RESTRICTED APPRAISAL REPORT

Proposed Land Banking Sale
Part of Section 36, T6S-R2W, Near Ennis
Madison County, Montana
June 9, 2005

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:
Thomas J. Konency, Appraiser
State of Montana
Department of Natural Resources and Conservation
Trust Land Management Division
Real Estate Management Bureau
1625 11th Avenue
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CLIENT
State of Montana, Department of Natural Resources and Conservation (DNRC)

INTENDED USERS
DNRC Real Estate Management Bureau staff, and Central Land Office staff.

INTENDED USE
The intended use is to provide DNRC with the information to make an administrative determination of the minimum bid price for the auction sale of a 479-acre parcel of State Trust Land.

USE RESTRICTION
This report is limited to the client and intended users identified in this report. The appraiser's opinion and conclusions set forth in the report may not be understood fully without additional information in the appraiser's work file.

SCOPE OF APPRAISAL
The scope of the appraisal involved inspecting and gathering pertinent data concerning the subject property and adjacent lands, analyzing the highest and best use of the subject property, gathering market information about property sales similar in nature to those of the subject, and applying the market data (sales comparison approach) to arrive at an opinion of current fair market value. Subject initially inspected on May 6, then again on June 9, 2005.

DEFINITIONS
Current fair market value. (MCA 70-30-313) Current fair market value is the price that would be agreed to by a willing and informed seller and buyer, taking into consideration, but not limited to, the following factors:

(1) the highest and best reasonably available use and its value for such use, provided current use may not be presumed to be the highest and best use;
(2) the machinery, equipment, and fixtures forming part of the real estate taken; and
(3) any other relevant factors as to which evidence is offered.

Easement. An interest in real property that conveys use, but not ownership, of a portion of an owner's property. Access or right-of-way easements may be acquired by private parties or public utilities.

Highest and best use. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Date of Inspection and Effective Date of Valuation:
June 9, 2005

Type of Report
Complete appraisal – restricted report

Property Rights Appraised
Fee simple interest

Statement of Highest and Best Use
Although the subject is currently leased for grazing, the highest and best use of the subject property is residential subdivision. This is based on legal, physical and economic factors in regards to the subject.

Approaches to Value
The market data approach was the only approach applicable to this assignment. There are no building improvements; consequently, the cost approach to value was not used. The income capitalization approach was not applicable.

Subject Property & Area Description
The legal description for the subject property is: Lots 1 & 2, the N1/2-SW1/4, and the N1/2, All in Section 36, Township 6 South, Range 2 West, Madison County, Montana.

Per TLMS, the subject property is approximately 479.08 acres. The subject consists of native grassland, both rolling and with some more level areas. Elevation varies from about 5,250 feet to 5,600 feet. The views to the south, west and north are "average", while the easterly view towards the Madison Range is quite nice.

The subject is located just a few miles southwest of Ennis, MT. As shown by the general location map, the private properties surrounding the subject, which consist mostly of agricultural land and residential sites, range in size from just a couple acres to entire sections. Other state and federal parcels are also in the area. Except for a few "home" businesses, the fully developed commercial parcels are located closer to Ennis. While the subject property is currently leased for agricultural use, the trend in the subject's market area is towards development into residential sites. However, because of this same trend, a number of properties in the subject's market area have had conservation easements placed on them.

In visiting the subject property, it appears there is access to the northeast corner of the subject from a public/private road. It also appears that both electric and phone service are close by. This appraiser is making the extraordinary assumption that access is either present or can be obtained almost effortlessly.

Subject Property Market

As the users of this report are aware, the City of Ennis and Madison County in general, have seen a strong real estate market due to growth and demand. Rates of increase in values over the past few years range anywhere from 9.22% per year for larger parcels, to over 50% per year for smaller ones. Per several real estate offices, while the market has slowed some, it has not seen any decrease in values. There are about 69, twenty-acre parcels that are currently listed for sale. (The recent sub-division of one larger property created 39 parcels.) Four of which have pending offers. Three other small parcels have recently sold. According to studies of larger regional markets, overall demand is expected to remain fairly high. As such the location of the subject should mean that this would indeed be a desirable property for residential development, or from the opposite perspective, a conservation easement.

Market Data Approach

The search for comparable sales encompassed the Madison Valley area from about ten miles north of Ennis to about 20 miles south of Ennis. Several real estate offices and other knowledgeable appraisers in the area were contacted for information on the local market. Within the market area, six sales of approximately 130 acres to 640 acres were found, all with legal access. These six sales were the basis used to form an opinion of current fair market value. The sales were all viewed from the road. Additionally, aerial photos and information supplied by the real estate offices and appraisers was also relied on. Two older and much larger sized sales were also found but not used in this report, except for noting that sales prices over a million dollars have occurred in the subject's market area. Six current listings located in the subject's market area were all reviewed as a "check" on the opinion formed in this report. Those listings ranged from 138 acres to 960 acres in size.

The comparable sales were compared to the subject property on the basis of price per acre. This is the typical unit of measurement by which buyers and sellers express value of this type of property in the market area, according to area appraisers and real estate brokers/agents.

The comparable sales were analyzed for Property Rights Conveyed, Financing and/or Conditions of Sale, Location, Date of Sale (a time factor), Size, Access & Utilities and Land Features. The comparable sales are summarized in a table on page 6. The comparables are also adjusted on page 6 with tables corresponding to the narrative adjustments.

Property Rights Conveyed:

The subject property is appraised in fee simple interest. As all of the comparable sales sold on the basis of fee simple interest, no adjustments were made to the comparable sales for property rights conveyed.

Financing/Conditions of Sale:

All of the comparable sales sold for cash or on terms equivalent to cash. The market value opinion in this report is also based on cash or terms equivalent to cash. No adjustments were made to the comparable sales for financing or for conditions of sale.

Location:
All of the comparable sales are located in the subject's market area. Comparing the comparable sales with each other indicates no significant difference due to location and none appears to exist between the comparables and the subject. Thus, no adjustments were made to the comparables.

Date of Sale:
The comparable sales occurred between July 2003 and March 2005. The sales show an overall increase in value over time, which is reflective of what the general real estate market has been doing. One matched pair does exist. Comp Sale No. 2 sold previously on October 9, 2001 for $650,000. That matching indicates a 9.22% annual compound appreciation. Comp Sale No.'s 5 & 6 also sold previously, but they were part of a much larger transaction, thus time, size, improvements, equipment, etc., would need to be considered. Therefore the rate used for this type of property, supported by the matched sales and other sources, will be 9.22% per year compounded. The adjustments have been applied to the comparables as shown on the corresponding table on page 6.

