

Montana



DNRC-Richland Town site Summary Appraisal Report

Prepared for: Montana DNRC

Joseph M. Herbold
3/25/2011

3/25/2011

Montana DNRC
PO Box 201601
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In the following pages please find a Summary Appraisal Report on lands under the ownership of the Montana DNRC and Montana DNRC via reversion from Burlington Northern Railroad. The properties being appraised consist of 3 parcels located on the periphery of Richland Montana. Maps and other physical references to the parcels can be found in the Addenda of this report. Parcels 620 and 622 are both former BN right of way which have reverted to the state of Montana due to cessation of parcels 620 and 622 as rail road right of way. Parcel 621 is a portion of existing state lease #344 controlled by Russell Solberg. The portion which is the subject of this sale is Parcel 2A of COS 227.

The impetus for the land sale was initiated by Pro Co Op and P.L. Thievin and Sons.

After my review of the subject property and the available data it is my professional opinion that the market value of the subject properties as of the effective date of this appraisal (March 17, 2011) are:

Parcel #620: \$4,000

Parcel #621: \$4,000

Parcel #622: \$4,000

Respectfully,



Joseph M. Herbold
Montana Certified General Appraiser #91, License Expiration date 3/31/2011

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SUMMARY AND SALIENT FACTS

OWNER(S) OF RECORD:

Parcel 620: DNRC through reversion

Parcel 621: DNRC as a part of lease #7362 to Russell Solberg

Parcel 622: DNRC through reversion

APPRAISAL TYPE: Summary

DATE OF APPRAISAL: 1/24/2011 (date of last contract revision)

EFFECTIVE DATE OF APPRAISAL: March 17, 2011

DATE OF REVIEW: March 17, 2011

LOCATION: Adjacent to the town site of Richland Montana.

TOTAL DEEDED ACREAGE:

Parcel 620: 1.57 acres

Parcel 621: 5.48 acres

Parcel 622: 3.84 acres

PROPERTY UTILIZATION: Parking

IMPROVEMENT DESCRIPTION: Per instruction the parcels are to be considered as though unimproved.

SALES COMPARISON APPROACH VALUE:

Parcel #620: \$4,000

Parcel #621: \$4,000

Parcel #622: \$4,000

COST APPROACH VALUE: N/A due to unimproved status

INCOME APPROACH VALUE: N/A due to small size

FINAL ESTIMATE OF VALUE:

Parcel #620: \$4,000

Parcel #621: \$4,000

Parcel #622: \$4,000

CLIENT AND INTENDED USERS

Client(s) and intended user(s) of this report are State of Montana, the Montana Board of Land Commissioners, and the Department of Natural Resources and Conservation (DNRC). No other users are intended per Attachment A which is in the Addenda of this report.

INTENDED USE & PURPOSE OF APPRAISAL & DATE OF VALUE

The intended use and purpose of this report is the determination of the **CURRENT FAIR MARKET VALUE**¹

Current fair market value is the price that would be agreed to by a willing and informed seller and buyer, taking into consideration, but not limited to, the following factors:

- (1) The highest 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 take; and
- (3) Any other relevant factors as to which evidence is offered.

Date of value will be the last date of property inspection which was March 17, 2011.

¹ MCA 70-30-313

INTEREST APPRAISED

The interest appraised will be the fee simple interest of the property being appraised. Under hypothetical condition if under lease or license the property is to be appraised as though unencumbered.

Parcel #621 is a fractional portion of lease # 7362 and as such the hypothetical condition will apply.

HIGHEST AND BEST USE

Highest and best use has been defined as: 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 which must be met are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

In this situation the subject properties are all quite similar and lie in or near the same community of Richland Montana which is a former railroad water stop and is now a vacant community with only 2 families residing in the community. The community does have a large fertilizer plant and fuel distribution facility. There is a retail fuel operation also.

The community has no significant function beyond the Pro Co Op utilization. Except for the two full time families lots have little utilization. There are grain bins scattered throughout the community which are utilized by area farmers.

There is no municipal water or sewer in the community.

There is no commercial potential for the parcels. Parcel 621 might have a grazing potential of 2 or 3 aum's and based on the lease value of \$6.25 per aum would offer an estimated annual income potential of \$10 to \$15 based on grazing potential.

The potential of this community is so limited that the only perceptible uses for the tracts is either parking if vacant or grain storage if improved. Income potential is minimal. In this situation the only driving force would be the amenity of ownership by those who already have significant holding in the community.

It might be considered that the highest and best use is vacant land in wait for some future use.

SCOPE OF WORK

The scope of work will include only the Sales Comparison Approach to value. The cost approach will be unnecessary due to vacant status of the parcels. The size of the parcels is such that the income potential of the parcels is minimal and renders the income approach to value inapplicable. Specific scope of work per contract is included in the Addenda under ATTACHMENT A, Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program.

Per instruction the report will be a Summary Report. All hypothetical conditions and extraordinary assumptions will be described within this report.

To achieve that goal of a credible opinion of value data will be gathered from an area deemed to be of similar market influence. In this situation the areas of consideration have been the communities of Peerless, Flaxville, Four Buttes, and Whitetail in addition to Scobey. These communities are all similar to the subject in that they are either defunct railroad water towns or communities which are seeing significant decline. The attempt has been to find sales from these communities to assist in value determination in the Richland community.

Time frame of the market search has been up to 3 years due to the low level of market activity involved in the area and with the property type involved.

As a property with modest use and potential use minimal highest and best use discourse was necessary.

Extent to which the property is identified:

Legal description provided by the DNRC, as unrecorded surveys no public record of the specific parcels was available.

Physical characteristics: Found and derived from property review, aerial photos, topography photos, soils maps and records. Resources include, Montana DOR records, Montana DNRC records, USDA/NRCS soils maps.

Extent of data researched:

Sales data from the subject area or an expanded search area deemed appropriate has been gathered and analyzed. Sales deemed appropriate and suitable for use within this report have been applied.

Extent of analysis applied:

The value presented at the conclusion of this report will be based upon analysis of the sales data gathered and presented.

PHYSICAL CHARACTERISTICS

All three of these parcels bear the same characteristics. The parcels are in very close proximity and as such present physical traits or characteristics which are very similar. All three parcels are level. Parcels 620 and 622 are on vacated rail road right of way which has been presumed to be in DNRC ownership by reversion from Book 35 Page 539 dated 10-17-1925.

The language of this reversion clause reads “*** that whenever said lands herein granted as a right of way shall cease to be used for such purpose, the same shall revert to the state upon notice to that effect being given to the said grantee named herein.” A copy of the letter of notice from the state of Montana to Burlington Northern is included in the Addenda.

Montana DOR information has 4.14 acres for a parcel which is slightly larger than the combination of Parcels 620 and 622 combined. These two parcels have been surveyed and the greater reliance will be placed on the surveys in this situation.

The parcels could be used for any purpose although it is doubtful that the locale would present any options. Parcel 620 and 621 are both being acquired by Pro Co-Op. They do lie adjacent to their fertilizer facility and would present options for their use either in parking or expansion. It would be doubtful if the parcels would use for any other individuals. Parcel 622 is currently used as parking for Thieven and Sons. There would not appear to be any other use which would present itself.

ECONOMIC CHARACTERISTICS

The parcels involved in this report have minimal economic potential. Sizes are so small that the potential is modest at best. The parcel's value will be generated by value in use as well as the expected amenity of ownership.

Value of the parcels is minimal based on the gathering of sales data from similarly situated communities in the area.

