

**APPRAISAL OF:**

**Parcel #539-Lots 1,2,3,4 Section 36 T5.5S R58E**

Owned by the State of Montana  
65.40 Acres  
Carter County of Montana

**PREPARED FOR:**

Mr. Tom Konency  
Montana Department of Natural Resources  
P.O. Box 201601  
Helena, MT 59620-1601

**PREPARED BY:**

Richard E. Sparks, #387  
Sparks Appraisal Services  
11 Sparks Lane  
Broadus, MT 59317

Effective Date: July 18,2009  
Report Date: August, 08,2009



**Sparks Appraisal Services**  
**P.O. Box 386**  
**Broadus, MT 59317**  
**(406) 436-2404**

August 08, 2009

Mr. Tom Konency, Appraiser  
Montana Department of Natural Resources  
P. O. Box 201601  
Helena, MT 59620-1601

RE: State Land Parcel #539

Dear Mr. Konency:

In compliance with your request and authorization, I hereby furnish you with a Complete Appraisal in Summary Report format on certain real property that is owned by the State of Montana & referred to as Parcel #539. The subject property is located in Carter County of Montana.

The report transmitted under cover of this letter covers the findings, facts, and conclusions from the inspection of the subject property and investigation of comparable sales and market data. The value of the property is defined as market value and has been estimated as of the date of inspection. Your request that a hypothetical condition of valuing the property as if it had legal access has not been addressed. No comparable sale data was available with which to arrive at a value adjustment for this issue. The value reflected is market value of the surface estate, subject to easements, reservations, and/or conveyances of record, as of July 18, 2009. Market Value for Parcel #539 as of July 18, 2009 is:

**\$14,715**

**FOURTEEN THOUSAND SEVEN HUNDRED FIFTEEN DOLLARS**

The main portion of the report details the development of the market value of the subject property and the assumptions and limiting conditions placed on the report by the undersigned. To the best of my knowledge and belief, this report has been prepared as governed by the Code of Ethics of the Uniform Standards of Professional Appraisal Practice (USPAP) and conforms to FIRREA Title XI requirements.

Authority for conducting the appraisal was given by Tom Konency, appraiser for the Montana Department of Natural Resources. P.O. Box 201601, Helena, MT 59620-1601. The intended user(s) of this report include the State of Montana, The Montana Board of Land Commissioners, and the Montana Department of Natural Resources. The intended use of the report is to assist in decision making process concerning the potential sale of the subject property.

The total deeded acreage of the subject property is 65.40 acres.

Supporting documentation concerning the data, reasoning, and analyses is retained in my office files and is available for your review upon request.

I trust that this report will be found complete and satisfactory for your needs, but if any additional detail is required, please do not hesitate to call. Your confidence in allowing me to serve you is genuinely appreciated.

Respectfully submitted

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Richard E. Sparks  
Certified General Real Estate Appraiser

MT #387RAG, expires 3/31/2010

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### **SUMMARY OF SALIENT FACTS**

Effective Date of Valuation:	July 18, 2009
Date of Inspection:	July 18, 2009
Owner of Record:	State of Montana PO Box 201601 Helena, MT 59620-1601
Interest Appraised:	Surface estate subject to Reservations, conveyances, and/or easements of record.
Ownership History:	State of Montana
Location of Subject Property:	~43 miles south of Ekalaka, MT ~29 miles NW of Alzada, MT ~15 miles NW of Albion, MT
Brief Property Description & Acreage Description:	
1) Grazing Land	<u>65.40 Acres</u>
Total	65.40 Acres
Zoning:	None: Classified as agricultural land.
Present Use:	Leased for livestock grazing
Highest & Best Use (as unimproved):	Grazing land.
Highest & Best Use (as Improved):	Grazing land.
Non-Fee Public Lands	
Structural Improvements:	None.
Date of Valuation:	July 18, 2009
Date of Inspection:	July 18, 2009
Date of Photographs:	July 18, 2009
Date of Report:	August 08, 2009
Value Estimates:	
Estimates of Value:	
Sales Comparison Approach	<b>\$14,715</b>
Cost Approach	<b>NOT APPLICABLE</b>
Income Approach	<b>NOT APPLICABLE</b>

Hypothetical Condition:	
Value as if legal access existed:	<b>UNDETERMINED</b>
Conclusion of Value:	
Final Market Value State Land Parcel #539	<b><u>\$14,715</u></b>

## **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal is subject to the following:

1. **LIMIT OF LIABILITY:** The liability of Sparks Appraisal Service and/or subcontractors is limited to the client and to the fee collected. Further, there is no accountability, obligations, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, or legally.
2. **COPIES, PUBLICATION, DISTRIBUTION, USE OF REPORT:** Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than the intended use; the physical report(s) remain the property of the appraiser of the use by the client, the fee being for analytical services only.
3. **CONFIDENTIALITY:** This appraisal report is to be used only in its entirety. No part or portion thereof is to be used by any party without the whole report. All conclusions and opinions concerning the analysis are set forth in the report and were prepared by the appraiser(s) whose signature(s) appear on the appraisal report. No change of any item in the report shall be made by anyone other than the appraiser. The appraiser shall have no responsibility if any such unauthorized change is made. The appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing except by court of law or body with the power of subpoena.  
The appraiser(s) assumes no responsibility for any costs or consequences arising due to the need, or the lack of need for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
4. **INFORMATION USED:** No responsibility is assumed for accuracy of the information furnished by work of others, the client, his designee, or public records. We are not liable for such information or the work of possible subcontractors. Be advised that some of the people associated with Sparks Appraisal Services, and possibly signing this report are independent contractors. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other sources thought reasonable, all are considered appropriate for inclusion to the best of our factual judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market related information. It is suggested that the client consider independent verification as a prerequisite to any transaction involving sale, lease, or other significant commitments of funds or subject property.
5. **TESTIMONY AND COMPLETION OF CONTRACT OFR APPRAISAL SERVICES:** the contract for appraisal, consultation or analytical service are fulfilled and the total fee payable upon completion of the report. The appraiser(s) or those assisting in the preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties except under separate and special arrangement and at additional fee. If testimony or deposition is required because of subpoena, the client shall be responsible for any additional time, fees, and charges regardless of issuing party.
6. **EXHIBITS:** The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if included, are included for the same purpose (as of the date of photos). Site plans are not surveys unless shown from separate surveyor.
7. **LEGAL, ENGINEERING, FINANCIAL, STRUCTURAL, OR MECHANICAL NATURE, HIDDEN COMPONENTS, SOIL:** No responsibility is assumed for matters legal in character or nature, nor matters of survey, nor of any architectural, structural, mechanical, or engineering nature. No opinion is



rendered as to the title, which is presumed to be good and merchantable. The property appraised is appraised as free and clear, unless otherwise stated in particular parts of the report. The legal description is assumed to be correct as furnished by the client, his designee, or as derived by the appraiser.

8. Please note that no advice is given regarding mechanical equipment or structural integrity or adequacy, nor soils and potential settlement, drainage, and such (seek assistance from qualified architect and/or engineer) nor matters concerning liens, title status, and legal marketability and such (seek legal assistance).

The appraiser has inspected as far as possible, by observation, the land and the improvements, however it was not possible to personally observe conditions beneath the soil, or hidden structural, or other components. We have not critically inspected mechanical components within the improvements and no representations are made herein as to these matters unless specifically stated and considered in the report. The value estimate considers there being no such conditions that would cause a loss in value. The land or the soil if the area being appraised appears firm, however subsidence in the area is unknown. The appraiser(s) *do not warrant against this condition or occurrence of problems arising from soil condition.*

The appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil, structures or toxic materials which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to the operable condition and status standard for properties of the subject type. Conditions of heating cooling, ventilating, electrical, and plumbing equipment is considered to be improvements unless otherwise stated. We can make no judgment as to the adequacy of insulation, type of insulation, or energy efficiency of the improvements or equipment which is assumed standard for subject age and type.

9. **LEGALITY OF USE:** This appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulation and unless otherwise stated in the report; further that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal, and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
10. **COMPONENT VALUES:** The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
11. **INCLUSIONS:** Furnishings and equipment or personal property or business operations except as specifically indicated and typically considered as a part of the real estate have been disregarded with only the real estate being considered in the value estimate, unless otherwise stated. In some property types, business and real estate interests and values are combined.
12. **VALUE CHANGE, MARKET INFLUENCES, ALTERATION OF ESTIMATE BY APPRAISER(S):** The estimated market value, which is defined in the report, is subject to change with market changes over time, value is highly related to exposure, time, promotional effort, terms, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace.  
In cases of appraisals involving capitalization of income benefits, the estimate of market value or investment value or value-in-use is a reflection of such benefits and the appraiser's interpretation of income, yields, and other factors derived from general and specific client and market information. Such estimates are limited to the data of the estimate of value; they are thus subject to change, as the market and value are naturally dynamic.
13. **CHANGE AND MODIFICATIONS:** Appraisal report and value estimate are subject to change if physical, legal entity, or financing different than the envisioned at the time of the writing this report becomes apparent at a later date. The appraiser reserves the right to alter statements, analysis, conclusion or any value estimate in the appraisal if there becomes known to us facts pertinent to the appraisal process which were unknown to us at the time of the report preparation.
14. **MANAGEMENT OF THE PROPERTY:** It is assumed that the property, which is the subject of this report, will be under prudent and competent ownership and management, neither inefficient nor super-efficient.
15. **CONTINUING EDUCATION:** The signatory of this report is in good standing with the Montana Board of Real Estate Appraisers, and is current on continuing education requirements.
16. **FEE:** The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report or the physical report itself. The compensation (fee) for the preparation of the appraisal report has no relation to the final values reported.
17. **MINERAL RIGHTS, NOISE, AND ENVIRONMENTAL CONCERNS;** Mineral rights, noise, and environmental factors have not been given segregated consideration except as noted; they have been treated with the whole.