Size:
The comparable sales range in size from 148 acres to 640 acres. Generally it is believed that smaller parcels sell for higher prices per acre, (although larger parcels can also give more flexibility in development or may have a demand based on minimum needed size). Review of the sales finds one matched pair. Comp Sale No. 5 is a sale of 160 acres, while Comp Sale No. 6 is a sale of 320 acres. The two sales are adjoining parcels, and both appear to have the same general land makeup. There is a 27% price difference from Comp Sale No. 5 to Comp Sale No. 6. Based on this rate, adjustments for size were made to the comparable sales as shown on the corresponding table on page 6.

Access & Utilities:
The subject and all the comparable sales except Comp Sale No.'s 1 & 3 have relatively good access and utilities at or close by. Comp Sale No. 1 has the poorest access and utilities are some distance away. There does appear to be a matched pair showing the difference between good access with closer utilities and poor access with further distance to utilities. Comp Sale No. 1 and Comp Sale No. 2 sold within a month's time, are only two acres different is size and generally appear to have similar land features. There is a 50% difference between the two sales. Thus using this rate, adjustments for access & utilities were made to Comp Sale No. 1 when compared to the subject property as shown on the corresponding table on page 6. (Comp Sale No. 3 has a somewhat poorer access than the subject, but the market does not provide enough evidence to make an adjustment for this smaller difference.)

Land Features:
This category includes the amount of timber or water, if any, on a parcel, or general topography and elevation, and/or view. Generally, these influences can be hard to quantify. Typically these items or this category is best used in either "bracketing" the subject property or "weighting" the comparables. This report will used "weighted" comparables in the process of forming an opinion of value.

Final Reconciliation

To summarize, adjustments were made to the comparables sales for Date of Sale, Size and Access & Utilities. No adjustments were made to the comparable sales for Property Rights Conveyed, Financing/Conditions of Sale, or Location. Land Features, while not directly adjusted for, have been weighted in the analysis.

On an adjusted basis the comparable sales range from a low of $1,622/acre (Comp No. 6) to $2,712 /acre (Comp No. 3). Based on the Subject and Comparable Sales Land Features, Comp Sale No.'s 3 & 4 have been weighted less, while Comp Sale No.'s 1, 2, 5, & 6, have been weighted more. Thus, the indicated price per acre is $2,019.

Therefore, 479.08 acres X $2,019 per acre = $967,263.

The purpose of this appraisal report is to provide an opinion of market value of the real property that is the subject of this report based on the market value definition, assumptions and limiting conditions, certification, and any other conditions included in or attached to this report. Further, 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. As such, it is my opinion that as of June 9, 2005, the current fair market value of the subject property is $967,263.

_____ Dated: June 13, 2005

Thomas J. Konency, Montana DNRC TLMD Appraiser

Comparable Sales Data Summary

Comp No.	Comparable Sale Location	Sale Date	Sold Price	Size in Acres	Price @ Acre	Access & Utilities
1	Part Sec's 3 & 10, T7S-R2W	7/2003	$512,000	640	$800	Poor
2	Sec. 9, T6S-R2W	8/2003	$765,000	638	$1,199	Average
3	Part Sec. 9, T4S-R2W	1/2005	$465,000	130	3,577	Ave/Fair
4	Part E1/2, Sec. 2, T4S-R2W	7/2003	$500,000	165	$3,030	Average
5	NW1/4, Sec. 21, T4S-R1W	3/2003	$475,000	160	$2,969	Average
6	W1/2, Sec. 16, T4S-R1W	3/2003	$695,000	320	$2,172	Average

Comparable Sales Date of Sale and Size Adjustment Table

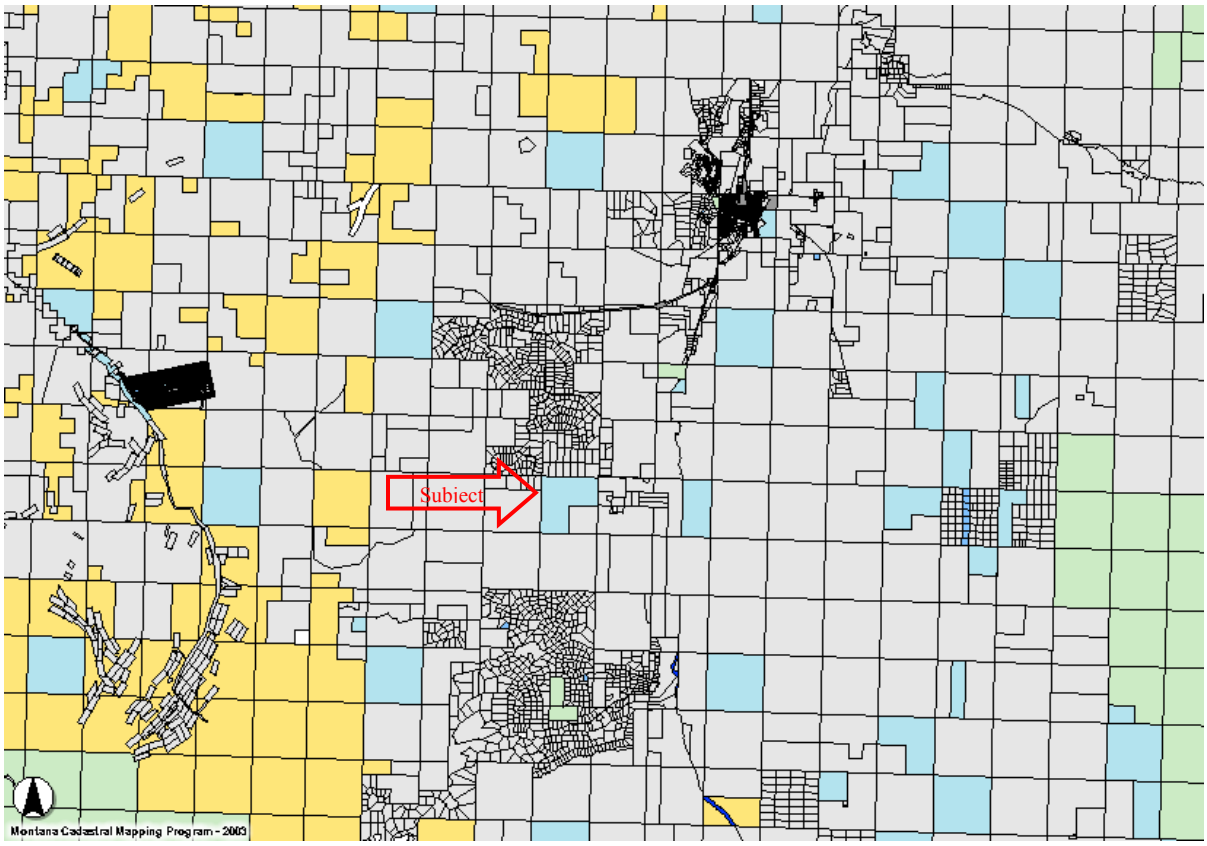
Comp No.	Sale Date	Sales Price Per Acre	Effective Time Span	Time Adjusted Acreage Price	Size Adjustment	Adjusted Price Per Acre
1	7/2003	$800	1.88 Years	$945	+27%	$1,200
2	8/2003	$1,199	1.83 Years	$1,410	+27%	$1,791
3	1/2005	$3,577	.42 Year	$3,715	-27%	$2,712
4	7/2003	$3,030	1.88 Years	$3,578	-27%	$2,612
5	3/2003	$2,969	.25 Year	$3,038	-27%	$2,218
6	3/2003	$2,172	.25 Year	$2,222	-27%	$1,622