Parcels 620 and 622 are a part of a larger BN right of way under assessor code #9000588000 with 2010 property taxes of \$1,239.70, the first half of which has been paid. The second half in the amount of \$619.78 is and payable by May 31, 2011. Parcels 620 and 622 would not be able to be transferred with unpaid property taxes. Following transfer the property taxes on the two parcels would be minimal.

LOCATION/LEGAL DESCRIPTION

The subject parcels are all located on the edge of Richland Montana which is an unincorporated community located in northeastern Montana. The location is in Valley County approximately 15 miles east of Opheim which is an incorporated community with a 2010 population estimate of 93. 2000 population was 111. This trend is indicative of most small rural communities in eastern Montana.

Parcel 620 and 621: A metes and bounds description as provided from an unrecorded COS #227, an amended plat of the Pro Co-Op Subdivision. This survey includes entire expected ownership by Pro Co Op of two parcels with 2.20 acres and 9.13 acres. The actual sizes of acreage being transferred is 1.57 acres and 5.48 acres. Copies of the surveys are included in the Addenda.

Parcel 622: This is a portion of former BN right of way which has reverted to the State of Montana under a reversion clause in a deed recorded in Valley County Book 35 Page 539 dated 10-17-1925. Entire parcel reverted is larger than the piece being appraised and described as the Thieven Subdivision in an unrecorded survey. This parcel has a size of 3.48 acres.

All the above parcels are located in the NE of Section 2; Township 35 North; Range 43 East.

The area would be considered to be remote. Scobey with a population of approximately 850 lies 30 miles from the subject properties. Other communities of significance are Regina Saskatchewan approximately 140 miles to the north with a population of approximately 180,000, Williston North Dakota 160 miles to the east with a population of 15,000 and Billings Montana 250 miles to the southwest with a population of approximately 105,000.

AREA DESCRIPTION AND MARKET TRENDS

The subject parcels are located in Northeastern Montana. The area is a strict agricultural area with crop production being the predominant use of the area. Richland is located on the Valley County/Daniels County border with the subject parcels being situated in Valley County. The entire area would be considered to be an agricultural area. Small grains and peas would be considered to be the primary crops of the area.

Population continues to decline throughout northeastern Montana. This creates less demand for small residential parcels.

Given the continual population decline of these rural areas it could only be considered that the market trends would be less than favorable and that future values could only decline. It is possible that values within these vacant communities are already near their lowest levels and that ownership desires would match potential sale prices. In many instances family members hang on to these lots as a link to family history and will not sell at any price. There will and does come a time when willing buyers find willing sellers.

The only function of lots in these communities is the amenity of ownership. In some instances the possible final goal could be ownership of the entire platted community at which time the community can be vacated.

So as population declines it would be reasonable to assume that demands and trends will decline, as mentioned it is possible and likely that the lowest valuation levels have been achieved.

OWNERSHIP AND USE HISTORY

Parcels 620 and 622 were originally state land which was granted right of way status to Burlington Northern in 1925. Recent vacancy of the BN track has caused reversion of the right of way to take place. The state of Montana could now be considered to be the owner of the property even though there has been no deed recorded. Should transfer take place it will be through Quit Claim Deed with no quiet title action taking place. Per instruction the parcels are to be appraised as though in private ownership and available to be sold in the open market.

Parcel 621 is a portion a state owned parcel which has been in state ownership since patent. Use has been agricultural grazing. A portion of the parcel has been encroached upon by Pro Co-Op and is used as parking for their fertilizer plant. Given the minimal level it would be doubtful if any value diminishment has taken place. In fact it could be considered that there is a value enhancement due to the modest site improvement.

PROPERTY TAXES

Parcels 620 and 622 are a part of a larger BN right of way under assessor code #9000588000 with 2010 property taxes of \$1,239.70, the first half of which has been paid. The second half in the amount of \$619.78 is and payable by May 31, 2011. Parcels 620 and 622 would not be able to be transferred with unpaid property taxes. Following transfer the property taxes on the two parcels would be minimal.

Parcel 621 is currently an exempt parcel. It would be considered that property taxes on this parcel would be quite modest.

ENVIRONMENTAL

No environmental concerns were noted.

The subject property is not for sale nor has it been for sale in the past 3 years. Subject location would suggest that should transfer take place it would be doubtful if sale would take place in the future.

Sales data is insufficient to offer an sort of marketing period. It would be probable that if placed on the market at reasonable levels property in these rural areas would sale to adjacent land owners. Properties in these rural areas would not have a significant number of willing buyers. As such marketing period would be at the whim of a local buyer.

Marketing period is an estimate of the length of time that may be necessary to sell a property at the appraised value immediately following the effective date of the appraisal. By contrast, exposure period is an estimate of the length of time a property would have been on the market prior to a hypothetical sale date and sale price at market value corresponding to the effective date of the appraisal and the appraised value.

Small rural communities have a very limited market and it appears that there is a stability despite the limited number of potential buyers. Time frames of exposure and marketing would be difficult to predict. If placed on the market it would be estimated that the exposure period would be under one year. Marketing period would be considered to be the same based on a value similar to the appraised value.

The rationale for the prior assumptions is based on the supposition that within small rural communities the few remaining owners do at some point intend to acquire as much of the platted town sites as possible and if land becomes available they are willing to purchase assuming price is reasonable.

DIRECT SALES COMPARISON APPROACH

The object of the sales comparison approach to value is to adjust similar sales based on the elements of the sales as they compare to a subject property. These elements can include:

- Property rights conveyed
- Financing, cash or in terms equivalent
- Conditions of the sale
- Location
- Physical characteristics
- Income potential
- Access and zoning
- Environmental considerations

As mentioned in the definition of market value, buyer and seller are well informed or well advised and both acting in what they believe to be their own best interests.

The objective of the sales comparison approach is to utilize the prior mentioned criteria and adjust properties to the subject to arrive at an estimated property value.

The more similar the properties and the fewer and lower the adjustments the greater the degree of reliability. Obviously the goal is to find similarly situated properties with similar use and desirability so as to minimize the adjustment process for credibility purposes. In this situation adjustments will be minimal. Land mix will not apply due to sales data which suggests sale value based upon acreage not on use.

Important in this approach are the principles of supply and demand which states that “the interaction between buyers and sellers constitutes a market”² and that increasing demand and reducing supply generally increases price but not necessarily in a proportionate manner and the principle of substitution which states “a buyer will not pay more for a property than for another which is equally desirable.”³

Generally the attempt is made to utilize sales which require little adjustment. The subject properties are all vacant with parcels 620 and 622 being used as parking and 621 being grazing as a portion of

² Appraisal of Real Estate, pg 33

³ Ibid, pg 35

the prior mentioned Solberg grazing lease. The future use of the lots would be parking or in the case of 621 possible development for a specific use by Pro Co-Op if acquired by them. There would be minimal use for any other party than Pro Co-Op.

Time is the next criteria to be applied if necessary. Data does not appear to dictate a time adjustment. It would be believed that the effects of time are minimal on small town land. Values are at such levels that value reduction would not be expected and as mentioned, value increase is limited due to minimal buyer interest.

Improvements will be the only adjustment made in this situation.

SALES DATA ANALYSIS

The sales data gathered offers a broad representation from the area which is by necessity more than by design. The communities involved are all quite small and it required all to find a sufficient number of sales with which to utilize for value development. It is believed that the communities are similar enough that the sales data need not be adjusted for location. It is believed that sale #5 resulted in a value which more closely resembles the small town sales data rather than the Scobey market. As such it has been included in the sales mix.

