

APPRAISAL REVIEW REPORT  
Proposed Land Banking Sales of 17 Tracts  
Sale No.'s 7, 62, 64, 128, 129, 130, 131, 132,  
233, 276, 286, 287, 288, 289, 290, 291 & 292  
Custer County, Montana  
March 24, 2006

Prepared for:  
State of Montana  
Department of Natural Resources and Conservation  
Trust Land Management Division  
Real Estate Management Bureau  
1625 11<sup>th</sup> Avenue  
Helena, MT 59620

Prepared by:  
Thomas J. Konency, Appraiser  
State of Montana  
Department of Natural Resources and Conservation  
Trust Land Management Division  
Real Estate Management Bureau  
1625 11<sup>th</sup> Avenue  
Helena, MT 59620

**Client & Intended Users of Review:**

The client is the State of Montana, Department of Natural Resources and Conservation, Trust Land Management Division, Real Estate Management Bureau. Intended users are the DNRC Real Estate Management Bureau and the Eastern Land Office.

**Intended Use and Purpose of Review and Appraiser Reviewed:**

The intended use is to provide DNRC with information to make an administrative determination of the minimum bid price for the auction sale of 17 tracts of State Trust Land located in Custer County. The appraisal under review was submitted by Mr. George Luther Jr., of Luther Appraisal Services, Miles City, MT.

**Owner of Record , Subject Property Legal Description, Location & Acreage:**

The current owner is the State of Montana. The 17 subject properties vary in size from 316 acres to 640 acres, totaling approximately 9,585 acres. The subjects consist of mostly rolling rangeland, with some tracts having some timbered areas. Overall elevation varies from about 2,500 feet to about 3,300 feet. The views from the subject properties are “average”. The reader is referred to the actual appraisal report for more detailed descriptions of the subject tracts and also existing access to them. The subjects’ legal descriptions, locations and acreages are as follows:

<b>Sale #</b>	<b>Acres *</b>	<b>Legal Description</b>	<b>Location (Road/Air Miles)</b>
7	640	All, Sec. 16, T4N-R46E	27/22 miles SW of Miles City
62	640	All, Sec. 16, T7N-R51E	32/22 miles E of Miles City
64	316	Lots 3&4,E2SW4,SE4, Sec.18,T6N-R50E	27/14 miles E-SE of Miles City
128	640	All, Sec. 36, T2N-R46E	46/35 miles S of Miles City
129	640	All, Sec. 16, T1N-R46E	55/38 miles S of Miles City
130	640	All, Sec. 16, T2N-R47E	41/32 miles S of Miles City
131	640	All, Sec. 36, T3N, R47E	43/29 miles S of Miles City
132	629	Lots 1,2,3&4,S2N2,S2,Sec.16,T8N-R45E	13/10 miles NW of Miles City
233	320	Lots 3&4,E2SW4,SE4,Sec.30,T3N-R45E	48/29 miles SW of Miles City
276	320	W2, Sec. 26, T5N-R45E	24/18 miles SW of Miles City
286	640	All, Sec. 16, T3N-R49E	35/27 miles S of Miles City
287	640	All, Sec. 16, T3N-R48E	41/27 miles S-SE of Miles City
288	640	All, Sec.36, T3N-R49E	35/31 miles SE of Miles City
289	640	All, Sec. 23, T3N-R48E	42/28 miles S-SE of Miles City
290	640	All, Sec. 14, T3N-R48E	39/27 miles S-SE of Miles City
291	640	All, Sec. 13, T3N-R48E	38/27 miles S-SE of Miles City
292	320	W2, Sec. 12, T3N-R48E	39/26 miles S-SE of Miles City

(\*Figures Shown May Be Rounded.)

**Date of Appraisal, Estate Appraised & Date of Review:**

The effective date of the appraisal is March 15, 2006. The subject property was appraised in fee simple interest. The effective date of the review is March 24, 2006.

**Purpose and Intended User and Intended Use Of Appraisal:**

Per the appraiser, the purpose of the appraisal is to estimate of the market value of the subject property. The appraiser states the client and intender users are the Montana DNRC and Land Board. The appraisal is to be used for planning and possible sale documentation of state lands.

**Estimate of Value:**

The appraiser provides two estimates of current market value for the subject properties, one without legal access, (as exists), and one with legal access, (hypothetical condition). The reader is again referred to the actual appraisal report for more detailed descriptions of the existing access to the subject tracts and a discussion concerning access, both legal and physical.