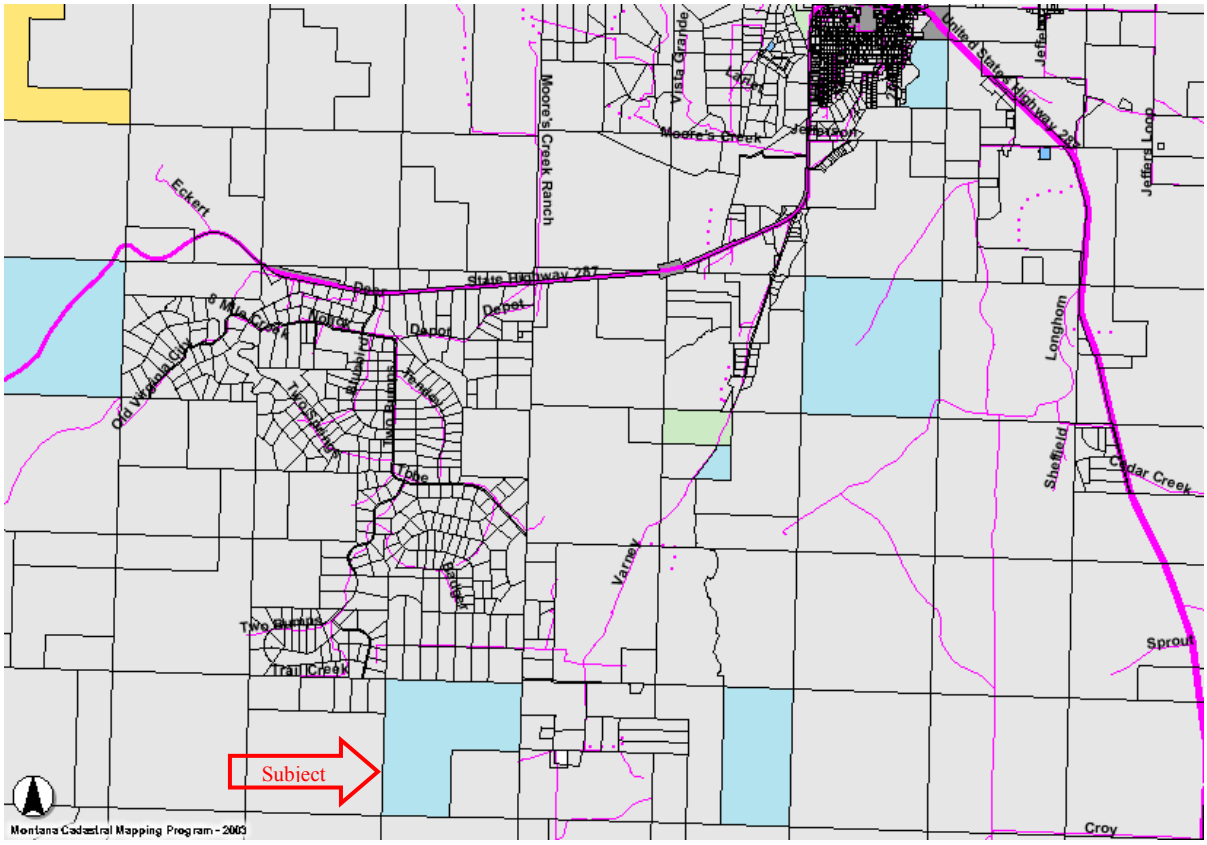
Sales Price Per Acre Adjusted For Date Of Sale To Date Of Value (6/9/05)
At 9.22% Per Year On Compound Rate Of Change Basis,
And For Acreage Size

Comparable Sales Access & Utilities Adjustment Table

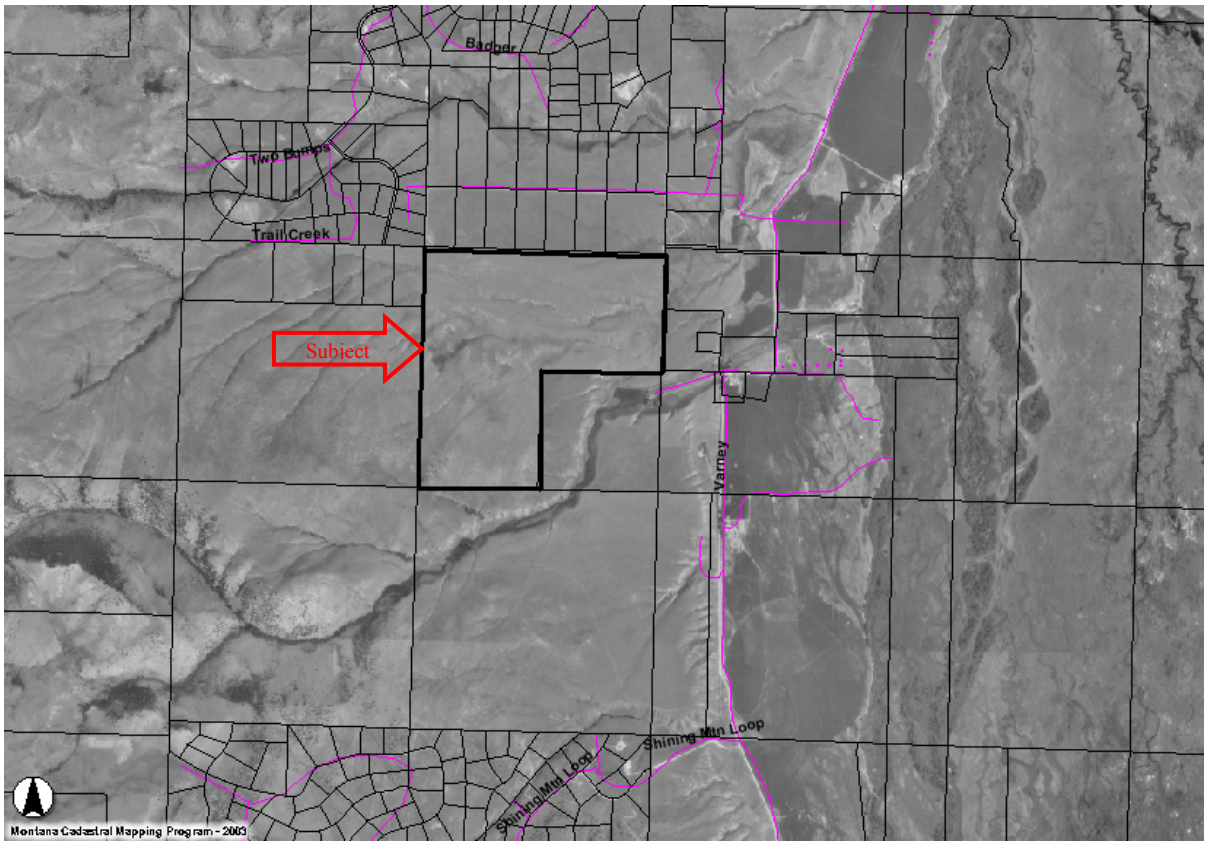
Comp No.	Time/Size Adjusted Price	Access Adjstmnt	Access/Utilities Adjusted Price	Land Features Comparison	Weighting of Comparable
1	$1,200	50%	$1,800	Rolling Grazing Land	More
2	$1,791	0%	$1,791	Rolling Grazing Land	More
3	$2,712	0%	$2,712	Some Timber	Less
4	$2,612	0%	$2,612	Some Timber	Less
5	$2,218	0%	$2,218	Irrgtd Field/Range	More
6	$1,622	0%	$1,622	Irrgtd Field/Range	More

