFACE WATER RIGHTS

- APPLICATION
- PERMIT
- CERTIFICATE

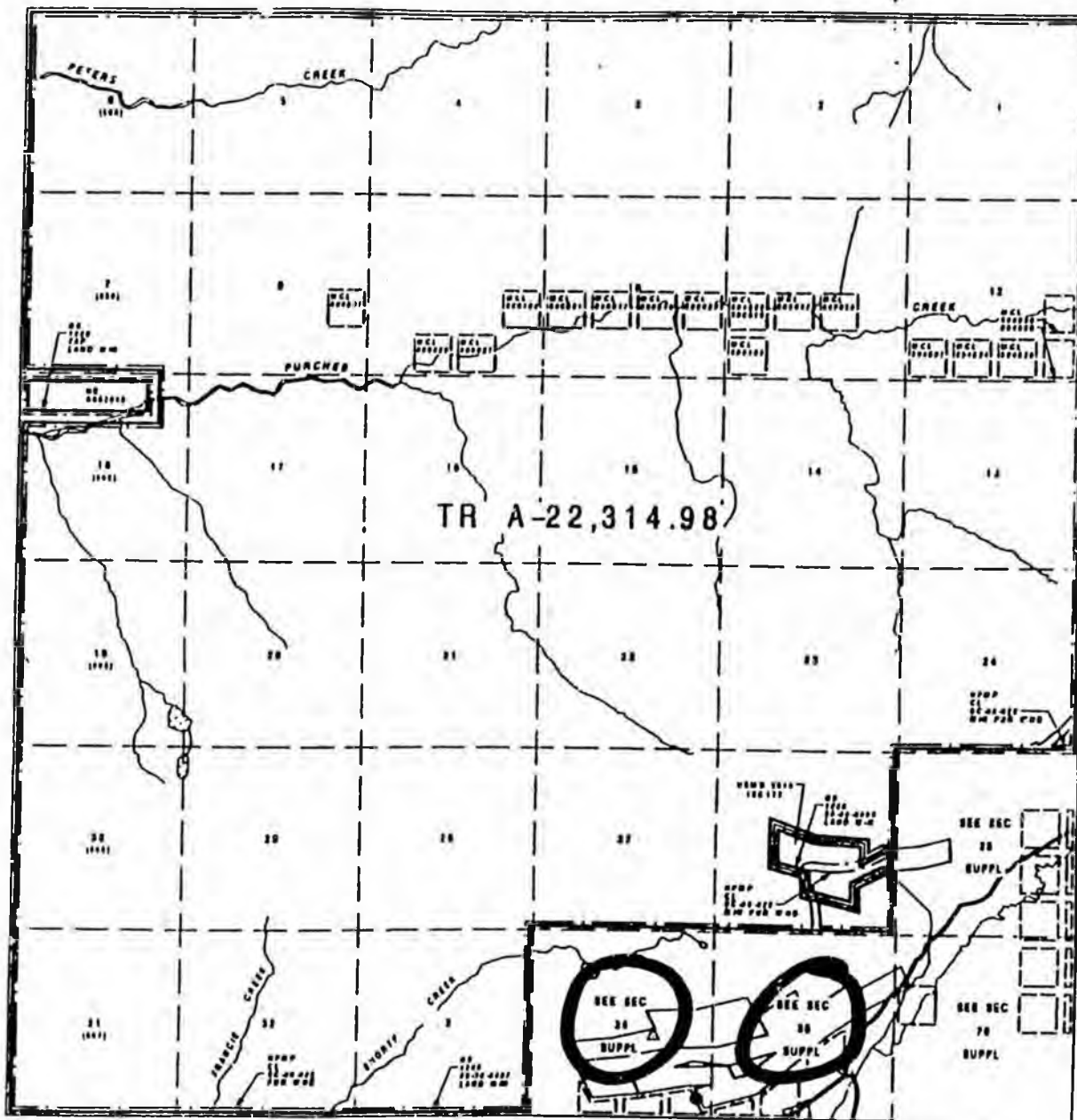
STREAM FLOW RESERVATION

- APPLICATION
- CERTIFICATE

WATER BARRIER

- APPLICATION
- PERMIT
- CERTIFICATE

6	5	4	3	2	1
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31	32	33	34	35	36



STATUS PLAT

THIS STATUS PLAT IS A PART OF THE ORIGINAL SURVEY AND IS NOT TO BE REPRODUCED OR COPIED IN ANY MANNER WITHOUT THE WRITTEN PERMISSION OF THE BUREAU OF LAND MANAGEMENT, U.S. DEPARTMENT OF THE INTERIOR.