18. **HAZARDOUS MATERIALS:** Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl's, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such material on or in the property unless otherwise stated. The appraiser, however, is not qualified to detect such substances or conditions. If the presence of such substances such as asbestos, urea-formaldehyde foam insulation, or other hazardous substances or environmental conditions may affect the value of the property, the value estimate is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
19. **ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT BY THE CLIENT(S), OR ANY THIRD PARTY, CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.**

**Property Identification and Legal Description:**

The subject property is identified as Lot 1 (15.22 acres), Lot 2 (15.77 acres), Lot 3 (16.73 acres), and Lot 4 (17.48 acres) in Section 36 T5.5S R58E. It has also been identified as Parcel #539 by DNRC. This parcel of land contains a total of 65.40 acres according to the records obtained from the Carter County Assessment/Appraisal office. The subject property is entirely native rangeland. It is fenced into 2 separate pastures with what was estimated to be the west half of the parcel in one pasture and the east half of the parcel in another pasture. There is

woven wire and barbed wire fence along the west border and for a distance of approximately ½ mile on the north border (from the NW corner of the parcel to the east, terminating at a GLO marker pin that is presumed to be the North quarter corner mark. The south, east, and ½ of the north perimeter of the subject property is unfenced. There is a stock pit or reservoir located on an unnamed drainage very near ( about 150 yards southwest) of the GLO marker pin just mentioned. There are no other improvements to the subject property. The subject property can further be described as a rectangular-shaped parcel with approximate dimensions of 540 feet by 5,280 feet.

The subject property is located approximately 29 miles northwest of Alzada, MT and approximately 45 miles south of Ekalaka, MT. From Montana Secondary Highway 323, it is about 3 miles by road, trail, and cross country to the eastern border of the subject property. There is no legal access to the subject property. The subject is bordered on the west and for ½ mile on the north by Deep Creek Valley, Inc. It is bordered on the south, east, and for ½ mile on the north by Carl C. Sensenig.

The legal description of the subject property is as follows:

Township 5 1/2 South Range 58 East M.P.M. Carter County, MT

Section 36: Lots 1-4 containing 65.40 acres

**EFFECTIVE DATE OF THE APPRAISAL AND  
TRANSMITTAL DATE OF THE REPORT**

The effective date of this report is July 18, 2009. The date of the actual physical inspection was July 18, 2009. The transmittal date of the report is August 08, 2009.

**PURPOSE AND FUNCTION OF THE APPRAISAL**

The purpose of this appraisal is to determine a logical estimate of the Current Market Value of the subject property in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP). This appraisal is intended to function as an estimate of said Market Value for aiding in or supporting decisions related to potential sale of the subject property. The property was inspected and photos taken on July 18, 2009 with Clinton Sensinig and a friend of his from Pennsylvania accompanying the appraiser.

Property data was obtained from the Carter County Courthouse and DNRC.

The southeastern Montana region was searched for data and sales of grass parcels with emphasis on units with similar amenities to the subject. The sales data are documented in the Addenda. Cost information, when appropriate or necessary, was collected from the local market and taken from Marshall-Swift Valuation Service. The appraiser has inspected, photographed, and verified the data with the principals or their agents. In most cases, financial data or operating data are estimates based on interviews.

Authority for conducting the appraisal was given by Mr. Tom Konency, Appraiser, Department of Natural Resources and Conservation, P.O. Box 201601, Helena, MT, 59620-1601. The client(s) for this appraisal are: the State of Montana, the Montana Board of Land Commissioners, and the Department of Natural Resources and Conservation. The intended user(s) of the appraisal report are the same and the client list.

The appraisal is a complete appraisal and is being reported in summary report format.

USPAP includes a competency provision that states:

"Prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently, or alternatively:

2. disclose the lack of knowledge and/or experience to the client before accepting the assignment; and
3. take all steps necessary or appropriate to complete the assignment competently; and

4. describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.

Mr. Sparks has been appraising real estate in Montana since 1988, and is familiar with the geographical area in which the property is located. The appraiser also believes that he possesses the knowledge and experience to complete this assignment competently.

#### **DEFINITION OF CURRENT FAIR MARKET VALUE**

Current fair market value (MCA 70-30-313) is defined as: "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.

#### **DEFINITION OF 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.

#### **HYPOTHETICAL CONDITIONS**

Within the scope of work issued to the appraiser there were two specific instructions to include hypothetical conditions.

The first is that if the parcel has a lease or license associated with it, it is to be appraised as if the lease or license does not exist.

The subject property does have a grazing lease associated with it. It will be appraised as if it is in private ownership and could be sold on the open market. It will be valued in the appraisal report indicating its Fee Simple interest.

The second hypothetical condition is to render a value on landlocked parcels with the hypothetical condition of having legal access. The subject property does not have legal access, and therefore this hypothetical condition will be addressed within the body of this report, and will be identified as such.

#### **PROPERTY RIGHTS APPRAISED**

The property rights appraised encompass the surface estate interest subject to encumbrances, easements, conveyances, and/or reservations of record. There is no known easement or encroachments that detrimentally affect the value of the subject property. This report will be generally confined to a discussion of the surface rights and will not include a separate value indication for aerial or subsurface interests. There is no mineral production in the subject's immediate area; thus the value of the nominal mineral estate included, but not separately identified.

#### **PRESENT OWNERSHIP**

The State of Montana is the current owner of record of the subject property that is located in Carter County. There is no known patent deed for the subject property, so the State of Montana is the only owner in the chain of title for this parcel of land to date.

#### **EXPOSURE TIME VERSES MARKETING TIME**

Current professional appraisal standards require an appraiser to estimate the typical marketing and exposure time for the property appraised. "Exposure time" is the estimated length of time the property interest would have been offered

in the market **prior to** they hypothetical consummation of a sale at market value on the effective date of the appraisal; exposure time is always presumed to proceed the effective date of appraisal. Alternatively, "marketing time" is a consulting term which relates to that amount of time that would be required to sell the property interest at the estimated market value during the period **after** the effective date of the appraisal. An estimate of marketing is not intended to be a prediction of a date of sale. It is inappropriate to assume the value as of the effective date of appraisal remains stable during a marketing period.

In applying the market value definition to this appraisal, a reasonable exposure time of 12-36 months has been estimated for the subject. Additionally, the appraiser has considered market factors external to this appraisal report and has concluded that a reasonable marketing time for the subject is 12-36 months.

### **COMPETENCY OF THE APPRAISER**

Refer to the "Qualification of Appraiser" included in the Addendum to this report. It should be noted that the signatory of this report has over 20 years of experience as a residential, commercial, and agricultural real estate appraiser with the property tax division of the State of Montana. Additionally, the appraiser has been board certified with the Montana Board of Real Estate Appraisers since 1994. For the past 15 years, the appraiser has completed numerous appraisals on residential, commercial, and agricultural properties in southeastern Montana. On-going research and frequent discussions with individuals involved in agricultural operations, land transactions, and economic development in southeastern Montana help to keep the appraiser abreast of market developments.

### **SCOPE OF THE APPRAISER'S INVESTIGATION**

The appraised property was inspected July 18, 2009. The comparable sales were inspected at different times from the respective dates of sale through June of 2009. Clinton Sensenig, son of Carl Sensenig, ( who currently leases the subject property from the State of Montana) and a friend of his from Pennsylvania accompanied the appraiser while inspecting the property in Carter County. Some additional information was provided on the day of the inspection by Jack Owen, who leases the entire Sensenig property, including public leases, for livestock and hay production. The Carter County Appraisal/Assessment office provided the legal descriptions, acreages, and estimated tax assessments for the property. Ownership history and zoning information were all verified by inspection of Carter County records, although this task was just a matter of verifying ownership, as there have been no instruments of record filed relative to ownership of the subject property.

Public lease information (state lands) was obtained from field office in Miles City by telephone. The SCS office provided additional information regarding the soils production on the property. The Billings office of the Department of Natural Resources and the web site provided and maintained by that office was contacted for an abstract of water rights appurtenant to the property.

In addition to information contained within my office files, several area real estate brokers, participants in recent real estate transactions, and other appraisers who work this area were contacted in order to secure comparable sales data. An attempt was made to contact buyers and sellers in all comparable sales considered. The value assigned in this report applies specifically to the real estate described and is based on unencumbered value. It does not consider value of growing crops or personal property. A separate analysis of existing mineral rights or water rights will not be made. These property rights are considered a part of the overall values assigned to the real estate and these values are reflected by land values exhibited in the market from comparable sales. Separate valuation or sale of mineral rights or water rights is not common in the subject property's market area and will not be addressed in this report. Additionally, inherent in the land values assigned are the basic improvements such as roads, fences, ditches, and field preparation.