Sale #	Date	Size	Price	Amenity				Location
SALE 1	5/19/2010	1.77 acres	\$16,500	Bins & mobile home, well & septic				Richland
SALE 2	5/3/2010	8.12 acres	\$8,900	Old house, well septic				Flaxville
Sale 3	6/3/2010	7000 sf	\$500	Vacant				Whitetail
SALE 4	7/23/2010	13000 sf	\$4,500	2 bins				FourButtes
SALE 5	2/24/2011	15 acres	\$4,100	Vacant				Scobey

All the sales are from similarly situated small communities with the exception of #5 which was approximately 1.50 miles west of Scobey. Some of the sales had minor improvements and the following spreadsheet will offer values for the sales with improvement adjustments.

Sale #	Date	Size	Adjusted price	Amenity				Location
SALE 1	5/19/2010	1.77 acres	\$8,000	Bins & mobile home, well & septic				Richland
SALE 2	5/3/2010	8.12 acres	\$4,500	Old house, well septic				Flaxville
Sale 3	6/3/2010	7000 sf	\$500	Vacant				Whitetail
SALE 4	7/23/2010	13000 sf	\$3,300	2 bins				FourButtes
SALE 5	2/24/2011	15 acres	\$4,100	Vacant				Scobey

Sale #1 is in 2 parcels, a 1.02 acre parcel and a combination of lots consisting of 250' or what might be considered to be 5-50' lots. The one acre parcel could be considered at \$4,000 and the lots at \$4,000 or \$800 per lot.

Sale number 2 displays an 8.12 acre site at an adjusted \$4,500. It is the appraiser's consideration that given the data from sale 1 and sale 5 that there is not per acre value consideration to be made but that as a large residential parcel \$4,500 would be the upper limit of value for a preferred site with septic and well.

Sale 3 offers \$500 per lot for a vacant lot.

Sale 4 would be the equivalent of 3-50' lots and offers a value of \$1,100 per lot. Buyer motivation played a role in this purchase due to his ownership of other adjacent lots.

From a lot value the range offered by these sales is from \$500 to \$1,100 per 50' lot. The upper value range of any parcel is between \$4,100 and \$4,500.

The subject parcels in this situation do not have any utilities. Analysis would suggest an upper value limit of approximately \$4,000 for any of the parcels. The obvious question which would arise would be the difference between a 1.57 acre parcel, a 3.84 acre parcel, and a 5.48 acre parcel. Some would argue that the 5+ acre parcel should be approximately 4 times as valuable as a 1.57 acre parcel. The market data does not show that to be the case. The data suggests that excess land does not contribute to value. Given this argument it could be suggested that subdivision might be a viable option. It must be remembered that this area (small rural communities included) is not an active area. With minimal buyer interest the creation of additional parcels would most likely be unproductive.

If sale #3 square footage were divided into an acre it would be equivalent to approximately 6 lots. At the value derived of \$500 per lot this would offer a value estimation of \$4,000 for the approximate 8 lot size of parcel 620. The data offers that there would not be a reasonable value over that level for parcels in the size range of the subject parcels.

While it might be reasonable to consider that a 1.57 acre parcel should be worth less than a 5.48 acre parcel or a 3.84 acre parcel the market data does not support such consideration. The data offers that several lots in combination can and do contribute to value and that there is a point at which this accumulation of contribution diminishes or completely vanishes. Data offers that this level is at or near one acre which would consist of 5 to 6 residential lots of a standard 50' width. In this situation and sales data has displayed that acreage has values ranging from an estimated \$4,000 for a 1 acre parcel to \$4,100 for a 15 acre parcel. No significant difference between the two values.

The sales data does not show that a two acre parcel which would have a size comparable to 10 to 12 residential lots would have a value commensurate with the accumulation of 12 lots. Data does show that the value stabilizes in the \$4,000 range. While on the surface it would appear that smaller parcels should be worth less than a larger parcel it is not the case in this situation and it is the appraiser's opinion that each of the parcels would command the same value in an open marketplace. The market data offers that when dealing with parcels over an acre in or near small vacant rural communities the value range is from \$4,000 to \$4,500.

Given the data available it is the appraiser's consideration that the value of each of the parcels being considered in this report are governed by "site" value considerations and that their individual values are as follows:

#620: \$4,000

#621: \$4,000

#622: \$4,000

INCOME APPROACH

Size of the parcels involved , compounded with the remote rural location make income potential very limited for the subject parcels. As such the income approach to value is not considered to be viable in this situation.

COST APPROACH

As unimproved parcels the cost approach to value will be unnecessary in this situation.

ANALYSIS, CORRELATION AND CONCLUSION OF VALUE

The values from the approaches applied are as follows:

Sales Comparison Approach: Parcel #620: \$4,000
Parcel #621: \$4,000
Parcel #622: \$4,000

Cost Approach: Not applied

Income Approach: Not Applied

Only the sales comparison approach was applied in this situation. In each situation the parcels were unimproved and as such the cost approach to value was not necessary. In each situation the parcel size is such that income potential is so minor that the income potential would play no role in property value and as such the income approach to value was not applied.

A significant search area was involved in finding similarly situated parcels. It is believed that sufficient data was found and has been presented to offer a credible report.

The available data offered that parcels of a similar nature to the subject do not sale on a per acre basis but tend to have a “site” value with an apparent cap in the \$4,000 range.

After review of the available information it is the appraiser’s consideration that the market value of the subject property(s) as of the effective date of this appraisal are:

Parcel #620: \$4,000

Parcel #621: \$4,000

Parcel #622: \$4,000

CERTIFICATION OF APPRAISER

The appraiser certifies to the best of his knowledge and belief that:

The statements of fact contained in the following report are true and correct;

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions and conclusions;

I have no present interest or prospective interest in the properties which are the subject of this report, and have no personal interest or bias with respect to the parties involved;

My compensation is not contingent on an action or event resulting from the analyses, conclusions in, or the use of this report;

This appraisal assignment is not based on a requested minimum valuation, a specific valuation, or the approval of a loan;

My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice;

I have made a personal inspection of the properties which are the subject of this report.

A handwritten signature in blue ink that reads "Joseph M. Herbold". The signature is written in a cursive style with a large initial "J" and "H".

Joseph M. Herbold, Montana Certified General Appraiser #91

ATTACHMENT A

Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program

CLIENT, INTENDED USERS, PURPOSE AND INTENDED USE:

The clients and intended users are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC). The purpose of the appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject property and is intended for use in the decision making process concerning the potential sale of said subject property.

DEFINITIONS:

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

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

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.

PROPERTY RIGHTS APPRAISED:

State of Montana lands are always to be appraised as if they are in private ownership and could be sold on the open market and are to be appraised in Fee Simple interest. For analysis purposes, properties that have leases or licenses on them are to be appraised with the Hypothetical Condition the leases/licenses do not exist.

EFFECTIVE DATE OF VALUATION AND DATE OF INSPECTION:

The latest date of inspection by the appraiser will be the effective date of the valuation.

SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:

The legal descriptions and other characteristics of the state's property that are known by the state will be provided to the appraiser. However, the appraiser should verify, as best as possible, any information provided. Further, should any adverse conditions be found by the appraiser in the course of inspecting the property and neighborhood, or through researching information about the property, neighborhood and market, those conditions shall be communicated to the clients and may change the scope of work required.