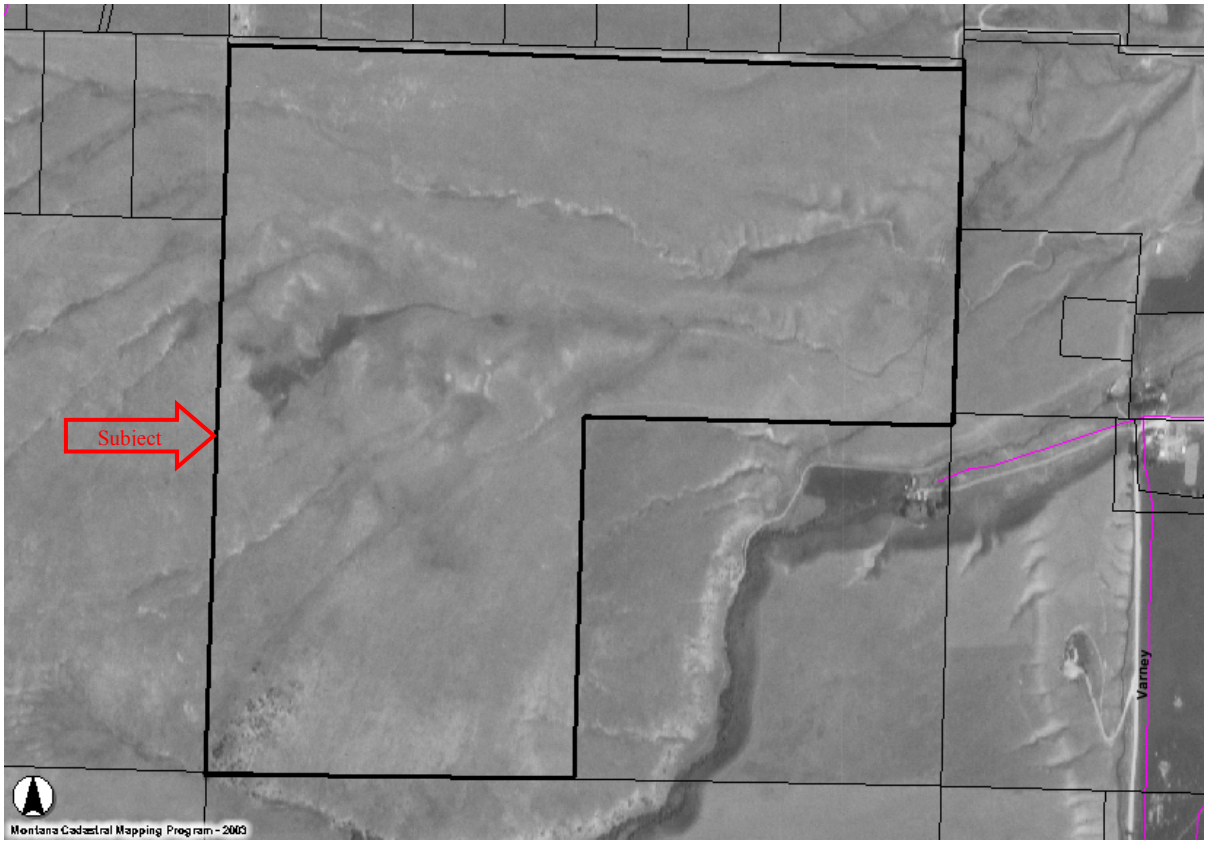
Subject Property General Location Maps



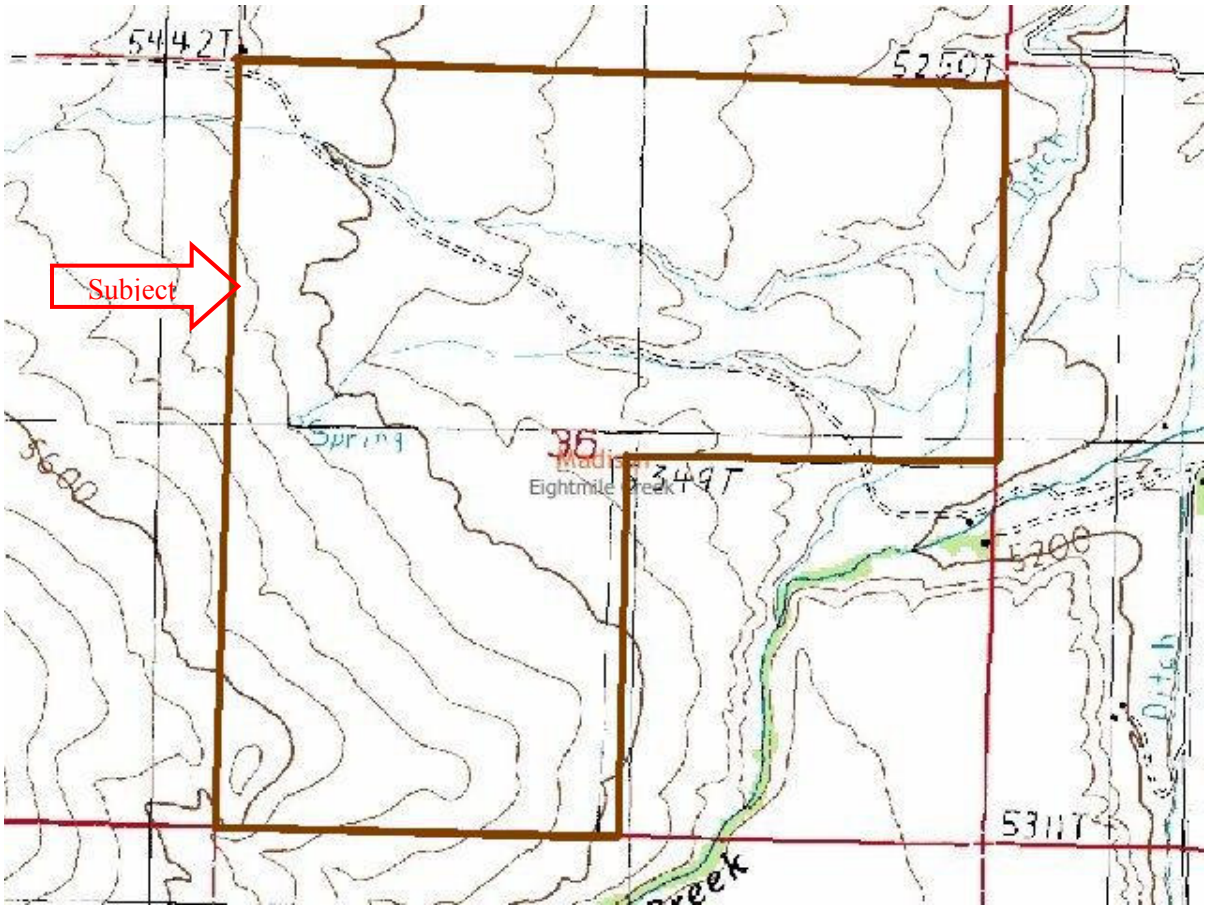


Subject Property Aerial Photos





Subject Property Topography Map



Subject Property Photos

1.) Looking Towards Subject From NW Neighboring Area

2.) Looking Towards Subject From NW Neighboring Area