### **SUMMARY APPRAISAL**

#### **Introduction and General Regional Information**

The subject property is located in Carter County of Montana, in fact, it would be considered to lie very near the center of the county. Parcel #539 lies westerly of Montana Secondary Highway 323 approximately 3 miles. Carter County is bordered on the west by Custer County and Powder River County and by Fallon County on the north in Montana. The southern boundary is the State of Wyoming, and to the east is North and South Dakota. Ekalaka is the county seat of Carter County and had a 2000 census population count of 422. In the same year, the

population for the enter county was 1,454, a decrease of 3.3% from the 1990 census report. This decreasing trend is typical of all counties in southeastern Montana during that time period. This appears to have stabilized since 2000.

Land use in Carter County as estimated by the Carter County Conservation Book is 88.2% rangeland (1,870,787 acres), 6.8% cropland (144,853 acres), 1.5 % upland hay (32,500 acres) 2.6% forest (56,527 acres), and less than 1% water (15,653 acres). Land ownership in Carter County is approximately 65% private and the other 35% owned by the State of Montana, BLM, and Forest Service agencies. These public lands are typically leased back to the private sector for grazing purposes.

Land topography in the southeastern Montana area is generally characterized by gently rolling to strongly rolling hills with shale and sandstone outcroppings. Areas along creeks are mostly level, having 0-2% slope. Better quality crop land is found on soils with 2-8% slope, but areas with more slope (8-15%) are also farmed. Rangelands include the steeper rolling hills, flood plains, and forested areas.

Elevation in Carter County ranges from a low of around 2,800 feet in the northwest corner of the county in the Powder River drainage to a high of about 4,450 feet at West Butte in the Southwest corner of the county near Ridge. Elevation on the subject property ranges from about 3,251 feet near the north quarter corner of section 36 T5.5S R58E to 3,339 in the northwest corner of the parcel according to the GPS unit used on the date of inspection.

Major water drainages in Carter County include the Powder River in the Northwest corner, Fallon Creek, Beaver Creek, Boxelder Creek, and The Little Missouri River. Boxelder Creek is the primary drainage relative to the subject property. This drainage runs from southwest to northeast and is west of the subject a distance of about 5 miles. Runoff water from the subject property flows northwesterly into Boxelder Creek and eventually drains into the Little Missouri River.

Area climate is characterized by cold winters, warm summers, and an annual precipitation in a range of from 9" to 15". Frost free season ranges from 115 to 120 days. The mean average temperature is 43 degrees, with typical winter lows to -30 degrees and summer highs of 90 to +100 degrees. Recent droughty years have affected the area's agricultural economy, causing stock water concerns because of dry reservoirs. 2007 was a record setting year for precipitation with good amounts of spring rain. Summer, fall and late fall were relatively dry, with higher than normal temperatures. The first quarter of 2008 was dry, then spring slows and rain boosted the annual precipitation to well above normal. Spring of 2009 brought very excessive snow storms that were very damaging to stock populations but made the vegetative production for the first half of this year well above normal.

Climatic conditions combined with soil qualities and topography allow certain types of dryland crops to be grown in addition to grazing use of non-farmed acres. Crops grown are primarily small grains, including winter wheat, spring wheat, barley, and oats. Most farmers use crop rotation programs with alternate years of summer fallow. Other management techniques include chemical fallow, continuous crop, and minimal tillage. The Conservation Reserve Program (CRP) is a government cropland set aside program that was instituted to reduce soil erosion hazards on dryland cropland. Those areas not suited for cropland are grazed and areas such as grass waterways in fields, broad creek drainages, improved tame grasslands, and some portions of rangeland are hayed when economically feasible. Soils throughout the area are subject to water erosions hazards, some areas more-so than others. Therefore, careful cropland and rangeland management are required.

Soil profiles include sandstone outcroppings with 15-65% slope and timber cover to flat rolling hills with heavy clays. Rangeland areas with heavy clay soils typically have higher salt indications as evidenced by the presence of salt brush, greasewood, sagebrush and minimum grass cover. These clay or gumbo areas are not capable of sustaining heavy grazing use. Land adjacent to creek drainages often show signs of higher salt content also. A limiting factor in all of southeastern Montana but particularly the south half of Carter County is water, both for domestic use and livestock water purposes. The area northeast of Hammond and north of Alzada ( in which the subject property is located) is known to have wells with especially poor water quality and quantity. Farmsteads in this area typically use cisterns and sometimes haul potable water from other places such as Ekalaka, Belle Fourche, or Broadus. Ranchers rely heavily on dams and pits for livestock water and shallow wells during the winter.

Area trade centers important to the subject property's market area include Baker, Broadus, Ekalaka, and Miles City, Montana as well as Belle Fourche, Spearfish, and Rapid City in South Dakota. The areas of northern Carter County make use of Dickinson and Bismarck, North Dakota. Southern Carter County also makes use of Gillette, Wyoming as a trade center. Billings, Montana is a regional trade center. The South Dakota and Wyoming state borders lie in close proximity to the subject property, but have no direct influence to local land values. The major highways in the area include State Highway 7, which connects Ekalaka to Baker. Secondary highway 323 connects Ekalaka to US Highway 212 at Alzada. US Highway 212 is an east-west route between Belle Fourche, SD and Hardin, MT. Gravel and dirt county roads provide access to the rural portions of Carter County. Ekalaka, located ~43 miles to the north while Alzada is ~29 miles southeast. Ekalaka and Broadus, Montana, Belle Fourche, South Dakota, and Hullett, Wyoming are important communities in that area school-aged children attend schools in these communities.

Livestock marketing is accomplished through public auction barns, order buyers, and in the more recent years, video auctions. Public auction yards are located in Miles City, Baker, and Billings, MT: Belle Fourche, St. Onge, Faith and Pierre, SD and Bowman, ND. Wool is marketed at the Wool Center located at Belle Fourche, SD.

#### **SPECIFIC INFORMATION OF THE STATE LAND PARCEL #539**

The subject property consists of 65.40 acres of native rangeland. It lies near the geographical center of Carter County, Montana about 43 miles south of Ekalaka and 29 miles northwest of Alzada, Montana. It is comprised entirely of native rangeland. There are no building improvements, and there is a perimeter fence on just over ¼ of the boundary. There is another fence that splits the subject property roughly in half, and each half is currently used together with other privately owned land that is used for grazing purposes. There is a stock reservoir or pit located at the north central border of the subject property.

As was previously stated, the subject property is owned by the State of Montana. As such, there were no instruments of record relative to ownership found at the county courthouse.

Access to the subject property is from State Secondary Route 323. It is a paved and gravel road that runs southerly across Carter County from Ekalaka to Alzada. From highway 323, it is approximately 3 miles from the road approach west to the eastern edge of Parcel #539. The first two miles are covered crossing an established road into a building site. From there, we followed a two track pasture trail for a distance of about ½ mile. The remaining distance of ½ mile was covered just going across country on no designated trail or path. There are no conservation easements, wet land easements, life estates, buried fuel tanks, or other adverse easements present on the subject property. Additionally, there are no right of way easements for roads or pipelines for parcel #539, the subject property.

Land use on the parcel is entirely grazing. It is currently leased by the State of Montana for grazing purposes. The specifics of that grazing lease will be covered later in this report. The subject parcel lies in 2 separate pastures, as was stated earlier. The fence that does exist on the subject perimeter is a netting wire and barb wire combination on steel and wood posts. This fence is pretty old by appearance, but also appears to have been maintained and is considered to be in fair to average condition.

Livestock water is provided by a reservoir or pit. There may be other stock water available in pastures that the subject property lies in, but if so that was not observed during the inspection. An inspection was made of the DNRC water rights web site. No water right was found that would be associated with the stock reservoir or pit located on parcel #539.

There are six specific soil types identified on the subject property, according to the Carter County Soil Survey. All of these soil types are silty clay loams with slope of anywhere from 2 to 15 %. Overall, the subject property illustrates low to moderate risk of water and wind erosion.

There was a patch of Canada thistle observed near the stock dam during the property inspection. It is possible that other weeds are present. This may include leafy spurge and spotted knapweed, among others. Except the Canada thistle mentioned, the only other vegetation observed during the inspection was native species. Erosion and saline conditions do not appear to be a factor on the subject parcel. Range conditions appear to be in average to good condition at the time of the inspection. There was no indication of abuse that would indicate historic overgrazing.

### **Carrying Capacity**

Carrying capacity of range country and of harvested feed produced on a ranch can be expressed as animal units or animal unit months. The animal unit (AU) is the annual feed requirement to maintain one mother cow or the equivalent in thrifty condition (with calf at side for 6 of the 12 months). An animal unit month (AUM) is one twelfth of an animal unit, or the feed requirement to maintain a mother cow in thrifty condition of an average month of the year. Carrying capacity is that portion of the animal units of maximum feed production that can be utilized after consideration of all limiting factors and customary operation practices.