BASED UPON

CONVEYANCE
ALASKA STATE PLAT 2000 4
32 (10000) 10 (10000) 10
10 (10000) 10 (10000) 10
10 (10000) 10 (10000) 10
10 (10000) 10 (10000) 10
10 (10000) 10 (10000) 10

HYDROGRAPHY

USGS AMERICAN 1071 REVISED BY BLM FROM ALASKA HIGH ALTIMITUDE PHOTOGRAPHY 1976-1980

LAND USE

ALB. PROTECTION PROGRAM 51-11 APPROVED 05/01/01
USDA CREATING TRACTS A, B & C 11/11/01 05/01/01
APPROVED 05/01/01
USDA 1001 APPROVED 05/01/01
USDA 1001 APPROVED 05/01/01
USDA 1001 APPROVED 05/01/01
USDA 1001 APPROVED 05/01/01

OTHER ACTIONS AFFECTING ORIGINAL USE OF THIS PLAT
SEE THE L&L CASES FOR ORIGINAL SURVEY & CONVEYANCE AND
ADDITIONAL INFORMATION

ENTRUSTED WITH PUBLIC RECORDING INTENT
SUBJECT TO THE BUREAU'S SURVEY RECORDS
SUBJECT TO THE BUREAU'S SURVEY RECORDS

Exhibit B
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SEC 34 TOWNSHIP 20N RANGE 1W OF THE SEWARD MERIDIAN, ALASKA

EGEND

INFORMATION

- HYDROGRAPHY
- SURVEY LINE
- SURVEY LOT LINE
- TOWNSHIP SECTION CORNER
- 1/4 SECTION LINE
- HIGHWAY
- ROAD
- TRAIL
- RAILROAD
- ELECTRICAL POWER LINE
- TELEPHONE LINE
- PIPELINE
- AIRPORT AND/OR STRIP
- HORIZONTAL CONTROL
- CONTROL MONUMENT

S INFORMATION

- TITLE
- BOUNDARY
- CLASSIFICATION
- DISPOSAL
- MUNICIPAL
- RESTRICTION
- FEDERAL ACTION
- MENTAL HEALTH TRUST
- LIMITS OF ACTION
- NAVIGATIONAL AID
- CAMB PERMIT
- TRAPPING CAMB PERMIT
- TRESPASS LOCATION

