

APPRAISAL REVIEW REPORT
Proposed Land Banking Sales of 32 Tracts
Sale No.'s 81, 82, 83, 84, 87, 88, 89, 90, 91, 92, 109,
110, 111, 113, 133, 140, 164-1, 164-2, 166, 174, 176,
177, 178, 180, 181, 182, 185, 186, 187, 188, 189 & 192
Garfield County, Montana
April 25, 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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1625 11th Avenue
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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 32 tracts of State Trust Land located in Garfield 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 32 subject properties vary in size from 40 acres to 640 acres, totaling approximately 9,600 acres. The subjects consist of mostly rolling rangeland, with one tract having some timbered areas. Overall elevation varies from about 2,425 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’ acreages, legal descriptions, and locations are located in the table on page 4.

Date of Appraisal, Estate Appraised & Date of Review:

The effective date of the appraisal is March 31, 2006. The subject property was appraised in fee simple interest. The effective date of the review is April 25, 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 properties. 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. The values described above are shown on the table on page 5.

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 values. 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.

Scope of the Review continued:

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 Highest and Best Use for the subject properties is for agricultural purposes, predominantly grazing. The appraiser states there are also some minor to moderate recreational influences present on Tract # 140. This reviewer concurs with the appraiser's Highest and Best Use determinations.

Subject Property Data & Analysis Summary:

The appraiser has provided good information on, and done a good analysis of, the subject properties, 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 subjects currently exist.

Valuation Summary:

The appraiser considered the Sales Comparison Approach to be the only applicable guide to value of the lands, and this reviewer concurs. The appraiser appears to have done a thorough search of the subjects' 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 some concerns about various conflicting information relative to the sales dates, percentage differences and acreage values 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, but did not change the values first developed.

This reviewer refers the reader to the actual report and subsequent communications with the appraiser for a more detailed explanation of the above.

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.

Thomas J. Konency, Montana DNRC TLMD Appraiser

Dated: May 12, 2006

<p align="center">Garfield County Land Banking Tracts Legal Description And Location Table</p>

Sale #	Acres	Legal Description	Location: (Road/Air Miles)
81	80	SW4NW4, NW4SW4, Sec. 4, T17N-R34E	36 miles/20 miles SW of Jordan
82	240	S2NE4, SE4, Sec. 5, T17N-R34E	36 miles/20 miles SW of Jordan
83	40	NW4NW4, Sec. 22, T17N-R34E	33 miles/19 miles SW of Jordan
84	280	NE4NW4, S2NW4, SW4, Sec. 15, T17N-R34E	33 miles/19 miles SW of Jordan
87	640	All, Sec. 16, T17N-R34E	32 miles/20 miles SW of Jordan
88	160	S2NW4, N2SW4, Sec. 22, T17N-R34E	33 miles/19 miles SW of Jordan
89	160	SE4NW4, NE4SW4, N2SE4, Sec. 21, T17N-R34E	32 miles/20 miles SW of Jordan
90	240	E2NW4, W2NE4, NW4SE4, NE4SW4, Sec. 28, T17N-R34E	32 miles/20 miles SW of Jordan
91	80	SW4SE4, SE4SW4, Sec. 21, T17N-R34E	31 miles/20 miles SW of Jordan
92	640	All, Sec. 16, T17N-R33E	39 miles/23 miles SW of Jordan
109	640	All, Sec. 36, T20N-R40E	35 miles/18 miles NE of Jordan
110	40	NE4NW4, Sec. 36, T20N-R39E	18 miles/13 miles NE of Jordan
111	640	All, Sec. 16, T19N-R40E	23 miles/13 miles NE of Jordan
113	40	SE4SE4, Sec. 36, T19N-R40E	19 miles/16 miles E of Jordan
133	640	All, Sec. 16, T15N-R42E	30 miles/29 miles SE of Jordan
140	640	All, Sec. 16, T20N-R32E	46 miles/36 miles NW of Jordan
164-1	80	E2NE4, Sec. 13, T20N-R40E	30 miles/21 miles NE of Jordan
164-2	80	E2SW4, Sec. 13, T20N-R40E	32 miles/21 miles NE of Jordan
166	80	N2NW4, Sec. 11, T20N-R40E	28 miles/20 miles NE of Jordan
174	640	All, Sec. 36, T18N-R38E	5 miles/4 miles SE of Jordan
176	240	NW4, W2NE4, Sec. 16, T18N-R37E	5 miles/2.5 miles W of Jordan
177	120	S2SW4, SW4SE4, Sec. 2, T20N-R40E	29 miles/20 miles NE of Jordan
178	40	SW4SW4, Sec. 16, T18N-R37E	5 miles/2.5 miles W of Jordan
180	640	All, Sec. 36, T21N-R38E	20 miles/15 miles NE of Jordan
181	280	NE4NW4, W2NW4, SW4, Sec. 16, T19N-R35E	19.5 miles/16 miles NW of Jordan
182	640	All, Sec. 36, T21N-R39E	22 miles/17 miles NE of Jordan
185	40	NE4NE4, Sec. 16, T19N-R35E	19 miles/16 miles NW of Jordan
186	640	All, Sec. 36, T20N-R38E	15 miles/9 miles NE of Jordan
187	80	E2SE4, Sec. 16, T20N-R35E	25 miles/18 miles NW of Jordan
188	120	N2NE4, NE4NW4, Sec. 16, T20N-R35E	26 miles/18 miles NW of Jordan
189	120	W2SW4, SW4NW4, Sec. 16, T20N-R35E	25 miles/18 miles NW of Jordan
192	560	W2, W2NE4, SE4, Sec. 16, T20N-R40E	26 miles/16 miles NE of Jordan