Any carrying capacity rating must be estimated with caution, keeping in mind the size of the cows, the weaning weights of calves, and even the length of time the calves are grazed. A carrying capacity rating can vary as much as 30 to 40 percent, depending on the range usages. Carrying capacity is affected by pasture rotation and other management factors, such as water availability, livestock type and size, and length and timing of pasture season, and is also



affected by external influences such as topography, rainfall, grasshoppers, wildlife, and numerous other influences. The average rating for the rangeland on the subject parcel falls between .20 and .35 AUM per acre. Total carrying capacity of the subject property using this approach to calculating is estimated to be 14 Animal Units Months, or 1 and 1/6 Animal Units.

### **Zoning and Mineral Rights**

No zoning ordinances exist in this particular area. The property is classified as agriculture land. To my knowledge, an opinion of minerals on this property has not recently been researched. The ownership of mineral rights would be considered beneficial to the surface owner. No opinion of mineral interests is being rendered in this report. It is assumed that the surface owners hold adequate rights within the bundle of rights to protect surface ownership.

### **Real Estate Taxes**

The real property tax liability on the subject property for 2008 in Carter County is an estimation, since the property is owned by the State of Montana and no property taxes are actually levied against it as an exempt property. Based on the productive capability and a mill levy of 362.71 mills, it is estimated the tax liability for parcel #539 would have been \$32.22 total.

### **Public Lease Information**

#### **State of Montana**

The subject property currently is leased for grazing purposes. It is identified as Lease #4304 and leased to Carl C. Sensenig. It is for a total acreage of 65.4 acres, 14 AUM, and is leased for a ten year term beginning 03/01/2004 and ending 02/28/2014 at a rate of \$6.97/acre.

### **Concluding Statements**

The subject property, parcel #539, has no legal access. The fences that do exist on the property have been maintained to an average level over the last 20+ years, although as was stated the majority of the property perimeter is not fenced. There are no building improvements located on the subject property. Land use of parcel #539 is currently grazing land, and there is no foreseeable change to that use. There is stock water available on the property in the form of a reservoir, which will have questionable reliability in dry years. There is inadequate natural protection for livestock. The subject property is considered remote. Because of its location and access issues, the only logical owner(s) for the subject property are adjacent landowners.

The valuation of this property will rely entirely on the market approach to value. Both the cost and income approaches to value are either not applicable or very unreliable in this appraisal problem. This will be discussed further later in the report.

### **Highest and Best Use**

Highest and best use is defined as "that use which will yield the greatest net return to the land in the foreseeable future, or that legal use which will yield to the land the highest present value". The 9<sup>th</sup> Edition of Real Estate Appraisal more specifically defines the highest and best use as:

"that reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest land value.

The concept of highest and best use represents the premise upon which value is based. The content of most probable selling price (market value), another appropriate term to reflect the highest and best use would be the most probable use. In the context of investment value, an alternative term would be the most profitable use.”

The definition forms the essence of the highest and best use analysis. The property’s use must be:

- (4) legally permissible;
- (5) physically possible;
- (6) financially feasible;
- (7) maximally productive.

Consideration is given to trends on recent land sales, economic factors, and strength of the local market. An analysis of the highest and best use of the property forms a basis for the valuation of the property. Highest and best use serves as a guide in the selection of comparable sales to be used in the analysis of the subject property.

The definition applies specifically to the highest and best use of the land. It is to be recognized that in cases where a site has existing improvements, the highest and best use may be different from existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use. These definitions imply recognition of the contribution of existing specific uses to the community environment or to the community development goals in addition to increasing the wealth of individual property owners.

The determination of highest and best use results from the appraiser’s judgment and analytical skills, according to these definitions. The use determined from analysis represents an opinion, not a determination of fact. Thus, in this analysis, consideration must be given to that range of uses which is appropriate for the subject property in order to support its highest value. Consideration must be given to alternative uses, as well as the existing use, the type of markets available in the area, and the surrounding use types.

Although there is potential for the subject property to be used more intensively for dryland farming, alfalfa seed production, registered livestock production, very limited recreational use, or other feasible alternatives, the highest and best use of the subject property is its current use as grazing land. The final estimation or determination of highest and best use must be entirely realistic, the most maximally productive, feasible use which is probable under the existing market conditions. Based upon the property’s inherent qualities as discussed in the previous sections of this report, one can easily conclude that the highest and best use of the subject, both as improved and as vacant, meets these criteria as livestock grazing.

### **Valuation Process**

The appraisal process is the orderly program in which the data used to estimate the value of the property in question is acquired, classified, analyzed, and presented. The first step is defining the appraisal problem-i.e, identification of the real estate, the effective date of the value estimate, the property rights or estate appraised, and the type of value sought. Once this is set forth, the appraiser collects and analyzes the factors that affect the market value of the subject

property. These include area analysis, site and improvement analysis, highest and best use analysis, and the application of the appropriate approaches to estimate the property's value. Appraisers may use all three traditional approaches to value, which include the cost approach, income capitalization approach, and sales comparison approach, any one of which may utilize more than one technique, i.e. there may be several indications of market value for the subject within one particular approach.

The Cost Approach to market value is based on the premise that the value of the property can be derived by adding the base estimated value of the land to the current cost of constructing a reproduction or replacement for the improvements and then subtracting the amount of depreciation (deterioration and obsolescence) in the structures from all causes. The procedure typically begins with an analysis of unimproved land sales. This provides an estimate of the subject's underlying land value, as if vacant. The second step in the cost technique deals with the contributory value of the subject's improvements. Replacement cost or reproduction cost estimates are formulated for each structure from which total accrued depreciation is subtracted. The remainder constitutes the depreciated cost or contribution of the structures that is added to the estimate provided by the unimproved land sales analysis. The resulting figure, a combination of the land value and depreciated improvement contribution, represents the value of the property as a whole. In the case of this specific appraisal problem, there are no depreciable improvements to the real estate. Therefore, the value of the entire property is attributed to the land as established by documented sales of similar vacant land parcels. As such, the Cost Approach to not be applicable.

The Sales Comparison Approach is most useful when a number of similar properties have been sold or are currently offered for sale in the subject property market. Using this approach, an appraiser produces a value indication by comparing a subject property with similar sales and listings. The sale prices of the properties that are judged most similar tend to indicate a range in which the value for the subject will fall. Measuring the differences between the sales and the subject can be accomplished directly when the market evidence is sufficient, or through bracketing when there is a lower degree of correlation or similarity. Direct measurement is preferred; however, markets in the different areas do not always provide sufficient data. Typically, dollar or percentage adjustments are made to the sale price of each property being compared to the subject, with consideration for the real property interest involved. Through this comparative procedure, the appraiser estimates one or more kinds of value as of a specific date. Also, other appraisal methods such as income multipliers (GIM, price per animal unit, price per ton, etc.) may be more prevalent or provide alternative types of analysis in certain markets which are not well defined or where data is limited.

The Income Approach is predicated on the assumption that there is a definite relationship between the amount of income a property is capable of producing and its value. This approach is based on the principle that value is created by the expectation of benefits derived in the future. The anticipated annual net income of the subject property is processed to produce an indicated value. Net income is the income generated before payment of debt service. The process of converting the net income into value is called capitalization, which involves dividing the net income of the property by a capitalization rate. The appropriateness of this rate is critical, and there are a number of techniques by which it may be developed or used to support the conclusion of value. As with the Cost Approach, the Income Approach loses its effectiveness in the appraisal problem in establishing value for the subject property. With this small acreage, the most likely buyer will generally be looking to add to an existing ownership, and the income-generating capability of the additional acreage is not a consideration.

The final step in the appraisal process is the reconciliation or correlation of the value indications into a single dollar figure or range in which the value will most likely fall. The nature of the reconciliation depends on the appraisal problem, approaches that have been used, and the reliability of the value indications derived. Simply, the reconciliation is “*the appraisal of the appraisal*”. Typically, the approach or approaches in which the strongest evidence can be documented in that market is the most reliable indication of value.

### **Valuation of Subject Property**

#### *Comparable Sales*

In analyzing comparable sales, it is necessary to consider the following factors which may generate cause for adjustments.

**Real Property Rights Conveyed-** Real property rights adjustments are necessary in instances where properties are sold subject to existing leases. If the existing leases are considered to be above or below market, an adjustment may be warranted, depending on other factors such as the impact of the lease relative to the market on occupancy and expense terms.

**Financing Terms-** Financing terms adjustments are necessary when the property is financed in a manner that is advantageous to the buyer. Terms such as interest rates, length of the mortgage and equity down payment must be considered, particularly in instances where the mortgage is not held by a third party, but rather by the grantor.

**Conditions of Sale-** Conditions of sale refer to the motivations of the buyer and seller. Such factors as financial duress on the part of the grantor or the need for a parcel of land for assemblage may significantly affect value.

**Market Conditions-** Market conditions refer to such factors as the time of the transaction which, in turn, refers to such factors as changes in income tax laws, building moratoriums, and fluctuations in supply and demand.

**Location-** Obviously, location will directly influence the marketability of a property. Such factors as proximity to high traffic flow areas or a pleasant view may directly influence value.

**Physical Characteristics-** In terms of land, physical characteristics refer to such features as the topography, orientation, size and frontage.

**Legal Characteristics-** Legal characteristics include factors that influence its ultimate use. These factors most frequently deal with issues of zoning, city limits, legal access etc.