SURFACE WATER RIGHTS

- APPLICATION
- PERMIT
- CERTIFICATE

SUBSURFACE WATER RIGHTS

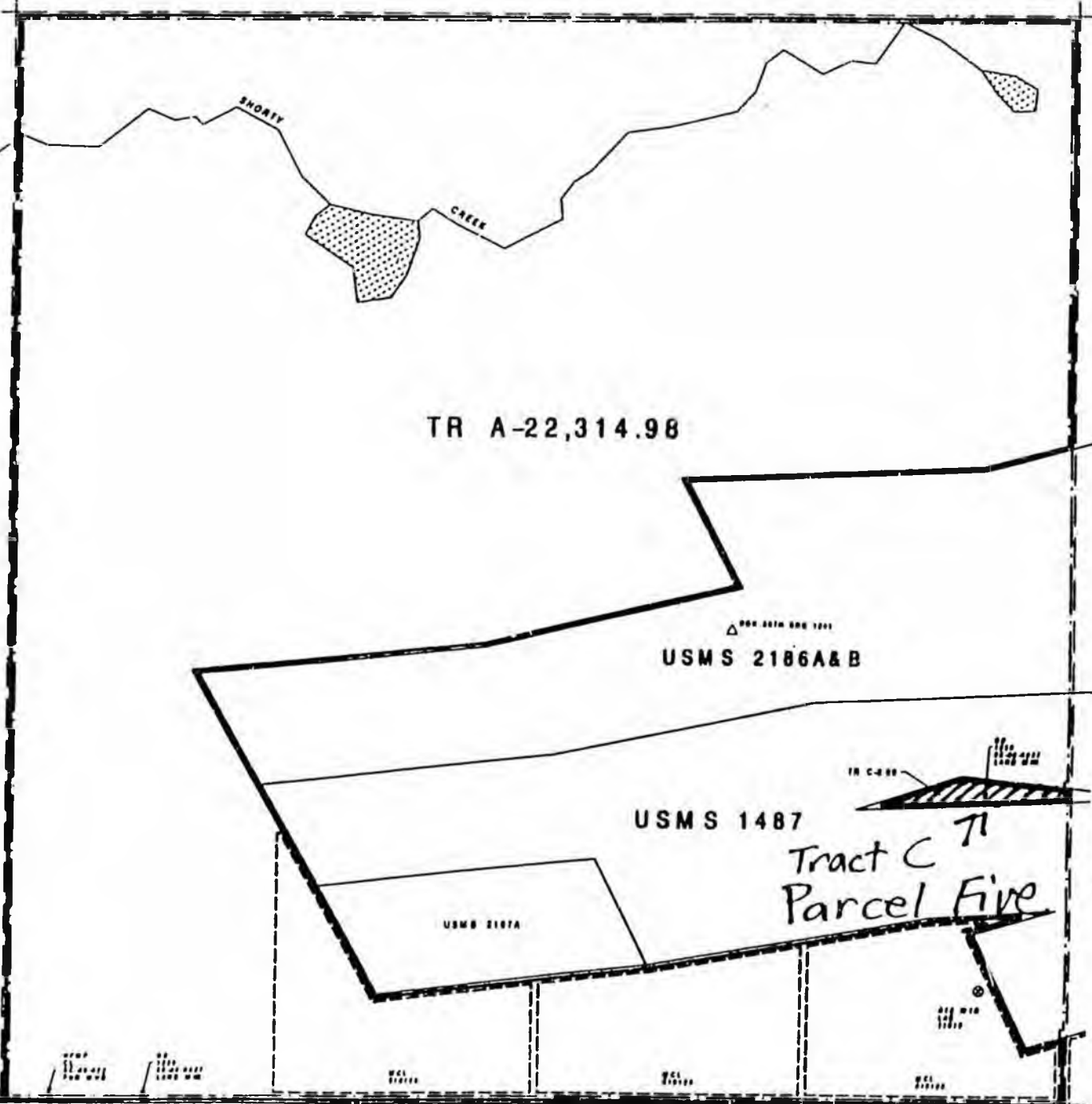
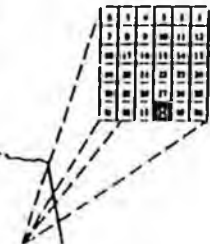
- APPLICATION
- PERMIT
- CERTIFICATE

WATERBORN ISLAND RESERVATION

- APPLICATION
- CERTIFICATE

DAM, WEIR, BARBER

- APPLICATION
- PERMIT
- CERTIFICATE



STATUS PLAT

(NAME OF TOWNSHIP AND RANGE OF THE SEWARD MERIDIAN)

THIS PLAT SHOWS ALL LAND (UNDER SURVEY) THAT HAS BEEN ALLOCATED TO THE STATE AND IS SUBJECT TO THE 1966 ALASKA PUBLIC LAND MANAGEMENT ACT AND APPLICABLE FEDERAL AND STATE LAWS.

BASED UPON

ALASKA STATE PLAT BOOK 4
 24 CORNER IN TOWNSHIP
 E 611111 000
 S 200777 100
 LAT 61 00 24 00 N
 LONG 149 21 00 W

ALASKA STATE PLAT BOOK 4
 24 CORNER IN TOWNSHIP
 E 611111 000
 S 200777 100
 LAT 61 00 24 00 N
 LONG 149 21 00 W

LAND NOT
 AFFECTED BY FEDERAL ACTION
 (1966 ALASKA PUBLIC LAND MANAGEMENT ACT)
 (1966 ALASKA PUBLIC LAND MANAGEMENT ACT)
 (1966 ALASKA PUBLIC LAND MANAGEMENT ACT)
 (1966 ALASKA PUBLIC LAND MANAGEMENT ACT)
 (1966 ALASKA PUBLIC LAND MANAGEMENT ACT)