Subject Property Photos

3.) Looking West From NE Corner Of Subject Property

4.) Looking SW From NE Corner Of Subject Property

Subject Property Photos

5.) Looking South From NE Corner Of Subject Property

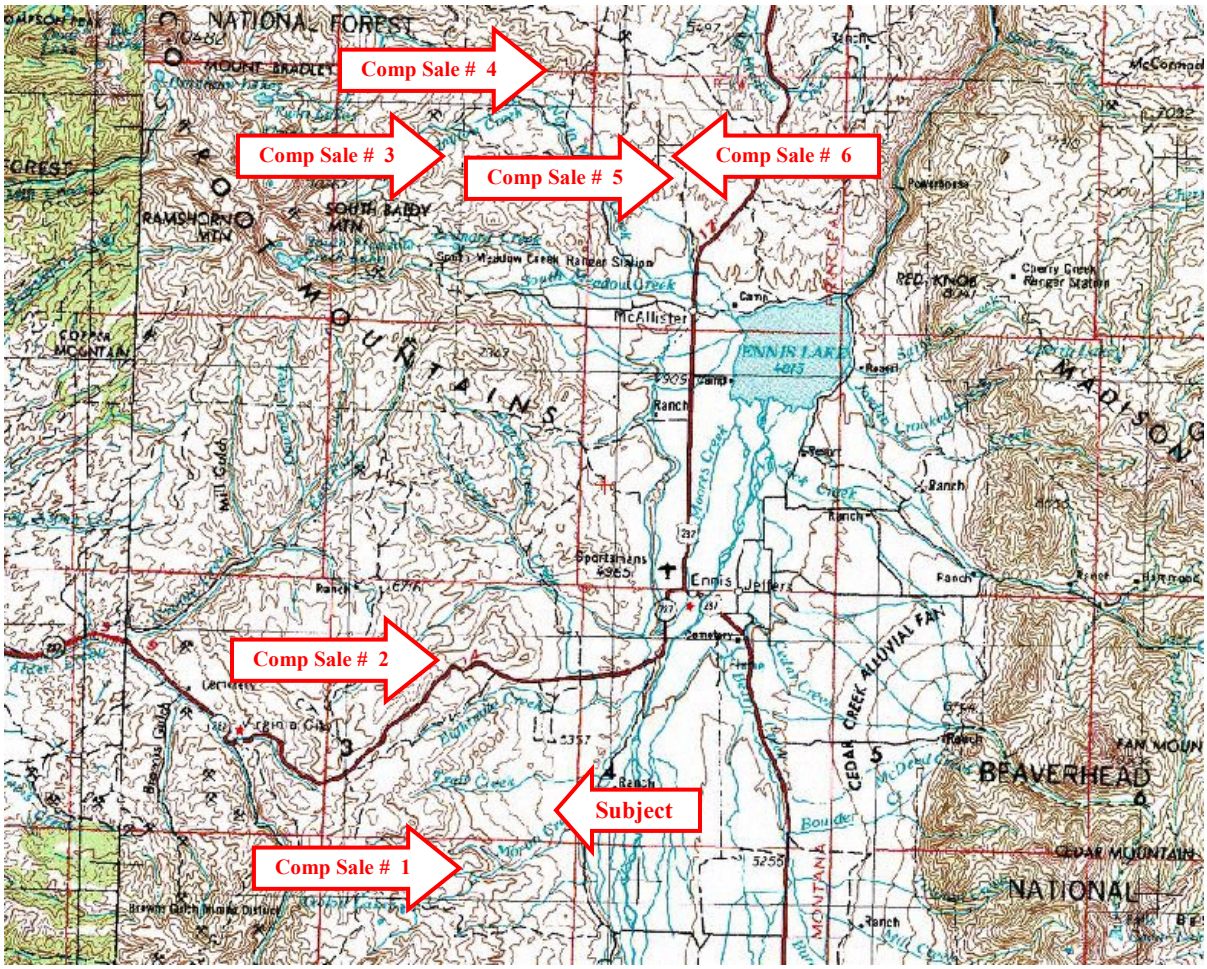
6.) Looking North From NE Corner Of Subject Property