The following sales were determined to be comparable in varying degrees with the subject property. These sales have been examined and confirmed by the buyer, seller, or a party knowledgeable to the transaction.

**SALE #1:**

**SALE DATE: 02/2009**

**STATE:** Montana

**COUNTY:** Powder River

**GRANTOR:**

**GRANTEE:**

**DOCUMENT:** W.D. Bk Pg Powder River Co.

**LEGAL DESC:** Powder River County, MT  
T S R E  
Sec. : All

**SALE PRICE:** \$144,000 **DEEDED ACRES:** 640.00

**\$/DEEDED ACRE:** \$225.00 **TOTAL ACRES:** 640.00

**TERMS:** Cash

**VERIFIED WITH:** Confidential

**LOCATION:** ~13 miles west of Biddle, Montana

**ACCESS:** No legal access.

**NEIGHBORHOOD:** Ranches

**ZONING:** Ag

**TOPOGRAPHY:** Rolling open hills some timbered breaks.

**VEGETATION:** Native pasture.

**FENCES:** Poor to fair.

**WATER:** Two reservoirs. Pipeline tank in NW corner with no use agreement.

**UTILITIES:** None.

**IMPROVEMENTS:** None.

**LEASES:** None.

**HIGHEST & BEST USE:** Grazing/ limited recreational use.

**COMMENTS:** Private treaty sale between two long time area ranchers. Seller had just bought out a partner & his motivation to sell was to reduce the debt he had to service. Buyer was adjacent landowner. Parcel is isolated and lacked county road access. The topography is undulating to open with some rough timber-covered ridges along the southern boundary and predominantly open along the northeast corner. Livestock water on site consists of 2 reservoirs (neither which is very dependable for stock water) and a stock tank on a pipeline with no recorded use agreement. This parcel is located about 13 miles west of Biddle and 35 miles southwest of Broadus.

**LAND MIX ANALYSIS:**

1)	Native Pasture	640.00 acres @ \$225/acre =	\$144,000
2)	Hayland	00.00 acres @ \$450/acre =	\$ 00,000
3)	Dry cropland	00.00 acres @\$450/acre=	\$ 00,000

4)	Non-fee range	00.00 AUM @ \$110/AUM =	\$ 00,000
5)	Site	00.00 acres @ \$450/acre =	<u>\$ 00,000</u>
	Subtotal Land		144,000

6)	Improvement Contribution		<u>\$000,000</u>
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	Total Sale Price		\$144,000
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**CALCULATED CAPITALIZATION RATE:** 1.83%

**Land Mix Adjustment:**

65.40 acres rangeland @ \$225/acre	= \$ 14,715
Total	<u>\$ 14,715</u>

Subject: \$ 14,715/ 65.40 acres	= \$225/acre
Sale #1: \$144,000/640.00acres	= \$225/acre
\$225 - \$225	= <b>-\$0/acre land adjustment</b>

**Time adjustment:**

Time adjustment is .75%/month or 9% per year, in this instance no time adjustment.  
= **+\$0/ acre time adjustment**

**Total Adjustment -\$0/ Acre**

Advantages for sale #1 are that it has slightly better stock watering capabilities than the subject. The location of comparable #1 is very similar to the subject parcel though is considered to be just slightly better in that it is not quite as isolated. There was no time adjustment made for this comparison because even though six months have passed since the sale, the recent economic downturn has caused there to be very few agricultural sales in the past year, and to apply the rate that was established prior to that for sales within the last year would be inaccurate. There is no need to adjust for building improvements, as none are present on either the comparable or the subject. There is also no need for a land mix adjustment since both parcels are entirely native grazing. Comparable #1 is slightly superior in that there is a fence around its perimeter that is in poor to fair condition whereas the subject fence is in better condition, it does not exist around the entire perimeter. All things considered, Sale #1 is considered equal to the subject property.

**SALE #2:**

**SALE DATE:** 12/2008

**STATE:** Montana

**COUNTY:** Powder River

**GRANTOR:**

**GRANTEE:**

**DOCUMENT:** W.D. Bk Pg Powder River Co

**LEGAL DESC:** Powder River County, MT  
T S R E  
Sec. :

**SALE PRICE:** \$80,000 **DEEDED ACRES:** 320.00

**\$/DEEDED ACRE:** \$350.00 **TOTAL ACRES:** 320.00

**TERMS:** Cash

**VERIFIED WITH:** Confidential

**LOCATION:** ~15 miles northeast of Broadus, Montana

**ACCESS:** No legal access. County road to within 1 mile, then a pasture trail to the property.

**NEIGHBORHOOD:** Ranches

**ZONING:** Ag

**TOPOGRAPHY:** Open, rolling grasslands in the Creek drainage.

**VEGATATION:** Native pasture.

**FENCES:** Average.

**WATER:** None.

**UTILITIES:** None.

**IMPROVEMENTS:** None.

**LEASES:** None.

**HIGHEST &  
BEST USE:** Grazing

**COMMENTS:** Sale from an absentee owner whose ancestors had homesteaded the property to an area rancher who had leased the property for many years. Livestock water is provided off site, there is no water available on comparable sale #2. There are no building improvements. The property is fenced into one pasture. There is no legal access. A county road is one mile distance to the east, then a ranch trail or two track from there to the property.

**LAND MIX ANALYSIS:**

1)	Native Pasture	320.00 acres @ \$250/acre =	\$80,000
2)	Improved Pasture	000.00 acres @ \$450/acre =	\$00,000
3)	Hayland/Farmland	000.00 acres @ \$450/acre =	\$00,000
4)	Non-fee range(BLM&ST)	000.00 AUM @ \$110/AUM =	\$00,000



5)	Site	00000 acres @ \$4500/acre =	<u>\$00,000</u>
	Subtotal Land		\$80,000
6)	Improvement Contribution		<u>\$00,000</u>
	Total Sale Price		\$80,000

**CALCULATED CAPITALIZATION RATE:** 1.76%

**Land Mix Adjustment:**

65.40 acres native rangeland @ \$250/acre	= <u>\$16,350</u>
Total	= \$16,350
Sale #2: \$80,000/320.00 acres	= \$250/acre
Subject: \$16,350/ 65.40 acres	= \$250/acre
\$250 - \$250	= <b>\$0/acre land adjustment</b>

**Time adjustment:**

Very current sale, no time adjustment.

**=\$0/ acre time adjustment**

**Total Adjustment = \$0/ Acre**

Advantages for sale #2 include that it is somewhat less remote and the perimeter is fenced. The fence is in average condition. In many other respects it is very similar to the subject, having similar soil types, terrain, limited stock water availability, and similar vegetative cover. As with comparable #1, it is a larger tract than the subject, but small acre parcels like this and the subject are not very common in the southeastern Montana market. Sale #2 is considered slightly superior to the subject property.

**SALE #3:**

**SALE DATE:** 02/2009

**STATE:** Montana

**COUNTY:** Powder River

**GRANTOR:**

**GRANTEE:**

**DOCUMENT:** W.D. Bk Pg Powder River Co

**LEGAL DESC:** Powder River County, MT

T S R E

Sec. :

Sec. :

**SALE PRICE:** \$50,000

**DEEDED ACRES:** 160.00

**\$/DEEDED ACRE:** \$312.50

**TOTAL ACRES:** 160.00

**TERMS:** Cash

**VERIFIED WITH:** Confidential

**LOCATION:** 1.5 miles southwest of Broadus, Montana

**ACCESS:** No legal access. County road to within 3/4 mile, then a private road into an adjacent landowner building site, then a pasture trail to the property.

**NEIGHBORHOOD:** Ranches

**ZONING:** Ag

**TOPOGRAPHY:** Open, rolling grasslands and some cottonwood trees in an old river channel of the Powder River.

**VEGATATION:** Native pasture. Some old farmland reclaimed to grass.

**FENCES:** Fair.

**WATER:** Powder River.

**UTILITIES:** None.

**IMPROVEMENTS:** None.

**LEASES:** None.

**HIGHEST &  
BEST USE:** Agriculture/recreation/grazing

**COMMENTS:** Sale from an absentee owner

The parcel is used as native rangeland with about 1/4 of it having some cottonwood trees in an old river channel from the Powder River. Livestock water is provided off site, there are no water rights available from the river for comparable sale #3. There are no building improvements. The property is fenced into one pasture. There is no legal access. A county road is 3/4 mile distance to the north, then a private road into the adjacent landowner building site, then a pasture trail or two track from there to the property. There is a substantial infestation of leafy spurge present on the sale property.

**LAND MIX ANALYSIS:**

1)	Native Pasture	160.00 acres @ \$312.50/acre =	\$50,000
2)	Improved Pasture	000.00 acres @ \$450/acre =	\$00,000
3)	Hayland/Farmland	000 .00 acres @\$450/acre =	\$00,000
4)	Non-fee range(BLM&ST)	000.00 AUM @ \$110/AUM =	\$00,000
5)	Site	00000 acres @ \$4500/acre =	<u>\$00,000</u>
	Subtotal Land		<u>\$50,000</u>

6)	Improvement Contribution		<u>\$00,000</u>
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Total Sale Price		\$50,000
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<b>CALCULATED CAPITALIZATION RATE:</b>	1.74%
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**Land Mix Adjustment:**

65.40 acres native rangeland @ \$312.50/acre	= <u>\$20,438</u>
Total	= \$20,438

Sale #3: \$50,000/160.00 acres	= \$312.50/acre
Subject: \$20,438/ 65.40 acres	= \$312.50/acre
\$250 - \$250	= <b>\$0/acre land adjustment</b>

**Time adjustment:**

Very current sale, no time adjustment.