<b>Sale #</b>	<b>Acres*</b>	<b>“As Is” No Access *</b>	<b>Hypothetically With Access*</b>
7	640	\$96,000 / \$150 @ Acre	\$115,200 / \$180 @ Acre
62	640	\$83,200 / \$130 @ Acre	\$89,600 / \$140 @ Acre
64	316	\$49,000 / \$155 @ Acre	\$55,300 / \$175 @ Acre
128	640	\$86,400 / \$135 @ Acre	\$92,800 / \$145 @ Acre
129	640	\$86,400 / \$135 @ Acre	\$92,800 / \$145 @ Acre
130	640	\$89,600 / \$140 @ Acre	\$102,400 / \$160 @ Acre
131	640	\$86,400 / \$135 @ Acre	\$92,800 / \$145 @ Acre
132	629	\$69,200 / \$110 @ Acre	\$78,600 / \$125 @ Acre
233	320	\$46,300 / \$145 @ Acre	\$54,300 / \$170 @ Acre
276	320	\$44,800 / \$140 @ Acre	\$52,800 / \$165 @ Acre
286	640	\$86,400 / \$135 @ Acre	\$92,800 / \$145 @ Acre
287	640	\$96,000 / \$150 @ Acre	\$105,600 / \$165 @ Acre
288	640	\$86,400 / \$135 @ Acre	\$92,800 / \$145 @ Acre
289	640	\$96,000 / \$150 @ Acre	\$112,000 / \$175 @ Acre
290	640	\$86,400 / \$135 @ Acre	\$92,800 / \$145 @ Acre
291	640	\$86,400 / \$135 @ Acre	\$92,800 / \$145 @ Acre
292	320	\$43,200 / \$135 @ Acre	\$46,400 / \$145 @ Acre
<b>Totals</b>	<b>9,585</b>	<b>\$1,318,100 / \$138 @ Acre</b>	<b>\$1,461,800 / \$153 @ Acre</b>

(\*Figures Shown May Be Rounded.)

**Scope of the Review:**

The reviewer will be reviewing and making an opinion of the quality of the appraisal, along with developing his own opinions of the appraiser's estimates of value. The reviewer's valuation opinions will be limited to an orientation prospective of the appraiser's separate estimates, i.e., "the appraiser's estimate of value appears high, low, appropriate, or unsupported", etc.

The reviewer's opinions of appraisal quality and the appraiser's estimates of values will be based on the material submitted in the report and use of maps, aerial photos and other information in NRIS and the cadastral system. In the development of this reviewer's opinion of the appraiser's estimates of values, an extraordinary assumption has been made that the information on the comparable sales submitted in the appraiser's report is credible.

**Highest and Best Use:**

The appraiser states that the subject property's Highest and Best Use is for agricultural purposes, predominantly grazing. The appraiser states there are also some minor recreational influences present. This reviewer concurs with the appraiser's Highest and Best Use determination.

**Subject Property Data & Analysis Summary:**

The appraiser has provided good information on, and done a good analysis of, the subject property, neighborhood and market in general. The appraiser states he has made a hypothetical condition concerning the access road for part of his analysis. That is, he has provided two estimates of value, one assuming legal access and one without legal access as the subject currently exists.

**Valuation Summary:**

The appraiser considered the Sales Comparison Approach to be the only applicable guide to value of the land, and this reviewer concurs. The appraiser appears to have done a thorough search of the subject's market area for comparables and done a sufficient job in their description.

Upon examining the appraisal, a number of typos were found, a few questions developed and a specific concern about conflicting information relative to the sales date of an important comparable sale was noted. The nature of the typos was such that this reviewer was able to understand and fix them correctly. However the questions developed and the conflicting data was presented to the appraiser for clarification and/or correction. The appraiser elucidated on the questions, and also corrected the conflicting information, which required the valuation process to be reanalyzed.

This reviewer refers the reader to the actual report and subsequent communications with the appraiser for a more detailed explanation of the above. This reviewer also refers the reader to the appraiser's commentary on access.

**Appraisal Review Comments:**

With the clarifications and reanalysis, this reviewer has found the appraisal to be acceptable.

For informational purposes, USPAP defines a Hypothetical Condition as: that which is contrary to what exists but is supposed for the purpose of analysis.

**Conclusion of Land Value:**

Again, in this reviewer's own development of opinion of the appraiser's estimates of values, this reviewer has made the extraordinary assumption that the comparables and other information provided by the appraiser is/are credible.

It is this reviewer's opinion that the appraiser's estimates of values for the separate parcels are appropriate.

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Thomas J. Konency, Montana DNRC TLMD Appraiser

Dated: March 31, 2006

The certification of the review appraiser appearing in the appraisal review report is subject to the following conditions and to such other specific and limiting conditions as set forth in the review report.

1. The review appraiser will not be responsible for matters of a legal nature affecting either the report being reviewed, the property being appraised or the title to it. Except for information that was provided or uncovered during the research involved in performing the appraisal review and ordinarily employed by real estate appraisers, no opinion is intended to be expressed for legal matters or that would require specialized knowledge or investigation. The review appraiser assumes that the title is good and marketable, (“free and clear”), and, therefore, will not render any opinions about the title. Unless otherwise mentioned in this review report, the property is appraised as if owned in fee simple title without encumbrances and on the basis of it being under responsible ownership and/or competent management.

2. The review appraiser assumes that the legal descriptions furnished are correct and the review appraiser has not surveyed the property. Acreage of land types and measurements of improvements are based on physical inspection of the property or information provided unless otherwise noted in the review report. Sketches or drawings in this review report are included to assist the reader in visualizing the property. They are not to be considered a legal survey or engineer’s plan of any kind. Any and all other sketches, drawings, maps, etc., are also provided for informational purposes only and are not for any legal reference. Access has been investigated only to the satisfaction of the review appraiser. No assurance of legal access, or lack of, is expressed or implied as a legal opinion. The same is true of encroachment and trespass issues.

