

APPRAISAL REVIEW REPORT
Proposed Land Banking Sales
Sale #'s 120, 121 & 259
Beaverhead County, Montana
Effective Date: September 17, 2008

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

Prepared by:
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State of Montana
Department of Natural Resources and Conservation
Trust Land Management Division
Real Estate Management Bureau
1625 11th Avenue
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REVIEWER'S SUMMARY OF SALIENT FACTS

Clients & Intended Users of Review: The clients are the State of Montana, the Montana Board of Land Commissioners, and the Montana Department of Natural Resources and Conservation (DNRC). The intended users are the clients, the Real Estate Management Bureau of the DNRC Trust Land Management Division, and the Central Land Office.

Intended Use of Review: The purpose of the review is to provide the clients and intended users with an opinion of the credibility of the appraiser's opinions of current fair market values of the appraised properties. The intended use of the review will be for utilization in the decision making process concerning the setting of minimum bid prices for the potential sale of the subject properties at public auction.

Present Owner: State of Montana

Property Interest Appraised: Fee Simple

Subject Properties, Acreages, Legal Descriptions & Locations: (All in Beaverhead County)

Sale	Acres	Legal Descriptions	Location
120	640	All, Sec. 16, T2S-R16W	8 Miles NW of Wisdom
121	640	All, Sec. 16, T7S-R7W	7 Miles E of Dillon
259	40	NW4NW4, Sec. 15, T2S-R16W	8 Miles NW of Wisdom

Present Use: Ag: native grazing **Highest and Best Use:** Recreational Agriculture

Dates: The effective date of the appraisal and review is September 17, 2008.

Purpose and Intended Use of the Appraisals: The purpose of the appraisals is to provide the clients and intended users with credible opinions of market values of the subject properties, intended for use in the decision making process concerning potential sale of said subject properties.

Appraiser's Opinion of Values of Real Estate: Although the sales do not have legal access, they were only appraised under the hypothetical condition as having legal access due to the fact that no landlocked comparable sales information was found or available to the appraiser at the time of their market research. Thus no reasonable adjustments for lack of legal access could be extracted from the market information gathered. The appraiser's reported opinions of market values for the three subject properties with the hypothetical condition of legal access as of September 17, 2008, are:

Sale	Value With Access
120	\$320,000
121	\$384,000
259	\$20,000

Reviewer's Comments: This reviewer finds the report appears credible and that it acceptable. This review is not a stand alone document and is expressly interrelated to the appraisal report.

Reviewer's Conclusion of Value: It is this reviewer's opinion that the appraiser's estimates of values for the separate parcels are appropriately supported.

APPRAISAL REVIEW REPORT

Client & Intended Users of Review:

The clients are the State of Montana, the Montana Board of Land Commissioners, and the Montana Department of Natural Resources and Conservation (DNRC). The intended users are the clients, the Real Estate Management Bureau of the DNRC Trust Land Management Division, and the Central Land Office.

Purpose and Intended Use of Review:

The purpose of the review is to provide the clients and intended users with an opinion of the credibility of the appraiser's opinion of current fair market values of the appraised properties. The intended use of the review will be for utilization in the decision making process concerning the setting of minimum bid prices for the potential sale of the subject properties at public auction. An opinion of the quality of the appraisal reports as well as this reviewer's opinion of the credibility of the values estimated will be reported. The appraisals were submitted by Kevin Pearce, of New Frontier Ranches, Inc., Twin Bridges, Montana. This review report is not a stand alone document and is expressly interrelated to the appraisal report under review, which the reader may need to refer to for further detail or explanations.

Subject Property, Acres, Legal Description, Location & Owner of Record:

The subject properties consist of three separate parcels located in Beaverhead County, Montana. Parcels 120 & 259 are contiguous. The sales are vacant, slightly rolling, native rangeland with native grasses and some sagebrush. Sale 121 has an elevation of about 5,500 feet and Parcels 120 & 259 have an elevation of about 6,200.

Sale	Acres	Legal Descriptions	Location
120	640	All, Sec. 16, T2S-R16W	8 Miles NW of Wisdom
121	640	All, Sec. 16, T7S-R7W	7 Miles E of Dillon
259	40	NW4NW4, Sec. 15, T2S-R16W	8 Miles NW of Wisdom

Additional information, photos and maps are contained on the appraisal report. The State of Montana has owned the properties for at least five years.

Date of Appraisal, Estate Appraised & Date of Review:

The effective date of the appraisals is September 17, 2008 and the date of the report is September 26, 2008. Property rights appraised are fee simple, using the hypothetical condition that no leases or licenses exist on the parcels. The appraisal reports provide more detail about the rights appraised and also the market value definition. The reader is referred to the report for more information. The effective date of the review is September 17, 2008, with a review report date of October 21, 2008.

Client & Intended Users and Purpose & Intended Use of the Appraisal Reports:

The clients and intended users are the State of Montana, the Montana Board of Land Commissioners, and the Montana Department of Natural Resources and Conservation (DNRC). The purpose of the appraisals is to provide the clients and intended users with credible opinions of market values of the subject properties, intended for use in the decision making process concerning potential sale of said subject properties.