Subject Property Photos

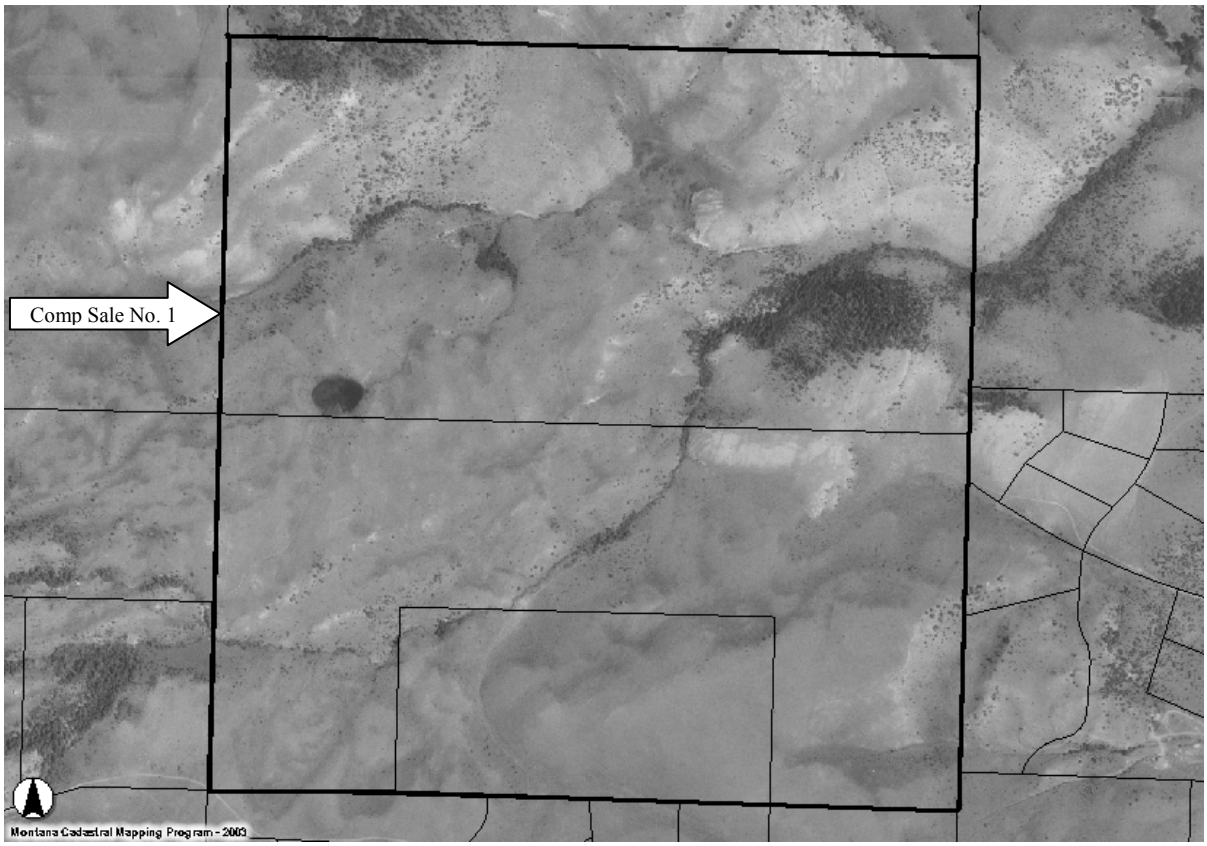
7.) Looking East From NE Corner of Subject Property