ASSIGNMENT CONDITIONS:

The appraiser must be a Montana certified general appraiser, and be competent to appraise the subject property. The appraisal is to conform to the latest edition of USPAP, and the opinion of value must be credible. The appraiser is to physically inspect the subject property at a level that will allow the appraiser to render a credible opinion of value about the property. For those properties which consist of more than one section, the appraiser must at least view each section. The appraiser must have knowledge of the comparables through either personal inspection or with use of sources the appraiser deems reliable, and must have viewed the comparables or at the least the comparables' immediate neighborhoods.

The appraiser will consider the highest and best use of the subject properties. (Note: it may be possible that because of the characteristics of a subject property, or market, there may be different highest and best uses for different components of the property. Again, that will depend on the individual characteristics of the subject property and correlating market. The appraiser must look at what a typical buyer for the property would consider.) Soil classification, surrounding land uses, and the possibility of converting grazing ground to cropland should be considered.

Along with using the sales comparison approach to value in this appraisal, (using comparable sales of like properties in the subject's market or similar markets), the appraiser will also consider the cost and income approaches to value. The appraiser will use those approaches, as applicable, in order to provide a credible opinion of value. Any approaches not used are to be noted, along with a reasonable explanation as to why the approach or approaches were not applicable. The appraisal will be in a Summary Report format, that is, it will describe satisfactorily, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions. All hypothetical conditions and extraordinary assumptions must be noted.

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"). If evidence through reasonably recent sales of comparable properties is available in the subject's market or similar markets, provide the value of the subject property, as it currently exists without access. Include details of an adjustment in appraised value due to lack of access. If no evidence through reasonably recent sales of comparable properties is found in the subject's market or similar markets, and thus no "as is" value can be properly supported, then state such in the report. As with lack of legal access, adjustments for additional items such as lack of land improvements, etc. will be supported by analysis of the pertinent subject market data through sales pairings or other analytical methodology. In moderately to rapidly changing markets, historic information may not be as relevant as more current market information. (Note: Access typically consists of two parts; legal access and physical accessibility. The above references to access, hypothetical and "as is" are in regards to legal access. The physical accessibility to the subject parcel is to be appraised as it currently exists.) Legally accessible state lands are appraised as accessible only.

The appraisal on the state's lands must include state-owned improvements in the valuation, but exclude lessee-owned or licensee-owned improvements in the valuation. All appraisals are to describe the market value trends, and provide a rate of change, for the markets of each subject property. Comparables sales having sold within one year of the date of the appraisal should be used. Use of sales over three years old is discouraged. The comparable sales should be in reasonable proximity to the subject, within the same county or a neighboring county. This Scope of Work and Supplemental Appraisal Instructions are to be included in the appraiser's addendum.

MONTANA DNRC TRUST LAND MANAGEMENT DIVISION

Supplemental Appraisal Instructions

Subject Property Location, Legal, Characteristics, Access:

Parcels 620, 621, & 622 are located on the east side of the town of Richland, Montana. Parcels 620 & 622 consist of the abandoned Great Northern Railroad Right-of-Way. Parcel 621 is native rangeland leased for grazing also adjacent to the town of Richland. Parcels 620, 621, & 622 are all legally accessible from the Richland-Frazer Road, which runs from Highway 248 to Main Street in Richland.

Sale #	Acres	Legal (All in Valley County, Montana)	Lessee
620	1.57	1.57 acre parcel of land located in NE¼ Sec. 2, T35N, R43E	Pro Co-op
621	5.48	5.48 acre parcel of land located in NE¼ Sec. 2, T35N, R43E	Pro Co-op
622	3.84	3.84 acre parcel of land located in NE¼ Sec. 2, T35N, R43E	Theivin

Unit Office Contact Information:

Hoyt Richards - Glasgow Unit Manager
224 Sixth St. South
P.O. Box 1007,
Glasgow, MT 59230-1007
Phone: 406/228-2430
Fax: 406/228-2439

The following will be located in the body of the contract:

Each appraisal report will be one document containing the parcel data and the analysis, opinions, and conclusions of value(s) for each parcel. If deemed necessary by the contractor rather than including the specific market data in the appraisal report, a separate addendum may be submitted containing the specific market data as a stand-alone document, which must be reviewed and accepted along with the appraisal, and will be returned to the appraiser for retention in his/her files. The appraiser must submit an electronic copy as well as a printed copy of the appraisal report.

EASEMENT TERMINATION LETTER

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION



BRIAN SCHWEITZER, GOVERNOR

1625 ELEVENTH AVENUE

STATE OF MONTANA

DIRECTOR'S OFFICE (406) 444-2074
TELEFAX NUMBER (406) 444-2684

PO BOX 201601
HELENA, MONTANA 59620-1601

August 17, 2009

CERTIFIED MAIL NUMBER: 7008 1140 0004 3034 2409

Burlington Northern-Santa Fe Railway
%Jones Lange LaSalle
Attn: Camilla Dillon
3017 Lou Menk Drive, Suite 100
Fort Worth TX 76131-2800

RE: R/W Application No. 1871, Deed No. D-1379
Effecting a portion of NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$
Sec. 2, Twp. 35N, Rge. 43E
Valley County, Montana

Dear Ms. Dillon:

In accordance with Section 77-2-105, MCA, you are hereby notified that the State of Montana is hereby terminating the above referenced easement (see copy attached). All rights associated with this easement are hereby declared null and void and no longer valid.

Said easement, originally granted for a rail line right of way between Scobey and Opheim, Montana, has ceased to be used for said purpose and therefore is being terminated effective immediately.

Should you have any questions or feel this notice has been sent in error, please contact the DNRC Right of Way Section at 406-444-7431 immediately.

Sincerely,

Mary Sexton
Dep. Director

Mary Sexton, Director
Department of Natural Resources and Conservation

Enclosures

cc: Clive Rooney, Area Manager, Northeastern Land Office
Hoyt Richards, Unit Manager, Glasgow Unit Office