FEDERAL ACTION AFFECTING LANDS IN USE OF STATE LANDS
 SEE THE LAS COLUMNS OF FEDERAL ACTION RECORDS FOR
 ADDITIONAL INFORMATION

LANDS NOT SUBJECT TO FEDERAL ACTION
 (1966 ALASKA PUBLIC LAND MANAGEMENT ACT)
 (1966 ALASKA PUBLIC LAND MANAGEMENT ACT)
 (1966 ALASKA PUBLIC LAND MANAGEMENT ACT)

Exhibit B
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ATTENTION STATUS PLAT USERS: IN THIS PLAT, ALL STATE
 LANDS ARE SHOWN THAT EXTEND INTO ALASKA WATERSHEDS.
 THE DESIGNATION STATE LANDS ARE AS FEDERAL, STATE, TITLE
 CLASSIFICATION ETC. PLEASE REFER TO ALASKA PUBLIC LAND
 TO DETERMINE IF ACTION EXTENDS BEYOND THE BOUNDARIES SHOWN IN
 THIS PLAT REGARDING TITLE CLASSIFICATION AND BOUNDARY LINES
 ALWAYS CHECK ON ALL PLATS

SEC 35 TOWNSHIP 20N RANGE 1W OF THE SEWARD MERIDIAN, ALASKA

EGEND

INFORMATION

- BOUNDARY
- SURVEY LINE
- SURVEY LOT LINE
- TOWNSHIP SECTION CORNER
- 1/4 SECTION LINE
- HIGHWAY
- ROAD
- FENCE
- RAILROAD
- ELECTRICAL POWER LINE
- TELEPHONE LINE
- PIPELINE
- AIRPORT LANDING STRIP
- HORIZONTAL CONTROL
- CONTROL MONUMENT

5 INFORMATION

- TITLE
- BOUNDARY
- CLASSIFICATION
- DISPOSAL
- MUNICIPAL
- RESTRICTION
- FEDERAL ACTION
- MENTAL HEALTH TRUST
- LIMITS OF ACTION
- NAVIGATIONAL AID
- CROWN PERMIT
- TRAPPING CROWN PERMIT
- TREASURY LOCATION