**= \$00/ acre time adjustment**

<b>Total Adjustment</b>	<b>= \$0/ Acre</b>
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Advantages for sale #3 include that it is much less remote, the perimeter is fenced, and there is substantial livestock protection provided by cottonwood trees. It is inferior in that there is no stock water present on site and it does have a noxious weed problem with the presence of leafy spurge. Primarily due to its location in respect to Broadus, sale #3 is considered superior to the subject property, and was adjusted downward \$25 per acre as a result of this superior location. .

**SALE #4:**

**SALE DATE:** 02/2005

**STATE:** Montana

**COUNTY:** Powder River

**GRANTOR:**

**GRANTEE:**

**DOCUMENT:** W.D. Bk Pg Powder River Co

**LEGAL DESC:** Powder River County, MT  
T S R E  
 Sec. :

<b>SALE PRICE:</b>	\$500,000	<b>DEEDED ACRES:</b>	240.00
<b>\$/DEEDED ACRE:</b>	\$208.33	<b>TOTAL ACRES:</b>	240.00
<b>TERMS:</b>	Cash		
<b>VERIFIED WITH:</b>	Confidential		
<b>LOCATION:</b>	~4 miles northwest of Broadus, Montana		
<b>ACCESS:</b>	None.		
<b>NEIGHBORHOOD:</b>	Ranches		
<b>ZONING:</b>	Ag		
<b>TOPOGRAPHY:</b>	Open, rolling grasslands with scoria hills. Some rock outcrops on hilltops.		
<b>VEGATATION:</b>	Native pasture & scattered ponderosa pine.		
<b>FENCES:</b>	Fair. Less than ½ of perimeter fenced.		
<b>WATER:</b>	None.		
<b>UTILITIES:</b>	None.		
<b>IMPROVEMENTS:</b>	None.		
<b>LEASES:</b>	None.		
<b>HIGHEST &amp; BEST USE:</b>	Grazing/very limited recreation		
<b>COMMENTS:</b>	<p>Sale from an absentee owner to the rancher who had leased the property. The parcel was fenced in with another pasture owned by the buyer, so less than ½ of the perimeter of the sale property had a fence on it. The parcel is all native rangeland with scoria hills along the south border. Property is within 150 yards of highway in one spot, but has no legal access. There is no livestock water available on the parcel, livestock water is provided from a reservoir off the property. No building improvements or utilities present. There is leafy spurge present on the sale property. This property is within miles of the Broadus airport. Overall, sale #4 is considered superior to the subject due to better livestock protection, but primarily because it is located in a much less remote area than the subject property. Sale #4 is situated only 4 miles from Broadus, the county seat of Powder River County.</p>		

**LAND MIX ANALYSIS:**

1)	Native Pasture	240.00 acres @ \$208.33/acre = \$ 50,000
2)	Improved Pasture	000.00 acres @ \$450/acre = \$ 00,000
3)	Hayland/Farmland	000.00 acres @ \$500/acre = \$ 00,000
4)	Non-fee range(BLM&ST)	000.00 AUM @ \$110/AUM = \$ 00,000

5)	Site	00000 acres @ \$4500/acre =	<u>\$ 00,000</u>
	Subtotal Land		<u>\$200,000</u>
6)	Improvement Contribution		<u>\$00,000</u>
	Total Sale Price		\$50,000
<b>CALCULATED CAPITALIZATION RATE:</b>		2.37%	

**Land Mix Adjustment:**

65.40 acres native rangeland @ \$208.33/acre	= <u>\$13,625</u>
Total	= \$13,625
Sale #4: \$50,000/240.00 acres	= \$208.08/acre
Subject: \$18,312/ 65.40 acres	= \$208.08/acre
\$280 - \$400	= <b>\$0/acre land adjustment</b>

**Time adjustment:**

Time adjustment is .75%/month or 9% per year, in this instance 27% X \$208/ acre  
= **+\$56/ acre time adjustment**

**Total Adjustment = \$56/ Acre**

Advantages for sale #4 is the more attractive, less remote location within 4 miles of Broadus, so this sale was adjusted downward \$25 per acre for this location characteristic. In all other respects this parcel is very similar to the subject, having no legal access, no fence on a large portion of its perimeter and is used entirely for grazing. This an older sale so a time adjustment was made. However, there is no time adjustment for the last 18 months in which this ag land market has not increased at the .75%/ month rate.

**SALE #5:**

**SALE DATE:** 10/2007

**STATE:** Montana

**COUNTY:** Powder River

**GRANTOR:**

**GRANTEE:**

**DOCUMENT:** W.D. Bk Pg Powder River Co

**LEGAL DESC:** Powder River County, MT  
T S R E  
Sec. :

**SALE PRICE:** \$110,000

**DEEDED ACRES:** 239.13

**\$/DEEDED ACRE:** \$239.13 **TOTAL ACRES:** 460.38

**TERMS:** Cash

**VERIFIED WITH:** Confidential

**LOCATION:** ~12 miles north of Broadus, Montana

**ACCESS:** No legal access.

**NEIGHBORHOOD:** Ranches

**ZONING:** Ag

**TOPOGRAPHY:** Open, rolling grasslands in the Creek drainage.

**VEGATATION:** Native pasture.

**FENCES:** Average.

**WATER:** None.

**UTILITIES:** None.

**IMPROVEMENTS:** None.

**LEASES:** None.

**HIGHEST &  
BEST USE:** Grazing.

**COMMENTS:** Sale from an area rancher to a neighbor. Livestock water is provided off site, there is no water available on comparable sale #5. There are no building improvements. The property is fenced into one pasture There is no legal access. Native rangeland.

**LAND MIX ANALYSIS:**

1)	Native Pasture	460.38 acres @ \$239/acre =	\$110,000
2)	Improved Pasture	000.00 acres @ \$450/acre =	\$ 00,000
3)	Hayland/Farmland	000 .00 acres @\$450/acre =	\$ 00,000
4)	Non-fee range(BLM&ST)	000.00 AUM @ \$110/AUM =	\$ 00,000
5)	Site	00000 acres @ \$4500/acre =	<u>\$ 00,000</u>
	Subtotal Land		\$110,000
6)	Improvement Contribution		<u>\$00,000</u>
	Total Sale Price		\$110,000

**CALCULATED CAPITALIZATION RATE:** 1.91%

**Land Mix Adjustment:**

65.40 acres native rangeland @ \$239/acre	= <u>\$15,630</u>
Total	= \$15,630
Sale #2: \$110,000/460.38 acres	= \$239/acre
Subject: \$ 15,630/ 65.40 acres	= \$239/acre
\$250 - \$250	= <b>\$0/acre land adjustment</b>

**Time adjustment:**

Time adjustment is .75%/month or 9% per year, in this instance 4.5% X \$239/ acre  
= **+\$11/ acre time adjustment**

**Total Adjustment = \$11 Acre**

Advantages for sale #5 include that it is somewhat less remote and the perimeter is fenced. The fence is in average condition. Sale #5 is considered equal to to the subject property. Again, the time adjustment was not made on the last 18 months due there being no increase in sale prices measured during that time.

**SALE #6:**

**SALE DATE:** 03/2008

**STATE:** Montana

**COUNTY:** Powder River

**GRANTOR:**

**GRANTEE:**

**DOCUMENT:** W.D. Bk Pg Powder River Co

**LEGAL DESC:** Powder River County, MT  
T S R E  
Sec. :

**SALE PRICE:** \$230,000

**DEEDED ACRES:** 651.87

**\$/DEEDED ACRE:** \$353.00

**TOTAL ACRES:** 651.87

**TERMS:** Cash

**VERIFIED WITH:** Confidential

**LOCATION:** ~30 miles north of Broadus, Montana- miles west of Powderville, MT

**ACCESS:** No legal access.

**NEIGHBORHOOD:** Ranches

**ZONING:** Ag

**TOPOGRAPHY:** Open, rolling grasslands in the Powder River drainage.

**VEGATATION:** Native pasture CRP.

**FENCES:** Fair.

**WATER:** 1 reservoir.

**UTILITIES:** None.

**IMPROVEMENTS:** None.

**LEASES:** None.

**HIGHEST & BEST USE:** Grazing.

**COMMENTS:** Sale from long time rancher. Land use is 223 acres of grazing land with the balance of 428.87 in a CRP contract which is set to expire in 2010. Livestock water is provided off site, there is no water available on comparable sale #6. There are no building improvements. The property is fenced into one pasture with the CRP fenced separately. There is no legal access.