CENTRALIZED SERVICES
DIVISION
(406) 444-2074

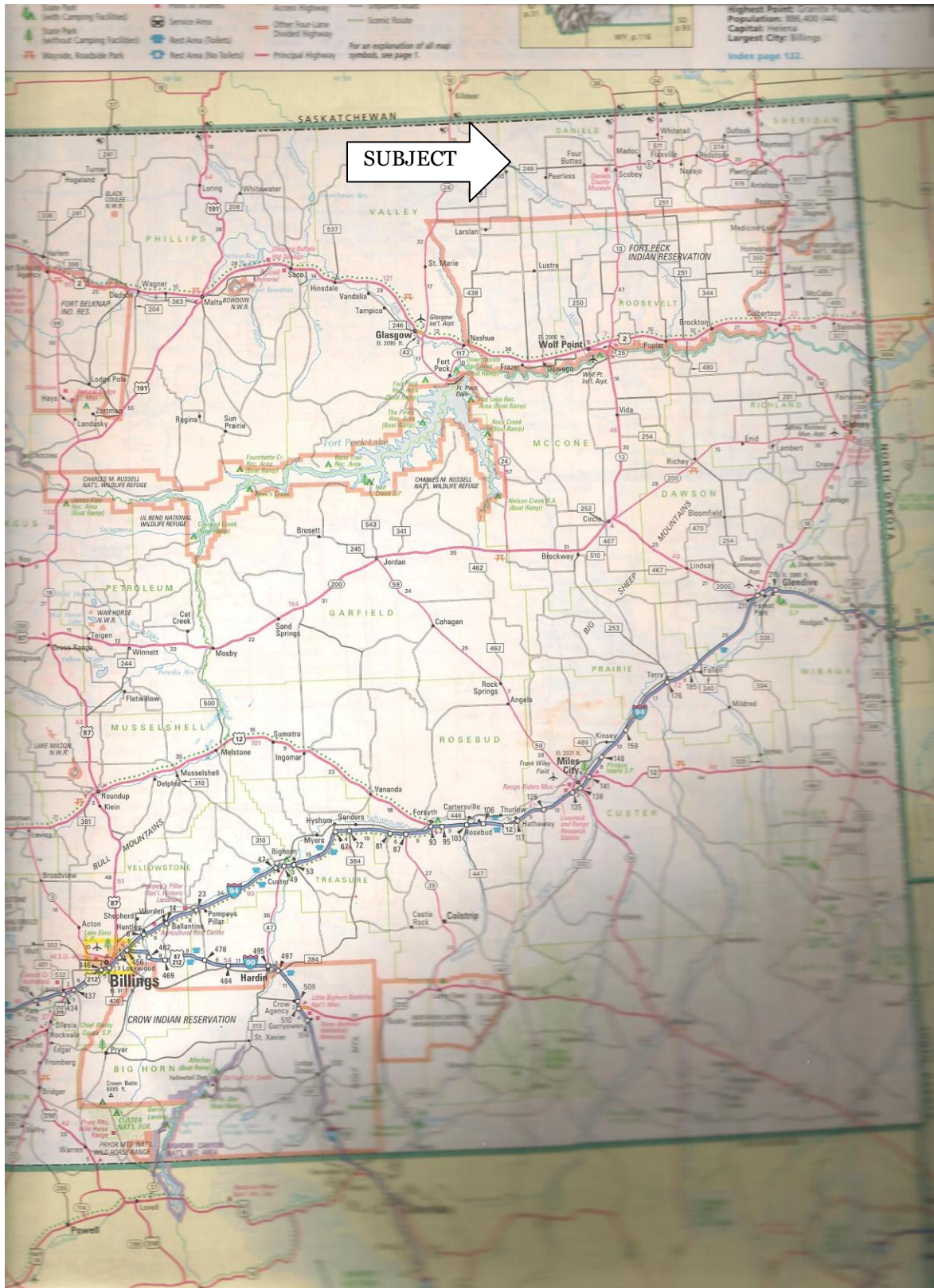
CONSERVATION & RESOURCE
DIVISION
(406) 444-6667

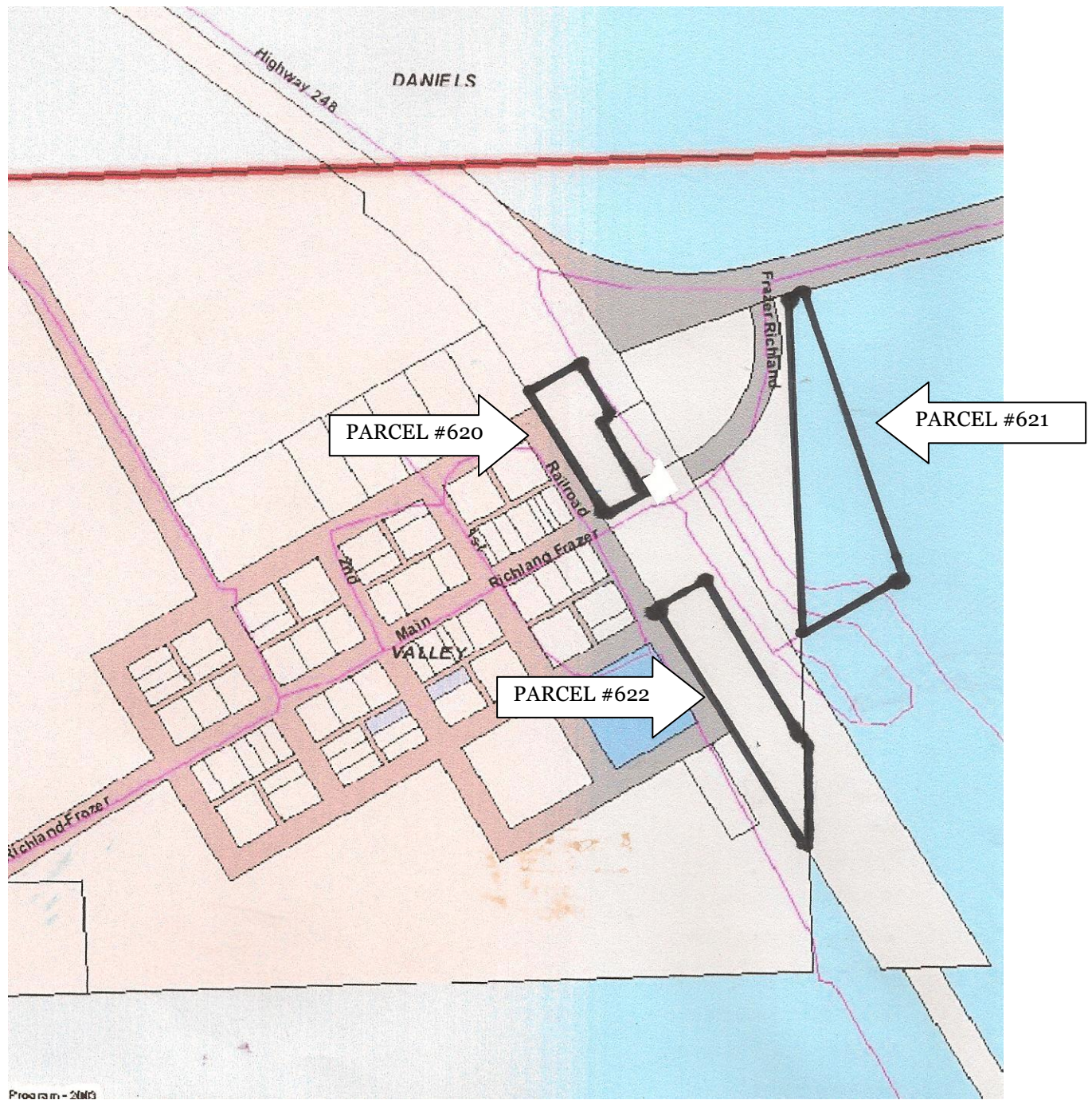
RESERVED WATER RIGHTS
COMPACT COMMISSION
(406) 444-6841

OIL & GAS