Garfield County: 32 tracts totaling 9,600 acres

Garfield County Land Banking Tracts With Values Of “As Is” No Access And Hypothetically With Access

Sale #	Acres	“As Is” No Access	Hypothetically With Access
81	80	\$105 @ Acre / \$ 8,400	\$115 @ Acre / \$ 9,200
82	240	\$115 @ Acre / \$ 27,600	\$125 @ Acre / \$ 30,000
83	40	\$105 @ Acre / \$ 4,200	\$115 @ Acre / \$ 4,600
84	280	\$110 @ Acre / \$ 30,800	\$120 @ Acre / \$ 33,600
87	640	\$105 @ Acre / \$ 67,200	\$120 @ Acre / \$ 76,800
88	160	\$110 @ Acre / \$ 17,600	\$120 @ Acre / \$ 19,200
89	160	\$120 @ Acre / \$ 19,200	\$135 @ Acre / \$ 21,600
90	240	\$110 @ Acre / \$ 26,400	\$120 @ Acre / \$ 28,800
91	80	\$120 @ Acre / \$ 9,600	\$140 @ Acre / \$ 11,200
92	640	\$120 @ Acre / \$ 76,800	\$140 @ Acre / \$ 89,600
109	640	\$ 90 @ Acre / \$ 57,600	\$110 @ Acre / \$ 70,400
110	40	\$ 90 @ Acre / \$ 3,600	\$110 @ Acre / \$ 4,400
111	640	\$105 @ Acre / \$ 67,200	\$125 @ Acre / \$ 80,000
113	40	\$115 @ Acre / \$ 4,600	\$130 @ Acre / \$ 5,200
133	640	\$105 @ Acre / \$ 67,200	\$115 @ Acre / \$ 73,600
140	640	\$260 @ Acre / \$166,400	\$345 @ Acre / \$220,800
164-1	80	\$100 @ Acre / \$ 8,000	\$115 @ Acre / \$ 9,200
164-2	80	\$100 @ Acre / \$ 8,000	\$115 @ Acre / \$ 9,200
166	80	\$100 @ Acre / \$ 8,000	\$115 @ Acre / \$ 9,200
174	640	\$110 @ Acre / \$ 70,400	\$130 @ Acre / \$ 83,200
176	240	\$105 @ Acre / \$ 25,200	\$130 @ Acre / \$ 31,200
177	120	\$100 @ Acre / \$ 12,000	\$115 @ Acre / \$ 13,800
178	40	\$100 @ Acre / \$ 4,000	\$115 @ Acre / \$ 4,600
180	640	\$105 @ Acre / \$ 67,200	\$120 @ Acre / \$ 76,800
181	280	\$115 @ Acre / \$ 32,200	\$135 @ Acre / \$ 37,800
182	640	\$105 @ Acre / \$ 67,200	\$125 @ Acre / \$ 80,000
185	40	\$120 @ Acre / \$ 4,800	\$140 @ Acre / \$ 5,600
186	640	\$105 @ Acre / \$ 67,200	\$125 @ Acre / \$ 80,000
187	80	\$120 @ Acre / \$ 9,600	\$140 @ Acre / \$ 11,200
188	120	\$115 @ Acre / \$ 13,800	\$135 @ Acre / \$ 16,200
189	120	\$115 @ Acre / \$ 13,800	\$135 @ Acre / \$ 16,200
192	560	\$105 @ Acre / \$ 58,800	\$115 @ Acre / \$ 64,400

Totals	9,600	\$117.15 @Acre/ \$1,124,600	\$138.29 @ Acre / \$1,327,600
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REVIEW REPORT ASSUMPTIONS AND LIMITING CONDITIONS

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 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.

Dated: May 12, 2006

Thomas J. Konency, Montana DNRC TLMD Appraiser