**LAND MIX ANALYSIS:**

1)	Native Pasture	223.00 acres @ \$262/acre =	\$ 58,452
2)	Improved Pasture	000.00 acres @ \$450/acre =	\$ 00,000
3)	Hayland/Farmland/CRP	428.87 acres @\$400/acre =	\$171,548
4)	Non-fee range(BLM&ST)	000.00 AUM @ \$110/AUM =	\$ 00,000
5)	Site	00000 acres @ \$4500/acre =	<u>\$ 00,000</u>
	Subtotal Land		\$230,000
6)	Improvement Contribution		<u>\$00,000</u>
	Total Sale Price		\$230,000

**CALCULATED CAPITALIZATION RATE:** 2.15%



### Land Mix Adjustment:

65.40 acres native rangeland @ \$262/acre	= <u>\$17,135</u>
Total	= \$17,135
Sale #7: \$230,000/651.87 acres	= \$353/acre
Subject: \$17,135/ 65.40 acres	= \$262/acre
\$262 - \$353	= <b>-\$91/acre land adjustment</b>

### Time adjustment:

No time adjustment.

**=\$0/ acre time adjustment**

### Total Adjustment

**= \$0/ Acre**

Advantages for sale #6 include that it has a large portion of the total parcel that is developed into production ground. It is currently CRP, but the buyer indicated that he will hay that ~428 acres when the CRP contract expires. It is fenced into two pastures. The fence is in fair condition. It is inferior in that there is no stock water present on site. Sale #6 is considered superior to the subject property, primarily due to the farm land, or CRP.

### Comparable Sale Adjustment Spreadsheet

Subject	Sale #1	Sale#2	Sale #3	Sale #4	Sale #5
State Parcel #539					
Sale Date 07/18/09	02/2009	12/2008	02/2009	02/2005	10/2007
Sale Price	\$144,000	\$80,000	\$50,000	\$50,000	\$110,000
Price/Acre	\$225.00	\$250.00	\$312.50	\$208.33	\$238.93
Deeded Acres 65.4	640.00	320.00	160.00	240.00	460.38
Total Acres 65.4	640.00	320.00	160.00	240.00	460.38
65.4					
Land Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Building Adjustmt	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Adj. Price	\$225.00	\$250.00	\$312.50	\$208.33	\$238.93
Time Adj.- .75%/Mo	0	0	0	36 months	12 months
Time Adj./Acre	\$0.00	\$0.00	\$0.00	\$56.00	\$22.00
Size	Larger	Larger	Larger	Larger	Larger
Size Adj.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Location	Similar	Similar	Similar	Similar	Similar
Location Adj.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Access/Other	Similar	Similar	Superior/River	Similar	Similar
Access Adj.	0	0	-30		
Stock Water	Similar	Similar	Similar	Similar	Similar
Water Adj.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net Adj.	\$0.00	\$0.00	-\$30.00	\$56.00	\$22.00
% Adjustments	0.00%	0.00%	-9.60%	26.88%	9.21%
Adj. Price/Acre	\$225.00	\$250.00	\$282.50	\$264.33	\$260.93
Net Income	\$2,635.00	\$1,408.00	\$870.00	\$1,185.00	\$2,101.00
Cap. Rate	0.0183	0.0176	0.0174	0.0237	0.0191
Value of Subject					
Indicated. (per acre)	\$225	\$250	\$283	\$264	\$261
Value of Sub. Total	\$14,715	\$16,350	\$18,476	\$17,287	\$17,065

### Comparable Sale Adjustment Spreadsheet

Subject	Sale #6	Sale#7	Sale #8	Sale #9	Sale #10
State Parcel #539					
Sale Date 07/18/09	03/2008				
Sale Price	230,000				
Price/Acre	\$352.83		#DIV/0!	#DIV/0!	#DIV/0!
Deeded Acres 65.4	651.87				
Total Acres 65.4	651.87				
65.4					
Land Adjustment	-\$91.00				
Building Adjustmt	\$0.00	\$0.00			
Adj. Price	\$261.83	\$0.00	#DIV/0!	#DIV/0!	#DIV/0!
Time Adj.- .75%/Mo					
Time Adj./Acre	\$0.00	\$0.00			
Size	Larger				
Size Adj.	\$0.00	\$0.00			
Location	Similar				
Location Adj.	\$0.00	\$0.00			
Access/Other	Similar				
Access Adj.					
Stock Water	Similar				
Water Adj.	\$0.00	\$0.00			
Net Adj.	-\$91.00	\$0.00	\$0.00	\$0.00	\$0.00
% Adjustments	-25.79%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Adj. Price/Acre	\$261.83	\$0.00	#DIV/0!	#DIV/0!	#DIV/0!
Net Income	\$4,945.00				
Cap. Rate	0.0215	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Value of Subject					
Indicated. (per acre)	\$262	\$0		#DIV/0!	#DIV/0!
Value of Sub. Total	\$17,124				

## Correlation of Comparable Sales

A total of six comparable sales were analyzed in order to establish value estimate for the subject property. Sale dates ranged from February of 2005 to February of 2009. There were 5 additional sales that were reviewed, including one of 2,398.71 acres that sold at a public auction. This land sold in 4 parcels to two separate buyers for an average of \$296/acre. This auction occurred in October of 2006. Another fairly recent sale was considered in the Hammond area of Carter County. It was approximately 7,000 acres with substantial public leases and substantial building improvements. The six sales illustrated do the best job of indicating value for the subject property. Although not one of them exactly mirrors the subject property, they all contain large degrees of similarity to the subject.

Variables used when evaluating comparable sales included date of sale, size of parcel, location, access, stock water distribution, fencing, general desirability, production capability, condition at time of sale, financing factors, and more. In order to perform a proper analysis, necessary adjustments were made for the pertinent variables when relating each individual comparable to the subject property.

All sales involved the transfer of **fee simple interest**. No definitive adjustments could be established for **conditions of sale**. All of the comparable sales reviewed in this report were purchased by nearby or adjacent landowners or their families for assemblage purposes. **Motivation** on the part of buyers is very difficult to objectively measure, particularly when considerations other than agricultural worth, such as hunting or recreational opportunities enter into the buyer's decision to purchase. No concrete adjustments were made for sale conditions, yet motivation on the part of the buyers and sellers was considered on an individual basis for each sale. It was determined that a time adjustment of .75% per month or 9% per year was applied to the comparable sales as was calculated from recent sale-resale properties in the area, as well as time trend analysis of other sales in the market place. This time adjustment has not been applied for time in the last year, as although the sales that have occurred during that time frame do not show a downward trend, there has been no increase in sale price of the few sales that have occurred in the past year. No adjustments were made for **legal** considerations.

Adjustments of the comparable properties to make them match the subject property are addressed on the Comparable Sales Adjustment Spreadsheet that is included in this report immediately following the Correlation of Comparable Sales. The most significant concrete adjustments generally are those for **location, building improvements, access, physical characteristics, time, and to a lesser degree, size**. All sales are very small land parcels. Smaller units typically sell for a higher per acre value than do larger units, all other factors held constant. However, recent trends in the market indicate that there is strength in the market for larger ranch properties and per unit adjustments are considerably less than they were even 4 years ago. Smaller acreage properties do command more value per acre in today's market in part because the majority of them are sold to adjacent landowners who are compelled to buy for assemblage purposes.

Location adjustment is primarily a function of ease of access to the properties. Although it is thought that some of the comparable sales lie in a more desirable location than the subject, no definitive adjustment could be calculated and therefore none was made for location.

Legal access is very often a characteristic that affects value to a large degree. In this analysis, all comparable sales used to establish value had no legal access similar to the subject property and therefore no adjustment was necessary for this characteristic.

Stock water capability was another characteristic considered in the analysis.

The land adjustment addresses differences in desirable production acres, which include dryland farm land, hay land, and irrigated land. Obviously, the more of these acres present in a property the more productive and in turn the more valuable. Recently in the market (within the past ~3 ½ years) land that contains pine or juniper trees has commanded more value than the production value due to its recreational use. Many of the comparable sales viewed had little adjustment made for this issue, because similarly to the subject, they were comprised entirely of native grazing land. Adjustment for land use and type is a substantial adjustment ranging from 0 to 91 dollars per acre. There was only one land adjustment made, which was on Sale #6.

Vegetation (trees), terrain, and river frontage was also considered and adjusted for based on other market information kept in the appraiser's files.

Building adjustment addresses the difference in value attributable to building improvements on each respective property. No building value adjustment was needed, as all comparable sales were vacant just as the subject is.

The time adjustment as was mentioned earlier was determined to be .75% per month. Adjustments for this category ranged from 0 to +56 dollars per acre, with adjustments made on sales #4 and #5. Again, there is no time adjustment done on the most current 1 ½ years due to the apparent stagnation of the market. No measurable appreciation in land values has been observed in that time frame.

Although all comparable sales are larger than the subject, no size adjustment was made. All of these sales are small smaller acreages in the marketplace, and no size adjustment could be determined within the size range analyzed.

The 6 comparable sales used in this analysis indicate an overall adjusted value of \$225.00 per acre to \$283.00 per acre. Comparable sales #1, #2, and #5, are the most comparable to the subject and when viewed separately create an even tighter range of value of from \$225 to \$261 per acre. The value established for the subject property is \$225 per acre. With exception of its larger size, comparable sale #1 is very similar to the subject in all other respects. This value places the subject at the lower end of the value range of the comparable sales reviewed.