DIVISION
(406) 444-6675

TRUST LAND MANAGEMENT
DIVISION
(406) 444-2074

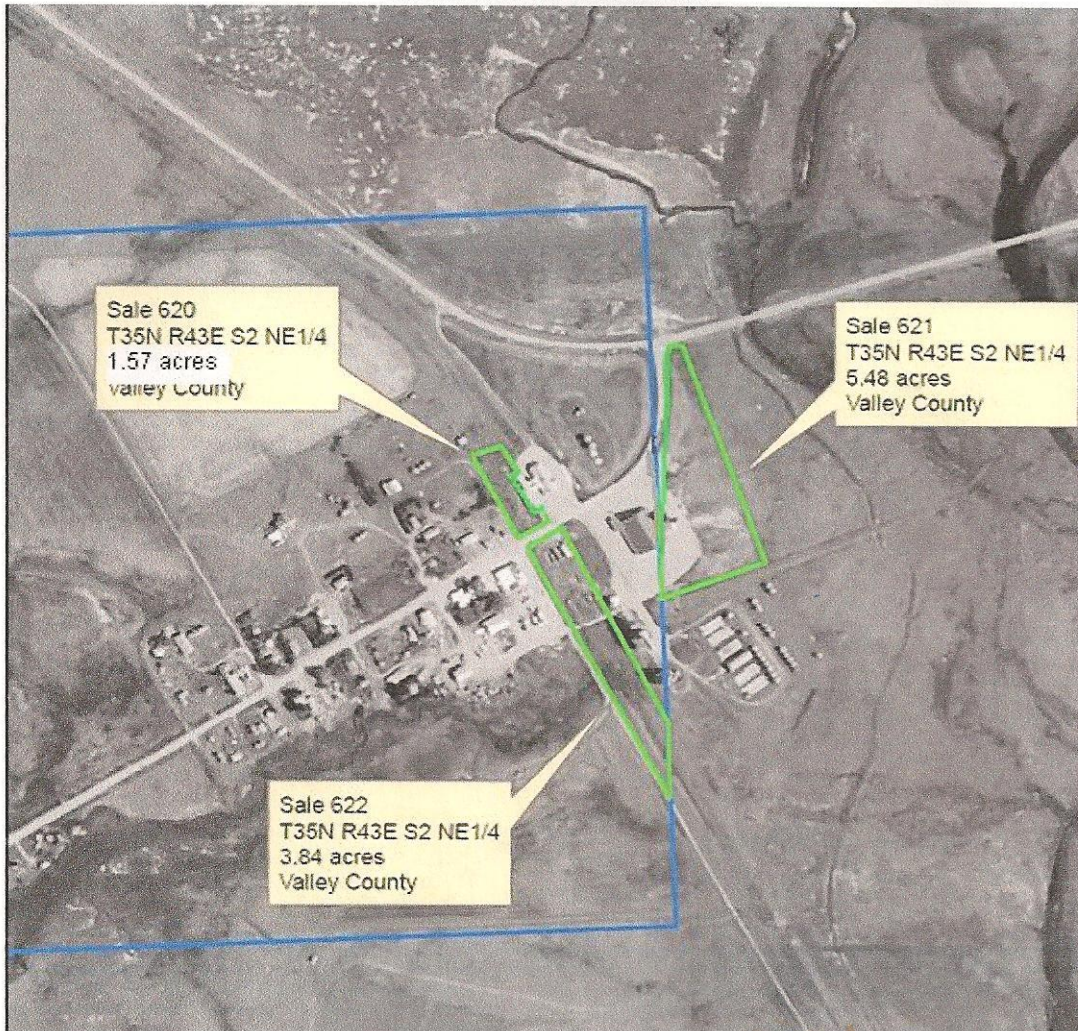
LOCATION MAP

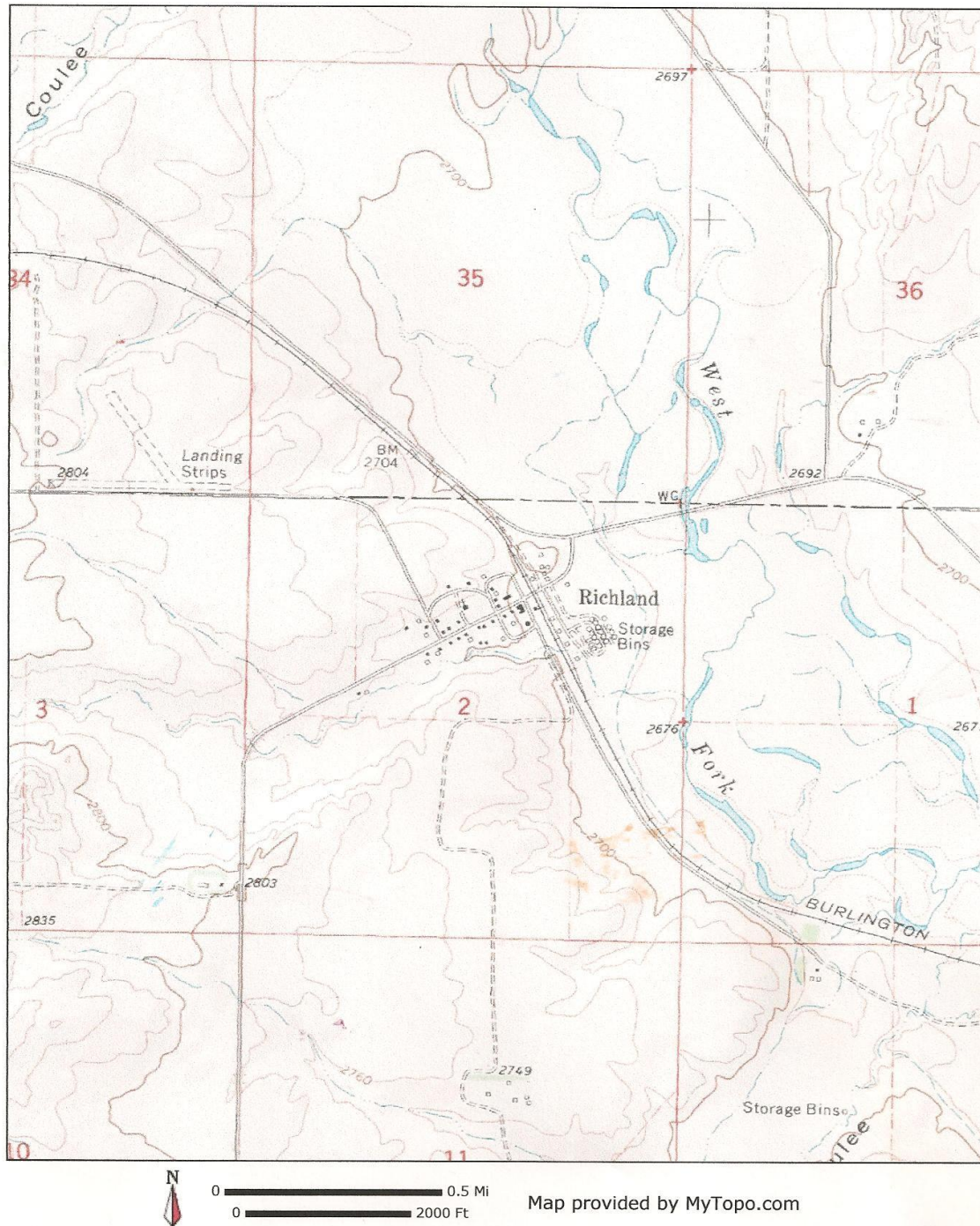


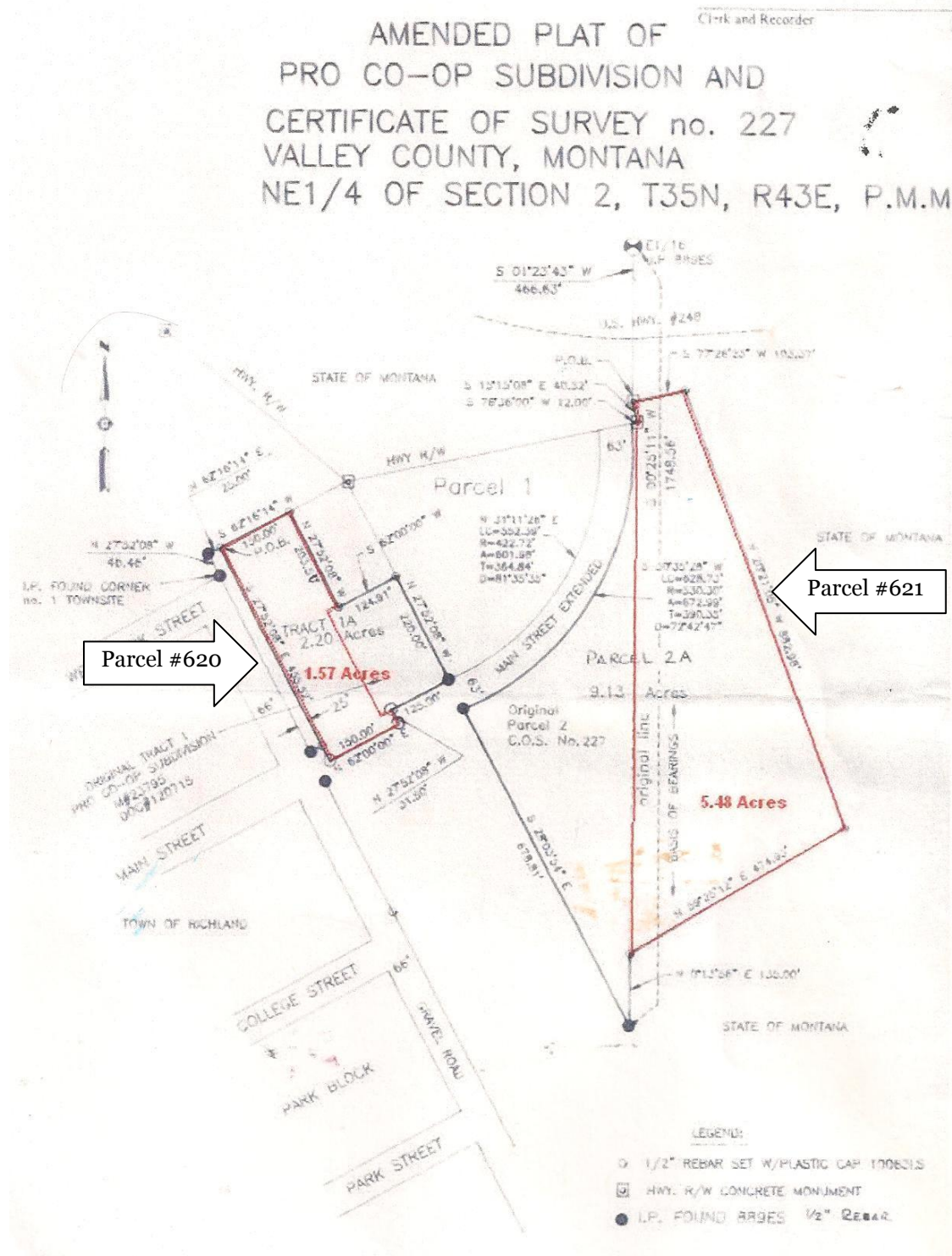


Diagrams above are estimations.