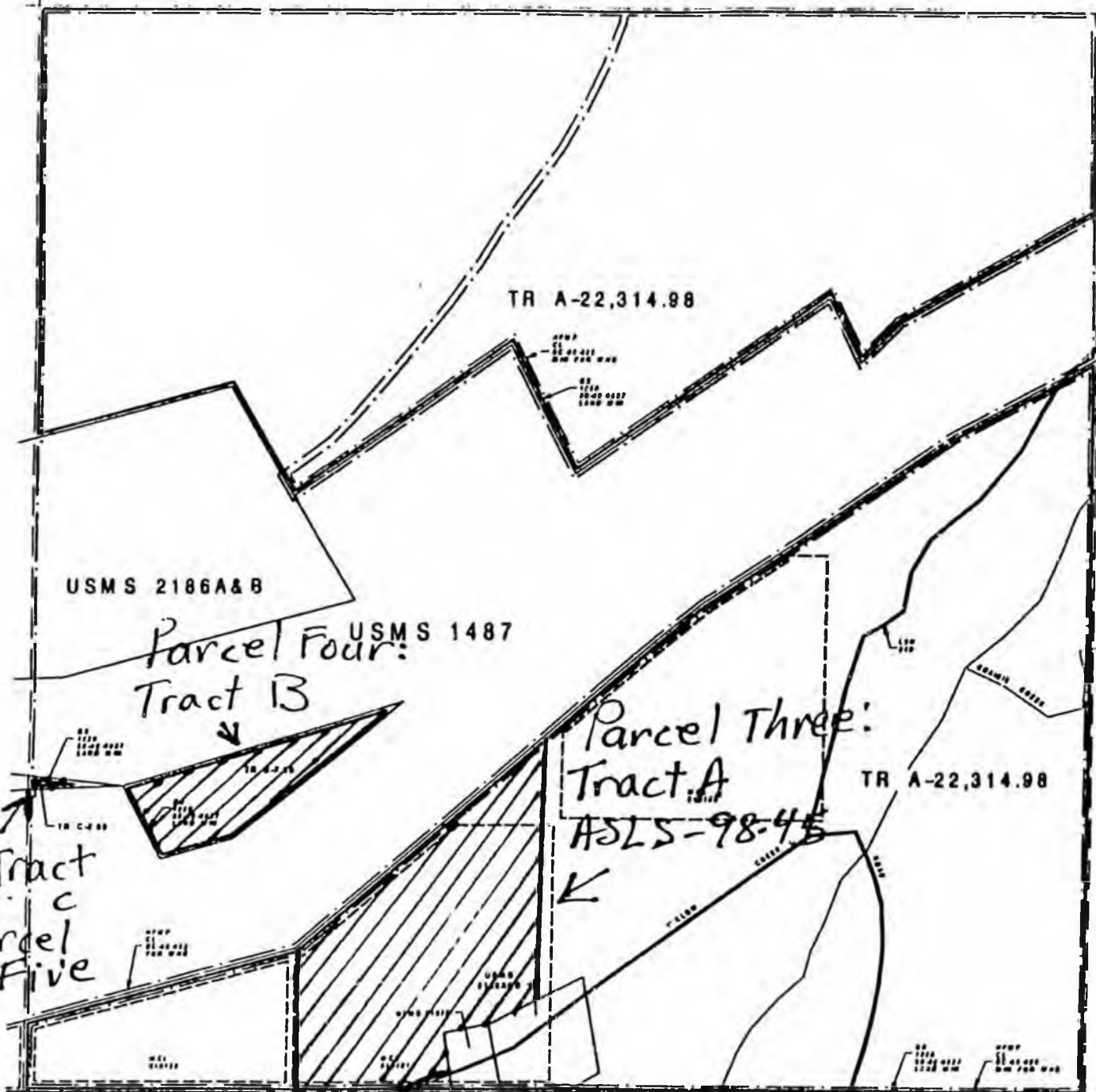
- WATER RIGHTS
- APPLICATION
- PERMIT
- CERTIFICATE

- WATER RIGHTS
- APPLICATION
- PERMIT
- CERTIFICATE

- STREAM FLOW RESERVATION
- APPLICATION
- CERTIFICATE

- WATER BARRELS
- APPLICATION
- PERMIT
- CERTIFICATE

6	3	4	3	2	1
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31	32	33	34	35	36



THIS PLAT SHOWS ALL LAND UNDER SURVEY UNDER THE SEWARD MERIDIAN, ALASKA, AND IS SUBJECT TO THE FEDERAL AND STATE LAWS AND REGULATIONS IN EFFECT AT THE TIME OF THE SURVEY AND TO ANY AMENDMENTS THEREOF BY THE STATE.

BASED ON

COORDINATES
ALASKA STATE PLANS 1000 1
IN CHAIN IN TOWNSHIP
E 11111 000
T 20000 100
LAT 41 40 21 00 N
LONG 149 21 24 00 W

HYDROGRAPHY
UNGS AND BOUNDARY (17) BY STATE OF ALASKA DEPT. OF NATURAL RESOURCES
ALASKA HYDROGRAPHY 1974-1980

LAND BY
ALASKA DEPARTMENT OF NATURAL RESOURCES
USMS CROWN TRACTS A, B & C. 11-11-1984 ACQUISITION
ACCEPTED 10/10/84
LAND 1001 APPROVED 09/10/84
LAND 2001 APPROVED 07/10/84
LAND 3001 APPROVED 02/10/84
LAND 1012A APPROVED 12/01/84

OTHER ACTIONS AFFECTING SURVEY IN USE OF STATE LAWS AND REGULATIONS IN EFFECT AT THE TIME OF THE SURVEY AND TO ANY AMENDMENTS THEREOF BY THE STATE.

ENTIRE SURVEY SUBJECT TO FEDERAL AND STATE LAWS AND REGULATIONS IN EFFECT AT THE TIME OF THE SURVEY AND TO ANY AMENDMENTS THEREOF BY THE STATE.

Exhibit B
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