8.) Small Gully Area on Subject Property

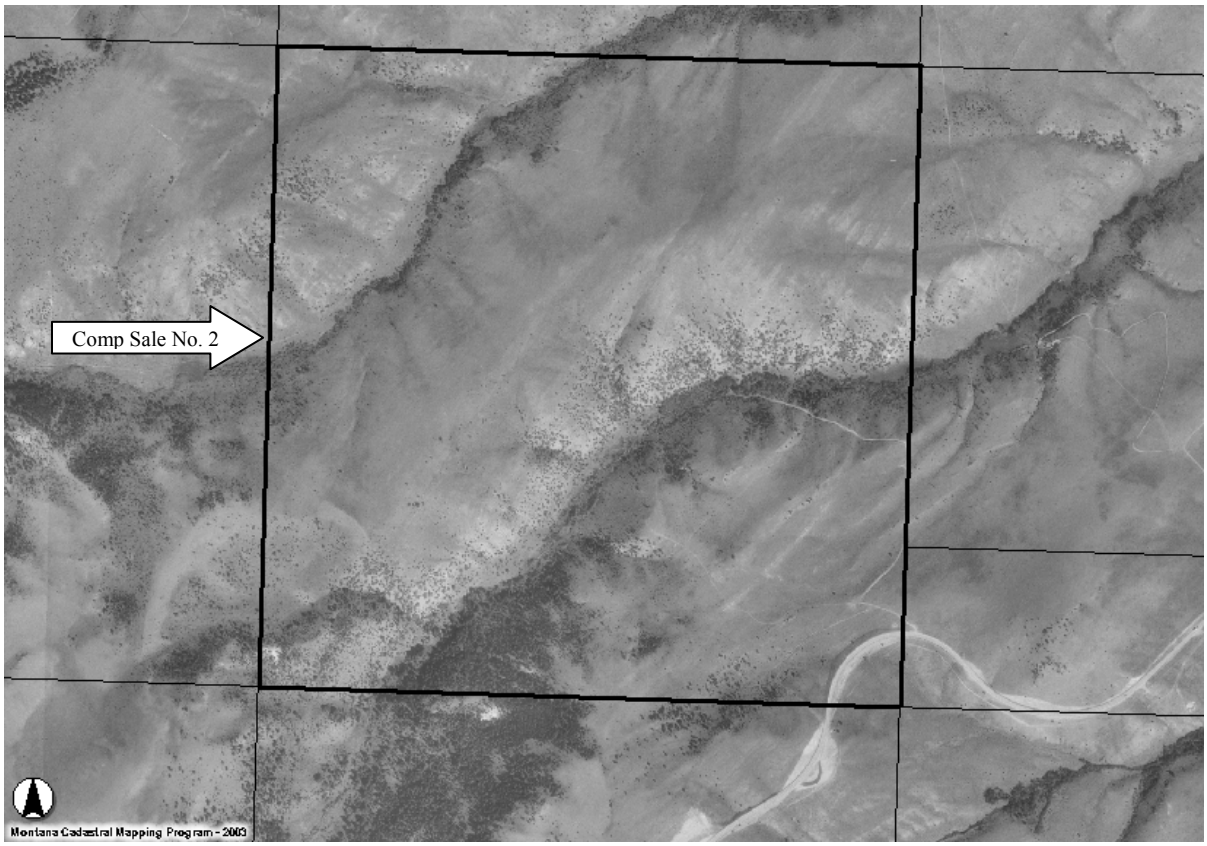
Comparable Sales Location Map



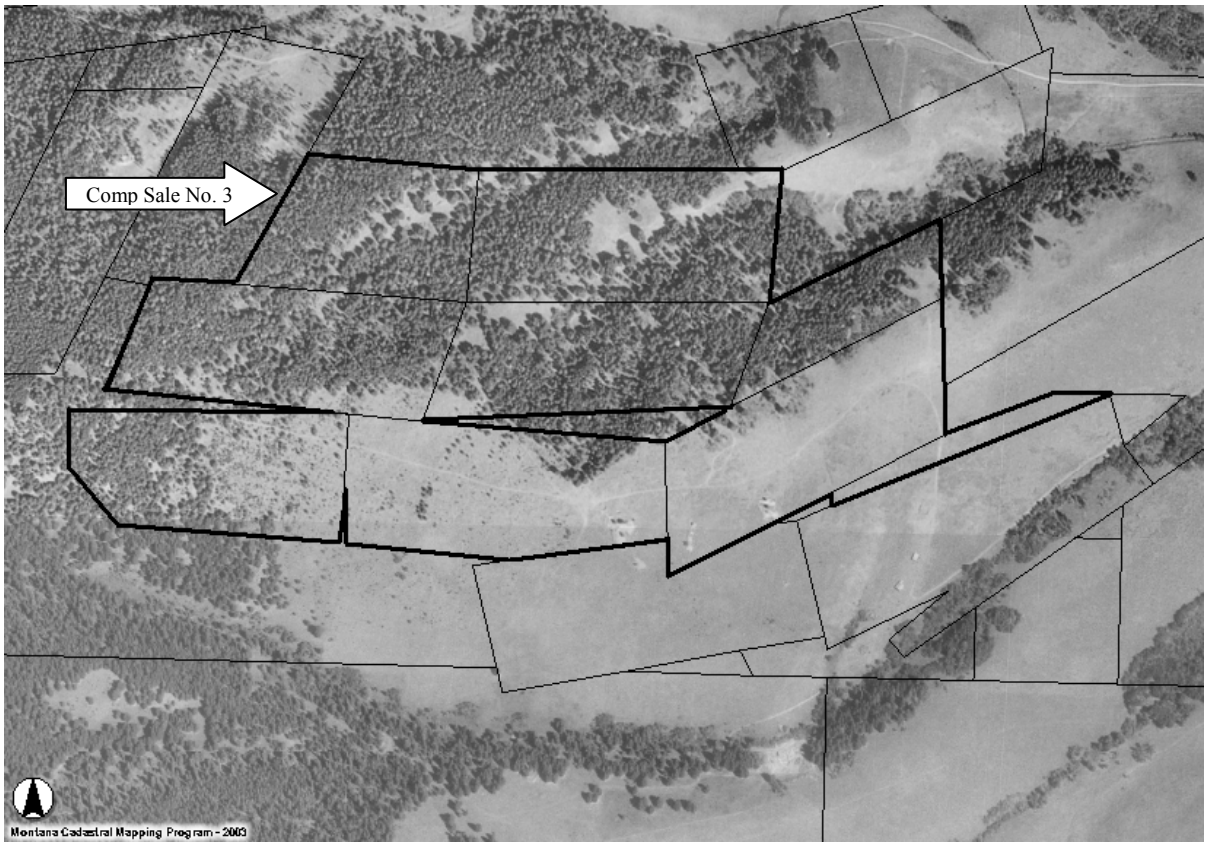
Comparable Sale No. 1 Ground and Aerial Photos



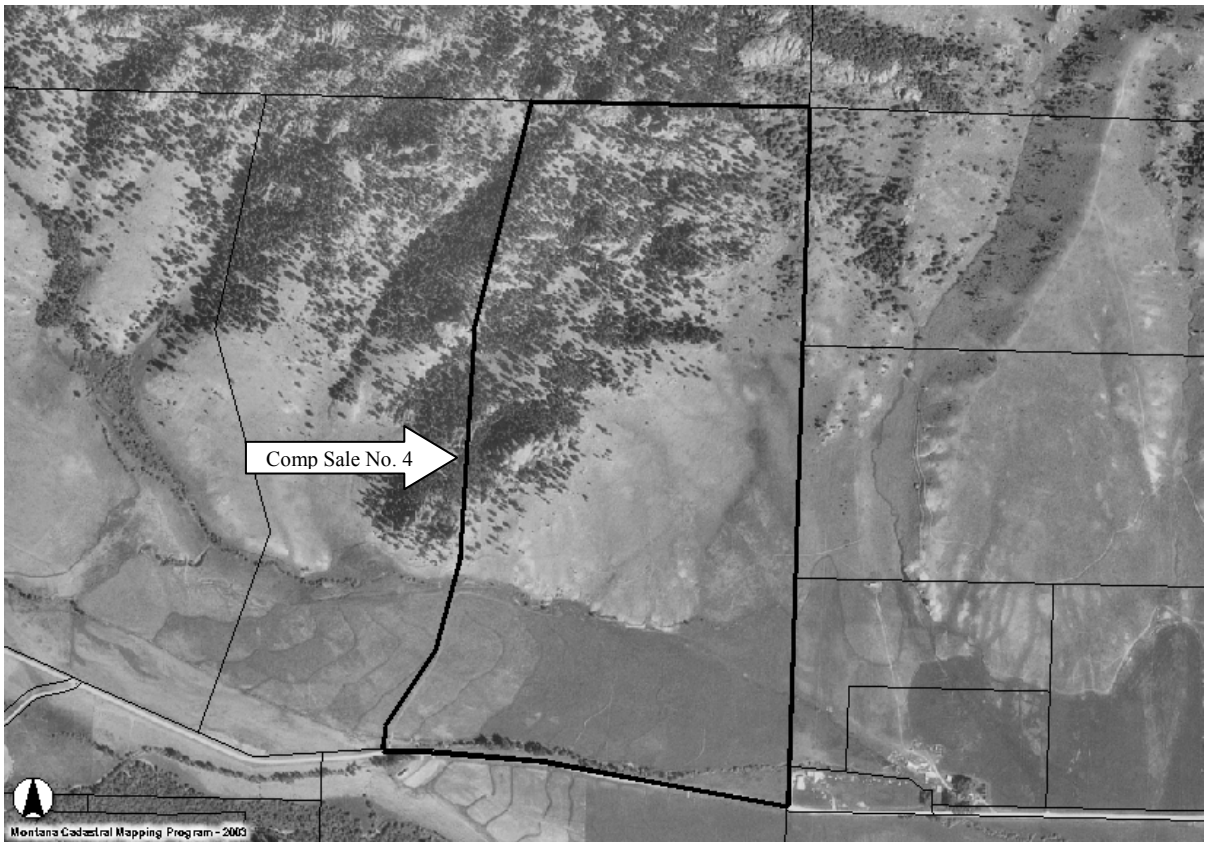
Comparable Sale No. 2 Ground and Aerial Photos