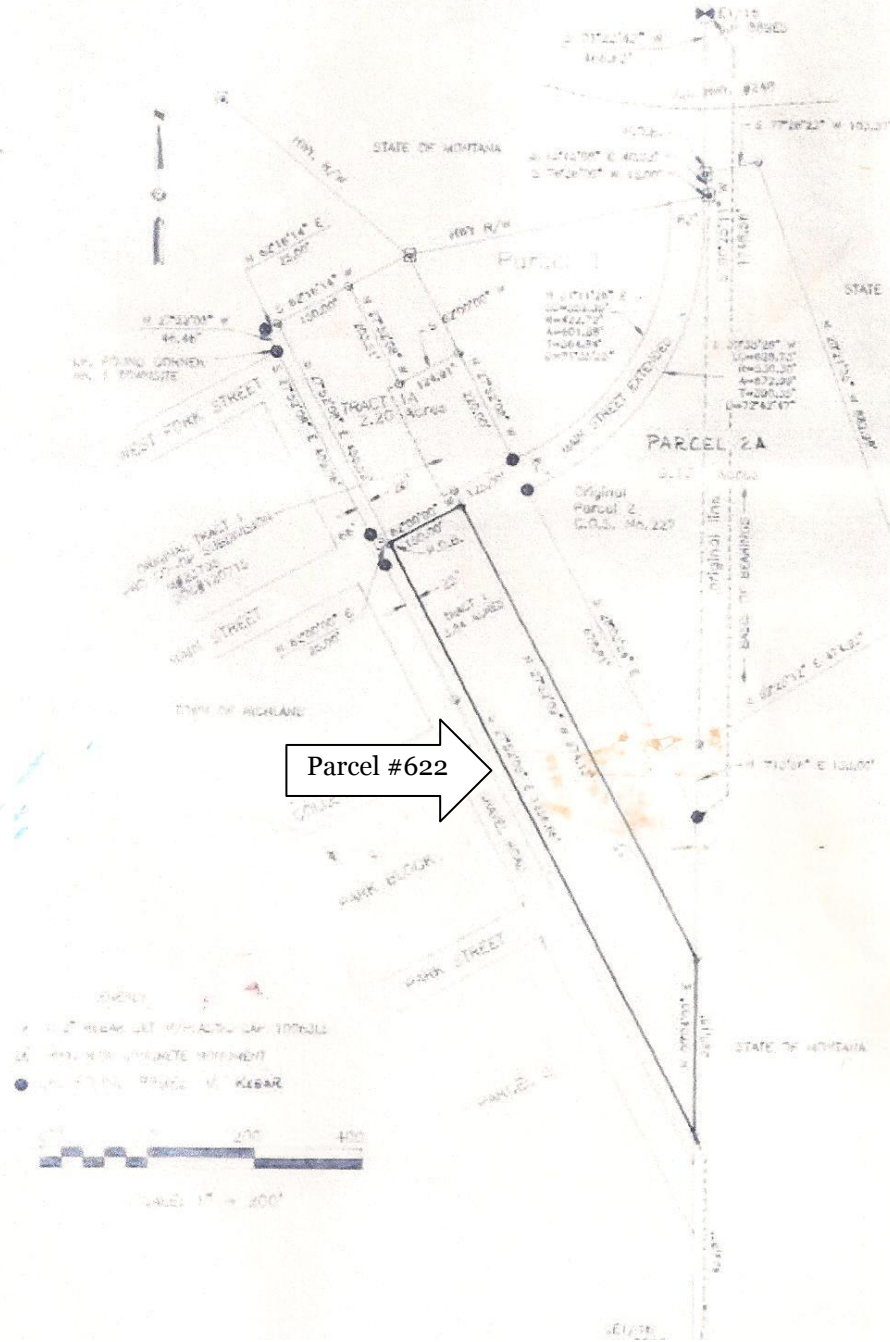
Townsite of Richland



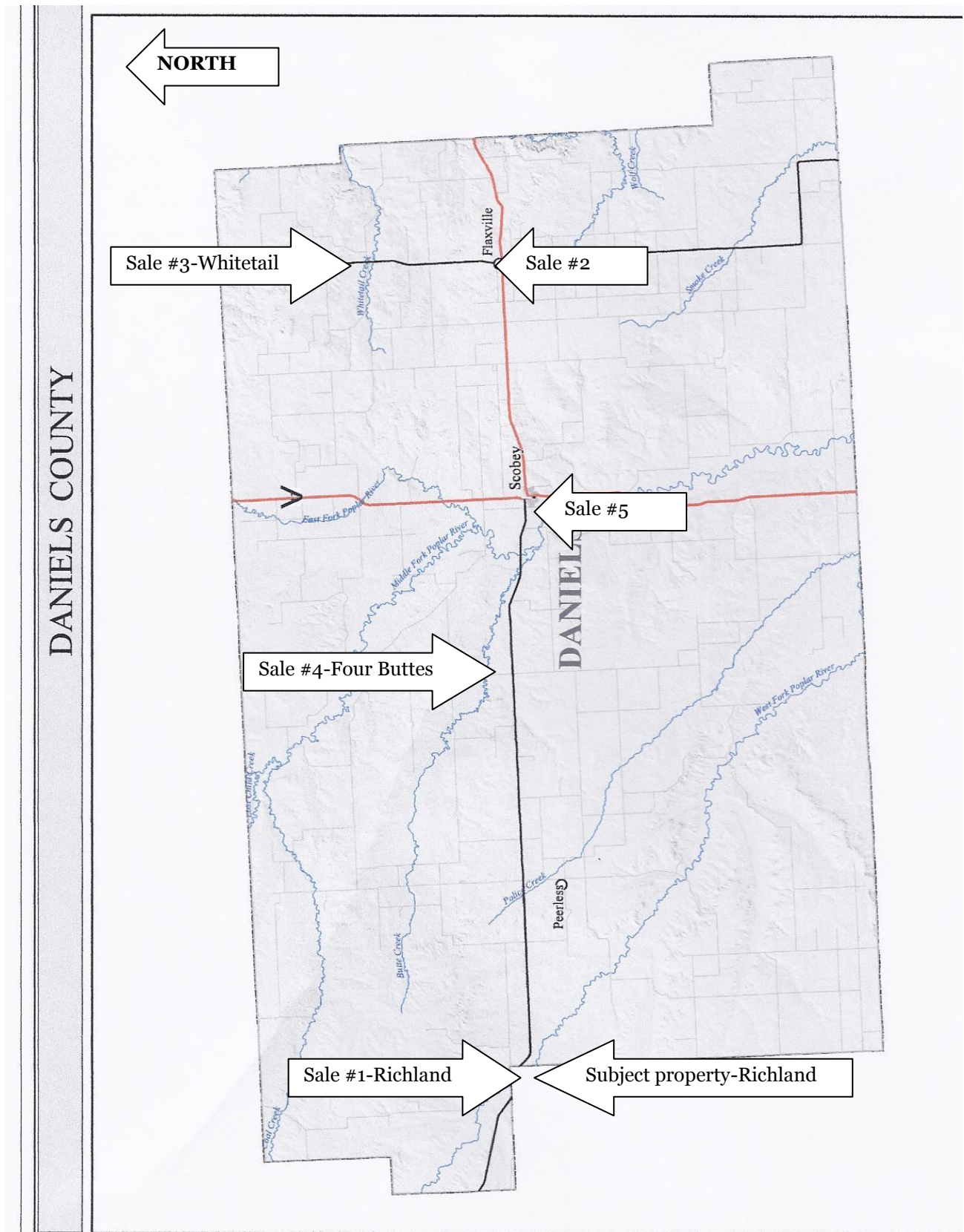




THIEVEN SUBDIVISION
 VALLEY COUNTY, MONTANA
 NE1/4 OF SECTION 2, T35N, R43E, P.M.M.



SALES LOCATION MAP(S)



SALES DATA

#1

Sale Price: \$16,500

Sale Date: 5-19-2010

Seller: Rodman Miller

Buyer: P.L. Thieven & Sons, Inc.

Recording data: Valley County Document #142122

Legal Description: Lots 8, 9, 10, 11, 12, 13, 14, 15; Block 4; Lot 9; Block 9 ; all in Original Town site of Richland. A tract of land located in the NWNE of Section 2-35-43 containing 1.02 acres

Improvements: 16,500 bushels of grain storage, older bins with concrete floors. 1982 16' X 60' mobile home in average condition.

This property is in three parcels in Richland, 50' X 130', 200' X 130', and 1.02 acres.

Improvement value estimated at approximately \$8,000 to \$9,000. Land value estimated at \$8,000 to \$8,500. Lots (50') estimated \$800 per lot or \$4,000. 1 acre parcel estimated at \$4,000. As could be seen from Scobey sales it would be considered that the 1.02 acre parcel would be the value even if the size were larger.

#2

Sale Price: \$8,900

Sale Date: 5-3-2010

Recording data: Daniels County Document #223358

Seller: Corwyn Nelson

Buyer: Roger and Jill Rasmussen

Legal Description: An 8.12 acre parcel located on the west edge of Flaxville MT

Improvements: Older dwelling on the land. Buyer estimated that the house could be lived in with some work. He stated that a new roof had been added between 6 and 10 years ago.

Flaxville is located 12 miles east of Scobey which would place it at 42 miles east of the subject. Location is not as much a factor as is community size (72 and going down).

Improvement value estimated at approximately \$4,500. Land value estimated at \$4,500. Site value estimated at \$4,500.

#3

Sale Price: \$500

Sale Date: 6-3-2010

Recording data: Daniels County Document #223418

Seller: Tom Southland

Buyer: Dennis & Sandra Smith

Legal Description: Lot 3; Block 4; Whitetail , 50' X 140'. Located in Whitetail Montana

Whitetail is located approximately 10 miles north of Flaxville. The community did have some potential and optimism when the Whitetail border crossing was on the political radar. The project has been canceled and the community will most likely fall into the same realm as other dying/dead small communities of eastern Montana.