3. The review appraiser has noted in the appraisal review report any adverse conditions, (such as, but not limited to, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, flood planes, etc), observed during the routine inspection of the subject property, and/or adjacent properties, or that was discovered during the normal research involved in performing the appraisal review. Unless otherwise stated in this review report, the review appraiser has no knowledge of any hidden or unapparent conditions of the property, and/or adjacent properties, or adverse environmental conditions, (including, but not limited to, the presence of hazardous wastes, toxic substances, etc), that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The review appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the review appraiser is not an expert in the field of environmental hazards, the appraisal review report must not be considered as an environmental assessment of the property. Concerns about soil conditions, actual condition of improvements or systems, or property conformity to zoning, building, fire, ADA, and other such applicable laws, regulations, rules and codes, should all be referred to the proper experts.

4. The review appraiser is not an expert in minerals, mineral rights, timber, timber volumes, crops, farm programs or water requirements and rights. Unless otherwise noted, only surface

rights will be appraised or reviewed with no value specifically allotted to the mineral rights or deposits. Timber values, if considered a part of the review report, will rely on proper experts, as will farm programs. Typically, growing crops are not considered in the review report. Usually it is assumed the water rights have been secured or perfected, with their value generally considered an inherent part of the land value, with any deviation from this to be included in the review report. Rental and lease agreements, conservation plans, options and other situations may also require reliance on proper experts.

5. The review appraiser has obtained information, opinions, estimates, surveys, plans, maps and information on regulations, restrictions and studies, etc., from various sources including the property owner, agent, or manager, as well as from real estate professionals, government agencies, appraisers and other sources. Unless otherwise noted, the sources are considered reliable and the information is complete and correct. However, the review appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.

6. The review appraiser assumes no responsibility or liability for future conditions, about which information was not supplied or readily available or was not public knowledge at the time the appraisal review is made, nor for the effect of events, which might concern the value of the subject property subsequent to date of appraisal review. Montana is a non-disclosure state and as such sales prices of real estate are not publicly recorded. Therefore, with few consolidated sources of sales information existing, and no obligation to release or verify information by many of the parties associated with the transactions, sales of comparable properties may not be known by this review appraiser, and absolute verification of the sales found may not be possible.

7. If the Departure Rule was invoked, then it will be noted in the review report. All extraordinary assumptions and hypothetical conditions, including, but not limited to, satisfactory completion and repairs or alterations, will be noted in the appraisal review report. It is assumed there will be consistency with all the plans, estimates, specifications, planned work, projections, or requirements, initially provided. Deviation from those items may affect the value reported. Great effort has been taken to eliminate all error in identifying, developing and processing the review report. However, if errors or omissions are found, they will have to be reviewed to see if they will affect the opinion of value reported.

8. The review appraiser will not disclose the contents of this appraisal review report except as provided for in the Uniform Standards of Professional Appraisal Practice, and/or applicable federal, state, or local laws, rules or regulations. The review appraiser is not obligated to/by any unauthorized use of this review report by third parties or the "extraction" of only parts of the review report and attempting to apply those parts in any other process or to reach a conclusion.

9. It is assumed that there has not been any significant change, physical or otherwise, to the subject property between the inspection date and date the review report is signed.

**REVIEW APPRAISER'S CERTIFICATION: This review appraiser certifies and agrees that:**

1. I have no present or prospective interest in the property that is the subject of this report and review, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in the appraisal review report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
2. My employment and/or compensation for performing this appraisal review or any future or anticipated appraisal reviews was not conditioned on any agreement or understanding, written or otherwise, that I would report (or develop or present any analysis, opinions or conclusions supporting) a predetermined specific value, a predetermined minimum or maximum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific event or action, or the subsequent event directly related to the use of this appraisal review report.
3. I have taken into consideration the factors that have an impact on value in the development of my opinion of market value for the subject property. I have noted in the appraisal review report any adverse conditions, (such as, but not limited to, needed repairs, depreciation, the presence of hazardous materials, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing the appraisal review. I have considered these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them, and have commented about the effect of the conditions on the marketability of the subject property.
4. I have not knowingly withheld any significant information from the appraisal review report that would have an impact on value and I believe, to the best of my knowledge, that all statements and information in the appraisal review report are true and correct. I have stated in this appraisal review report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the limiting conditions specified in this appraisal review report.
5. To the best of my knowledge, I have performed this appraisal review in conformity with the Uniform Standards of Professional Appraisal Practice. I have personally analyzed and prepared all the conclusions and opinions about the real estate that are set forth in this appraisal review report. If I have relied on significant real property appraisal or review assistance from any individual(s) in the performance of the appraisal review or preparation of the appraisal review report, I have named such individual(s) and disclosed the specific tasks performed in the appraisal review report. I certify that any individual(s) so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the appraisal review report; therefore, any change made to the appraisal review is unauthorized and I take no responsibility for it.

Dated: March 31, 2006

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Thomas J. Konency, Montana DNRC TLMD Appraiser