Appraiser's Estimates of Values:

The appraiser used the Sales Comparison Approach to determine the values for the subject properties. Although the sales do not have legal access, they were only appraised under the hypothetical condition as having legal access due to the fact that no landlocked comparable sales information was found or available to the appraiser at the time of their market research. Thus no reasonable adjustments for lack of legal access could be extracted from the market information gathered. The appraiser's reported opinions of market values for the three subject properties with the hypothetical condition of legal access as of September 17, 2008, are:

Sale	Acres	Price Per Acre	Value With Access
120	640	\$500	\$320,000
121	640	\$600	\$384,000
259	40	\$500	\$20,000

Scope of Review:

The reviewer will be reviewing and making an opinion of the quality of the appraisal, along with providing an opinion of the credibility of the values reported. The reviewer's opinion of appraisal quality and opinion of the credibility of the values reported will be based mostly on the material submitted in the report. Limited use will also be made of information on the cadastral system, (such as legal descriptions, maps, aerial photos and topography maps, etc...), and limited information on the subject properties in this reviewer's file. This reviewer did not perform a physical viewing of the subject properties. The comparable sales were not inspected and were only "viewed" through use of the appraisal report and cadastral system. No in-depth market research was done.

The reviewer's valuation opinions are limited to an orientation prospective of the appraiser's opinions, i.e., "the appraiser's opinions of values appear high, low, appropriate, or unsupported", etc. In the development of this reviewer's opinion of the credibility of the values estimated, an **extraordinary assumption** has been made that the material about the subject property and on the comparable sales, along with other market information submitted in the appraiser's reports is credible. For informational purposes, USPAP defines Extraordinary Assumption as: an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Use of the extraordinary assumption may affect the assignment results. This review is not a stand alone document and is expressly interrelated to the appraisal report, which the reader may need to refer to for further detail.

Highest and Best Use:

The subject sale parcels are currently used for agricultural purposes as native grazing. The appraiser determined that Highest and Best Use of the subject properties is as Recreational Agriculture. This reviewer concurs with the Highest and Best Use determinations made. The reader is referred to the appraisal reports for the appraiser's analysis and conclusions.

Subject Property Data & Analysis Summary:

The appraiser appears to have provided sufficient information on and done an adequate analysis of, the subject properties, the neighborhood and the market in general. To state again, in the development of this reviewer's opinion of the credibility of the values estimated, an **extraordinary assumption** has been made by this reviewer that this material is credible. This review is not a stand alone document and is expressly interrelated to the appraisal report.

Valuation Summary:

The appraiser determined the Sales Comparison Approach is the only applicable guide to value the parcels, and this reviewer concurs. The appraiser appears to have done a thorough search of the subject's market area for comparable sales and market data, reviewed other market data, done a sufficient job in the descriptions and explanations, done a rational examination of the various elements involved with the various value approaches and done a reasonable analysis of the vacant sales information. The reader is referred to the actual appraisal report for the appraiser's descriptions, analysis and conclusions. In the development of this reviewer's opinion of the credibility of the value estimated, this reviewer has made the **extraordinary assumption** that the elements in the value approaches, the comparable vacant land sales and other market information is credible.

Comments:

This reviewer finds the report is acceptable and that it appears credible given the intended use. The material appears complete, the data appears adequate and relevant, the adjustments appear proper, the appraisal methods and techniques appear appropriate, and the analysis, opinions and conclusions appear appropriate and generally reasonable. This review is not a stand alone document and is expressly interrelated to the appraisal report.

Conclusion of Value:

This reviewer did not replicate the steps completed by the original appraiser. This reviewer has concluded that the work under review is credible and in general compliance with the applicable development standards and has been extended to this reviewer's value opinion development process on the basis of an **extraordinary assumption** by the reviewer. It is this reviewer's opinion that the appraiser's estimates of values for the three separate parcels, as of September 17, 2008, are appropriately supported.

Sale	Value With Access
120	\$320,000
121	\$384,000
259	\$20,000

Dated: October 21, 2008

Thomas J. Konency, Appraiser
Montana Dept of Natural Resources & Conservation, Trust Land Mgt Div

ASSUMPTIONS AND LIMITING CONDITIONS

The certification of the 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 appraiser will not be responsible for matters of a legal nature affecting either 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 appraiser assumes that the title is good and marketable, ("free and clear"), and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership and/or competent management. Unless otherwise mentioned in this review report, the property is appraised as if owned in fee simple title without encumbrances.
2. The appraiser assumes that the legal descriptions furnished are correct and the 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 report. Sketches or drawings in this 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 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 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 report, the 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 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 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 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 report, will rely on proper experts, as will farm programs. Typically, growing crops are not considered in the appraisal 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 report. Rental and lease agreements, conservation plans, options and other situations may also require reliance on proper experts.

5. The 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 appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.

6. The 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 is made, nor for the effect of events, which might concern the value of the subject property subsequent to date of appraisal. 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 of by this appraiser, and absolute verification of the sales found may not be possible.

7. The scope of work has been disclosed in the report and is specific to the needs of the clients and intended users and the intended use. All extraordinary assumptions and hypothetical conditions, including, but not limited to, satisfactory completion and repairs or alterations, will be noted in the appraisal 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 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 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 appraiser is not obligated to/by any unauthorized use of this report by third parties or the “extraction” of only parts of the 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 report is signed.

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: October 21, 2008

Thomas J. Konency, Appraiser

Montana Dept of Natural Resources & Conservation, Trust Land Mgt Div