Comments: Buyer indicated that he bought the house and two lots but that he was offered that additional lot for an additional \$500 and accepted the offer.

#4

Sale Price: \$4,500

Sale Date: 7-23-2010

Recording data: Daniels County Document #223619

Seller: Kelly Pratt

Buyer: Brian and Sharon Hagan

Legal Description: Lots 3, 6, 7; Block 1; Original Town site of Four Buttes.

Improvements: 2-3000 bushel bins with concrete floors.

Four Buttes is located approximately 15 miles west of Scobey, or 15 miles east of the subject. The town came into existence as a shipping stop with a grain elevator. The community never did see any growth.

3 lots separated by an alley. Buyer indicates that he was approached by seller. Buyer does own adjacent land in Four Buttes and it seemed reasonable to purchase. Grain storage estimated at \$.20 per bushel or \$1,200 leaving land value at \$1,100 per lot or a total value of \$3,300 for the total parcel value.

#5

Sale Price: \$4,100

Recording Data: Closing to take place prior to April 11, 2011

Seller: Davis

Sale Date: 02/24/2011

Property Address: 1.50 miles west of Scobey MT

Legal Description: A parcel of land south of Highway 248 in the SE of Section 8, Township 35 North, Range 48 East

Size: Approximately 15 acres per available data.

Scobey is located approximately 30 miles east of the subject.

Amenities: Unimproved, This is a piece of land which was former highway right of way which was reverted back. Parcel is a narrow strip between Highway 248 and railroad right of way. Configuration may have resulted in what appears to be a below market sale.

SUBJECT PHOTOS

#620



Looking south into parcel 621 from Highway 248.



Looking south into parcel 621 from Highway 248.



Looking west into parcel #622.



Looking west into parcel #620.



Looking east into parcel #622, elevators are not a part of the parcel.



Looking north into parcel #621 between the sets of tanks.

APPRAISAL LICENSE

STATE OF MONTANA		Specialty:
Department of Labor and Industry		
Board of Real Estate Appraisers		
This verifies the below named is currently licensed as a		
Certified General Appraiser		
License #:	91	Active
Expires:	03/31/2012	
JOSEPH M HERBOLD		
PO BOX 239		
JORDAN, MT 59337		

VERIFY YOUR LICENSE AT

• LicenseLookup.mt.gov

RENEW YOUR LICENSE AT

• LicenseRenewal.mt.gov