APPRAISAL REVIEW REPORT
Proposed Land Banking Sale
Sales # 340
Jefferson County, Montana
Effective Date: 6/20/2011

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
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1625 11th Avenue
Helena, MT 59620

REVIEWER'S SUMMARY OF SALIENT FACTS

Clients and 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 value of the appraised property, and if this appraisal should be reviewed by a Montana certified appraiser. The intended use of the review will be for utilization in the decision making process concerning the setting of a minimum bid price for the potential sale of the subject property at public auction.

Present Owner: State of Montana **Property Interest Appraised:** Fee Simple

Subject Property, Acreage, Legal Description and Location: Sale # 340 is approximately 160 acres, described as E1/2W1/2, of Section 12, T9N R3W, Jefferson County, Montana. The parcel is rectangular in shape, and has rolling topography with hills, drainages and good views of the Helena Valley and surrounding mountains. It is located just northeast of Montana City, MT..

Present Use: Agricultural, native grazing **Highest and Best Use:** Single Family Residential

Dates: The effective date of the appraisal and review is June 20, 2011.

Purpose and Intended Use of the Appraisal: The purpose of the appraisal is to provide the clients and intended users with a credible opinion of market value of the subject property, intended for use in the decision making process concerning potential sale of said subject property.

Appraiser's Opinion of Value of Real Estate: The appraiser estimated the current fair market value of the subject property as of June 20, 2011, with legal access, to be $304,000.

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

Reviewer's Conclusion of Value: It is this reviewer's opinion that the appraiser's estimate of value for the subject parcel is appropriately supported.

APPRAISAL REVIEW REPORT

Client and 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 value of the appraised property, and if this appraisal should be reviewed by a Montana certified appraiser. The appraisal was submitted by Gregory A. Thornquist, of Elkhorn Appraisal Services, Helena, Montana. The intended use of the review will be for utilization in the decision making process concerning the setting of a minimum bid price for the potential sale of the subject property at public auction.

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 value reported, from the perspective of the supervisor of the land sale program. The reviewer's opinion of appraisal quality and opinion of the credibility of the value 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 information on the subject property in this reviewer's file. This reviewer did not perform a physical viewing of the subject property. The comparable sales were not inspected and were only "viewed" through use of the appraisal report and cadastral system. No in-depth current market research was done. The reviewer's valuation opinion is limited to an orientation prospective of the appraiser's opinion, i.e., "the appraiser's opinion of value appears high, low, appropriate, or unsupported", etc. In the development of this reviewer's opinion of the credibility of the value 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. **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 mentioned here and elsewhere in the report might have affected the assignment results.** This review is not a standalone document and is expressly interrelated to the appraisal report, which the reader may need to refer to for further detail.

Subject Property, Acres, Legal Description, Location and Owner of Record: Sale # 340 is approximately 160 acres, described as E1/2W1/2, of Section 12, T9N R3W, Jefferson County, Montana. The parcel is rectangular in shape, and has rolling topography with hills, drainages and good views of the Helena Valley and surrounding mountains. It is located just northeast of Montana City, MT. The State of Montana has owned the property for at least five years.

Appraiser's Estimates of Values: The appraiser used the Sales Comparison Approach to determine the value for the subject properties. The appraiser estimated the current fair market value of the subject properties as of June 20, 2011, with legal access, to be $304,000.

Date of Appraisal, Estate Appraised and Date of Review: The effective date of the appraisal is June 20, 2011. The date of the report is June 22, 2011. The subject property was appraised in a fee simple estate. The appraisal report provides more detail about the rights appraised and the related **hypothetical condition** of no leases on the properties and also the market value definition. **Use of this hypothetical condition might have affected the assignment results.** The reader is referred to the reports for more information. The effective date of the review is June 20, 2011, with the review report date being June 28, 2011.

Client & Intended Users and Purpose & Intended Use of the Appraisal Report: 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 appraisal is to provide the clients and intended users with a credible opinion of current fair market value of the subject property, intended for use in the decision making process concerning potential sale of said subject property.

Appraiser's Subject Property Data and 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. To state again, in the development of this reviewer's opinion of the credibility of the value estimated, an **extraordinary assumption** has been made by this reviewer that this material is credible. This review is not a standalone document and is expressly interrelated to the appraisal report.

Appraiser's Highest and Best Use Analysis: The subject property is currently used as Agricultural grazing land. The appraiser determined that the Highest and Best Use of the subject property is for residential use, with one single family residence. This reviewer concurs with the Highest and Best Use determination made. The reader is referred to the appraisal report for the appraiser's analysis and conclusions.

Appraiser's Valuation Process: The appraiser determined the Sales Comparison Approach the only applicable guide to the value of the parcel, 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, 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. Again, 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 and Conclusions: This reviewer finds the report appears credible and that it is acceptable given the intended use. The material appears sufficient, 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 standalone document and is expressly interrelated to the appraisal report.

Conclusions of Values: 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. It is this reviewer's opinion that the appraiser's estimate of value for the subject parcel is appropriately supported.

Dated: 6/28/2011

John Grimm, Reviewer/Lands Section Supervisor
Montana Dept of Natural Resources & Conservation, Trust Land Mgt Div

ASSUMPTIONS AND LIMITING CONDITIONS

The certification of the reviewer 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 reviewer is not a certified appraiser in the State of Montana. The reviewer is familiar with appraisal standards and principles. This review follows the standard review format for land appraisals.

2. The reviewer 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 reviewer 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.

3. The reviewer assumes that the legal descriptions furnished are correct and the reviewer 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 reviewer. 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.

4. The reviewer 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 plains, 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 reviewer 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 reviewer 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 reviewer 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.

5. The reviewer 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.

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

7. The reviewer 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 know of by this reviewer, and absolute verification of the sales found may not be possible.

8. 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.

9. The reviewer 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 reviewer 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.

10. 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.

REVIEWER'S CERTIFICATION: This reviewer certifies and agrees that:

1. The reviewer is not a certified appraiser in the State of Montana. The reviewer is familiar with appraisal standards and principles. This review follows the standard review format for land appraisals.

2. 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.

3. 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.

4. 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.

5. 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.

6. To the best of my knowledge as lands program manager, 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: 6/28/2011

John Grimm, Reviewer/Lands Section Supervisor
Montana Dept of Natural Resources & Conservation, Trust Land Mgt Div