### **Sales Comparison Approach**

As was mentioned in the Valuation Process, the Sales Comparison Approach to value as used in this report examines the sales of similar type properties that are then analyzed and compared to the subject for an indicated value. This is the most significant approach and in this appraisal problem is the only approach that will be used, since both the cost and income approaches are ineffective in this particular situation. No sales in the immediate area are exactly comparable to the property being appraised; yet adequate sales data was available for a comparable relationship. In every instance of the comparable sales, the property was acquired by an adjacent landowner. Similarly, the most likely buyer for the subject property would be an adjacent landowner.

### **Sales comparison Approach Valuation Summary**

1) State Land Parcel #539 65.40 acres @ \$225/acre = \$14,715

**Total Sales Comparison Approach (rounded)** = **\$14,715**

**FOURTEEN THOUSAND SEVEN HUNDRED FIFTEEN DOLLARS**

### **Cost Approach**

The Cost Approach to value is based on the premise that an informed purchaser would pay no more for a given property than the cost of producing a substitute property with the same utility, assuming there was no undue delay in time. This approach involves estimating the replacement cost new of the subject improvements, subtracting accrued depreciation, from all causes to arrive at a contributory value, and then adding the value of the subject site. This approach is most reliable when the improvements are relatively new and represent the highest and best use of the land. In this appraisal problem, there are no building improvement, so the cost approach is rendered ineffective. Value for the subject property is established entirely by the market approach.

**Cost Approach Valuation Summary-- NOT APPLICABLE**

### **Income Approach**

The Income Approach is a conversion of economic benefits into value and is based primarily on the property's productive capacity, requiring measurement of the property's income stream. The capitalization rate was established from the six comparable sales analyzed. The capitalization rates from the sales ranged from 1.74% to 2.15%.

Because the subject property and all comparables are so small, the motivation of a buyer does not generally consider the capitalization of an income stream in contemplating purchase of such a property. Instead, the buyer is more motivated to buy such a property as an add-on acreage in order to have a more manageable perimeter or because they have been leasing the property to be acquired prior to purchasing it or some other similar factor. The income approach is generally the least reliable in the valuation process, and is even less so in instances like the appraisal problem presented here. . An indication of value using the income approach would be very suspect, especially in view of the sensitivity of the mathematics involving a small net income and a low cap rate. For these reasons, the income approach to value has not been addressed in this report. Although it could possibly provide supportive information, the market approach is the most reliable method to value the subject property.

**Income Approach Valuation Summary-NOT APPLICABLE**

## **Reconciliation and Final Value Estimates**

The indication of Market Value by the various approaches to value used in this appraisal report are as follows (values include land and improvements):

Sale Comparison Approach	<b>\$ 14,715</b>
Cost Approach	<b>\$ N/A</b>
Income Approach	<b>\$ N/A</b>

The Sales Comparison Approach analyzes sales that require a number of adjustments. In this appraisal, the adjustments that were made were for land use, time, and river frontage. Although some comparable sales were viewed to be in more desirable locations than others, no definitive adjustment could be determined for this feature, so none was made. The time adjustment used was .75% per month and was necessary to apply on two of the comparable sales. Sale-resale properties indicated a strong upward trend in the market until approximately 18 months ago when the market flattened with very little activity in the market and no upward trend. The largest adjustments made on the comparable sales spreadsheet were for land adjustments and time. No paired sales could be selected for adjustments shown on the Comparable Sales Spreadsheet, yet relationships for adjustments shown are supported to a lesser degree as demonstrated overall by the comparable sales.

The Cost Approach is based on the premise that the informed buyer will not pay more for a property than the cost of construction of an equally desirable substitute with equal utility, less applicable depreciation. This approach was not used, as the valuation problem was for vacant land only, with no depreciable amenities.

The Income Approach is a conversion of economic benefits into value and is based primarily on the property's productive capacity, requiring measurement of the property's income stream. Again, because of the nature of the appraisal problem and that potential buyers of this property type are generally not motivated by the income potential of the land being acquired, the income approach was deemed unreliable and was not used.

In summary, there were a sufficient number of recently sold, similar properties discovered and verified. Sufficient sales in the market area were available to establish with confidence the indicated adjustments. Applying those adjustments in areas where necessary produced a very tight value range of from \$14,715 to 18,800. It is possible the subject's *precise* market value could fall anywhere within or near this value range. One final element of consideration required for a properly developed estimate of market value concerns *reasonable exposure time* and *normal marketing period*. These two concepts are defined as follows:

### **Reasonable Marketing Time**

The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.<sup>2</sup>

## Normal Marketing Period

“The amount of time necessary to expose a property to the open market in order to achieve a sale.”<sup>3</sup>

The fact that exposure time is always presumed to occur prior to the effective date of the appraisal is substantiated by related facts in the appraisal process or supply and demand conditions as of the effective date of the appraisal, use of current cost information, the analysis of historical sales (the sales sold after reasonable exposure and after completion of negotiations between the seller and buyer), and the analysis of future income expectancy estimated from the effective date of the appraisal. A normal marketing time assumes a sale *after* the effective date of the appraisal and is normally anticipated by most lenders. Lenders are concerned about their interest in the identified real estate even after the loan is secured. One significant difference does exist in that it must be specifically *assumed* that the market conditions through a marketing period would remain at least stable. Any change in economic conditions from the date of the appraisal and through an estimated normal marketing period could have an impact on the property's ultimate value once it sold sometime in the future. Therefore, it is again vital to emphasize that it must be *assumed* that marketing conditions remain unchanged through the estimated normal marketing period.

A reasonable exposure period and/or normal marketing period can be different for various types of real estate and under various market conditions. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient, and reasonable effort. Therefore, several other elements to the concepts of reasonable exposure period and normal marketing period are implied in the definition or:

1. The property is actively exposed and aggressively marketed to potential purchasers through marketing channels commonly used by buyers and seller of similar type properties.
2. The property is offered **at a price** reflecting the most probable markup over market value used by sellers of similar type properties.
3. A sale is consummated under terms and conditions of the definition of market value as used within this report.”

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3. Appraisal Standards Board of the Appraisal Foundation, adopted unanimously on Sept. 16, 1992.

The estimate of reasonable exposure or market periods is normally based on one or more of the following: (1) Statistical information about days on the market, (2) information gathered through sales verification, and (3) interviews with market participants. None of the assembled comparable sales used in this analysis had sufficient information to accurately determine marketing time. Based on discussions with listing and sales brokers, most sales in the southeastern Montana market take between 12 months and 4 years to market. Consequently, for the purposes of this report, the estimated marketing time for the subject property is expected to be very similar to the exposure times exhibited by a typical agricultural comparable sale, at 2 years.



The appraisal approaches in this report have produced an indication of market value of a 100% undivided interest in the fee simple estate of State Land Parcel #539. Taking into consideration all factors relating to the market and placing greatest weight on the value indicated by comparative sale #1 (the least adjusted, most similar sale to the subject property), as of July 18, 2009 of State Land Parcel #539, as is, is:

**Total "AS IS" Market Value**

**\$14,715**

**(FOURTEEN THOUSAND SEVEN HUNDRED FIFTEEN DOLLARS)**

**Hypothetical Condition-** *"Landlocked parcels,(parcels with no legal access), will be appraised with the hypothetical condition of having legal access and should be appraised as the property currently exists, which is without legal access,(as is)."* The appraiser was unable to arrive at a value for the subject property with a hypothetical condition of it having legal access. All comparable sales used had no legal access. The recent sales that were reviewed that did have legal access were substantially different than the subject in acreage, building improvements, land use, or a combination of these things. To generate a value on the subject as if it had legal access would have been misleading, so this assignment request was not performed.

If there had been sales available similar to the subject in physical characteristics (poor physical access, remoteness, lack of utilities, and a very atypical parcel size and shape) but with legal access, I would expect the sale price to be very similar. This is due to the fact that the adjacent landowner(s) is still the most likely prospective buyer of such a parcel of land with or without legal access. Therefore, hypothetically, the sale price of the subject property would be the same, in my opinion, with or without legal access.

### **Appraisal Certification**

I certify that, to the best of my knowledge and belief:

20. The statements of fact contained herein are true and correct.
21. No important facts affecting the values of this appraised property were knowingly overlooked or withheld.
22. The report analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analyses, opinions and conclusions.
23. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
24. The fee which I am to receive for this appraisal is in no way contingent with the values reported. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or approval of any proposed financing. The fee was calculated in accordance with my usual hourly rate, including all expenses incurred in the completion of the report.
25. This appraisal report conforms to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation, except for Departure Provision.
26. I am currently in compliance with the education requirements of the Montana State Board of Real Estate Appraisers.
27. I have made a personal inspection of the property that is the subject of this report.
28. No one provided significant professional assistance regarding value conclusions outside the person signing this report.
29. After weighing the factors herein reported and considering the Assumptions and Limiting Conditions contained herein, It is my opinion that Montana State Parcel #539 as of July 18, 2009 is valued as follows:

#### **"AS IS" MARKET VALUE:**

**FOURTEEN THOUSAND SEVEN HUNDRED FIFTEEN DOLLARS**

**\$14,715**

Respectfully submitted,

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Richard E. Sparks  
Certified General Real Estate Appraiser MT#387

## **ADDENDUM**