

APPRAISAL REVIEW REPORT
Proposed Land Banking Acquisition
Capdeville Ranch, Northwest of Hinsdale
Part of Sec's 23, 24, 25, 26 & 35, T31N-R35E
Valley County, Montana
October 19, 2006

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
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Helena, MT 59620

Client & Intended Users of Review:

The clients and intended users are the State of Montana, the Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).

Intended Use and Purpose of Review:

The intended use is to provide the DNRC with an opinion of the credibility of an estimate of current fair market value of the appraised subject property for use in the decision making process concerning the potential acquisition of said subject property. An opinion of the quality of the appraisal report as well as this reviewer's opinion of value will be reported. The appraisal under review was submitted by David H. Anderson and Lori J. Freier, David Anderson Appraising, Inc., Havre, MT.

Subject Property, Location & Owner of Record:

The subject property is approximately 530 acres, and is preliminarily described as, the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Sec 23, the SW $\frac{1}{4}$ SW $\frac{1}{4}$ and the SE $\frac{1}{4}$ SW $\frac{1}{4}$ less +/- 10 Acres East of Beaver Creek of Sec 24, the NW $\frac{1}{4}$ of Sec 25, the NE $\frac{1}{4}$ SE $\frac{1}{4}$ and the E $\frac{1}{2}$ NE $\frac{1}{4}$ and the E $\frac{1}{2}$ SW $\frac{1}{4}$ less .24 Acres for Highway of Sec 26, the N $\frac{1}{2}$ NW $\frac{1}{4}$ less 5.53 Acres for Highway & less 13.70 Acres for Railroad, Sec 35, All in T31N-R35E, Valley County, Montana. The property consists of two non-contiguous tracts located about 4 $\frac{1}{2}$ miles northwest of Hinsdale, MT. U.S., state and county roads service the subject's immediate area. The Owners are Mitchell A & Marjorie Capdeville.

At the time of the appraisal, the survey had not yet been done. Just after this review was finished, the physical survey was completed so the acreage was then better known, however the legal description still has to be finalized. Please see the "Note" in the Conclusion of Value section which was added to this review and thus required a new date of signature.

Date of Appraisal, Estate Appraised & Date of Review:

The effective date of the appraisal and the subject's inspection date is August 26, 2006. The report date is September 26, 2006. The subject property was appraised in fee simple interest. The effective date of the review is October 19, 2006.

Client and Intended Users and Purpose Of Appraisal Report:

Per the contract in the addendum, the client and intended users of the appraisal report, are the State of Montana, the Land Board and the Department of Natural Resources and Conservation (DNRC), and the intended use is to provide the clients with a credible opinion of current fair market value of the appraised subject property for use in the decision making process concerning the potential acquisition of said subject property. Per the appraisers, the appraisal is being made to estimate Market Value of all the rights of fee simple ownership of the described property in its entirety, as it exists on the date of the appraisal.

Appraisal Estimate of Value:

The appraisers reported an estimated value of \$619,000 for the subject's 530 acres.

The value was based on reconciliation of the following estimates of value:

Market Data Approach -	\$620,000
Income Approach -	\$618,000
Cost Approach -	\$619,000

The appraisers gave the Income and Market Data Approaches the most credence.

Scope of Review:

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

The reviewer's opinion of appraisal quality and of the appraisers' opinion of value will be based almost completely on the material submitted in the report. Very limited use was also made of information on the cadastral system, some other general market information previously obtained by the reviewer and a viewing of the subject property. In the development of this reviewer's opinion of the appraisers' opinion of value, an **extraordinary assumption** has been made that the material on the comparable sales and other market information submitted in the appraisers' report is credible.

Highest and Best Use:

The appraisal report determined that the Highest and Best Use of the subject property was as agricultural with recreational influences. The subject property is currently used as agricultural land. This reviewer concurs with the Highest and Best Use determination made.

Subject Property Data & Analysis Summary:

The appraiser appears to have provided sufficient information on and done an adequate analysis of, the subject property, the neighborhood and the market in general. In this reviewer's own development of value, an **extraordinary assumption** has been made by this reviewer that this material is credible. No separate valuation was done for crops, minerals, or water rights.

Valuation Summary:

The appraiser considered all three approaches to value, Market Data, Income and Cost.

The appraiser appears to have done a thorough search of the subject's market area for comparable sales, a sufficient job in their description and a generally reasonable analysis of the information in the Sales Comparison Approach.

Valuation Summary continued:

The Income Approach relies on the capitalization of the net income producing potential of the subject property through use of market rates for prices, production and costs.

The Cost Approach to value represents a summation of the contributory value of all improvements and amenities and individual land components.

The reader is referred to the narrative and charts in the actual appraisal report for the appraisers' descriptions, analysis and conclusions. Again, in this reviewer's own development of value, this reviewer has made the **extraordinary assumption** that these comparable sales are credible.

Comments:

Initial review of the appraisal found some math errors and typos, and some questions developed which required communication with the appraiser. Please see the reviewer's work file for the specific errors, typos and questions.

After correction of the errors and typos and discussion about the questions with the appraisers, this reviewer finds the resulting report is acceptable and appears credible.

Conclusion of Value:

It is this reviewer's opinion that the appraisers' opinion of the market value of \$619,000 for the subject property's 530 acres is well supported and appropriate.

(Note: Per the seller on 11/2/06, the survey was just completed and shows them retaining 48 acres. Based on the assumption that all the quarter-quarter sections in Section 24, T31N-R35E are in fact all 40-acre tracts, then the state should be getting about 532 acres total. This means the appraisal, done on 530 acres, supports the purchase price of \$618,000 very well.)

Reviewer's Assumptions and Limiting Conditions, and Reviewer's Certification:

See Attached.

Thomas J. Konency, Montana DNRC TLMD Appraiser

Dated: November 15, 2006

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 by this 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 report. 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 preformed 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 preformed 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.

Thomas J. Konency, Montana DNRC TLMD Appraiser

Dated: November 15, 2006