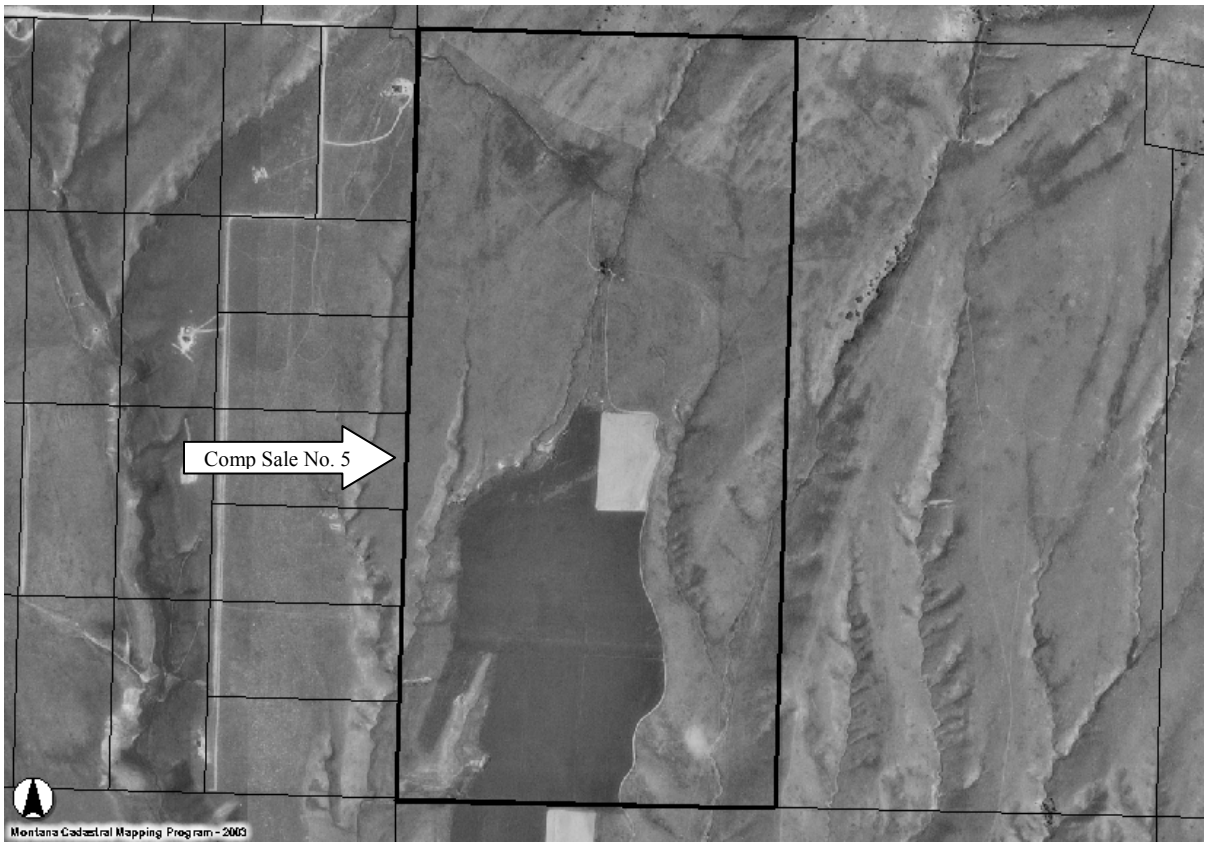
Comparable Sale No. 3 Ground and Aerial Photos



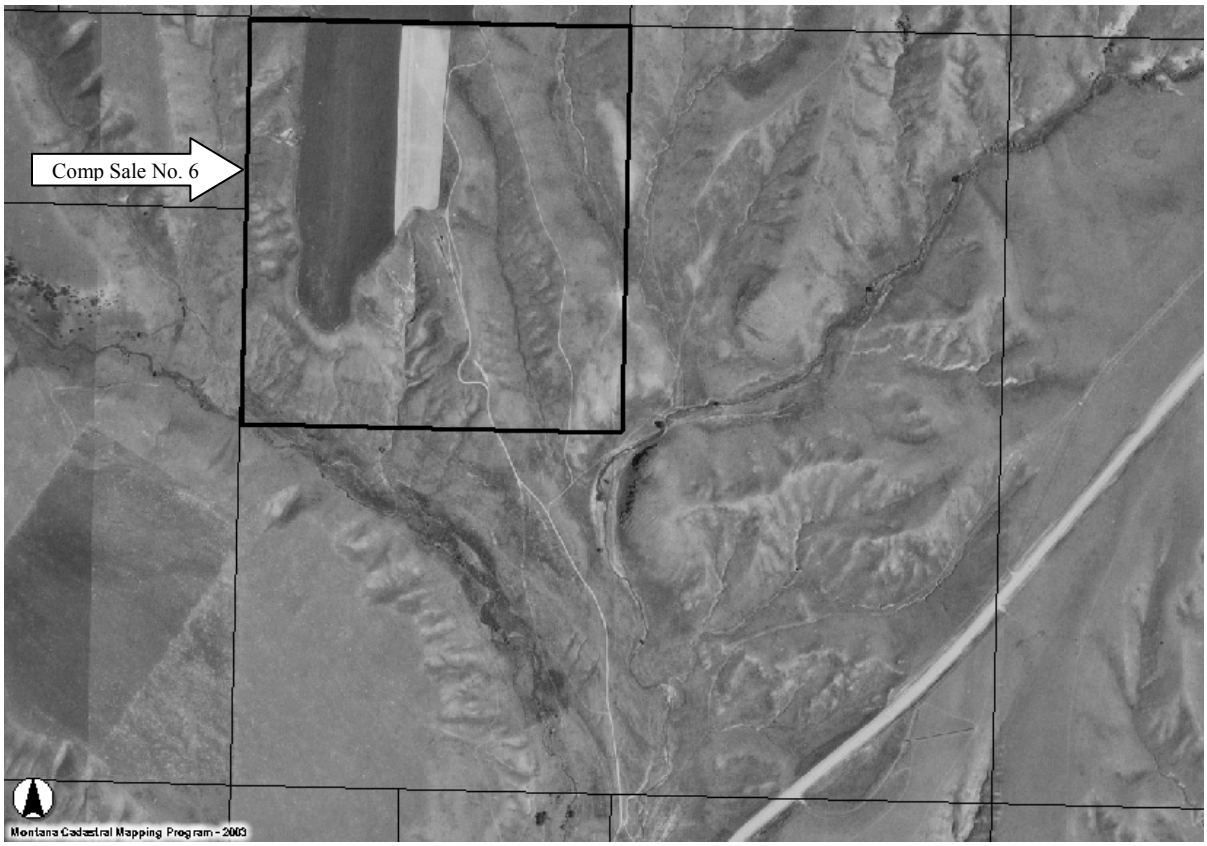
Comparable Sale No. 4 Ground and Aerial Photos



Comparable Sale No. 5 Ground and Aerial Photos



Comparable Sale No. 6 Ground and Aerial Photos



ASSUMPTIONS AND LIMITING CONDITIONS

The certification of the appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as set forth in the 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 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 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 report any adverse conditions, (such as, but not limited to, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, floodplains, 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. 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 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 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, this appraiser may not know of sales of comparable properties, and absolute verification of comparable sales may not be possible.

7. If the Departure Rule is 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 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 appraiser certifies and agrees that:

1. I have no present or prospective interest in the property that is the subject of this report, 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 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 or any future or anticipated appraisals 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 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 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. 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 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 report are true and correct. I have stated in this appraisal report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the limiting conditions specified in this appraisal report.

5. I have preformed this appraisal 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 report. If I have relied on significant real property appraisal assistance from any individual(s) in the performance of the appraisal or preparation of the appraisal report, I have named such individual(s) and disclosed the specific tasks preformed in the appraisal 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 report; therefore, any change made to the appraisal is unauthorized and I take no responsibility for it.

_____ Dated: __June 13, 2005_

Thomas J. Konency, Montana DNRC TLMD Appraiser